

Liberalization signals a new era

Romanian telecom

January 2003 — the target date for the complete liberalization of Romania's telecommunications industry — could herald the beginning of the communications era in Romania. Although preparations are already underway, Romania will need foreign investment to help fuel its transition into a modern, market-based global economy.

The leisurely pace of development in Romanian telecommunications is picking up. There are a number of signs that market forces will soon be at work: more than 20 licenses for radio frequency (RF) data transmission have been awarded; RomTelecom (the national carrier) and local ISPs have agreed to lower Internet access fees; and RomTelecom has introduced its new DCS-1800 mobile phone service. As market-based operations replace state-run monopolies, the Romanian government is hoping to attract the attention of foreign investors.

Mobility the new watchword

In 1999, mobile telephony was Romanian telecom's star performer, with the number of subscribers reaching 1.4 million, an increase of 110% in one year. The predicted 12-15% growth rate is one of Europe's highest.

RomTelecom — Despite over US\$1 billion spent in upgrades to network infrastructure, only 19% of Romanians have regular telephone service. The quality of service remains poor, even by emerging market standards, and the average waiting time for service installation is three years.

Telemobil — The company has introduced the SunTel service using Low Emission Mobile System technology.

MobiFon — Company shareholders include TIW (Telesystem International Wireless) of Canada (54.7% of shares). By the end of 2000, MobiFon had signed up over one million customers for its Connex GSM network services.

MobilRom — The company finished 2000 with over one million customers.

CosmoRom — Owned and operated by RomTelecom, the company launched its DCS-1800 service in May 2000 and is currently vying with MobilRom for leadership in mobile telephony.

EUROPE

Cable operators tuning up

The local industry has enjoyed outstanding success over the past decade, with companies offering a range of bundled services including programming, data transmission and Internet access. More than 1,400 licences have been issued, some 250 companies are now in business, and sales reached US\$100 million, a ten-fold increase in the last four years. Almost one-half of Romanian households subscribe to cable television, paying monthly fees as low as US\$3.

With direct access to households affording them national coverage, cable television operators are uniquely positioned to capture market share.

Internet and data transmission

Using the Internet is expensive in Romania: the cost of a PC is so high that only 3% of Romanians can afford to own one and 20 hours of online time costs one-third of the average monthly wage.

Independent ISPs offer a variety of service modes, including dial-up or leased lines, fibre optic cable and radio frequency (RF).

Canadian voice

Connex (MobiFon SA) — For the third straight year, Canadian-owned

MobiFon was voted the best company operating in Romania by the Romanian monthly *Business Central Europe*. The company offers a full range of services to over a million Connex voice network customers.

Teleglobe Inc. — After 20 years in the Romanian market, Teleglobe has opened a local office and now offers a range of cable and satellite services.

Data Trans Ltd. — The Canadian-funded company designs networks and distributes networking and communication equipment throughout Romania and surrounding countries.

Gearing up for the future

Major telcos and equipment manufacturers are preparing for 2003 by expanding infrastructure and restructuring internal operations.

Agentia de Telecomunicatii (CFR-ATCFR) — is currently upgrading and expanding its fibre optic network.

Radiocomunicatii — operates microwave systems and is adding new services to remain competitive.

Alcatel Network Systems Romania (ANSR) — is installing 650,000 new digital lines.

Intrarom — is installing two million digital lines.

Electromagnetica — has restructured and is now involved in joint ventures with foreign firms.

ICME Ecab — is currently upgrading its fibre optic capabilities.

Ericsson — is manufacturing five million mobile phones.

Cisco Systems Inc. — is involved in large communications projects, including e-business ventures.

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— Continued from page 1

president of the CSEA at the time. That visit led to an almost text-book-like sequence of export market development — with the Canadian Embassy in Moscow playing a pivotal role — that resulted in the first-ever Russian order of Canadian breeding swine.

Preliminary research

Richard Stein's fact-finding tour provided valuable insight into Russian market conditions.

"I learned that Russia is currently suffering a serious shortage of meat, pork in particular, that started long before last year's hoof-and-mouth disaster," explains Stein. "The swine population in Russia had already been reduced 10-fold over the last decade so that meat prices are now simply out of the average Russian's reach."

Stein emphasized that chronic underproduction by Russian pork producers, combined with the reduced role that European suppliers now play, has left the market wide-open for Canadian swine producers.

"The Russians are coming"

As well as providing a view of the market, the CSEA tour netted several agreements to explore future business opportunities and laid the groundwork for a return visit that took place from June 20 to July 2, 2001 which introduced the Russians to 19 industry players from Manitoba and Ontario.

The CSEA's well-organized program during that trade mission so impressed the 11-member Russian team that the Russians ordered 535 heads of Canadian breeding swine, worth \$750,000.

To market, to market

Precisely how did 535 Canadian breeding swine find their way to the Russian market? According to Graham Rush, Minister-Counsellor (Commercial) at the Canadian Embassy in Moscow: "Marina Fomitcheva played a pivotal role in the entire transaction. As Business Development Officer, her tireless efforts, including timely and critical interventions in veterinary matters, logistical arrangements, customer liaison and the air delivery of the swine

to seven different Russian destinations, made the whole deal successful."

The three-month deal, which began in July, concluded at the end of September with the delivery of the breeding swine (both male and female) to seven major joint-stock Russian companies.

Building interest

In fact, this story of an export "first" in Russia has proven to be such an

Canadian pig in Russia

excellent promotional tool for both the swine industry and Canadian agricultural technology that it has caught the attention of several elite Canadian agricultural companies that have embarked on fact-finding missions of their own in Russia.

As usual, the Embassy has been there to help with arrangements and was recently engaged in organizing a series of privately funded seminars in various locations in Russia.

A new chapter

As anyone in the agri-food business knows, exporting breeding stock opens the door to future export business. Furthermore, as Richard Stein observes: "Russia is a gateway to vast markets in the Caucasus, Central Asia and even China which is actively involved in developing trade relations with former Soviet republics." To this end, as a member of the Russian-Canadian Agricultural Working Group (AWG), Stein has become a driving force for future business in Russia.

The following companies are already at work in Russia: **Chisholm, Jamesway Incubator Company, McCain, Maple Leaf, Export Packers, Conicor Group, KMK Management Inc., and Pacific Link Industries Ltd.**

Lesson learned

Richard Stein offers this advice to Canadian exporters interested in Russia: "Whatever else you do, take the Embassy's advice! We needed the Embassy's business development team at every stage in the process,

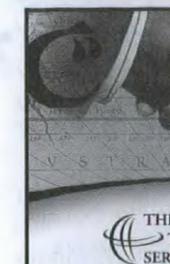
from identifying initial business leads to getting our pigs cleared through Russian customs. Without their help to navigate the extremely bureaucratic Russian system, I think our 535 little pigs would have stayed home."

The one recurring comment from his Russian counterparts that still rings in Stein's ears is "Why didn't you Canadians come here sooner?"

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To participate in next month's Team Canada trade mission, see contact information at the bottom of p. 13. ✪

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