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MAJOR STUDY ON THE EUROPEAN INTERNAL MARKET

International Trade Minister John C. Crosbie announced the first in a series of three major studies of the European Community's dramatic initiative to create a single, internal market by 1992. The initiative will remove all barriers to trade between the twelve member states. It will have an enormous impact on companies in Europe and on the policies of the member states. These topics will be the focus of the first study.

"The European Community has undertaken to dismantle by 1992 all barriers to the free circulation of people, capital, goods and services within its member states" declared Minister Crosbie. "This project has already triggered a major reorganization in the industrial and business structure of Western Europe. It is vital that Canadian business has the best available and most timely information on the changes that are taking place in the European Community. Canadians must be ready to take advantage of this new unified market, as well as to prepare for the stronger competition that might stem from consolidated European companies."

The first study on the implications of a unified market for the countries of the European Community should be completed by March 1989. The second and third studies will be launched separately and will focus on the effects of the Internal Market on Canadian trade, investment and technology development interests, and on the reaction of other countries. These studies are part of an overall approach initiated by the Canadian government to assist business in responding effectively to the challenges and opportunities flowing from current developments in Europe.

In speaking of this European initiative, Mr. Crosbie expressed the hope that the removal of barriers to trade between members of the European Community will not be accompanied by generally higher barriers to external trade. Mr. Crosbie stated that Canada would deplore any such development in the Community's trade policy.

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"The European Community is, in terms of its size and wealth, the richest market in the industrialized world. It is the second most important export market for Canada. I hope the Community will continue to show its commitment to trade liberalization and will reject the protectionist forces which cause concern to its trading partners".

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EEC Internal Market Background

- The EEC Internal Market is a program put forward by the European Community and endorsed by its twelve member states to remove all remaining trade barriers among the EC countries by 1992.
- The idea of a single market is not new in the European Community. In fact, the 1957 Treaty of Rome establishing the Community provided a legal basis for all the measures currently proposed as part of the Internal Market package.
- In 1985, Jacques Delors, the President of the European Commission established a consensus among the member states on the need for a single European market and presented the European Council with a "White Paper on Completing the Internal Market by 1992". This document outlines some 300 measures (286 at the last count) designed to establish what is known as the "Four Freedoms" among the twelve countries of the European Community. In sum, the four freedoms are: free circulation of people, capital, goods and services within the EC.
- The project is ambitious and, if successful, will reconfigure the industrial and business structure of Europe. The process has gathered considerable momentum in 1988 and observers agree that it is now irreversible.
- About one third of the measures required for the Internal Market have already been agreed on by the European Council. Of the remaining more than one hundred have been proposed as draft legislation. It is expected that most measures will be submitted before the end of 1988.
- The "Internal Market" has the support of the European business community which believes that a barrier-free market of 320 million consumers will provide them with an opportunity for economic growth and increased competitiveness. The project carries with it a very strong theme of intra-Community industrial cooperation with special programmes to encourage research and development.
- The Cecchini report, released in March 1988 by the European Commission concludes that, provided the measures outlined in the 1985 White Paper are implemented in their entirety, the benefits of the single market could represent growth in GDP of 4.5 to 6.5 percent, from 2 to 5 million new jobs, and a significant drop in prices.