INTRODUCTION

The European Economic Community, now called the European Community, was established in 1957 by the Treaty of Rome. The six original signatories (France, the Federal Republic of Germany (F.R.G.), Italy, Belgium, Luxembourg, and the Netherlands) undertook to eliminate barriers to the movement between them of goods, persons, services, and capital. In the 30 or so years since 1957 the EC countries (now including the United Kingdom (U.K.), Ireland, Denmark, Greece, Spain and Portugal, as well as the original six) have eliminated tariffs on each other's industrial goods and largely opened labour markets to each other's nationals. With the European Monetary System (EMS) they have also taken steps to reduce the extent to which currency fluctuations constitute an obstacle to intra-EC trade, although the U.K., Portugal, and Greece still remain outside it. The result is a tariff-free area that covers not only the 325 million people of the EC countries but, for industrial goods, has been extended to include the countries of the European Free Trade Association (EFTA) -- Finland, Norway, Sweden, Switzerland, Austria and Iceland.

But the effect of the removal of tariffs on the freedom of trade between EC countries has, to a substantial extent, been offset by non-tariff barriers of a variety of sorts which may even, in fact, have become more acute as the governments of EC countries have tried to find ways to preserve national industries and jobs. "Europe 1992" refers to a package of measures designed to reduce non-tariff barriers to intra-EC trade. The EC Commission has targeted December 31, 1992, as the date by which this Single Market is supposed to have been largely accomplished.

This report provides an analysis of the implications of the EC Single Market for a group of Canadian industries -- chemicals, plastics, advanced industrial materials, pharmaceuticals, and biotechnology. While all these industries are science based, they vary greatly in their characteristics, problems, and in the degree to which Europe 1992 provides them with new opportunities.

The body of the report includes descriptions of each industry in Canada and Europe, a discussion of the likely industry-specific implications of the Single Market, a review of the private and public sector strategies for dealing with it listed by those interviewed for this study, and a brief appraisal of the risks and opportunities it provides. Despite the diversity of the industries considered here, the analysis does suggest some general conclusions. First, the ability to exploit opportunities provided by the Single Market is for many firms tied to the ability to adapt successfully to the opportunities provided by the FTA. Getting into Europe is likely to be facilitated by a scale of operations made possible by production for both the Canadian and United States (U.S.) markets. Second, the implications of the Single Market depend on whether or not a firm currently trades with Europe and if it does, on the nature of that trade -- in particular, whether it involves direct investment or exports. Third, even firms that do not trade with Europe are likely to be affected by the creation of the Single Market as European firms acquire resources from the growth it creates and use them to expand into other markets, including North America.

The information upon which this analysis is based comes from various government statistical agencies, a number of published analyses, and from interviews with with experts knowledgeable about the industries, in particular, company executives with exporting experience.