

5. IMPLICATIONS FOR CANADIAN ENTERPRISES

Changes related to Europe 1992 and, more generally speaking, the trend towards globalization, create new opportunities for Canadian firms. However, these opportunities hold certain risks. Nevertheless, Canadian firms have true assets, and strategies can be implemented to face these risks.

5.1 Opportunities

Opportunities arise from the increased importance of Community law and the trend towards internationalizing business, generating a new and rapidly growing market for legal services.

The increased number of Canadian branch offices abroad over the past few years is in large part an answer to a demand, generated by Community law in Brussels or by the internationalization of business elsewhere. However, Canadian firms are handicapped by relatively little effort on the part of Canadian enterprises towards the globalization of the economy and the lack of Canadian response to Europe 1992 in particular, which hampers them from fully benefiting from these opportunities.

The results of several sectorial studies carried out parallel to this one indicate that, with the exception of several large operators already considerably internationalized, Canadian enterprises seem hardly interested in Europe 1992, and that whereas the Japanese and Americans have considerably increased their investments and activities in Europe, Canadian investment in Europe is barely augmented. Canadian law firms have followed this lead and the increase in their European activities hardly compares to that of their American or Japanese counterparts. Moreover, this increase is due more to the interest shown in Canada by European enterprises than the reverse.

The current situation for Canadian enterprises is principally that of North

American integration due to the FTA, rather than internationalization. This is naturally also the case for professional service enterprises. The drawback will undoubtedly be a waning involvement in the upcoming globalization for these enterprises.

5.2 Risks

The risks for Canadian firms are in many ways similar to those facing continental European firms suffering from severe handicaps of size, work methods and international representation, as compared to their British or American counterparts. However, Canadian firms have stronger assets than those of their continental European colleagues to confront these risks.

In fact, Canadian firms currently have a quasi-monopoly over affairs in Canadian law in the domestic market, in offices abroad for foreign enterprises interested in Canada and in the "Canadian portion" of international transactions. This monopoly may be threatened, however, by the creation of large multinational firms in many countries that, based on their international activities, consistently skim the clientele of large enterprises in all the countries, as the "big eight" did in the auditing sector.

Such changes are impossible for the time being due to regulation that, on the one hand, prohibits the establishment of foreign or multinational branch offices in Canada, and, on the other hand, separates auditing and legal activities. However, if, as the current situation is beginning to reveal, European countries and the U.S. open up to multinational firms, it would appear difficult for Canada to remain out of the action for long. Similarly, if the possibility and rapid expansion of multidisciplinary enterprises becomes a reality in Europe, these changes may have consequences in North America. These two points will surely be at the centre of GATT negotiations on professional services