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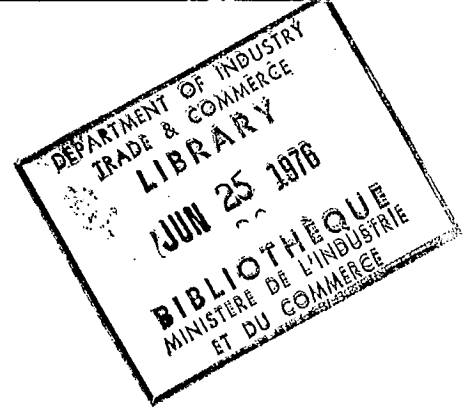
**CANADIAN TRADE DEVELOPMENT MISSION
TO ROMANIA, YUGOSLAVIA, AND HUNGARY**

September 29 – October 10, 1975



Industry, Trade
and Commerce

Industrie
et Commerce



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CANADIAN TRADE DEVELOPMENT MISSION TO
ROMANIA, YUGOSLAVIA, AND HUNGARY

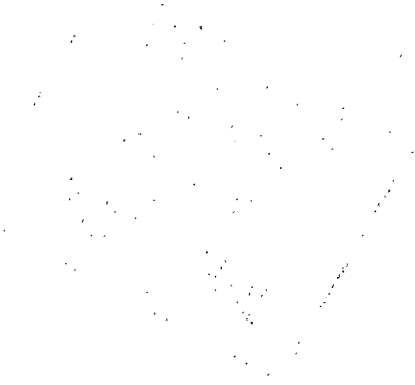
LED BY

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C O N T E N T S

	<u>PAGE</u>
A. GENERAL BACKGROUND	1
1. Canada's Trade with Eastern Europe and Yugoslavia	1
2. Romania and Hungary	2
3. Yugoslavia	6
B. MISSION OBJECTIVES	9
C. COUNTRY REPORTS	10
1. Romania	11
2. Yugoslavia	18
3. Hungary	27
D. MISSION MEMBERS	32



EASTERN EUROPE	
Boundaries International	Administrative
Canal	Railway
Motorway	Main Roads
Airports	Nature Reserve

15°E R A N E A N 20°E S E A

INTRODUCTORY NOTE

The decision to lead a trade development mission to Romania, Yugoslavia and Hungary was based on a number of considerations. East-West trade has shown a healthy growth in recent years; each of the countries visited had indicated a desire to expand trade with Canada; and the mission was particularly timely -- taking place during the final preparation of the next Five Year Development Plans (1976-1980). It was felt that a representative delegation of Canadian businessmen would not only obtain valuable information on trade opportunities in their respective industry sectors but would serve as tangible evidence to the three countries that Canada is serious in its efforts to increase and diversify trading contacts with them. Concurrent with the mission, Canadian Government officials met with their counterparts in Romania and Hungary for annual trade consultations aimed at identifying ways and means of expanding trade.

Although it is apparent that the three economies are being adversely affected by world economic conditions, strong emphasis on increased productivity in these countries ensures that high-priority projects will be carried out in spite of periods of restraint. Canadian exporters will find continuing markets for machinery, equipment, technology and know-how which can contribute towards realization of this basic goal. In this connection the presence of a number of consulting engineers on the mission provided me with an opportunity to continue to stress the valuable contribution Canadian engineering companies could make to the success of large projects, as demonstrated by their performance in various world markets. In addition, increased activity by Canadian consultants in the three countries could create additional opportunities for Canadian equipment manufacturers.

Although Canadian non-grain sales to Eastern Europe doubled in 1975 compared to 1974, much work remains to be done in "selling" Canadian capabilities as a reliable supplier of sophisticated equipment. Sales, in recent years, of forestry equipment, pulp and paper equipment, a wind tunnel, agricultural machinery, geophysical equipment, aircraft engines and 150-ton trucks are only a beginning. In my discussions, I emphasized the importance of financing in assisting exports and the role of the Export Development Corporation in this respect.

