External Affairs and International Trade Canada | Affaires extérieures et Commerce extérieur Canada

Europe 1992: Your Business Opportunity

1992

CANADA EUROPE

The research for *Europe 1992: Your Business Opportunity* was conducted by the Prospectus Strategic Business Research (SBR) Group.

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Europe 1992: Your Business Opportunity is the second in a series of handbooks dealing with issues of importance to business and government. Information on the other books in the series is available from the office mentioned above.

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From the Government of Canada

External Affairs and International Trade Canada (EAITC) is pleased to be able to offer the Canadian business community this succinct, valuable insight into *Europe 1992: Your Business Opportunities.*

Europe 1992 is happening now. The European Community's ambitious single market initiative has already dramatically changed the way Europeans are doing business. The process is irreversible; the pace is rapid and accelerating. If Canadian businesses are to profit from the opportunities that this enormous market will bring, they must be well informed.

That is one of the responsibilities that EAITC assumes. This publication is the first step in reaching out to the emerging single European market. It will give the base from which to focus in on your particular area of interest. To assist you in your focus, we have an extensive series of publications prepared by both private consultants and interdepartmental working groups, analyzing the specific sectors. (A list of titles follows.)

We also have tangible, practical programs to introduce you to the European market. These are well-publicized through our *Canad Export* publication. Our trade officers in the European Division of EAITC and at the International Trade Centres in the provinces would be pleased to respond to your specific questions. Take advantage of these programs. They are there to be exploited.

To further heighten awareness of the astounding changes taking place in both East and West Europe, we are co-sponsoring conferences, seminars and workshops all across Canada. Each one is unique. Each focuses on areas of interest to that region, brings in specialists in those fields, and distributes documentation pertaining to those sectors. Your participation is always welcome. These are publicized through *CanadExport* and organized by the European Community Trade Policy Division of EAITC, phone 613-996-2727.

Publications

Publications in the series *1992 Implications of a Single European Market* include: Agriculture and Food Products; Consumer Goods and Cultural Industries; Telecommunications and Computers; Automotive Industry; Minerals and Metals; Forest Products; Defence, Aerospace and Transportation; Specialty Chemical Products, New Materials, Pharmaceutical and Biotechnology; Industrial Products and Services; Financial Services; Fisheries Products; and Professional and Consulting Services.

Inter-departmental working group reports, which are more technical in nature, are also being published on these sectors and are available for general distribution.

For more information on publication availability please contact the EAITC INFO EXPORT hotline 1-800-267-8376.

Canada

External Affairs and International Trade Canada
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Europe 1992: Your Business Opportunity

A PROSPECTUS HANDBOOK

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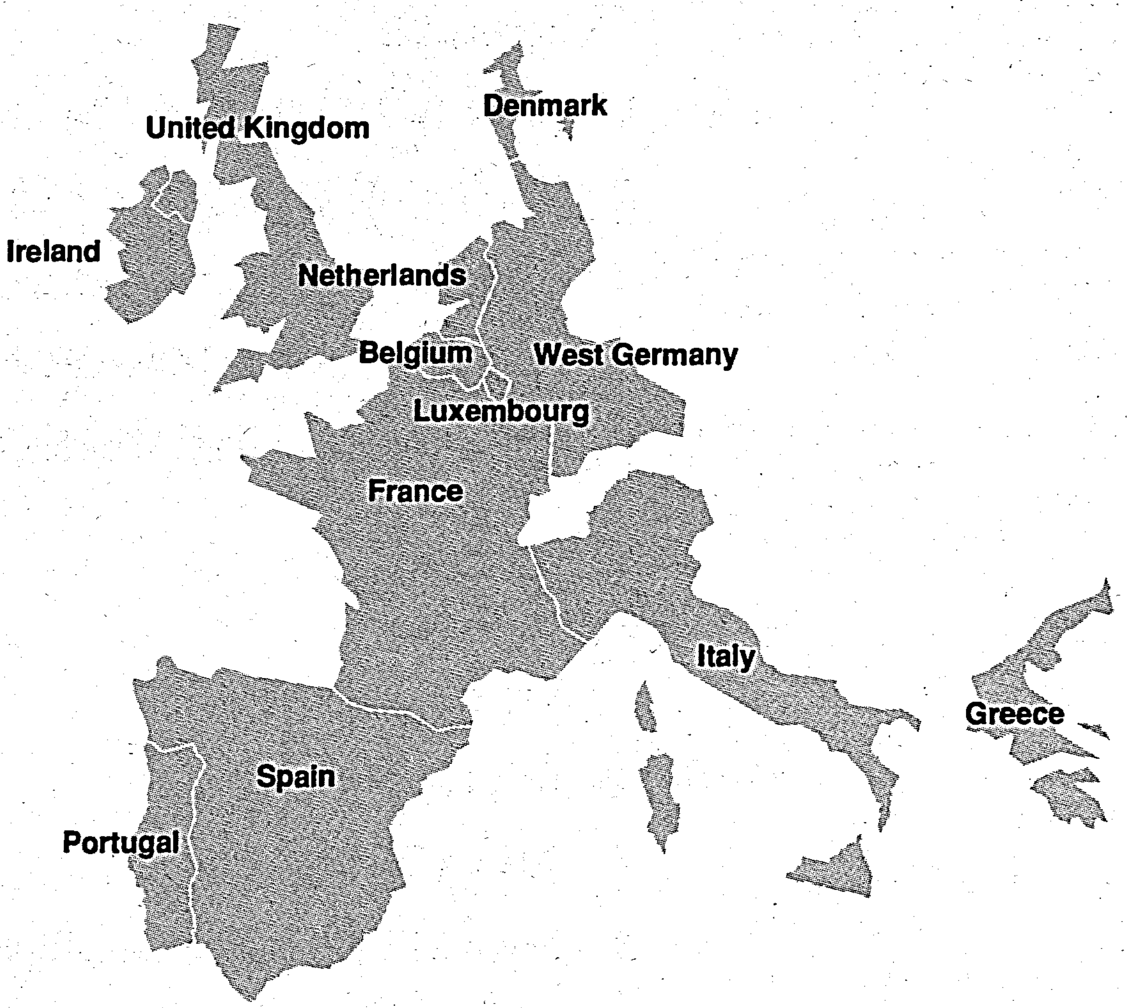


Introduction

The elimination of the remaining obstacles to trade between member countries of the European Community (EC) will create a Single Market of 324 million consumers by 1992. As the Community-wide market emerges fully, competition within the EC will become fierce. Large companies will be able to take advantage of considerable economies of scale, while smaller companies will have improved access to Community-wide niche markets. There is no doubt that companies that prosper in the EC will also emerge as powerful competitors in markets all over the world.

For Canadian businesses, the creation of a single EC economy presents an opportunity to profit in an exciting new market. Participating in its evolution will enhance their ability to compete both at home and abroad. Canadian companies that do not seize this opportunity risk losing both revenues and market share. There is no assurance that their present markets won't become vulnerable to more aggressive companies who have developed the skills and technologies needed to compete at global levels. It is, therefore, a challenge that qualified Canadian firms can not afford to ignore.

This Handbook is primarily directed toward small and medium-sized enterprises (SMEs) with the products, resources and capacity to take advantage of the opportunities presented by an integrated EC. While many of the examples used in this Handbook are of large companies, the underlying principals are relevant to SMEs. Additionally, the scarcity of information on smaller companies serves to emphasize the reluctance of Canadian SME's to penetrate the EC market.

The tools you need to develop an effective business strategy for competing in the EC are included in this Handbook. It examines a range of existing opportunities and provides information that will help you decide which method – trade or investment – is best for you. It focuses on the issues that are crucial if you want your company to compete in this promising but demanding market.

The Handbook begins by describing the European Community from the viewpoint of Canadian business. **Chapter I, Europe 1992: Challenges and Opportunities**, describes the key changes the EC is making to unify its economies, the effects these changes will have, and the opportunities they will create for Canadian businesses. The nature of the Canadian-EC trading relationship, which is our second largest, is described in Chapter II.

The balance of the Handbook focuses on how to develop an effective strategy for penetrating the EC market. **Chapter III, Developing Your Business Strategy for the EC** and **Chapter IV, How to Compete in the EC**, complement each other. Chapter III outlines the issues you should consider in assessing your ability to compete in the EC, and highlights the elements of an effective strategy for penetrating the EC market. The coloured pages of Chapter III are a series of questions, with space provided for you to jot down your ideas as you go along. The purpose of the questions is to help you organize your approach by focusing on the factors that will determine your company's ability to compete.

Chapter IV will assist you in answering the questions raised in Chapter III. It discusses the issues in the same order as they are presented in Chapter III. It explores the export and investment strategies you can use to enter the EC market, as well as the marketing, distribution, and financing issues that will determine your choices. And it reviews some factors that can enhance your company's skills and production capabilities.

The role of SMEs in the Single Market is such an important one that it has been put in a separate chapter. **Chapter V, SMEs — What Does 1992 Mean for You?**, describes the impact 1992 will have on SMEs, issues SME managers should consider, and the excellent programs the EC has created to assist SMEs.

Do not ignore the Appendices. They are packed with useful information. Ten important EC market indicators are given, as well as descriptions of industrial sectors and the economies of the EC countries. You will find this information extremely useful as you develop your business strategy. The Appendices also include a description of several government programs and a list of useful addresses.

I Europe 1992: Challenges and Opportunities

The Clout of the European Community
The Need for a Single European Market
Key 1992 Changes
Trade Opportunities in the Single Market
Investment Opportunities
Public Procurement Opportunities
R&D Program Opportunities

The Clout of the European Community

The economies of the twelve nations* of the European Community (EC) will be fully integrated by the end of 1992. By then the volume of imports into the EC will almost rival those of the United States. The EC market of 324 million consumers will be the largest in the free world, offering substantial economies of scale to manufacturers. Lower production costs and a broader customer base will increase the ability of European industry to compete more effectively both in Europe and in global markets.

European Community and US Compared, 1987*

	EC	US
Imports (billions)	\$518.5**	\$543.5
Exports (billions)	\$517.0**	\$331.0
Gross Domestic Product (billions)	\$5,667.0	\$5,881.8
Population (millions)	323.9	244.6
Civilian workers (millions)	140.4	117.7
Area (millions km^2)	2.284	9.373

*Note: Canadian dollars used throughout.
**Trade between EC countries not included.
Sources: Eurostat; U.S. Department of Labor; U.S. Department of Commerce

Leading EC Imports, 1987
(billions $ CDN)

Petroleum products	73.9
Office equipment	25.2
Apparel and accessories	22.1
Road vehicles, including cars	21.9
Electrical machinery and parts	21.4
Telecommunications equipment	17.0
Textile, yarn and fabrics	14.1
Paper and paperboard	13.9
Vegetables	12.6
Plastics and artificial resins	12.3

Source: European Commission of the European Community

The Single Market also presents major opportunities for Canadian companies – if they are prepared for competition on a global scale. At the same time it will create a challenge that will be dangerous to ignore, because the increased competitiveness of European companies will ultimately affect their performance within our own domestic markets. However, Canadian companies contemplating the opportunities of a new European market will have to seriously examine whether they have the products, financing and human resources that are required to compete in the Single Market.

* Belgium, West Germany, France, Italy, Luxembourg, The Netherlands, United Kingdom, Denmark, Ireland, Greece, Portugal and Spain.

The European Community

The Need for a Single European Market

Even after considerable integration, the EC economy continued to suffer from some fragmentation. Production and market inefficiency made it difficult for European industry to compete in world markets.

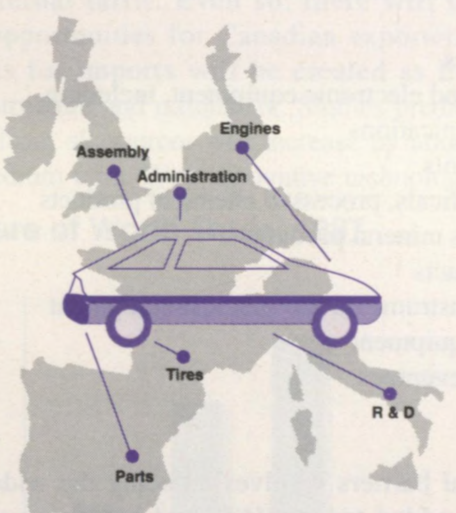
Annual economic growth in the EC was 2.1% from 1981 to 1987. This was low relative to the U.S. (2.9%) and Japan (3.8%). Canada's economic growth for the same period was 3.0%.

Low growth led to high unemployment rates. In 1988, Italy's unemployment rate was 11.3%, with West Germany at 6.2%, France 10.1%, Ireland 18.5%, Spain 19.1%, United Kingdom 8.3%, and the Netherlands 9.5%.

The productivity growth of the EC has also lagged behind that of its competitors in key sectors, such as electronics, computers, office machines, and power generation equipment.

By increasing efficiency and specialization, the Single Market is expected to strengthen the EC's total gross domestic product (GDP) by 5% and its imports by 7%. It is also expected that consumer prices will decrease by 6%, and that two million new jobs will be created.

Efficiency and Specialization



A unified market will strengthen the forces of growth within the EC and make it considerably more attractive as a market for outside suppliers. It will enable the EC to become an even greater economic powerhouse in a world increasingly characterized by global competition.

Lowering the Cost of Doing Business

Exxon's basic chemicals group in Brussels estimates that it costs about 50% more to operate in Europe than in the U.S. It attributes excess costs to specifications and technical regulations, delays at borders, and transportation rules. All of these will be dismantled by 1992.

A Dow Chemical study foresees an immediate savings of $50 million per year in its 1992 European operations.

Fison's of Britain expects a $19 million savings for each drug developed after 1992.

Key 1992 Changes

Effects of the Four Key 1992 Changes

Removing physical barriers

- will free the movement of goods and services within Europe;
- will assure that a product can enter any EC country, once it has entered one of them.

Removing technical barriers

- will allow free distribution to all EC countries once a product has met the technical standards of one EC country;
- will allow industry to produce for a wider market;
- will open the public procurement market to competition.

Removing fiscal barriers

- will eliminate the wide differences in indirect taxes that distort trade between Member states.

Liberalization of capital movements

- will enhance competition and choice in financial services;
- will make channeling savings into investment more efficient and less costly;
- will give borrowers access to more diverse and cheaper financing;
- will permit more competitive financing for investment and trade within the EC.

The key changes for 1992 are the elimination of physical, technical, and fiscal barriers, and the liberalization of capital movements. The EC has already eliminated tariffs on trade between member countries.

Removing physical barriers primarily involves removing customs controls, harmonizing public health standards, and removing immigration and passport controls.

Removing technical barriers involves the harmonization of technical regulations and standards through the adoption of Community-wide standards and the mutual recognition of a wide variety of national manufacturing and testing standards. All products will have to pass essential safety requirements, whether or not they are traded between EC countries. They can then be circulated freely throughout the EC.

A Community-wide patent system will be established. Currently, patents are protected throughout most of the EC, although not in Denmark, Ireland, and Portugal. It is best to register your trademarks in each country in which you trade.

EC countries will also remove protectionist measures that affect public procurement, and in progressive stages, develop a common market in the financial services sector. The industries most affected by technical trade barriers are:

- ➪ automobiles
- ➪ electrical and electronic equipment, including telecommunications
- ➪ machine tools
- ➪ pharmaceuticals, processed chemical products
- ➪ non-ferrous mineral products
- ➪ metal products
- ➪ precision instruments and medical equipment
- ➪ transport equipment
- ➪ food and beverages
- ➪ leather

Removing fiscal barriers involves reducing the wide differences between value-added taxes (VAT) and between various excise duties. Most countries allow exports to be VAT free, but imports are charged both VAT and excise taxes on a selective basis.

The immediate objective is to reduce the differences between VAT rates. Harmonization will be sought later. In 1988, standard VAT rates ranged from 25% in Ireland to 12% in Spain. The European Commission has proposed two bands of VAT: 4-9% on necessary goods and services, and 14-20% on the rest.

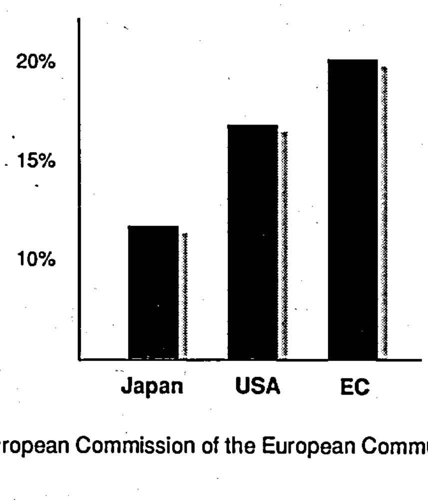
The liberalization of capital movements will be achieved by abolishing all restrictions (subject to certain safeguards) on the movements of capital within the Community. This will give greater flexiblity to firms and individuals to borrow, deposit funds, or make investments. Changes will apply to most member countries by July 1, 1990. However, Spain, Ireland, Greece, and Portugal have until the end of 1992 to comply fully with the terms. Greece and Portugal may be given an extension to 1995, because of their less-developed financial markets.

Trade Opportunities in the Single Market

The integration of Europe in 1992 offers new opportunities for companies searching for larger, more diverse markets and a more advanced knowledge base as a means of enhancing their global competitiveness. There are four areas to keep in mind: trade, investment, procurement, and R&D.

The EC is by far the world's largest trading region, with a 21.9% share of world trade (excluding intra-EC trade). Companies that sell to Europe, but do not manufacture there, will be affected by the EC's common external tariff. Even so, there will be significant opportunities for Canadian exporters. New markets for imports will be created as EC industries restructure and rationalize. Studies predict that imports from all sources will increase by about 7% in the medium term. With innovative technology and effective marketing, Canadian companies can be competitive in this promising market.

Share of World Trade, 1987



Source: European Commission of the European Community

Exporters may encounter difficulties with differing technical standards and with rules of origin legislation. 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.

While, like North America, the EC does have content requirements in some industries, it is unlikely that the EC will build a "Fortress Europe" to shut out external competition. Such action would not be in its best interest. If the EC were to become very protectionist, its trading partners would retaliate. The EC is more dependent on foreign trade than any other economic bloc. It could not afford serious export revenue losses, nor any reduction in its participation in the worldwide exchange of high technology.

A very real danger for Canadian exporters is the heightened competition they will face from European companies that are restructuring to benefit from the evolving Single Market.

There are opportunities in the EC for Canadian exporters. In many areas, however, trade may not be the best way for Canadians to reap the benefits of the Single Market. Investment should be considered as a part of an over-all strategy, an approach many non-EC companies are taking.

Investment Opportunities

Increasing Investment in the EC

The lure is already reflected in investment flows. After the EC announced its 1992 Program, the flow of direct investment into Europe increased dramatically. US investment rose from $696M in 1983 to $31.4 billion in 1987. Over the same period, the flow of Japanese investment increased from $1,318 M to $8.75 billion.

Aquisitions by Canadian Companies

Laidlaw Transportation Ltd. of Burlington, Ontario, is a school bus operator and waste management company. It has purchased an interest in the largest waste management company in Britain, Atwoods-PLC. Laidlaw is slowly shifting its long-term focus to European countries and the opportunities generated by a society increasingly concerned with waste disposal.

Cascades Inc, Kingsey Falls, a Quebec packaging company, owns Cascades Blendecques, Cascades La Rochette, and Cascades Avot Vallée in France. All produce paper board products. Cascades is also in West Germany and plans acquisitions in Belgium.

Investment is now the driving force behind international trade and technological progress. Many firms use it to position themselves more competitively in a market.

The new Single Market will sustain considerable economies of scale, reduce business costs, and stimulate efficiency through rationalization and specialization. Investment strategies offer a variety of ways to take advantage of these opportunities. Investments can take the form of mergers, acquisitions, greenfield investments (in new plants and equipment), joint ventures, strategic alliances, and licensing agreements with European companies.

Several sectors will be strongly affected by the 1992 Program. These include telecommunications, chemicals and pharmaceuticals, the food and drink industry, and financial services.

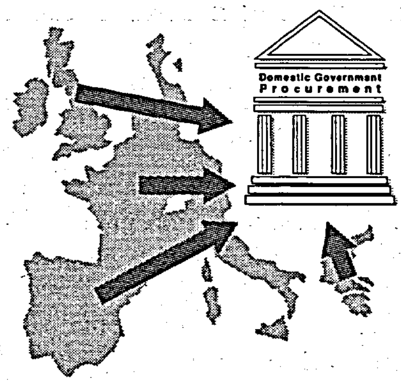
Investment opportunities will follow these emerging market opportunities. Companies involved in sectors that are likely to benefit from the 1992 Program will want to expand capacity or make new investments, as will companies interested in new R&D initiatives or in bidding for public contracts.

As a result, Canadian companies should look for:

- opportunities in sectors affected by non-tariff barriers that will be removed;
- opportunities in heavily regulated sectors that will benefit from deregulation;
- partnerships with or acquisitions of larger companies with the critical mass necessary to retain a competitive edge in a vast new market;
- opportunities in regions that can take advantage of lower production costs;
- alliances with firms that can compete globally through economies of scale or scope;
- partnerships with niche companies enjoying a solid regional base and a firm grasp of what the market needs.

The EC is opening up the tendering of public contracts to companies throughout Europe. This vast market represents about 16% of the EC's GDP. The EC will also lower the thresholds beyond which contracts must be advertised. The present thresholds vary from $180,000 to $280,000 CDN.

European Standards for Government Procurement



The EC made tendering procedures more transparent in 1988: notification periods must now be longer and publication requirements have been increased (for instance, details of the winning contract must be published). European standards will generally prevail over national ones, and preferential treatment of local suppliers or contractors in high-unemployment areas will be phased out by the end of 1992.

So far, the changes have affected only the administration of the civil service. Member states have opposed the liberalization of the more commercially oriented sectors: telecommunications, water, energy, and transportation. These areas include the providers of telecommunications and water, electricity and oil suppliers, oil and gas extraction enterprises, railway companies, seaports and airports, and the providers of municipal transportation.

While their enactment will require a major battle, proposals to open these sectors to more transparent bidding practices have been submitted by the European Community. If legislation is passed, contracts for telecommunications equipment would be opened progressively, leading to total liberalization in 1992.

In practice, public procurement purchasers would have several options for placing tenders. They could call for bids for each contract or regularly seek "expressions of interest" from suppliers and contractors. They could also maintain a pool of qualified suppliers and contractors.

The New Public Procurement Opportunity

The opening of public procurement to international competitive bidding could create opportunities. Most of the contracts will be too big for small and medium-sized businesses to handle, but SMEs will have substantial opportunities for subcontracts. SME managers will need to stay as closely tuned to public procurement tenders as the large manufacturers do.

You will be better positioned to learn about and win these contracts if you have offices in the EC. Notices of contracts are published in:

- *Supplement to the Official Journal of the European Communities*
- *Le Bulletin des Adjudications*
- *Le Bulletin Officiel des Annonces des Marchés Publics*

Addresses for ordering these publications are in Appendix E.

For Canadian companies, the clearer rules and liberalized procedures represent an important opportunity. Historically, the vast majority of public contracts have gone to domestic firms. Some of this enormous market (over $600 billion annually) will now open up to companies that are strategically positioned to operate in Europe. It must be kept in mind, nonetheless, that the reforms are limited to opening this market to companies throughout the EC. The EC will open its public procurement markets to non-EC countries only on a reciprocal basis.

R&D Program Opportunities

Canadian Companies in EUREKA

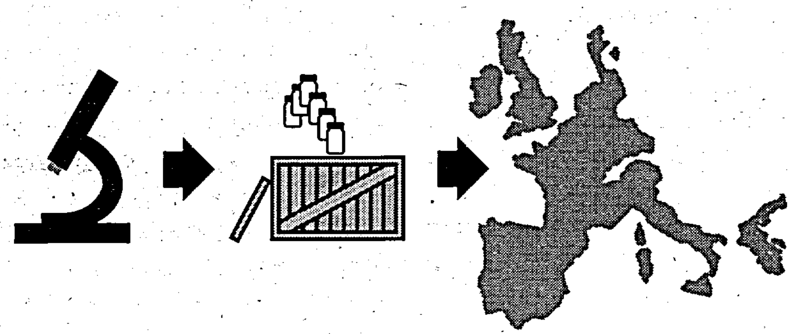
A EUREKA working partnership between Zenon Water Systems of Burlington, Ontario and France's La Lyonnaise des Eaux is developing a new filtering system for municipal drinking water.

In a laser research project, Gentec of Quebec City and the National Optical Laboratory of Canada have joined with Quantel (France), Haas (West Germany), Laster Quanta (Spain), ADALS (France), Setenia (Italy), and QARC (U.K.).

In another EUREKA project, Newbridge Semiconductor Ltd. of Ottawa has joined with European Silicon Structures (ES2) and other large European investment companies to manufacture custom computer chips.

Canadian subsidiaries and sub-contractors in the EC can get assistance and funding for R&D through EC programs and a variety of cooperation agreements. If you are located outside the EC you can participate in the EUREKA program under certain provisions. It is important to recognize that in addition to satisfying the provisions of the various programs, your firm must have the financial and technological resources to enter the EC market. You could also benefit through the participation of your EC partners in other R&D programs.

R&D to Market



The EC spends about half of its large research budget to develop commercial applications for new technology. Its programs help to bring industrial R&D, universities, and government research organizations together.

ESPRIT (European Strategic Programme for Research in Information Technology) supports information technology projects which are increasingly application-specific with a focus on three principal areas:

1. microelectronics and peripherals including high density, high speed and multifunction ICs and peripheral technologies;

2. information processing systems including system design, knowledge engineering, advanced systems architectures, speech and image understanding, and multisensorial systems;
3. application technologies including CIM, integrated information systems and information technology application support systems.

