foreign trade

Study the Potential of Growing Markets in Eastern Europe

Department of Industry, Trade and Commerce, Canada

April 25/70

In This Issue

Just as we were putting the final touches to this issue describing the $6 billion market of Eastern Europe, a Canadian company completed arrangements for Canada's first major sale of machinery to that part of the world.

Combustion Engineering-Superheater Ltd. of Montreal announced it had been selected to supply a $2.5 million chemical recovery unit for use in a paper mill at Turnu-Severin in Rumania on the Danube River.

Combustion Engineering and the Rumanian Government were just over a year in negotiations. Company executives took a number of trips abroad to obtain approval for the technical design, so important because of the pollution concern near the tourist area of Turnu-Severin, and to discuss the financing arrangements.

Now, with the contract signed, R. L. Riker, president of Combustion Engineering, offers some advice about the market area: "There are great possibilities, but it's complex and you must work at it."

The Canadian Government Trade Commissioners covering Eastern Europe, authors of this issue's information on marketing there, echo Mr. Riker's comments and emphasize that the sales possibilities are there and that business visits to the area, involving much work and patience, can be rewarding.

This issue goes into depth about the Eastern European potential, marketing methods, regulations etc. It takes a peek into the future and studies possible market developments; describes the advantages of trade fair participation, studies licensing and reports on individual country requirements.

The photograph on the front of this Eastern European issue illustrates dramatically the size of Moscow's huge Gum Department Store. Its two decks here are crowded with shoppers in the attractive enclosed mall that makes shopping pleasant—as it does in North America.

Turn the magazine over and you're looking at another Eastern Europe location—Prague, Czechoslovakia. The opportunities for Canadian business in this country are set out in our article "Dateline Prague" which begins on page six.

The next issue of "Foreign Trade", coming out on May 9, will contain a wide variety of market information—from Turkey to the U.S.—and a lot of points in between. And there's going to be considerable material concerning marketing in Mexico and the business trends that are expected to develop there over the next ten years.

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

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Vol. 133 No. 9 **April 25/70**

Subscription

$5.00 a year in Canada, $7.00 abroad. Single copies 25 cents each. Please forward all orders, with cheque or money order made out to the Receiver General of Canada, to the Queen's Printer, Ottawa, Canada.

92458—1

Eastern Europe – a $6 Billion Market

G. ELLIOT
European Division, Office of Area Relations

East-West trade has been growing at an average rate of close to 10 per cent annually during the last five years and, despite the fact that most East European trading is internal, these countries represent a market for western products of well over $6 billion annually.

Canada has continued to seek ways to ensure Canadian exporters an opportunity to obtain a maximum share of this business. One of the avenues being used to facilitate this has been the maintenance of good formal trade relations with these countries.

Canada now has formal trade relations with all the countries of Eastern Europe except Albania and East Germany. Trade relations with Poland, Czechoslovakia and Yugoslavia are based on pre-war trade agreements as well as the subsequent membership of these countries in the General Agreement on Tariffs and Trade (GATT). The other countries of Eastern Europe have bilateral trade agreements with Canada. The first of these, with the U.S.S.R., was concluded in 1956 and agreements were concluded later with Bulgaria and Hungary, and most recently with Rumania in March 1968 (see box).

In the negotiation of bilateral trade agreements with state trading countries, the main objective is to achieve an effective legal framework for two-way trade. It is also important that these trade agreements take into account the differences between Canada's economic system and the state trading system which prevails in Eastern Europe so that the final result represents a reasonable balance of trading opportunities.

The usual trade agreement based primarily on the exchange of most-favored-nation tariff treatment does not necessarily achieve this objective in view of the different approach between foreign trade in Eastern Europe and Canada.

In Canada there are fewer controls over imports than in most countries. For the overwhelming majority of imports the Canadian market is completely open. Any individual or firm can purchase goods from abroad and import them into Canada on payment of the customs duties and taxes. There are no restrictions on the availability of currency to pay for imports and the preferences of the market ultimately play a decisive role in determining the source of imports.

However, this is not the case in Eastern Europe. With the exception of Yugoslavia, all foreign trade is a complete state monopoly. This control over imports is achieved through channelling all purchases from abroad through a small number of state foreign trade enterprises, each of which has a monopoly over the import or export of a specified range of products. With a few exceptions, manufacturing enterprises are not permitted to deal directly in foreign trade and individuals are also not permitted to import goods from abroad. The state trading enterprises, rather than the users, determine the sources of imports, and their choices may reflect a variety of factors in addition to the commercial considerations.

In addition, the rigid system of state control over imports has enabled the East European countries to restrict imports to those items considered essential by them for economic development. The selection of imports from Western countries is dictated largely by their limited reserves of convertible currency, which practice has meant that the East Europeans have been prepared to buy essential raw materials from the West as well as Western plant and technology, but they have been much more unwilling to purchase consumer products, or those items which generally can be obtained from one of their East European neighbors at no cost in convertible currency. It is most difficult to export products which are available in adequate quantities from domestic production even though the domestic item may at times be inferior.

Therefore, in general it is more difficult for Canadian exporters to gain access for their goods to the East European markets than is the case for the East Europeans in Canada. Consequently, in the negotiation of bilateral trade agreements with East European countries, in order to achieve a reasonable balance of trading opportunities, 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.

Until last year wheat dominated Canadian exports to Eastern Europe. Canada has been exporting wheat regularly to the Soviet Union and Poland since the mid-1950's and significant purchases have been made over the years by Czechoslovakia, Hungary and Bulgaria. Apart from wheat most of Canada's exports have been industrial materials including cattle hides, asbestos fibers, and copper. Mainly due to reduced requirements for Canadian wheat in 1969, Canadian exports to

the area dropped to $37 million last year from a level of $143 million in 1968. However, it is expected that 1970 will be a much better year for Canada with resumed wheat shipments in substantial quantities to the U.S.S.R. and perhaps further wheat sales to Poland and Bulgaria.

On the import side, although they got off to a fairly slow start in the early 1960's, with the help of most-favored-nation treatment on the Canadian market the East Europeans have made considerable progress in developing exports to Canada. Since 1963 their sales have increased from about $30 million annually to over $81 million in 1969. This covers a wide range of products including clothing and textiles, consumer products of various kinds and some industrial products such as machine tools and steel products.

In the long run the growth of East-West trade, and the ability of Canada to participate fully in this trade may depend on the degree to which the East Europeans succeed in establishing a meaningful association with the international trading community. One way of achieving this would be through membership of the East European countries in the GATT on terms which would permit them to trade on a multilateral rather than bilateral basis. Much of their trade with Western countries is now conducted on the basis of bilateral trade agreements which specify the products and volume of items to be traded in each direction. These agreements are designed to maintain balanced trade bilaterally and it can be argued that they tend to distort the composition, direction and volume of trade from that which would take place normally if the trade were allowed to flow on a multilateral rather than bilateral basis.

Canada has consistently supported efforts to bring these countries to a greater extent into the multilateral trading system and is continuing to play an active role in working out arrangements for membership of some of them in the GATT. Canada has sought terms of accession to GATT for these countries which would provide for the gradual elimination of restrictive and discriminatory commodity exchange type trade agreements which they have negotiated with many western countries in order that their commitment to extend most-favored-nation treatment to other GATT members will be of real significance.

At the moment it would seem that real participation by the East Europeans in the international division of labor, and in multilateral trade is a long-term objective. However, they are all interested in trading with the West, and with Canada in particular when we can offer competitively the goods they need. Our trade commissioners have established good contacts in the territory and would be pleased to assist Canadian exporters in assessing possibilities for exports to Eastern Europe. The accompanying information prepared by trade commissioners currently assigned to posts covering East European countries, should provide Canadian exporters with useful advice on whether they should take a closer look at this area.

Trading Arrangements

The following summarizes 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 concluded with Bulgaria on October 8, 1963, 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 in October 29, 1963, which provided for the purchase of 44 million bushels of wheat over five years. Czechoslovakia completed in full 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 period ending July 31, 1971.

Rumania—Canada concluded a three-year trade agreement with Rumania on March 22, 1968. The agreement provides for the exchange of most-favored-nation treatment and includes an undertaking by the Rumanians 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 on March 1, 1970, was essentially a simple exchange of most-favored-nation treatment. However, the Soviet grain importing agency will continue through 1970 to purchase wheat specified in an earlier long-term wheat agreement with the Canadian Wheat Board, and has agreed to look first to Canada in meeting any additional requirements for wheat purchases from abroad.

Bulgaria Makes Progress

Machinery, high-value chemicals, livestock supplies, quality instruments—these are just some of the things Canadians might sell in a country expected to import $250 million worth of goods annually from the West.

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

As the visitor steps off the jet and proceeds through Bulgarian Customs at Sofia, it may not occur to him to start looking right away for a piece of Canada. But there it is—his suitcase is offered to him by a Canadian-built luggage conveyor. Installed at Sofia airport in 1968, this equipment exemplifies the relatively narrow range of high-technology products which Canadian companies can sell to Bulgaria. Consumer goods of all descriptions have little chance of selling in this market. But if a firm offers sophisticated machinery or equipment, high-value chemicals, livestock supplies, quality instruments or complete plants, then it should investigate the Bulgarian market.

