

AUGUST 7. 65

FOREIGN TRADE

DEPARTMENT OF TRADE AND COMMERCE, OTTAWA



Trading in Eastern Europe

FOREIGN TRADE

AUGUST 7, 1965

Vol. 124 No. 3

COVER: Some enterprising exporters even sell consumer goods in Eastern European countries, though opportunities are limited. One way to do this is through trade fairs. This Canadian displayed and sold his barbeque units at the Budapest International Fair. Here a potential customer, manager of an Hungarian restaurant chain, examines some sales literature. The exhibitor eventually sold all the units displayed.

Established in 1904. Published fortnightly by the Department of Trade and Commerce.

The Hon. MITCHELL SHARP, Minister.

J. H. WARREN, Deputy Minister.

O. MARY HILL, Editor.

Material appearing in this magazine may be reprinted, preferably with credit to "Foreign Trade".

Subscription: \$5.00 a year in Canada
\$7.00 abroad.

Single copies: 25 cents each.

Please forward all orders to: Queen's Printer,
Government Printing Bureau, Ottawa.

Moscow Reports on the Soviet Union

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Our Moscow office examines the burgeoning Soviet economy, describes the industrial expansion and the changing trade patterns, and tells what it could mean in terms of future trade between Canada and the U.S.S.R., already a major market for Canadian grain and flour—last year \$311 million worth.

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Next to the U.S.S.R., Czechoslovakia continues to be Canada's most important trading partner in Eastern Europe. Long term planning is a feature of the country and to ensure sales close ties with a state trading organization are recommended.

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Yugoslavia's foreign trade is primarily with the West and the country's Government recently took steps to foster and develop closer links with North America. Our Vienna office reports on changes in the past year and hints others are coming.

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Wheat is the key commodity in Canada's trade with the Soviet Bloc but much of this business is conducted under formal trade agreements which are reviewed here. But, as this article explains, business is not conducted in the Western manner and here are some guidelines for approaching the market.

Export Credits Insurance and the Exporter

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One of the first steps in the postwar campaign for export markets was the provision of export credits insurance. Here a member of the ECIC staff sets out for the new exporter how export credit insurance works, how it protects him against the risk of overseas credit selling and how it helps his credit position at home.

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COMING—A LOOK AT THE ASSOCIATED AFRICAN STATES, AUGUST 21 ISSUE

Moscow Reports on the Soviet Union

MALDWYN THOMAS,
Commercial Secretary, Moscow.

THE SOVIET national income, according to Russian sources, expanded by 7 per cent in 1964 compared with 5 per cent in 1962 and 6 per cent in 1963, and the increased rate of growth appears to have continued into the first quarter of 1965. Although the development of heavy industry still dominates

plenum of the Central Committee of the Communist Party of the Soviet Union in March. Plans recently made public also called for increased production of consumer goods during the next Five Year Plan starting in 1966.

The sharp decline in agricultural output in 1963 forced the U.S.S.R. to import large quantities of bread grains and smaller quantities of other foodstuffs from abroad during 1963 and 1964. These purchases undoubtedly put a considerable strain on the reserves of gold and convertible currency and have caused the Soviet Union to attempt to achieve a surplus balance in its trade with most Western countries, other than Canada and the United States. As a result of this policy, exports of industrial equipment to the U.S.S.R. by Western countries tended to level out, particularly in 1964.

The principal tendency evident in the Soviet economy over the last few years has been a slowing up in the rate of growth of heavy industry. According to Soviet sources, industrial output in 1964 increased by 7.1 per cent compared with growth rates of 8.5 per cent in 1963 and of 9.5 per cent in 1962. All major branches of heavy industry registered static or falling growth rates, including the chemical industry which, although it increased by 15 per cent (a figure well above the industrial average), expanded at a slightly slower rate than in 1963.

Agricultural Output Improves

Agriculture, which recovered considerably and increased output by 12 per cent, appears to have made one of the most important contributions to Soviet economic

In 1964 the Soviet Union . . .

- **Increased its national income by 7 per cent; this rise continued into 1965.**
- **Expanded its agricultural output, particularly of grains.**
- **Decided to step up production of consumer goods during next Five Year Plan.**
- **Saw increases in rate of expansion of the light, foodstuffs, and building industries.**
- **Bought goods worth \$315.9 million from Canada, principally grain and flour.**
- **Continued to secure equipment from the West, especially for chemical, textile and forest industries.**

the Soviet economic scene, a shift towards the light and foodstuffs industries was discernible during 1964 and the early months of 1965. Agricultural production, although not up to previous levels, has recovered sharply from 1963 (thanks to increased output of grain) and provided the basis for much of the economic growth in 1964 and the first quarter of 1965. The role of agriculture and consumer goods in the over-all economy is expected to become more important in the coming years as the result of a far-reaching program for the reorganization and development of agriculture. This program was announced at a



Leningrad, the capital of Czarist Russia from 1713 to 1917, is the second largest city in the U.S.S.R. and an important manufacturing and shipping centre. Modern apartments and old palaces make this a city of contrasts; its museums house some of the world's most famous art collections. This tranquil scene is the spit of Vasilyevsky Island.

growth in 1964. After several years of rather poor harvests and after serious difficulties with the livestock industry, total agricultural output in 1964 was 10 per cent higher than in 1958. (In 1963 it actually fell to 1 per cent below the 1958 level.)

Improved conditions on the land enabled crop production to rise by 17 per cent over 1958. Livestock production, however, continued its decline and was only 1 per cent above 1958. Total grain output in 1964, according to Soviet statistics, reached 151.1 million metric tons compared with 107.5 million in 1963 and 134.7 million in 1958. Wheat accounted for 74.2 million metric tons, well above the 1963 low of 49.7 million metric tons but still less than the 76.6 million metric tons produced in 1958. Livestock production and herds were drastically reduced in 1963; although the herds recovered considerably in 1964, they did not reach previous numbers. Consequently, production of meat was

only 80 per cent of 1963's output. Dairy production, however, increased by 9 per cent as against a decrease of 7 per cent during 1963.

Emphases in Planning

Returns for the first quarter of 1965 indicate that industrial production has again begun to rise at a slightly faster rate, particularly as a result of increases in the rate of expansion of the light, foodstuffs and building industries. Light industry registered an increase in growth in 1964 of 3 per cent compared with 2 per cent in the previous year. In the first three months of 1965, it achieved a growth rate of over 10 per cent. Foodstuffs production increased even more rapidly during the first quarter, no doubt as a consequence of the recovery of agriculture which began to make itself felt towards the end of 1964.

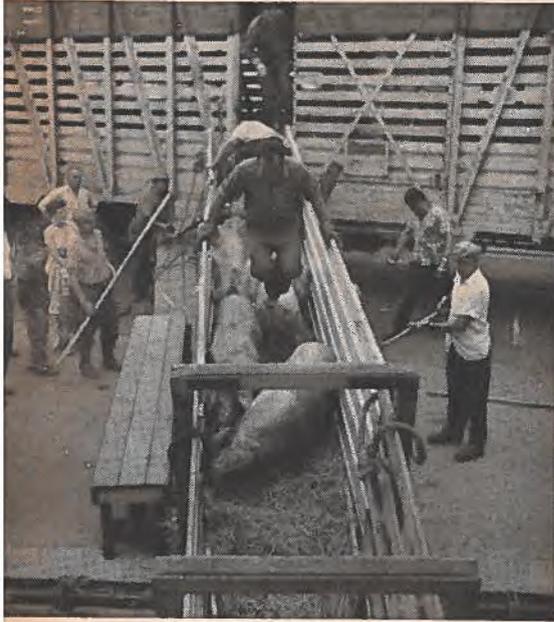
There are signs that more money and effort are to be devoted to agriculture, to the light and food industries, and to housing in 1965 and

during the life of the next Five Year Plan, which stretches from 1966 to 1970. In December 1964, when the 1965 plan and budget were being approved, it was announced that out of a total budgetary expenditure of 99.5 billion roubles, approximately 42.3 billion were to be spent on the national economy. The light and food industries appear to be destined to receive about 15 per cent of the funds allocated to industry in 1965 and the growth rate of the "consumption industries" for the year has been set at 7.7 per cent. Recently Soviet officials have indicated that the 1966-1970 plan now being drafted will favour the consumer goods industries and will stimulate housing construction.

One of the most significant reforms in recent years affects agriculture. In March the Communist Party announced a plan to increase investment in agriculture to an average of approximately 14.2 billion roubles a year during the next Five Year Plan—or double the 1963 level. At the same time, proposals

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The first shipment of Canadian pigs destined for the U.S.S.R.—65 head of the Lacombe breed—is urged aboard ship at a Canadian port. The Russians are using these pigs, developed by the Dominion Experimental Farm at Lacombe, Alberta, as breeding stock.

were put forward designed to stabilize livestock and grain procurement goals, to increase incentive payments to farmers, and to improve agricultural efficiency. Most of the proposals made at the March plenum have now become law and are already being put into effect on the land.

Trade with West Increases

Although the U.S.S.R. conducts the bulk of its foreign trade with Communist Bloc countries (70 per cent in 1963) its trade with Western countries has increased markedly over the past few years, particularly with the industrially developed countries of the West. In 1958 total trade turnover with developed Western countries was 1,223.5 million roubles. By 1963 it had nearly doubled to reach 2,416.2 million. With the exception of the recent but significant grain purchases, the U.S.S.R.'s pattern of trade with Western countries consists principally of importing industrial machinery, equipment and plants

and exporting raw and semi-processed materials. The Soviet Union generally does not import Western consumer goods except temporarily to fill occasional specific needs.

Over the last few years Western countries have sold a wide variety of capital equipment to the U.S.S.R., some of it for cash but a substantial quantity on credit. Soviet purchases of plant and equipment have covered a wide range of industries, but have tended to be concentrated in equipment for the chemical, forestry, textile and electronics industries as well as ships, agricultural machinery and medical equipment. Fairly large quantities of chemicals and industrial materials are exported to the U.S.S.R. by Western countries, although not necessarily on a regular basis.

During the 1963-64 crop year the U.S.S.R. is estimated to have purchased approximately U.S. \$1 billion worth of wheat and flour from Western sources, principally Canada. Further quantities were bought during the 1964-65 crop year. These purchases represent a significant departure from the normal Soviet trading pattern and have undoubtedly imposed a strain on the country's gold and convertible currency reserves. The heavy grain purchases have probably been the cause of the decline in new Soviet orders for plant and equipment evident during 1964. In recent years the Soviet Union had been running a deficit in its trade with Western countries. However, in 1964 it achieved a substantial surplus on current account with most of its Western suppliers—excluding, of course, its grain purchases.

What Canada Is Selling

In 1964 Canadian exports to the U.S.S.R. reached the record level of \$315.9 million, of which \$311.6 million was accounted for by grain and flour. The remaining \$4.3 million was made up principally of sulphur, tobacco, mining machinery,

forestry and agricultural equipment, purebred cattle and swine. In recent years Canadian exports of non-grain commodities to the U.S.S.R. have more or less conformed to the general pattern of Western exports. In addition to capital equipment, Canada has also sold various kinds of industrial raw and processed materials in varying amounts, depending on Soviet needs. Five years ago, for example, Canada exported nickel. These exports have ceased but have now been replaced by sulphur and tobacco. The only industrial material which has enjoyed a steady market in the U.S.S.R. is synthetic rubber. Recently an increasing amount of Canadian equipment has been entering the U.S.S.R., particularly for use in mining, agriculture and forestry. Contracts for three complete plants, an asbestos mill, a sawmill and a fish stick plant have been secured by Canadian exporters or are under negotiation.

Canada imported approximately \$2.8 million worth of goods from the U.S.S.R. in 1964. Traditional commodities such as textiles, furs and potash remained the most important components, but relatively new items such as watches, pharmaceuticals, molybdenum oxide, art goods and musical instruments made gains.

Soviet imports of grain and flour have continued into 1965, although at a reduced rate. The new proposals for agricultural reform have involved making procurement targets more realistic and although the long-term goal is undoubtedly self-sufficiency in bread grains, there is some reason to believe that the U.S.S.R. will continue to import grain in 1965 and possibly in 1966.

Trading Prospects

Prospects for the export of Western capital equipment and industrial commodities to the U.S.S.R. during 1965 and 1966 undoubtedly depend to a considerable degree on the Soviet foreign exchange position and the necessity to import bread grains. A number of new

orders for industrial equipment have been placed by the U.S.S.R. in Western countries in the last few months, perhaps heralding a new upswing in Soviet imports of equipment. Although the level of purchases of capital equipment from the West in 1965 and 1966 will probably be related to the level of grain imports, the long-term prospects for the sale of machinery and equipment to the U.S.S.R. appear favourable because Western technology is of value to the Soviet Union in its industrial expansion program.

Equipment for shipping, for the forest products industry, and for the chemical and textile industries bulk large in recent Western exports to the U.S.S.R. The needs of the electronics industry and of agriculture have also resulted in the import of plant and machinery from the West. The U.S.S.R. will probably continue to buy capital equipment from the West for its chemical, textile and forestry industries. However, the new emphasis on agriculture should result in considerably increased opportunities for exporters of farm equipment as well. The expansion of the electronics industries should also give rise to increased Soviet imports of electronic equipment. Other potential markets may lie in the power and mining industries, which are being expanded. The plans of the Soviet Government to emphasize the light and consumer goods industries cannot yet be accurately assessed but it can be expected that a part of the plant and equipment to develop this sector will have to be imported from Western sources as well.

A series of international trade fairs to be held in Moscow over the next two years also serve to indicate where some Soviet import interests may lie. This fall an exhibition devoted to Chemistry in Industry, Construction and Agriculture will be held and will be followed by fairs featuring: (1) Machinery and Equipment in Agriculture (May 16-29, 1966); (2) Equipment and

Appliances for Mechanization of Design and Technical Work (September 1966); (3) Mechanical and Automated Packing and Transportation Machinery for the Food Industry (May 1967); and (4) Modern Equipment for the Automation of Production Processes, and Measuring Instruments for Scientific, Industrial and Agricultural Application (September 1967).

The U.S.S.R. will probably continue to import raw and semi-processed industrial materials. However, the composition of these imports should to a large degree depend on the country's ability to meet its own requirements from its own resources. Although opportunities may present themselves regularly, exporters should not necessarily bank on a long-term continu-

ing market for their industrial materials.

Recently there has also been a moderate increase in Soviet imports of foodstuffs (non-grain) and consumer goods. However, these appear to be more a result of short-term Soviet shortages than of a change in the U.S.S.R.'s traditional policy of not buying these commodities from the West.

For most Canadian exporters, the best prospects for sales to the U.S.S.R. appear to lie in capital equipment. If Canadian firms can compete against United States, Japanese and West European exporters, there is no reason why they should not be able to supply some of the Soviet Union's needs for machinery and equipment in the coming years. ●

Italian Market for Fish

ABOUT half of the total amount of fish consumed in Italy per year is supplied by the domestic fishing industry. For the past few years, production has remained stable at about 200,000 tons a year but consumption has increased from 369,000 tons in 1961 to 394,000 in 1963. Per capita fish consumption, at 16.7 pounds in 1963, was well below the world average of 24 pounds.

Anchovies, sardines, molluscs, crustaceans and mackerel account for about 70 per cent of the total yearly Italian catch, almost all of which is sold fresh. Tuna, which previously accounted for a small percentage of the total catch, is now being sought on a large scale to satisfy the ever growing demand. This is reflected in the recent transformation of the fishing fleet.

From 1961 to 1963, the Italian motorized fishing fleet increased from 10 units in the 200-to-500-ton category to 28, from two units in the 500-to-1,000-ton category to 15, and from three units to five for boats over a thousand tons. Towards the end of 1964, 18 boats of the 500-to-1,000-ton type and four boats over 1,000 tons were being built and were due for completion this year.

Over the past few years, imports of fish—fresh, frozen, and refrigerated—have increased steadily, mainly because

of the growing popularity of tuna fish. Imported frozen, the tuna fish is canned and preserved in olive oil. The Italian housewife buys this product instead of meat to put in the spaghetti because she will be able to use the oil, possibly in salads or other Italian dishes.

