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FOREIGN TRADE

DEPARTMENT OF TRADE AND COMMERCE, OTTAWA



Doing Business in Eastern Europe

FOREIGN TRADE

JANUARY 20, 1968

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COVER: A winter view of Prague and the Charles Bridge, with the Church of St. Nicholas in the centre and the old castle in the background (right) introduces a comprehensive coverage of current conditions, markets, and trading techniques in four East European countries and the U.S.S.R.

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Canada's Trade Relations with Eastern Europe 3

Canada has trade agreements or exchanges most-favoured-nation treatment with the Soviet Union and most East European countries. These arrangements helped to increase our sales to this area to nearly \$400 million in 1966. Other factors have also influenced the export expansion, as this introductory article shows.

Doing Business in Eastern Europe 6

The staff of our Vienna office collaborated on this practical coverage of techniques useful in selling to state trading countries. Some of these are familiar—personal visits, trade fairs, carefully prepared literature—but others are specialized, such as parallel trade, switch transactions, and the licensing of knowhow.

Your Business Visit 6

Promoting Sales 13

Payments Methods 15

Why Not License? 17

Current Conditions in Eastern Europe 22

A look at developments in the past year in four Eastern European countries and the U.S.S.R., with special emphasis on the economic reforms now being implemented and their possible effect upon each country's economy and external trade.

Bulgaria 22

Czechoslovakia 25

Hungary 30

Romania 33

Soviet Union 37

Markets in Brief

Salient facts about four countries presented in abbreviated form for easy reference.

Bulgaria 20 Hungary 28

Czechoslovakia 24 Rumania 32

Eastern Europe Plans for Nuclear Power 35

Businessman's Bookshelf 42 Marketing Data Sheet: 48

Foreign Exchange Rates 46 Venezuela 48

Foreign Tariffs and Trade 45

Regulations 43 Trade Lines 44

COMING—MARKET SERVED BY OUR DALLAS, TEXAS, OFFICE, FEB. 3 ISSUE

Doing Business in Eastern Europe



Czechoslovakia



Bulgaria



Hungary



Romania

Soviet Union



Trend to greater trade with the West should gather strength as economic reforms are implemented in these countries. Canadians should be able to sell more capital equipment and machinery; government-sponsored longer-term credits and credit guarantees will help.

CANADA HAS HAD since the mid-1950's increasing trade contacts with the U.S.S.R. and the countries of Eastern Europe. From about \$30 million in 1957, Canadian exports to these state trading countries rose to \$398 million in 1966, equivalent to about 4½ per cent of total Canadian exports. Canadian sales of large quantities of wheat have encouraged a revaluation of these markets in recent years and greater efforts have been made to sell additional products, such as industrial materials and machinery.

based on prewar trade agreements with these countries and on the subsequent membership of each in the GATT. A trade agreement with Bulgaria was concluded in 1963 and with Hungary in 1964, when these countries approached Canada for wheat. Although an agreement to exchange diplomatic relations was concluded with the Romanians in April 1967, Canada does not yet have formal trade relations with Romania. However, exploratory trade talks were held between Romanian and Canadian trade officials in Ottawa last year and both sides agreed to have further talks at a mutually convenient time in the future.

The main objective in concluding trade agreements with countries with state trading economies is to provide an effective framework for trade in both directions. Canada has a free enterprise system in which decisions to import are made by private businessmen on the basis of market considerations, with no direction from the Government on the source from which goods should be imported. In state trading countries, on the other hand, state agencies rather than the ultimate users determine the source of imports and their choice may depend on a variety of factors other than purely commercial ones. Usually only goods previously purchased by a state trading corporation are allowed to be imported. Often these countries have bilateral trade agreements which provide for exchanges of specified goods with other countries at levels designed to maintain approximately bilateral balances of trade. Consequently the latter may be given greater priority than Canada as a source of supply for goods specified in the agreements.

Canada's trade agreements with the Communist countries are based on the exchange of most-favored-nation tariff treatment. However, in view of the

Canada's Trade Relations

The best year for Canadian exports to the Soviet Union and Eastern Europe was 1964 when, largely because of the failure of the Soviet wheat crop in the previous year, our exports totalled \$484 million.

Improved domestic wheat production in the Soviet Union and Eastern Europe in 1966 was reflected in their reduced purchases of Canadian wheat in 1967. Canadian exports to the area in the first seven months of last year reached \$139 million compared with \$234 million during the same period in 1966. At the same time, imports from these countries, consisting largely of consumer goods, textile products and specialty foods, have continued to make steady progress, reaching over \$49 million in the first seven months of 1967 compared with \$27 million in the corresponding months of 1966.

The first trade agreement between Canada and the Soviet Union was concluded in 1956 and has since been renewed several times. Our trade relations with Poland, Czechoslovakia and Yugoslavia have continued to be

G. ELLIOT, *European Division.*

Trading Arrangements

The following paragraphs summarize Canada's formal trading arrangements with the Soviet Union and with the Eastern European countries.

Albania

There is no trade agreement currently with Albania; Canada does not grant most-favored-nation treatment to goods from this country.

Bulgaria

A three-year trade agreement was concluded with Bulgaria on October 8, 1963, and this was renewed for a further three years from October 8, 1966. The new agreement provides for the continued exchange of most-favored-nation treatment and the purchase by Bulgaria of up to 11 million bushels of Canadian wheat. Bulgaria also undertook to give first consideration in fulfilling its import requirements to a number of goods in which Canada has demonstrated competitive export performance.

Czechoslovakia

Canada exchanges most-favored-nation treatment with Czechoslovakia on the basis of a prewar Convention of Commerce and on common membership in the GATT. Although a purchase undertaking for Canadian goods is not a feature of the trade agreement between Canada and Czechoslovakia, a long-term wheat agreement was signed between the two countries on October 29, 1963, which provides for the purchase of 44 million bushels of wheat over five years.

Hungary

Canada concluded a trade agreement with Hungary on June 11, 1964, similar to that concluded the year before with Bulgaria. The agreement provided for the exchange of m.f.n. treatment and included a Hungarian undertaking to purchase Canadian goods to a minimum value of \$24 million during the three-year term of the agreement. Negotiations for renewal of this agreement are currently in progress.

Poland

The exchange of most-favored-nation treatment with Poland is based on a prewar Convention of Commerce and Poland's full accession to the GATT on October 18, 1967. Long-term wheat agreements were concluded between the two countries in 1963 and 1966. The current wheat agreement provides for Polish purchases of up to 44.1 million bushels of Canadian wheat over a three-year period.

Romania

Canada's formal trade relations with Romania lapsed during World War II and have not been renewed. Canada does not grant most-favored-nation treatment to goods from Romania. An agreement to exchange diplomatic relations was concluded between Canada and Romania in Ottawa on April 3, 1967. While the Romanian delegation was in Ottawa, exploratory talks were held on trade and it is anticipated that further talks will be held in the future with a view to concluding a trade agreement.

U.S.S.R.

A trade agreement between Canada and the Soviet Union was concluded in 1956. The most recent renewal of the Canada-U.S.S.R. trade agreement signed in 1966 was essentially a simple exchange of most-favored-nation treatment. At the same time, however, the Soviet grain importing agency signed a long-term wheat agreement with the Canadian Wheat Board, providing for Soviet purchases of 336 million bushels of wheat or its equivalent in flour over the three years of the agreement.

Yugoslavia

Canada exchanges most-favored-nation treatment with Yugoslavia on the basis of a prewar trade agreement and the membership of both countries in the GATT.

less favourable terms of access for Canadian goods because of the limited relevance of tariffs in state trading countries and the bilateral balancing type of trade agreements they conclude with other countries, Canada has generally sought to balance the granting of Canadian m.f.n. treatment with commitments by these countries to purchase specified minimum quantities of our goods (usually wheat).

To facilitate the growth of East-West trade, Canada has consistently supported the discussion of these problems within international forums such as the OECD and the GATT. The objective is to find a suitable multilateral basis for trading with the East European countries which will encourage a gradual elimination of the restrictive bilateral trade agreements. Some progress has been made in this direction in the last two years with the acceptance of Yugoslavia and Poland as full members of the GATT and of Bulgaria, Hungary and Romania as observers.

Economic Reforms Important

In the last few years, the inward-looking economic policies which contributed to the isolation of Eastern Europe from Western traders have begun to melt away. It is true that the bulk of their foreign trade is still carried on with each other, but each year trade with the West increases.

All of the Eastern European countries have embarked upon ambitious plans for industrial expansion, some of which involve the complete transformation of their economies from a primarily agricultural base to the point where industrial production plays the predominant role in national income. To achieve their goals, these countries have been showing a growing appreciation of the need for Western technology, plants and equipment.

The increasing size and complexity of the economies of the Soviet Union and some of the East European countries have also resulted in administrative difficulties in the machinery for central planning and direction. To achieve more rapid growth, each of these countries is in the process of planning or implementing economic reforms aimed at decentralizing many aspects of business activity, introducing certain features of market economies, and placing greater emphasis

on quality, real costs and consumer satisfaction. Prices, except of certain basic commodities, will be required to reflect production costs more accurately and factory managers will be judged more on the basis of their ability to earn profits than to exceed quantitative production targets.

Although the full significance of the economic reforms has yet to become apparent, it is expected that factory managers will be given a greater voice in the selection of foreign sources of materials and equipment and that it will be easier for Canadian suppliers to go beyond the state trading corporations to the end users. In this way the latter should have a greater influence on decisions to purchase from Canada. Certain of the larger companies in Eastern Europe are already allowed to deal directly in foreign trade.

There is reason to expect that the economic reforms may lead to a gradual liberalization of trade controls and a greater reliance by the East Europeans on more conventional methods of regulating trade. This trend is most noticeable in Yugoslavia,

where within the framework of a foreign exchange control system many decisions on imports are made without the intervention of government. The Yugoslav tariff, negotiated in connection with Yugoslavia's accession to the GATT in 1966, is now of real significance as a means of regulating imports into Yugoslavia.

Trade Prospects

The Western European countries have been the most ready to take advantage of the growing opportunities for trade in the Soviet Union and Eastern Europe. Not only are they exporting chemicals and other industrial materials, but also many millions of dollars worth of machinery and equipment, ranging up to entire plant installations. Their success has been partly due to their proximity to the market, partly to the opportunities provided by their bilateral trading arrangements, and partly to their familiarity with and willingness to use barter and complicated switch trading arrangements which the East Europeans employ as devices to conserve convertible currency.

Nevertheless, a great deal of machinery and plant equipment is being purchased from the West by the Soviet Union and the Eastern European countries on medium- and long-term credits. To maintain terms of business competitive with those offered by other countries, the Canadian Government has decided that under certain conditions, longer-term credits and credit guarantees will be made available, on application by Canadian exporters, to assist sales of appropriate capital equipment to these countries.

It is the area of machinery and capital equipment that appears to have the greatest potential for expanded exports to this region in the immediate future. Canada's growing ability to design and construct machinery and equipment for resource-based industries such as pulp and paper, crude oil, nuclear power and mineral extraction should provide opportunities to compete with the British, French and Italians, who seem to be getting much of this business at the present time.



Yugoslavia and Poland

FOR information on Yugoslavia, the reader should refer to the following articles that were published in *Foreign Trade* during the second half of 1967: "Yugoslavia Offers an Invitation to Trade", September 16; "Yugoslavia Welcomes Foreign Capital", November 11; "Yugoslavia Plans Nuclear Power", November 25. We regret that the article on Poland was not received in time to be included in this Eastern Europe issue.

Agricultural products are a major foreign exchange earner for Poland. These farmers are beginning to harvest the wheat crop on the Polish plains.



Hesitating about doing some personal prospecting in Eastern Europe? This common-sense guide will make a sophisticated traveller of you - - and also help you to develop the right trade contacts.

THE BUSINESSMAN who is considering a trip to Eastern Europe should not be either overly impressed or misled by newspaper or business articles on trading with Eastern Europe. Unless the reporter is a recognized authority, check his "bona fides" before jumping to conclusions. Lately there has been a tendency to unbridled optimism and over-simplification by so-called "authorities" who have spent a few days or weeks in one or more of the Eastern European countries. It is all very well to point to multi-million-dollar deals concluded with Eastern European enterprises by Italian, West German, French or British businessmen. But without some idea of the background, not to mention the many obstacles that in all probability had to be considered, tackled and removed, these stories really offer little practical advice.

A thorough briefing on Eastern European trading practices, predilections and preferred payment procedures is as essential to the first-timer as is his entry visa. To arrive in any of these countries without some idea of its economic framework, trading practices and policies can only lead to confusion, loss of time and possibly disillusionment.

Before You Go

Possibly the most lucid and concise reference for the businessman is the *Hints to Businessmen Visiting* . . . series published or updated annually by the British Board of Trade. (Write to: Board of Trade, Export Services Branch, Hillgate House, 35 Old Bailey, London E.C.4.) A useful and much more comprehensive publication is *Developing the Eastern European Market*, prepared by the editors of *Business Europe*, 54 bis, Route des Acacias, 1227 Carouge/Geneva, Switzerland (price: U.S. \$50.00). A practical guide to selling in Eastern Europe which takes the exporter step by step through the process is *East-West Trade: a Practical Guide to Selling in Eastern Europe* (see review on page 42). These are only a few publications chosen from the many in circulation.

It is especially important that we know your intentions in visiting a country. Appointments are not easily arranged at short notice but we can assist appreciably in ensuring that you meet the competent people and secure accom-

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

modation. We can also offer advice and guidance on other matters.

Businessmen are encouraged as well to consult with the Office of Trade Relations, Department of Trade and Commerce, Ottawa, and the appropriate Eastern European commercial representatives in Canada.

When to Come

Come any time. The climate in the central and southern part of Eastern Europe is generally milder and less extreme than in Canada but winter travel demands a heavy overcoat and woollen suits.

The May-June period offers particularly pleasant weather to the businessman-tourist. Summer suits are in order at this time. Because travel tends to increase from May on, it is wise, especially if Budapest is on your itinerary, to book hotel space well in advance. The Budapest International Trade Fair takes place during the middle ten days in May and suitable accommodation is very tight.

The summer season, especially August, may find key personnel on annual holiday. Moreover, the hotel situation is invariably aggravated by the rising influx of tourists.

September heralds the trade fair season in Czechoslovakia (Brno International Trade Fair) and Bulgaria (Plovdiv International Trade Fair). Romania is planning an international event as well but has not yet decided whether to schedule this in the spring or the fall. Because these fairs summon Eastern Europe's leading buyers and sellers, it has proved difficult to arrange introductory appointments at that time. We recommend October and November as suitable alternatives to September.

What to Bring

The two essentials are a valid passport and sufficient funds to cover living expenses. A third essential is a good supply of business cards; these you will use up at an alarming rate. Tourist visas are best obtained before leaving Canada but you can get them at a moment's notice at the point of entry into most countries of Eastern Europe. Business visas must be obtained at an Embassy or Con-



A view of one of the handsome parks and some of the public buildings in Sofia, Bulgaria's capital.

sulate. This type of visa is not a prerequisite for a business visit and, exchange-wise, places the individual at a distinct disadvantage in Romania, where the rate of exchange decidedly favors the tourist over the businessman.

Currency regulations permit visitors to enter and leave all countries with any amount of foreign currency, travellers' cheques or other means of payment. It is, however, strictly forbidden under severe penalty to take local currency into or out of Eastern European countries. On entry, the visitor is normally requested to declare his foreign currency and the total sum is noted on a currency certificate. Foreign currency or travellers' cheques should be exchanged only at an authorized bank or exchange office, the exchange slips carefully retained and, if possible, the currency certificate endorsed. Visitors with local currency left may on departure exchange this for convertible currency on presentation of the currency certificate and slip.

Travellers' samples should be declared at the point of entry. Usually they are quickly admitted following listing

by the Customs authorities. The stamped list serves as the export permit at point of exit. If for any reason a bond must be posted, the paid-in amount will be returned upon proof of export. Should samples be left with an authorized importing agency, you should have a letter to this effect from the organization for presentation to the Customs at the point of exit.

Visitors can purchase essential personal items from a number of special shops where foreign goods and local export goods are sold for foreign exchange. The hotel concierge can direct the traveller to these outlets. None the less, the prudent businessman will have a bar of soap, toilet paper, an electric razor adaptor kit or blades, a good supply of cigarettes (useful also for tips) and a bottle or two of spirits, if so inclined. A jar of instant coffee and an extra supply of camera film are useful.

Laundry and dry cleaning service is offered by the leading hotels but varies in caliber from country to country. Drip-dry shirts and underwear and creaseproof suits are recommended wear. Pack a supply of hard water soap.

Where to Go

Because the capital of each country is the headquarters for all foreign trade corporations and most industrial trusts, state economic amalgamations and other potential customers, your trip to Eastern Europe need not take you into the countryside unless arrangements are made well ahead of time to visit end users in other industrial or consuming centres. National airlines offer daily service to the major centres. The main towns are connected by rail or you may rent cars reasonably, with or without chauffeur.

How Much Will It Cost?

Getting there is naturally the major outlay. Your travel agent can advise you and route you by air, rail or road. Air services to Romania and Bulgaria are less frequent than to Czechoslovakia or Hungary but on the whole, links with the major capitals of Europe are satisfactory.

The forewarned traveller will have a confirmed room reservation. Booking suitable accommodation can be a problem. You are well advised either to reserve through the Canadian agents of the appropriate national tourist agency, through a state trading enterprise direct to the hotel (asking for written confirmation), or by calling or writing to our office in Vienna. Recommended hotels catering largely to foreign visitors are listed in the box accompanying this article. Each has a reasonably good restaurant serving continental and local dishes. On the other hand, in Budapest and Prague in particular, the many excellent restaurants should be patronized.

The price of a single room with bath or shower may range between Cdn.\$5-\$15, depending on the hotel and the country. On a recent visit, rooms for a Canadian Trade Mission cost as follows:

Prague	\$ 9.10	Budapest	\$15.00
Bucharest	\$10.20	Sofia	\$ 5.00

There are cable and telex facilities at all leading hotels. Meal costs are reasonable. A healthy appetite and thirst can be satiated for \$15 per day at the tourist rate of exchange. This is inclusive of 10 per cent service charge and a small tip.

Tipping, although officially discouraged, is very much in evidence. As an expression of appreciation a package of cigarettes is often more enthusiastically received than a cash gratuity by porters, chambermaids, barmen, elevator operators, etc.

The taxi situation in Prague and Budapest has improved noticeably in recent years but it isn't uncommon to have to wait an inordinate length of time before the taxi (Eastern European model) appears. The fares, however, are relatively low. Often the hotels are an easy walk from most business offices. Should the businessman for any reason desire readily available transportation, he should see the hotel concierge or the national tourist agency to arrange a taxi or chauffeured rent-a-car on a daily basis. Be sure to order a taxi well in advance for travel to the airport, the theatre or during rush hours. Check with the concierge about addresses and have the information written in the local language for the driver.

There are a limited number of drive-yourself cars and these should be booked well before they are needed. Driving conditions differ from ours and traffic violations and accidents are harshly dealt with.

