Clearly, the restructuring of companies in this sector, increased efficiency, and the efforts of firms in the Nordic EFTA countries to prepare for Europe 1992, call for Canadian companies to work hard to preserve their competitive edge.

c) Possible Strategies

Europe 1992 has important implications for Canadian firms. In the international environment of the 1990s, a more efficient and internationally competitive industrial base will be critically important for Canadian success in all export markets, including the EC, as will ongoing efforts to ensure an adequate supply.

Canada's principal forest product competitors in the EC, the Nordic countries, are often leaders in technology, product innovation and international marketing and enjoy preferential access to the EC. They have also been particularly active investors, engaging in mergers and acquisitions in all sectors of the EC forest industry.

Competition from non-traditional suppliers is also increasing in a number of product areas.

Clearly, therefore, a priority for Canadian industry will be the continuous modernization and rationalization of the industrial base, as well as the promotion of new and alternative technologies, products and markets. This would involve both the modernization of existing facilities and the construction of new plants.

An investment strategy must be developed. The ongoing restructuring will establish companies' market positions not only in the EC but also in the rest of Europe.

The prospects for the Canadian forest industry in the EC are good. Continued success will depend largely on how the Canadian industry deals with the issues.

7.7 Defence, Aerospace and Transport

a) Consequences in the EC

EC public procurement markets represent approximately C$600 billion annually, or the equivalent of Canada's GDP. Historically, EC Member States have almost exclusively favoured domestic suppliers for public procurement. In the urban and long-distance transportation equipment sector, as well as in the defence sector, national policies have led to industry fragmentation, nationally dominant companies, high costs, and divergent standards and regulations. In the aerospace industry, however, Europeans joined forces in the early 1970s, and co-operation is growing, though manufacturers rather than public procurement authorities are taking these steps.

The opening of public procurement markets to inter-EC competition is one of the major objectives of Europe 1992 and these markets will be among those most affected.

Many companies have anticipated the opening of public procurement markets, and this has led to widespread restructuring and concentration, out of which two or three European leaders are emerging; the other players will have to opt for niche strategies. The railway equipment and material industry is a good example of this, with restructuring gravitating around ASEA-Brown-Boveri on the one hand and GEC-Alsthom on the other. Restructuring or similar arrangements are under way in the air transport and defence sectors.

b) Consequences for Canadian Companies

Generally, the opening of European procurement markets should have positive results for Canadian companies that can operate from a European base. Recent directives maintain a preference to companies that offer at least 50 per cent Community content.