

5. OPPORTUNITIES AND RISKS

5.1 For Firms that Are "Present"

- Firms that have subsidiaries in Europe will be able to enjoy an administratively simplified operating environment and an expansion of their feasible market as non-tariff barriers are reduced or eliminated. Their only concern is that they may not sufficiently exploit the growth produced by Europe 1992 and, as a result, may find themselves vulnerable to loss of market to, or takeover by, firms that have more successfully exploited Europe 1992.
- Firms that currently export to Europe are also likely to profit from growth in the EC market and will also experience some spillover of the advantages of simplified administrative procedures (e.g. packaging and labelling) and harmonization of product standards. None interviewed for this study thought they would be any worse off in these respects after 1992. Exporters of commodity or specialty chemicals, in particular, are unlikely to be any worse off as a result of Europe 1992.

But, for manufacturers of products for which licensing and registration are critical -- particularly pharmaceuticals and biotechnology -- there is the risk

that the application of licensing and registration procedures will discriminate between EC and non-EC producers. If that happens, even if there is some elimination of administrative barriers and simplification of product registration for them, their relative competitive position will worsen as the opportunities for their Europe-based rivals will further improve.

5.2 For Firms that Are "Not Present"

There is no evidence that Europe 1992 will make it harder for firms to break into the European market in the future. Even if the Single Market creates a still larger number of internationally competitive European firms there will still be profitable openings to be exploited within Europe. Consequently, the fact that some Canadian firms have no plans to enter Europe in the near future because they currently see better export opportunities in the United States or the Third World does not mean that they will be barred from entering later.

However, such firms should not assume that Europe 1992 has no relevance for them. Many observers expect one of the principal effects of the changes will be the strengthening of EC firms in markets outside Europe, including within North America itself. There is evidence of that already happening in the plastics industry.