Recommended Hotels

Bulgaria

Sofia—Hotel Balkan
Hotel Rila
Hotel Pliska

Plovdiv—Hotel Maritsa

National Travel Agency—Balkan Tourist
1 Lenin Square
Sofia
telex: 538, 583
cable: BALKANTOURIST, SOFIA

Czechoslovakia

Prague—Hotel Alcron
Hotel Park
Hotel Ambassador
Hotel Esplanade
Hotel Jalta

Brno—Hotel International
Hotel Grand
Hotel Continental

Bratislava—Hotel Devin
Hotel Carlton

Karlovy Vary (Carlsbad)—Grant Hotel Moskva
Marianske Lazne (Marienbad)—Hotel Explanade
Hotel Golf

Plzen (Pilsen)—Hotel Continental

Czechoslovak Travel Bureau—Cedok
Na Prikope 18
Prague 1
phone: 225-255

Hungary

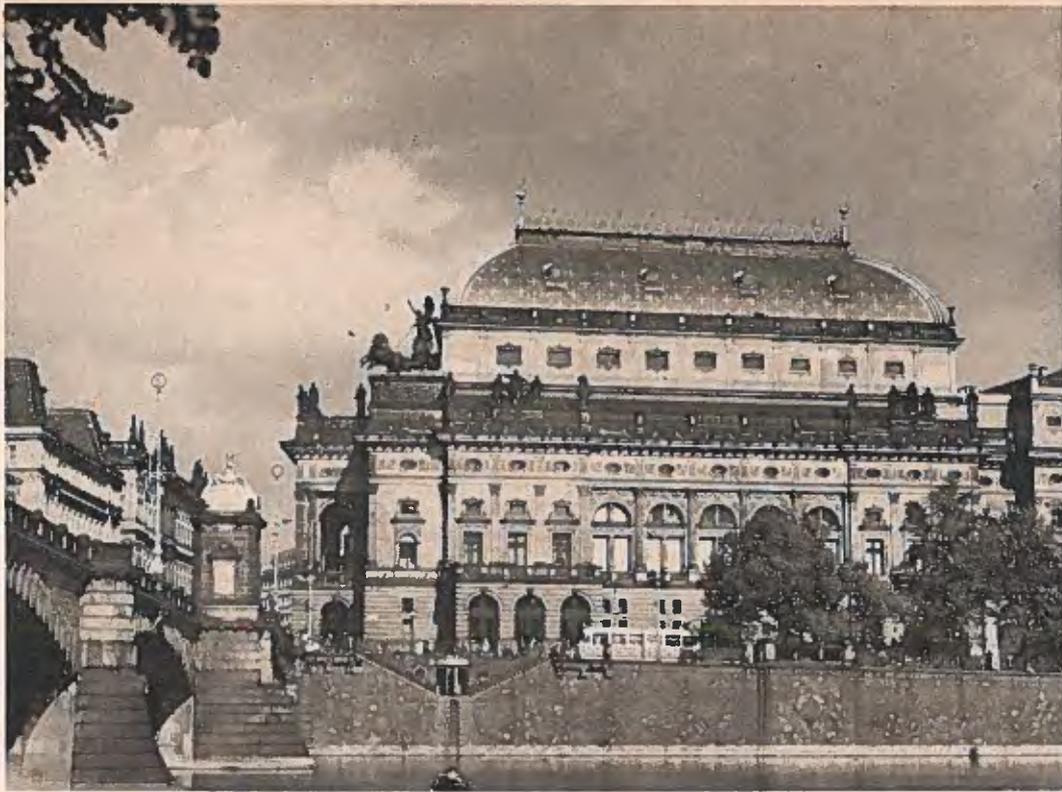
Budapest—Hotel Gellert
Hotel Royal
Hotel Budapest
Grand Hotel Margaret's Island

Hungarian National Travel Agency—Ibusz
Felszabadulas ter 5
Budapest V

Romania

Bucharest—Hotel Athenee Palace
Hotel Ambassador
Hotel Lido
Nord Hotel

National Tourist Office—Carpati
Blvd. Magheru No. 7
P.O. Box 40
Bucharest
telex: 256, 279
cable: CARPATURIST, BUCHAREST



This building in Prague houses Czechoslovakia's National Theater; in the foreground, the Vltava River.

Your Sales Approach

Because foreign trade is a state monopoly, the selling process in Eastern Europe demands a strategy suited to the Canadian firm's product and the market requirements.

Canadian firms invariably kick off with a letter and a batch of brochures illustrating their product lines and including prices, competence, technical capabilities, etc. For producers of consumer goods or products already available in the Socialist network and for which prospects are dim, this approach, though passive, does at least serve to inform the buying organization of a willingness to supply if an opportunity presents itself. On the other hand, Canadian suppliers of capital goods, engineering services and industrial raw materials—to name a few priority Eastern European imports—are well advised to visit the market personally.

Naturally the firm wants to know whether prospects warrant the expense of travelling to Eastern Europe. Unfortunately, market research in this area is extremely difficult. Immediate requirements can be and are tallied by Trade Commissioners during periodic tours. However, opportunities of this nature have often been common knowledge for weeks or months among the peripatetic businessmen of Western Europe. Long-term capital projects and production needs are not advertised and often it is only companies whose representatives have established close personal contact with the appropriate planning or importing body who are *au fait* in sufficient time to allow preparation of a comprehensive list.

Although economic development in Eastern Europe has for years been implemented under Five Year Plans and more detailed one year plans, these are not published in

their entirety. Public information is limited to investment proposals underwritten in percentages and total sums, often with no mention of the projects slated for completion. Written or verbal requests for details usually result in an inconclusive reply, if any.

The availability of indigenous statistical data in the form of yearbooks, *Facts on Foreign Trade*, or Chamber of Commerce publications in English varies from country to country. The Eastern European equivalent of the DBS import-export figures is normally issued in the language of the country only. The UN publishes a yearly statistical publication which should also be consulted.

Bilateral trade agreements between Eastern European and Western countries often include a product quota list which may disclose a trend in purchases or emphasize priority requirements.

The Chambers of Commerce, whose facilities and services are readily available to the Eastern and Western businessman alike, have given our office and Canadian visitors excellent co-operation in recent years. However, market information from this source rarely surpasses that already published. In point of fact, Chamber of Commerce trade and industry publications are counted among the most enlightening references obtainable in Eastern Europe.

The foreign trade corporation or authorized body with which you plan to meet may in exceptional circumstances provide advance information of significance to your marketing program before your initial visit, but this is unlikely. Whether they will be more co-operative following your visit depends largely on your potential as a supplier as they see it.

Whom Should You See?

It is dangerous to generalize but to all intents and purposes the import and export organizations are vested with exclusive rights and responsibilities by a Ministry of Foreign Trade which, among many other tasks, establishes and supervises the annual import plan. The introduction of economic reform measures aimed at decentralization of authority has in recent months deprived the Ministry of considerable power in some countries. But the foreign trade enterprises, although they have in some instances become independent legal entities and expanded in number to include large factory complexes and industrial organizations, have retained their basic function as state sales and purchasing agents in specific lines. For example, METALIMEX in Prague is exclusively permitted to import and export ores, metals and solid fuel and precious metals. ROMANOEXPORT in Bucharest has similar rights and privileges in textiles, textile materials, raw hides, leather, etc.

Do make a point of calling on the Chambers of Commerce. (See list accompanying this article.) These are quasi-government organizations concerned exclusively with fostering closer trade ties with non-Communist countries. One of their primary functions is to assist foreign businessmen, delegations and technical missions in arranging appointments, disseminating foreign trade publications, and seeing that product and company brochures, etc., sent from abroad are directed to the competent body. Some chambers have special sections exclusively concerned with promoting trade with a particular country. Canadian affairs are handled by a desk officer or "secretary" who may have a number of other markets in his portfolio. He will be pleased to advise you on all matters of trade with his country. Details about registration of patents and trademarks, arbitration, advertising and sales promotion, interpreters, legal counsel, local trade fairs, special exhibitions or lectures are all within the terms of reference of Eastern European Chambers of Commerce.

They can also provide inquirers with booklets containing useful information on trading practices and listing the trading companies, their addresses, and their spheres of activity. They will also advise you about arranging appointments.

Circumstances may prevent you from calling on end users, at least initially. Until quite recently, foreign trade enterprises granted requests of this nature only if they considered it in their interest. Under the changing system, manufacturers are being called upon to exercise managerial responsibilities in conforming to a new profit-motivated system of production and marketing.

Because it is essential that the producers themselves be given more flexibility and freedom in buying and selling so that they can meet the needs of consumers (decided arbitrarily in previous years) access to end users should become less and less of a problem. None the less, it is politic and often necessary to have the competent foreign trade enterprise, Chamber of Commerce or Ministry arrange such visits.

Making Business Calls

Now that you're on the spot, what happens next? Presumably you have followed our advice and notified our office of your intention to visit Eastern Europe. Ideally you have not only the name of the state trading enterprise but a suggested contact within that organization as well who is waiting to receive you. The average white-collar workday in Eastern Europe is a long one and you should therefore adjust your schedule to conform with local practice. Meetings at 7:00 a.m. are not uncommon.

On arrival at the correct address, don't be discouraged by appearances. Most importing agencies are rather badly housed. The ubiquitous *portier* (or *portiere*) will confront you in the local tongue (he may have a little German

Chambers of Commerce in Eastern Europe

Bulgaria

Mrs. P. Yotova
International Relations Department
Bulgarian Chamber of Commerce
11-a Stamboliskii Blvd.
Sofia

cable: TORGPLATA-SOFIA
phone: 7-26-31

Czechoslovakia

Dr. J. Gaydecka
Director, International Relations
Division
Chamber of Commerce of
Czechoslovakia
Ulice 28, Rijna 13
Prague 1

cable: OBKOMORA PRAHA
phone: 23 15 41
telex: 142

Hungary

Dr. G. Erös
Secretary
Hungarian Chamber of Commerce
P.O. Box 106
Budapest 62

cable: KAMARA BUDAPEST
phone: 314-155
telex: BUDAPEST KAMARA 695

Romania

Mr. R. Tanase
Chief of the Foreign Relations
Department
The Chamber of Commerce of the
Socialist Republic of Romania
22 N. Balcescu Bd.
Bucharest

cable: CAMROM
phone: 14.61.01; 13.98.83
telex: 374



Nicolae Balcescu Boulevard in Bucharest. This broad street is in fact narrow, compared with others in the capital city.

or French, if you're lucky) and ask you to state your business or something along these lines. Your obvious response is to pronounce as best you can the name of the individual with whom you have an appointment, at the same time presenting one of the large quantity of business cards with which you have armed yourself. The portier telephones the person and he or a member of the international relations office (translators and interpreters) appears to conduct you to the office or reception room.

With few exceptions, you needn't worry too much about language problems. Although it is a distinct advantage to be able to communicate in the local tongue or in a second or third language such as German or French, English is spoken widely and interpreters are on hand should this be necessary.

One is seldom met by one official. The number of "hosts" and their position in the organization depends chiefly on what you are offering in goods or services and whether you are alone or a member of an official delegation or trade mission. As you become better known and your interests are defined by the importers, in all likelihood you will deal exclusively with one person. But initially one plays the "card game" that opens every introductory meeting. This finds the visitor exchanging business cards with everybody in the room. Admittedly this exercise is hard on one's card supply but it is an eventual time-saver and obviates the necessity of writing or recalling names which the average Canadian finds difficult to pronounce, much less spell correctly.

Discussion is barely under way before a member of the staff appears bearing a tray laden with a demi-tasse of espresso or Turkish coffee (the latter in Romania and Bulgaria), a glass of water and often a bottle of cognac or the local firewater. (The latter is actually a plum brandy variously referred to in the different countries as Barack, Slivovitz and Tuica.) There is no obligation to take up the

challenge and you should feel free to decline without fear of offending your hosts. Both the coffee and spirits are *de rigueur* at every meeting so one should pace oneself accordingly.

As the talk turns to business, remember these few points:

- Speak slowly and distinctly in plain language, avoiding idioms and colloquialisms as much as possible.
- Be painstakingly precise and thorough in delivering your presentation. Though this may seem tiresome and pedantic to you, your opposite number will appreciate your thoughtfulness.
- Bear in mind that your hosts probably do not know anything about your firm, your products, or your domestic or international reputation.
- When speaking through an interpreter, pause after every few sentences to allow the translation to be made. Be especially lucid and short-winded when discussing technical subjects.
- Subtle jokes are best left unspoken until you have "read" your listener. A misunderstood witticism might well distort first impressions.
- Have sufficient literature and, if possible, export price lists for your contacts. Prices should be calculated f.o.b. Canada and c.i.f. North European or (as appropriate) Black Sea port.

Don't expect too much from your first meeting. For your hosts, it is their first opportunity to make your acquaintance and size up your position and competence as a potential supplier. You are only one of hundreds of visitors received each month. Literature, prices, samples,

technical data, etc., left in their hands ideally will be passed down the line to end users for consideration and comment. But do not take this for granted. Nor should you expect a detailed reply to your verbal or written presentation and you may get none at all.

Consolidating Your Position

Your initial visit will be of little value unless you follow up. Letter writing and the mailing of additional brochures and information serve no useful purpose unless particular details were specifically requested by trading officials. Business by correspondence is daily giving way to the periodic personal call. Western Europeans, Americans and the Japanese are actively foraging for market opportunities, with a consequent hardening of competition. The all-important feature of Eastern European selling is personal contact. This cannot be over-emphasized. Friendship opens doors which may otherwise be closed; it tends to break down barriers. Moreover, your calls are conclusive proof of your active interest in promoting and selling your products. If you yourself cannot manage quarterly or semi-annual visits, send a sales representative who has a solid technical knowledge of the product. Sales experience is secondary to familiarity with a product and its application in industry or a producing enterprise. Lastly, keep us advised of your follow-up plans. We can help.

Lake Balaton is popular with holidaying Hungarians, and could provide a respite from business for a visiting Canadian.



After Hours

If you're a culture vulture, Eastern Europe offers an excellent variety. Each capital boasts at least one opera house, several concert halls, and numerous theatres. Performances are generally good and enthusiastically patronized so it is wise to book well in advance. Tickets are surprisingly inexpensive and can be obtained either through the hotel concierge, from offices of the national tourist or travel agency, or at the box office. Art galleries and museums are noted for their priceless collections. Cinemas with international films abound and English-language versions are featured frequently in Prague. While there, don't miss the "Laterna Magica" show.

As for sports, if you happen to be in Prague during the hockey season, see a game, or take in an international soccer match in Budapest as one of 100,000 spectators. Night clubs offering variety shows are active in Prague and Budapest. In Bucharest, taxi out to the Boneasa Forest Restaurant for an exciting performance of Romanian folk dances.

Sightseeing is a must in all capitals. Tours of all types with English-speaking guides are organized by the national travel agencies and are highly recommended. But save some time to walk about on your own. The Old Town and Castle of Prague, old Buda and its treasures on the banks of the Danube in Budapest, Bucharest's wide boulevards and Village Museum, and Sofia's Alexander Nevski Basilica and nearby mountains deserve special attention.

Given more time for relaxation, look into a hotel at a Bulgarian or Romanian Black Sea resort. Lake Balaton's

the place to go if you crave water sports while in Hungary. Perhaps a visit to the world famous spas of Carlsbad (Karlovy Vary) where the famed Moser crystal factory is located and Marienbad (Marianske Lazne) or a tour of old castles will keep you occupied on a weekend in Czechoslovakia. Both resorts, by the way, have golf courses—a rarity in Eastern Europe.

Shopping is always on the list of pastimes. Crystal, garnets and phonograph records are especially good bargains in Czechoslovak shops or at TUZEX stores which offer representative handicrafts and specialty items on payment in convertible currencies. Small galleries exhibiting modern Czechoslovak art are becoming increasingly popular. Budapest stores are improving by leaps and

bounds. Besides several department stores, Konsum-Turist shops carry a wide selection of Hungarian and foreign merchandise. To my mind local folk craft, gift, antique and art outlets are equally good. In Romania and Bulgaria pottery, colorful handwoven woollen fabrics, wood sculpture and enamelled jewellery are sold in tourist stores. There are bookstores by the hundreds in Eastern European capitals. Especially attractive buys are the magnificently illustrated volumes dealing with art, archaeology and historical subjects.

Tuzex and Konsum-Turist will deliver your purchases to your home address. Unless you are found with a "national treasure" you shouldn't face any customs problems if you decide to take your gifts with you. ●

Doing Business in Eastern Europe

Canadian firms have the choice of a number of techniques for promoting sales, in addition to participating in trade fairs and trade missions sponsored by Trade and Commerce.

F. IAN WOOD,
Commercial Secretary, Vienna.

THE SALES EXECUTIVE or export manager normally wants to make his sales presentation to an expert who speaks the same technical language. This is as true in Eastern Europe as it is in other areas. But time and a lack of familiarity with local practices often limit the individual businessman in his search for potential customers. For this reason, many companies choose to supplement (or even substitute for) traditional salesmanship by employing other means of promoting their company image and their products. Among these methods are:

1. Technical Days—A select group of 15 to 60 companies, usually from the same sector of industry, exhibit for a week or less in a convenient mid-city location. Throughout this

period they schedule lectures, discussions, film presentations, and receptions to which competent scientists and technicians are invited. Whether this is termed an "Engineering Week" or a "Technical Day" or carries some other title, the attendance is usually heavy and of excellent caliber. The British, French and Japanese have used this approach with good results.

2. Audio-Visual Lectures (Symposia)

—Literally hundreds of technical lectures or symposia are scheduled each year in Eastern Europe. More and more, Western companies are taking advantage of this popular and acceptable form of sales promotion. Three Canadian firms are known to have arranged audio-visual presentations and, from all reports, had an enthusiastic reception and made several excellent contacts.

A lecture may be set up on short notice with a minimum of incon-

venience and expense. This type of promotion lends itself in particular to manufacturers of machinery and equipment the operation and/or application of which is highly technical and therefore of interest to a relatively limited number of experts. The language problem is usually solved by premailing to those invited a translation of the paper(s) to be given. If the papers are to be given in English, provision for simultaneous translation is highly recommended.

3. Solo Exhibitions—Yet another instrument of trade promotion rapidly gaining ground is a display or solo exhibition by a single firm. This can be an expensive undertaking but is nevertheless popular with larger companies. A successful presentation demands close co-operation with a local advertising and publicity agency whose fees have been known to be steep.

4. Visits to Canada—The trade mission program carried out by the Department of Trade and Commerce encourages visits by official missions from and to Canada. These can and should be supplemented by invitations from private firms to promising contacts in Eastern Europe. Visits are an excellent means of impressing purchasing authorities with plant facilities and acquainting them first-hand with the item(s) intended for sale. Travel outside the Socialist Bloc is restricted not so much by political considerations as it is by priority commitments to visit regular suppliers and a scarcity of convertible currency to pay for unscheduled trips. Western European firms, because of their proximity to the Bloc countries, are able to conduct ambitious visiting programs for considerably less outlay than is possible for Canadians.

Conscious of this fact and aware of the importance of encouraging Canadian companies to bring their contacts to Canada, the Department of Trade and Commerce has recently provided for a travel subsidy scheme within the framework of an Export Oriented Training Program. The EOTP is aimed at export-conscious Canadian firms which are anxious to invite to Canada for training purposes foreign business contacts, technicians, and engineers who, on their return to their country, will be in a position to influence sales. The Department is prepared to absorb costs of transportation incurred by the trainee, but all other expenses are the responsibility of the Canadian company and the trainee himself.

5. Advertising and Publicity—Advertising and publicity are a state monopoly in Eastern Europe. This means that the foreign businessman wishing to mount a sales promotion campaign using communications media within a country must employ the services of the responsible foreign trade corporation(s). These services include advertising or inserting technical articles in the press; all arrangements for small exhibitions or lectures; the preparation or distribution of invitation lists restricted to individuals within a certain field of competence; translation and interpreter service; direct mail campaigns, and general advice on all aspects of publicity.

The technical press in all these countries is broad in scope and has enthusiastic subscribers. It is far and away the most frequently used advertising vehicle. Newspaper advertising

is minimal but ads are being shown more often in movie theatres. Radio and television are state-controlled and not a large factor in this activity.

