

EXECUTIVE SUMMARY

PURPOSE OF THIS REPORT

This report is the first in a series that will examine the implications of the EC Single Market for Canadians.

This particular report, by Business International, deals with the "Effects on Europe." The report consists of two parts. One part outlines the main legislative changes taking place in Europe that will affect the policies of European governments and the framework for doing business in the EC. The other part is based on a survey of 425 executives of large European, North American and Japanese firms active in the EC.

This Executive Summary highlights the main findings contained in the report. It also includes a special section which identifies a number of broad considerations that Canadian businesspersons should consider in defining their future strategies (both offensive and defensive) with respect to the new Europe.

MAIN FINDINGS

A. EFFECTS ON EUROPEAN LEGISLATION

External trade

Although the EC maintains that it will be the most open trading power in the world, even after 1992, repeated EC calls for reciprocity in market access and for preserving the balance of advantages in the GATT have raised concerns to the contrary. However, as yet, there has been no concrete evidence of increased protectionism by the Community in the manufacturing or service industries -- apart from aggressive EC use of the anti-dumping weapon.

One of the EC priorities for 1992 is a common import policy. This will be required to prevent Member States from introducing de facto illegal measures in an attempt to protect sectors no longer shielded by regulations. The Community's various trade-policy instruments -- the safeguard clause, the "new commercial policy instrument" on unfair trade practices, and particularly anti-dumping rules -- will take on much more importance in the future. New target countries and products will be identified, as well as the applications of these rules to the service sector.

There will be an increased focus on local content and rules of origin. It is likely that definitions will be refined in order to define rules of origin as the place where "the most substantial process" rather than where the "last substantial process" occurred.

As 1992 approaches, the six EFTA countries will move as close as possible to EC membership. However, the EC will not entertain any new applications for membership until 1992, and it is unlikely that EFTA will be allowed to develop de facto membership as a bloc.

Foreign investment

Foreign investment will continue to be welcome in Europe, especially operations that make a clear contribution to the economic wealth of the area and include either significant employment or transfer of technology. EC Member States will become stricter and more selective about investment incentives.