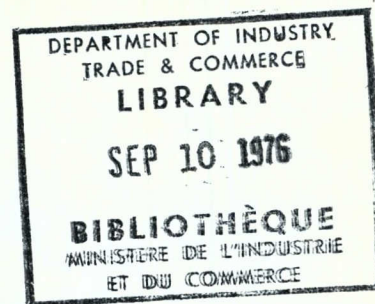


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INFORMATION FOR CANADIAN BUSINESSMEN

U.S.S.R.



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INFORMATION FOR CANADIAN BUSINESSMEN

Prepared by:

²
Eastern Europe Division
European Bureau (27)
Canada Dept of Industry, Trade and Commerce,
112 Kent Street
Ottawa, Canada.
K1A 0H5
Tel: (613) 593-4884

Commercial Division
Canadian Embassy
23 Starokonyushenny Pereulok
Moscow, U.S.S.R.
Tel: 241-90-34
Telex: 401 (DOMCAN MSK)
Cable: CANAD

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Appendix A. FOREIGN TRADE ORGANIZATIONS

Appendix B. MINISTRIES (Selected List)

U.S.S.R.

A. GENERAL INFORMATION

The Country

The Soviet Union ranks second among industrial powers. In addition, it has the largest area and third largest population in the world.

A land of vast natural resources, it has the world's largest single country reserves of oil, iron ore and coal. It is also a leading producer of all major minerals, including silver and gold, and natural gas.

The origins of the country as we know it date back to the Communist Revolution of 1917. The nation's priorities have long been centred on the development of natural resources and the production of adequate food supplies. The transition from what was basically an agrarian economy before the revolution to an industrial society is reflected in the increased urban population, which account for more than half the total.

Similar to other Eastern European states, the Soviet Union has a centrally planned economy. The State Planning Committee (GOSPLAN), under the Council of Ministers, implements both the annual plan and the longer term plan. Future economic objectives are reflected in the Tenth Soviet Five-Year Plan (1976-80).

Trade plays a key role, especially through the acquisition of advanced technology and know-how. It is much less significant, however, than for most industrial countries, equivalent to only about 10 per cent of the gross national product, compared with more than 40 per cent in Canada. It is estimated that the U.S.S.R.'s total 1975 foreign trade was almost equal to Canada's (\$67 billion), while its GNP was more than four times as much (more than \$600 billion).

Area and Geography

The Soviet Union stretches more than 10,000 kilometres from east to west across Europe and Asia. It covers an area of 22.4 million square kilometres, most of it above 50 degrees north latitude.

The country consists of 15 republics (SSRs), the largest being the Russian Soviet Federated Socialist Republic (RSFSR), which includes European Russia and Siberia. Within the RSFSR, a number of non-Russian ethnic groups are organized into Autonomous Soviet Socialist Republics (ASSRs) or national districts.

Population

On January 1, 1976, the population was estimated at 256 million, more than half of whom were in the RSFSR (132.9 million).

Principal Cities	Population (in millions)
Moscow (capital)	7.5
Leningrad	4.2
Kiev	1.9
Tashkent	1.6
Baku	1.4

Other major centres include Kharkov, Gorki, Novosibirsk, Kuibyshev, Sverdlovsk and Minsk.

Climate

Temperatures in Moscow can drop as low as -25°C in winter. Summer temperatures range from 20°C to 30°C . Throughout the country, climate varies from Arctic to subtropical. Clothing worn in eastern Canadian provinces is normally suitable for Moscow, depending on the season.

Local Time

Moscow is eight hours ahead of Ottawa (EST) in winter and seven hours ahead in summer.

Weights and Measures

The metric system is used.

Electricity

Domestic electricity is supplied at 127 and 220 volts AC, 50 cycles. Round, two-pin, European-type plugs are used.

Public Holidays

Seven official holidays are observed:

New Year's Day	January 1
Soviet Army Day	February 23
Women's Day	March 8
International Labour Days	May 1 and 2
Victory Day	May 9
Anniversary of the October Revolution	November 7 and 8
Constitution Day	December 5

When these holidays fall on a Tuesday, the preceding Monday is usually declared a holiday and the preceding Sunday a working day.

The Canadian Embassy observes 11 statutory holidays including New Year's Day, Easter, Canada Day, Labour Day and Christmas. The others vary from year to year.

Language and Alphabet

Russian is spoken by all officials, industrial managers and engineers throughout the country. English is also spoken by many officials and can be used in correspondence with Soviet foreign trade organizations.

The U.S.S.R. uses the Cyrillic alphabet, which has little in common with our own.

Religion

Many religions are represented, the largest community being regrouped under the Russian Orthodox Church. The practice of religion, however, is officially discouraged.

B. ECONOMY AND FOREIGN TRADE

Governmental System and Foreign Trade Policy

The Communist Party (CPSU), sole political party of the Soviet Union, plays a dominant role in the political and economic life of the country. Its highest organ, the Party Congress, convenes at least once every five years and was last held in February, 1976. The Party Congress is responsible for electing the Central Committee, which in turn elects the party's two major decision-making bodies: the Politburo, comprising 15 full and six candidate members, the most powerful policy-making organ in the country; and the Secretariat, with nine members, which has wide executive and organizational authority.

The senior party official is L.I. Brezhnev, Secretary General of the Central Committee since 1964. Other prominent figures include Nikolai V. Podgorny, Chairman of the Presidium since 1964 (often referred to as "President" in the West), and Alexei N. Kosygin, Chairman of the Council of Ministers since 1964 (often referred to as "Premier" in the West).

