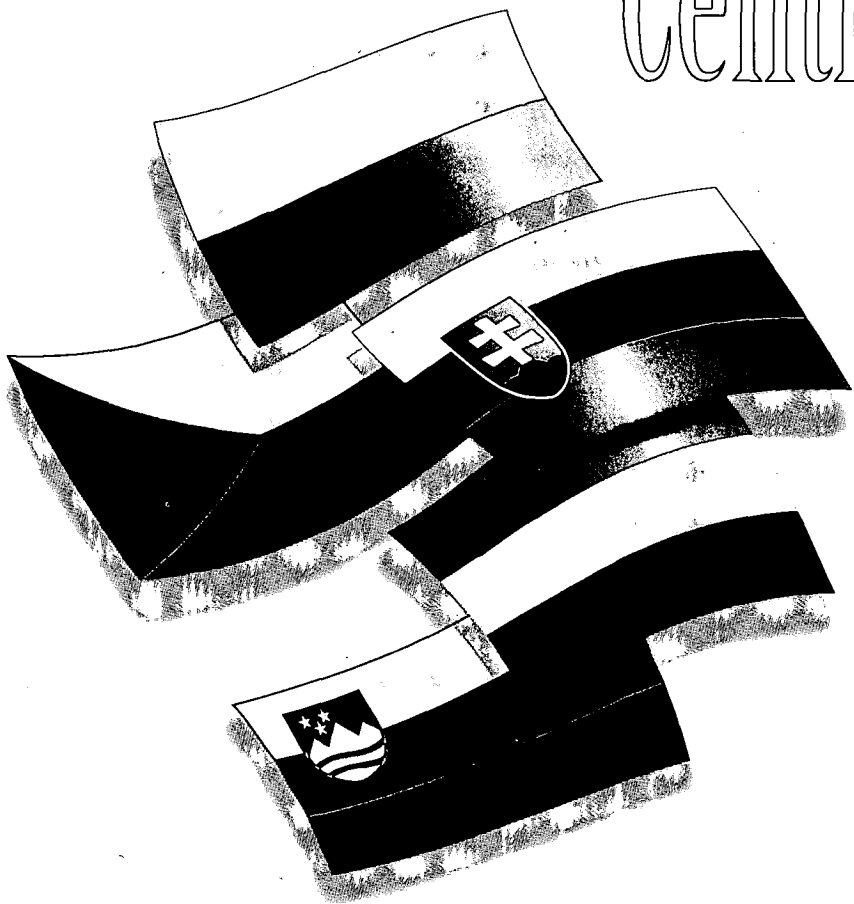


# Canada and Central Europe

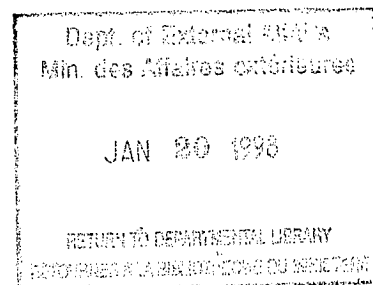


*A business overview  
of Poland, Slovakia,  
The Czech Republic,  
Hungary and  
Slovenia*

TRADE BETWEEN CANADA AND  
CENTRAL EUROPE

Department of Foreign Affairs and International Trade Canada  
Central Europe Division

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## **PART I: THE OPPORTUNITIES**

### **POLITICAL RENAISSANCE**

The past five years have witnessed many political and economic changes in the region covered by the Central European Free Trade Agreement (CEFTA).<sup>1</sup> These formerly communist countries have undergone a gradual process of political rebirth to become free democratic states. Hungary, Poland, and the Czech Republic have already joined the OECD, and all five countries are seeking full membership in the European Union (EU) and NATO.

The Central European Free Trade Agreement was signed in December 1992 by ministers representing the Czech Republic, Poland, Hungary, and Slovakia. Although applied since March 1, 1993, the Agreement has been in legal effect since July 1, 1994. Following a 1995 amendment to allow for the admission of new members, Slovenia joined CEFTA on January 1, 1996.

CEFTA's fundamental objective is to promote economic cooperation through the mutual liberalization of trade. The Agreement envisages the gradual removal of tariff and non-tariff barriers affecting industrial products, leading to the full elimination of such barriers by the end of the transition period in 2001. The establishment of preferential tariffs with respect to trade in agricultural products is also planned.

Canada intends to develop its political and trade relationship with the CEFTA countries taking into account the region's transformation, its openness to Canadian business interests, and its potential as a partner and interlocutor in Europe.

Efforts being made to ensure political stability will allow these governments to focus on economic reconstruction and transformation. The challenges facing them include achieving consensus on social policy, handling issues such as restructuring of firms and bankruptcies, and redefining property ownership. Government, employers, and labour are having difficulty reaching consensus on these issues, as some elements of society insist that benefits accruing from economic transformation be distributed in a more equitable and socially just manner. Political stability also has a direct bearing on business development and foreign investor confidence.

### **ECONOMIC OVERVIEW**

Despite a slow start, the transition towards a free market economy has led to rapid economic expansion, private sector growth, and a significant increase in foreign direct investment. The main outcome of privatization efforts has been the creation of a private sector which last year represented between 60% (Poland) and 70% (Czech Republic) of the Gross Domestic Product (GDP) in these countries.

Annual GDP growth in the region is expected to hover around 4-6% except for Hungary, which has suffered a slowdown after a strong start. Inflation is gradually being brought down to single or low double digits. Unemployment did go up as a consequence of streamlining in recently privatized firms and because of business closures, but it is now declining as well.

The region offers a consumer market of over 66 million people. (Refer to Tables 1 and 2 for highlights.)

**TABLE 1**

Country	Overall GDP*	Inflation Rate
Czech Rep.	\$ 49.0 ('96)	9% ('96)
Slovakia	\$ 15.3 ('96)	7% ('96)
Hungary	\$ 44.8 ('96)	24% ('96)
Poland	\$ 89.7 ('96)	18% ('96)
Slovenia	\$ 18.5 ('96)	10% ('96)

\* In billions of United States dollars

**TABLE 2**

Country	Unemployment Rate
Czech Republic	3.0% ('96)
Slovakia	12.0% ('96)
Hungary	10.5% ('96)
Poland	14.0% ('96)
Slovenia	12.5% ('96)

Like many growing economies worldwide, countries in the region carry external debt, inherited in part from communist days. However, agreements with creditors have resulted in rescheduling and concessions to alleviate the debt service load while

exports have been growing. Factors that have contributed to debt accumulation include trade deficits, imports of investment and intermediate goods related to Foreign Direct Investment (FDI), International Monetary Fund (IMF) and World Bank loans, and compound interest.