Should a company plan to participate in an Eastern European trade fair, it should give serious thought to a prefair direct mail campaign. Because these countries do not publish a trade index of manufacturers and end users, this office can be of only limited service in providing a list of suggested recipients. On the other hand, an organization such as "Made in . . . Publicity" in Czechoslovakia will not only fill this need but is also well qualified to translate product lists, brochures and technical promotion material and mail them out on request.

6. Sales Agents—There are agents in Eastern Europe but, with the exception of Romania, in the form of state-owned enterprises. (Romanian citizens may represent foreign companies if the Ministry of Foreign Trade approves.) The usefulness and caliber of these organizations vary considerably and reaction on this point is mixed. Whether or not to place a line of goods with an Eastern European "agent" is a matter calling for attention to the usual factors: the reputation of the enterprise in terms of salesmanship, results, market potential, and servicing problems and the payments question. But underlying factors such as whether the product is in the consumer or capital class, whether provision has been made for its import in development plans, what form payment is to take, and the question of access to end users demand special study.

Should the Canadian firm not be represented in Europe either through a branch, affiliate or agent who is competent to visit and promote interests periodically in Eastern Europe, there is a good alternative in personal contact. Preferably, a Canadian representative should do the footwork but if this is not possible a substitute should be on hand.

Vienna is the headquarters for many firms preoccupied with East-West trade. Their intimate knowledge of this complex market, their established connections, and their expertise in the area of payments procedures can be of great assistance to you, the Canadian businessman. ●

Advertising and Publicity Agencies

Bulgaria

TORGRAFIK
11-a Stamboliiski Blvd.
Sofia

phone: 87-26-31

Mr. V. Videnov, Director General

Czechoslovakia

RAPID
U1.28, Rijnna 13
Prague 1

cable: Publicita Praha
telex: Obkomora Praha 001 42
phone: 23-15-41, 23-75-41

Ing. J. Pribyl, Publicity Manager
Mr. J. Mlcloch, Director

"MADE IN" . . . PUBLICITY
Opletalova 5
Prague 1

cable: Interpublicity
telex: 00357
phone: 222-444

Dr. J. P. Karen, Sales Manager
Ing. Bohus Häckl, Managing Director

Hungary

PRESTO
VIII. Luther 4-6
Budapest

cable: Presto Budapest
phone: 331-560

Mr. M. Csillag, General Manager

Romania

PUBLICOM
22 N. Balcescu Blvd.
Bucharest

cable: Publicom
telex: Carom 374
phone: 15-47-07

One of our Trade Commissioners in Vienna has made a special study of parallel trade and switch transactions, two methods of payment often used in Eastern Europe. These he explains for those unfamiliar with them.

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

HARD CURRENCY CASH or credit sales account for an estimated 70 per cent of Western sales to the Communist Bloc countries of Eastern Europe. But specialized forms of payment for some goods sold to Eastern European states have also evolved because of the hard currency shortage in these markets. Often the particular form of payment to which a Western supplier agrees spells the difference between a sale or no sale. In fact, these considerations may be more important than (usually favourable) credit terms in winning a contract over Western competitors, because they provide a means to increase exports to convertible currency areas and thus earn or at least save on hard currencies.

Sales for straight cash or credit are usually open only to Western firms with minimal competition in these markets. Those Western firms, particularly the Western European ones, which have scored significant advances in Eastern Europe invariably agree at times to parallel trade or switch deals to conclude contracts. An explanation of both these forms of payment and of the mechanics of each may be helpful.

Communist countries normally trade with other nations through bilateral trade agreements and a number of IMF member countries have concluded trade and payments agreements with one or more of the East Bloc countries. It is because of this trading philosophy, combined with the scarcity of hard currencies, that parallel (or barter) trade and switch transactions have evolved. It must be stressed,

however, that these specialized forms of payment only support the sale possibility and do not in themselves assure success.

Parallel Trade

Parallel (or barter) trade involves an agreement by the Western seller to take part or full payment in goods from the East European country. Although all Bloc countries engage in this practice to a certain degree, those most interested in parallel trading are Bulgaria, Hungary, Romania and Poland. Barter trade is a less sophisticated form of payment than the switch transaction.

The goods the Western company may be asked to take could range in value from an amount equivalent to its exports down to a small fraction of these. Usually the Western firm has a limited choice of the type of goods it may wish to take in barter: foodstuffs, machines, semi-manufactures and chemicals are the most common. These tend to be goods that the Bloc country would normally experience difficulty in exporting outside the Bloc. Western suppliers of consumer goods, certain industrial materials and capital equipment for which no foreign currency has been allocated in the plan can rarely sell without agreeing to some type of barter transaction.

After the Western exporter is reasonably sure of a sale and has agreed to partial payment in unspecified goods, he may approach one of the specialized parallel trading houses or banks in Western Europe that deal in these transactions. These

houses are located in Austria, Switzerland, Britain, Holland, France, Germany, Italy and Belgium. It is advisable to use these houses because they are knowledgeable about commodity markets and Bloc products that are likely to find ready acceptance in Western countries. (This is reflected in the discounts the house will apply, which are discussed later in this article.) Other factors that these houses consider are import restrictions in Western countries that may preclude East Bloc products from entering; timing of the import (discounts vary throughout the year on the same commodity); food and drug legislation, and sole distributorship agreements that may be in force.

Naturally, if the Western supplier can use the materials or products he agrees to import himself, or market them through his own or associated marketing networks, the need for the services of one of these houses is much less. But when he cannot, these special services are required. The Bloc products the Western firm agrees to buy are then offered through the specialized house. The latter discounts the value of these goods, the amount depending upon the ability of the house to contact an importer who wants the goods, the market in the particular Western country for them, the type and the time of the year (the latter particularly for foodstuffs and other perishables). Discounts can vary from 2 to 40 per cent. Industrial and raw materials tend to be discounted at about 10 per cent, but manufactured goods run slightly higher. Certain houses sometimes also charge a commission on that portion of the sale not covered by a parallel purchase. It must

be pointed out that in these transactions the house acts as a trustee only for the Western supplier and cannot guarantee to find a market.

Lists of the types of goods offered as barter are available in each of the Bloc countries but experience has shown that these lists are of dubious value. It is wise before presenting a proposal to the Bloc buyer to discuss with the house which commodities the Canadian firm should be willing to accept in barter. At this time the discounts that apply would also be determined and adjustments made to the Western firm's offering prices to include the cost of the barter business.

Cases have been reported in which the Bloc buyer has led the Western supplier to believe that a purchase will be paid for in hard currency. After final prices have been tabled, parallel trade terms are introduced. This puts the Western supplier in an obviously difficult position, particularly if the buyer is adamant about barter terms. It is therefore wise to proceed cautiously in the negotiations and include the possible cost of barter in the price. The final price can always be reduced if hard currency payment terms are arranged. This practice, though occasionally annoying to the buyer, is rather commonplace and is frequently resorted to by some Western firms.

Switch Transactions

A more complicated and sophisticated, and perhaps more profitable, method of payment for Western firms selling to Eastern Europe is the switch transaction. Of the two, switch is used today far more often than barter.

The essential difference between barter and switch is that in the latter, payment is received in clearing dollars rather than goods. What are clearing dollars? They are the exchange currency used in bilateral payments agreements. For example, Czechoslovakia and Austria have a bilateral trade and payments agreement. Theoretically trade between the two countries should be balanced. But in practice this is rarely true because the products each offers the other may not be in demand at the same time. Consequently credits accumulate on one side or the other. The unit for this trade imbalance is the clearing dollar and in our example it is the Austrian-Czechoslovakian clearing dollar.

Exporting?

If your firm cannot fill an order that it receives from a foreign customer, don't let the inquiry go by default. Answer it promptly, explaining your position and telling your client whether and when you will be able to supply in the future. Or pass the order on to some other company that can ship to him. You will be helping to preserve Canada's reputation as a trader and keeping the customer's goodwill against the day when you may want and need his business. Don't let the letter go unacknowledged. Silence may be golden sometimes, but not when you are cultivating foreign markets.

An appreciation of what the clearing dollar actually is is essential for understanding switch transactions. An illustration may be helpful. When an Austrian sale is made to Czechoslovakia under their bilateral trade agreement, clearing dollars are credited to the Prague account of the Austrian National Bank, which then pays the Austrian exporter the equivalent value in Austrian schillings. These clearing dollars on account are earmarked for Austrian purchases from Czechoslovakia. Then when an importer in Vienna wishes to buy goods from Czechoslovakia, he pays Austrian schillings to the National Bank for Czechoslovakian clearing dollars. But it is not difficult to see that imbalances will eventually occur, so limits are placed on the amount of imbalance allowed. These limitations are called maximum "swings". Under the agreement referred to above, the swing limit is 3.5 million clearing dollars—that is, neither side is allowed to run a deficit or surplus beyond this limit. The Austrian-Czechoslovakian clearing dollar has a par value of one American dollar, but its real value reflects the position of the "swing", product preferences in each country, and several other factors. Consequently the clearing dollar is usually discounted from 4 to 6 per cent. In early October 1967, for example, the Austrian-Czechoslovakian clearing dollar was worth U.S. 95.5 cents.

It must be understood, however, that when their trade is roughly in balance, the Austrian exporter to Czechoslovakia will receive full payment for his goods. It is when the swing limit is reached in Austria's favor, or when Czechoslovakia wishes to sell goods to Austria not covered under their bilateral agreement, that the value of the clearing dollar becomes subject to discount. When this swing limit is surpassed—for example, the Austrian National Bank shows a credit of 5 million clearing dollars on its Prague account—the Czechoslovaks can do one of two things. Either they must export goods to Austria to reduce this surplus or within a specified period they must settle the excess in hard currency. Under these circumstances, further Austrian exports to Czechoslovakia are blocked until the situation is corrected.

In order to free the Austrians from importing Czechoslovak goods they do not need and the Czechoslovaks from parting with valuable hard currency, a third measure is available. This is the switch transaction. The switch dealer, after obtaining a licence for the switch transaction from the Austrian National Bank, would sell Austrian-owned Czechoslovakian clearing dollars at an attractive discount to a third party, say an Italian who does want to import Czechoslovak goods. The switch transaction can and usually does involve three or more countries before an equitable solution is found. Because of the complexity of such a multi-sided sale, it is estimated by a Viennese switching house that less than 10 per cent of the switch proposals they handle ever come to fruition. Another complication arises when clearing dollars are tied to particular commodities.

Several Bloc countries have trading surpluses with countries of Africa and Asia and consequently Western firms are sometimes offered payment in clearing dollars of these countries. These firms should exercise caution in determining exactly what merchandise is available from the Afro-Asian countries, because frequently their clearing dollars apply only to a certain range of their exports. This is another example of why the expertise of the specialized banking houses is invaluable.

Bilateral clearing agreements are arranged to facilitate trade between the two countries in question. Switch deals involving a third party are therefore forbidden in principle. In practice, however, they are tolerated in varying degrees by countries with bilateral clearing agreements with Eastern European countries. The degree of toleration, plus other factors previously considered in this article, reflects the discount rates on the clearing dollars, or put another way, the cost of the switch transaction. It is therefore imperative to know the cost of the switch transaction in advance

in order to add it into the price quoted. It is common practice for Western firms to quote a price to an Eastern European buyer that includes the cost of switch, with a percentage discount for payment in hard currency.

Canadian firms that wish to delve more deeply into this complicated subject may want to consult the following:

"Developing the East European Market"—*Business Europe*, Geneva, November 1966.

"How Switch Trading Works"—*The Economist*, January 14, 1967.

"East-West Trade"—A Symposium edited by P. E. Uren, Canadian Institute of International Affairs, 1966.

"Bilateral Agreements of East-Bloc Countries with IMF Member Countries"—*Allgemeine Waren-Treuhand Aktiengesellschaft*, Vienna.

"Experiences in Switch and Counterpart Transactions"—Canada Products, Vienna. ●

Doing Business in Eastern Europe

Eastern European countries realize that it is cheaper to buy technology than to develop it. Canadian companies might well become more active in licensing - - and this article suggests how to do this.

F. IAN WOOD,
Commercial Secretary, Vienna.

"We thank you for your interest and kind co-operation and if other requirements arise, please let us know and we will be delighted to submit further propositions under reasonable conditions to the Canadian market."

So concluded one of the many letters received in 1967 by the Vienna office from POLYTECHNA, the Czechoslovak foreign trade corporation established some years ago to deal, *inter alia*, with licensing transactions on behalf of Czechoslovakia's industry at large. This organization is representative of similar bodies in Hungary, Romania and Bulgaria. Each of these owes its existence to an increased interest in promoting the sale (and purchase) of licences and

patents, whether as a source of income or as a relatively cheap method of tapping a foreign reserve of advanced technology and knowhow.

As the quotation implies, activity in the licensing field as it concerns Eastern Europe and Canada has been very much a one-way initiative. One can only hope that Canadian firms will join the ranks of those manufacturers and organizations of international repute which only a relatively short time ago looked askance at a suggestion to license a production machine, scientific apparatus or other application in Eastern Europe but are today reappraising this area of foreign trade and the prospects it holds.

Purchases and Sales

In Hungary the variety and quantity of components, equipment and ma-

chinery items produced under foreign licence is revealing. Blastproof television picture tubes, radiation generators, silicon rectifier electric locomotives, hydroelectric power generation equipment, air-conditioning systems, circuit-breakers, and steel mill machinery and equipment are only a few of the items now in production. The recent \$22 million agreement between the Hungarian Railway Carriage and Machine Works and a Franco-West German consortium for the manufacture in Hungary of high-capacity diesel vehicle engines should increase Hungary's export capacity in the bus and truck field by 10,000 units a year.

Sales of Hungarian licences have been made to Britain, Sweden, Japan, Yugoslavia, Switzerland and France. Sales of Romanian licences have been concluded with West German, Belgian, Turkish, Brazilian and Spanish

industries. Romania is especially oriented to offer or consider licences in the fields of chemistry, oil-drilling and extraction, metallurgy and machine tool production. The Bulgarian economy has undergone a twenty-year reversal in emphasis until now the industrial sector contributes 45 per cent of the GNP versus 34 per cent for agriculture. Foreign knowhow and experience have played an important rôle in this development. The most recent large-scale co-operative agreement was concluded with Renault of France for the production of automobiles in Bulgaria.

Czechoslovakia—An Example

Czechoslovakia probably leads the Eastern European countries in licensing activity. Special provision for a sum of about \$30 million in the period 1966-1970 for the purchase of licences, patents, technological rights and knowhow, etc., underlines the importance the Czechoslovaks attach to purchasing advanced technology. From 1963 to 1966 inclusive, Czechoslovakia sold 97 licences. In the same period licence purchases rocketed from three to 64. The granting to Czechoslovakia by Pilkington Brothers Ltd., England, of a licence for the float process of glass production brought the sellers a lump sum of \$1.5 million, foresees a scheduled investment of \$12 million in a new glass factory to be built to house the process, and should bring an additional \$1.2 million to Pilkington from the sale to Czechoslovakia of special equipment. Recent agreements providing for the manufacture in Czechoslovakia of British industrial air-conditioning and ventilating equipment, gas and oil burners and French light trucks by the Czechoslovak Automobile Works illustrate the type of product that this highly industrialized but labor-short market seeks. As this report is being written, British and West German groups of companies are competing for a multi-million-dollar heavy plate mill contract. The outcome could have an important bearing on supplies of equipment and knowhow to the other steel-producing countries of Eastern Europe.

Canadian Potential

The Canadian manufacturer has tended so far to avoid coming to

grips with this phase of export trade. Possibly he is not in a position to explore it because he himself is manufacturing under licence from the United States or some other country. Or he may have opted to mount a conventional sales campaign to sell the finished product. On the other hand, the reason for his apathy may be that he simply does not know how to handle the sale of a licence nor does he wish to become involved in the complications which he assumes are normal in a deal with an Eastern European country.

Why License?

Most Eastern European countries have come to the realization that it is cheaper to buy technology than to develop it. Moreover, it has been calculated that the profits derived from the sale of licences are about eight times higher than from commodity exports. Then too, the sale or purchase of a licence may serve as the catalyst for a joint production agreement directed at third markets—a method of co-operation that is finding increasing favor among socialist industrialists and foreign trade enterprises.

On the other side of the coin, licensing:

1. Guarantees the seller a foothold as well as a relatively stable return from a market which he may not otherwise be able to crack, because of import restrictions or competition.
2. May develop new marketing areas in Eastern Europe open to the licensee but perhaps inaccessible to the manufacturer-licensor.
3. Facilitates compliance with the industrial criteria, quality or performance demanded by the Eastern European consumer, which may otherwise be difficult to fulfil if the manufacturer-licensor's domestic production line is geared to different standards.
4. Avoids tying up personnel and production to satisfy what might be regarded as a chancy market.
5. May provide the starting point for a wider collaboration in other fields of mutual interest.

These are only a few positive factors and certainly they should not

Licence-Buying Organizations in Eastern Europe

Bulgaria

TECHNOIMPEX
16, Lenin Square
Sofia

cable: Technoimpex Sofia

telex: 563

phone: 7-24-15/16/17

Mr. Hristo Yankov, Director

Czechoslovakia

POLYTECHNA
Vaclavske nam.8
Prague 1
(P.O. Box 834)

cable: Polytechna Praha

telex: Praha 00385

phone: 234 524

Mr. I. Sronek

Hungary

LICENCIA
Jozsef Nador ter.10
Budapest V.
(P.O. Box 207)

cable: Licencia

telex: 809

phone: 180-695, 180-290

Mr. I. Koos, General Manager

Romania

INDUSTRIALIMPORTEXPOR
2 Gabriel Peri St.
Bucharest
(P.O. Box 101)

cable: Indexpor Bucharest

telex: 214

phone: 14-18-80

be taken as all-inclusive. A word or two about possible negative implications is in order at this point.

Some Observations

The questions that Western firms contemplating licensing agreements with Eastern European countries ask most frequently include: What protection am I offered on my patents and other property rights and how effective is it? How do I know that the licensee will not divulge the contents of my technical package to

other countries in the Socialist Bloc? What form will the payment take? Will I have access to the licensee's books to keep tabs on production and sales figures? Should a dispute arise, who will conduct arbitration proceedings?

In the first place, patents are registered in Eastern Europe for the same reasons as they are in Canada. Czechoslovakia, Hungary, Romania and Bulgaria are all members of the Paris Union and as such sworn to observe its provisions concerning the working of inventions. All except Bulgaria adhere to the Madrid arrangements for the international registration of trademarks. Recent years have seen a considerable increase in Western patents registered in Eastern Europe. Of 2,663 patents registered in Hungary in 1966, over 45 per cent were applied for by foreign firms. The same trend is evident in Czechoslovakia, where 650 of 4,500 patent registrations were made on behalf of non-Czechoslovak companies or industries. Such firms as ICI, American Cyanamid, Hoffman-LaRoche, Krupp, Brown Boveri, Merck and Siemens are among the hundreds who have licensed in Eastern Europe. Don't be fooled by these "blue chip" companies—there are plenty of small firms included in this category as well.

Industrial security would seem to be as closely guarded as it is in other nations. Czechoslovakia, for example, claims that in eight years not one complaint has been entered by a licensor. The answer is simple: competition among the Eastern European countries is today every bit as intense as among the Western nations. Each member of the Bloc is striving to outdo the other in the production of goods and equipment. Therefore any innovations which may improve its productive capacity to advantage are treated accordingly.

The matter of payment is of course open to negotiation and need not differ to any degree from arrangements concluded in North America. Lump sum and/or royalty payments are the commonest agreed-upon form.

