

The most promising sectors of opportunity in the region include oil and gas; mining; agriculture (food processing); telecommunications; environment; and infrastructure development. Investment opportunities in these sectors are also positive.

### **Business Environment**

The break-up of the former Soviet Union (FSU), the coming of the market economy and the change-over from central planning to free markets have resulted in a breakdown of traditional business and social structures. In spite of the difficulties, Russia, over the long term, will remain a major economic and political power in the region. Eastern Europe has over half a billion people, natural resources are immense (particularly in Russia), and there is an established industrial base. There is, at the same time, a requirement for extensive renovation of the existing industrial and resource development base, and consequently for large amounts of investment capital and expertise. There is a great deal of poverty, social dislocation and fear for the future; as a result, crime and corruption are major problems.

A key to success in the market is to control the economic and political risks of doing business. It is important to adequately prepare for approaching these markets. Market research, legal, auditing and other Western business support services are now available in Moscow and some regional capitals. However, local authorities are demanding a share of the business and asserting their decision-making, taxation and territorial ownership rights. The business person also must deal with regulators, tax officials and import/export bureaucracies. There is considerable delay in implementing new laws, as well as a lack of transparency. Nevertheless, the transition from a command economy to a new market economy has begun, with the promise of smoother business operations. Canadian businesses can look to the REE program, which helps Canadian enterprises set up joint ventures and shares costs incurred in determining the feasibility of entering the market.

## **EUROPEAN MARKETS**

### **Western European Markets**

**France:** France is one of Canada's oldest trading partners. With economic recovery well under way, this country of nearly 58 million people, with which Canada shares a common official language,

represents excellent opportunities for Canadian companies. The relative strength of the franc contributes positively to the appeal of Canadian exports and of Canada as an investment market. Globally, France is the eighth-largest importer of Canadian goods and the fifth-largest source of investment capital. As a European leader in science and technology, France is an important potential partner for the Canadian R&D sector. France is also a strong market for Canadian cultural products, with significant potential for growth in film and multimedia.

Given the potential of Canada-France economic relations, current levels of trade are modest — French exports to Canada make up 0.8 percent of total exports, and French imports from Canada account for only 0.5 percent of total imports. The potential for increased trade and investment between Canada and France is great, and an improved economic climate in France signals opportunities for Canada. Some trends in Canada's exports to France are worth noting. For example, agri-food exports to France have risen steadily, finished products now make up more than 60 percent of exports (more than doubling in five years), and major sales in the aviation/aerospace sector have given a boost to Canadian successes. As well, investment trends from 1983 through 1992, show that the value of Canadian direct investment in France rose steadily from \$222 million to \$1.97 billion, while the value of French direct investment in Canada jumped from \$1.3 billion to \$4.2 billion.

Canadian capability corresponds well with opportunities in aerospace and defence; agri-food and seafood; biotechnologies; environmental technologies; forestry products; information technology; computers; multimedia; telecommunications; and tourism.

**The Benelux Countries (Netherlands, Belgium and Luxembourg):** With two-way trade totalling \$4.1 billion and Canadian exports amounting to \$2.6 billion in 1994 (\$1.23 billion to the Netherlands and \$1.34 billion to Belgium), the Benelux group represents a large and attractive market for Canadian exporters. An extremely important source of investment, technology and strategic alliance partners, as well as tourists, the area is also considered attractive as an entry point to EU markets, as evidenced by the approximately 150 Canadian firms established there.

More than half of Canada's merchandise exports to this region consist of fabricated materials such as wood, paper, metals, chemicals and textiles.