Bulgaria is a small and resource-poor Communist country located in the Balkan peninsula, bordered by Turkey, Greece, Yugoslavia and Rumania. For centuries the land was swallowed up in the Turkish Ottoman Empire. In the 1870's, the Turks were expelled with the help of the Czar of Russia. Since then Bulgaria's ethnic ties with Russia and its need for raw materials have combined with political factors to bring about a strong economic dependence on the U.S.S.R. **Over 50 per cent of Bulgarian foreign trade is carried on with the U.S.S.R.** and the 1970 plan calls for the Soviet share to reach 60 per cent. The Soviet Union has installed more than 150 complete plants in Bulgaria over the last 25 years, most of them involving favorable credit terms. In the next five years deliveries of Soviet raw materials will increase sharply, reaching, for example, the annual level of six million tons of coal. ten million tons of crude oil, three billion kwh. of electricity and 3,000 million cubic meters of natural gas.

In comparison with its ties with the East, Bulgaria's trade with the developed countries of the West is small—about 15 per cent of its total foreign trade. This percentage has been falling since 1968, when it was over 18 per cent; this year's plan calls for a further reduction to 13 per cent. Despite this trend, **the country will continue to buy annually some $250 million worth of goods from the West**. Important among these imports have been special steels, machine tools, chemicals, pumps and centrifuges, refrigerated trucks, synthetic yarns, electric and electronic components and machinery, heating and cooling machinery, textile fibers and mechanical handling machinery. The major Western suppliers have been Germany and Italy. but all industrial European nations (and Japan as well) have done worthwhile business in Bulgaria.

Bulgarian figures on economic performance have been good. **Over the past few years, growth in industrial output has averaged more than 9 per cent,** and the 1970 plan calls for a 7 per cent increase in real output per capita. New investments are made in accordance with national priorities established in Sofia, and since the majority of imports from the West are investment goods, we should look at performance and plans in a few sectors.

Forest industries—Bulgaria's development in this area has been limited by its wood resources. However, last year marked the beginning of a contract with the Soviet Union under which some 3,000 Bulgarian lumberjacks are cutting timber in the Komi Republic in the northern U.S.S.R. At present, the plan calls for shipment of some 2½ million cubic meters of wood to Bulgaria for the construction and furniture industries. In future, some of this wood will be converted in the Soviet Union into 70,000 tons a year of pulp for Bulgaria. The wood supplied from the Soviet Union, and from Guinea under a similar but smaller scheme, is expected to lead to further development. New capacity will be added in Bulgarian woodworking. sawmilling and pulp mills. Although previous suppliers from Finland, France, Britain, Sweden, Italy and the Soviet Union will be after the business, there is an opportunity for certain Canadian equipment.

Automotive industry—This is another sector apparently reserved for co-operation with the Soviet Union, in spite of the fact that a few years ago Bulgaria purchased an assembly plant for 10,000 automobiles a year from Renault. However, when the giant Fiat plant at Togliattigrad in the U.S.S.R. goes into production, the Fiats built there will become the major automobile in Bulgaria. In payment for these cars, Bulgaria will supply half the plant's needs for ten types of electrical components.

Food processing and packaging machinery—This will continue to be a notable import. With heavy investment in fertilizers, greenhouses and irrigation facilities, the country has successfully increased yields. Bulgaria now exports to many countries fresh produce such as tomatoes, eggs, cucumbers and grapes. Among the processed products, cigarettes, wine, tomato paste, fruit pulps and sugar products are particularly well established. These agricultural products earn an important part of the hard currency Bulgaria needs. Consequently some priority is given to investment in packaging and processing

equipment to ensure the quality standards needed for export markets.

Electronic computers—These are the subject of another joint production agreement with the Soviet Union. Over the next five years Bulgaria is to send hundreds of millions of dollars worth of computer components to the U.S.S.R. as its part of the contract. To do this, the planners will need to invest in machinery and equipment used in the electronics industry.

Livestock—In this field Canadian exporters could find some opportunities. Cattle breeding has been singled out as a lagging sector, and it will receive new emphasis in the years ahead. Artificial insemination has not yet been introduced so that the best prospects lie in the field of breeding cattle. Related opportunities can be found in feed mill equipment, meat packing, and storage installations, and eventually artificial insemination equipment and semen.

Petroleum industry—Here is another development sector. Despite the supply contracts with the U.S.S.R., the search for oil and gas is going ahead at home and abroad. Bulgaria has been active in cultivating trade and political relations with developing countries, especially in the Arab world, and access to fuels may be one of the resulting benefits. Bulgarian specialists are now prospecting for oil under contract in North Africa. There appear to be opportunities for Canadian geophysical instruments and equipment for drilling, extracting and gathering.

In other sectors of the economy there are varying import patterns. For example, Bulgaria has a flourishing tourist industry on the Black Sea, but almost all hotel and catering equipment is supplied domestically or from neighboring socialist countries. **Modernization of the Sofia airport in the next few years will create a demand for Western airport equipment,** but aircraft will be purchased only from the Soviet Union. Textile and petrochemical plants are purchased from both East and West. Atomic power plants will probably come only from the Soviet Union.

If your product is suitable for licensing, you may find this a profitable idea. It is particularly acceptable to Bulgarian planners because it usually costs less hard currency than importing finished products. Examples of products licensed in recent years include elevator controls from Sweden, diesel engines from Britain, automatic switchgear from Italy, gear boxes from Germany, and even gin from Britain.

If you are wondering whether your firm's products can be sold in Bulgaria, the Trade Commissioner in Vienna can provide you with an evaluation. If chances of sales seem reasonable, it is important that you make a personal visit to the market—written communications alone seldom lead to sales. If your visit is prepared beforehand with the help of the Trade Commissioner in Vienna, you may talk with the relevant decision makers for the whole country in as little as one business day. (See the article "Your Business Visit to Eastern Europe" on page 22.) Whatever your approach and whatever your products, the Vienna office will be glad to help.

Tobacco such as these women are planting near Sofia is an important export crop for Bulgaria. Investment in process and packaging machinery for the food and agricultural sector will continue to be given a certain amount of priority in this area.

Dateline Prague

This city has made the front pages often during the past two years. In this article, the author describes the business climate in Prague today and how it may affect individual Canadian exports.

R. J. L. BERLET
Commercial Secretary, Prague

"This is exactly the equipment we need," confided the plant engineer, "but there is no possibility of getting a foreign currency allocation from the bank for its purchase." The scene was the Canadian Pavilion at last year's Brno International (Engineering) Fair. The same engineer would probably say the same thing today but, to be more precise, he might add that the Plan did not allow its import this year. In 1970 the Plan has again assumed major importance in the direction of the Czechoslovak economy. After a few years of revised economic thinking during which enterprise managers were given a large degree of latitude in running their operations, **the Party and the Government have reintroduced centralized control** by subjecting industrial and agricultural producers to binding plans. To be fair, the rigid production norms characteristic of the early 60's have not come back into style, but many features of the abortive economic reforms have been scrapped.

Few observers would have denied the urgent need for some kind of government intervention to check the growing inflation that threatened the country in 1969. The cause of this inflation is debatable, but the facts and figures speak for themselves. During 1969 wages rose 11.4 per cent on the average, retail prices 4 per cent, and retail trade turnover 11.9 per cent. Absenteeism, particularly during the latter part of the year, was a major concern, as were domestic shortages of meat, leather footwear, textiles and furniture.

Industrial production did not achieve the growth rate envisaged in the Government's economic targets for the year. Shortages of fuel and electricity seriously hampered output, and several construction projects were discontinued because building materials were lacking. Housing construction was particularly affected, compounding the critical housing shortage in the cities. In both republics of Czechoslovakia wages outstripped labor productivity.

Preliminary figures show a slight increase in gross agricultural production in 1969 over the previous year (0.9 per cent), the result of the second bumper grain harvest in a row. Combined deliveries of wheat, barley and rye increased 7 per cent over the 1968 crop, but sugar beet, potato and rapeseed crops declined. There was a serious decrease in the number of cattle and swine and consumers felt the effects. Considerable quantities of beef, pork and eggs have had to be imported. To arrest this trend, the Minister-Chairman of the Federal Committee for Agriculture and Food (Ministry of Agriculture) has proposed a number of economic measures, including a ban on exports of calves, payment of surcharges on the purchase price of pork, and the offer of financial incentives to increase swine production. There have been rumors of impending agricultural reforms that would involve the revision and upgrading of agricultural prices and the gradual retirement of the involved and inefficient system of state agricultural subsidies.

The Government's answer to 1969's economic difficulties has been to strengthen the role of the central planners. For this year, **binding plans have been developed by central organs for all significant industries, including those involved in foreign trade.** This year's Plan is undoubtedly designed to check the growth of inflation and consequently the greatest impact will be on the internal economy. However, it will affect Czechoslovakia's external economic and foreign trade relations as well. **These are some highlights of the Plan.**

1. Increase in domestic and imported supplies of meat, textiles, footwear, coal, furniture, and building materials.

2. Ensuring that the rate of growth of exports will be greater than that of imports.

3. Investment in agriculture, forestry and the processing branches to reach 39.5 billion crowns (sic).

4. Industrial production of consumer goods to rise by 6.7 per cent, textiles 5.6, clothing 5.8, glass 15, food 4, poultry 9.7, milk and milk products 5, eggs 9.5, and agricultural market production 1.5 per cent.

