

EUROPE 1992:

Implications for Canada

There has never been a time when Canadian companies have been more interested in looking for business partners in the European Community (EC). That is because Canadian firms are keenly aware of the need to respond to the creation of an EC Single Market in 1992 by working with EC-based companies to establish joint ventures, strategic alliances, technology transfer programs, and related investment initiatives.

True, Europe 1992 is primarily an internal measure, aimed at sweeping away the remaining restrictions on the movement of goods, capital, services and people to make the EC a truly common market. But the effects of the measure will go far beyond the borders of Europe and will present major challenges and opportunities for Canadian business. Europe 1992 will allow Canadian companies easier access to all EC member states, but may require increasing investment in European operations, or establishing strategic alliances to take full advantage of the new rules. The Single Market will open up new markets for Canadian firms, in telecommunications for example, but will also increase competition in Europe, in third countries and in Canada's own domestic market.

More than 200 000 Canadian jobs depend on trade with Western Europe. Canadian exports to the EC in 1988 totalled \$10.7 billion. There was an annual growth rate of 18 per cent over the preceding two years in what is one of Canada's fastest-growing global markets.

Canada, therefore, has a vital stake in maintaining a fundamentally healthy economic



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relationship with its second-largest trading partner after the United States. Though agriculture and fisheries are two areas where Canada and the EC have differences, overall economic relations are very healthy. In fact, Canada is the only non-European nation to have signed a framework agreement with the European Community on commercial and economic co-operation. The agreement, signed in 1976, encourages industrial co-operation in investment, joint ventures, consortia, licensing, technology transfer and scientific co-operation.

Promoting Canadian Interests

To build on this solid base, External Affairs and International Trade Canada (EAITC) has taken a two-pronged approach to ensure the promotion and defence of Canadian interests in the integrated European market. First, EAITC has refined and augmented its programs of assistance and counselling for the business

community. Second, some major new elements have been added to existing programs.

To help Canadian firms assess the implications of Europe 1992, EAITC has sponsored a series of studies, focusing on how the EC market will change, and on what the effects will be on 12 Canadian industries. Additional sectorally focused reports are being prepared in other areas that offer promise for Canadian business. Together with the provinces, EAITC is also co-sponsoring a series of cross-Canada conferences on Europe 1992, involving high-profile experts from both the Canadian and European public and private sectors.

More than just providing information, EAITC also assists Canadian firms in developing the kind of relationships with EC companies that will enable both sides to benefit. This assistance is provided under the Going Global program, a five-year, \$93.6 million package of initiatives aimed at boosting Canada's trade readiness in the EC and around the world.

Europe's aerospace, automobile, biotechnology, environmental, financial services, food and drink, and information technologies sectors have all been identified as areas that hold particular promise for Canadian firms wishing to expand their European presence. Finding strategic partners in those sectors is particularly useful for small- and medium-sized Canadian firms that cannot afford a strategy of multiple acquisitions. EAITC encourages such companies to find an appropriate EC partner to work with over the long term in such areas as reciprocal distribution arrangements for market penetration (in the case of complementary products), co-operative manufacturing arrangements, and joint efforts in third markets.

EAITC assists Canadian companies in identifying where such an approach makes sense and then draws on the experience and expertise of Canadian trade commissioners in the EC to find the right partner. Strategic alliances can be established through research and development consortia, joint ventures, licensing and/or cross-licensing agreements, cross-manufacturing agreements, co-marketing or joint production. The type of partnership defines the range of benefits.

Science and Technology

Perhaps the most fruitful type of EC-Canadian alliance involves the exchange of technology and/or expertise. And EAITC supports the efforts of firms and research organizations to obtain the most advanced science and technology (S&T) wherever possible, and to bring it back to Canada for development.