Canadian businessmen will find a ready welcome in Eastern Europe and Yugoslavia. It is the Canadian Government's policy to diversify our trade and economic relations, and these countries are expressing similar desires. While the mission uncovered specific trade opportunities and others have come to our attention since its return, potential exporters should be aware that doing business in the area is not simple; long negotiations are often necessary, and a number of visits to the market may be needed before concrete business develops. However, experience has shown that persistence can pay off in lucrative contracts.

I can assure businessmen interested in following up on opportunities in these markets that they will have the full co-operation of this Department through its officers in Canada and abroad. The Eastern Europe Division, European Bureau, can supply marketing booklets on these countries, as well as more informal advice on current business practices and market conditions. Our Trade Commissioners can also be of considerable assistance to Canadian exporters and should be contacted whenever trips to these countries are planned.

C. T. Charland
Assistant Deputy Minister
Export Development

A. GENERAL BACKGROUND

The Trade Development Mission to Romania, Yugoslavia and Hungary forms only a part of Canada's overall and continuing marketing effort in those countries. The purpose of this section of the report is to put the mission into perspective in terms of this broader marketing effort by the Canadian government and the Canadian business community. Because the economic system in Yugoslavia is not the same as those of Eastern Europe, it will be treated separately from Romania and Hungary.

(1) Canada's Trade with Eastern Europe and Yugoslavia

Total merchandise trade turnover between Canada and Eastern Europe* amounted to \$382 million in 1974, down 32 per cent from 1973. The main reason for this was that total trade with the U.S.S.R. fell by 84 per cent due to significantly reduced grain sales (which were \$285 million in 1973 and only \$10 million in 1974). For the first nine months of 1975, total trade turnover was \$407 million, (exports \$271 million; imports \$136 million). Comparing the two 9-month periods, Canada's sales of non-grain merchandise rose from \$55 million in 1974 to \$96 million in 1975. Grain sales increased from \$78 million to \$175 million.

*For the purposes of this section "Eastern Europe" will denote Albania, Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, Romania, the U.S.S.R., and Yugoslavia.

In terms of trade balance, Canada's traditional surplus position with the region (\$275 million in 1973) was reduced to a small deficit of about \$13 million in 1974. During the first nine months of 1975 Canada regained its surplus position (\$136 million).

Canadian imports from the region which totalled \$197 million in 1974 and \$136 million in the first nine months of 1975 tend to be broadly based and comprise mainly semi- and fully-manufactured goods. Principal import items include fabrics, textile products, footwear, bicycles, steel, specialized machinery and equipment, foodstuffs and wines.

Our exports to most of these countries tend to be mainly grains and industrial raw materials. The figures vary from country to country, but grains have traditionally provided more than 50 per cent of our merchandise exports. Other high-volume exports have included cattle hides, asbestos, wood pulp, steel, metal ores, forestry equipment, agricultural equipment and other types of specialized machinery and equipment.

(2) Romania and Hungary

(a) Some Common Characteristics

(i) Introduction

Romania and Hungary are centrally-planned economies in which foreign trade transactions are monopolized by the state and are based on

five-year plans. Each country is a full member of the Council for Mutual Economic Assistance (CMEA or COMECON).

Following is a brief resumé of some of the common characteristics influencing the foreign trade of these two countries and other members of the CMEA. Businessmen wishing more detailed information on the markets visited and the best way to approach them, should note that the Department of Industry, Trade and Commerce publishes a number of marketing booklets on these and the other CMEA countries. Interested individuals are invited to write to:

Chief
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Department of Industry, Trade
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(ii) Foreign Trade Plan

The five-year economic plan of each country governs the level, composition and direction of its trade and provides the overall framework within which annual import requirements are established. Once these parameters are set, the degree to which they are adhered varies from one CMEA member to another. In general export

opportunities are limited to imports designated in the country's annual import plan and possibly some unscheduled imports, such as those necessitated by unexpected short-falls in domestic production. This rigid planning is, in part, due to the inconvertibility of CMEA currencies and the necessity for these governments to conserve foreign exchange and control the extent to which credit is used. Thus, Eastern European customers may propose "industrial co-operation" - which may include co-production, product buy-back arrangements, joint ventures, etc. - to facilitate the purchase of Western goods.

