economies of the region, their financial sectors included, and learning how to do business and compete in an open market environment.

Early liberalization to attract foreign investment has been one of the primary methods employed to increase the role of the private sector and the transfer of technology into the region. In general, foreign-owned companies can freely purchase property; there are few restrictive holding requirements. It is also generally possible to establish a 100% foreign-owned company. Foreign and domestic investors are treated identically and are subject to the same tax codes and laws. The regional governments increasingly tend not to differentiate between foreign and domestic investors and not to screen foreign investment projects except those considered "sensitive", that is, those in key industrial sectors.

Trade will keep expanding as the region continues to open its market to foreign investment and trade. As might be expected, the bulk of the region's foreign trade is with the EU, though some 44% of Slovak exports went to CEFTA countries in 1995. Germany was the largest importer of Czech and Polish products, while Italy and Croatia absorbed most of Slovenia's exports.

Labour and business start-up costs are generally lower than those of Western Europe. However, there are still many inefficiencies, including lower labour productivity, high translation costs, higher telecommunication costs (and unreliability of telephone lines), high electricity and transport costs, and bureaucratic delays. These costs must be factored in by investors and traders.

BUSINESS ENVIRONMENT

The scarcity of consumer goods which characterized the region under the communist regime has given way to a wide range of choice and a multiplication of distribution channels. This has forced local suppliers to upgrade their products to meet foreign competition.

A scarcity of financing and equity persists, although the situation is not as acute as in the early 1990s. The credit risk of the CEFTA members has declined, while the quality of credit evaluation with respect to private sector borrowers has improved. This has eased access to international capital and financing, notably from commercial banks and the International Finance Corporation (IFC) in the private sector, and from the European Bank for Reconstruction and Development (EBRD) and the World Bank in the public sector. Domestic markets are still experiencing higher inflation than in most OECD countries, and the region's banking systems are not yet as efficient as Western institutions at attracting deposits and ploughing them back into commercial and industrial loans, or into mortgages or domestic loans. The high cost of credit thus offsets somewhat the region's competitiveness resulting from lower