on the European territory might facilitate access to other world oil and gas markets, such as the U.S.S.R., Eastern Europe, the Middle East and Indonesia.

These countries have currently been doing more business with European companies than with North American ones. Thus, a presence in Europe could open the door to a much larger market.

Mining and Smelting Equipment

The Canadian mining equipment industry competes quite successfully in the international marketplace, with the exception of certain markets such as Europe and Brazil. The problems with Europe are the non-tariff barriers such as "required use of components sources from the buying country" and preferential buying practices. These factors combine to virtually exclude Canadian mining equipment and services from the European market. Furthermore, other countries can export to Canada without paying any tariff (duty-free).

The Canadian mining equipment industry is technologically competitive worldwide. In fact, Canada has developed leadership in high-technology geological exploration, reduced labour mining methods and high-efficiency smelting techniques. This sector's strength is its ability to respond to the high degree of product innovation demanded by the mining industry. Because of the custom-built nature of mining equipment, flexibility is more important then are economies of scale.

This industry is highly characterized by strong international competition. In many cases, foreign companies receive financing from their country to export their products. Canadian companies do not have this financing and must perform in an environment without tariff protection. It is reasonable, therefore, to assume that imports will continue to capture a large share of the Canadian market. This makes the export market -- in which innovation and technological advancement have a significant role -- even more important.

Europe 1992 may have an important impact on the Canadian mining equipment and services industry. With Europe 1992, the non-tariff barriers between those countries will not be as serious a problem as before, since preferential buying practices from government will be prohibited or at least more regulated. It should then be easier to sell Canadian products in Europe.

It would appear that a good way to sell Canadian products in the EC is to have a subsidiary that would use Canadian components. The present EC tariff structure has, generally, lower tariffs on components than on finished products. Since we do not know what the tariff barriers will be for countries outside the Community, we will expect them to be generally the same. It also seems probable that, if companies want to be recognized as "European firms" and take advantage of the non-tariff customs, Canadian firms will need to establish a manufacturing unit inside the Community.

The "required use of components sources" regulation will be extended from the buying country to the entire Community, but will not likely be dropped.

Wood and Pulp and Paper Equipment

According to ISTC industry profiles, there are about 50 companies operating in the pulp and paper equipment industry in Canada. Canadian subsidiaries of foreign-owned companies account for approximately 80 per cent of the Canadian industry's shipment. Those firms are highly dependent on their parents for technology and do very little R&D in Canada.

The world market in this industry is controlled by a small number of international giant companies that have amalgamated with and/or acquired smaller companies with complementary technologies and manufacturing capacities. As a result, several smaller Canadian companies that