

fully from the opening of EC markets, may be required to establish operations in the Community or develop strategic alliances with EC-based companies.

Canadian companies may also find that the removal of legal and institutional barriers to competition in the EC is increasing their potential exposure to the Community's competition rules. EC competition authorities are actively enforcing these rules in previously highly restricted areas of the European economy. Canadian companies that may be affected should be aware of possible differences between the Canadian and EC competition policy treatment of restrictive trade practices such as territorial restrictions.

2. Public Policy Implications

The developments discussed in this report entail important concerns for Canadian public policy development. The efforts that are being made to establish open and competitive European markets will increase the competitive pressures on many areas of the Canadian economy. The European companies that will emerge from these markets are likely to offer formidable new competition for Canadian businesses not only in EC markets, but also in Canadian, U.S. and other markets. In addition to other possible advantages, these companies will have the benefit of assured access to integrated European markets of up to 340 million people.

Against this background, Canadian economic development will increasingly depend on the adoption of outward looking policies rather than policies that focus solely on domestic markets. The relatively small Canadian market, by itself, will be less effective in the future at generating companies that are able to compete successfully in world markets which include more efficient EC competitors. Accordingly, bilateral and multilateral trade arrangements, such as the GATT and the Canada-U.S. Free Trade Agreement, that provide Canadian businesses with access to larger markets will be even more important for Canadian competitiveness.

A related trade policy issue that has frequently been raised is the possibility that the Europe 1992 initiative will create new barriers to trade between the Community and third countries. This does not appear to be an immediate concern