(iii) Ministry of Foreign Trade

The highest governing authority responsible for foreign trade transactions in each of the CMEA countries is the Ministry of Foreign Trade. The Ministry determines national foreign trade policies, establishes the domestic legal framework within which trade is conducted, issues the import and export licences -- mandatory for each transaction -- and in general supervises the foreign trade enterprises.

(iv) Foreign Trade Enterprises

The foreign trade enterprises are state monopolies responsible for all import and export transactions and negotiations for specific commodity sectors. In effect, they are the sole purchasing and selling agents for all domestic end-users and production units. Only authorized foreign trade enterprises can negotiate and sign contracts with foreign firms. They usually are the first points of contact for foreign businessmen interested in exporting to (or importing from) the market. The Canadian Trade Commissioner covering the individual country can usually advise businessmen of the appropriate foreign trade enterprise for his product or service. (These are also listed in the individual country marketing booklets.)

(b) Departmental Marketing Strategy

The Department's major trade objectives in Eastern Europe are to improve the composition of our exports by increasing the semi- and fully-manufactured components of our sales, while endeavouring to maintain Canada's position in Eastern Europe as a traditional supplier of grains and industrial raw materials.

Canada has a series of bilateral consultative arrangements designed to encourage greater participation by Canada and these countries in each other's markets. The most elaborate of these is the Canada-U.S.S.R. Agreement on Co-operation in the Industrial Application of Science and Technology (INDEXAG) concluded in 1971. Activities under this Agreement as well as under our Agreements with other Eastern European countries such as Romania and Hungary are intended to identify export opportunities for high technology machinery and equipment and therefore facilitate development of these exports to Eastern Europe. As well, the Canadian Government has a wide range of tools at its disposal which it uses actively to promote further increases in bilateral exchanges. These include: an active program of incoming and outgoing missions; participation in trade fairs, both officially and through support of individual company participation; risk sharing with Canadian exporters (the Program for Export Market Development); and facilitation of financing for projects of mutual interest.

(3) Yugoslavia

Yugoslavia's economy and approach to foreign trade differ significantly from those of the East European countries which together have formed the Council for Mutual Assistance (COMECON). Yugoslavia has special

observer status in this economic organization allowing the country to participate in a number of the organization's special arrangements, while pursuing a unique course of economic de-centralization and "workers' self-management".

In Yugoslavia's socialist market economy, 5 Year Plans are merely indicative rather than rigid blueprints setting out hard and fast targets; hard currency allocations are decided in internal financial markets on the basis of straightforward economic principles rather than by government fiat; production plans of most enterprises are decided by the enterprises themselves rather than dictated by federal ministries; foreign trade is not monopolized by the State - more than 1,000 Yugoslav enterprises are registered to participate in foreign trade transactions; competition is allowed and encouraged in most sectors of the economy; ownership of individual enterprises is vested in their workers rather than in the State on behalf of the People. Yugoslavia also welcomes foreign investment of up to 49 per cent equity from anywhere in the world.

Like the East European countries, Yugoslavia is at present short of hard currencies and is pressing Western companies to enter into industrial co-operation and joint venture arrangements to help offset costs of

needed imports of high technology goods and services. Foreign firms may establish offices there provided they have capital invested in the country or have entered into a contract to export a specified volume of Yugoslav goods.

Canadian trade policy is pursued basically within the framework of a Trade Agreement which provides for exchange of Most-Favoured-Nation treatment. Both countries are also members of the GATT and the IMF. In addition, Canada grants Yugoslavia beneficiary status under our General Preferential Tariff in favour of developing countries.