From Canada, Italy traditionally imports canned salmon and salt cod. In 1963, imports of canned salmon increased rather sharply because our prices were more competitive. For salmon, Italy is a price market and stiffer competition from Japan, and especially the U.S.S.R., makes it more and more difficult for Canadian exporters to sell in this market. Imports of salt cod from Canada have been rather limited because of the higher standard of living in Italy and better freezing facilities. They totalled about 1,000 metric tons in 1964. The market is always open, however, to good quality, low-priced salt cod.

Imported fish in Italy is generally sold through small retailers. The best way to contact them is through an agent in Naples, Rome, Genoa, or Milan. The Canadian Trade Commissioners in Rome and Milan would be pleased to suggest names to interested Canadian exporters.

—J. J. R. GAGNON,
Assistant Commercial Secretary, Rome.

Bulgaria Builds Up Industry

Industry now accounts for half the country's GNP, as move away from dependence on agriculture continues. Trade agreement with Canada signed in fall of 1963 has increased the two-way flow of goods.

H. K. ROTT,
Commercial Assistant, Vienna.

WITH the signing of a three-year trade agreement on October 8, 1963, Canadian trade with Bulgaria moved into a new phase. Previously, Canadian exports to Bulgaria consisted of occasional shipments of aluminum metal and products, synthetic rubber, and grains. Sales were running at a few hundred thousand dollars a year and immediate prospects were not encouraging. Bulgarian exports to Canada, hampered by the absence of commercial representation and favourable tariff treatment, were averaging less than \$100,000 a year. With the new agreement, Bulgaria was accorded most-favoured-nation tariff treatment and the right to establish an office for trade promotion in Canada. In return, it agreed to purchase 300,000 tons of wheat over the three-year period.

Located in the southeastern corner of Europe, Bulgaria has a population of slightly over eight million and covers an area of 42,796 square miles. It is a country with many natural resources, fertile plains, rugged mountains, and an attractive coastline bordering the Black Sea. Traditionally its economy has been based on agriculture and horticulture but since the war substantial efforts have been made to build up industries. As a faithful member of the Council for Mutual Economic Aid (CMEA), Bulgaria was greatly assisted in these moves by the Soviet Union, which has provided \$2 billion in aid and loans since the war. This represents one quarter of the entire investment made in Bulgaria in the last twenty years and is more than any other Bloc country has received from the Soviet Union.

New Industries Coming

Although industry already accounts for more than half the national product and its present production is 17 times greater than before the war, Bulgaria's industrialization program is far from complete. The biggest project now under way is a large steel plant at Kremi-Kovtzi, about ten miles out-

side of Sofia. Production of 1.2 million tons of steel is planned for 1968 and 3.6 million tons for 1970. The plant is close to the country's largest iron ore deposit—about 250 million tons. (The iron content is, however, relatively low at 30 to 32 per cent.)

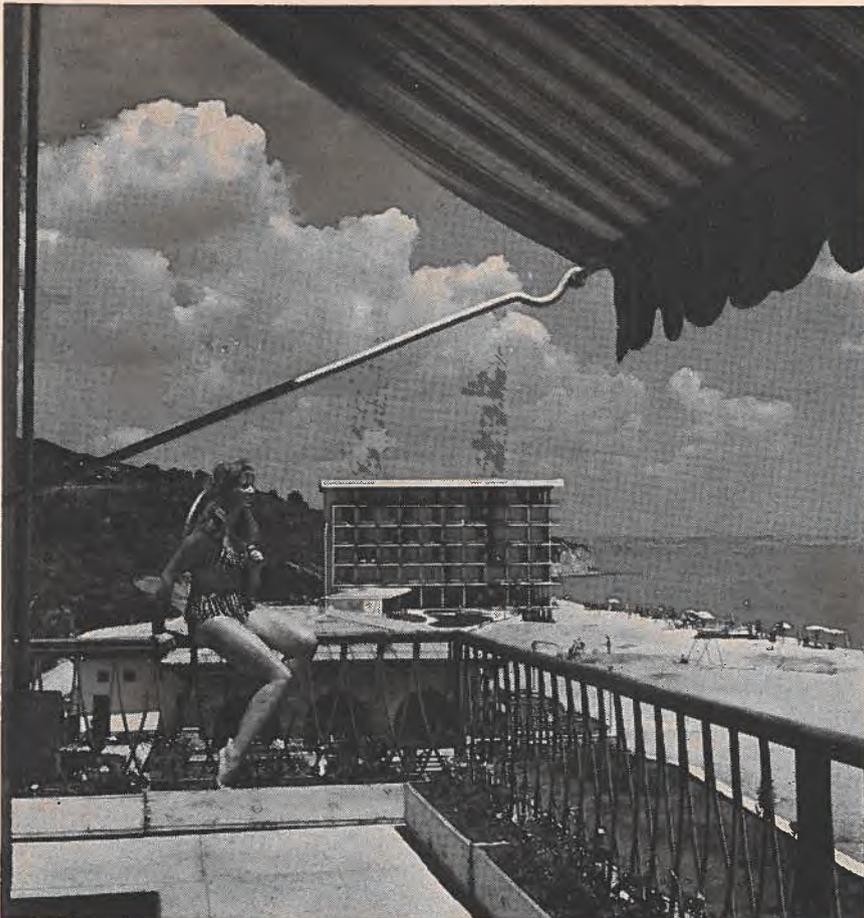
In addition, a number of other large or medium-sized projects are being started: a chemical plant at Stara Zagora, a petrochemical factory near the oil refinery at Burgas, several thermo-electric power installations, and numerous electrical goods and engineering works. In 1966 the manufacture of trucks will be undertaken and production is to reach 30,000 units a year by 1970. Bulgaria is even planning to produce automobiles and an annual target of 120,000 cars is set for 1980.

It remains to be seen whether all these ambitious investment projects turn out to be worthwhile and economically sound. At any rate, Bulgarian officials reportedly are not afraid that their industrialization schemes may mean excess capacities in a small country; they point out that their projects are in keeping with the special tasks assigned to Bulgaria by the CMEA and that their country could not continue to base its progress on exports of agricultural products.

Economic Performance

Bulgaria is now in the last year of its Fourth Five Year Plan (1961-1965). According to the Statistical Office in Sofia, industrial output increased by 11.7 per cent last year. In agriculture, the 8 per cent growth rate was only slightly below the 8.6 per cent Plan target for 1964. Favourable weather, new material incentives for the collective farmers, and improvement of irrigation are credited with making agriculture put on its best performance so far in the current Five Year Plan period. The 1965 plan calls for industrial output to rise by 9.6 per cent and agricultural production by 8 per cent.

FOREIGN TRADE



Bulgaria, as a means of bolstering its foreign exchange earnings, is developing its tourist industry and is investing considerable funds in summer resorts along the shores of the Black Sea. A favourite spot with Westerners is the Varna area.

More Freedom for Managers?

In many ways the Bulgarian economy appears to be overstrained because of the magnitude of its industrial projects. In an effort to ease the strain and to increase efficiency, Bulgaria (like other Bloc countries) embarked in 1964 on experiments in the decentralization of planning and management. These are being carried out in fifty consumer goods enterprises which are permitted to establish their production schedules on the basis of orders from the retail trade, to sell their products without direction from central planners, and to set salary and wage scales in accordance with profits earned. If this departure from well-established

dogmatic practices proves successful, the plan evidently is to apply the new system to other sectors of the economy.

Foreign Trade Increases

According to Bulgarian sources, commodity exports rose in value from \$839 million in 1963 to \$969 million in 1964 and consisted chiefly of fresh and preserved vegetables, tobacco, industrial machinery, wine, transport and communications equipment. The value of imports is reported to have increased to \$1,058 million from \$916 million in the preceding year. Machinery and equipment, oil, iron and steel, industrial raw materials, non-ferrous metals, coal, chemicals and cotton have in recent years

been prominent among imports. The 1964 trade deficit was presumably covered by assistance from the Soviet Union and other foreign loans and by net income from services. Like Rumania, Bulgaria has been pouring considerable funds into the development of summer resorts along the shores of the Black Sea and has been successful in attracting Western visitors to the golden-sands area next to Varna.

As in all postwar years, Bulgaria had close trading ties with its CMEA partners in 1964. The Soviet Union alone supplied 52.7 per cent of its imports and purchased 53.9 per cent of its exports. In all, 83 per cent of Bulgaria's foreign trade was conducted with other Communist countries. The fact that West Germany had a 5 per cent share of the Bulgarian market and in return bought 3.4 per cent of Bulgaria's exports provides evidence that in spite of the country's extraordinary dependence on intra-Bloc trade, it is willing and perhaps eager to do business with the non-Communist world.

Canadian Sales to Bulgaria

Table I shows that trade relations between Canada and Bulgaria have already benefited from the trade agreement concluded by the two countries.

TABLE I
CANADA'S TRADE WITH BULGARIA*

	Exports to	Imports from
1960	\$ 491,180	\$ 6,095
1961	276,944	23,907
1962	388,267	33,790
1963	27,907	73,815
1964	19,238,565	113,870

*DBS figures.

Before 1963, Canadian exports to Bulgaria consisted of the commodities mentioned in the opening paragraph of this article. The 1964 figure includes the sale of 250,000 tons of wheat worth more than \$19 million, of which 150,000 tons were outside the wheat purchase commitment in the agreement. A further

order for 50,000 tons was placed with the Canadian Wheat Board in the early part of this year. Bulgaria's growing emphasis on cash crops at the expense of domestic wheat acreage in its agricultural development in order to earn hard currency favours continuing Canadian sales of wheat.

The Bulgarians are hoping to sell in Canada machine tools, materials handling equipment, (including electric fork lift trucks and hoisting machines), and food products.

The difficulty in expanding exports to Canada is simply the limited range of products required in quantity by Canadian industry and consumers. The Bulgarian trade office, originally located in Ottawa, moved to Montreal some time ago and sponsored the participation of Bulgarian foreign trade corporations in the National Production Show recently held at Toronto's Exhibition Park.

According to published Bulgarian views, Canada could sell certain

non-ferrous metals, complete plants for the paper industry, and specialty machines, plus a variety of other products. It would be unrealistic to expect a rapid rise in the assortment and volume of Canadian sales in the light of Bulgaria's dire need for convertible foreign exchange. Nevertheless, the goodwill derived from the trade agreement warrants paying greater attention to the establishment of closer commercial contacts, with long-term trade possibilities in mind. ●

Czechoslovakia Resumes Economic Advance

Economic reforms are being introduced and resulting improvement is already apparent. Trade with Western countries increased last year; sales to Canada reached a record. Our exports to the Czechs touched nearly \$55 million with wheat accounting for \$50.1 million.

W. J. COLLETT,
Commercial Secretary, Vienna.

THE steady decline in Czechoslovak economic growth was arrested during 1964 with a rise of 4.1 per cent over 1963 in gross industrial output, according to official statistics. The iron and steel industry stepped up output by 8.5 per cent, the chemical industry by 7.5 per cent, the power sector by 7.4 per cent, and the building industry by 6.7 per cent. Consumer goods output barely exceeded the critical level of 1963; foodstuffs went up only 1.9 per cent and other consumer products by even less. The only improvement in the agricultural situation was in cattle-raising. Otherwise agriculture was plagued by adverse weather and the con-

tinued inefficiency of the collectivized farm system, so that output fell short of the plan and achieved a mere 0.6 per cent rise over the previous year. Czechoslovakia had to import 2.2 million tons of grain, half of which came from Western countries and the rest mainly from the U.S.S.R. Total foreign trade improved by 8 per cent to reach a value of U.S.\$5 billion and a favourable balance of U.S.\$236 million.

Results of the first quarter of 1965 indicate a marked recovery in industrial production, particularly in the metallurgical, engineering, chemical and building industries.

The 1965 Plan

Although 1964 will probably be remembered in Czechoslovakia as

the year of the economic reform debate, 1965 is viewed as a transitional year of consolidation and retrenchment for full introduction of the new economic system under the proposed 1966-70 Five Year Plan. Cautious realism pervades the more modest objectives planned, with the following targets:

	Percentage Increase
Gross national product	4.3
National income	4.1
Industrial production	5.5
Agricultural production	no appreciable increase
Public services expenditures	4.0
Foreign trade turnover	10.0
Investment	8.0

Within the plans for industrial production, priority will be given to the chemical, metallurgical and engineering industries. Emphasis in the



Glass and ceramic products form an important segment of Czechoslovak trade and the latest technology is used in the production bay of this large porcelain works.

production of durable consumer goods and foodstuffs will be on improvement of quality and variety.

The Fourth Five Year Plan (1966-1970), which is still being prepared, is designed to stabilize the economy rather than move it forward significantly. Industrial and agricultural reform will be given priority, with a view to stimulating productivity and rationalizing consumption and costs. A critical labour shortage and a corresponding idle capacity in many plants, including new ones, are impeding a fast growth of the economy.

Economic Reforms Adopted

Dr. Ota Sik, Director of the Institute of Economics of the Czechoslovak Academy of Sciences, stated the main problems of production as "the accumulation of goods for which there was no demand and the inadequate satisfaction of the people's actual requirements." The primary aim of the new economic reform, he said, is to compel enterprises "to produce goods which are

in demand and to provide themselves with the revenue they need by selling them." The over-all plan will be a long-term one and will contain only basic directives, a delineation of long-term objectives, definition of trends in demand and supply, and an analysis of productivity and foreign markets. In this context the central authorities will formulate:

- (1) Long-range plans for 10 to 15 years, anticipating scientific and technological developments.
- (2) Five year plans providing a framework with regard to availability of manpower and raw materials, production costs, marketability, quality standards, competition, etc.
- (3) Annual plans which will outline more limited objectives and correct discrepancies in the light of experience.

The new economic planning, which is being gradually introduced this year, tends to eliminate deci-

sions based on subjective considerations. The reforms adopted include the granting of a substantial degree of independence to managers of enterprises; the movement of prices and wages in accordance with productivity, quality, supply and demand; the assessment of economic results of enterprises based on profits from operations rather than on attainment of quantitative targets, and the use of incentives by linking a portion of wages directly to the financial results of the undertaking.

Since the adoption of the new system, the Czech economy has improved considerably. The introduction of a limited price mechanism and the decentralization of controls have brought benefits to both consumer and producer. At the same time, economic progress has been achieved by entrusting the State Bank with the control of various economic activities, in particular investment policy. Furthermore, an intensive industrial reorganization is under way, aimed at a reduction of the large number of individual industrial units.

Foreign Trade

The recently published foreign trade returns for 1964 indicate considerable changes in the pattern of exports and imports. Exports totalled U.S.\$2.58 billion and imports U.S.\$2.44 billion. Because of heavy purchases of equipment, the rate of growth of imports was higher than that of exports. Imports from the West rose by 16.5 per cent but exports to this area rose by only 11.8 per cent. Exports to underdeveloped countries increased by 10.3 per cent, but imports declined by 1.9 per cent.

On the import side, the share of industrial equipment rose from 25.6 to 28.1 per cent, and that of raw materials, fuels and foodstuffs declined slightly. On the export side, the share of raw materials, foodstuffs and durables fell somewhat, and that of industrial equipment decreased from 47.8 to 47 per cent of total exports.

Last year's figures indicate a shift in the percentage of Czechoslovak trade carried on with various groups of countries.

	1963	1964
	(per cent)	
U.S.S.R. and socialist countries	74.6	73.2
Capitalist countries	16.2	17.9
Developing countries	9.2	8.9

As a result of a new agreement with the Soviet Union for 1965, the Czech economy will become more dependent on Soviet raw materials, particularly crude oil, iron ore, coal, cotton, flax, and sawn timber. The Czechs will supply the Soviet with agricultural machinery, cars, and earthmoving equipment. It is expected that the trade exchanges will double.

Czechoslovakia's most important trading partner in the West is West Germany. Total trade with Western countries increased last year and the aim is to achieve a continuing and even expansion in all directions. This depends a great deal on the results of the economic reforms and on improving the competitiveness of export products.