The main thrust of the Soviet Union's foreign trade policy is aimed at maximizing trade with its partners in the Council for Mutual Economic Assistance (CMEA), which features a high degree of integration of eastern European economies. Mongolia and Cuba are also members, while Yugoslavia holds observer status. The U.S.S.R. turns to the West when products or technology are not available in the East.

The Economy

The Soviet economy has achieved significant economic growth. Near self-sufficiency has been reached (except in the grains area), through a broad and diversified industrial base concentrated on the development of natural resources.

Despite substantial economic growth, however, the GNP per capita is estimated at only two fifths that of Canada's, which reached \$6,777 in 1975. In fact, the standard of living of the Soviet population is still lagging far behind not only their Western counterparts, but most of their eastern European neighbours as exemplified below:

Ownership Per 100 Households - 1973

	<u>Cars</u>	<u>Radios</u>	<u>TVs</u>	<u>Refrigerators</u>
Bulgaria	7.0	94.0	58.0	36.0
Czechoslovakia	20.9	119.9	83.7	66.0
East Germany	21.4	94.8	77.7	74.5
U.S.S.R.	4.2	62.6	56.5	41.2

(Source: Business International Eastern Europe Report, December 12, 1975)

Planning

The centrally run Soviet economy has undergone two major reorganizations in the last 20 years. In 1957, Premier Khrushchev started a movement toward decentralization and the bulk of industry found itself under the supervision and control of the different republic governments. However, some eight years later, the system was found to be not working as well as expected and was recentralized, but with slightly modified terms of reference.

While the degree of centralization of the economy has been modified from time to time, the planning functions are still entrusted to the central planning agency (GOSPLAN), whose work is sanctioned at the highest political level.

Although planning periods can project as much as 10 or 20 years forward, the basic planning period is five years. Therefore, the document most often referred to is the "five-year plan". Approval of this plan takes place at the Party Congress, where it is explained in detail and the achievements of the previous planning period are reviewed.

The Plan

The Twenty-Fifth Party Congress, which convened in Moscow in February, 1976, approved the latest plan put forward by GOSPLAN for the period 1976 to 1980. Referred to as the Tenth Five-Year Plan, it sets the economic targets for the next half decade in a way which, according to observers, reflects more accurately and realistically the performance of the economy during the last plan -- including the dramatic shortfall in grains production due to severe weather problems.

In Summary, the new plan indicates a very specific shift toward more modest rates of growth (for most economic indicators) with an accent on quality rather than quantity. It also shows a return to emphasis on higher growth in heavy industry, rather than production of consumer goods, which was singled out as a high growth area in the last plan.

Following are the main economic indicators and growth targets for the present plan, compared with forecasted and actual growth of the Ninth Five-Year Plan. Agricultural targets are discussed separately since they are not converted into percentage growth, but remain as quantity targets.

Average Yearly Growth (%)

	<u>1976-1980</u>	<u>1971-1975</u>	
	<u>Target</u>	<u>Target</u>	<u>Achieved</u>
GNP	4.8 - 5.6	7.8	5.6
Industrial Output	7.0 - 7.8	9.4	8.6
Heavy Industries	7.6 - 8.4	9.3	8.0
Consumer Goods	6.0 - 6.4	9.7	7.4

Industry

Despite the shift in priorities, Alexei Kosygin stressed at the Twenty-Fifth Party Congress that "priority growth of heavy industry does not mean diminishing attention to the expansion of consumer goods production...".

Among the key factors scheduled to play a special role in the Tenth Plan is labour productivity (yearly average target growth: 5.4 per cent), which should account for 85.9 per cent of GNP growth and 90 per cent of increased industrial output. Other vital factors include a more efficient bridging of the results of fundamental and applied research and their economic application; and an improved system of economic management ranging from improved cost accounting to better use of computers and reorganization of management structure.

Branches of industry singled out for growth include heavy engineering (with special emphasis on atomic, metallurgical and chemical), electrical, radio, electronics, machine tool and instrument making.

Additional areas singled out for special attention include automated foundry equipment; dramatically increased production of farm machines (10 per cent yearly average); substantial expansion in the production of ore extraction and concentration equipment; well drilling equipment and transportation equipment for oil and gas.

Special mention was also given to radio engineering, electronics, instrument making and the precision machine industries, where output is scheduled to grow 60 to 70 per cent during the next five years, and to increased production of automated complexes in the food industry.

The plan's main task in a number of other industries is to raise the level of mechanization. This especially applies to timber felling and chip and wood fibre board production.

All these targets for increased production and mechanization must be judged in the light of a seemingly new shift toward better use of already operation enterprises. During the next five years, 66 per cent of the total capital investment is scheduled for already operating enterprises.

Agriculture

Under the new five-year plan, 171 billion roubles (more than a quarter of total investments forecast for the plan) will be allocated to agriculture. This 31 per cent increase over the 1971-1975 period can be interpreted as a genuine effort to remedy this sector's inefficiency (difficult climatic conditions alone cannot account for disastrous harvests); and to build into the system a corrective mechanism designed to alter the present situation where harvests are dependent solely on the weather.

A good parameter on which to base Soviet agricultural performance is grain production, which did not reach the former plan target largely due to unfavourable weather in 1975. (The harvest yield was 140 million tons, compared with a target of 215 million tons.) This crop shortage necessitated massive purchases of grains abroad -- the principal reason for the Soviet Union's adverse trade balance with the West in 1975.

