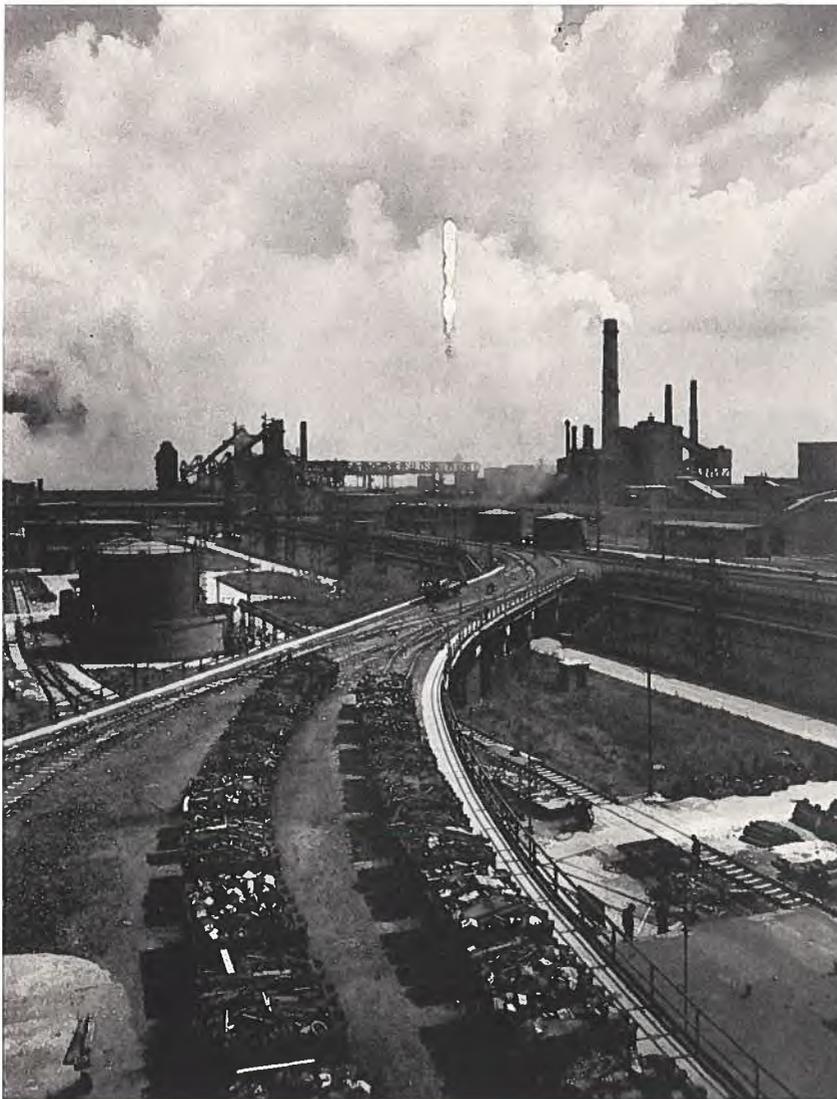


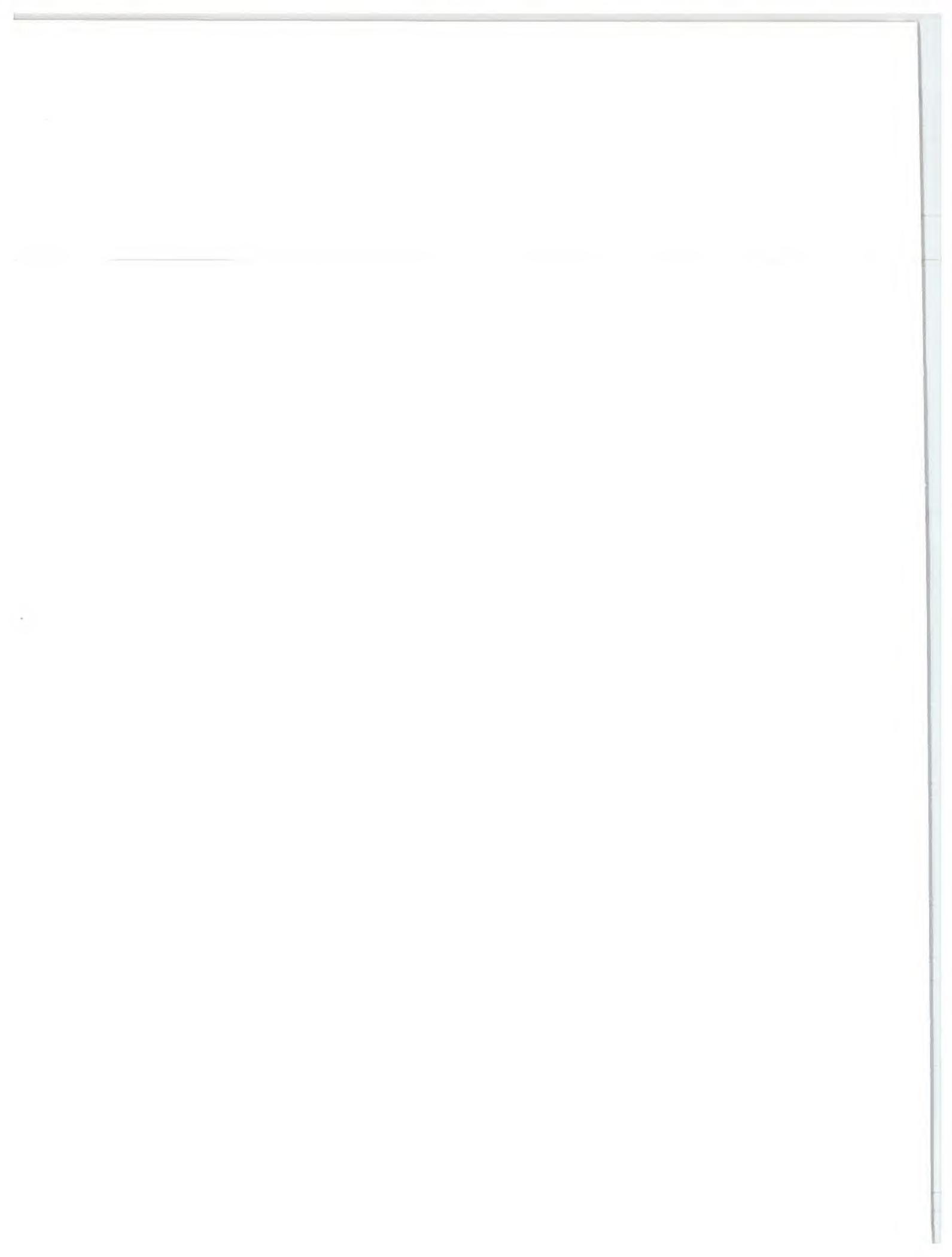
SEPTEMBER 3. 66

FOREIGN TRADE

DEPARTMENT OF TRADE AND COMMERCE, OTTAWA



**Trade and
Development in
Eastern Europe**



FOREIGN TRADE

SEPTEMBER 3, 1966

Vol 126 No. 5

COVER: Hungary, like the other Eastern European countries reviewed in this issue, has witnessed a postwar buildup of industry. There an abundance of skilled labour and an excellent engineering tradition have compensated for a dearth of natural resources. Our picture shows one of its huge iron and steel plants.

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

The Hon. ROBERT H. WINTERS, Minister.

J. H. WARREN, Deputy Minister.

O. MARY HILL, Editor.

Material appearing in this magazine may be reprinted 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.

Copyright

Canada's Trade Relations with Eastern Europe 2

Wheat bulks large in our trade with the Eastern European countries and in the trade agreements concluded with four of them. This article gives the details.

U.S.S.R. Sets Its Economic Goals 5

Investment in agriculture, light and heavy industry will feature Five Year Plan that begins this year. Study of Plan objectives is good guide to trade prospects.

The Soviet Expands Its Forest Industry 8

Our Moscow office reviews present production and planned progress in this traditional industry—as vital to the U.S.S.R. economy as it is to the Canadian.

Bulgaria Continues Industrial Development 11

Canada has been sharing in the gradual increase in Bulgaria's trade with Western countries; prospects are good for sales of agricultural and mining machinery.

Czechoslovakia Modifies State Planning 14

Rigid state planning is giving way to greater economic freedom for state enterprises; as this trend intensifies, it may influence the pattern of foreign trade.

Hungary Begins Third Plan 25

Hungary this year is making a vigorous approach to the Canadian market; the time is ripe for Canadians to make an equally active effort to sell there.

Poland Steps Up Industrial Output 28

Our Commercial Counsellor in Copenhagen, in whose territory Poland lies, discusses that country's industrial advance, especially in field of heavy industry.

Rumania Pushes Industrial Progress 29

Trade with the West is expanding faster than trade with Bloc countries, as the Rumanians seek to profit from Western technology and industrial experience.

Yugoslavia Moves towards Market Socialism 32

Sweeping economic changes now going forward are discussed in this report and their possible effect on trade with the West, particularly Canada, is analyzed.

Hungary Comes to Canada 4

Marketing Data Sheet: Hong Kong 40

Foreign Exchange Rates	38	Foreign Trade Service Abroad	17
Foreign Tariffs and Trade Regulations	36	Trade Commissioners on Tour	37
		Trade Lines	35

COMING—VENEZUELA NEEDS CONSULTING ENGINEERS, SEPTEMBER 17 ISSUE

This review of trade relations and trade prospects covers the following socialist countries of Eastern Europe: Bulgaria, Czechoslovakia, Hungary, Rumania, and Yugoslavia; the only significant exception is the U.S.S.R., treated elsewhere in this issue.

C. F. WILSON, *Minister-Counsellor (Commercial), Vienna.*

Canada's Trade Relations with Eastern Europe

BEFORE giving a rundown on our trade relations with the countries listed above, let me sketch briefly the combined importance of this market to Canada. Only within the past few years has it assumed major significance for us. Because of the failure of the Soviet wheat crop in 1963, the wheat-deficient countries of Eastern Europe turned to Canada as a source of food supply. Thanks to the long-

term wheat contracts we were able to negotiate in the wake of this altered supply situation, we ran our exports to Eastern Europe up to a new peak of \$167 million in 1964. Because the quantities involved in the wheat contracts tapered off in 1965 and are continuing to do so in 1966, our exports to Eastern Europe totalled \$135 million in 1965 and will continue at well over \$100 million in 1966. Though all of this trade represents something like 2 per cent of our total annual Canadian merchandise exports, this has been one of the significant new trade developments for Canada.

The bulge in our trade with Eastern Europe was underwritten by wheat agreements and trade agreements in 1963 and 1964. In the countries where we already had normal trade relations, the Canadian Wheat Board—with the assistance of the Department of Trade and Commerce and government authorization for Export Credits Insurance Corporation credits—was able to negotiate long-

term wheat agreements. Poland and Czechoslovakia are examples. Where trade relations did not already exist, as with Bulgaria and Hungary, the Department of Trade and Commerce negotiated three-year trade agreements, exchanging most-favoured-nation treatment to which wheat purchases were related as firm commitments to purchase and to supply.

In total, the long-term wheat agreements concluded with Bulgaria, Czechoslovakia, Poland and Hungary which are currently in effect have committed these countries to purchase about 3,100,000 tons of wheat with a value of about \$250 million. With the exception of our five-year-agreement with Czechoslovakia, these run for three years, which means that the agreements have underwritten an average of \$100 million annually in our trade with the Bloc. Against these exports, Canadian imports from the Bloc amounted to \$20 million in 1963, \$27 million in 1964, and \$35 million in 1965.

Now to turn to our trade relations country by country.

Poland

Our Convention of Commerce with Poland has been in force since 1936. The Convention provides exchange of MFN treatment and is without time limit except that it can be terminated on three months' notice. Because this commercial treaty was already in force, the Canadian Government negotiated with the Polish Government a three-year wheat agreement. The contracts were signed by representatives of the Canadian Wheat Board and the Polish grain agency.

Poland has bought wheat continuously from Canada since 1955, although its main source of supply is the U.S.S.R. and it is, with Yugoslavia, one of the two East European countries to which the United States makes wheat available through PL480. In fact, the Polish authorities have covered a substantial part of



Like most countries in the world, the Eastern European nations appreciate the value to their economies of the tourist trade. Yugoslavia has been particularly active in this field, with its beautiful Adriatic coastline a drawing card. This motel is on Lim Channel; from here the new Adriatic highway leads to Rijeka, a major seaport.

their requirements in Canada. Our current three-year wheat agreement with Poland was signed on November 5, 1963, and terminates on November 5 of this year. The total contract of 1.2 million tons deliverable at the rate of about 400,000 tons per year represents our heaviest annual rate of shipment to any of the East European countries. Under the terms of the new agreement which was announced in July, Poland will purchase between 900,000 and 1.2 million tons in the three-year period beginning November 5, 1966.

Polish wheat purchases from Canada have set the pattern of our credit terms extended to other East European countries—10 per cent payable on shipment and one-third of the remainder payable at intervals of 24, 30 and 36 months after shipment. These credit terms are commonly referred to as the Polish terms.

Czechoslovakia

After Poland, Czechoslovakia is our next most important East Euro-

pean market. Czechoslovakia has a persistent wheat deficit and up until 1963 it covered the whole of its import requirements from the U.S.S.R. Although it is prepared, even in short crop years, to continue covering the bulk of Czechoslovakia's requirements, nevertheless Czechoslovakia is procuring part of its needs from the West and Canada is an important source of supply.

Our Convention of Commerce with Czechoslovakia has been in operation since 1928. The treaty exchanges MFN treatment and it can be terminated on one year's notice. With this provision for normal trade relations with Czechoslovakia, the Canadian Wheat Board, with the assistance of the Department, negotiated a long-term wheat agreement. This was signed on October 29, 1963, and runs for five years until October 29, 1968. The contract includes Polish credit terms and provides for shipment of 1.2 million tons over the five-year period, but with heavier deliveries in the early years; as a

result, the bulk of the contract has already been shipped.

Bulgaria

Bulgaria also turned to Canada for wheat in 1963. This presented a different problem because normal relations had not yet been established. This led to a package negotiation on a number of issues, including exchange of trade representation, consular and claims matters, and a trade agreement exchanging MFN treatment. Because MFN treatment does not assure the same access in centrally-planned as in market economies, the Canadian Government asked for a firm commitment in order to give meaningful effect to Bulgaria's MFN obligation. The firm purchase commitment took the form of a wheat contract for 450,000 tons spread over three years and this quantity has already been purchased. The trade agreement expires on October 8 this year and negotiations for its renewal are already under way.

Bulgarian wheat import requirements appear to be continuous so long as the agricultural policy of the country is directed to the use of its available land resources for tobacco, fruit and vegetable crops which are more remunerative than wheat.

The Bulgarian Government has established a trade office in Montreal and at the end of June this year the Bulgarian and the Canadian Governments agreed to exchange diplomatic representation. Agreement was also reached on a lump-sum payment in settlement of claims against Bulgaria.

Hungary

Hungary is another country with which we have recently established normal trading relations. In the "package" agreement which was negotiated and signed on June 11, 1964, the two countries agreed to establish diplomatic relations involving the setting-up of diplomatic representation in both countries and agreed to consider consular and claims matters. In the trade agreement which was also concluded, involving exchange of MFN treatment, the Hungarians accepted a firm purchase commitment of \$24 million.

The contract covered 250,000 tons of wheat valued at \$19 million on

Polish credit terms, although purchases of up to 125,000 tons of Canadian feed barley for cash could be accepted against the wheat purchase commitment.

Hungary has established an active trade office in Montreal and is making progress in the introduction of Hungarian goods to the Canadian market. A senior Hungarian Trade Mission headed by Mr. L. Darvas, Deputy Minister of Foreign Trade, is at the moment in Canada where, among other trade contacts, it will attend the Canadian National Exhibition and the Hungarian Week in Montreal.

Rumania

Because of its natural resources, Rumania has a relatively strong trading position among its East European neighbours and is prepared to trade with Western countries. In agriculture it is self-sufficient in wheat and operates an "ever-normal granary" program to assure continuity of domestic supplies. Preliminary discussions between Canadian and Rumanian officials have taken place on the possibility of a trade agreement between the two countries.

Yugoslavia

This country has a record of independent Communism, has demonstrated a capacity for innovation, and has displayed a considerable degree of flexibility in the administration of economic controls. After a period of over-investment it has instituted a series of economic reforms which the Government is resolutely applying toward the objective of a market economy.

Although Yugoslavia is a continuing wheat-deficit country, our only recent sales of wheat there were made in 1963. Otherwise the Yugoslav authorities cover their wheat import requirements by purchases from the United States under the provisions of PL480.

Our trade agreement exchanging MFN treatment with Yugoslavia has been in effect since 1928; under it a small general trade takes place in both directions. Yugoslav purchases from Canada comprise mainly industrial raw materials.

The East European market has recently acquired major significance for Canada. The successful conclusion of

long-term wheat agreements, the conclusion of trade agreements, and the extension of diplomatic representation have all contributed to the development of a trade running between \$125 and \$150 million a year.

Most of this market is for wheat sold under contractual terms, but there is room for further expansion in our sales of industrial raw materials which have already gained a foothold in Eastern Europe. Among these are hides and skins, asbestos fibres, aluminum forms, copper scrap, zinc concentrates, sulphur, synthetic rubber, some chemicals and oil-bearing seeds. A market for certified seeds appears capable of development and there is

some interest in the improvement of dairy herds. In these areas Canadian suppliers can compete effectively, but some of the more glamorous developments (such as complete plant installations and the development of joint industrial projects) are more effectively within the reach of our West European competitors.

An important factor in our relations with the Eastern European countries and the climate for making sales there is their concern about their balance-of-payments position. They ask of Canadians an understanding of this special problem and an appreciation of the products they offer for sale in our market. ●

Hungary Comes to Canada

HUNGARIAN foods, fashions, pharmaceuticals, textiles, ceramics, wines—Canadians will find them all at Montreal's Sheraton-Mount Royal Hotel when Hungarian Week opens on September 7. Sponsored by the Hungarian Chamber of Commerce, the week-long exhibit and related events are intended to give Canadians a better idea of the range of Hungary's production and some appreciation of its centuries-old culture.

Hungarian Week coincides with the visit to Canada of a Hungarian Trade Mission headed by Laszlo Darvas, the Deputy Minister of Foreign Trade. Mr. Darvas will be present when Jean Drapeau, Mayor of Montreal, and Janos Bartha, Chargé d'Affaires, Hungarian Embassy in Canada, officially open the exhibit.

During the week, certain phases of Hungarian production will be highlighted on certain days. First the spotlight will be turned on pharmaceutical products and research. Canadians in this field will be invited to see the display of Hungarian products and to participate in a symposium on pharmaceutical research. A Hungarian doctor with a far-reaching reputation in cancer chemotherapy will also be there.

After pharmaceuticals come fashions and textiles. Mannequins from Budapest will model knitwear, daytime frocks, sportswear, evening dresses, and accessories before an invited audience. (These fashion shows will be repeated several times each day.) Guests will include textile experts and businessmen who will

see a film on the Hungarian textile industry and hear a talk by the president of the Hungarotex Corporation, the state trading company that handles all textile exports and imports.

On a third special day, the appeal will be to the gourmet. He will see those Hungarian specialties—goulash, stuffed cabbage, horseherd's stew, stuffed paprika, etc.—now offered to Canadians in half-kilogram cans. Nearby will be famous Hungarian wines such as Tokay and the deep red Bull's Blood of Eger.

Throughout the week, representatives of the four Hungarian state trading corporations which cover trade in the various products on display will be on hand to provide information and answer inquiries. Out at Montreal's Showmart, made-in-Hungary camping equipment, builders' hardware, etc., will be exhibited as part of the Hardware Show.

Business will not overshadow culture altogether. Hungarian Week will include a display of Hungarian folk art, photographs of the country and its people, displays of ceramics and paintings, and even a famous woman painter at work drawing motifs. Hungarian films will be shown as part of Montreal's International Film Festival, and over at Simpson's department store Hungarian stamps, books, sheet music, and recordings will be on display throughout September.

"Meet Hungary in Canada" is the headline on a special Canadian edition of the *Hungarian Exporter*—and thousands of Canadians are expected to accept that invitation. ●

U.S.S.R. Sets Its Economic Goals

Greater emphasis laid on agriculture and on light industry in current Five Year Plan; trade with West expanding. Industrial raw and processed materials, capital equipment, some consumer goods will be in demand; Canadians should follow up these openings.



This is the busy Soviet port of Izmail on the Black Sea at the mouth of the Danube.

MALDWYN THOMAS, *Commercial Secretary, Moscow.*

FOR THE SOVIET UNION the past year and a half has been significant, economically speaking. The slowdown in the rate of growth of the economy, evident for some years, continued in 1965. Important reforms, however, (first in agriculture and then in the economy as a whole) were initiated, indicating that the Soviet Government is grappling seriously with the problems that affect development.