ESPRIT's rules of operation require that each project has a minimum of two firms located in at least two different EC countries.

ESPRIT is open to non-EC European firms and research organizations. Canadian firms are not directly involved in the ESPRIT program although European-based subsidiaries are eligible.

RACE (Research in Advanced Communications in Europe) was formed to standardize telecommunication systems and to enable Community countries to develop integrated broadband communications. Applications include cable and pay television, telephones and videophones, data transmission and electronic mail.

RACE represents an investment equivalent to over $650M from the EC Commission, matched by an equal contribution from the industrial participants in each project.

Forty-eight of 95 project submissions have received approval. In all cases, the work is being carried out by international consortia comprising anywhere between 3 and 30 participants, and linking academic and research institutions, industry and the network operators. About $250M has been committed so far on these projects.

Contracts are awarded by open tendering procedure and involve the participation of at least two independent industrial partners from more than one Member state.

Despite being an EC project, non-EC participation is invited. For example, three US manufacturers, IBM, Hewlett Packard and AT&T, are heavily involved.

DELTA (Development of European Learning through Technological Advance) was developed to adapt equipment and systems devised for other uses into tools for advanced learning.

The technological advances relevant to DELTA include those expected in the fields of personal and business computers, artificial intelligence, and communications. Projects started March 1989.

Development is done on three levels:

1. R&D based on existing technological infrastructures;
2. Development of a new and enhanced generation of domestic and professional electronic products;
3. Gradual introduction of "fifth generation" features and the use of broad-band communications.

DRIVE (Dedicated Road Infrastructure for Vehicle Safety in Europe), a shared-cost action program, was designed to create the conditions for an integrated road transport environment in the field of information technology and telecommunications. The program includes RTI technologies, evaluation of strategic options and specifications, protocols and standardization proposals.

This program serves to assist R&D in computer aids for road traffic (route guidance, navigation systems, vehicle-to-vehicle communications, etc). Projects started January 1989.

BRITE/EURAM covers cost-shared research in advanced materials technology, design methodology and application for manufacturing and process technologies. Research aimed at the development of the European aeronautical base is also included.

The funds estimated as necessary for the execution of the program amount to over $600M CDN. Participants may be industrial organizations, research institutes and universities established in the Community. The EC contribution will not exceed 50% of total expenditure, the remainder to be provided by the industrial participants.

Cooperation Agreements

There are a series of inter-government agreements designed to facilitate trade and investment between Canadian, Ontario and Quebec firms, and EC firms. It is important to note that trade facilitation and enhancement agreements also exist between cities and universities. The ones detailed below are only a sampling of the types of agreements currently in existence.

Baden-Württemberg/Ontario Cooperation Agreement provides for the collaboration of Ontario and Baden-Württemberg firms in several areas including high-technology, telecommunications, information technology, ceramics, lasers and textiles.

Rhône Alpes/Ontario Cooperation Agreement provides for cooperation in the development of technology through cooperative efforts involving public and private sectors.

CRIQ-ANVAR Industrial Cooperation Agreement is designed to encourage industrial research and technological innovation through consortia of French and Quebec small and medium-sized firms. Research funding is provided for short and medium-term projects.

ACTIM-MAIQ* Industrial Cooperation Agreement is designed to provide start-up funds for joint-ventures and licensing agreements between small and medium-sized Quebec and French manufacturers. The projects should lead to developments in manufacturing processes and R&D.

Other industrial cooperation agreements held by Quebec include: **Accord de coopération générale entre le Québec et la Bavière; Entente entre le gouvernement du Québec et l'exécutif régional Wallon; and Entente entre le gouvernement du Québec et l'exécutif Flamand.**

* ACTIM – en France, par l'Agence pour la coopération technique, industrielle et économique.
MAIQ – au Québec, par le ministère des Affaires Internationales.

Recognizing the important role of SMEs in developing the manufacturing base, the European Commission is considering how research organizations can best act to focus the R&D needs of SMEs. Projects should include at least 10 man-years of activity and the total project costs should fall in the range of $1.4 to $4M CDN. Community-based subsidiaries of multinational companies may participate if the R&D and its exploitation take place within the EC.

EUREKA is an intergovernmental program linking 19 EC and EFTA countries plus Turkey. EUREKA is designed to coordinate intra-European development projects. A total of 213 projects have received the EUREKA label and span a wide variety of sectors such as electronics, biotechnology, high-definition television and semiconductors.

EUREKA has no budget of its own but is funded from national governments, industry and the European Commmission. Projects are approved at the national level and then sent to a EUREKA council meeting for final approval. Participation from firms in non-EUREKA member countries is possible provided that the consortium consists of at least two firms from two EUREKA member countries.

II Canadian - EC Trade and Investment

Canada's Second Largest Trading Relationship
The Need for More Investment

Canada's Second Largest Trading Relationship

Canada has strong ties with Europe. We are allies in NATO and we share numerous diplomatic, cultural, and academic linkages.

In 1976, Canada signed a Framework Agreement for Commercial and Economic Cooperation intended to stimulate trade between our two regions. The results have been mixed: even though the EC is our second largest trading partner, merchandise trade with the EC in 1988 accounted for only 10% of our total world merchandise trade. In comparison, nearly 70% of our trade was with the U.S. Less than 8% of our world exports went to the EC, while more than 70% went to the U.S.

In the past, wood pulp, lumber, iron ore, fish, and newsprint were Canada's top exports to the EC. In a promising trend, office machines and equipment are now our third ranked exports to the EC, with a value of $515M in 1988. Other export products to the EC that have recently grown significantly are organic chemicals, and aircraft parts and engines. However, to maintain this market and increase sales in other value-added goods Canadians have to prepare for very stiff competition, not only from Europeans, but also from other offshore countries such as the U.S. and Japan.

In terms of our imports from the EC, the top ten product categories, with the exception of crude oil, are primarily value-added items. Airplanes, automobiles, auto parts, and organic chemicals were strongly represented.

Canadian Exports to EC by Commodity
(millions of dollars)

	1980	1984	1988
Live animals	10.8	12.2	12.7
Food, feed, beverages and tobacco	1,253.2	885.1	1,059.3
Crude materials, inedible	2,114.6	1,929.4	2,054.7
Fabricated materials, inedible	4,763.4	1,929.4	5,173.3
End products, inedible	1,384.9	1,089.2	2,346.7
Special transactions	0.1	5.2	23.6
Total	**9,530.8**	**6,921.7**	**10,670.3**

Source: Statistics Canada

In the last decade, our exports to the EC have increased only slightly, despite a more favourable Canadian exchange rate. Our share of merchandise imports in the major EC markets actually declined. In 1980, our exports to the U.K. represented 2.8% of the total British import market, in 1988 it was 1.9%. During the same period, in West Germany, France, and Ireland, our share of imports dropped from 1.1% to 0.8%, 0.8% to 0.7%, and 1.3% to 0.9% respectively. In Italy, our proportion fell from 1.0% to 0.7% between 1980 and 1988. While slower economic growth in Europe may be responsible in part for this performance, the figures reveal that Canadians have to be more aggressive in order to capitalize on the opportunities offered by the development of the new Single Market.

Top Ten Canadian Exports to the EC

Wood, pulp and similar wood	15.5%
Lumber, softwood	6.9%
Office machines, equipment	4.8%
Newsprint	4.1%
Iron ores and concentrates	4.0%
Zinc ores, concentrates and scrap	2.6%
Organic chemicals	2.3%
Wheat	2.3%
Aircraft, engines, parts	2.1%
Nickel ores, concentrates and scrap	2.1%

Top Ten Imports from the EC to Canada

Crude Petroleum	10.1%
Aircraft, complete with engines	7.2%
Passenger automobile and chassis	4.4%
Motor vehicle parts, except engines	3.0%
Organic chemicals	2.7%
Plate, sheet and strip steel	2.1%
Other special industry machinery	1.7%
Other beverages	1.6%
Other end products, inedible	1.6%
Computers	1.5%

The Need for More Investment

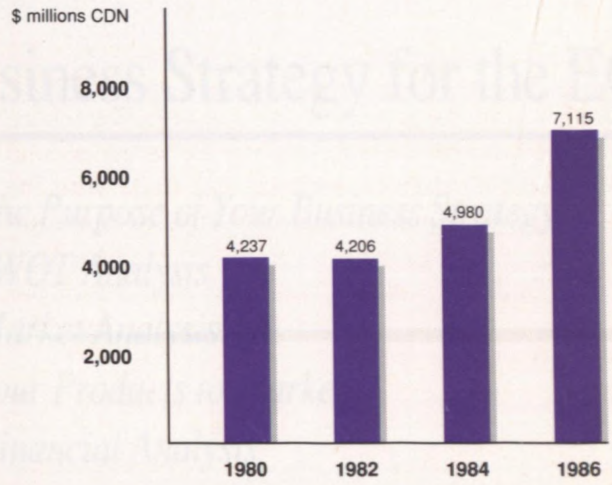
Canada's economic relationship with the EC goes substantially beyond trade. It includes growing investment links developed by many companies as an extension of their trading activities.

Between 1980 and 1986, the EC's share of foreign direct investment in Canada increased from 15% to 18%, while U.S. investment decreased from nearly 80% to 73%. Traditionally, U.K., West Germany, the Netherlands, and France have followed the U.S. as Canada's principal suppliers of direct investment.

Since international investment is increasingly used by firms to complement their trade activities and position themselves more effectively for global competition, Canada's investment flows into the EC are an important indicator of business movement.

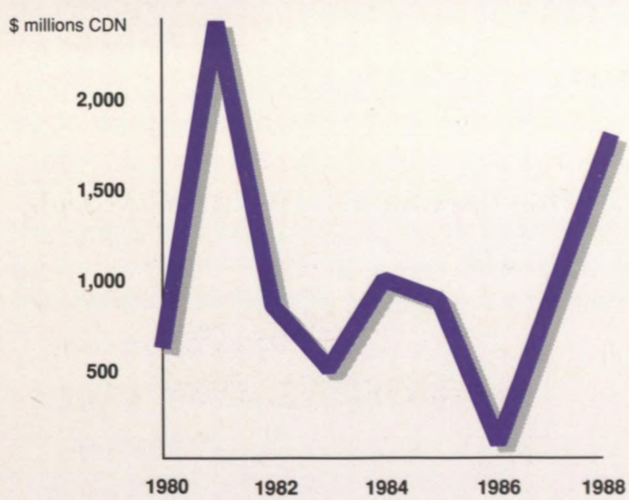
Between 1980 and 1988 the flow of Canadian investment to the EC was erratic. Instead of a positive response to the opportunities offered by 1992, we find that in fact the growth rate of Canadian net investment declined. In 1988, there was a marked rise compared to recent years. These figures may be the beginning of a long-term trend, but it is too early to assume they represent a solid commitment by Canadian business to the EC.

Stock of Canadian Investment in the EC



Note: Spain and Portugal became members of the EC on January 1, 1986.
Source: Statistics Canada

Flows of Canadian Investment to the EC



Note: Spain and Portugal became members of the EC on January 1, 1986.
Data reflects net outflows of Canadian direct investment.
Source: Statistics Canada

From 1980 to 1986, the stock of Canadian direct investment in the EC almost doubled, but as a percentage of our total direct investment abroad it actually declined from 15.7% to 13.3%. At the same time, our direct investment in the U.S. tripled, and, as a percentage of our investments abroad, our U.S. investments increased from 59.4% to 71.2%.

Today, investment provides various forms of access to markets, new technologies, and financial networks. Too few Canadian businesses are exploiting the increasing investment opportunities in the EC. In a time of increasing global competition, we have to do better.

III Developing Your Business Strategy for the EC

The Purpose of Your Business Strategy

How can your firm profit in the emerging Single Market? What issues should you consider in determining your firm's ability to trade or invest in the EC? While the potential rewards are great, entering a foreign market is a complex undertaking. To ensure your firm's ability to compete in Europe 1992, you should develop a comprehensive business strategy.

The competitiveness of your products or services will depend on such issues as technology, competitor intensity, cost, quality, and the ability to develop appropriate market niches. You will want to consider investments in marketing, innovation, and production capacity. The issues of diversification and integration are also important. In short, you will want to know what new opportunities and forms of competition exist within the industry sector you are entering.

Your company will be faced with such items as exchange rates, taxation, distribution and sales networks, and your operations are going to become more complex. While your business strategy should focus on the growth of your company, it should also take into account your company's ability to meet these new challenges.

Essentially, your strategy should cover your business objectives, an appraisal of your strengths and weaknesses, the EC market situation, strategies to achieve your objectives, and your company's organizational needs.

Critical to your plan will be a realistic estimate of costs and methods of meeting those costs. European standards of living and overheads are generally about the same as Canada's or somewhat higher. As in Canada, they vary from region to region: for instance, costs are higher in West Germany and England, and lower in some regions of Spain and Italy. A detailed, comprehensive budget, based on accurate information on regional costs, will help you avoid financial problems down the road.

In the pages that follow, you will be asked to review your current business position and assess your capacity to compete in Europe 1992. As you read through the questions and formulate answers you will be pulling together the information you need to target opportunities and develop a successful plan of action.

The coloured pages are your working pages. They outline the issues you will need to address to be competitive in the EC. They list what to consider in order to assess the strengths and weaknesses of your firm in relation to the challenges and opportunities of Europe 1992.

The purpose of the outline in this chapter is to help you to focus on the issues that are particularly relevant to your firm and to organize your thoughts. It will give you a sense of the scope and content of the factors you will have to address as you develop your strategy.

Chapter IV will help you to answer the questions raised in Chapter III. It provides a discussion of the issues involved in developing your business strategy; guiding you and providing you with the EC information you will require. The issues raised are generally in the same order in both chapters, making it easy for you to find the necessary information.

SWOT Analysis

A "SWOT" (strengths, weaknesses, opportunities, threats) analysis of your company will tell you where you are relative to where you want to be.

	Strengths	Weaknesses	Opportunities	Threats
Market Standing				
product life cycle				
price movement				
patents				
Innovation				
marketing				
competitor intelligence				
R&D resources				
Productivity				
relationship to industry				
costs				
role of integrated production				
Resources				
cash flows				
equipment				
access to international funds				
Profitability				
Managers & Employees				
attitude				
performance				
development				
Company's Public Image				

Business Strategy

Market Analysis

What do you expect from the competition in terms of products, prices, quality and service? You may want to update this analysis from time to time as the situation changes.

1. Competitive products or services (price ranges, quality, uniqueness)

2. Market opportunities (product or service redesigns, extensions, innovations, improvements – both yours and your competitors')

3. Competitive reactions to your entry in the market (e.g., price reductions, aggressive promotion, product or service changes)

4. What changes will your company need to make in order to compete? (e.g., production, personnel, training, new equipment)

5. Does your company have the discipline, quality, and flexibility needed to adapt to a foreign and highly competitive market?

6. The regulatory environment relative to your business, products or services is much of what Europe's 1992 program is about. Research the changes in trade barriers that will affect your business as thoroughly as you can.

Regulation	Effect	Strategy

7. What size of market will your company cover? For instance, regional and Community-wide markets require different types of organizations.

8. How will marketing and sales affect your organization?

9. How will local customs affect your marketing?

10. How will you test the market?

11. What promotional strategy should you use?

12. What sales literature do you have and is it suitable for your new market?

13. What type of after-sales service do you need?

Customs Valuation:

1. How are customs duties computed?

2. Are there anti-dumping and countervail codes and procedures?

Transportation:

3. What is the preferable mode of transportation? (marine, air, rail or truck inside Europe)

4. How and when should you use the services of a freight forwarder?

5. Have you arranged for transportation insurance?

Documentation:

6. What type of commercial invoices should accompany the goods and what should they contain?

7. Do you need a certificate of origin?

8. Are you required to provide a bill(s) of lading?

9. Do you need packing slips?

10. Do you need health certificates for plants or animal products?

11. Should documentation be forwarded separately to the consignee?

12. How should you take advantage of a *Carnet** to simplify entry and customs procedures?

Distribution:

13. Who will be responsible for distribution?

14. Will distribution centres be central or regional?

15. How will inventory be managed?

Labelling and Packaging:

16. What should be considered for packing and marking products?

17. What are the requirements for labelling?

18. What are the labelling specifications for foodstuffs?

19. Are there specific language and printing regulations?

* A *Carnet* permits product samples and sales literature to enter the prospective importing country temporarily and duty free. To obtain a *Carnet*, contact the Canadian Chamber of Commerce. (See Appendix E)

Source: Adapted in part from the Department of External Affairs Canada, *Export Guide*.

Business Strategy

Financial Analysis

How are you going to finance your expansion into the EC?

1. How will competing in the Single Market affect your profit and loss statement?

2. How will operating costs change? Consider transportation, distribution, production, rationalization, and certification procedures.

3. How much will marketing initiatives, sales promotion, and product development costs increase?

4. How will competing in the Single Market affect your company's balance sheet?

5. How will competing in the Single Market affect your company's cash flow?

6. What are the cash flow implications of changes in productivity and sales?

7. What financial options do you have?

8. What changes do you need to make in your financial and management accounting systems?

9. Does your company's bank or accountant have detailed knowledge of local financing?

Business Strategy

Personnel Issues

1. Who are your best unit (function) leaders?

2. How might you need to re-organize to meet changing conditions?

3. What new language skills will be needed?

4. Does your firm have the internal ability to identify the training and recruitment needs for the Single Market?

5. Do you have managers who have had international business, marketing, or sales experience?

6. What improved skills does your firm need for the Single Market?

7. Would formal training or orientation of key personnel for EC operations be desirable?

8. How will you provide such training?

Business Strategy

Action Plan

1. State your business objectives.

2. If your company is already in Europe, develop strategies to maintain and improve your position (e.g., product line extensions, new services, branch offices or a subsidiary).

3. If you are just entering the European market, your business strategy will need to have two distinct and interacting plans:

   - for developing your base of operations, (e.g., mergers, acquisitions, partnerships);

   - for marketing your product or service.

Putting It All Together

- ❑ **Stipulate your objectives**
- ❑ **Get all the facts**
- ❑ **Identify your opportunities**
- ❑ **Build on your strengths**
- ❑ **Know your competitors**
- ❑ **Understand the market**
- ❑ **Develop an appropriate entry strategy**
- ❑ **Ensure customer satisfaction**

IV How to Compete in the EC Market

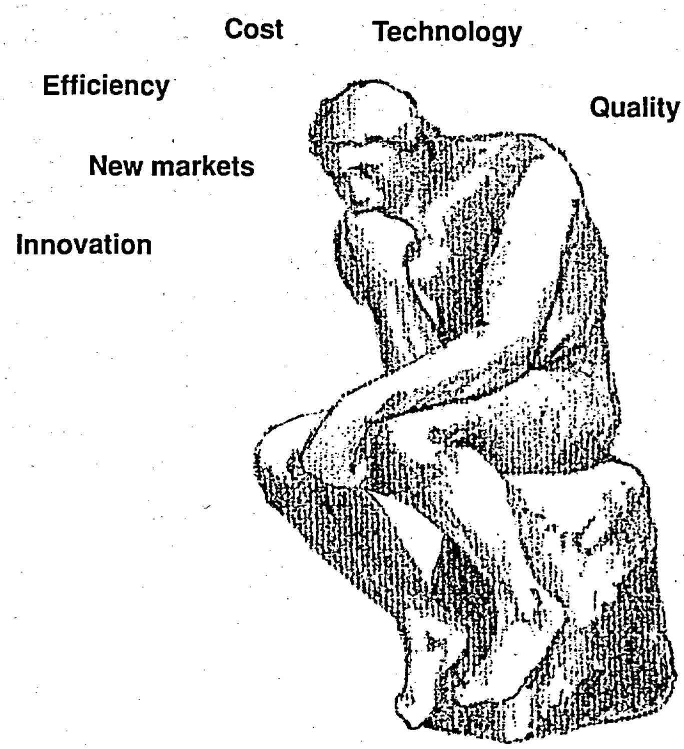
Some Factors to Consider

What are your strengths in the context of the new EC? Here are some factors to consider and document:

- 1992 regulatory and trade changes that will alter business practices within your product or service sector;
- the effect of trade barrier changes on your competitors and their products;
- the threat of new products in your sector or regional markets;
- your bargaining power with both suppliers and buyers (consider supplier rivalries that might work to your advantage);
- the effect of exchange rates on your prices;
- the cost and terms of credit; and
- possible collaborative arrangements with other companies in allied fields.

The EC market of 324 million consumers represents a tremendous potential that qualified Canadian firms should not ignore. The emergence of the Single Market will lead to more competitive and aggressive performances by EC companies both within the EC and in global markets. Failure to secure a presence in Europe could lead to a competitive disadvantage in global markets – and today that means within our own domestic markets. Your company needs to prepare itself for this new and more competitive environment.

How Will You Cope with These Issues?



In many regions of the EC, purchasing decisions are determined by the quality of the product or service rather than its price. In such regions there is a strong bias in favour of skill-intensive products. West Germany, for example, accounts for 20% of the world trade in skill-intensive products, ahead of both Japan and the U.S., while northern Italy and Denmark have developed a strong position in some high quality, skill intensive goods that capture the upper ends of markets around the world.

High skills and flexible specialization also enable small firms to adapt to short product life-cycles and to focus on niche markets both domestically and globally.

Identifying what technological innovations your company will need and deciding how to apply them are vital parts of your strategic planning. Carefully consider the technological strengths and weaknesses of your firm:

- ⇨ Will you need greater R&D capability to meet rapidly changing product design?
- ⇨ Will you need to improve your production capability? (skilled workers and equipment)
- ⇨ Will you require changes in quality control?
- ⇨ Will your products meet existing requirements for inspection, testing and certification?
- ⇨ Will you be able to simplify or economize your production as technical specifications are standardized in Europe?

How You Can Access New or Adapted Products:

- in-house design and development;
- technology transfer (licensing or joint venture);
- collaborative R&D projects with EC partners and with educational institutions.

Developing an Effective Marketing Strategy

Community-Wide Markets

Companies in the energy, metals and minerals, autos, electrical and electronics, or insurance industries have particularly strong markets throughout the Community.

Regional Markets

Companies may have more success if they have a high market share in a single country. For example, the washing machine company, Hotpoint, has decided to concentrate on Britain where it is the market leader. It seems the British prefer front loaders, while the French like top loaders.

Specialized Markets

The emphasis on specialization prevails in construction and building materials, distribution, electronic data processing, banking, and consumer goods.

It is important to explore potential markets before you try to sell your products or services. This is especially true of foreign markets. Too many Canadian businesses rely on brief visits and scanty information. In this section we will discuss how to develop an effective marketing strategy.

You need to determine: who the market for your product is, how they can be reached, and what promotional messages best sell your product. You will want to find out about the competition's products and how they are promoted, their packaging, features, and prices. You will also want to determine who can best retail or wholesale your products, and, to be sure, how much it is going to cost to get your product or service sold.

Your firm will have to determine the impact of Europe 1992 on your product. Will it mean more homogeneity of tastes across Europe or more sharply defined market segmentation and specialization?

Instead of one homogeneous mass market or a collection of small specialized markets, you may discover consumer clusters emerging. These are formed by consumers close to each other geographically, but not in the same country. These new clusters will have similar demographic and economic characteristics that cut across cultural and political borders, and they will display similar needs and purchasing behaviour.

Some preliminary statistics and general information to aid you in developing your business and marketing plans are available in the Appendices.

A selection of market indicators is presented for your reference in Appendix A. Country profiles of the major markets in the EC constitute Appendix B. Appendix C provides you with overviews of 11 major industry sectors in the European Community. Information and contacts for government assistance programs in Canada are outlined in Appendix D. And a variety of addresses in Canada and Europe that may be useful to you as you develop your approach to the EC market are available in Appendix E.

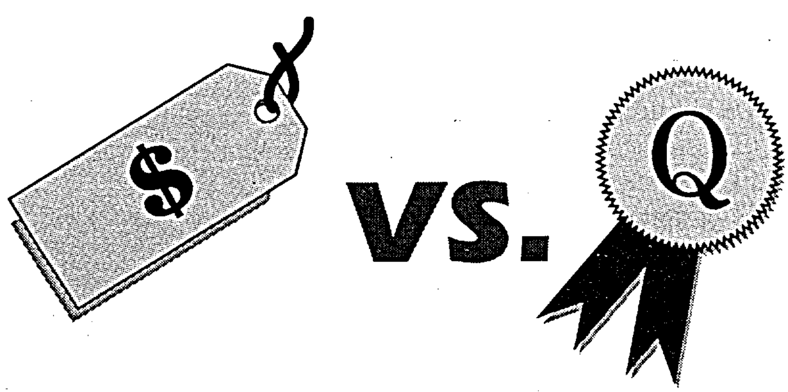
We have noted that many consumers in the EC tend to base their decisions on the quality of goods rather than their prices, but such preferences can vary from region to region. For instance, quality is first in the minds of the northern French, while low prices are the priority in the south. And a West German firm's products, which sell at the top end of the market in terms of quality throughout Europe, will often be regarded as only in the upper middle range in West Germany.

The dynamic areas of the EC, with their large numbers of small manufacturers, distributors, and retailers, are not easy markets to enter. But they can prove lucrative for companies that balance price and quality appropriately.

Many foreign subsidiaries in Europe are reassessing their pricing policies in light of 1992. At present, the prices charged for identical products can vary widely across the EC. In the Single Market, however, regions with fat margins will invite competition. The realignment of prices across Europe could cost companies their market shares.

The number of competitors will drop as fewer brands compete locally. The strongest players will be large Community-wide companies. At the same time, this concentration will create niches for flexible, innovative, and fast-moving producers of high quality goods.