Foreign currency reserves, on the other hand, have been rebuilt to relatively high levels for each country, thanks to trade surpluses, new FDI, and a growing trade in services, notably tourism.

In 1996, Canadian trade with the Czech Republic came to C\$160 million. Canadian exports totalled C\$ 65 million, including machinery, electrical equipment, building materials, textiles, medical equipment, and meat.

Canadian trade with the Slovak Republic reached C\$ 34 million in 1996. Canadian exports reached C\$ 14.3 million, and consisted primarily of iron and steel, electrical equipment, and precision instruments.

Canada's trade with Hungary, at C\$ 88 million, has steadily increased. Canadian exports were C\$ 40.4 million in 1996. Leading export items include pork, machinery, and electrical equipment.

Bilateral trade with Poland totalled C\$ 298 million in 1996 of which Canadian exports amounted to C\$ 155 million. The major export items were vehicles and parts, machinery, meat,

wheat, and electrical equipment.

Canadian exports to Slovenia in 1996 totalled C\$ 26.8 million, out of a total bilateral trade of C\$ 82 million. Major export items included helicopters, food and drink, wood and wood products, and machinery.

**TABLE 3**

Country	Cdn Exports*	Cdn Imports*
Czech Republic	\$ 65.0	\$ 95.0
Slovakia	\$ 14.3	\$ 19.7
Hungary	\$ 40.4	\$ 47.6
Poland	\$ 155.0	\$ 143.0
Slovenia	\$ 26.8	\$ 55.2

\* In millions of Canadian dollars for 1996 (re-exports included). Source: Statistics Canada

### **CONTINENTAL AND GLOBAL INTEGRATION: THE FREE TRADE ZONE**

As world trade becomes more integrated, many states are seeking to join free trade zones.

The Central European Free Trade Agreement (CEFTA) was created to improve the trade balance of participating member countries, by taking advantage of their geopolitical position to create a more attractive market environment for foreign investment.

In line with European Union membership criteria, CEFTA countries must lay out a serious plan for market and financial restructuring, and inflation and debt control, as well as provide evidence of an openness to foreign investment.

The EU has signed a new generation of accords known as the Europe Agreements (or Association Agreements) with the Czech Republic, Slovakia, Hungary, Poland, and Slovenia. These Agreements constitute a pact between the EU and the five individual CEFTA countries. Together they have established a plan of action and an institutional framework designed to: create a free trade zone within 10 years; foster political dialogue; govern trade and economic relations; and promote cooperation and assistance in the financial, industrial, and cultural sectors, an element of which will be the creation of common institutions.

The economic dynamics created by the Association Agreements are encouraging Canadian companies to seriously consider making direct investment and increasing their presence in these markets.

### **OPEN FOR BUSINESS**

Becoming "open to foreign business" has entailed such major adjustments as rationalizing and modernizing the

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

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 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



actively promote and service products and equipment. An awareness of local culture and consumer behaviour is also essential. The importance of entering into a well-defined relationship with one's representative, agent, distributor, or customer cannot be exaggerated. Companies should seek professional guidance from lawyers or accountants before signing contracts, to avoid unpleasant surprises.

## **DISTRIBUTION CHANNELS**

Distribution, once part of a highly integrated command economy, is now being broken down into smaller and more numerous entities. Private entrepreneurs are developing distribution systems from the bottom up. Well-established Western retail firms are also setting up shop in the CEFTA countries. Today, the region's distribution system is a combination of older public and newer private networks, each scrambling to make money in the new market economy. As the state increasingly focuses its attention on preparing laws and regulations and ensuring a transparent system, the role of private sector entrepreneurs will continue to grow.

Major improvements in infrastructure and privatization have resulted in significantly better transportation and distribution services, particularly in the trucking sector.

Companies can find distributors by pursuing leads in their sector, or by

obtaining referrals from credible partners. Many exporters contact the Canadian Embassy responsible for the territory and provide a detailed description of their company and its activities and objectives, in order to obtain suggestions as to possible partners in the region. It is usually cheaper to use already established distributors than to begin from scratch. Cultural and linguistic barriers make having a local partner essential to ensure proper follow-up for company activities in each of the CEFTA countries. Training in inventory management, in promotion, and in after-sales service may require a considerable amount of time and effort.

Support for distributors is essential and can be demonstrated in many ways. Products could initially be made available on consignment to allow distributors to develop local cashflow. Selling products directly to retail stores is another option, but this can be expensive. Distributors often use a form of "cash and carry" to facilitate getting products into the retail marketplace. Some Western firms may support local distributors with product advertising, while others may provide physical assets and equipment support. The most effective distributors are those who work closely with their manufacturing partner in the West to find tailor-made solutions for their local markets. Distributors and wholesalers may need training in organizing and managing a warehouse, and in handling administrative tasks, logistics, and financing. Distributors must often show

retailers the correct way to carry, display, and track products sold, providing retail displays and persuading their retailers to replenish their stock.

## **STRATEGIC ALLIANCES**

Business ventures based on strategic alliances can be structured in a number of ways in CEFTA countries, including business corporations or joint stock companies, limited liability companies, co-operatives, branch offices, general partnerships and limited partnerships. Franchising is also a popular and successful form of business alliance. Licensing agreements in the region are less common than in Western countries.

Initially, joint ventures have been the preferred mode of operation in some sectors, in part because of existing customer/supplier contracts and relationships, and also to take advantage of the partner's local market knowledge.

Selecting the right partner or agent is still one of the greatest challenges. It can be difficult to judge the performance of a potential local partner, since accounting practices differ from those used in Canada. Resolving differences through legal channels is likely to be slow and cumbersome, and should be considered only as a last resort.

When dealing with partners, expect delays in project development and

approvals. Good knowledge of the local language and culture can increase the pace and success of market penetration.

It is not uncommon for foreign companies to engage in joint ventures which involve shipping knocked-down kits (unassembled products) for assembly in the target market, a strategy which reduces import charges and keeps prices competitive. This consideration is important because although regional disposable income is rising, it remains low by European standards, making consumers more price sensitive.