The year 1965 also brought to an end the Seven Year Plan which started in 1959. In March 1966 the

Twenty-Third Congress of the Communist Party, meeting in Moscow, approved directives for economic development during the new Five Year Plan, 1966 to 1970. Soviet trade with the industrially advanced countries of the West continued to expand and the U.S.S.R. continued to be an important market for capital equipment and food grains.

Although industrial production increased by 8.6 per cent in 1965 compared with 7.1 per cent in the previous year, the national income went up

by only 6 per cent, down a percentage point from 1964. The continuing stagnation in the growth rate of the economy appeared to derive mainly from the poor performance of Soviet agriculture, which increased output by only 1 per cent in the wake of another poor grain crop. Although the output of consumer goods fell short of the target, the trend towards increased emphasis in this area continued through 1965, with a growth rate of 8.5 per cent. Despite the higher rate of expansion of light industry, heavy industry continued to play a dominant rôle in the Soviet economy, enlarging its output by 8.7 per cent in 1965, an improvement over 1964. Nevertheless, several important branches of heavy industry showed static or decreasing growth rates, including electric and thermal power, fuel, chemicals, machine-building and metalworking, lumber and paper.

Drought Affects Agriculture

Soviet agriculture suffered another setback when a severe drought in the spring grain belt reduced grain production from 151.1 million tons in 1964 to 120.5 million in 1965. As a result, the U.S.S.R. was compelled to purchase approximately nine million tons of wheat from Western sources, much of it from Canada. Soviet grain purchases continued to impose a strain on the country's foreign exchange. Exports of industrial equipment by Western countries to the U.S.S.R. increased only slightly over 1965, whereas the U.S.S.R. enlarged considerably its trade surplus with most Western countries other than Canada.

The poor grain harvest during 1965 was offset to a degree by good performances in other sectors of agriculture. The production of raw cotton reached an all-time high of 5.7 million tons and there were good crops

of sugar beets, sunflower, potatoes and other vegetables. Livestock herds also increased and the program for capital investment in agriculture called for at the March plenum of the CPSU was pursued. Capital investment by state and collective farms reached 11 billion roubles.

Returns for the first six months of 1966 failed to show any upswing in economic activity. Industrial output increased by 8 per cent compared with 9.3 per cent during the first half of 1965. Production of electricity and of several of the leading branches of heavy industry as well as of light industry as a whole expanded at a slower rate. However, the output of "cultural and household" (consumer) goods increased faster than during the same period in 1965, no doubt as a result of the greater attention paid to this sector.

Economic Reforms Introduced

At the end of September 1965, a plenum of the Central Committee of the Communist Party announced important economic reforms which are now being put into effect. These deal with questions of planning, initiative and incentives as well as administration and organization, and introduce some elements of Western-style marketing economics into the Soviet system. Greater freedom of action for enterprise is to replace the previous system of detailed central direction and greater use is to be made of indices already familiar to Western industry, such as price and profit, bonuses, and credit. The administrative changes have involved the disbanding of the regional system of economic councils and the establishment of new central production ministries. The practical consequences of the economic reforms are still not clear but Soviet authorities claim that they already are leading to more efficient operation of industry.

New Five Year Plan

The XXIII Congress of the Soviet Communist Party, which was held in March 1966, approved the Directives for the new Five Year Plan (1966-1970) announced at a plenum of the Central Committee in mid-February. Under this Plan an attempt is to be made to narrow the gap between the industrial and agricultural sectors as

well as between heavy and light industry. The Directives also serve to reaffirm the Soviet authorities' intention of pursuing the reforms in agriculture and industry laid down at the March and September 1965 Communist Party plenums.

Basically, the economic goals set for the coming five years are more modest than those of the previous plan and, in fact, fall well short of production forecasts for 1970 made during Mr. Khrushchev's tenure of office. Nevertheless, the targets are still substantial. During the five years ending in 1970, industrial production is to increase by 50 per cent (about 8.4 per cent a year), the national income by 38 to 41 per cent, (6 to 7 or 7.1 per cent a year) and per capita real income by 30 per cent. Although heavy industry will retain a slight edge, the development of the consumer goods industry will be brought more into line with capital goods, with growth rates of 43-46 per cent and 49-52 per cent respectively as more emphasis is placed on satisfying the demands of the population for a higher standard of living. Output in 1965 and targets for 1970 for some of the more important industries are set out in Table I.

The Twenty-Third Congress paid considerable attention to the subject of foreign trade. In a major speech, A. K. Kosygan, the Soviet Prime Minister, recognized the importance to the Soviet economy of foreign trade and announced that the new Five Year Plan provides for a further

growth in trade with Western countries. He also indicated that the Soviet's ability to purchase more Western goods would be related to its success in developing markets for its products in the West.

Attacking Agricultural Problem

It was admitted during the Congress that the lag in Soviet agriculture was the biggest factor holding back development of the economy as a whole and leading speakers confirmed the Soviet authorities' intention of solving the agricultural problem through a massive increase in investment and better management. Average annual agricultural production is to increase by 25 per cent which, based on previous Soviet performance, will mean that by 1970 agricultural output will be valued at approximately 65 billion roubles. Special emphasis is to be directed to the production of grain, the output of which is to reach 180 million tons by 1970.

Considerable attention is to be paid to improving and stabilizing agricultural production through land improvement projects, especially the draining of swampy land in the non-black earth zone and the irrigation of dry areas. A special three-day plenum of the Central Committee of the CPSU which was convened at the end of May presented plans for the extension of irrigated lands by seven to eight million hectares and the reclamation of 15 to 16 million hectares of water-logged land during the next decade. During the current five year period alone, some 15 billion roubles are to be spent for these purposes, of which 10 billion will come from the State. In developing agriculture further, steps are also being taken to improve the rural standard of living and to bring conditions generally in line with those in urban areas.

Trade with West Expanding

Although the U.S.S.R. still conducts the bulk of its foreign trade with Communist Bloc countries (69.8 per cent in 1964), its trade with the West has increased markedly over the past few years, particularly with the industrially developed Western countries. In 1958 total trade turnover with developed Western countries was Roubles 1,223.5 million. By 1964 it

TABLE I

	SOVIET PRODUCTION TARGETS	
	1965	1970
Oil (million tons)	243	345- 355
Steel (million tons)	91	124- 129
Electric power (billion kwh.)	507	840- 850
Plastics and synthetic resins (thousand tons)	821	2,100-2,300
Chemical fibres (thousand tons)	407	780- 830
Automobiles (thousand units)	201.2	700- 800
Fibres (billion square yards)	7.5	9.5-9.8
Knitted underwear and garments (million)	907	1,650-1,750
T.V. sets (million)	3.7	7.5-7.7
Household refrigerators (million)	1.7	5.3-5.6

had more than doubled to Roubles 2,768.1 million and the growth rate of 14.5 per cent between 1963 and 1964 was higher than that of trade with the Communist Bloc countries. With the exception of grain, the Soviet trading pattern with the advanced Western countries consists of importing capital goods and some industrial materials and exporting raw and semi-processed materials. Soviet imports of Western consumer goods, although increasing, are still small and appear designed basically to fill special temporary needs.

During the past decade the U.S.S.R. has bought substantial quantities of capital equipment from Western countries. Some purchases have been for cash but the larger part in recent years has tended to be on credit. Soviet imports of plant and machinery have covered a wide range of industries, with special emphasis on capital equipment for the following sectors: chemicals, petrochemicals, textiles, garments, forest products, metalworking, toolmaking, instrumentation, electronics, mining and foodstuffs. Quantities of ships, agricultural machinery and medical equipment have also entered the Soviet Union. In the field of industrial materials, the U.S.S.R. has been a substantial buyer of steel, nonferrous metals, rolled metals, rubber, steel pipes, wool, chemicals, and chemical fibres.

Orders for some industrial materials and for certain types of machinery have been placed on a regular basis, but the most substantial contracts have been for turnkey plants on a once-only basis. Nevertheless, in recent months there has appeared to be a trend towards an increase in the share of individual pieces of equipment purchased by the U.S.S.R. At the same time, business in whole plants has continued. One of the most spectacular transactions in recent years was the newly signed agreement between the Fiat organization of Italy and the U.S.S.R., under which Fiat and the Soviet authorities are to cooperate in the construction of an automobile plant in the U.S.S.R. capable of producing 700,000 vehicles a year.

Grain Purchases Heavy

The poor Soviet grain crop last year forced the U.S.S.R. once again to import large quantities of wheat

from Western sources, principally Canada. Soviet purchases of grain for delivery during the 1965-66 crop year are estimated to have reached approximately nine million tons. The continuation of these heavy grain purchases has maintained the strain on the reserves of gold and convertible currency and has no doubt resulted in the scaling down of imports of industrial equipment from Western sources. It has also resulted in Soviet efforts to earn more convertible currency by increasing its exports to the West and by other means. In recent years, the U.S.S.R. has been running a deficit on its trade with Western countries. In 1964, however, the deficit was converted to a surplus (excluding, of course, its major grain supplier) and in 1965 the surplus increased still further.

Trade with Canada

In 1965 Canadian exports to the U.S.S.R. totalled \$197.4 million, of which wheat and flour accounted for over \$189 million. This, of course, does not fully reflect the sale in August 1965 to the U.S.S.R. of 5 million tons of wheat and wheat flour worth over \$400 million, much of which was shipped during the first half of this year. The remaining \$8 million worth of Canadian exports was made up principally of mining and industrial machinery, tobacco, plastics and synthetic rubber, and sulphur. The U.S.S.R. also bought from Canada smaller quantities of cattle, nitrogen-function compounds, laboratory and optical instruments and cattle hides. If wheat and flour are excluded, it may be said that Canadian exports to the U.S.S.R. have conformed to the general pattern of Western exports, with the emphasis on capital equipment and specialized industrial raw materials. Both the types of capital equipment and the kinds of industrial materials sold have varied from year to year, depending on specific Soviet needs.

Soviet exports to Canada in 1965 reached \$9.9 million, a substantial increase over the previous year's \$2.8 million. Soviet sales of furs fell off rather sharply but Canada continued to import other traditional items such as cotton textiles, sheet glass and plywood. However, these were overshadowed by Canadian purchases of over

\$6.2 million worth of Soviet cotton during the calendar year. The U.S.S.R. also increased its sales to Canada of particle board, molybdenum oxide, pig iron, clocks and penicillin.

Trade Agreement Extended

On June 20, 1966, the Minister of Trade and Commerce, the Honourable Robert Winters, and the Soviet Minister of Foreign Trade, Mr. N. S. Patolichev, signed a new protocol in Moscow extending the Canada—U.S.S.R. Trade Agreement for a further three years until April 17, 1969. On the same date, the Canadian Wheat Board and Exportklub, the Soviet grain trading agency, signed a contract under which the U.S.S.R. has undertaken to buy nine million long tons of Canadian wheat and flour during the three crop years commencing August 1, 1966. As part of the overall quantity, a contract was concluded for the delivery of 3 million long tons of wheat and flour during the first year of the arrangement. The Trade Agreement, which continues the exchange of most-favoured-nation treatment between the two countries, should provide the framework for further development of mutually advantageous trade. Interest on the part of Canadian businessmen in the Soviet Union continues to increase and this year for the first time Canada is taking part in a Soviet Trade Fair—the International Poultry Exhibition in Kiev from August 15-28. The inauguration last April of a passenger liner service between Leningrad and Montreal and the signing of an Air Agreement in July between the Canadian and Soviet Governments are other manifestations of the growing economic links between the U.S.S.R. and Canada and should serve to further both travel and trade.

Where Opportunities Lie

Soviet imports from Western countries in 1965 of commodities other than grain remained approximately at the 1964 level and prospects for the export of capital equipment and industrial materials from the West to the U.S.S.R. will no doubt continue to be influenced by the need for imported bread grain. Nevertheless, Western technology remains invaluable

ble for the Soviet Union's program of industrial expansion and the Soviet Government has indicated its intention of pursuing trade with Western countries.

The Directives for the present Five Year Plan specify the sectors of the economy on which there will be special emphasis between now and 1970 and thus where opportunities for Western exporters of capital equipment may lie. Based on the Directives, it appears that the U.S.S.R. will continue to need equipment for the chemistry, forestry, textile and electronics industries. In addition, consumer goods, foodstuffs, the service industries, building materials, mining and oil exploration will receive special attention during the life of the new Plan. Investment will probably also be made in such traditional industries as iron and steel, non-ferrous metals and metalworking. In the

chemical and petrochemical industry and the textile industry, emphasis will be placed on synthetic materials and throughout industry automation will be a factor. Increased investment in agriculture may also provide some opportunities for Western exporters of capital equipment.

The demand for industrial raw and processed materials generated by the Five Year Plan may well result in additional business for Western suppliers of these commodities. Opportunities depend on specific Soviet requirements, local shortages, price considerations, and not least on Soviet import policy.

The same thing can be said of the Soviet market for Western consumer goods. The U.S.S.R. is traditionally only a small importer of consumer goods from the West. However, over the past two years there has been a gradual but modest increase in Soviet

purchases of these goods. Western consumer products are popular with the Soviet public and it is conceivable that should import policy be relaxed, Western suppliers could develop a substantial market.

The new long-term agreement on wheat provides a basis for a continuing market in the U.S.S.R. for this important Canadian commodity. There should be scope for other Canadian products. Soviet trade with Western countries will continue to expand during the coming years and Canadian exporters of capital equipment and of other commodities would do well to examine the new Soviet Five Year Plan to see whether they have something to offer. Those firms which have products for which there may be a market in the U.S.S.R. are encouraged to write to the Office of the Commercial Secretary in Moscow. ●

The Soviet Expands Its Forest Industry

Five Year Plan stresses further development of important Soviet forest industry. This opens up opportunities to supply sophisticated machinery and capital equipment. Canada's reputation as a forest products producer should help to increase our sales.

MALDWYN THOMAS, *Commercial Secretary, Moscow.*

THE forest reserves of the Soviet Union are enormous; woodlands cover nearly three billion acres—28 per cent of the forest area of the world. Total timber reserves have been estimated at over 2,812 billion cubic feet compared with reserves of 751.9 billion in Canada and 628 billion in the United States.

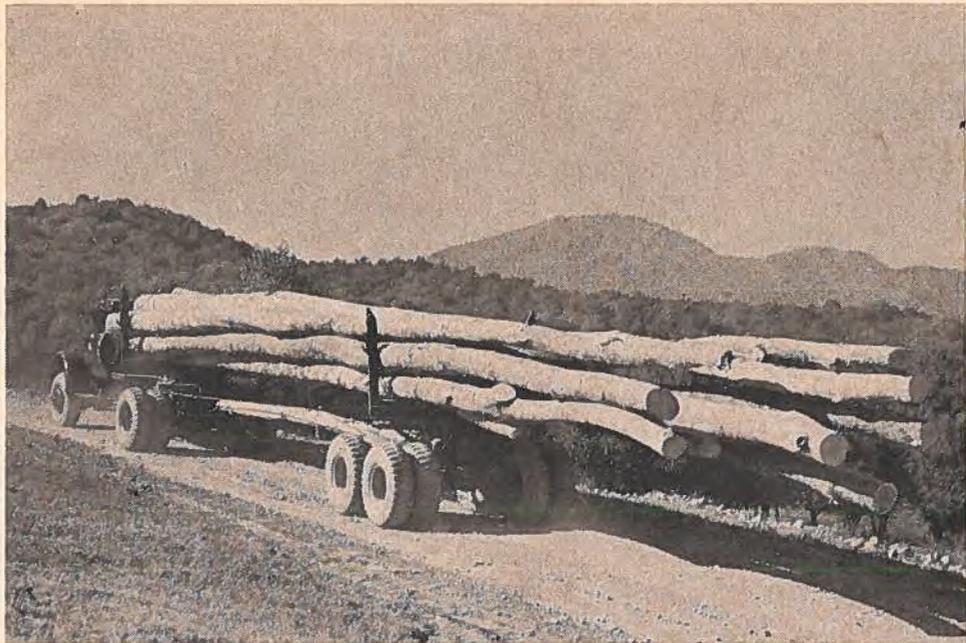
The forest industry is a traditional one in the U.S.S.R. and its roots

extend back into Russian history. The first Russian sawmills were put up in the 17th century to facilitate the construction of Peter the Great's new capital and "window on Europe"—St. Petersburg. Trade in wood developed rapidly and by the beginning of World War I, Russia accounted for 30 per cent of the world's timber trade. Since the Communist revolution in 1917, the forest industry has

grown and diversified with the development of the U.S.S.R. as a major industrial power. Recently Soviet officials have announced plans for further expansion and diversification which, if realized, will put the U.S.S.R. in the front rank of the world's forest industry. Millions of roubles will have to be spent to put plans into effect. Considerable expenditures on plant, machinery and equipment in Western countries have already been made and indications are that further large sums will be spent abroad before the present expansion program is completed.

Despite the fact that the U.S.S.R. possesses over a quarter of the world's forest reserves, its forest industry generally is not as highly developed as in the Scandinavian coun-

The Soviet plans to expand logging operations and will continue to improve mechanization of cutting and transportation methods. The truck hauling these logs is a MAZ-501 with double-axle braking system designed by CSRIME.



tries and North America. Annual consumption of industrial wood has been estimated at about 8.8-9.2 billion cubic feet compared with 3.5 billion cubic feet in Canada. Utilization of the cut timber, however, is below Western levels. According to an official Soviet source, Soviet plants produce from a cubic meter of timber only about one third to one fifth the goods produced by plants with modern techniques. Soviet wood pulp production in 1965 reached 3.23 million tons and paper production 3.3 million, of which newsprint made up 744,000 tons. In 1965 production of plywood stood at 2.9 million square feet ($\frac{3}{4}$ inch basis), chipboard 1,325,424 square feet ($\frac{1}{2}$ inch), and fibreboard 1,487.5 million square feet.

Wood Waste Used

At the Twenty-Third Congress of the Soviet Communist Party, directives for the development of the forest industry during the new Five Year Plan (1966 to 1970) were approved. Expansion is planned in practically all sectors with particular emphasis on achieving more complete utilization of wood wastes and on increasing the chemical processing of wood, which in 1963 accounted for only 7 per cent of total commercial lumber deliveries. Large timber and processing mills are to be built during the

five years, especially in the eastern part of the country. In Siberia and the far east section, for example, capacities are to be developed for the manufacture of 1.3 million tons of paperboard and 2.5 million tons of pulp. In addition to pulp and paper, the output of plywood, paperboard, pressed wood and wood fibreboard will be increased. It is estimated that the attainment of targets in the production of new materials will save the country more than 60 million cubic meters of industrial timber by 1970.

Logging to Be Expanded

The logging industry is the oldest established and most basic branch of the forest industry. Although the Soviet Union intends to exploit its forests more efficiently in the future and reduce the ratio of raw materials consumed to finished products turned out, expansion and continued mechanization are foreseen as an integral part of over-all development. The Soviet Government has shown itself particularly interested in the experience of other countries in mechanizing cutting and in transportation in the forest.

The Soviet lumber industry has traditionally exported a large part of its production to Eastern and Western Europe and the lumber trade remains an important source of foreign ex-

change. By 1970 the Soviet Government plans to increase timber deliveries to 350 to 365 million cubic meters. A number of large new sawmills are being built and one contract for a complete plant has already been awarded to a Canadian firm. Although investments will continue to be made in European Russia, the emphasis will be on cutting lumber in north Siberia and the far east areas. It has been stated that dozens of new enterprises will be commissioned there.

Substitutes for Lumber

A large part of the expansion in Soviet production of wood products is to be in materials which will substitute for lumber and will put to use products now being wasted. Particular attention is being paid to the development of paperboard, veneers, chipboards and fibreboards. The paperboard output in 1965 totalled 939.3 thousand tons; by 1970 production is to reach 4.2 to 4.5 million tons, which according to Soviet calculation will place the U.S.S.R. behind the United States as the world's second largest producer of paperboard. At present a number of new paperboard plants are being built and further large ones are to go up in the Sverdloorsk, Tyumen, Irkutsk, and Krasnoyarsk regions as well as in

other areas in the east where there are raw materials. One plant currently being constructed in the Astrakahn district of the lower Volga to produce paperboard from cane will have a capacity of 170,000 tons per year. Another important one with capacity of 140,000 tons has been built at Kyzyl-Ordinsk in Kazakhstan. Soviet officials believe that too much wood is consumed at present by the packing industry. As a result of the construction of the above two plants alone, the savings in wood are expected to amount to 151.8 million cubic feet.

