

and, for those companies with production facilities in low labour cost countries (in particular Spain, Portugal and Greece), there may be a decrease in labour flexibility as a result of "social" Europe. But these drawbacks are unlikely to completely offset the benefits of "presence."

b) Companies "Not Present" in the EC

The net effects of Europe 1992 for firms without European subsidiaries are less clear. They will depend on the form of the trade link with Europe, if any.

- . Companies that do not have a subsidiary in an EC country will usually be less well informed about changes and opportunities in the industries. However, if 1992 unfolds as the Commission intends, only one product test would be required within the EC, and this, of course, could be carried out in Canada should Canada wish to negotiate an appropriate agreement for mutual recognition of product testing and certification.
- . Access to information on standards and the problems involved in having Canadian products accepted as conforming to EC standards are unlikely to be any worse after 1992 than they are now and may be considerably improved. (In some sectors of this industry, in particular pharmaceuticals, the problems of obtaining licences in some EC national markets are described as "horrendous.")
- . Some spillover of liberalized trading arrangements for recognized EC firms to extra-EC firms is likely. For example, it would take a fairly determined (in fact, improbably) protectionist European government to refuse the application of harmonized packaging and labelling rules to non-EC countries.
- . The deliberations of CEN will, at least some of the time, produce product standards that conform to those produced by international standards bodies. Both the U.S. and Canadian governments are monitoring the EC standards-setting process carefully. The dependence of most EC countries on the North American market means that Canadian and U.S. preferences can hardly be ignored. Indeed, one trade association representative interviewed expressed the view that, on the standards-setting process, Canada's interests are likely to be indirectly protected by American lobbying. Furthermore, even if EC firms qualify for early notification of CEN decisions Canadian exporters will have access to the same information soon after because of the CEN/Standards Council of Canada agreement.
- . Canadian firms without subsidiaries in Europe are likely to profit from the general acceleration of EC economic growth after 1992.
- . Europe 1992 is likely to produce some even more formidable European competitors both inside and outside Europe. Furthermore, as it stands, much of the chemical production in these industries in Canada uses technology licensed from elsewhere, including Europe. As European firms acquire greater resources as a result of growth stimulated by the creation of the Single Market some may decide to produce for other markets themselves rather than license their technology to other producers. This may lead them (according to one trade association representative) either to fail to renew licences to Canadian producers for production on the Canadian market or to refuse to license production for markets other than North America and Europe, in particular, the growing Asian market.