The need to conform to divergent technical regulations discourages parallel imports to take advantage of the sizeable price differentials between car markets. These differentials are caused partly by artificially differentiated markets and partly by differing value-added taxes (VAT); they are enforced by protectionist standards. National technical certification procedures help to control compliance with the national quantitative restraints that Italy, Spain, France, and the United Kingdom apply to Japanese automobiles.

Implications for Canadian Trade and Investment Relations

Canadian companies that are interested in the European market will want to monitor three developments: type approval measures, third-country automotive treatment, and mutual recognition of testing and certification.

Europe has not traditionally been a large export market for Canadian vehicles or parts. Essentially, Canadian manufacturers are interested in preserving preferred access to the North American market. With a few notable exceptions, these manufacturers are not established in Europe, and many are not entitled to sell there owing to restrictions by a parent company. The larger integrated vehicle manufacturers established in Canada closely monitor EC developments concerning standards, regulations, and other potential trade barriers.

At present, North American products can be modified for testing and certification by one of the qualified European testing organizations. It is essentially a question of economics whether Canadian manufacturers decide to absorb the costs of producing Canadian products to meet European standards or, conversely, adapt to them only as required on a model-by-model basis.

Chrysler Canada is the only major vehicle exporter to Europe. Modifications to meet European national standards are controlled by Chrysler U.S.A. and are performed in the U.S. for vehicles assembled in either the U.S. or Canada.

Pharmaceuticals

Within the EC, the pharmaceutical industry is subject to a high degree of government regulation. The admission of new products to national markets is strictly controlled. Proof of safety, effectiveness, and quality is universally required. The necessary regulation occurs on a national basis, although with a considerable degree of uniformity, owing to the various Directives issued by the EC Commission since 1965. But while much progress has been made in establishing the basis for a common approach to pharmaceuticals within the EC, it is questionable whether that approach is workable, with the possible exception of administrative procedures.

Among other things, the European Council has adopted Directives on:

- pharmaceuticals pricing transparency, whose aim is to make procedures for granting marketing authorizations and for admitting pharmaceuticals to social security reimbursement schemes more open; and

- biotechnology and high-tech goods, which call for a coordinated procedure at the EC level to examine the authority to merchandise the products in the EC.