Production of chipboard and fibreboard is to be expanded substantially. Some time ago it was announced that between 1965 and 1970, output of chipboard will increase from 1,322,034 square feet ($\frac{1}{4}$ inch basis) to 6.8 million square feet ($\frac{1}{4}$ inch basis), and of fibreboard from 1,487.5 million square feet to 4,305.6 million square feet. Although these targets have yet to be confirmed in the new plan, growth in these sectors will undoubtedly be substantial. The increase in chipboard and fibreboard production will be achieved largely through the development of chemical processing of wood within the pulp and paper industry. By 1970, paperboard, veneer and particle board production is expected to consume 1,765.7 million cubic feet of wood and wood wastes, plus 1.5 million tons of cane. This should result in a saving of 1,412.5 million cubic feet of cut timber per year. During 1964-65 the U.S.S.R. installed 30 paper and paperboard making machines including 12 machines 21 feet to 22 feet wide. By 1970 new capital investments in the veneer and particle board industry could amount to 940 million roubles (Can.\$1,127 million).

At present, plywood production in the U.S.S.R. totals approximately 2,881,355 square feet ($\frac{1}{4}$ inch basis) annually. The new expansion program is expected to result in an output of 4,237,288 square feet ($\frac{1}{4}$ inch basis) by 1970.

Progress in Pulp and Paper

The most spectacular growth during the next few years will take place in the pulp and paper sector, chosen as the main area for applying chemistry to forestry and thus diversifying Soviet production. From the 1965

level of 3.23 million tons, pulp production is to reach 8.4 to 9 million tons in 1970; paper output will rise from 3.3 million to 5 to 5.3 million tons. If this expansion program is realized, the U.S.S.R. will become one of the biggest producers of pulp and paper in the world. A number of very large plants are being built. At Bratsk, in Eastern Siberia, one of the biggest timber and pulp and paper complexes in the world is under construction. When it is finished, it will use more than 4 million cubic meters of wood a year. Over the past ten years the output of pulp and paper is said to have doubled and it is estimated that at present 30 large pulp and paper plants are being built or modernized. During the past four years, over 20 paper machines of a total annual capacity of 500,000 tons have either been brought into production or reconditioned. In 1965, some 744,000 tons of newsprint were turned out and output is to be expanded considerably by 1970. Six new high-speed machines, recently installed or being installed, will have an annual capacity of 660,000 tons.

New pulp and paper plants are being put up in a wide variety of sites within the U.S.S.R., particularly in the Urals, Karelia, the North Caucasus, Kazakhstan and Siberia. In Siberia, in addition to the big Bratsk complex, other large plants are to be built at Krasnoyarsk and at Komsomolsk-on-Amur. The Komsomolsk enterprise alone will consume 88.3 million cubic feet of wood a year. Altogether, Siberia and the far eastern area will have capacities for the manufacture of nearly 2.5 million tons of pulp. In 1965 alone, 443 million roubles (Can.\$5.31 million) were scheduled to be spent on the pulp and paper industry and the new investment program is only getting under way. This expansion will, of course, stimulate production in related branches, especially in paperboard, chipboard and special papers. A couple of years ago it was announced that viscose and cellulose production were to rise from the 1963 level of 250,000 tons to 900,000 tons per year. At the same time it was revealed that output of paper bags was to increase from 600 million bags in 1963 to 3.5 billion by 1970. Production of special papers will attract con-

siderable effort and it is expected that paper production will be greatly diversified and quality improved.

Equipment and Plants Needed

To carry out its expansion program in the forest industry during the Seven Year Plan just concluded, the Soviet Union has already purchased large quantities of equipment and whole plants from the West, particularly from Scandinavia, Japan and France. Investment is to continue at a high level during the Five Year Plan and there is no doubt that a good part of the more sophisticated machinery will come from Western countries. Soviet officials have already indicated their interest in shopping abroad for some of their future requirements. The Canadian industry enjoys a good reputation among Soviet experts and the U.S.S.R. has already concluded a contract for the purchase of a Canadian sawmill. Canadian exporters of capital equipment would do well to examine closely the potential market that this important Soviet industry offers.



Mail Mounts Up in Manila

CANADIANS doing business in Manila or corresponding with the Canadian Consulate General there may be wondering why they have not received replies to their letters. As reported in the *Manila Chronicle* of July 29, "Annex building No. 1 of the post office . . . is now filled to the rafters with mailbags from abroad." In fact, some 15,000 foreign parcels are awaiting delivery.

The Postmaster General, faced with staff problems and lack of funds, is taking steps to ease the mail congestion by recalling 50 casual workers to assist in sorting and is reported to be considering using army trucks to help mail distribution. The *Manila Chronicle*, however, sees no immediate solution to the increasing backlog of parcels and other mail.

In the meantime, Canadian businessmen should count on at least three weeks for the delivery of airmail letters to their Manila contacts, and even longer for parcels. It should be remembered that mail going from Manila to Canada is similarly delayed. ●

Bulgaria Continues Industrial Development

Shift from agriculture to industry is continuing under new Five Year Plan. Economic reforms now being implemented and tested allow companies greater management freedom.

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



Although 99 per cent of Canada's sales to Bulgaria are of wheat, there are opportunities in some other lines. But personal visits to the market are essential if Canadian exporters hope to compete with other Western suppliers. Most of these visits will centre around the capital, Sofia; here is one of its fountain-decorated squares.

BULGARIA'S economic development continued during 1965 at the commendable growth rate of 6 per cent. This resulted partially from the new methods of planning and management which are being applied experimentally within the national economy and increasingly introduced into most phases of business activity. Despite this substantial increase, however, Bulgaria's national income is the lowest in all the Eastern European countries except Albania. With a gross national product estimated at \$5.5 billion, the average per capita income amounts to only about \$665 a year.

Situated in the southeastern corner of the Balkan peninsula, this country, about twice the size of Nova Scotia, has traditionally had an economy based on agriculture and horticulture. Its temperate climate, combined with broad fertile plains between rugged mountains, produces some of the world's best vegetables and fruits. Only since the war has Bulgaria endeavoured to build up its industrial base. This structural shift in its economy is continuing, and by the end of this year the hope is that industrial production will provide 47 per cent of the national income. This production consists chiefly of lathes, forklift trucks, factory trolleys, electric motors and pumps; however, it only meets about one-third of Bulgaria's demand for machinery and plant equipment.

Last year's gains were attributable exclusively to increases in industrial production, particularly in the iron, machine-building, chemical and rubber industries. Agricultural production remained stagnant, despite an extremely good wheat crop of 2.6 million metric tons. Drought adversely affected the vegetable, fruit and fodder crops and the numbers of livestock, sheep, pigs and chickens on the state and collective farms actually decreased. However, this industrial

progress was not uniform and there were difficulties in the development of mines and hydroelectric schemes.

The Government has largely succeeded in achieving its objective of industrialization, mainly because of economic assistance from the U.S.S.R. Capital investments in industrial developments were generally at the expense of the consumer, but last year real wages increased by 3 per cent and consumer spending jumped by nearly 8 per cent. The Soviet's domination of the Bulgarian economy remains unchallenged and the industrial structure will continue to develop in alignment with that of the U.S.S.R. and other Council for Mutual Economic Aid members.

Under the new Five Year Plan covering 1966-1970, industry will continue to be stressed. In addition to the list given above, the development of radio, electronic and instrument building industries, especially electronic production control equipment for the metallurgical and chemical fields (where the Bulgarians will work closely with the Hungarians) will have top priority. Petroleum, chemical and synthetic fibre factories will be built at the Black Sea coastal city of Burgas. (The petroleum plant will use Soviet crude.) Artificial fertilizers will be manufactured from gases extracted offshore north of Varna. In agriculture, greater mechanization and increased use of fertilizers will boost grain harvests and more use of land for cash crops with greater output such as tomatoes, beans, tobacco, and fruits is called for.

Plan Fulfillment 1966

Planners hope that industrial production will increase between 10 and 11 per cent in 1966, with capital investment to exceed last year's total of \$400 million. These 1966 investment funds are being spent on enlarging the fuel and electric power base, chemical, metallurgical and mechanical engineering industries and, significantly, on the foodstuffs and consumer goods field. In some cases Western European firms are providing the knowhow and the credit for these developments. According to Bulgarian reports, to date industry is fulfilling this year's plan. These reports mention especially the achievements of the industrial enterprises which are

TABLE I
CANADIAN EXPORTS TO BULGARIA

	1962	1963	1964	1965
	(Can.\$)*			
Baby chicks	208	3,200	.....	2,400
Wheat	.....	.....	19,238,030	7,340,463
Polyethylene resins, not shaped	.....	.....	.....	8,750
Plastic and synthetic rubber	7,476	23,813	.....	.....
Aluminum fabricated materials	380,179	.....	.....	.....
Swathers or windrowers and parts	.....	.....	.....	1,087
Printed matter	.....	.....	.....	9,816
Total, these figures	387,863	27,013	19,238,030	7,362,516
Total trade	388,267	27,907	19,238,565	7,363,586

*DBS figures.

TABLE II
MAIN CANADIAN IMPORTS FROM BULGARIA

	1962	1963	1964	1965
	(Can.\$)*			
Tomatoes canned	.....	.....	22,681	94,922
Fruit juices, vegetable juices	.....	7,020	.....	69,224
Printed cloth and sheeting cotton	.....	.....	18,966	50,677
Cheese	23,394	21,785	19,548	44,591
Food preparations	.....	3,222	2,195	35,822
Strawberries	.....	.....	.....	29,904
Furniture wooden, household	.....	.....	.....	25,476
Vegetables, dried, preserved, not canned	.....	.....	409	23,291
Lathes, metalworking and parts	.....	.....	.....	18,005
Lift trucks industrial	.....	.....	.....	15,087
Sheets, bed	.....	.....	.....	14,390
Pants, breeches	.....	.....	.....	12,678
Gloves, mittens	1,187	.....	.....	11,392
Sports coats and blazers	8,091	.....	17,343	1,740
Towels	.....	.....	11,875	.....
Fur goods	.....	26,764	4,258	.....
Total, these products	32,672	58,791	97,275	447,199
Total trade	33,790	73,815	113,870	525,532

*DBS figures.

applying the new economic system. Retail goods turnover has increased substantially over a similar period one year ago.

Current agricultural reports indicate that a good crop is in the offing. Bulgaria enjoyed unusually favourable wintering conditions for the fall-sown crop of 1965. The weather this spring was also remarkably good, with the result that the spring crops were sown, on an average, two weeks earlier than normal. Last year's record tobacco crop—116,000 tons of Oriental and 48,000 tons of Virginia—is expected to increase this year, chiefly because of larger acreages. More land was also sown to wheat this year and the maize, barley, sugar beet, and tomato harvests are expected to be satisfactory as a result of increased use of fertilizers.

Economic Reforms

Since early last year a "new system of planning and management of the national economy" has been tested in selected industries in Bulgaria. This test application has produced startling results and has encouraged the Government to revamp its economic thinking. Although the basic principles of these reforms have not yet been published, they will involve decentralization of decision-making as well as substantial price and wage changes. The price reforms, which are not expected to be put into force until the second half of 1967, are aimed at having prices reflect costs of production while doing away with the discrepancies between prices on the domestic and international markets. This will call for close co-operation

between CMEA member countries whose trade has heretofore been regulated by relatively fixed prices.

The reforms call for state-run industrial trusts and enterprises to prepare their own annual plans in accordance with three principles: state orders (that is, government instruction to the producer to manufacture what the company feels society needs); orders from other enterprises and organizations, and the company's own forecasts of what the market will absorb. The Party will continue to be the leading and directing force in the development of the economy, but a certain degree of freedom of enterprise will be allowed, particularly in investment of company profits and the establishment of prices and wages. In foreign trade, certain enterprises will be permitted to carry on their own foreign trade activity paralleling that of the existing state trading companies.

There is, of course, opposition to these reforms within the country, but the Government appears bent on carrying out its intentions. It is difficult to foresee what exactly these changes will spell for Western traders, but any move away from the rigid centralized system of the past should give individual enterprises more scope in the choice of imported materials.

Foreign Trade

Foreign trade is important to the Bulgarian economy, accounting for one-third of its GNP. The latest published figures for 1964 show imports of \$1,057 million and exports of \$974 million. Bulgaria's chief exports are vegetables, fruits, tobacco, cement, electric motors, batteries, hoisting equipment and forklift trucks—the latter indicating the importance given it by the CMEA. Machinery and equipment continue to be the principal imports but fuels, minerals and metals are also imported in substantial quantities by mineral-deficient Bulgaria. The 1966 Plan calls for an increase in foreign trade of 16 per cent.

During the inter-war years only Czechoslovakia of all the countries now comprising the Soviet Bloc was an important trade partner of Bulgaria. The present geographical distribution of Bulgaria's foreign trade reflects its membership in this Bloc, with 82 per cent of its trade carried

on with countries in it; the Soviet Union accounts for an overwhelming 53 per cent of its total. Recent years have seen a gradual increase in trade with Western countries. Trading between Bulgaria and the countries outside the Soviet Bloc takes the form of either an official trade and payments agreement between two countries, a barter agreement stating the kind, volume, and value of goods to be exchanged for a limited period of time, or finally, a sporadic single purchase. Western European companies eager to penetrate the Bulgarian market are entering into joint production agreements with Bulgarian firms.

Part of Bulgaria's trade deficit is covered by tourism, which has increased considerably this decade. Substantial investments in new hotel and restaurant facilities have been made, particularly in the Black Sea coastal resorts of Varna and Burgas, which are attracting large numbers of Western European tourists. Bulgaria may benefit as well from the recent decision by the CMEA countries to hold 10 per cent (\$33 million) of the fixed capital of its International Bank for Economic Co-operation in gold and freely convertible currencies.

Trade with Canada

Canada's trade relations with Bulgaria are governed by a 1963 Trade Agreement providing most-favoured-nation treatment for Bulgarian goods in Canada in return for a firm purchase commitment of 300,000 tons of wheat over a three-year period. This original agreement is due to expire in October of this year and negotiations for its renewal are currently under way. In addition, this agreement provided that a Bulgarian trade office might be opened in Canada for the purpose of market exploration and trade promotion. Earlier this summer Canada and Bulgaria concluded an exchange of diplomatic representation.

As the figures in Table I show, wheat accounts for over 99 per cent of Canadian sales to Bulgaria. Bulgarian shipments to Canada, on the other hand, are broadly based and the number of categories increased from 12 in 1964 to 36 in 1965. In fact, last year sales to Canada increased over 400 per cent.

The best sales prospects lie in food processing and packaging equipment,

advanced agricultural machinery for vegetable, fruit and tobacco crops, and industrial collaboration and joint ventures, particularly in ore mining and refining. The competition from other Western nations will, however, be stiff and personal visits are an absolute prerequisite for sales. Business transactions with hard currency areas often involve barter, switching or triangular deals, and Canadian firms who wish to explore the Bulgarian market more closely may well benefit by contacting some of the Viennese agents who operate in this market and specialize in these types of arrangements. ●

World's Fish Catch Rising

DURING 1964, some 218 countries caught 51.6 million metric tons of fish and other marine creatures. Although this massive world harvest was an increase of 4.2 million tons over the previous record reached in 1963 and more than double the 21 million ton catch of only 15 years before, the 1964 figures again show the uneven spread of world fisheries development.

Asia, for example, has increased its catch from 7.65 million tons in 1950 to 19 million in 1964. Its share of the world total rose from 37 per cent in 1950 to 45 per cent in 1958 but dropped back to 37 per cent in 1964. Over the same period, South America's share soared from three to 21 per cent, North America's dropped from 18 to eight per cent and Europe's, despite a record catch in 1964, dropped from 29 to 19 per cent.

This information, plus other useful statistics, is contained in the 18th *Yearbook of Fishery Statistics* compiled by the Statistics Section of FAO's Fisheries Department.

A major cause of the changes in relative performance mentioned above is revealed in the section of the book dealing with species. In 1964, ocean fish made up 40.5 million tons or 79 per cent of the world catch, freshwater fish 6.6 million tons or 13 per cent, and crustaceans, molluscs, whales, seals and other sea creatures the remainder.

Another significant fact is that in 1964 no less than 123 countries caught less than 5,000 tons of fish. But 42 caught more than 100,000 tons and they accounted for over 95 per cent of the total catch. ●

Czechoslovakia Modifies State Planning

A slowdown in expansion has planners studying means of improving production. New plan will also stimulate foreign trade, improve agriculture. Canadians might follow up opportunities presented by modernization of industry and farming.

F. IAN WOOD,
Commercial Secretary, Vienna.

CZECHOSLOVAKIA is a country of 14 million people, strategically located at the commercial crossroads of Europe and possessing the most advanced industrial society in Eastern Europe. However, the rate of growth of the national income has dropped in recent years and the official report on the Five Year Plan ended in 1965 pointed up the generally acknowledged fact that the productive capacity of Czechoslovak industry, agriculture, labour and equipment requires radical improvement. Just how this is to be done is spelled out in a program of economic reform that appeals to the imagination and enthusiasm of all sectors of the economy.

This Czechoslovak economic reform program, to be introduced next year and fully implemented by 1970, is in essence a breakaway from the rigidities of the system of central planning and a shift to what has been termed a "socialist" market economy. This change may alter the nature of the market and present challenging business opportunities over the course of the next few years.

In 1965 the first experiments in economic reform were introduced among selected state enterprises. Based on the results of a study directed by Prof. Ota Sik, Director of the Institute of Economics, Czechoslovak Academy of Sciences, preparations for the new system of economic management are to be completed during 1966 and full implementation will begin in 1967 rather than the 1968/69 dates originally specified.

As now envisioned, central planning will endeavour to anticipate domestic and foreign market and production opportunities. Large factories and integrated trusts made up of smaller producers will make more of their own production decisions, negotiate some prices with suppliers and buyers, offer wage incentives above prescribed minima, and otherwise benefit or suffer to a greater degree from profits and losses incurred in competition with other domestic and foreign producers.

The new system is intended to replace the obligation laid on enterprises to meet fixed quotas regardless of quality and workmanship by an interest in manufacturing for profit. The enterprises that prosper may thus be able to pay their workers better or invest some of their "profits" in self-improvement or expansion projects. Conversely, inefficient enterprises will be forced out of business. The central authorities will none the less continue to wield some powerful weapons of control. Most investment decisions will remain within their prerogative and so will ultimate control over basic wage levels and prices of key production goods and consumer requirements.

Stimulating Foreign Trade

Measures to stimulate foreign trade and hard currency earnings are being given special priority. The reforms foresee:

- Industry and manufacturing enterprises assuming a more direct role in commercial transactions previously reserved exclusively for the monopolistic foreign trade corporations.

- A substantial relaxation of quotas, with those remaining to be in terms of world market prices.

- Retention of a percentage of earnings by exporting enterprises to be used to import additional foreign capital equipment, patents or licences, to finance overseas production study, to reward outstanding work, and to purchase or borrow foreign currencies from the Czechoslovak Commercial Bank in order to import production machinery or materials.

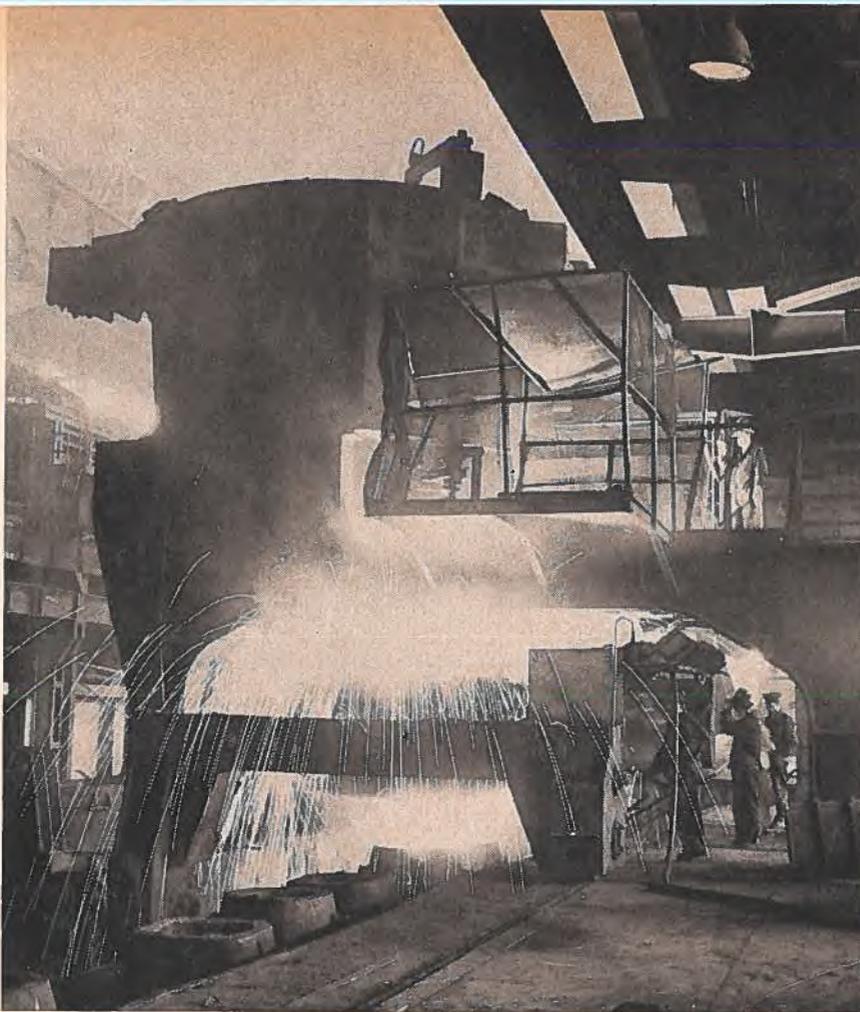
- A sounder relationship between world prices and internal wholesale prices which will gradually expose the Czechoslovak industrial economy to foreign competition.