As with industry, emphasis will be placed on greater labour productivity and efficiency backed by an increase of the already high level of absolute investment in agriculture. In other words, the Soviets are aiming at a general improvement of the technological base of agriculture through more efficient use of investment, machinery inputs, fertilization and land development.

Foreign Trade

The Soviet Union's foreign trade totals are comparable to Canada's (\$67 billion in 1975), but the country relies much less on foreign trade as a component of their GNP (10 per cent compared to Canada's 40 per cent in 1975).

The U.S.S.R. has generally enjoyed favourable trade balances, except in 1975 when massive wheat purchases coupled with a general decrease in exports and increase in imports (especially from Western sources) resulted in an estimated trade deficit of \$5 billion.

The structure of Soviet foreign trade is as follows.

U.S.S.R. Foreign Trade
(billion roubles)

	<u>1971</u>	<u>1975</u>		% Increase	
	<u>Amount</u>	<u>Amount</u>	<u>% of Total</u>	<u>75/74</u>	<u>75/70</u>
Total	23.7	50.7	100	28	130
Socialist states	15.5	28.5	56	33	98
Free market economies	5.1	15.8	31	28	237
Developing countries	3.1	6.3	13	10	113

Note: 1 rouble (\$1.34)-- Average 1975

The U.S.S.R.'s major trade partner among socialist countries, by a wide margin, is East Germany (5.6 billion roubles in 1975), while West Germany holds this position in the Western world (2.8 billion roubles in 1975). Other important Western trading partners include Japan, Finland, the United States, Italy, France and Britain.

Although 1975 witnessed a slowdown in the growth rate of trade with the West, the main characteristic of Soviet trade from 1971 to 1975 was its overall growth with free market economies. There is reason to believe, however, that the Soviets want to increase trade with their socialist partners, for ideological reasons -- at the expense of the West. But it is difficult to assess the exact extent of any such shift in trade since the U.S.S.R. still requires Western machinery, equipment and technology to retain the momentum of its industrial development programs.

Trade Structure

The Soviet Union's import trade structure is heavily concentrated on machinery and equipment, which made up for more than one third (nine billion roubles) of total imports in 1975 (26.7 billion roubles). Major imports in that category include transport equipment, chemical production machinery, metallurgical, food production and agricultural equipment. Another important sector is ferrous and nonferrous metals, which also constitutes a third of the total. Additional main sectors include chemical, wood and paper products.

It is worth noting that since 1974, there has been a new shift in the structure of Soviet exports. The fuels and electricity category (25 per cent of the total) outranked the machinery and transport equipment sector (19 per cent) for the second year in a row in 1975 as the most important sector of Soviet exports. This trend is likely to continue as

the U.S.S.R. continues to readjust its price upwards to reach OPEC prices. Major export categories in the machinery sector include passenger cars, trucks, metallurgical equipment and power generating equipment. Most of these products, however, are sold to socialist and developing countries, with only four per cent of the market share going to the industrialized West.

Canada-U.S.S.R. Trade

Trade between Canada and the U.S.S.R. is governed by the 1956 Trade Agreement which provides for reciprocal most-favoured-nation treatment. Trade totals vary considerably, depending on the amount of grains purchased by the Soviet Union. However, the trade balance is consistently in Canada's favour.

Canada-U.S.S.R. Trade
(Cdn. \$ millions)

	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>
Exports	127.6	284.7	290.6	28.7	408.9
(of which nongrain)	(15.4)	(17.9)	(5.8)	(18.8)	(54.9)
Imports	12.6	15.2	23.0	23.1	28.5

Main Exports
(Cdn. \$ thousands)

	<u>1974</u>	<u>1975</u>
Barley	1,108	52,324
Wheat	8,834	280,893
Raw hides and skins	4,197	4,233
Radioactive elements and isotopes	6,933	6,296
Valves	-	7,580
Air and gas compressors and parts	-	4,280
Motor vehicles and parts	1,111	15,827

Main Imports
(Cdn. \$ thousands)

	<u>1974</u>	<u>1975</u>
Fur skins	1,847	1,053
Broad woven fabrics	382	1,038
Radioactive elements and isotopes	4,041	5,349
Tractors and part	2,568	5,388
Hydraulic turbines and parts	28	1,470
Metalworking machinery and parts	681	1,915

Canadian Trade Performance

Grains

Severe weather problems affected Soviet crops in 1975 resulting in massive buying estimated at 30 million tons. As a result, the Canadian Wheat Board sold grains valued at more than \$600 million in 1975 with additional deliveries in 1976.

Semi and Fully Manufactured Products

In the last two years, exports of these products to the U.S.S.R. have nearly quadrupled to a total of \$46 million in 1975, as compared with \$13 million in 1974. The composition of exports has also broadened and major categories now include off-highway and tracked vehicles and parts, valves, air compressors and chemical products.

U.S.S.R. Trade Performance

Imports from the Soviet Union, after doubling between 1969 and 1973, have remained more or less constant, just below the \$25 million mark. Major Soviet exports to Canada include chemicals, metal-working machinery, power generating equipment, fabrics and tractors. With respect to tractors, the Soviets have shown persistent marketing efforts which have resulted in their sales reaching \$5.4 million in 1975, or more than double the 1974 total.

Prospects for Canadian Exports to the U.S.S.R.