B. MISSION OBJECTIVES

In light of the overall marketing strategy for the three countries briefly outlined above, the trade development mission to Romania, Hungary, and Yugoslavia had as its objectives:

- to demonstrate Canadian expertise and international competitiveness in the supply of semi- and fully-manufactured goods and to identify new export opportunities for these goods;
- to provide an opportunity for Canadian companies to follow up at a senior level specific sales opportunities which they and government officials have identified in each of the markets;
- to demonstrate to East European government officials and the foreign trade organizations and firms concerned, an active Canadian interest in pursuing export opportunities in these countries so as to ensure that future trade opportunities are brought to the attention of the Canadian government and business community.

C. COUNTRY REPORTS

Following is a resumé of the general impressions of the trade opportunities uncovered by mission members in the countries visited. Businessmen requiring further details or wishing to examine other sales opportunities in these countries are invited to contact the Eastern Europe Division of the Department (address on Page 3).

(1) Romania

(a) Background

With a population similar to Canada's, Romania considers itself to be a developing country and is committed to a very high rate of industrialization. Fully one-third of the national income is used for investment purposes, and recent annual economic growth has ranged from 10-15 per cent. The country possesses significant reserves of a number of raw materials, such as oil, coal, ferrous and non-ferrous ores, gas and salt.

Major areas of development in the economy are at present nuclear power, steel production, machine-building (including programmed machine-tools), electronics and transport equipment. The Five-Year Plan for 1976-80 calls for an average annual increase in industrial production of 11.2 per cent, with the overall growth in GNP set for 10.5 per cent. The present per capita GNP is about \$1,000 a year; by 1990 this is forecast to reach \$2,500-\$3,000. Romania's total trade turnover is about \$10 billion; mission members were informed that a high proportion of certain manufactured goods is exported (e.g. oil drilling rigs 90 per cent, tractors 70 per cent, jeeps 75 per cent, cars 50 per cent.)

Romania is a full member of the CMEA (COMECON), and is a member of the General Agreement on Tariffs and Trade (GATT), the International Bank for Reconstruction and Development (IBRD), and the International Monetary Fund (IMF). Canada and Romania have in place a bilateral trade agreement which provides for the exchange of Most-Favoured-Nation treatment (MFN) in each other's markets. Canada also grants Romania beneficiary status under our General Preferential Tariff in favour of developing countries.

(b) Trade Patterns

Since 1971 Romania's foreign trade has grown by about 21 per cent annually. The 1976-80 Five-Year Plan indicates that total foreign trade turnover will increase 70-80 per cent, an annual average in excess of 12 per cent. At present about 45 per cent of her trade is with the industrialized West, 40 per cent within COMECON, and 15 per cent with developing countries. Imports from the West in 1974 were approximately \$3 billion; about two-fifths were in the form of machinery and equipment.

Total Canadian exports to Romania in 1974 were \$4.9 million; although the annual average for the three previous years had been about \$12 million. In 1974 Canada's main exports were asbestos, laboratory equipment, hydrocarbons, pulp and paper machinery and textile machinery. For the first nine months of 1975 Canadian exports to Romania reached \$37.4 million, chiefly due to the sale of wheat.

Canadian imports from Romania were valued at \$26 million in 1974, having grown steadily from \$5 million in 1970. In 1974 the main items imported were fuel oil, footwear, clothing, tractors, steel, and furniture. Canada's imports from Romania for the first nine months of 1975 were \$15 million.

(c) Findings of the Mission

During the visit to Bucharest, Canadian businessmen and government officials met at a senior level with end-users, foreign trade enterprises and a number of industrial and policy ministries including the Ministry of Foreign Trade and Economic Co-operation. The following sectors offer possibilities for trade, and the specific items or fields mentioned should be considered only as examples:

Agricultural Machinery

Significant opportunities exist for the sale of specialized farm machinery in view of Romania's desire to reduce the proportion of the labour force engaged in agriculture. Traditionally an important producer (and often exporter) of wheat and maize, Romania also grows vegetables, fruit, sugar beets and oil seeds. Agricultural production is to increase by about 35 per cent during the 1976-80 Five-Year Plan over the 1971-75 average.