The first point is especially significant because it may portend easier access to the end-user by prospective foreign suppliers. These visits were not impossible in the recent past but more often than not prospective suppliers were confined to sales discussions within foreign trade corporations.

Agricultural improvement merits special priority in the new system. Approval of a \$900 million investment in new agricultural machinery alone to be supplied before 1970 reflects the importance that the central authorities attach to this sector.

Development Plans

A substantial part of Czechoslovakia's production equipment has been marked for replacement. Productivity per unit of capital equipment has been below average and modernization of industry has become urgent. The chemical industry will receive the largest share of the \$36 billion allocated for investment in new industrial capacity over the period 1966-70. Plans are being drawn up to re-equip the metallurgical, engineering and light industries and to speed up production in the food and consumer goods branches. Investment



The emphasis today in Czechoslovakia is on improving production and the goal for steel and rolled stock is 11.5 and 7.6 million metric tons by 1970. This is the Klement Gottwald Steel Works (NHKG), which has the largest manufacturing capacity.

in power production, transportation and the building materials industry is expected to increase greatly.

The already well-developed Czechoslovak engineering industry is expected to raise production by 42 per cent in the next five years. Priority will be given to transport engineering and tractors, equipment for the chemical, rubber and plastics industries, power engineering, open-pit mining, rolling mills, the textile, clothing, leather and footwear industries, machine tools, compressors, bearings, and control and measuring equipment. Production of steel and rolled stock is expected to reach 11.5 and 7.6 million metric tons respectively by 1970.

Pattern of Foreign Trade

The Czechoslovak economy is characterized by a limited raw material base and a highly developed industrial sector. Foreign trade thus plays a

vital role in its economic life. In 1965 foreign trade reached \$5.85 billion, up \$450 million from the year before. A 13 per cent rise in imports over exports in 1965 reflects the considerable need in Czechoslovakia for raw materials, capital equipment and plant machinery, as well as agricultural produce. Although trade with neighboring socialist countries accounts for 75 per cent of total volume, an annual billion-dollar business is carried on with the industrialized countries of the West.

Imports from the West are heavily committed to grain, fodder and fertilizer. Industrial equipment and a scattering of consumer goods account for approximately 15 per cent of the total. Exports to non-Bloc countries, on the other hand, are largely given over to raw materials (fuels, metals, building material, wood pulp, etc.), consumer goods, food products, machinery and chemicals.

In the first quarter of 1966 (latest available figures) imports rose but exports stayed the same as in the similar period of 1965. Exports in the first three months of 1966 totalled \$627 million, imports \$594 million.

Priorities for the allocation of hard currencies during the 1966-70 plan are understood to favour imports of foodstuffs (including grains), advanced plant and industrial equipment and the purchase of manufacturing licences.

Canadian-Czechoslovak Trade

Among the countries of Eastern Europe, Czechoslovakia has led the way in developing trade with Canada. The conclusion of a five-year wheat agreement with Canada in 1963 calling for a purchase commitment valued at \$95 million sparked a surge in our export balance which has been more or less maintained (see Table I on page 16) despite growing interest in Canada on the part of Czechoslovak exporters.

Canadian exports of products other than wheat have fluctuated between \$1 and \$9 million in the last ten years (\$7 million in 1965). Rapeseed, aluminum profiles, hides and skins and asbestos shorts account for the bulk of this trade.

Czechoslovakia's evident success in the Canadian market (see Table II) has not been achieved without a good deal of effort. Frequent personal visits to Canada by representatives of various Czechoslovak foreign trade corporations have doubtless added considerable impetus to the doubling in Czechoslovak sales to Canada since 1960. Imports from Czechoslovakia in 1965, according to DBS statistics, totalled \$15.9 million. Major items included textile fabrics, footwear, wire rod, glassware, bicycles, carbon steel plate, and costume jewellery. A proportionally large investment by Czechoslovakia in its Pavilion at Expo 67 presages a determination to augment its growing share of the Canadian market.

Pointers to Canadian Salesmanship

In efforts to promote products of Canadian secondary industry in Czechoslovakia, we are at a competitive disadvantage vis-à-vis neighbouring European suppliers. Canadian exports to Czechoslovakia have there-

fore concentrated on industrial raw materials offered at competitive international prices. A very small proportion of our exports consist of finished products and this position is not likely to change until Canadian salesmanship adopts a "go-and-see-for-yourself" attitude. In an area where the key to commercial success is personal contact, Canadian businessmen have not been notably active. Closer and more frequent liaison with Czechoslovak purchasing authorities is a "must" before we are likely to record any substantial improvement in exports to Czechoslovakia. This office would be more than pleased to offer constructive advice on the proper procedure to be followed in arranging a sales trip in this area.

slovak purchasing authorities is a "must" before we are likely to record any substantial improvement in exports to Czechoslovakia. This office would be more than pleased to offer constructive advice on the proper procedure to be followed in arranging a sales trip in this area.

What Are the Opportunities?

Apart from the important market for Canadian wheat, the most promising

field here as in most Eastern European countries is for modern plant and capital equipment and machinery. Diversification and re-equipping of industry are bywords of the new system. The chemical and petrochemical industries are receiving priority as a means of reducing a traditionally heavy expenditure of foreign exchange on specialized chemicals and fertilizers, synthetic rubber and fibres, plastics and detergents, and other petroleum byproducts. Other fields of opportunity are:

metallurgical industry
power generation
mining industry
road construction and equipment
textile industry (synthetic fibres, wool, cotton, flax spinning and weaving mills)
woodworking industry
tanning industry
precision engineering industry
computer and data processing field
farming equipment and machinery

There is not much scope at present for sales of consumer goods because the amount of hard currency allocated to such imports is relatively small.

Another branch of commerce with a high priority is industrial co-operation in all its aspects. Joint venture projects (of which there have been a significant number) have been confined to contracts with third countries but technical consultants have been welcomed in Czechoslovakia itself.

Two-way trade in licences has risen sharply in the last six years. The importance attached to this form of business is reflected in the 1966-70 Investment Plan which contains an allocation of \$36 million for purchase of manufacturing licences from the West.

Exporting to Czechoslovakia is not easy. There are few if any prospects for quick sales and Canadian businessmen should be prepared to assume a patient and co-operative attitude over a rather long interval between initial contact and final contract. But the economic reform program has far-reaching implications for Western suppliers. Now is the time to examine prospects in a market which holds good possibilities for selected products. ●

The reports on Eastern European countries continue on page 25.

TABLE I
CANADIAN EXPORTS TO CZECHOSLOVAKIA

	1962	1963	1964	1965
	(Can.\$)*			
Wheat and durum except seed	.....	10,423,444	50,104,704	35,481,730†
Flaxseed and rapeseed	388,789	707,840	860,730	1,951,006
Aluminum pigs, ingots, bars, rods, plates	1,039,064	541,153	180,837	1,176,315
Cattle hides raw, calf and kip skins raw	366,599	365,117	293,745	605,907
Asbestos	243,538	6,653	296,748	304,922
Textile industrial machinery and parts	22,817	190,630	299,237	159,142
Copper refinery shapes	.....	555,367	530,879	109,689
Plastic and synthetic rubber	1,167,532	230,469	138,520	63,502
Furs dressed	36,778	5,450	.....	21,055
Radioactive elements and isotopes	.....	.....	.....	21,302
Chain saws and parts	.....	.....	.....	14,941
Barley	.....	.....	743,679	.....
Tobacco	.....	.....	591,320	.....
Polyethylene resins not shaped	.....	219,674	46,958	.....
Total these products	3,265,117	13,245,797	54,087,357	39,909,511
Total trade	3,522,188	13,288,859	54,229,866	39,996,058

*Dominion Bureau of Statistics

†Includes \$5.23 million sale of wheat diverted from Hungary

TABLE II
MAIN CANADIAN IMPORTS FROM CZECHOSLOVAKIA

	1962	1963	1964	1965
	(Can.\$)*			
Footwear	1,208,518	1,036,910	1,081,626	2,448,245
Wire rods	.....	.....	658,747	1,273,018
Fabrics all kinds	1,149,376	1,383,603	1,171,793	1,252,145
Machinery all kinds	634,438	596,662	798,677	1,141,454
Print cloth and sheeting, flannel, poplin	322,213	577,416	934,061	799,279
Tableware, stemware	786,876	852,995	670,625	752,508
Motorcycles, bicycles	257,308	232,813	354,347	652,780
Plates carbon steel	.....	.....	.....	566,367
Sheet, wired and laminated glass	467,258	446,438	402,095	521,187
Towels	224,340	214,920	456,797	514,137
Gloves	271,440	303,503	408,110	490,082
Costume jewellery	234,555	288,828	432,159	387,235
Smokers accessories, trays, baskets, artware	38,451	45,052	338,761	352,797
Hoods and shapes	333,694	307,445	246,879	333,960
Globes, etc., for lighting	135,911	139,476	202,934	240,720
Corduroys	24,239	95,280	115,960	234,077
Total, these products	6,088,617	6,821,779	8,273,571	11,959,896
Total trade	9,032,805	9,203,893	12,846,881	15,964,780

*Dominion Bureau of Statistics

Foreign Trade Service Abroad

ARGENTINA

Commercial Counsellor
Canadian Embassy
Bartolome Mitre 478
Buenos Aires, Argentina

M. B. Bursey, Commercial Counsellor
H. E. Ryan, Assistant Commercial Secretary (Agriculture)

Cable: CANADIAN *Phone:* 33-8237
Territory: Paraguay.

AUSTRALIA

Commercial Counsellor for Canada
P.O. Box 3952, G.P.O.
A.M.P. Building, 21st Floor
Circular Quay
Sydney, Australia

J. A. Stiles, Commercial Counsellor for Canada
A. D. Schulman, Assistant Commercial Secretary

Cable: CANADIAN *Phone:* 27-7565
Telex: SYD 600 (CANADIAN SYD)
Territory: States of New South Wales and Queensland, Capital Territory, Northern Territory, and Dependencies.

Commercial Counsellor for Canada
Mobil Centre
2 City Road
South Melbourne S.C. 4, Australia

H. A. Gilbert, Commercial Counsellor for Canada
J. D. Tennant, Assistant Commercial Secretary
W. A. McKenzie, Assistant Commercial Secretary

Cable: CANADIAN *Phone:* 61-3473
Telex: MLB 501 (CANADIAN MLB)
Territory: States of Victoria, South Australia, Western Australia, Tasmania.

Commercial Counsellor
Office of the High Commissioner for Canada
Commonwealth Avenue
Canberra, Australia

J. B. O'Neill, Commercial Counsellor
D. I. Campbell, Assistant Commercial Secretary

Cable: DOMCAN *Phone:* 7-2541
Telex: CBA 62017 (DOMCAN CBA)

AUSTRIA

Minister-Counsellor (Commercial)
Canadian Embassy
P.O. Box 190, Vienna 1/8
Obere Donaustrasse 49/51
Vienna II, Austria

C. F. Wilson, Minister-Counsellor (Commercial)
F. I. Wood, Commercial Secretary
R. J. L. Berlet, Assistant Commercial Secretary
B. A. Gagosz, Assistant Commercial Secretary

Cable: CANADIAN *Phone:* 23-32-94
Telex: 07-5320 (DOMCAN VIENNA)
Territory: Albania, Bulgaria, Czechoslovakia, Hungary, Rumania, Yugoslavia.

BELGIUM

Commercial Counsellor
Canadian Embassy
35 rue de la Science
Brussels 4, Belgium

D. M. Holton, Commercial Counsellor

Cable: CANADIAN *Phone:* 13.38.50
Telex: 221613 (DOMCAN BRU)
Territory: European Economic Community, European Atomic Energy Community, European Coal and Steel Community. Other countries: Luxembourg.

BRAZIL

Commercial Counsellor
Canadian Embassy
Caixa Postal 2164-ZC-00
Edificio Metropol
Av. Presidente Wilson 165
Rio de Janeiro, Brazil

C. M. Forsyth-Smith, Commercial Counsellor
R. W. Burchill, Assistant Commercial Secretary

Cable: CANADIAN *Phone:* 42-4140
Telex: Rio 175 (DOMINION RIO)

Consul and Trade Commissioner
Canadian Consulate
Caixa Postal 6034
Edificio Alois
Rua 7 de Abril 252
São Paulo, Brazil

C. T. Charland, Consul and Trade Commissioner

Cable: CANADIAN *Phone:* 36-6301

BRITAIN

Minister (Commercial)
Office of the High Commissioner for Canada
One Grosvenor Square
London, W.1, England

L. H. Ausman, Minister (Commercial)
 W. D. Wallace, Commercial Counsellor
 G. E. Woollam, Commercial Counsellor (Agriculture)
 J. M. Rochon, Commercial Counsellor (Metals and Minerals)
 H. M. Maddick, Commercial Counsellor
 E. J. Ward, Commercial Counsellor (Timber)
 O. Hickie, Commercial Secretary (Timber)
 R. M. Shaw, Attaché (Publicity)
 M. R. Bell, Assistant Commercial Secretary
 F. G. Beaudette, Assistant Commercial Secretary (Agriculture)
 A. L. Lyons, Assistant Commercial Secretary
 H. G. Garland, Attaché (Fisheries)
 Miss M. A. Armstrong, Attaché (Exhibitions)

Cable: SLEIGHING, London, W.1. *Phone:* MAYfair 9492
Telex: 22526 (DOMINION LDN)

Canadian Government Trade Commissioner
Martins Bank Building
Water Street
Liverpool, England

K. R. Higham, Acting Trade Commissioner
Cable: CANADIAN *Phone:* MARitime 2177
Territory: Midlands, North England.

Canadian Government Trade Commissioner
Cornhill House
144 West George St.
Glasgow C.2, Scotland

D. G. Nelson, Acting Trade Commissioner
Cable: CANTRACOM *Phone:* DOUglas 6751
Territory: Scotland.

Canadian Government Trade Commissioner
15-17 Chichester St.
Belfast 1, Northern Ireland

D. G. Nelson, Acting Trade Commissioner
Phone: 21867
Territory: Northern Ireland.

CEYLON

Commercial Division
Office of the High Commissioner for Canada
P.O. Box 1006
6 Gregory's Road
Cinnamon Gardens
Colombo, Ceylon

Cable: CANADIAN *Phone:* 91341
Telex: 106 (DOMCAN COLOMBO)

CHILE

Commercial Counsellor
Canadian Embassy
Casilla 771
Agustinas 1225, 5th Floor
Santiago, Chile

R. E. Gravel, Commercial Counsellor
 Z. W. Burianyak, Assistant Commercial Secretary

Cable: CANADIAN *Phone:* 64189

COLOMBIA

Commercial Secretary
Canadian Embassy
Apartado Aereo 8582
Edificio Banco de Los Andes
Carrera 10, No. 16-92
Bogota, Colombia

J. G. Ireland, Commercial Secretary
Cable: CANADIAN *Phone:* 43-00-65
Territory: Ecuador.

CUBA

Commercial Division
Canadian Embassy
Gaveta 6125
Calle 30 No. 518 esquina 7ª Avenida
Miramar
Havana, Cuba

Cable: CANADIAN *Phone:* 2-6421

DENMARK

Commercial Counsellor
Canadian Embassy
Prinsesse Maries Allé 2
Copenhagen V, Denmark

K. Nyenhuis, Commercial Counsellor
Cable: CANADIAN *Phone:* Hilda 3306
Telex: 5036 (DOMCAN KH)
Territory: Greenland, Poland.

DOMINICAN REPUBLIC

Commercial Secretary
Canadian Embassy
Apartado 1393
Edificio Copello 408
Calle El Conde
Santo Domingo, Dominican Republic

Cable: CANADIAN *Phone:* 2-8138
Territory: Puerto Rico.

FRANCE

Minister-Counsellor (Economic/Commercial)
Canadian Embassy
35 Avenue Montaigne
Paris 8^e, France

R. Campbell Smith, Minister-Counsellor (Economic/Commercial)
G. F. Mintenko, Commercial Counsellor
J. E. Montgomery, Commercial Secretary (Agriculture) (absent)
G. P. Morin, Commercial Secretary
C. J. St. Pierre, Assistant Commercial Secretary
F. M. Wanklyn, Assistant Commercial Secretary
P. E. Labbé, Assistant Commercial Secretary

Cable: CANADIAN Paris 086 *Phone:* BALzac 99-55
Telex: 20600 or 20601 (DOMCAN A PARIS)
Territory: Algeria, Morocco.

GERMANY

Commercial Counsellor
Canadian Embassy
Kennedy-Allee 35
Bad Godesberg, West Germany

H. J. Horne, Commercial Counsellor
G. H. Musgrove, Assistant Commercial Secretary (Agriculture)
R. J. Buchan, Assistant Commercial Secretary

Cable: CANADIAN *Phone:* 76995
Telex: 886421 (DOMCAN BONN)
Territory: States of Baden-Wuerttemberg, Bavaria, Hesse, Rhine-land-Palatinate, Saar; West Berlin.

Consul
Canadian Consulate
Koenigsallee 82
4 Duesseldorf 1, West Germany

J. A. Elliott, Consul
G. D. Valentine, Vice Consul

Cable: CANADIAN *Phone:* 2-05-25
Telex: 8587144 (DOMCAN DUESSELDORF)
Territory: State of North Rhine-Westphalia.

Consul General
Canadian Consulate General
Ferdinandstrasse 69
Hamburg, West Germany

R. W. Blake, Consul General
D. S. McCracken, Consul

Cable: CANADIAN *Phone:* 326149
Territory: City States of Bremen and Hamburg; States of Lower Saxony and Schleswig-Holstein.

GHANA

Commercial Secretary
Office of the High Commissioner for Canada
P.O. Box 1639
E 115/3 Independence Ave.
Accra, Ghana

(continued)

GHANA (continued)

V. B. Chew, Commercial Secretary

Cable: CANADIAN *Phone:* 4824

Telex: 224 (DOMCAN ACC)

Territory: Guinea, Ivory Coast, Liberia, Mali, Mauretania, Togo, Upper Volta.

GREECE

Commercial Counsellor
Canadian Embassy
31 Vassilissis Sophias Ave.
Athens 138, Greece

B. A. Macdonald, Commercial Counsellor
E. E. Price, Assistant Commercial Secretary

Cable: DOMCAN ATHENS 5584 *Phone:* 714-041

Telex: 5584 (DOMCAN ATHENS 5584)

Territory: Turkey.

GUATEMALA

Commercial Secretary
Canadian Embassy
P.O. Box 400
5a Avenida 11-70, Zone 1
Guatemala City, C.A., Guatemala

P. D. Donohue, Assistant Commercial Secretary
D. J. Browne, Assistant Commercial Secretary

Cable: CANADIAN *Phone:* 28448

Territory: Costa Rica, El Salvador, Honduras, Nicaragua, Panama, and Canal Zone.

HAITI

Chargé d'Affaires, a.i., and Consul
Canadian Embassy
P.O. Box 826
Route du Canape Vert
St. Louis de Turgeau
Port au Prince, Haiti

HONG KONG

Senior Canadian Government Trade Commissioner
P.O. Box 126
P & O Building, 11th Floor
21-23, Des Voeux Road, Central
Hong Kong, Hong Kong

R. G. Woolham, Trade Commissioner
John M. Fraser, Trade Commissioner
D. A. Anderson, Assistant Trade Commissioner
A. Blum, Assistant Trade Commissioner

Cable: CANADIAN *Phone:* 224087

Telex: HKG 391 (DOMCAN HKG)

Territory: Cambodia, Communist China, Laos, Vietnam, Macao.