Price versus Quality



How To Improve Your Product

You can prepare to compete in the EC market by improving the quality of your products and services:

- Set specific targets to meet the EC's safety, health and environmental requirements;
- Check that your consumer products meet the quality requirements of one or more retail outlets in your target markets;
- Achieve "ship to stock" status for all your products. Your products should have a reputation for quality that minimizes customer checks;
- Identify what changes in material quality and quantity will be needed to meet market demands;
- Decide if new inventory systems will be needed to meet new patterns in demand;
- Consider new sources of supply in changing circumstances;
- Set specific product improvement goals and timetables.

Steps in Developing a Marketing Plan

How Will You Advertise?

It may be best to retain a public relations firm with an in-house advertising agency to coordinate your promotional campaign. This will help to ensure that an accurate image and message are projected regarding your products or services. If your plan is to market only in scattered regional markets, you may still be better off using only one international agency. Using a European firm will ensure that the look of your products, packaging and promotion fits your markets. Special attention must be given to local terms, dress and customs in advertising copy and illustrations.

European knowledge of costs and regulations will also be helpful. In the drug business, for example, all products will be subject to specific advertising and promotion rules by 1992. Relaxation of advertising codes for over-the-counter products is expected. A knowledgeable, experienced EC business partner would also be invaluable.

A marketing development strategy should have a number of features:

1. **Market Definition**
   - ❑ products and technologies;
   - ❑ customers;
   - ❑ niche or Community-wide.

2. **A statement of intention**
   - ❑ product adaptation and development;
   - ❑ market share;
   - ❑ modes of entry into new markets;
   - ❑ modes of operation in existing markets.

3. **An outline of the marketing organization**
   - ❑ dispositions at home and abroad;
   - ❑ management and staff development.

4. **Market-by-market product strategies**
   - ❑ forecasts of volume, revenue;
   - ❑ marketing investment, market research.

5. **Market-by-market pricing strategies**
   - ❑ value assumptions that customers place on products;
   - ❑ the effects that inconsistencies in prices across the company's markets will have in distorting demand.

6. **A product-development program**
   - ❑ new technology,
   - ❑ new products;
   - ❑ product improvement,
   - ❑ standard modifications.

7. **Distribution-channel objectives**
   - ❑ distribution channels;
   - ❑ sales strategies;
   - ❑ customer management;
   - ❑ service needs;
   - ❑ different types of distribution create different demands.

8. **Financial projections**
   - ❑ revenue;
   - ❑ marketing investment;
   - ❑ organizational expenses;
   - ❑ statement of capital investment requirements,
   - ❑ acquisitions;
   - ❑ capital costs.

Questions to Consider When Planning Your Marketing Strategy

You will need to gather a lot of information for your marketing strategy – probably more than you would for a Canadian market. Exploratory visits to your market areas are very useful. So are regional or national trade fairs. European marketing research companies are available, often within the larger advertising agencies.

Important issues to consider are:

1. Who are your prospective consumers?
   - numbers and income brackets
   - age, sex
   - particular interests, motivating factors
   - consider the option of supplying as a sub-contractor

2. Where are your customers?
   - throughout the EC
   - special interest groups in each country or region
   - a specific country or region
   - high, middle or low-income areas
   - what countries are you not selling to?

3. How will you access the market?

4. How will the market affect you?
   - how will its size, trends, and other factors affect your purchasing decisions?
   - who are your competitors?
   - how do your competitors distribute and sell in the market?

5. How will you find the right market information? You can:
   - monitor announcements of public contracts
   - look at market statistics and reports
   - undertake a planned program of exploratory visits
   - attend trade fairs
   - commission market research

6. How suitable are your products and services?
   - are the preferences of your targeted customers similar to your existing customers?
   - can you compete in terms of quality and service or in terms of price?
   - does the quality of your product match your customers' needs?
   - is there an industrial standard for your product? Is it set by national authorities or unofficially by the leading supplier?
   - does your product range need to be adapted to the different needs of industrial or commercial users?
   - how balanced is your product portfolio in terms of innovation, growth, and maturity?
   - are the design and packaging of your product appropriate?
   - how vulnerable is your firm to exhaustion of its intellectual properties, patents, licences etc?
   - how do your company's products compare with the competition on such loyalty issues as function, reliability, quality, and modernity?

7. How will competition change in your existing market?
   - when will your existing market change?
   - is the market in growth or decay? What is the rate of change?
   - are prices and margins improving or eroding? How do these vary by region and country?
   - who are your potential competitors?
   - what are their competitive strengths? Are they competing on price or quality?
   - what are your existing customers' buying plans?

8. How should your company advertise?
   - how successful is your present advertising plan?
   - what are the differences in national media availability and cost across the EC?
   - what should be your advertising budget?
   - will you use a Community-wide campaign, allow some regional variation, or design from scratch country by country.

Transporting your Products to Market

The liberalization of the now heavily protected transportation services within the EC by 1992 will create faster and more economic distribution networks for European markets. With barriers coming down, companies are scrambling to set up distribution channels and dealerships throughout Europe.

The transportation industry itself, consisting largely of SMEs, is expected to go through major restructuring with mergers, acquisitions, and rationalization of routes and equipment. Smaller, localized transportation companies will face increased competition as the larger companies spread out across the EC. Increased competition and the removal of frontier controls will lower transportation costs.

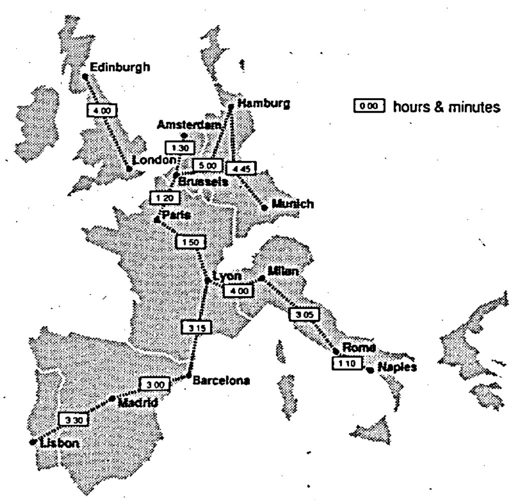
Cheaper transportation costs and the freer movement of goods will enable you to move your production facility to a lower cost region or to where the skilled labour or expertise you need is more readily available. It will also enable you to market your product in more remote regions and to use fewer warehouses – perhaps only one.

The major Dutch centres (Amsterdam and Rotterdam) are the cities most likely to grow as distribution centres, because of their central location, major sea and airports, and strong local trucking industry. Ashford, Kent, about halfway between London and the Channel Tunnel ("The Chunnel"), is expected to be a major distribution centre when the tunnel is completed. In general, the U.K. and the Netherlands have relatively deregulated transportation markets, while France and West Germany tend to be the most regulated.

Road haulage quotas and permits, abolished in June 1988, once forced 30% of trucks to travel empty between EC members. The issue of cabotage is expected to be resolved, enabling hauliers registered in one EC member state to operate transport services wholly in another member state. To date, countries which allow free access (or relatively free access) in terms of road haulage of goods are the U.K., Denmark, the Benelux countries, and Greece.

High-speed trains could soon halve ground-travel times. The EC, Switzerland, and Austria want to knit Europe together with 30,600 kilometres of special track, two-thirds of it for trains running at more than 240 kilometres per hour. The cost is estimated at around $100 billion. While rail freight is used much more commonly in Europe than in North America, it has recently been losing ground to road haulage, particularly in the U.K. To ease road congestion, other countries stipulate that rail freight must constitute a certain portion of transported goods.

High Speed Rail Network



Air transportation in Europe was deregulated in 1987, allowing more competitive fares, opening new routes to competition, and actively discouraging anti-competitive practices. Further measures are to be submitted by June 1990. They include the promotion of scheduled EC inter-regional air services for transporting passengers, mail, and cargo.

The EC has had difficulty harmonizing its cabotage rules and policies for the shipping industry. However, in 1986, measures were adopted to encourage competition and to phase out discriminatory arrangements with non-member states by 1993. The measures also urge coordinated action against discriminatory practices by non-EC countries and authorize duties on non-EC shippers engaged in unfair (e.g., subsidized) pricing practices.

Restrictions which reserve the carriage of goods to vessels flying the national flag are expected to be phased out by January 1993.

Express services are increasing – even for heavier, bulkier products and equipment – just as they are in the U.S. DHL, Federal Express, United Parcel Service, and TNT are gearing up for trans-EC express shipping, with computerized sorting centres in Brussels, Cologne, and key hubs in the U.K.

Distributing Your Products

The harmonization of standards in a Single Market should make distribution easier. Companies will not have to tailor their products to meet different regulations in different countries. Changes in cross-border regulations should also free up distribution channels. The abolition of road haulage quotas and the liberalization of air and maritime transport will give sellers more flexibilty and choice.

The same European regionalism that affects sales also affects distribution. The pattern of food distribution in West Germany, for instance, differs radically from that in the U.K., where there is a continuing preference for home delivery of dairy and other products.

Direct distribution channels are becoming more popular in the EC, as fewer companies use the traditional long-channel systems of France and Italy. With short distribution systems, products are delivered more quickly, and in better condition. Stock turns over more quickly, reducing the amount of warehouse space needed. Fast distribution is helpful in coordinating advertising, promotion, and delivery of products with consumer demand. Note that different types of distribution channels exist in various regions, which may preclude some choices in your planning. For example, the level of service offered in telecommunications in one region may not allow the use of WATTS lines throughout the Community.

Networking for 1992

To sell to the full EC market, companies must develop large distribution networks. The Japanese firms Nissan and Honda are working hard to place automobile dealers in the formerly closed (Fiat) markets of Italy and Spain. Meanwhile, Fiat has launched an ambitious program to open 150 new dealerships throughout the EC.

Companies in many other product and service sectors also are extending their distribution networks, particularly in telecommunications, foods and beverages, machinery, and data processing. Many are replacing independent distributorships with company-owned sales outlets. Larger, centralized warehousing operations with inventories to match are also common.

The One-Hub System

For some manufacturers of end-products, especially SMEs, it will make perfectly good logistic and economic sense to use one EC warehouse for all markets. Advanced Micro Devices, Inc. is considering using an Irish warehouse to transport its products directly to all 12 EC countries.

A critical factor that will permit centralized warehousing will be the harmonization of product standards and specifications. A *Made in EC* mark signifying the new capability of interstate transportation may even evolve, assuring the product free movement within the EC.

Defining Your Distribution Needs

New distribution challenges are emerging as more buyers and more destinations come into play. Here are some important issues:

- What are your shipping requirements? (size, weight of loads, destinations, frequency, speed, and special provisions, e.g., temperature, humidity control)
- How will your company choose between direct delivery or warehousing?
- How will your warehouse function? (bulk, intermediate, local)
- What will be adequate stock levels and how will you maintain them?
- What routes and types of transport are best suited to your products and market locations?
- What part of your distribution will your company handle itself and what will be contracted out to shipping firms?
- What organization and equipment will you need to support your distribution? (personnel, information-handling requirements, remote location monitoring)

Streamline Your Distribution for the EC

Traditional	Newer
Long-Channel Distribution	Short-Channel Distribution
⇓	⇓
Manufacturer/Supplier	Manufacturer/Supplier
⇓	⇓
Distributor	Retailer or Direct
⇓	⇓
Wholesaler	Consumer
⇓	
Sub-wholesaler	
⇓	
Sub-sub-wholesaler	
⇓	
Retailer	
⇓	
Consumer	

Source: J. W. Dudley, *1992 – Strategies for the Single Market*, p. 302

Financing Your Entry into the EC

Penetrating EC markets requires a substantial financial commitment. Along with all the risks and complexities involved with foreign exchange, differing rates of corporation tax, investment grants and so forth, new complexities will spring from changes to the capital markets, from new regulations involving mergers and takeovers, and from the new freedom of movement for financial services.

These changes will affect your cost and revenue patterns. You will have to anticipate and plan for new patterns. A thorough review of existing cost control systems will be essential.

Your firm should formulate a statement of financial criteria enabling you to define financial performance objectives, policies relating to investments, financing risk, new share issues, retained earnings, and earnings-per-share targets. The statement should also include your intentions in terms of funding requirements, sources of funds, key financial ratios and dividend objectives. It should also describe the organization and structure you will use to manage the financial affairs of the business throughout your markets.

You need to establish:

- ➪ the method you will use to finance new investment;
- ➪ the cost and timing of new plant, personnel, and inventory requirements;
- ➪ the timing of additional revenues likely to be accrued against new working capital requirements;
- ➪ terms to be negotiated with debtors and creditors;
- ➪ banking arrangements to be negotiated in new markets;
- ➪ requirements to deal with foreign currency and transactions of existing markets;
- ➪ new sources of business financing and their costs, including overseas banking.

Sources of Financing in the EC

Canadian Sources

Brokerage firms, Wood Gundy Inc., Lévesque Beaubien Geoffrion Inc., RBC Dominion Securities Inc., and Scotia McLeod Inc., all have EC offices. Canadian businesses can look for financial expertise and capital there.

Canadian banks have branches in a large number of major cities in the EC. These branches have the local knowledge required for dealing with EC firms and regulations, while also facilitating communication between domestic and foreign activities. Additionally, many European banks now have extensive regional networks in Canada. They can provide good support services for your EC market expansion.

EC Sources

These programs are of particular interest to SMEs:

- Through their Venture Consort pilot project, the European Venture Capital Association (EVCA) and the European Commission provide equity backing for technology cooperation between small firms across EC borders. Eurotech is a similar program.
- The European Investment Bank (EIB) is another source of equity loans. Working with the EIB, the EC offers the New Community Instrument IV, raising capital exclusively for SMEs.
- Grants also may be arranged through the European Regional Development Fund (ERDF).
- Various regional economic authorities in France, the U.K., West Germany, and Spain, for example, provide financial incentives for "would be" investors.

Your People and the EC

Learning to be Open to Other Cultures

Subtle shades of difference in the social and corporate structures of Canada and the EC can present real problems.

Some companies have already launched intensive programs to prepare their managers. Honeywell Europe, for example, has an intensive program to teach several hundred managers about European culture, values, and ethics.

The new Ontario Centre of International Business at Toronto's York University offers an enhanced MBA program – the first of its kind in Canada – that requires students to learn one foreign language, study other cultures and spend one work term in another country.

Entering European markets involves learning a whole new set of skills. The subtleties of European social and corporate structures can be a major stumbling block.

You may find it difficult to get managers and staff to cooperate productively across cultural and political borders. Carefully assess the linguistic skills of your employees, their familiarity and openness towards other cultures, and their attitudes towards the new business challenge.

Your people may also need to develop new skills in marketing, distribution, export and import procedures, quality control, and stock control.

Position people to smooth the transition. Your top management positions might best be filled with people who have foreign language ability and experience in European countries.

You will want to share your company's business objectives in the EC with your Canadian employees at all levels. Their cooperation with EC counterparts will be vital. And your European personnel may need guidance on how to obtain information and help from their Canadian counterparts. Prepare written guidelines for both operations, and include clear directions, names, job functions, and phone numbers. Remember to take the time to keep communication open.

Providing the New Skills

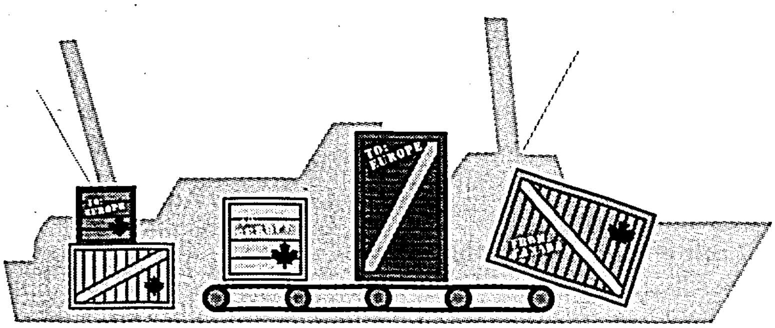
Once you have identified what new skills your managers and workers will need, you will want to consider how they can be provided:

- ❑ in-house training
- ❑ external training
- ❑ new recruitment
- ❑ joint ventures or cooperative arrangements with EC firms
- ❑ staff incentives
- ❑ educational institutions
- ❑ correspondence courses

If your company produces a cost competitive resource or a product at the right price and quality, you may decide to export. This will be possible as long as you remain competitive after the tariffs are added and the technical standards are met.

New markets for imports will be created as EC industries restructure and rationalize. Studies predict that the imports into the EC from all sources are expected to increase by about 7% in the medium term. With innovative technology and effective marketing, Canadian companies can be competitive in this promising market.

Exports to the EC



Incoterms are international trade terms with which you should be familiar. They are published by the International Chamber of Commerce. *Incoterms*, and its supplement *Guide to Incoterms*, contain universally recognized and accepted definitions of international trade terms. Business people throughout Europe refer to these handbooks to avoid misunderstandings in contractual relationships. They are available through the Canadian Chamber of Commerce in Montreal (see Appendix E for address and telephone number).

However, it is crucial that exporters go beyond delivering products. With a sophisticated European market, Canadian firms have to develop effective distribution networks and provide efficient after sales services. In order to ward off competitors and enhance their market share, many Canadian firms have chosen to complement their export strategy through various forms of investment.

Checklist for Exporters

Have you:

- ❑ checked the credit standing of a foreign buyer?
- ❑ protected yourself against currency fluctuations?
- ❑ studied the local selling terms in each market?
- ❑ explored the government programs available to assist you in establishing an export market?
- ❑ ensured that your product name is appropriate in foreign languages?
- ❑ examined your packaging and promotion material to ensure that it is suited to the tastes of your new market?
- ❑ inquired about product modifications required to adapt to specific market nuances?
- ❑ determined if your product is easy to ship and if there are any special handling costs?
- ❑ evaluated the costs of export selling?
- ❑ researched whether an exclusive distributorship or agency agreement will enhance market potential? What markups do they want? What promotional assistance is provided?
- ❑ explored distribution channels? What control do your competitors have over them?
- ❑ ensured that your goods can be safely shipped?
- ❑ examined the pricing policy of your competition?
- ❑ determined what the normal terms of payment are?
- ❑ looked into the opportunities available from participating in trade fairs and exhibitions?

Greenfield Investment

After only two years of operation, Kanata-based Newbridge Networks Corp. opened a 30,000 sq. ft. headquarters and manufacturing plant in Newport, U.K. About 29% of the $70M in sales it expects to do this year will come from Europe.

CAE Electronics Ltd., the Toronto-based maker of commercial and military aircraft simulators, is expanding its subsidiary CAE Electronics GmbH of West Germany in the hope of landing more contracts.

SclI of Quebec has established a subsidiary in northern France to create and market software for financial markets.

Strategic Alliances

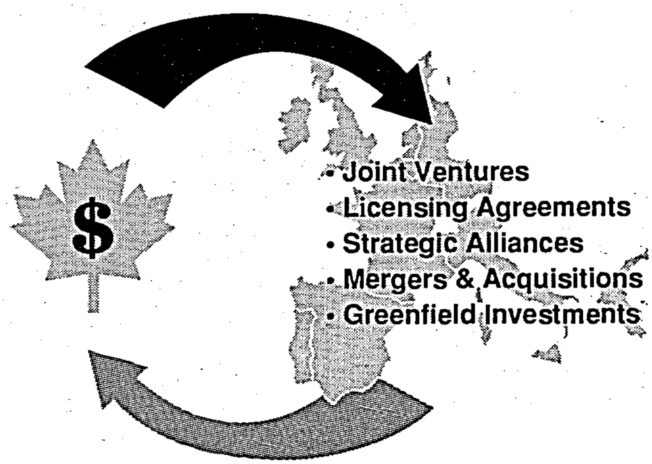
Northern Telecom Ltd., Mississauga, Ont. has established ties with companies in France, Britain, and West Germany.

Wood Gundy Inc., Lévesque Beaubien Geoffrion Inc., RBC Dominion Securities Inc., Scotia McLeod Inc. have all established European links to avoid being shut out of the EC market and to provide Canadian companies with wholesale capital and market expertise.

Novo Industri of Denmark joined with Middlesex Hospital in London in a five year, $8M research project on autoantigens. The project represents a natural extension of Novo's insulin manufacturing activities. Its aim is to identify autoantigens from which new vaccines might be derived.

If tariffs make your products less competitive and if European infrastructure could make your operations more efficient, then you should consider the various forms of investment as a means of entering the EC market. Investment may not only help you get over the tariff barriers faced by outsiders, it can also give you access to technology and marketing networks as well as financing. By acquiring or merging with European companies or by entering into a joint venture, licensing agreement, or strategic alliance, many foreign firms are reaping the benefits of the emerging Single Market, as well as making use of European knowledge of these markets.

Flow of Capital to the EC



You will want to invest in, or collaborate with, companies whose equipment, personnel and experience are compatible with yours. If you are a Canadian producer of articles for mass consumption, look for EC partners that will help you to take advantage of the EC economies of scale. Conversely, if you produce specialized products, look for an EC company that offers similar niche products or has selected regional markets in hand.

The product sectors expected to be most strongly affected by the trade unification of Europe are telecommunications, chemicals and pharmaceuticals, food and beverage industries, and financial services. EC companies trading in those areas will be looking for both investors and collaborators.

When looking for successful companies in the EC, be aware that their annual reports are compiled more for tax purposes than for investors. You cannot depend on the annual report alone to give you a comprehensive picture.

In general, larger firms are better equipped to face the risk and expense of setting up a new plant in another country. European governments offer attractive incentives (cash and tax relief) for doing this. Special development areas are in Britain, Berlin and the Zonal Border Areas in West Germany. In France's newly created enterprise zones, the French Industrial Development Agency (DATAR) provides 10-year exemptions from corporate taxes, as well as cash grants of up to 25% of the investment (land, buildings and equipment). DATAR may also provide grants to companies taking over ailing businesses.

There are several reasons to acquire or merge with an EC company. You may seek to enhance your competitive strengths as well as gain access to the EC. You may even consider being acquired by a larger firm in the EC to obtain growth capital or other resources. Controlled, voluntary acquisition or merger can be contracted to permit your business to remain intact while gaining the necessary support and experience to expand into the EC.

Laws governing takeovers and mergers across the EC have been a hodgepodge of domestic statutes, court-made precedent, and local politics. The debate concerning what laws should govern the Community has been extremely controversial, but the EC intends to pass new rules by December, 1989, making them consistent throughout all member countries. Under its proposals the EC would review large acquisitions within the Community. It would have to decide within two months if there are any grounds for a further antitrust investigation. Combinations which restrict competition would be stopped.

Consider forming an alliance with a European company to market each other's products or to do research and development. Joint ownership with a European company of a subsidiary is another option. European Community firms are actively seeking non-European partnerships. Notice of a firm's interest is often publicized in EUREKA and other databases.

Joint ventures enable companies to pool expertise, financial and production resources, as well as providing a means to gain entry into the European market. A partner company should complement your company's strengths and eliminate or compensate its weaknesses.

What you are able to bring to the venture (products, expertise, production capability) will be as important to your partner(s) as entry into Europe is to you.

Mergers and Acquisitions

Northern Telecom of Mississauga, Ontario, acquired part of STC PLC of Britain as part of its strategy of selectively pursuing important global markets in telecommunications.

Plastique Moderne, Montreal, a small plastics manufacturer, purchased a plant near Lyon, France, to spring board into the European market.

Canam Manac, Que. has acquired Compagnie Lorraine de Construction (COLOCO) of France, a maker of boilers, pipes, and steel girders.

SNC, Que. acquired a 36% share in Protecna International, an engineering firm near Paris.

Bombardier, Montreal is an industrial powerhouse with a product line of aircraft, mass transit systems, locomotives, diesel engines and components, and military and recreational vehicles. It recently acquired Short Brothers of Northern Ireland, greatly enhancing its presence in Europe, and raising its profile in the international aerospace and defense business. Bombardier already controls BN Constructions Ferroviaires et Metalliques SA of Brussels. (railway equipment and transit rolling stock)

Montreal-based DMR Group Inc. acquired Consulting Associates Holding BV of the Netherlands. This acquisition gives DMR a base in the Netherlands, West Germany and Switzerland, as well as indirect links in the Italian market. Consulting Associates will integrate into DMR's British and Belgian offices.

McCain Foods Ltd. of New Brunswick expanded its frozen french fry plant in Northern France. Forty-five percent of McCain's business is now in Europe.

National Sea Products of Nova Scotia acquired the frozen fish processors and traders Bretagne Export and Surgelation Lorientaise.

Canadian Joint Ventures

Labatt Brewing Co. Ltd found that a joint venture was preferable to acquisition (outright ownership). It partnered with two Italian breweries, Birra Moretti SpA and Prinz Brau to reduce risks and ensure the likelihood of success in two unfamiliar markets.

Hammond Manufacturing Co. Ltd., Guelph, Ontario, a manufacturer of electronic power supplies and simple molded cases, entered into a joint venture in West Germany.

BCE Mobile Communications, an associate firm of the Bell Canada telephone utility, joined a consortium led by Axil Springer publishing group and Cellular Communications of New York, to build the cellular phone network DNetII in West Germany. This network would compete with the Bundepost cellular system.

Co-Marketing and Licensing

Sun Life and Confederation Life Insurance Co., both of Canada, are exploring the feasibility of selling (licensing) their expertise and other resources to local EC companies. They thereby establish their names and gain experience in the EC markets before investing in marketing and sales organizations; a form of real-life test marketing.

Joint ventures can bring together several smaller concerns to create sufficient financial, equipment and technical expertise to undertake a major project. These may be temporary consortia, such as those found in the construction industry, or permanent, as in satellite broadcasting systems.