The commodity structure of Czechoslovak trade may not alter much during 1965. Nevertheless, the need for greater specialization is recognized and the production of certain high-cost items will cease altogether. Czechoslovak machinery, equipment and tools, in which much of the national resources has been invested, are meeting increased difficulty in Eastern European countries because of Western competition. The less developed countries may still provide some outlets, however.

As a part of the drive to develop a higher degree of efficiency among Czechoslovakian enterprises concerned with foreign trade, a new Commercial Bank of Czechoslovakia, Limited, was established in Prague at the beginning of this year. This bank deals with all foreign transactions and operates a new system of foreign currency allocations and purchases from abroad. Industrial concerns that have established a good record in exports and

TABLE I
CANADA'S TRADE WITH CZECHOSLOVAKIA

	1960	1961	1962	1963	1964
	(millions of Can.\$)				
Canadian exports (Wheat)	6.8	32.6 (23.2)	3.5	13.2 (10.4)	54.2 (50.1)
Canadian imports	6.6	8.4	9.0	9.2	12.8

can prove savings in imports of raw materials are entitled to special rewards. All foreign financial transactions of state trading enterprises are now conducted through this bank.

Trade with Canada

Next to the U.S.S.R., Czechoslovakia continues to be Canada's most important trading partner in Eastern Europe. Czechoslovak exports to Canada reached a record total of \$12.8 million in 1964 and Canadian shipments to Czechoslovakia last year also reached a post-war peak of \$54.2 million, of which wheat sales constituted \$50.1 million. This massive increase in wheat purchases was made within the terms of a five-year wheat agreement signed in October 1963. The agreement provides for a total of 1.2 million metric tons and it is expected that Czechoslovakia will continue to import wheat for a number of years.

The range of Canadian exports to Czechoslovakia is not broad: it includes barley, hides, flaxseed, copper, aluminum, synthetic rubber, asbestos, and a variety of textile machinery. Flue-cured tobacco achieved some prominence recently but it is not likely to become a steady seller. Chain saws and geophysical instruments have also been introduced into the market. None the less, purchases from Canada are confined mainly to raw materials and semi-finished goods.

On the other hand, Canada offers an outlet for many Czechoslovak consumer goods, especially textiles. Glass and glass products have a steady sale in the Canadian market; so do typewriters, musical instruments, and costume jewellery. Engineering equipment and machine

tools have long been a Czechoslovak specialty in world trade and it is in this area that it is hoping for a larger share of the Canadian market.

Because long-term planning of supply and demand has become a feature of commercial life in Czechoslovakia, Canadian suppliers would be well advised to develop closer contacts with an eye on this market as a long-term proposition. Each September an international trade fair takes place in the country's second largest city, Brno. Canadian businessmen, both exporters and importers, could find participation in this fair rewarding. ●

Japan Gets Highway Loan

THE World Bank has approved a loan of \$75 million to assist in financing the last section of the 335-mile toll expressway between Tokyo and Kobe. The expressway will be open to traffic over its entire length early in 1969 and will alleviate traffic congestion in the Tokaido region, one of the greatest concentrations of industry and population in the world.

The section of the expressway now being financed is part of a larger system extending from Nagoya to Tokyo. It will be a four-lane divided highway and will include up to six interchanges and two service areas.

Japan's road network, excluding municipal roads, exceeds 93,750 miles but less than 20 per cent is paved. The Government is taking measures to improve this form of transport and has approved an investment equivalent to \$11.4 billion in highway construction, improvement, and maintenance over the five years from 1964 through 1969. The general objectives of the program are to double the paved length of the general road network and to increase the expressway network from 52.5 miles to 494 miles. The Tokyo-Kobe Expressway is one of the priority projects in this program.



The Danube River is straddled by the cities of Buda and Pest which united in 1872 and now form the capital of Hungary. The city is the railway and highway centre, main river port and industrial heart of the country.

Hungary's Goals in 1965

This year sees emphasis on greater productivity in agriculture and industry, and on improved quality. Canadian exports have risen, chiefly as result of trade agreement concluded last year.

R. J. L. BERLET, *Assistant Commercial Secretary, Vienna.*

THE YEAR 1965 is the last one of Hungary's Second Five Year Plan and statistics show that most quantitative goals for five years were reached at the end of 1964. However, other aspects of economic development are giving some concern because these goals were achieved by using a much larger labour force and more material than was originally allotted. Consequently, the guiding principles for 1965 are strict economy in the use of manpower and emphasis on in-

creased productivity. Concurrently, the capital investment program for 1965 will be less than last year's 46.3 billion forints. Introduction of some form of profit motive into the economic system is being widely discussed but the extent and scope are still subject to deliberation and definition.

Industrial Productivity Stressed

According to the 1963 National Income Accounts, the latest complete data available, the industrial

sector provided 76 per cent of the national income, compared with only 50 per cent in 1949. The engineering industry has received priority during this period; so have the chemical, pharmaceutical, furniture and shoe industries. The value of industrial output has risen 38 per cent from the base year of 1960 to its 1964 level of 238 billion forints.

Highlights of 1964 included a 30 per cent increase over 1963 in output of electrical household appliances, 28 per cent in natural gas production, and 13 per cent in telecommunications equipment. However, there were also serious shortcomings, notably the stockpiling of raw and finished materials, with levels 50 per cent greater than in the 1960 base year. In an attempt

to rectify this situation, interest rates are being assigned on fixed and working capital, with little success so far. Hungarian officials attribute the build-up of inventory to sub-standard quality and outmoded design.

This year an attempt to revitalize the industrial sector by increasing productivity is under way. The situation in engineering has become critical because of Hungary's inability to find markets for products of its heavy industry in the Soviet Bloc, quite apart from delays and mounting costs in the delivery of essential capital equipment from the Bloc, particularly the U.S.S.R. The plan is to raise industrial production for 1965 by a comparatively small 4 per cent, with a larger increase in the chemical industry, especially the mineral oil and chemical fertilizer branches. The Plan calls for construction to begin on a new thermal power station, a bauxite strip mine, an aluminum rolling mill, and an extension to a nitrogen plant.

Agriculture Misses Target

Agriculture in 1963 contributed 21 per cent of the national income but the Plan targets have not been achieved, despite the fact that agricultural investment exceeded the share originally allotted. Output of wheat in 1964 reached two million tons. The area sown to fodder crops and oil seeds has risen steadily, indicating the emphasis on diversification and the building up of a livestock and animal-product industry. Fertilizer consumption is growing as rapidly as supplies permit.

The 1965 Plan calls for a modest rise in production of 1.5 to 2.0 per cent, with the chief emphasis on improving quality. Considerable effort is being made to maintain cereal crop yields, reduce administrative staff at co-operative farms, introduce a scheme of incentives for agricultural workers, and give more assistance to selected farms contributing to food exports. Almost half of the country's imports from the West are paid for by exports of food products.

However, there are already doubts that this modest rise will be achieved because of adverse weather this spring. Heavy flooding in mid-May, particularly in the western part of the country, delayed the sowing of sunflowers, sugarbeet, potatoes and corn.

Trade with West Rises

Approximately 70 per cent of Hungary's trade is conducted with other socialist countries. However, trade with the West, particularly the EEC countries, has increased 40 per cent since 1961 and the growth of trade with the Soviet Bloc countries has slowed down.

The Soviet Union, Czechoslovakia and East Germany are Hungary's leading trading partners, with West Germany, Italy, Austria, Britain and France the leading ones among the Western countries. Much of the non-socialist trade is carried on under trade agreements in which commodity quotas are frequently specified.

In 1964 Hungary's imports totalled 17.5 billion foreign exchange forints* and its exports totalled 15.9 billion. The trade deficit again increased over the previous year, as it has since 1961.

One-third of Hungary's exports consist of products from the machinery industry, with aluminum, bauxite, and agricultural products, (particularly beef cattle, dairy products, poultry and products of the vine) contributing substantially to the remainder.

Raw materials and semi-finished products constitute 58 per cent of imports. Newsprint, hides, natural and synthetic rubber, sulphur, cotton and wool are the chief commodities supplied by non-socialist countries. The most recent statistics indicate a stagnation in Hungarian/

*"Foreign exchange" forint means the inland forint value of foreign exchange obtained from selling export goods or used for purchasing import goods, calculated at the official middle rate of the National Bank of Hungary. (The official rate of exchange is 11.8 Hungarian forints equal one U.S. dollar.)

Western trade, not because of a serious slackening in Hungarian demand but because of lagging exports to hard-currency areas.

Trade with Canada

On June 11, 1964, Canada and Hungary signed a three-year Trade agreement, in which each extends most-favoured-nation treatment to imports from the other. In exchange for this, Hungary has undertaken to purchase in Canada a total of \$24 million worth of Canadian goods during the three years of this agreement, including 250,000 metric tons of Canadian wheat or flour equivalent. Last autumn Hungary made the first purchase of 100,000 tons of wheat under this agreement.

TABLE I
CANADIAN TRADE WITH HUNGARY

	Exports to	Imports from
	(Can.\$'000)	
1959	1,117	297
1960	931	337
1961	564	353
1962	350	417
1963	374	567
1964	1,910	761
1965	4,295 (4 mos.)	

Source: DBS

The figures show a steady growth in Hungarian exports to Canada. Tumbler and stemware glass or crystal accounted for about 26 per cent and bicycles and glass tableware also contributed appreciably. The Hungarian Trade Office opened in Montreal last November spearheads the drive to capture a larger share of the Canadian market.

Canadian exports to Hungary have run a more uneven course. The 1964 figure begins to show the effect of the trade agreement and the figures up to April 30, 1965, at \$4,294,601 (of which wheat accounts for over \$3.2 million) are already more than double last year's. Substantial quantities of sulphur have been delivered this year, as well as our traditional exports to the Hungarian market of copper scrap, asbestos, hides and skins, chemicals and poultry breeding stock.

As in other Bloc countries, trade fairs play an important role in the promotion of goods in the Hungarian market. Members of the foreign trade corporations as well as engineers, technicians and factory managers go to these fairs. The latter, although not in a position to order directly from Canadian firms, can often influence decisions. In the recent Budapest International Fair

one Canadian exhibitor, Hickory Industries of Canada Limited, sold the five electric commercial barbecuing machines it had on display and received inquiries for a substantial number.

Although there is no intention to balance the trade between the two countries, there is a pressing need for Hungary to earn foreign cur-

rency with which to make purchases in Canada. There is no doubt that Hungary is anxious to develop closer contact with Canadian firms with the intention of becoming a regular supplier and a steady customer for a broader range of products. The current trade agreement has given considerable impetus to this movement by providing an appropriate framework. ●

Rumania Diversifies Industries

Industrial production has risen at average rate of 15 per cent since 1959. Plan for 1966-1970 stresses chemicals and electric power, further diversification of trade, and more sales to West.

H. K. ROTT,
Commercial Assistant, Vienna.

RUMANIA is a country richly endowed with fertile arable land and considerable other resources, particularly oil, coal, iron ore, manganese and timber and with nine million people. Its prewar economy was largely based on agriculture and oil. A charter member of the Council for Mutual Economic Aid (CMEA), the counterpart of the West's OECD, it has assigned to it under the CMEA plan for division of labour among member countries the task of increasing agricultural production and of developing its petrochemical and agro-chemical industries. In recent years Rumania chafed under this restriction and by diversifying its industrial production, demonstrated the difficulty of reconciling national interests with intra-Bloc specialization. Its foreign trade continues to be heavily oriented towards its CMEA partners but it is making great efforts to establish closer relations with actual and potential trading partners in the

Western world. The value of Canadian exports to Rumania in the last few years has fluctuated but has consistently out-distanced the figure for Rumanian sales to Canada.

GNP Rising Steadily

There can be no doubt that the Rumanian economy made rapid progress in the postwar period and in most years since 1959 has reportedly had the highest growth rate among CMEA countries.

The year 1964 was the second last covered by the current Six Year Plan. According to Rumanian Central Statistical Office figures, industrial output in 1964 rose 14 per cent and the average growth rate between 1960 and 1964 amounted to 15 per cent a year, 2 per cent more than envisaged by the Plan. By the end of last year the steel and engineering industries had reached the production level planned for 1965. Particularly high growth rates were registered for chemicals, pulp and paper (24 per cent), power (19 per cent), steel and machinery (18 per cent). Oil production increased

only 1 per cent to 12.4 million tons but the output of steel rose 12 per cent to over 3 million tons, natural gas 13 per cent to 11,400 cubic meters, plastics 55 per cent to 47,000 tons, and tires 31 per cent to 1.2 million units.

No precise data have been published on agricultural production but it is reported to have been higher in 1964 than in 1963 and sufficient to cover domestic requirements. In the period from 1960 to 1964, yearly average production of grains reportedly amounted to 10.3 million tons against an average of 9.2 million a year from 1955 to 1959. Yearly production of sunflower seed in these two planning periods rose from 314,000 to 495,000 tons and that of sugar beet from 2.1 million to 2.9 million tons. These increases are credited to a greater use of chemical fertilizers and the increasing mechanization of farming.

Animal production is said to have exceeded the results achieved in 1963, particularly in supplies of milk, wool and eggs.

The impressive growth of production over the last ten years stems from an economic policy which features a low level of consumption, a high rate of investment, and a strengthening of foreign trade. Low consumption, industrial wages and production costs, plus expanding foreign trade, allow Rumania to maintain the highest rate of investment within the CMEA area.

Investment policy is closely geared to the need to import capital goods. Heavy equipment required for long-term projects such as electrification and mining is imported on a barter basis from CMEA partners and high-quality equipment needed for the diversification of industry is bought from Western countries, usually in convertible currencies. The products of new industries are largely sold on Western markets.

Current and Future Plans

In addition to long-term plans setting out broad goals for a number of years, there is a detailed annual plan. Compared with 1964, Rumanian industrial output this year is to rise 13 per cent. New capacities will result from the commissioning of additional power stations, coal mines, copper ore mines, synthetic fibre plants at Braila and Savinesti, new chemical fertilizer factories, a large refining combine at Onesti, lead and zinc works at Copsa Mica, and a wide range of plants for the production of food, textiles and garments.

A new Five Year Plan covering the period from 1966 to 1970 is now being discussed. The draft sets the goals somewhat lower than the expiring Six Year Plan, but they are still impressive. The main emphasis is on the chemical sector, which will undoubtedly assist agriculture, where performance in the past few years appears to have fallen short of planned targets. Electric power developments will also be stressed. The most important scheme, (which has already been started) is the construction of the giant Iron Gates hydroelectric power station in co-



In the past Constantza was the port from which agricultural products, then the mainstay of the economy, were shipped. Today manufactures predominate.

operation with Yugoslavia. When completed in 1970, it will be the second largest installation of its kind in Europe.

Foreign Trade

Rumania is greatly interested in promoting its trade relations with foreign countries and, as a matter of fact, the development and diversification of its economy hinge on its ability to import crucially needed raw materials and machinery. Although it conducts most of its trade on the basis of bilateral trade and payments agreements, it is one of the few countries in the Soviet Bloc which earns sufficient quantities of convertible foreign exchange. It is thus able to import some of its needs from hard currency countries without resorting to barter. An important factor is that it recently established attractive resort areas along the Black Sea coast and opened its doors to Western tourists.

Unfortunately there are no figures at present on Rumania's commodity trade in 1964. From 1951 to 1963 the average annual increase in the

total volume of exports and imports amounted to 11.8 per cent. In 1963 imports totalled Lei 6,132 billion (\$1,026 million) and exports Lei 5,490 billion (\$915 million). At the same time, the direction and commodity content of this trade have been changing. In 1958 Communist countries had a 77.8 per cent share (the Soviet Union 51.5 per cent) while non-Communist countries accounted for 22.2 per cent. The corresponding figures for 1963 were 67.8 per cent (the Soviet Union 41.8 per cent) and 32.2 per cent, a change which reflects Rumania's growing diversification of trading partners. With industry replacing agriculture as the leading sector of the economy, industrial goods are now said to con-

TABLE I
CANADIAN TRADE WITH RUMANIA

	Exports	Imports
	(Can. dollars)	
1960	1,325,956	83,945
1961	1,036,714	261,239
1962	513,804	58,561
1963	1,274,940	123,734
1964	539,646	81,541

FOREIGN TRADE

stitute more than 80 per cent of exports. Engineering and metallurgical products, chemicals and consumer goods form the bulk of Rumanian sales abroad. On the import side, machinery, plant equipment, fuel, mineral raw materials and metals are the items of greatest interest.

