

4. RISKS AND OPPORTUNITIES

Europe 1992 will alter the relationship between Canada and the countries inside the Community. Instead of having 12 different trade policies, only one will remain. This new policy will bring opportunities as well as risks to the Canadian industry. Canadian managers fear the new testing and certification procedures, as well as what is known as "Fortress Europe." "Reciprocity," "national treatment" and "anti-dumping" are terms that have been brought up in the negotiations among the 12 countries of the Community.

Furthermore, this new trade policy will have a direct impact on the trade flow, the investment opportunities and the technological development and will affect the structure of the industry.

4.1 Direct Impacts of the Regulations

a) Testing and Certification

Canadians, in general, are supporting the unification of standards in Europe as long as Europeans subscribe to international standards. These standards will make it easier for any product to move within the Community since harmonized standards and the mutual recognition principle will allow a product that complies with the set of rules to be sold freely within all EC Member States. The apparent problem for Canadian companies is exporting to the Community. How can they have their products certified for the EC market? How long will the delay last? What market share will be lost in the interim? These are questions that remain to be answered. Is a Canadian certified product good enough for the European standards? This last question encompasses a legitimate fear since EC companies often have a more advanced technology than do Canadian companies in the industrial products and services sector.

This could represent a major adaptation problem in some areas such as wire and cable and large electrical equipment, as well as in agricultural machinery, heating equipment, valves, and medical electronics.

It seems that, in most areas, the best way to resolve problems related to standards would be to have a subsidiary in the Community and to be considered as European in cases where one has to face the European standards only.

b) Fortress Europe

National protectionism has been the rule for quite a while now in Europe. Each country is trying to protect its own industry through non-tariff barriers. Europe 1992 is intended to eliminate this national protectionism, but there is some fear that it might bring "European protectionism" instead, through some modern non-tariff barriers.

By strengthening its use of anti-dumping actions and an uncompromising demand for "Reciprocity," the EC is making it difficult for non-member state countries to export their products inside the Community, especially if the Community does not have large, established trade relations with the country.

Reciprocity

The principle of reciprocity is the cornerstone of the EC's foreign trade policy. One does not know exactly how this principle will be applied. Its meaning may vary, depending on the sector to which it applies. "Reciprocity," "national treatment," and "similarities of opportunities" are all terms used to describe this policy. The rationale behind the Community's attitude is that it will try to obtain from its main trading partners benefits similar to those that non-EC companies will enjoy following the opening of the internal market. It will try to reach agreements with third countries ensuring comparable and effective access