Romania is an important producer of agricultural equipment, and may propose industrial co-operation agreements in this sector.

Chemical Industry

Romania has significant petroleum reserves, and a highly developed chemicals sector including - synthetic fibres, plastics, and synthetic rubber. The Romanians are interested in acquiring or exchanging advanced technology in petrochemicals. In some cases they intend to upgrade the performance of existing plants, and new plants are also planned. Current projects include sulphuric acid plants, for which certain equipment will be required from foreign suppliers.

Consulting Engineering

Discussions held during the mission indicate that Romania is willing to consider the use of consulting engineering services in conjunction with the import of plant or equipment, and a number of possibilities were discussed:

- pulp and paper projects;
- research and development projects;
- quality control inspection;
- chemical plants (see section on Chemical Industry above);
- mining methods;
- waste treatment processes;
- the steel and aluminum industries are to undergo major expansion, and there are opportunities for foreign partners to supply know-how and equipment. The Romanians also have export capability for building steel mills and would be interested in consortium arrangements in third-country markets.
- third-country co-operation in the engineering of electrical power projects (some turnkey).

Pulp and Paper

The Romanians are currently expanding production in this sector, and opportunities exist for the supply of related equipment and engineering services. Some Canadian equipment is already in operation in some of their plants.

Livestock

Agricultural authorities expressed interest in obtaining more information about Canadian cattle, and it is apparent that there are opportunities to conclude commercial transactions. At present the Romanian cattle population is 45 per cent Simmenthal, 25 per cent Brown Swiss, and 30 per cent Holstein. Sixty per cent of cattle are now bred by artificial insemination and this figure should reach 80 per cent by 1980.

Mining and Construction Equipment

There are requirements for a variety of items such as air compressors, gas compressors, pneumatic powered tools, valves, cranes, pumps and cable. A market also exists for specialized construction systems and equipment, particularly with reference to concrete.

Special Vehicles

Mission members found market possibilities for hydro vehicles, polesetting machinery, line-stringing equipment, fire trucks, crash trucks, and low-profile mining trucks.

Other items of interest

The Romanians expressed interest in purchasing the following products:

- airport equipment
- geophysical equipment

- steel pipes, sheets, and shapes
- zinc and copper plated sheets
- zinc, copper, brass and aluminum
- electrical and telephone cables
- zinc plated steel wire
- ball bearings
- copper, lead and zinc concentrates
- coking coal
- wood pulp
- naphthalene, benzene, and pesticides
- fish meal
- machine tools for metal-working with numerical controls
- quartz crystals
- transistors and integrated circuits
- rolling bridges
- electrolytical refinery equipment for aluminum
- special drilling equipment
- equipment for manufacturing electrical insulation materials
- equipment for manufacturing electrorefractory bricks

(2) Yugoslavia

(a) Background

Yugoslavia's population is approximately 21 million of which some 9 million form the active labour force. It is estimated that 40 per cent are employed in agriculture, 40 per cent in industry, and the balance in government and trades and services. There are now 535,000 unemployed and 1 million are temporarily working abroad. Annual per capita income is roughly \$1,500 but varies significantly from region to region.

About the size of Britain, one-third of the country is forested and another one-third is rich, arable land. In European terms Yugoslavia is well-off in raw materials. Copper, coal, iron-ore, zinc, and oil, along with tourism-attracting geography are major resources.

Yugoslavia is a one-party State organized as a Federation of 6 Republics, each of which has considerable autonomy. Discipline is maintained at all levels of government through policy decisions adopted by the League of Communists of Yugoslavia. Internationally, the country plays a leading role in the bloc of non-aligned nations.