A good first step towards finding potential partners for a joint venture is to consult European intermediaries and database services.

Co-marketing agreements have few encumbrances and, like joint ventures, are gaining in popularity. Under these agreements you and your European partner exchange marketing responsibilities. You market the European product in Canada or North America for a commission or royalty; your European co-marketer does the same for your product in the EC.

Licensing agreements may be more involved. You may receive or grant rights to manufacture, assemble, and distribute the product, using the patent and trade name. Usually, there is a licensing fee plus an annual royalty based on quantity sold or sales turnover.

Manufactured goods are not the only property suitable for licensing. Your company's patents, copyrights and trade names may be valuable to the right European licensee. Similarly, consider your production know-how, and technical or marketing expertise. They can be bartered by contract even though they are not patentable.

Through licensing agreements you use your licensee's marketing experience and location to avoid tariffs and other trade restrictions, facilitate distribution, and increase sales. In addition, licensing agreements can be set up quickly allowing you to exploit sales opportunities while they last.

What to Look for in an EC Partner

- ❑ Firms offering products and services that will benefit from the removal of trade barriers;
- ❑ Companies doing business in areas that currently are extensively regulated (e.g., financial services, transportation, telecommunications);
- ❑ Larger companies with the critical mass necessary to meet the competition;
- ❑ SMEs with established regional markets or specialized products for broader markets;
- ❑ Companies with lower overheads and operating costs (wages, power, plant costs, taxes).

V SMEs – What Does 1992 Mean For You?

Issues for SMEs
SME Task Force Initiatives

Issues For SME Managers

- Note that while larger companies will offer more subcontracts; they will also be able to shop around the EC for better prices.
- Use information processing and transfer to quickly identify and exploit product niches in the market.
- If you ignore your sphere of excellence, market niche, or the region where you have a special interest or aptitude or if you overstretch your financial capabilities, you may lose your competitive advantage.
- Use your regional advantage by organizing to meet specific customer needs better than Community-wide companies.
- Make high quality after-sales service an integral part of your planning.
- Use cooperation to enter the market and grow.

SME Assistance

- Canadian SME subsidiaries in the EC are eligible to participate in a system of value-added tax exemptions.
- Strategic Programme for Innovation and Technology Transfer (SPRINT) provides SMEs a way of sharing technical design or marketing expertise with other companies.

For information on these programs, see the *Euro-Info Bulletin*, a free semi-monthly SME Task Force newsletter.

Ninety-five percent of EC companies have fewer than 500 employees. These small and medium-sized enterprises (SMEs) employ two-thirds of the total EC workforce. As in Canada, it is the SMEs that provide, not only employment, but also the innovation and dynamism that is essential to a vibrant economy.

The definition of SMEs differs from one jurisdiction to another. Quebec defines SMEs as firms with less than 200 employees. However, Ontario and the rest of Canada define SMEs as those firms with less than 500 employees. In many European countries, older, well-established firms, which would be considered large in Canada, are thought of as medium-sized firms.

The elimination of protected national markets in the EC will significantly disrupt the activities of SMEs; but it will also create new opportunities. The flexible and innovative companies that can identify and exploit a well-defined niche will be well-positioned to prosper in the new Single Market.

The lowering of barriers will have both positive and negative effects on SMEs. On the positive side, the reduction of administrative hassles and delays at frontiers will be especially beneficial to SMEs. With fewer administrative resources, they are more dependent on flexibility and responsiveness to changing markets than are large companies. The establishment of national technical standards will also assist SMEs, enabling them to reach new markets without investing in the expensive product development required to meet different technical standards in each national market.

The increased competition that all companies will face may be seen as a negative impact by some SMEs. The economies of scale in a unified EC market will give large companies a tremendous advantage over smaller companies competing with them in mass markets. Even now, the operating costs per unit of production average 30% to 45% more for SMEs than for large companies. Rationalization and concentration of production can also be expected to have a negative affect on some SMEs. In tractor sales, for example, both the U.S. and the EC account for 200,000 units annually, yet the U.S. has four manufacturers, while the EC has fifty.

Larger companies will play an important role in changing the strategies of SMEs. The restructuring of industry will itself create new markets for SMEs.

In industries where large and small companies complement each other, large companies will probably sub-contract more work to SMEs in order to decrease their own overhead. And SMEs can also expect to cash in on the liberalized public procurement market where the enormous contracts available will be too much even for larger firms. In order to survive and grow, SMEs will need to focus on and develop their areas of excellence. They can choose to remain within a regional market they understand particularly well, or focus on specialized products whose market is limited in size, if not in geographic range.

The ability to cooperate and to apply innovative information and product distribution technologies will also be essential for many SMEs. The Single Market will demand larger and stronger groupings in all industry sectors. SMEs will have to watch for new linkages that will enhance their competitiveness.

Small and medium-sized businesses should be careful, however, of the temptation to scale up operations to compete in mass markets. Established consumer acceptance of existing products plus major increases in overhead present two potentially insurmountable challenges for these SMEs. SMEs must be prepared for significant expenses as they prepare for the single market. Many are gaining the needed competitive weight and strength by co-marketing, merging, or using some other form of collaboration with another company.

SME Share of EC Product Sectors

	%
Furs and fur products	60
Bread and other flour foods	47
Building materials	43
Jewelry	39
Wood products	39
Lumber	36
Building	34
Medical equipment	34
Wooden containers	34
Stone and non-metallic mineral products	31
Leather and leather substitute products	30
Musical instruments	29
Grain processing	26
Components of parquet flooring	26

Source: Eurostat Industry Survey (1983)

SME Task Force Initiatives

In view of the large number of SMEs in Canada, it is fortunate that the EC is sensitive to the concerns of small business.

The European Commission has set up a special task force to assist SMEs. The task force works through information centres, networks, and publications. There are also programs to provide funding for R&D feasibilty studies for firms wanting to participate in BRITE and EURAM programs. Subsidiaries of Canadian firms can take advantage of these Task Force initiatives.

The Business Cooperation Centre (BCC) can help you identify business areas of mutual interest with European partner companies. (See Appendix E)

Some 180 European Business Information Centres (Euro Info Centres) can provide you with unofficial access (on a local basis) to information on partnership candidates.

The Business Cooperation Network (BC-Net) links some 350 business advisors throughout Europe who keep databases of European requests for business partners. Companies are cross-matched by selected criteria (product sector, company profile, type of collaboration interest, etc.). If no match-up is found, your request for a partnership is distributed as a *flash profile* to all business advisors in the geographic areas you select. Membership in the U.K. Chamber of Commerce ($66 for 8 months) entitles Canadian companies to access BC-Net.

Appendices

Appendix A:
Market Indicators of the EC
Appendix B:
Top Seven Markets
Appendix C:
Selected Industry Sector Profiles
Appendix D:
Government Programs to Assist Exporters
Appendix E:
Useful Addresses

Appendix A: Market Indicators of the EC

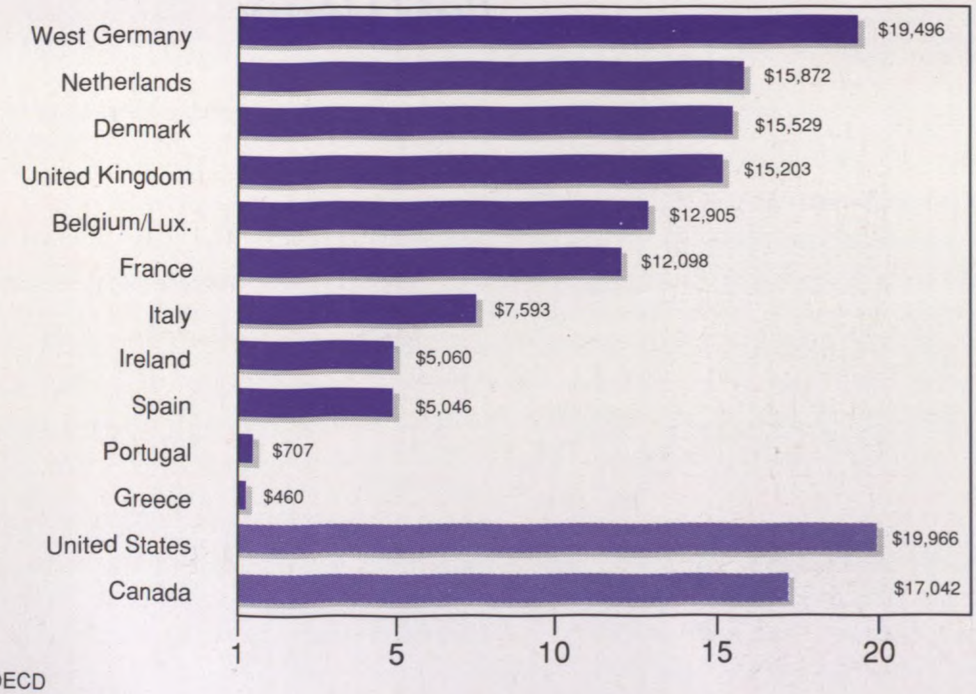
In this Appendix, we are providing you with a general overview of the European Community through selected market indicators. These statistics show the structure and size of the market, how fast it is growing, the distribution of consumer wealth and retail sales growth, as well as sources of expenditure in the EC economy. As you determine the market potential for your company in the EC, and develop your marketing plan, you will need more detailed information on all facets of the market.

Population: European Community (Selected Years)
(millions)

	Gre	UK	Fra	FRG	Ita	Por	Spa	Bel	Ire	Den	Neth	Lux	EEC
1950	7.57	50.62	41.74	49.99	46.77	8.41	28.01	8.64	2.96	4.27	10.11	0.30	259.39
1960	8.33	52.35	45.68	55.43	49.64	8.83	30.45	9.15	2.83	4.58	11.48	0.31	279.06
1965	8.55	54.18	48.76	59.01	51.99	8.78	32.06	9.46	2.88	4.76	12.29	0.33	293.05
1970	8.79	55.42	50.77	60.71	53.66	9.04	33.78	9.66	2.95	4.93	13.03	0.34	303.08
1975	9.05	55.9	52.79	61.83	55.4	9.43	35.6	9.79	3.18	5.06	13.65	0.36	312.04
1980	9.64	55.95	53.88	61.56	56.42	9.77	37.54	9.85	3.4	5.12	14.14	0.36	317.63
1985	9.93	56.62	55.17	61.02	57.13	10.16	38.5	9.86	3.55	5.11	14.48	0.37	321.90
1986	9.97	56.76	55.39	61.05	57.22	10.21	38.67	9.91	3.54	5.12	14.56	0.37	322.77
1987	9.99	56.93	55.63	61.17	57.35	10.25	38.83	9.92	3.54	5.13	14.66	0.37	323.77
1988	10.01	57.08	55.87	61.2	57.44	10.41	39.05	9.92	3.54	5.13	14.76	0.37	324.78

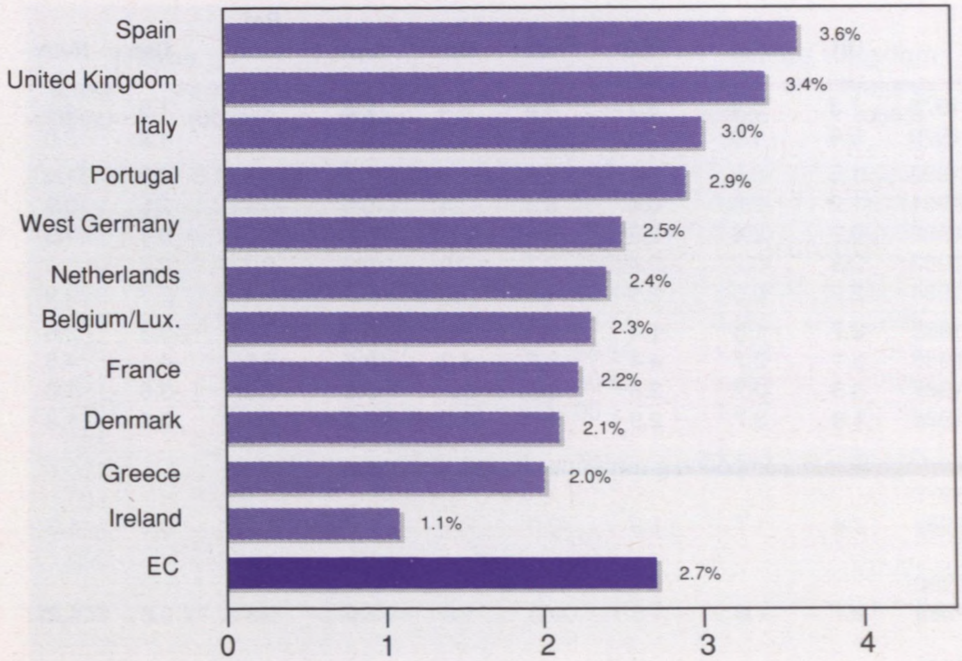
Source: OECD

Real Gross Domestic Product Per Capita, 1988
(millions $CDN)



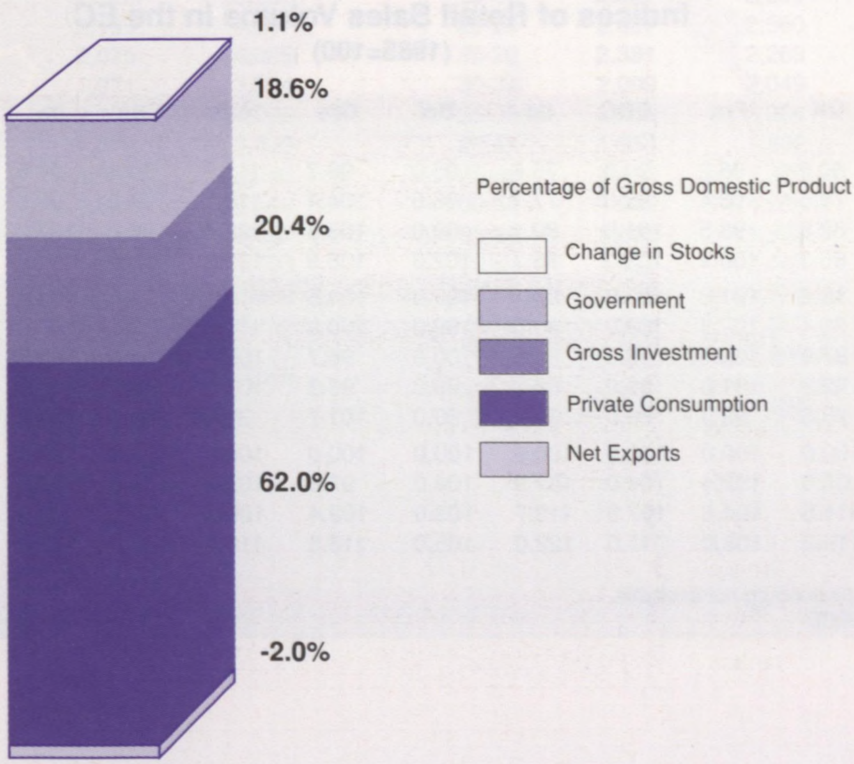
Source: OECD

Growth in Real Gross Domestic Product, 1983-1988



Note: Average annual compound growth rates.
Source: OECD

Composition of Aggregate Expenditures, 1988



Source: OECD

Growth in Real Household Disposable Income in the EC, 1978-1988
(year-over-year percentage change)

	UK	Fra	FRG	Ita	Gre	Spa	Bel/ Lux	Den	Neth
1978	7.3	5.9	3.7	4.6	6.4	2.6	2.5	1.5	4.1
1979	5.6	1.0	4.3	5.1	4.3	-0.1	2.7	1.8	2.0
1980	1.5	-0.3	1.4	2.5	-1.2	-1.3	3.5	-2.9	-1.1
1981	-1.2	2.6	0.4	-0.3	3.4	-0.5	-0.4	2.5	-0.9
1982	-0.2	2.6	-2.2	0.0	1.4	0.8	-1.3	9.5	1.3
1983	2.8	-0.7	-0.4	-2.7	-0.9	-0.4	0.2	0.7	-1.9
1984	2.0	-0.6	2.1	1.5	4.0	-0.7	-0.5	2.7	0.9
1985	2.7	1.8	1.4	2.1	5.0	2.9	-0.4	-0.3	2.6
1986	3.1	2.7	4.4	3.0	-4.2	3.7	5.0	-4.1	4.5
1987	3.3	0.7	3.8	2.2	-0.1	5.0	0.6	-3.6	1.6
1988	4.8	3.7	2.9	4.8	6.0	5.2	3.2	-0.6	1.8
Average annual compound growth rates for selected periods									
1977-1988	2.8	1.7	1.9	2.0	2.1	1.5	1.3	0.6	1.3
1980-1988	2.1	1.6	1.5	1.3	1.8	2.0	0.8	0.8	1.2
1984-1988	3.5	2.2	3.1	3.0	1.6	4.2	2.1	-2.2	2.6

Note: Portugal and Ireland not available.
Source: OECD

Indices of Retail Sales Volume in the EC
(1985=100)

	UK	Fra	FRG	Ita	Bel	Gre	Neth	Den	Ire	Spa	EC
1976	80.0	96.2	94.0	75.6	95.0	98.7	115.5	94.0	94.0	104.3	90.7
1977	78.6	96.4	98.0	77.1	96.0	104.4	119.7	94.0	99.0	96.8	91.4
1978	82.8	98.5	101.0	80.1	99.0	108.8	122.6	93.0	107.0	91.2	93.8
1979	86.3	100.9	103.0	85.7	102.0	106.9	122.3	95.0	111.0	84.2	96.0
1980	86.2	101.0	103.0	83.1	103.0	104.5	116.1	93.0	110.0	88.0	95.5
1981	86.4	102.8	102.0	85.5	99.0	100.9	110.8	93.0	109.0	89.2	95.5
1982	87.9	103.5	98.0	88.5	100.0	96.7	105.8	94.0	103.0	87.3	95.2
1983	92.2	101.0	99.0	88.0	99.0	96.3	103.0	96.0	100.0	87.4	95.4
1984	95.6	99.3	99.0	95.7	98.0	101.7	99.9	99.0	98.0	92.5	97.4
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	105.3	102.4	104.0	107.9	104.0	97.6	102.8	103.0	99.0	109.3	104.5
1987	111.5	104.6	107.0	113.7	103.0	102.4	108.9	101.0	98.0	113.1	108.6
1988	119.2	108.0	111.0	122.0	105.0	118.8	110.1	100.0	100.0	123.0	114.0

Data for Luxembourg not available.
Source: OECD

Population by Sex, Age Group and Country, 1987

France

	Males (000s)	Females (000s)	Total (000s)
0-14	5,450	5,199	10,649
15-19	2,014	1,994	4,008
20-24	2,057	2,106	4,163
25-29	2,040	2,077	4,117
30-34	2,050	2,093	4,143
35-39	2,157	2,144	4,301
40-44	1,795	1,762	3,557
45-49	1,401	1,383	2,784
50-54	1,465	1,490	2,955
55-59	1,484	1,573	3,056
60-64	1,337	1,525	2,862
65-69	1,034	1,260	2,294
70-74	655	901	1,555
75 +	1,290	2,344	3,634
Total	**26,228**	**27,851**	**54,079**

United Kingdom

	Males (000s)	Females (000s)	Total (000s)
0-14	5,543	5,256	10,799
15-19	2,296	2,183	4,479
20-24	2,431	2,353	4,784
25-34	4,044	3,980	8,024
35-44	3,872	3,847	7,719
45-54	3,080	3,085	6,165
55-59	1,496	1,559	3,055
60-64	1,458	1,598	3,056
65 +	3,427	5,255	8,682
Total	**27,647**	**29,116**	**56,763**

Italy

	Males (000s)	Females (000s)	Total (000s)
0-13	4,759	4,503	9,262
14-19	2,637	2,520	5,157
20-24	2,188	2,199	4,387
25-29	1,950	2,075	4,025
30-34	1,933	1,971	3,904
35-39	2,029	2,009	4,038
40-44	1,825	1,813	3,638
45-49	1,841	1,907	3,748
50-54	1,728	1,821	3,549
55-59	1,713	1,844	3,557
60-64	1,594	1,799	3,393
65-70	1,286	1,570	2,856
71 +	2,104	3,046	5,150
Total	**27,762**	**29,303**	**57,065**

West Germany

	Males (000s)	Females (000s)	Total (000s)
0-14	4,545	4,364	8,909
15-19	2,441	2,266	4,707
20-24	2,667	2,560	5,227
25-29	2,381	2,269	4,650
30-34	2,099	2,049	4,148
35-39	2,048	2,009	4,057
40-44	1,954	1,882	3,836
45-49	2,490	2,399	4,889
50-54	1,989	1,951	3,940
55-59	1,865	1,932	3,797
60-64	1,426	2,069	3,495
65-69	931	1,529	2,460
70-74	987	1,690	2,677
75 +	1,385	2,846	4,231
Total	**29,208**	**31,815**	**61,023**

Source: International Labour Organization

Appendix B: Top Seven Markets

France
Ireland
Italy
The Netherlands
Spain
United Kingdom
West Germany

France

Vital Statistics 1988

GDP: $676 billion CDN
Population: 55.87 million
Per Capita GDP: $12,098 CDN
Unemployment rate: 10.1%
Inflation rate: 2.6%

4th largest importer of Canadian exports to EC countries

Merchandise Imports

	Total Imports from Canada (millions,CDN $)	Total Imports	Canada's Import Share %
1980	1,219	157,668	0.8
1981	1,146	145,020	0.8
1982	1,001	142,800	0.7
1983	913	130,520	0.7
1984	1,000	135,125	0.7
1985	1,066	147,784	0.7
1986	1,351	179,791	0.8
1987	1,447	210,139	0.7
1988	1,588	220,037	0.7

Note: import figures reported c.i.f. (i.e.: including cost, insurance, freight)
Source: International Monetary Fund

Top Ten Canadian Merchandise Exports into France (1988)

(thousands, CDN $)

1. Wood pulp	198,786
2. Nucear reactors, boilers, machinery, mech. appliances	141,228
3. Ores, slag and ash	136,813
4. Inorganic chemicals and compounds	120,834
5. Wood and wooden articles; charcoal	81,674
6. Fish and crustacean, molluscs and other aquatic invertebrate	72,360
7. Salt, sulphur, earth, stone, plastering mat, lime, cement	49,805
8. Optical equipment	38,917
9. Paper and paperboard	36,958
10. Meat	30,376

Source: Statistics Canada, Exports by Country, January-December 1988

The effect of 1992 on French Industry

Sector	High Impact	Medium Impact	Low Impact
Automobiles	✓		
Chemicals and pharmaceuticals	✓		
Industrial machinery	✓		
Aerospace	✓		
Leisure goods	✓		
Food and drink	✓		
Telecom., office, EDP equipment	✓		
Consumer durables	✓		
Metals and mineral		✓	
Glass and handicrafts		✓	
Textiles and clothing			✓
Leather			✓
Toiletries and cosmetics			✓
Domestic appliances			✓

Trade Outlook

France, the world's fourth largest industrialized nation, provides easy access to the other key industrialized areas of the EC. In addition, the quality of its infrastructure and communications systems make its firms ideal prospects for Canadian exporters seeking partners.

The direct costs of physical barriers are higher in France than in any other EC country except Italy. Administrative costs, including agents fees, are the largest direct cost to importers. Canadian business can expect lower distribution costs as French transport networks are rationalized and restructured.

Technical regulations are rated by French industrialists as the most important type of trade barrier. Industry standards and conformity testing procedures hinder imports and French marketing regulations sometimes differ from those prevalent in other EC member states. Conforming to specific French rules and approval procedures is time-consuming and puts exporters at a cost disadvantage relative to domestic competitors.

The 1992 program will lead to further changes in the French banking sector; some banks will be returned to private ownership, capital liberalization will take place and as of January 1, 1987, quantitative credit controls have been abolished, as have virtually all restrictions on foreign exchange transactions.

Public procurement represents 9.3% of France's GDP and liberalization in this area could benefit Canadian companies active in the construction, telecommunications, chemical goods and industrial machinery sectors.

In the area of fiscal barriers, the most important change will be the elimination of the higher VAT rate, 33.3%; France's reduced and standard rates are already close to the Commission's proposals. French excise duties are relatively low.

Ireland

Vital Statistics 1988

GDP: $31.2 billion CDN*
Population: 3.54 million
Per Capita GDP: $8,805 CDN
Unemployment rate: 18.5%
Inflation rate: 2.1%

8th largest importer of Canadian exports to EC countries

Merchandise Imports

	Total Imports from Canada (millions, CDN $)	Total Imports	Canada's Import Share %
1980	175	13,025	1.3
1981	184	12,711	1.4
1982	147	11,971	1.2
1983	141	11,294	1.2
1984	141	12,527	1.1
1985	123	13,677	0.9
1986	146	16,142	0.9
1987	170	18,087	0.9
1988	175	19,161	0.9

Note: import figures reported c.i.f. (i.e.: including cost, insurance, freight)
Source: International Monetary Fund

Top Ten Canadian Merchandise Exports into Ireland (1988)

(thousands, CDN $)

1.	Aircraft, spacecraft and parts	56,055
2.	Nucear reactors, boilers, machinery,mech. appliances	53,444
3.	Electrical machinery, equipment, parts	39,425
4.	Wood and wooden articles; charcoal	17,344
5.	Wood pulp	11,746
6.	Paper and paperboard	5,238
7.	Manmade staple fibres	5,082
8.	Tobacco and tobacco substitutes	4,961
9.	Edible vegetables, roots, tubers	2,858
10.	Meat of fish, or crustaceans, molluscs	2,187

Source: Statistics Canada, Exports by Country, January-December 1988

* GDP refers to REAL GDP for each country

The effect of 1992 on Irish Industry

Sector	High Impact	Medium Impact	Low Impact
Electronic data processing equip.		✓	
Automobiles			✓
Chemical products			✓
Electronics			✓
Food			✓
Metals			✓
Engineering and machinery			✓
Pharmaceuticals			✓
Telecommunications			✓
Financial services			✓

Trade Outlook

Ireland is a peripheral location, isolated from the main European markets. In 1993, when Britain's Chunnel becomes operational, it will be the only EC country not directly linked to mainland Europe. Import penetration of the Irish market is already high and competition will increase as the Community completes the Single Market Program and standards are harmonized.

