

# 1. INTRODUCTION

## Background and Purpose

The European Common Market first began in 1957 with the signing of the Treaty of Rome. The treaty resulted in the elimination of custom tariffs between member states, but numerous non-tariff barriers remained in place.

In 1985, European Community (E.C.) countries began negotiations to build a true Single European Market by the year 1992 (see Exhibit #1). The goal was to remove all barriers to the movement of goods, services, labour and capital. The initiative is not limited only to these four areas, but also includes new, common policies in areas of shared jurisdictions on R&D, environment, air transport, business mergers, energy, regional development, university cooperation, social rights and cultural cooperation. Exhibit #2 highlights the changes that will occur as a result of the Single Market.

The program called for the adoption of 282 legislative measures. To date, all 282 legislative measures have been introduced before the European Commission: over 60 percent have been approved. As a result, the economic, cultural and political landscape of the European community is being dramatically transformed.

The Single Market is an all encompassing program which is creating the world's largest trading centre. In 1990, for the first time, the Gross National Product (GDP) of the E.C. surpassed that of the U.S. and the E.C. replaced the U.S. as the largest recipient of direct foreign investment.

The E.C. market is of great importance to Canada: it is our second largest trading partner. Canadian exports to the E.C. totalled \$11.5 billion in 1990, and imports \$15.6 billion. Although Canadian exports are still largely based on resource sectors, the manufacturing of goods has risen to almost 20 percent of the total exports. These exported goods include machinery, equipment and high technology.

Canadian direct investment in the E.C. has risen from \$4.8 billion in 1983 to \$17.8 billion in 1990. During this same period, direct investment in Canada by the

E.C. rose from \$13 billion to \$30.2 billion. Next to the U.S., this establishes the E.C. as Canada's largest source of, and destination for, direct foreign investment.

The importance of Western Europe to the Canadian economy will only increase with the creation of a Single Market. The free movement of imports between E.C. countries, the need to fulfil the technical standards of one E.C. country only, as opposed to each one, and the sheer size of the Single Market create a huge new trading partner; more than just a sum of its parts. The Single Market presents tremendous opportunities for Canadian companies to gain entry, and/or to expand operations, in the Western European marketplace.

Environmental protection (EP) goods and services represent one important segment of the business opportunity in Western Europe. The purpose of this report is to demonstrate the size of that market in Western Europe, to illustrate the successes which Canadian EP companies are having in it and to recommend marketing approaches for Canadian industry.

## Format of this Report

There are five parts to this report. This, the introductory part, presents the background and purpose to the report. The second part gives some definitions and observations concerning the environmental protection market. The third part summarizes recent estimates of the market in Western Europe for environmental protection goods and services. This is the "demand" part of the report, i.e. it presents estimates on what Western European countries are likely to spend on environmental protection over the next decade. The fourth part of the report, the "supply" side, reports on Canadian industrial domestic strengths in environmental protection goods and services. The fifth section, entitled "Succeeding in the European Market", reports on a number of Canadian companies which have succeeded in breaking into the sophisticated Western European market. Suggestions are made for successful strategies based on the experiences and comments of a number of Canadian Trade Commissioners in some of the prime markets in Western Europe.