APRIL 12. 69

FOREIGN TRADE

DEPARTMENT OF INDUSTRY, TRADE AND COMMERCE, OTTAWA

Approaching the Eastern European Markets

The secluded lake on our cover, with highways skirting both shores and rousing the open-road fever in us, could be in Canada, in Scotland, in Norway, or perhaps in Austria. Actually, it's Lake Ritsa in the Caucasus region of the Soviet Union. Each year, more and more Canadian businessmen and tourists visit the U.S.S.R. Not many of them penetrate as far as the Caucasus, but even the man intent on business should see some of the historic and scenic spots in the U.S.S.R. That's the advice our Commercial Counsellor in Moscow gives in his article on page 7.

Most of this issue, focused on Eastern Europe, talks business—business with the seven countries in Europe that follow the state trading system (in Yugoslavia, with certain modifications). And because this system is unfamiliar to Canadians, we have included a number of articles on trading techniques. There's one on organizing sales seminars to get in touch with end users, one on finding a representative, one on joint ventures, and one on possible exchanges of technology. And we have not omitted the usual reviews of current conditions and of trading opportunities in these countries.

Speaking of opportunities, the last 18 months have witnessed a good deal of activity directed towards broadening the base of our trade with Eastern Europe. Last August the Department opened a new trade office in Prague, Czechoslovakia. Trade missions have gone back and forth. The Romanians came here to take a look at our seed potato industry in the Maritimes and a separate group studied how we generate nuclear power. The Yugoslavs arrived to look at air transportation in Canada and our capabilities for airport construction. Some of our pulp and paper experts went to the Soviet Union to look at their plants, and to examine their design and research facilities.

The Department also took space at three of the big Eastern European fairs—Poznan, Brno and Zagreb—to show Canadian products. At Brno a Canadian line of wave-soldering equipment won a gold medal and attracted buyers. The president of this firm afterwards talked with *Foreign Trade* about how to make an impact upon this market. You will find the story on page 42.

The type gremlins that plague all editors did their worst in our issue of March 15 featuring South America. They whipped out three zeros from the heading on the Venezuela article and put them into the table of exports to Paraguay on page four. Would you believe that we sold only $100,000 worth of goods to Venezuela and $52 million worth to Paraguay? Nor did we when we saw it in print. Just switch the zeros.

FOREIGN TRADE

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Canada's Trade Relations with Eastern Europe ... are improving each year and prospects for increasing two-way trade with these countries are brightening.

G. ELLIOTT, *European Division, Office of Area Relations*

■ Canada has continued to seek ways of improving its trade relations with the countries of Eastern Europe, in keeping with its policy of pursuing mutually advantageous trade wherever it lies.

Wheat has dominated Canadian exports to Eastern Europe in recent years, sometimes accounting for up to nine-tenths of the export total. The major category in our exports to these countries is industrial materials, mainly cattle hides, sulphur, asbestos fibers, copper, and plastic and synthetic rubber. Occasionally we have also sold machinery and equipment of various types. Canadian sales to the Eastern European countries totalled $143 million in 1968.

On the import side, extension of the most-favored-nation tariff rates to Eastern European products has enabled these countries to increase steadily their participation in the Canadian market. Our imports from Eastern Europe have risen from about $30 million in 1964 to over $81 million in 1968. They consist mainly of consumer products, textiles, various types of clothing, and some industrial products such as machine tools.

With the conclusion of a trade agreement with Romania in March 1968, Canada now has formal trade relations with all the countries of Eastern Europe except Albania. Because Canada does not recognize the existence of East Germany as a separate state, we have no official trade or other contacts with that area.

Trade Agreements Useful

The main objective in concluding trade agreements with the state trading countries of Eastern Europe is to provide an effective framework for trade in both directions that takes into account the differences in our economic systems. The usual type of trade agreement incorporating an exchange of most-favored-nation tariff treatment does not necessarily achieve this objective in view of the absolute state control over imports into these countries. In Canada, businessmen make import decisions on the basis of commercial considerations without interference by the Government. With the exception of Yugoslavia, however, imports into the Eastern European countries are usually made by a small number of foreign trade enterprises, each of which has a monopoly over imports of a specified range of commodities. These state agencies, rather than the ultimate users, determine the source of imports and their choice may depend on a variety of factors other than the purely commercial ones.

In addition, state control over imports, combined with limited reserves of convertible currency, has resulted in a tendency on the part of these countries to import only products which they consider essential for economic development. This means that, though they will buy essential raw and industrial materials from the West as well as Western plant and technology, they are much less likely to show interest in consumer or other products which they can obtain from one of the other Eastern European countries. Consequently, in the negotiation of bilateral trade agreements with Eastern European countries Canada has generally sought undertakings from them to purchase specified minimum quantities of Canadian goods in return for most-favored-nation access to the Canadian market.

Bilateral vs. Multilateral

The Eastern European countries currently carry on about three-quarters of their foreign trade with each other. In the long run, both the absolute growth of trade with the West and also growth in the proportion of their total trade with Western countries may depend to a considerable extent on their greater participation in multilateral trade. The bilateral commodity-exchange type of trade agreement which they have with most of their major Western trading partners is designed to maintain balanced trade bilaterally and tends to inhibit an expansion of East-West trade.

Canada has consistently supported efforts to bring these countries to a greater extent into the multilateral trading system and has played an active role in working out arrangements for the associate or full membership of some of them in the General Agreement on Tariffs and Trade (GATT). Canada has sought terms of accession for these countries which would make their commitment to extend m.f.n. treatment to other GATT members as meaningful as possible and provide for the gradual elimination of the restrictive commodity-exchange type of trade agreements that they have negotiated in many Western countries.

Significant progress has been made. Until three years ago, Czechoslovakia was the only Eastern European country which had acceded fully to the GATT. It was one of the original signatories to the General Agreement before the assumption of power by the Communists there. Yugoslavia became a full member in 1966 and Poland followed in 1967. Romania applied for membership in the GATT in 1968 and Bulgaria and Hungary now have observer status.

The rate of progress and the results of the economic reforms are described in detail elsewhere in this issue. These are being implemented to varying degrees in several of the Eastern European countries and the rate at which this takes place could have a bearing on their participation in multilateral trade. To the extent that these reforms contribute to improving the quality and competitiveness of their products, they may enable the Eastern European countries to increase their export earnings and thus pay for a larger volume of imports. They may also lead eventually to some shift away from the concept of self-sufficiency and towards greater involvement in the international division of labor. It is too early to tell how far and how fast the East European countries will move in this direction. Czechoslovakia and Hungary already appear to have taken some tentative steps. Yugoslavia, which was the first Communist country to introduce economic reforms, has made considerable progress in this direction.

Aside from wheat, the countries of Eastern Europe have up to now been considered a marginal area for Canadian exports. Non-wheat exports to the area have generally approximated $25-$30 million a year during the last few years. However, in 1967 the Eastern Europeans imported a total of about $5 billion worth of goods from the non-Communist world. Many of these imports were products that Canada could have supplied. The following articles should provide the Canadian exporter with useful advice on how to break into the $5 billion East European market and obtain a larger share of it.

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 renewal 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 products 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 provided for the purchase of 44 million bushels of wheat over five years. Czechoslovakia has now completed the wheat purchases provided for under the wheat agreement.

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. This agreement was renewed on August 9, 1968, and the new agreement provides for Hungarian purchases of not less than $15 million worth of Canadian goods over the next three years.

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 million bushels of Canadian wheat over a three-year period.

Romania

Canada concluded a three-year trade agreement with Romania on March 22, 1968. The agreement provides for the exchange of most-favored-nation treatment and includes an undertaking by the Romanians to purchase Canadian goods of their choice to a value of not less than $9 million over three years.

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.

U.S.S.R. Meets Production Targets

... but growth rate has slowed, industrial progress has become uneven. Canada sells mainly wheat, raw materials, some machinery.

ROGER BULL
Commercial Counsellor, Moscow

■ The economy of the Soviet Union has come a long way since 1913, the last full year of peace before the Great War and the "Great October Revolution". In 1913 Russia was already becoming an industrialized country and was the fourth producer in Europe, (after Germany, Britain and France) of steel, coal and cement, and the largest producer of oil and lumber. Today the U.S.S.R. is second only to the United States as an industrial power, with a GNP of some $400 billion.

During the 1950's, under a complex system of centralized economic planning, Soviet industrial output rose by more than 10 per cent per year and the GNP at a rate of about 7 per cent. Lately growth has become slower. In the 60's the rate of increase in the GNP has been about 5½ per cent and the rate of growth of industrial production 7½ per cent. The return on investment and rate of improvement in labor productivity have also fallen. Gradually the realization has come that the economy is not progressing as rapidly as it should. The gap between the industrial production of the U.S.S.R. and of the United States is no longer closing.

Effect of Economic Reform

One possible solution to the growth problem is the economic reform introduced a few years ago. This involves few fundamental changes. Industrial enterprises are still expected to follow centralized production plans and prices are set by the planners, not by the market. It has, however, provided managers with opportunities and incentives to reorganize production, cut down overstaffing, and become more responsive to the needs of their customers.

By the end of 1968 the new system had been applied to 27,000 enterprises (out of 45,000) responsible for 72 per cent of Soviet industrial production. Enterprises working under the reform have consistently outperformed others and overfulfilled industrial output plans for the year. Unfortunately, the improvement in productivity attributed to the new system may prove to be more apparent than real once the effect of freeing previously hoarded inventory, labor and productive capacity wears off.

The fundamental contradiction between rigid physical production quotas and managerial responsibility seems to be appreciated by Soviet managers. "Planning on the basis of the level achieved is not an incentive to the better use of resources," one remarked. Yet the same speaker can still insist that "greater freedom in planning and economic activities is in no way prejudicial to the role of centralized state control." The new economic system is not very revolutionary.

An alternative solution to the problem of declining growth may be more thorough and effective planning. In October the Chairman of the State Planning Committee gave this his approval. Reviewing the progress of the economic reform he noted a general tendency towards too parochial an approach by both managers and planners. There is an inability to visualize over-all goals. Many show resistance to technological change. He saw the need for better selected and co-ordinated incentives, greater specialization and concentration of industry and, fundamentally, for better and more scientific planning. Such planning will require "a more extensive use of economic-mathematical methods and electronic computation facilities".

According to the 1968 plan fulfilment figures, industrial production in the Soviet Union increased 8.1 per cent, exactly meeting the target set in last year's plan but falling below the 10 per cent achieved in 1967, the 50th anniversary of the revolution. Labor productivity rose by 5 per cent, agricultural production by 3.5 per cent, and real per capita income by 6.1 per cent. It was a good but not a great year.

Progress is uneven. Some industries continue to show good growth: meat and dairy products, consumer durables, oil, iron ore, motor vehicles, and the newer, technologically innovative industries. The basic heavy industrial sector, already strong, is expanding at a slower rate. But in a number of industries—natural gas, fertilizers, synthetic fibers, electric motors, paper, footwear—growth in 1968 was slower than in 1967 and several sectors have been criticized for shortcomings.

Soviet Foreign Trade

Foreign trade is less significant for the U.S.S.R. than for most industrial nations. In 1967 it equalled less than 5 per cent of Soviet GNP or about U.S.$77 per capita. But in volume of international trade the Soviet Union was comparable to Canada or Italy. Exports totalled about U.S.$9.5 billion and imports about U.S.$8.5 billion (8,684,000 roubles and 7,683,000 roubles respectively).

In recent years the U.S.S.R. has generally enjoyed a favorable trade balance. The bulk of its trade is carried on with the other socialist countries (68 per cent in 1967) but a fifth is with industrialized capitalist states and about 10 per cent with the developing countries.

Major Soviet exports (1967) were: machinery and equipment (21.1 per cent), ores and metals (18.7), fuels and electricity (16.1), and foods (11.8). Major imports were: machinery and equipment (34.2 per cent), consumer goods (19.6), and foods (15.8). The U.S.S.R is traditionally an exporter of wheat—over 200 million bushels a year—and an importer of consumer goods and technically advanced machinery.

Soviet foreign trade is far too varied for item-by-item examination but con-

These sunflowers are being harvested in Tadjikistan, one of the Central Asian republics in the Soviet Union. Soviet exports of sunflower oil exceed $150 million a year.

sideration of one or two areas which are of particular interest to Canada may be useful.

Forest Products

The U.S.S.R. was a net exporter of forest products in 1967, notably of logs (179 million roubles) and lumber and veneers (277.5 million). Exports of pulp (38 million roubles), paper (39 million) and board (14 million) were less significant and were slightly exceeded by imports. Nearly 50 per cent of the logs exported went to Japan, 10 per cent to Hungary and Finland, and smaller amounts to most European countries. Lumber exports go mainly to Europe; the largest customers are Britain and East Germany. More than half the veneers are exported to Britain. Pulp exports are divided between Western and socialist markets but paper and newsprint go almost entirely to socialist or developing countries.

The heavy bias in exports towards lumber and the relatively small trade in pulp and paper for a country of this size and resources tend to confirm reports that the Soviet pulp and paper industry would benefit from a substantial increase in investment. Canadian producers will be interested in the sources of Soviet imports of pulp and paper for the last available year. These are set out in Table I.

Grain

Although it remains an exporter of grain, the Soviet Union has lately become an important customer for Canadian wheat. The traditional export surplus disappeared in the poor harvest of 1963. In the 1964-66 period, imports exceeded exports by

TABLE I

SOVIET IMPORTS OF PULP AND PAPER

	Finland	Sweden	Norway	U.S.
		('000 tons)		
Pulp	140	75	18	27
Paper	132.5	37	—	—
Newsprint	30	—	—	—
Board	52	.4	—	—

Lumber was imported from Yugoslavia and Romania.

3.3, 2 and 4.2 million tons. Following the record 1966 harvest (171.2 million tons) the export surplus was restored and it rose to 4.2 million tons in 1967. The bulk of the trade in grain is in wheat. Since 1963 most wheat imports have come from Canada.

Customers for Soviet grain are mainly Eastern European, particularly Czechoslovakia, East Germany and Poland, each taking more than a million tons in 1967, and Cuba.

Sources of supply were few and in most cases imports were small. Corn was imported from Romania, Mexico and Argentina, and a little wheat came from France (170,000 tons) and Mongolia (44,000 tons). But close to 90 per cent of the wheat was imported from Canada.

Trade Relations with Canada

Canadian-Soviet trade is governed by a Trade Agreement first signed on February 29, 1956, for three years, and renewed in 1960 and at three-year intervals since. It will come up for renewal again in mid-1969. Under the first agreement, most-favored-nation treatment was exchanged and the Soviet Union undertook to purchase up to 1.5 million metric tons of wheat over three years. During the period of the current renewal, the Soviet state foreign trading corporation for grain, Exportkhleb, has contracted with the Canadian Wheat Board to purchase nine million tons of wheat. All payments in Canadian-Soviet trade are made in convertible currencies.

Though the Canadian approach to international trade is multilateral, the Soviet Union on the whole prefers to operate on a bilateral basis. The U.S.S.R. is not a member of the GATT and has thus far remained unconvinced of the merits of the International Grains Agreement. Detailed control of Soviet trade is facilitated by the state trading system which

TABLE II

CANADIAN-SOVIET TRADE

	1960	*1965*	*1966*	*1967*	*1968*
			(Cdn.$ million)		
Soviet imports from Canada	8.2	197.4	320.6	128.7	88.6
of which					
wheat and flour	nil	189.1	316.4	119.5	83.1
Soviet exports to Canada	3.2	9.9	11.7	23.0	21.6

DBS figures.

allots responsibility for the import or export of a group of items to a single state trading corporation. Soviet officials often express concern about the unfavorable trade balance with Canada and usually prefer to import commodities and products that are available at comparable cost and quality from Canada from countries with which the Soviet Union has a trading surplus.

Soviet imports from Canada have greatly exceeded our imports from the U.S.S.R. in recent years, as Table II shows.

Future Soviet wheat import requirements will probably be smaller than in recent years but could continue to offer Canada an interesting market. In 1968 (January-November) Canadian wheat and flour exports to Cuba, financed by the U.S.S.R., were valued at $37.5 million. A second market is the Siberian Far East, where shipment by sea gives Canadian grain a competitive advantage over Soviet grain hauled by train from European Russia and Western Siberia over the Trans-Siberian Railway, or one-fifth of the way around the world. This market has been variously estimated but it could take at least a million tons of grain a year for some time to come. Based on the commercial requirements of these two markets alone, Canadian wheat sales to the Soviet Union could continue at about $100 million a year.

Major items which figure in Canadian exports to the U.S.S.R. are given in Table III. The reader will note that the items listed tend to reflect special Canadian quality or development—cattle, chicks, plastic raw materials and synthetic rubber—or are raw materials.

Recently several exchanges of visits by Soviet and Canadian experts have been arranged in areas where a Canadian industry is an acknowledged leader, including pulp and paper, forestry, oil extraction, gas transmission, and asbestos processing.

An order for Canadian tracked vehicles for use in the Siberian oilfields signed last October in part reflects the interest generated among Soviet experts by these visits and indicates the direction in which Canadian exports to the U.S.S.R. might be developed. The Commercial Division of the Canadian Embassy in Moscow stands ready to assist Canadian companies interested in this growing market.

Soviet exports to Canada cover a wide range of items, as shown in Table IV. Many manufactured products that do not appear in Table IV are imported in small quantities, but Soviet exporters still have a big selling job to do in making Canadian customers conscious of Soviet machinery and consumer goods.

TABLE III

MAJOR CANADIAN EXPORTS TO THE U.S.S.R.

	1961	*1963*	*1967*	*1968*
		(Cdn.$'000)		
Cattle, purebred	105	315	152	431
Baby chicks	—	55	96	—
Wheat	13,001	139,717	119,542	83,099
Wheat flour	—	7,900	—	—
Cattle hides	—	478	3,922	828
Calf and kip skins	76	—	574	237
Upper and sole leather	—	—	208	460
Manmade fibers	—	—	—	137
Sulphur	—	947	1,961	426
Nickel anodes, cathodes & ingots	9,171	—	—	—
Papermakers' felts	—	—	100	—
Chemical elements n.e.s.	63	—	—	—
Organo-inorganic compounds	—	132	—	—
Alcohols and their derivatives	—	—	212	453
Plastic and synthetic rubber	1,527	484	1,488	1,979
Abrasive wheels and stones	—	—	40	124
Hydraulic turbines and parts	99	—	—	—
Industrial machinery and parts	75	25	251	248
X-ray & related equipment & parts	120	—	—	—

TABLE IV

CANADIAN IMPORTS FROM THE SOVIET UNION

	1961	*1963*	*1967*	*Jan.-Nov. 1968*
		(Cdn.$'000)		
Fishery foods and feeds	—	—	270	—
Distilled beverages	—	—	179	128
Fur skins	1,305	1,034	908	347
Raw cotton	—	—	12,755	9,681
Cotton linters and waste	36	46	441	198
Manganese ores and concentrates	—	—	370	261
Plywood and board	66	58	639	497
Cotton cloth	15	114	1.543	1,526
Sunflower seed oil	—	—	—	860
Metallic salts of inorganic acids	—	—	—	115
Potassium chloride	—	405	—	—
Ferrovanadium	—	—	248	—
Alloys for the manufacture of steel	449	—	64	—
Pig iron	—	—	668	820
Wire rods, steel, hot rolled	—	—	162	245
Aluminum sheet and strip	—	—	—	140
Magnesium	—	—	—	147
Sheet and window glass	78	84	182	59
Earthmoving machinery	—	—	—	1,054
Metalworking machinery	—	—	785	626
Phonographic records and blanks	2	1	145	2
Costume jewellery n.e.s.	—	—	146	—
Watch movements	—	5	322	261
Advertising material	—	—	—	1,419
Art and decorative ware	—	—	298	1
Shotguns	—	—	174	145
Dolls	1	—	133	—
Collections and collectors' items	—	—	319	8
Prefabricated buildings and parts	—	—	—	100

—Intourist

This is Vasilyevsky Island, Leningrad. You see it when coming from Montreal aboard the "Pushkin".

