5. EUROPE 1992: CONSEQUENCES FOR CANADIAN FIRMS

Europe 1992 will have generally positive consequences for Canadian firms, although they will be faced with major challenges as well as certain risks.

The positive consequences are a result of:

- improved general economic conditions in the EC;

- general encouragement of easier and less costly access to the European market (despite problems for specific products);

- favourable conditions for Canadian firms with the means and the ambition to establish themselves in the EC.

The challenges and risks include:

- competition on the European market will intensify because of the increased efficiency of European firms and because of non-European firms' showing renewed interest in the EC;

- Europe 1992 will contribute to making European firms more competitive in North American and non-EC markets;

- a unified EC will constitute another major bloc in the increasingly globalized world economy. This will make it both more urgent and perhaps more difficult for Canadian companies to position themselves on the international scene.

These risks also have a positive side that stronger European firms could invest more in Canada to reinforce their presence on the North American market.

5.1 Improvement of Economic Conditions in the EC

Contrary to what may have been thought in the 1980s, the EC, stimulated by Europe 1992, German unification and the opening of Eastern European countries, will very likely be a centre of growth throughout the 1990s.

This implies export prospects for non-EC countries, but on the other hand it must be remembered that increased competition will prevail in the European market. Growth and profit prospects for firms that have established themselves in Europe are particularly good.

Furthermore, in recent years the European environment has become increasingly favourable to R & D and innovation, which is also an advantage for firms that are already established in Europe.

5.2 Market Access

Outside of the EC, the debate over Europe 1992 is often focused on market access. On the one hand, there is never-ending enthusiasm for potential opportunities arising from a single integrated market with all major obstacles to trade removed and with 325 million consumers. This is countered by the fear of an emerging bureaucracy animated by discriminatory intentions with regard to non-EC countries.

These two positions undoubtedly represent extremes. Two myths in particular must be dispelled: the idea of a "Fortress Europe" and the idea of a great homogeneous market shortly after 1992.

a) A Fortress Europe?

Americans first cried "Fortress Europe" in 1988, when it became clear that the Europe 1992 process was seriously progressing. Moreover, at the time, the United States was tightening its trade policy against its principal partners in an attempt to reduce its trade deficit. While some of the issues raised indeed justify vigilance and lobbying on the part of the EC's competitors, others have been exaggerated.