

INTRODUCTION

Information, exchange of knowledge, and communications are of vital importance in economic activity and in the balance of power in the world today.... Telecommunications is the most critical area for influencing the "nervous system" of modern society.... The convergence of telecommunications computing, and applications of electronics in general, has now made possible a variety of new services.... National frontiers should not be allowed to hamper the development of a consistent communications system within the European Community.

Towards a Dynamic European Economy, Green Paper, Commission of the European Communities, June 1987

This report is about the Canadian and European Community telecommunications and computer sector, which comprises the telecommunications, computer and related electronics goods and services industries. These industries provide the equipment and services for transmitting, processing, storing, retrieving and integrating information.

The report investigates ways in which the Canadian telecommunications and computer sector may be influenced by major developments taking place in the European Community. The Commission of the European Community is currently proposing changes that will dramatically increase the economic integration of its Member States by 1992 (hereafter Europe 1992). A major thrust of Europe 1992 is the Community-wide harmonization of telecommunications and data processing and transmission networks.

How will Europe 1992 affect Canadian firms in the Canadian telecommunications, computer and electronics fields? One thing is clear: before even digesting the Canada-U.S. Free Trade Agreement (FTA), Canadian firms must begin to think about, and ultimately cope with, the imminent creation of the world's largest common market. This common market of 325 million persons has a gross domestic product (GDP) of almost C\$5 trillion

(1988), making it the world's second-largest economic "player." Even a North American-oriented Canadian economy will have to take notice.

The telecommunications and computer sector is an important element of Europe 1992 of which a major goal is the development of a European information economy in which Community firms establish themselves as world leaders. It is one of the two or three sectors that can unequivocally be described as "high-tech." Others include (a) the "bio-chemical" sector, which includes pharmaceuticals and biotechnology as well as chemicals and materials such as plastics and ceramics, and (b) the military aircraft and electronics industry catering to government buyers.

The importance of the sector is clear. The convergence of the telecommunications, data-processing, and office and business information systems sectors is not only transforming the ways in which most of us work, but the nature of many of the next generation of products and services exchanged in both financial and non-financial markets. In fact, it is the Commission of the European Community's concern that European firms and nations might fall behind in the development, use, and sale of new technologies that is a prime