Your Business Visit to the Soviet Union

ROGER BULL
Commercial Counsellor, Moscow

■ Soviet foreign trade is a state monopoly operating through foreign trading corporations under the guidance of the Ministry of Foreign Trade. Canadian businessmen, knowing this, will appreciate the wisdom of planning carefully their approach to potential customers in the U.S.S.R. If you happen to be doing business in a neighboring country and would like to take a look at Moscow, the Commercial Division of the Embassy will be happy to see you and discuss the Soviet market. But you cannot expect to make much impact with so informal an approach.

If you have the time, you should write to the Commercial Counsellor in Moscow three months before your intended arrival, giving the object of your visit and enclosing several copies of literature describing your product. This literature can be in English, French or German if you do not have a Russian translation, but should provide complete technical data and, where appropriate, cite successful installations and satisfied customers.

Once we have this material, we will submit it to the one of the more than 40 state foreign trading corporations which deals with the import and export of your product. It in turn will consult its clients, the actual users of the equipment. If the latter are interested, they will ask the trading corporations to negotiate with you. If yours is a standard product, this negotiation may be conducted by mail, although you will be welcomed if you wish to visit Moscow (where all the trading corporations have their headquarters). If your product is unique, of advanced design or would fill an urgent requirement, you may be invited to come to Moscow to negotiate.

Before You Come

To visit the U.S.S.R. you require a valid passport and a visa. For businessmen on business visits, this is a business visa rather than the alternative tourist visa. To obtain a business visa at no charge you should apply to the Commercial Counsellor at the Soviet Embassy in Ottawa, 24 Blackburn Avenue, or to the nearest Soviet Embassy if you are abroad. Normally a visa application should be made at least two weeks before your date of departure. If you require a visa extension, you may request it through Intourist during your visit. A certificate of vaccination for smallpox is not required for travellers from Canada, but you need one to return home.

You will have to arrange for accommodation and internal travel within the U.S.S.R. before you come. This can be done through your travel agent with Intourist, the Soviet tourist organization. Accommodation for businessmen is provided on a de luxe, first or second class basis. In each class, single or double rooms with breakfast or full board are available, with the price reflecting the quality of the accommodation. First and second class services include one conducted excursion in each city visited; de luxe class includes use of a car with guide-interpreter for three hours a day. Your travel agent will have the latest prices. Other services may be arranged after your arrival.

You may bring foreign travellers' cheques or currency freely into the Soviet Union but you must declare all foreign funds upon arrival. It is illegal to import or export Soviet rouble currency. The official rate of exchange is Cdn.$1.20 equals one rouble. Most visitors find it more convenient to carry U.S. dollars in cash rather than in the form of travellers' cheques because there are many places, including restaurants and foreign currency stores, where small payments can be made more conveniently in cash.

Upon arrival, you will be advised of the name of your hotel and provided with Intourist coupons for accommodation and meals. You may claim for unused hotel coupons, but meal coupons are not refundable. We suggest that you buy only bed and breakfast in advance. This will avoid any loss on unredeemable meal coupons and permit you to visit a wider range of restaurants.

When to Come

The most pleasant time to visit Moscow is in the summer and early fall, June through September. But this is not the best time for business. The city is crowded with Russian and foreign tourists and many of the people you may want to meet are on holiday with their families. The leading ballet and theatre groups are away on tour or on holiday and theaters are either closed or are playing host to performers from other parts of the Soviet Union.

The best time for the business visitor is from October to June, but don't forget the national holidays on the 7th of November, the 1st of January, the 8th of March and the 1st of May, when offices are closed. Working days are Monday to Friday.

How to Come

From Canada the fastest and most direct route is by the joint Air Canada-Aeroflot service from Montreal to Moscow via Copenhagen. Air Canada flies every Monday to Moscow by DC8, leaving Toronto at 17.25 and Montreal at 19.25, landing in Copenhagen at 08.15, and Moscow at 13.25. The return flight leaves Moscow Tuesday afternoon at 17.30. An Aeroflot Ilyushin-62 leaves Moscow on Mondays at 10.50 and returns from Montreal on Tuesdays at 16.25. The time difference between Moscow and Montreal is eight hours in winter, seven in summer. BEA, Air France, Pan American, SAS, KLM, Sabena, Air Austria and several other airlines fly to Moscow and Air Canada can offer a connecting service via its Europe 870 flight to Paris every evening. The fares to Montreal-Moscow and return are 21-day excursion Cdn.$570, economy thrift season $756, first class $1,170.

If you have time, you can come by sea in summer to Leningrad, via the *Pushkin* from Montreal, or Baltic Line ships from London calling at several European ports. There are also year-round sleeping car train services via Berlin or Vienna.

Whot to Bring

Dress as you would in Canada, but don't be shy about wearing your new fur coat. In winter all the Russians (men and women) who can afford them wear fur coats. Real winter, Canadian style, is mainly from January to March, but snow usually appears in December and lingers into April. A topcoat or lined raincoat is useful in both fall and spring; eitber may be damp, with a raw wind. Snow removal in Russian cities is very efficient, but bring your rubbers. Suits should be ordinary Canadian winter weight. Buildings are well heated (sometimes too well) and become very dry without humidifiers. May to August can be hot enough to make a lightweight suit comfortable. It is simpler to have your dry cleaning done before you come, but suits can be pressed and laundry done by your hotel.

Free entry of personal effects is permitted but visitors are required to list not only their money but other valuables on a declaration which they may need to obtain clearance on departure. Brocbures, catalogues and other printed matter may be brought in duty-free. Samples may also be admitted free of duty provided the bearer certifies in writing his intention to re-export. This re-export must eventually be confirmed or the duty paid. Rather than load yourself down with catalogues, these may be sent by airmail, air parcel post or air freight to the Commercial Counsellor at least three weeks in advance of your visit. Provision is made for duty-free entry of exhibits. Incidentally, Customs may also examine your baggage when you leave, so the purchase of souvenirs, particularly those of any value, should be supported by receipts.

Getting About

Your Intourist booking covers transport from Sheremetyevo Airport to your Moscow hotel. This may be one of several, but will probably be the Metropole, just across Sverdlov Square from the Bolshoi, the National on Manège Square facing the Kremlin, where Lenin once lived and worked, or the new Russia (sometimes called "the Comrade Hilton"), on the bank of the Moscow River facing west towards St. Basil's Cathedral and Red Square. All are central, witbin five minutes' walk of each other, and have good restaurants. The Embassy is some ten minutes off by taxi. Taxis in Moscow are not expensive. Most rides cost less than a dollar and no tip is expected. Everyone uses taxis and they can sometimes be hard to find, especially at night. Buses and trolley buses run everywhere, costing 4 or 5 kopecks (5 or 6 cents) a ride, but since this is still a city of few private cars, they are apt to be crowded. The Moscow Metro, (out of rush hours), is a real tourist attraction and for five kopecks you can go anywhere. A Metro map is three kopecks at your hotel or a street kiosk and an illustrated map of Moscow in French, English or Russian costs only 50 kopecks. Intourist offers a good cboice of sightseeing tours, giving you an opportunity to obtain a general impression of Moscow and mark down points of special interest for later, more leisurely visiting.

Doing Business

Start by checking in with the Commercial Division at the Embassy. If you need help in making appointments, we will provide it. If your itinerary is already completely arranged by one of the state foreign trading corporations, we will still be glad to see you and offer what other assistance you may require. Russian officials do not expect visitors to speak Russian, although such a skill can be very useful, so you will always be greeted by an interpreter when you arrive for your appointment. In addition, the Commercial Division has two bilingual translators/interpreters who can help in emergencies.

Your contacts will be courteous and businesslike. Once you come to know them fairly well and are doing business, an invitation to lunch or dinner is acceptable to them. You may be entertained by an evening at the ballet or the circus in return.

Negotiations usually involve a series of meetings on successive days. Your contacts will wish to take time to review your offer carefully and you may also want to call home for additional information or consultation. Negotiations are apt to be tough and take time. But you are dealing with the only buyer in the country so orders when they come can be big. Time need not hang heavy between meetings. You can call on the Ministry that manages the industry to which you are selling, meet with the planning organization that designed the project on which you are bidding, keep the Commercial Division in the picture, or just relax and go sightseeing.

If you need statistics, market data, or want to talk things over, we can help. We can also offer you the use of the telex at the Embassy for fast confidential commercial communication with Canada.

Time Off

If you have time, visit one or two other big cities, Leningrad, Kiev, Odessa or Riga, or a seaside or mountain resort like Yalta or Piatigorsk. The U.S.S.R. is a varied and fascinating country. Moscow is a great city but it is no more typical of all of the Soviet Union than Paris is of France or Ottawa of Canada. Travel within the Soviet Union is not expensive. Air and train service is dependable and efficient. If you like trains, take the famous night express to Leningrad. If you are interested in art, the ancient cities of Pskov, Vladimir, Novgorod, and Zagorsk can be visited on weekend tours.

In Moscow the tourist's problem is one of choice; he can easily spend a day in the Kremlin alone. In the evenings of a typical winter week you can see one of the great classical ballets at the Bolshoi, opera in the Palace of Congresses, Chekhov at the Moscow Art Theater, the Obraztsov puppets, and the Moscow Circus, and still have Saturday evenings free to linger over dinner in a restaurant seeing how Russians enjoy an evening out.

Out-of-doors in Moscow, winter offers two unique experiences: swimming in the circular open-air pool by the Moscow River and skating on the frozen paths of Gorky Park. In summer there are the river boats running like a bus service through the city and also the hydrofoils. Moscow is never dull as you will discover when you come.

If soaking up the sun is what you want, you will find plenty of it at the Black Sea resorts. Wooden stretchers protect these sunbathers from sharp stones on a popular beach at Yalta.

91514—2

This is modern Warsaw, a bustling city of 1.3 million people. The building on the right houses Rolimpex, the Polish state trading organization buying Canadian wheat.

The Potential Polish Market

Canadians should exploit the potential for selling machinery and equipment to Polish industry.

JOHN M. HILL, *Assistant Commercial Secretary, Copenhagen*

■ The basic structure of Canadian-Polish trade remained unaltered during the course of 1968, but there were substantial changes in the dollar value and volume of the goods exchanged. The most significant change was a drop in Canadian exports of wheat from about $20 million to $14 million and this was the major factor in the over-all decline of our exports from $25.8 million to $18.8 million. On the basis of 11-month import figures, Polish exports to Canada in 1968 reached an estimated $13 million, a $2 million decline from the previous year. As a result, Canada's favorable balance of trade with Poland was $5 million, a reduction of over one-half from the 1967 figure.

A glance at Tables I and II shows that Canadian exports continue to be concentrated on raw materials, with substantial shipments of mineral concentrates, asbestos fibers, raw cattle hides, and agricultural seeds. Small shipments of laboratory instruments, measuring and testing equipment, and industrial machinery constituted the only manufactured goods on our export list. Poland's exports to Canada included a variety of textile, agricultural and manufactured products for both consumers and industry.

What Poland Buys

The Polish import market is a substantial one—U.S.$2.6 billion in 1967 and a projected U.S.$3.1 billion in 1969. Even though Poland carries on over 65 per cent of its foreign trade with other Communist countries, trade with non-Communist countries totalled about $830 million in 1967. West European countries have been quick to grasp Polish import requirements and in 1967 sold to the Poles goods valued at over $600 million.

Poland's resource base includes reserves of coal, non-ferrous metals and sulphur. However, it must import substantial quantities of oil, petroleum products and iron ore as necessary raw materials for its industrial sector. Fuel and raw material imports accounted for over 45 per cent of 1967 imports. As our trade figures indicate, Canadian exporters of raw materials have established working relationships with the Polish import organizations and are obtaining worthwhile results from their efforts. A Department of Trade and

Commerce Metals and Minerals Market Study Mission visited Poland during its Eastern European itinerary late in 1967, and obtained an up-to-the-minute assessment of both trade opportunities and the development plans for Poland's non-ferrous metals industry. Similar studies of other industrial sectors will be undertaken in the current year, and opportunities will be brought to the attention of Canadian exporters.

Despite the increasing importance of Polish industrialization, Polish agriculture remains an important sector of economic activity, from both the export and import viewpoint. Imports of agricultural products and foodstuffs totalled U.S.$285 million in 1967. Under long-term contracts negotiated by the Canadian Wheat Board with the import agency Rolimpex, prairie grain growers have achieved significant economic benefits from the export of Canadian wheat. A technical mission from the Board of Grain Commissioners held discussions with Polish flour millers, elevator operators, testing officials and importers in June 1968 as part of their program of maintaining continuous contact with their export markets. More recently the Department of Industry, Trade and Commerce invited a Polish cattle expert to Canada to assess Canadian breeding cattle.

Imports of industrial machinery and equipment in 1967 totalled over U.S.$970 million. Although Poland is also an exporter of this type of goods, imports of equipment of advanced design are an important element in the further development of the country's industry. Officials have expressed concern that Polish exports of machinery have not met export targets set out in the Annual Economic Plans and that at the same time, imports of such equipment have exceeded planned targets. Measures have been introduced to increase exports and to subject return-on-investment calculations by import specifiers to closer scrutiny. It appears evident, however, that there will continue to be a buoyant market for these goods. Western European suppliers are aggressive in their pursuit of this market, frequently combining equipment sales with licensing, co-production, or joint research agreements.

Opportunities Here?

Canadian exporters have so far had little share of Poland's foreign purchases of machinery and equipment, but the development of Polish industry will continue to present opportunities for aggressive exporters. Here are some examples of these opportunities culled from the Economic Plan for 1969:

Geological drilling program for oil and natural gas will continue; about 500,000 meters of drilling planned for both 1969 and 1970.

Television set production will reach 570,000 units in 1969.

Paper and cardboard production machinery built in Poland will increase about 12 per cent in each of the next two years. About U.S.$9.5 million of

TABLE I

WHAT CANADA SELLS TO POLAND

	1963	*1964*	*1965*	*1966*	*1967*
			(Cdn.$'000)		
Durum wheat (except seed)	—	7,915	5,790	6,269	4,397
Wheat (except seed)	18,368	47,436	16,069	22,113	15,586
Cattle hides (raw)	162	324	586	2,614	739
Rapeseed	—	—	1,276	—	—
Alfalfa seed	—	34	1,391	313	172
Manmade fibers and wastes	4,672	955	—	2	—
Zinc in ores and concentrates	128	4,404	5,358	3,194	1,659
Molybdenum in ores and concentrates	—	—	—	—	163
Asbestos milled fibers, grade 3	317	—	77	525	136
Asbestos milled fibers, grades 4 and 5	49	40	1,038	1,880	1,060
Sulphur crude and refined	—	276	556	—	515
Alcohols and their derivatives	—	—	—	—	—
Copper refinery shapes	2,361	599	—	—	—
Copper bars, rods and shapes n.e.s.	—	—	—	—	—
Total, all exports	**27,200**	**62,653**	**31,565**	**37,404**	**25,790**

TABLE II

WHAT CANADA BUYS FROM POLAND

	1964	*1965*	*1966*	*1967*
		(Cdn.$'000)		
Corned beef, meat and meat preparations, canned	353	306	377	643
Fruits in liquid preserves, not canned	649	716	671	373
Fur skins, fox	2	280	131	554
Print cloth and sheeting, bleached	288	212	309	359
Flannel napped fabric, cotton, unbleached and bleached	516	570	611	624
Flannel napped fabric, cotton, colored	185	198	198	250
Corduroys, cotton, colored	33	230	350	266
Rayon broadwoven fabrics	71	274	363	579
Plates, carbon steel, 60 inches or less	—	109	241	960
Lathes, metalworking and parts	38	57	212	237
Bicycles	213	182	129	542
Brooms and whisks	165	114	112	221
Sweaters and cardigans	167	234	171	243
Shirts and sweat shirts, knitted	139	277	237	428
Boots and shoes	28	57	347	284
Waterproof rubber footwear	110	346	179	283
Bedspreads, textile	123	211	147	218
Sheets, bed, except rubber	517	670	1,014	1,134
Pillow cases, textile	95	116	145	216
Tablecloths	321	252	174	185
Towels, linen	353	343	129	218
Total, these products	4,366	5,654	6,247	8,817
Total imports	**9,280**	**11,815**	**13,757**	**14,982**

A Business Visit Helps

■ The success that Western European businessmen have achieved in the Polish market is in large measure due to their proximity to Poland. The British, German or French marketing man can and does visit Poland regularly to undertake market research, to keep in close contact with the foreign trade enterprises, to contact specifiers and end users directly, to be on the spot when machinery is being installed and, of course, to follow up any complaints or problems. From the European's viewpoint these activities are important elements in a marketing program designed to ensure continued success in the Polish market.

Given the dominance of raw materials in our export sales to Poland, there are few Canadian manufacturing companies whose current sales in the Polish market can support as intensive a marketing program as their European competitors undertake. There are, however, an increasing number of Canadian firms aware of the potential in Poland and exploring business opportunities there. Although Canadian firms do not have the time and resources to give the Polish market intensive coverage, they recognize that a personal visit to this market is vital in achieving sales.

The experience of Canadian businessmen in Poland should persuade the newcomers of the necessity of a well-timed first trip. Here are some disguised examples.

Cautious Canadian Co. Ltd.—Although Cautious Canadian Co. had achieved considerable success with its highly advanced well-known "time saver" it had never explored market possibilities in Eastern Europe. A Polish official had encountered great difficulty in achieving his output targets as specified in the Economic Plan, and when he was made aware of Canadian expertise in this area by the Commercial Counsellor in Copenhagen, he requested Cautious Canadian to forward technical information, specifications, samples, and so on. In suggesting that Cautious should visit Poland the Commercial Counsellor pointed out that a good deal of Polish output is for export and that there seemed to be a good chance that convertible foreign exchange would be made available for the purchase of his equipment. Despite frequent visits to Western Europe, Cautious has not yet included Poland in its itinerary. This inquiry is now inactive and prospects for business appear limited.

Timid Traveller Inc.—After achieving substantial sales in Poland through one of its overseas subsidiaries, Timid Traveller decided to supply the market from its Canadian plant. During the transition phase, however, other suppliers began to fill the Polish requirements. Polish buyers were concerned with the quality, design and price of the Canadian samples submitted. An active exchange of technical data, product design and specifications, samples and price information was carried on by the Commercial Counsellor, Copenhagen, during his regular trips to Poland. When it became evident that the technical problems were not being resolved, the Copenhagen office recommended a direct call on the buyer. No such call has yet been made. Although Timid continues to express interest in the market and to submit quotations on Polish requirements, the technical problems remain unresolved and the possibilities of business are remote.

Efficient Export Enterprises Ltd.—As a small, highly specialized manufacturer of "quality improvers", Efficient Export Enterprises cannot release any of its key personnel for regular European sales calls. Efficient therefore has established a Rome-based representative to handle all European marketing. Throughout his travels in Western Europe, this representative has kept his ear to the ground and in doing so has assembled considerable data on the Polish market, including a list of all potential Polish customers. Copies of all correspondence to Poland have been forwarded to the Commercial Counsellor, Copenhagen, who during his regular visits to Poland is able to contact the product specifiers and end users and to assess their degree of interest in the Canadian company and their ability to secure convertible foreign exchange. One such meeting revealed that a Polish enterprise had an approved budget of over $200,000. The Rome-based representative visited Poland soon after; negotiations are continuing.

