

The EC is Not Becoming Fortress Europe

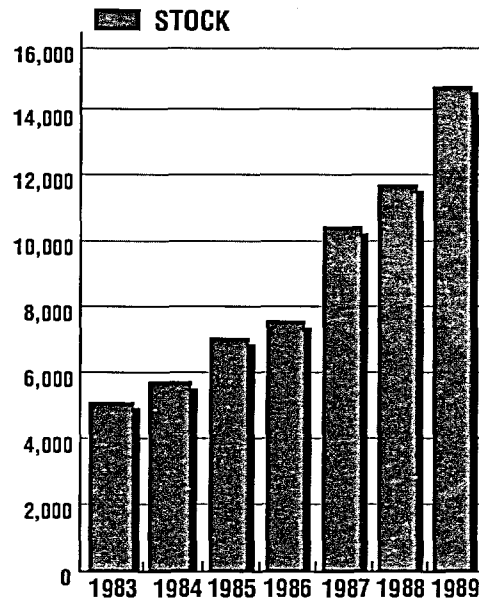
Both Canada and the EC recognize that strengthening their relationship is a matter of mutual advantage. Canadians need not worry about the possibility that the EC will build a Fortress Europe which they cannot enter.

It is true that the EC has technical standards and rules of origin that may impede the efforts of companies wanting to export to the EC. In the case of rules of origin, as much as 80% of the content of some products, such as electronics and automobiles, may have to be built in the EC to qualify for internal customs exemptions. But it is unlikely that the EC will use these provisions to shut out external competition. Such an action would not be in its best interest since its trading partners would undoubtedly retaliate. The EC is more dependent on foreign trade than any other economic bloc and it could not afford serious losses of export revenues, nor any reduction in its participation in the world-wide exchange of high technology. The EC clearly recognizes this. In fact it is opening up its relationship with the EFTA countries and Eastern Europe, and it has expressed strong interest in developing closer ties to Canada and the United States.

What protectionist measures do exist are aimed at the Japanese. Because of perceptions that Japanese markets are not open to foreign penetration, attempts have been made in countries such as France and Italy to curtail Japanese activity. Similar measures have not been aimed at Canadian and American firms because their home markets are relatively open to international trade and investment. Even in the case of Japan, however, it should be remembered that the U.K. has welcomed Japanese acquisitions of British companies, and the Germans have been forming alliances with their Japanese rivals (the Mitsubishi-Siemens alliance, for example).

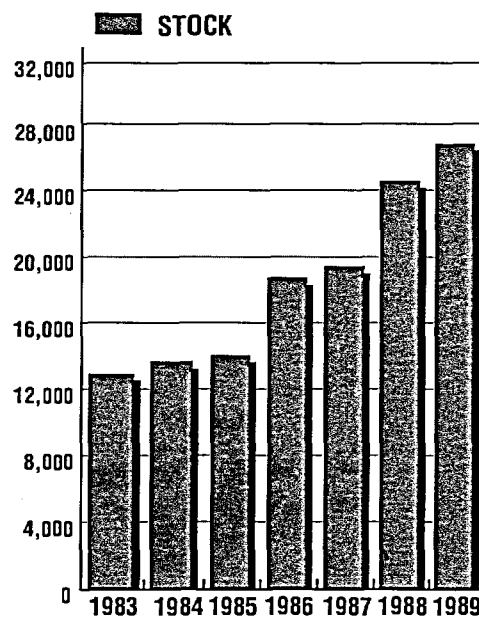
The EC-Canada relationship is too valuable for either side to consider implementing actions that might harm it. Furthermore, interviews with European business people show that they are ready and eager to do business with Canadians.

Canadian Direct Investment in the European Community (\$ millions)



Source: Statistics Canada.

Foreign Direct Investment in Canada from the European Community (\$ millions)



Source: Statistics Canada.