Liberalization in the air transport sector, implemented through the EC Air Transport Package, has resulted in increased competition on several routes between Ireland and other EC countries and this, in turn, has led to reduced fares.

The directive to abolish all restrictions on the movement of capital within the Community will be implemented by 1990, while Ireland's transitional period will extend to 1992. These directives will mean greater flexibility in borrowing and depositing funds and making investments.

Information technology is the fastest growing sector in the Irish economy. The EC is working to eliminate technical barriers in this area by promoting greater compatibility between various makes of equipment, thus facilitating trade across frontiers.

Ireland, which relies heavily on indirect taxation, has substantially higher rates in general than other EC countries. Harmonization of indirect taxation structures and rates by 1992 will therefore have a major impact on this country. Extensive zero-rating on goods and services is practised in Ireland: certain products are exempted from VAT or the VAT is refunded on the supplies used in the manufacture or provision of certain goods and services. Under the EC proposals, zero-rating will be eliminated entirely and the proposed low rate (4 to 9%) or standard rate (14 to 20%) will be charged on all items. Standardization of VAT and Excise Duty will affect prices and consumer spending, offering Irish industry opportunities in clothing, footwear, carpets, furniture, household and textiles, drink and tobacco.

Italy

Vital Statistics 1988

GDP: $436.0 billion CDN
Population: 57.44 million
Per Capita GDP: $7,593 CDN
Unemployment rate: 11.3%
Inflation rate: 5.0%

6th largest importer of Canadian exports to EC countries

Merchandise Imports

	Total Imports from Canada (millions, CDN $)	Total Imports	Canada's Import Share %
1980	1,189	116,283	1.0
1981	1,046	109,231	1.0
1982	919	106,396	0.9
1983	646	99,033	0.7
1984	755	109,043	0.7
1985	721	124,288	0.6
1986	800	138,836	0.6
1987	1,101	165,786	0.7
1988	1,200	n/a	n/a

Note: import figures reported c.i.f. (i.e.: including cost, insurance, freight)
Source: International Monetary Fund

Top Ten Canadian Merchandise Exports into Italy (1988)

(thousands, CDN $)

1.	Wood pulp	337,648
2.	Nuclear reactors, boilers, machinery, mech. applicances	100,230
3.	Ores, slag, ash	94,296
4.	Cereals	86,202
5.	Wood and wooden articles; charcoal	49,110
6.	Iron and steel	41,574
7.	Electrical machinery, equipment, parts	37,814
8.	Fish and crustacean, molllusc, aquatic invertebrate	27,556
9.	Salt, sulphur, earth, stone, plastering mat, lime, cement	25,111
10.	Aircraft, spacecraft, parts	22,868

Source: Statistics Canada, Exports by Country, January-December 1988

The effect of 1992 on Italian Industry

Sector	High Impact	Medium Impact	Low Impact
Machinery	✓		
Automobile and parts	✓		
Chemical products	✓		
Food and drink	✓		
Electrical machinery	✓		
Financial services	✓		
Construction	✓		
Consumer durables	✓		
Mineral fuels		✓	
Metals		✓	
Transport equipment		✓	
Tires and rubber		✓	
Paper and publishing			✓
Textiles and clothing			✓
Iron and steel			✓

Trade Outlook

Italy has earned a solid reputation as a producer of consumer goods: clothing, shoes, furniture, domestic appliances; chemicals, steel, sophisticated electronic goods and machinery. However because it is resource-poor, Italy must import most of the raw materials required by industry and a large portion of the foodstuffs it requires, especially cereals and meat.

The most important barriers to trade with Italy are physical: customs procedures involving frontier stops, border delays and related administrative costs, including extremely high agent fees. The removal of customs barriers will, of course, result in a significant reduction in the cost of getting Canadian goods to Italian markets.

Public procurement accounts for up to 8.3% of the GDP in Italy and represents a significant part of the total market in construction, electrical goods, chemical goods, telecommunications and industrial machinery sectors, areas which will prove to be the most promising for Canadian firms.

Fiscal barriers to trade include Italy's four VAT rates – a standard rate of 18%, reduced rates of 2% and 9%, and a so-called luxury rate of 38% – will be extensively altered under the EC Commission's proposals. The 2% rate will be replaced by a rate of 4 to 9% and a standard rate of 14 to 20%, depending on the product, while the luxury rate will disappear completely.

The Netherlands

Vital Statistics 1988

GDP: $234.0 billion CDN
Population: 14.76 million
Per Capita GDP: $15,872 CDN
Unemployment rate: 9.5%
Inflation rate: 0.7%

3rd largest importer of Canadian exports to EC countries

Merchandise Imports

	Total Imports from Canada	Total Imports	Canada's Import Share
	(millions, CDN $)		%
1980	677	91,228	0.7
1981	589	80,455	0.7
1982	618	78,678	0.8
1983	472	76,079	0.6
1984	557	80,676	0.7
1985	481	88,836	0.5
1986	600	105,012	0.6
1987	759	121,088	0.6
1988	1,012	122,237	0.8

Note: import figures reported c.i.f. (i.e.: including cost, insurance, freight)
Source: International Monetary Fund

Top Ten Canadian Merchandise Exports into the Netherlands (1988)

(thousands, CDN $)

1.	Nuclear reactors, boilers, machinery, mech. appliances	309,391
2.	Organic chemicals	194,783
3.	Wood pulp	114,081
4.	Aluminium and aluminium articles	112,608
5.	Ores, slag, ash	77,215
6.	Aircraft, spacecraft, parts	63,332
7.	Optical equipment	60,461
8.	Iron and steel	50,351
9.	Oilseed, grain, fruit	41,088
10.	Mineral fuels, oils, products	36,667

Source: Statistics Canada, Exports by Country, January-December 1988

The effect of 1992 on Dutch Industry

Sector	High Impact	Medium Impact	Low Impact
Shipbuilding repair	✓		
Chemical products		✓	
Road vehicles		✓	
Textiles		✓	
Electrical engineering and appliances			✓
Petrochemicals and plastics			✓
Diamond cutting			✓
Food retailing and processing			✓

Trade Outlook

The Netherlands is an ideally compact and concentrated market, where exporters can take full advantage of greatly reduced transportation and distribution costs. With the exception of agricultural products and natural gas, the Netherlands must import most primary commodities and a high percentage of manufactured goods.

Besides purchasing significant amounts of Canadian export commodities such as minerals, forest products, oilseeds and other basic materials, the Netherlands also imports increasing amounts of manufactured goods and equipment, such as electrical products, defence equipment, computer hardware and software and some telecommunications equipment.

Rotterdam is the world's largest port and serves as the ideal entry point to EC countries, particularly West Germany. Because of its strategic location, the Netherlands has taken over a great proportion of transport business from other EC countries. All Dutch commercial centres are also linked by efficient train and bus services.

Dutch firms which buy in large quantities usually prefer to deal directly with the manufacturer. In light of this, Canadian exporters who do not anticipate large volume sales should deal through an importer, distributor or agent. For highly specialized or very expensive products, promotion is best handled through an agent.

Spain

Vital Statistics 1988

GDP: $197.0 billion CDN
Population: 39.05 million
Per Capita GDP: $5,046 CDN
Unemployment rate: 19.1%
Inflation rate: 4.9%

7th largest importer of Canadian exports to EC countries

Merchandise Imports

	Total Imports from Canada (millions, CDN $)	Total Imports	Canada's Import Share %
1980	316	39,836	0.8
1981	270	38,554	0.7
1982	236	38,830	0.6
1983	205	35,978	0.6
1984	180	37,332	0.5
1985	173	40,906	0.4
1986	190	48,707	0.4
1987	286	65,123	0.4
1988	302	n/a	n/a

Note: import figures reported c.i.f. (i.e.: including cost, insurance, freight)
Source: International Monetary Fund

Top Ten Merchandise Exports into Spain (1988)

(thousands, CDN $)

1.	Ores, slag, ash	66,676
2.	Wood pulp	34,710
3.	Nuclear reactors, boilers, machinery, mech. appliances	27,094
4.	Salt, sulphur, earth, stone, plastering mat, lime, cement	15,989
5.	Fish and crustacean, molluscs, other aquatic invertebrate	9,429
6.	Wood and wooden articles, charcoal	7,892
7.	Iron and steel	7,264
8.	Animal and vegetable fats, oils, related products	6,012
9.	Paper and paperboard	5,931
10.	Electrical machinery equipment parts	5,928

Source: Statistics Canada, Exports by Country, January-December 1988

The effect of 1992 on Spanish Industry

Sector	High Impact	Medium Impact	Low Impact
Food	✓		
Metals	✓		
Engineering	✓		
Machinery	✓		
Telecommunications	✓		
Clothing	✓		
Automobile	✓		
Agriculture and fishing	✓		
Machine tools		✓	
Textiles and footwear		✓	
Chemical products		✓	
Electronics		✓	
Electronic data processing		✓	
Pharmaceuticals		✓	
Financial services		✓	
Tourism			✓

Trade Outlook

Since 1986, Spain has enjoyed the fastest GDP growth in Europe, a boom in internal demand, and an unprecedented rise in living standards. In June 1986, Spain liberalized the legal framework governing foreign investment, bringing it into line with EC regulations and in particular, making it easier to repatriate profits. This action translated into a dramatic increase in the level of investment, both domestic and foreign.

Regionalism, a complex network of business relationships and bureaucratic requirements affecting commercial transactions, encourage the use of a Spanish agent or distributor, located in both Madrid and Barcelona.

Export prospects are excellent in electronics, mining equipment, food processing equipment, medical instrumentation, biotechnology products and defence industry products.

As a new member of the EC, Spain has adopted the Community's preference system. Until 1992, "sensitive" imports from Canada are subject to quantitative import quotas which are increased each year until they conform to EC norms. "Sensitive" products include milk, beef, cheese, soft wheat flour, fruit and vegetables, oils, pork and wine.

Spain has until January 1993 to liberalize capital movements. Currently, capital taxes are higher in Spain and immediate liberalization would have negative effects on the country's ecomomy. Spain's VAT taxes are lower than the proposed norm and raising them may have an inflationary effect.

United Kingdom

Vital Statistics 1988

GDP: $868.0 billion CDN
Population: 57.08 million
Per Capita GDP: $15,203 CDN
Unemployment rate: 8.3%
Inflation rate: 4.9%

Largest importer of Canadian exports to EC countries

Merchandise Imports

	Total Imports from Canada (millions, CDN $)	Total Imports (millions, CDN $)	Canada's Import Share %
1980	3,837	135,292	2.8
1981	3,629	123,055	2.9
1982	3,115	122,876	2.5
1983	2,846	123,279	2.3
1984	2,799	135,593	2.1
1985	2,890	148,745	1.9
1986	3,057	175,517	1.7
1987	3,412	204,723	1.7
1988	4,466	233,070	1.9

Note: import figures reported c.i.f. (i.e.: including cost, insurance, freight)
Source: International Monetary Fund

Top Ten Canadian Merchandise Exports into the U.K. (1988)

(thousands, CDN $)

1.	Wood and wooden articles, charcoal	606,638
2.	Ores, slag, ash	333,624
3.	Paper and paperboard	323,185
4.	Wood pulp	280,743
5.	Nickel and nickel articles	227,560
6.	Nuclear reactors, boilers, machinery, mech. appliances	225,886
7.	Electrical machinery, equipment, parts	142,246
8.	Copper and copper articles	117,017
9.	Cereals	109,932
10.	Inorganic chemicals and compounds	106,160

Source: Statistics Canada, Exports by Country, January-December 1988

The effect of 1992 on U.K. Industry

Sector	High Impact	Medium Impact	Low Impact
Automobiles	✓		
Food; chemical products	✓		
Electronics and engineering	✓		
Financial services	✓		
Shipbuilding and shipping	✓		
Metals and machinery		✓	
Pharmaceuticals		✓	
Telecom., EDP		✓	
Insurance		✓	
Textiles		✓	
Steel; oil and gas			✓
Banking			✓
Aircraft			✓
Distilling			✓

Trade Outlook

While the United Kingdom remains Canada's third largest bilateral trading partner and most important customer in Europe, Canadian exporters should note that the U.K.'s greater involvement in Europe has led to increased concentration of trade within the EC and the establishment of multinational manufacturing companies with rationalized production throughout the common market. Canadian products and prices must now overcome EC tariffs and competition with high-quality European goods and services which may enter the U.K. duty-free.

A massive privatization program has returned many previously government-controlled British organizations to the private sector: steel, transport, energy and communications. Recent trends reveal significant growth in the offshore oil and gas industries, rapid development of electronic and micro-electronic technologies and a continuous rise in the service industries.

Dynamic prospects exist in the high tech area. There are now over 100 inter-firm agreements to share technology and expertise, and this cross fertilization will be vital to Canadian firms seeking to expand into the EC.

Exporters must learn to adapt to British methods of distribution, often quite different from those prevalent in Canada. Exporters should carry out research to identify the most efficient and effective option among agents, stocking distributors, direct sales programs to chain organizations or small branch sales operations. The United Kingdom's facilities and services are excellent: three major seaports, a railway system linking all major cities and towns and several international and domestic airports.

Since the standard VAT rate in the U.K. is currently 15%, the proposed EC-wide standard VAT range of 14 to 20% will have little effect on pricing and revenue.

West Germany

Vital Statistics 1988

GDP: $1,193.0 billion CDN
Population: 61.20 million
Per Capita GDP: $19,496 CDN
Unemployment rate: 6.2%
Inflation rate: 1.2%

2nd largest importer of Canadian exports to EC countries

Merchandise Imports

	Total Imports from Canada (millions, CDN $)	Total Imports	Canada's Import Share %
1980	2,328	219,774	1.1
1981	1,741	196,508	0.9
1982	1,711	191,745	0.9
1983	1,598	188,481	0.8
1984	1,853	198,110	0.9
1985	1,790	216,368	0.8
1986	2,149	265,470	0.8
1987	2,489	302,778	0.8
1988	2,541	308,407	0.8

Note: import figures reported c.i.f. (i.e.: including cost, insurance, freight)
Source: International Monetary Fund

Top Ten Canadian Merchandise Exports into West Germany (1988)

(thousands, CDN $)

1. Wood pulp	524,346
2. Ores, slag, ash	185,434
3. Nucear reactors, boilers, machinery, mech. appliances	110,445
4. Paper and paperboard	104,675
5. Wood and wooden articles; charcoal	101,614
6. Oil seed, grain, fruit	75,779
7. Aircraft, spacecraft, parts	61,939
8. Special transactions – trade	57,311
9. Fish and crustacean, molluscs, other aquatic invertebrate	45,965
10. Copper and copper articles	45,224

Source: Statistics Canada, Exports by Country, January-December 1988

The effect of 1992 on West German Industry

Sector	High Impact	Medium Impact	Low Impact
Telecom. services, equipment	✓		
Chemicals and pharmaceuticals	✓		
Radios, TVs and VCRs	✓		
Government services	✓		
Electrical equipment	✓		
Motor vehicles	✓		
Financial services	✓		
Food and drink	✓		
Construction		✓	
Man-made fibres		✓	
Clothing and textiles			✓
Mining and construction machinery			✓
Glass and clay			✓
Pulp, paper and paperboard			✓
Iron and steel			✓

Trade Outlook

West German products are known for their high quality and dependability and buyers will naturally expect Canadian goods to meet the same stringent standards. While the West German market for imported goods is in excess of $270 billion, it is extremely competitive, very large and highly diverse and should be approached with a view to long-term involvement.

Trade with West Germany involves formidable physical barriers and the removal of customs barriers will greatly reduce the cost of getting Canadian goods into the West German market. West Germany's transport sector is heavily protected by a series of restrictive measures. Liberalization in this will result in easier and less expensive transport of Canadian goods through the country.

Standards, regulations and quality norms are the most important single category of trade barrier encountered by exporters. Their removal presents excellent opportunities in the electrical and mechanical engineering sectors, pharmaceuticals, chemicals, food and drink, and precision and medical equipment, sectors which have been sheltered so far.

Public procurement accounts for up to 8% of the country's GDP and with the removal of practices which favour domestic suppliers, Canadian exporters will have access to promising trade opportunities, particularly in the construction, engineering, telecommunications, transport equipment, chemical goods and industrial machinery sectors.

Fiscal barriers will be altered only slightly under the EC Commission proposals as West Germany is already close to the European norm (7% reduced rate and 14% standard rate).

Appendix C: Selected Industry Sector Profiles

Automobiles
Biotechnology
Chemicals
Electronics
Energy
Financial Services—Banking and Mortgage Credit
Food and Drink
Insurance
Pharmceuticals
Telecommunications
Wood, Pulp, Paper and Paperboard

Automobiles

Sector Overview
There is no common European market for automobiles. National and European specifications coexist, sales prices differ from country to country and taxation systems and levels are highly variable.

The European automotive industry evolved within a framework of technical, fiscal and physical barriers. While these regulations have protected local producers from other European and non-European competitors, they have also encouraged the survival of companies that are no longer internationally competitive.

Europe's automobile manufacturers may claim engineering and design leadership in some areas, but their overall competitiveness is poor by North American and Japanese standards. With the exception of luxury car builders who export to all parts of the world, sales by EC producers are restricted to European markets such as Spain, Italy or France, which have strict restrictions on Japanese imports.

Removal of Barriers
The creation of a single EC market for automobiles could expose Europe's auto industry to stiff competition. Ultimately, some of Europe's most prestigious manufacturers could be forced to restructure their operations.

Once trade barriers are removed, analysts predict that the Japanese could at least double their current 10% market share. Even a small increase in Japanese export levels would disrupt the European industry significantly, particularly hurting car makers in France, Spain and Italy. Indeed, two French manufacturers, Régie Nationale des Usines Renault and Peugeot S.A., are leading the resistance to EC-wide free trade policies, hoping at least to gain a delay. The automobile industry in West Germany generally favours an open EC car market, but it, too, insists on a ceiling for Japanese imports.

Fiscal barriers
At present, VAT on new cars is levied at widely varying rates in Europe: 6% in Greece, 14% in West Germany and the U.K., 28% in France and 38% (the highest rate) in Italy. The EC proposal of a 14 to 20% rate would require sharp reductions in France, Spain and Belgium.

There are also great variations in the levels of additional taxes applied to automobiles. Purchase and registration taxes, for example, can range from 0% in some countries to over 200% in others. As a result, manufacturers adjust prices for high and low taxation countries, creating a highly distorted pricing system.

Technical Barriers
Since there are no EC-wide approval procedures, some countries require duplicate testing. Exhaust emission standards, speed capacities and special feature requirements vary greatly. Italy requires side repeater flashers, West Germany requires reclining driver's seats and France, yellow headlights.

Currently, legislation on the technical aspects of motor vehicles is based on the principle of "optimal harmonization". Member states may apply national regulatory requirements, but must also permit the registration of motor vehicles which conform to harmonized EC standards. Thus, manufacturers and importers can choose between EC standards and national standards until complusory EC standards are finalized.

While the EC adopted a "common position" on emission control in 1987, there continues to be a wide range of requirements. By 1996, all new vehicle registrations will be required to meet EC standards for exhaust emissions.

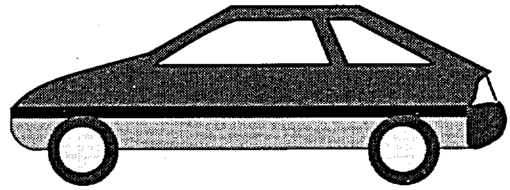
Under certain conditions, the new EC legislation allows a Member state to apply compulsory national provisions that are different from those of the rest of

Europe. Its clear purpose is to maintain the high level of health and environmental protection legislated in some Member countries, even if the majority votes for lower standards.

Physical Barriers

Much of the current retailing structure in the European automobile sector is based on a series of national sales companies which are wholly owned subsidiaries of parent companies. Under Europe 1992 a large portion of automobile deliveries and sales will become domestic transactions, rather than import or export transactions; these companies will become, in effect, regional sales offices.

Export documentation will no longer be required in a great many cases. This will affect the role of freight forwarders and shipping agents, who will have to restructure to operate in a Single Market rather than an export environment.



The Automotive Component Sector

The EC automotive components industry remains highly fragmented. The Single Market will lead to a more diversified pattern of procurement and will result in pan-European alliances in the component sector. The greatest impact will be felt by small and medium-sized European components manufacturers, forced to cope with vehicle assemblers who will look to other EC member states for potential suppliers.

Biotechnology

Sector Overview
The biotechnology sector is geared to large firms that can bear the extremely high costs involved in R&D, testing and marketing. Smaller firms concentrate their activities on research for the traditional pharmaceutical industry and larger biotech firms. The typical biotech firm has strategic alliances with six other companies, forming a complex network which serves to spread costs and risks, while offering protection from takeover bids.

The quality of European R&D is widely recognized and Europe can rely on the vitality of several medium-sized innovative firms backed by the funding capacities of the sector's major companies. In biotech, however, some observers estimate that Europe is now three years behind Japan and the U.S. Europe has very likely lost its lead in molecular biology; the U.S. dominates genetic engineering and Japan is the world leader in advanced fermentation and separation technology.

Removal of Barriers
The EC Commission has shown an increasing interest in harmonizing national positions to create Community-wide biotech regulations. In late 1986, the Commission outlined its intentions in a Framework Program. This included significant provisions for continuing the present biotechnology program on an expanded scale and for launching a major new initiative in agro-industrial development. Community co-financing will be used to stimulate innovative pilot and demonstration projects.

Laboratories throughout the EC are pursuing collaborative research in biotechnology, developing what are described as "European laboratories without walls". As part of the Community's Biotechnology Action Program, 261 contracting laboratories are working on close to 100 transnational projects, with increasing support and interest from European industry. The infrastructure of data banks and culture collections is also developing greater coherence and coordination, through initiatives such as MINE, the Microbial Information Network for Europe.

Genetically Modified Organisms
One of the most complex issues facing the EC is the establishment of common standards governing the use and release of genetically modified organisms. Current national regulations vary from severe restrictions (Denmark) to no regulations whatsoever.

The Commission is studying the adoption of a system similar to those used in the U.K. and France. The principle involves case-by-case notification of planned releases to a national agency, which would review and endorse or reject proposals.

In the case of experimental release, a national authority would have 90 days to respond to any proposal. During that period, a summary of the request would be sent to other agencies, which could only suggest modifications.

In the case of a proposal to market a genetically modified organism, the national authority would first endorse a proposal before passing on information, unless commercial secrecy is required. A 90-day period would then be allowed for other agencies to voice objections on the grounds of risk. If no agreement was reached, the final decision would rest with the Commission.

For the contained use of genetically modified micro-organisms, the Commission would be routinely informed only when the requests came from industry and involved micro-organisms not classified as "minimal hazard". In such cases, the national authority would also have to consult with any "other Member state likely to be affected in case of an accident". Contained use of "minimal hazard" micro-organisms and non-industrial applications would involved a maximum 15-day period of notification.

Patents

Under 1992 directives, the EC proposes, what is in effect, a European patent law for biotechnology. It calls for a series of measures that each Member state would be obliged to incorporate into its patent laws. While plant and animal varieties themselves would not be patentable, their production and use would be. Microbiological processes already patentable in most European countries would be consistently defined throughout Europe to cover, not only the processes carried out with micro-organisms, but also the cell processes that are performed on them or result in their production. Animal embryo research is allowed under licence, and will likely continue to be in nearly all EC countries.

EUREKA

A clutch of new industrial biotechnology projects has emerged from EUREKA. Of the more than 200 EUREKA programs, some 13% are in the biotechnology sector, with only robotics and information technology taking greater shares. For example, Novo Industri of Denmark and the Middlesex Hospital, London, are the initial partners in a five-year $8 million EUREKA project on autoantigens for auto-immune diseases, including diabetes. Novo research scientists have been involved in this area for some time; the EUREKA projects will provide assistance in finding potentially marketable products.

Canadian Activity in the EC

Through its Toulouse-based subsidiary, Setric Biology, Lallemand has acquired Equilait and Equipharm, two biotechnology firms located in Auvergne, France. While both firms produce bacteria, Equilait produces for agribusiness applications and Equipharm for the pharmaceutical industry.

Chemicals

Sector Overview
The chemicals sector includes the following industries:

- basic industrial chemicals;
- fertilizers and nitrogen compounds;
- plastics in primary forms and synthetic rubber;
- pesticides and other agro-chemical products;
- paints, varnishes and similar coatings, inks and fillers;
- pharmaceuticals, medical chemicals and botanical products;
- soap and detergents, cleaning and polishing preparations, perfumes and toilet preparations;
- chemical products;
- man-made fibres.

The relative share of the world chemical production by the EC is 27%, compared to 25% for North America, 17% for the CMEA countries, 14% for Japan and 17% for the rest of the world.

Over 900 chemical companies exist in the EC, employing 1.9 million people. Production represents about 10% of total value-added manufacturing output and 7% of manufacturing employment.

The following table indicates the ten largest chemical companies in the world and their countries of ownership.