Canadian Trade with Rumania

Exports to and imports from Rumania have always been on a modest scale and in prewar years usually amounted to a combined total of less than \$200,000 a year. Table I shows that there has been some improvement, even though there have also been considerable fluctuations.

In 1964 nickel, poultry breeding stock, and wool rags and waste formed the major part of Canadian exports to Rumania. Imports from that country consisted primarily of cheese, sheet glass, walnuts and footwear. In the light of Rumania's plans for a further expansion of its industries, there are opportunities for Canadian sales of industrial raw materials, particularly base metals, and machinery and equipment. There are also opportunities for sales of agricultural products such as livestock and poultry for breeding purposes. Canadian engineering companies may be able to obtain a share of the contracts for the construction of new industries, although this would undoubtedly involve long-term financing.

Future Canadian trade with Rumania, which is currently handicapped to some degree by the lack of a trade agreement, may conceivably benefit from the changes likely to take place in Rumania's economic system. Rumanian economists, like those in many other CMEA countries, have for some time been thinking about the desirability of loosening the tight reins of the present "command economy". Regardless of the timing of such a development, active interest by more Canadian firms in trade with Rumania should not be delayed. ●

AUGUST 7, 1965

Yugoslavia Modifies Policies

The Social Plan for 1965 emphasizes more consumer spending and rise in living standards; far-reaching economic reforms expected to be made public shortly. Canada's sales reached a record \$5.4 million last year, with emphasis on raw materials.

W. J. COLLETT, *Commercial Secretary, Vienna.*

PRESIDENT TITO has described Yugoslavia as a moderately developed country. It is certainly a land of contrasts, with a unique mixture of foreign trade dominated by state enterprises, interspersed with free enterprise competition. The Yugoslav economy is centrally directed, with all economic functions determined by the Federal Institute for Economic Planning. In practice, however, a degree of decentralization and competition among various enterprises has been introduced and encouraged, even in the field of investment financing. Economic developments in 1964 demand that more attention be directed to greater rationalization of industrial development and production, with the Social Plan as the constant guide.

At the moment, a far-reaching economic reform is in preparation, accompanied by a devaluation of the currency by 60 to 70 per cent. This report therefore discusses chiefly conditions during the past year and does not go into much detail about plans for the future.

Production Picture in '64

National product (GNP minus services) in 1964 increased at the rate of 12 per cent in volume, the

same growth rate as in 1963. This was largely attributed to a rise in industrial production of 16 per cent against the planned 11 per cent, within which the following industries showed impressive gains: electrical engineering, tobacco, metalworking, paper, leather and footwear, rubber, and chemicals. The basic industries of electric power, coal and non-ferrous metals fared less well.

Agricultural output stagnated in comparison, with a growth of 4 per cent against the planned 7 per cent. The corn crop of 6.8 million tons plus above-average pasture conditions and forage production alleviated desperate feed shortages and permitted a substantial build-up in livestock numbers. Rye, barley and oat crops all exceeded 1963 levels. Tobacco production rose 40 per cent to 70,000 tons; the sugar beet harvest reached a record 2.8 million tons.

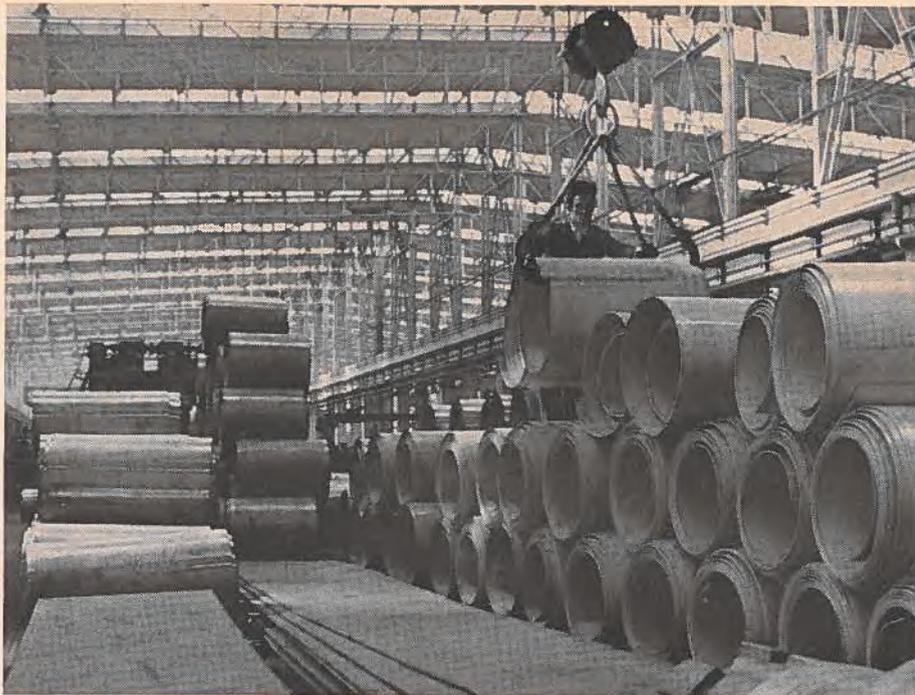
Wheat production, on the other hand, suffered seriously from drought and reached only about 3.7 million tons of below-average quality. Although Canada supplied 200,000 tons of wheat in 1963, Yugoslavia took advantage of PL 480 U.S. supplies for its imports this past year. It agreed to take 1.2

million tons, of which 350,000 are to be provided on 17-year credit terms, 700,000 on 12-year credit and the remainder on three-year credit. Prospects for Canadian wheat sales appear marginal at best as long as Yugoslavia is not in a position to open up its market to commercial offers. Its 1965 wheat crop is not likely to reach the level of 1964 because rainy weather seriously delayed planting and restricted wheat acreage sown to 20 per cent below that of the previous season. Problems in agriculture still centre on lagging farm income and the need for greater mechanization and greater use of fertilizers.

Inflation Becomes Problem

The rapid economic development has strained financial resources and physical supplies. To improve the standard of living, steps were taken to raise personal incomes, which in fact went up 25 per cent in nominal terms and 12.5 per cent in real terms. Accelerated credit purchasing, added to larger disposable incomes, did much to generate excessive demand and a definite inflationary spiral. The cost of living, with a steep rise in the last half of 1964, advanced an average of 12 per cent over 1963, with price increases most pronounced in food, light and heat, and clothing. According to official figures, the cost of living went up another 6 per cent in the December-February period alone.

To meet this demand, forces of both 'push' and 'pull', and needs arising out of the disastrous Skopje earthquake in 1963, heavy investment outlays totalling 1,885 billion dinars or about \$2.5 billion were required—29 per cent over 1963 investments (10 per cent planned). The most dynamic sectors for investment were construction, transport, trade and entertainment. At the same time, imports had to be increased substantially to fulfil these investment plan requirements and the marked demand for necessary consumer goods. Imports rose 24



Copper sheets produced by this rolling mill at Sevojno, the largest in Yugoslavia, are used by many of the country's factories. Various copper goods are made chiefly from local materials but copper scrap is an important import from Canada.

per cent and exports by only 11 per cent. The resulting year-end trade deficit of \$415 million contributed to an unfavourable balance of payments.

Investment Restricted

Current account deficit is reported to have reached \$215 million, covered largely by short-term borrowing, U.S. PL 480 credits, a World Bank loan of \$70 million, and a further lowering of the gold and foreign exchange reserves to an estimated \$80 million, equivalent to about three to four weeks' imports. With little prospect of eliminating the balance-of-payments deficit this year or next and faced with growing external debt obligations, Yugoslav authorities appear determined at least to hold the line. Toward that end, investment expenditures were restricted last October, with a general reorientation of these investments to give priority to export industries and consumer goods and services. The proposed 1965 Social Plan incorporates an over-all de-

crease of 3 to 4 per cent in investments. Specific measures to arrest mounting inflationary trends include:

- (1) Limitation of credit in order to reduce demand for both investment resources and consumer goods.
- (2) A linear price-freeze as of March this year. Imports are also being tied more closely to essentials and particularly to their use in generating exports. The tourist industry, which netted more than \$90 million last year, continues to receive preferred treatment in efforts to bridge the gap.

Although 1964 can be described as a year of dynamic growth and intensive investment, development of various sectors of the economy has been somewhat erratic. A greater balance must be achieved before stability can become permanent. That is the challenge of the Social Plan of 1965 and the remainder of the Seven Year Plan extending to 1970.

One of the main characteristics of the 1965 Social Plan is the emphasis on redistribution of national income in favour of consumer spending and the standard of living. A 9 per cent increase in real personal income is envisaged, based on increases of 7 per cent in productivity and 3.5 per cent in the labour force. The projected rate of growth remains high, at about 9 per cent. By cutting credit funds of the specialized banks and federal sources, investment in productive capacity is to drop by 4.6 per cent. It is expected that sectors of the economy most critically affected by the decrease in federal funds will be agriculture, export financing, transport, and power and metallurgical construction projects. The need to improve the balance of payments and reduce the growing trade deficit is apparent throughout the Plan. Imports are to be more closely tied to exports by means of contracts between the exporting enterprises and the National Bank, which controls all foreign currency. The new law on banking and credit is designed to incorporate a more realistic assessment of actual investment needs as determined by the producers themselves, and greater control of credit. Decisions on the use of available investment funds form part of the Plan for extended decentralization of economic activity.

The Plan does not spell out specific areas of development but public discussions bear out the mammoth effort needed to keep imports down to those essential to boosting output of export industries in the immediate future. One definite area of concern is the shortage of power generation facilities, which forced heavy imports of electric power last year and an expected expenditure of \$15 million on imports of electricity and coal this year.

The overriding purpose of this year's Plan is basically to inject some stability into the economy, to reduce the growing external debt, and to advance the standard of liv-

ing. Developments in the next few months should reveal the degrees of success attained in co-ordination of planning and production to support the Plan's aims.

Yugoslavia's Trade Pattern

Yugoslavia is a temporary member of GATT and has plans to attain full membership. Earlier this year, it also became an active partner, or associate member, for the first time of the Eastern Bloc's Council for Mutual Economic Aid (or CMEA), and will participate in the fields of foreign trade, foreign exchange, ferrous and non-ferrous metals, chemical industry, and research.

Yugoslavia's foreign trade, unlike that of the East European Bloc members of CMEA, is carried on primarily with capitalist countries. Western Europe took 42 per cent of its total exports of \$893 million in 1964 and supplied more than 40 per cent of its total imports, valued at \$1.32 billion. The

U.S.S.R. and Eastern Europe accounted for 34 per cent and 29 per cent respectively compared with 26 and 23 per cent in 1963. This decided rise in the share of trade with these CMEA countries has taken place largely at the expense of Western Europe. This year should reveal continued East European progress as a result of new trade agreements and also the signing of the CMEA association agreement last year. Nevertheless, Italy maintained its position as Yugoslavia's largest trading partner, followed by the United States, the U.S.S.R., West Germany and Britain, in that order.

Consumer goods and raw materials dominate Yugoslavia's exports, with notable successes in tobacco, refractory materials, agricultural machinery and furniture. Imports centred on raw materials, semi-finished goods and capital equipment, which will undoubtedly take a smaller share this year because of the cutback in investments. The

TABLE I
CANADIAN TRADE WITH YUGOSLAVIA

	1961	1962	1963	1964
	(Can.\$'000)			
Exports to				
Wheat, except seed			14,978.4	
Flaxseed			431.3	1,196.2
Wood pulp	322.6	125.8	449.7	1,172.1
Asbestos	498.0	212.6	401.8	1,107.7
Plastic and synthetic rubber	90.0	102.1	343.3	587.9
Pig iron		57.2	69.0	315.5
Copper scrap	13.4	245.3	588.9	311.6
Milk powder, skim				146.4
Aircraft assembly parts	396.5	62.2	39.5	84.1
Sausage casings		12.0	17.6	54.7
Ice skates		5.9	9.7	21.1
Others	814.4	176.2	189.4	446.1
Total	2,134.9	999.3	17,518.6	5,443.4
Imports from				
Magnesia	245.0	132.1	129.0	364.2
Furniture and other materials		340.3	269.8	257.3
Cotton yarns and threads	131.6	211.2	144.9	230.4
Footwear n.o.p.		70.7	154.1	205.1
Skis, racquets, frames	137.7	172.9	214.7	160.6
Mercury	171.6	93.5	50.2	132.7
Broom corn		11.9	11.2	101.6
Manufactures of wood	70.4	52.4	89.5	16.9
Others	908.7	716.4	779.2	1,131.6
Total	1,665.0	1,801.4	1,842.6	2,600.4

Plan calls for a switch of emphasis within Yugoslav industry from investment to consumer goods production. Such a manoeuvre takes time, and the prospect for the next year or so is a rise in imports of consumer goods to meet the existing demand.

Trade with Canada a Record

Canadian exports to Yugoslavia continue to feature basic raw materials and semi-finished goods. With the exception of a 200,000-ton wheat sale in 1963, our major exports over the past three years have been wood pulp, flaxseed, asbestos, copper scrap, pig iron, synthetic rubber and sausage casings. Exports in 1964 reached a record \$5.4 million and were diversified. Indications are that Yugoslavia will be in the market for even

more flaxseed, pig iron and copper scrap.

Canadian imports from Yugoslavia also reached a record of \$2.6 million and consisted chiefly of magnesia, mercury, furniture, skis, broom corn, footwear, and cotton yarns. Yugoslav canned meats, fruit preserves and wines, which are selling well in Western Europe, have yet to be discovered by Canadian consumers. For the first time, a Yugoslav engineering enterprise was successful last year in securing in open international competition a major contract worth \$4.5 million for deep grouting work on a river development project in British Columbia. No one expects a lightning rise in Canadian purchases, but as this trend continues, Yugoslavia's ability and desire to buy from Canada will be enhanced.

Recently the Federal Economic Chamber created a new section expressly to foster and develop closer economic co-operation between Yugoslavia and Canada and the United States.

Until Yugoslavian balance-of-payments difficulties are resolved and greater economic stability achieved, Canadian opportunities will tend to be limited to essential goods, such as equipment in the fields of pulp and paper, forestry, electric power, and mining. This does not rule out a continuing need for industrial chemicals and base metals, plus any item that would support higher productivity. Although more emphasis is being placed on consumer goods, there are limitations on the range of products in which Canadian firms may be competitive. ●

How to Trade with Yugoslavia

The exporter who wishes to sell in Yugoslavia must understand the current import control system and the organizations concerned with trade, and decide upon what method of representation to use.

W. J. COLLETT,
Commercial Secretary, Vienna.

YUGOSLAVIA'S trading system is complex. Until 1961, the over-all direction of foreign trade was effected by a system of varying foreign exchange rates (coefficients) designed to encourage trade in the desired directions. During that year this complicated and cumbersome procedure was replaced by a uniform dinar exchange rate (750 dinars to the U.S. dollar) and a customs tariff based on the Brussels nomenclature.

The current Yugoslav import control scheme classifies commodities according to various degrees of

liberalization and has several import licensing provisions. Effective control over imports remains with the Yugoslav Bank for Foreign Trade. This institution allocates foreign exchange in line with the over-all economic plan as conceived by the Federal Planning Institute and effected by the various Ministries, notably the Ministry of Foreign Trade.

The import scheme classifies commodities into five categories:

- (1) Free or liberalized items
- (2) Products which may be imported on the basis of "liberalized licences"

- (3) Commodities subject to quotas
- (4) Products which may be imported on the basis of "restricted import licences"
- (5) Those commodities not included in categories (1) to (4) and for which "general import licences" may be obtained.

In products falling within categories (1), (2) and (5) the economic organizations have considerable freedom in making purchase decisions. Approximately one-half of total Yugoslav imports are in these three sections. Categories (3) and (4) involve a greater degree of control



Several Yugoslav industries showed impressive gains in production in 1964, an average of 16 per cent compared with a planned 11 per cent. One of them was tobacco and here workers bring in part of the 1964 harvest which rose by 40 per cent.

and include a large number of strategic raw materials and consumer products.

