

## 1.0 INTRODUCTION

This document examines the impact of Europe 1992 on the Oil and Gas sector. Having done an impact study on industrial goods, we develop here, for the benefit of the oil and gas community, a brief analysis of one sub-sector namely the oil and gas equipment and services industry sector. European companies prepare themselves to be more competitive not specifically for Europe 1992 but for the globalization of markets. Europe 1992 is a catalyst and a major component of the world market globalization but, as far as oil and gas is concerned, the stake is not only Europe but the third countries. For example the French export market for oil and gas equipment is 15 times greater than their interior market. As there is a large competition in the third countries, European companies are organizing themselves to be more competitive. The new rules of Europe 1992 helps to accelerate the firm's rationalization through the elimination of non-tariff barriers.

The following document looks therefore more in detail at the situation in Europe and what is at stake for Canadian companies.

If we relate Europe 1992 to the industrial sector in general, the elimination of non-tariff barriers within twelve countries will bear a major impact in most sectors. Although companies will need to continue to adjust their production to meet local needs, the European Economic Community has adopted policies to standardize norms and conditions to facilitate product exchange within the twelve countries and reduce the local protectionism. This will necessarily increase the flexibility of manufacturers and facilitate market penetration. This will lead, for the industry sector in general, to the concentration of firms through mergers and acquisitions which will mean economies of scale, product performance and product competitive position.

Although the oil and gas industry is already internationalized and highly standardized internationally, there is at the moment a merging and acquisition process within the equipment and services in Europe. We therefore think very important for Canadian companies to be sensi-