LOCALIZATION IN CENTRAL AND EASTERN EUROPE

As the European Union expands eastward, more language combinations come into play

LIBOR SAFAR

May 1, 2004, is going to be a memorable day for 10 countries in Central and Eastern Europe (CEE). On that day, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia will become full members of the European Union (EU), making it a community and market comprising 25 nations and a population of more than 450 million people, with an annual combined gross domestic product (GDP) in excess of $8,200 billion and a potential for accelerated growth. This will also put the EU in a stronger position in the triad of the major trading blocs, compared with NAFTA and ASEAN.

By joining the EU, these 10 countries will realize their long-term dreams and ambitions and at the same time complete a process, which for many started just after the fall of the Berlin Wall in 1989. Emotions and national aspirations aside, the EU enlargement poses a number of opportunities and challenges for these countries, as well as for any company doing business with them or within their borders. This article examines the CEE region as it counts the days toward membership, the impact for corporations, with a focus on implications for multilingual and localized content and the changing regulatory framework in the region. It also provides a brief history of the localization industry in CEE and considers future developments. It deals not only with the "10 new EU" countries, but looks also at some other countries in the region, including Russia.

WHAT IS CEE?

There are many views and definitions of what constitutes the region of CEE, just as there are about where Europe actually starts and ends. The accepted definition, based on geographical and political sentiments, has CEE as including all the European countries east of Germany and south to the Balkans. The region is made up of a rich and diverse population, encompassing over 20 national states and a population of more than 345 million people speaking a mixture of Indo-European and Uralic languages, in addition to English (Malta) and Greek (Cyprus).

THE LANGUAGES

Overall, the largest part of the region speaks Slavic languages (Belarusian, Bosnian, Bulgarian, Croatian, Czech, Macedonian, Polish, Serbian, Slovak, Slovenian, Russian and Ukrainian), followed by a number of Baltic (Latvian and Lithuanian) and Finno-Ugric (Estonian, Hungarian) languages. These are complemented by Romanian and Moldovan (Romance languages), Greek (Attic), Turkish (Altaic) and Albanian.

While the Slavic languages have common roots and share a number of similarities (and are still mutually understandable to some extent), each language still possesses specific characters. Most of these languages use Latin scripts, but Belarusian, Bulgarian, Macedonian, Moldavian, Russian, Serbian and Ukrainian use Cyrillic. In a similar vein, Greek uses the Greek script.

THE CHANGES

The region has undergone and is still undergoing massive changes following the fall of what used to be called the "Eastern bloc." This is

the most significant market potential. Today, Polish and frequently Russian have risen further in significance for many producers and would be put on the same level as the Nordic languages. The second wave of CEE languages for localization, covering the next emerging markets, followed in the late 1990s and included Slovak, Slovenian, Romanian, Croatian and the Baltic languages — Latvian, Lithuanian and Estonian. Added to this group later still were Bulgarian and Ukrainian. At the same time, Greek and Turkish have been important languages for most producers ever since. On the other hand, some languages have experienced a slower growth in terms of demand for localized content, notably Belarusian, Ukrainian, Serbian, Macedonian and Albanian.

THE LOCALIZATION INDUSTRY

As the CEE region emerged in 1989 after a number of years of relative isolation, it also possessed a number of important assets. General levels of education have been high, and so was the technological, innovative and entrepreneurial background. These factors have helped enable the emergence and growth of a number of translation and localization companies in the region. In turn, this enabled improvements to the quality of output of already experienced translators as well as the rise of a new generation of translators. The influx of new technologies to the region enabled quick adoption of the latest technologies, infrastructure and state-of-the-art equipment at that time. The region also benefited from comparatively lower costs of production.

The business implication is that the region has emerged as an economical supplier of outsourced services not only in the area of translation and localization, but increasingly also in IT and related services. On a broader scale, this would see major corporations such as IBM or Honeywell setting up their development or IT support services centers in the region. In the localization industry, this translates into growth in the number of companies and resources in the region focusing on supplying specialized software testing, engineering, desktop publishing (DTP) and other IT services.

In this sense, the region is well positioned on a global scale by being able to achieve lower unit and hourly costs and yet being close, geographically and culturally, to the

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true for all the political, economic, technological and regulatory aspects.

