For SMEs: European economic interest groups

In 1989, the European Community created a new legal instrument that facilitates cross-border cooperation between small- and medium-sized enterprises (SMEs) in such areas as R&D, purchasing, production, sales or computerized data processing. The new instrument is known as the European Economic Interest Group. The EEIG is set up by contract rather than by incorporation. The Community regulation creating this instrument imposes only minimal obligations with regard to the organization and management of the group and allows for various different financing arrangements. In fact, the regulation does not have a requirement that the grouping be formed with capital.

Through the use of EEIGs, small businesses can achieve economies of scale and reduce risks without the cost of setting up their own facilities, branches, or subsidiaries and without investing in the development, production, or marketing of the full range of products required for effective competition.

Canadian firms may participate in EEIGs if they are already established and active in the Community. While the official address of the EEIG must be in the EC, the principal activity of the EEIG does not have to be located within the Community.[3] (See *Europe 1992 and Company Law*, EAITC, January 1991)

[3] Commission of the European Communities [1989], The European Economic Interest Grouping (EEIG) A New Instrument for Economic Cooperation in the Community [Brussels: European File, 6/89, April].

In ***co-marketing or co-promotion agreements***, companies cooperate to market or promote each other's products. An agreement could involve cross licensing, a shared promotion campaign, or even the formation of a joint venture to market each other's products. Most do not involve licences or royalties, but some rights to the product may be worked into the agreement. Co-marketing is also done on a fee or percent of sales basis.

For firms wanting to enter new markets, a co-marketing agreement is an effective way to take advantage of existing distribution networks and an ally's knowledge of local markets. It allows firms with complementary products to fill out a product line while avoiding expensive and time consuming development.

In ***joint production agreements***, companies cooperate in order to produce goods. These agreements enable firms to optimize the use of their own resources, to share complementary resources and to take advantage of economies of scale. Companies may cooperate to make components or even entire products.

Many engineering firms have entered into joint production agreements with firms that have manufacturing expertise, while, in the auto and the telecommunications industries, it is common for competing firms to form an alliance to make components they all need.