Economic Organizations

There are three basic types of Yugoslav economic entities with which the Canadian exporter should be familiar:

- (1) An export-import enterprise
- (2) An agency representation firm
- (3) A producing or distributing enterprise.

The first two are directly involved in foreign trade and the third is concerned with internal manufacturing or purchasing. Its foreign transactions are carried out by the export-import firms. For simplicity, the many co-operatives in Yugoslavia are included under group (3).

In this system, when the manufacturing firm or wholesaler, exercising its right to specify a particular brand, makes a request for a foreign commodity, it is the responsibility of the export-import enterprise to purchase it on the best possible terms. This enterprise must first obtain from the Yugoslav Ministry of Foreign Trade an import licence

and/or permit to buy the necessary foreign exchange. At the start, therefore, it is important that the end-users are made aware of the products available. To facilitate the whole process, a good contact with responsible officials of the export-import firm is extremely useful.

Yugoslav Agencies

Because it is normally difficult for Canadian businessmen to spend sufficient time in Yugoslavia to establish useful contacts and to make their products known to the manufacturers or wholesalers using these, the appointment of a Yugoslav agency firm (of which there are approximately 40) for promotion purposes is often useful and advisable. These Yugoslav agency representation firms are not allowed to import for their own account but merely act on commission for foreign principals. They will approach both end-users and export-import enterprises, introducing the products of their principals and promoting sales. They are permitted to carry consignment stocks and to provide follow-up service and technical assistance, which is most useful for certain commodities in which we compete with European

firms that have the advantage of proximity. The agencies may also obtain the right to re-export products to third countries provided that they have the agreement of their principals. In addition, certain of them have been designated to import goods up to a certain percentage of their foreign exchange earnings, provided that these items are used to increase exports.

The "European Agent" Approach

Another method of approaching the Yugoslav market is being successfully employed by several Canadian firms. This is the appointing of an agent resident in Vienna (or another Western European city) who specializes in sales to Yugoslavia and other Eastern European countries. These representatives normally take on a number of related products and visit end-users as well as export-import firms in Yugoslavia regularly. In addition, these firms are often in close contact with Western traders (many of whom are located in Vienna), who are able to arrange "switch" transactions and three-cornered barter arrangements, with payment in hard currency to the Canadian exporter. These arrangements have been used extensively by suppliers of basic metals, certain electronic equipment, pulp and paper products, and industrial equipment.

Extend Life of Bamboo

A MODERN PLANT for preserving and seasoning lumber and bamboo will be built at Juri in the Sylhet district of East Pakistan. The project is sponsored by the Forest Industrial Development Corporation.

The normal durability of bamboo is between two and three years. Bamboo treated at the plant is claimed to have a life of approximately 15 years. The plant when it goes into production will provide low cost and durable housing material for the lower income groups in rural and urban areas of the province—Karachi.

Canada's Trade Relations with Eastern Europe

Canada now has trade agreements with six of the Soviet Bloc members and trading interest has been heightened by their large purchases of our wheat. Selling to these state-trading countries demands special techniques, but these are not difficult to acquire.

C. R. D. KELLY,
European Division.

ONE of the notable features in the development of international trade over the past decade has been the increase in Soviet Bloc participation. This movement has received impetus in the 1960's and most Western nations are now striving to take advantage of it in their trade. Although traditionally Canada's trade with this area was unimportant, recent massive increases in exports of Canadian wheat have altered the situation. In addition to their commercial value, the wheat sales have aroused interest in other Canadian commodities. The present situation is that trade agreements negotiated in 1963 and 1964 have assured continued wheat sales to a number of individual Bloc countries, that new markets for Canadians are opening up, and that the range of East European exports is broadening.

At present, Canada has trade agreements and exchanges most-favoured-nation (MFN) treatment with all of the Bloc countries except Albania and Rumania. The following paragraphs outline briefly our trade relations with the individual countries.

Bulgaria

On October 8, 1963, Canada and Bulgaria concluded a three-year trade agreement providing for the exchange of MFN treatment. A notable feature of the agreement is

the Bulgarian commitment to purchase a minimum of 11 million bushels of Canadian wheat or flour equivalent during the period of the agreement. In addition, it was agreed that trade offices might be opened both in Canada and Bulgaria to explore the markets and promote trade.

Czechoslovakia

Trade relations between Czechoslovakia and Canada are governed by the General Agreement on Tariffs and Trade, to which both countries acceded in 1948. In addition, a Convention of Commerce of November 14, 1928, between Canada and Czechoslovakia provides for an exchange of MFN treatment. On October 29, 1963, a five-year agreement was signed under which Czechoslovakia is to purchase a minimum of 44 million bushels of Canadian wheat.

Hungary

The three-year trade agreement between Canada and Hungary concluded on June 11, 1964, was the first such agreement in the postwar period. It was based on the exchange of MFN treatment. At the same time, Hungary made a commitment to purchase Canadian goods to a total value of \$24 million (including 9.2 million bushels of wheat or flour equivalent or minimum of 4.6 million bushels of wheat and/or flour equivalent and maximum of 5.7 million bushels of feed barley). In addition, the agree-

ment provided that trade offices might be opened both in Canada and in Hungary for market exploration and trade promotion.

Poland

Canadian-Polish trade relations are governed by a Convention of Commerce effective August 15, 1936, which provides for the exchange of MFN treatment. The participation of Poland in GATT since 1960 under a special GATT declaration of November 9, 1959, further strengthens these relations. Since 1955, Poland has regularly bought Canadian wheat, and on November 5, 1963, Poland and Canada signed a three-year agreement providing for the purchase by Poland of 44 million bushels of Canadian wheat.

Rumania

Formal trade relations between Canada and Rumania lapsed during the Second World War and have not yet been renewed. Goods from this country are consequently still subject to the Canadian general tariff. Preliminary discussions have been held with Rumania on the possibility of negotiating a trade agreement between the two countries.

U.S.S.R.

Formal trade relations between Canada and the Soviet Union were terminated in 1927 and were not renewed until February 1956. In addition to the exchange of MFN

treatment, the three-year agreement provided for further Soviet purchases of between 1.2 and 1.5 million metric tons of Canadian wheat. This agreement was renewed for a three-year period on April 18, 1960, and again on September 16, 1963. The extension of 1963 included a commitment to buy 5.3 million long tons of wheat, 500,000 long tons of wheat or flour equivalent, and 575,000 long tons of flour. On October 26, 1964, the Soviet Union purchased 250,000 tons of wheat and 25,000 tons of flour above the original commitment.

Yugoslavia

Canada exchanges MFN treatment with Yugoslavia under the Trade Agreement Act of June 11,

1928, which accepted Article 30 of the United Kingdom-Serb-Croat-Slovene Treaty of Commerce and Navigation of May 12, 1927. Yugoslavia's associate membership in the GATT has further strengthened these relations. Although it has a socialist economic system, the country's foreign trade is conducted more along the lines followed by Western countries.

Albania

There is no trade agreement with Albania and its imports into Canada are subject to the Canadian general tariff. Trade is negligible except for occasional sales of Canadian wheat.

Wheat Is Leading Export

Statistical tables on Canada's trade with East European countries

(2 per cent of our total world trade) indicate expansion on both sides; the main feature is an unprecedented increase in exports of Canadian wheat. In 1963, out of total exports of \$194 million to Eastern Europe, 91 per cent consisted of wheat. By 1964, this had increased to 94 per cent. Sales of other Canadian goods, however, have fluctuated considerably from one year to another and no clear trend is visible. This reflects both the non-complementary aspects of the Canadian and East European economies and the special aspects of dealing with state-controlled economies. Recently both of these limiting factors have become somewhat less apparent and the result has been the possibility of expanding trade with Eastern Europe.

Doing Business

Canadian businessmen interested in this trade will find some knowledge of the special features of doing business with the countries of Eastern Europe desirable. The Western businessman, for example, negotiates with state trading organizations and has little direct contact with the end-users of his products. In addition, the state trading organizations often prefer two-way transactions in which their purchases of goods are matched by equivalent sales of their own products. Canadian export-import firms can handle this type of transaction, but it can become complicated for the individual exporter.* Familiarity with these and other aspects of the state trading systems (such as knowledge of the present needs of the trading organizations) is of primary importance to the businessman wishing to sell to Eastern Europe. Visiting these countries and attending one or more of their trade fairs can be a useful preliminary to the development of business transactions.

*For a more detailed coverage of negotiations of this kind see the article in *Foreign Trade*, May 2, 1964, "LKP Sells to Communist Countries".

TABLE I
CANADA'S EXPORTS TO THE SOVIET BLOC

Country	Export Totals			1964 Exports		1964 Imports	Balance 1964	
	1954	1960	1964	Grain	Others		Total	Excluding Grains
Albania			10,873	10,872			10,873	
Bulgaria	8	491	19,239	19,238	1	114	19,125	113
Czechoslovakia		6,767	54,230	50,105	4,125	12,847	41,383	8,722
East Germany		994	11,739	11,687	52	1,473	10,266	1,421
Hungary	35	931	1,909	1,086	824	761	1,149	63
Poland	558	17,665	62,653	55,351	7,302	9,280	53,373	1,978
Rumania	74	1,326	540		540	82	438	458
U.S.S.R.	4,854	8,233	315,943	311,471	4,371	3,808	313,134	1,563
Total	5,529	35,407	477,126	459,911	17,215	27,365	449,761	10,150

TABLE II
PERCENTAGES OF TOTAL CANADIAN EXPORTS TO SOVIET BLOC
BY COMMODITY GROUPS

Commodity Groups	Year	Bulgaria	Czechoslovakia	Hungary	Poland	Rumania	U.S.S.R.
Grains and derivatives	1962	....	11	....	76	....	....
	1963	....	84	3	69	....	98
	1964	100	95	57	70	....	99
Industrial raw materials	1962	....	82	....	24	43	41
	1963	....	14	....	27	88	1
	1964	....	4	....	21	55	1
Machinery and equipment	1962	....	1	....	....	42	41
	1963	....	1	....	3	....	6
	1964	....	1	....	2	5	....
Consumer goods and livestock	1962	....	....	....	....	2	....
	1963	....	....	....	....	3	....
	1964	....	....	....	....	36	....

Albania is not included because trade was negligible in these years.

In conclusion, there are good possibilities for developing trade with Eastern Europe in a number of fields. These countries have recently indicated interest in machinery and plant equipment which is not readily available in the Bloc and which is needed for the expansion and diversification of their own productive capacity. Their traditional demand for certain base metals and other industrial materials is also expected to continue. Canadian businessmen, if they are prepared to negotiate with confidence, patience and ex-

perience, can take advantage of these markets and arrange profitable business transactions. As the Minister of Trade and Commerce pointed out in Toronto on April 6, 1965, "East-West trade is a field for Canadian importers and exporters to demonstrate their initiative and enterprise."

Help from the Service

The Department of Trade and Commerce in Ottawa and the Trade Commissioners responsible for trade promotion in the East European

countries can provide businessmen interested in trading with these countries with information and advice. At present, the Canadian Commercial Secretary in Moscow is responsible for the U.S.S.R., the Canadian Minister-Counsellor (Commercial) in Vienna has responsibility for the promotion of Canadian trade with Albania, Bulgaria, Czechoslovakia, Hungary, Rumania and Yugoslavia, and trade promotion in Poland is entrusted to the Commercial Counsellor in Copenhagen. ●

TRADE COMMISSIONERS ON TOUR

In Canada

The following officers are undertaking tours of business centres throughout Canada as detailed below. Businessmen who wish to see them should get in touch with the Board of Trade or Chamber of Commerce in the cities mentioned, with the following exceptions: Toronto, Canadian Manufacturers Association; Windsor (Ontario), Greater Windsor Industrial Commission; St. John's, Halifax, Montreal, Ottawa, Winnipeg, Edmonton and Vancouver, Department of Trade and Commerce; Fredericton, Department of Industry.

Belgium—L. H. Ausman, Commercial Counsellor in Brussels:
Montreal—September 7-15

When he completes his tour, Mr. Ausman will be posted to London, England, as Minister (Commercial).

Britain—Finlay Sim, Trade Commissioner in Glasgow, Scotland: Toronto, Hamilton, Cooksville, Montreal—September 9-15.

Hong Kong—N. R. Gish, Assistant Trade Commissioner in Hong Kong:

Montreal—August 9-12

Malaysia—Philip Stuchen, who has been seconded to the Trade Commissioner Service from the Economics Branch and posted to Kuala Lumpur:

Edmonton—August 11 Vancouver—August 13-19
Calgary—August 12

United States—W. J. Millyard, Consul and Trade Commissioner in Philadelphia:

Quebec City—August 12 Montreal—August 13-20

Venezuela—W. D. Wallace, Commercial Counsellor in Caracas:

Montreal—Aug. 9-12 Winnipeg—Aug. 23
Quebec City—Aug. 13 Edmonton—Aug. 24-25
Toronto—Aug. 16-20 Vancouver—Aug. 26-Sept. 3

When he completes his tour, Mr. Wallace will be posted to London, England, as Commercial Counsellor.

Temporary Duty in Ottawa

Norman Gish, Assisant Trade Commissioner in Hong Kong, August 9-13. Contact Commonwealth Division, phone: 992-2421.

Finlay Sim, Trade Commissioner in Glasgow, Scotland, August 5-12. Contact Commonwealth Division, phone: 992-2421.

In Territory

British Honduras—P. Ho Fatt, Commercial Assistant in Kingston, Jamaica, will visit British Honduras August 15-21.

Mozambique—S. B. McDowall, Assistant Trade Commissioner in Johannesburg, South Africa, will visit Lourenco Marques August 30-September 3.

Norway—B. G. R. Barton, Commercial Assistant in Oslo, will visit Trondheim August 19-20.

J. E. Lancaster, Commercial Secretary in Oslo, will visit Bergen August 26-27 and Stavanger August 30-31.

Businessmen who would like these officers to undertake assignments for them should write to them at their posts as soon as possible.

FAIRS AND EXHIBITIONS

Paris Air Show Pays Off

"How was the show?"

"Great."

"Did you make any sales?"

"No."

"Well, then, would you say that your part in the show was a success?"

"Absolutely!"

THIS rather odd conversation between a Trade Commissioner and an executive of a company exhibiting at a trade fair could probably take place only after the Paris Air Show.

This annual showcase for the world's aircraft industries is generally considered the most important exhibition in its field and Canada last participated in it in 1963.

Exhibitors at a show like this do not expect to make on-the-spot sales; they are more than satisfied with inquiries. Aerospace industry executives are a clear-eyed, hard-headed lot who won't reach for a cheque book before they are absolutely sold on the product.

This year saw 16 Canadian companies showing products ranging from parachutes to doppler navigation systems, from transceivers to complete aircraft. In their participation, sponsored by the Department of Trade and Commerce, the Canadian firms competed with 450 other manufacturers from 15 countries for the attention of about a million visitors, many of them from the armed services of other countries. Because of the large percentage of military personnel among the visitors, more than sixty RCAF officers both from Canada and from Canadian bases in France were on hand to help explain the various systems and products.

Three Canadian Air Force planes, the *Caribou*, *Argus* and *Tutor*, and a Canadian-built *Buffalo* gave daily demonstrations over Le Bourget. Another Canadian aircraft, the CF-104, was in static display and was examined by thousands of visitors.

Although all the Canadian stands attracted a great deal of interest, the most effective selling tool, said officials, was a series of five hour-long briefing sessions

Capitaine R. Monguilan (left), of the French Air Force and Wing Commander R. T. Keill (centre), of the RCAF examine a model of the CL 41G held by Mr. J. Robinson of Canadair, one of the exhibitors at the Paris Air Show. In all, 16 Canadian companies participated in the show and without exception were more than satisfied with the results. These participants received many inquiries and they stated that they expect to conclude a number of sales within the next few months.

held each day in the airport's new auditorium by David A. Golden, president of the Air Industries Association of Canada. Running from June 12, these briefings attracted more than 400 experts in aerospace technology from many countries. Each session was followed by a visit to the exhibits and luncheon in the main dining room.