5. Meat imports will total 96,000 tons, representing additional imports in the amount of U.S. $135 million (sic).

6. Exports to and imports from neighboring Communist countries will rise by 6 per cent and 4 per cent respectively. Trade with western countries will be significantly influenced by instalment payments on outstanding credits.

Preparatory work on the Fifth Five Year Plan is under way and the guiding principles to which the Ministry of Planning must adhere have been announced. This long-range plan, together with 1971's detailed annual plan, will not be made public until late this year. Special attention will be paid to achieving a more equitable distribution of investment funds between the two republics in Czechoslovakia. One of the pillars of the economic policy will be the intensification of economic co-operation with socialist countries, particularly the Soviet Union.

Total foreign trade in 1969 increased by 7.3 per cent and more than two-thirds of it was with neighboring Communist countries. The volume of imports from Western countries again exceeded the planned figures, in spite of the Government's continued efforts to control this trade more effectively. Preliminary statistics indicate a deficit in Czechoslovakia's trade with socialist countries, but exports to Western countries increased 14 per cent and imports from them 6 per cent over 1968. However, the new Plan will alter these growth rates. The Ministry of Foreign Trade, whose powers were somewhat lessened by the decentralizing effects of the economic reforms in the past two years, is again controlling and authorizing import and export transactions through the monopoly foreign trade corporations.

The plan calls for increases in trade with all members of the COMECON, ranging from 6 per cent with the Soviet Union to 15 per cent with Rumania, and, to assure that they are achieved, export directives have been given to the major producing enterprises. Imports of capital goods and industrial raw materials from Western countries are to be "reduced to their essentials". The plan limits to only 1.7 per cent the increase in trade with the West and calls for it to be handled in a way that will allow repayments on outstanding Western credits previously accepted.

Popular in Prague is the statue of St. Wenceslas, the patron saint of Bohemia.

Canadian exports to Czechoslovakia in 1969 totalled Cdn. $3.8 million, the lowest figure in a decade. Czech purchases of wheat, the mainstay of our trade, were dropped in the face of bumper domestic crops and the supply on softer terms of wheat from the Soviet Union. Czechoslovakia had already completed all the wheat purchases specified in the long-term Wheat Agreement between Canada and Czechoslovakia which was signed in 1963. Exports of some of our metals and minerals also decreased. The failure to buy other products (such as machinery and equipment) from Canada is attributed to the lack of financial liquidity. Czechoslovak exports to Canada, on the other hand, continued to rise at an annual rate of about 10 per cent, to reach a total of $10 million.

With the completion of the Czechoslovak credit payment for wheat, funds available for purchases from Canada should rise sharply. **It is up to the individual Canadian exporter, however, to make his products known here.** It is important that he be able to offer flexible payment terms, including credit and barter. Practically without exception, industrial sales of any value involve taking goods in payment to varying degrees (depending on what is being sold) of from 15 up to 100 per cent, but usually in the range of 20 to 30 per cent. This could mean that the Canadian exporter will have to employ the services of specialized East-West trading houses experienced in arranging barter and switch deals. There are several such organizations in Vienna and our office there is prepared to recommend reputable ones to Canadian companies.

We in the Prague office have established good contacts with the trade in this country and can offer effective assistance to Canadian exporters interested in the Czechoslovak market. We would be pleased to hear from you at our office in the Canadian Embassy, Chancery, Mickiewiczova 6, Prague 6, Czechoslovakia.

Exploring the Hungarian Market

Over 28 new investment projects will be launched this year. Many will call for Western-made capital equipment and Canadian contacts with Hungarian importers are increasing.

MALDWYN THOMAS
Commercial Counsellor, Vienna

The Hungarian economy made good progress in 1969. The slowdown in the development of industry and foreign trade in 1968 was overcome, output in agriculture and industry expanded, more experience was gained in operating the new economic mechanism, and foreign trade increased substantially. The development of trade with Western countries was particularly notable and further expansion in industrial production and corresponding increases in trade with the West are planned for 1970. A growing number of Canadian exporters have begun to explore the opportunities in the Hungarian market and they should be in a good position to benefit from Hungary's improved foreign trade position and from its continuing need for Western technology—provided that they can offer competitive products at competitive prices.

These are part af the graunds of the Budapest Internatianal Trade Fair, in which Canada will be participating far the first time. Same 16 firms will be displaying their praducts here next manth. Interest in Canadian gaods is increasing in Hungary althaugh Canadian sales there amaunted ta anly $2.9 million last year.

Although not all targets were reached, the Hungarian economy developed faster in 1969 than in the previous year, when the introduction of the economic mechanism brought with it certain problems of adjustment. Industrial production in 1969 was expected to increase by about 6 per cent and although there was a slowdown in light industry, other branches did quite well. Output in the chemical industry was up 10 per cent, in the machinery industry also 10 per cent, and in the food industry 4.5 per cent. Agriculture also achieved a good growth rate (5.6 per cent), despite a setback in the livestock sector. Investments were made in a number of important industrial projects during the course of the year and this resulted in a sharp increase in machinery imports (up over 20 per cent), in good part from Western sources.

January 1970 marked the second anniversary of the introduction of Hungary's New Economic Mechanism, which involves the decentralization of management and the application of certain features of a market economy. There is general satisfaction with the new system and although it is not yet operating fully, Hungarian authorities appear to be applying it on an ever-widening scale in industry and in trading operations. An increasing number of industrial firms are now expected to finance their own investments, either through bank loans or from their own resources. Buyer and seller relationships are being established between enterprises and a three-tiered price system has been introduced, with some prices decontrolled. **The number of enterprises (including industries and end users) allowed to engage in foreign trade has increased to approximately 100** and those industries which do not yet have foreign trading rights themselves are becoming more directly involved in

the selection of foreign sources of supply.

One of the most notable aspects of the economic picture in Hungary in 1969 was the substantial increase in foreign trade, particularly with Western countries. Total foreign trade turnover increased to U.S.$3.75 billion. Exports to the developed countries of the West rose by 30 per cent and Hungary achieved one of the best balance-of-payment positions in many years, fulfilling one of the goals of the new economic mechanism. Good world prices for its traditional exports were undoubtedly a factor, but at the same time Hungary is reported to have increased substantially its exports of machinery and equipment to Western countries. The Hungarian market for Western products (mainly equipment) also developed favorably and imports from the West went up by 18 per cent during the year to reach approximately U.S.$450 million.

Hungary plans to increase its trade with Western countries further in 1970; exports to the West are to increase by 5 to 6 per cent and imports from the West by 10 per cent. Exports to socialist countries will rise by 7 to 8 per cent and imports by 6 to 7 per cent. A good part of the growth in imports, it appears, will come in consumer goods and agricultural and food products, which are to increase by 37 and 32 per cent respectively. Imports of machinery for investment purposes, which form an important share of Hungary's imports from the West, will expand by 6 per cent and basic materials by 2 to 3 per cent. The expected slowdown in the rate of export growth is attributed to the fact that a greater share of Hungarian production will be consumed internally this year.

Hungarian economic plans for 1970 envisage an over-all growth in industrial production of 6 per cent, with a total investment of 8 billion forints. The areas singled out for attention include the building industry (planned increase 7 to 8 per cent), the engineering industry (7), the chemical industry (12), and electrical power production (8.5). Of new investment in 1970, 60 per cent is to be financed by the industrial enterprises themselves and only 40 per cent through the state budget. **Some 28 new investment projects will be commissioned or launched during the year.** The most important of these include an artificial fertilizer plant, a long-distance pipeline from the Soviet Union, a polyacrylic nitral plant, a wood fiber panel factory, a corrugated paper and box factory, and an underground railway and related surface construction in Budapest. Large quantities of capital equipment for several of these projects have already been purchased from Western suppliers.

Trade and trade relations between Canada and Hungary continued to develop favorably in 1969. An important event was the visit to Canada by the Hungarian Minister of Foreign Trade, Dr. Joszef Biro, in September 1969 for discussions with members of the Canadian Government and the Canadian business and industrial community. The year also saw a substantial increase in the number of Canadian exporters visiting Hungary. As a result, Canadian firms have begun discussions and negotiations with Hungarian importers for the sale of a wide variety of Canadian products worth several millions of dollars, including grinding wheel equipment, forest industry equipment, industrial control equipment, agricultural machinery, specialized transportation equipment, garage equipment, electrical distribution apparatus, geological and scientific equipment, food packaging and processing equipment, telecommunications equipment, industrial materials and breeding cattle.

Negotiations for the sale of capital equipment in the socialist countries generally take considerable time and Canadian exports to Hungary have not yet begun to reflect the results of the increased activity on the part of Canadian firms or the potential of the market. Canadian sales during 1969 stood at only $2.9 million and consisted mainly of industrial materials such as copper scrap, cattle hides, and asbestos, as well as milk powder and hatchery eggs. If Canadian products which are said to be imported into Hungary via certain Western European countries were included, the figure would be somewhat higher.

