

Central and Eastern Europe

Central Europe

Introduction

The territory of Central Europe includes the Czech Republic, Poland, Slovakia, Romania, Moldova, Hungary, Slovenia, Croatia, Albania, Bulgaria, Bosnia-Herzegovina, the former Yugoslavian Republic of Macedonia and Yugoslavia/Serbia Montenegro. The region has a population of approximately 120 million. Canadian exports to Central Europe reached \$233 million in 1993, a 7-percent increase over 1992. Priority countries for Canada in the region are the Czech Republic (population 10 million), Poland (38 million) and Hungary (10 million).

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, creating opportunities for Canadian businesses and investors whether through projects funded by the World Bank, IMF or 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 made the most progress. Most currencies are non-convertible, although many countries in the region are moving toward making their currencies convertible in the near future.

The countries of Central Europe are gradually moving toward joining the European Union, with

the Czech Republic, Poland and Hungary at the forefront. All countries in the region are beginning to adjust their legislation and trade policies to be compatible with Western democracies. Concerns relate to the protectionist trade policies, high tax rates and entrenched bureaucracies that still exist. Membership or association with multilateral organizations such as the GATT, the IMF, the World Bank, the OECD and NATO, and agreements on special tariff status, double taxation, investment and insurance, are actively sought by countries in the region. Hungary has been a member of the GATT since 1973.

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

Hungary: The sectors currently offering the best commercial prospects for Canadian companies in Hungary include services; transportation; construction; energy; environment; tourism development; and infrastructure development. Many investment opportunities also exist in the Hungarian economy, whether greenfield or joint venture.

Additional opportunities exist for exports within the framework of multilateral bank projects (World Bank, EBRD), government privatization programs, and in the area of municipal affairs. Others may be found in agriculture, training, distribution and retailing, commercial legal services, health care and administration, and cultural industries.

Poland: The main opportunities for Canada in Poland are currently found in construction, telecommunications, informatics, geomatics, agriculture and food processing and environmental goods and services. Poland also offers opportunities in forthcoming World Bank projects in forestry, energy, telecommunications, steel, health care and rail equipment. In addition, there will likely be increased demand for pharmaceutical products in the years ahead.