

On the other hand, once standards have been met, their goods will be able to circulate in all EC countries.

Moreover, as in the case of meat regulations, the new EC norms on food products will probably be adopted at the international level. In this case, expenses incurred by Canadian firms to meet EC norms could prove to be highly cost-effective.

Should we conclude from all this that after 1992, the EC will be more protectionist than it is at present? We do not believe this to be the case.

Europe 1992 means harmonization of norms and standards in all EC countries, modernization of food product distribution, and greater standardization in consumer habits, which will eventually be comparable to North American consumer tastes. In other words, Europe 1992 is likely to create a new food product market of 325 million people, with market characteristics far more similar to the North American market than is currently the case. All this should make the EC increasingly attractive to Canadian firms.

4.2 New Ability of European Firms to Penetrate Canada's Domestic and Export Markets

Despite the fresh attraction the new European market could represent, it is highly probable that most Canadian firms will accord priority to the U.S. and Asian markets. Export statistics support this. All the exporting firms surveyed for this study consider the U.S. as their principal export market, by a wide margin. Moreover, more than half of these firms have no interest in the European market and are not preparing for Europe 1992. Europe 1992 will not succeed in diverting their interest from such priorities, or if it does, only to a marginal degree. As a result, in most cases, Canadian firms will not be affected by the first group of effects.

On the other hand, they are likely to be far more strongly affected by the second

group of effects, that is, those concerned with European firms' new competitive capacities. As previously noted, Europe 1992 will likely result in major movements towards concentration. Such concentration, which will be fostered by the freer movement of capital, as well as by concentration in retail sales networks and standardization in consumption habits, will allow European firms to profit from appreciable economies of scale, and thus reduce production costs and significantly increase efficiency. These movements towards concentration are already well on their way in several sectors.

In this new context, European firms are likely to show far more interest and prove far more aggressive in the export markets. Moreover, their new size will make foreign investment much easier for them. Already well established in Canada's imports of dairy products, bakery products, spirits and wine, they will certainly endeavour to increase their share of the Canadian market, either by exporting more or directly investing here. The 1984-1988 evolution of Canada's imports from the EC already reveals rising imports from several product groups (see Table A4). With their new competitive capacities, this trend will certainly become even more marked. As well, considering that in certain respects Canadian consumption habits may be moving closer to European tastes, and considering the Canada-U.S. free trade deal, European firms will likely become more interested in acquiring a foothold on the North American market via Canada.

Rising European imports, increasing European investment and takeovers in Canada, and a growing market share on the part of European firms in Canadian export markets: these are some of the likely effects of Europe 1992 liable to have the greatest impact on Canadian firms in the agri-food sector.