Customer service remains relatively undeveloped. How well distributors and retailers will be able to service clients and develop an effective marketing strategy should be key considerations when evaluating a local partner.

## **FOREIGN DIRECT INVESTMENT**

Before becoming involved in foreign direct investment (FDI) in a CEFTA country, most Canadian companies will already have gained local market experience through exporting.

One option is participation in privatized state or municipal enterprises; another is "greenfield" investment. The advantages of buying into an already existing operation include the acquisition of an already trained workforce (although it may need retraining) and an existing network of

suppliers, distributors, and customers. The disadvantages are vulnerability to litigation and environmental audits in the future, and the high costs of streamlining and/or restructuring that come with buying into an inefficient operation.

Greenfield investments are now becoming more frequent, and are often made in the absence of suitable local partners, or when technological differences are so great that it is less expensive to start a new business than to restructure an existing one. Some greenfield investments have exploited previously untouched natural resources, or taken advantage of local competitive advantages, as exemplified by Suzuki's decision to begin automobile assembly in Hungary.

The CEFTA region is attracting an increasing amount of foreign direct investment, in part because of low wages and a well-educated work force. Neighbours like Germany and Austria, with their sophisticated technology and easy access to capital, are among the most active in the region. In general, there are no impediments to FDI save in a few key strategic sectors; in these, national governments intend to keep control by establishing national agencies and/or limiting foreign participation. Depending on the country, these key sectors may include oil refining, electric power, and telecommunications, although there is some movement towards privatization as well as openings for FDI in those sectors.

Hungary benefited from large volumes of FDI in the early 1990s - over US\$ 15 billion, more than the Czech Republic and Poland put together.

**TABLE 4 (Estimates)**

Country	Canadian FDI into Country*	Country FDI into Canada*
Czech Republic ('95)	\$ 150.0 ('96)	\$20.0
Slovakia	\$ 10.5 ('96)	N/A
Hungary	\$ 200.0 ('96)	N/A
Poland	\$ 150.0 ('96)	N/A
Slovenia	N/A	N/A

\* In millions of Canadian dollars

#### **TRADE PROMOTION / ADVERTISING**

Advertising is a growing and successful phenomenon in the region. Often, dealers and representatives of foreign companies find trade fairs to be excellent avenues for promotion and for gaining access to local customers.

In terms of direct or public advertising, all the mass media are used: television, radio, magazines, and mobile and fixed billboards. Most large Western advertising agencies have local branches or partners in the CEFTA countries, and there are a growing number of high-calibre local agencies as well. Product demonstrations and personal selling, as used by Avon and Amway, have proven popular. With the increasing penetration of cable television, especially in Hungary, home shopping channels are becoming available to a greater percentage of the

population and offer another selling venue.

### **PART III: INDUSTRY OVERVIEW**

#### **AEROSPACE**

##### *Overview*

The Czech aerospace industry has been identified by the Canadian Embassy in Prague as a priority sector for Canada.

Following the disintegration of its Eastern European markets, the Czech aircraft industry faces strong challenges as it undergoes privatization and restructuring. Owing to the relatively limited size of both the industry and the country itself, the Czech government does not have the leverage to use procurement contracts to create consistent work for its aircraft components industry. Nevertheless, industrial cooperation activities are already plentiful, since global aerospace production involves extensive sub-contracting from domestic and foreign sources to meet the demands of new markets.

High quality work combined with low wages have resulted in the Czech industry winning a number of contracts to produce components for Boeing, Airbus, Pilatus, Dornier, General Electric, and Bombardier. Changes in the sourcing pattern of Western regional aircraft manufacturers will also

benefit the Czech aerospace industry. Czech component manufacturers have the capability to develop subsystems for their foreign counterparts. Several Czech start-up companies are taking advantage of high local standards of workmanship to create "kits" and assembly projects for small airplanes, microlights, and ultralights, almost all of which are exported.

##### *Opportunities and Constraints*

Foreign-built commercial aircraft have potential, as the Czech national airline, CSA, and the regional airlines re-evaluate their fleet requirements to meet intense competition. Demand also exists for policing and med-evac helicopters.

Czech military-sector imports should keep rising as demand continues for specialized avionics that meet NATO standards.

Eastern Europe is targeted by Czech manufacturers as a market with excellent sales prospects, for which they can provide good contacts; the problem lies in financing sales in these markets. European and American competitors have already established relationships with some Czech firms. Canadians will benefit if they offer niche products and establish alliances quickly; market barriers could soon be erected by competitors.

When looking at the aeronautical sector, industrial cooperation projects should be considered. Canadian

companies may benefit from the Czech government's traditional approach to promoting domestic employment through offset arrangements. Equally worth considering are third country markets, i.e., delivery of components into the Czech Republic for contract assembly and eventual export to other countries.

### *Objectives*

- to promote Canadian expertise and advanced technology in specialized avionics by educating the Czech military and regional aircraft sectors; and
- to provide timely and up-to-date information on the Czech aviation market in order to find unfilled market demand, particularly in niche markets.

## **AGRICULTURE, FOOD PRODUCTS AND FISHERIES**

### *Overview*

The region's agriculture and food market is increasingly open to imported products. The restructuring and restitution or privatization of the agricultural sector has resulted in more effective and profitable small-scale farming. There is good potential for Canadian breeds of beef cattle, considered ideal for newly established private farms in the Czech and Slovak Republics. While most countries in

CEFTA are traditional food exporters, Slovenia's mountainous terrain makes it a net food importer.

### *Opportunities and Constraints*

Major opportunities exist for Canadian suppliers of agri-food exports, including beef and pork. In particular, the Czech Republic is interested in importing boars and gilts from Canada, both the traditional British breeds such as Yorkshire, Landrace, and Hampshire, and the newer, leaner Canadian breeds, Duroc and Lacombe. Canada is working on improving market access for beef, as it was claimed that early exports did not meet Czech and Slovak veterinary requirements.

A variety of different products, including mustard seed, beans and lentils, seed potatoes, dairy products (fruit yoghurt), animal feed, coarse grains, corn, edible oils, sugar, and grocery products, all offer lucrative export markets. Great potential exists for Canadian exporters of genetic material, i.e., bovine semen and embryos, which are imported to improve local breeds and promote more efficient animal production.

