EXECUTIVE SUMMARY

The creation of the Single European Market involves a reduction in administrative delays associated with intra-EC trade, an attempt to standardize value-added taxes (VATs), harmonization of product standards, transparency in product registration and licensing decisions, a strengthening of intra-EC intellectual property rights and, to offset the greater competition involved in the Single Market, some further legislated protections for employees. It is expected that the net effect of these changes will be a substantial increase in EC economic growth. This economic growth will create a wide range of business opportunities in the industries examined in this report -- for Canadian as well as for European firms.

The relative competitive strength of EC firms within the sectors covered by this report varies. The EC has more than its share of the world's largest chemicals and resin-producing firms. These firms are widely thought to have a technical edge over their North American competitors. They have been particularly aggressive in increasing their production of specialty chemicals and resins, which are usually characterized by higher value added and less cycle-sensitivity. There is also some strength in advanced industrial materials, partly based in European strength in resins and partly based in experience in the use of such materials in other industries in which European firms have strength -- in particular, defence, nuclear energy generation, and automobiles. While there is also some EC strength in pharmaceuticals and biotechnology, on balance, Europe tends to fall behind North America in this area, largely because of the market fragmentation that Europe 1992 is designed to overcome.

EC firms have been preparing themselves for the Single Market in a number of ways. First, there have been a large number of mergers of EC firms, particularly within countries where the industry is relatively weak (such as Spain); second, EC firms have been buying or establishing joint ventures with North American firms or divisions either to secure North American marketing expertise (particularly in pharmaceuticals) or, in some cases, to exploit a perceived technical advantage in North America and at the same time to evade the increased competition of the Single Market (particularly in plastics).

The capacity of Canadian firms to exploit the opportunities provided by Europe 1992 is affected by several factors.

- The Canada-U.S. Free Trade Agreement (FTA) has mixed effects. On the one hand, adjusting to the FTA means that some firms have enough to do without worrying about the opportunities provided by Europe 1992. On the other hand, the growth in scale and specialization often produced by the FTA means that firms are better able to compete in other international markets, including Europe.

- A good part of the Canadian industries covered by this report is made up of foreign multinationals that already have divisions in Europe. The benefits of Europe 1992 for Canada involving these firms depend on the capacity of local Canadian managements to secure world or regional product mandates. Given the scale and technical level of plants in these industries in Canada that seems more likely in chemicals and resins than in pharmaceuticals.

- Firms have various methods for exploiting the Single Market available to them. If they do not already have production facilities in Europe they can invest in them.