Although some of the priority targets of the Tenth Five-Year plan (1976-1980) will undoubtedly be met by Soviet domestic resources and equipment, the Soviet plan, as described earlier, is a good barometer of the activities in the priority sectors where imports are required to help meet targets.

Canadian enterprises have generally not been financially powerful enough to take a leading role in grand scale Soviet projects. However, many have the specialized skills to undertake re-equipment and modernization work of the type foreseen in current Soviet plans; and a number of the earmarked sectors are precisely those in which Canadian firms can be most competitive. Promising opportunities for Canadian participation in Soviet industrial development can be summarized as follows.

Oil

The new plan calls for continuous technological re-equipment of the industry, including "comprehensive control systems," introduction of universal assembly drilling rigs, new drilling heads, heading engines, cleansers and high strength casting and drilling pipes. Increases are scheduled in the output of high octane gasoline, low sulphur diesel and aviation fuels, aromatic hydrocarbons and high quality lubricating oils, with new emphasis on combines and enlarged production facilities.

Gas

Construction of 35,000 km of new pipeline is planned and the creation of underground gas storage reservoirs is being encouraged. The plan forecasts the use of new methods for intensifying the flow of gas from wells; completely automatic units for the commercial development of gas; trunk pipelines consisting of pipes 1,420 mm in diameter and larger -- designed for working pressures of not less than 75 atmospheres; and compressor stations with pumping units of up to 25,000 k2 capacity.

Coal

Coal extraction is expected to be stepped up by the open pit method in Eastern ares and from oil shales in the European part of the U.S.S.R.

Ferrous and Nonferrous Metals

The Soviets have exhibited interest in Canadian equipment and processes for treating copper and other nonferrous ores. The economic plan also identifies interest in several facets of steelmaking technology, including prepration of raw materials. In nonferrous metals, the Soviets want to develop the manufacture of hard alloys, carbon and other products.

Chemicals and Petrochemicals

The plan places heavy emphasis on fertilizer production, especially phosphates. Outputs of concentrated and compound fertilizers will be increased. By 1980, nitrate, phosphate and potash fertilizers are to be produced, mainly in granular form to facilitate transport in bulk, and dry mixing. The production of synthetic resins and plastics, synthetic rubber, chemical fibres and thread, tires (especially radial-ply) and household chemicals will be expanded.

Timber, Woodworking, Pulp and Paper

The plan calls for highly productive equipment and advanced technological processes. In Siberia and the Far East, logging and wood processing are scheduled to expand, as are the chemical and mechanical processing of wood waste, low quality wood and softwood.

Light Industry

There will be increased production of fabric as well as accessories and finishing materials used in the manufacture of clothing, footwear and leather. Synthetic fibres and threads, polymers and high quality dyes are to be used to upgrade product quality. New highly productive technological processes and systems for comprehensive mechanization and automation of production are to be introduced.

Food Industry

New methods of packaging, specialized transportation, bulk transport and other "progressive" methods of storage and transportation are to be introduced. There are also requirements for automated lines for weighing, packaging, bottling and continuous action sterilizing.

Geological Exploration and Prospecting

The search for oil and gas on land and offshore is encouraged. Extended application of advanced geophysical and geochemical methods and the use of aerial and space techniques for geological surveying are also planned.

Licensing and Joint Projects

Potential opportunities in these areas have not been extensively explored by Canadian firms. However, our European and American competitors are pursuing them with considerable success. The Soviet plan also places increased emphasis on all forms of economic contact with industrially advanced capitalist countries.

C. DOING BUSINESS IN THE SOVIET UNION

Organization of Trade

Four main bodies administer and direct Soviet foreign trade. The Council of Ministers governs the national economy as a whole; the Foreign Trade Department of the State Committee for Planning (GOSPLAN) works out export and import plans in co-operation with the Ministry of Foreign Trade, the main body responsible for administering foreign trade; and the State Committee for Foreign Economic Relations is responsible for Soviet technical assistance to other socialist and developing countries.

Although other Soviet organizations are concerned with foreign trade, the Ministry of Foreign Trade has a virtual monopoly on imports and its Foreign Trade Organizations (F.T.O.s) (see listing in Appendix A) are the most important contacts for Western exporters. There are some 50 F.T.O.s subordinate to the Ministry of Foreign Trade, each exercising exclusive jurisdiction over imports and exports of the range of goods assigned to it. Thus the Canadian exporter's initial sales effort and ultimate contract negotiations should be with an F.T.O.

Two other Soviet organizations concerned with foreign trade and with which Canadian exporters have contact are the State Committee for Science and Technology (SCST) and the U.S.S.R. Chamber of Commerce. The SCST is responsible for the supervision and co-ordination of all scientific and industrial research and development in the U.S.S.R.

The U.S.S.R. Chamber of Commerce has more than 1,500 members, including F.T.O.s and industrial enterprises. It works closely with the Ministry of Foreign Trade and the F.T.O.s to promote foreign trade. For our purposes, its most important functions are sponsoring incoming trade missions, staging trade fairs, providing introductions to user ministries, assisting in patenting foreign inventions in the U.S.S.R. and providing other services such as translators.

Initial Contact

In their first approach to the Soviet market, many Canadian companies simply send brochures to the relevant F.T.O. or user ministry and request inquiries. This technique may have worked in the past, but with increasing competition, it is unlikely to work in the future. There can be no doubt that a systematic approach is required.

