

### **c) Possible Strategies**

The best way for Canadian companies to take advantage of Europe 1992 is to reinforce their presence and their level of establishment in Europe. They will thus improve their knowledge of European markets to take advantage of opening and growth; benefit from merger, acquisition or alliance possibilities offered by restructuring; and benefit from the opening of public procurement. The new Directives on public procurement will continue to favour companies that offer a 50 per cent minimum EC content.

## **7.10 Financial Services**

### **a) Consequences in the EC**

The financial services, banking and insurance sector is among those most affected directly and indirectly by Europe 1992. Specifically, it will profit from the liberalization of capital movements, the freedom to sell its services beyond its borders, the freedom to establish in other countries, and most importantly the principle of mutual recognition, by which EC firms will be able to offer their services within the whole of the EC while being regulated solely by their home country. These charges are incorporated in the second banking Directive and in equivalent Directives for the insurance and other financial services sector.

This sector should also register the greatest drops in prices and the strongest gains in productivity as a result of deregulation and the integration of the European market.

Consequently, the EC banking and insurance industry is witnessing, under the momentum of Europe 1992, widespread restructuring and concentration extending beyond the EC. This process is increasing the strength of European international leaders.

### **b) Consequences for Canadian Financial Institutions**

The main consequence for Canadian institutions lies in the strengthening of competition at the international level at a time when deregulation is more constraining for Canadian companies than for their European counterparts, and when Canadians must face particularly high interest rates.

### **c) Possible Strategies**

Canadian companies have not reacted specifically to the advent of Europe 1992, but rather to general market conditions influenced by events such as the FTA and drastic changes in Eurodollar markets, in which they were once very active. Deregulation and internationalization have reduced margins which, together with rising costs, have forced companies to focus on a selection of sophisticated services for which Canadians offer a particular expertise. Banks and their investment dealer affiliates are specializing in capital market products such as mergers and acquisitions, which are in great demand in Europe. Insurance companies are considering promoting abroad some of the experience and technology developed for products like mutual funds management and life insurance policies. Canadian financial institutions are developing a product-by-product approach and have preferred to remain independent rather than to enter into some form of association with competitors.

Canadian institutions see great potential in Europe, but major initiatives need time and must be very carefully planned. Attention is first focused on consolidating the domestic market. The U.S. market also offers attractive opportunities for expansion. Techniques and technologies developed in that market can in turn be exploited in European countries. In the meantime, Europeans are moving very quickly. Leading institutions are occupying key positions, alliances are being sealed and potential partners are playing musical chairs around the best projects. For