

network that already covers all the EC countries.

This partnership could serve as a model for other small companies struggling to protect their large shares of the domestic market from bigger foreign competitors. Through the deal, Baltica is reaching three objectives in one shot. It is gaining access to a pan-European network through which it can offer a full range of insurance services to Danish corporate customers as they expand abroad. The link with Indosuez also promises to facilitate access to capital markets, allowing Baltica to grow as a specialized Danish merchant bank. And lastly, Baltica is now protected against a hostile takeover and gains a capital injection.

#### 4.2 Canadian Strategies

Canadian financial institutions have a realistic approach to Europe 1992. They recognize that it creates great opportunities, but they also appreciate the risks and dangers associated with markets in turmoil. Canadian banks have also recently been opening their market to foreign competitors. They have adapted to this challenge by developing new products and adjusting their relationship with customers to defend their domestic market share, and they now expect European countries such as Italy and Spain to show similar resilience in defending their turf.

There are 450 foreign banks in London -- some say for 450 different reasons. They are there essentially to build an international base in the largest markets, to recycle domestic capital outflow, to follow multinational customers abroad, to trade domestic currency on an international market and to enter fields that are closed at home. All these same reasons apply to Canadian institutions, which are much better positioned in some areas than many of their international competitors.

#### a) Product-Driven Strategies

As we saw earlier, it is difficult and expensive for a non-EC financial institution to take control of a large network of branches and subsidiaries covering one or more EC Member States. Thus Canadian banks are focusing on products in which they have expertise. These products can be promoted from a central base by small teams of highly skilled and mobile specialists. Canadian banks do not pretend to provide global banking, but do intend to continue offering their international customers key services. The Royal Bank, for example, is one of the most active operators in London in foreign exchange and treasury functions.

London plays a central role in Europe's market for M & A. Canadian banks are developing investment banking experience in London and in association with recently acquired investment dealer subsidiaries. The biggest players in the market are the American and British banks. The largest and most complex deals have been arranged by the Americans: Goldman Sachs, First Boston and Salomon Brothers advised the Spanish banks on their rationalization; the restructuring of Montedison and ENI and the creation of Enimont in Italy was conducted by Morgan Stanley and Goldman Sachs; Merrill Lynch advised the Flick brothers in their successful assault on Feldmuehle Nobel, which was advised in its turn by Morgan Stanley. Some European banks are also emerging as strong players -- e.g. Amro, Dresdner, Lazard and Crédit Commercial de France. There are few billion dollar deals, but plenty of smaller ones. Canadian banks fit in this market and are advising foreign companies wishing to make small acquisitions on the local market as well as local target companies facing an uncertain future after 1992. About 70 per cent of takeover deals do not succeed, making good financial advice extremely important.

The Bank of Nova Scotia specializes in very tough deals requiring a great deal of research and innovation. The bank developed its expertise and trained its