The first step in any marketing plan, market research, may well be the most difficult one in the Soviet Union. Industrial statistics to which we are accustomed in the West are simply not available, and other than publishing the Five-Year Plan and its annual supplements, the Soviets generally do not provide hard information in response to inquiries. Furthermore, it is difficult for Westerners to travel on business in the U.S.S.R.; they seldom have access to industrial establishments to observe local conditions and requirements firsthand.

Therefore, initial contact should be through the relevant F.T.O. The Commercial Division of the Embassy will assist in determining which F.T.O. is appropriate and the Soviet Trade Office in Ottawa may be of assistance. In its first letter, the company should provide a complete technical description of its product (in the form of technical brochures, where applicable) and an outline of its activities. Western-style glossy brochures are not of much interest in the U.S.S.R.

The F.T.O. will examine the information to determine whether there is need for the product. If there is, the F.T.O. may respond quickly, probably inviting the company to submit a detailed proposal and send a representative to Moscow for negotiations. More often, there will be no response and the company will have to initiate follow-up, generally by suggesting a visit to Moscow. If there is no interest in the product, the F.T.O. will decline to receive company representatives and an unnecessary trip is avoided.

Negotiations

A visit to Moscow is an essential step in making all but the most insignificant sales. Technical competence is important, as is the representative's stature within his company. Therefore, the visiting representative(s) should be senior and should have detailed technical knowledge of the product and its applications. Because the order ultimately will be signed by the F.T.O., arrangements should be primarily with it; however, Canadian businessmen should also try to see the user ministry. Often the F.T.O. will invite ministry representatives to participate in the meetings. Otherwise, the F.T.O. or the Commercial Division of the Canadian Embassy may arrange separate appointments.

The user ministry defines its requirements and the technical standards to be met. On the basis of ministry parameters, the F.T.O. sources the goods. In most cases, the ministry participates in technical evaluation of the products offered. Final selection is usually up to the F.T.O., but in special cases, the ministry will designate a single supplier.

Before entering negotiations with the Soviets, the Canadian businessman must be well prepared. The Soviets have a deserved reputation for being clever and extremely hard bargainers. The Canadian must know the precise limits he can agree to in such matters as price, delivery, training and installation. He must be prepared for negotiations over a protracted period -- sometimes up to three years -- requiring heavy front-end costs in terms of time and expenses that will not bring an early return.

The exporters must be prepared to examine alternative financing techniques. He must be ready to negotiate a contract in minute detail because the Soviets insist that all contracts be observed to the letter. Perhaps most important, the exporter must be prepared to walk away from the deal if he cannot get it on terms he can live with. The businessman who cannot go home empty-handed puts himself in a weak position and is likely to be forced into an unfavourable contract.

Soviet F.T.O.s generally try to obtain at least three quotas on an item before entering into a contract with a Western supplier. Therefore, the first stage of negotiations find the F.T.O. trying to determine the range of options in terms of price, financing and other specifications and seeking to improve these conditions as much as possible.

The second phase of negotiations begins with the selection of a supplier. This phase may still be protracted, stretching over several weeks and requiring a number of visits. Each meeting lasts up to two hours and the Soviets prefer to space the meetings a day or two apart. The Soviet side will use its position as a monopolistic buyer to increase its bargaining power.

Soviet negotiators come to the table armed with considerable information about the prospective supplier and his competition. At the same time, the Canadian side has less information than usual about the requirement and the proposed application of his product. Often, when bidding on an industrial installation, the Western supplier does not even know its intended location.

Some Soviet bargaining techniques have been identified by exporters doing business in the U.S.S.R. The Soviets may try to get a firm price very early in the negotiations, often quoting very large volumes, and later try to hold the exporter to that price while reducing quantities or demanding other extras such as increased spares, free training or improved financing terms. The Soviets may negotiate with the weakest competitor first, force him to make some concessions, and then try to extract these concessions from the others. Delay is also a common bargaining tactic. Canadians have found themselves subject to

considerable pressures for last-minute adjustments to contract terms just as their visas are about to expire.

To avoid the more common pitfalls, Canadian exporters are advised to establish good personal relations with team leaders. All difficult negotiating points should be raised early in the proceedings so they can be cleared out of the way. The final price should not be agreed on until the end of negotiations. Often, after all major points have been agreed on, the Soviets introduce a new bargaining team in order to get a final price reduction.

Canadian exporters should pay close attention to all contract conditions. Contracts tend to be more detailed than in the West and are interpreted literally. Exporters cannot rely on normal commercial practices and the Soviets can be unsympathetic about difficulties arising later because an item was overlooked at the time of negotiations. The Soviets limit force majeure clauses as much as possible, generally excluding strikes and material shortages. They require strict contractual guarantees and stipulate penalties as high as five per cent to ten per cent of the contract value. There are several standard arbitration clauses and Canadians usually opt for arbitration in a third country such as Sweden.

Terms of payment are important and have been widely publicized in the Western press. A number of large compensation deals have been signed for turnkey plant installations in which the Western exporter supplies a plant and takes payment in the product produced therefrom. The Soviets also trade on a barter basis, particularly with other socialist and developing countries, but Canadian suppliers have not yet concluded contracts on either a compensation or barter basis. The standard techniques for Canadians are sales for cash or on credit.

Low interest rates are consistently demanded by the Soviets and if a credit deal is in the offing, the Canadian exporter should discuss the availability of financing with the Export Development Corporation or a bank before entering into any discussions on a price. The Export Development Corporation negotiated a \$500 million financing agreement with the Soviet Union in May, 1975.