Since the end of World War II great strides have been made in industrializing what was basically an agrarian economy. A European country, Yugoslavia is considered one of the most advanced of the developing countries both in its industrial structure, in-house engineering capabilities, as well as in its relatively high level production of consumer goods and industrial products. State management of the economy is basically restricted to utilization of fiscal and monetary policy, moral suasion, directing regional development funds, and controlling prices of a limited number of basic consumer items. Recent economic plans stress growth in energy, raw materials, and agriculture. As with most countries Yugoslavia seeks to improve output and increase real incomes while controlling prices.

(b) Foreign Trade

Although import decisions are made by enterprises rather than by government organizations, the Federal Government employs certain instruments to control the outflow of foreign exchange. Among these are: an import deposit system; foreign exchange availability categories according to the kind of goods to be imported; and, most recently

a temporary import ban on certain commodities. The ban was imposed in the face of a balance of payments deficit for 1975 reported to be approximately \$1 billion.

Yugoslavia's major trading partners are West Germany, Italy, the U.S.S.R., the United States, Britain, and Czechoslovakia. Imports in 1974 totalled \$8 billion, of which \$4.8 billion were from the industrialized west, \$1.8 billion from the socialist countries, and \$1.4 billion from developing countries. Exports for 1974 were \$4 billion, of which \$1.8 billion went to the industrialized west, \$1.7 billion to socialist countries and \$.5 billion to developing countries. Roughly \$3 billion of the \$4 billion deficit on merchandise trade was balanced by earnings from tourism and by workers' remittances, leaving an overall deficit of \$1 billion.

The relatively weak performances of 1974 and 1975 followed good years in the early 70's when Yugoslavia ran surpluses on her balance of payments. There was some thought then that the Dinar would be made a convertible currency. Yugoslavia's deficit can be traced to increased costs of energy imports, a fall-off in sales to the industrialized West, due to stagnating

economies, and decreases in workers' remittances and tourism earnings for the same reason. Dinar convertibility has been shelved for the time being.

Canadian exports to Yugoslavia in 1974 amounted to \$22.6 million. Major items were wood pulp, asbestos, mining trucks, machinery, pig iron, paperboard, and computer equipment. Yugoslavia's sales to Canada totalled \$15.8 million and included furniture, leather and leather products, ferrosilicon, athletic footwear, magnesia and knitted outerwear. For the first 10 months of 1975, two-way trade increased by 50 per cent - to \$39.1 million (Canadian exports \$24.6 million; imports \$14.5 million).

The structure of Canadian sales has shifted dramatically in recent years from a preponderance of raw materials to one of finished and semi-finished goods. EDC financing has played a major role in exports to Yugoslavia. Present exposure is approximately \$90 million and Canadian commercial banks are estimated to have an additional \$250 million invested there. One of Canada's largest markets for non-grain exports in Eastern Europe, Yugoslavia is a promising market for the full range of Canadian goods and services.

(c) Findings of the Mission

During calls made by both government and industry members of the mission, a number of themes emerged: there are no major irritants hampering Canadian/Yugoslav trade; due to Yugoslavia's current balance of payments difficulties, Canada's export financing and willingness to enter into joint ventures in Yugoslavia are of paramount importance to increased Canadian sales; there is a mutual willingness to explore the possibilities of co-operation in third countries.

The mission served to indicate to Yugoslav officials that in spite of temporary balance of payment difficulties, financing would continue to be available for sound economic projects, bearing in mind that EDC's funds are not unlimited. Mission members were impressed by the scope of services and international activities of several Yugoslav engineering/construction/equipment-supply firms. As a result of initial discussions, it was found that possibilities exist for the creation of new partnerships on large turnkey projects.

Specific opportunities in the following sectors were identified.

Agriculture

Yugoslavia is interested in breeding cattle from Canada, but sales will depend upon agreement on zootechnical specifications and veterinary procedures. Yugoslavia is asking for 5-year credit terms. A large Yugoslav Co-operative is providing technical assistance to Peru, and Canada could be asked to tender cattle on this project.

There was some interest in Canadian farm implements on a joint venture basis with emphasis on large units for gang towing. Other possible imports include 200 - 350 HP tractors, plant growth chambers, and equipment for the tobacco industry.

