

Stricter controls on state aids, to the extent that they can be established and maintained, should help to reduce the scope for Member States to intervene in European markets to prop up inefficient businesses, promote national champion or state-owned companies, or promote certain other industrial and social policy objectives. As a consequence, Canadian companies should be less likely, overall, to have their competitive position in EC markets undermined by Member State subsidies.

The potential benefits of the efforts being made to control state aids, however, should not be overestimated. The EC Member States will continue to have broad scope for granting state aids for regional, social and industrial policy aims that are considered to be consistent with the EEC Treaty. In addition, there still exists strong resistance in many Member States against further restraints on their ability to intervene in their national economies, through, for instance, the provision of aid to state-owned enterprises. There is also the danger that stricter controls on Member State aids will be accompanied by increased grants of industrial aid under Community-wide programmes. This may create new competitive disadvantages for Canadian businesses in high technology, research and development and other areas in which the Community authorities are active.

The progress that is being made toward the elimination of regulatory and institutional barriers to competition between the EC Member States may greatly benefit Canadian companies that have established access to the European Community. As the completion of the internal market becomes further advanced, these companies will increasingly be operating in integrated European markets of up to 340 million people rather than fragmented markets in individual Member States. The directives that are being adopted to complete the internal market in areas such as public procurement, financial services and telecommunications may, however, be of limited potential benefit for companies attempting to export to the EC from Canada. Rather, these companies may find their access to the Community impeded by the use of EC content or reciprocity provisions in related regulations and directives. This is consistent with the theme that has been developed in other reports in this series, which is that Canadian businesses, in order to benefit more