Representation

Local distributors for imported products do not exist in the U.S.S.R. and it is not possible for Canadian exporters to appoint Soviet sales representatives. However, although no Canadian companies have done so, Western exporters doing large volume business with the U.S.S.R. can establish an accredited office there. Such offices have been established by a number of American, European and Japanese companies, some of which have expressed interest in representing Canadian exporters. Alternatively, Canadian companies have appointed European firms making frequent visits to Moscow to be their agents. Such arrangements can reduce the heavy front-end costs of penetrating the Soviet market, but if a significant volume of business is to be done, a visit by a senior company representative will be necessary sometime during negotiations.

Sales Techniques

Several sales techniques are readily available in the Soviet Union. As already mentioned, the U.S.S.R. Chamber of Commerce organizes international and foreign trade fairs, most of which are held in Moscow. Soviet equipment is included in "international," but not "foreign" trade fairs. These are always specialized in a product sector and generally include a symposium. Fairs are only organized for required types of equipment. The exhibitor can be assured, therefore, of an interest in his type of equipment and the fair gives a good indication of the import intentions of the user ministries. Having examined the equipment at the fair, it generally takes the ministries a year or two to write it into their import plan. Thus, sales are not immediate and those firms that fail to provide effective follow-up to trade fair participation are frequently disappointed.

Company solo fairs and symposia may also be organized through the Chamber of Commerce. This is obviously an expensive way to launch a product in the Soviet Union; but it is one way to make sure that the right people get to see it and many European firms have found such fairs worthwhile. Again, the importance of such follow-up efforts cannot be overemphasized.

The Canada-U.S.S.R. Agreement on the Industrial Application of Science and Technology (Industrial Exchanges Agreement) provides a means for Canadian firms to demonstrate their products to the Soviets and to make contact with Soviet user ministries. Working groups have been set up for several industry sectors and programs of exchange visits have been established. These visits enable Soviet missions to visit Canadian industrial installations and Canadian businessmen and government representatives to gain first-hand knowledge of Soviet industrial practices and requirements. Further information about the Agreement can be obtained from the Office of Science and Technology of the Department of Industry, Trade and Commerce in Ottawa.

Promotion

Advertising is possible in the U.S.S.R. and the most common medium is technical journals. All ads are placed by V/O Vneshtorgreklama, the F.T.O. responsible for foreign advertising in the U.S.S.R. and the Soviet advertising abroad.

Trade Regulations and Practices

Export Controls

The U.S.S.R. is one of the countries subject to area control by Canada, and all exports to that country require an export licence. Before approaches are made to F.T.O.s, contact should be made with the Department of Industry, Trade and Commerce, Export and Import Permits Division, Journal North Building, 7th Floor, 300 Slater Street, Ottawa, Ontario. K1A 0H5

Tariffs, Customs Regulations and Import Licensing

Under the Canada-U.S.S.R. Trade Agreement of 1956 (which has been renewed regularly), both countries grant each other most-favoured-nation treatment which allows for nondiscriminatory tariff rates.

As explained earlier, because commercial exports to the Soviet Union can only be undertaken by State organizations (F.T.O.s), they clear the goods through customs as well as attend to matters pertaining to import licences. The requirements for documentation are defined to the exporter by the F.T.O. involved in the transaction.

Price Quotations

Prices should be quoted FOB in Canadian or U.S. dollars.

Samples and Goods Shown at Exhibits

These may be temporarily exported duty free under customs supervision. The U.S.S.R. Chamber of Commerce should be contacted for advice.

Financing

In May, 1975, Canada negotiated a \$500 million financing protocol with the Soviet Union. This financing was made available at internationally competitive rates and unused portions of it lapse in 1976 and at the end of 1977. For information, please contact the Export Development Corporation, P.O. Box 655, Ottawa, Ontario. K1P 5T9, Tel: (613) 237-2570.

Patents and Trademarks

Protection for inventions and registration of trademarks can be obtained in the U.S.S.R. Information is available from the Commercial Division of the Canadian Embassy.

D. YOUR BUSINESS VISIT

There is no substitute for the personal visit, since correspondence is usually a long and inefficient process. The successful exporter has sooner or later to study his foreign markets firsthand. Soviet foreign trade organizations and ministries prefer meeting their business contacts personally and talking business over the table. They want to get to know not only the firm, but the people with whom they are dealing. However, Soviets definitely prefer to receive a written proposal at least one month before actually meeting company representatives.

Services of the Trade Commissioner

The Commercial Division of the Canadian Embassy is equipped to function as the liaison between Canadian firms and Soviet organizations. It actively seeks business opportunities for Canada and relays this to the Eastern Europe Division, International Bureaus, as well as to the various industry sector branches or directly to firms thought to be interested and capable. Potential buyers and sellers are introduced with guidance provided to either as required. Market reconnaissance, insofar as possible within the Soviet framework, is done on behalf of Canadian firms.

When planning your first business visit to the U.S.S.R., advise the Commercial Division of the Canadian Embassy well in advance of your arrival. Outline the objective of your visit and include several copies of brochures explaining especially the technical features of your products. Also list any contacts you may already have with Soviet organizations or ministries. An itinerary can be arranged on your behalf to be confirmed upon arrival.