Since Hungary and the Czech and Slovak Republics are all landlocked, all sea fish and fish products are imported. Fish consumption, currently at a low level, is increasing; chief imports are herring, mackerel, and hake, with small amounts of cod, halibut, tuna, salmon, shark, shrimp, and lobster.

The Slovenian market provides additional export opportunities in processed food products, fresh fruit, chocolate, and eggs.

Two competitive advantages Canadians can offer overseas are their skill and technology in the agri-food sector. This has led to partnerships where Canadian companies provide expertise and investment capital to develop and modernize food-processing industries. Good opportunities for partnerships exist in dryland farming, organic farming, and the processing of potato, dairy, and meat products. This is especially relevant in Hungary, since its admission to the EU will require further modernization in the agricultural and agri-food sectors and a reduction in subsidies. These changes will also make Hungary more competitive vis-à-vis other EU countries with strong agricultural sectors.

Canadians should take full advantage of the still relatively open agri-food policy in the CEFTA region. Increasing Canada's visibility in the region will enable Canadian business to reap further benefits from new opportunities, including such niches as organic farming and ostrich breeding.

It should be noted that protectionism in Poland's agri-food market is quite strong; in comparison with other CEFTA countries, Poland imposes high import duties and taxes.

Canadian agri-food exporters have generally had difficulty competing with

European Union suppliers, as the agri-food sector is heavily subsidized in many EU countries. Czech and Slovak importers prefer to deal directly with Canadian producers to eliminate costly intermediaries; they also prefer long-term business relationships. If Canadian companies choose to use the services of European brokers, agents, or trading houses from outside the CEFTA countries, they should strive to keep control of prices.

### *Objectives*

- to encourage investors to participate in the privatization of the region's agri-food industry;
- to encourage and provide information to Canadian companies, and to support potential strategic alliances as a means of overriding the high protectionism of the Polish agri-food market;
- to develop alternate ways to promote Canadian fish in the region, such as inviting prominent chefs and opinion-makers to Trade Fairs to sample Canadian fish; and
- to support opportunities for the application of Canadian agricultural expertise, perhaps through joint research or technology transfer.

### *Activities*

- FOODAPEST was held in November 1996 and will be held next in 1998. This is the largest Hungarian agri-food trade show.

●POLAGRA is one of the larger international food fairs in Europe, and the most important Polish agri-food trade fair; it takes place annually in the autumn in Poznan. The Canadian Embassy organizes an information booth each year.

●SIAL (Salon International d'Alimentation) was held in Paris, in October 1996; it will be held next in 1998.

●ANUGA will be held in Cologne, Germany from October 11-16, 1997.

Both SIAL and ANUGA are held bi-annually on an alternating basis. Delegations of agri-food experts from the region, representing professional associations, should be invited to Canadian promotional events at SIAL and ANUGA.

●Toronto Wine & Cheese Show

●Gourmet-Quebec

●Canadian Western Agribition

These three Canadian fairs are considered very good marketing tools; delegations of the region's agri-food professionals can be brought to these shows.

●Breadbasket was held in Ceské Budejovice from August 22-29, 1996. It is the largest Czech agri-food trade show.

●Agrokomplex was held in Nitra from

August 15-22, 1996. It is the largest Slovak agri-food trade show.

## **AUTOMOTIVE**

### *Overview*

The vehicle components industry has been identified as a priority market for Canada in Hungary. This is not to say that opportunities do not exist in the other CEFTA countries: Magna International has made large investments in the Czech Republic and Slovakia, and Poland attracts significant FDI in the automobile sector, most notably from General Motors and Daewoo.

The automotive sector had one of the most dynamic growth rates of any industrial sector in the CEFTA region in 1995. Increasingly known as "Motown on the Danube", Hungary's exports of vehicle parts alone in 1995 were worth approximately C\$ 550 million; in other words, they were worth as much as the combined exports of large vehicle assemblers in that country (Audi, Suzuki, Opel, Ford, Alba, Ikarus and Raba).

Magyar Suzuki Rt has played the largest role in stimulating the Hungarian vehicle components industry and has increased the proportion of Hungarian-made parts in order to improve its access to European markets. All vehicle manufacturers currently in Hungary are striving to increase local content as long as suitable suppliers can be found,

in order to contain costs and meet local content rules under CEFTA and other trade agreements.

Hungary has two main types of component companies: local Hungarian firms, often small or family businesses, and foreign firms, which include greenfield investments, and subsidiaries or joint ventures set up by acquiring a former state firm in the privatization process.

IKARUS Hungarian Bus Manufacturing Co. is the largest bus producer in the region, and is the seventh largest in the world. IKARUS, which can produce 13,000 buses annually, has exported buses to 57 countries. IKARUS buses currently operate in a number of North American cities, including Ottawa, and the company has a subsidiary in the US. *Opportunities and Constraints*

Production in the car components industry (excluding Audi, Opel, Ford and Suzuki) grew by 9% in 1994. It is expected to grow by up to 10% in the next three years, offering investors the potential for high profits.

Numerous American and Western European OEM component suppliers have formed partnerships with local firms or invested in greenfield ventures to capitalize on the tremendous growth in the Hungarian automotive sector. Canadian firms interested in entering European or Eastern European supply relationships should consider Hungary as an excellent, low-cost entry point.

### *Objectives*

- to increase Canadian awareness of the market growth potential in vehicle components in Hungary; and
- to promote Hungary as an avenue for entry into neighbouring markets.

## **BIOTECHNOLOGY, MEDICAL AND HEALTH CARE PRODUCTS**

### *Overview*

The region has witnessed the transformation of its entire health care system, triggered in large part by the lack of sufficient means to meet the health needs of the population, or, as in the Czech Republic, by the shift from direct funding of health care out of the state budget to a national compulsory state health insurance plan.

With respect to Hungary, it is worth noting that despite reforms, the general state of health of the population has deteriorated. Life expectancy in Hungary continues to decline even though the relative size of its health budget, at 6.5% of GDP in 1995, is about the same as that of the UK.

The Czech Republic, which has a relatively small per capita health budget by European standards, will continue to favour domestic purchases over imports, although Czech medical professionals are interested in keeping up to date on the latest developments in medical equipment from other



countries.

In general, austerity measures seem to have accelerated the rate of modernization of the health system and, as a consequence, drastic changes are being made. Local pharmaceutical industries are being privatized, new products are being introduced, and public enterprises are being converted into shareholding companies.

