

labour costs.

Business management capabilities leave much to be desired in many sectors. Areas in need of improvement include engineering, productivity, marketing, and accounting. Industrial restructuring and global marketing of products will be accomplished most effectively by foreign direct investment, technology transfer, and joint ventures.

Intellectual property rights (IPR) are an area where considerable progress has been made; CEFTA members have become signatories to a number of international IPR conventions.

PART II:

STRATEGIC CONSIDERATIONS

GEOPOLITICAL

The region is an appropriate investment location for Canadian firms aiming at the Central and Eastern European markets. Its strategic position, combined with continuing democratic and economic reforms, should enable the region to exert a significant influence. It has often played the role of intermediary between their eastern neighbours and the West. The CEFTA countries are still perceived as role models by some economies in the former Soviet Union and the former Yugoslavia; they can therefore be instrumental in helping Western companies penetrate these markets.

As well, many companies in these countries had solid markets in the Middle East during the communist period, and their managers retain these contacts. Many CEFTA brand names are well accepted in the Arab world.

FOREIGN MARKET ENTRY

Many Canadian companies will be interested in the CEFTA region as a market for their products or services. Some will consider a strategic alliance with local partners, perhaps involving direct equity investment, franchising, or the exchange of technology. Others may consider a regional distribution centre, either based in a CEFTA member country or elsewhere in central Europe, for example, in Germany or Austria.

EXPORTING

Exporting goods from Canada is the most obvious and least expensive way to enter a new market. Export methods include direct exporting, use of local distributors, trading houses, and sales offices. The benefits of exporting from Canada lie in not having to set up local production, and not needing expatriate Canadian employees in the target market; the investment of time and capital is modest.

Exporters must take into consideration such factors as customs duties, non-tariff barriers, and dependence on local distributors and trading houses to