Canadian-owned firms will probably have a chance to acquire some business in Europe if they have a subsidiary in the Community. It should be noted, however, that a number of moves have already been made and that firms are growing larger and stronger. Firms have established contacts with the procurement entities of each European government. An alliance with European firms, in specific sectors where Canadian technology is comparable to the European one, would then be the best way to progress in this market. The prime targets for alliance are firms nationally oriented or protected by the state since they already have a regular client.

In the electrical equipment subsector (power hand tools), imports supply more than half the domestic market. Canadian firms, with the exception of a few large ones, are not internationally competitive; it would appear that very few opportunities will open up with Europe 1992.

Firms should concentrate on improvements in the North American market to compete with European firms that are exporting aggressively in Canada.

In the small and integrated horsepower motors sector, exports to the EC are minimal. This trend is unlikely to change given the well-developed European industry. An increase of the European presence is foreseen in Canada since European companies will achieve new economies of scale and will thus be able to support export costs more easily. It would be hazardous for Canadian integrated horsepower motor companies to expand (by opening a new branch) in Europe since the competition in that market is already ferocious.

Electrical wire and cable products are largely frozen out of European markets because of utility purchasing practices and standards requirements. Europe 1992 will open up opportunities in this area, since community standards and purchasing policies will be adopted.

However, for Canadian firms to succeed in this area in the Community, they will need a presence in Europe. There are three main reasons for this: such products cannot support ocean-going shipping costs because of the low value-weight ratio; the purchasing policies will permit firms in the EC to take part in the bidding; and companies would be able to take advantage of the large market with a small geographical territory. This should make a change from Canadian sales whereby the industry is geographically fragmented. This area is dominated in Canada by three companies — Canada Wire and Cables, Northern Telecom and Phillips Cables Ltd. — of which the first two are Canadian. Canadian products that are competitive internationally are the higher technological products, such as power and telecommunication cables. Companies manufacturing these products in Canada are the most likely to enjoy success in the Community.

c) Material Handling and Construction Equipment

This is a mature subsector, with 106 enterprises in Canada, mostly controlled by U.S. subsidiaries. There are very few large Canadian companies. During the past five years there has been an important increase in exports to the EC, mostly from U.S. subsidiaries.

Technology and worldwide markets are the two most important variables in the material handling equipment subsector. European companies are becoming stronger, and it would appear that this trend will continue with the rationalization under way.

In order to remain competitive, smaller Canadian firms will need to develop strategies involving technology transfers, international licensing and joint ventures, and modern production methods. Canadian firms must find a way to increase their size in the country. They will need to