trade (as is evident in its support of the FTA and GATT negotiations). Life insurers thus view favourably the changes in Europe that permit market access subject to the regulations of the home country.

Most EC Member States have built a comprehensive social security system, reducing the need for citizens to get personal coverage. However, the growing fear that these systems will eventually be unable to provide an adequate level of protection has given rise to a tremendous demand for insurance and pension products, from protection to savings. Italy and Spain are the most promising countries, with an expected growth rate in insurance products of 20 to 30 per cent for the next five years. France also offers very good growth potential.

Takeovers have occurred only among leading institutions. At a lower level, co-operation agreements and joint ventures are more feasible. Situated between the powerful groups and the very small companies (which are often well encroached in a very local market), are a large number of medium-sized insurance companies that will have difficulties coping with increased competition. Many will have to find allies and associates to gain access to new and more sophisticated products. Canadian insurance companies have remarkable experience, both in life insurance and pension products, but do not have distribution networks to sell these products. They could negotiate an agreement with local institutions anxious to have access to sophisticated services. The Canadian companies would receive commissions while avoiding the expenses, risks and delays of building a distribution network.

Canadian experience could also be valuable in the management of mutual funds. France has the largest number of mutual funds; corporations and pension funds use these to invest very large amounts. Because of French regulations, 72 per cent of assets are invested in bonds and a small percentage in international funds. However, tax incentive programs similar to Canadian tax saving regimes will now be open to international diversification, which should enhance their performance. Italy and Spain are becoming large markets for foreign products because local mutual funds are not able to satisfy the growing demand. Luxembourg and London shelter many mutual funds, Luxembourg because of its status as a tax haven inside the EC, and London because the City offers unequalled numbers of highly skilled professionals at all levels of the securities industry, from analysts to traders.

The EC is a large potential market for international products complementing local mutual funds. Success will come from focusing efforts on wealthy, sophisticated and more demanding international investors. The reputations of Canadian companies and their track records are strong marketing tools for penetrating this market.

c) Europe's Financial Centre?

Competition to be considered the EC financial centre is fierce among major cities. London has a major advantage, given the traditional power of the "City," but is handicapped by a weak U.K. economy compared to the Federal Republic of Germany, France and Italy. Frankfurt and Paris are taking a lot of activities out of London, but are not yet serious rivals. Regulations, taxation and economics will have their influence in the years to come, and each of the three cities will develop its specialization.