Aggressive Associates Ltd.—Aggressive's production of "spellbinders" for a limited North American clientele is based on a close working relationship with and expert knowledge of the industry's technical problems and requirements. Aggressive's marketing activity is in effect a continuing technical symposium with a small group of buyers. When Aggressive heard of a potential Polish requirement for "spellbinders", the president wrote the Polish agency, setting out background information on the company, its range of products and services, and its previous experience. The Polish agency was somewhat surprised when soon after the receipt of the letter, Aggressive's marketing manager and a Trade Commissioner from Copenhagen visited the agency's head office in Warsaw. The marketing manager had a somewhat chilly reception on his arrival in Warsaw, because he had misplaced his overcoat during a transfer in his 6,000-mile transcontinental and transoceanic flight. He warmed up during the meetings, however, as he obtained detailed technical information from trade and industry officials on the scope of Polish requirements for both equipment and knowhow. Further meetings are scheduled.

The lesson from these examples is clear: an initial visit can provide a wealth of market information, establish your firm as an interested supplier, and enable you to make an on-the-spot assessment of the likelihood of doing business. Let the Commercial Counsellor in Copenhagen know of your interest in exploring the Polish market. His preliminary talks with appropriate officials can save you time and money.

equipment for the forestry industry was imported from hard currency countries in 1967. New equipment will be necessary for increased production of wood particle board, fiberboard, paper and cardboard.

Industrial automation systems will be further developed, with a 20 per cent rise anticipated for this year. Advanced automation equipment from Western countries, including Canada, will receive close scrutiny from Polish buyers during the course of the Poznan International Trade Fair, June 8-17, 1969. The theme of the Fair, Automation and Electronics, indicates that these two areas offer scope for increased Canadian exports.

Semi-conductor production will begin this year with the assistance of foreign knowhow and licensing agreements.

Food processing will receive substantial investment; projects include plants for frozen, canned and smoked meat, powdered skim milk production, frozen foods, and cheese.

Agricultural and forestry equipment output will rise by 12 per cent per year in 1969 and 1970.

The First Step

Despite the detailed economic plans and forecast and the concentration of the purchasing function in 40 foreign trade enterprises, the most difficult task for a Canadian exporter is to determine whether there is a potential market for his product. The Commercial Counsellor in Copenhagen can assist the exporter if he forwards four copies of specifications, technical details, product brochures and, initially, f.o.b. Canadian port prices. During their regular trips to Poland, officers from the Copenhagen office will endeavor to uncover prospects for these products through meetings with the foreign trade enterprises, Ministries, industrial amalgamations and research and scientific institutes, and to advise on appropriate action.

Canadian exporters are often wary of extending their trading interests to centrally planned economies because of the well-known problems of convertible currency shortages, difficulties in contacting specifiers and end users directly, and the inability to determine the likelihood of doing business and how much time and effort should be spent on selling. We can do a preliminary market assessment and put the problems and opportunities in perspective for you.

Poland Trades Technology Too

Licensing, knowhow and co-production agreements with Canada are possible and may be profitable.

JOHN M. HILL, *Assistant Commercial Secretary, Copenhagen*

■ The worldwide trade in and exchange of expertise and knowhow is playing a major role in the industrial development of virtually every country. The Canadian economy has received substantial benefits in terms of employment, output and exports from the application of foreign technology. There have been various forms of technical, licensing and knowhow agreements, some reflecting government industrial and defence policy, others negotiated between foreign and Canadian firms, often within the foreign parent-Canadian subsidiary relationship. A similar trend in the use of foreign technology can be observed in Poland, where postwar economic policy has had as its primary objective the development of a modern industrialized state. Canadian industrialists and exporters should be aware of the role that foreign technology has played in Polish development and the implications for future trade.

Use of Foreign Technology

Polish purchases of licences have increased substantially in recent years. Foreign techniques to modernize existing productive capacity and to introduce new products have been used to great advantage, particularly in the heavy engineering and chemical industries. These industries have bought more than 30 licences for the development of a variety of products, including artificial fibers, polyethylene, ships' engines and auxiliary ship equipment, turbines, power transformers, and medicines. In the past two years the number of licences purchased has been two-and-one-half times the number purchased in the preceding five years.

There is an almost infinite variety of agreements possible in the exchange of technical expertise and knowhow. Here are some examples of agreements concluded between Polish and foreign enterprises.

1. Licensed manufacture for export—A number of engines are produced under foreign licence, including Burmeister and Wain and Sulzer (marine diesels), Leyland and Henshel (industrial diesels). These engines are used in manufacturing Polish goods for domestic and export markets.

2. Licensed manufacture for domestic use—An agreement with Max Factor will facilitate the introduction of new types of women's nail polish.

3. Technical co-operation—An exchange of information and experience in the design and construction of heat-treatment furnaces for iron and steel has been concluded by the French firm SA Heurtey and the Polish foreign trade enterprise, Centrozap. An exchange of engineering staff between the two firms is planned and possibly co-operation on export opportunities in third markets.

4. Exchange of components—Polish factories will produce a number of component parts for a British manufacturer of cranes. These will be supplied to the British company in exchange for parts of a similar value to be incorporated into the British cranes used in Poland.

5. Plant, machinery and technology packages—Several agreements have been reached under which foreign firms supply all or part of the necessary production machinery, as well as technical information and knowhow. Large contracts have been concluded for the purchase of a nitrogen fertilizer plant from France and an agreement with Fiat to produce its model 124 under licence. In spite of the considerable benefits realized under the various agreements, Polish officials have recently expressed some concern over the length of time involved in implementing production after agreements have been concluded. There is a natural anxiety that the purchased technology may become obsolescent by the time it is introduced. The Poles may prefer co-production agreements because this form of co-operation gives greater assurance that new technical advances will be shared with the Polish partner.

A number of industries have not made much use of foreign technology so far and increased activity in this area by the food processing, construction, building materials and forest products industries is expected. An important criterion for the introduction of new technology, whether purchased from abroad or developed with Poland, will be the beneficial effects, direct or indirect, which this technology may have on export performance.

Who Negotiates Agreements?

Under the Polish system of state trading organizations, the responsibility for the import and export of goods and services is centralized in the hands of a number of foreign trade enterprises. In view of the great variety of agreements possible in the exchange of technical knowhow, it is not surprising that a number of organizations are involved. The principal agency is the foreign trade enterprise Polservice, which is responsible for the import and export of patents, licences and knowhow. Another agency, Polimex, has negotiated a number of licence and knowhow agreements in the chemical field as part of its over-all responsibility for the import and export of plant and equipment for the chemical industry. When agreements include botb production machinery and knowhow, the foreign trade enterprise with responsibility for the trade in the final product, together with representatives of the producing industry, usually negotiates the agreement.

Polish Export Efforts

Contacts between Canadian and Polish businessmen who are interested in the development of co-operation agreements has so far been limited. The further expansion of trade between the two countries, as well as an increased appreciation of the technological capabilities of each, should lead to greater interchanges. *Foreign Trade* readers may be surprised to learn that the emphasis has been on the export of Polish technology to Canada. Through the medium of the *New Products Bulletin* published by the Department of Industry, Trade and Commerce and circulated widely to Canadian manufacturing firms, Polservice has brought a broad range of products and technology available for licensing in Canada to the attention of our manufacturers. Recent items include a cultivating and sowing combine, magnetic defectographs, continuous steam-drying ovens for ceramic products, a method of pressure-welding thin-walled pipes, and pneumatic logical elements. The foreign trade enterprise Centrozap has been working closely with a Canadian company on a joint venture proposal under which Centrozap would supply Polish mining technology and equipment for the development of a new potash mine in Saskatchewan, in exchange for Canadian potash to meet Poland's fertilizer needs.

The Canadian Approach

The export of knowhow and technology by Canadian firms is traditionally viewed as the last marketing alternative, to be considered only after efforts for direct export of products prove fruitless. Canadian companies actively pursuing business in Eastern Europe are coming to recognize that a flow of technical information and knowhow can establish a close co-operative framework within which to do business with their Eastern European associates. In some instances this technical co-operation may be an integral part of an export sale from the outset; in others, the provision of knowhow may help to ensure the continuation of a company's exports to that market. Departmental officers and Ottawa-based commodity experts are also making an effort to examine Polservice's import list with the objective of determining whether Canadian technology is available to meet Polish requirements.

Staple products have been a traditional feature of Canada's export trade with Poland from the time of our early shipments of codfish, fur skins and square timber to our current position as a major supplier of wheat, metals and forest products. As recent export figures illustrate, the development of a diversified Canadian secondary industry has resulted in an expanding range of manufactured products that are increasingly competitive in world markets. Canadian industrialists and exporters should recognize that trade in technology is becoming a significant factor, particularly with countries like Poland which recognize the import benefits that accrue from the purchase of advanced technology. The activities of Western European companies show that licensing, knowhow and co-production agreements are both possible and mutually profitable.

International Loan Announced

Education in Guyana—The International Development Association (IDA) and the World Bank are together lending U.S. $5.8 million to Guyana to cover foreign exchange costs of the U.S.$10-million first stage of its long-term plan to restructure its educational system below university level. The present project includes a training college for 660 primary teachers and five new multilateral secondary schools which, with the conversion of two existing secondary schools, will accommodate 5,700 students. Contracts for civil works, teaching equipment, books and furniture will be let on the basis of international competitive bidding.

East-West Trade Specialists Can Help You

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

■ When he first looks at trading possibilities in Eastern Europe, the uninitiated Canadian exporter may be tempted to say that the challenge is too great. But the market is large and Canadian companies should be getting a piece of it. West European exporters are doing a booming business while Canadian exports remain limited to traditional products and amounts. One way for Canadians to change the situation is to start selling through the East-West trading houses or the agencies which have sprung up in Western Europe and North America in recent years.

The West European firms can provide the normal services of an agent or representative but usually their capabilities and activities have to go considerably further. Not only do they do market surveys, promotion and contact work and make the sale, but they can also follow up on deliveries and provide short-term financing and technical service. In addition, they can either themselves undertake or arrange for compensation or switch trading.

Contacting end-users or technical people in Eastern Europe is difficult for all Westerners but in most instances the East-West agents have access to them. They usually represent a number of firms and either have a representative on the spot or visit Eastern Europe frequently. This is important for making personal contacts and in trouble-shooting.

There are a great number of these firms (known variously as agents, representatives, switch dealers, compensation trade dealers) throughout Western Europe and especially in Vienna. They vary in size and character and in their ability to get the job done. Some are manufacturer/exporters who are willing to take on non-competitive but related lines produced by other Western firms. Some are agencies contracted to a number of foreign companies, some are representatives who operate on a strictly ad hoc basis, and others enter transactions only to take care of two-way or compensation trade requirements. Their character and qualifications are so diverse that the Trade Commissioners can locate a firm to meet the needs of almost any Canadian company.

However, this does not mean that we recommend in all cases that a Canadian company take on an agent or representative to handle its business in Eastern Europe. Far from it—and for two good reasons. One, some foreign trade organizations in Eastern Europe prefer to deal direct with the foreign company. Two, every Canadian company does not need their services. The type and scope of a contract are also factors.

Undertake Market Surveys

The first service which these organizations can provide for most Canadian companies is a detailed initial or an in-depth market survey. To be sure, this can in almost all instances be done to some extent by the Trade Commissioners. However, if the Canadian company intends eventually to use a representative, then the representative should also do the initial survey. The contacts these firms have enable them to perform this function well and carrying out the survey prepares them for future selling. Usually this initial work is done without charge because many firms are anxious to take on extra lines and broaden the range of products they can offer. This must, of course, be settled at the outset; Canadian companies, however, should not shy away from paying if the representative demands it and if they feel the results will be worthwhile. The Trade Commissioner can help in this decision.

Free-Lance Representatives

Normally, large Canadian companies with an international sales staff have little use for further representation. In Eastern Europe, however, the transactions in which these firms are concerned are likely to be large and involve strong competition and lengthy negotiations which demand considerable experience and ingenuity. In such cases, it may be to a firm's advantage to use a free-lance representative who can keep in continuous contact with the Eastern European organizations and advise on methods of doing business in Eastern Europe generally. Some of these firms now have offices in hotels in major East European cities and can be readily contacted. Often they work on a fee-plus-commission basis and once continuing sales have been established their services may only be needed for a short period—normally at contract time each year.

If yours is a medium-sized Canadian firm already in export but not selling in Eastern Europe and if you would like to branch out further, you should certainly take a closer look at Eastern Europe. Ask the Trade Commissioner for a preliminary assessment of the market and for suggestions on using a representative. If your product is an import item and your firm is unable to send someone over to do a fuller investigation, the Trade Commissioner may carry out further specific research on your behalf. If the prospects look interesting but difficult to convert into sales, he may suggest that you arrange for an introduction to a West European firm which can look after your interests.

In accordance with your wishes, a firm can be found to carry out a detailed market survey for your product, probably using its representative based in Eastern Europe. This representative will also assess the competition and your chances of penetrating the market. The firm can then proceed immediately to sales promotion. including the provision of short-term financing, compensation trade, etc. After sales are made, some firms can provide follow-up service, but this depends on the type of equipment involved and the capabilities of the representative.

Make a Careful Choice

Using West European manufacturer/exporters to represent you in Eastern Europe is good provided you choose the firm carefully. Some West European manufacturer/exporters tend to be easily satisfied and as soon as sales reach a certain figure, their efforts decrease. Avoid such firms, especially when long-term contracts are involved. The main advantage of using a manufacturer/exporter is that the firm has to keep in close contact with buyers in Eastern Europe to promote its own products. Its ability to supply financing, to accept payment in compensation trade if necessary, and to provide service are all very important. They may also take part in East European trade fairs, which gives your company an excellent opportunity to do so too.

For very small Canadian companies, some form of European representation is almost essential. First, however, contact the Trade Commissioner and find out whether there are any sales possibilities. In point of fact, a European firm will only contract to look after your interests if the business looks promising. The arrangement you make will probably be a fairly loose one and you should strive for an agreement based on commission rather than a long-term contract with an agency fee attached.

To sum up, doing business in Eastern Europe is different and requires careful research, patience, hard bargaining, and a willingness to meet buyers on their own ground. You have to accept the rules of the game but we have shown how European representatives can ease your problems.

Above all, don't try to "play it by the book". The Trade Commissioners have a lot of experience in getting Canadians started in East European markets. You should be in touch with them right from the beginning and make full use of their services.

Bulgaria Transforms Its Economy

Soviet Union dominates foreign trade; Canada's share is still small.

R. R. M. LOGIE, *Assistant Commercial Secretary, Vienna*

■ The most remarkable feature of Bulgaria's development since World War II is its rapid transformation from an agricultural country into an industrial state. The growth of industry has averaged over 10 per cent a year in the 1960's; this pace was maintained in 1968 and is expected to accelerate this year. National income has been rising rapidly; although the growth rate fell to 6.5 per cent in 1968 largely because of crop failures, it should reach 10 per cent in 1969.

Much of Bulgaria's growth has resulted from its particularly close ties with the Soviet Union. Since the 1950's, the U.S.S.R. has supplied most of the complete industrial installations which Bulgaria has imported, generally as aid or on very favorable credit terms. About half of Bulgaria's foreign trade has been carried on with the Soviet Union. None the less, a considerable number of plants have been bought from the West and have contributed substantially to development of the country.

Bulgaria's economic reforms, operating in some sectors since 1966 on a trial basis, will be applied to the entire economy this year. As elsewhere in Eastern Europe, the main aim is to decentralize economic decisions and to give more responsibility to the enterprises and trusts. The state will continue to issue to each enterprise instructions on its volume of production, investment limits, foreign currency allocations, export targets, and certain raw material imports. Enterprise managers will, however, have much more authority to make decisions on detailed operations within this framework and will exercise authority over 40 per cent of investment funds. They will also have considerable freedom to enter into contracts for purchases and supplies. The state will make full use of economic levers by regulating profit, prices, credit, taxes and interest rates.

Foreign Trade Pattern

State regulation of foreign trade will continue and permits for imports will be required but more companies have been licensed to engage in foreign trade.

Bulgaria does over 75 per cent of its trade with socialist countries. It lays considerable stress on relations with the developing countries and has concluded a large number of trade agreements with them, bringing their share of Bulgarian foreign trade to about 5 per cent.

Bulgaria also trades actively with the West, principally Germany, Italy, France and Austria. Western exports to Bulgaria were running at about $300 million a year but appear to have declined somewhat in 1968. The main reason was probably a shortage of foreign currency attributed to exceptional circumstances. First there was the spring drought which caused a shortfall of almost 20 per cent in planned agricultural production. Then there was the Czechoslovakian crisis which reduced the influx of foreign tourists and foreign currency to the Black Sea resorts. It is expected that trade with the West will return to more normal figures in 1969.

Bulgaria's trade with Canada is based on a three-year trade agreement signed in 1963 and extended in 1966 for a further three years. Under the agreement, Bulgarian exports to Canada expanded to over $1.5 million in 1968 and broadened to include agricultural products, textiles, clothing, chemicals and lathes. Canadian exports to Bulgaria in 1968 totalled $80,000. This figure could be significantly increased if Canadian exporters really went after the business.

Emphasis on Chemicals

There are worthwhile opportunities in several sectors of the Bulgarian economy. The fastest growing is the chemical industry, output of which increased by over 25 per cent last year. New plants coming on stream will produce plastics, polyester fibers, ethylene oxide, ethylene glycol, borax, xylene, polyethylene and other products. Several of these plants were purchased in Western Europe. In 1968, for example, a $40 million fertilizer plant was ordered from a British-Belgian-French consortium.

Despite recent growth, the chemical sector is still relatively small. There will be continuing interest in importing raw materials from the West, particularly plastics, chemical elements, fertilizers and pharmaceuticals. Imports of these from the West have been averaging over $30 million a year and are expected to increase.

The country is pushing ahead with iron and steel production, which increased last year by over 20 per cent. New mills are being added to the iron and steel complex at Kremikovtsi, including a cold-rolling mill to be purchased from the West. Mining of coal, iron, copper and lead/zinc ore is active and prospecting for these and other minerals, including oil and gas, is going forward.

There is a shortage of housing in the cities. Although construction increased by 12 per cent last year and is said to be satisfying rural needs, it is estimated that by 1980 one million new dwellings will be needed in the towns and cities. Prefabricated construction techniques are being used more and more.

There are opportunities for Canadian exporters who can offer equipment for the growing hotel and tourist industry, scientific and medical equipment, specialized agricultural machinery, metalworking machinery, specialty steels and certain types of electronic components.

Bulgaria is placing more emphasis on domestic production of consumer goods and opportunities for Canadian consumer goods are limited. Machinery and equipment and certain industrial raw materials remain the most promising fields for the Canadian exporter. Personal visits are important for making sales in Bulgaria, and the Commercial Counsellor at the Canadian Embassy in Vienna can help you arrange one or select the right agent.

Agricultural Opportunities

Agricultural products constitute an important part of Bulgarian exports. Eggs, tomatoes, strawberries, apples, table grapes, wines, rose oil and tobacco are marketed widely in Europe. Bulgaria also imports agricultural commodities and technology. Canadian breeding livestock and poultry are already making a contribution to Bulgaria's agricultural production and interest has been expressed in seed potatoes and other seeds. Canada has supplied large quantities of wheat and further deliveries are expected shortly. Because it wants to export more fully-processed agricultural products, Bulgaria is investing in quality processing and packaging machinery. Canning and bottling machinery, meat-packing plant, distilling equipment, refrigerating and freezing plant, and packaging installations are all important to Bulgarian plans.