The Yugoslavs indicated their interest in seeing Canadian companies participate in the Novi Sad Agricultural Fair in the summer of 1976.

Electric Power Equipment

Because of significant deposits of lignite coal, Yugoslavia has plans for a number of new thermal-electric power stations. Canada would appear to be competitive for boiler packages however financing and countertrade are likely to be required on these projects.

Engineering Services

Union Engineering, a Yugoslav firm, interested several mission members as a possible source of

construction management and labour for projects in third countries.

Agreement was reached between Jugoinspekt and one of the Canadian companies on the mission whereby Jugoinspekt agreed to provide contract inspection services for the Canadian company in Eastern Europe and the Canadian company will reciprocate in Canada and the South-West United States.

Yugoslavia's Airtechnical Institute asked for engineering proposals for a major new facility and for upgrading existing facilities.

Yugoslav officials pursued an engineering proposal submitted by a mission member concerning expansion of an asbestos mine and expressed interest in co-operation on silicon and ferrosilicon plants, grain silos, grain storage, and milling. They offered technology for coating steel, copper, and aluminum.

There are opportunities for Canadian participation in the development of Yugoslavia's pulp and paper industry. A major producer of sulphite pulp wishes to expand into sulphate and is searching for an operating joint venture partner.

The giant BOR copper company is interested in joint consulting on domestic and third country projects and is looking for an exchange of information on mine productivity studies.

As several Yugoslav alumina plants will be expanded over the next few years, Yugoslavia wishes to form an East-West joint venture to produce aluminum.

The Soda-So chemical combine is discussing a \$150 million expansion with Canadian companies which are partners with Soda-So in an earlier venture. Know-how and equipment will be required for seven chlor-alkaline plants, a detergent factory, and 20 installations for manufacturing salt and soda.

Mining and Earth-Moving Equipment

A good market for mining trucks exists, with more than thirty 150 ton Canadian units purchased in the past. Expansion of coal and copper mines means further purchases. Yugoslavia is interested in a new 350 ton proto-type but would like to see an arrangement whereby it is partly manufactured locally.

There are plans for four new iron mining projects near Skopje. As a result, one of the mission member was asked to quote on eight rotary drilling rigs. This same company signed an order during the mission for three drilling units. With the upsurge of mining activity in Yugoslavia and the involvement of Yugoslav mining companies in off-shore developments (Zambia and Iran), exports look promising for drills, compressors, and other equipment. A Yugoslav mission

is coming to Canada in 1976 to explore Canadian capabilities in mining equipment and mining technologies.

Other

The Mission noted Yugoslav requirements for 300,000 tons/year of coking coal, coke, steel slabs for hot-rolling, steel coils, steel scrap, reinforcing bars, and iron ore (65 per cent Fe). Discussions were held concerning the sale of Canadian aircraft, flight simulators, water pumps, generator sets, a foam and powder truck for airports, an aerial ladder, forest fire-fighting equipment, prefab concrete manufacturing equipment, and wire and cable. Several large trading companies let it be known that they were open to co-operation proposals from similar Canadian companies.

(3) Hungary

(a) Background

Hungary's population is approximately one-half of Canada's, and the country possesses advanced capabilities in several industrial sectors. Economic growth in recent years has been about six per cent; per capita income stands at \$2,100 annually in terms of purchasing power. About 45 per cent of national income is derived from industry, with 16 per cent from agriculture, 16 per cent from trade, and 11 per cent from construction. Hungary has large reserves of bauxite, but other raw materials are not in sufficient supply to satisfy domestic demand. There are, however, deposits of coal, oil, uranium, iron ore, copper, lead, manganese and other minerals.