A 40-page brochure was prepared by the Department and 3,000 copies were mailed before the show to foreign firms, government officials and all Trade Commissioner offices abroad. The booklet was printed in both English and French and 8,500 copies of each version were handed out at the exhibition itself. The Department took paid advertising in the official catalogue of the Air Show and in the magazines *Aviation*, *Interavia* and *Fifteen Nations*.

Nine press releases covering all phases of Canadian aerospace activity were mailed to 25 Canadian newspapers, 182 trade magazines, 137 international newspapers, and 84 aviation journalists. Specific articles were submitted to *Fifteen Nations*, *Aviation et Astronautique*, *L'Air Transports*, *Flight International*, *Air et Cosmos* and the European edition of the *New York Herald Tribune*.

All but two of the Canadian companies exhibiting had been represented in Europe by agents before the show and the two remaining firms are now in the process of negotiating agreements. Without exception,



the exhibitors said that they were very satisfied with their participation; they received many inquiries and expect to conclude a number of sales in the next few months.

Canadians Cater to U.S. Grocers

IT was quite a bag of groceries that Canadians took down to Chicago for the convention of the National Association of Retail Grocers of the United States (NARGUS) this June.

The Department of Trade and Commerce, working with the Manitoba Export Corporation, joined forces with 11 individual firms to show U.S. retail grocers, agents and distributors such products as cakes, puddings, kosher meats, canned goods, meat spreads, beer, wine, cookies, pastry and biscuits, wild rice, frozen fish and macaroni.

Canada's 1,300 square feet of space was set along one wall of the newly redecorated main exhibition hall of the Conrad Hilton Hotel. The design although it consisted of individual booths, was tied together by an over-all format. It was deliberately kept simple so that the products were not overshadowed.

Most of the Canadian exhibitors provided samples for trade visitors, and give-away items were brought by the Department, such as matches, maple leaf and Canadian flag pins. The Consulate also supplied cocktail napkins and plastic party picks. Copies of the booklet prepared for the show, *Tang of the North*, were set out on the stands for visitors to pick up. One Canadian firm featured an automatic slide viewer displaying its products; another used a flip-over device that showed prize certificates which had been won at the latest International Food Olympics in Brussels.

The Trade Publicity Officer from Ottawa interviewed representatives of such trade publications as *Baker's Digest*, *Baking Industry*, *Canner and Packer*, *Food Business*, *Beverage Dealer and Tavern News*, *Illinois Beverage Journal* and *Successful Grocer*. She also kept the NARGUS press room supplied with the Canadian press kits.

One of the highlights of the visit was a 17-minute interview given by the T.P.O. on the ABC-TV program, the Jim Conway Show. During the program, the Ottawa-based officer cooked a wild rice casserole, gave a short talk on Canadian goods, distributed maple leaf pins to participants in the show, and invited viewers to phone in any questions they might have. The next day she repeated her performance on the Bill Brooker Show—this time for 33 minutes. The two programs incidentally, have a combined viewing audience of 550,000 people.

Letters from manufacturers just back from Chicago show the substantial progress made in the U.S. food market (which is worth nearly \$320 million a year to Canada). One processor wrote, "It is the intent of our

company to enter actively into the Chicago market. We felt attending the NARGUS convention would assist us in assessing the requirements of such a venture. We feel the exhibition had considerable value for us. We are convinced we can never do too much to sell Canada and its products."

Another firm put it this way: "Our company approached the Government through the Department of Trade and Commerce and we have nothing but praise for their assistance, information and reports. Our representatives were most impressed with the organization, and excellent standards of the Canadian participation. We were happy and proud to have been part of it."

NARGUS for some, was a "fishing trip"; for others it was strictly a chance to increase sales. But the show was certainly a success.

Canadian Homes to Britain

THE International Building Exhibition will be held at Olympia in London from November 17 to December 1 this year.

The show covers all aspects of the building industry and is directed to architects, contractors and municipal engineers. In 1963 there were approximately 900 exhibitors and 250,000 visitors. Canadian exhibits have been included each year since 1955.

Lumber and other building products continue to be among Canada's major exports to Britain. Officials feel that with the progressive increase in purchasing power of British consumers, private dwelling starts will probably continue at a high rate, generating a demand for building materials and lumber.

Canada's exhibit will be highlighted by a sophisticated presentation of the techniques of Canadian timber-frame housing construction. Allied trades such as plumbing and central heating will be included. A film strip-sound system which would provide continuous viewing of a step-by-step sequence of the construction of a typical home—from the foundation up—is being considered.

Another feature of the exhibit will be a scale model of the novel Harlow medium-density housing project. This 200-home complex is now being built with the assistance of Canadian experts. A variety of building plans will also be available so that architects and contractors may see, first hand, the advantages of timber-frame construction. Technical staff from both Government and the building industry will be on hand to answer questions.

Officers of the Department of Trade and Commerce are enthusiastic about next November's show and they are hoping that a healthy contingent of Canadian builders and lumbermen will come too. A trip to London this November might provide a number of answers for your company. Why not give it serious thought?



How to Win World Markets 10

Export credits insurance is a government-backed service offered since 1945 to promote Canadian export trade. It is provided through the Export Credits Insurance Corporation which operates in two complementary fields: export credits insurance and long-term export financing. Each will be described in a separate article in this series. The present article deals with insurance.

J. A. STRANG,
Information Department, Export Credits Insurance Corporation.

Export Credits Insurance and the Exporter

EXPORT CREDITS INSURANCE is a vital part of any foreign trade enterprise and is available to exporters in all the major exporting countries. Its purpose is to protect against non-payment of foreign accounts for reasons that are beyond the control of either the buyer or the seller, and arising from the credit and political risks inherent in foreign trade.

Canadian exporters are provided with this low-cost insurance through the Export Credits Insurance Corporation, which began operations in 1945. It is a non-profit organization, administered along commercial lines and operating on as close to a break-even basis as possible. It is equipped to help any resident person or corporation exporting Canadian goods from Canada, whether these are consumer or capital goods, engineering or other technical services, and whether the exporter's sales run to only a few hundred dollars a year or into millions.

Credit Is Vital

Although a major portion of the world's export trade is handled on irrevocable letter of credit, more and more frequently an exporter must, in the buyer's market of to-

day, be prepared to meet intensified competition on credit terms. An exporter who refuses to extend credit will lose business, no matter how superior his product may be.

Extending credit always involves risk and this is particularly true of export trade, where it is more difficult to know buyers well or to be conversant with foreign trading conditions and customs. There are, of course, international reporting agencies that will supply an exporter with information on the credit-worthiness of a prospective buyer. But in export trade, in addition to the credit risks, there are political risks over which neither the seller nor the buyer has any control. Blockage of funds, cancellation of import or export licences, sudden changes in regulations, war or revolution in the buyer's country, can no more be foreseen than death, business depression, strikes or other calamities, but they all contribute to the buyer's inability to discharge his obligations.

The case for export credits insurance is that by reducing the element of risk in the granting of credit to buyers abroad it lubricates the credit system, which is of the very essence of trade and prosperity. The cover provided protects the insured's profit-and-loss account and also prevents his working capital from becoming tied up in long-overdue accounts. Thus it makes possible a larger turnover of business on a given amount of working capital.

It is not intended to subsidize exporters. Canadian firms still have to compete in the export markets of the world on the basis of quality, price, credit terms, service, etc. However, export credits insurance places them in a competitive position with exporters in other countries who have access to similar insurance.

How Insurance Helps

Export credits insurance not only gives protection against credit and political risks involved in foreign trade, but also helps the exporter in his financing because by insuring his foreign accounts he is a better risk to his banker.

Extending credit involves the exporter in the necessity of financing both as a borrower and as a lender. He must provide the working capital necessary to buy raw materials and maintain his inventory and he must finance his foreign credit buyer. Thus financing export trade is one of the ever-present problems confronting exporters.

As a general rule the Canadian exporter meets his credit requirements by arranging financing through a Canadian chartered bank, which takes his foreign accounts receivable as collateral. If these foreign accounts receivable are backed by export credits insurance, the exporter's ability to obtain credit is increased. ECIC will pay him if his foreign buyer becomes insolvent or defaults in payment or if exchange transfer difficulties prevent him from paying.

To facilitate financing, ECIC will agree to pay to any Canadian chartered bank the proceeds of any loss payments under the policy. The exporter may either assign an individual bill to his bank or he may make a blanket assignment of all his foreign accounts receivable.

Risks Insured by ECIC

Export credits insurance covers those risks of loss that are beyond the control of either buyer or seller, but not those that can be and

normally are insured with commercial insurers.

The main risks against which ECIC insures are:

- Insolvency of the buyer.
- Failure of the buyer to pay the exporter, within six months after due date, the gross invoice value of the goods.
- Repudiation by the buyer, where such repudiation does not result from breach of contract by the exporter and where proceedings against the buyer would serve no useful purpose.
- Blockage of funds or transfer difficulties that prevent the exporter from receiving payment.
- War or revolution in the buyer's country.
- Cancellation or non-renewal of an export or import permit and the imposition of restrictions on the export or import of goods not previously subject to restriction.
- Any other cause beyond the control of the exporter or the buyer which arises from events occurring outside Canada and the continental United States.

It should be noted that export credits insurance does not cover loss of or damage to goods or deterioration of perishable goods. Nor does it cover trade disputes. ECIC cannot accept the task of acting as arbitrator between the exporter and buyer about the quality or quantity of goods delivered.

Blockage or Transfer Difficulties

ECIC accepts risks in all countries where the buyer, under the laws of the country, can pay for goods in Canadian or U.S. dollars or in sterling. One of the prerequisites for insurance is that at the time the exporter accepts the order, the buyer must have been able under the import and exchange regulations of his country to import and pay for the goods. If before

the due date of payment the buyer's country puts through some law, order, decree, or regulation that prevents the transfer of the necessary currency, ECIC will pay the exporter its share of the loss. Although partial or full recovery is often made eventually where blockages of funds occur, transfer difficulties can hamper the exporter as seriously as an outright loss. With export credits insurance, the exporter can liquidate his foreign accounts receivable, recoup his working capital, and continue to expand his business.

Spread of Risk

One of the fundamental principles of insurance is that there be a broad spread of risk. As a general rule, ECIC requires an exporter to insure his exports to all countries, excluding those sales made against irrevocable letters of credit or paid for in advance, and those made to buyers in the United States. ECIC will generally not insure sales to the United States because insurance for that market is obtainable from commercial sources.

Requests for the exclusion of certain countries will be considered, provided those remaining to be insured offer ECIC a sufficient spread of risk. But country selection can be costly. Some of ECIC's first political risk losses were in countries that some exporters had requested be excluded from their Policies because they felt they presented no risk. It has been ECIC's experience that there is a real risk of loss on shipments to any country in the world.

Co-insurance

A fundamental principle of export credits insurance is that of co-insurance: the insured bears part of the risk. ECIC normally pays up to 90 per cent of the amount of any loss under the terms and conditions of the exporter's Policy and the exporter bears the remaining 10 per cent. In this way an exporter retains an interest in the ac-

count and the indiscriminate or reckless extension of credit is restricted.

The co-insurance proportion may vary in particular circumstances but the maximum is 90 per cent. Any recoveries made after payment of a loss are divided between ECIC and the exporter in the same proportions in which the loss was shared.

Classes of Insurance

Export credits insurance is available to cover the following main classes of business:

- Consumer goods and miscellaneous general commodities sold on terms usual for the trade and which normally extend from documentary sight draft to a maximum of about 180 days.
- Goods shipped abroad on consignment for sale or for exhibition purposes.
- Engineering, construction, technical, and similar services.

Consumer Goods Policies

By far the largest part of the day-to-day business of ECIC concerns goods sold on short-term credit. For this type of business, ECIC issues a blanket Policy which covers an exporter's credit sales to all markets for one year. Within the terms and conditions set out in the Policy, the insured receives automatic cover for all export sales made during its currency.

An exporter applying for export credits insurance submits an application which is in reality a request for a quotation of premium rates and creates no obligation on his part to take out a Policy. In the application he sets forth the export sales he hopes to make during the subsequent twelve-month period in total by country, and the usual and maximum credit terms for each country. ECIC sends him a letter of quotation giving the premium rate for each country listed in the application and outlining the terms and

conditions under which it will insure.

After he receives the letter of quotation, the exporter is free to decide whether or not he wishes to use the facilities offered. If he accepts the quotation, he pays a deposit of approximately 10 per cent of the estimated premium for the year. This deposit is refunded when the Policy expires or is carried forward if it is renewed.

If during the life of a Policy new markets develop in countries not covered by it, these are added by endorsement.

Discretionary Credit Limits

ECIC does not wish to interfere with an exporter's normal business and accordingly sets a maximum amount in each Policy applicable to any buyer in any country covered by the Policy. The exporter may extend credit up to this amount without reference to ECIC, provided that he either has previously had favourable credit experience with the buyer or has obtained two up-to-date credit reports from independent and reliable sources that justify his extending credit.

If the exporter wishes to extend credit to an amount greater than that set out in the Policy, he then applies to ECIC for approval.

The method of paying premiums is simple. Before the tenth day of each month the exporter makes a declaration of the total value of shipments by country made during the previous months. He then calculates the premium at the rates set out in the Policy and sends his payment to ECIC with the declaration. He pays only for the use he makes of the Policy: if he ships nothing during the course of a month or a year, he pays nothing.

Premium Rates

It is the aim of ECIC to provide insurance at cost. Premiums are charged at rates that in the long run, it is hoped, will just meet ECIC's operating expenses and net claims.

It is impossible to indicate even generally what the rate per country might be for any particular exporter. Each has his own markets, credit terms, and particular problems and difficulties and all must be considered in setting the rates. The premiums are based on the class or type of goods, the countries to which goods are shipped, the credit terms required, the volume of the exporter's annual sales, the spread of risk afforded ECIC, and many other factors. Until ECIC receives an application supplying all these particulars, premium rates are impossible to predict.

However, the average premium rates for consumer goods Policies is about one half of one per cent of the invoice value of the goods. Premiums paid are allowable as proper deductions in determining the exporter's taxable income.

There are two types of consumer goods Policies. They differ only in the time at which protection begins:

- A Contracts Policy protects an exporter from the time he receives an order until he is paid.
- A Shipments Policy protects him from the date of shipment only.

Both Policies cover exactly the same risks. The Contracts Policy is designed for the exporter who manufactures goods to particular specifications or goods so marked or stamped that they are of no value except to the original buyer. If an exporter does not need to protect himself against the risk of loss before shipment, he should then take out a Shipments Policy.

Capital Goods, Services Policies

Capital goods Policies are issued to cover individual sales of goods such as plant equipment, locomotives, ships, heavy machinery, etc., where terms of payment may extend from one year or so to a maximum of five years. Each contract of sale is covered by a specific Policy. The risks covered are substantially the same as those covered by consumer goods Policies.

Before issuing a capital goods Policy, ECIC must consider not only the nature of the equipment being sold and the financial standing of the foreign buyer, but also current conditions and the long-range economic outlook in the importing country. When selling capital goods, therefore, an exporter should approach ECIC as early as possible during his negotiations with the foreign buyer.

Policies are issued either on a specific contract or on a whole turnover basis to cover engineering, construction, technical, or similar services contracts entered into between Canadian firms and persons in foreign countries.

The fact that a Policy of insurance exists between ECIC and a Canadian exporter is strictly confidential. In making his application, the exporter agrees that he will not discuss the Policy or any of its details with any person or company, except in confidence with his bankers.

Loss Payments

ECIC covers losses arising from events which occur outside the control of the exporter and the buyer.

Losses are paid in accordance with the conditions set out in the Policy—very broadly as follows:

- *Insolvency*: immediately after the insolvency occurs.
- *Default*: six months after the due date of payment if by that time the debtor's insolvency has not been established.
- *Repudiation*: one month after the amount of the loss has been established.
- *Foreign exchange transfer difficulties*: four months after the due date of payment of the debt.
- *All other risks*: four months after the occurrence of the event which causes the loss.

The successful operation of any policy depends upon co-operation between the policyholder and ECIC.