When to Go

As in most countries, it is best to avoid going in July or August and during special holiday periods -- or when large trade fairs are held. Your contacts might be busy elsewhere and hotel accommodation can be impossible to secure.

How to Travel

Air Canada offers a direct service between Montreal and Moscow once a week, each way. Aeroflot, the Soviet airline, offers a similar service to and from Montreal.

Passport and Visa

A valid passport and visa are required for all business trips to the U.S.S.R. All arrangements have to be made through your local travel agency representing the Soviet Intourist Agency. The agency gets approval from Intourist for hotel reservations and travel arrangements on your behalf, which is a sine qua non condition before they can request your visa from either the Embassy in Ottawa or Consulate in Montreal. The fee is \$2.00 and three photographs are needed.

Health

No special precautions are necessary apart from the usual smallpox vaccination. Medical attention can be obtained at Poliklinika No. 6, Ulitsa Gertsena 12, Moscow, tel: 229-0382 and 229-5686.

Hotels

As previously mentioned, your travel agency will secure hotel reservations from Intourist. Please note that those reservations cannot be made by the Canadian Embassy in Moscow.

There are three main classes of bookings: deluxe, first class and tourist. Each includes a different spectrum of services ranging from breakfast or all meals included, to sightseeing tours or a car-hire. If you think you will need a car, it is advisable to make the arrangements from Canada through your travel agent.

Restaurants

There are plenty of restaurants, all of which accept cash. Most also accept Intourist meal vouchers.

Business cocktail parties and receptions can be arranged directly with a number of Moscow hotels and restaurants. You may want to consult the Commercial Division of the Embassy for their advice on these activities.

Tipping

Tipping is not favoured by the authorities and tips are sometimes refused. This is becoming increasingly rare, however, and a 10 per cent tip is usually welcomed.

Currency

As of July 1, 1976 exchange rate for the rouble was Cdn. \$1.35. The following currency is in circulation:

Notes: 1, 3, 5, 10, 50, 100 roubles

Coins: 1, 2, 3, 5 kopeks (copper colour) and 10, 15, 20, 50 kopeks and 1 rouble (silver colour)

Currency Control

The rouble is a nonconvertible currency and its export and import are prohibited.

Any amount of foreign currency may be brought into the country, but a receipt must be obtained from customs and retained until departure. Most major hotels and the Intourist Office have facilities for converting currency. It is advisable to keep hard currency, since it is the standard means of payment in specialty shops, theatres, opera, etc.

Customs Formalities

Small quantities of goods intended for personal use may be taken into the U.S.S.R. free of duty (liquor, cigarettes, perfume, photographic apparatus, clothing). Printed matter, including catalogues, may enter free of duty, but subject in some cases, to censorship.

Business Hours

Government offices	9:00 a.m. to 5:00 p.m. Monday to Friday
Foreign Trade Bank (Vneshtorgbank)	9:30 a.m. to 12:30 p.m. Monday to Friday
Shops	8:00 a.m. to 7:00 p.m. Monday 8:00 a.m. to 9.00 p.m. Tuesday through Saturday
Commercial Division Canadian Embassy	9:00 a.m. to 5:30 p.m. Monday to Friday

Communications

All normal telephone, postal and telegram facilities are available. Hotel staff should be consulted.

Appendix A.

FOREIGN TRADE ORGANIZATIONS

V/O Almazyuvelir-export	(Export of diamonds, jewelry and previous stones and metals)	Pr. Kalinina, 29 Telex: 7125
V/O Atomenergo-export	(Export and import of nuclear power plans and equipment)	Ovchinnikovskaya Telex: 7597
V/O Aviaexport	(Export of aircraft)	Smolenskaya-Sennaya 32/34 Telex: 7257
V/O Avtoexport	(Export and import of motor vehicles and agricultural machinery)	Volkhonka Ul. 14 Telex: 7135
V/O Avtopromimport	(Import of automotive equipment)	Pyatnitskaya Ul. 50/2 Telex: 7264
V/O Exporkhleb	(Export and import of grain products)	Smolenskaya-Sennaya 32/34 Telex: 7145, 7147
V/O Exportljen	(Export and import of cotton, flax, wool, silk and related products)	Ul. Arkhitekтора Vlasova 33 Telex: 7203, 7204, 7205
V/O Exportles	(Export and import of lumber products)	Smolenskaya-Sennaya 32/34 Telex: 7229
V/O Electronorgtehnika	(Export and import of computer equipment and electronics components)	Fadeyeva Ul. 2 Telex: 7586
V/O Energomashexport	(Export of power machinery)	Mosfilmovskaya Ul. 35 Telex: 7255
V/O Listsenzintorg	(Export and import of patents)	Kakhovka Ul. 31 Telex: 7246
V/O Mashinoexport	(Export of heavy machinery)	Mosfilmovskaya Ul. 35 Telex: 7207
V/O Machinoimport	(Import of power, oil refining and mining equipment, railway rolling stock and industrial fittings)	Smolenskaya-Sennaya 32/34 Telex: 7231
V/O Mashpriborintorg	(Export and import of a wide variety of communications equipment and precision instruments)	Smolenskaya-Sennaya 32/34 Telex: 7235, 7236

