On balance, then, the likely effects of Europe 1992 for Canadian firms without subsidiaries in Europe are likely to be mixed. Those that depend on licensed technology may have some problems over the next decade. Other firms are unlikely to be worse off than they are now. In general, the more experience a firm has in Europe, the better off it is likely to be. Firms that already export to Europe are in a better position than those that do not. Those firms that have established marketing arrangements with European firms (e.g. reciprocal marketing of product lines) will be even better off since they have both experience and a source of supportive advice and influence. But it remains the case that the firms in the best position are those with production facilities within the EC.

3.3 The Component Industries in Detail

a) Chemicals, including Resins and Elastomers

Commodity chemicals. Commodity chemical production in Canada is concentrated in a small number of large companies, principally foreign-owned multinationals. These companies have resources, experience and, in most cases, European divisions, which means they are well equipped to preserve their position in the post-1992 European market. Whether the foreign-based multinationals respond to Europe 1992 with decisions that favour production in Canada depends on the capacity of Canadian divisional managements to secure corporate product mandates for export markets.

These companies are unlikely to run into serious problems with changing European product standards. It is true that the initiatives to change EC standards come from European companies, which gives them something of a lead.[47] But U.S. multinationals, most of which are present in Canada, also have representation on the Conseil européen des fédérations de l'industrie chimique (CEFIC), which will be marginally involved in the process of finalizing standards.[48] Furthermore, Europe and the United States are sufficiently mutually dependent in trade in chemicals to make a trade war in this sector mutually undesirable. The Free Trade Agreement means that Canada's chemical industry product standards will be increasingly harmonized with those of the United States and in this industry the interests of United States-based companies are well represented in Europe. Finally, this is an industry in which European firms are internationally very strong. Consequently, there will be less European pressure for protectionist decisions. It is likely that in this industry product standards will tend to be internationally acceptable.

In commodity chemicals, however, there is no reason to expect that Canadian companies will see dramatic improvements as a result of Europe 1992. First, the advantages in feedstock and energy prices of the Canadian relative to the European industry have largely evaporated. Second, the Canadian industry is still adapting to the FTA and the U.S. market is likely to capture the attention of Canadian producers for some time to come. Third, as we saw earlier, the Pacific Rim is a much more important offshore export market than Europe. Fourth, there are important and growing chemical markets within Canada. For example, the use of chemicals by the pulp and paper industry is increasing and will provide a strong demand for some chemical products.[49] The producers of commodity chemicals in Canada are unlikely to be harmed by Europe 1992: Nova and the foreign multinationals will probably profit from some of the growth it generates. But it is unlikely to produce a substantial diversion of trade to Europe in the near future, since Canadian producers have a better relative advantage in other markets.