It is essential in the interest of both parties that the assistance of ECIC should be sought at the earliest possible stage of any potential loss. For this reason, an exporter is required under a Policy to take all due care to minimize loss and to notify ECIC as soon as practicable of the occurrence of any event likely to cause a loss. Policyholders report to ECIC all accounts which become 90 days or more overdue. This procedure has been very successful in minimizing or preventing losses.

ECIC Affiliations

ECIC works closely with the Department of Trade and Commerce and other government departments interested in the expansion of Canada's foreign trade, and with such export-oriented, non-government organizations as the Canadian Export Association, the Canadian Manufacturers' Association, and the Export Finance Corporation of Canada, Ltd. In addition, ECIC has an Advisory Council made up of outstanding Canadians representing agriculture, finance, fisheries, forest industries, light and heavy manufacturing, and engineering and construction services, who advise on all matters relative to its administration. ECIC facilities are constantly under review and as new conditions develop in international trade, ECIC is geared to meet them.

ECIC is a member of the Union d'Assureurs des Credits Internationaux, known as the Berne Union, an international association of export credits insurers. The Union provides a medium for the exchange among its members of authentic information on credit terms current in international trade. At its meetings the twenty member countries, representing the majority of the large trading nations of the world, review in detail the results of their operations and discuss the general economic outlook in various importing countries. Through its membership in the Union, ECIC ensures that its services to the Cana-

dian exporter equal those available to any other exporter in the world.

Further information on export credits insurance may be obtained by writing to ECIC (P.O. Box 655, Ottawa), or by contacting its branches in Montreal and Toronto. Information may also be obtained in St. John's, Halifax, Winnipeg, Edmonton, or Vancouver through the Regional Offices of the Department of Trade and Commerce in those cities.

Mining Encouraged in Greece

The Government of Greece has approved a four-year prospecting program costing \$15 million to be administered by the Ministry of Industry. Although mineral production in Greece is not high by world standards, opinion is that a thorough survey by modern methods (including magnetometer), would prove rewarding.

During 1965 projects involving underground research, mining and marketing techniques, and oil and gas exploration will be undertaken at a total expenditure of over \$3.5 million.

The existence of an outstanding peat deposit near Philippi in Western Thrace, proven early in May, provides a definite impetus to the program; estimates run as high as 2.5 billion metric tons. If these prove accurate, it will be one of the largest deposits of its kind in the world.

The total value of mineral exports rose to \$21 million in 1964 from \$15.8 million in 1963. Greater development of bauxite, magnesite, lead, zinc, marble, iron pyrite and other deposits could raise this figure substantially.

One large Canadian company has been devoting considerable funds and the knowhow of several of its leading geologists and mining engineers to exploration work in various parts of Greece. It is understood that there have been encouraging results, particularly in copper, in certain areas and these are being followed up.

—B. A. MACDONALD,
Commercial Counsellor, Athens.

A Second Look at Brazil

Earlier this summer we published a report on Brazil's plans to settle its debts and on the foreign aid it is receiving. Here the author, who has spent six years in the Sao Paulo office, discusses the country's other financial problems, production, foreign trade.

D. M. HOLTON, *Consul and Trade Commissioner, Sao Paulo.*

WHAT has a year and a half of reform government done for Brazil? What are the basic changes in attitude and policy that affect the Canadian exporter and what effect will present policies have on future trade between Canada and Brazil? The early ambitions of the new Government were reviewed in the July 25, 1964, issue of *Foreign Trade*. Despite the fluid condition of the Brazilian economy and the lack of current statistics, it is now possible to study these questions in more detail and to speculate with greater accuracy on the future of Brazil as a market for Canadian products.

Brazil's history of financial instability scarcely needs comment. On taking office, the present Government was beset with tremendous problems on all sides, the most pressing of which were the high rate of internal inflation and the lack of foreign exchange to meet impending payments on international debts. In August 1964 the Minister of Planning unveiled a Program of Economic Action that aimed, among other things, at stabilizing prices, restraining inflation, improving the foreign exchange position, and meeting foreign financial commitments.

Foreign Exchange Problems

The first test of the new Government was to meet payments for medium- and long-term foreign debts and to deal with a large backlog of short-term commercial arrears. The action it took was out-

lined in a report, "Brazil Tackles Payments Problems", published in the July 10, 1965, issue of *Foreign Trade*.

Although Brazil's rescheduled debts will have to be paid eventually, as will the recent loans and credits that have been made available, (see the article in July 10 issue) the payments and foreign exchange position is considerably more encouraging than it has been for a number of years. In particular, the liquidation of commercial arrears will go a long way to re-establish business confidence in the country and pave the way for future capital investment.

Federal Financing

The domestic economy is considerably more complicated. The various factors seem to change constantly, laws are altered frequently, and both government and businessmen are close-mouthed about the situation.

Brazil's inflation, originally the product of government planning, was so out of hand by 1964 that productivity had begun to decline while the cost of living continued to rise. The amazing annual growth rate that had varied from 6 to 7 per cent over a ten-year period and had reached 7.7 per cent in 1961 had been reduced to 3.7 per cent in 1962 and to about 2 per cent in 1963. This was mainly because of an accumulation of budget deficits resulting from previous fiscal and monetary policies. Each year federal expenditures increased in order to

keep various federal agencies—particularly the ones with traditional deficits, such as transportation and the mixed economy companies—in operation. In addition, the Federal Government had to give increasing financial assistance to state and municipal governments—to a total in 1964 of Cr\$450 billion.

At the beginning of 1964 the Federal Government anticipated expenditures totalling Cr\$3,600 billion and tax revenues of only Cr\$1,690 billion. Decree No. 53949 of June 5, 1964, established a retention fund for budget allocations and set out ceilings for each type of disbursement. Simultaneously some Cr\$300 billion in commitments was carried forward for settlement in 1965, the budgets of various ministries were cut, and revenue was increased through a revision of various tax laws. Favourable exchange rates (in effect subsidies) for certain imports, including petroleum, were abolished. By the end of 1964 the federal budget showed a deficit of only Cr\$700 billion. This might have been almost eliminated, except that the Government found it necessary shortly after taking power to increase the salaries of the armed services by 180 per cent and of the civil service by 130 per cent. This created an extra charge on the treasury of Cr\$550 billion in 1964.

Financial Plans in '65

The 1965 budget has not yet been published but it is expected that although the Federal Government will again operate at a deficit,

it will be a manageable one. A plan to cut some Cr\$800 billion from federal spending is already in effect. A more important step is that the Government intends to finance partially with proceeds from a Cr\$700 billion Treasury Bond issue, to be purchased by voluntary and compulsory subscription. This is a significant departure from previous financing methods which usually took the form of increasing the money supply. The Treasury Bond issue, aside from assisting with internal financing, will tend to decrease the money supply and should have a salutary effect on the rate of inflation. The bonds will mature from three to twenty years after issue and yield 6 per cent per annum. The nominal value will be adjusted quarterly according to the real value of the cruzeiro.

On December 31, 1964, the President signed Law 4595 which created a National Monetary Council to formulate monetary and credit policies and established a Central Bank out of various existing organizations. The main effect is that monetary and credit policies will henceforth be farther removed from the area of immediate politics. In addition an autonomous Mint was created with the exclusive right to turn out and control revenue securities, federal public debt bonds, and national currency.

Controlling Cost of Living

As part of its deflationary policies, the Government has attempted in various ways to control prices in order to contain the cost of living. This has proved to be more difficult than controlling other factors in the economy because Brazil's retail trade tends to be fragmentary and therefore has nothing similar to "price leaders" as we know them in North America. The Minister of Finance has exhorted businessmen, with some measure of veiled threats, to keep price increases to a minimum. To some extent this has been successful. The cost of living in 1964 increased by

only 80.7 per cent rather than by the 144 per cent expected at the beginning of the year. The Minister of Finance hopes that the increase in 1965 will not exceed 40 per cent although many predictions are in the neighbourhood of 50 per cent.

The various deflationary steps taken by the Government—including cuts in federal expenditures, decreases in the issue of paper currency, and a more strict control of credit—resulted quickly in severe shortages of operating business capital. Interest rates, which had been allowed to increase to as much as 120 per cent per year and even higher through discount transactions, became prohibitive in the new economic situation. This led to the introduction of the most practical tool the Government has used so far in combating price increases. Ordinance 71 gives considerable financial advantages in the form of inexpensive credit, various tax concessions, and importing and exporting advantages to companies that voluntarily subscribe to the Ordinance and undertake to increase the prices of their products by no more than 15 per cent in the current year. Already more than 300 companies—including the majority of steel producers, metal fabricators, automobile, truck and tractor manufacturers, shipbuilders, textile and consumer appliances producers—have taken the pledge. They constitute a major segment of the industrial community and the effects of the law are already beginning to be felt. One of the basic strengths of Ordinance 71 is the non-official vigilance to which it gives rise.

Current Conditions

Current statistics on production, unemployment, inventories and per capita income are either non-existent or too superficial to be of any practical value to this report. There is no doubt, however, that the Government's deflationary policies are being felt and that Brazil is currently in the midst of a rather serious recession. A large part of the

industrial sector is operating considerably below capacity, construction is at a virtual standstill, and retailers and wholesalers are trying desperately to clear their inventories. It is difficult to predict the immediate future, but there appears to be a general attitude of cautious optimism throughout the business community.

The agricultural sector in general presents a more encouraging picture. Production of nearly all agricultural commodities is expected to be good. If the expectations prove correct, Brazil will be able to conserve foreign exchange that would otherwise be spent on agricultural imports and surpluses of food should tend to keep prices stable.

The large coffee crop that is expected will be a mixed blessing. Although coffee continues to be the major foreign exchange earner, Brazil's share of the world market has decreased from 73 per cent at the turn of the century to about 39 per cent in 1964. A 1963-64 crop failure allowed the clearance of surplus stocks at favourable prices. The expected world surplus of coffee this year has had a depressing effect on prices and Brazil's large crop could well prove to be in the short run more of a liability than an asset.

The Government has introduced an agrarian reform program to encourage productive farmers and to discourage landlord absenteeism through progressive taxation based on use.

Foreign Investment

In the latter stages before the 1964 revolution, Brazil's official attitude to foreign investment was such that it had practically ceased. The present Government realizes that foreign investment is essential to national development. Law No. 4390 which was published in August 1964 allows for the remittance of profits abroad. In essence there is no limitation on profits remittance except in two instances. The first is that a business which

has foreign capital invested in the production of luxury goods and non-essential services may remit profits only up to 8 per cent of the invested capital. The second exception is that when a crisis occurs or is foreseen in the balance of payments, as is the case today, profit remittances for other types of capital investment may be limited to 10 per cent of capital and re-investments. There is no restriction on the remittance of interest and amortization quotas contained in registered loan contracts.

The Government has recently signed with the United States a guarantee for the protection of investments. Neither Congress has ratified the treaty yet but it is a good indication of the present Government's attitude toward foreign capital.

Foreign Trade

Brazil's main export is coffee, which accounts for well over 50 per cent of total exports, followed by cotton, sugar and iron ore. The main imports are machinery and vehicles, fuel and lubricants, food and beverages, manufactures of metal and chemicals. A rough balance of trade in 1963 was succeeded by a favourable balance in 1964, in large part the result of high coffee earnings, the restriction of imports, and the encouragement of exports. Canada continues to have an unfavourable balance of trade with Brazil.

The most significant change in this field is that the official attitude toward exports, once discouraged in the hope of lowering internal prices, is now very much the opposite. A Foreign Trade Commission has been set up to foster exports. The result has been a fairly successful propaganda campaign, an improved exchange rate for exports, and various other incentives. Import restrictions have largely remained in effect and in some instances have been increased. Brazil has for some time pursued a policy of high protection for local industries and appears to

have no intention of altering this. Some of the non-tariff barriers, such as prior deposit requirements, have been reduced, including the import surcharge which has been cut to 10 per cent. But more realistic exchange rates have made the prices of imports somewhat higher.

Future Canadian Trade

Brazil's increasing self-sufficiency in consumer goods makes this field of only marginal interest to Canadian exporters. The other fields of capital equipment and raw materials are of major interest only if the economy straightens out. Although local manufacture of capital equipment is increasing, Brazil will need to import sophisticated equipment of this type for a long time to come.

It is in this field particularly that Canadians stand to expand their market in Brazil. Long-term financing will probably play an increasingly important part in such sales. Brazil, with a population of 80 million, is still a developing country but it has been and should continue to be an important market for Canadian products. At the moment economic conditions are in such a state of flux that the best policy to adopt is probably one of wait and see.

Brazil today is suffering from a gigantic hangover. Deflation, recession and unemployment are bitter pills to one used to the heady brew of inflation. Whether the country will fall off the wagon again, only time will tell. ●

For Your Information

World Trade Problems

In an address to the Canadian Manufacturers' Association on June 7, 1965, the Minister of Trade and Commerce declared that it is the performance of Canada's internationally competing industries that will set the limits to Canada's over-all growth. Since world prices for manufactured goods have followed a firmer trend in the past decade than have prices for resource exports, Canada must rely on a growing contribution from the secondary manufacturing sector to maintain its growth performance.

The improved communications and rapid pace of technological progress in today's world tend to forge greater interdependence and call for greater specialization. The world trading framework is constantly being modified to meet the new demands of the world trading community. In the process, further trading opportunities will open up to sustain the dynamic economic activity that is necessary to meet the economic needs of Canada.

Perhaps the most compelling trade problem of the decade relates to the aspirations of the less developed countries to raise their standard of living. To

a significant degree, the answer must lie in increased opportunities for these countries to trade and to reverse their deteriorating position in total world trade. Canada maintains only minimal barriers to imports of tropical products from the less developed nations. The Minister stated that Canada's response to their demand for even better access will continue to be positive.

The Minister viewed the problem of access for products of newly established manufacturing industry of the less developed countries as a facet of the problem of reducing trade barriers generally. The Kennedy Round is the most ambitious negotiation of its kind ever undertaken. Although it will not achieve all its goals, it promises nevertheless to be the most far-reaching step ever taken towards freeing trade on a global scale.

World Trade Increases

The total value of world trade in 1963 increased 8 per cent to about \$151 billion. The western industrial nations and Japan accounted for \$95 billion, the developing countries for \$36 billion, and the Communist Bloc for \$19 billion.

Air Conditioning Units

SOUTH AFRICA—Press reports indicate that a plant in Natal has recently begun production of air conditioning units for automobiles. It reports that the factory now obtains 15 per cent of its components from local sources and expects to increase this to almost 28 per cent within six months and 50 per cent within 18 months. Plans call for an ultimate production of 2,600 units a year. This is the first time that this equipment has been manufactured in the Republic and it is expected that the plant will enter the export field, possibly the Middle East—Johannesburg.

Aluminum

GREECE—The Aluminum Company of Greece Ltd. expects its new plant at Paralia Distomou to be completed and in production early in September. Costing more than \$100 million, it represents the largest single investment in any one industry in Greece to date.

The company is controlled by the large French aluminum firm, Pechiney, in association with Reynolds Aluminum Co. of the United States, Stavros Niarchos the Greek shipowner, and the Greek Government's Hellenic Industrial Development Bank.

Production plans call for an initial output of 200,000 tons of alumina and 62,500 tons of aluminum per year, with provision for increased production later. The greater part of both is to be for export, with most of the alumina going to Pechiney's smelter in France.

The new plant will use at least 450,000 tons a year of domestic bauxite. It is anticipated that it will earn \$30 million in foreign exchange annually—Athens.

Corrugating Medium

ITALY—Consumption of corrugating medium is high but foreign purchases are low. Only about 2,000 metric tons were imported last year, compared with 4,000 in 1963, and 10,000 in 1962.

Italian grades of corrugating medium are different from Canadian, because no kraft or semi-chemical pulp from hardwood is used. About 80 per cent of the Italian corrugating medium is made from straw mixed with a small quantity of semi-chemical pulp; the remainder is made from waste paper. There are more than 80 mills in Italy using straw and over 30 using waste paper; jute is not used.