INDIA

Commercial Counsellor for Canada
P.O. Box 11
13 Golf Links Road
New Delhi 1, India

R. R. Parlour, Commercial Counsellor for Canada
 K. G. DeWolf, Assistant Commercial Secretary

Cable: CANADIAN *Phone:* 61-8254
Telex: 346 (DOMCAN DLI)
Territory: Bhutan, Nepal, Sikkim.

IRAN

Commercial Division
Canadian Embassy
P.O. Box 1610
Bezrouke Building
Corner of Takht Jamshid Ave. and Forsat St.
Tehran, Iran

Cable: CANTRACOM *Phone:* 613560,4-9291

IRELAND

Commercial Secretary for Canada
66 Upper O'Connell St.
Dublin, Ireland

W. G. Huxtable, Commercial Secretary for Canada

Cable: CANADIAN *Phone:* 44251

ISRAEL

Commercial Secretary
Canadian Embassy
P.O. Box 20140
84 Hahashmonaim St.
Tel Aviv, Israel

S. G. Harris, Commercial Secretary
 D. S. Armour, Assistant Commercial Secretary

Cable: CANADIAN *Phone:* 37161/2
Telex: 740 (DOMCAN TV)
Territory: Cyprus.

ITALY

Commercial Counsellor
Canadian Embassy
Via G. B. De Rossi 27
Rome, Italy

J. H. Stone, Commercial Counsellor (absent)
 P. A. Freyseng, Commercial Secretary (Agriculture)
 C. D. Miller, Assistant Commercial Secretary

Cable: CANADIAN *Phone:* 864-327
Telex: 61056 (DOMCAN ROME)
Territory: Provinces of Toscana, Marche, Umbria, Lazio, Abruzzi-Molise, Puglia, Campania, Basilicata, Calabria, Sicilia, Sardegna. Other countries: Libya, Malta.

(continued)

ITALY (continued)

Consul General and Trade Commissioner
Canadian Consulate General
C.P. 3977
Via Pirelli 19
Milan, Italy

A. B. Brodie, Consul General and Trade Commissioner
 N. R. Cumming, Consul and Trade Commissioner
 C. E. Rufelds, Consul and Assistant Trade Commissioner

Cable: CANTRACOM *Phone:* 652-485/652-600
Telex: 31368 (CANTRACOM MILAN)

Territory: Provinces of Emilia-Romagna, Lombardia, Piedimonte, Trentino-Alto Adige, Veneto, Liguria, Trieste, Valle D'Aosta, Friuli-Venezia.

JAMAICA

Commercial Secretary
Office of the High Commissioner for Canada
P.O. Box 225
32 Duke St. (corner Duke and Barry Sts.)
Kingston, Jamaica

L. D. Burke, Commercial Secretary
 D. I. Ditto, Assistant Commercial Secretary

Cable: CANADIAN *Phone:* 2-5864
Territory: Bahamas, British Honduras.

JAPAN

Minister (Commercial)
Canadian Embassy
% Akasaka Post Office
3-38, Akasaka
7-Chome
Minato-ku
Tokyo, Japan

J. C. Britton, Minister (Commercial)
 W. G. Brett, Commercial Secretary
 R. A. Food, Assistant Commercial Secretary
 E. L. Gray, Assistant Commercial Secretary (Agriculture)

Cable: CANADIAN *Phone:* 408-2101/8
Telex: TK 2218 (DOMCAN TK 2218)
Territory: Korea, Okinawa.

LEBANON

Commercial Counsellor
Canadian Embassy
Boîte Postale 2300
Alpha Building
Rue Clemenceau
Beirut, Lebanon

I. V. Macdonald, Commercial Counsellor
 R. H. M. Cathcart, Assistant Commercial Secretary
 P. W. Aubin, Assistant Commercial Secretary

Cable: CANADIAN *Phone:* 250955
Telex: 652 (DOMCAN BERYT)

Territory: Aden, Iraq, Jordan, Persian Gulf area, Saudi Arabia, Syria, Yemen.

MALAYSIA

Commercial Counsellor
Office of the High Commissioner for Canada
P.O. Box 990
A.I.A. Building, Ampang Road
Kuala Lumpur, Malaysia

P. Stuchen, Commercial Counsellor

Cable: DOMCAN *Phone:* 89722/4

Telex: KL/TX279 (DOMCAN KL)

Territory: Brunei, Burma.

MEXICO

Commercial Counsellor
Canadian Embassy
Apartado Postal 5-364
Melchor Ocampo 463, 7th Floor
Mexico 5, D.F., Mexico

M. B. Blackwood, Commercial Counsellor

R. A. Kilpatrick, Assistant Commercial Secretary

A. D. McArthur, Assistant Commercial Secretary

Cable: CANADIAN *Phone:* 33-14-00

Telex: 00017716 (DOMCAN MEX)

NETHERLANDS

Commercial Counsellor
Canadian Embassy
Sophialaan 5-7
The Hague, Netherlands

D. A. B. Marshall, Commercial Counsellor

J. B. McLaren, Commercial Secretary

Cable: CANADIAN *Phone:* 61-41-11

Telex: 31270 (DOMCAN HAGUE)

NEW ZEALAND

Commercial Counsellor
Office of the High Commissioner for Canada
P.O. Box 1660
ICI Building, 3rd Floor
Molesworth Street
Wellington, New Zealand

R. H. Gayner, Commercial Secretary

R. D. Lucas, Assistant Commercial Secretary

C. D. Caldwell, Assistant Commercial Secretary (Agriculture)

Cable: CANADIAN *Phone:* 70-644

Telex: Wellington NZ 3505 (DOMCAN NZ 3505)

Territory: Fiji, Tahiti, Tonga, Western Samoa.

NIGERIA

Commercial Secretary
Office of the High Commissioner for Canada
P.O. Box 851
Barclays Bank Building, 4th Floor
40 Marina Road
Lagos, Nigeria

N. L. Currie, Commercial Secretary

H. R. Wilson, Assistant Commercial Secretary

Cable: CANADIAN *Phone:* 25262

Territory: Dahomey, Gambia, Niger, Senegal, Sierra Leone.

NORWAY

Commercial Counsellor
Canadian Embassy
Fridtjof Nansens plass 5
Oslo 1, Norway

J. E. P. Lancaster, Commercial Counsellor

D. B. Browne, Assistant Commercial Secretary

Cable: CANADIAN *Phone:* 33-30-80

Telex: Oslo 1880 (DOMCAN OSLO)

Territory: Iceland.

PAKISTAN

Commercial Counsellor
Office of the High Commissioner
54 Lawrence Road
Rawalpindi, Pakistan

W. J. Jenkins, Commercial Counsellor

Cable: DOMCAN RAWALPINDI

Territory: Afghanistan.

Commercial Secretary
Office of the High Commissioner for Canada
P.O. Box 3703
Hotel Metropole, Victoria Road
Karachi, Pakistan

R. D. Lee, Acting Commercial Secretary

Cable: CANADIAN *Phone:* 50322

Telex: Karachi 10 (DOMCAN KHI)

PERU

Commercial Counsellor
Canadian Embassy
Casilla 1212
Edificio El Pacifico
Corner Avenida Arequipa and Plaza Washington
Lima, Peru

K. G. Ramsay, Commercial Counsellor

A. T. Eyton, Assistant Commercial Secretary

Cable: CANADIAN *Phone:* 72760

Telex: WLA 5323 (DOMCAN LIMA)

Territory: Bolivia.

PHILIPPINES

Consul General and Trade Commissioner
Canadian Consulate General
P.O. Box 1825
L & S Building, 3rd Floor
1414 Dewey Boulevard
Manila, Philippines

J. L. Mutter, Consul General and Trade Commissioner
 E. L. Bobinski, Consul and Assistant Trade Commissioner
Cable: CANADIAN *Phone:* 5-85-97
Telex: 3252 (DOMCAN MN)
Territory: Republic of China (Taiwan).

PORTUGAL

Commercial Counsellor
Canadian Embassy
Rua Marques de Fronteira, No. 8—4° D°
Lisbon, Portugal

M. S. Strong, Commercial Counsellor
 P. A. Thébèrge, Assistant Commercial Secretary
Cable: CANADIAN *Phone:* 55-31-18
Territory: Angola, Azores, Cape Verde Islands, Madeira, Portuguese Guinea.

SINGAPORE

Commercial Counsellor
Office of the High Commissioner for Canada
P.O. Box 845
American International Building
Robinson Road and Telegraph St.
Singapore, Singapore

J. H. Bailey, Commercial Counsellor
 D. H. M. Branion, Assistant Commercial Secretary
Cable: CANADIAN *Phone:* 74633
Telex: SE TC 277 (DOMCAN SPORE)
Territory: Indonesia, Thailand.

SOUTH AFRICA

Canadian Government Trade Commissioner
P.O. Box 715
Mobil House, 17th Floor
Corner Rissik and De Villiers Sts.
Johannesburg, South Africa

S. B. McDowall, Acting Trade Commissioner
Cable: CANADIAN *Phone:* 834-6521
Telex: 7189 (DOMCAN J)
Territory: States of Natal, Orange Free State, Transvaal.
 Other countries: Malagasy, Mauritius, Mozambique, Reunion.

(continued)

SOUTH AFRICA (continued)

Canadian Government Trade Commissioner
P.O. Box 683
African Life Centre, 13th Floor
St. George's St.
Cape Town, South Africa

H. W. Richardson, Canadian Government Trade Commissioner
 D. H. Leavitt, Assistant Trade Commissioner

Cable: CANADIAN *Phone:* 2-5134/5
Telex: 7060 CT
Territory: Cape Province. Other countries: St. Helena, South West Africa.

SPAIN

Commercial Counsellor
Canadian Embassy
Apartado 117
Edificio Espana
Avenida de Jose Antonio 88
Madrid, Spain

L. A. Campeau, Commercial Counsellor
Cable: CANADIAN *Phone:* 247-54-00
Telex: 7347
Territory: Balearic Islands, Canary Islands, Gibraltar, Rio Muni, Spanish Sahara.

SWEDEN

Commercial Counsellor for Canada
P.O. Box 14042
Skeppsbron 24
Stockholm, Sweden

J. P. Bell, Acting Commercial Secretary
Cable: CANADIAN *Phone:* 24-87-42
Territory: Finland.

SWITZERLAND

Commercial Counsellor
Canadian Embassy
Kirchenfeldstrasse 88
Berne, Switzerland

S. G. MacDonald, Commercial Counsellor (absent)
 G. E. Blackstock, Commercial Secretary
 R. G. Godson, Assistant Commercial Secretary
Cable: CANADIAN *Phone:* 44-63-81
Telex: 32-489 TT TANDC BERNE (DOMCAN BERNE)
Territory: Tunisia.

TRINIDAD AND TOBAGO

Commercial Secretary
Office of the High Commissioner for Canada
P.O. Box 1246
Colonial Building
72 South Quay
Port-of-Spain, Trinidad

D. H. Clemons, Acting Commercial Secretary

Cable: CANADIAN *Phone:* 34787

Territory: Barbados, Leeward and Windward Islands, Guyana, French Guiana, Surinam, Guadeloupe, Martinique.

UNION OF SOVIET SOCIALIST REPUBLICS

Commercial Secretary
Canadian Embassy
23 Starokonyushenny Pereulok
Moscow, U.S.S.R.

J. M. T. Thomas, Commercial Secretary
Y. C. Jauron, Assistant Commercial Secretary

Cable: CANAD *Phone:* 415142

Telex: 945 (DOMCAN MSK)

UNITED ARAB REPUBLIC

Commercial Division
Canadian Embassy
Kasr el Doubara Post Office
6 Sharia Rouston Pasha
Garden City
Cairo, Egypt

Cable: CANADIAN *Phone:* 23110

Territory: Sudan, Ethiopia.

UNITED STATES

Commercial Counsellor
Canadian Embassy
1746 Massachusetts Ave., N.W.
Washington, D.C. 20036

S. G. Tregaskes, Commercial Counsellor
G. W. Green, Commercial Counsellor
W. F. Hillhouse, Commercial Counsellor (Agriculture)
H. C. Armstrong, Commercial Counsellor
Miss V. F. Wightman, Attaché (Agriculture)

Cable: CANADIAN *Phone:* DEcatur 2-1011 (Area Code 202)

Telex: 0089664 (DOMCAN WSH)

Territory: District of Columbia.

(continued)

UNITED STATES (continued)

Counsellor (Energy)
Canadian Embassy
1746 Massachusetts Ave., N.W.
Washington, D.C. 20036

N. R. Chappell, Counsellor (Energy)

Cable: CANADIAN *Phone:* DEcatur 2-1011 (Area Code 202)

Deputy Consul General (Commercial)
Canadian Consulate General
680 Fifth Ave.
New York City, N.Y. 10019

C. J. Van Tighem, Deputy Consul General (Commercial) (absent)

A. A. Lomas, Consul and Trade Commissioner

B. C. Steers, Consul and Trade Commissioner

C. G. Bullis, Consul and Trade Commissioner

George Hazen, Consul and Trade Commissioner

J. D. Welsh, Vice Consul and Assistant Trade Commissioner

Cable: CANTRACOM *Phone:* JUdson 6-2400 (Area Code 212)
Night Line: JUdson 6-2321

Telex: 00126242 (DOMCAN NYK)

Territory: States of Connecticut, New Jersey (eleven northern counties), New York. Other countries: Bermuda.

Consul and Senior Trade Commissioner
Canadian Consulate General
607 Boylston St.
Boston, Massachusetts 02116

M. R. M. Dale, Consul and Senior Trade Commissioner

D. S. Baker, Vice Consul and Assistant Trade Commissioner

Phone: 262-3760 (Area Code 617)

Telex: 0094567 (DOMCAN BSN)

Territory: States of Maine, Massachusetts, New Hampshire, Rhode Island, Vermont.

Consul and Senior Trade Commissioner
Canadian Consulate General
310 South Michigan Ave., Suite 2000
Chicago, Illinois 60604

D. H. Cheney, Consul and Senior Trade Commissioner

J. A. Doyle, Consul and Trade Commissioner

M. Rowan, Consul and Trade Commissioner

L. G. Lee, Vice Consul and Assistant Trade Commissioner

Phone: 427-7926 (Area Code 312)

Telex: 0025571 (DOMCAN CGO)

Territory: States of Illinois, North Dakota, South Dakota, Minnesota, Wisconsin, Indiana, Iowa, Kansas, Kentucky, Missouri, Nebraska.

(continued)

Foreign Trade Service Abroad

UNITED STATES (continued)

Consul and Senior Trade Commissioner

Canadian Consulate
Illuminating Building
55 Public Square
Cleveland, Ohio 44113

A. W. Evans, Consul and Senior Trade Commissioner

Phone: 861-1660 (Area Code 216)

Telex: 00985364 (DOMCAN CLV)

Territory: State of Ohio.

Consul and Trade Commissioner

Canadian Consulate
1139 Penobscot Building
Detroit, Michigan 48226

H. S. Hay, Consul and Trade Commissioner

V. G. Lotto, Vice Consul and Assistant Trade Commissioner

R. J. P. Archambault, Vice Consul and Assistant Trade Commissioner

Phone: Woodward 5-2811 (Area Code 313)

Telex: 0023445 (DOMCAN DET)

Territory: State of Michigan.

Consul and Senior Trade Commissioner

Canadian Consulate General
510 West Sixth St.
Los Angeles, California 90014

F. B. Clark, Consul and Senior Trade Commissioner

L. J. Taylor, Consul and Trade Commissioner

J. H. Suggitt, Consul and Assistant Trade Commissioner

R. B. Blake, Vice Consul and Assistant Trade Commissioner

Phone: MADison 2-2233 (Area Code 213)

Telex: 00674119 (DOMCAN LSA)

Territory: States of California (ten southern counties), Arizona, New Mexico, Clark County in Nevada, and Hawaii.

Consul and Trade Commissioner

Canadian Consulate General
225 Baronne St., Suite 1710
New Orleans, Louisiana 70112

P. A. Savard, Consul and Trade Commissioner

R. E. Pedersen, Vice Consul and Assistant Trade Commissioner

Phone: JACKson 5-2136 (Area Code 504)

Telex: 0058237 (DOMCAN NLN)

Territory: States of Louisiana, Texas, Oklahoma, Arkansas, Mississippi, Tennessee, Alabama, North Carolina, South Carolina, Georgia, Florida.

(continued)

UNITED STATES (continued)

Consul and Trade Commissioner

Canadian Consulate
3 Penn Center Plaza
Philadelphia, Pennsylvania 19102

W. J. Millyard, Consul and Trade Commissioner

A. C. W. Davis, Vice Consul and Assistant Trade Commissioner

Cable: CANADIAN Phone: LOcust 35838 (Area Code 215)

Telex: 0083396 (DOMCAN PHA)

Territory: States of Delaware, Maryland, New Jersey (nine southern counties), Pennsylvania, Virginia, West Virginia.

Consul General

Canadian Consulate General
333 Montgomery St.
San Francisco, California 94104

R. M. Dawson, Consul and Trade Commissioner

Phone: YUkon 1-2670 (Area Code 415)

Telex: 0034321 (DOMCAN SFO)

Territory: States of California (except the ten southern counties), Wyoming, Nevada (except Clark County), Utah, Colorado.

Consul General

Canadian Consulate General
1308 Tower Building
Seventh Avenue at Olive Way
Seattle, Washington 98101

Phone: MUtual 2-3515 (Area Code 206)

Telex: 0032462 (DOMCAN SEA)

Territory: States of Oregon, Idaho, Washington, Montana, Alaska.

URUGUAY

Commercial Counsellor

Canadian Embassy
Casilla Postal 852
No. 1409 Avenida Agraciada Piso 7°
Montevideo, Uruguay

B. S. Shapiro, Commercial Counsellor

Cable: CANADIAN Phone: 96096

Telex: 398078 (DOMCAN MVD)

Territory: Falkland Islands.

VENEZUELA

Commercial Secretary

Canadian Embassy
Apartado del Este 11452
Avenida La Estancia No. 10
Ciudad Comercial Tamanaco
Caracas, Venezuela

J. D. Blackwood, Commercial Secretary

J. E. Kepper, Assistant Commercial Secretary

Cable: CANADIAN Phone: 32.40.41/44

Telex: DOMCAN CARACAS VENEZUELA 877 (877 DOMCAN)

Territory: Netherlands Antilles.

This is Budapest, capital city of Hungary. The camera has focussed down on Blaha Lujza Square and facing on it the National Theatre (left), the People's Freedom Headquarters building, and (right) the large Corvin department store.



Hungary Begins Third Plan

The Third Five Year Plan gets off to a determined start this year with continued emphasis on industry, agriculture and foreign trade. Although Hungary is striving to correct its trade imbalance, there will be substantial investments in capital goods and machinery.

F. IAN WOOD, *Commercial Secretary, Vienna.*

THE HUNGARIAN economy in 1966 reflects a determination to go ahead with a policy of austerity and measured economic development. Price increases for food and fuel and a cut in subsidies underline the Government's intention to drive hard towards a rational price structure. Despite important achievements in industry, construction and living standards, some of the key targets of the 1961-1965 Plan were not fulfilled. A new economic development system has been devised following prolonged analysis and experiment; its introduction this year coincides with the be-

ginning of a new Five Year Plan for the 1966-1970 period.

The results of the Second Five Year Plan (1961-1965) were not completely satisfactory to the Hungarian authorities. Though industrial output rose by 48 per cent, GNP did not reach the originally projected target of 28 per cent. Agriculture suffered some serious setbacks. Foreign trade was 60 per cent higher in volume at the end of the plan period. There was, however, a negative trade balance (about \$315 million) which will contribute to the rising cost of servicing a heavy external debt.

The fact that the Government designated 1965 the "Year of Economy" and 1966 the "Year of Restrictions and Economic Realism" points up official concern over the current economic situation.

Economic Reform Undertaken

Since 1957, the Hungarians have implemented a number of important measures designed to eliminate the excesses of rigid centralized planning. Not until the past year or more, however, has a definitive all-encompassing blueprint of economic reform been under active development. The aims are to increase competitiveness abroad, to reduce costs of production, to improve management of reserves, and to raise the standard of living.

The proposed reform guidelines take into consideration the importance of industrial specialization for Hungary, which is short on natural resources but long on a skilled labour

force. In industry, a few of the main points to be fully implemented starting in 1968 are: the gradual elimination of quotas, greater independence for management, varying wage scales, competition among state-run companies, a revamping of the central pricing system and increased scope for self-financing in place of budgetary subsidies.

Hungary's extraordinary dependence on foreign trade (exports earn 35 per cent of the national income compared with 18 per cent in Canada), complicated by a shortage of capital and the need to import much of its raw materials, compels action to bring its productive capacity into line with international tastes and demand. Although the useful external market impulses on domestic marketing and consumption are recognized, there seems to be no intention to expose the Hungarian economy to the full force of international competition. The central authority will retain over-all control, largely through the application of fiscal measures.