### *Opportunities and Constraints*

The region could benefit from strong Canadian capabilities in the health sector. Canadian experts could assist by participating in the transformation of the overall health care system, by providing consulting services in hospital management, where Canadians enjoy an excellent reputation, by supplying various diagnostic and therapeutic devices, including hearing aids, and by improving hospital information systems. Demand exists for cardiovascular and gastrointestinal drugs, medications for the central nervous system, antibiotics, and oncology and anti-allergy pharmaceuticals. Hospital waste management and the supplying of hospital furniture for the regional market offer further commercial prospects. In addition, Canadian companies can continue to play a vital role in the privatization of pharmaceutical companies.

Foreign competition is exceptionally strong in Hungary where large multinationals and many smaller

companies, mainly from the EU and US, have established a presence through local representatives or have set up local manufacturing plants. Once again, this reinforces the need to have a Canadian presence in the market.

In most CEFTA countries, austerity measures have made obtaining financing more difficult, a fact which may affect the business plans of foreign companies. In the medical field, projects financed by the World Bank offer business opportunities in management consulting, training, information systems, and institutional devices.

### *Activities*

- Magyar Medica, Magyar Pharma, Magyar Dent, Magyar Optica, and Magyar Regula held their annual show in Budapest last February.

- mediKAL + dental BUDAPEST is a biennial show last held in Budapest in November 1996. It covers hospitals, doctors and laboratories, pharmaceuticals, rehabilitation, and dental services.

- International Exposition and Symposium is an annual event held in Budapest in the last week of January. It covers diagnostics, software in health care, laboratory, hospital, and dental equipment, etc.

- Hungary is host to many international conferences, seminars and workshops.

●Pragomedica, Pragopharma, and Pragooptika are large annual Czech international medical-pharmaceutical fairs which take place in Prague in April.

●Pragodent is an international exhibition of dental products held in Prague in early November.

●MEFA is the largest yearly Czech international medical and pharmaceutical fair, held in Brno in November.

●Slovmedica, Slovfarma, and Slovregula are large Slovak international pharmaceutical-medical fairs held in Bratislava each October.

●SALMED is a trade fair for medical equipment, which takes place in March in Poznan, Poland.

## **CONSTRUCTION AND RELATED PRODUCTS**

### *Overview*

Overall, the CEFTA region's growth rate in the construction sector is expected to hover around 10%, with the possible exception of Hungary, which has a lower rate. The pent-up demand created during the communist period has yet to be met. The prime areas of interest are renovation and expansion of residential housing, commercial buildings, and road and railway infrastructure.

### *Opportunities and Constraints*

There is a good market for certain prefabricated buildings, energy-efficient building materials, lumber, shingles, drywall, doors, windows, siding, roofing materials, plumbing, heat pumps, veneer, and millwork. Technology transfers, especially with respect to prefabricated wood-frame housing, are also sought. Many Central Europeans still consider a wood-frame house to be unstable and a fire hazard; public education is needed to dispel these misconceptions. Assistance in adapting laws and regulations is still required at the institutional level.

Current advances in the construction sector are an indication of a healthy economy. As mortgage financing is introduced, the housing sector will develop further; mortgages are still difficult to obtain, requiring large down payments and carrying high real interest rates. Most CEFTA countries are still in the process of adopting new mortgage laws and regulations.

Certificates for the use of imported material or equipment are required in Poland. Czech approvals for construction materials are based on German DIN standards. While Western standards generally exceed those of the Czech Republic, one should always verify in advance with the post or with one's distributor or importer to be sure Canadian materials or technology are legally acceptable, particularly where electrical fittings are concerned. The entire CEFTA region uses 240V/50Hz.

There is a growing influx of foreign

investment and know-how through partnerships such as joint ventures and licensing arrangements in the region. European companies have established joint ventures or have purchased shares in privatized firms. Canadian entrepreneurs would be wise to obtain a strong foothold in the CEFTA markets, as competition, mainly from Austria, Germany, and Italy, will continue to increase. Moreover, the proximity of Hungary to war-torn Bosnia-Herzegovina and Croatia means additional marketing opportunities for Canadian companies, as those countries address their reconstruction needs.

Canadians will need to ascertain in advance that they can be competitive with EU suppliers, who often enjoy lower tariff barriers in the CEFTA region.

#### *Major Companies*

Among the firms active in the region are: ABB, Siemens, Jean Lefebvre, Lafarge Coppée, Heidelberger Zement, and Knauf.

#### *Objectives*

- to promote awareness of the value and advantages of wood-frame houses, specifically in the Czech Republic and Poland;
- to monitor the development of mortgage financing and other financial issues in the region which will lead to an increase in home construction; and

- to facilitate match-making between Canadian and regional companies for housing development projects.

#### *Activities*

- International Construction Show is held in Poznan in January. As well, there are six other trade fairs of importance in Poland.
- CONSTRUMA will be held in Hungary from April 15-19, 1997.
- CONECO is held in Bratislava, Slovakia, in May.
- FOR ARCHITECTURE is an annual fair held each September in Prague, for products, materials, hardware and software, construction machinery, and housing.
- FOR HABITAT is an annual show held each May in Prague.
- BUDMA is an international construction material fair, held in January, in Poznan.
- International Construction Fair is held in Brno in June.
- A Czech Housing Mission to Canada took place October 19-31, 1996.

### **ENVIRONMENTAL EQUIPMENT AND SERVICES**

#### *Overview*

Environmental protection has become a high priority in the region. Compliance with international environmental norms and standards is fast becoming obligatory for the CEFTA countries, especially now that some belong to the OECD and all have applied to become members of the EU. Opportunities thus abound for Canadian companies offering environmental products or services, as the bill for environmental cleanup in the region will run into billions of dollars.

Environmental spending, as a share of the region's GDP, is expected to increase in the medium term. Poland alone estimates it will cost more than US\$ 9 billion over a six-year period to reach EU emission standards.

The market is promising for companies providing environmental products and related services, including technical services. In 1995, Canadian engineering and design for air protection systems generated significant revenues.

#### *Opportunities and Constraints*

Opportunities exist in wastewater treatment, air pollution and control, industrial waste treatment, soil and nuclear decontamination, and water and solid waste management.

