

## The Single Market

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### European firms are emerging as powerful international competitors

The emerging Single Market is creating a new breed of European global competitors intent on penetrating North American markets. For example, Bull, the French computer company, has bought its computer businesses from Zenith and Honeywell. The Swiss food giant, Nestlé, and the Anglo-Dutch conglomerate, Unilever, have also been staking claims. Nestlé recently acquired RJR-Nabisco's candy divisions, nearly doubling its share of the U.S. candy market, while Unilever has recently made \$2 billion in new acquisitions in the U.S., carving out the third largest share of the U.S. cosmetics market.

The EC is by far the world's largest trading bloc, accounting for approximately 20% of world trade (excluding intra-EC trade). After integration, the EC market of 342 million will offer substantial economies of scale to manufacturers. Lower production costs and a broader consumer base will increase the ability of European industry to compete more effectively both in Europe and in global markets. Large companies will be able to take advantage of substantial economies of scale, while smaller companies will have improved access to Community-wide niche markets.

The European Monetary System has promoted price and exchange rate stability. It has also led to a convergence of the economic and monetary policies of the EC countries that participate in the Monetary System's Exchange Rate Mechanism. As a result, by 1989, most of the member countries were experiencing inflation rates below 6%.

Companies have already been positioning themselves for 1992. As long ago as October 1989, Frans Andriessen, the EC's External Relations Commissioner, told journalists: "For most Europeans, especially our businessmen, 1992 is already here. It is happening now. The simple statistic that the increase in Community investment last year was 7%, the highest for two decades, illustrates the galvanizing effect that the program is having on our economy." Canadian companies that want to compete in the EC should act now.

The move to a Community-wide market has already stimulated fierce competition. Many companies are unable to compete under these new conditions and are disappearing. Those that do prosper are emerging as powerful competitors in markets throughout the world.

Participating in the EC can provide Canadian companies with a competitive edge in the U.S. and other markets. Those who stay home and ignore the European opportunity are running the risk of losing their present revenues and market share to more aggressive companies who have developed the skills and technologies needed to compete anywhere in the world.