Remedial Steps in Agriculture

Agricultural output has fallen short of expectation, partly because of the migration of farm labour to the factories, and also because of unfavourable weather in which excessive rain followed drought. A better harvest is in prospect this year. Farm prices have been somewhat depressed in relation to prices in the rest of the economy and most of the state and collective farms have had to rely upon subsidies.

Initial corrective steps have taken the form of an across-the-board rise in purchasing prices of livestock, grain and dairy products and further measures, including substantial investments in machinery, insecticides and fertilizers, are being planned.

Industry Given Incentives

In industrial production, greater emphasis is being placed on efficiency and quality. Hungary enjoys an excellent engineering tradition. Encouragement will be given to first-class precision work in engineering production in which the share of added value compared with raw material costs is greatest.

Partial incentives and experiments—such as authorizing nine engineer-

ing companies and selected firms in light industry to sell their products abroad and granting the right of distribution of bonuses according to foreign exchange earnings instead of gross output targets—have produced some promising results. This independence will be strengthened although central control will continue to prevail.

Third Five Year Plan

The 1966 Economic Plan is the first annual instalment of the Third Five Year Plan beginning this year. It reflects realistic goals and incorporates elements of the reform program, such as new price, wage incentive and management measures. Closer attention is being paid to investments and foreign trade and to improving the balance of payments.

Following the tenor of current economic thinking, investment in 1966 of \$3.56 billion (at the official foreign exchange rate) will be concentrated on relatively few new projects, with the idea of completing as many as possible. Investment funds of more than \$23.4 billion have been allotted for the entire five year period.

The list of investments planned for 1966-67 places emphasis on industrial plant construction and production of canned foods and consumer goods in keeping with local demand. International motor transport and rolling stock production as well as telecommunications equipment and road-building are provided for generously. One interesting point: 80 per cent of increased industrial output (a 6 per cent rise is stipulated) is to come from higher labour productivity versus 20 per cent from an augmented labour force.

Accent on Foreign Trade

In foreign trade, import austerity and export promotion are watchwords. Imports and exports in 1966 are expected to rise 6 to 7 per cent above levels of 1965 (exports \$1.5 billion; imports \$1.67 billion). Under the Five Year Plan, accent is on improving the pattern of foreign trade. Expansion of trade east and west is essential. According to the Hungarian Deputy Premier in charge of CMEA affairs, Hungary will become increasingly dependent on deliveries of fuel and raw materials from

the Soviet Union. To pay the bill Hungarian industry will supply from 33 to 50 per cent of the pharmaceuticals, medical instruments, telecommunications equipment, cotton clothes and tinned vegetables imported by the Soviet Union over the next five years. The volume of trade with the socialist countries is expected to reach the \$5½ billion mark—up about 70 per cent from the 1965 level.

Goals in Agriculture

A 5 per cent increase in agricultural production over last year is planned for 1966. To implement this, considerable sums have been earmarked for the purchase of agricultural machinery. Highlights of the program include cattle stock breeding, facilities for storing and processing fruits and vegetables, and increased fertilizer usage. The Five Year Plan rate of growth is calculated at 13-15 per cent.

Dealing with Trade Imbalance

In foreign trade, a serious consideration is Hungary's extensive indebtedness in both its Eastern and Western trading accounts. Two-thirds of the imbalance of trade—\$598 million in 1965—is with the developed capitalist countries. Remedial measures enacted include economizing on imports, allowing temporary export subsidies, permitting wide direct participation by Hungarian industry in trade abroad, and fostering under the investment plan those industries promising the best foreign exchange return on exports.

A look at Hungary's present imports reveals a real domestic shortage of raw materials. Raw materials and semi-finished goods account for well over half of all imports; industrial finished goods (34 per cent) and plant production equipment and machinery (29 per cent) occupy the next two positions.

Hungary's skilled engineering industry provides 58 per cent of total exports in the form of industrial finished goods; raw materials (alumina), semi-finished goods (23 per cent), and foodstuffs make up the aggregate.

Trade with Canada

Hungarian-Canadian trade exchanges underwent positive catalytic action following the signing by Can-

TABLE I
WHAT CANADA SELLS TO HUNGARY

	1962	1963	1964	1965
			(Can.\$)	
Sulphur crude or refined	.....	.....	80,640	1,512,993
Copper scrap	66,438	.....	.....	1,037,205
Cattle hides raw, calf and kip skins raw	40,047	149,017	367,456	434,022
Asbestos	145,047	126,914	298,608	20,350
Textile rags	.....	9,660	48,407	20,096
Tractors and parts	.....	.....	.....	18,000
Baby chicks	6,400	11,080	7,360	15,530
Skates, ice	.....	.....	7,081	13,128
Fur and fur skins	6,753	52,183	10,080	11,800
Wheat	.....	.....	1,086,317	.....
Synthetic fibres and waste, wool and fine hair waste	53,014	.....	.....	4,757
Plastic and synthetic rubber	21,877	7,071	.....	1,071
Total, these products	340,576	355,925	1,905,949	3,088,952
Total trade	349,894	374,340	1,909,833	3,118,256

Source: DBS

TABLE II
WHAT CANADA BUYS FROM HUNGARY

	1962	1963	1964	1965
			(Can.\$)	
Tableware	168,414	266,298	237,919	261,088
Overcoats, jackets, blazers	.....	.....	.....	178,135
Printed cloth and sheeting, fabrics	6,096	4,643	6,098	115,703
Grape wines, liqueurs	26,809	33,844	44,947	102,311
Motorcycles, bicycles and parts, tires	.....	5,983	114,436	91,472
Pimento, spices, herbs	10,319	10,382	35,385	86,108
Shirts, sweaters	6,591	2,250	21,927	81,723
Plates shape steel, structural shape steel	.....	.....	.....	63,428
Brooms, brushes	30,039	30,237	35,638	55,645
Broom corn	.....	28,699	32,486	39,821
Handkerchiefs	9,080	27,737	18,568	38,709
Smokers' accessories, trays, household baskets, artware	9,329	9,389	19,986	30,365
Paintings, collectors' items	11,571	14,092	31,915	25,060
Pharmaceuticals	.....	399	1,686	22,983
Total, these products	278,248	433,953	600,981	1,192,551
Total trade	417,005	556,702	761,242	1,560,853

Source: DBS

ada and Hungary in June 1964 of a three-year trade agreement in which each nation extends most-favoured-nation treatment to imports from the other. Within the framework of the agreement Hungary agreed to purchase some \$24 million of Canadian goods, including 250 metric tons of wheat, over the three years.

Canadian export statistics do not reflect other than small initial wheat sales (see Table I) because Hungarian purchases to date have been diverted to other importing countries.

Shipments of three products, crude sulphur, copper scrap and cattle hides and skins accounted for 94 per cent of our export trade with Hungary in 1965. Asbestos sales fell off badly because of a price rise.

Exports to Canada of products of Hungarian origin cover a wide range. Glassware and tableware lead, with outerwear, printed fabrics, wines and liqueurs, bicycles and motorcycles following in significant volume. By doubling business in Canada between 1964 and 1965, Hungarian trading

companies ably demonstrated the effective results of frequent business visits by their representatives.

Hungarian Week

Although Hungary for reasons of economy will not be participating in Expo 67, every effort is being made to follow up initial successes in the Canadian market through participation in Canadian trade fairs and by promoting solo exhibits such as Hungarian Week, (see article on page four). This event will coincide with the visit of a seven-member delegation under the leadership of Laszlo Darvas, Deputy Minister of the Hungarian Ministry of Foreign Trade.

Canadian Export Prospects

Generally speaking, the Hungarian market has not been vigorously approached by Canadian business. Apart from visits last year by two trade missions (seeds and chemicals), sponsored by the Canadian Government, individual trade promotion activity has, with one or two notable exceptions, been limited.

The Hungarian market admittedly offers a choice of export prospects. However, it should be noted that state purchasing policy is heavily weighted towards completing schedules in the annual economic development plan.

Hungary's primary aim to improve productivity in its industrial and agricultural sector over the next few years should see foreign exchange heavily committed to imports of capital goods and machinery. Prospective Canadian suppliers should bear this in mind when contemplating export opportunities in Hungary. ●

Malaya to Increase Power

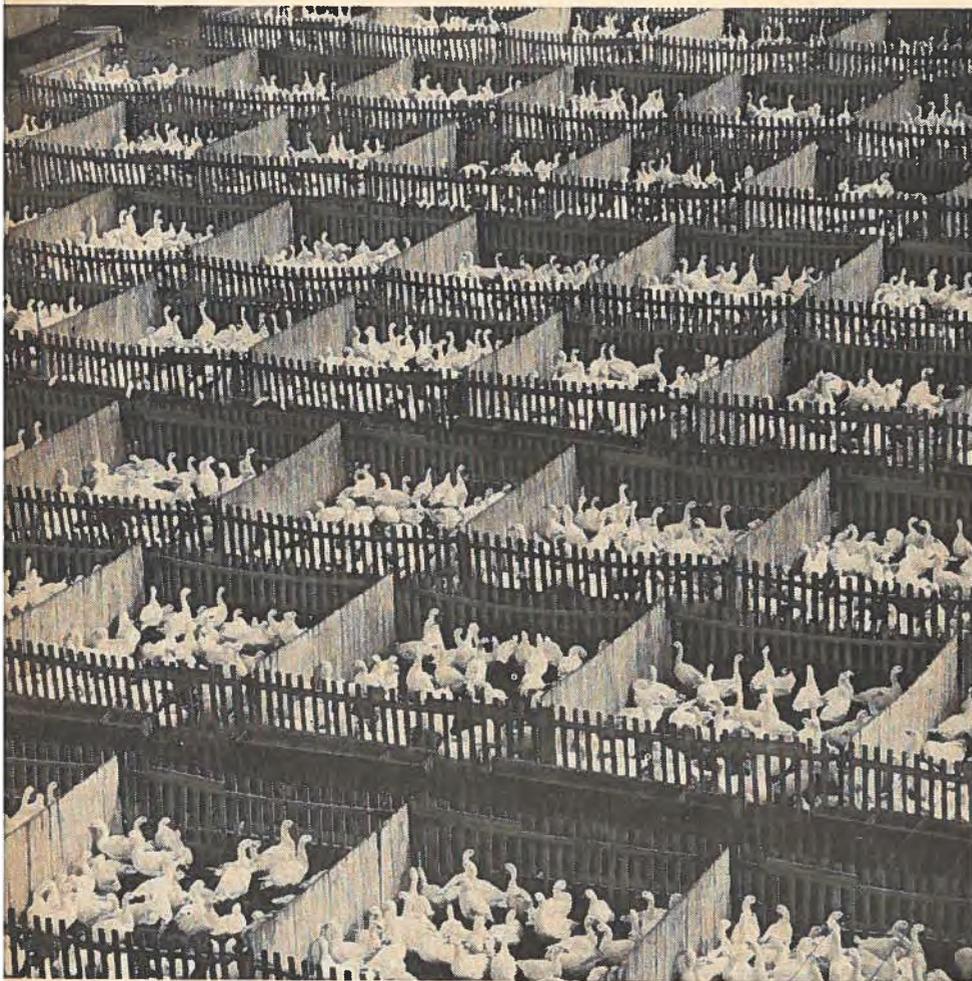
MALAYA'S generating capacity is to be increased by 231,400 kilowatts with a loan of \$37 million from the World Bank.

This loan will finance the additional capacity as well as the extension of the transmission facilities. It is planned that by the end of 1970, the total generating capacity of Malaya's National Electricity Board will be more than 700,000 kilowatts. Over a five-year period ended August 31, 1965, the Board's energy sales have almost doubled. This increase represents an average annual growth rate of 14.5 per cent. ●

Poland Steps Up Industrial Output

Rebuilding of industry and training of technical and administrative talent has made great progress, as this brief review shows.

K. NYENHUIS, *Commercial Counsellor, Copenhagen.*



Pen after pen of the goose fattening plant at Kielce create an attractive pattern in this photograph. Because of the drive since World War II to build up industry, many former farmers commute to city jobs while their wives stay on the land and run the farms: in fact, over one million of Poland's farms are run by women.

POLAND, as a result of the Second World War, lost the greater part of its professional corps and technical and managerial cadre. Enormous progress has since been made not only in rebuilding but increasing this most important requisite to economic progress. Gradually, with increasing experience and technological advance, the management problem is finding a solution. Full recognition is given to the all-important need for constant advance in quality and modernity of the product and of the technological level of the entire industrial and managerial complex.

Heavy Industry Expands

This development is particularly noticeable in the heavy industry and heavy machine building industry. In iron and steel, production in 1966 is expected to attain 9.7 million metric tons of steel, or 600,000 tons more than in 1965. Production of rolled products will total 6.5 million tons, an increase of 400,000 over last year, and output of pipes and tubes will increase to 130,000 kilometres, or 14,400 kilometres more than in 1965. The production of pig iron will reach 5.8 million metric tons and coke batteries will produce 13.6 million tons. An amount of 4.7 billion Zlotys* has been programmed for new building and modernization of the iron and steel industry, rolling mills and iron and steel processing plants.

The heavy machine building industry doubled its production in the period 1961-65, furnishing power stations, fibreboard factories and machine tools for use at home and abroad.

Other Industrial Branches

Light industry also is sparing no effort to increase its capacity, especially in textiles, electrical engineering and electronics. Production of knitted wear, ready-made clothing, elana and ortalion fabrics and laminated woollens (mainly for overcoats) and many other textiles will register large increases in 1966.

Electrical engineering has attained a leading position in the Polish economy; its production accounts for one fourth of total industrial output. In 1965, this industry produced turbines and generators totalling 570 mw. Production of machine tools and roll-

*One Zloty = \$0.2687 Canadian.

Rumania Pushes Industrial Progress

er bearings has increased sharply over the last few years; so has output of rolling stock and motor cars. Last year 325 diesel locomotives, 72 electric locomotives, 520 passenger railway cars, 16,300 freight cars, 27,000 passenger motor cars, 26,600 trucks and 3,550 buses were produced.

Chemical Manufacture

Poland's chemical industry, of great importance to the economy, can point to rapid progress in the production of artificial fibres and to increased capacity in oil refining and processing plants.

Completion of the huge nitrogen plant at Pulawy and the installations at Tamow for the production of ammonia and acrylonitrile will raise output of nitrogen fertilizers by 25 per cent.

Plans are under way to build within the next few years plants to turn out new kinds of phosphorous fertilizers and for complex fertilizers, containing the three basic nutritive components for plants: nitrogen, phosphorous and potassium.

These future achievements in the chemical field are calculated to make possible a considerable increase in grain, hay and root crops and oleaginous plants, and to cut down to a minimum imports of grain and fodder.

Workers Move to Industry

As a result of the rapid industrialization of Poland, it is interesting that although the urban and rural populations are about even, the number of persons employed outside agriculture accounts for 62 per cent of the total. Because many men living in rural districts are engaged in city trades, women run over one million farms. Some 800,000 persons living in the country work both in industry and on their own farms. The group of rural workers employed by private farmers has almost disappeared.

Polish trade with foreign countries is steadily increasing and the intention is to transfer the direct conduct of foreign trade more and more to management in the foreign trade enterprises. A system of joint bonuses to be granted to Polish foreign trade enterprises and industry for the fulfilment of planned programs has been decided upon and much is expected of it. ●

Current Five Year Plan calls for economic expansion of 10 per cent a year. Need for complete plants, capital goods, knowhow offer Western suppliers best chance of making sales to the state trading corporations which handle all foreign trade.

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

RUMANIA is continuing its economic drive to the West with renewed vigour. The rigid shackles of intra-Bloc specialization which impeded the growth of its economy have been struck off and the long-term economic plans take little account of CMEA's efforts to speed up the rate of industrial specialization and co-operation in the Soviet Bloc. Despite its relatively independent economic attitude, however, most of its foreign trade continues to be with other Bloc countries.

This country of 19 million people represents an import market of \$1.25 billion a year. It is abundantly blessed with fertile land and has substantial reserves of oil and gas around which a modern petrochemical industry has been built up. Although it possesses a wide range of minerals—such as copper, lead, zinc, bauxite, gold, manganese, bismuth, mercury, silver, iron ore and coal—it is not self-sufficient in most of them. Plans call for stepping up production of lead, zinc, aluminum and perhaps copper to self-sufficiency within the next few years.

During the 1960-1965 period, Rumania's economy expanded at an annual average rate of 14.4 per cent. This rapid progress, however, will not be maintained during the next five years because the current Five Year Plan (1966-1970) calls for a marked slowing down of expansion and consolidation at a growth rate of about 10 per cent. Nevertheless, this growth rate indicates the upsurge the Rumanian economy is experiencing. In its rapid expansion, it is turning increasingly to the West for technolo-

gy and plant and the overtures are being well received by Western European and, more recently, U.S. suppliers.

Industrial Development Continues

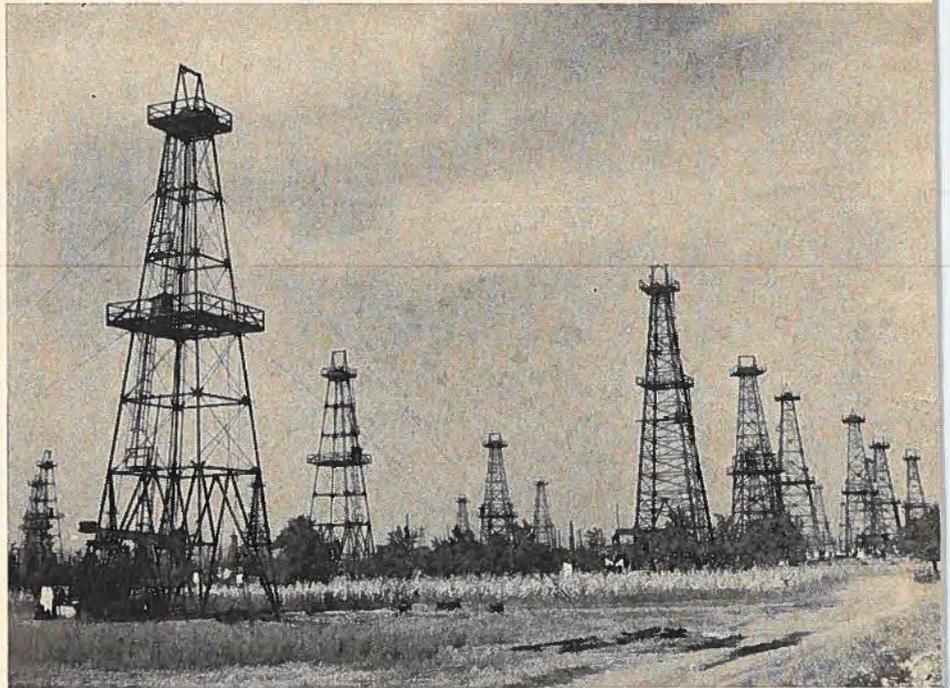
The plan targets for 1966 still call for an expansion of over 10 per cent. Priority targets are the heavy industries, particularly chemicals, power and machine-building. Demand for capital goods and equipment will be further increased by the expansion of the metallurgical, motor and agricultural machinery industries.

The large modern steel mill in the Galati metallurgical combine, situated on the Soviet border near the mouth of the Danube, which is currently only half completed, will more than double its output of alloy, electrical and other specialty steels. The Gimpia Turzii foundry will now specialize in the production of hard alloys and stainless steels required for making anti-corrosive pipes, tubes and hard drills. Rumania's 1965 steel production of 3 million tons is expected to rise to 6.3 million by 1970.

Early in 1965 a large mill for processing bauxite into alumina was put into operation at Oradea, a city of 110,000 on the Hungarian border. Farther south at Slatina a smelter is being built by a French consortium and by 1970 it is envisaged that 75,000 tons of aluminum will be produced annually.

Substantial investment has also been earmarked for the mining industry. Several new sites for the extraction and concentration of iron ore

New factories will be added to the complex around the Ploesti oil fields (seen here) when Rumania's plans for the development of the petrochemical industry and the production of new products become a reality. The oil industry itself is close to the point of diminishing returns and crudes will have to be imported.



and copper are planned. Geological surveying activity for mica, asbestos, graphite, talc, barite, feldspar, bentonite and kaolin is to be stepped up considerably.

The highest rate of growth will, however, take place in the chemical industry, where plans to expand at a rate of 18.5 per cent annually are envisaged. Emphasis, of course, is on the petrochemical branch. New factories will be built to produce chemical fibres and yarns, plastics and synthetic resins, synthetic rubber, and nitrogenous and phosphorus fertilizers. These will be added to the existing complex around the Ploesti oilfields north of Bucharest. Expansion of the carbon black, dyestuffs, sulphuric acid and other inorganic chemical production facilities is also contemplated. Technology and methods of improving production are being sought.