Canadians should consider dealing with local companies, especially former state enterprises, which can offer experience in the domestic market, have established local contacts, and can

provide facilities and equipment for production. In Slovakia, domestic companies have found it advantageous to form alliances with municipal authorities that handle waste management activities. Joint ventures, representation agreements with local individuals or companies, and/or taking a minority interest in a firm are excellent mechanisms by which to establish a presence. Canadian companies which establish themselves locally via joint ventures may be eligible for PHARE (an EU transition program) assistance. Canadian companies can also approach organizations such as the European Bank for Reconstruction and Development (EBRD) and the World Bank's International Finance Corporation (IFC), which are interested in investing in local private sector projects.

Atomic Energy of Canada Limited (AECL) has been involved in a radioactive waste handling and storage project in Hungary. Nuclear waste handling is also a concern in the Czech Republic, Slovakia, and Slovenia, as all have nuclear power plants.

Among the challenges facing Canadian companies wishing to penetrate the market is the difficulty of gaining access to available financing, given the still limited participation of International Finance Institutions (IFIs) such as the EBRD, as well as the lack of well-developed environmental markets. Local companies with serious environmental problems usually have limited financial resources. Restrictions

in financing are particularly acute in Slovakia. In Poland, most projects are financed using domestic resources, the largest being the National Fund for Environment Protection & Water Management. The share of foreign financing in Poland has been low; major contributors are the World Bank, EBRD, and IFC.

### *Objectives*

- to invite CEFTA companies to build on the initiatives and interest already demonstrated;
- to increase Canadian awareness of alternative business contacts and alliances, such as university departments and municipal authorities handling solid waste and wastewater management and treatment; and
- to promote awareness of Canadian environmental services and products, including our ability to provide solutions.

### *Activities*

- POLEKO is an international ecological fair to be held in Poznan from November 25-28, 1997.
- EnviroBrno is an annual event held in Brno, Czech Republic, each October.
- AQUATHERM takes place in Hungary, April 15-19, 1997.
- Canada-Poland Workshop on Hazardous Management was held

November 25-26, 1996, in Warsaw.

- REC (Regional Environmental Centre for Central and Eastern Europe) is a non-profit advocacy foundation which helps draw attention to local and regional markets.

## **GEOMATICS**

### *Overview*

Geomatic products present excellent business opportunities for Canadian firms. Canadians have strong capabilities in the area of geographic information systems (GIS), which are technologies and software applications for use in the fields of environment, forestry, land rehabilitation, land registry, and urban planning. Both regional governments and the private sector have a growing demand for environment-related GIS technology and information systems.

Geomatic opportunities include: traditional ground surveys for cadastral and engineering projects (the area of largest demand for services); aerial photography; consulting services in GIS/LIS, including system design; GIS/LIS application software development; and remote sensing applications.

The Polish geomatics market is very diversified with respect to the types of

services offered. Its main customers are the different levels of public administration.

### *Opportunities and Constraints*

Canadian companies have competitive advantages in GIS/LIS due both to their experience in user-need studies and GIS business methodology, and to their background in applying GIS technology in the municipal sector, for utilities, environmental management, and transportation. Specialized Canadian expertise such as digital orthophoto mapping can also be exported to the region.

The marketing of software and hardware is most easily done through a dealership agreement. For GIS/LIS, this can be accomplished by incorporating a company staffed with local engineers, by developing a partnership with a local company, or by arranging some form of joint venture. Partnership with a local firm is usually a must. Undercapitalization remains a problem for many small- and medium-sized enterprises.

The Polish geomatics market for hardware, software, and services in 1996 was about US\$ 60 million with a growth rate of 15% per year last year. In the traditional areas of surveying and mapping, the bulk of the work will be carried out by Polish companies because of lower costs and their knowledge of local laws and standards.

Foreign competition in Poland is

represented by three main companies: Geodan of the Netherlands, Jason McKenzie of the USA, and Fin-Skog of Finland. Other European companies are actively searching for suitable Polish partners in geomatics. This has obvious implications for Canadian companies wanting to capture part of the market, as a sustained local presence is essential.

### *Objectives*

- to encourage research and development links and promote cooperation between Canadian and Polish universities; and
- to provide thorough and useful information to companies wishing to explore the Polish geomatics sector.

## **INFORMATION TECHNOLOGIES**

### *Overview*

As in the rest of the world, the computer hardware and software market has experienced rapid expansion in the last few years. Reasons for this expansion include the development of dynamic economies, the need for private companies and financial institutions to upgrade their technology as they move to "real time" transactions and true national networks, and increasingly better telecommunications.

Information technology (IT) must often adapt its packages to take into account

national specifications. As with all IT markets, however, it is essential to provide after-sales service. This should be fully supported by the local distributor or partner; one good example of after-sales service would be the provision of ongoing support and updates for accounting packages and modules. A local presence via representational offices or joint ventures is essential in the IT industry.

In the Czech Republic, technical approvals for sales of computer hardware are obtained from the Technical Norms, Metering, and State Testing Office.

Nearly half of Poland's computer market was imported last year. Hungary's total IT market is currently valued at approximately US\$ 2 billion per year. Slovenia's computer market is growing rapidly as well; in 1995, Slovenia had one computer for every nine people, and 46% of businesses used computer networks.

#### *Overview of Hardware Market*

The CEFTA hardware market is relatively saturated owing to extensive market penetration by the European distributors of Western firms. Major players include SZUV, Compaq, IBM, Apple, Packard Bull, and NEC.

Currently, almost half of all personal computers (PCs) in Hungary are less than two years old. The number of networked PCs in Hungary is expected to rise to 600,000 by 1998. These

markets are still growing extremely quickly, at rates of 30-50% per year, the result of starting from a low base. The markets are expected to show increasing signs of maturity as consumers become more technologically sophisticated and less price-oriented.

Locally manufactured PCs account for half of the Hungarian market, with foreign imports restricted by sizable import tariffs.

Hardware products in the Czech Republic are supplied through dedicated distributors, small- and medium-sized retailers, and several assemblers and other "box shifters". Higher-end systems are provided by brand-name retailers through their own operations, or through small, dedicated retail outlets. Computer hardware must meet the IEC 950 international technical norm. When a product has been tested outside of the Czech Republic, the test certificates should be submitted to hasten the approval process.