World Leading Chemical Companies, 1987

Group	Revenue (billions $ US)
BASF (West Germany)	23.5
Hoechst (West Germany)	23.0
Bayer (West Germany)	22.8
ICI (U. K.)	21.0
Dupont (U.S.)	17.6
proctor & Gamble (U.S.)	17.0
Dow Chemicals (U.S.)	13.6
Shell Chemicals (U.S.)	12.0
Ciba Geigy (Switzerland)	11.5
Rhone Poulenc (France)	10.5

Source: Le Monde 24/5/88

While six of the 10 leading companies are European, Europe is the weakest of the world's petrochemical blocs. The immediate gains from 1992 could be substantial for the petrochemical industry and in the long term, a completely unified EC could change the shape of the world's chemical industry.

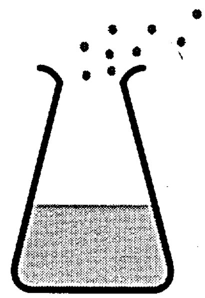
Removal of Barriers
Among the major barriers to unification of the chemical industry are standards and technical regulations, customs clearing procedures, border crossing delays, transportation regulations and taxes. These administrative barriers cost Exxon Chemical's Basic Chemicals Business Group (Brussels) 50% more to operate in Europe than in the U.S.

Dow Chemical foresees an immediate direct savings of $50M/year in its European operation as a result of 1992. Britain's Fisons sees savings of more than $19M for the registration in EC countries of each new drug developed after 1992.

The chemical industry favours a harmonization of excise taxes imposed by the 12 countries on such products as mineral oil and alcohol. Under one proposal, denatured alcohol for cosmetics production would be exempt from alcohol taxes. Another suggests complete EC exemption of naphtha. In some countries, naphtha is currently taxed if used as a gasoline additive, but not if used as chemical feedstock.

The VAT issue is of particular concern to the French chemical industry. While producers selling consumer products are now taxed at the rate of the country of destination, the current proposal suggests taxing at the rate of the country of origin. Since France has one of the highest VAT taxes, this would severely penalize the French chemical industry.

The transport of chemicals by truck is costly and time-consuming because of the massive paperwork required. Regulations regarding one-way loads must also be examined. Currently, if goods are shipped from West Germany to Italy in a West German-registered truck, the truck is prohibited from then taking Italian goods from Rome to Milan.



Prospects For Canadian Interests

The EC's chemical industry presents profitable opportunities for outsiders. In West Germany, for example, Hoechst, BASF and Bayer hold only about 10% of the domestic market. The balance is divided among 1,500 smaller chemical companies. In the U.K. there is a similar situation, with ICI holding only 14% of the domestic market.

There is thus much room for Canadian involvement. Canadian firms could license technology for a joint venture with European SMEs, swap products or technology, establish international cooperative ventures, join a "community of interest" deal, or execute a distribution agreement directly tied into a future joint venture.

France and West Germany are prime partners for joint ventures. The French emphasize regional technology development and their strategy is aimed at attracting SMEs. The French Advanced Co-operative Entrepreneurial Technology Program, FACET, invites Canadian firms to trade their technology with French SMEs in return for a market position in France.

Belgian firms in the chemical sector are being urged to find foreign partners to protect against hostile takeovers; a surge of investment in chemical distribution in Belgium is expected as a result of 1992.

Acquisitions are an ideal way to enter the EC's chemical sector. Quebec-based Groupe Plastic Moderne acquired a majority interest in SCMP, a manufacturer of plastic products located near Lyon.

Electronics

Sector Overview

Europe's top electronics firms recognize that to be globally competitive, they must restructure and pool their research and marketing resources.

In Britain, the Plessey Company PLC formed an International Development Group to capitalize on Single Market opportunities through ties with other EC companies. In 1987, Plessey expanded its share in Italy's Electronica to 49%, and merged its telecommunications division with British General Electric Co. In the meantime, British GEC centralized its control of its 120 subsidiaries.

Philips, Western Europe's biggest manufacturer of semiconductors, has gone through a massive internal reorganization in order to cut costs. It plans to cut middle-management by 20,000 people and close 70 European plants. West Germany's Siemens is also dramatically restructuring its operations.

Some EC electronics firms have already established a strong presence on individual markets and already have the management infrastructures required to run global organizations. Most of these companies generate more sales abroad than in their home markets: The Netherlands' Philips sells 93.3% of its production abroad, Italy's Olivetti, 65.7% and France's Thomson-CSF, 60%.

Electronic Components Industry

In 1987, the EC electronic components industry (including active, passive and electro-mechanical components) achieved a manufacturing output estimated at more than $23.8 billion (CDN). West Germany, France, the U.K. and Italy together account for more than 80% of European production, with respective shares of 35%, 21%, 19% and 9%.

In 1986, the EC components industry accounted for 13% of the total output of the EC electronic industry. Components accounted for 23% of the Japanese electronics industry and 16% of the U.S. industry.

Passive and Electro-Mechanical Components

The Europeans have a 25% share of the world market for passive electronic and electro-mechanical components. France accounts for 17% of total output, the U.K. for 19% and West Germany for 40%. The passive electronic industry is composed of many SMEs in each of the major European countries. A few multinational manufacturers dominate certain products sectors, such as capacitors and connectors, while local manufacturers fill the needs in other sectors, such as PCBs and transformers.

Consumer Electronics Products

Video equipment, colour televisions and VCRs account for approximately 65% of the EC market in consumer electronics. EC production accounts for approximately 17% of worldwide consumer electronics production.

Electrical Household Appliances

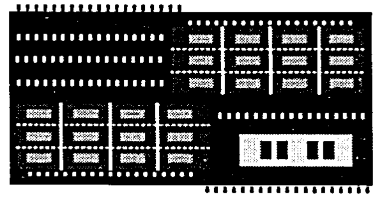
Production of these is a major sub-sector of the electrical engineering industry. The volume of major electrical household appliances produced in the EC in 1985 was 40% higher than in the U.S. and 76% higher than in Japan.

Because mass production methods and economies of scale are particularly important aspects in the manufacture of these types of products, production in this sector is dominated by large manufacturing firms.

Since transportation costs are an important factor in overall costs, proximity to markets is a key issue in location decisions. Together, West Germany, France, Italy, and the U.K. account for approximately 83% of total Community production.

Computer Firms

Most European computer manufacturers limit their activity to domestic markets. However, major firms such as Siemens are likely to expand and enter other European markets after 1992.



American computer companies are strong on the European markets. IBM has 56% of Europe's market for corporate resource computers which cost more than $1 million per unit. Digital Equipment Corp. is the leader in business unit computers, with sales between $75,000 and $250,000, and has captured 20% of this European market segment.

Merger and acquisition activity will continue to increase as computer firms reorganize to face the challenges of the EC market. In 1987, Siemens and BASF combined their IBM-compatible mainframe businesses to create Comparex, realizing sales of $500M. That same year, France's Groupe Bull, America's Honeywell and Japan's NEC Corp. created an international organization with sales of some $2.1 billion.

For small and medium-sized computer firms, the best option is selecting one European country as a distribution base serving all 12 EC member states.

Strategic alliances have also become an important response to Europe 1992. A prime example of this approach is Computer Sciences Corp., which has set up an independent subsidiary, Infonet, in conjunction with several major European telecommunications agencies. Under the agreement, Transpac, on behalf of France's Telecom International, and Deutsche Bundesposte, West Germany, each hold a 15% ownership stake in the new company. Computer Sciences also granted options for the purchase of a 5% share to Sweden's Teleinvest-AB, Belgium's Regie des Télégraphes et des Téléphones de Belgique and Spain's Compania Téléfonica Nacional de España SA. Infonet is now operational in France and in the Scandinavian countries.

Energy

Sector Overview

The energy market accounts for 7% of the wealth generated each year in the EC. Different political traditions, taxation habits, strategic considerations and energy resources make it difficult to unify this highly partitioned sector.

Energy Consumption in the EC, 1987
(by source)

Source	Million tonnes of oil equivalent	%
Oil	472	45
Solid fuels	230	22
Natural gas	199	19
Nuclear	138	13
Primary electricity	16	1
Other	2	—
Total	**1,057**	**100**

Source: Panorama of EC Industry 1989, p.1-1

Removal of Barriers

The energy sector faces serious competitive obstacles, such as wide variations in energy taxation from country to country, particularly VAT and excise duties on petroleum products. The removal of trade barriers will significantly improve the competitive environment and will therefore reduce consumers' energy costs while improving the structure and stability of energy supplies.

The EC Commission is seeking to strictly apply Community Law to the energy sector, a sector which for strategic reasons, has traditionally enjoyed a great deal of leeway. This policy will affect rules which ensure the free circulation of goods and services, including electricity, those regarding monopolies of a commercial nature, and the rules on competition and state aids.

Some Member states are concerned that these charges will interfere with their national energy strategies, particularily the use of discriminating taxes on petroleum products. There is also concern that mergers in industries that receive, store and distribute energy will mean the removal of the perogatives of Member governments.

The Energy Sector in a Single Market

Oil

The EC relies on external suppliers for 70% of its oil needs. Because oil supply is already subject to strong competition – as opposed to coal in West Germany, electricity in France, or gas in the Netherlands – this segment of the energy sector will be unaffected by a single market.

The oil refining industry, however, has been severely affected by 1992. From 1980 to 1987, 40 refineries were shut down in the EC, cutting one-third of its distillation capacity. At the same time, massive investments have been earmarked for conversion units. Nevertheless, Europe's refining industry is still doing poorly.

Seven European companies (Total CFP, Elf Aquitaine, Petrofina, Repsol, Agip, Veba and BP) have formed a structured trade group to defend their refining and distribution interests in the new integrated market. This does not constitute a cartel; it is a venture restricted to technical problems, excluding the matters of surplus capacity or prevailing economic conditions.

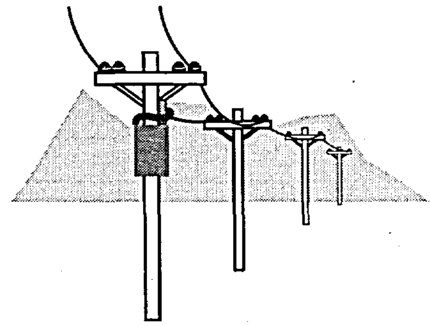
Gas

The Commission is now examining the possibility of developing common carriage obligations, under which gas would be transported through a utility's pipelines – from seller to buyer – in return for a fee. Proposals include further integrating the EC gas transmission systems, as well as increasing the transparency of gas prices, eventually establishing an EC purchase price for gas.

Europe's gas pipeline grid stretches from northern Denmark to the southern tip of Italy, and from the borders of the Eastern Bloc to the Pyrenees between France and Spain. However, the complex network of pipelines is not yet fully integrated. There is no connection between Belgium and West Germany, or between France and Italy. Gas moving between any of these members must be detoured through third countries. Britain, Europe's largest gas market, remains isolated, with its only foreign links through the North Sea to the gas fields of Norway.

Electricity

The EC Commission recently stated that it would approve a key portion of the huge subsidies West Germany provided for its coal industry, but only if Bonn establishes a plan by this autumn to reduce aid by 1993. West Germany's electricity is among the most expensive in the EC, largely due to the privileged relationship which exists between its coal



and electricity industries. France, for its part, has a surplus of inexpensive nuclear energy.

The EC Commission is attempting to persuade governments to allow more imports of electricity and gas from EC partners, thus opening the market to more competitive pricing policies. Currently, only 3% of the electricity consumed in the EC is traded across national borders. As a result, wide variations in energy prices penalize businesses in high-cost countries.

Financial Services—Banking and Mortgage Credit

Sector Overview

Financial services account for about 7% of GDP for the Community as a whole, varying from 14% in Luxembourg to 4.5% in France. The sector is highly diverse: while German and Italian banks are seen as relatively inward-looking, banks in France and the U.K. are relatively liberal, the latter being the best prepared to operate in the EC. Spain is also regarded as an attractive and accessible market for foreign banks.

In spite of the economic importance of financial services, the EC has been less successful in eliminating national barriers to the sale of financial products than in dismantling barriers to trade in goods. However, with the recent adoption of legislation on the liberalization of capital movements and non-life insurance services and the negotiations which have begun on directives to liberalize banking and investment services, this situation is changing rapidly.

A basic right of establishment already exists in the EC for providers of financial services. In general, firms from one member state can compete on equal terms with domestic firms in other member states, provided they establish local offices in conformity with national rules and regulations and provided they obtain authorization from each member state in which a local office is to be established.

Within a single market, firms will have the ability to trade financial services on the basis of a single authorization "passport" from their home member state and will not be required to establish a local presence. Negotiations in the EC are now focussed on setting up a comprehensive home country authorization regime for banking and investment services.

The financial sector is principally occupied by large firms. There has been a relatively high number of mergers between medium-sized financial institutions, such as savings banks or credit cooperatives. Most large EC financial institutions are loosely allied in areas such as market information services.

Removal of Barriers

The liberalization of markets for financial services is linked to the removal of remaining exchange controls on capital movements. In June 1988, the EC Council adopted a directive by which complete freedom of capital flows will become mandatory as of July 1, 1990 (in Spain and Ireland, the directive will come into effect in 1992, while in Greece and Portugal, it will be implemented in 1995). This liberalization covers all capital flows, within both EC and non-EC countries.

Under this directive, by the end of 1992, Belgium and Luxembourg must eliminate their joint two-tier exchange rate system, under which trade-related transactions benefit from a stronger franc.

The short-term capital movements freed by the directive cover a bank's ability to lend its domestic currency to non-residents for investments in short-term securities, financial loans and credits, as well as the right of all EC citizens to open private bank accounts in other Member states.

Medium and long-term capital movements associated with commercial transactions, acquisition of shares and bonds and long-term investments are already free throughout the EC. Since the U.K., West Germany, Belgium, Luxembourg and the Netherlands have already freed short-term movements, the major impact over the next two years will be felt in France and Italy.

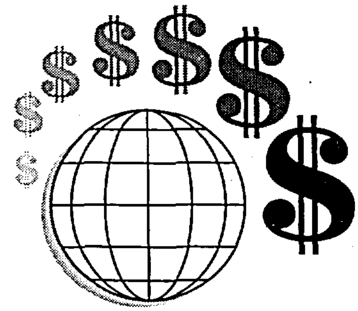
Electronic technology has advanced Europeanization in the financial services sector as cash dispensing machines are beginning to allow cash withdrawal in local currency throughout the EC. American Express and VISA have begun to promote their services aggressively. Currently, a VISA card may be used for cash withdrawals at some 12,000 dispensing machines throughout the EC.

An essential element of a second banking directive is the single European Community banking licence. It will allow banks established on one EC member state to sell authorized products through their branches in all other member states. The licence stipulates which activities may be undertaken; these include:

- leasing;
- portfolio management and advice;
- trading in securities, bonds and options;
- mortgage lending;
- the operation of credit cards;
- commercial and wholesale borrowing and lending.

To qualify for a banking licence, banks need initial capital of at least $7M CDN. It is now clear that the reciprocity clause will be relatively relaxed. Under new national treatment provisions, foreign countries will only be required to ensure that EC banks can operate under the same conditions as native banks.

The Financial Services Sector in a Single Market
For banks, financial deregulation poses a new set of challenges which require innovative strategic responses. Banks may choose to concentrate on servicing a specific region in Europe or they may decide to cover Europe entirely, by buying competitors or establishing their own affiliates in each EC country. Deutsche Bank, for example, has adopted a stragegy of diversification in West Germany while expanding abroad. In 1986, it bought the Banca d'America e d'Italia in Italy, while moving into the domestic mortgage finance, property brokerage, management consultancy and venture capital market sectors at home. In early 1989, Deutsche Bank also set up its own life insurance company. Banks can also engage in strategic alliances or mergers to increase their financial strength and expertise.



Canadian Activity in the EC
Canadian banks and brokerage firms such as Wood Gundy Inc., Lévesque Beaubien Geoffrion Inc., RBC Dominion Securities Inc., and Scotia McLeod Inc. have established European links to avoid being shut out of the market and to provide Canadian companies with wholesale capital and market expertise.

In June 1989, DMR Group Inc., a Montreal-based information consulting firm, completed the purchase of Consulting Associates Holding BV of the Netherlands. The acquisition gives DMR a base in the Netherlands, West Germany and Switzlerand as well as indirect links with the Italian market. DMR's British operation, specializing in information services to banks and financial institutions, has more than 90 employees and is the most profitable affiliate.

The Royal Bank of Canada has restructured its European operations to focus on corporate banking. Although it has sold some subsidiaries in France and Belgium and certain equities trading operations in West Germany, the Royal Bank will retain its French corporate banking operations, to be administered through a new subsidiary with substantially increased capital to strengthen its base there.

Food and Drink

Sector Overview

For the food and drink sector, removal of trade barriers is expected to create sizeable savings: 1-2% of the industry's turnover and 2-3% of its added value. While at present the EC food industry is very fragmented, the changes associated with 1992 will result in greater concentration of activities.

Of 46 leading food companies, approximately 20 operate in more than one EC member country. EC-based companies have begun to broaden their bases to take full advantage of the changes brought about by 1992 and to ensure their survival in the more competitive climate encouraged by the reduction in trade barriers.

Although only two of the ten largest food processing firms in EC countries are American, several firms in the sector have begun to give more serious consideration to American marketing policies such as selling products under strong and easily recognized brand names and distributing products over very wide geographical areas.

Removal of Barriers

It is the intention of the EC to remove non-tariff barriers which currently affect the food and drink sector. The main barriers of this type are:

- ➪ restrictions on the use of ingredients, such as France's ban on aspartame, a sweetner used in diet soft drinks;
- ➪ regulations on product content and content description, for example bans on using generic names for products or West Germany's purity law on beer;
- ➪ packaging and labelling requirements, such as Denmark's insistence on recyclable containers for non-alcoholic drinks;
- ➪ tax discrimination, for example beer taxes which tend to favour domestic brewers in the U.K. and Denmark;
- ➪ extreme discrepancies in tax policies from country from country, taxes which range from extremely high taxes in Ireland, the U.K. and Denmark to very low in Mediterranean countries to nil on wines in Italy, West Germany, Greece and Portugal;
- ➪ specific import restrictions, such as Spain's requirement to print health registration numbers on labels.

Full harmonization of indirect taxes will extend VAT to all food products in the U.K. and will affect patterns of consumer demand, resulting in a small rise in prices there. With this exception, consumer food prices in the Community will remain virtually unaltered.

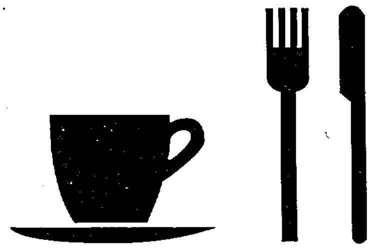
On the other hand, harmonization of excise duties will have a major impact on retail prices of drink. Meeting the significant price reductions in high-tax countries will lead to equally significant price increases in low-tax areas. Harmonization, however, may promote a convergence in drinking habits that will benefit pan-European brands at the expense of products with a more local appeal.

The Food and Drink Sector in a Single Market

The use of less expensive ingredients, lower packaging and labelling costs and the removal of bureaucratic obstacles on imports will directly benefit the EC food and drink industry.

The most significant cost savings will be concentrated in the following ten product areas:

- biscuits and cakes;
- chocolate and confectionary;
- ice cream;
- pasta;
- soups;
- baby food;
- mineral waters;
- soft drinks;
- beer;
- spirits.



Canadian Activity in the EC

Shifts in consumer demand are likely to follow from the availability in individual markets of a wider range of products. To succeed in the EC, Canadian firms will have to approach markets from the European perspective, possibly forming long-term links with producers or distributors operating in the larger European market. Canadian firms should also keep in mind that tastes will continue to vary widely across the EC. Indeed, some market analysts have suggested that recent food industry mergers are explained not so much by the desire to rationalize production and thus achieve economies of scale, but by the difficulties in exporting brands across borders and to consumer groups with highly variable tastes.

Some Canadian firms have already invested in the EC with a view to taking advantages of the changes which will result from by 1992.

In December 1988, Ogilvie Mills, a Labatt subsidiary, acquired majority control of Tenstar Aquitaine, a Bordeaux producer of wheat gluten and wheat starch.

McCain Foods Limited has expanded McCain Alimentaire, its frozen french fry production facility in Northern France. McCain Foods has experienced extensive success in the European market, which accounts for 45% of its sales worldwide.

National Sea Products has acquired two frozen fish processors and traders: Bretagne Export and Surgelation Lorientaise.

The Seagram Company has acquired a majority interest in Martell & Co., the world's second largest cognac producer.

In June 1989, Labatt Brewing Co. entered into a joint venture agreement with two Italian breweries: Birrà Moretti SpA and Prinz Brau, Rather than bid for total ownership, Labatt chose to enter an unfamiliar market backed by joint venture partners with thorough local business expertise.

Insurance

Sector Overview

Over the past 25 years, the EC has adopted a large number of individual measures in the insurance sector. As a result, there already exists some freedom of establishment for insurers within the EC: insurers in one member state can set up a branch or subsidiary in another member state, on the basis of national treatment.

Progress has been slower in developing freedom to provide insurance on a so-called services basis, which refers to the provision of insurance in a country, without having an office or branch in that country. While freedom exists in reinsurance, with the exception of the U.K., most Member states have imposed substantial restrictions on freedom to provide services in direct insurance. These restrictions have generally prevented insurers in one member state from underwriting risks in other member states unless they proceed through a locally established and authorized branch or agency. Consequently policyholders, especially commercial policyholders, in the EC are prevented from obtaining the most appropriate and competitively priced insurance coverage to fill their requirements.

Removal of Barriers

In 1986, the European Court of Justice handed down rulings in four key insurance cases, clarifying Community law on conducting insurance business on a services basis.

In late 1987, the European Council issued a directive providing for competitive insurance markets across Europe for companies with more than 500 employees, excluding life insurance companies. This directive will come into effect in 1990.

A Non-Life Insurance Directive was adopted in June 1988, establishing rules under which authorized non-life insurance businesses could transact business in any member state, on a services basis. The Directive provides a more liberal regime for large risks, which by their nature require less supervisory protection. For mass risks – the smaller type risk, including, for example, house and house contents insurance – a more stringent regime will apply with a major on-going supervisory role for the regulatory authorities in the country where the insurance is being sought.

There are major issues which remain outstanding; these include:

- member states which are reluctant to relinquish regulatory control over institutions responsible for their citizens' life savings;
- extremely diverse tax rates on life insurance premiums.

The Insurance Sector in a Single Market

Companies insuring risks in several member states will find it easier to obtain competitively priced coverage to match their needs and could potentially cover risks in several states under a single policy.

Industrial insurance in West Germany is likely to see some of the strongest competition once the barriers to cross-border business are removed. Even the largest foreign groups considering a foray into the lucrative West German market are reconsidering the wisdom of attacking mass retail insurance, largely because of the heavy costs involved in building up an adequate sales force.

The EC plans to allow life insurers to sell policies to residents of member states where they are not established; however, they would not be permitted to actively solicit cross-border sales, through advertising, for example, and could only respond to requests initiated by buyers. This draft directive does not cover life insurance policies associated with group pension plans, these will be the subject of a follow-up proposal to be put forward in 1989.

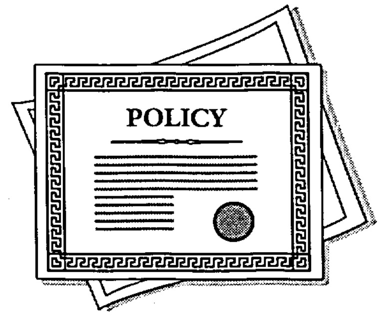
The insurance markets in most EC member states are highly regulated, as opposed to the the open and competitive market found in Britain. For example, the same life insurance policy can cost up to three times more if written in Brussels rather than London. Therefore price reductions in life insurance may be over 25% in some EC countries as a result of competition in a single market.

Canadian Activity in the EC

Canada's major life insurers – Sun Life, Manufacturers Life, Canada Life, Confederation Life, Crown Life, and others – currently compete successfully in the British market, selling life insurance as well as unit trusts (or mutual funds), mortgages and portfolio management services. Some of these Canadian firms are studying the possibilities offered by Europe, consulting with local life insurers and analyzing various markets.

Canada's insurance firms are preparing for increased competition from other markets in the EC chiefly by ensuring that they are well informed on implementation of insurance-related directives in the EC, by establishing marketing strategies geared to future opportunities, and by capturing new markets before companies located in regulated markets rethink their current strategies.

British branches of Canadian insurance firms remain skeptical that the single market will emerge by 1992. It has been suggested that it will take 10 to 15 years



for some countries, including West Germany and France, to surrender authority to the EC and relax their grip on the regulation of the insurance sector.

Developing a distribution system remains the prime challenge involved in successful expansion into the Continental market. For this reason, Sun Life is more interested in joint ventures with local companies than establishing its own operations in member states. This strategy would make it possible for Sun Life to accumulate experience on the Continent before investing in its own sales force and offices.

Confederation Life Insurance Co. appears to have rejected expansion into Continental Europe for the foreseeable future although it might consider selling its portfolio management expertise through a local company's distribution channels. Confederation has already established a solid reputation in Britain as an investment manager for pension funds and unit trusts and as a buyer of investment and pension contracts.

Pharmaceuticals

Sector Overview

The EC's pharmaceutical sector is currently highly regulated. As a result of 1992, firms involved in this sector can expect reduced production costs, less time-consuming approval procedures and the removal of some restrictions on marketing and advertising, although some changes are not likely to appear as early as 1992.

Removal of Barriers

Pharmaceutical manufacturers will benefit from removal of barriers in four areas:

National Registration

Separate registration in each country will no longer be required. In practice, each market has a separate approval and registration procedure which obliges companies to adapt to specific national requirements. Such registration is time-consuming and can take up to two years in West Germany and the U.K., and up to three years or more in Italy and Spain.