Industries Need Equipment

Another area of expansion is the pulp and paper industry. Bulgaria has limited forest resources but it recently signed an agreement with the Soviet Union under which Bulgarian lumberjacks harvest timber in the U.S.S.R. Some of this will be converted into paper and board products in new mills in Bulgaria. Several new mills are being built or are planned and they will principally provide board for the construction industry and wrapping paper and cardboard for agricultural products.

The transformation from an agricultural to an industrial economy goes on apace in Bulgaria. These electric trucks, for example, are turned out in a plant in Sofia.

Romania Emphasizes Growth

Rapid industrialization means opportunities for Canadian exporters of plant and equipment.

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

■ Romania leads its socialist neighbors in the pace of industrialization and in the trend towards greater economic independence. Its growth rate in 1968 again topped 12 per cent, the result of a determined effort to increase productivity and production capabilities after purchasing plants and technology abroad for several years. More goods that can be sold on international markets will help the Romanians to pay off debts and to go on buying modern equipment. Economic expansion and stability depend on the drive of the people, the ability to maintain a satisfactory balance-of-payments position, and the avoidance of domestic financial difficulties. Pressures within the COMECON to strengthen economic ties between members could influence the direction of Romanian economic growth and foreign trade. Observers of the Romanian scene, however, are optimistic that the trend towards closer commercial and economic ties with the West will continue.

Reforms planned in Romania are directed to better management and the reorganization of industry and production with decentralization of control. Sectoral Industrial Centrals are to be established as autonomous trusts and production programming will be along profit lines. Trusts making profits will be able to use part of them for expansion and modernization. However, the State will still control development of new enterprises and expansion programs too large to be undertaken by individual enterprises. The trusts will be able to make direct contacts with foreign trading partners but will not be able to buy or sell abroad independently. (Romania's foreign trade is still centrally controlled and carried out through specialized foreign trading organizations.) Trusts will also be able to float bank loans which would be repaid from profits. Wholesale prices will remain fixed generally but many trusts are expected to be in a position to adjust their prices. Some flexibility is expected in retail pricing as well.

Romania is striving for economic autonomy in as many sectors as possible. It still emphasizes heavy industry but is paying increasing attention to the development of other branches of industry and agriculture. Its natural resources include petroleum, methane, coal, iron, manganese, mercury, uranium, bauxite, salt, copper, chromium, lead, zinc, silver, bismuth and

Last September two Romanian agronomists toured the Maritime Provinces to see for themselves methods of propagating and storing seed potatoes. Here the two (third and fifth from left) are briefed at a P.E.I. research station by a Canada Department of Agriculture inspector, Borden Warnock. The visit was sponsored by the Department of Trade and Commerce and included three days spent in Ottawa.

the second largest forest reserves in Europe. There are 25 million acres of arable land. Tourism, because it can earn hard currency, receives some attention but so far the surface has only just been scratched.

Industry and Agriculture

Heavy Industry—In 1968, industry accounted for 56.8 per cent of the national income. Investments in this sector in 1969 have been set at 57.8 per cent of the total and gross industrial output is expected to increase by 264 billion lei. There will be further development of the ferrous and non-ferrous metallurgical, machine-building and metalworking industries, electrical and thermal power supply and equipment, the chemical industry and pulp and paper production. In 1968, Romania produced 3 million tons of pig iron, 4.8 million tons of steel, and 3.4 million tons of finished rolled products. By 1970, 95 per cent of domestic requirements for rolled products will be produced in the country and total steel output will reach 5.5 million tons. Some 770 new factories, shops and technological establishments are planned for 1969, including another new plant at the large Galati iron and steel works. There has also been substantial expansion in the production of primary aluminum, aluminum alloys and products, machine tools, diesel and electric locomotives, ships, trucks, tractors and ball bearings.

Light Industry—Romania admits that its light industry lags behind the rest of the economy. It is making serious efforts to put this right: 63 new factories were established in 1968. Investment for 1969 is over 2.6 billion lei and most of it will be spent on the construction of some 65 new plants.

Electricity—Electrification is one of the keys to industrial growth. Output reached 24,769 million kwh. in 1967, 23,292 million kwh. of it thermal power (gas 75 per cent, coal 22 per cent, oil 3 per cent). Further expansion is limited by costs and availability of fuel. Hydro output is soon to be boosted by the joint Romanian-Yugoslav Iron Gates project which will supply some 10,000 million kwh. a year. Although there is now talk of an 850 mwe. Romanian-Bulgarian project on the Danube, other possibilities for hydro development run up against the problem of costs. Nuclear power has jumped to the fore in Romania's plans and 3,000 mwe. are planned for the next decade or so. Immediate plans call for the construction by 1974 of a 300 mwe. natural uranium fuelled, heavy water moderated and cooled reactor system, followed by the first of a series of 600 mwe. units in 1976 or 1977. The

WHAT CANADA SELLS TO ROMANIA

	1964	1965	1966	1967	Jan-Nov 1968
			(Cdn. dollars)		
Cattle hides, raw	—	388,017	431,551	118,937	—
Asbestos milled fibers	—	—	231,000	169,262	560,428
Laboratory optical instrument equipment and parts	—	—	—	13,206	25,700
Plastic and synthetic rubber not shaped	4,741	—	—	11,923	8,433
Pipes and tubes, iron and steel n.e.s.	—	—	—	—	42,660
Baby chicks	194,800	—	—	10,866	—
Potatoes, seed	—	—	12,921	9,532	—
Textile rags	92,945	4,076	4,182	—	3,982
Nickel anodes cathodes ingots	178,543	—	—	—	—
Metallic salts of inorganic acids	—	241,183	—	—	—
Textile industries machinery and parts	—	—	—	—	126,438
Rock drilling and related machinery and parts	—	—	—	—	260,051
Veterinary medicine, feed supplement	—	—	—	—	3,250
Medicinal and pharmaceutical products n.e.s.	—	—	—	—	2,648
Measuring and testing equipment and parts	—	—	—	4,968	—
Ploughs and parts	—	—	—	3,326	—
Other products	68,617	7,926	5,279	3,236	9,994
Total prodncts	**539,646**	**641,202**	**684,933**	**345,256**	**1,043,584**

WHAT CANADA BUYS FROM ROMANIA

	1964	1965	1966	1967	Jan-Nov 1968
			(Cdn. dollars)		
Freshwater fish, fresh, frozen	—	31,460	83,842	36,696	25,759
Fruits in liquid preservative not canned	—	—	—	—	57,612
Fabrics, cotton, rayon and mixed	—	—	—	—	169,249
Sunflower seed oil	—	—	—	483,583	723,834
Window glass	—	—	—	—	81,324
Lathes, metalworking	—	—	—	—	15,343
Furniture	—	—	—	—	23,638
Outdoor jackets	—	—	—	—	29,503
Pants and breeches, men's	—	—	7,769	30,640	151,257
Shirts, cotton and knitted	—	28,976	76,995	82,432	48,672
Pants, slacks women's	—	—	—	—	26,009
Sweaters, cardigans	—	—	—	39,905	101,555
Outerwear, knitted n.e.s.	—	—	—	—	19,595
Boots, shoes and footwear	24,900	42,543	134,408	26,170	175,021
Towels, linen	—	—	—	16,365	158,908
Tableware, glass	—	—	—	2,706	16,477
Cheese	4,273	21,438	122,894	163,673	—
Particle board	—	—	—	51,172	—
Colorless sheet glass	3,240	76,858	125,184	32,474	—
Other products	49,128	36,832	17,566	30,902	59,880
Total trade	**81,541**	**238,107**	**568,658**	**1,002,718**	**1,883,636**

Source: DBS

first plant will be built almost entirely by a Western supplier yet to be chosen but Romania hopes soon afterwards to undertake its own manufacturing and construction.

Chemical Industry — Romania has placed considerable importance on developing its chemical industry. This has generally involved the purchase of plant and technology from abroad. In 1968, exports of chemicals and products increased by over 20 per cent and brought their share of total exports to 8 per cent. These include various heavy chemicals, carbon black, synthetic rubber, dyestuffs, and fertilizers.

Mining and Forestry—Romania plans extensive exploration and development in all sectors of mining. This will provide opportunities for Canadian participation in geological exploration, mining, analysis and processing.

Romania has the second largest forest reserves in Europe and is rapidly updating its forest-based industries. Several pulp and paper mills have been built and more are in the negotiating or planning stages. Canadian companies are competing. Paper production reached over 336,000 tons in 1967 and pulp production 361,000 tons.

The lumber, furniture, and chip and hardboard industries are also receiving attention. A big effort is being put into technology and research and a concerted reforestation program is under way.

Agriculture—In recent years, more funds have been directed to modernizing agriculture and forestry. The 1969 budget allots to these an all-time high of 11.9 per cent (7.6 billion lei). Cereal production is expected to reach 15 million tons and there will be a considerable increase in number of livestock. The country's main crops are wheat and other grains, corn, sunflowers and grapes for wine. By the end of 1970, Romania plans to irrigate another two and a half million acres and boost production through greater use of fertilizers and mechanization.

Foreign Trade

Romania's foreign trade increased to over 18.3 million lei in 1968. The Soviet Union continues to be its main trade partner, followed by West Germany, Italy, Czechoslovakia, East Germany, France and Britain. Trade with the West is still expanding rapidly but often involves the provision of attractive credit terms and other conditions of payment which favor Romania. Exports are geared to earning the hard currency needed to purchase complex industrial plants, fuels and raw materials. Much of the imported equipment is chosen for its capacity to produce goods for export and so earn more hard currency. Exports in 1968 rose by 4.9 per cent and imports by 2.3 per cent.

Romania has trade relations with 106 countries and seems to be diversifying both imports and exports. In 1968, about half its total trade involved COMECON countries but trade with the West was growing faster than trade with socialist states. Major exports were agricultural products, chemicals and products, machinery, forest products, building materials and steel. Imports were mainly industrial plants and installations (46 per cent of total), machines and equipment, raw materials, iron ore and other ores and metals, and fuels and production materials (also 46 per cent). A further increase in foreign trade is planned for 1969. Exports of machines and chemical products will increase and make up 35 per cent of the total.

Trade with Canada

Romania is a major market for many kinds of goods that Canada sells competitively in other countries. Canada is negotiating for the sale of a 300 mwe. nuclear power plant to be followed by long-term co-operation in this field. Forestry and related industries could find a major market in Romania, which is importing equipment and knowhow for every part of the industry, from logging to sawmilling, pulp and paper and reforestation. The mining and prospecting industry also holds potential for us. Canadian companies have already made sales in this sector and are optimistic about future business. Two Canadian companies have submitted bids on pulp and paper mill equipment contracts. There is also interest in an irrigation project, and poultry and pig slaughtering and processing plants. Many kinds of airport equipment, including all types of telecommunications, electrical and electronics equipment, are high on the Romanian list. In the plant and equipment sector, our opportunities are restricted only by our ability to supply and the obvious need to be competitive.

Possible opportunities on a more limited scale include chemicals, ferrous and non-ferrous metals, hides, and specialized equipment—particularly medical, dental, surgical and hospital apparatus.

Judging by the increasing number of Canadian businessmen visiting Bucharest, there is a great deal of interest in trade with Romania. Exporters who master the techniques of selling in Eastern Europe will find that markets there can be rewarding.

International Loans Announced

Agriculture in Dahomey—The International Development Association (IDA) and the French Fonds d'Aide et de Cooperation (FAC) are making a joint loan of U.S.$9.2 million to Dahomey to help the country increase its agricultural production. This is the first lending operation by the World Bank Group in Dahomey.

The Government of Dahomey will relend the money to the Société Nationale pour le Développement Rural du Dahomey (SONADER) to carry out a major project at Hinvi in Southern Dahomey. This includes preparing of 15,000 acres for annual crops and 15,000 acres for oil palms, building a palm oil factory and storage silos for corn, and buying 300 cattle for beef production. The Food and Agriculture Organization of the United Nations (FAO) assisted in the preparation of the project.

Industrial development in Finland—The World Bank will lend U.S.$22 million to the Industrialization Fund of Finland Ltd. to help meet the growing demand by private industrial enterprises for investment capital. The bulk of the Fund's loans in the past have been to the metalworking, textile and food industries and the same pattern is likely to be followed, with particular emphasis on export-oriented firms. Orders will be placed under international procurement procedures and Canadian suppliers are eligible to compete.

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Territory: Provinces of Toscana, Marche, Umbria, Lazio, Abruzzi-Molise, Puglia, Campania, Basilicata, Calabria, Sicilia, Sardegna. Other countries: Libya, Malta

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C.P. 3977
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20124 Milan, Italy

R. W. Blake, Consul General and Trade Commissioner
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Telex: 31368 (CANTRACOM MILAN)
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J. P. Lefebvre, Assistant Commercial Secretary

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Telex: KGN 30 (BEAVER KINGSTON)
Territory: Bahamas, British Honduras, Cayman Islands, Turks and Caicos Islands

JAPAN

Minister (Commercial)
Embassy of Canada
Akasaka Post Office
Tokyo 107, Japan

J. A. Stiles, Minister (Commercial)
S. G. Harris, Commercial Secretary
R. E. Pedersen, Assistant Commercial Secretary
G. M. Wansbrough, Assistant Commercial Secretary
M. C. Spencer, Assistant Commercial Secretary
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Territory: Malawi, Tanzania, Uganda, Zambia

LEBANON

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Cable: CANADIAN *Phone*: 250955
Telex: 652 (DOMCAN BERYT)
Territory: Iraq, Jordan, Kuwait, People's Republic of Southern Yemen (Aden), Persian Gulf area, Saudi Arabia, Syria, Trucial States, Yemen

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Territory: Brunei, Burma

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Mexico 5, D.F., Mexico

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A. D. McArthur, Assistant Commercial Secretary
A. T. Gjernes, Assistant Commercial Secretary

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Cable: DOMCAN Wellington *Phone*: 70-644
Telex: 065-3505 (DOMCAN NZ 3505)
Territory: Cook Islands, Fiji, French Oceania, Gilbert and Ellice Islands, Tahiti, Tonga, Western Samoa

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Telex: 275 (DOMCAN LAGOS)
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Telex: Oslo 1880 (DOMCAN OSLO)
Territory: Iceland

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Office of the High Commissiooer for Canada
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J. E. G. Gibsoo, Commercial Secretary
B. Northgrave, Assistant Commercial Secretary

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Telex: TANDCISBAD TLX 875
Territory: Afghanistan

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D. J. Browne, Acting Commercial Secretary

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Telex: WLA 5323 (DOMCAN PX 5323)
Territory: Bolivia

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1414 Roxas Boulevard
Manila, Philippines

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D. S. M. Baker, Consul and Assistant Trade Commissioner
R. A. Fairweather, Vice Coosul and Assistant Trade Commissiooer

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Telex: 3252 (DOMCAN PN 3252)
Territory: Republic of China (Taiwan)

PORTUGAL

Commercial Counsellor
Canadian Embassy
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P. A. Savard, Commercial Counsellor

Cable: CANADIAN *Phone*: 56-25-49
Telex: 377 (DOMCAN P)
Territory: Azores, Cape Verde Islands, Madeira, Portuguese Guinea

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Territory: Indonesia

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Canadian Government Trade Commissioner
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Johannesburg, South Africa

Wm. Jones, Trade Commissioner
M. A. Brault, Assistant Trade Commissioner

Cable: CANADIAN *Phone*: 834-6521
Telex: 7189 (DOMCAN J 7189)
Territory: Provinces of Natal, Orange Free State, Transvaal.
Other countries: Angola, Botswana, Lesotho, Malagasy, Mauritius, Mozambique, Reunion, Swaziland

Canadian Government Trade Commissioner
P.O. Box 683
African Life Centre, 13th Floor
St. George's Street
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H. W. Richardson, Trade Commissioner

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

SPAIN

Commercial Counsellor
Canadian Embassy
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Telex: 27347 (DOMCA E)
Territory: Provinces outside the peninsula—Balearic Islands, Canary Islands, Spanish Sahara. Other countries: Equatorial Guinea.

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Territory: Liechtenstein, Tunisia

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C. E. Rufelds, Commercial Secretary and Consul

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J. J. M. C. Lavoie, Assistant Commercial Secretary

Cable: CANADIAN *Phone*: 34787
Telex: 31314 (POS 31314)
Territory: Barbados, French Guiana, Guadeloupe, Guyana, Leeward and Windward Islands, Martinique, Surinam

UNION OF SOVIET SOCIALIST REPUBLICS

Commercial Counsellor
Canadian Embassy
23 Starokonyushenny Pereniok
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R. A. Bull, Commercial Counsellor
R. F. Turcotte, Commercial Secretary

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UNITED ARAB REPUBLIC

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Territory: Ethiopia, Somali Republic, Sudan

UNITED NATIONS

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G. W. Green, Commercial Counsellor
W. F. Hillhouse, Commercial Counsellor (Agriculture)
H. C. Armstrong, Commercial Counsellor
G. H. Musgrove, Assistant Commercial Secretary (Agriculture)
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C. J. Van Tighem, Deputy Consul General (Commercial)
S. B. McDowall, Consul and Assistant Trade Commissioner
W. G. Roberts, Consul and Assistant Trade Commissioner
R. J. G. Ledoux, Vice Consul and Assistant Trade Commissioner
D. Keddie, Vice Consul and Assistant Trade Commissioner
C. K. Marchant, Vice Consul and Assistant Trade Commissioner
D. J. V. Bachand, Vice Consul and Assistant Trade Commissioner

Cables CANTRACOM *Phone*: 586-2400 (Area Code 212)
Night Line: 586-2321
Telex: 00126242 (DOMCAN NYK)
Territory: States of Connecticut, New Jersey (twelve northern counties), New York. Other countries: Bermuda.

Consul and Trade Commissioner
Canadian Consulate General
500 Boylston Street
Boston, Massachusetts 02116

R. C. Anderson, Consul and Senior Trade Commissioner
C. A. Carruthers, Consul and Trade Commissioner
J. N. R. Ferland, Vice Consul and Assistant Trade Commissioner

Phone: 262-3760 (Area Code 617)
Telex: 0094567 (DOMCAN BSN)
Territory: States of Maine, Massachusetts, New Hampshire, Rhode Island, Vermont. Other countries: St. Pierre and Miquelon.

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

R. D. Sirrs, Consul and Senior Trade Commissioner
J. A. Doyle, Consul and Trade Commissioner
P. D. Donohue, Consul and Trade Commissioner
K. G. DeWolf, Vice Consul and Assistant Trade Commissioner
A. J. G. Dallaire, Vice Consul and Assistant Trade Commissioner

Phone: 427-1031 (Area Code 312)
Telex: 00254171 (DOMCAN CGO)
Territory: States of Illinois, Indiana, Iowa, Kentucky, Minnesota, Missouri, Nebraska, North Dakota, South Dakota, Wisconsin

Consul and Trade Commissioner
Canadian Consulate
Illuminating Building
55 Public Square
Cleveland, Ohio 44113

D. A. B. Marshall, Consul and Trade Commissioner
J. C. Bradford, Consul and Assistant Trade Commissioner
J.-G. M. Tardif, Vice Consul and Assistant Trade Commissioner

Phone: 861-1660 (Area Code 216)
Telex: 00985364 (DOMCAN CLV)
Territory: State of Ohio.

