

Firms wishing to take advantage of this program should conform to the following procedures:

- At least two different companies established in the Community prepare an investment proposal and submit it to venture capital firms.
- Once it has agreed to invest in the project, the lead investor sends the application to the European Venture Capital Association office which checks it and forwards it to the CEC.
- The CEC informs EVCA and the lead investor as to whether it will contribute to the financing or not.

The Commission's contract is with the lead investor. Applications take a maximum of 4 to 5 months to approve.

Outlook

The integration of the EC financial services market will have a profound effect on the whole economy. Investors will be able to access a broader range of financial instruments and they will be able to diversify their portfolios. The resulting capital flows will also have the effect of leveling off interest rates, improving profit margins and therefore improving the efficiency of capital throughout the EC.

Given the sophistication of the Canadian financial sector, Canadian companies that make their move now will probably be able to find solid European partners but this will become increasingly difficult as EC firms position themselves for the Single Market.

Food and drink

Canadian food and beverage companies should be on the lookout for niche opportunities in the EC. To take advantage of them, they will need to increase their competitiveness and adopt international standards. Firms that ignore the huge new European market may find themselves unable to cope with even domestic competitive pressures.

So far, few Canadian companies in this sector have responded to the Single Market challenge. Food and beverage firms interested in international markets have been taking the U.S. and Asia more seriously. Still, many Canadian firms are concerned about Europe 1992 and plan to develop responses in the near or more distant future. They should, however, carefully research their EC markets to determine local preferences before attempting to launch a product.

The food and drink industry is one of the largest in the EC with 2.2 million people or 2.1% of total EC employment and production that reached \$53.1 billion in 1988. The EC was the world's largest producer in this sector in 1980, but by 1985 the U.S. had taken first place. Nevertheless, EC production of food and drink increased by 21% from 1985-88 and the industry maintained a positive balance of trade throughout the 1980s.

Structure

Food and drink companies are buying and selling each other and forming new alliances at record rates. Some firms are raising huge amounts of capital in order to buy other companies while others are eager to sell off unwanted plants. This process is part of a global movement towards internationalization of the industry in response to exchange rate and raw material fluctuations. Two types of groups are emerging: conglomerates with diversified holdings such as Hilldown Holdings, Hanson and Beatrice (BCI Holdings) and more specialized or focused groups such as BSN, Ferruzzi, RJR Nabisco and Phillip Morris.

Europe has the two largest food and drink companies in the world, Unilever and Nestle. The next eight corporations among the top ten, however, are American. With the exception of the largest firms, EC companies do not seem to have developed Single Market strategies and American firms are thought to be better placed to exploit emerging Single Market opportunities.

The food and drink industry in the EC contains a great variety of sectors, types of firms and business practices. It tends to be more concentrated in northern Europe. Rationalization has begun in Italy, Spain and Portugal, but the industry in those countries is still highly fragmented and vulnerable to the giant food groups of the north.