Access to the licensee's records is a condition which usually is readily accepted. This stipulation should be included in any licensing contract.

Differences of interpretation or disputes of any nature should be fore-

seen by making the necessary provision for arbitration in the licensing contract. More often than not, the arbitration clause stipulates that arbitration proceedings be conducted by the arbitration institution in the country of the plaintiff. The Arbitration Tribunal governed by the rules of the International Chamber of Commerce, Paris, is also recognized by Eastern European countries.

Above all, the licensor must exercise caution and give his undivided attention to all provisions at the time of contract negotiations. This rule applies in Eastern Europe as it does elsewhere in the world.

Promoting Licensing Agreements

The Eastern European countries generally are prepared to provide competent Canadian manufacturing companies or the Vienna office with a comprehensive list of licensing opportunities available for sale abroad. Many of these are publicized in the *New Products Bulletin* issued and circulated in Canada by the Department of Industry. In this respect the promotion of Eastern European licences in Canada has to date been very much more pronounced than efforts by Canadian manufacturers to seek licensing partners in the Socialist sphere. Admittedly licensing technology cannot be promoted as if it were a tangible product. This restricts the Trade Commissioner's rôle to that of an adviser who should be contacted and consulted. But we can provide economic, marketing and financial information (where available), plus introductions to key individuals, competent Ministries and foreign trade organizations.

The most effective method of determining potential interest (apart from paying an individual visit to Eastern Europe) is to tour these countries as a member of an official government-sponsored trade mission. Participants in these missions have access to factories, businessmen, government officials and technical personnel, including licensing experts, who might not be as freely available or as forthcoming in their remarks to the individual visitor. The recent Canadian Capital Equipment and Engineering Services Mission sent out by the Department provided the opportunity for five representatives of heavy and light industry (including two consulting

engineering firms) to meet with and exchange views with the men and organizations responsible for administering joint-venture licensing practices and techniques.

Other media of promotion include trade fairs, exhibitions, and the increasingly popular technical-scientific lecture approach. This last technique is being employed more and more frequently by British, German, French and Italian firms. At least three Canadian firms have used this technique to good advantage.

Who Buys Licences?

As mentioned previously in this article, each country within the jurisdiction of the Vienna office has a foreign trade enterprise authorized to negotiate a licensing contract. Naturally it is essential that the Canadian firm establish a close working relationship with the manufacturer or trust which will actually be using the technology being sold. But although the finer points are in most instances ironed out with the end user, it is the competent foreign trade enterprise which signs and validates the contract on behalf of the operating company. Accompanying this article is a list of the licence-buying organizations in Bulgaria, Czechoslovakia, Hungary and Romania.

The Trend

Licensing aspirants should note that each proposal is subjected to an exhaustive examination before a verdict pro or con is arrived at. This may entail a good deal of time and potential licensors should not be discouraged by unaccountable delays. In point of fact, all European countries are increasingly turning to the licence trade. The economic reforms being introduced progressively will provide incentive to adapt new labor-saving, high productivity manufacturing processes. Above all, almost all Eastern Europe's licensing trade has been and is destined to be conducted outside the Bloc (COMECON technical cooperation is based on forms other than licensing agreements). For these reasons, Canadian firms capable of considering this aspect of export trade would do well to investigate their prospects in this receptive area of the world. The Commercial Division of the Canadian Embassy, Vienna, would be pleased to provide guidance and additional information on request. ●

Current Conditions in Eastern Europe

Bulgaria in Brief

Area: 42,796 square miles.

Population: 8,200,100 in 1965.

Official holidays: January 1, May 1-2, May 24, September 9-10, November 7.

Climate: continental—mild.

Language: Bulgarian.

Currency: lev. 100 stotinki = 1 lev; official rate: 1 lev = U.S. \$1.00; tourist rate: 1 lev = U.S.\$0.50. It is forbidden to enter or leave the country with Bulgarian currency.

Income: average income in 1965 was 809 leva.

Capital: Sofia.

Principal cities: Sofia (population) 800,953, Plovdiv 222,737, Varna 180,062, Ruse 128,384.

Chief ports: Varna and Burgas.

Economy: industrialization has been the basic economic policy since 1945. Industrial goods represent some 50 per cent of exports and the sector contributes over 45 per cent to the national income. The demand for capital goods and equipment to develop and maintain industry continues. Agriculture, which accounted for 65 per cent of GNP compared with industry's 15 per cent prior to World War II, has become more specialized and contributes over one third of the national income.

Agriculture: collective farming, crop specialization, irrigation, the use of fertilizers and farm mechanization have increased agricultural returns. Major exports are fresh and canned fruits and vegetables, grapes, wines, spirits, and tobacco. Agricultural equipment and plant for food-processing industries are important foreign purchases.

Mining: ore deposits, discovered since World War II, have extended mining activity. Previously, mining was mainly confined to brown coal and lignite. Iron and manganese, lead, zinc, and copper deposits have opened up a metallurgical industry. Refining facilities are not sufficient for processing all domestic non-ferrous ores; a certain amount is exported.

Transportation: transportation facilities are state controlled by the departments of railway, water, motor, and air transport. Rail and ship transportation are especially important.

Weights and measures: metric system.

Electricity supply: domestic—220 to 380 volts, single and three-phase, 50-cycle a.c.

Working hours: most offices including Ministries are open throughout the year from 8 a.m. to 5 p.m. weekdays; Saturdays 8 a.m. to 1 p.m.

Conditions of trade: foreign trade is a government monopoly. It is conducted by state foreign trade enterprises in accord with national economic plan. No unauthorized private persons or organizations may engage in foreign trade or represent foreign firms in Bulgaria.

Customs tariff: customs and duties need not concern exporters. Importing state trading enterprises assume this responsibility.

Foreign exchange and import regulations: import licences are compulsory and are obtained by the importing state enterprise. Foreign exchange allocation permits are granted on receipt of the import licence.

Bulgarian exports: (million leva) 1964—1,146; 1965—1,376; 1966—(Jan.-Sept.) 1,004.

Chief exports: (million leva) 1965—tobacco 121, clothing and underwear 88, fresh and canned fruit 80, transport equipment 78, power and electrical equipment 74.

Chief markets: (million leva) 1965—U.S.S.R. 718, East Germany 127, Czechoslovakia 107, West Germany 48, Italy 46, Poland 46.

Value of Canadian purchases: (Cdn.\$) 1964—113,870; 1965—525,532; 1966—767,770; 1967 (Jan.-July)—832,000.

Chief Canadian purchases: (Cdn.\$) 1966—tomatoes (canned) n.e.s. 193,183; vegetables (dried, preserved, not canned) 90,710; printed cloth, sheeting cotton 60,563; lathes, metalworking and parts 59,422; rifles (centre fire, non-military) 53,750.

Total Bulgarian imports: (million leva) 1964—1,243; 1965—1,378; 1966 (Jan.-Sept.)—1,259.

Chief imports: (million leva) 1965—ferrous metals 189, production equipment and machinery 143, transport equipment 120, power and electrical equipment 101.

Major suppliers: (million leva) 1965—U.S.S.R. 689, East Germany 99, Czechoslovakia 90, West Germany 80, Poland 54.

Value of imports from Canada: (Cdn.\$ million) 1964—19.2; 1965—7.3; 1966—7.8; 1967 (Jan.-July)—11.

Chief imports from Canada: (Cdn.\$) 1966—wheat, except seed 770,000; radioactive elements, isotopes 38,200; printed matter 2,500; shipping containers, plastic 968.

Quotations: offers should be made c.i.f. Black Sea port and f.o.b. Canadian port in U.S. or Canadian dollars.

Terms of payment: negotiated credit terms, often more generous than those usual elsewhere, are expected for capital investment, plant, and other goods. Straight barter and compensation trade are also common.

Samples: admitted without payment provided they are declared on entry and exported on departure.

Visas: business visas may be obtained from the Bulgarian Embassy, Ottawa.

Inoculations: Not necessary.

Documentation, tariffs, marking and labelling: consult Office of Trade Relations, Department of Trade and Commerce, Ottawa.

Advertising: this must be developed through TORGRAFIC, Foreign Trade Publicity Enterprise, 11a Stamboliiski Blvd., Sofia.

Correspondence: Bulgarian, Russian, German, English, and French acceptable.

For detailed information write to:

European Division
Office of Trade Relations
Department of Trade and Commerce
Ottawa, Ontario

or

Commercial Secretary
Canadian Embassy
P.O. Box 190
1013 Vienna, Austria



A farewell photograph of Dunlea Highcroft Reflector and friends—left to right, G. M. Clemons, Secretary-Manager of the Holstein-Friesian Association of Canada, and Susan Schleisnerr and Arnold Winter of Dunlea Farms, Jerseyville, Ontario. The Holstein bull calf has been shipped to the Prime Minister of Bulgaria.

Bulgaria

difficult market with some good possibilities

C. R. D. KELLY, *Assistant Commercial Secretary, Vienna.*

BULGARIA'S POTENTIAL as a market for Canadian goods, although limited for a number of reasons, is nevertheless interesting. The country's continued economic development will provide more opportunities for Canadian exporters because Canada manufactures or processes many of the items on the Bulgarian shopping list.

Bulgaria's economy is developing at a commendable rate, with most sectors responding favourably to the new economic system. Capital investment has increased and been more rationally distributed. This helped to produce a rise of 14.8 per cent in industrial output in the first six months of 1967 over the same period of 1966. The Bulgarians claim that over half of the increase was achieved through higher productivity. The most impressive advances were in the engineering and ferrous metallurgical sectors; the performance of the chemical industry, on the other hand, was disappointing. Continued investment in heavy industry should ensure further progress but more emphasis can be expected on investment in light industry. Foreign trade also made impressive strides in the first six months of 1967, with exports increasing by 15.9 per cent and imports by 8.6 per cent over the same period of 1966.

Agriculture's rôle in the Bulgarian economy has gradually diminished in relative importance as industrialization has progressed but it continues to demand a share of investment funds, mainly to provide more fertilizer and increase mechanization. Improvements are already noticeable: for the second successive year grain crops have been exceptionally good and vegetable, fruit and fodder crops have also yielded better results than in 1966. Livestock and poultry numbers have climbed again after the setbacks suffered in 1966.

Change to Vertical Structure

The reforms introduced in 1965, directed at integrating production and

marketing in both agriculture and industry, have led to some discernible improvements in the economy. To date about 70 per cent of industry has been vertically structured under the new system; during the first six months of 1967 the reformed segment increased its production nearly 8 per cent above the unreformed.

A thorough assessment of the efficiency of the new economic system

cannot be made until the initial reforms have been completed and the proposed three-level system of fixed, semi-controlled and free market prices introduced. The fact remains that with productivity up and foreign trade expanding, the Bulgarians have cause to be optimistic.

Trade Pattern Established

The development of the Bulgarian economy depends more and more on its ability to expand foreign trade.

TABLE I
WHAT CANADA SELLS TO BULGARIA

	1963	1964	1965	1966	1967 (7 mos.)
	(Canadian dollars)				
Wheat	—	19,238,030	7,340,463	7,769,601	—
Radioactive elements and isotopes	—	—	—	38,200	—
Printed matter	—	—	9,816	2,500	—
Polyethylene resins, not shaped	—	—	8,750	—	—
Baby chicks	3,200	—	2,400	—	9,080
Plastic and synthetic rubber	23,813	—	—	—	—
Total, these products	27,013	19,238,030	7,361,429	7,810,301	9,080
Total trade	27,903	19,238,565	7,363,586	7,811,623	10,730

Source: DBS

TABLE II
WHAT CANADA BUYS FROM BULGARIA

	1963	1964	1965	1966
	(Canadian dollars)			
Tomatoes, canned	—	22,681	94,922	193,183
Vegetables, dried, preserved, not canned	—	409	23,291	90,710
Printed cloth and sheeting cotton	—	18,966	50,677	60,563
Lathes, metalworking and parts	—	—	18,005	59,422
Rifles	—	—	—	53,750
Fruit juices, vegetable juices	7,020	—	69,224	45,027
Cheese	21,785	19,548	44,591	29,086
Furniture, wooden, household	—	—	25,476	20,730
Pimento, ground or unground	1,587	—	2,789	20,540
Sheets, bed	—	—	14,390	20,095
Food preparations	3,222	2,195	35,822	15,659
Oriental rugs, genuine	—	8,240	8,236	13,374
Radio receiving sets, n.e.s. excluding parts	—	—	—	13,037
Strawberries	—	—	29,904	12,179
Pants, breeches	—	—	12,678	10,810
Total, these products	33,614	72,039	430,005	658,165
Total trade	73,815	113,870	525,532	767,770

Source: DBS

Exports of agricultural products have enabled the country so far to balance its foreign trade account but to meet planned targets, larger exports of finished industrial products will be necessary.

It is important to remember that 80 per cent of Bulgarian trade is carried on with other Communist countries; 50 per cent is with the Soviet Union alone. Bulgaria has relied heavily on its Bloc neighbours for complete industrial plant installations; the Soviet Union has supplied more than 150 of them. It is realistic to assume that the trade pattern will not change significantly, at least in the foreseeable future.

Within the 20 per cent of Bulgaria's imports left to Western countries the range of possibilities is rather narrow. At the top of the Western shopping list is modern plant and technology and in its drive to import them, Bulgaria is opening its doors to Western firms willing to enter into joint co-operation schemes. Some large international firms have already done so but it is too early to assess the results. The road to such transactions could be long and hard but it could also be profitable. Certainly, the Bulgarians have expressed their willingness to consider all reasonable offers in their desire to find joint schemes which are profitable and attractive to both partners.

Tourist Facilities Needed

The development of Bulgaria's tourist industry continues as its contribution to the national income grows in importance. The Black Sea coast has become a mecca for tourists seeking surf, sun and sand during the summer months and the Bulgarians are attempting to keep up with the need for immediate improvements in the facilities. Investment in this area has been stepped up, both to modernize old facilities and to construct new ones. The need for rapid expansion has made it necessary to turn to the West for assistance; participation by Western firms has varied from supplying equipment to providing turnkey projects. Only the surface has been scratched—opportunities seem to be plentiful.

Prospects for Canadians

The three-year trade agreement between Canada and Bulgaria, signed

on October 8, 1963, was extended in April 1967 for a further three years. After the initial agreement was signed, Bulgaria established a trade office in Montreal. Exports to Canada have increased in value by an average of more than 45 per cent a year since 1963. The range of products has also widened considerably (see Table II).

Besides turnkey plant installations Bulgaria imports a number of goods which Canada could supply—electronic and electrical control and measuring equipment; electric and telephone cables; all types of airport services, including operations and maintenance equipment; bond and specialty papers; cattle, frozen semen, and specialty agricultural equipment, to name just a few. There has been no indication so far that the Bulgarians are prepared to buy consumer goods or consumer durables from us.

The exporter will have to study seriously several factors before becoming too optimistic about selling to Bulgaria. The Bulgarians still cling to barter and compensation trade deals or may suggest terms of payment which are unattractive to Canadian firms. Each year Bulgaria draws up an annual import list and sales of goods not included on this list are most unlikely.

Only through personal visits can the businessman expect to make sales. Before undertaking such a visit, however, he should make a careful preliminary study of the market. Trade missions to Bulgaria provide a good opportunity to assess market possibilities and sometimes to conclude sales. The Canadian Government sponsored two missions to Bulgaria in 1967—a Capital Equipment and Engineering Services Mission and a Non-Ferrous Metals and Minerals Mission. Officials from the Bulgarian leather industry, at the invitation of the Department of Trade and Commerce, toured Canada's hides, skins and leather industry last autumn. This year the Bulgarian Chamber of Commerce plans to organize a mission to Canada which will include leading officials from a number of manufacturing and trading enterprises.

The trade agreement provided a sound starting point and Canadian-Bulgarian trade relations should continue to expand, as they have over the past few years. More visits exchanged will help to determine the possibilities for trade in both directions. Canadian exporters will find their chances to make sales grow brighter with the continued development of the Bulgarian economy. ●

Hungary Increases Output of Forest Products

ACCORDING to official reports, timber felling in Hungary in 1967 is expected to amount to 2.1 billion board feet, an 8 per cent increase over the previous year. Traditionally, half the harvest is assigned to industrial use and the other half is used as firewood. The average annual production during the years 1920 to 1939 was 1.48 billion board feet. The postwar expansion is largely the result of active reforestation and replanting.

Hungary is sparsely forested and has a total woodland area of only 3½ million acres. Significantly, this is 750,000 acres more than existed between the wars. Nearly 40 per cent of the present growing stock is less than 20 years old. Despite these developments, production is able to satisfy only about 60 per cent of domestic demand. Coniferous lumber and other forestry products account

for 13 per cent of Hungary's total imports. The largest lumber supplier is the Soviet Union, which provided nearly 300 million board feet of softwood lumber in 1966 and 544 million board feet of pitprops and other mine needs. Hungary is reported to be second only to Britain in volume of mine timber imported.

Conifers are not indigenous to Hungary and only 80,000 acres are in softwoods. According to production and reforestation plans, the industry will deliver 6 million cubic meters (2.54 billion board feet) by 1975 and 7 million cubic meters (2.96 billion board feet) in 1980. However, because of rising demand, Hungary will continue to look beyond its borders for 40 per cent of the lumber and wood products it needs. ●

and quality of consumer goods is often regarded as unsatisfactory and they are rejected." The Minister went on to state that "the volume of financial means for imports into Czechoslovakia will very probably be lower in 1968 than in 1967." Some observers even state that an anti-import policy seems imminent but undoubtedly this is a short-term solution only, because the Government is trying hard to raise industrial productivity to Western European levels by allowing Western imports, particularly of consumer goods, into the country. However, in a recent interview granted to a London *Financial Times* reporter, the director-general of the Czechoslovak State Bank emphatically denied a cutback in imports of Western-supplied plant and equipment.

Reforms and Foreign Trade

Czechoslovakia, like all East European countries, conducts the majority of its foreign trade with other Communist countries. However, imports from Western countries have expanded each year in the last five and last year accounted for over one-fifth of the total. This trend should continue; particularly encouraging is the revision in the structure of the annual import plan. Before 1967 the Ministry of Foreign Trade provided each foreign trading company with detailed import plans, stating prices, quantities and sources. Now the trading corporations receive only global import figures prepared by the State Planning Commission in conjunction with the Foreign Trade Ministry. The trading corporations are free to decide where, how much and at what price imports of a particular commodity are to be made within the global figure. The significant exceptions are large turn-key plants and related equipment.

Customs tariffs have not played a significant rôle in Czechoslovakia's foreign trade but a new schedule is being prepared which will affect imports under the global import scheme. More than half of imports are raw materials which the country obtains primarily from fellow COMECON members. However, this pattern is shifting as imported machinery and equipment account for larger amounts each successive year. It is in this growing sector of imports that Western suppliers have the best chance

against Bloc suppliers because the Czechs want to modernize their industries to Western standards. The limitation on Western purchases is, of course, availability of hard currencies to pay for them. Nevertheless, in the last few years purchases of equipment, machinery and licensed techni-

cal knowhow from Western suppliers have amounted to hundreds of millions of dollars.