Consul and Trade Commissioner
Canadian Consulate
2100 Adolphus Tower
1412 Main Street
Dallas, Texas 75202

C. M. Forsyth-Smith, Consul and Trade Commissioner
J. A. Langley, Vice-Consul and Assistant Trade Commissioner
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Phone: 742-8031 (Area Code 214)
Telex: 00732637 (DOMCAN DAL)
Territory: States of Texas, Arkansas, Kansas, New Mexico, Oklahoma

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Detroit, Michigan 48226

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

Phone: 965-2811 (Area Code 313)
Telex: 0023445 (DOMCAN DET)
Territory: States of Michigan and Indiana

Consul and Trade Commissioner
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V. B. Chew, Consul and Trade Commissioner
D. M. Lawson, Vice Consul and Assistant Trade Commissioner

Phone: 627-9511 (Area Code 213)
Telex: 00674119 (DOMCAN LSA)
Territory: States of Arizona, California (ten southern counties), Clark County in Nevada

(continued)

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Telex: 0058237 (DOMCAN NLN)
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R. D. P. Lee, Consul and Assistant Trade Commissioner
J. N. Grantham, Vice Consul and Assistant Trade Commissioner

Cable: CANADIAN *Phone*: LOcust 35838 (Area Code 215)
Telex: 00845266 (DOMCAN PHA)
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Consul and Trade Commissioner
Commercial Division
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Golden Gate Center
San Francisco, California 94111

R. M. Dawson, Consul and Trade Commissioner
J. D. R. Roy, Vice Consul and Assistant Trade Commissioner

Phone: 981-2670 (Area Code 415)
Telex: 0034321 (DOMCAN SFO)
Territory: States of California (except the ten southern counties), Colorado, Hawaii, Nevada (except Clark County), Utah, Wyoming

Consul and Trade Commissioner
Canadian Consulate General
1305 Tower Building
Seventh Avenue and Olive Way
Seattle, Washington 98101

E. E. Price, Consul and Trade Commissioner

Phone: MUtual 2-3515 (Area Code 206)
Telex: 0032462 (DOMCAN SEA)
Territory: States of Alaska, Idaho, Montana, Oregon, Washington

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Casilla Postal 852
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Montevideo, Uruguay

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Telex: 398078 (DOMCAN MVD)
Territory: Falkland Islands

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D. G. Nelson, Assistant Commercial Secretary
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Telex: 877 (877 DOMCAN)
Territory: Netherlands Antilles

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Commercial Secretary
Canadian Embassy
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Belgrade, Yugoslavia

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About "Foreign Trade"

The Foreign Trade Service Abroad Directory, a complete list of Trade Commissioner posts and their staff, is published in every third or fourth issue of *Foreign Trade*. Always keep the latest one handy—you can lift it out of the center of the magazine if you wish.

Bylines on articles always show the post where the author was when he wrote the article. If he has since been transferred, his colleagues will answer your questions.

Trade Commissioners on Tour is a regular feature in *Foreign Trade*. It tells you when Trade Commissioners are planning to make a tour in their territory and can make on-the-spot inquiries for you and when they are visiting Canada. Read it each time; you will find it useful.

Joint Ventures in Eastern Europe

When direct sales are out, various forms of joint ventures could be the answer.

MALDWYN THOMAS, *Commercial Counsellor, Vienna*

ENTERPRISES SPECIALIZING IN JOINT VENTURES, LICENSING

Bulgaria

TECHNOIMPEX
16, Lenin Sq.
Sofia, Bulgaria

Technical and scientific-technical assistance abroad. Purchase and sale of licences. Sends specialists abroad.

Czechoslovakia

POLYTECHNA
8 Wenceslas Square
Prague 1, Czechoslovakia

Hungary

Foreign Trade Office for Technical Co-operation
6 Szabadsag ter.
Budapest 5, Hungary

HUNICOOP
Nepkoztarsasag utja 113
Budapest 6, Hungary

Co-operation in the field of metallurgy and machine industry.

Intercooperation Ltd.
P.O. Box 53
Budapest 13, Hungary

Activities of a general character embracing the whole of industry and trade.

LICENCIA
Jozsef nador ter. 10
P.O. Box 207
Budapest 5, Hungary

Purchase and sale of patents.

Romania

INDUSTRIALIMPORT
Bd. Dacia 13
Bucharest, Romania

Primary organization responsible for licensing activities. However, MASINIMPORT, 51 Mihail Eminescu St.. Bucharest, also engages in licensing activities.

Director, Co-operation Dept.
Ministry of Foreign Trade
Str. Bursei 2
Bucharest, Romania

■ One of the subjects which Western businessmen constantly hear about when they travel in Eastern Europe is joint ventures. An increasing number of Eastern European state trading organizations are showing interest in joint ventures and reports appear regularly in the press of new joint ventures being arranged between prominent Western industrial firms and their Eastern European counterparts. Canadian businessmen have been little affected so far. There is no doubt, however, that as Canadian firms become more involved in Eastern Europe they too will want to examine this new concept of trading there.

Actually, the term "joint venture" is a rather loose one for the various kinds of trading arrangements encountered in Eastern Europe that fall short of outright sales. Joint ventures can be used to refer to licensing arrangements involving supply of knowhow in either direction. More commonly, they involve co-operation in production, services, and sales in a variety of permutations and combinations. From the point of view of Western exporters, they often offer a means of promoting trade with Eastern European countries without depleting the latter's still limited supply of foreign exchange.

Although Eastern European countries are prepared to form joint companies with Western firms outside Eastern Europe, it is important to remember that, with the exception of Yugoslavia, direct investment by foreign firms inside Eastern Europe is not permitted. In other words, Western firms cannot own equity in any Eastern European organization. Joint undertakings inside Eastern Europe must be on the basis of loans or credits, on the understanding that the foreign interest in the operation will be refunded fully over a period of years from the earnings derived from the undertaking.

Joint Production Arrangement

The most common form of joint enterprise in Eastern Europe is probably the joint production arrangement. In this, the Western firm may supply machinery and components, technology, managerial and technical skills and some raw materials to individual Eastern European industries, receiving payment in the profits derived from the enterprise, in goods produced by the enterprise, or in other commodities. A considerable number of large Eastern European investments have been made on the basis of such joint co-operation with Western firms, the most famous probably being the construction of Western auto assembly lines in Bulgaria and Romania. For the Romanian car factory (which is producing a modified version of a well-known French car) the French company transferred some of its production of gear boxes to Romania and is taking Romanian-produced gear boxes in return. In other instances, Western firms and Eastern European enterprises have entered into agreements whereby the two parties to the undertaking complement one another's production lines through the provision of components, subassemblies, etc., and undertake to market the end product jointly in third countries. These co-operation arrangements can be quite complicated. Recently, an interesting one was concluded between a Hungarian machine works and a West European consortium of two German companies and one French company for the production of high-capacity diesel engines in Hungary. Licences and some of the equipment were supplied by the Western firms, one of which was also responsible for co-ordination of the over-all project. The diesel engines themselves were built in Hungary.

Another agreement between a Hungarian manufacturer and a Swedish producer of control engineering equipment provides for the supply of these components to Sweden. Furthermore, the Swedish firm and the Hungarian firm will jointly market some of the equipment produced in Hungary in third countries and the Swedish firm's local service facilities will be used to service the Hungarian-made products. Payment on the Hungarian side is envisaged in kind. According to Eastern European officials, joint production arrangements of this type often open to Western firms markets in developing countries normally closed to them because of the lack of foreign exchange in these countries.

Other joint undertakings have involved the supply of Eastern European components to projects undertaken by Western firms in the developing world or the joint undertaking of such projects in these countries. At present one Canadian firm is co-operating with an Eastern European engineering company to secure a UN-sponsored engineering assignment in South East Asia.

Joint Venture Variations

Another interesting variation of the joint venture is the franchise arrangements entered into recently in Eastern Europe by some of the leading American soft drink manufacturers. As a result of these agreements, it is now possible to buy locally bottled Coca Cola in Bulgaria and Hungary and Pepsi Cola in Romania. Some Western petroleum companies have service stations in Eastern Europe for the first time since the end of World War II.

The concept of joint ventures is also being applied successfully to the Eastern European tourist industry. Large U.S. hotel chains, in co-operation with local enterprise, are building and helping to manage new and modern hotels in several major Eastern European cities and tourist centers. In most instances the American firms are providing the initial capital in the form of long-term loans to be paid off in convertible currency that the hotels will earn from tourist traffic. Clientele for the hotels will be attracted through the U.S. chains' booking services.

For operations outside Eastern Europe, the socialist countries are interested in setting up joint stock companies with their Western partners. These companies are used particularly for the exchange of goods, for servicing, and for joint sales outside Eastern Europe, particularly in third countries. For example, some years ago a Bulgarian-Dutch firm was established in the Netherlands to look after the sale and service of Bulgarian machinery in Holland and other Western European countries. Western firms are also able to set up organizations to service their machinery in Eastern Europe, but ownership of the organization must remain in Eastern European hands. Some Western car manufacturers have already set up service networks on this basis.

In recent years various Eastern European countries have shown interest in exploiting the natural resources in some Western countries on the joint venture principle. In return for the supply of technology and equipment, the Eastern European countries hope to receive payment in delivery of materials and in a share of the profits from the sale of these materials to third markets. No equity investment by Eastern European enterprises appears to be involved. Schemes of this nature involving Canadian raw materials have been considered for some time by a number of Eastern European enterprises.

Licensing Arrangements

The classical method of supplying technology to Eastern Europe when the end product itself cannot be sold there has been the licensing arrangement, and most of the Eastern European countries have specialized state trading agencies which buy and sell licences. Many Western products are already manufactured under licence in Eastern Europe and a number of Eastern European licenses have been sold in the West. Sometimes Eastern Europeans are prepared to pay royalties or purchase licences outright. However, they may request credit terms and may also wish to pay for their licences in kind—that is, with the products produced under the agreement.

Eastern European interest in Western technology is growing and exceeds the area's ability to pay immediately for such technology in convertible currency. As a result, the sale of Western machinery and equipment on medium- and long-term credits to the socialist countries has increased rapidly in recent years. It has also led to a substantial increase in proposals by the Eastern Europeans for joint ventures as an alternative to outright purchase. Most of the state trading agencies in Eastern Europe are prepared to discuss joint ventures and some of the countries have set up special offices to deal with what they call industrial co-operation. The box on page 29 lists both licensing enterprises and other specialized organizations that concern themselves with joint ventures.

Canadian exporters, particularly of equipment and machinery, can expect their East European partners to propose joint ventures to them in the course of their sales negotiations. In fact, some Canadian manufacturers are already engaged in such discussions, particularly in Hungary and Romania. Although joint venturing does not suit every firm and cannot be applied to every product, Canadian exporters should be prepared to be flexible in dealing with such proposals. There are many forms that joint ventures can take and they could well be a useful means of establishing a toehold for new Canadian products in the Eastern European market and elsewhere.

Better than a Billion

Canada's exports to Britain first topped a billion dollars in 1963. They passed the Cdn.$1.2 billion mark in 1968, creating a new record. This was a remarkable achievement in view of the year's events and the slight decline in world export prices. The other side of the coin was bright, too. Britain's exports to Canada have been rising steadily and they reached Cdn.$694 million in 1968. Trade with Britain last year accounted for 9 per cent of our exports and 5.6 per cent of our imports.

Hungary Emphasizes Trade

. . . and Canada gets a larger share

MALDWYN THOMAS, *Commercial Counsellor, Vienna*

WHAT CANADA BUYS FROM HUNGARY

	1965	*1966*	*1967*	*1968*
		(Canadian dollars)		
Fruit juice concentrates, not frozen	....	....	41,162	100,089
Pimento, ground or unground	85,583	102,457	299,420	224,854
Print cloth and sheeting, cotton, colored	22,565	97,230	668,328	731,548
Broad woven fabrics, cotton, colored	19,861	34,656	171,956	365,932
Bicycles	87,871	149,072	149,924	262,113
Furniture, camp, lawn and verandah	....	....	176,186	193,490
Mattresses	10,401	37,098	141,941	258,420
Overcoats and topcoats	....	....	319,860	902,915
Sweaters and cardigans, knitted synthetic fiber	....	30,731	86,184	226,003
Sweaters and cardigans, knitted	771	42,447	116,060	133,942
Gloves and mittens, leather	4,618	72,197	402,120	606,976
Gloves, work and special purpose	6,235	111,651	71,583	116,965
Sheets, bed, except rubber	....	12,222	84,294	151,428
Tablecloths	8,880	106,621	224,236	163,956
Towels, cotton	....	32,082	230,960	127,625
Towels, linen	....	101,636	114,873	131,140
Tumblers and stemware, glass or crystal	202,950	317,640	410,603	390,338
Tableware, glass	56,921	92,158	110,572	104,422
Grape wine, still, table strength	....	68,961	85,518	106,841
Other products	1,054,197	1,905,129	2,636,189	2,643,406
Total Imports	**1,560,853**	**3,313,988**	**6,541,969**	**7,942,403**

WHAT CANADA SELLS TO HUNGARY

	1965	*1966*	*1967*	*1968*
		(Canadian dollars)		
Baby chicks	15,530	5,184	10,000	22,200
Wheat, except seed	5,233,786	....	....	6,626,081
Cattle hides, raw	330,697	1,694,170	1,923,215	453,405
Calf and kip skins, raw	103,325	212,022	149,968	68,766
Copper scrap	1,037,205	....	165,020	2,378,887
Sulphur, crude or refined	1,512,993	1,177,415	1,000,568	1,895,494
Textile rags	20,096	29,526	55,171	8,788
Furs, dressed	10,600	86,551	8,724	5,700
Tractors, parts, attachments	18,000	....	....	....
Skates	13,128	....	216	....
Asbestos milled fibers, group 3	20,350	28,490	77,520	103,738
Buttons, needles, pins, notions	6,102	....	14,078	18,199
Electricity measuring instruments and parts	....	14,677	308	652
Organic acids, anhydrides and derivatives	....	....	40,860	40,108
Milk powder, skim milk	....	....	....	440,790
Glove and garment leather	....	....	....	29,324
Contractors equipment and tools	....	....	....	18,595
Other products	36,332	44,965	54,388	222,608
Total exports	**8,352,042**	**3,293,000**	**3,500,036**	**12,333,335**

■ From an economic point of view last year was an interesting one for Hungary. On January 1, 1968, the system of reforms known as the new economic mechanism was introduced and by the end of the year Hungarian authorities were beginning to assess the results of its first few months of operation.

The 1968 economic reforms, among the most fundamental in Eastern Europe, were aimed at improving efficiency throughout the economy while at the same time retaining the principle of socialist ownership.

Basically, the former system of detailed central control broken down into quantitative targets at the enterprise level is giving way to one in which enterprises are granted more autonomy; price relationships, credit, the profit concept and market forces will now determine what is produced, how it is produced, and to whom it is sold. State plans in the future will provide over-all guidance and direction to the economy and will be considerably more flexible than in the past. The relaxation of price control is considered to be one of the important features of the reform. This and the introduction of new uniform foreign exchange rates are designed to bring about a more realistic relationship between Hungarian market prices and world prices. Provision is also made for a greater share of investment to be financed by the enterprises themselves and through the use of credits.

Reforms Affect Trade

The administration of Hungarian foreign trade has also been affected by the economic reforms. The number of organizations permitted to engage in foreign trade has been increased considerably and foreign trading rights have been granted to a number of manufacturing and service enterprises. In 1967, some 42 organizations were allowed to carry on foreign trade. This has now increased to 90, including 24 production and service enterprises.

Other companies are expected to apply for foreign trading rights. Furthermore, it appears that within certain limits importers and end users will have greater freedom of choice in buying goods from abroad and in deciding whether to import or buy on the domestic market. Importers must still apply for foreign exchange licences and this and the new uniform foreign exchange system constitute an important measure of control over the direction and composition of foreign trade. As part of the economic reform, Hungary has also introduced a new three-column tariff which, it is expected, will also become an important instrument of trade policy.

Last year marked another step forward in Canadian-Hungarian trade relations. In August, the Hon. Jean-Luc Pepin, Minister of Industry, Trade and Commerce, visited Budapest to sign a three-year renewal of the 1964 Canadian-Hungarian Trade Agreement. At the same time he held discussions on commercial questions of mutual interest with the Hungarian Minister of Foreign Trade, Dr. Joszef Biro. During the latter half of the year there was a marked revival in Canadian exports to Hungary. By the end of 1968, total Canadian exports reached $12.3 million, of which $6.6 million consisted of wheat and $5.7 million was accounted for by a variety of industrial materials, principally cattle hides and skins, copper scrap, sulphur, brass and bronze scrap, asbestos and chemicals. A number of lines of Canadian equipment and machinery were also introduced to the Hungarian market. Hungarian exports to Canada continued to expand and diversify and totalled $7.9 million in 1968 compared with $6.5 million in 1967.

Of all the Eastern European countries, Hungary is the most dependent on foreign trade (it accounts for nearly 40 per cent of its GNP) and like the other socialist countries of Eastern Europe, it has turned to the West for large quantities of plant machinery and equipment as well as industrial materials. Approximately 33 per cent of its total foreign trade is with non-Communist countries and its trade with the developed West has been growing more rapidly in recent years than its trade with the Eastern European Bloc.

The Hungarian Academy of Sciences occupies this building on the Danube's banks.

Market for Equipment

At present, Hungary is importing in order to fulfil the requirements of its current Five Year Plan which ends in 1970. Hungarian planning authorities and foreign trading organizations are also studying requirements which they expect will arise during the Five Year Plan which will start in 1970. Since last summer, Hungarian traders have shown much more interest in buying from Canada. The strongest interest has been in capital equipment and certain industrial commodities. Sectors in which the Hungarians have indicated that they expect to make substantial investments which might be covered in part by imports from Canada include the following industries: timber, pulp and paper, steel, aluminum and aluminum products, oil refining and gas preparation, chemicals, food processing and packaging, and textiles.

Hungary, like other countries in the area, is also taking measures to keep existing industries up-to-date. This gives rise to continuous import requirements for a wide range of machinery and equipment. The best opportunities in this category appear to be for specialized machine tools, scientific apparatus, instruments of various kinds, industrial control equipment, machinery for the printing industry, equipment for the laundry and dry-cleaning industry, specialized transport equipment, and electronic apparatus for the communications industry in particular.

Hungary is also a substantial importer of industrial materials from the West and prospects appear especially good for exporters of chemicals (these account for nearly 20 per cent of Hungarian imports from the West) and for raw and semi-manufactured materials for the textile industry (imports from the West run at about $20 million a year).

The Hungarian trading corporations have already solicited offers from Canada in both these areas and exploratory discussions with Hungarian officials are taking place over requirements in the plant, machinery and equipment sector. Individual orders for complete plants could be worth several million dollars and in view of Canada's extensive experience and knowhow in the development of some industrial sectors in which Hungary is contemplating expansion, our exporters appear to be in a good position to compete. Canadian exporters of specialized machinery and instruments have already made a start and have proved that they can compete in Eastern Europe in this sector. However, it is only a start, and more Canadian manufacturers of specialized machine tools, scientific equipment, industrial equipment and sophisticated instrumentation should study the Hungarian market to see if there are opportunities.

Consumer Goods Too?

A recent phenomenon is increasing imports of consumer goods from the West. Eastern European countries have traditionally relied on Communist sources for consumer goods but Hungary has begun to bring in small quantities from the West. Imports of these products are now expanding at the rate of 20 per cent a year and it appears that Hungary may permit the import of more consumer goods as a means of stimulating domestic industry. Although the actual volume is still not large, Western consumer goods are becoming a fairly common sight in Budapest. Many exporters regard their efforts to sell these to Hungary as an investment in the future when this sector may be liberalized.

