

PART III: SECTORAL OVERVIEW

7. IMPLICATIONS OF EUROPE 1992 BY SECTOR

7.1 Agriculture and Food Products

a) Consequences in the EC

The agri-food industry, because of its history and current situation, will be significantly affected by Europe 1992.

Although a common EC agricultural policy has promoted the tariff-free circulation of agricultural products within the EC, processed products continue to be impeded by a diversity of standards, norms and controls. As a result, this sector is characterized by domestic rather than multinational firms, a multitude of small businesses, serious overcapacity and limited efficiency.

By opening interior borders through harmonization or common acceptance of norms and standards, Europe 1992 is seeking to set the stage for greater efficiency in the industry. Restriction-free access to a potential market of 325 million inhabitants should promote concentration and economies of scale.

b) Consequences for Canadian Firms

The Canadian agri-food industry has relatively few contacts with the European Community, either through exports, imports or investments. Canada's principal export market has been the United States and free trade will likely increase this trend. However, Europe 1992 and its consequences could add a new dimension. New opportunities include:

- possible access to a market of 325 million inhabitants with common standards and norms;
- ability to enter the market as a result of the move towards merger and concentration;

- development of interesting niches due to greater world standardization in consumption trends.

Risks include:

- influenced by the Green movement, standards (phytosanitary standards, veterinary controls) will be more restrictive for non-EC exporters;
- Canadian industries will face stronger competition, in Canada and abroad, from European agri-food products.

c) Possible Strategies

In the face of these possibilities, the Canadian agri-food industry should seek to adopt the following strategies:

- . invest rapidly in the EC, thus benefitting from a greater ability to penetrate the market and from better acquisition or participation opportunities;
- . begin exporting to the EC. Firms already doing business in the EC, and whose product is doing well, should not be adversely affected by Europe 1992. On the contrary, they should be in a position to expand their market share. Firms not currently in this market but who would like to benefit from the Single Market should rapidly enter one of the national markets; that is, identify the best country, niche, partner in a distribution network, and commercial agents;
- . protect its share of the Canadian market and other traditional export markets. For many Canadian businesses, this means increasing efficiency and adopting international standards. Canadian businesses must already contemplate such measures because of the FTA, and this could give them an advantage over potential European competitors.