Approaching the Market

A number of articles elsewhere in this issue of *Foreign Trade* give useful and practical advice on selling

TABLE I
WHAT CANADA SELLS TO CZECHOSLOVAKIA

	1963	1964	1965	1966	1967 (7 mos.)
	(Canadian dollars)				
Cattle hides raw, calf & kip skins raw	365,117	293,745	605,907	2,082,071	613,083
Flaxseed and rapeseed	707,840	860,730	1,951,006	1,705,602	558,265
Sulphur, crude or refined				487,723	290,000
Asbestos	6,653	296,748	304,922	359,455	116,850
Card punch sorting tabulating machinery, computers and parts				153,753	
Furs dressed	5,450		21,055	93,714	20,000
Textile industrial machinery and parts	190,630	299,237	159,142	82,059	237,903
Chain saws and parts			14,941	23,640	
Plastic and synthetic rubber	230,469	138,520	63,502	19,583	8,771
Wheat & durum wheat, except seed	10,423,444	50,104,704	35,481,730*		7,383,178
Aluminum pigs, ingots, bars, rods, plates	541,153	180,837	1,176,315		
Copper refinery shapes	555,367	530,879	109,689		
Radioactive elements and isotopes			21,302		
Barley		743,679			
Tobacco		591,320			
Polyethylene resins not shaped	219,674	46,958			
Molybdenum					236,500
Cadmium					60,480
Total, these products	13,245,797	54,087,357	39,909,057	5,007,600	9,525,030
Total trade	13,288,859	54,229,866	39,996,058	5,079,734	9,552,407

*Includes \$5.23 million sale of wheat diverted from Hungary.

TABLE II
WHAT CANADA BUYS FROM CZECHOSLOVAKIA

	1963	1964	1965	1966
	(Canadian dollars)			
Footwear	1,036,910	1,081,626	2,448,245	4,185,047
Fabrics all kinds	1,383,063	1,171,793	1,252,145	1,394,864
Wire rods		658,747	1,273,018	1,342,076
Print cloth and sheeting, flannel, poplin	577,416	934,061	799,279	1,147,010
Machinery all kinds	596,662	798,677	1,141,454	1,085,201
Tableware, stemware	852,995	670,625	752,508	914,877
Motorcycles, bicycles	232,813	354,347	652,780	834,795
Plates carbon steel			566,367	712,594
Towels	214,920	456,797	514,137	589,876
Sheet, wired & laminated glass	446,438	402,095	521,187	421,452
Corduroys	95,280	115,960	234,077	396,360
Gloves	303,503	408,110	490,082	362,829
Smokers' accessories, trays, baskets, artware	45,052	338,761	352,797	330,789
Globes, etc., for lighting	139,476	202,934	240,720	312,663
Costume jewellery	288,828	432,159	387,235	299,887
Hoods and shapes	307,445	246,879	333,960	224,779
Total, these products	6,821,779	8,273,571	11,959,896	14,555,099
Total trade	9,203,893	12,846,881	15,964,780	21,708,865

techniques in the Socialist states of Eastern Europe, including Czechoslovakia.

The first and most obvious contact a Canadian businessman should make is with appropriate officials in the foreign trade organization assigned to handle his product. Twenty-one of these corporations share these responsibilities, each entrusted with exclusive import and export privileges in a defined range of goods. A number of auxiliary organizations offer services of a specialized nature—such as transportation, barter, representation in Czechoslovakia and licensing.

Manufacturing executives are probably easier to contact in Czechoslovakia than elsewhere in Eastern Europe. Because these men now have a significant say in purchasing materials and equipment, it is imperative that these contacts be developed. A useful reference book, *Directory of the Czechoslovak Manufacturing Industries*, published by the Flegon Press, London, England, lists by manufacturing sector and product index each trust in the country, plus the manufacturing plants, their locations, and products for which the trust is responsible. The foreign trade organization (FTO) will assist in arranging meetings with trust executives and operating plant personnel. The Chamber of Commerce will also lend assistance, as will this office. A direct approach to the trust or plant itself is possible, but it is advisable to keep the responsible FTO informed.

Czechoslovakia does have one agency representation firm whose responsibilities include handling the sale of a foreign firm's products for a fixed sum plus commission. Generally speaking, however, Western firms have found the performance of and the assistance obtained from this agency inadequate. Canadian companies active in Czechoslovakia find it more useful to employ the services of an agent in Western Europe whose representatives visit the market frequently and have established contacts. Vienna is a base for many such agents.

Before the advent of the economic reforms, a Canadian company could simply correspond with a Czechoslovak foreign trade corporation, enclosing brochures and prices for its consideration. At that time the FTO,

which was operating under a fully detailed annual import plan, could assess the possibility of import. Under the new system of global imports, however, many more orders for goods from abroad are originating in trusts and factories and a selling job must be done on these personnel as well. Commercial considerations remain, by and large, with the FTO but technical ones are exclusively the responsibility of the end user. Hence any serious campaign in the Czechoslovak market requires a multi-pronged approach.

Research into the market for a particular commodity is difficult because of the lack of meaningful marketing data. Even the statistics that are available are usually difficult to interpret. The most obvious example of this is the import figure given in Czechoslovak crowns, when the official, tourist and free market rates have widely varying values. This need not cause businessmen worry, however, because quotations presented should be in Canadian or U.S. dollars or, if a switch transaction is envisaged, clearing dollars (see article on page 15). Most statistics, however, are not available because they involve COMECON inter-country trading agreements which are not publicized.

Trade with Canada

Canada's sales to Czechoslovakia are dominated by wheat, though a market is opening up for several other commodities, as Table I shows. Last year for the first time Canada participated on a commercial basis in the important Brno Fair. Sales made by the seven participating Canadian firms were by no means large but the companies were all satisfied with results and a few look forward to continued, perhaps large-scale, business. In September 1968 Canada will again sponsor participation and interested firms should contact the Department of Trade and Commerce, Ottawa.

Last year also a number of trade missions sponsored by Trade and Commerce visited Czechoslovakia, including one to review the market for Canadian East Coast frozen fish, a Capital Equipment and Engineering Services Mission, and a study group assessing the long-term market potential for deliveries of Canadian non-ferrous metals and minerals. An Ontario Government-sponsored general

mission arrived in the autumn. Invited to Canada to inspect our facilities at first hand was a three-man mission of hides, skins and leather officials and two officials from the frozen fish industry in Czechoslovakia. Several dozen Canadian businessmen now include Prague on their periodic European tours.

One of the most encouraging developments of 1967 was the visit to EXPO 67 of no less than 1,500 leading figures in Czechoslovakian commercial, cultural and political life. The majority of these were businessmen from FTO's, manufacturing trusts, planning commissions, and Ministries and arrangements were made through the International Trade Centre at EXPO for most of these individuals to visit Canadian plants. Many favourable comments on our high standards of technological achievement have been one result and Canadians should take advantage of this.

Czechoslovakian exports to Canada have shown a consistent annual rise of about 35 per cent. The Czechoslovaks are as pleased with this development as they are with their impressive success at EXPO 67. The result should certainly be a good reception for Canadian salesmen, given the Czechoslovak consciousness of balanced trade between countries.

The liberalizing effects of the economic reforms, combined with the favourable atmosphere of Canadian-Czechoslovakian commercial relations at the present time, suggest that Canadian exporters whose products are competitive in Western Europe should look more carefully into the market in Czechoslovakia. ●

Czechoslovakia Uses More Computers

More than 100 small and medium-size computers are now in use in Czechoslovakia. The principal unit is the Soviet-made *Minsk 22*; the remainder came from various other sources, mainly Britain. Czechoslovak economic development plans call for the increased use of computers and systems as part of the new managerial and economic reforms gradually being introduced. In addition to two types of computers now being made in the country, a recent licensing agreement with Bull General Electric of France foresees the manufacture of a more advanced model. ●



Budapest is proud of this graceful modern bridge, the Elizabeth Bridge, that spans the Danube River.

Hungary in Brief

Area: 35,800 square miles.

Population: 10,135,000 in 1964.

Official holidays: January 1, April 4, Easter Monday, May 1, August 20, November 7, December 25-26.

Climate: moderate.

Language: Hungarian.

Unit of currency: forint: 100 fillers = 1 forint. Official rate of exchange: Cdn.\$1.00 = 10.84 forints. Tourist rate of exchange: Cdn.\$1.00 = 21.73 forints.

Income: per capita income (1963) about Cdn.\$730, calculated at tourist rate of exchange.

Capital: Budapest.

Principal cities: Budapest (population) 1,951,000, Miskolc 171,000, Szeged 160,000, Debrecen 148,000.

Major ports: none. Canadian shipments to Hungary are usually routed through North European (Rotterdam and Hamburg) or Adriatic (Trieste and Rijeka) ports.

Economy: once predominately agricultural, since 1945 Hungary has directed its major investments towards the industrial sector. Lacking in raw materials (except bauxite), Hungary must pay for essential commodities through sales abroad of products of its industrial and agricultural enterprises.

Agriculture: Hungary is self-sufficient in most food crops. Maize, wheat, barley, potatoes and sugar beet are the principal crops. Agricultural income represents one-fifth of the GNP and about 33 per cent of labour force is employed in agriculture or related fields.

Mining: coal (brown) and bauxite mining are among the principal industries.

Industry: industrial expansion under various economic development plans since World War II has resulted in notable achievements in the chemical and engineering industries. Principal industries include textiles, chemicals, diverse machinery, engineering (light, in particular) and telecommunications.

Transportation: state monopoly. The Hungarian State Railways operate over 12,000 miles of track of which 310

miles are electrified. There are some 18,000 miles of roads. Navigable inland waterways stretch about 400 miles. Hungary owns a small merchant fleet which operates on the Danube. State Airline, MALEV, links principal cities in Hungary and offers international services.

Weights and measures: metric system.

Electricity supply: 220-380 volt, single and three-phase, 50 cycles a.c.

Working hours: foreign trade companies and Ministries: 8:30 a.m.-5 p.m. Monday-Friday; Saturday 8:30 a.m.-1:30 p.m.

Conditions of trade: the State has the monopoly of all foreign trade. Under the Ministry of Foreign Trade 50 odd foreign trade companies (including certain large state factories authorized to export, and in some cases, import directly) conduct all activity in this sphere. The few Hungarian citizens authorized to act as agents for foreign firms cannot import for their own account, hold stocks or maintain a sales or service organization, but can act only as intermediaries between the firm and the foreign trading corporation.

Customs tariff: this is the responsibility of the importing state trading enterprise.

Foreign exchange and import regulations: import licences are obtained from the Ministry of Foreign Trade by the foreign trade company concerned.

Total Hungarian exports: (forints, million) 1964—15,869; 1965—17,721; 1966—18,710.

Chief exports: (Cdn.\$ million) 1965—machinery and equipment 494; fuels, raw materials and semi-finished products 350; foodstuffs 334; manufactured consumer goods 322; chemicals, fertilizers, rubber 53.

Chief markets: (Cdn. \$ million) 1965—U.S.S.R. 525, Eastern Europe 470, Western Europe 366, rest of the world 124.

Value of Canadian purchases: (Cdn. \$ '000) 1964—761; 1965—1,561; 1966—3,308; 1967 (7 mos.) \$3,667.

Chief Canadian purchases: (Cdn. \$ '000) 1966—textiles 693; glass and crystalware 410; gloves and mittens, all types 189; bicycles 149; shirts and sweatshirts, knitted cotton 131.

Total Hungarian imports: (forints, million) 1964—17,546; 1965—17,849; 1966—17,380.

Chief imports: (Cdn. \$ million) 1965—fuels, raw materials and semi-finished products 866; hand machines and equipment 427; chemicals, fertilizers and rubber 152; foodstuffs 147; manufactured consumer goods 80.

Chief suppliers: (Cdn. \$ million) 1965—U.S.S.R. 553, other Eastern Europe 417, Western Europe 394, rest of world 136.

Value of Imports from Canada: (Cdn. \$ '000) 1964—1,910; 1965—3,118; 1966—3,293; 1967 (7 mos.) 2,787.

Chief imports from Canada: (Cdn. \$ '000) 1966—cattle hides, raw 1,694; sulphur, crude or refined 1,177; calf and kip skins, raw 212; furs, dressed, n.e.s. 86; textile rags, n.e.s. 29.

Quotations: offers in U.S. or Canadian dollars are equally acceptable. Quotations should be made f.o.b. Canadian port and c.i.f. North European or Adriatic port.

Terms of payment: letter of credit with terms negotiated according to commodity and competition. Credit is often sought for capital equipment purchases.

Samples: samples of no commercial value must be declared and exported. If the samples are of considerable value, a bond equal to sample value must be posted, recoverable on leaving the country.

Visas: business or tourist visas may be obtained from the Hungarian Embassy, Ottawa. Tourist visas can be obtained at the frontier (if travelling by car) or on arrival at Budapest airport.

Inoculations: visitors may be required to produce a valid certificate of vaccination against smallpox.

Documentation tariffs, marking and labelling: consult Office of Trade Relations, Department of Trade and Commerce, Ottawa.

Correspondence: English and German. Use airmail exclusively.

For detailed information write to:

European Division
Office of Trade Relations
Department of Trade and Commerce
Ottawa, Ontario

or

Commercial Secretary
Canadian Embassy
P.O. Box 190
1013 Vienna, Austria



Hungary

economic reforms may mean larger market

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

THE HUNGARIAN ECONOMY last year experienced a mild recession; foreign trade increased, but exports did not keep pace with imports. On January 1, 1968, significant reforms in management and foreign trade were introduced that should result in improved access to the Hungarian market for the Canadian businessman.

The highlight of the Hungarian economy last year was an 8 per cent increase in gross industrial production. Not all sectors advanced uniformly, as might be expected in a state-planned economy which controls investment funds in accordance with long-term plans. The chemical, building materials and machine-building industries made impressive gains, but coal and iron ore production fell below the year-before levels. Blame for this mild recession might be placed on the management reforms which were partially introduced then, but other observers feel that the slowdown reflects the shortcomings of the economy as a whole.

Hungary's foreign trade figures, however, are more encouraging—and foreign trade accounts for a third of the gross national product. During the first three quarters of 1967, Hungarian imports increased by 12 per cent against an export increase of 8 per cent. Most of this increase reflects deliveries and purchases within the Communist Bloc. In fact, it is these COMECON commitments that contributed substantially to the sluggish performance of the Hungarian economy. Much of the industrial capacity is given over to COMECON requirements, resulting in an industrial base that is inflexible to world market demands. In the same period, trade with Western countries expanded slightly less rapidly, with imports increasing at almost twice the rate of exports. Imports of machinery and industrial consumer goods showed large gains over the similar period of a year before.

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	1963	1964	1965	1966	Jan.-July 1967
	(Canadian dollars)				
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Sulphur crude or refined		80,640	1,512,993	1,177,415	1,000,710
Fur and fur skins	52,183	10,080	11,800	102,559	
Textile rags	9,660	48,407	20,096	29,526	50,000
Asbestos	126,914	298,608	20,350	28,490	
Electricity measuring instruments & parts				14,677	17,308
Laboratory and optical instruments, equipment and parts			9,000	9,563	
Synthetic fibers and waste, wool & fine hair waste			4,757	7,327	
Baby chicks	11,080	7,360	15,530	5,184	10,000
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Tractors and parts			18,000		
Skates, ice		7,081	13,128		
Plastic and synthetic rubber	7,071		1,071		
Wheat		1,086,317			
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WHAT CANADA BUYS FROM HUNGARY

	1963	1964	1965	1966
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Shirts, sweaters	2,250	21,927	81,723	249,304
Motorcycles, bicycles and parts	5,983	114,436	91,472	149,760
Towels		862	15,000	130,179
Table cloths, napkins & sets			8,880	114,046
Grape wines, liqueurs	33,844	44,947	102,311	113,270
Fur goods, apparel			8,961	105,509
Pimento, spices, herbs	10,382	35,385	86,802	102,457
Firearms, non-military			12,628	96,393
Overcoats, jackets, blazers			178,135	94,910
Smokers' accessories, trays, household baskets, artware	9,389	19,986	30,365	60,743
Brooms, brushes	30,232	35,638	55,645	52,338
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Broom corn	28,699	32,486	39,821	39,736
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- A three-tier customs tariff system will be introduced, giving preferences to developing and most-favoured nations.

- A system of global import quotas, to which the foreign trade organizations will work, is being inaugurated. There is no doubt, however, that long-term trading arrangements with the other Communist states of Eastern Europe will continue to supply the bulk of Hungarian imports.

Canadian-Hungarian Trade

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The most important single trading event in Hungary is the annual Budapest International Fair in May of each year. Several hundred Western firms exhibit annually, including more than one hundred U.S. companies. Sales to Hungary by some of them are not yet substantial, but they view participation as an investment in the future. Canada has not to date set up an official stand at this fair, but Canadian products and some Canadian companies have exhibited there privately with success. The Interag Corporation, which was formed in Budapest last year, offers interesting services to Western firms. It operates a consignment warehouse in Budapest, represents foreign companies in

Hungary, researches the Hungarian market for its clients' products, and offers after-sales servicing facilities.

Hungarian companies have doubled their exports to Canada each year for the past three and the incomplete figures for 1967 show a continuing growth. Textiles, clothing and foodstuffs account for almost all of this trade. The Hungarian permanent exhibition and public relations centre in Place Bonaventure, Montreal, features a range of goods that the foreign trading corporations are currently selling in Canada.

Hungary's annual imports total more than \$1.5 billion, with more than one quarter supplied from Western countries. With the decentralizing effects of the economic reforms and the increased powers of decision on imports given to manufacturing executives, Hungary has the potential to become a larger customer for Canadian products. ●

Canadian Cheese at Scottish Show

EVERY YEAR, the Scottish Cheesemakers hold an annual trade show where about 200 exhibits, ranging from small truckle cheese to 80-pound cheddars, are on display. Last year's exhibit took place in Glasgow at the end of November. The Commonwealth exhibitors included Australia and Canada, but the London dock strike prevented New Zealand producers from entering the show.

Although the Canadian entrants, all from the Province of Ontario, did not win the Open Trophy Class, three of them received awards. In class 4 (Cheddar), the Newburg Cheese Factory won the first prize and the Black River Cheese Factory in Milford the third prize. In class 8 (Rindless Cheddar), another third prize was won by the Foxboro Cheese Factory, Corbyville.

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Hungary

economic reforms may mean larger market

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

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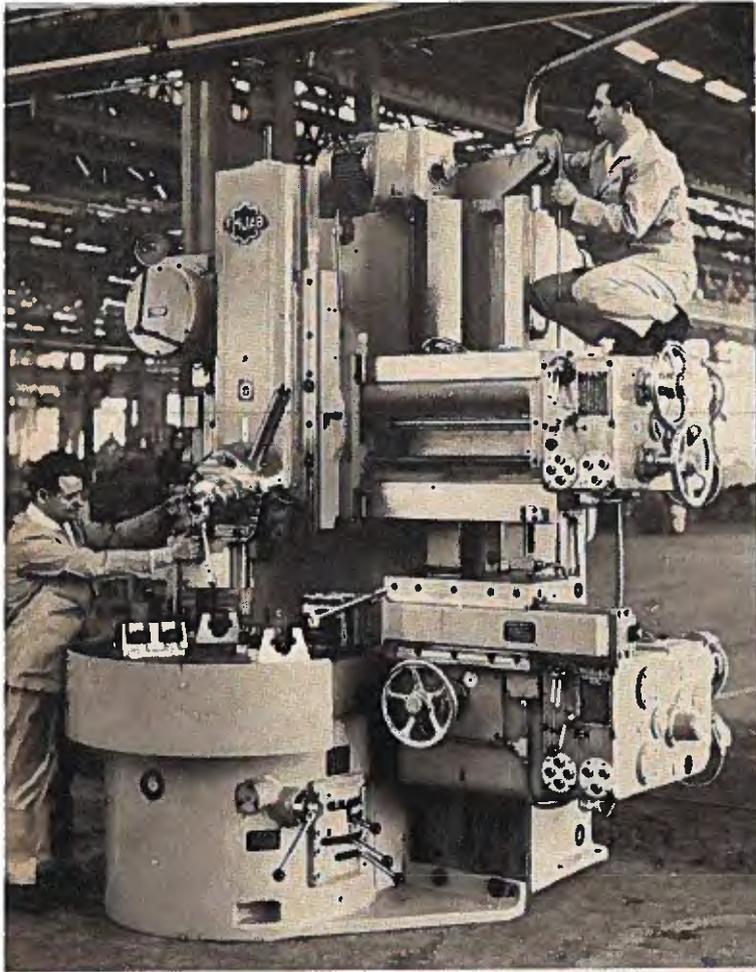
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The heavy industry sector accounted for two-thirds of the 11.7 per cent expansion to Romania's industrial output in 1966.

