

**T**he European Community (EC) is supposedly a "common market", although in reality there are many commercial barriers between the 12 member countries. Trade in commodities, services and manufactured products is still regulated by an array of national restrictions ranging from quotas, national licensing rules and product standards. The EC is now planning to eliminate these existing trade barriers with its 1992 initiative (so named because of the target year for completing the program).

European companies have been busy adjusting to this new and more open trading environment. Their activities and plans provide a useful guide for Canadian firms with export and investment interests in the EC. Strategic issues have included:

**World Leadership.** Corporations have been concentrating on businesses in which they can be European or world leaders. Companies have refocused on core activities, and withdrawn from diversification strategies.

**Location.** By 1992, investment is expected to have gravitated toward those countries with the best infrastructures and skilled labour. The "Big Five" (France, Germany, Italy, the UK and Spain) are likely to be the preferred of industrial investors for production sites and export bases.

**Economies of Scale and Scope.** Many companies plan to improve their economies of scale in research, production and distribution to better compete with U.S. and Japanese rivals in global competition. The focus will also be on economies of scope. This involves the improved coordination of activities among dispersed units to meet diverse local market demands, as opposed to establishing huge plants to produce standardized products.

**Mergers and Acquisitions.** The opportunities and concerns of the single market have led to an unprecedented number of takeovers, joint ventures, and other types of corporate alliances within Europe. By merging, corporations: buy market share; compensate for low internal growth in key business areas; meet competition from bigger US or Japanese firms; and establish a larger critical mass to support rising research and develop-

# Eliminating Trade Barriers

*Some lessons for Canadian firms*

ment costs and shorter product life cycles.

**Marketing.** Corporations have had to re-evaluate their marketing and distribution strategies. Some European executives anticipate a growing trend toward the emergence of a homogeneous "Euro consumer," while others expect continuing market differentiation. Either way, firms will need to reduce costs and speed up deliveries to remain competitive.

**Inventory Control.** Companies are reducing their in-factory holdings through JIT (just in time) inventory management. This has led to closer customer-supplier relationships based on close proximity, compatible information systems, and good communications.

**Pricing and Profit Margins.** The removal of internal market barriers and the increase in competition under 1992 is expected to lower prices for consumers and lower profit margins for producers.

Canadian companies should be aware that 1992 will make many European companies bigger and more competitive in both European and world markets. 1992 as with the Canada - U.S. Free Trade Agreement signals the need for Canadian corporations to adopt an increasingly global perspective in their strategic outlook.

*Garrett J. Wasny is a Consultant with the Winnipeg Office of Price Waterhouse, Management Consultants. □*

## JOIN WINNIPEG'S HOTTEST PROFESSIONAL SPORT'S TEAM

- SEASON TICKETS
- GROUP RATES
- PROGRAM ADVERTISING
- PACKAGE PROMOTIONS
- CORPORATE PROGRAMS
- STADIUM SIGNAGE

NEW EXPANDED SCHEDULE AT  
THE NEW HOME OF THE FURY - WINNIPEG STADIUM

FEEL THE FURY!  
CALL 786-FURY

