

2. EUROPE 1992: SECTOR-RELATED CHANGES

2.1 Measures Being Implemented

How does Europe 1992 change the trade-investment environment for Canadian as well as EC-based firms? It is useful to keep in mind that, to date, the EC is a customs union in which the 12 members try to achieve common external policies vis-à-vis the rest of the world, and, as far as possible, a common internal market in which there are no explicit tariffs inhibiting intra-EC trade.

a) Elimination of Intra-EC Trade Impediments

The European Community's common market is far from complete. Important technical barriers to trade continue to exist. In addition to price and entry regulations governing telecommunications services there are more subtle barriers in the form of heterogeneous national standards, such as for PABXs as described above, certification procedures and local procurement policies. These impediments to trade can be very important, particularly for goods and services whose domestic (local) production a member government wishes to protect. Among the "protected" industries are the government-owned telecommunications monopolies, the privately owned suppliers of telecommunication equipment and other high-tech firms in the computer-electronics field.

A number of policy instruments for removing technical barriers are now a part of the Economic Community's arsenal of weapons. These include (a) a "mutual recognition" principle, such that products lawfully produced and marketed in one Member State can have access to all Member States, based on the landmark "Cassis de Dijon" case; (b) harmonization of national technical requirements via directives specifying only *essential* requirements that manufacturers must

meet; (c) expansion of the role of two Western European-wide standardization bodies, the European Committee for Standardization (CEN) and the European Committee for Electrotechnical Standardization (CENELEC); and (d) advance mutual information directives that require each Member State to publicize any changes in regulations and standards to standard-making bodies in other states before these regulations and standards are adopted.

With this arsenal, Europe 1992 aims to reduce, and as far as possible eliminate, the remaining technical barriers to EC trade. For the telecommunications and computer sector the most important EC directives (year and number in parentheses) aimed at reducing barriers to trade involve:

- 1) Changes in the extent of regulation over telecommunications services -- i.e., limiting the right of a national monopoly over telecommunications services to telephony and Telex, while opening up to intra-EC competition the provision of value-added services, such as electronic mail, data storage and retrieval services (87/290/EEC).
- 2) Agreement in principle that telecommunications tariffs should be based on a common set of principles (88/825/EEC).
- 3) Agreement that while the telephone administrations (TAs) which currently regulate and operate the national telephone networks will continue to have a monopoly over network infrastructure, the TAs must (a) clearly separate their regulatory and operational activities and (b) submit to Community-wide standards that would