compensation or "juste retour" have yet to be finalized. These questions and others should be addressed and put to vote in the near future. Until then, and for several years to come, numerous political and economic obstacles will have to be overcome before a European defence market can be developed, since European defence production and procurement are still fragmented into more than 10 national markets. However, it appears that all governments and industries involved are convinced of the necessity of this market and will take steps to overcome the obstacles.

A variety of restructuring moves form part of the movement toward the creation of a European defence industry. Presently, we are witnessing a greater number of collaboration programs, international purchases and a redistribution of the property of many companies in the defence electronic industry. Canadian industry will have to show greater vigilance with respect to these initiatives since they apply to Canadian exports in market niches where Canadian industry has a strong technological lead. Impacts on Canadian defence exports in the short and medium term should be minimal. However, the European procurement defence markets might open up only to IEPG member countries and hence remain closed to foreign suppliers.

In the long term, even if a unified and harmonized European market appears more attractive, the effect of the ongoing restructuring of the European industry may make it more difficult for the Canadian industry to complete in the European market as well as in third markets.

With regard to urban and inter-city transport industry, it must be noted that the directive COM (89) 380 concerning procurement procedures also applies to this sector.

The European mass transit (rail and subway) industry, of which the railway sub-industry is the best example of a de facto national monopoly, is managed by operators (many of them state owned) that are closely tied to the state. Domestic manufacturers (some of them state owned), are also closely tied to their respective national operators and have long enjoyed purchase policies steeped in nationalism.

On the whole, it can be expected that such nationalist considerations will continue to influence purchasing policies in this industry. The opening of public procurement to all EC companies will present new opportunities for joint-ventures and sub-contracts to highly specialized, large EC companies. This will be especially true for the large projects expected for the planned European high speed rail network. The opening of public procurement markets per se, however, will have very limited impact on the relatively few Canadian exports to the EC.

In the sub-industry of buses, over 300 entities have a fleet of over 50 buses, which operate within urban and inter-city networks throughout the Community.[80] In most cases, these companies belong to state or local government organizations. With the exception of the United Kingdom and Portugal, each country fills its procurement requirements from domestic suppliers. Some of these suppliers are state-owned companies. Despite the willingness, opening up procurement markets in this sector is unlikely to occur in the medium term, particularly since it might be impossible for some state-owned domestic suppliers to address intra-EC competition. All in all, the opening of public markets in this sector will have little or no impact on the Canadian industry, since it does not export to Europe.

2.3 Industrial Restructuring

The impact of European industrial restructuring is expected to be about the same for the three industries, except perhaps for the defence industry, where it will be more pronounced.

The elimination of borders between the Community countries will result in increased competition in the European industry, a process that has already begun. Part of the reaction has been an increased number of mergers and acquisitions. With respect to the aerospace and urban and inter-city transport industries, rationalization and co-operation have been commonplace for some years now. In the defence industry, the restructuring movement is more recent.

The aerospace industry is already largely globalized and organized on a Pan-European basis through