

### 3. EUROPE 1992: EFFECTS ON CANADA'S TELECOMMUNICATIONS AND COMPUTER SECTOR

There are two general ways in which Europe 1992 may have impact on the Canadian sector. First, the creation of a Single Market may create new opportunities for Canadian firms. Second, the stimulus to efficiency, competitiveness and world scale induced by Europe 1992 may increase the opportunity for EC-based firms to invade North American markets and take away business from existing domestic suppliers.

We begin with the opportunities for Canadian firms created by a Single EC Market. The discussion applies chiefly, although certainly not exclusively, to Canadian-owned firms. It is least likely to apply to Canadian subsidiaries that are little more than manufacturing locations or local marketing arms of a foreign parent. But where the subsidiary is fighting to maintain a worldwide mandate for designing, producing and marketing a product the discussion is applicable.

These distinctions apply to the telecommunications and computer sector. In Canada the leading computer and office equipment firms are largely foreign-owned, their role being to produce components for export to parent operations. Thus, the chief opportunities created by Europe 1992 are likely to reside with telecommunications equipment and computer services and software firms.<sup>11</sup> In addition, a new breed of firms experimenting with and developing various microtechnologies, such as automatic identification equipment (bar codes, automatic deal-making, etc.), may find niches in a giant EC market.

What sort of environment will Canadian firms encounter in a single-market EC, post 1992? It will be an environment in which intra-EC trade rapidly expands as

national barriers crumble. As well, it is likely to be one in which extra-EC trade grows slowly, at best, and declines in relative terms, as newly scale-efficient, import-competing, European firms capture greater market share. However, the overall EC market for goods and services should increase by 4.5 per cent as a result of Europe 1992, and probably a good deal more in information and telecommunications technologies, whose rapid expansion has been particularly hampered by intra-EC trade barriers. Rapid market expansion will create opportunities for new entrants to these high-tech industries. Nevertheless entry by extra-EC firms will require, in most cases, establishing a subsidiary, or some other "presence," in the EC.

#### 3.1 Telecommunications Equipment

Telecommunications equipment firms perhaps best exemplify firms in the sector that are in a position to take advantage of Europe 1992. Northern Telecom's pioneering of digital telecommunications and Mitel's one-time North American leadership in small analog PBX telephone systems are relatively well known. Less well known are the successes of small- and medium-sized telecommunications firms. NovAtel, formed by Alberta-based Nova Corporation and Alberta Government Telephones, is a rising star in the cellular phone field. It has forged agreements to supply cellular equipment in the U.S. and to various Pacific Rim countries and is actively pursuing strategic alliances with EC partners.<sup>12</sup>

The success of small- and medium-sized telecommunications equipment companies resides in their technology and their ability, to date, to identify and fill market niches. Many of them, such as Norpak, an Ottawa-based producer of