Romania in Brief

Area: 91,738 square miles.

Population: 19,105,000 (1966).

Official holidays: January 1-2, May 1-2, May 23, August 24.

Climate: temperate, with warm and cold extremes.

Language: Romanian.

Currency: lei; 100 bani = 1 lei. Official rate: Cdn.\$1.00 = 5.60 lei; business rate: Cdn.\$1.00 = 12.74 lei; tourist rate: Cdn.\$1.00 = 16.60 lei.

Capital: Bucharest.

Principal cities: Bucharest (population) 1,382,239; Brasov 236,351; Cluj 206,687; Constanta 173,722; Timisoara 170,793; Ploesti 177,330.

Major ports: Constanta (Black Sea), Galatsi and Braila (Danube).

Economy: Romania is still very much the bread-basket of the Balkans, despite rapid industrialization. Economic expansion

has been diversified but with the major emphasis on heavy industry.

Agriculture: development of agriculture is now being given closer attention. This is reflected in increased allotments for fertilizers, agricultural machinery and irrigation equipment.

Minig: Romania possesses substantial deposits of bauxite. Iron ore, copper, lead, zinc, manganese, bismuth, mercury, silver, and gold are also mined but in insufficient quantities to meet domestic needs.

Industry: the petrochemical industry is the most advanced industrial segment. The iron and steel industry is also receiving attention and is expected to produce 6.3 million metric tons of steel annually by 1970. Substantial reserves of methane gas will provide a valuable fuel and raw material for the chemical industry.

Transportation: this sector has been favored in all economic development programs since 1945. Particular attention has been paid to the railways. The current 1966-70 Plan calls for 80 per cent of rail transport to be dieselized or electrified by 1970. The road network now totals 47,500 miles. Both interior and international air services are being expanded.

Weights and measures: metric system.

Electricity supply: in Bucharest, voltage is rated 110 but is usually 115 a.c., 50 cycles. There is a trend to standardization on 220 volts. Voltage varies in other parts of the country.

Working hours: state trading corporations and ministries: 7 a.m.-3 p.m. Monday through Saturday.

Conditions of trade: foreign trade is in the hands of a number of state trading enterprises, which alone are authorized to deal with foreign firms. Industry, commerce, and the wholesale and retail distribution trades have all been nationalized. Foreign trade is based on the current state economic plan (not published in detail) and it is difficult (but not impossible) to buy and sell goods not provided for in the plan.

Customs tariff: there is no published commercial tariff.

Foreign exchange and import regulations: the state trading enterprises normally deal with import licensing and procedures for allocation of foreign exchange.

Total Romanian exports: (million lei) 1964—6,000.4; 1965—6,609.2; 1966—7,116.9.

Chief exports: 1966 (million lei)—fuel, mineral raw materials, metals 1,732.0; production machinery and equipment 1,234.7; vegetable and animal raw material, except food 1,016.4; foodstuffs 1,000.4; consumer industrial goods 811.4.

Chief markets: 1966 (million lei)—U.S.S.R. 2,458.7, Czechoslovakia 553.6, Italy 448.0, West Germany 444.7, East Germany 400.3.

Value of Canadian purchases: 1964—Cdn.\$81,541; 1965—Cdn.\$238,107; 1966—Cdn.\$568,658; 1967 (seven mos.) Cdn.\$731,000.

Chief Canadian purchases: (Cdn.\$) 1966—boots and shoes, men's and boys', last-made 134,408; window glass, not over 34 oz. per square foot 125,184; cheese 122,894; fish, freshwater or frozen 83,842; shirts, cotton, except knitted 76,995.

Total Romania imports: (million lei) 1964—7,008.8; 1965—6,462.7; 1966—7,279.3.

Chief imports: (million lei) 1966—production machinery and equipment 2,982.8; fuel, mineral raw materials, metals 2,077.0; vegetable and animal raw materials, except food, 831.1; consumer industrial goods 533.0; chemicals, fertilizers, rubber 521.8.

Chief suppliers: (million lei) 1966—U.S.S.R. 2,364.5; East Germany 889.2; West Germany 506.2; Czechoslovakia 418.0; France 340.8.

Value of imports from Canada: (Cdn.\$) 1964—\$539,646; 1965—641,202; 1966—684,933; 1967 (seven mos.)—197,000.

Chief imports from Canada: (Cdn.\$) 1966—cattle hides, raw 431,551; asbestos milled fibres 231,000; seed potatoes 12,921; textile rugs, n.e.s. 4,182; food and beverage machinery and parts 1,199.

Quotations: offers to be submitted in U.S. or Canadian dollars. Quotations should be submitted f.o.b. Canadian port and c.i.f. Black Sea port.

Terms of payment: for transactions of reasonable amounts covered in the Plan, letter of credit or sight draft are usual. Credit facilities and/or terms calling for compensation, barter or switching (in that order) are often requested on deals involving large amounts of money or capital equipment and complete installations.

Samples: to be declared on arrival and entry form produced on departure.

Visas: business or tourist visas are available on application at the nearest Romanian diplomatic mission or Consulate. Tourist visas can be obtained as well at point of entry into Romania.

Inoculations: none required, but vaccination against smallpox and typhoid is advisable.

Documentation, tariffs, marking and labelling: consult Office of Trade Relations, Department of Trade and Commerce, Ottawa.

Advertising: all inquiries and accounts relating to trade publicity and advertising in Romania are handled exclusively by PUBLICOM, the Romanian International Publicity Agency, Blvd. N. Balescu No. 22, Bucharest.

Correspondence: English, French and German. Use airmail exclusively.

For detailed information write to:

European Division
Office of Trade Relations
Department of Trade and Commerce
Ottawa, Ontario.

or
Commercial Secretary
Canadian Embassy
P.O. Box 190
1013 Vienna, Austria.

Romania

economic advance continues, trade with West increases

C. R. D. KELLY, *Assistant Commercial Secretary, Vienna.*

ROMANIA'S industrial growth continued in 1966 and 1967 at a commendable pace and reforms are under way to ensure further progress. Agricultural output made impressive gains, with bumper crops in both years. Trade with the West climbed to over 45 per cent of Romanian total trade in 1966, primarily because of imports of industrial plants. Canadian-Romanian trade, however, continues to be small.

Romania, with a population of over 19 million, is well endowed with extensive agricultural and forested areas, as well as with important deposits of oil, coal, iron ore, zinc, copper and bauxite. These resources have enabled the development of an industrial base

boasting modern facilities, particularly in the chemical, steel, aluminum, timber, and pulp and paper industries. Coincident with this industrial expansion, agricultural enterprises have been carefully fostered and production of foodstuffs contributes sizably to the country's income.

Romania's industries expanded their output in 1966 by 11.7 per cent; the heavy industry sector accounted for two-thirds of this but consumer goods too gave a strong performance. Undoubtedly heavy capital expenditures in 1966 enabled the industrial sector to maintain its growth pattern—a pattern which was expected to continue in 1967 because of the greater investment called for in last

year's budget. Sectors receiving major attention are the electric power, iron and steel, machine-building and chemical industries; the latter is to increase its output by some 20 per cent. The only available figures for 1967 (January-May) indicate that all goals will probably be reached and some surpassed by the end of the year.

The Romanians, determined to continue their rate of economic growth, are, however, fast reaching the limits of their own investment capabilities. Consequently they are looking more and more to the West for financial assistance in the form of joint co-operation schemes and for purchases of industrial plant and equipment.

Another sector that is receiving greater attention in the over-all expansion of the Romanian economy is the tourist industry. The Romanians have

only recently begun to push for faster development in this area and they are now looking for international firms interested in co-operating with them on turnkey projects. To date Swedish, German, French and U.S. organizations have entered into joint programs and others are under discussion. There are still a number of inviting opportunities, as, for example, in the winter tourist field.

Bumper Crops Produced

The year 1966 was a successful one for the agricultural sector, with a growth rate of 11.2 per cent over the year before. Bumper cereal crops totalled 13.8 million tons, and production of sugar beet, sunflowers, potatoes and other vegetables also reached record highs. Total numbers of livestock and fowl rose significantly and this meant larger supplies of milk, meat, wool and eggs. The food industry turned out more than 4,000 kinds of products and production went up by 10.4 per cent. Fresh and processed agricultural goods made up 17 per cent of total Romanian exports.

To ensure continued growth in agriculture, the Romanians allotted more investment funds in 1967 than ever before. These funds were to be used, in accord with the present Five Year Plan, to improve agricultural production through more mechanization, fertilization, land reclamation, construction and installations both on the farms and for the processing of agricultural products. Although there are no figures yet for 1967, the attention given to agriculture seems to have paid off.

Economic Organization

The Romanians are seeking a new approach to economic administration. Because they are somewhat concerned about the possibility of inflation as a result of a drastic change in prices and a too liberal use of incentives, no significant reforms in this area are expected. They will be concerned primarily with streamlining the administration and developing more cost-conscious financial and fiscal policies.

The first move is to group factories and the foreign trading organizations into relatively autonomous "industrial centrals" under the control of the relevant Ministries. Management of each individual factory will have more say

in planning and production policies but will also have to bear the responsibility for failure as the state will no longer cover off factory losses. Following these changes, some attempt no doubt will be made to bring prices and production costs into line.

The fact that stricter financial control is to be exercised and that the functions of the foreign trading organizations have been taken over by the "industrial centrals" may be reflected in greater selectivity of imports.

Trade Pattern Shifts

Romania's foreign trade did not expand enough to reach planned targets

for 1966 but nevertheless increased by over 10 per cent. Imports totalled about \$1,456 million and exports climbed to \$1,433 million. Some 40 per cent of available import funds was designated for importing industrial plant. Emphasis was again placed primarily on the machine-building industry, electronic equipment, electric power equipment, and the chemical, petrochemical, mining, pulp and paper, aluminum, food and light industries. Imports included quantities of metals, minerals and fuels, vegetable and animal raw materials, chemicals, rubber and fertilizers.

One of the noteworthy features of Romania's trade was the decline in

TABLE I
CANADIAN EXPORTS TO ROMANIA

	1963	1964	1965	1966	Jan.-July 1967
	(Canadian dollars)				
Cattle hides			388,017	431,551	119,000
Asbestos milled fibers				231,000	43,000
Potatoes, seed				12,921	10,000
Textile rags	81,121	92,945	4,076	4,182	
Food & beverage machinery and parts				1,992	
Printed matter			120	1,425	
Radioactive elements and isotopes			241,183		
Industrial chemical specialties and explosives			6,801		
Baby chicks	72,048	194,800			11,000
Textile industrial machinery and parts	87,033	178,543			
Nickel anodes cathodes ingots		26,560			
Cranes winch hoist and parts		24,634			
Magnesium		10,993			
Plastic and synthetic rubber	73,820	4,741			5,000
Tractor implement tires		3,190			
Aluminum pigs, ingots, slabs	956,831				
Total, these products	1,270,853	536,406	640,197	683,071	188,000
Total trade	1,274,940	539,646	641,202	684,933	196,716

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	1963	1964	1965	1966
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Boots and shoes	9,277	24,900	42,543	134,408
Colorless sheet glass	1,591	3,240	76,858	125,184
Cheese		4,273	21,438	122,894
Freshwater fish			31,460	83,842
Shirts, cotton	73,382		28,976	76,995
Pants & breeches men's & boys'				7,769
Paintings & pastels made by hand		3,465		3,333
Collections & collectors' items	401	764	826	3,040
Walnuts	30,208	37,239	31,336	
Flannels, cotton	4,511			
Furskins, persian lamb		2,592		
Total, these products	119,370	76,473	233,437	557,465
Total trade	123,734	81,541	238,107	568,658

the share of other Communist countries from 60.4 per cent to 54.1 per cent. Most of the decline occurred in trade with number one trade partner, the Soviet Union. Romania's number two trading partner is West Germany and trade between the two went up by over 28 per cent in 1966. Trade with France, Britain, Switzerland, Sweden and Denmark also increased sharply and U.S.-Romanian trade expanded significantly to \$28 million.

The continued rise in imports of complete industrial plant and certain equipment reflects Romania's determination to industrialize further, as called for in the present Five Year Plan. Expanded requirements for cer-

tain raw, semi-fabricated and production materials are undoubtedly called for to achieve planned targets for several branches of the processing industries.

Exports in 1966 continued to consist primarily of fuel and mineral raw materials. Attempts to expand exports of industrial goods, including machinery and equipment and petrochemical products, are continuing.

Trade with Canada

Although in the past Romania has made an average of 75 per cent of its purchases with cash, a trend towards barter, compensation and switch trading, and towards demanding better

credit terms, is distinctly apparent. Next to direct sales, compensation trade may be of interest to the Canadian business community, as will the question of credit. (An analysis of the different types of trading in Eastern Europe is provided on page 15.)

The absence of a formal trade agreement between Canada and Romania has undoubtedly hindered the development of trade between the two countries. However, Canada does have recognized expertise in certain industries—particularly the resource-based ones such as forest products, oil, and mineral extraction—and opportunities are opening up in Romania in these fields. ●

Eastern Europe Plans for Nuclear Power

With few hydroelectric resources and the need for industrial power growing, Eastern Europe is investigating or already working on nuclear power projects, to supplement or replace thermal plants.

F. IAN WOOD,
Commercial Secretary, Vienna.

THE CONTINUING SEARCH by industrialized countries for untapped sources of electric power and the growing preoccupation with the development of nuclear energy for industrial use have not been overlooked in Eastern Europe. Industry-oriented Czechoslovakia, resource-poor Hungary, Romania and Bulgaria are all either planning or implementing projects to supplement present electrical output by means of nuclear generation.

Czechoslovakia

Czechoslovakia is particularly concerned with raising the national level of power generation to maintain the

upward trend in industrial development. The high priority assigned to the construction of nuclear power stations in the long-term development program indicates its serious intentions. To date, the gap between resolve and implementation has widened rather than narrowed. Czechoslovakia's first nuclear power station, for example, the 150 mw. A-1, was begun in 1958 but is still under construction and will not go critical before some time in 1968. This reactor and the two slated to follow, the A-2 (300 mw.) and A-3 (500 mw.) will each be natural uranium fuelled and heavy water moderated. Work on the A-2 is scheduled to begin in 1969 with completion by 1974. The A-3 reactor is still in the planning stage. The country has uranium deposits but fuel

preparation will be undertaken by the Soviet Union under an existing agreement until 1970. By that time Czechoslovakia should be in a position to process uranium domestically.

At the present time 80 per cent of the electric power in Czechoslovakia is produced by thermal stations fed from the lignite and brown coal fields of Bohemia. The share of hydroelectric power is infinitesimal. Until 1980, demands for increased power will have to be met largely by thermal stations. Emphasis on the more efficient generation of thermal power is foreseen in plans to shut down 12 obsolete stations and modernize and refit 30 others to use crude oil as fuel. The last brown coal thermal plant is scheduled for completion in 1975.

The switchover to nuclear power in the '80's is expected to coincide with the gradual depletion of economically exploitable open-pit brown coal reserves. (The giant "DUL" Mining Corporation cut back coal production by 213,000 metric tons in 1967.) From then on, increases in electrical output will depend upon nuclear power development. Eight nuclear plants generating a total of 16,000 million kwh. are scheduled for completion by the early '80's. Electric power consumption by all users then will reach 95,000 million kwh. (vs. 34,000 million kwh. in 1965).

The Institute for Nuclear Research of the Czechoslovak Academy of Sciences, with the co-operation of a number of research institutes, universities, and metallurgical and engineering works throughout the country, has developed the A-1 reactor. The Czechoslovak Commission for Atomic Energy, an offshoot of the State Commission for Technology, has been granted wider authority in the nuclear field. Its basic task is to watch the trend of development of nuclear technology, co-ordinate its implementation, and represent Czechoslovakia at international conferences.

The Skoda Works, Pilsen, has lent its versatile production team and capacity to the cause and in fact has built an experimental test plant devoted exclusively to the Czechoslovak nuclear program.

Although Skoda and its sister companies in Czechoslovakia are expected to supply the bulk of requirements for the nuclear power program as now envisaged, foreign suppliers, particularly the British, are probing opportunities for their expertise in this field. A delegation from the British Atomic Energy Authority last year returned a visit to England by Czechoslovak experts. At that time it was established that there are "very good prospects" for deliveries to Czechoslovakia of sub-assemblies and equipment which would speed the construction program.

Hungary

In Hungary work is proceeding apace on the planning and development of the first nuclear power reactor to be located on the banks of the Danube. The 2 x 400 mw. pressurized water VORONEZH-type (enriched uranium) plant will be constructed

jointly by Hungary and the Soviet Union. Soviet enterprises will supervise the design, building, equipping and commissioning of the reactor under a long-term credit agreement. The Hungarians will participate in the structural engineering work and plant assembly, and will manufacture much of the ancillary equipment. The Soviet Union will also supply the fuel in exchange for Hungarian uranium ore.

Upon completion (about 1975) the 800 mw. plant will supply between 15-16 per cent of the electric output of Hungary. (At the present time, 62 per cent of electric power generation is produced by coal-burning thermal installations.) With no other power resources to turn to, the development of nuclear energy is the key to further progress in the industrial sector.

Bulgaria

Bulgaria signed an agreement with the Soviet Union in 1965 clearing the way for co-operation in the building of a nuclear power station in Bulgaria. The agreement is much the same in its implications as that between the Hungarians and the Soviets—that is, it covers technical assistance, planning and design, delivery of equipment and guidance on construction to be provided for the most part by the Soviet Union.

The new power plant will be located on the Danube in power-poor north-west Bulgaria in the vicinity of Kozloduy. The first stage of the 2 x 400 mw. station is to be begun in 1973 and the second in the following year. A third unit may be added later. Construction is to begin in 1968.

Bulgaria has been thrust into the nuclear field out of necessity. Conventional power resources have been fully utilized and economic forecasts predict that after 1970 demands for additional electric power output will have to depend on oil- and gas-fired thermal stations and nuclear power plants.

Romania

Fresh interest in Romanian nuclear aspirations was sparked by the announcement late in 1967 that a Franco-Swedish-West German consortium would submit a firm offer for a 600 mw. nuclear power station before the end of the year. In point of fact, Romania is seriously shopping for an installation and is looking West

rather than to the Soviet Union for suppliers. The current electrification plan calls for the construction of two 500-600 mw. plants, each with a production capacity of five billion kwh. a year. The cost per unit is estimated at Cdn.\$110 million. The French Atomic Energy Commission and the Romanian Committee for Nuclear Power have made provision for study grants, information exchange and mutual visits by researchers and experts under a co-operation agreement signed in 1966. ●

See also the article "Yugoslavia Plans Nuclear Power" in *Foreign Trade* for November 25, 1967.

Car into Canal?

HOW do you escape from your car if you drive into a canal? This is a typically Dutch problem and statistics for 1966 show that 75 people were drowned in cars which had got into canals. Two different methods have been suggested. The one worked out by the Royal Netherlands Life Saving Society and recommended by the Road Association is:

1. Close all the windows and calmly allow the car to fill up with water and sink. You can breathe as long as there is air under the roof.
2. When the water no longer rises, open the door and swim to the surface.

