

enabling its members to undertake a variety of joint actions while preserving their legal identity and economic independence. All profits generated by the EEIG's activities will be deemed to be the profits of the members and will be apportioned among them in equal shares if not specified in the contract. The formation of a EEIG represents a low-cost strategy and may prove important to the establishment of a long-term relationship between two or more companies.⁹⁸

b) Companies Exporting to Europe

Companies that have traditionally exported only to Europe will have to seriously reconsider their approach toward the new European market. These companies will quickly realize that the proposals regarding the opening of government procurement markets are not applicable to them and that competition from a re-structured European industry will likely increase. For companies wishing to increase their European market or improve their competitive position, three main strategies should be examined: (i) the establishment of a European subsidiary, (ii) the acquisition of an existing company, or (iii) the creation of strategic alliances and joint ventures.

The establishment of a European subsidiary requires considerable investments of human and financial resources and is often a viable alternative only for large companies. It requires in-depth knowledge of the markets, taxation laws, accounting practices, working relations, and other current practices of the country where the company intends to establish itself. Such a strategy may prove to be extremely costly and represents a high risk with no long-term guarantees of success. However, it provides the opportunity to start with the newest equipment and technology and to choose the desired location. CAE Electronics is among the Canadian companies that have adopted this strategy. To provide maintenance for its simulators sold to European NATO countries, CAE established itself in the Federal Republic of Germany, where it presently employs 500 people. The company expects to expand its operations shortly. Com Dev is another example of a Canadian company establishing itself in Europe. Because of their products' tailor-made nature, which would provide them with a niche

opportunity and because of the politics involved in selling to the European Space industry, the company decided that a European presence was necessary. The company established Com Dev Europe in 1985 in the U.K., where it now employs 30 people.

Of the proposed strategies, the most efficient is probably the acquisition of an existing European company. Not only is acquisition the quickest method for a Canadian company to establish itself in the EC, but it also enables the company to benefit from business ties and expertise already developed by the acquired organization. Nevertheless, this strategy is not within the reach of every company; it requires a realistic evaluation of the company's financial and administrative strength. An example of such a strategy is Bombardier's acquisition of the oldest European aeronautical builder, Shorts Brothers from Ireland. This acquisition, in addition to providing Bombardier with a solid base within the EC, also provided direct access to the British defence market. Moreover, Shorts has concluded a deal evaluated at \$75 million with the British Defence Ministry and an unnamed third country to supply Javelin missiles. In one fell swoop, Bombardier succeeded in eliminating an important potential competitor, since Shorts was developing an aircraft destined for the same market as the Regional Jet, the Canadair division's forthcoming product. Bombardier's strategy seems to have resulted in many advantages while allowing Bombardier to reassert its position on the European market.

Finally, there are strategic alliances, of which the advantages were discussed in section a). In the case of exporting companies, however, the company cannot have recourse to the EEIG unless it establishes a subsidiary within the Community. For an exporting company, an alliance with one or several European companies can serve to maximize the Community content of its exports, ensure the costs of developing a product are shared, or mutually ensure the sale of the products of both or all companies on their respective markets (cross-marketing). These alliances may involve a minority participation in the Community company, an exchange of shares between the partners, or simply an agreement without participation.