The next Five-Year Plan (1976-80) forecasts an increase in national income of 30-32 per cent. Domestic consumption will rise 23-25 per cent, and real incomes per capita will rise 18-20 per cent. Industrial growth will be 33-35 per cent and agricultural growth 16-18 per cent. Some shift towards investment and away from consumption will be involved. Priority areas will be agricultural mechanization, food processing, aluminum processing,

medical instruments, pharmaceuticals, telecommunications equipment, bus production, chemicals and textiles. Hungary will be emphasizing the development of more efficient export oriented industries and will likely double the number of foreign licences to be bought in the next Five-Year Plan.

(b) Trade Patterns

Hungary's economy is heavily dependent on foreign trade which represents about 40 per cent of GNP. Roughly two-thirds of the country's trade is carried on with other Eastern European countries, including the Soviet Union, the remainder with the developing and Western industrialized countries. Total trade turnover was \$10.7 billion in 1974, and Western industrialized countries as a group have been showing a surplus position in their trade with Hungary. During the next Five-Year Plan imports from the West will reach about \$2.5 billion annually. Over the five years Hungary plans to increase her exports to the West by 55-60 per cent and imports by 38-40 per cent.

Total Canadian exports to Hungary in 1974 were \$6.4 million, although Hungarian statistics show more than twice this amount (indirect shipments).

Canada's main exports then were cattle hides, dairy cattle, sulphur, tobacco harvesting machinery, grass seed, calf and kip skins, and semi-conductors. For the first nine months of 1975, Canadian exports to Hungary reached \$5.3 million, although the Hungarian figures show twice that amount.

Canada's imports from Hungary were valued at \$15.7 million in 1974, more than double those of 1971. In 1974 the main items imported from Hungary were wines, gloves, glassware, textiles, mattresses, clothing, pimento, lathes, and electronic speakers. Canadian imports from Hungary for the first nine months of 1975 were \$10.4 million.

(c) Findings of the Mission

As in Romania and Yugoslavia, the Canadian businessmen and government officials met with a large number of their Hungarian counterparts. The following areas offer trade opportunities, but should be considered as indicative rather than all-inclusive:

Agricultural Machinery

State and co-operative farming in Hungary is conducted on a large scale and mechanization in agriculture is a high priority. The size of tractors in use is increasing, ranging from 80-300 HP; there is therefore a market for large

tillage machines. In general there is need for dryland farming equipment, especially seeders, discs and ploughs. The Hungarians may propose reciprocal trade or joint ventures in manufacturing part or all of the machines.

Consulting Engineering

The concept of hiring foreign consulting engineering firms has not been widely used in Hungary, although there are some opportunities - particularly in third markets. Some fields of interest are chemicals, aluminum processing, tourist facilities, environmental quality control, construction projects and food processing. Such projects may offer opportunities for the sale of related machinery or equipment.

Livestock

Canada has sold cattle to Hungary and it appears that there will be a good continuing market. Canadian firms have also established joint ventures in the poultry field.

Mining, Oil and Gas, and Construction Equipment

Interest was discovered for equipment such as air compressors, pavement breakers, other construction equipment, oil field equipment, pipeline control equipment, gas compressors, pumps, generator sets, low profile trucks.

Airport Equipment

Budapest's international airport is being expanded and modernized providing an opportunity for the sale of related equipment. The airport will be raised to ICAO category 3.

Electrical Equipment

Plans have been announced in Hungary to construct a transmission line of 750 KV which may provide opportunities for the sale of wire and cable and transmission towers.

Other Opportunities

The Hungarians require foreign participation in the following projects:

- seed-dressing plant;
- corn processing project;
- health spas;
- railway projects (third country).

Eastern Europe Division can supply some details on the above projects. In addition, the mission identified markets for:

- heating, cooling, and air conditioning equipment
- pollution control equipment
- data processing equipment
- office equipment
- food processing equipment, including freezing and refrigeration installations

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Director
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Eastern Europe Division (Mission Secretary)
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J. A. Quarrington
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Office of Export Programs
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K. F. Chivers
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(4) Government Officials - Department of External Affairs

R. A. Grauer
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(5) Government Officials - Export Development Corporation

G. F. Mahoney
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