

telecommunications, banking, financial services and insurance.

However, sectors that are very important for the Canadian economy, such as the paperboard and metallurgical industries, will be minimally directly affected since they are not greatly influenced by non-tariff barriers and public procurement. Furthermore, European R & D efforts are not particularly concentrated in these sectors.

Indirect Effects and Company Strategies

Due to factors such as greater possibilities for an enlarged market, cost reductions in certain factors of production, competition transcending national boundaries, and facilitated intra-Community takeovers, European firms must face a profoundly modified economic environment. These firms have responded by moves towards significant restructuring and concentration to protect their share of national markets and to improve their positions vis-à-vis European and international markets.

The completion of the Single European Market is not the only force fostering concentration and external growth; increasing costs of R & D and of setting up in new markets, the role of financial markets and the globalization of the economy are also encouraging these developments. However, for European firms that are generally smaller than American or Japanese firms, Europe 1992 clearly represents the opportunity to grow from a national to a European or international level.

However, it must be emphasized that, depending on the extent of Europe 1992's direct effects and on the nature of initial circumstances, these consequences will not be the same in all sectors or in all countries.

Also, depending on the initial situation, the extent of concentration, of European and international integration, of

competition and of EC dispersion all play important roles.

Concentration of National Supply

For a given sector, countries with large firms and a highly concentrated national supply will be less directly affected than those with a more atomized supply. Small firms will have to merge quickly to compete with bigger suppliers from other Member States. Moreover, they will also be very vulnerable to being bought by the latter. Thus, the United Kingdom's water distribution sector, initially very atomized, is experiencing an accelerated restructuring process in which French companies, through La Lyonnaise des Eaux and La Compagnie Générale des Eaux are playing an important role. Conversely, big British firms in the agri-food sector are dominating the restructuring of the more fragmented European scene. Similarly, the Spanish banking sector which, until now, had been minimally concentrated, is currently in the process of rapidly merging.

European and International Integration

For sectors that are already extensively Europeanized or internationalized, such as computers, re-organisation is minimal compared to sectors that have been operating primarily in national markets. This is the case for equipment suppliers for public procurement (telecommunications, heavy electrical equipment, railway equipment, etc.), the agri-food sector, and banking and insurance services. While the low level of national supply encourages primarily national mergers, the low level of international integration fosters intra-Community and extra-Community mergers.

Competition

Due to deregulation and the opening up of markets, initially highly regulated and protected sectors that experienced little competition, such as air transport (notably in France) are restructuring more than those that have had to operate in very competitive markets.