The Hague fire brigade has been carrying out experiments with various types of cars and has come to different conclusions. It points out that cars do not settle in the water horizontally but dive instead, nose down if the engine is in the front and tail down if the engine is at the rear. The fire brigade therefore gives this advice:

1. Pay no attention to the noise of the car landing on the water! Close all windows and ventilation openings. Use the moments during which the car is still floating to suppress your panic.
2. Open the side windows, simultaneously if possible. The water will rise rapidly.
3. When the water has reached the bottom ledge of the window open the door and get out.

There are now plans to submit both formulas to a scientific traffic research body. ●



This is the Palace of Congresses building in Moscow. The Soviets have undertaken a new system of planning and economic incentives, affecting many sectors of the economy.

Soviet Union

economic reforms have implications for Canadian exporters.

R. F. TURCOTTE,
Commercial Secretary, Moscow.

THE SOVIET UNION has become to some extent an economic question-mark in many minds in the West because of the changing face it presents to the outside world. One hears of economic reforms, profit motive, increased trade, automotive deals, consumer market and so on. What do some of these mean in themselves and what are the possible implications for Canadian trade interests in the future?

Economic Reforms Explained

The management of the Soviet economy is undergoing a profound transformation under what is called the new system of planning and eco-

conomic incentives. Begun experimentally in 1964 in a few chosen firms in light industry, the system has now been applied to some 5,700 plants and factories accounting for one third of total Soviet industrial output and 45 per cent of all profits. Whole branches of industry are being transferred to the new system and it is being extended not only to the industrial sector but also to services, such as transportation, communications, construction, domestic trade and public services, and state agriculture.

It would be hazardous to attempt to put into a few brief paragraphs a distillation of a complicated process like the Soviet economic reforms. As a general comment, however, one might say that their purpose is to introduce the notion of the economic

viability of productive activity into the socialist economy by stimulating the economic interest of the enterprises and agencies affected.

The introduction of the word profitable has been widely misunderstood in the West. The term profit (or loss) used about an enterprise is said to have been a constituent of socialist economics for a long time—but it merely denotes the difference between total monetary outlay for input and total sales receipts from output.

Before the introduction of the current reforms, enterprises purchased their material input from state wholesale suppliers at arbitrarily administered prices and sold their output to state wholesalers at state administered prices. Workers' salaries and bonuses were also decreed by the State. Be-

cause the level of prices and wages was arbitrarily determined on grounds other than strict economic rationale, there could be no conceivable relationship between profit and loss as defined above, on the one hand, and the real costs of production on the other. Enterprises were merely told by following a meticulously detailed plan that, using A units of input at price B, they would employ L workers at wage M and produce X units (or more) at a price Y, to make Z profit or loss.

In addition to the obvious difficulties of trying to develop a workable central plan for a huge and increasingly sophisticated and complicated industrial apparatus, this system sometimes caused grotesque deformations of supply and demand.

More Freedom Granted

One key aim of the economic reforms is to eliminate all this by giving more freedom to enterprises to make their own decisions and by instituting profitability as a yardstick of economic viability. Enterprises are told to sell their goods or services directly to the user or retail outlet. This order is within certain limits, of course; prices are still set by the State. There is therefore no price competition and direct sales are confined to certain markets or geographical regions in the area of the factory. The user or retailer has the right to refuse to purchase goods offered him and he may return substandard goods to the supplier and collect a fine from him. Hand in hand with the new system of direct contact between producer and customer, detailed compulsory planning has been largely replaced by broad general indicators. These tell enterprises to supply a minimum output of general categories of goods but leave the composition, quality and assortment to be worked out between the enterprise itself and its customers. The fulfillment of plan is evaluated no longer on the basis of physical output of goods but rather on the basis of monetary sales to other users. This in essence constitutes the major shift from the rigid command-type economy.

Soviet enterprises must now pay for the use of their productive facilities, machines, and equipment. Previously they received these free, albeit sparingly, according to the priorities of the

Soviet Imports from:	1950	1960	1966
	(per cent)		
Socialist countries	74.7	70.7	66.5
Developing non-socialist countries	6.6	9.5	11.0
Industrial capitalist countries	15.7	19.8	22.5
Total Imports	100.0	100.0	100.0
	(\$ billion)	6.08	8.55
Soviet exports to:			
Socialist countries	83.5	75.8	66.4
Developing non-socialist countries	1.9	6.0	13.7
Industrial capitalist countries	14.6	18.2	19.9
Total exports	100.0	100.0	100.0
	(\$ billion)	1.94	6.0t

TABLE II
SOVIET TRADE WITH SEVENTEEN NON-SOCIALIST COUNTRIES, 1950-1966
(by order of volume of Soviet imports in 1966)

	Soviet Imports					Soviet Exports for	Trade Balance for U.S.S.R.
	1950	1955	1960	1964	1966	1966	1966
	(millions of roubles)						
Canada	0	2.3	9.0	291.8	311.7	13.1	-298.6
Japan	0.6	1.1	55.4	173.9	201.8	214.8	13.0
Finland	27.0	115.0	129.8	151.1	195.3	231.4	36.1
India	4.1	4.0	61.6	140.3	172.0	174.0	2.0
Britain	36.2	64.0	97.3	92.9	152.0	297.0	145.0
France	3.6	32.5	116.9	62.3	144.3	117.1	-27.2
United Arab Republic	24.7	13.8	109.2	111.2	135.0	178.8	43.8
West Germany	—	21.4	179.3	177.6	125.4	166.9	41.5
Malaysia	30.5	19.6	100.4	63.8	113.0	0	-113.0
Argentina	0.1	25.3	19.5	17.9	96.6	6.7	-89.9
Italy	19.1	14.7	81.3	88.5	85.9	139.6	53.7
Austria	20.8	32.0	72.3	60.1	64.1	43.2	-20.9
United States	7.2	6.5	53.9	146.3	57.0	42.0	-15.0
Sweden	20.7	15.3	41.5	79.3	39.9	63.7	23.8
Belgium	19.1	13.7	19.9	19.9	35.5	60.7	25.2
Netherlands	3.8	30.1	18.6	23.4	34.8	71.8	37.0
Australia	24.7	6.1	31.2	122.2	34.3	0.9	-33.4

1 rouble = Cdn. \$1.20

plan. The scarcity of modern equipment tended to promote unnecessary hoarding of machinery and supplies for possible future use.

"Above Plan" Profits

Under the new system, the major indicator of success and productive efficiency for the Soviet enterprise is not the output of goods but the above-plan profit that it earns. To make this workable, it was first necessary to undertake the mammoth task of completely revamping the Soviet wholesale price structure, comprising literally hundreds of thousands of price categories. The new wholesale prices,

most of which are now published, are still entirely administered by state agencies, appear to be arbitrary, and cut out price competition of any sort. However, there has been a serious attempt to make these prices more realistic and the notion of profit as a true measure of efficiency is beginning to take on some meaning.

In order to place all firms within the same industry on an equal footing initially, a planned level of profit is established for each enterprise, taking into account its basic production capacity and other factors such as favored geographical locations, resources, etc., vis-à-vis the other units. Any addition-

TABLE III
CANADIAN TRADE WITH THE U.S.S.R., 1966

Canadian Exports	(Cdn.\$'000)	Canadian Imports	(Cdn.\$'000)
Cattle, purebred	71	Furs	1,184
Mining and quarrying machinery and parts	62	Raw cotton	6,256
Cattle hides	2,680	Cotton fabrics	837
Sulphur, crude and refined	586	Pig iron	540
Nitrogen function compounds	68	Sheet glass	143
Other	698	Metal milling machines	200
Sub-total	4,165	Magnesium	575
Wheat, including flour (except seed)	316,440	Other	1,919
Total exports	320,605	Total imports	11,654

Non-Grain Trade Balance with the U.S.S.R. 1961-66

	1961	1962	1963	1964	1965	1966
	(Cdn.\$'000)					
Total non-grain exports	11,276	3,296	2,508	4,374	8,275	4,165
Total imports	2,745	1,776	2,313	2,808	9,885	11,654
Balance for Canada	+ 8,531	+ 1,520	+ 195	+ 1,566	- 1,610	- 7,489

al profit that an enterprise earns above this planned level is then considered a fair indication of greater efficiency in the use of resources and productive capacity, better rationalization and improved productivity, and higher sales. The enterprise may retain most of the above-plan profit for its own use in socio-cultural and housing construction and to furnish incentive funds for higher bonuses.

The Soviet authorities claim that the rewards of the reform so far fully confirm the wisdom of the system. Certainly, during the process of changeover there have been problems and bottlenecks because of conflicting aims and interests when suppliers and users were not yet working under the same system. The majority of these problems can be expected to fade away as soon as most of the economy has completed the changeover some time in 1968. A more serious concern is that the immediate and certain gains at the beginning may be only temporary—the result of the sudden tapping of latent productive capacity and the release of inventory and hoarded equipment for which firms must now pay—and that once all reserves are effectively used, the initial burst of energy could diminish slightly.

Trade Pattern Shifting

The long-term trend of Soviet foreign trade indicates a gradual decline in what was previously virtual reliance on Bloc countries, and a

parallel opening up of trade with the non-socialist world, both the industrialized and the developing countries (Table I). This in no way alters the fact that two-thirds of the Soviet Union's trade in both directions is still carried on with socialist partners; this cornerstone of the U.S.S.R.'s foreign trade policy will not and cannot be expected to change in the near future. Nevertheless, the larger share of trade with countries outside the Bloc reflects the diversification of Soviet industry and its growing need for materials and equipment not available within the Bloc.

Table II shows the 17 countries which in 1966 accounted for three-quarters of the Soviet Union's imports from outside the Communist world. Canada, because of its wheat and flour sales, topped all other non-socialist countries, followed (among its industrial competitors) by Japan, Finland, Britain, France, West Germany, Italy, Austria and the United States, in that order.

If one analyzes Canadian trade with the Soviet Union in detail, however, three prominent factors are revealed. First, excluding the wheat and flour sales, Canada's trade with the Soviet Union in 1966 only accounted for Cdn.\$4.2 million of exports and Cdn.\$11.7 million of imports. Second, as a corollary, Canada has a sizable unfavorable balance with the U.S.S.R. (Table III) on non-wheat and flour trade amounting to Cdn.\$7.5 million

in 1966. Third, the bulk of Canadian trade with the Soviet Union in both directions is highly specialized.

Selling through FTC's

Foreign trade in both directions remains technically excluded from the new system of economic management. Direct contact between the foreign seller or buyer and the ultimate Soviet user or producer is more the exception than the rule. All foreign trade transactions must be carried out through the Soviet State foreign trade corporations. There are some 40 of these FTC's and they maintain a strict monopoly on all aspects of foreign trade. The most important ones for Canadian trade are listed in an accompanying box, with a brief and by no means exhaustive indication of the category of goods and services handled. (See page 40.)

Officially the Soviet foreign trade corporations act only as import or export agents for their principals or clients. These normally are not the final users or producers of equipment but rather intermediary organizations called industrial or production ministries.

Upon receipt of descriptive catalogues, technical data, prices and other information from foreign firms, the FTC will normally transmit these to their clients (the appropriate industrial ministries) for perusal. The FTC may also consult with the State Committee for Science and Technology which is charged with co-ordinating the introduction of technological innovation into industry. A Canadian firm should not be dismayed at receiving from the FTC the standard reply given when it is first approached by the foreign seller: that it will consult with its clients and revert to the matter as and when the latter show any interest. Most of the foreign trade corporations are conscientious about forwarding bona fide offers or inquiries to the ministries and/or other interested parties.

It is particularly important for Canadian firms to prepare a well documented and easily transmitted presentation when first approaching a Soviet foreign trade corporation. This ensures that clients will not turn down an offer at first sight through lack of proper documentation or through misunderstanding of the function and use-

fulness of the equipment. Canadian firms should forward their offers to the FTC in sufficient copies (usually six to ten) to permit it to canvass several clients at once. After the first approach it is advisable to wait approximately two months to allow time for the FTC to get a reaction from its clients. If the Canadian company receives no further correspondence, it should write again to the FTC to determine the situation and possibly attach an additional copy of the original submission "pour memoire".

This may lead to the reply: "We have received no inquiries from our clients." But even in this event it is important to continue sending new documentation, technical and/or scientific bulletins, and appropriate company newsheets regularly with the request that these be forwarded to the potential client.

Where it is actually possible to pinpoint the client or competent ministry, and if the Canadian exporter is sufficiently certain that there is a market in the Soviet Union for his product, he may wish to consider a trip to Moscow to discuss his goods or equipment with appropriate officials. But remember that the ministry never actually executes a contract for the purchase of equipment: it merely decides on the usefulness and desirability of the material or equipment for use by producing enterprises under its authority. It will also go so far as to instruct the FTC to purchase the equipment. Obviously the first approach is best made to the FTC responsible, with copies to the Commercial Division, Canadian Embassy, Moscow, for follow-up.

As in all state trading countries, the Soviet market requires persistent salesmanship and patience. When a sale does come through, however, it usually repays many times over the energy and effort put into it.

What Will the Soviets Buy?

It is difficult to discuss in detail the type of products the Soviet Union plans to purchase abroad because there are almost no detailed statistics on domestic production and consumption. Undoubtedly there is a huge market potential but the U.S.S.R. has limited hard currency and must allocate it, giving priority to essential imports. To this one must add the traditional

Soviet Foreign Trade Corporations

V/O Avlaexport

Exports and imports aeronautical craft and allied equipment and supplies.

V/O Avtoexport

Exports and imports motor vehicles and allied equipment and supplies.

V/O Avtopromimport

Imports whole plants and equipment for the automotive industry.

V/O Energomashexport

Imports and exports rail transportation and power equipment.

V/O Exportkhleb

Imports and exports grain and allied produce.

V/O Exportles

Imports and exports wood and paper products.

V/O Exportlyon

Imports and exports cotton and textile fibres.

V/O Intourist

Is the agency in charge of travel in the U.S.S.R.

V/O Licensintorg

Sells and buys licences and patents.

V/O Machinoexport

Exports specified Soviet heavy engineering products.

V/O Machinimport

Imports specified heavy engineering products.

V/O Mashpriborintorg

Imports and exports instruments and photographic equipment.

V/O Medexport

Imports and exports medicinal, pharmaceutical and veterinary products.

V/O Mezhdunarodnaja Kniga

Imports and exports books, magazines, newspapers and records.

V/O Novoexport

Imports and exports carpets, handicraft, artwork and jewellery.

V/O Prodintorg

Imports and exports foodstuffs of animal and fish origin.

V/O Prommashimport

Imports plants and equipment for the forest products industries.

V/O Promsyroimport

Imports and exports basic iron and steel products and ferro-alloys.

V/O Raznoexport

Imports and exports miscellaneous consumer domestic goods and equipment.

V/O Raznimport

Imports and exports non-ferrous metals and their basic products, industrial rubber goods and tires.

V/O Skotoimport

Imports slaughter animals and meat.

V/O Sojuzchimexport
Imports and exports crude and fine chemicals.

V/O Sojuzkoopvoeshorg
Exports food products and imports consumer goods as agents of agricultural co-operative sector.

V/O Sojuznefteexport
Imports and exports oil and oil products.

V/O Sojuzplodoimport
Imports and exports foodstuffs of plant origin.

V/O Sojuzpromexport
Imports and exports a variety of metallic and non-metallic minerals and their derivatives and some products thereof.

V/O Sojuzpushnina
Imports and exports furs, hides, skins, leather, and pelts.

V/O Sojuzvoeshtrans
Handles transportation and forwarding of import and export cargo.

V/O Sovexportfilm
Imports and exports films.

V/O Sovfracht
Ship agents for Soviet merchant fleet and chartering agency for cargo space.

V/O Stankolimport
Imports and exports metalworking and other tools.

V/O Sudoimport
Imports and exports watercraft, ships and allied equipment.

V/O Techmaslexport
Exports machinery and equipment for textile, forest products and chemical processing industries.

V/O Techmashimport
Imports plant and equipment for the chemical, rubber and plastics industries.

V/O Technopromexport
Exports complete equipment and plants for power and other heavy engineering fields and machinery for the textile and clothing industry.

V/O Techsnabexport
Imports and exports radioactive materials and associated equipment, rare metals and rare earths.

V/O Tractoroexport.
Imports and exports agricultural machinery.

V/O Vneshposyltorg
Wholesales Soviet consumer goods abroad and sells Soviet and imported consumer goods through the hard currency shops within the U.S.S.R.

V/O Vneshtorgbank
Foreign trade and currency bank.

V/O Vneshtorgreklama
Handles Soviet advertising abroad and foreign advertising in the U.S.S.R.

Soviet penchant toward industrialization rather than consumption. These two factors together mean that the Soviet Union in its foreign trade—especially with hard currency countries—almost invariably leans toward the import of capital goods and equipment for establishing a domestic operation to turn out the consumer goods it requires rather than importing these goods itself. And given the scale of its potential consumer market (population 235 million), there are actually few consumer products that it is uneconomic for the Soviets to produce at home. It therefore seldom spends hard-earned convertible currencies on consumer goods. When this happens, it is usually a stopgap measure, with purchases directed to countries with a trade balance that favors the U.S.S.R.

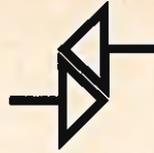
Within the capital goods and engineering equipment field, however, there has been a domestic development that is worth watching. For the first time since the New Economic Plan (NEP) of the 1920's, the Soviet Union in its 1968 Annual Plan has set a higher growth rate for light and consumer goods industries than for heavy industry. Hopefully this means a greater need for the Soviet Union to import all types of equipment and machinery for use not only in the light industrial field but also (to a lesser extent) in developing that part of heavy industry which supplies equipment for light industry.

A Word of Advice

Canadian exporters will continue to have greater assurance of Soviet interest if their product qualifies as essential for Soviet industrial development. This is best recognized in fields where Canadian industry holds a leading position in expertise and technology, such as forest development equipment, mining and ore dressing, oil and gas transmission, electronic and automatic controls, geophysical exploration, and so on. Allied with this are areas of parallel industrial development with similar severe climatic or geographical problems to be overcome. Here too there are opportunities. ●



businessman's bookshelf



East/West Trade: A Practical Guide to Selling in Eastern Europe.

Peter Zentner. 300 pages. \$9.25.

AIMED PRIMARILY at British exporters and potential exporters to Eastern Europe, this book nevertheless contains a wealth of information and advice of equal value to Canadians interested in doing business with these countries.

In simple, readable style the author progressively takes the reader through the various stages of selling to East European markets, pointing out the pitfalls along the way and offering useful advice on how to avoid them. In a series of brief chapters he deals in a practical way with the exporter's problems of assessing market potential, making a first visit to the market, establishing contacts, sales techniques, various methods of payment, licensing agreements, advertising in Eastern European publications, and how to handle personal relationships with Eastern European businessmen.

Although the book has 300 pages, only 130 pages are devoted to text. The remainder, consisting of appendices dealing with each country individually, contains addresses of trading organizations, Chambers of Commerce and ministries, advertising rates in local publications, and other useful data. This serves to increase the value of the book as a compact source of reference material.

Order from: Burns & MacEachern Limited, 82 Railside Road, Don Mills, Ontario.

Canada Year Book 1967

Dominion Bureau of Statistics. 1,287 pages. \$5.00 clothbound, \$3.00 paperbound.

THE TROUBLE with this year book, which most businessmen probably have on their bookshelf or in their library, is that it contains so much information. Many an office has been torn apart, with tempers frayed and tears shed, because no one thought of looking for the desperately-needed facts in the closely-printed pages of the *Canada Year Book*. A quiet hour leafing through it is an investment which pays off handsomely.