The Top Ten Drug Companies (1988-89)

	Drug Sales $ in billion	Drug Sales as % of Total Sales
Merck & Co. (US)	5.0	83.9
Glaxo (UK)	4.6	100.0
Hoechst (WGer)	4.0	17.0
Bayer (WGer)	3.7	16.1
Ciba-Geigy (Switz)	3.5	29.3
Takeda (Japan)	3.5	64.8
Am Home Products (US)	3.2	58.5
Sandoz (Switz)	3.1	45.4
Eli Lilly (US)	2.7	65.8
Abbott (US)	2.6	52.6

Source: Scrip

Pricing

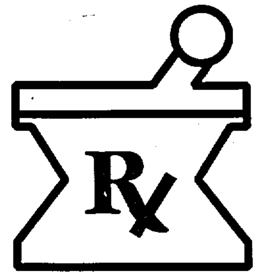
A directive now under discussion would require national authorities to disclose their criteria in setting prices for medicines and would regulate the related administrative procedures. National pricing systems favour local companies, and foreign firms are often forced to decentralize their operations, thus losing economies of scale. The present wide variation in prices between member states has also created opportunities for parallel importing. Some independents buy drugs in low-price markets and resell them in high-price markets. Convergence of price levels will result in lower prices in most countries.

Production and Distribution

The concentration of production made possible through the harmonization of products will result in improved use of capacity. SMEs entering the European market for the fist time will benefit from new distribution arrangements which eliminate the need for local operations.

Marketing and Advertising

To date, the EC's approach has been to harmonize the rules governing the way in which quality, safety and efficacy are judged and thus the way in which marketing applications are granted. Existing EC directives will be extended and by 1992, all medical products will be subject to the same specific marketing rules. Relaxation of marketing and advertising restrictions in some countries will prove beneficial for companies active in over-the-counter and consumer product markets. Larger companies that handle strong brand names also stand to gain. On the other hand, companies now geared to national markets will be at a disadvantage and will require new strategies.



The net savings from the elimination of trade barriers in the pharmaceutical sector is estimated at 1-2% of turnover. The forecast is that the pharmaceutical industry will grow at an average of 3.8% annually, largely due to increased consumer demand for health products.

The Pharmaceutical Sector in a Single Market

In a single market, the pharmaceutical industry in the EC will hold 30% of the world market share compared to 30% for the U.S., and 20% for Japan.

The EC Commission has not established what form of pricing and licensing principles will apply to the post-1992 pharmaceutical industry, but non-nationals will likely be entitled to supply national suppliers. Echoing recent Canadian drug patent legislation, it is anticipated that it will be possible to recoup R&D costs more quickly.

Relaxation of import restrictions and formalities will translate into time and cost savings for Canadian exporters, especially those who transport their goods by road. This is especially true of France, where the government has thus far encouraged local manufacture.

In the long term, the changes will put an end to price regulations in France, Belgium, Greece, Italy, Portugal and Spain. Controls on the profitability of pharmaceutical companies in the U.K. will also be eliminated.

In West Germany, the sector will benefit from harmonization of indirect taxes: VAT will decrease from 14% to 7%, thus stimulating demand. In the U.K., however, the application of VAT to pharmaceuticals will cause prices to increase and will depress consumption slightly.

Canadian Activity in the EC

Capsule Technology of Ontario has entered into a joint venture with Établissements Genneau to produce gelatine capsules.

Telecommunications

Sector Overview

The telecommunications equipment sector comprises:

- public and private switching;
- transmission;
- terminals (telephone sets, telex machines, fax machines, and videotex terminals);
- related equipment (answering machines, testing, analysis and simulation equipment, excluding cables and radio-communications equipment).

Excluding the planned economies, the U.S. produces 33% of world production in the telecommunications equipment sector, with the EC representing 31% and Japan 17%. The following provides a comparison of the leading world firms in this sector.

Global Ranking of Telecom Equipment Manufacturers, 1987

	Country	Telecom Sales (billion $ CDN)	World Market Share (%)
AT&T	U.S.	15.3	12.5
Alcatel NV	EC	11.5	9.5
Siemens	EC	9.2	7.5
NEC	Japan	7.5	6.1
Northern Telecom	Canada	7.0	5.8
Motorola	U.S.	5.1	4.2
Ericsson	Sweden	4.8	3.9
IBM	U.S.	3.6	2.9
Pluitsu	Japan	2.9	2.4
GPT	EC	2.7	2.2
Philips	EC	2.6	2.1
Bosch	EC	2.2	1.8
Hitachi	Japan	2.0	1.6
GTE	U.S.	1.7	1.3
Italtel	EC	1.5	1.3
Others	—	42.4	34.9
World total	—	**121.8**	**100.0**

Source: BIPE

Ranking of EC Telecom Equipment Manufacturers, 1987

	Production share (%)
Alcatel NV	28
Siemens	18
GPT	7
Ericsson	6
Bosch	6
Philips	6
Italtel	4
Matra	3
Sagem	2
STC (Northern Telecom 27.5%)	2
Telettra	1
Racal	1
APT	1
Others	15
Total EC	**100**

Source: BIPE

Of the EC's share of manufacturing activity, the following shows the major European companies involved.

The EC's telecomunications sector has been relatively fragmented and highly regulated. It remains dominated by state-owned postal and telecommunications monopolies (PTTs). The predominant feeling is that these monopolies cannot respond adequately to user needs, particularly those of major corporations, for whom advanced international telecommunications facilities are increasingly crucial.

As 1992 approaches, the telecommunications sector is increasingly characterized by deregulation, privatization and rapidly changing technology. Strategic alliances are being encouraged within the industry, markets will be opened in 1990 and the development of an Integrated Services Digital Network (ISDN), a computerized pan-European telephone exchange, will be underway.

Removal of Barriers

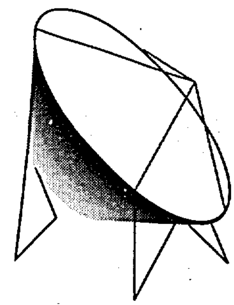
Initially, in an effort to create a single European market for telecommunications terminal equipment, the EC Commission concentrated its efforts on developing common equipment standards. The Commission has also focussed on the need for pan-European services and has paid special attention to digital broadband technology, funding the RACE programme for collaborative research into advanced communications technology.

In 1988, member governments unanimously endorsed the principle of deregulating the supply of equipment and services, but efforts in this direction have proved much less successful than originally anticipated. At issue is a proposal by the EC Commission to liberalize "value-added" services, which combine the processing and transfer of electronic information. While still in their infancy, the potential applications of such services are expected to multiply rapidly as more business transactions and services are computerized. Rather than marshalling support gradually, the Commission imposed its scheme under Article 90 of the *Rome Treaty*, a rarely used instrument of competition policy which governs public monopolies.

Following the U.K.'s example, a few countries have decided to unilaterally inject more competition into their telecommunications markets. They include the Netherlands and West Germany, once considered a die-hard opponent of change. Others, led by France, are adamantly opposed to measures which threaten the basic structure of their PTTs.

Telecommunications companies from 16 PTT signatories have agreed to implement a common specification for a range of ISDN services, eliminating existing differences and providing a framework for future development.

This agreement will mean that Europe's telecommunications networks will be modernized in a compatible way to allow companies to communicate more effectively across borders. In addition, it will assume a single market for ISDN



terminals, thus enabling manufacturers to achieve economies of scale in other telecommunications markets.

The range of services will include high-capacity digital telephone lines capable of sending data, facsimiles and other traffic many times faster than the present networks.

Thus far, state-owned telephone companies have favoured local telephone equipment manufacturers when purchasing new equipment, sometimes establishing local standards that only domestic firms could meet. The EC will harmonize telecommunications standards by 1992, and equipment manufacturers will therefore be in a position to develop technology for the entire European market.

The Telecommunications Sector in a Single Market

It has been estimated that intra-Community trade in the telecommunications sector will increase by 15% annually as a result of 1992 and deregulation. Private markets not covered by PTTs will represent excellent potential for other suppliers. Some industries within the sector are expecting very strong growth, up to 30% for fax machines and other optical systems, for example.

The introduction of ISDN services with common standards will create a single market for ISDN terminals, eliminating the problem of a fragmented market which in the past has prevented manufacturers from achieving economies of scale in other telecommunications markets.

Manufacturers can look forward to harmonization of protocols, prices and contract terms. Because manufacturing and marketing operations will no longer be confined to single local markets, competition within the EC will increase. In light of this, Canadian firms should expect new patterns of trade.

Wood, Pulp, Paper and Paperboard Sector

Sector Overview

The EC's pulp and paper industry is a dynamic sector which has enjoyed steady growth at, or slightly above, the rate of increase of the Community's GDP. Rapid developments in publishing, information technology and food distribution have stimulated growth in the industry. There were 830 companies active in the industry in 1987, operating a total of 1032 pulp, paper or board mills.

The combined production value of pulp. paper and paper board in the EC was estimated for 1987 at $38.9 billion CDN. The EC's 1987 production of 32.7M tonnes was only half that of the United States (65.9M tonnes), but was 50% greater than Japan's output (21.1M tonnes). With 15.4 % of world production and 20.7 % of world consumption, the EC is the world's second largest producer and consumer, after the United States.

The EC paper industry has little tariff protection. Almost 90% of all imports enter duty free.

Production, Foreign Trade and Investment - Paper and Board

millions $ CDN Production	1981	1984	1987
Current value	19759	18338	36223
Index (1980=100)	108	138	150
Constant Value	18002	13949	24922
Index (1980=100)	99	105	103
Imports Extra-EC	6955	6999	15176
Index (1980=100)	13	156	186
Exports Extra-EC	1626	1952	3820
Index (1980=100)	110	182	197
Exports/Imports	0.23	0.28	0.25
Gross Investment	1193	1076	3122

Source: CEPAC (European Confederation of Pulp, Paper and Board Industries)

Production, Foreign Trade and Investment - Market Pulp

millions $ CDN Production	1981	1984	1987
Current value	1173	1215	2617
Index (1980=100)	129	184	219
Constant Value	1068	924	1801
Index (1980=100)	118	140	150
Imports Extra-EC	4462	4231	7353
Index (1980=100)	125	163	156
Exports Extra-EC	144	161	355
Index (1980=100)	144	220	268
Exports/Imports	0.03	0.04	0.05
Gross Investment	134	77	144

Source: CEPAC (European Confederation of Pulp, Paper and Board Industries)

For market pulp, the EC represents by far the world's largest single market. The 8.5M tonnes imported in 1987 was approximately 39% of total world trade.

Many of the mills in the European Community are either not integrated or are only partially integrated with pulp products. Dependence on imports of market pulp, reflected in a 74% import rate, constitutes one of the industry's principal weaknesses.

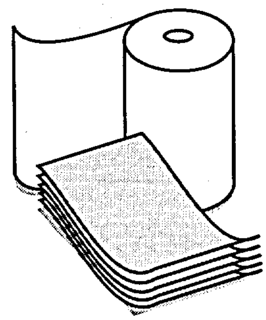
Major differences exist between member states in the average size of mills and machines. Production of the various grades of pulp and paper is also unevenly distributed. Market pulp products are concentrated in Portugal, Spain, France and Belgium. Newsprint is made primarily in West Germany and most recently, in the United Kingdom; coated papers are manufactured in West Germany, France and Italy; kraftliner in France; uncoated stocks in West Germany, the United Kingdom, Italy and Spain, to name but a few examples.

The Wood, Pulp, Paper and Paperboard Sector in a Single Market

West Germany has 175 paper and board mills, producing 30% of total EC output. West Germany also constitutes a substantial market, accounting for some 27% of total consumption. It is also the third largest consumer of wastepaper in the world. To protect their interests as 1992 approaches, West German firms are seeking merger and acquisition opportunities in other European countries, particularly in Spain.

Prior to EC membership, Spanish mills were small and received little investment attention. Since 1985, foreign groups have undertaken a staggering number of joint ventures with Spanish firms. Energy costs are relatively low in Spain, chiefly as a result of natural gas agreements signed with North African countries. Manufacturers can also take advantage of the country's comparatively low raw materials and labour costs. Conversely, raw material prices are on the rise as demand for Spanish eucalyptus pulp grows.

France's pulp and paper industry seems to be more aware of the implications of 1992 than any of its EC counterparts. In 1976, 202 paper and board mills produced 4.61M tonnes/year. In 1987, there were only 147 such mills, producing 5.83M tonnes/year. Rationalization is also evident in pulp production. In 1976, there were 41 pulp mills producing 1.82M tonnes/year. In 1988, there were 21, producing 2.1M tonnes/year. This trend toward rationalization is expected to continue over the next few years to enable French companies to meet the challenge presented by non-EC imports in post-1992 markets. French producers are also looking for more cooperative ventures with papermakers both inside and outside the EC.



The EC wood industry is comprised of some 21,000 firms, many of which are SMEs. As this sector restructures to meet the new challenges of 1992, Canadian firms should consider acquisitions, mergers or joint ventures to capitalize on the many excellent opportunities it offers. Canadian exporters should also keep a close watch on the formulation of pan-European standards to ensure that their products meet new regulations.

Extensive restructuring is also expected in the EC's tissue industry. Several large groupings are expected to emerge, consequently, medium-sized companies will be squeezed out of all but local markets and small producers of lower-grade tissue will serve only very tiny local markets.

Deregulation of distribution

The EC Commission has increasingly directed Europe-wide policies on transportation. Deregulation of the distribution system for the industry will mean a reduction in haulage prices. Papermakers can expect, for example, Commission-led enthusiasm for distribution by train instead of truck, or combined transport. When a major trans-European canal link is completed in 1993, a move back to canal transport will be encouraged. The net result therefore should be greater choice of distribution networks and lower costs for papermakers.

Canadian Activity in the EC

Some Canadian firms feel that investing in, rather than exporting to, the EC will keep them in the market. For example, Cascades Inc. of Quebec has extended its reach in France by acquiring three box board plants, and has recently announced plans for a fourth acquisition in Belgium.

Appendix D: Government Programs to Assist Exporters

FEDERAL PROGRAMS

External Affairs and International Trade Canada (EAITC)
External Affairs and International Trade Canada (EAITC) is the leading federal department responsible for Canada's international trade and export development.

About one-third of EAITC's personnel are employed in trade and economic policy work and in promoting Canadian exports, investment and tourism. In broad terms, EAITC's trade responsibilities involve:

- enhancing Canada's access to foreign markets (through bilateral and multilateral trade negotiations)
- providing programs and services to Canadian companies to:
  a) support their export marketing activities
  b) help them obtain foreign investment and technology to improve their international competitiveness

Info Export Hotline
Info Export is the department's export trade information and national toll-free assistance hotline.

For most beginning and many veteran exporters, Info Export is the best starting point for getting an up-to-date export overview.

Staff can advise you on the full range of EAITC trade publications, programs and services. They can also tell you what's available through other federal departments and agencies. In short, Info Export gives you immediate answers to your export information questions or puts you quickly in touch with a trade expert who can.

Contact: Info Export (BTCE)
External Affairs and International Trade Canada
125 Sussex Drive
Ottawa, Ontario
K1A 0G2
Toll-Free 1-800-267-8376
Ottawa Callers: 993-6435

Overview of Services
The department delivers its trade programs and services through 138 offices in Canada and around the world.

- If you are new to exporting, your first step is to contact the *International Trade Centre* nearest you. There are eleven centres in cities across Canada.
- If you need trade information for a specific country or region, contact the responsible *geographic trade division* in Ottawa.
- If you are interested in market prospects for a specific product or service sector, contact our sector trade divisions in Ottawa.
- When you have identified specific markets of interest to your company, you wish to obtain further assistance from our *Trade Commissioners* abroad.

Export Orientation Programs
EAITC offers training programs to help small and medium-sized Canadian companies expand into selected export markets.

New Exporters to Overseas (NEXOS)
This program is designed to help exporters new to Western Europe learn the essentials of doing business there. Each NEXOS mission focuses on a

specific sector in a specific country (e.g. automotive mission to France, aerospace mission to Germany), and includes a visit to a major sectoral trade fair. The program pays for return economy airfare, ground transportation and some hospitality.

Contact: Western European Trade and Investment Development Division (RWT)
External Affairs and International Trade Canada
125 Sussex Drive
Ottawa, Ontario K1A 0G2
Telephone: (613) 996-3298

Investment Development Program (IDP)
The Investment Development Program encourages targeted foreign corporations and other potential investors to bring new capital and technology into Canada. The program also promotes joint ventures and strategic partnerships between Canadian and foreign firms.

IDP activities are carried out by investment officers and counsellors at 43 EAITC trade offices around the world. The program initially focused on Canada's traditional foreign investment sources: the U.S., the U.K., France, Germany, Japan and Holland. It has now been expanded to cover additional European and Pacific Rim countries and the Middle East. Promotional campaigns, direct mail, seminars and other activities focus on sectors where Canada has demonstrated expertise and opportunities. A major selling point is the improved access Canada offers to the U.S. market under the Canada-U.S. Free Trade Agreement.

The department works closely with Investment Canada, Industry, Science and Technology Canada and provincial and municipal governments to identify investment priorities in Canada.

Contact: the International Trade Centre nearest you
or: Export and Investment Programs Division (TPE)
External Affairs and International Trade Canada
125 Sussex Drive
Ottawa, Ontario K1A 0G2
Telephone: (613) 995-7576

Program for Export Market Development (PEMD)
PEMD is the department's primary export promotion program. It supports a variety of activities to help Canadian companies expand into export markets.

Industry-Initiated Activities

PEMD funds up to 50 per cent of eligible expenses which must be requested in advance. A portion must be repaid if the activity generates export sales. Funded activities include:

- participation in recognized trade fairs and visits to identified markets outside Canada
- visits by foreign buyers and foreign sales agents to Canada
- project bidding, or proposal preparation at the pre-contractual stage.
- establishing permanent sales offices abroad
- participation in trade fairs, seminars, et cetera, by non-profit industry associations on behalf of their member companies
- innovative marketing initiatives which do not fall under the above.

PEMD covers specified costs for invited participants for selected trade missions and fairs abroad. It also provides funds for visits by foreign business persons and officials to Canada or to trade shows where there is substantial Canadian participation.

PEMD applicants must be export-ready Canadian companies registered in WIN Exports. To apply or obtain further information on PEMD, please contact the International Trade Centre nearest you.

Technology Inflow Program (TIP)
The Technology Inflow Program helps Canadian businesses acquire foreign technology to develop new Canadian products, processes or services. The program is open to all companies but is intended especially for small and medium-sized firms.

Specifically, EAITC helps Canadian companies identify sources for obtaining the technology they need to improve productivity. Also, the Program helps companies to take advantage of opportunities to collaborate with foreign companies.

Under TIP, EAITC also provides financial assistance for technology transfer projects, such as:

- exploratory or longer-term working visits abroad by individual Canadian companies
- industry-oriented group technology awareness missions abroad organized by Canadian professional or trade associations
- visits by foreign technical experts to companies in Canada

In Canada, the Industrial Research Assistance Program (IRAP) is the primary agency which helps companies identify their needs and gain access to TIP funding. For more information: See IRAP listing in your telephone yellow pages under "Technology Assistance".

Abroad, there are currently 33 EAITC trade offices around the world which provide services under TIP: 15 in the U.S., 10 in Western Europe and 8 in the Asia Pacific region and the Middle East. For more information contact:

Science and Technology Division (TDS)
EAITC
125 Sussex Drive
Ottawa, Ontario K1A 0G2
Telephone: (613) 996-0971

Defence Programs

Canada-U.S. Defence Production Sharing Arrangements (DPSA)

This arrangement gives Canadian manufacturers the opportunity to provide defence supplies and services to the U.S. military and to U.S. defence contractors. Under this program, Canadian firms can compete effectively because, in most cases, the U.S. government has waived customs duties and its Buy America Act. The program aims to improve market access for Canadian businesses but does not provide financial assistance.

Contact: (613) 996-1814

Canada — U.S. Defence Development Sharing Agreement (DDSA)

This program, a companion to the DPSA, enables the Canadian Government to share in the cost of a U.S. Department of Defence development Project. Qualified Canadian companies act as prime contractors for approved projects.

Contact: (613) 996-1814

RDP Agreements

Canada maintains bilateral defence Research, Development and Production (RDP) Agreements with nine European partners (Belgium, Denmark, France, West Germany, Italy, the Netherlands, Norway, Sweden and the United Kingdom). The objective of these agreements is to find projects of interest which warrant bilateral support under an RDP. Defence economic cooperation represents a strong element of RDPs. Industrial cooperation is encouraged for the mutual benefit of our defence industry bases.

Contact: (613) 996-1816

The NATO Market

As a member of the North Atlantic Alliance, Canada contributes to NATO infrastructure projects and cooperative armaments projects. These projects require a wide range of goods and services, and present opportunities for Canadian companies to participate.

Contact: (613) 996-1816

Tourism Market Development Abroad

EAITC helps the Canadian tourism industry to promote Canada as a destination for foreign tourists.

Tourism Canada (part of Industry Science and Technology Canada) provides direction and primary funding for tourist market development activities abroad. It also helps Canadians develop tourism "products" to bring in foreign visitors. Provincial government tourism offices collaborate in these efforts.

EAITC tourism officers at trade offices abroad:

- provide information on tourism market opportunities and business leads (e.g. foreign contacts, reports on market development opportunities, local foreign business customs and distribution channels)

- initiate Canadian participation in travel shows and promotions abroad, etc.

- organize Canadian tours and site inspection for foreign tourism media, the travel trade and meeting/convention organizers

- disseminate information about new Canadian tourism and travel products

- represent the interests of all Canadian provinces in all foreign markets, especially in areas where they do not have provincial representatives.

A total of 23 EAITC posts around the world (15 in the United States plus one each in Paris, London, Frankfurt, Tokyo, Sydney, Mexico, The Hague and Hong Kong) have full-time tourism officers. In total, a staff of 102 officers at EAITC posts around the world provide tourism marketing support.

For more information on all tourism market development activities abroad, contact:

United States Trade and Tourism Development Division (UTW)
External Affairs and International Trade Canada
125 Sussex Drive
Ottawa, Ontario K1A 0G2
Telephone: (613)998-8823

WIN Exports

The World Information Network for Exports — WIN Exports — is a computerized international sourcing system. It currently lists over 24,000 Canadian firms and includes for each products and services available for export, foreign markets/countries in which the firm is currently active or is considering and contacts within the company responsible for export activities. All entries are accessible only to EAITC or other trade officials active in identifying export trade opportunities.

Using WIN Exports, EAITC trade development officers can:

- identify Canadian suppliers able to respond to sales opportunities in the officer's territory

- make appropriate contacts on behalf of Canadian companies

- report back with advice to help them make informed decisions

WIN Exports companies automatically receive CanadExport, the department's trade newsletter. If companies are registered on the Business Opportunities Sourcing System (BOSS) — a domestic sourcing system operated by Industry, Science and Technology Canada — they are automatically registered in WIN Exports. Registration in WIN Exports or BOSS is required for PEMD funding.

To apply for WIN registration, return the enclosed form. For more information, contact the International Trade Centre nearest you, or:

Trade Planning and WIN Exports (TPP)
External Affairs and International Trade Canada
125 Sussex Drive
Ottawa, Ontario K1A 0G2
Telephone: (613) 996-7182

International Trade Data Bank

EAITC operates an International Trade Data Bank, to help provide up-to-date trade statistics to Canadian business, government officials and others interested in international trade. The Bank stores a wide range of computerized trade information from the United Nations. It can provide export and import data on 66 major trading nations, as well as for groupings such as the European Economic Community) and the Organization for Economic Cooperation and Development (OECD). Customized analyses are prepared upon request.

Contact: Library Services Division (BFL)
External Affairs and International Trade Canada
125 Sussex Drive
Ottawa, Ontario K1A 0G2
Telephone: (613) 992-6941

Export Development Corporation
The Export Development Corporation (EDC) is a federal crown corporation reporting to the Minister for International Trade. It provides a full range of financing, insurance and guarantee services to Canadian exporters of any size through its offices across the country.

EDC has export insurance programs to:

- protect Canadian exporters (and their domestic suppliers) against non-payment by foreign buyers
- protect Canadian companies' foreign investments overseas
- protect members of a Canadian export consortium against a loss caused by the non-performance of a partner.

With export financing, EDC enables foreign buyers to purchase Canadian products, and pays the Canadian exporter directly in cash. Also, the Corporation makes it easier for exporters to get private sector financial backing by providing loan, performance and bid bond guarantees to the financial institution providing the direct support.

Contact: Export Development Corporation
151 O'Connor Street
Ottawa, Ontario K1P 5T9
Telephone: (613) 598-2500

or call the EDC regional office nearest you:

Halifax (902) 429-0426
Montreal: (514)878-1881
Toronto: (416) 364-0315
London: (519) 645-5828
Winnipeg: 1-800-665-7871 (Manitoba and Saskatchewan only)
Calgary: (403) 294-0928
Vancouver: (604) 688-8658

Canadian Commercial Corporation
The Canadian Commercial Corporation (CCC) is a crown corporation reporting to the Minister for International Trade. It acts as the prime contractor when foreign governments and international agencies wish to purchase goods and services from Canadian sources on a government to government basis.

In responding to such requests, CCC identifies Canadian sources, obtains bid opportunities for suppliers, and certifies their capability to perform. In addition to participating in negotiations, the Corporation follows through on contract management, inspection, acceptance, shipping, payment to suppliers and collection from customs. Its participation helps to reduce the complexity of export sales for Canadian firms and often encourages foreign customers to purchase from smaller or less well-known suppliers, since buyers have the comfort of dealing on a government-to-government basis through CCC.

