

- protectionist trade policies to protect local industries; and
- high tax rates and an entrenched bureaucracy.

Sectors of Opportunity

The most promising export sectors in the region include agri-food; informatics and telecommunications; environment; transportation; construction; oil and gas; power and energy; chemical- and metallurgy-related industries; and wood processing.

Many opportunities exist for investment and technology acquisition in chemical- and metallurgy-related industries, the food industry, the textile and garment manufacturing fields, leather and footwear.

Renaissance Eastern Europe

Canada's Technical Assistance Program for Central and Eastern Europe assigns a high priority to projects that facilitate privatization of enterprises and private-sector development in these countries. Directly related to this initiative is the Renaissance Eastern Europe (REE) Program, a cost-sharing program designed to assist Canadian business in developing joint ventures, partnerships and greenfield operations in the region. Since its inception in 1991, some 381 projects totalling \$18 million have been funded under REE.

Business Environment

The transition from former communist-controlled command economies to new free market economies is a major challenge in the region. Certain countries are more advanced than others, and privatization programs are evolving rapidly, thereby creating opportunities for Canadian businesses and investors through projects funded by the World Bank, International Monetary Fund (IMF), European Bank for Reconstruction and Development (EBRD), greenfield activities or joint ventures.

Debt reduction has become the main goal as Central Europe adapts to free market economy operations, allowing bilateral financing arrangements to be put in place. The Czech Republic's repayment of its entire IMF debt is particularly noteworthy. Canadian lines of credit are now becoming available to assist exporters in countries that have shown the most progress. The

majority of currencies are non-convertible; however, many countries in the region are moving toward making their currencies convertible in the near future.

The Central European economies are adjusting quickly to align their markets to the Western European business milieu with a long-term goal of EU membership. Concerns relate to protectionist trade policies, high tax rates and entrenched bureaucracies that still exist. Membership or affiliation with multilateral associations such as the WTO, IMF, International Bank for Reconstruction and Development (IBRD), OECD, North Atlantic Treaty Organization (NATO), and negotiations on special tariff status, double taxation agreements, and investment and insurance agreements are being actively sought by countries in the region. Hungary has been a participating member of the General Agreement on Tariffs and Trade (GATT) since 1973.

As countries in the region strive to become free market economies, the market and investment opportunities for Canadian businesses should be very positive.

Eastern Europe

Introduction

This region consists of the republics of the Commonwealth of Independent States (CIS) (Russia, Ukraine, Belarus, Moldova, Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, Uzbekistan, Armenia, Azerbaijan and Georgia). The population of the region is approximately 285 million, and priority countries for Canada in the region are Russia (148 million people), Ukraine (51 million) and Kazakhstan (17 million).

Main Challenges

The main challenges for Canadian companies in the region include:

- renovation of old, inefficient facilities;
- lack of transparency and slow implementation of laws;
- coping with corruption practices;
- high taxes; and
- the lack of bilateral financing.