V/O Medexport	(Export and import of medical and pharmaceutical goods)	Kakhovka Ul. 31, Kor.2 Telex: 7247
V/O Metallurgimport	(Import of machinery for the extraction industries, especially ferrous metals)	Ul. Arkhitektora Vlasova 33
V/O Mezhdunarodnaya Kniga	(Export and import of books, periodicals and sheet music)	Smolenskaya-Sennaya 32/34 Telex: 7160
V/O Novoexport	(Export of carpets, jewelry, sculpture, handicrafts and antiques)	Bashilovskayu Ul. 19 Telex: 7254
V/O Prodintorg	(Export and import of food products of animal origin and also sugar and vegetable oils)	Smolenskaya-Sennaya 32/34 Telex: 7201
V/O Prommashimport	(Export and import of pulping and paper-making machinery)	Smolenskaya-Sennaya 32/34 Telex: 7261
V/O Promsyrimport	(Export and import of pig iron and ferro alloys, steel wire, metal products)	Ul. Tchaikovskovo, 13
V/O Raznoexport	(Export and import of light industrial and consumer goods)	Verkhnyaya Krasnoselskaya 15 Telex: 7161
V/O Raznoimport	(Export and import of non-ferrous metals, rubber and cork products)	Smolenskaya-Sennaya 32/34 Telex: 7153, 7154
V/O Skotoimport	(Import of slaughter meat, cattle, sheep, goats, swine, meat horses, as well as meat of domestic and wild animals)	Ul. Makarenko 6
V/O Sovexportfilm	(Export and import of films)	Kalashny Per. 14 Telex: 7143
V/O Sovfrakht	(Soviet Chartering Organization)	Smolenskaya-Sennaya 32/34 Telex: 7168, 7172, 7217
V/O Sovinflot	(Serves as the agent for foreign ships visiting the Soviet Union and co-ordinates the activities of agencies representing Soviet ships in foreign ports)	Ul. Zhdanova 1/4 Telex: 7217

Appendix A.

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V/O Soyuzgazexport	(Export of gas and gas products)	Smolenskaya-Sennaya 32/34
Soyuzkhimeksport	(Export and import of chemical products)	Smolenskaya-Sennaya 32/34 Telex 7295, 7296
V/O Soyuzkoopvneshtorg	(Export and import trade with foreign co-operative firms and societies)	Smolenskaya-Sennaya 32/34 Telex: 7127, 7128
V/O Soyuznefteexport	(Export and import of petroleum products)	Smolenskaya-Sennaya 32/34 Telex: 7148, 7149
V/O Soyuzplodoimport	(Export and import of food-stuffs and agricultural products of vegetable origin)	Smolenskaya-Sennaya 32/34 Telex: 7262
V/O Soyuzpromexport	(Export and import of ferrous metals, coals, mineral ores)	Smolenskaya-Sennaya 32/34 Telex: 7268
V/O Soyuzpushnina	(Export and import of raw and semi-finished furs)	Kuybysheva Ul. 6 Telex: 7150
V/O Soyuzvneshttrans	(Transport of exports and imports and shipments of transit goods through the U.S.S.R.)	Smolenskaya-Sennaya 32/34 Telex: 7266, 7291
V/O Vostokintorg	(Export and import trade with Mongolia, China, Afghanistan, Iran, Yemen and Turkey)	Smolenskaya-Sennaya 32/34 Telex: 7123
V/O Zapchastexport	(Export of spare parts for Soviet machinery sold abroad)	Skotoprogonnaya Ul. 35 Telex: 7243
V/O Vneshtekhnika	(Scientific and technical exchange with foreign countries)	Starokonyushenny Per. 6 Telex: 7241
U.S.S.R. Chamber of Commerce and Industry		Kuybysheva Ul. 6 Telex: 7126
General Directorate of International and Foreign Exhibitions in Moscow (Sokolniki)		Sokolnichesky Val 1a
Administration for Patenting of Inventions		Kuybysheva Ul. 6

Appendix B.

MINISTRIES
(Selected List)

Agriculture	Orlikov Per. 11/11 Moscow I-139
Automobile Industry	Kuznetskiy Most 21/5 Moscow K-265
Chemical and Petroleum Machine Building	Bezbozhnyy Per. 25 Moscow I-110
Coal Industry	Kisel'nyy Per. 13/5 Moscow K-45
Communications Equipment Industry	Kitaiskiy Proyesd 7 Moscow
Construction Materials Industry	Prospekt Khudozhestvennogo Teatra 2 Moscow K-9
Electronics Industry	Kitayskiy Per. 7 Moscow K-74
Ferrous Metallurgy	Ploshchad' Nogina 2/5 Moscow K-74
Foreign Affairs	Smolenskaya-Sennaya Ploshchad' 32-43 Moscow G-200
Gas Industry	Kirova Ul. 13 Moscow Ts.
Heavy Power and Transport Machine Building	Bogdana Khmel'nitskogo Ul. 12 Moscow Ts.
Instrument Making, Means of Automation and Control Systems	Ogareva Ul. 5 Moscow K-9
Light Industry	Prospekt Marksa 11/1 Moscow C-19
Machine Building for Light and Food Industry and Household Appliances	Presnenskiy Val 17 Moscow D-22
Meat and Dairy Industry	Verkhnyaya Krasnosel'skaya Ul. 15 Moscow B-140
Nonferrous Metallurgy	Ploshchad' Nogina 2/5 Moscow K-74

Oil Refining and Petrochemical Industry

Gilyarovskogo Ul. 31
Moscow I-90

Pulp and Paper Industry

Gritsevets Ul. 2/16
Moscow G-19

Timber and Wood Processing Industry

Gritsevets Ul. 2/16
Moscow D-242