Hungarian enterprises have continued their efforts to increase sales in Canada and Hungarian exports to Canada reached $9.2 million in 1969, covering a wide variety of consumer goods, foodstuffs and manufactured items.

Hungarian interest in trading with Canada is increasing and the Department of Industry, Trade and Commerce and the Canadian business community are planning a number of incentives to maintain the momentum. A Canadian Hospital Medical Equipment Mission included Hungary in its tour of Eastern Europe in March; Hungarian forestry experts will be participating in an Eastern European mission to Canada in April this year, and further missions in the mining equipment, chemical and electronic sectors are under study. **A major initiative by Canada will be participation in the Budapest International Fair in May 1970 for the first time.** Some 16 firms are taking part in the Budapest Fair and will be exhibiting a variety of Canadian equipment designed to demonstrate our technology in sectors where Hungary appears to have import requirements.

The next Hungarian Five Year Plan is due to start in 1971, and although information on it has yet to be revealed in detail, it is probable that it will continue to emphasize the development of engineering industries, light industry and infrastructure. Opportunities for Canadian exporters are expected to arise in the next five years in a number of areas where we can offer superior technology—equipment for airports, telecommunications, the aluminum industry, food processing, packaging and storage, pulp and paper, logging, sawmill and woodworking industries, electric power transmission, automation and industrial control, and animal breeding stock.

Canadian exporters wishing to explore possibilities in Hungary further are urged to write to the Commerical Counsellor, Commercial Division, Canadian Embassy, P.O. Box 190, 1013 Vienna, Austria. If the outlook is promising, they should plan a personal visit to Budapest. A trip to Hungary could well uncover new and interesting market opportunities.

There's Potential in Poland

. . . for keen and aggressive Canadian exporters, particularly those selling production machinery, control devices, and industrial knowhow.

JOHN M. HILL
Assistant Commercial Secretary, Copenhagen

The 1960's saw Poland make further strides in industrial progress, but the decade closed on a note of economic restraint. This was largely because of the poor economic showing in 1969, symbolized by a fall in agricultural production because of bad weather. As the last year in the current five year plan, 1970 will probably be regarded as one of consolidation, rather than as the herald of the new five year plan to emerge later in 1970, with the publication of details and the new targets.

Unfavorable weather in winter and spring, combined with drought in the summer, resulted in a decrease in agricultural output of 4.7 per cent. The potato, rapeseed, sugar beet and fodder crops were all significantly smaller.

The poor results from agriculture affected the balance of payments because some agricultural exports were curtailed and some food items had to be imported in larger volume. Polish exports to convertible currency countries did not reach the expected figure, in part, because the targets were not realistic. The over-all balance-of-payments position was subject to further pressure because of debt obligations under previous contractual credit commitments.

Several internal factors also had a significant impact on the economy. The construction industry was unable to fulfill its commitments and a number of major investment projects were held up. The domestic transportation system encountered similar problems. The year ended with much comment on the necessity for cost cutting and for eliminating delays in deliveries of goods and services.

Caution and consolidation are the operative words for the Polish economy in 1970. An unusually heavy winter snowfall has already caused some anxiety about the spring thaw, which has a significant influence on growing conditions. The pace of investment outlays will be substantially slower. In recent years investment has expanded by about 9 per cent per year; the 1970 target is 2½ per cent. Given the number of investment projects outstanding, this reduced objective seems reasonable; it also reflects the planners' desire to ensure that all outstanding projects are finished before the new five year plan begins. Increases in exports are being stressed, particularly those to convertible currency countries. The import rate will slow down, fuel and raw materials will take up a bigger share of the total import bill, and there will be pressure to reduce imports of machinery and equipment, particularly from convertible currency countries.

The introduction of new planning techniques has delayed the publication of planning documents, but detailed information on the plan for the coming five years will be ready in late 1970. Several trends are now apparent. Following a decade in which economic development took place across a broad front, the planning authorities appear to be stressing "selective" and "intensive" development. The objective is to create large-scale, efficient industrial enterprises, with good export capability and performance, particularly in sales to hard currency countries. Profit is becoming more important than volume of production in judging the performance of an enterprise. Return on investment will be emphasized as a management criterion, especially in justifying economically imports of machinery and equipment from convertible currency countries. Producing enterprises may be more involved in determining import and export strategies. Western exporters of capital equipment will welcome these changes because they may lead to franker, more frequent and more profitable exchanges with Polish industrial managers.

This year will see Poland import $3 billion of foreign goods, one-third of which will come from non-socialist countries. Western European countries like Britain, West Germany, Italy and France will be among the major suppliers. European company representatives will continue their aggressive marketing efforts in Poland. Frequent calls on various Polish officials, the willingness to sell production knowhow and licences, and aggressive use of barter deals and compensation trading will ensure these companies of continued success in the one-billion-dollar Polish market for machinery and equipment.

Fuels and raw materials are Poland's largest imports; in 1968 they represented $1.3 billion or 46 per cent of total Polish imports. The country does have a resource base of coal, nonferrous metals and sulphur, but it

must also import oil, petroleum products and iron ore as raw materials for its secondary manufacturing industry, and some agricultural products, mainly for its food-processing industry. Imports of consumer goods are modest and come predominantly from non-convertible currency countries.

Tables 1 and 2 show that exports of Canadian wheat have been the mainstay of our trade with Poland. Other important exports to Poland are cattle hides, agricultural seeds, metal concentrates and asbestos fibers, but both groups have declined over a number of years. As a result, Canada had an unfavorable balance in its trade with Poland in 1969 of an estimated $7 million, in sharp contrast to the substantial surpluses previously achieved. Not reflected in the accompanying tables are our exports of manufactured goods which, although still small in value, moved up in the past year. Continued efforts resulted in sales of laboratory and measuring instruments and an initial breakthrough in the sale of airport equipment.

Poland has been a regular and valued customer for Canadian grain for many years. Under the three-year agreement of 1966, it agreed to purchase some 900,000 tons of Canadian grain over three years. Although it took delivery of well over half of the agreed quantities, for a variety of reasons completion of the specified purchases and deliveries by the end of the three-year contract was not possible. Under the terms of the amended agreement signed in September 1969, Poland will complete buying of the remaining 400,000 tons before July 1, 1971.

Several sectors of the Polish economy are slated for a good deal of development and should offer excellent prospects for the sale of production machinery, control devices and knowhow.

Mining and Metals—This industry will undergo continuous development, because larger output of non-ferrous concentrates and metals will lower the current import bill. Manufacturers of production machinery should follow the example of Canadian suppliers of geophysical equipment and actively canvass the Polish Market.

Construction Industry—It has considerable difficulty in meeting its dead-

TABLE 1

CANADIAN TRADE WITH POLAND

	Cdn.$'000 Cdn. exports wheat	Cdn. exports non-wheat	Canadian imports	Trade balance
1964	55,351	7,302	9,280	+53,373
1965	21,859	9,706	11,815	+19,750
1966	28,382	9,022	13,757	+23,647
1967	19,983	5,807	14,982	+10,808
1968	13,981	4,799	13,351	+ 5,780
1969 (est.)	2,297	3,772	13,000	— 7,069