The new economic and political environment has enabled the CEE countries to start the path of a quick realignment with the other European countries. The region experienced a major entrepreneurial wave since the early 1990s as new private companies were being created. At the same time, a large and constantly increasing number of global companies started to do business in the region, either by marketing their products or through direct investment.

This also contributed to a surge in the demand for translated and localized content in the early and mid-1990s when producers such as Lotus, Microsoft, Novell and Oracle started to see the demand for cultural adaptations of their applications and began extending their scopes of target languages for localization to include the CEE.

The first wave of languages typically included Czech, Hungarian, Polish and Russian as representing

The 10 New EU Countries

Country	Language	Language Family	Population	GDP ($billion)	GNI per capita Atlas method (current $)
Cyprus	Greek, Turkish	Indo-European, Greek, Attic (Greek)	759,000	8.8	12,460
Czech Republic	Czech	Indo-European, Slavic, West	10,270,000	51.4	5,250
Estonia	Estonian (official)	Uralic, Finno-Ugric	1,429,000	5.1	3,780
Hungary	Hungarian	Uralic, Finno-Ugric	10,054,000	46.6	4,710
Latvia	Latvian	Indo-European, Baltic, Eastern	2,401,000	7.2	2,920
Lithuania	Lithuanian	Indo-European, Baltic, Eastern	3,699,000	11.3	3,080
Malta	Maltese, English	Afro-Asiatic, Semitic (Maltese)	383,000	3.6	9,130
Poland	Polish	Indo-European, Slavic, West	38,686,000	157.6	4,170
Slovakia	Slovak	Indo-European, Slavic, West	5,405,000	19.7	3,800
Slovenia	Slovenian	Indo-European, Slavic, South, Western	1,964,000	18.1	10,060

majority of producers in Western Europe and North America. While a number of countries in Asia Pacific are able to provide even lower unit costs, the total cost, taking into account also the overall ease and efficiency of doing business, would typically tip the scales in favor of CEE.

This cost-based element of the region's competitive advantage will not last forever. With the gradual accession of most of the countries to the EU and the corresponding integration, the cost base will rise in the long term. This means that the region as a whole needs to continue building its position primarily on its skills, resources and capabilities.

While purchasing power in many CEE countries still remains below that of people in the rest of Europe or North America, the need for localized content has been driven by the increasing sophistication of customers, the choices they have, and also the fact that the knowledge of the "source" languages such as English was generally below that in other countries. This was largely because English was typically taught only marginally in schools prior to 1990. The other underlying reason was the developing regulatory framework in these countries, as the countries started to align their laws and regulations with those valid in the EU and to adopt the specific EU Directives in preparation for the eventual entry to the EU. In addition, a number of countries have adopted specific Language Laws, primarily in defense of their languages in the face of the significant influx of foreign languages.

REGULATIONS

While there is one date for joining, each of the 10 future new member states has negotiated different accession conditions and dates for full compliance with the complete set of EU legislations. At the same time, a large part of compliance issues continues to be governed by the specific laws and regulations adopted by individual countries. All this creates a complex transitional period.

Country	Language	Language Family	Population	GDP ($billion)	GNI per capita Atlas method (current $)
Albania	Albanian (Tosk being the official dialect)	Indo-European, Albanian	3,447,000	3.8	1,220
Bulgaria	Bulgarian	Indo-European, Slavic, South, Eastern	8,136,000	12.6	1,580
Bosnia and Herzegovina	Croatian, Serbian, Bosnian	Indo-European, Slavic, South, Western	4,115,000	4.4	1,230
Belarus	Belarusian, Russian	Indo-European, Slavic, East	10,123,000	12.7	1,380
Croatia	Croatian	Indo-European, Slavic, South, Western	4,524,000	19.0	4,600
Macedonia, FYR	Macedonian, Albanian	Indo-European, Slavic, South, Eastern (Macedonian)	2,029,000	3.6	1,830
Moldova	Romanian (Moldovan)	Indo-European, Italic, Romance	4,225,000	1.3	400
Romania	Romanian	Indo-European, Italic, Romance	22,341,000	38.2	1,610
Russia	Russian	Indo-European, Slavic, East	144,947,000	259.6	1,690
Serbia - Montenegro	Serbian, Albanian	Indo-European, Slavic, South, Western (Serbian)	10,671,000	8.1	1,400
Turkey	Turkish (official)	Altaic, Turkic, Southern	65,580,000	199.3	3,080
Ukraine	Ukrainian, Russian	Indo-European, Slavic, East	49,028,000	31.3	690

The Remaining CEE Countries

The marketing of software and hardware products is essentially governed by three types of legislature:

Standards and conformity assessments (such as those relevant for CE Marking). In this sense, individual countries are members of some of the existing Europe-wide organizations: The European Committee for Standardization (CEN), the European Committee for Electrotechnical Standardization (CENELEC) and The European Telecommunications Standards Institute (ETSI). While CENELEC activities are in the electrotechnical sector, ETSI specializes in telecommunications. All other sectors are covered by CEN.