Crude Oil to Be Imported

The Rumanian oil industry is now approaching the point of diminishing returns. Costly prospecting for oil is being abandoned and any further increase in the output of crudes will have to be achieved by deeper drilling of existing deposits. Faced with the increasing demand, both domestic and export, for oil and oil products in industry and agriculture, the authorities have decided to import from outside the Bloc. A ten-year agreement for the import of crudes worth \$100 million in exchange for oil drilling and refining equipment has been concluded with Iran and similar negotiations are under way with Gabon.

Whereas economic reforms in varying degree are in vogue in other Eastern European states, Rumania has so far remained steadfast to rigid principles of centralized planning. Despite rapid industrialization, it is still less industrialized than the Soviet Zone of Germany, Czechoslovakia or Poland, although it is closing the gap. This year investment funds totalling 25.5 billion lei have been allocated to industry compared with 5.7 billion lei for agriculture.

Agriculture State-Controlled

Although industrialization has been stressed in the postwar period, agriculture still remains an important part of the economy. It employs over half the labour force and accounts, with forestry, for about one-quarter of the national income. It is almost completely state-controlled through state and collective farms. Only about 3 per cent of the land is farmed privately and this on the least productive plots.

The Government's policy of industrialization has relegated the agricultural sector to a secondary position. Realizing this, a stricter form of control of collective farms is being introduced to improve the planning of production and to speed up mechanization. A greater degree of crop

specialization on state farms is planned.

Last year was a boom one for Rumanian agriculture, with the largest wheat harvest ever. Rumania is self-sufficient in cereals and feed grains, primarily corn, which is also the most important agricultural export. Vegetables and fruits are also significant exports. The new Five Year Plan calls for a 20 per cent annual increase in production of wheat and corn.

Efforts to improve the stock of cattle, swine and sheep are also being made. Livestock breeding particularly is being singled out for substantial gains, both through the improvement of breeds and a more diversified range of fodder. To meet these demands, acreages sown to fodder crops like lucerne, trefoil and sainfoin are to be increased.

Forest Products Important

Rumania's forests are economically important and timber and timber products are the second largest export, after petroleum products. The Government has taken good care of its timber resources which cover about 6.4 million hectares and consist of beech, oak, and softwoods. Woodland operations are highly mechanized and

in the new Five Year Plan there are substantial appropriations for intensifying this mechanization. Construction of new plants and modernization of existing ones for the production of plywood, veneer, particle board, fibre-board, furniture, doors and windows are receiving attention.

Foreign Trade Expanding

Trade with the West continues to expand faster than trade with Bloc countries and accounts for more than a third of the total. Rumania's chief trading partner is still the Soviet Union but its share has decreased steadily to last year's figure of about 40 per cent. This reflects in part Rumania's independent attitude towards CMEA. In recent years Western European companies have shown a great interest in the Rumanian market. Purchases of Western technology and complete plant, in the most part on credit terms, highlight this trade. This is a reflection of the official policy of developing Rumanian industry to be modern and competitive in world markets.

West Germany is the leading Western supplier in this field; its sales to Rumania exceed \$50 million, including sugar factories and a large share of the enormous Galati steel complex. The Italians have recently signed a new five-year trade agreement with Rumania, under which they will supply equipment for the textile, chemical, food and metallurgical industries to a total value of \$31 million. France, in addition to the aluminum works at Slatina, is supplying two sugar factories and in a consortium with the Germans, twin 300 mw. steam turbo-generator sets for the Craiva power development. Belgium is supplying two nitrogenous fertilizer combines, and Sweden is delivering \$10 million worth of electric locomotives. The British have also received orders for equipment for the Galati steel works, in addition to textile plants, chemical and mining installations. Japan has concluded many contracts, including the delivery of ships and half-finished television sets for completion in Rumania. Austrian chemical firms are selling knowhow and equipment and the U.S. has completed a \$10 million deal to build a catalytic cracking installation.

Rumania's shopping-list in the West in the next five years is estimated at over \$200 million and may include the purchase of complete chemical plants, heavy electrotechnical equipment, and two 500 mw. nuclear power stations on which they have already approached Britain, the United States, France and Sweden.

State Trading Practised

Foreign trade is a state monopoly, carried out through state trading corporations, and is a component part of the state's over-all economic plan. The Ministry of Foreign Trade is responsible for planning, controlling, negotiating, and supervising foreign trade and has jurisdiction over the foreign trade corporations. Each of the 17 corporations operates in a clearly defined field. Businessmen desiring to buy or sell in Rumania must contact the trading company which handles the particular com-

modity and must conduct all subsequent dealings through this company. These companies also can arrange plant visits and discussions with end-users, but all negotiations must take place with the state trading organization. Frequently, negotiations have to be carried on with more than one state trading company if the contract covers a scope of goods wider than one company handles. Patience in dealing with these bureaucratic organizations certainly is needed.

Rumanian foreign trade in 1964 exceeded \$2.2 billion, with imports slightly in excess of exports. Figures of monetary reserves are not published but any imbalance in its trade with hard currency countries is probably made up by its own gold production. The Communist Bloc countries account for two-thirds of Rumania's imports and exports and Western Europe for most of the remainder. Imports from Western countries con-

TABLE I
CANADIAN EXPORTS TO RUMANIA

	1962	1963	1964	1965
			(Can.\$)	
Baby chicks	8,455	72,048	194,800	.....
Cattle hides	.....	.....	.....	388,017
Wool and fine hair waste	23,201	.....	.....	.....
Plastic and synthetic rubber	17,486	73,820	4,741	.....
Aluminum pigs, ingots, slabs	127,600	956,831	.....	.....
Tractor implement tires	236,177	.....	3,190	.....
Textile rags	75,811	81,121	92,945	4,076
Cranes winch hoist and parts	19,991	.....	24,634	.....
Textile industrial machinery and parts	.....	87,033	178,543	.....
Nickel anodes cathodes ingots	.....	.....	26,560	.....
Magnesium	.....	.....	10,993	.....
Radioactive elements and isotopes	.....	.....	.....	241,183
Industrial chemical specialties and explosives	.....	.....	.....	6,801
Total, these products	508,721	1,270,853	536,406	640,077
Total trade	531,814	1,274,940	539,646	641,202

TABLE II
CANADIAN IMPORTS FROM RUMANIA

	1962	1963	1964	1965
			(Can.\$)	
Colourless sheet glass	.....	.....	3,240	76,858
Boots and shoes	.....	9,277	24,900	42,543
Freshwater fish	.....	.....	.....	31,460
Walnuts	13,584	30,208	37,239	31,336
Shirts, cotton	23,050	73,382	.....	28,976
Cheese	.....	.....	4,273	21,438
Gloves and mittens, leather	12,159	.....	.....	.....
Fur skins, persian lamb	.....	.....	2,592	.....
Broom corn	7,888	.....	.....	.....
Flannels, cotton	.....	4,511	.....	.....
Total, these products	56,681	117,378	72,244	232,611
Total trade	60,561	123,734	81,541	238,107

sist of machinery and transportation equipment, manufactured goods (fibres, yarns, steel tubes, pipes, fittings, plates and sheets) hides and skins, cotton, chemicals, and crude materials. As stated above, imports of technology and plant from the West are expected to increase considerably over the next five years. Wood products, petroleum and its derivatives, and agricultural goods each account for about a quarter of the value of Rumanian exports. To pay for rising imports from hard currency areas, Rumania will have to enlarge this list substantially and increase its exports to Western markets.

Trade with Canada

Formal trade relations between Canada and Rumania lapsed during the Second World War and have not yet been renewed; goods imported from Rumania are consequently still subject to the Canadian general tariff. Preliminary discussions have been held with Rumanian authorities on negotiating a trade agreement but to date these have not borne fruit.

Our trade with Rumania has always been modest, as Table I indicates. Sales have been on a spot basis only, with the possible exception of baby chicks and textile rags which have shown some degree of continuity. Canadian purchases similarly show no consistent pattern but shelled walnuts, glass, and textile goods reoccur in small amounts year after year.

In the autumn of 1965 a trade mission sponsored by the Department of Trade and Commerce visited Rumania to explore the possibilities for Canadian forage crop seeds. As a result, seed potatoes have been sold to Rumania and a program has been set up whereby the Higher Council of Agriculture in Bucharest (Ministry of Agriculture) will test various varieties of Canadian forage crop seeds to determine their suitability for Rumanian conditions. If the results prove satisfactory, the chances for substantial commercial sales at a later date are good.

However, Rumania's requirements from Western suppliers for the next five years are heavily oriented towards technology, plant and equipment. Undoubtedly these purchases will involve long-term financing which Western European firms now offer. ●

Yugoslavia Moves

Yugoslav move to balance centralized direction and individual initiative brings changes in import demand; country has become full GATT member and trade controls are being eased. More Canadians should investigate this market—personally when this is possible.

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

THE YUGOSLAV ECONOMY underwent a major structural change in July 1965 with the enactment by the Federal Assembly of 30 Bills. The hope is that these foreshadow the Yugoslav goal of "market socialism". This represents the latest stride away from a highly centralized economy, modelled after the Soviet pattern, from which Yugoslavia began to diverge in 1948. Since that time the Yugoslavs have experimented continuously with their economic system to bring about a balance between centralized direction and individual initiative. These 30 Bills call for sweeping reforms in the internal economy and have a good deal of significance for Canadian businessmen dealing in the Yugoslav market.

The following are the highlights of these Bills:

1. The currency was devalued from 750 to 1,250 dinars to the U.S. dollar; this was bolstered by an \$80 million standby credit from the International Monetary Fund. On January 1, 1966, a "new dinar" was introduced at 12.50 to the U.S. dollar.
2. Subsidies to Yugoslav manufacturers were removed.
3. Direct price controls were replaced by a looser system of maximum prices.
4. Investment decisions were decentralized and enterprises given greater control over their profits.
5. Various taxes and mandatory contributions were either abolished or reduced.
6. The banking system was decentralized. Local banks now play a larger

role as suppliers of investment funds and the National Bank concerns itself mainly with broad monetary policy.

Rapid Changes Resulted

The reforms have succeeded quickly in their short-term aims. The relatively severe credit squeeze introduced by the new bills is relieving the inflationary pressures that had built up because of over-investment in industry, the result of a large disparity between prices of raw materials and finished products. Capital is now scarce and expensive. In fact, the pendulum has swung so far the other way that economically sound projects have been held up.

Last year exports jumped 22 per cent and imports declined slightly—the first fruits of devaluation. This resulted in a merchandise trade deficit of \$196 million, less than half that of 1964. This trade gap was more than offset by income from tourism and remittances by emigrant Yugoslav workers, making possible the first surplus on current account in its balance of payments since World War II. Capital inflows from abroad added to the accumulation of foreign exchange, and international reserves were built up to \$104 million by the end of December from \$74 million at the end of 1964.

Problems Remain

Available indicators give a mixed picture of the economic situation in Yugoslavia so far in 1966. Industrial production is lagging but consumer prices are holding steady. The foreign trade situation is less promising. During the first quarter exports increased by 21 per cent over the corresponding figure of last year, but imports rose by 30 per cent. Despite

Towards Market Socialism



—photo by Richard Harrington

assistance received from abroad, gold and foreign exchange reserves dropped and totalled only \$88 million at the end of March.

The various measures were intended to equalize Yugoslav prices with those on the world market, in order to liberalize imports and to enable foreign products to compete on the Yugoslav market. Despite their current foreign exchange difficulties, the Yugoslav authorities hope to be able to introduce a substantial degree of import liberalization in the near future by considerably reducing the present system of import restrictions.

Despite difficulties and some resistance, government authorities and economic planners appear firmly committed to extending the scope of decentralization, in particular the system of self-management of enterprises by workers.

The Social Plan

The Government has decided to replace the system of annual plans with a medium-range plan covering a period of between four to seven years. This so-called Social Plan, to be reviewed annually and revised where appropriate, is more an orientation in economic development than a strict set of instructions.

One of the main areas emphasized is redistribution of national income in favour of consumer spending and the standard of living. Accent is also placed on the more rapid growth of the under-developed republics and areas. The Social Plan does not spell out specific fields of development but industrial growth is a basic requirement. This includes additional power generating facilities, both hydro and nuclear, extension of the mining base—particularly aluminum, copper, nickel, lead, and zinc—and substan-

A tree-lined principal street in Belgrade, capital of Yugoslavia. The flower baskets in the middle of the road are not only pretty but also suggest that this is a city of very careful drivers.

tial investments in communications, primarily railways.

Agriculture, which has tended to lag in the Yugoslav economy, will continue to rely heavily on assistance from abroad, chiefly U.S. PL480 credits for wheat. Problems centre on lagging farm income and the need for greater mechanization and use of fertilizer.

Tourism brings in over \$100 million a year, much of it in hard currency, and priority is given to developing tourist facilities in the mountains of Slovenia and Croatia by the Austrian border and along the Dalmatian coast. Investment restrictions under the reforms slowed this progress considerably, but on the other hand, foreign interest in investment in Yugoslav tourist facilities increased.

Yugoslavia's Trade Picture

Historically, Yugoslavia's farms, forests and mines provided the bulk of export earnings; today, primary products still make up over 40 per cent of all sales abroad. Meat and live animals, lumber, fruits and vegetables, tobacco, and metal ores are among the major exports. Reflecting growth of the country's industrial capacity, semi-manufactures have been taking a greater share of exports and now amount to \$500 million, about half of Yugoslavia's total exports. Principal items are machinery, ships, furniture, clothing and footwear. On the import side, Yugoslavia's industrial expansion has called for heavy imports of capital goods and raw materials, and problems encountered in the farm sector have

necessitated substantial purchases of grains and fertilizers. These imports account for the bulk of the \$1,250 million total.

Yugoslavia does not wish to remain isolated from the economic integration movements in Europe but wants to avoid being too closely associated with any one group. As a result of improved relations with other Eastern European countries, it has become an associate member of CMEA. The Yugoslavs have tried to negotiate bilateral arrangements with individual Common Market countries to protect their stake in those markets and talks along similar lines with the EFTA countries are continuing. In August 1966 Yugoslavia became a full GATT member and it is participating in the Kennedy Round.

Western countries supply the majority of Yugoslavia's imports. The United States (14.8 per cent) leads, followed by Italy, West Germany and the U.S.S.R., in that order. The U.S.S.R. (17.2 per cent) is Yugoslavia's chief market abroad, with Italy, West Germany, East Germany and the United States following. Last year witnessed a pronounced increase in exports to Eastern European countries but those to Western Europe fell off.

Yugoslavia's over-riding goal of industrial development can best be served through expanded relations with the West. Products of advanced technology, in short supply in Eastern Europe, must be imported; these are available from the highly industrialized nations of Western Europe and North America.

Import Controls Eased

Most foreign trade transactions are handled by about 400 specialized trading enterprises which operate independently, except for government licensing aimed at ensuring financial responsibility and technical competence. Some manufacturing enterprises are also able to import and export directly, subject to the same regulations. The need to conserve foreign exchange is responsible for the existing system of import licences. These are divided into five categories, with priority given to purchases of essential raw materials and industrial equipment. This system of foreign exchange and licensing controls designed to regulate the types of goods

TABLE I
WHAT CANADA BUYS FROM YUGOSLAVIA

	1962	1963	1964	1965
	(Can.\$)			
Yarns, cotton, rayon, nylon	213,913	153,972	233,158	395,035
Magnesia	132,182	129,000	364,303	305,587
Mercury	93,557	50,262	132,871	258,358
Furniture	340,397	269,801	258,104	244,236
Boots, shoes	110,085	184,045	205,488	226,549
Print cloth and sheeting, fabrics	.....	3,726	53,041	192,225
Skis	172,998	214,721	160,780	182,430
Non-ferrous metals	.....	.....	29,049	151,143
Hops	2,634	60,972	130,208	85,008
Glass articles	68,088	48,901	31,201	79,932
Bolts and rods	73,906	64,849	19,432	51,300
Wines, liqueurs, brandy	15,946	22,750	37,739	49,691
Anchovy, sardine, fish products	683	6,685	20,100	48,220
Pimento, spices	11,820	37,992	20,343	39,755
Total, these products	1,236,209	1,247,676	1,695,817	2,309,469
Total trade	1,801,426	1,842,621	2,600,766	2,967,414

Source: DBS

TABLE II
WHAT CANADA SELLS TO YUGOSLAVIA

	1962	1963	1964	1965
	(Can.\$)			
Wheat	.....	14,978,472	.....	.....
Copper scrap	245,381	588,988	311,675	2,931,257
Flaxseed	.....	431,374	1,196,254	2,852,602
Lead and lead alloys	.....	.....	.....	814,736
Asbestos	212,698	401,951	1,107,777	763,535
Aircraft and marine engines, assembled and parts	82,291	74,300	84,207	369,948
Wood pulp	125,807	449,828	1,172,227	290,586
Cattle hides raw	18,000	.....	.....	119,318
Milk powder	.....	.....	146,490	104,065
Radioactive elements	18,489	5,600	.....	80,978
Commercial communication equipment and computers	.....	.....	.....	39,150
Nickel and zinc anodes, cathodes, ingots, blocks, alloy, scrap	43,366	.....	30,216	37,296
Plastic and synthetic rubber	102,128	343,324	587,950	21,464
Pig iron	57,278	69,023	315,536	.....
Scrap iron	.....	.....	338,582	.....
Total, these products	905,438	17,343,860	5,290,914	8,424,935
Total trade	999,302	17,518,671	5,443,418	8,560,787

Source: DBS

imported is being eased in practice as Yugoslavia assumes the responsibilities of a full member of GATT.

Trade with Canada

In our trade last year with Yugoslavia, as shown in Table II, copper scrap and flaxseed accounted for almost three quarters of total sales. Although basic materials still present the best possibilities, a substantial sum has been earmarked for consumer goods from abroad, to act as an incentive for Yugoslav firms in their home market.

Canada exchanges most-favoured-nation treatment with Yugoslavia under the Trade Agreement Act of 1928. Yugoslavia's accession to GATT has further strengthened these relations.

Increased Purchases Possible

The failure of Canadian businessmen to make personal visits to Yugoslavia is partly responsible for our small share of its imports, but shortage of hard currencies has also been a stumbling-block. Over the past year Yugoslav enterprises have taken a

much more serious look at the Canadian market, and it is felt that success in increasing their shipments to Canada will be reflected in larger purchases from us. Several enterprises have already sent representatives to Canada, and a larger mission of Yugoslav businessmen, sponsored by the Federal Economic Chamber, has been proposed for this autumn. Yugoslavia is erecting an attractive pavilion

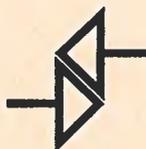
at Expo 67 and will be taking advantage of the services offered by the Business Development Bureau there.

Canada participated in the International Agricultural Fair at Novi Sad, north of Belgrade, last May. Twenty purebred Holstein-Friesian cattle were displayed and enthusiastically received. These cattle were later purchased for careful study by a large agricultural enterprise in Osijek,

Croatia; this could mean future commercial possibilities.

Yugoslavia's creative experiment in blending elements of a free-market economy, decentralized administration, and public ownership of productive facilities may prove to be of great historical significance. Canadian businessmen could benefit from a closer look at this increasingly attractive market. ●

trade lines



Yugoslavia is building a new seaport at Ploce on the Adriatic coast. By 1968 the port will handle an estimated 2 million tons of cargo a year. Plans provide for a 35,000-square-foot warehouse, a refrigeration plant, a five-storey fruit, vegetable and coffee warehouse, and a 34,000-ton grain silo complex. A new wharf scheduled for completion in 1967 will be able to accommodate 60,000-ton vessels—Vienna.

Czechoslovakia will invest over \$228.9 million in its chemical industry this year. This accounts for about 16.5 per cent of total industrial investment in 1966. Although chemical production rose by about 54 per cent in the past five years and reached \$1,526 billion annually, production has not kept pace with demand. Chemical production now represents almost 10 per cent of total industrial output in Czechoslovakia—Vienna.

Yugoslavia intends to import air navigation equipment for a new airport to be built in Sarajevo in central Yugoslavia. The airport will be constructed in two stages. The first stage includes a runway 1,800 meters long, access roads and airport buildings. Investment for the first stage will amount to approximately \$272,000. The air navigation equipment will be required later this year—Vienna.

A large atomic power station will probably be built in Hungary this year with the assistance of the Soviet Union. The planned capacity of 800 megawatts is to consist of two 400 megawatt units, the first to go "critical" some time in 1975. This VORONEZH type reactor will be situated on either the Tisza or Danube

Rivers, and will eventually supply some 15 to 18 per cent of Hungary's electric power requirements.

The agreement provides that part of the machinery and much of the supervision, including technical assistance, is to be supplied by the Soviet Union. Hungary will undertake the construction and provide a substantial share of the components—Vienna.