Source: DBS

TABLE 2

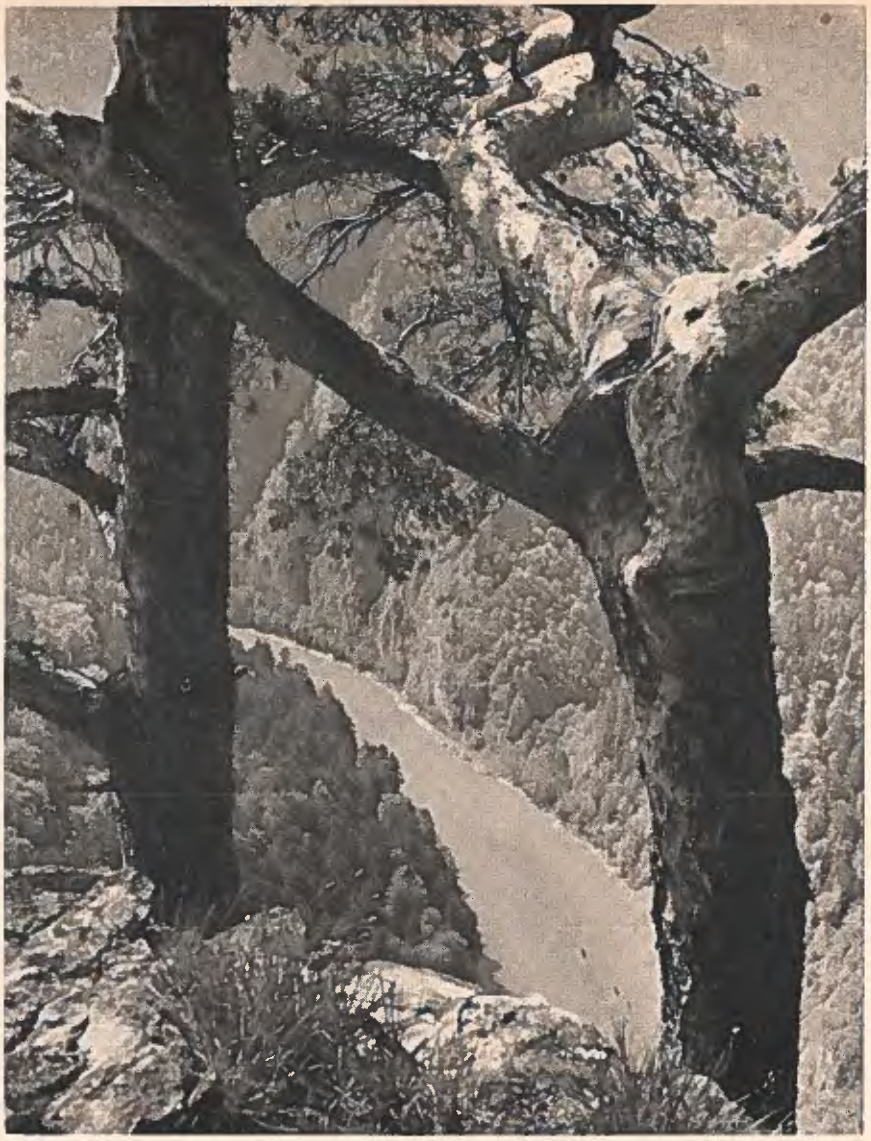
WHAT CANADA SELLS TO POLAND

	Cdn.$'000 1964	1965	1966	1967	1968
Durum wheat (except seed)	7,915	5,790	6,269	4,397	1,811
Wheat (except seed)	47,436	16,069	22,113	15,586	12,169
Cattle hides (raw)	324	586	2,614	739	978
Rapeseed	—	1,276	—	—	—
Alfalfa seed	34	391	313	172	235
Manmade fibers and wastes	955	—	2	—	—
Zinc in ores and concentrates	4,404	5,358	3,194	1,659	1,067
Molybdenum in ores and concentrates	—	—	—	163	586
Asbestos milled fibers, grade 3	—	77	525	136	305
Asbestos milled fibers, grades 4 and 5	40	1,038	1,880	1,060	1,124
Sulphur crude and refined	276	556	—	515	—
Alcohols and their derivatives	—	—	—	—	141
Copper refinery shapes	599	—	—	—	—
Copper bars, rods and shapes, n.e.s.	—	—	—	—	69
Total, these products	61,983	31,141	36,910	24,427	18,485
Total trade	62,653	31,565	37,404	25,790	18,780

TABLE 3

WHAT CANADA BUYS FROM POLAND

	Cdn.$'000 1964	1965	1966	1967	1968
Rayon broad woven fabrics	71	274	363	579	825
Plates, carbon steel 60" or less	—	109	241	960	763
Flannel napped fabric, cotton unbleached and bleached	516	570	611	624	518
Corned beef, meat and meat preparations, canned	353	306	377	643	478
Shirts and sweatshirts, knitted	139	277	237	428	475
Sheets, bed, except rubber	517	670	1,014	1,134	396
Flannel napped fabric, cotton, colored	185	198	198	250	366
Bicycles	213	182	129	542	362
Strawberries, fruits and berries, frozen	217	563	325	43	345
Fur skins, fox	2	280	131	554	310
Fruits in liquid, preserved, not canned	649	716	671	573	305
Total imports	9,280	11,815	13,757	14,982	13,351



Do you fancy a view like this from your summer cottage? The scene here is in southwest Poland. Polish manufacturers of summer cottages hope to get together with Canadian manufacturers selling wooden dwellings in Europe with the idea of producing components for such houses. Several sectors of the Polish economy are slated for development, including production machinery and the chemical industry.

lines. There may be scope for the sale of systems, machinery and knowhow to improve efficiency. Polish manufacturers of summer cottages would like to co-ordinate with Canadian companies selling wooden dwellings in Europe by producing components for these houses.

The Chemical Industry—It continues to receive a high priority. Ambitious development plans are based on the import of knowhow, production equipment and licences. Canadian chemical exporters should be able to sell some of their end products in this market; however, a visit to the market is vital because business simply cannot be conducted by mail or telex in such a competitive area.

Automotive Industry—It has received considerable attention in Poland since the decision to produce the Fiat automobile under licence. Not all the knowhow has been imported from Italy and several British and Danish companies have sold both production equipment and automotive knowhow. Though production of cars is still modest, there is excellent potential.

Other fields slated for development include electronics, machine tools, measuring equipment and automation. Any production equipment and/or knowhow related to these industries should have good prospects.

The problem of distance has tended to discourage many Canadian companies from exploring possibilities for their products and expertise in the Polish market. A visit to the market is the best approach, but there are several alternative methods which, at least at the outset, will help you to assess market prospects there. The Commercial Counsellor, Copenhagen, visits the Polish market frequently during the year and can make a preliminary investigation. All he requires is six copies of your product catalogues, as much technical background information as possible, and an indication of your f.o.b. Canadian port prices. His investigation will consist of finding out which organizations and individuals in Poland are interested in and responsible for equipment of the type you make—whether as purchasing officials, end users, specifiers, etc. Discussions with some of these people can give some indication of interest in your products.

If interest seems apparent, you should consider visiting the market yourself. A possible substitute is the use of one of the many agency firms located in Western Europe which specialize in representing Western firms in the socialist countries. These companies have accumulated experience and expertise in dealing with state trading countries and can be useful to the Canadian exporter. The Commercial Counsellor, Copenhagen, will be happy to provide further details. Ultimately you must visit the market yourself, either to negotiate a sale directly with the Polish officials or to make calls with your agent.

The success which numerous firms in Western Europe have achieved in state trading countries indicates that there is business for those who are keen and aggressive enough to pursue it. Canadians should take advantage of the potential in Poland. Take the first step in obtaining expert advice and guidance on this difficult but rewarding market by writing to the Commercial Counsellor, Canadian Embassy, Copenhagen.

Rumania into the 70's

Reforms in the Government Ministries, in industry, and in foreign trade should keep the economy vibrant. Canadian exporters are making headway in this market.

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

Rumania continues its rapid economic development and prospects look promising as it approaches the end of its current Five Year Plan. A good deal of the recent industrialization has been based on imported equipment and technology. Keeping up with this momentum has not been easy and naturally there are sectors which have lagged. Present reforms, however, seem designed to strike at the heart of the problems and to ensure balanced growth in the years ahead. Although Rumania's commercial exchanges with its Communist neighbors have increased somewhat in recent months, it continues to drive for expanded political, economic and scientific relations with all countries. Foreign trade continues to receive considerable attention and gives import opportunities that attract droves of Western businessmen.

Gross industrial output increased by 10.7 per cent over 1968, reflecting the output of newly commissioned plants. With the major exception of the chemicals, food (including agriculture) and paper industries, production targets were generally fulfilled. Across-the-board expansion is to continue in 1970 with larger planned investments in all sectors of the economy. Industrial output is to increase by 11.3 per cent and agricultural production by 12 per cent. Foreign trade is to go up by about 11.5 per cent. Expansion in the consumer goods sector is still relatively slow.

In the next Five Year Plan, the annual rate of industrial growth is to be 9 per cent; about 53.5 per cent more goods will be produced in 1975 than in 1970. Electric power output will increase from 34,800 million kw. in 1970 to 57,000 million in 1975. Similar increases are planned in the production of metals, machinery and equipment, chemicals, and pulp and paper and in the food and light industries.

Present economic problems involve the need to make the inter-relationships between government, production, management, and foreign trade more flexible and efficient. Centralized control of all aspects of economic life has tended to result in less than optimum efficiency in planning, purchasing and controlling supplies, marketing and the use of profits. The centralized system of control over foreign trade has also resulted in a less meaningful relationship between trade and production.

With the usual East European caution, the Rumanians are striving to correct these shortcomings in their recent economic reforms. The first part of the reform was the division of industries into some 200 "Industrial Centrals". These are made up of groupings of identical or related industries and given considerable, if varying, degrees of autonomy in planning, operating, marketing and investment. The recent decision on the allocation of profits to the Centrals from Ministries and other economic organizations means that **for the first time profits to a certain degree will be used as incentives to both managers and workers**.

A parallel development has been the major reorganization of several Ministries. Their powers have been cut back and more clearly defined, but they are to be held more closely responsible for the tasks which they are commissioned to fulfil under the State Plan.

A new Council of Foreign Trade has been established to co-ordinate foreign trade activities and decentralization has followed. **Sixteen foreign trade organizations are now the responsibility of the producing Ministries,** some new foreign trading organizations have been established, and some Ministries and Centrals have been given full responsibility for drawing up and fulfilling the import and export plans for their industries. The Ministry of Foreign Trade, however, remains responsible for fulfillment of the State Plan for foreign trade and for the balance-of-payments situation. It therefore retains an over-all authority in this field. Its full authority can be readily exercised through its control over the granting of import and export licences, and its ability to issue "compulsory instructions" to all units involved in trade.