Each of the candidate countries has a legal framework that governs the essential health and safety requirements for products sold on their markets. These, in general, are in line with the Europe-wide trends as consolidated into the New Approach legislation that applies to groups of products. This New Approach legislation was adopted in order to harmonize regulations for families of products, as opposed to the old directives which dealt with specific types of products. Most products falling under the New Approach Directives can be self-certified by the producer, hence no need for approval from a Notified Body (Notified Bodies are independent testing laboratories or product-certifying authorities authorized by EU member states to carry out individual conformity assessments). This is the case of most

software and hardware products. Some products, however, cannot be self-certified and require an inspection by a Notified Body.

The second type of legislation is the individual **Consumer Protection Acts** adopted in these countries. These are the most relevant pieces of regulation that govern the need for translating or localizing products, their documentation and packaging. These Acts are very similar in each of the candidate countries. They essentially stipulate that hardware and software should be accompanied by translated user guides, manufacturers' cautions and the major points concerning usage. The seller is required to inform the consumer about the features of the product, proper usage, maintenance and the risks resulting from its incorrect usage. This information must be presented to the consumer in the national language and in a comprehensive, unambiguous and clear manner. The seller is responsible to the consumer for the correctness of the translation.

The Consumer Protection Acts will be in effect also after the individual countries join the EU in 2004. No major changes are expected in terms of the documentation to be translated.

Software must be provided with information that enables the purpose, use and correct installation of the software. There are no strict rules requesting full localization of the software. The localization of software is typically market driven, with most publishers providing 1) partially or fully localized products; 2) products with the user interface localized and on-line help in the source language; and/or 3) products in source languages only.

As a rule, the installation guide must include a full description of all steps in the software installation procedure and a description of all running methods and stages of the software.

In Russia, the relevant legislation is included in the Consumer Protection Act adopted in 1996. The basic rules stipulate that protection of consumer rights requires access to information in the native language. The act requires producers and distributors to provide information in Russian (or

in the national languages of the peoples of the Russian Federation).

Some countries have also adopted their specific **language laws** designed to cover the use and protection of the national languages. This applies especially to Poland, Slovakia and Russia. While the Slovak and Russian laws deal primarily with the use and protection of their languages (for example, regarding the use of words in the languages as opposed to foreign or borrowed words), the Polish Language Law, adopted in 1999, specifies that descriptions and guides attached to products must have a Polish version. There are some exceptions: proper names, foreign newspapers, books and computer programs. But if they include printed manuals, the manuals need to be translated. This is why exporters to Poland are required to translate all printed documentation attached to the programs in English versions.

While the legislation in the CEE countries is developing, the area that governs the marketing of hardware and software products in these countries has been largely updated and adopted during the 1990s with the view of reflecting the general trends in the then European Commission and later the EU. At the same time, these regulations are very similar in all of the candidate countries, which makes it easier for importers to adopt similar processes and procedures while marketing their products in the CEE countries.

THE FUTURE

While 10 of the CEE countries will be joining the EU in May 2004, the integration efforts are far from finished. Full integration of the 10 countries joining the EU is likely to take several years. Meanwhile, the EU has already started negotiations with additional countries. Bulgaria and Romania are likely to join the EU before 2010; the EU is in talks about potential accession with Turkey; and it has already indicated it will accept the Balkan countries. The accession of Belarus, Russia and Ukraine is not currently under consideration, but, as in many other cases, what is unthinkable today can become quite feasible tomorrow. At any rate, it may well be that within a relatively short time the EU will include close to all the European nations within one economic zone and political entity. 🌐

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Libor Safar is the marketing manager at Moravia Worldwide. He can be reached at libors@ moraviaworldwide.com