The Polish government fully comprehends the need for the IT sector to keep abreast of Western standards in order to secure the economy's competitiveness upon its accession to the EU, and to encourage foreign companies and investors to assist in its restructuring program.

The Polish IT market has attracted key players worldwide. These include IBM, HP, Dell, Compaq, Apple, Siemens, Novell, Microsoft, and Oracle. This

dynamic and fast-growing sector has become highly competitive and is driven exclusively by market needs. Many Canadian companies have acquired a presence in the market through distribution agreements.

Other factors influencing purchasing decisions include price, past performance and familiarity, availability of service, product compatibility, delivery, and for software, the availability of national language menus and instructions.

The Polish IT sector does not require any specific approach or practices. Representational structures, distribution channels, financing practices, technical requirements for equipment, and so forth, are similar to Western conventions. There are no import quotas or non-tariff barriers.

Of interest to Canadian firms is the rapid growth in the last few years in the sale of peripherals, including CD-ROMs, multimedia systems, and modems. Key opportunities in IT are CAD/CAM and CAE, computer software and POS equipment.

Canadian companies will need a strong presence to compete in the CEFTA IT sector. Without such a presence, companies will not succeed, unless their price is unbeatable and their technology unique. Canadian companies that have established direct market presence tend to be viewed favourably.

### *Overview of Software Market*

Large Czech and Slovak companies tend to focus on restricted areas of interest, such as AutoDesk, which executes only CAD/CAM systems, and Intergraph, which is used only for GIS.

Software products in the Czech Republic are distributed in two ways, either as a direct sale to the end-user, which might appear cheaper but excludes any technical support, or through an authorized distributor, which is more widely used and convenient for the end-user.

The region's software market is essentially dominated by American products. Domestic software companies are small but specialized, like the Hungarian firm Recignita, which is among the top three optical character recognition (OCR) programmers in the world.

Most software sales are to foreign investors, banks, government ministries, and some more profitable private Hungarian companies. The Hungarian user culture can be described as conservative. Although legislation to suppress software piracy was passed in 1993, its enforcement has, for all practical purposes, just begun. Software piracy is pervasive in this market, with upwards of 90% of all software in use being pirated. It is expected, however, that closer relations with other OECD and EU members will, in due course, bring these rates down significantly.



Canadian firms can profit from supplying software to the CEFTA banking sector, which is increasingly working in "real time", and thus requires upgraded technology and DOS/UNIX cross-communication software. Although spreadsheets and word processing markets are saturated, the applications software market is still growing.

All the CEFTA members provide significant opportunities for Canadian suppliers of Internet-related software, peripherals, and services.

The CEFTA market for any sophisticated graphical software and related hardware is, according to industry insiders, already limited in the CAD/CAM field.

The problem with local versions of foreign software packages is updating them to keep track of the most recent changes. In general, the market seems to favour national adaptations of foreign packages, which are written locally and can be updated more readily.

#### *Activities*

- Computer Expo is an annual international fair, held in January, in Warsaw.
- Infosystem will be held in Poznan from April 8-11, 1997.
- IFABO is an annual show held in Budapest in May. It features computer

hardware and software, telecommunications products, office equipment, and furniture.

- CAMP is an annual show held in September in Budapest, featuring CAD/CAM/CAE/CIM products.
- COMPAIR is an annual show held in Budapest in October, featuring computer hardware, software, and office equipment.
- GIS/LIS is an annual conference and exhibition on GIS/LIS for Central and Eastern Europe. Its focus is on implementation and development plans.
- Invex is an annual international fair held in October 1996 in Brno. Its focus is on computer hardware and software.

## **POWER AND ENERGY EQUIPMENT**

### *Overview*

As demand for power and energy equipment rises, governments and the private sector alike must respond to the future energy requirements of revitalized economies in the whole CEFTA region.

The Czech Republic offers numerous opportunities to invest in joint stock companies that were formerly publicly owned. The National Property Fund, which holds shares in these companies, is now looking to divest itself of them.

Heating plants have to be modernized

and equipped with modern technology. Both the Czech and Slovak Republics are under pressure to stop burning low-grade lignite because of the ensuing environmental damage.

In Hungary, construction of a large power station has been on hold since the mid-80s, as no decision regarding generation technology has been made. It has been suggested that the best technical and economical solution would be nuclear power, an area where Canadian expertise is well established. All countries in the region currently operate nuclear power plants. All are of Soviet design, except for a plant built by Westinghouse in Slovenia.

#### *Opportunities and Constraints*

The Czech Republic demonstrates great interest in co-generation, and numerous medium-sized firms are in need of modernizing their energy plants. Energy conservation technologies and equipment, and alternate sources of energy offer good market potential.

Public tenders will be issued within the next two years to attract foreign investment in eight joint stock companies that distribute electricity. It should be noted, however, that investors can possess only a minority stake in association with municipalities, which will retain partial ownership.

Slovenia offers excellent business opportunities as the government plans for the expansion and reconstruction of hydro-electric power stations. There is

demand for a number of small- and medium-sized hydroelectric power plants as well. Controlling the pollution from thermal power plants will require new investment. Slovenia is eager to commence construction of underground storage areas for natural gas, as well to increase the capacity of its "commercial" and "strategic" stocks of crude oil. Slovenia is also looking to upgrade its Westinghouse PWR nuclear power plant in Krsko, to extend its working life.

A common trait of these countries is the dominance of European companies with strong financial backing, including significant EU soft financing, working with local partners to establish market presence. Bureaucratic delays and slow, highly politicized decision-making processes are common.

#### *Objectives*

- to promote awareness of opportunities in these countries, and encourage Canadians to capture a portion of these markets; and
- to invite local government and company officials to visit Canadian power plants so as to inform them of the benefits of Canadian power equipment and technology.

## **TELECOMMUNICATIONS**

### *Overview*

For the past two years, the

telecommunications sector has been a top priority for the export promotion efforts of Canadian embassies in the region.

Canadians are respected for their research and development in this sector, as well as for their expertise. Nevertheless, seeking alliances with local companies and making solid agreements for local distribution would enhance the success of Canadian manufacturers in the CEFTA region.

Major investments have been made by the Czech Republic to open up and modernize its telecommunication sector. Deregulation of this sector has allowed the introduction of many new players and competitors, and resulted in the emergence of new opportunities. Major Czech industrial firms and utilities are joining with international telecom partners to build fibre optic data transmission systems to compete head-to-head with SPT Telecom, the former state monopoly.