Industrial production expanded considerably over 1968 but was nevertheless slightly below planned targets. Another good year is expected in 1970, with total planned industrial output to increase by 11.3 per cent. Among other developments, many new plants will be brought into operation, including factories to produce motor vehicles, coal products, synthetic fibres and computers as well as four new timber-processing combines.

In 1970 pig iron production is to increase by 21 per cent and steel production is to reach 6.5 million tons. Output of aluminum alloys is to reach 107,000 tons, crude oil 13.3 million, and methane gas 18.8 thousand million cubic meters. The chemicals sector is to expand as well, with an over-all increase of 21.4 per cent above 1969. The light industry sector is to expand by 10 per cent in 1970 and the food industry by 9 per cent.

In 1969 Rumania expanded its available electric power to 31.5 thousand million kwh. For 1970 and the next Five Year Plan (1971–75) **growth of the power base and of electricity output has been designated as the second most important development area in the economy**. In 1970, through the starting-up of new hydro and thermal power stations, available power is to reach 34.8 thousand million kw. By 1980, 80 per cent of Rumania's usable water

Winter sports resorts like this one in Rumania should help the Canadian businessman relax during his trips to East Europe.

power resources will have been utilized. The latter is one of the reasons why Rumania is turning to nuclear power as a major source of electricity. After more than two years of negotiations, it is expected that this summer either Atomic Energy of Canada Limited or Siemens will conclude a contract to provide the first of three or four 600 mw. nuclear power reactor steam supply systems to Rumania. Plans are for Rumanian industry to increase progressively the domestic content of these plants but the first one would come almost, if not entirely, from Canada or West Germany.

Of the East European countries, Rumania is perhaps the most fortunate in its natural resources base. Although not self-sufficient, its domestic supplies of petroleum, bauxite, coal, iron, uranium, manganese, salt, mercury, chromium, silver, lead, zinc and copper nevertheless play an important role in over-all development. Around these resources support industries have sprung up which not only provide the Rumanians with a fairly efficient extraction process, but also with the ability to sell equipment or to enter into joint development schemes abroad. Examples include the Soviet Union (iron ore), Chile and Venezuela (copper), UAR (phosphate), Syria, Iran and Tunisia. Domestically the better use of its own raw materials is listed as the top priority for 1970 and the next Five Year Plan 1971-75. In 1970 alone the mining industry is to increase output by 12.8 per cent over 1969, based primarily on planned extraction of some 23.2 million tons of coal and increased mining of copper and zinc.

With the second largest forest reserves in Europe, Rumania has purchased and still requires a good deal of equipment from the West. **Canada has finally achieved a major breakthrough in the supply of equipment for the pulp and paper sector.** Over the past few years Rumania has increased annual pulp production by 21 per cent and paper production by 17 per cent. Further across-the-board expansion in the forestry sector is planned, including not only all aspects of the pulp and paper industry but timber for construction and the woodworking industries as well. (See article on Pulp and Paper Equipment on page 28.) In 1970, for example, Rumania expects to produce some 500,000 tons of pressed and fibre boards.

Increased investment in agriculture is designed primarily to provide more machines, irrigated land and fertilizers, but was not able, at least in 1969, to rectify fully the problems in this sector. Crops of cereal grains, sugar beets and vegetables were smaller than in 1968; those of maize, sunflower seeds and fruits were slightly larger. The shortages will have a negative effect on the balance-of-payments position.

Rumania continues to import dairy and beef cattle and it is expected that Canada will be able to sell some of the former. The Rumanians are interested in about 500 head of top-grade Canadian Holstein Friesians upon which they would like to base a new high-quality herd. Their purchases for general herd development come almost entirely from Denmark and Holland.

With a $22 million contract going to Britain in 1969 total installed irrigation or projects under construction stands at some 676 hectares. It is expected that another $150 million worth of irrigation contracts will be let in 1970. The fact that these projects are being paid for entirely with the surplus of agricultural goods from the irrigated areas is not deterring Western firms, including a Canadian company, from competing. By 1975, approximately 2.3 million hectares, or one fourth of Rumania's arable land, will be irrigated.

Activity in this sector continues to be the center around which the economy ultimately revolves. The tremendous outlay of hard currency and acceptance of large international debts

have enabled Rumania to buy the technology and equipment upon which its industrialization rests. Foreign trade activities must now concentrate on efficient selling of the resulting production and to some extent applying the brakes to the former headlong import policy.

Rumania's foreign trade in 1969 rose by 8.4 per cent over 1968 with exports up 10.4 per cent to approximately $1,621 million and imports up by 6.5 per cent to approximately $1,713 million, creating a deficit of about 90 million ($50 million less than in 1968).

Total foreign trade is expected to expand in 1970 by 11.5 per cent over 1969, with exports up 17.1 per cent and imports 6.2 per cent. This would enable Rumania to achieve a favorable balance of some $60 million in 1970. It is claimed that export contracts have already been concluded for one third of the total volume of this country's exports in 1970.

Rumanian imports in 1969 again consisted of considerable plant and equipment but there were also noticeable increases in the raw materials sector. The latter are bound to rise to provide the necessary basis for the new industrial capacities. At the same time, imports of plant and equipment will probably slow down.

During the two years since the Canadian-Rumanian trade agreement was signed, the development of two-way trade has made considerable progress. One of the first requirements was market research to determine those areas in which the two partners could expand their trade. Following this period Rumania seems to have been more successful in developing sales than Canada has. Nevertheless, Canada too has made some progress not all of which is yet indicated statistically. Examples are the sale of $2.4 million worth of equipment for the pulp industry, of another $500,000 contract for drilling pipe and continuing growth in our asbestos exports. With the possibility of buying more than $100 million worth of nuclear power equipment from Canada, the Rumanians may be hesistant to commit themselves to large foreign currency expenditures for the expansion of imports from Canada until this decision is taken and an assessment of the balance sheet can be made. Should Canada obtain the contract, it would act as a catalyst and we could expect significant increases in two-way trade and technical co-operation.

Outside of the nuclear power project and based on the toe-in-the-door established by the pulp and drilling equipment sales referred to above, **the forestry and mining sectors continue to represent the most promising areas for expansion of Canadian exports.**

Airport equipment is another sector in which Canada could interest the Rumanians and a Canadian company is also negotiating about a multi-million-dollar irrigation project. Other requirements are for ferrous and non-ferrous metals, medical and scientific equipment, cattle, milk powder and, depending upon our ability to supply, telecommunications equipment and plant and equipment.

Another sign of the growing importance of the Rumanian market is the interest which Canadian exporters are now showing in this market. **The number of visitors to Bucharest has increased remarkably as has the Department's trade mission program.** In addition, the Ontario Government sponsored a highly successful geological drilling and mining exhibit. We fully expect this interest to continue and to result in greater sales.

CANADA'S TRADE WITH RUMANIA

	Cdn.$ 1966	1967	1968	1969
What Canada Sells to Rumania				
Milk powder	—	—	—	220,546
Asbestos milled fibers	231,000	169,262	560,428	593,573
Laboratory optical instrument equipment and parts	—	13,206	25,700	70,284
Plastic and synthetic rubber not shaped	—	11,923	9,863	12,127
Pipes and tubes, iron and steel n.e.s.	—	—	42,660	—
Baby chicks	—	10,866	—	—
Potatoes, seed	12,921	9,532	—	—
Textile industries machinery and parts	—	—	146,847	198,854
Rock drilling and related machinery and parts	—	—	260,051	35,452
Food and beverage machinery	—	—	145,592	—
Other products	5,279	3,236	20,026	89,809
Total			**1,211,167**	**1,220,650**
What Canada Buys from Rumania				
Fruits in liquid preservative not canned	—	—	57,612	167,925
Fabrics, cloth, cotton, rayon, and mixed	—	—	169,249	937,530
Sunflower seed oil	—	483,583	723,834	1,781,230
Motor gasoline	—	—	—	1,161,643
Window glass	—	—	81,324	143,390
Furniture	—	—	23,638	117,061
Outdoor jackets, overcoats, raincoats	—	—	29,503	213,129
Pants and breeches, men's	7,769	30,640	151,257	243,810
Shirts, cotton and knitted	76,995	82,432	48,672	86,521
Pants, slacks women's	—	—	26,009	31,524
Sweaters, cardigans	—	39,905	101,555	365,337
Gloves, mittens	—	—	—	86,971
Boots, shoes, and footwear	134,408	26,170	175,021	714,849
Towels, linen	—	16,365	158,908	176,646
Other products	17,566	30,902	59,880	571,316
Total				**6,880,456**

The U.S.S.R. in 1969

Soviet Union, with a GNP of about $400 billion, exports fuels, metals, forest products; imports machinery, foods, and consumer goods. Trade Agreement with Canada was recently renewed.

ROGER BULL
Commercial Counsellor, Moscow

Last year was not a good one for Soviet planners. Industrial production rose at a slower rate than in recent years and the benefits of the economic reform became less apparent. Bad weather reduced production of most agricultural products. It was natural that the fourth year of the Five Year Plan should see some retrenchment and some projects abandoned so that others of greater priority could be completed. The slowdown, however, was apparent enough to cause general concern.