Czechoslovak agriculture is expected to increase its annual output in the current Five Year Plan (1966-70) by about 2.7 per cent, more than double the annual rate of growth in the past five years. Directives provide for intensifying crop and livestock production by raising substantially supplies of materials, particularly artificial fertilizers, industrially produced fodder and machines, and by improvement projects, and other agricultural construction programs—Vienna.

Hungary's current Five Year Plan (1966-1970) calls for large-scale increases in livestock production. Cattle stocks are expected to rise by 2 million head, and sheep stocks from 2.6 to 3 million head. Average annual milk yield per cow is expected to increase from 2,200 litres to between 2,500 and 2,600, and egg production to reach between 2,300 and 2,900 million. During the previous Five Year Plan (1961-1965) sheep stocks rose 47 per cent, poultry stocks by 14 and pigs by 11 per cent. Last year's hoof and mouth epidemic cut down cattle stocks by more than 2 per cent—Vienna.

Two projects are being planned in Czechoslovakia to connect that country with the Black Sea, the Baltic and the North Sea. The construction of the Danube-Oder-Elbe Canal is scheduled to start about 1975. Fourteen

locks on the ascending route and six locks on the descending route will allow vessels to navigate the 472-foot difference in the water levels on the Danube-Oder system. The total length of the system in Czechoslovak territory will be 174 miles and in Polish territory about 30 miles. The route to the North Sea, the Prerov-Pardubice system, is 99 miles long with seven locks in the ascending branch and five locks in the descending. The capacity of the Danube-Oder-Elbe Canal will be 35 million tons a year, including 10 million tons of transit traffic.

Preliminary calculations put the cost of the entire project at \$5,425,000. When this canal is completed it is planned to incorporate 6,000 megawatts of new power stations in conjunction with it—Vienna.

The port of Trieste handled the largest portion of Austria's exports to overseas areas last year (916,500 tons), followed by Hamburg (763,200 tons) and Rijeka (466,700 tons). One third of all shipments for Austrian account from Trieste were transported there by road (mostly lumber and petroleum products); the other two thirds went by rail—Vienna.

A recent Rumanian census enumerated 4.9 million cattle, 5.3 million pigs, and 13.1 million sheep. Produce from these animals last year included 713 million gallons of milk, 1.1 million tons of meat, 24,779 tons of wool and 456 million eggs. Large investments in livestock breeding are called for under the current Five Year Plan (1966-1970); the breeding will be done in newly commissioned industrial-type complexes—Vienna.

Czechs do a good deal of buying on credit. During the first six months of this year, Czechoslovakia's State Savings Bank made loans amounting to Can. \$294.3 million to individuals and received Can. \$269.6 million in repayments. Loans for the purchases of industrial goods totalled Can. \$23.6 million. Goods valued at Can. \$142.9 million were sold for supplementary loans, which was 2 per cent of the over-all retail trade turnover. Sales mostly covered furniture and television sets—Vienna.

Yugoslavia plans to import pharmaceutical raw materials valued at over \$9 million this year, an increase of about 26 per cent over last year. Approximately \$4.1 million is earmarked for convertible currency areas and plans call for a departure from past practices which linked imports of raw materials with exports of drugs—Vienna.

Rumania and Pakistan signed, on July 7, 1966, a protocol for the exchange of goods between the two countries. This is the first agreement between Pakistan

and Rumania which provides for the exchange of goods on a balanced basis and envisages an increase in bilateral trade. Under the agreement Pakistan will export to Rumania raw jute, raw cotton, jute bags, cotton textiles, surgical instruments, spectacle frames and sports goods. Exports from Rumania will include petroleum, oil and lubricant products, urea, chemicals including insecticides and pesticides, electrical equipment, tools and workshop equipment, bearings, construction and road building equipment and tractors—Vienna.

Czechoslovakia and Pakistan on July 1, 1966, signed a loan agreement for £10 million worth of goods for Pakistan. The funds will be used for setting up an electric power station and a fertilizer plant. The loan, which bears interest at 2½ per cent, will be repaid within ten to twelve years. Half of that amount will be covered by exporting Pakistani goods to Czechoslovakia. Deliveries of machinery and equipment under the agreement will start shortly and will be completed within two to three years—Vienna.



Foreign Tariffs and Trade Regulations

Brazil

CONSULAR FEES—Effective September 10, 1966, consular fees will not be charged for consular visas on commercial invoices covering imports from countries that grant the same kind of treatment to Brazilian exports to them (Law No. 5025 of June 10, 1966, Art. 56). Canada does not charge consular fees for imports from Brazil.

MERCHANT MARINE RENEWAL TAX—This tax, which no longer applies to exports, will be applied to imports into Brazil at the rate of 10 per cent of the net ocean freight charges (Law No. 5025 of June 10, 1966, Art. 54, para. 3). The former rate for imports was 5 per cent of the net ocean freight charges.

Portugal

GLOVE MANUFACTURERS MAY CLAIM DRAWBACK—Manufacturers of gloves for export may now claim drawback on raw and processed skins imported for use in gloves (Decree No. 22108 of July 8, 1966). Drawback also applies to other materials used in making these gloves.

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.

Italy—J. H. Stone, Commercial Counsellor in Rome:

Montreal—September 6-9 Toronto—September 12-16

Jamaica—L. D. Burke, Commercial Secretary in Kingston:

Montreal—September 6-8 Winnipeg—September 14-15
Toronto—September 9-13 Vancouver—Sept. 16-19

Mexico—M. B. Blackwood, Commercial Counsellor in Mexico City:

Montreal—September 6-8 Winnipeg—September 14-15
Toronto—September 9-13 Vancouver—Sept. 16-19

South Africa—C. R. Gallow, Trade Commissioner in Johannesburg, who will be posted to Hong Kong with the same title:

Montreal—September 14 Winnipeg—October 4

United States—W. R. Hickman, Commercial Counsellor (Agriculture) in Washington, who will be posted to Copenhagen, Denmark, with the same title:

Winnipeg—September 6 Tillsonburg—September 12
Toronto—September 7-9 Montreal—September 27-29

A. W. Evans, Consul and Senior Trade Commissioner in Cleveland:

Saskatoon—October 3 Winnipeg—October 4-5

Venezuela—J. D. Blackwood, Commercial Secretary in Caracas:

Toronto—October 3-4 Montreal—October 5-7

Temporary Duty in Ottawa

The following officers are on temporary duty in Ottawa. Anyone who wishes to see them should contact the Trade Commissioner Service, phone: 992-9930.

D. S. Armstrong, who will be posted from Ottawa to Stockholm as Commercial Counsellor, August 12–September 16.

J. D. Blackwood, Commercial Secretary in Caracas, Venezuela, September 19-23.

M. B. Blackwood, Commercial Counsellor in Mexico City, September 6–20.

C. R. Gallow, Trade Commissioner in Johannesburg, September 19-30. Mr. Gallow will be posted to Hong Kong with the same title.

W. R. Hickman, Commercial Counsellor (Agriculture) in Washington, September 12–23. Mr. Hickman will be posted to Copenhagen, Denmark, with the same title.

R. D. Lee, Acting Commercial Secretary in Karachi, Pakistan, December 20-January 3. Mr. Lee will be posted to Philadelphia as Vice Consul and Assistant Trade Commissioner.

J. H. Nelson, Commercial Secretary in Guatemala City, November 18–December 1. Mr. Nelson will be posted to Liverpool, England, as Trade Commissioner.

J. H. Stone, Commercial Counsellor in Rome, September 19-23.

S. G. Tregaskes, Commercial Counsellor in Washington, September 8-9.

In Territory

Brazil—C. M. Forsyth-Smith, Commercial Counsellor in Rio de Janeiro, will visit Salvador, Recife and Fortaleza the first two weeks of September.

R. W. Burchill, Assistant Commercial Secretary in Rio de Janeiro, will visit Belem, Manaus and Amapá the last two weeks in September.

Ceylon—R. R. Parlour, Commercial Counsellor in New Delhi, India, will visit Ceylon, September 12-15.

Communist China—R. W. Woolham, Trade Commissioner, and J. M. Fraser, Trade Commissioner, in Hong Kong will visit Peking September 3-18.

El Salvador—D. J. Browne, Assistant Commercial Secretary in Guatemala City, will visit El Salvador October 10-12.

Honduras—D. J. Browne, Assistant Commercial Secretary in Guatemala City, will visit Honduras October 12-14.

Iraq—I. V. Macdonald, Commercial Counsellor in Beirut, Lebanon, will visit Iraq September 30–October 10.

Jordan—P. W. Aubin, Assistant Commercial Secretary in Beirut, Lebanon, will visit Jordan September 30–October 10.

Syria—P. W. Aubin, Assistant Commercial Secretary in Beirut, Lebanon, will visit Syria September 19-30.

Thailand—J. H. Bailey, Commercial Counsellor in Singapore, will visit Bangkok October 3-8.

West Germany—R. J. Buchan, Assistant Commercial Secretary in Bad Godesberg, will visit Berlin September 8-16.

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



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 .93

Foreign Exchange Rates

Country	Unit	Type of Exchange	Can. dollar equivalent Aug. 23	Units per Canadian dollar	Notes (see below)
Algeria	Dinar .....	.....	.2194	4.56	
Argentina	Peso	Free .....	.0050	200.00	
Australia	Dollar .....	.....	2.000	.8333	
Austria	Schilling .....	.....	.0417	23.98	
Bahamas	Dollar .....	.....	1.050	.9523	
Belgium and Luxembourg	Franc .....	.....	.0217	46.25	
Bermuda	Pound .....	.....	3.000	.33	
Bolivia	Peso .....	.....	.0908	10.01	
Brazil	Cruzeiro	Official Free .....	.0005	2,053.39	
Britain	Pound .....	.....	3.000	.33	
British Honduras	Dollar .....	.....	.7499	1.33	
Burma	Kyat .....	.....	.2259	4.43	
Ceylon	Rupee .....	.....	.2250	4.44	
Chile	Escudo	Bank rate .....	.2621	3.82	
		Free .....	.2265	4.42	
Colombia	Peso	Free .....	.0664	15.06	
		Certificate .....	.1195	8.30	
Congo, Republic of	Franc .....	.....	.0072	139.50	(1)
Costa Rica	Colon .....	.....	.1624	6.15	
Cuba	Peso .....	.....	‡	‡
Czechoslovakia	Koruna .....	.....	.1494	6.68	
Denmark	Krone .....	.....	.1553	6.41	
Dominican Republic	Peso .....	.....	1.076	.93	
Ecuador	Sucre	Official .....	.0598	16.72	
		Free .....	.0549	18.21	
El Salvador	Colon .....	.....	.4304	2.32	
Fiji	Pound .....	.....	2.703	.37	
Finland	Markka .....	.....	.3362	2.97	
France, Monaco, etc.	Franc .....	.....	.2194	4.56	(2)
Franco-African Republics, etc. ..	Franc .....	.....	.0044	227.79	(3)
French Pacific	Franc .....	.....	.0121	82.64	(4)
Germany	D Mark .....	.....	.2697	3.71	
Ghana	Cedi .....	.....	1.250	.80	
Greece	Drachma .....	.....	.0359	27.86	
Guatemala	Quetzal .....	.....	1.076	.95	
Guyana	Dollar .....	.....	.6250	1.60	
Haiti	Gourde .....	.....	.2152	4.65	
Honduras	Lempira .....	.....	.5380	1.86	
Hong Kong	Dollar .....	.....	.1875	5.33	
Hungary	Forint	Official .....	.0921	10.86	

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

Country	Unit	Type of Exchange	Can. dollar equivalent Aug. 23	Units per Canadian dollar	Notes (see below)
Iceland	Krona	Official	.0250	40.00	(1)
India	Rupee		.1426	7.02	
Indonesia	Rupiah		#	#	(1)
Iran	Rial		.0142	70.92	
Iraq	Dinar		3.013	.33	
Ireland	Pound		3.000	.33	
Israel	Pound		.3586	2.79	
Italy	Lira		.0017	581.86	
Japan	Yen		.0030	335.37	
Lebanon	Pound	Free	.3461	2.89	
Malaysia	Dollar		.3515	2.84	
Mexico	Peso		.0861	11.61	
Morocco	Dirham		.2152	4.64	
Netherlands	Florin		.2978	3.35	
Netherlands Antilles	Florin		.5705	1.75	
New Zealand	Pound		2.989	.33	
Nicaragua	Cordoba		.1537	6.50	
Nigeria	Pound		3.000	.33	
Norway	Krone		.1505	6.64	
Pakistan	Rupee		.2250	4.44	
Panama	Balboa		1.076	.93	
Paraguay	Guarani	Free	.0086	116.27	
Peru	Sol	Free	.0401	24.94	
Philippines	Peso	Free	.2768	4.41	
Poland	Zloty	Fixed Basic rate	.2689	3.72	
Portugal & Colonies	Escudo		.0374	26.66	(5)
Sierra Leone	Leone		1.500	.67	
South Africa	Rand		1.500	.67	
Spain and Dependencies	Peseta		.0180	55.55	
Sweden	Krona		.2084	4.81	
Switzerland	Franc		.2486	4.02	
Syria	Pound	Free	.2826	3.54	
Thailand	Baht	Free	.0520	19.27	(1)
Tunisia	Dinar		2.087	.48	
Turkey	Lira		.1195	8.35	(1)
United Arab Republic	Pound	Official	2.475	.40	
United States	Dollar		1.076	.93	
Uruguay	Peso	Free	.0169	60.90	
Venezuela	Bolivar	Official Free	.2393	4.19	
West Indies	Dollar		.6250	1.60	(6)
	Pound		3.000	.33	(7)
Yugoslavia	Dinar	Official	.0860	11.63	

#As Indonesia is no longer a member of the IMF, a realistic exchange rate is not available.

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.

Marketing Data Sheet

HONG KONG

Area

Totals 398 square miles.

Climate

Sub-tropical with a mean temperature of 73°F. and humidity of 77 per cent. Throughout the year temperature ranges from 45 to 93 degrees F. Both Fahrenheit and Centigrade scales are used.

Population

At mid-1965, 3,804,300

	Males	Females
35 and over	577,500	634,200
25 to 34	292,000	246,300
15 to 24	298,400	249,200

Households

At mid-1965, 834,400 family groups.

Wages

In 1964, skilled workers earned an average of Can.\$1.62 to \$4.91 a day, semi-skilled \$1.00 to \$2.74 and unskilled \$0.91 to \$1.80.

Motor Vehicles

In mid-1965, 53,006 passenger, 24,224 commercial, and 9,669 motorcycles and scooters were registered.

Telephones

In March 1965, there were 61 telephones per 1,000 persons.

Radio and Television

At the end of 1964, 140,909 radios and 36,535 TV receivers were in operation. One government and two private stations provide radio broadcasts. A privately owned TV station (wired only) broadcasts on a 405 lines per picture basis.

Water

Safe to drink when coming from a filter station, but not necessarily when coming out of taps. Fifty pounds psi is the medium guaranteed pressure. Solids average 68 parts per million.

Electric Power

50 cycle a.c.

Cost:

Hong Kong Island (Hong Kong Electric Ltd.)

Light—5.27 cents Can. a unit, less discounts down to 2.9 cents.

Power—2.26 cents a unit for the first 1,000 units and thereafter 2.14 cents a unit.

Special rates quoted for bulk industrial use.

Kowloon and New Territories (China Light and Power Co., Ltd.)

Light—5.45 cents a unit.

Power—2.63 cents a unit.

Special domestic power—2.44 cents a unit.

Discounts for large consumption and special rates quoted for bulk industrial use.

Two hundred volts single phase and 346 volts three-phase available.

Appliances require grounding conductors and three-pin sockets only when they have exterior metal parts that may become alive at line voltage. The three-phase, four-wire system for domestic and small industrial consumers has 346 volts between phases and 200 volts phased to neutral which is earthed at the supply transformer. All consumers supply their own ground wire and grounding system.

Customers number 470,803; at the end of 1964 generating capacity was 593,000 kw. No changes in the distribution system are proposed.

Coal

Bituminous and anthracite imported; consumption 8,500 tons a month, production nil, reserves 10,000 tons.

Gas

Manufactured at 455 BTU's a cubic foot, butane/air at 650, and LPG at 21,200 BTU's a pound. The first two are delivered through mains at a pressure of three to four inches water gauge.

Manufactured gas costs 43.2 to 53.8 cents a therm; LPG Can.\$3.75 a 32-pound cylinder, 12 cents a pound in cylinders larger than 32 pounds, and \$102 a long ton in bulk. In 1964 there were 19,208 meters installed compared with 15,446 in 1961; gas consumption totalled 19.2 million cubic feet.

Petroleum Products

All grades and types are imported; production and reserves are nil.

Weights and Measures

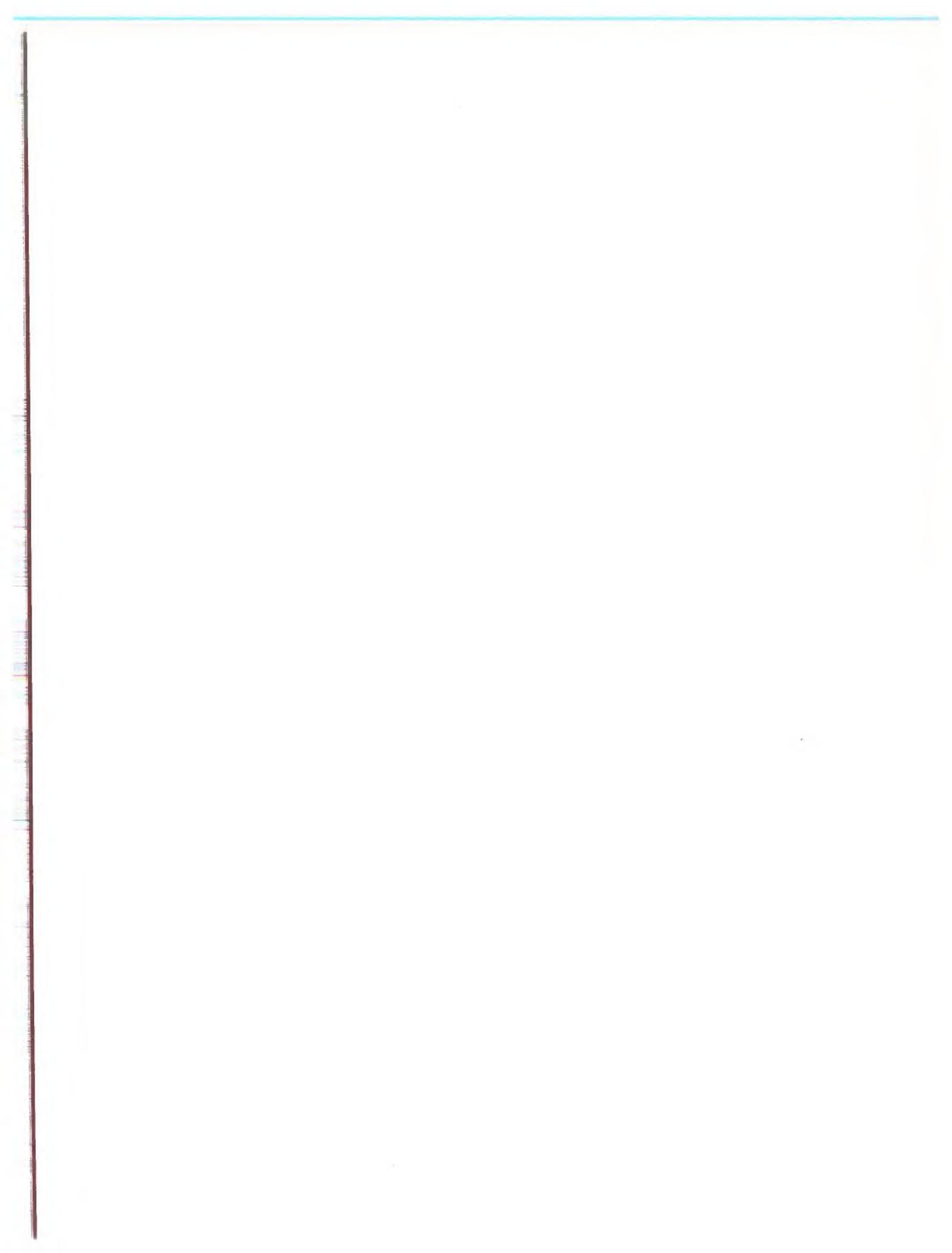
Imperial and Chinese.

Screw Thread

Generally Whitworth and right hand.

Standards

Official approval is not mandatory for gas, electric or other fuel appliances. However utility companies prefer products built to British specifications.



If undelivered return to:
The Queen's Printer, Ottawa, Canada

CANADA
POSTAGE PAID
PORT PAYÉ