There is no doubt that Hungary is really interested in increasing trade with Canada in both directions. Trade relations between the two countries are excellent and the new economic mechanism, by bringing about more rational import decisions, should assist further development of trade with Canada and other Western countries. If exporters seize upcoming opportunities in the Hungarian market, Hungary could become one of Canada's more important Eastern European customers. But remember that Hungarians are skilled traders and competition from Western Europe is keen. Canadian exporters will have to display initiative and flexibility if they are to take advantage of these opportunities. If you want to find out more about this promising market, start by writing to the Commercial Division, Canadian Embassy, P.O. Box 190, Vienna, Austria.

Economic Reforms Simplify Trade

It's easier to reach Eastern European buyers now and talk dollars and cents and comparative costs.

R. R. M. LOGIE, *Assistant Commercial Secretary, Vienna*

■ Major economic reforms have been under discussion in Eastern Europe for over a decade but implementation has taken place mainly in the last few years. Yugoslavia was the pioneer and its experience is kept under constant scrutiny by the other socialist countries. It provides a case study rich in examples of reforms that succeeded and of some that failed. The scope and timing of the reform programs vary widely from country to country but their aim is the same: to overcome the inefficiencies and rigidities of the central planning system.

Under the orthodox system which prevailed in the 1950's, all economic activity was dictated by annual plans. Each industrial enterprise received from the Government a set of instructions for the year ahead, setting out in detail the type and amount of goods to be produced, their destination, the raw materials that would be provided, and the labor available. New machinery and other investment goods were also allocated from the center. The enterprise manager's task was to combine assigned resources to produce assigned outputs, and his bonuses and ultimately his job depended on how well he did this.

Need for Change

Planning by material balances was relatively successful in building up an industrial structure in economies which at the outset were mainly agricultural. However, when more emphasis was placed on the efficient use of the industrial base, the drawbacks of the central planning system became evident. Goods which were produced according to plan specifications for one reason or another could not be used. The rhythm of production was uneven and factories were forced by the late arrival of raw materials to work overtime towards the end of plan periods. Excessive stockpiling of raw materials caused problems. Subsidies for industries that could not cover costs multiplied. An even larger percentage of the labor force had to be devoted to administering the plan. And, most important, it became more and more difficult for central planners to determine the most efficient allocation of labor, raw materials and investment goods among the continually increasing range of production possibilities. Prices of alternative inputs gave little guidance to the planners because they were fixed by law and bore little relationship to real costs.

Some countries reacted by attempting to modify and improve the planning system. In Hungary, the reforms were more sweeping than in other COMECON countries and they can be used to indicate the direction in which reforms in the others are pointing.

The most important feature of the new economic mechanism in Hungary is the principle that economic decisions should be taken at the level which is best informed and most directly concerned. The enterprise manager now has much greater responsibility for production decisions, establishing the prices of certain products, hiring and firing personnel, importing and exporting, launching technological development programs, and competing with other enterprises to ensure favorable purchase and sales contracts. The manager's goal will no longer be simply plan fulfilment but rather the maximum enterprise profits. His rewards will be a personal share in the profits (this may as much as double his basic salary) and the power to finance some new investments out of profits.

State control of the economy is therefore exercised largely through economic levers—taxation of profits, control of certain prices, regulation of bank lending policy, control of major new investments, foreign currency exchange rates, and certain controls on wages and incomes. Armed with these tools, the state expects to guide the economy in the desired direction.

Market Socialism

The essence of the new system is "market socialism", in which the market forces of price and profit exert a major influence on production and investment and in which the state exercises a controlling influence on the market rather than on the individual enterprise. The reforms also provide for some increase in Hungary's small private sector as it is felt that private shopkeepers and artisans (such as shoemakers, handicraft workers, and repairmen) can perform socially valuable services on their own initiative. There are now about 10,000 private shopkeepers, most of them in rural areas, and they account for less than 5 per cent of retail sales. There are also over 75,000 private artisans licensed in seventy different trades. Only in this area, however, have the reforms increased the private sector in Hungary.

An essential part of the new economic mechanism in Hungary is price reform. In 1966, under state-controlled pricing, only 10 per cent of all prices corresponded to the costs of production. Basic foodstuffs, fuels, medical supplies and rents were priced as low as 25 per cent of cost but other items, such as clothing and industrial goods, sold at prices well above cost. New prices are now in effect; about 25 per cent of them are totally unrestricted and the rest are fixed or bounded. Over the next ten to fifteen years, prices will be gradually adjusted to permit rational economic decision-making.

Foreign Trade Reforms

These reforms will certainly be reflected in Hungary's trade. In fact, efficiency in foreign trade was one of the principal aims of the reforms because Hungary relies on trade for about 40 per cent of national income. The intention is to import goods that are not produced economically at home and to export goods that can be produced at competitive costs.

Besides the foreign trade implications of the general economic reforms, there are several reforms specifically directed at foreign trade. The number of enterprises licensed to engage in foreign trade has been expanded to over 90, including more than 40 industrial and commercial enterprises as well as the trading agencies. (See list in accompanying box feature.) Direct contacts between foreign suppliers and customers are being encouraged and the role of the intermediary trading agencies is being reduced. These changes should cut the red tape and delays involved in state trading.

Hungary has also introduced a three-column tariff system and hopes to establish trade relations with other countries on the basis of exchange of most-favored-nation treatment (this is currently accorded to Canada).

A more uniform foreign currency allocation is an important part of the reforms. Formerly enterprises received only the domestic price in forints for their exports and received foreign currency allocations determined at the center. Now the enterprise can buy or sell foreign currency at 40 forints to the rouble or 60 forints to the U.S. dollar. These ratios (which are subject to adjustment) are frankly designed to stimulate exports to the West and to overcome Hungary's balance-of-payments deficit with hard-currency countries. The more favorable rate on

New Enterprises in Foreign Trade

In the economic reforms introduced in Hungary on January 1, 1968, a considerable number of producing and service enterprises were granted permission to engage in foreign trade. Before 1968, in addition to the specialized foreign trading organizations, eight industrial plants had foreign trading rights. On January first last year the number was increased to 30, 21 of which were engineering companies. From January first this year the following 17 additional enterprises have been allowed to engage in foreign trade:

- Productinform
- Electromechanical Enterprise
- Labor Instrument Works
- Office Machine and Precision Mechanics Enterprise
- Gamma Works
- Enamel Works
- Metallurgical Plant Building Enterprise
- Factory of Fine Fittings
- Ganz Electrical Works
- Videoton Radio and Television Factory
- National Rubber Works
- MALEV Airlines
- Omker
- Hungarian News Agency
- National Technical Library and Documentation Center
- Cartographic Enterprise
- State Mint

Enterprises already permitted to engage in foreign trade which will expand their foreign trading capacity in 1969 include:

- Hungarian Railway Carriage and Machine Works
- MOM Hungarian Optical Works
- Magnesite Industry (Refractory Products)
- Budapest Radio Engineering Factory
- Hungarian Enterprise of Leather Industry
- Export-Import Office of the Babolna State Farm, (handling poultry and horses for breeding)
- Hungaroflor Export-Import Office (ornamental plants, buds, roses and cut flowers)

Details are expected to be available in the near future on the activities of the new production and service enterprises in the foreign trade field.

roubles and a prior deposit system for imports from the West provide an incentive to import more from the socialist countries, with which Hungary does 67 per cent of its trade by volume. The present system of trading with socialist partners by prearranged contract will be continued until a freely convertible currency is established within the Communist Bloc. Consequently, the Ministry of Foreign Trade retains the authority to direct producers so that Hungary may fullfil these trade obligations. The enterprises themselves will play the key role in initiating intra-Bloc trading contracts and they have more freedom in placing long-term supply contracts with Western sources. Purchases of consumer goods from the West are still decided centrally, although those from socialist countries are not.

The full implications of the reforms for trade with the West will not be clear for some time. In 1968, the first year of their operation, Hungarian national income and industrial output each rose by 5 per cent and investment reached the 1967 level. However, productivity did not increase as much as planned and the expected increase in exports to the West did not materialize, despite the devaluation. Imports from the West declined slightly, as foreseen, but they are expected to increase by 5 per cent in 1969.

It will also take time for Hungarian enterprises to conform their methods of doing business to the market-oriented approach. In the other East European countries, where the role of central planning remains strong, the transition to a market philosophy will be less complete. Even so, the Canadian exporter will find these changes very much to his liking. He will benefit from more direct contact with potential customers and will have fewer control agencies and intermediaries participating in his discussions. He will find negotiations less protracted and less complicated. Above all, he will be able to talk turkey to the man across the table and to use the dollars-and-cents persuasion he employs in North America, knowing that sales depend much more on these arguments than they did in the past.

Czechoslovakia Continues Trade with West

Agency representation and trade fairs can help in penetrating the market.

R. J. L. BERLET
Commercial Secretary, Prague

■ The Czechoslovak economy is currently showing all the symptoms of an inflationary spiral largely, most observers believe, as a result of the Soviet-led invasion last August and the resultant uncertainties. At the same time the foreign trade gap has been widening and foreign currency reserves are rumored to be extremely low. But a more encouraging picture is offered by a 7 to 8 per cent growth in the GNP last year, attributed in part at least to the limited introduction of more flexible methods of management over the past year or two. This important economic reform has, however, been delayed since last autumn and the ambitious plans prepared for this year appear to have bogged down in continued controversy and discussion.

The engineering industry, predominantly heavy engineering, is the largest contributor to the GNP. The Government's intention is to build up, over the next several years, Czechoslovakia's light industry, consumer goods, chemical and pulp and paper industries, among others. To achieve this expansion, Czechoslovakia will need to import large quantities of sophisticated equipment and machinery which, by and large, is available only in Western countries. However, credit terms will undoubtedly be required on purchases of equipment from hard currency sources.

Before August 1968, about 20 per cent of Czechoslovakia's foreign trade was conducted with Western countries and since that time the Government has consistently repeated its intention to maintain this ratio. Foreign trade is, of course, a state monopoly but with the impeded and perhaps somewhat scattered introduction of economic reforms, more manufacturing concerns are obtaining their own export-import rights. Access to end users is practically no problem for a Western businessman—and, indeed, is becoming increasingly essential. Another decentralizing factor is the federalization Czechoslovakia underwent early this year with the emergence of two regional governments for the Czech lands and Slovakia, and a federal government in Prague. It is expected that Slovakia will show its economic independence more than it has to date, but for a few years at least Bohemia and Moravia will continue to account for about 70 per cent of production and foreign trade in Czechoslovakia.

Canada's exports to Czechoslovakia, valued at Cdn.$12 million last year, are summarized in Table I. Our imports from Czechoslovakia for the first nine months of 1968 totalled $20.2 million and covered no less than 395 statistical categories. The major ones are listed in Table II.

Despite the setbacks the economy is currently experiencing, Czechoslovakia remains a potential market for Canadian exporters of selected products. It is not a particularly easy market to enter but once established, profitable sales can result not only in this country but in the neighboring socialist states as well.

Getting Representation

One way to penetrate this market is by using one of the organizations that have been set up during the past year to represent foreign companies in this market and the other state trading countries in Eastern Europe. In 1969 several more such organizations are expected to commence operations. Most Western firms established in the Czechoslovak market or approaching it seriously use these facilities to some degree. Under Czechoslovak law, no foreign firm is permitted to appoint a private citizen of this country as its representative. Under a 1968 law, however, every Czechoslovak corporation or enterprise is allowed to represent foreign firms, provided it applies and receives approval for the registration of an agreement on representation with the Ministry of Foreign Trade.

There are obvious advantages to having local representation, although imports remain the exclusive monopoly of organizations holding licences from the Ministry of Foreign Trade. It is worthwhile noting that the list of producing enterprises that have received licences to engage directly in foreign trade continues to grow. These enterprises, of course, are in addition to the state trading corporations.

Services that these agency representation firms offer, usually for a fixed sum, include:

The Brno Fair provides an entrée to the markets of Eastern Eurnpe. Here Ron Berlet, Commercial Secretary in Prague, speaks to the press about Canada's trade.

- On-the-spot representation and follow-up on quotations submitted
- Market research
- Publicity and advertising, including arranging participation at local trade fairs
- Operating consignment stores for consumer goods and spare parts depots.

The advantage of such local services to the distant Canadian businessman is that his representative can develop a set of contacts at the all-important end user level. In Czechoslovakia there is little difficulty in establishing and maintaining end user contacts and this, by and large, accounts for the success several Western firms enjoy in this market.

Try a Trade Fair

One excellent way to introduce machinery and equipment to Czechoslovakian buyers is by exhibiting at Brno. A businessman coming to Prague in September and intending to discuss business with the machinery industry will find no key people in the Ministries, foreign trade corporations, trusts, or factories. They are all at Brno taking part in the famous International Machinery Fair. This is easily the single most important commercial event of the year in this country and its significance is not limited to Czechoslovakia.

Eastern European countries in planning their economies stressed heavy machinery to the detriment of consumer goods. The resulting increased production of machinery products, much of it planned for export, needed a show-window. In 1958 the Brno International Machinery Fair was organized for this purpose.

The idea of a specialized machinery fair in Europe was in many ways

TABLE I

CANADIAN EXPORTS TO CZECHOSLOVAKIA

		1968 (Cdn.$ million)
Total exports		**12**
of which		
Wheat		7.8
Flaxseed		1.3
Cattle hides		.9
Molybdenum		.4
Textile machinery parts		.2
Asbestos	approx.	1.0

TABLE II

CANADIAN IMPORTS FROM CZECHOSLOVAKIA

	Jan-Sept 1968 (Cdn.$'000)
Concrete reinforcing bars, carbon steel	1,751
Utility footwear, fabric tops	1,623
Wire rods, steel hot rolled	1,621
Waterproof rubber footwear	947
Broad woven fabrics cotton, colored	667
Pants, breeches, men's and boys', cotton	493
Tableware, glass, n.e.s.	390
Print cloth and sheeting, cotton, colored	371
Boots and shoes, men's and boys', last-made	347
Tents	332
Prefabricated structures, parts, n.e.s.	331
Total, these products	**8,873**
Total imports	**20,241**

unique and the fair quickly became popular. It attracted not only exhibitors from the other Eastern European countries, but also neighboring West European manufacturers. The number of foreign exhibitors increased each year and the list now includes companies from several overseas countries as well. The foreign participants have found this fair not only important to their sales efforts in Czechoslovakia but also an excellent entrée into the other countries of Eastern Europe.

This year Canada will participate in the Brno Fair for the fifth time. In 1968 the eight Canadian companies who participated under the aegis of the Department of Trade and Commerce transacted sales during the fair worth over Cdn.$65,000 and wrote pro forma invoices totalling over Cdn. $200,000. Many of these invoices have since been transformed into firm sales contracts. Nine Canadian firms will be participating in the Brno Fair this year; five of them produce equipment for the forest industries.

Seminars Stimulate Sales in Czechoslovakia

R. J. L. BERLET
Commercial Secretary, Prague

■ How do our Western competitors get so many orders in the Czechoslovakian market? Perseverance, to be sure, is one reason but creating interest at user level is equally important. The seminar achieves this and is becoming a key tool in the aggressive company's approach.

The seminar or symposium is a relatively new trade promotion technique in this country but it has been gaining in popularity. Many Western companies now use it.

Basically, the seminar is a gathering of experts, factory technicians, research personnel, people from Ministries and planning offices, and commercial staff from foreign trade corporations and factories. They are usually invited to hear lectures, see films and slides, and (where possible) to inspect at first hand the product or service offered. The Canadian firm prepares the technical papers, films and whatever else it needs, and sends a representative to make the presentation, explain the product, answer questions and contact the end users. If the same thing were done on an individual basis, it would be much more time-consuming and expensive.

Seminars are usually staged in Prague in one of the many convocation halls and salons that can be rented for the purpose. A seminar could also be organized in a provincial city near to the area where the particular product or service is most in demand. Occasionally, it is possible to arrange one in a research institute or factory where a piece of equipment the company manufactures may already be in operation. Prior approval of the factory management would, of course, be necessary but its testimonial might prove to be the best possible advertising for the product. Several specialized seminars are also held during the Brno Fair. Practically all the engineers in Czechoslovakia visit Brno at that time and this almost guarantees a good audience.

Choose Suitable Products

Specialized engineering machinery and equipment which are unknown to most potential users in the country lend themselves to the seminar approach. The following are some of the promising categories:

Industrial automation equipment

Transportation and agricultural machinery of a specialized nature

Medical, scientific and laboratory equipment

Instrumentation.

In other words, the best choice is capital equipment that would cut production costs and improve quality, enabling the product to be successfully marketed in convertible currency areas. A major Western chemical company has recently put on a technical seminar/symposium to which technical people only were invited. They believed it was useful even though the company was already established in the market.

Organizing the Seminar

There are a number of enterprises in Czechoslovakia (most of them in Prague) which organize seminars on behalf of Western firms for a fee. The three major public relations and advertising firms in Prague have considerable experience in this field. Smaller, more specialized bodies such as research institutes also provide this service. They draw up lists of people to invite (usually between 50 and 100), print and distribute invitation cards and follow them up by phone or telex to make sure that the appropriate people attend. They also rent a suitable hall or salon, hire interpreters and translation staff, and arrange a reception.

They also translate brochures and technical descriptions into the local language and prepare a mailing campaign to the appropriate authorities throughout the country. The Trade Commissioner in Prague will keep a watchful eye on progress, helping to ensure that the Canadian company's interests are looked after properly.

Cost and Timing

The average cost of a seminar with 50 to 75 people, including all the services outlined, comes to about $400-$500. You should ask for a specific quotation for each seminar you plan because the cost of technical translations and printing of brochures, for example, may vary considerably.

Practically any time of the year is suitable for a seminar except July and August when annual vacations interfere. Seminars in September should be held in conjunction with the Brno Fair. You should begin making arrangements and preparations in Czechoslovakia at least eight weeks before the seminar is due to take place.

If you are seriously interested in developing sales here, think about introducing yourself by using the seminar technique. The Prague office would be glad to help you.

Yugoslavia: Has the Corner Been Turned?

Increasing investment, emphasis on industrial buildup suggest it has, and are hopeful signs for Canadian exporters.

ZEN BURIANYK
Commercial Secretary, Belgrade

■ At various times throughout 1968 Yugoslavia's economic trend could not be determined clearly, but it is now evident that the economy took the upper road. This provided an encouraging end to a difficult year, the second and crucial one of retrenchment and readjustment brought on by the economic reform of January 1967. The upward trend is continuing this year.

Although many sectors of the economy showed disappointing results and the balance-of-payments situation remains weak, the performance of other sectors was encouraging. Problems will continue and the increase in imports could negate any real growth in exports, tempting the authorities to impose further import controls. Controls would affect mainly superfluous consumer goods and would have little effect on imports essential to economic growth.

Investment—a Key

Following a rather disappointing year in 1967, investments began to build up in 1968 and initial indications are that they totalled approximately 20 per cent of GNP. The distribution was erratic, with manufacturing and mining registering increases of more than 30 per cent while agricultural trade and communications remained rather stagnant. The above-average growth in the rate of investment in the non-productive sectors was disappointing.

One encouraging trend was the sources of investment. Banks are playing a larger role and, combined with industry, accounted for 80 per cent of total investment, a trend that is expected to persist.