Early in 1970, the Government introduced new controls on the sale of vodka and on the mobility of workers. Industry made what the *Economic Gazette* called a "not bad" start on the final year of the plan, with an increase in output of 6.7 per cent in January. But heavy industry lagged and news from Togliatti on the Volga, site of the great new automobile factory being constructed by Fiat of Italy, was pessimistic. The factory will open on April 22, the hundredth anniversary of the birth of Lenin, but using foreign-made parts. The first Soviet-built cars will not be available before June and the factory may not reach its already limited target of 30,000 cars in 1970.

Nevertheless, **the U.S.S.R. remains second only to the United States as an industrial power, with a gross national product in the order of $400 billion a year.** Industrial growth in the 1960's was rapid, somewhat exceeding average rates in most Western countries but behind Japan. According to the year-end report on over-all plan fulfillment, the rate of increase in industrial production, at 7 per cent, was below the 1968 rate of 8.1 per cent. Planned growth of industrial production in 1970 is lower still at 6.3 per cent. Over the five years of the plan, 1966-1970, national income will rise 39 per cent, and per capita incomes 32.5 per cent.

In recent years the U.S.S.R. has introduced a new system of economic administration. This has given somewhat greater power to managers and improved incentives to efficiency, but it refuses to acknowledge market forces or release industry from the overly rigid discipline of central planning. More than 80 per cent of industry and all transport now comes under the new system. Controversy continues over its effectiveness. Conservatives and bureaucrats with a vested interest in the status quo have taken the opportunity offered by the disappointing 1969 results to argue for a return to "scientific administrative methods". Reformers reply that, in fact, the solution is the reverse—to free industry from continually changing orders and plans and increase the profit incentive.

Foreign trade in the U.S.S.R. does not have quite the significance it has in many industrial nations. In 1968 it approximated only 5 per cent of the Soviet GNP, or about U.S.$80 per capita. In absolute volume, however, it is comparable to the trade of Canada or Italy. Exports in 1968 were valued at about U.S.$10.5 billion (at the official rate of exchange for the non-convertible rouble), imports at $9.5 billion (9.6 billion roubles and 8.4 billion roubles respectively). As a source of foreign exchange (which may be spent on essential imports of raw materials, advanced machinery, tech-

TABLE 1

SOVIET TRADE IN GRAINS 1968

	Exports metric tons	Imports	Balance
Wheat	4,355,000	1,339,700	+3,015,300
Barley	614,400	negligible	+ 614,000
Rye	221,900	negligible	+ 222,000
Corn	209,000	264,200	− 55,200
All grains	5,406,400	1,605,900	+3,800,500

TABLE 2

CANADA—SOVIET TRADE

	Cdn.$'000 1960	1965	1967	1968	1969
Imported from Canada	8.2	197.4	128.7	88.6	9.1
of which					
Wheat and flour	nil	189.1	119.5	83.1	2.4
Exported to Canada	3.2	9.9	23.0	21.7	12.6

Source: DBS statistics

nology and consumer goods) and as a necessary adjunct to Soviet political relations with Eastern Europe, the developing countries and the West, foreign trade is essential to Soviet interests.

Since the Second World War, the Soviet Union has generally managed to maintain an over-all foreign trade surplus. The largest part of this trade is in non-convertible roubles with other socialist countries (1968, nearly 70 per cent), but about 10 per cent is with developing countries and the rest with industrialized capitalist states in convertible currencies (1968: exports 1,887 million roubles; imports 1,965 million roubles). **Major Western trading partners of the U.S.S.R. (over 300 million roubles in total trade) are Britain, Italy, West Germany, Finland, France and Japan.**

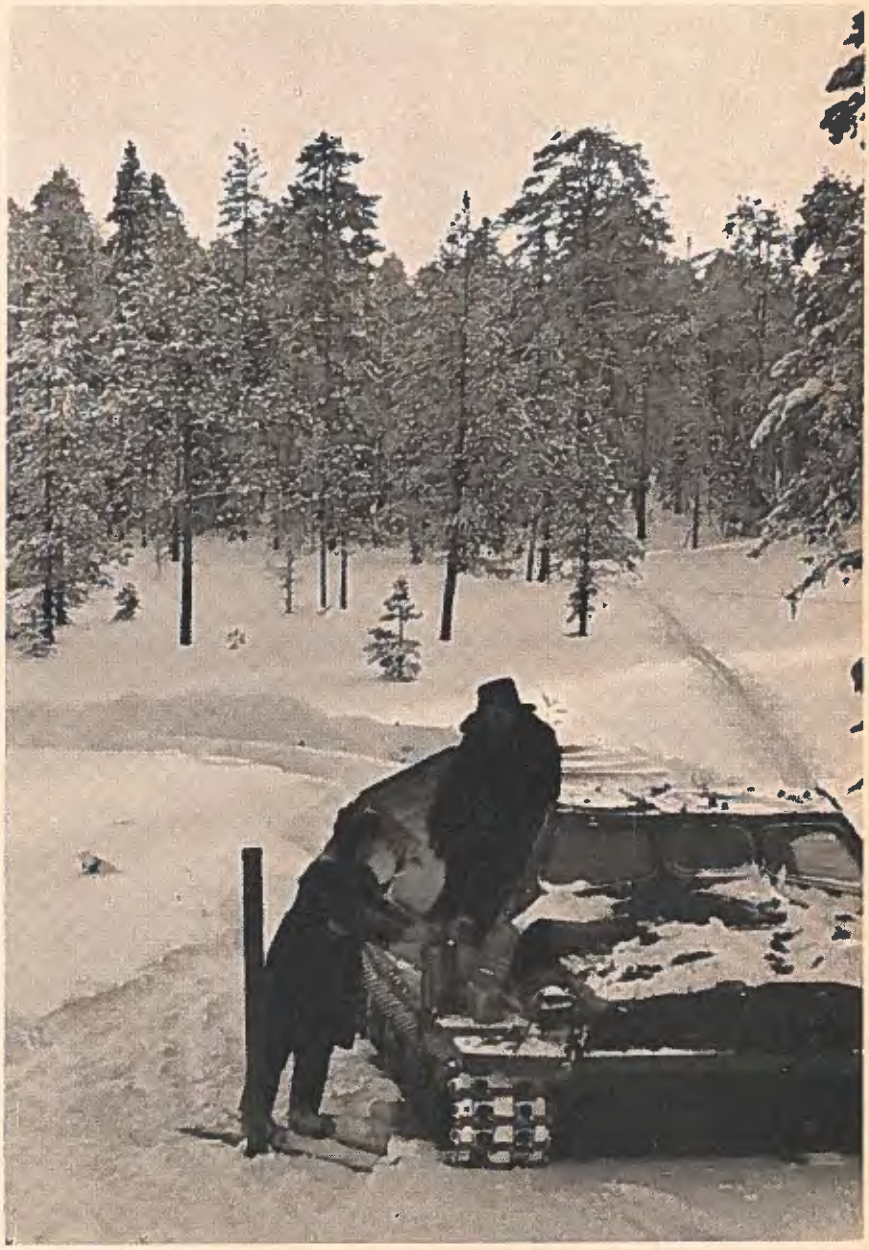
The content of Soviet trade is interesting. Major exports in 1968 consisted of machinery and equipment (21.6 per cent), ores and metals (18.5), fuels and electricity (16.1), foods (10.3), forest products (6.4), yarns and textiles (4.5), chemicals, fertilizers and rubber (4.1). Major imports in 1968 were machinery and equipment (36.9 per cent) consumer goods (19.9), foods (13.6), ores and metals (9.2), chemicals, fertilizers and rubber (6). Thus, **the U.S.S.R. is a net exporter of fuels, metals and forest products and a net importer of machinery, foods and consumer goods.** This reflects the country's role as a supplier to the interdependent economies of Eastern Europe and underlines the value to the Soviet Union of maintaining this special industrial and trading relationship. The admitted shortcomings of Soviet agriculture help to explain why the U.S.S.R. is a net importer of foods, although food imports, which rose in the mid-1960's, fell in 1967 and 1968. Imports of consumer goods have risen in recent years. They help to satisfy growing consumer demand and stimulate improvement in the quality of locally produced products.

During 1968, the U.S.S.R. continued to be a net exporter of grain, as Table 1 shows. **The main buyers of Soviet grain are other socialist countries, in particular East Germany, Czechoslovakia and Poland.** Relatively small amounts were sold for hard currencies; the largest Western buyer was Italy (64,000 tons), followed by Austria, Finland and West Germany. Virtually all grain imports in 1968 were from Canada, although small quantities of wheat were imported from Rumania and Mongolia and corn from Argentina and Mexico (166,000 tons).

Since February 29, 1956, trade between the U.S.S.R. and Canada has been facilitated by a trade agreement providing for the exchange of MFN treatment. It was first signed for three years and renewed in 1960, 1963 and 1966, and most recently on March 1, 1970.

