

SUMMARY AND CONCLUSIONS

Europe 1992 is part of a general restructuring of the world economy. Geopolitical, financial and technological factors are among the chief causes of world economic change. There are no more important technological developments than those taking place in telecommunications and microelectronics. Europe 1992 is in no small part an attempt to take advantage of these technological changes to both promote the further integration of Europe while boosting the world-wide role of European firms in an all-important high-technology field. This report has attempted to assess the likely impact of these developments for Canadian telecommunications and computer sector firms.

By breaking down its Member-State telecommunications monopolies, Europe 1992 is transforming the structure of those equipment industries serving suppliers and consumers of telecommunications services. What is likely to evolve is a European and world sector which resembles the current structure of the Canadian telecommunications equipment industry. Just as Northern Telecom, and to a lesser extent Mitel, dominate the Canadian telecommunications equipment industry, a few multinationally based telecom equipment firms will dominate European and world markets a decade hence. This process is already under way and is accelerating, in the EC, as is indicated by the number and importance of acquisitions and other corporate restructuring to date. In some subsectors such as central office equipment the initial stage of the process is almost complete. And just as a number of small- and medium-sized Canadian firms have developed to fill the many niches that are continually being created by new and dynamic telecom technology, so will literally thousands of small specialist firms fill niches

left by, and feed the specialist needs of, the handful of world leading firms.

But it would be a mistake to picture the impact of Europe 1992 as that flowing purely from trade liberalization. In telecommunications and computer products markets where governments are the main buyers, Europe 1992 opens up intra-EC trade while leaving them largely closed to extra-EC trade. In markets where the private sector is the main purchaser, Europe 1992 leaves things much as they were, so far as extra-EC trade is concerned. If anything, Europe 1992 would indirectly reduce imports from extra-EC countries by reducing import substitution by those Community firms which become world-scale efficient as a result of the opening up of intra-EC trade. Thus from the standpoint of non-EC firms, Europe 1992 is biased more toward involvement in Europe than arms-length trade.

To make the most of the opportunities created by Europe 1992 even small- and medium-sized Canadian firms will have to take on, to some degree, a multinational character. In high-tech industries the opportunities for sales of goods and services abroad will require at least some investment abroad. Except where a local firm is simply producing components for a multinational manufacturer, telecommunications and computer sector firms wishing to sell abroad will need to have a foreign presence. For smaller firms such a presence involves risks and headaches -- risks and headaches many will not wish to undertake.

The decision of the EC to adopt ISDN as the future technology for European telecommunications is of great significance for firms supplying telecommunications products and services. First, the adoption of ISDN means there will be a degree of harmonization or standardization in future EC