Results from the passing into law of the Foreign Investment Bill of July 1967 proved disappointing in its first year because the expected rush of foreign capital did not materialize. The reluctance of foreign investors has been attributed primarily to the novelty of this opportunity in a socialist state and, more important, to the many vague references to implementation, protection of management practices, and repatriation of profits. That these and other points have since been more fully set out is evidenced by the number of deals concluded with firms from the United States, East Germany and Italy. Several other deals are currently being negotiated and the feeling is that the specific purpose of this law is slowly being realized.

Foreign Trade

Reflecting the investment confidence of 1968, the manufacturing and mining industries showed the greatest increase in exports, as follows: raw materials (including other than metallic) 18 per cent, semi-manufactures 14 per cent, machinery and transportation equipment 7.3 per cent. Within these sectors there was a gratifying growth in exports from the shipbuilding, nonferrous metal products and electrical industries. Admittedly starting from a small base, forest products exports increased 20 per cent and are considered a coming force in the balance-of-payments battle.

Agriculture, strong in 1967, proved weaker in 1968. Export shipments of fruit and vegetables fell by 34 per cent —the effect of smaller crops combined with rising trade barriers. More important, the export of live animals, fresh meat, and meat preparations fell by 16 per cent—a major blow because this sector alone accounts for between 65 and 70 per cent by value of agricultural exports. This decline stems mainly from the restrictive tariffs implemented by the EEC. Yugoslavia has a big unfavorable balance of trade with the EEC countries and high-level discussions have resulted in some alleviation of the problem. But unless major concessions are forthcoming, the difficulty will remain. Last year Yugoslavia's imports from the EEC countries rose by more than 6 per cent but its exports to them fell by 11 per cent. As a result, Yugoslavian imports from the EEC are 87 per cent larger by value than its exports to tbe EEC. The trading deficit with the EEC totals about U.S.$340 million—the unfavorable balance with West Germany alone was U.S.$200 million. The trading deficit was the largest ever—U.S.$536 million; this will be offset to some extent by invisible earnings.

The most important of these invisibles is the tourist trade; its earnings of U.S.$150 million in 1966 rose to U.S.$220 million in 1968. The hope is that by 1972 the figure will reach U.S.$400 million. This, combined with other invisible earnings, smaller imports and larger exports, would make possible a surplus on international payments. The servicing of the current international debt will, of course, be a burden for some years. Remittances from Yugoslav workers abroad constitute another source of invisible earnings; there are an estimated quarter of a million employed in Western Europe alone.

Canada's sales to Yugoslavia in 1968 reflected the growth in the industrial sector there; the increase was concentrated mainly on raw materials, with copper in various forms, asbestos and aluminum leading the way. Canadian imports from Yugoslavia increased more slowly but still at a satisfactory rate, with textiles, preserved fruit and vegetables, clothing and footwear leading the way.

Figures of trade with Yugoslavia in the last four years were:

	Exports to	Imports from
	(Cdn.$'000)	
1965	5,443	2,967
1966	3,664	2,638
1967	3,484	3,754
1968	6,551	4,725

There's a brisk air about the people on Belgrade's Avenue Marshal Tito. The variety of imported cars in the picture typifies Yugoslavia's open-minded attitude to trade.

Areas of Trade Interest

Yugoslav planners have defined certain areas of concentration with the objective of modernizing and expanding existing industries and establishing new ones to exploit natural resources. These programs offer Canadian businessmen opportunities to penetrate and exploit this market. Some of these opportunities by major categories are listed below.

Electronics and Telecommunications—There are a number of electronic plants in the country, many of them manufacturing under licence, but the industry is not yet fully integrated and as a result electrical components are major imports. Currently the majority of electronic parts are imported from the U.S. and Japan and find their way into products geared for the export market. This is a healthy and growing industry and the demand for parts and for testing equipment will remain high.

A country-wide overhaul of the telecommunications system will be given high priority and the announcement of a major program is expected shortly. It will probably be based on package contracts. Although various types of equipment are produced domestically, the more sophisticated items must be imported. Firms interested in this field should contact the Electrical and Electronics Branch of the Department of Industry, Trade and Commerce.

Currently there are two telephones per 100 persons in Yugoslavia, compared with over ten per 100 in most European countries. The hope is to reach the European average by 1975, to the planners.

Transportation Equipment—The need for transport equipment will remain high but competition is extremely stiff. The mining industry needs 20 to 30 large dump trucks per year of up to 110-ton capacity. Suppliers must be prepared to discuss credits if they want to make sales.

A need for logging trucks may emerge by the end of the year, again with high load capacities, on the basis of extensive UN and Yugoslav Government studies. This sector has been given high priority and early market penetration could lead to substantial repeat business.

The modernization of the railways will continue and there is a considerable demand for locomotives. Because each republic is responsible for the railroads in its area, any effort must be channelled to the individual agencies. Again, credits are a must.

Roadbuilding Equipment—Currently Yugoslavia has applied to the World Bank for substantial funds to accelerate highway building. The current program is ambitious, but the granting of this credit would see it expanding dramatically. An extensive modern higbway system is mandatory for larger tourist traffic and the country is in a hurry to exploit this resource to the maximum. Road graders, mobile roadbuilding equipment, cement and asphalt plants are in demand.

Hotel, Restaurant and Institutional Equipment—To double current receipts from tourists within the next four years will require the rapid expansion of all facilities and almost any product related to the movement, accommodation, feeding, amusement and general comfort of tourists has a potential.

Forestry Equipment—Last year's rise in exports of forest products by more than 18 per cent, combined with encouraging United Nations studies, points to rapid growth and exploitation of this relatively untouched field. Forestry equipment of all types will be required, from chippers, portable and permanent sawmills, and chain saws to skidders, tree harvesting equipment, and so on. The market has hardly been scratched and those who get in early will obtain a good share of the business.

Mining and Exploration Equipment—Mining is one of the most active areas in the economy and Yugoslavia is rapidly exploring and establishing new mining operations and expanding existing ones. The country has deposits of nickel, asbestos, copper, bauxite, iron, lead and other rare metals and minerals. Frequent invitations to tender on major projects are issued; these are in the order of $10 to $30 million but require generous long-term credits. However, normal day-to-day equipment needs in themselves constitute a good opportunity.

Machinery—Secondary manufacturing is a growing force and new equipment is in constant demand. Competition from West Germany, Italy, France, and the Eastern European countries is especially keen, but Canadian equipment incorporating new techniques and innovations can find a limited market.

Licensing a Possibility

When direct sales are not possible, a licensing arrangement or joint investment should be considered. The advantages are many and Yugoslav firms are eager to consummate these commercial marriages.

Licensing a Yugoslav firm is no different from licensing in other countries because Yugoslavia has signed the required international agreements. Not to be ignored is Yugoslavia's geographical position in relation to the European market, east and west. In addition, lower plant and labor costs can mean a cheaper product and consequently penetration into markets in which Canadians were previously priced out. Yugoslavia enjoys favorable tariff rates with the other Eastern European countries. It is also requesting special consideration for its manufactures within the EEC because of its large trade deficit with those countries.

Investment Is Encouraged

On the basis of the foreign investment law passed in mid-1967, Canadians have the opportunity to invest in existing or new Yugoslav enterprises to the extent of 49 per cent equity. However, the law has been designed to permit foreign participants a reasonable and not necessarily a minority voice in the operation and equity may take the form of new equipment.

The inflow of hitherto untouched sources of capital is a direct benefit, but the legislation is aimed more specifically at introducing new managerial and manufacturing techniques.

Businessmen themselves can best judge the opportunities presented by this law. Some of the more obvious ones are in the tourist field; there is great interest in the building of hotels and motels, and no lack of potential Yugoslav partners. The Commercial Secretary at the Canadian Embassy in Belgrade will, on request, provide detailed answers to questions and can help introduce Canadians to potential associates.

The Role of Yugoslav Banks

Canadians will find these banks resemble our own enterprise banks rather than socialist banks on the classical model

ZEN BURIANYK
Commercial Secretary, Belgrade

■ Yugoslav banks are closely patterned on Western banking practices but with enough distinctions to identify them as a uniquely socialist product. Following the enactment in 1965 of the Law on Banks and Credit Operations and the Law on the National Bank of Yugoslavia, these banks assumed a more liberal role in the administration of the Republic's fiscal operations.

The National Bank

The Yugoslav National Bank, with functions similar to those of the Bank of Canada, is responsible for the issue of money, credit regulation, management of external payments, enforcement of a uniform application of the monetary, foreign exchange and credit system, and the implementation of monetary and credit policy. Complementing this, the commercial banks carry out other banking operations, such as investment and providing savings facilities.

Yugoslav legislation recognizes three categories of bank credits.

1. Short-term credits, granted by business banks from sight deposits they hold and from short-term credits they obtain from the National Bank and other banks.

2. Investment credit, granted from savings. Banks accumulate such assets by accepting time deposits, issuing securities, allocating part of their income to their own credit funds, etc.

3. Consumer credits, granted either from saving deposits built up with banks or from other funds. These may be used for investment purposes.

Commercial Banks

Before the major banking reform laws in 1965 there were more than 200 banks in the country. Most of these were communal banks, in addition to Republic banks. As a result of the 1965 laws, midway through 1968 only 84 banks remained active, of which 39 were commercial banks, 36 mixed banks, and 9 investment banks. Although the law provides for the organization of savings banks, no independent savings banks have yet been set up. Commercial banks are permitted to operate branches.

Establishing a New Bank

Within the structure of commercial banks, new banks can be established under certain conditions and be given either a "small" or "great" charter. To qualify for the great charter, which permits foreign transactions, a bank must hold in its foreign credit fund at least 25 million New Dinars (ND 12.5 equal one U.S. dollar) and have an annual turnover of one billion dinars (see list at end of article.)

To obtain a small charter a bank must hold foreign excbange valued at five million dinars and although tbese small charter banks may engage in foreign exchange activities internally, the granting and guaranteeing of foreign credits and payments outside the country must be channelled through a great charter bank. Consequently each bank has a number of correspondents.

The chartering of a bank normally results from a consortium of business enterprises acting as partners and directors, and thus pooling their foreign earnings. Among the conditions laid down for the establishment of a new bank are:

- The number of founders of any type of bank should be at least 25.
- The founders of an investment bank must provide at least 150 million dinars as their contribution to the credit fund of the new bank.
- For the foundation of a commercial bank, at least 10 million dinars of contributions to the credit fund and 20 million dinars of sight deposits are required.
- For a mixed bank, no less than 50 million dinars must be contributed to the credit fund.
- To found a savings bank, a contribution of one million dinars to the credit fund is sufficient.

As instruments of new investment, in theory banks do not bave any control over depositors withdrawing funds for investment purposes. But in practice, because most new investments are of major proportions, individual enterprises are not often in a position to go it alone financially. Consequently the bank participates and in this way becomes influential in investment decisions. As an indication of this, banks provided well over half the investment capital in 1968 and by 1970 are expected to be providing 70 per cent.

To this date the reform is working out satisfactorily witb only a few drawbacks; one of these is that there are too many independent banks in the country. The natural Western approach would be to encourage mergers, but so far this has not happened and instead bank associations have been formed.

Canadian financial interests expecting to find a socialist banking system on the classical model will be pleasantly surprised at how familiar the enterprise banks of Yugoslavia seem.

The following are the 17 Yugoslav banks authorized to engage in foreign operations:

Beogradska Udruzena Banka, Beograd
Belgrade Bank Association

Investiciona Banka, Sarajevo
Investment Bank

Investiciona Banka, Titograd
Investment Bank

Investiciona Komercijalno Banka, Split
Investment and Commerce Bank

Jugoslovenska Investiciona Banka, Beograd
Yugoslav Investment Bank

Jugoslovenska Banka za Spoljnu Trgovinu, Beograd
Yugoslav Bank for Foreign Trade

Jugoslovenska Izvozna and Kreditna Banka, Beograd
Yugoslav Export and Credit Bank

Jugoslovenska Poljoprivredna Banka, Beograd
Yugoslav Agricultural Bank

Komercijalno Investiciona Banka, Skopje
Commercial Investment Bank

Kreditna Banka Sarajevo, Sarajevo
Sarajevo Credit Bank

Kreditna Banka Zagreb, Zagreb
Zagreb Credit Bank

Kreditna Banka u Hranilnica, Ljubljana
Slovenian Credit Bank

Privredna Banka, Novi Sad
Economic Bank

Privredna Banka, Zagreb
Economic Bank

Privredna Banka u Beograd, Beograd
Belgrade Economic Bank

Rijecka Banka, Rijeka
Bank of Rijeka

Stopanska Banka, Skopje
Skopje Economic Bank

Foreign Loans Announced

Second stage of Seyhan project, Turkey—The World Bank and the IDA are lending U.S.$24 million for the second stage of the Seyhan project which is designed to raise agricultural production in the Adana Plain by U.S.$15 million a year. This stage includes irrigation and drainage of 97,000 acres (a concrete pipe factory will also be set up) and training Turkish personnel abroad in irrigation and land-levelling techniques and in the organization of agricultural extension services. The project will be completed in 1975 and will cost U.S. $63 million altogether. Devlet Su Isleri, an agency within the Ministry of Energy and Natural Resources, will be responsible for construction and maintenance of civil works. On-farm development will be carried out by an agency within the Ministry of Village Affairs. Both will be assisted by consultants. Construction contracts and the purchase of equipment and materials will be on the basis of international competitive bidding. Some bids are already being invited.

Paper Industry in Honduras—The International Finance Corporation will help to finance the initial stage of a projected pulp, paper and lumber operation in Honduras. The new Industria Papelera Centroamericana S.A. (IPACA) will exploit the 3,000,000-acre Olancho forest. The major shareholder in IPACA is the International Paper Company which will also manage the project. Eventually $77 million may be required; IPACA's present capital is $500,000, up to $50,000 of it from IFC.

Palm oil mills in Malaysia—The Asian Development Bank will lend Malaysia U.S.$2.8 million to help finance the first two stages of two palm oil mills in the State of Pahang. Work on the first stage will begin in 1970. The loan will cover the foreign exchange component of the first two stages and interest during construction. It is the Asian Development Bank's second loan to Malaysia; the first was U.S.$7.2 million for water supply in Penang. Procurement is open to Canadian suppliers under international competitive procedures.

Private industry in Nigeria—The World Bank will lend U.S.$6 million to the Nigerian Industrial Development Bank (NIDB) to provide the foreign exchange needed to finance industrial enterprises in Nigeria over the next two years. These funds will be open to international procurement, including Canada.

Selling in Eastern Europe

...it's all in knowing how

NICHOLAS FODOR, *President, Electrovert Limited*
as told to O. MARY HILL

■ Selling in Eastern Europe isn't impossible or even difficult, if you offer the right product in the right way. Sales figures prove that Nicholas Fodor, president of Electrovert Limited of Montreal, has tested this statement and knows that it's true. He has succeeded in selling in Bulgaria, Czechoslovakia, Hungary and East Germany, and is actively pursuing leads in Romania, Yugoslavia, Poland, and the Soviet Union. Recently *Foreign Trade* interviewed Mr. Fodor about the approach that he uses in these state trading countries. Here are the questions that we put to him and the answers that he gave.

What types of manufactured products have the greatest sales potential in Eastern Europe?
Most of these countries, including the Soviet Union, have only limited amounts of hard currency and want to spend it to best advantage. In addition, they are eager to make use of advanced Western technology. It is technically advanced equipment and machinery that interests them most and which they are most eager to acquire. My company turns out automated wave-soldering equipment useful in stepping up plant production and we have not found it difficult to get a hearing from the state trading corporations—nor to make sales.

What do you consider essential in selling to these markets?
Two things are indispensable: patience and persistence. The determination to cultivate these markets assiduously and the ability to persist until results are achieved—that's the heart of the matter. Some companies have had to wait two years before making a sale, but orders when they do come are often large, payment is prompt, and any agreements made are honored to the letter. Ability to speak the language of the particular country is not essential nor, at least in the initial stages, is a personal visit to each one.

How can a manufacturer get in touch with companies that could use his product?
The short answer is that he cannot get in touch with them directly but must seek out the state trading corporation that covers trade in his products. The Canadian Trade Commissioners in Vienna and Prague can furnish lists of the state trading corporations in their territory. The manufacturer then calls on the specific corporation as he would on a potential customer, armed with catalogues, blueprints, and perhaps pictures of his equipment. He should then leave with the corporation a number of copies of these and they will be sent on to manufacturing plants that might use his equipment.

Is this the only possible approach to end users?
It is the indispensable first step but other approaches are possible. Our company has used three methods of making contact with people who might purchase our product and we have found that they work. These three are: using direct mail, exhibiting at trade fairs, and giving technical lectures or seminars for invited audiences. These methods may be used separately or in combination. A direct mail campaign may be employed to advertise participation in a trade fair and invite visitors to the stand and a seminar may be arranged for them.

How is a direct mail campaign organized?
From the Canadian company's point of view, this might more truthfully be called "indirect mail". The state trading corporation draws up a list of people, both officials and manufacturers, who will be interested in our material. We at Electrovert then deliver the required number of letters and brochures in the language of the country. (Altogether we turn out sales literature in eleven languages, including Russian, Polish and Czech.) Firms which cannot arrange for translation may have it done through the trading corporation. The corporation then distributes the material but it does not give us a copy of the mailing list. Replies come in to the corporation which relays them to us. From one direct mail campaign in Eastern Europe we received 127 inquiries.

Have you found trade fairs a useful sales medium?
They have proved to be an excellent way to introduce our equipment to a fairly broad group of people, including state trading and other officials, plant managers, factory technicians, and state planners. Going to these fairs also briefs us on the competition and what it is offering. Electrovert has displays at five fairs in this area on its 1969 program. We had a stand at the fair in Leipzig, East Germany, March 2 to 11, and will also participate in fairs in Moscow (May 14 to 28), Budapest (May 16 to 26), Poznan, Poland (June 8 to 17), and Zagreb, Yugoslavia (September 11 to 21).

Does participation in these fairs pose any problems?
It does call for a good deal of paperwork and meticulous compliance with the regulations. In Moscow, for example, we are entering a fair called "Modern Equipment for Automation of Production Processes" to which we are sending $50,000 worth of equipment and four of our staff. Early in our negotiations we received a seven-page pamphlet entitled "Conditions of Participation of Foreign Firms in Specialized Thematic Exhibitions Held in the U.S.S.R." We are required to insure our display with the Foreign Insurance Administration of the U.S.S.R., to supply well in advance for registration purposes a list of the people we will be sending over, must furnish pro forma invoices in ten copies, and must follow the rules set out in a Transport Guide for drawing up the shipping documents. In addition, we are preparing a letter inviting appropriate people to visit our stand and arranging with the state

trading corporation to have it circulated. We believe that these time-consuming procedures are worthwhile because trade fair displays do result in sales.

Have you tried the technical lecture technique?
Yes, and we think it is a good one. Last year we were invited to lecture at Bratislava, Czechoslovakia, and as a result sold some equipment there. We shall be giving a lecture in Moscow at the time of the May fair, will lecture in Bucharest, and have already been invited to arrange a lecture in Yugoslavia in 1970. Last year we put on two lectures in Brno, Czechoslovakia, one in Budapest, and one in Romania. The advantage is that these lectures attract people who are already keenly interested in the topic, who listen eagerly, and are ready with questions afterwards. Sometimes we give each participant a sample printed circuit that has been soldered by our method.