The current price for Finnish semi-chemical corrugating medium is said to be U.S. \$119 a metric ton, c.i.f. Italian port, with no discount offered. A small quantity was imported from Yugoslavia last year, reportedly at 52,000 lire (U.S. \$84) a ton c. & f. The delivered prices for Italian medium are 47,000 lire

(U.S. \$76) a metric ton f.o.b. for straw medium, and about 20,000 lire (U.S. \$32) a metric ton for waste paper medium. Two years ago the price for straw medium was 78,000 lire (U.S. \$126) a metric ton, but surplus Italian production has forced the price down to its present level.

Italian import taxes on corrugating paper and cardboard and corrugating medium, are roughly 25 per cent of the c.i.f. value on imports from third countries and 14 per cent on imports from EEC countries. There are no import quotas, licence requirements or exchange restrictions—Rome.

Oil

WEST GERMANY—Each year Germany uses 51.7 million metric tons of imported crude oil and produces an additional 7.7 million tons from its own wells. Refined petroleum products amounting to 15 million tons (mainly light heating oil) are also imported. Between 1959 and 1963 German refinery capacity more than doubled, rising from 30 to 62.4 million tons. Although the increasing number of cars on the road is partially responsible, this rapid expansion has been sparked by the pronounced trend towards oil for heating—Duesseldorf.

Paper

COLOMBIA—The installation of a new fine paper mill will be completed by the end of this year at Soacha, 15 miles from Bogota. The total investment is 40 million pesos (approximately U.S. \$2.3 million). This mill, "Papeles Finos S.A.," will be operated by the Continental Can Company and is expected to go into production by December 1965. Initial output will be 25 tons a day. Glassine, pouch, greaseproof, parchment, enamelled and other similar fine papers will be made from cotton linters, waste paper, and wood pulp (local and imported)—Bogota.

Tobacco

TRINIDAD—Tobacco production in Trinidad and Tobago is slowly but steadily increasing each year. In 1960-61, Trinidad produced 9,050 pounds of tobacco valued at W.I.\$9,500. This year it expects to harvest the largest crop yet—90,000 pounds valued at W.I.-\$100,000. During this period, the acreage under tobacco cultivation expanded from 8 to 120 acres and the number of farmers increased from 6 to 32. This increased production of tobacco in Trinidad has re-

sulted from the efforts of the Trinidad subsidiary of The British American Tobacco Company which provides the farmers with financial and technical assistance.

Of the two million pounds of tobacco consumed annually in Trinidad, less than one-twentieth is grown locally. Canada's exports of this item to Trinidad are decreasing each year. In 1960, we were the chief supplier of raw tobacco with exports of 1,194,417

pounds valued at W.I.\$1,574,529; in 1964, we supplied only 257,551 pounds valued at W.I.\$321,831, whereas the United States has slightly increased its share of the market with 597,545 pounds valued at W.I.\$1,112,391. Imports from British Africa, Northern and Southern Rhodesia have increased from 139,251 pounds valued at W.I.\$158,475 in 1960 to 660,980 pounds valued at W.I.\$804,476 in 1964—Port-of-Spain.

FOREIGN TARIFFS AND TRADE REGULATIONS

Jamaica

CONSUMPTION DUTIES—The Jamaican Government has announced that, effective June 9, 1965, a consumption duty of 2½ per cent has been imposed on a number of products and that it applies to both imported and locally-produced goods. In the case of imported goods, the consumption duty is computed on the c.i.f. value, plus any customs duties payable thereon.

The goods subject to the consumption duty are:

- Dairy products—tonic foods, excluding chocolate confectionery and biscuits
- Coffee, roasted and in soluble form
- Chocolate preparations and chocolate-based beverages
- Colouring materials—paints, emulsions, enamels, distempers, varnishes, but not artists' colours
- Pharmaceutical products, except sera, vaccines, penicillin, quinines, opium, alkaloids, and "606" Salvarsan
- Cosmetics, including shampoos and shaving creams
- Dentifrices
- Soaps and cleansing preparations, including detergents
- Sanitary pads, paper, toilet paper
- Specified fabrics of a value of or exceeding three shillings per linear yard. For this purpose "value" means:
 - (a) if the goods are imported into Jamaica, the value of the goods as determined under the Customs Law;
 - (b) if the goods are manufactured in Jamaica, the price which, in the opinion of the Collector General, the goods would fetch on a sale made at the time when the duty in respect of the goods becomes due by a person selling on the open market in Jamaica, if the sale were made in the circumstances specified in the Schedule to the Act.
- Sanitary pads, cotton
- Jewellery
- Metal awnings
- Metal furniture and fixtures, including metal office cabinets
- Mattresses—(i) of rubber, (ii) inner spring
- Upholstered furniture
- Socks and stockings

Detailed information regarding the consumption tax may be obtained from the Commonwealth Division, Department of Trade and Commerce, Ottawa.

AUGUST 7, 1965

Trinidad and Tobago

IMPORT RESTRICTIONS—The Government of Trinidad and Tobago has announced that the following items have been added to the list of goods which are subject to import licence:

Effective April 7, 1965—

Item No.	
653.05.055	Fabrics made of mixtures of synthetic fibres, of spun glass mixed with synthetic fibres, or of mixtures of synthetic fibres and natural fibres (synthetic fibres or spun glass being the chief component by weight).

Effective June 18, 1965—

Item No.	
022-01.032	Milk—sweetened condensed containing not less than 8 per cent of butterfat.
022-01.042	Milk—sweetened condensed containing less than 8 per cent of butterfat.
Group	
048:	Wort (malt extract) concentrate.
071:	Coffee (in all forms).
112:	Beer "concentrate" or "dehydrate".
841:	<ul style="list-style-type: none"> (i) Petticoats, panties, briefs, full slips and half slips for women and girls; (ii) Dresses for women and girls; (iii) Long pants, shorts, slacks, pushers, drainpipes, jeans and similar garments for women and girls; (iv) Blouses for women and girls; (v) Negligees, peignoirs, dusters and the like for women and girls; (vi) Skirts for women and girls; (vii) Trousers, shorts, dungarees and the like, separately consigned, for men and boys; (viii) Outer garments for children including two-piece shirt and pants sets; (ix) Swimsuits of all kinds; (x) Pyjamas of all kinds for men and boys and women and girls.
899:	Candles made of wax.

The following nominal quotations may prove useful in checking prices. Canadian traders should consult their banks before making any firm commitments.

Conversion into Canadian dollar equivalent and units of foreign currency per Canadian dollar have been made at cross rates with sterling or the United States dollar on the date shown.

Except when buying and selling rates are specified, the mid rates only are quoted. The buying rate is that at which banks purchase exchange from exporters. The selling rate is that at which banks sell exchange to importers.

When several rates are indicated, the rate applicable depends on the commodity traded. Information on the rate for any specific commodity may be obtained from the Office of Trade Relations, Department of Trade and Commerce, Ottawa.

Rates used exclusively in non-merchandise trading are *not* included in the table.

For conversion to United States dollar equivalent multiply by .9233.

Foreign Exchange Rates

Country	Unit	Type of Exchange	Can. dollar equivalent July 23	Units per Canadian dollar	Notes (see below)
Algeria	Dinar .....	.....	.2210	4.52	
Argentina	Peso	Free .....	.006312	158.43	
Australia	Pound .....	.....	2.4178	.4136	
Austria	Schilling .....	.....	.04198	23.82	
Bahamas	Pound .....	.....	3.0222	.3309	
Belgium and Luxembourg	Franc .....	.....	.02182	45.83	
Bermuda	Pound .....	.....	3.0222	.3309	
Bolivia	Peso .....	.....	.09207	10.86	
Brazil	Cruzeiro	Official Free .....	.0005895	1,596.35	
Britain	Pound .....	.....	3.0222	.3309	
British Guiana	Dollar .....	.....	.6296	1.59	
British Honduras	Dollar .....	.....	.7555	1.32	
Burma	Kyat .....	.....	.2275	4.40	
Ceylon	Rupee .....	.....	.2267	4.41	
Chile	Escudo	Bank rate .....	.3422	2.92	
		Free .....	.2904	3.44	
Colombia	Peso	Free .....	.05871	17.03	
		Certificate .....	.1203	8.31	
Congo, Republic of	Franc .....	.....	.007221	138.48	(1)
Costa Rica	Colon .....	.....	.1635	6.12	
Cuba	Peso .....	.....	‡	‡
Czechoslovakia	Koruna .....	.....	.1504	6.65	
Denmark	Krone .....	.....	.1561	6.41	
Dominican Republic	Peso .....	.....	1.08313	.9233	
Ecuador	Sucre	Official .....	.06017	16.62	
		Free .....	.05849	17.10	
El Salvador	Colon .....	.....	.4333	2.31	
Fiji	Pound .....	.....	2.7227	.3673	
Finland	Markka .....	.....	.3385	2.95	
France, Monaco, etc.	Franc .....	.....	.2210	4.52	(2)
Franco-African Republics, etc. ..	Franc .....	.....	.004420	226.24	(3)
French Pacific	Franc .....	.....	.01216	82.24	(4)
Germany	D Mark .....	.....	.2701	3.70	
Ghana	Cedi .....	.....	1.2593	.7941	§
Greece	Drachma .....	.....	.03610	27.70	
Guatemala	Quetzal .....	.....	1.08313	.9233	
Haiti	Gourde .....	.....	.2166	4.62	
Honduras	Lempira .....	.....	.5416	1.85	
Hong Kong	Dollar	Free .....	.1878	5.33	*July 16
		Official .....	.1889	5.29	

‡There is no trading in Cuban pesos in U.S. or Canadian banks at present.

*Latest available date.

§Effective July 19, 1965, Ghana has changed over to a decimal system, with 1 Cedi = £1 = 100 pesewas
2.4

Country	Unit	Type of Exchange	Can. dollar equivalent July 23	Units per Canadian dollar	Notes (see below)
Iceland	Krona	Official	.02519	39.70	(1)
India	Rupee		.2267	4.41	
Indonesia	Rupiah		.004333	230.81	(1)
Iran	Rial		.01430	69.94	
Iraq	Dinar		3.0328	.3297	
Ireland	Pound		3.0222	.3309	
Israel	Pound		.3610	2.77	
Italy	Lira		.001734	576.70	
Japan	Yen		.003009	322.34	
Lebanon	Pound	Free	.3341	2.99	
Malaysia	Dollar		.3538	2.83	
Mexico	Peso		.08665	11.54	
Morocco	Dirham		.2166	4.62	
Netherlands	Florin		.3009	3.32	
Netherlands Antilles	Florin		.5743	1.74	
New Zealand	Pound		3.0113	.3321	
Nicaragua	Cordoba		.1547	6.46	
Nigeria	Pound		3.0222	.3309	
Norway	Krone		.1514	6.61	
Pakistan	Rupee		.2267	4.41	
Panama	Balboa		1.08313	.9233	
Paraguay	Guarani	Free	.008596	116.33	
Peru	Sol	Free	.04038	24.76	
Philippines	Peso	Free	.2778	3.60	
Portugal & Colonies	Escudo		.03767	26.55	
Sierra Leone	Leones		1.5163	.6595	(5)
South Africa	Rand		1.5111	.6618	
Spain and Dependencies	Peseta		.01809	55.28	
Sweden	Krona		.2099	4.76	
Switzerland	Franc		.2510	3.98	
Syria	Pound	Free	.2833	3.53	
Thailand	Baht	Free	.05242	19.08	(1)
Tunisia	Dinar		2.0742	.4821	
Turkey	Lira		.1203	8.31	(1)
United Arab Republic	Pound	Official	2.4912	.4014	
United States	Dollar		1.08313	.9233	
Uruguay	Peso	Free	.01673	59.77	
Venezuela	Bolivar	Official Free	.2410	4.15	
West Indies	Dollar		.6296	1.59	(6)
	Pound		3.0222	.3309	(7)
Yugoslavia	Dinar	Official	.0008665	1,154.06	*

*Effective July 26, the Yugoslav Dinar has been devalued from Dinars 750 per U.S.\$1 to Dinars 1,250 per U.S.\$1.

Notes

1. Additional rates are in effect.
2. Franc is also used in French Guiana, Guadeloupe and Martinique.
3. Chad, Central African Republic, Congo, Dahomey, Gabon, Ivory Coast, Mali, Islamic Republic of Mauritania, Niger, Senegal, Upper Volta, Cameroons, Togoland, and Malagasy. Also Reunion, Comoro Islands, St. Pierre and Miquelon.
4. New Caledonia, New Hebrides, French Polynesia.
5. Portugal; approximately same rate for Portuguese territories in Africa.
6. Barbados, Trinidad and Tobago, Leeward and Windward Islands.
7. Jamaica.

ABC Edition Europe Production, 1965

Edited by Kurt R. Selka. 2,888 pages. \$12.50.

EXPORTERS may for the first time use this trade directory in selling to certain East European nations. The current sixth edition includes information on Yugoslavia, Rumania, and Hungary, in addition to the 12 West European countries covered last year.

The directory gives an alphabetical list of some 10,000 products, (in English, French, German, Spanish, and Italian) with a reference number attached to each. Under this number you will find the names and addresses of the firms which manufacture these products in the various countries.

Order from: Patterson-Lowe & Associates Enterprises Company, P.O. Box 4152, Edmonton, Alberta.

Kemp's Directory 1964

Kemp's Directory Ltd. London. 3,446 pages. \$25.00

THIS REFERENCE BOOK is an index of merchants, manufacturers, shippers, importers and exporters, engineers, general trades, professional services, and academic establishments located in Britain and the Commonwealth. The book has six sections: London, Law, Export, Provincial (Britain excluding London), Irish (Northern Ireland and Eire), and Overseas (foreign, Commonwealth and colonial). With the exception of the Law Section, each consists of a classified directory of products and services. The Law Section is a geographical listing of legal firms in Britain.

A Canadian manufacturer looking for sales opportunities in Britain and the Commonwealth will find this directory useful in compiling a list of firms potentially interested in his product.

Order from: Patterson-Lowe & Associates Publishing Company, P.O. Box 4125, Edmonton, Alberta.

Cargo Handling and the Modern Port

Colonel R. B. Oram. 173 pages. \$2.95

THIS comprehensive survey covers the many and varied factors that influence the working and development of a modern port. It attempts first to define the functions of a port and second to explain how these have been affected by the silent revolution that has taken place in all major ports since 1945.

Three of the eight chapters are devoted to modern methods of cargo handling and it is these chapters that will prove of interest to export and traffic managers. New ships have been built and new methods of

packing and handling cargo developed. All these innovations have a direct bearing on freight costs, which in turn can affect export sales.

Canadian exporters will find the two chapters on containers and on bulk cargo particularly interesting. Containers have been in existence for many years but only recently has their full potential been realized. The container is no longer a novelty; it can no longer be ignored and its full impact will be felt by everyone involved in moving cargo. The bulk cargo ship is having equal impact and today comprises some 60 per cent of world shipping. Canadian products such as wheat, sulphur and ore lend themselves readily to this modern and efficient method of transportation.

Businessmen who are actively engaged in foreign trade will find this book a useful reference. It is complete with bibliography and index.

Order from: Pergamon Press Limited, Headington Hall Hill, Oxford, England

East-West Trade—A Common Policy for the West

Committee for Economic Development. 69 pages. \$1.00

THIS comprehensive report on East-West trade is a useful current analysis of a changing attitude on the part of many U.S. businessmen towards expanding trade relations with the Communist states.

The report outlines a group of important obstacles to increasing trade with the Bloc but suggests that most of these might be eliminated by a more enlightened and more flexible U.S. trade policy. Surveying the past and current U.S.-Bloc trade relations, the report pinpoints both the positive and negative factors in the United States policy. It suggests reform in several appropriate areas but also carefully stipulates restrictions which should be continued.

The many pitfalls in dealing with state monopoly trade organizations are clearly delineated, as well as the many commercial benefits open to nations willing to expand their trade in this direction. Of most importance, the CED proposes the establishment of a Committee on East-West Trade as part of the OECD to co-ordinate the economic policies of the Western countries vis-à-vis the Bloc and to compile, discuss and distribute information and act as an advisory body on East-West trade policy generally.

Seventeen tables are included in a statistical appendix which provides useful economic and other information covering the period 1938-1963.

Order from: Committee for Economic Development, 711 Fifth Avenue, New York, N.Y. 10022.

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