therefore better positioned to capture future EC market growth.

Europe 1992 is likely to have a more substantial effect on the Canadian economy by encouraging European firms in this area to invest in Canada. There are two forces encouraging such investment. First, some of the resources accumulated by European firms as a result of faster growth in the EC are likely to be used to fund expansion out of Europe. Defensive strategies provide a second reason. Some French plastics companies have recently explored the possibility of opening plants in Canada, in part because they anticipate difficulties competing in the post-1992 European market. They therefore seek to expand into Canada because they see their technology as superior to that of most North American producers, and they can export from Canada into the United States.

c) Pharmaceuticals

In pharmaceuticals, the effects of Europe 1992 should be most dramatic. Movement towards common product standards and the mutual acceptability of licensing procedures, transparency in Member State price and social security refund decisions, both in the context of substantial inter-country price differentials within the EC, should provide very considerable opportunities, particularly for firms willing to invest in European production facilities.

Are Canadian firms likely to take up these advantages? The bulk of the Canadian pharmaceutical industry is made up of U.S. and European multinationals performing rather modest processing operations in Canada. They are already present in the EC and certainly well placed to exploit the opportunities provided by Europe 1992. But in interviews conducted for this study respondents were somewhat bleak about the prospect of appreciable effects on Canadian production.[50] Product mandates are a possibility in this industry as they are in commodity chemicals and plastic resins. The generally small-scale character of Canadian pharmaceutical branch plants makes the case for such mandates at present less convincing. Canadian production facilities include both older, more labour-intensive equipment and modern units. Multinational firms could supplement their long, dedicated production runs in the U.S. through excess capacity in their shorter, more flexible Canadian operations, particularly the more modern ones, for export of specific, specialized products with limited market volume. In any case, the firms in question have plants in Europe with chronic overcapacity out of which they can supply the entire Community market. Any product mandates for Canadian divisions would likely be restricted to (parts of) the North American market.

The other part of the Canadian industry is generic drug manufacturers. With the exhaustion of patent protection on a number of important drugs, generic drug manufacture is becoming more important on a world scale. Canadian firms have experience in the production and marketing of generic drugs. This is an area where there is a greater likelihood that Canadian firms can exploit Europe 1992 either through exports or through direct investment. However, this is an industry where several Canadian producers have had painful experiences in their attempts to register products in Europe. The industry anticipates that, even after 1992 (and assuming that the degree of trade liberalization promised is actually delivered), licensing procedures will be far more cumbersome and (given chronic overcapacity in the industry) profit margins lower in Europe than in much of the rest of the world. For the foreseeable future, Canadian-produced generic drugs will find better markets in other parts of the world.