Is it difficult to arrange for these lectures or seminars?
The arrangements are normally made through a state-owned advertising or public relations agency. The agency, for a fee, chooses and invites the audience (usually between 50 and 100 people), follows up these invitations by phone, rents the hall, secures the services of an interpreter, and obtains equipment for showing slides. It also lays on the drinks and a cold buffet. These lectures must be planned well in advance—about eight weeks is normal—and both the text of the lecture and the slides must be submitted for approval. In Czechoslovakia "Made in Publicity" takes on arrangements of this kind, and in Hungary the House of Technik offers all the facilities for delivering lectures, including the installation of small working models of machinery and use of T.V. Electrovert's service representative in London, a British engineer, delivers these lectures in Eastern Europe and fields the resulting technical questions.

Is it necessary tn have permanent representation in these markets?
This is certainly desirable, but there is one difficulty: agents as we know them do not function in the centrally planned economies. (There are a few in Yugoslavia.) The best solution is therefore to select an agent in either Austria or Switzerland; each of these countries has agency firms experienced in trading techniques in Eastern Europe and the Soviet Union. My company has two agents in Vienna. One of them covers Bulgaria, where we have already sold five complete soldering lines, and the other one the rest of Eastern Europe. The Trade Commissioner in Berne or in Vienna can help you select good representation. It is vital to obtain an agent who has developed good relationships with the state trading corporations.

What about the servicing problem?
Good service for the equipment that you sell is just as essential in Eastern Europe as it is anywhere. Sometimes I feel that it is even more important because if equipment breaks down and production is held up pending repairs, the manager of the plant gets a black mark from the central planners. Electrovert has a top-flight service engineer stationed in London. He can reach a plant in Eastern Europe or the Soviet Union in three to four hours by air and can get things moving again quickly.

Have ynu other advice on dealing with businessmen in this area?
Many North American firms provide small giveaways for their customers—ballpoint pens, for example, or small gadgets of some kind. These giveaways are particularly appreciated in the Soviet Bloc because they are less common. In addition, plant managers or officers of the state trading corporations who make trips to Austria, Switzerland, Canada, or other Western countries appreciate being entertained during their trip, because their travel allowance is strictly limited.

Have the methods that you have outlined worked for your firm?
Eastern Europe and the Soviet Union so far represent a small share of our export business, 80 per cent of which lies in the United States. But we are making progress in this area. As mentioned above, we have sold five complete soldering lines to Bulgaria and three lines in Czechoslovakia. One was shipped to Hungary at the end of February and two have gone to East Germany. One of the difficulties has been the lack of patent protection but the Soviet Union recently joined the International Patent Convention so this situation should improve. I would like to emphasize that though making a first sale may take time and effort, once you have made it in any of these countries, you are in. I hope that more Canadian companies turning out products that Eastern Europeans could use will give this market a try.

Trade Commissioners on Tour

In Territory

Bulgaria, Hungary, Romania—Trade Commissioners in the Vienna, Austria, office make frequent visits to these countries, but often there is not time to publish their itineraries in advance. Therefore, Canadian businessmen who wnuld like the Trade Commissinners tn undertake assignments for them in these East European countries are advised to write to the Vienna office immediately.

Barbadns—J. A. Ahow, Commercial Officer in Port-of-Spain, Trinidad, will visit Barbados May 6-8.

Cyprus—an officer from the Tel Aviv, Israel, office will visit Cyprus every month for at least three days, usually in the second half of the month.

Tnbago—D. Hobson-Garcia, Commercial Officer in Port-of-Spain, Trinidad, will visit Tobago May 13.

Trinidad—J. A. Ahow, Commercial Officer in Port-of-Spain, will visit South Trinidad April 30.

Turkey—Trade Commissioners in the Athens, Greece, nffice visit Istanbul and Ankara approximately every six weeks.

Windwards—D. J. McJanet, Assistant Commercial Secretary in Port-of-Spain, will visit St. Lucia, St. Vincent and Grenada May 11-17.

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

BRAZIL

Area: 3,289,440 square miles (approximately half the area of South America).

Population: 92 million (1969 estimate).

Climate: tropical in the north, sub-tropical in the center, temperate in the south.

Language: Portuguese; sales literature in Spanish is not acceptable.

Currency: new cruzeiro; official rate, one new cruzeiro equals Cdn.$0.2749 (March 1969).

Foreign exchange and import controls: all goods are subject to import licences processed through CACEX (Foreign Trade Bureau of the Bank of Brazil). Applications made by importers must be accompanied by exporters' brochures, printed price lists and a pro-forma invoice visaed by the local Chamber of Commerce. Governmental institutions and mixed capital companies cannot import goods which are manufactured in the country, although exceptions may be made in special cases. Medium- and long-term financed imports must be registered with the Central Bank of Brazil before the import licence is processed. Goods imported into the Free Trade Zone of Manaus (port on the Amazon river) do not require import licences and may enter duty-free.

Weights and measures: metric system.

Capital: Brasília, in the geographic center of Brazil.

Chief ports: Macapá, Belém, Manaus (on the Amazon), Fortaleza, Natal, Recife, Salvador, Vitória, Rio de Janeiro, Santos, Florianópolis, Pôrto Alegre.

Marketing centers: São Paulo (population '000) 5,600, Rio de Janeiro 4,200, Belo Horizonte 1,200, Recife 1,100, Pôrto Alegre 1,000, Salvador 900, Fortaleza 850, Belém 600.

Economy: largely agricultural, with coffee contributing some 7 per cent of national income, but responsible for two-fifths of foreign exchange earnings; third largest cattle population in the world; cocoa, sugar and cotton important export crops. Rapid industrialization and development of communications helping to exploit resources in interior; mining increasing in importance.

Total Brazilian imports: 1968—U.S.$1,890 million; 1967—U.S.$1,667 million.

Chief imports: (per cent) 1968—manufactured goods 45 (including machinery and vehicles 34), raw and semi-processed materials 18, foodstuffs and beverages 17 (including wheat 11), chemical and pharmaceutical products 15.

Chief suppliers: (per cent) 1968—United States 30, West Germany 11, Argentina 8, Britain 5.

Value of imports from Canada: 1968—Cdn.$48.2 million; 1967—Cdn.$27.5 million.

Chief imports from Canada: (Cdn.$ million) 1968 (10 months) —aircraft, engines and parts 9.7; aluminum 7.9; asbestos 4.2; newsprint 2.4; card punching, sorting and tabulating machines and parts 2.3; sheet and strip steel 1.9; parts and accessories for motor vehicles 1.0; copper refinery shapes 1.0.

Total Brazilian exports: 1968—U.S.$1,890 million; 1967—U.S. $1,654 million.

Chief exports: (per cent) 1968—foodstuffs and beverages 58, raw and semi-processed materials 24, manufactured goods 6, chemical and pharmaceutical products 2.

Chief markets: (per cent) 1968—United States 30, West Germany 9, Netherlands 8, Italy 7, Argentina 6.

Value of Canadian purchases: 1968—Cdn.$38.7 million; 1967 —Cdn$31.4 million.

Chief Canadian purchases: (Cdn.$ million) 1968 (10 months)—coffee, green 20.8; iron ore 3.2; orange juice concentrates 2.4; instant coffee 1.3; castor oil 1.0.

Prices: quote only in U.S. dollars, c.i.f.

Usual credit terms: sight to 120 days or whatever is agreed upon.

Samples: import restricted if of commercial value.

Visas: visa is required. **Inoculations:** smallpox.

Trade agreements: import tariffs identical for all countries and preferential rates only granted LAFTA countries. Payment agreements with several European countries.

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

Correspondence: airmail only; letters 15 cents per half ounce.

For detailed information on this market write to: Latin American Division, Office of Area Relations, Department of Industry, Trade and Commerce, Ottawa, or

Commercial Counsellor, Canadian Embassy, Caixa Postal 2164-ZC-00, Rio de Janeiro, Brazil, or

Consul and Trade Commissioner, Canadian Consulate, Caixa Postal 6034, São Paulo, Brazil.

PERU

Area: 506,000 square miles.

Population: 12,437,544.

Climate: dry and moderate on coast, cool in mountains, tropical in jungle.

Language: Spanish; sales literature in Spanish important.

Currency: sol (free); one sol equals Cdn.$0.0246 (March 1969).

Foreign exchange: freely available for all imports.

Weights and measures: metric system.

Capital: Lima, altitude 666 feet.

Chief ports: Callao, Mollendo, Matarani, Salaverry, Chimbote, Iquitos (Atlantic via Amazon River).

Marketing centers: Lima including Callao (population '000) 2,300, Arequipa 200, Trujillo 140, Iquitos 70.

Economy: agriculture, mining, fishing are the main sources of foreign exchange. Opportunities exist for investment in mining and manufacturing. Some local capital is available, but assistance from abroad is welcomed.

Total Peruvian imports: 1967—U.S.$819.6 million; 1966—U.S.$816.4 million.

Chief imports: (per cent) 1966—primary food products, textiles, tobacco and beverages 48; transportation vehicles 38; machinery and domestic equipment 32; processed foods, pharmaceuticals and toilet articles 10.

Chief suppliers: (per cent) 1967—United States 45, Germany 15, Japan 9.6, Argentina 7.9, Britain 5.5, Italy 4.7, Canada 3.8, Netherlands 3.2.

Value of imports from Canada: 1968—Cdn.$22.2 million; 1967—Cdn.$32.3 million.

Chief imports from Canada: (Cdn.$ million) 1968—passenger automobiles and chassis 3.2; trucks and chassis n.e.s. 2.9; newsprint paper 2.6; sheet and strip steel 2.2; wood pulp, sulphate unbleached, paper grades 1.2; malt 1.0.

Total Peruvian exports: 1968—U.S.$636 million; 1967—U.S. $399 million.

Chief exports: (per cent) 1966-67—cotton 35.9, sugar 16.3, oil and derivates 14.9, iron 13.6, lead 12.7.

Chief markets: (per cent) 1966—United States 53, West Germany 14, Japan 12, Netherlands 7, Belgium 6.

Value of Canadian purchases: 1968—Cdn.$3.2 million; 1967—Cdn.$2.3 million.

Chief Canadian purchases: (Cdn.$'000) 1968—coffee, green 2,300; tuna, canned 333; beans, dried 146; fish meal 124; metal ores, concentrates and scrap 52.

Prices: quote in U.S. dollars, c.i.f. preferred.

Usual credit terms: sight to 180 days; 90 days is most common.

Samples: duty is payable on samples of commercial value; small samples of no commercial value enter duty-free.

Visas: not required. **Inoculations:** smallpox.

Trade agreements: member of GATT and most-favored-nation agreement with Canada. Peru is a member of LAFTA and grants preferential rates to member countries. Member of the Andean Group.

Import controls, documentation, customs tariffs, marking and labelling: with some exceptions, licences are not required for imports from any country. For more information, consult the Office of Area Relations, Department of Industry, Trade and Commerce, Ottawa.

Correspondence: airmail only; letters 15 cents per half ounce.

For detailed information on this market write to: Latin American Division, Office of Area Relations, Department of Industry, Trade and Commerce, Ottawa, or

Commercial Secretary, Canadian Embassy, Casilla 1212, Lima, Peru.

Foreign Exchange Rates

These nominal quotations may help exporters in checking prices, but they should consult their ba
before making any firm commitments. When more than one rate is shown, the one to be used depe
on the commodity traded. Information on the rate for any specific commodity may be obtained fr
the Office of Area Relations, Department of Industry, Trade and Commerce, Ottawa.

The mid market rates only are quoted, except when buying and selling rates are specified. The buy
rate is that at which banks purchase exchange from exporters; the selling rate is that at which ba
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 .93. To convert column two, *divide* by .93.

Country and Currency	Value of	
	Foreign currency unit in Canadian dollars	Canadian dollar in foreign currency units
	March 27	
Algeria		
Dinar	.2172	4.59
Argentina		
Peso (free)	.0031	322.58
Australia		
Dollar	1.204	.8340
Austria		
Schilling	.0416	23.98
Bahamas		
Dollar	1.055	.9506
Belgium and Luxembourg		
Franc	.0214	46.25
Bermuda		
Pound	2.567	.39
Bolivia		
Peso	.0905	10.97
Brazil		
Cruzeiro (official free)	.2701	3.70
Britain		
Pound	2.579	.39
British Honduras		
Dollar	.6447	1.55
Burma		
Kyat	.2262	4.43
Ceylon		
Rupee	.1810	5.54
Chile		
Escudo (bank rate)	.1298	7.70
(free)	.1153	8.76
China, Republic of		
New Taiwan Dollar (official)	.027	37.04
Colombia		
Peso (fixed)	.063	14.95
Congo (Kinshasa)		
Zaire	2.150	.4653
Costa Rica		
Colon	.1626	6.12
Cuba[1]		
Peso	....	....
Czechoslovakia		
Koruna	.1496	6.70
Denmark		
Krone	.1435	6.98
Dominican Republic		
Peso	1.077	.93
Ecuador		
Sucre (official)	0598	16.50
(free)	.0536	18.45
El Salvador		
Colon	.4309	2.35
Fiji		
Pound	1.237	.81
Finland		
Markka	.2565	3.91
France, Monaco, etc.[2]		
Franc	.2172	4.59
Franco-African Republics[3]		
Franc	.0043	235
French Pacific[4]		
Franc	.0119	84.24
Germany		
D Mark	.2677	3.71
Ghana		
New Cedi	1.055	.95
Greece		
Drachma	.0359	27.93
Guatemala		
Quetzal	1.077	.93
Guyana		
Dollar	.5386	1.85
Haiti		
Gourde	.2154	4.65
Honduras		
Lempira	.5386	1.86
Hong Kong		
Dollar	.1777	5.64
Hungary		
Forint (official)	.0921	10.86
Iceland		
Krona (official)	.0122	81.96
India		
Rupee	.1427	7.02

Country and Currency	Value of: Foreign currency unit in Canadian dollars	Value of: Canadian dollar in foreign currency units
	March 27	
ndonesia[5]		
Rupiah	....	....
ran		
Rial	.0142	70.42
raq		
Dinar	3.016	.33
reland		
Pound	2.579	.39
srael		
Pound	.3078	3.23
taly		
Lira	.0017	581.86
amaica		
Pound	2.579	.39
apan		
Yen	.0030	333.33
enya		
Shilling	.1526	6.55
ebanon		
Pound (free)	.3339	3.00
alaysla		
Dollar	.3519	2.85
exico		
Peso	.0861	11.64
orocco		
Dirham	.2129	4.72
etherlands		
Florin	.2966	3.37
etherlands Antilies		
Florin	.5712	1.76
ew Zealand		
Dollar	1.207	.83
icaragua		
Cordoba	.1539	6.51
igeria		
Pound	2.998	.33
orway		
Krone	.1509	6.64
akistan		
Rupee	.2262	4.43
anama		
Balboa	1.077	.93
Paraguay		
Guarani (free)	.0086	116.28
Peru		
Sol (free)	.0246	41.66
Philippines		
Peso (free)	.2750	3.63
Poland		
Zloty (fixed basic rate)	.2690	3.72
Portugal & Colonies[6]		
Escudo	.0375	26.80
Saudl Arahla		
Riyal	.2066	4.84
Slerra Leone		
Leone	1.507	.66
Singapore		
Dollar	.3519	2.85
South Africa		
Rand	1.507	.66
Spain & Dependencies		
Peseta	.0154	64.25
Sweden		
Krona	.2087	4.81
Swltzerland		
Franc	.2508	4.02
Syria		
Pound (free)	.2812	3.55
Thailand		
Baht (free)	.0522	19.19
Trinidad & Tohago[7]		
Dollar	.5392	1.85
Tunisia		
Dinar	2.052	.48
Turkey		
Lira	.1197	8.38
United Arah Republic		
Pound (official)	2.477	.40
United States		
Dollar	1.077	.93
Uruguay		
Peso (free)	.0043	232.55
Venezuela		
Bolivar (official free)	.2398	4.18
Yngoslavla		
Dinar (official)	.0861	11.64

1. There is no trading in Cuban pesos in U.S. or Canadian banks at present.
2. Franc is also used in French Guiana, Guadeloupe and Martinique.
3. Chad, Central African Republic, Congo (Brazzaville), Dahomey, Gabon, Ivory Coast, Islamic Republic of Mauritania, Niger, Senegal, Upper Volta, Cameroons, Togoland, and Malagasy. Also Reunion, Comoro Islands, St. Pierre and Miquelon.
4. New Caledonia, New Hebrides, French Polynesia.
5. Because of the complexity of the Indonesian exchange rate system, it is impractical to quote a single representative rate for the rupiah.
6. Approximately same rate for Portuguese territories in Africa.
7. Also used in Barbados, Leeward and Windward Islands.

If You Need to Know More

This list of reading material on Eastern Europe has been compiled by the Industry, Trade and Commerce library staff. The Department regrets that it cannot undertake to supply copies of any of these publications, but will be happy to tell inquirers where to obtain them and the cost.

Books, Pamphlets and Documents

Canada's Trade with the Communist Countries of Eastern Europe
I. M. Drummond
Canadian Trade Committee

East-West Trade Symposium
Ed. Philip E. Uren
Canadian Institute of International Affairs

Hints to Businessmen Series: Bulgaria, Czechoslovakia, Hungary, Poland, Romania, U.S.S.R., Yugoslavia
British Information Services

Foreign Trade Enterprises in Eastern Europe: Bulgaria, Czechoslovakia, Hungary, Poland, and Romania
International Trade Center UNCTAD/GATT

Foreign Trade Enterprises in Yugoslavia
International Trade Center UNCTAD/GATT

Foreign Trade and Development Studies: Bulgaria, Czechoslovakia, Hungary, Poland, Romania, Yugoslavia
Province of Ontario

Economic Survey: Yugoslavia
Organization for Economic Co-operation and Development

Background Notes: Bulgaria, Czechoslovakia, Hungary, Poland, Romania, U.S.S.R.
U.S. Department of State

East-West Trade: Practical Guide to Selling in Eastern Europe
P. Zentner
Max Parrish

Periodicals

U.S.S.R. and Eastern Europe: Periodicals in Western Languages U.S. Library of Congress

American Review of East-West Trade
Symposium Press Inc.

East Europe
Free Europe Inc.

East-West Trade News
Reuters Limited

Quarterly Economic Reviews: Eastern Europe North (Czechoslovakia, East Germany and Poland), Eastern Europe South (Albania, Bulgaria, Hungary and Romania), U.S.S.R., and Yugoslavia
Economist Intelligence Unit

Radio Free Europe Series
Free Europe Inc.

Soviet and East European Foreign Trade (Translations)
International Arts and Science Press Inc.

United Nations Publications

Commodity Trade Statistics
Note: Volume 16 Number 34 gives Hungary's 1966 exports and imports by commodities by countries. Volume 17 Number 29 gives similar information for Yugoslavia.

Economic Bulletin for Europe

Economic Survey of Europe

World Trade Annual
Note: Supplement to Volume I gives exports and imports of individual East European countries by commodities by countries.

Other Sources of Information

Many East European countries have Embassies in Ottawa and commercial offices in various Canadian cities. *Representatives of Other Countries in Canada* lists them and can be obtained from Canadian Government bookshops, price 60 cents.

Foreign Tariffs and Trade Regulations

Philippines

DEADLINES FOR SUBMISSION OF CONSULAR INVOICES FOR CERTIFICATION—To enable exporters and shippers to comply with provisions of Foreign Service Circular No. 144-66, dated 17 November 1966, under which the submission of the consular copy of the ocean bill of lading is required, consular invoices accompanied by supporting documents should be presented for certification to the Consulate having jurisdiction over the shipment within a reasonable period of time after the departure of the vessel.

For purposes of this and related circulars, the "reasonable period" for submission of the documents shall be as follows:

Post	Period from departure of vessel
Europe and Africa	14 days
Americas, excluding Hawaii and Guam	10 days
Hong Kong	36 hours
All others	Three (3) working days

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