Contact: Canadian Commercial Corporation
50 O'Connor Street, 11th floor
Ottawa, Ontario K1A 0S6
Telephone: (613) 996-0034
Fax: (613) 995-2121

PROVINCIAL PROGRAMS

British Columbia
Export Loan Guarantee Program provides loan guarantees for working capital needed in export development. Available to any registered BC company that produces goods or services with a high BC content. Guarantees cover up to 85% of a loan to a maximum of $2.5 million. Loans can cover up to 100% of the eligible costs or up to 85% of the sale proceeds of a sales contract.

Contact: BC Trade Development Corporation, Vancouver
(604) 660-4568, or
toll free 1-800-972-2255

Alberta
Market Development and Assistance Program (MDAP) shares with Alberta businesses the financial risk of entering new export markets for goods and services if the costs are commensurate with the benefits to Alberta. MDAP provides cost-sharing for market identification, sales trips, out-of-province trade fair exhibitions and visits by incoming buyers. The total value of MDAP grants for each applicant per year is $10,000 against eligible expenses.

Export Loan Guarantee Program (ELGP) provides loan guarantees to Alberta export manufacturers of up to $5 million for specific export orders and contracts.

Export Services Support Program (ESSP) provides financing to Alberta businesses for extraordinary costs involved in preparing feasibility and other studies for tenders, including demonstration projects. The ESSP funds up to 50% of the cost to a maximum of $200,000 for each project, with a $500,000 ceiling for any one applicant. Demonstration projects are limited to $100,000 per applicant per year.

These Alberta programs are under review and are subject to change.

Contact: Alberta Economic Development and Trade
Business Finance Development
7th Floor Sterling Place
9940 - 106 Street
Edmonton, Alberta
T5K 2P6
Tel (403) 427-3300
Telex 037-42815
FAX (403) 422-9319

Saskatchewan

Export Marketing Assistance Program (EMAP) provides funding for trade missions, trade fairs, incoming buyers, sample shipments, promotional materials, packaging design, licencing,and the registration of patents.

Strategic Marketing Initiatives Program (SMIP) provides funding for market development proposals for up to 50% of the total cost, with an annual ceiling of $50,000 for any one project.

Contact: Export Marketing Assistance Program,
Trade Promotion Branch,
Saskatchewan Trade and Investment,
1919 Saskatchewan Dr.,
Regina, Saskatchewan
S4P 3V7.
Tel (306) 787-2232.
FAX (306) 787-2198.

Manitoba

Department of Industry, Trade and Tourism

Officers from the Department's Trade Branch provide extensive consulting assistance to Manitoba firms. The Trade Branch also sponsors seminars to highlight market opportunities or to upgrade export skills. The Department's library has a large international trade section that is open to the export community. Manitoba has representative offices in Hong Kong and Rotterdam.

Trade Assistance Program provides cost-sharing support for individual companies to participate in trade shows outside Manitoba. It organizes and manages group participation by Manitoba firms in selected trade shows. It also supports sales missions to identified export markets and for visits by foreign buyers to Manitoba.

Marketing Plan Program provides up to 50% of the cost for an outside consultant to advise on product market analysis, export package design, labelling and sales promotion material.

Contact: Trade Branch, Department of Industry
Trade and Tourism
4th Floor - 155 Carlton Street
Winnipeg Manitoba
R3C 3H8
Tel. (204) 945-2466
Telex 07-58733
FAX (204) 957-1793

Ontario

Innovation Ontario (IOC) invests up to $250,000 in "start-up" companies or existing companies which are introducing new products and need additional investment capital.

Contact: Innovation Ontario Corporation
56 Wellesley Street
Toronto, Ontario
M7A 2E7
Tel (416) 963-5717

Ontario Development Corporation (ODC) provides incentive loans, guarantees, leasing, and working capital for exports to new or existing Ontario manufacturing and tourist businesses, especially those in northern or eastern Ontario.

International Projects Fund provides loans to consulting engineers, architects, management and specialist consultants, contractors and capital equipment manufacturers for pre-feasibility studies, proposal preparation costs, and bid and performance bond premium costs. Loans are repayable only if the project succeeds.

Contact: Ontario International Corporation
55 Wellesley St. West
Toronto, Ontario
M7A 2E4
Tel. (416) 965-3013

The Technology Fund provides funding support to joint ventures in R&D and technology application in areas of strategic importance for Ontario Industry. Technology Fund Secretariat, (416) 963-3721, or an MITT Regional Office.

International Marketing Intern Program provides financial assistance for two years to enable firms to hire young graduates to work in exporting. Contact an MITT Regional Office.

Technical Personnel Program (TPP) provides funds for the hiring of a new technical or scientific employee by SMEs who are or will be exporting goods or services. Technical Personnel Program, (416) 965-0551.

Trade Expansion Fund (TEF) helps manufacturers, trading houses, export marketing consortia, trade associations, and companies offering tradeable services develop new markets and increase exports by matching some of their out-of-pocket marketing costs. Contact the Industry, Trade, and Expansion Division.

Export Support Loan Program (ESLP) supplements services offered by the chartered banks, other financial institutions and the Export Development Corporation in order to help carefully chosen Ontario companies finance their export opportunities. Contact the Ontario Development Corporation or an MITT Regional Office.

Contact: Ministry of Industry, Trade and Technology (MITT)
900 Bay Street
Toronto, Ontario
M7A 2E1

Quebec

Technology Development Fund (TDF) supports R&D investment in Quebec. Resources are used primarily for Major Opportunities to Stimulate Technology (MOST) projects.

Contact: Ministère de l'Industrie, du Commerce et de la Technologie main offices:
710, place d'Youville, 9e étage
Québec (Québec)
G1R 4Y4
Tél : (418) 691-5950

Place Mercantile
770, rue Sherbrooke Ouest, 7e étage
Montréal (Québec)
H3A 1G1
Tél : (514) 982-3000

APEX provides technical and financial support to Quebec companies for expansion into export markets through a package of programs.

- *APEX-Emploi program* offers courses and helps firms hire international marketing experts.
- *APEX-Preparation de soumissions program* helps firms hire consultants on how to respond to calls for tender in foreign markets.
- *APEX Études et stratégies* helps firms hire marketing consultants.
- *APEX-Mission individuelle* provides financial assistance for business travel.
- *APEX-Exposition program* helps firms to attend foreign trade fairs.
- *APEX-Adaptation au marche program* helps companies to adapt their advertising materials, catalogues or product specifications.
- *Accueil d'acheteurs étrangers program* helps to bring potential clients to Quebec.

Contact: Ministère des Affaires internationales
875, rue Grande Allee Est, Edifice H
4e étage
Québec (Québec) G1R 4Y4

or
Place Mercantile
770, rue Sherbrooke Ouest, 6e étage
Montréal (Québec) H3A 1G1

Financial Export Assistance provides credit to Quebec businesses who are planning to export or who are already exporting goods and services with at least 50% Quebec content.

Contact: Société de developpement industriel du Québec
1126 chemin Saint-Louis, Bureau 700
Sillery (Québec) G1S 1E5
Tél : (418) 643-6172
or
Place Mercantile
770 rue Sherbrooke Ouest, 9e étage
Montréal (Québec) H3A 1G1
Tél : (514) 873-4375

New Brunswick
Trade Assistance Program provides cost-shared financial assistance for New Brunswick manufacturers and selected service companies to attend trade show and missions, host incoming buyers, and develop promotional material and packaging. Also, provides a wide range of consultative services including information on markets, tariffs and documentation, transportation, trade shows, and public sector opportunities.

Contact: Trade Group, Department of Commerce and Technology
PO Box 6000
Fredricton, New Brunswick
E3B 5H1
Tel. (506) 453-2875 or 453-2102
Telex 014-46100
FAX (506) 453-5428

Nova Scotia
Business Futures Program provides funds to identify market and business opportunities related to export trade. Funding is provided to help companies participate in trade shows, government initiated trade events, conduct market identification investigations, market education seminars, as well as to host incoming buyers. The program provides cost sharing on projects which are related to strategic planning and to the development of a new market There is also cost sharing for professional design fees incurred in the design and development of new products, packaging, and for marketing literature for exports.

Contact: The Trade Development Centre,
Department of Industry, Trade and Technology,
World Trade and Convention Centre
1800 Argyle Street, PO Box 519
Halifax, Nova Scotia
B3J 2R7
Tel. (902) 424-5315
Telex 019-22548
FAX (902) 424-5739

Overseas Offices are maintained by the Province of Nova Scotia. A central office for Europe is in London, UK, with representatives in the UK, Germany and France.

Contact: Agent General for Nova Scotia,
14 Pall Mall
London, United Kingdom
SW1Y-5LU
Tel. 011-44-1-930-6864
FAX 011-44-1-925-2692

Newfoundland and Labrador
Market and Product Development Program (MAPD) provides funds to existing or potential local manufacturers and service companies who are attempting to gain or increase acceptance of new or existing products or service either within or outside the province. Also provides assistance to firms involved in the development of new products. MAPD complements the Program for Export Market Development (PEMD) administered by Industry, Science and Technology Canada.

Contact: Government of Newfoundland and Labrador, Department of Development
PO Box 8700
St John's, Newfoundland
A1B 4J6
Telex 016-4949
FAX (709) 576-5936

Appendix E: Useful Addresses

General Information
Commission of the European Communities
8 Storey's Gate
London SW1P 3AT
United Kingdom
tel.: (011-44-1) 222-8122

Commission of the European Communities
(Information Unit)
Millbank Tower
London SW1P 4QU
United Kingdom
tel.: (011-44-1) 211-7060

Council of the European Communities
Direction Information
rue de la Loi 170,
B-1048, Brussels
Belgium
tel.: (011-32-2) 234-01-11

European Parliament
Secretariat General
L-2920 Luxembourg
tel:: (011-352) 4-30-01

The European Parliament Information Office
2 Queen Anne's Gate
London SW1H 9AA
United Kingdom
tel.: (011-44-1) 222-0411

Delegation of the Commission of the
European Communities
1110-350 Sparks Street,
Ottawa, Ontario
K1R 7S8
tel.: (613) 238-6464

Centers for European Business Information
Centre for European Business Information
Small Firms Service
Ebury Bridge House
2-18 Ebury Bridge Road
London SW1W 8QD
United Kingdom
tel: (011-44-1) 730-8115

European Business Information Centre
Irish Export Board
Merrion Hall
P. O. Box 203
Strandy Road
Sandymant, Dublin 4
Ireland
tel.: (011-353-1) 614-0777

European Community
SME Task Force
Rue d'Arlon 80
1040 Brussels
Belgium
tel.: (011-32-2) 236-1676
fax: (011-32-2) 236-1241
telex: 61 655 BURAP B
Publications tel.: (011-32-2) 235-6322

Business Corporation Centre BC-Net
SME Task Force
See SME Task Force above
tel.: (011-32-2) 230-3948

Public Procurement Information
Notices of public procurement contracts are published in:
Supplement to the Official Journal of the European Communities
Office for Official Publications of the European Communities
L-2985 Luxembourg
tel.: 011-352-49-00-81
telex: 1322 PUBLOFLU

Le Bulletin des Adjudications
Direction du Moniteur Belge
rue de Louvain, 42
B-1000 Bruxelles, Belgium

Le Bulletin Officiel des Annonces des Marchés Publics
26, rue Desaix
F-75727 Paris Cêdex 15
France
tel.: 011-33-575-62-31
telex: 20 11 76 F DIR JO Paris

Chambers of Commerce with connections throughout Europe

Canada-United Kingdom Chamber of Commerce
3 Regent Street
London SW1Y 4NZ
United Kingdom
tel.: (011-44-1) 930-7711

The European Business Centre
Chamber of Commerce
P.O. Box 360
75 Harborne Road
Birmingham BI5 3DM
United Kingdom
tel.: (011-44-21) 455-0268

London Chamber of Commerce (another BC-Net)
69 Cannon Street
London EC4N 5AB
United Kingdom
tel.: (011-44-1) 248-4444

Incoterms

Canadian Chamber of Commerce
1080 Beaver Hall Hill
Suite 1630
Montreal, Quebec
H2Z 1T2
tel.: (514) 866-4334

International Trade Centers

Contacts at Industry, Science and Technology Canada:

Vancouver
P.O. Box 11610
900 - 650 West Georgia Street
Scotia Tower
Vancouver, British Columbia
V6B 5H8
tel.: (604) 666-1437
fax: (604) 666-8330
telex: 04-51191

Edmonton
The Cornerpoint Building
Suite 505
10179 - 105th Street
Edmonton, Alberta
T5J 3S3
tel.: (403) 495-2944
fax: (403) 420-4507
telex: 037-2762

Saskatoon
6th Floor
105 - 21st Street East
Saskatoon, Saskatchewan
S7K 0B3
tel.: (306) 975-5315
fax: (403) 420-4507
telex: 074-2742

Winnipeg
Suite 608
330 Portage Avenue
Winnipeg, Manitoba
R3C 2V2
tel.: (204) 983-8036
fax: (204) 983-2187
telex: 07-57624

Toronto
4th Floor
Dominion Public Building
1 Front Street West
Toronto, Ontario
M5J 1A4
tel.: (416) 973-5053
fax: (416) 973-8714
telex: 065-24378

Montreal
Tour de la Bourse
800, Place Victoria
38e étage
C.P. 247
Montréal (Québec)
H4Z 1E8
tel.: (514) 283-8185
fax: (514) 283-3302
telex: 055-60768

Moncton
Assumption Place
770 Main Street
P.O. Box 1210
Moncton, New Brunswick
E1C 8P9
tel.: (506) 857-6452
fax: (506) 857-6429
telex: 014-2200

Halifax
1496 Lower Water Street
P.O. Box 940
Station M
Halifax, Nova Scotia
B3J 2V9
tel.: (902) 426-7540
fax: (902) 426-2624
telex: 019-22525

Charlottetown
Confederation Court Mall
134 Kent Street, Suite 400
P.O. Box 1115
Charlottetown, Prince Edward Island
C1A 7M8
tel.: (902) 566-7443
fax: (902) 566-7450
telex: 014-44129

St. John's
90 O'Leary Avenue
P.O. Box 8950
St. John's, Newfoundland
A1B 3R9
tel.: (709) 772-5511
fax: (709) 772-5093
telex: 016-4749

Department of External Affairs
Lester B. Pearson Building,
125 Sussex Drive
Ottawa, Ontario
K1A 0G2
tel.: (613) 996-9134
fax: (613) 996-9288
telex: 053-3745

INFO EXPORT: 1-800 267-8376 (toll free)
993-6435 (Ottawa callers)

Geographic Branches
Belgium, Luxembourg, Netherlands
tel.: (613) 996-7544

Denmark
tel: (613) 995-4730

West Germany
tel.: (613) 996-3774

France
tel.: (613) 996-2363

Greece, Portugal, Spain
tel.: (613) 995-6440

Ireland, United Kingdom
tel.: (613) 995-6565

Italy
tel.: (613) 995-9403

Customs Information
U.K.
tel.: (613) 995-4017

EC countries
tel.: (613) 992-8762

Canadian Trade Offices in Western Europe

European Communities
Mission of Canada to the European Communities
Avenue de Tervuren
2, 1040 Brussels
Belgium
tel.: (011-32-2) 735-91-25
cable: CANMISEUR
telex: (Destination code 46) 21613
(DOMCAN B)

This Mission is involved in market access issues and the development of industrial and economic co-operation between Canada and the EC.

European Community Member States

Belgium
2, avenue de Tervuren
1040 Brussels, Belgium
tel.: (011-32-2) 735-60-40
cable: CANADIAN BRUSSELS
fax: (011-32-2) 735-3383
telex: (Destination code 46) 21613
(DOMCAN B)

Territory: Belgium, Luxembourg

United Kingdom
Canadian High Commission
Macdonald House
One Grosvenor Square
London W1X 0AB
England
tel.: (011-44-1) 629-9492
cable: DOMINION LONDON
fax: (011-44-1) 491-3968
telex: (Destination code 51) 261592
(CDALDN G)

Territory: England, Wales, Channel Islands, Gibraltar

Canadian Trade Office
Ashley House
195 West George Street
Glasgow G22HS
Scotland
tel.: (011-44-41) 204-1373
cable: CANTRACOM GLASGOW
telex: (Destination code 77) 778650
(CDAGLW G)
Territory: Northern Ireland, Scotland

Denmark
Kr. Bernikowsgade 1
DK=1105 Copenhagen K
Denmark
tel.: (011-45-1) 12-22-99
cable: DOMCAN COPENHAGEN
telex: (Destination code 55) 27036
(DMCNC DK)

France
35, avenue Montaigne
75008 Paris
France
tel.: (011-33-1) 47.23.01.01
cable: CANADIAN PARIS
fax: (011-33-1) 47.23.56.28
telex: (Destination code 42) 280806
(CANAD A 280806F)

Canadian Consulate
Bonnel Part-Dieu Bldg.
74 Bonnel St.
3rd Floor
69428 Lyon Cêdex 03
France
tel.: (011-33-1) 72-61-15-25
telex: 380003 CANADA

West Germany
Friedrich-Wilhelm-Straße 18
D-5300 Bonn
West Germany
tel.: (011-49-228) 23-10-61
cable: CANADIAN BONN
fax: (011-49-228) 23-08-57
telex: (Destination code 41) 886421
(DOMCA D)

Missions in West Germany are organized on an industry sector basis rather than a geographic basis. Therefore, all trade enquiries should be directed to the post identified as having specific responsibility for the product in question.

Sector Responsibilities: Defense Products, Security Equipment, Books, Art, Music, Fairs, Government Regulatory and Policy Questions

Canadian Military Mission and Consulate
Europa Centre
D-1000 Berlin 30
West Germany
tel.: (011-49-30) 261-11-61
telex: (Destination code 41) 185487
(CANAD D)

Sector Responsibilities: Countertrade and West Berlin Market generally

Canadian Consulate General
Immermann Hof
Immermannstraße 65D
P.O. Box 4729
4000 Düsseldorf 1
West Germany
tel: (011-49-211) 35-34-71
cable: CANADIAN DÜSSELDORF
telex: (Destination code 41) 8587144
(DMCN D)

Sector Responsibilities: Agriculture, Food, Fish Products, Chemicals, Fuels, Machinery and Equipment, Marine Industries, Textiles, Consumer Goods, Third Country Capital Projects

Canadian Consulate General
Maximiliansplatz 9
D-8000 Munich 2
West Germany
tel.: (011-49-89) 55-85-31
telex: (Destination code 0411) 5214139
(CAND D)

Sector Responsibilities: Electrical and Electronic Products, Instrumentation, Medical Equipment, Surface and Air Transportation, Agricultural Machinery, Visual and Sound Recordings, Optical Equipment, Telecommunications

Greece
4 Ioannou Ghennadiou Street
115 21 Athens
Greece
tel.: (011-30-1) 723-9511
cable: CANADIAN ATHENS
fax: (011-30-1) 724-7123
telex: (Destination code 601) 215584
(215584 DOM GR)

Ireland
65/68 St. Stephen's Green
Dublin 2
Ireland
tel.: (011-353-1) 781988
cable: DOMCAN DUBLIN
telex: (Destination code 500) 93803
(93803 DMCN EI)

Italy
Via G.B. de Rossi 27
00161 Rome
Italy
tel.: (011-39-6) 855-341
cable: CANADIAN ROME
fax: (011-39-6) 862-213
telex: (Destination code 43) 610056
(DOMCAN I)

Territory: Provinces of Toscana, Marche, Umbria, Lazio, Abruzzi-Molise, Puglia, Compania, Basilicata, Calabria, Sicilia, Sardegna

Canadian Consulate General
Via Vittor Pisani 19
20124 Milan
Italy
tel.: (011-39-2) 6697451
cable: CANTRACOM MILAN
fax: (011-39-2) 6704450
telex: (Destination code 43) 310368
(310368 CANCON I)

Territory: Provinces of Liguria, Piemonte, Val d'Aosta, Lombardia, Trentino-Alto Adige, Friuli-Venezia Giulia, Emilia-Romagna e Veneto

The Netherlands
Sophialaan 7
2514 JP The Hague
Netherlands
(Mailing Address: Commercial Division
P.O. Bos 30820, 2500 GV, The Hague
Netherlands)
tel.: (011-31-70) 614111
cable: DOMCAN THE HAGUE
telex: (Destination code 44) 31270
(31270 DMCN NL)

Portugal
Rua Rosa Araujo, 2
Lisbon 1200
Portugal
tel.: (011-351-1) 56-38-21
cable: CANADIAN LISBON
telex: (Destination code 404) 12377
(DOMCAN P)

Territory: Portugal, Azores, Madeira

Spain
Apartado 117
35, Nunez de Balboa
29001 Madrid
Spain
tel.: (011-34-1) 431-4300
cable: CANADIAN MADRID
telex: (Destination code 52) 27347
(27347 DOMCA E)

Territory: Includes Balearic Islands, Canary Islands, and provinces outside the peninsula

European Free Trade Association (EFTA) Member States
Austria
Dr. Karl Lueger Ring 10
A-1010 Vienna
Republic of Austria
Cable: DOMCAN VIENNA
Tel: (011-43-222)533-36-91
Telex: (Destination code 47) 11-5320 (DMCN A)
Fax: (011-43-222)535-44-73

Finland
Pohjois Esplanadi 25 B
00100 Helsinki
Republic of Finland
(Mailing Address: P.O. Box 779, 00101 Helsinki, Republic of Finland)
Cable: DOMCAN HELSINKI
Tel: (011-358-0)171-141
Telex: (Destination code 57) 121363
(121363 DMCNH SF)
fAX: (011-358-0) 601-060

Norway
Oscars Gate 20, Oslo 3
Kingdom of Norway
(Mailing Address: 0244 Oslo 2, Kingdom of Norway)
Cable: DOMCAN
Tel: (011-47-2) 46-69-55
Telex: (Destination code 56) 71880
(71880 DOMCAN N)
Fax: (011-47-2)69-34-67

Territory: Norway, Iceland

Sweden
Tegelbacken 4, 7th Floor
Stockholm
Kingdom of Sweden
(Mailing Address: P.O. Box 16129, S-103 23 Stockholm, Kingdom of Sweden)
Cable: CANADIAN STOCKHOLM
Tel: (011-46-8) 23 79 20
Telex: (Destination code 54) 10687
(10687 DOMCAN S)
Fax: (011-46-8)24 24 91

Switzerland
Kirchenfeldstrasse 88
CH-3005 Berne
Switzerland
(Mailing Address: P.O. Box, CH-3000 Berne 6, Switzerland)
Cable: CANADIAN BERNE
Tel: (011-41-31) 44-63-81
Telex: (Destination code 45) 911308
(911308 DMCN CH)
Fax: (011-41-31) 44-73-15

Territory: Switzerland, Liechtenstein

Other Relevant Addresses

The Industrial Society
The Europe Campaign Leader,
48 Bryanston Sq.
London, WI
United Kingdom
tel.: (011-44-1) 262-2401

The Industrial Society is a group of industrialists which is monitoring the moves towards the Single European Market.

Financial Times Conference Organization
126 Jermyn St
London, SW1Y 4UJ
United Kingdom
tel.: (011-44-1) 925-2323
fax: (011-44-1) 925-2125

British Library Business Information Service
25 Southampton Buildings
Chancery Lane
London, WC2A 1AW
United Kingdom
tel.: (011-44-1) 323-7454

Office for Official Publications of the European Communities
L-2985 Luxembourg
tel.: (011-352) 49-92-81

The European Patent Office
Erhardtstr. 27
D-8000 Munich 2
West Germany
tel.: (011-49-89) 23990

UK Patent Office
66-71 High Holborn
London, WC1R 4TP
United Kingdom
tel.: (011-44-1) 831-2525

The European Investment Bank
100 blvd. Konrad Adenauer
L-2905 Luxembourg
tel.: (011-352) 24-37-91

Economic and Social Committee
Division presse et information
rue Ravenstein 2
B-1000 Brussels
Belgium
tel.: (011-32-2) 319-90-11

Court of Auditors of the EC
29, rue Adringen
L-2950 Luxembourg
tel.: (011-352) 4-77-31

EUREKA Secretariat
19 H Avenue des Arts, Bte 3
B 1040 Brussels
Belgium
tel.: (011-32-2) 217-00-30
fax: (011-32-2) 218-79-06
telex: 29340 EUREKA B

Bilateral Business Associations

Canada-France Businessmen's Committee
c/o Banque Nationale du Canada
600 de la Gauchetière Ouest
Montréal (Québec)
H3B 4L2

Canada-United Kingdom Committee
c/o Canadian Chamber of Commerce
1080 Beaver Hall Hill
16th Floor
Montreal, Quebec
H2Z 1T2

Canadian-German Chamber of Industry and Commerce
2015 Peel Street
Suite 1110
Montreal, Quebec
H3A 1T8

480 University Avenue,
Suite 1410
Toronto, Ontario
M5G 1V2

1330 Scotia Place
10060 Jasper Avenue
Edmonton, Alberta
T5J 3R8

Canadian-Italian Business and Professional Men's
Association of Quebec
892 Cremazie Boulevard West
Montreal, Quebec
H3N 1A4

Canadian-Italian Business and Professional
Association of Toronto
750 Oakdale Road
Suite 54
Downsview, Ontario
M3N 2Z4

Chambre de Commerce Belge et
Luxembourgeoise au Canada
464 rue Saint Jean
Montreal, Quebec
H7Y 2S1

Chambre de Commerce Française au Canada
1080 Beaver Hall Hill
Suite 826
Montreal, Quebec
H2Z 1S8