The section on foreign trade begins on page 953 with a thoughtful article on the changing pattern of world trade and Canada's role as an exporter, written by A. M. Coll of the Economics Branch of Trade and Commerce. Then comes an explanation of the ground rules used in compiling DBS statistics—if you have ever wondered why Canadian and foreign statistics do not always coincide, you should read it. Details are given of our export and import trade with each country in the past eight years (1958-66) and the top thirty trading partners are ranked for each of the years from 1963 to 1965. Values of dutiable and free imports are tabulated by country of origin and, in view of the Kennedy Round, it is interesting to see how many of our imports already come in duty-free.

Exports and imports are shown by commodities for 1964 and 1965 and broken down into trade with Britain, with the United States, and with Other Countries (which you find by subtraction). Exports are also broken down into broad groups to reveal the growth of manufacturing—between 1946 and 1965, exports of crude materials grew from \$600 million to \$3,000 million, of fabricated materials from \$1,100 million to \$3,900 million, and of end products from \$600 million to \$1,600 million.

In addition to the regular subjects, each edition of the *Canada Year Book* has a number of specially written articles. It is worth keeping back numbers for these (special articles published in former editions are listed on page 1,236) and because tables in the current edition do not always go far enough back for every purpose.

Order from: The Queen's Printer, Ottawa, Canada, or Queen's Printer's Bookshops.

Doing Business in Japan

Editor: Robert J. Ballon. 215 pages. \$5.00.

CANADIAN-JAPANESE trade is growing rapidly. It is possible that in a few years Japan may replace Britain as our second largest trading partner. Personal contact and business dealings between Canadian and Japanese businessmen will be more common if this trend continues and no doubt will influence our future share of the large but highly competitive Japanese market.

This is but one reason why *Doing Business in Japan* should be of particular interest to Canadian businessmen.

The book is a selection of articles by Japanese experts from the academic and business community and is aimed at an audience of foreign businessmen. Editor Robert J. Ballon is a professor at Sophia University in Tokyo and a keen student of the Japanese business scene for the past 20 years. Thus, while retaining a pragmatic business approach, this remains an analytical and scholarly work intended for the serious reader.

In Part I, the background is presented from two different angles: first, the psychological, an explanation of Japanese thought processes, and second, the historical-economic, showing the infancy and growth of the modern Japanese economy.

Part II studies the present Japanese economy. Articles analyze the apparent failure of fiscal policy in the 1960's, the fate of small and medium-sized enterprises, the problems of the capital market, and con-

sumer satisfaction. In the latter article the author makes some interesting observations about Japan's consumer boom.

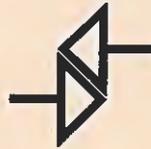
The reader is introduced in Part III to some of the unique legal, accounting and management decision-making practices in Japanese companies. The author explains in particular the concepts of responsibility and authority in relation to the *ringi* system of decision-making.

Finally, a lengthy appendix summarizes graphically the basic economic facts about Japan which any foreign businessman should keep in mind.

The most significant contribution of *Doing Business in Japan* is its subtle but convincing theme: frustration in dealing with Japanese businessmen can be largely avoided by making a sincere attempt to understand and appreciate the Japanese business mentality.

Order from: Charles E. Tuttle Company, Rutland, Vermont.

foreign tariffs and trade regulations



Australia

IMPORT RESTRICTIONS—Australia has imposed quantitative restrictions on knitted coats, jumpers, cardigans and sweaters amounting to approximately 15 per cent of the local market. The basis of the quotas will be 100 per cent of 1966/67 imports. This action was recommended by the Special Advisory Authority as a result of representations made by the Australian Garment Manufacturers. The restrictions are temporary in nature and final action will be taken on the recommendation of the Tariff Board which will conduct an inquiry into the protection of these items. Further details are available from the Commonwealth Division, Office of Trade Relations.

Finland

PREPAYMENT FOR IMPORTS—Effective January 1, 1968, the requirement that imports be paid for in full prior to customs clearance has been removed. In particular, this notice supersedes that contained in the May 13, 1967, issue of *Foreign Trade*.

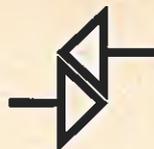
South Africa

IMPORT CONTROLS—The South African Government has recently announced a further relaxation of import controls with the implementation of the 1968 Regulations. Many items will be removed from the control list and placed on the free list. Other items will be removed from lists requiring specific import licences and will now require only a general import permit. In addition, a new category has been established for which specific import quotas will be granted. Its seventy-five broad product headings are derived largely from the 1967 restricted list.

Initial quotas will be 75 per cent of 1967 imports for items on the control list; the level of imports in 1967 was substantially higher than in recent years. A permit holder may now use permits issued for general merchandise to import products subject to specific licensing on an R1 to R1 basis for the first R5,000 of his total quota, and an R2 for R1 basis for all subsequent conversions. This is a more liberal conversion rate than existed previously.

For details regarding these regulations please contact the Commonwealth Division, Office of Trade Relations.

trade lines



British and French get Romanian contracts

A British consortium has recently been awarded a contract for the extension of Romania's two tire factories; another British firm will build a large fertilizer plant. A French group has won a contract for the supply of heavy turbines and one for the production of these turbines under licence in Romania—Vienna.

Austria exports less softwood lumber

In the first six months of 1967, Austrian exports of softwood totalled 548 million board feet, 5 per cent less than in the first half of 1966. Storm damage brought more lumber onto Austria's traditional softwood markets—Italy, West Germany and Switzerland. Sales to Italy were up slightly but those to West Germany and Switzerland were down. Firewood exports rose to 30 million board feet and squared construction timber to 17 million board feet. About 87 per cent of Austria's timber trade is carried on with EEC countries—Vienna.

Czech-Soviet pipeline in operation

The 540-kilometer Soviet-Czechoslovak Friendship gas pipeline was opened in June of this year. Roughly paralleling the present crude oil Friendship pipeline from the U.S.S.R. to eastern Slovakia, it has an annual capacity of two billion cubic meters of natural gas. This could be doubled later by building additional pumping stations. The 28-inch diameter pipeline feeds Soviet natural gas to the growing industrial regions of Slovakia, including two new synthetic fertilizer plants—Vienna.

Bulgaria needs more power

Bulgaria's growing power requirements will be met by building more thermal stations and increasing electricity imports from the Soviet Union. The first atomic power station will be begun during the current (1966-1970) Five Year Plan; it will have 800 mw. installed capacity and be based on Soviet designs—Vienna.

Hungary increases natural gas output

Production and established reserves of natural gas have increased sharply during the past decade; for 1967 production was estimated at 1.7 billion cubic

meters. Plans call for 3 billion by 1970 and 4.5 billion by 1975. Natural gas currently accounts for over 11 per cent of the total energy base. By 1972, some 250,000 consumers will be added to the network at an investment of \$120 million (official rate of exchange)—Vienna.

Danube River traffic to be speeded

Cargo traffic on the Danube River has increased in ten years from 9.7 million metric tons to 25 million. At present, 700 heavy-duty tugs and 3,300 barges serve the countries along its banks. Three important developments are now taking place on this river system: the Rhine-Main-Danube canal link, the Oder-Danube canal scheme (in the design stage), and the Iron Gates hydroelectric project that is being undertaken jointly by Romania and Yugoslavia—Vienna.

Europeans hope to sell nuclear plant to Romania

The 1966-75 Romanian electrification plan includes two 500-600 mw. nuclear power plants. Various countries, including the United States and Britain, have begun negotiations or exchanged delegations looking to supplying these plants, without tangible result. A consortium of West German, French and Swedish manufacturers was expected to make its final offer by the end of 1967—Vienna.

Hungary brews more beer

Last year Hungary brewed an estimated 3.14 million U.S. barrels of beer, an increase of 220,000 over 1966. Plans for a new brewery near Miskolc with a capacity of 630,000 barrels will be completed in 1968—Vienna.

Prague to have subway system

Prague will soon build a subway; the first section of approximately 13 miles is expected to be completed in eight to ten years. Soviet experts have been called in to help plan it and the Soviet assistance will also be sought to purchase the subway carriages—Vienna.

Romania develops new oil deposits

Romania has recently found new oil-bearing areas in the Crisana region and believes that there is another

oilfield near Suplacu du Barcau. Experts feel that this field contains millions of tons of crudes, though with a high content of bitumen. A new refinery now being built at Suplacu de Barcau will begin to turn out high-octane gasoline, fuel oil and bitumen early in 1969. Final processing capacity will be 300,000 tons of crudes—Vienna.

Czechs claim a first in spindleless spinning

What is said to be the first spindleless spinning mill in the world is going into operation in eastern Bohemia. Spinning and winding are combined and this makes it possible to increase production by 160 per cent—Vienna.

Hungary expands chemical industry

Hungary's chemical industry has grown remarkably since World War II, with particularly heavy investment in synthetic fibres, pharmaceuticals and fertilizers. Most of the new plants have gone up in Budapest, the centre of the Hungarian chemical industry, but a number of

industrial townsites have also been developed near raw material sources. The planners have allocated large sums to the continued development of the industry through 1970; this will be spent largely on fertilizer, manmade fibre and pharmaceutical factories. By that year, output will up 60 per cent—Vienna.

Hungarian canned foods industry active

The Hungarian preserved foods industry processes over a thousand different varieties of foodstuffs; in 1967 produced an estimated 42,000 carloads, with well over half slated for export. Daily capacity of 510 carloads is expected to rise by 100 this year, thanks to plant modernization and expansion—Vienna.

Vienna airport plans new cargo facilities

The increase in air cargo at Vienna-Schwechat International Airport has created a need for more space. This has been met in part by adding a floor to the cargo building. A new cargo center is planned, to be in service in 1971. Present facilities will gradually be converted to a fully automatic system—Vienna.

Trade Commissioners on Tour

In Territory

Barbados—J. D. Tennant, Assistant Commercial Secretary in Port-of-Spain, Trinidad, will visit Bridgetown February 11-17.

Britain—A. Lloyd, Commercial Officer in Liverpool, will visit Blackpool February 21.

K. R. Higham, Assistant Trade Commissioner in Liverpool, will visit Manchester February 22-23.

J. H. Nelson, Trade Commissioner in Liverpool, will visit Sheffield February 28-29.

California—D. S. M. Baker, Consul and Assistant Trade Commissioner in San Francisco, will visit Stockton, Modesto and Fresno during the week of February 19.

Eastern Caribbean—J. D. Tennant, Assistant Commercial Secretary in Port-of-Spain, will tour the Eastern Caribbean islands beginning March 8.

Ecuador—S. F. Pattee, Assistant Trade Commissioner in Bogota, Colombia, will visit Quito the week of February 19, and Guayaquil February 26-28.

Indo-China—A. Blum, Assistant Trade Commissioner in Hong Kong, will visit Laos February 13-19, Vietnam February 20-26, and Cambodia February 27-March 4.

Maryland—R. D. P. Lee, Consul and Assistant Trade Commissioner in Philadelphia, will visit Baltimore January 23-26.

Netherlands Antilles—J. E. Kepper, Assistant Commercial Secretary in Caracas, Venezuela, will visit Curacao and Aruba March 11-16.

New Guinea and Papua—W. G. Roberts, Assistant Commercial Secretary in Sydney, Australia, will visit New Guinea and Papua early in March.

Thailand—A Trade Commissioner from Singapore will be making a monthly visit to Thailand throughout 1968. Correspondence should normally be addressed to the Singapore office although contact can also be made through the Canadian Embassy in Bangkok, P.O. Box 2090 (telex: 2277; cable: DOMCAN, Bangkok; phone: 32-956).

Turkey—C. Swift, Commercial Officer in Athens, Greece, will visit Istanbul February 4-10.

M. B. Bursey, Commercial Counsellor in Athens, Greece, will visit Istanbul February 8-10 and Ankara February 11-15.

Venezuela—J. E. Kepper, Assistant Commercial Secretary in Caracas, will visit Maracaibo February 12-15.

Businessmen who would like the above to undertake assignments for them should write to the post as soon as possible.

Foreign Exchange Rates

These nominal quotations may help exporters in checking prices, but they should consult their banks before making any firm commitments. When more than one rate is shown, the one to be used 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.

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

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

For conversion of column one to the U.S. dollar equivalent, multiply by .92. To convert column two, divide by .92.

Country and Currency	Value of		Country and Currency	Value of	
	Foreign Currency unit in Canadian dollars	Canadian dollar in foreign currency units		Foreign Currency unit in Canadian dollars	Canadian dollar in foreign currency units
	at January 5			at January 5	
Algeria Dinar	.2199	4.55	Denmark Krone	.1452	6.89
Argentina Peso (free)	.0031	322.58	Dominican Republic Peso	1.082	.93
Australia Dollar	1.215	.8333	Ecuador Sucre (official) (free)	.0601 .0538	16.67 18.45
Austria Schilling	.0419	23.98	El Salvador Colon	.4326	2.31
Bahamas Dollar	1.060	.9434	Fiji Pound	2.484	.40
Belgium and Luxembourg Franc	.0218	46.25	Finland Markka	.2575	3.88
Bermuda Pound	2.604	.38	France, Monaco, etc. ³ Franc	.2199	4.55
Bolivia Peso	.0909	11.03	Franco-African Republics ⁴ Franc	.0044	227.79
Brazil Cruzeiro (official free)	.3369	2.96	French Pacific ⁵ Franc	.0121	82.64
Britain Pound	2.604	.38	Germany D Mark	.2701	3.80
British Honduras Dollar	.6510	1.54	Ghana New Cedi	1.060	.95
Burma Kyat	.2271	4.40	Greece Drachma	.0361	27.86
Ceylon Rupee	.1817	5.50	Guatemala Quetzal	1.082	.93
Chile Escudo (bank rate) (free)	.1881 .1608	5.32 6.22	Guyana Dollar	.5408	1.85
China, Republic of New Taiwan Dollar (official)	.0233	42.92	Haiti Gourde	.2163	4.62
Colombia Peso (fixed)	.066	14.95	Honduras Lempira	.5408	1.85
Congo, Republic of ¹ Franc	.0072	139.50	Hong Kong Dollar	.1785	5.60
Costa Rica Colon	.1633	6.13	Hungary Forint (official)	.0921	10.86
Cuba ² Peso	.....	.....	Iceland Krona (official)	.0190	52.91
Czechoslovakia Koruna	.1502	6.66	India Rupee	.1446	6.91

Country and Currency	Value of		Country and Currency	Value of	
	Foreign Currency unit in Canadian dollars	Canadian dollar in foreign currency units		Foreign Currency unit in Canadian dollars	Canadian dollar in foreign currency units
	at January 5			at January 5	
Indonesia⁶			Peru		
Rupiah	.....	.....	Sol (free)	.0275	36.36
Iran			Philippines		
Rial	.0143	70.42	Peso (free)	.2763	3.62
Iraq			Poland		
Dinar	3.028	.33	Zloty (fixed basic rate)	.2704	3.70
Ireland			Portugal & Coionies⁷		
Pound	2.604	.38	Escudo	.0376	26.66
Israel			Saudi Arabia		
Pound	.3090	3.24	Riyal	.2066	4.84
Italy			Sierra Leone		
Lira	.0017	581.86	Leone	1.514	.66
Japan			South Africa		
Yen	.0030	333.33	Rand	1.514	.66
Kenya			Spain & Dependencies		
Shilling	.1526	6.55	Peseta	.0155	64.25
Lebanon			Sweden		
Pound (free)	.3353	2.98	Krona	.2091	4.78
Malaysia			Switzerland		
Dollar	.3533	2.83	Franc	.2494	4.01
Mexico			Syria		
Peso	.0865	11.57	Pound (free)	.2831	3.53
Morocco			Thailand		
Dirham	.2137	4.80	Baht (free)	.0525	19.19
Netherlands			Tunisia		
Florin	.3004	3.33	Dinar	2.060	.49
Netherlands Antilles			Turkey		
Florin	.5735	1.74	Lira	.1202	8.33
New Zealand			United Arab Republic		
Dollar	1.219	.82	Pound (official)	2.488	.40
Nicaragua			United States		
Cordoba	.1545	6.49	Dollar	1.082	.92
Nigeria			Uruguay		
Pound	2.599	.38	Peso (free)	.0055	185.18
Norway			Venezuela		
Krone	.1514	6.61	Bolivar (official free)	.2409	4.15
Pakistan			West Indies		
Rupee	.2271	4.40	Dollar ⁸	.5408	1.85
Panama			Pound ⁹	2.604	.38
Balboa	1.082	.93	Yugoslavia		
Paraguay			Dinar (official)	.0865	11.57
Guarani (free)	.0087	116.28			

1. Additional rates are in effect.

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

3. Franc is also used in French Guiana, Guadeloupe and Martinique.

4. Chad, Central African Republic, Congo, Dahomey, Gabon, Ivory Coast, Mali, Islamic Republic of Mauritania, Niger, Senegal, Upper Volta, Camerouns, Togoland, and Malagasy. Also Reunion, Comoro Islands, St. Pierre and Miquelon.

5. New Caledonia, New Hebrides, French Polynesia.

6. Because of the complexity of the Indonesian exchange rate system, it is impractical to quote a single representative rate for the rupiah.

7. Approximately same rate for Portuguese territories in Africa.

8. Barbados, Trinidad and Tobago, Leeward and Windward Islands.

9. Jamaica.

Marketing Data Sheet

VENEZUELA

Area

352,150 square miles.

Climate

Venezuela has four climate zones: tropical, moderate, cool and cold. Average temperature in Caracas is 74.3°F and average humidity 79 per cent. Centigrade scale is used.

Population

Estimated total population 9.2 million: 4.7 million males and 4.5 million females.

Income

National income in 1965 was 29.2 billion bolivares (Can.\$7 billion). The gross national product in 1966 was 36 billion bolivares. Per capita income in 1960 was 2,612 bolivares (Can.\$620). The average hourly wage is 3.87 bolivares.

Bank Accounts

There are five million bank accounts.

Retail Sales

The value of retail sales in 1964 was 20.3 billion bolivares (Can.\$4.8 billion), 1,934 bolivares (Can.\$460) per capita.

Motor Vehicles

There are 298,800 passenger cars, 11,100 commercial vehicles and 10,100 motorcycles and scooters.

Telephones

35 per thousand persons.

Radio and Television

1,660,000 radio receivers and 591,000 television receivers. Radio and television broadcasting (425 lines) are both publicly and privately owned.

Water Supply

Not usually safe to drink.

Electric Power

Domestic and commercial 120/240 volts a.c. single-phase; industrial 120/208 volts a.c. three-phase. Most of the country is on 60-cycle supply; Caracas is being linked to the Guri dam and changed over to 60 cycles and work will proceed on a national grid. The capacity of private companies is 907,800 kw., industry's own plants 548,000 kw., and government plants 487,800 kw.

Coal

There is no local supply of coal.

Gas

Natural gas and LPG are available. In 1966, production was 22.8 billion cubic metres and reserves 882 billion. Natural gas is piped to consumers; LPG is supplied in cylinders. Gross thermal content is 92,900 BTU and the operating pressure is 128 psi. There are approximately half a million customers for LPG, of which some 10 per cent are commercial. Consumption is rising in line with the increase in population. LPG costs 8.50 bolivares for 5 cubic metres.

Petroleum

All refined products are available.

Weights and Measures

Metric.

Screw Thread

Metric right hand, and SAE.

Standards

The approval organization is the Comision Venezolana de Normas Industriales, Centro Simon Bolivar, Torre Sur, piso 6, Oficina 647, Caracas. C.S.A. or equivalent standards are generally acceptable.



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