Penetrating EC markets requires a substantial financial commitment. Along with all the risks and complexities involved with foreign exchange, differing rates of corporation tax, investment grants and so forth, new complexities will spring from changes to the capital markets, from new regulations involving mergers and takeovers, and from the new freedom of movement for financial services.

These changes will affect your cost and revenue patterns. You will have to anticipate and plan for new patterns. A thorough review of existing cost control systems will be essential.

Your firm should formulate a statement of financial criteria enabling you to define financial performance objectives, policies relating to investments, financing risk, new share issues, retained earnings, and earnings-per-share targets. The statement should also include your intentions in terms of funding requirements, sources of funds, key financial ratios and dividend objectives. It should also describe the organization and structure you will use to manage the financial affairs of the business throughout your markets.

You need to establish:

- the method you will use to finance new investment;
- the cost and timing of new plant, personnel, and inventory requirements;
- the timing of additional revenues likely to be accrued against new working capital requirements;
- terms to be negotiated with debtors and creditors;
- banking arrangements to be negotiated in new markets;
- requirements to deal with foreign currency and transactions of existing markets;
- new sources of business financing and their costs, including overseas banking.

Sources of Financing in the EC

Canadian Sources
Brokerage firms, Wood Gundy Inc., Lévesque Beaubien Geoffrion Inc., RBC Dominion Securities Inc., and Scotia McLeod Inc., all have EC offices. Canadian businesses can look for financial expertise and capital there.

Canadian banks have branches in a large number of major cities in the EC. These branches have the local knowledge required for dealing with EC firms and regulations, while also facilitating communication between domestic and foreign activities. Additionally, many European banks now have extensive regional networks in Canada. They can provide good support services for your EC market expansion.

EC Sources
These programs are of particular interest to SMEs:

- Through their Venture Consort pilot project, the European Venture Capital Association (EVCA) and the European Commission provide equity backing for technology cooperation between small firms across EC borders. Eurotech is a similar program.
- The European Investment Bank (EIB) is another source of equity loans. Working with the EIB, the EC offers the New Community Instrument IV, raising capital exclusively for SMEs.
- Grants also may be arranged through the European Regional Development Fund (ERDF).
- Various regional economic authorities in France, the U.K., West Germany, and Spain, for example, provide financial incentives for "would be" investors.