Unlike the government of the Czech Republic, the Slovak government has continued with its plan to modernize the telecom system while retaining direct government ownership, at least until the year 2000. The Slovak telecom market is smaller than the Czech market, with fewer players.

Poland's interest in telecommunications is a result of its dynamic economic growth and its need to make up for technological backwardness. The public telecom market is strictly monitored

and regulated by the Polish government. However, local networks and end-user markets remain fully open to private investment. Among the key players in this market are: AT&T, Siemens, Alcatel, Ericsson and Kapsch.

In Hungary, there are at present 2.1 million telephone lines, or 28 lines per 100 residents. MATAV, the national telephone company, will have a monopoly until 2001, when competition is expected to heat up. MATAV is partly privatized. It invests C\$ 350 million annually in telecommunication services.

#### *Opportunities and Constraints*

Significant opportunities exist for suppliers of equipment and technology in basic telecoms, digital switches, systems networking and integration, specialized equipment, cellular, GSM and other wireless communication, and rural telephony systems. Many Canadian manufacturers have already successfully penetrated these markets and continue to enjoy an excellent reputation as reliable providers of quality equipment.

Poland's population of 38 million has access to only 5 million telephone lines. Polish plans call for this to more than double to 11 million lines by the year 2000. Key opportunities lie in mobile and satellite telecommunication, value-added telephone services, data communications, POS equipment, and multimedia.

*Activities*

●INFOSYSTEM is held annually in Poznan, Poland in April/May. Its focus is on telecommunications and computers.

●INTERTELECOM is an annual event, to be held in Lodz, Poland, from March 26-29, 1997.

●KST was a telecommunication symposium held in Bydgoszcz, Poland, in September 1996.

●Comnet is an annual telecommunications fair held in Prague.

●Invex is an annual trade fair held in Brno, the Czech Republic (also covers computer hardware and software), in October.

## THE RENAISSANCE EASTERN EUROPE PROGRAM

Canada's program of cooperation with Central and Eastern Europe has three primary objectives: 1) to promote the transition to a market-based economy; 2) to increase trade and investment links between Canada and the region; and 3) to support democratic development. Canada's cooperation program focuses on 11 priority program countries in Central and Eastern Europe and the former Soviet Union: Poland, Hungary, the Czech Republic, Slovakia, Romania, Latvia, Lithuania and Estonia were selected from Central and Eastern Europe, while in the former Soviet Union, country programs have been established in Russia, Ukraine and Kazakhstan. These countries were chosen on the basis of their commitment to reform, their relevance to Canadian economic, political, and security interests, and the need to focus limited resources in key countries to maximize impact.

The remaining countries in Central and Eastern Europe and the former Soviet Union are eligible for responsive Canadian technical cooperation projects, but do not benefit from country-specific programs. For initiatives that address the common needs of two or more countries, regional technical cooperation programs have been established for Central and Eastern Europe and the former Soviet Union.

## CANADA-POLAND ENTREPRENEURS FUND

During the July 1992 Munich Summit, the Prime Minister of Canada, along with other G-7 leaders, agreed to reallocate funds from the Polish Stabilization Fund to new uses in support of Poland's market reform effort, in particular by strengthening the competitiveness of Poland's business enterprises. Canada chose to establish the Canada-Poland Entrepreneurs Fund (CPEF) Project, with a budget of some \$32 million. The goal of this project is to contribute to the development of the Small- and Medium-sized Enterprises (SMEs) sector in a defined region of Poland, with the project to be implemented between 1996 and 2003. The objectives are: to improve the economic viability of Polish SMEs, through the provision of three financial instruments -- short-term credits, long-term equity, and a loan guarantee program; to strengthen the risk-based lending skills of the Polish bank participating in the Project on a partnership basis (sharing risks and rewards) by providing training in financial instruments to the loan officers of the Polish bank; to provide business advisory services and training to the Polish SMEs; and to provide capital financing to joint ventures between Canadian firms and Polish SMEs located anywhere in Poland, through the three financial instruments.

Four different strategic approaches are considered necessary to effectively reach and support a maximum number of SMEs on a sustainable basis: working jointly with Polish financial institutions; offering a flexible and complete set of financial instruments; offering complementary business advisory services and training to financially assisted SMEs; and developing a distribution system allowing eventually for a wider regional coverage.

## CONTACTS AND ADDRESSES

The Canadian Embassies responsible for the 5 CEFTA countries have a Commercial Section which can provide assistance, advice, and guidance to Canadian companies seeking to penetrate these markets.

### FOR HUNGARY AND SLOVENIA:

Commercial Section  
Canadian Embassy  
Butakeszi ut.32  
1121 Budapest  
Hungary  
attn: Mr Gibb McEwen, Counsellor (commercial)  
tel: (011-36-1)275-1200  
fax: (011-36-1)275-1210

### FOR POLAND:

Commercial Section  
Canadian Embassy  
Ulica Matejki 1\5  
Warsaw, 00-481  
Poland  
attn: Ms Linda McDonald, Counsellor (commercial)  
tel: (011-48-22) 629-8051 or 629-6418  
fax: (011-48-22) 629-6457

### FOR THE CZECH REPUBLIC AND SLOVAKIA:

Commercial Section  
Canadian Embassy  
Mickiewiczova 6  
125 33 Prague  
Czech Republic  
attn: Mr Roger Bélanger, Counsellor (commercial)  
tel: (011-42-20) 2431-1108, -1109,-1110,-1111,-1112  
fax: (011-42-20) 2431-0294; 2431-4060 (Trade Section)  
web site: [http://www.dfait-maeci.gc.ca/\\_prague](http://www.dfait-maeci.gc.ca/_prague)

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FaxLink: (613) 944-4500

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**Central Europe Division (REC)** for the Czech Republic, Hungary, Poland, and Slovakia

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Mr. Dan Mrkich at tel: (613) 992-1449 or fax: (613) 995-8756

Internet: jean.prevost@extott04.x400.gc.ca

**Southern Europe Division (RES)** for Slovenia

Mr. Jim Eaton at tel: (613) 944-1562 or fax: (613) 995-8783

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<sup>1</sup> In this report, the terms "region(al)" or "local" refer to the CEFTA countries: the Czech Republic, Hungary, Poland, Slovakia, and Slovenia.



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