

FTA means that some firms will have enough on their hands without dealing with Europe 1992. On the other hand, the growth in scale and specialization produced by the FTA means that some firms will be better able to compete in other international markets, including Europe.

Many of the Canadian industries covered by this section are dominated by foreign multinationals that already have divisions in Europe. Beneficial effects of Europe 1992 for Canada involving these firms depend on the capacity of Canadian management to secure world or regional product mandates. Given the scale and technical level of Canadian plants, this is more likely in chemicals than in pharmaceuticals.

#### c) Possible Strategies

Canadian firms have various methods for exploiting the Single Market. They can invest in production facilities in Europe, establish joint ventures with European firms, or export to Europe either through their own sales organization or through marketing arrangements with European firms. In general, the greater the "presence" of a firm in the EC the better equipped it will be to profit from the Single Market. Firms with production facilities in the EC will normally have better information about market opportunities and will also likely be better informed about, and be able to influence, decisions on product standards.

Firms that neither do business with the EC now nor plan to in the future cannot assume they will be unaffected by Europe 1992. The Single Market is likely to increase the size and competitiveness of firms that exploit it, and these firms are likely to use their additional resources to increase their presence in North America, and in other world markets. Sooner or later, many firms with no economic connection with the EC are likely to confront greater competition because of Europe 1992.

## 7.9 Industrial Products and Services

### a) Consequences in the EC

Europe 1992 will affect industrial products and services largely through the recognition of mutual standards, the opening of public markets, the liberalization of capital movement and of corporate law (which will enable speedier mergers, acquisitions and regroupings), and the establishment of European R & D programs.

Under these measures, European firms (dominated by German and to a lesser degree Italian, French and British firms) enjoy economies of scale and are becoming increasingly productive and innovative.

### b) Consequences for Canadian Companies

The base position of Canadian companies in these sectors is relatively weak because many are subsidiaries of foreign firms. As such, their R & D expenditures and technological performance are often inferior to that of their European counterparts; their share of European imports is less than 2 per cent, and the balance of trade with the EC in these sectors is negative. Furthermore, only a few of the Canadian firms operating in this sector are established in Europe.

However, Canadian companies have significant assets at their disposal in sub-sectors such as environment-related equipment, forestry, drilling, mining exploration and some agriculture equipment. These subsectors should benefit from the lowering of non-tariff barriers and a greater opening of public markets as a result of Europe 1992. Furthermore, the sustained growth of EC investment is encouraging.

On the other hand, the European market should become more competitive and more difficult, and European firms will become competitors in Canada and in other foreign markets.