Under the first trade agreement, the Soviet Union undertook to purchase up to 1.5 million metric tons of Canadian wheat over three years. A wheat commitment was included in the 1960 renewal and long-term contracts between the Soviet grain agency, Exportkhleb, and the Canadian Wheat Board accompanied the 1963 and 1966 negotiations.

Because of a large crop in 1968, the U.S.S.R. was forced to delay completion of the 1966 master contract until the end of 1969. A contract was signed



Two geologists in the Komi Autonomous Socialist Republic in the northeast U.S.S.R. mark the spot for a new drill hole in the continuing search for oil deposits. Soviet oil production during 1968 amounted to a total of 309 million metric tons.

TABLE 3

CANADIAN EXPORTS TO THE SOVIET UNION

	Cdn.$'000 1961	1967	1968	1969
Cattle, purebred	105	152	431	249
Baby chicks	—	96	—	3
Mink and other fur-bearing animals	—	—	—	110
Wheat	13,001	119,542	83,009	2,399
Vegetables	—	—	38	133
Cattle hides	—	3,922	828	645
Sausage and similar meat casings	—	—	—	149
Calf and kip skins	76	574	237	—
Upper and sole leather	—	208	460	—
Wood pulp, dissolving and special alpha	—	—	—	58
Manmade fibers	—	—	137	—
Sulphur	—	1,961	426	—
Chemicals	64	227	453	186
Plastic and synthetic rubber	1,527	1,488	1,979	2,586
Abrasive wheels and stones	—	40	124	—
Industrial machinery and parts	—	171	246	149
Mining machinery and parts	—	—	—	662
Forest industry machinery and parts	62	83	2	176
Special motor vehicles and parts	—	—	—	1,313

Source: DBS

TABLE 4

CANADIAN IMPORTS FROM THE SOVIET UNION

	Cdn.$'000 1961	1967	1968	1969
Fishery foods and feeds	—	270	—	—
Distilled beverages	—	179	142	123
Fur skins	1,305	908	341	291
Raw cotton	—	12,755	11,236	4,513
Cotton textiles and waste	36	441	233	151
Chrome in ores and concentrates	—	—	—	381
Manganese in ores and concentrates	—	370	261	107
Plywood and board	66	639	559	920
Cotton cloth	15	1,543	1,757	2,333
Sunflower seed oil	—	—	860	—
Metallic salts of inorganic acids	—	—	115	—
Benzol or benzine	393	—	—	400
Ferrovanadium	—	248	—	183
Pig iron	—	668	820	—
Wire rods, steel, hot rolled	—	162	429	929
Aluminum, sheet and strip	—	—	140	—
Magnesium	—	—	293	—
Nickel anodes, cathodes, ingots, rods	—	—	—	621
Sheet and window glass	78	182	59	39
Earthmoving machinery	—	—	864	—
Metalworking machinery	—	785	639	123
Phonographic records and blanks	3	145	3	17
Costume jewellery, n.e.s.	—	146	1	1
Watches, clocks and movements	—	468	357	551
Advertising material	1	—	1,419	—
Art and decorative ware, n.e.s.	—	298	2	19
Shotguns	—	174	145	53
Dolls	1	133	—	4
Collections and collectors' items	—	319	8	—
Prefabricated buildings and parts	—	—	100	—

Source: DBS

last December 13th providing for the sale of the remaining 3.43 million long tons. At least two million tons will be delivered during 1970 and additional amounts may be shipped, depending upon Soviet requirements and shipping arrangements.

Soviet and Canadian representatives met in Ottawa late in February 1970, to discuss the renewal of the trade agreement. In announcing the successful conclusion of these meetings and the signing of the renewal on March 1st, the Minister of Industry, Trade and Commerce, after referring to the mutual interest of Canada and the U.S.S.R. in their developing trade, made particular mention of the trade in wheat and Soviet assurances that "when the U.S.S.R. has requirements for the import of wheat, then the Soviet buying agency shall, in the first instance, apply to the Canadian Wheat Board."

Wheat was only one aspect of the trade talks. Both delegations reviewed other elements in the trade between the U.S.S.R. and Canada and agreed on the need to expand and diversify trade in both directions. As a result of their discussions, the two sides looked to growing opportunities to sell an increasing range of their products, materials and manufactured goods in each other's markets.

After several years in which Soviet imports from Canada greatly exceeded Soviet exports to Canada, the balance was reversed in 1969. (See Table 2.) In 1970 it will shift back again to favor Canada as the wheat bought for delivery during the year is shipped.

The major items which figure among Canadian exports to the U.S.S.R. are given in Table 3. On the whole, this list reflects the fundamental fact that Canadian and Soviet natural resources are similar. As raw material producers, the two countries are competitors. Our exports to the U.S.S.R. tend either to reflect areas of special Canadian skills or development—breeding animals, plastic and synthetic rubber, special machinery and vehicles—or are basic raw and semi-processed materials.

Canadian imports from the Soviet Union, like our exports to the U.S.S.R., tend to consist of raw and semi-processed materials—raw cotton, chrome

and manganese ores, sunflower seed oil, cotton textiles, plywood and particle board. (See Table 4.) Our only significant import of relatively high technology is watch movements. The Soviets expect to undertake an energetic promotion of Soviet machinery, aimed at establishing the U.S.S.R. as a supplier to the Canadian market. In its early stages, this promotion may concentrate on tractors and combines, earthmoving machinery, helicopters, machine tools and heavy hydroelectrical equipment.

Recent visits by Canadian and Soviet experts to each other's industries have shown that areas of broad mutual interest exist in which similar problems indicate parallel solutions: mining, forest products, oil and gas, electricity generation and transmission. In these areas, where technology is fast developing, Canada enjoys a lead which could be put to good use in expanding sales to the U.S.S.R. Appreciation of this market and the will to break into it, despite the difficulty inherent in dealing with an unfamiliar economic system far from home, are required of Canadian businessmen. If you feel this is your game and your opportunity, the Commercial Division of the Canadian Embassy in Moscow, backed by the Department of Industry, Trade and Commerce, is ready to assist you.

Meet Customers at a Soviet Fair

ROGER BULL
Commercial Counsellor, Moscow

During the past year a few Canadian companies have participated in trade fairs and exhibitions in the Soviet Union. One firm exhibited in "Avtomatizatsaya-69", the international exhibition of automation processes and equipment, made a sale, and reported many interesting contacts with whom they are discussing future business. Another company planned to take part in the international printing machinery exhibition "Inpolygraphmash-69" but was offered a place in an officially sponsored exhibit at another trade fair in Eastern Europe. It could not accept both invitations and reluctantly gave up Inpolygraphmash. Three companies exhibited in "Obuv-69", the leather, footwear and shoe machinery exhibition held in Moscow in September. All of them were established exporters who regularly do business in the Soviet Union.

Opportunities to exhibit in the U.S.S.R. must be taken as they occur. There are no regular annual exhibitions in which a company can participate for a year or two, and continue or drop out, depending on results. Soviet shows are specialized, even the big international exhibitions. Unlike many international trade fairs that feature the products of the host country, these exhibitions are primarily intended to introduce to Soviet experts the most advanced technology and equipment from leading foreign producers. Any firm may apply to participate in an appropriate exhibition but most come by invitation to display suggested products. **The rate of sales at these exhibits is very high, often up to 70 per cent.** The general public may visit the larger national and international shows, but time is set aside for invited Soviet specialists brought in from all over the U.S.S.R. to study equipment in their special fields. The single industry or company shows are usually open to experts only.

> Exhibiting at Soviet trade fairs brings you face to face with Soviet foreign trade specialists and end users, and thus helps to overcome one of the major problems in trading with the U.S.S.R.

The Soviet Union's emphasis on foreign exhibits reflects the organization of Soviet foreign trade. Importing is assigned to specified state foreign trading organizations and they alone may purchase abroad. The end users of equipment purchased neither participate directly in actual sales nor are they necessarily accessible to salesmen or technical representatives of suppliers. They learn about new equipment from various sources—publications, visits to research institutes where imported machinery is assessed, and inspection of equipment used in other Eastern European countries. But **one of the best sources of information for end users is to see a new product in operation at an exhibition**.

A typical big international exhibition was "Avtomatizatsaya-69" held in Moscow at the Sokolniki exhibition grounds in May 1969. The theme was "electronic control machinery and complex automatic control systems for chemical, metallurgical, oil refining and other branches of industry, process control instruments, electronic instruments for measuring electrical parameters, physical and chemical analyzers. . . ."

Six hundred and seventy firms from 22 countries, plus 40 U.S.S.R. Ministries, participated. There were three-quarters of a million visitors including, according to the exhibition authorities, 200,000 "Soviet or foreign specialists". Thirty technical papers were delivered at seminars held during the exhibition.

Interested potential customers gather around the exhibits at Avtomatizatsaya-69 of Electrovert Company of Montreal. Soviet trade shows are specialized affairs and resulting sales are usually very encouraging. (Photo: Novosti Press)

British, French, German, Belgian, Dutch and Japanese observers all told me that they were pleased with results of their firms' participation. **Total sales of over 50 million roubles were claimed by the fair organizers,** the Chamber of Commerce of the U.S.S.R.

"Inpolygraphmash-69", held in Moscow in July, provided similar figures: 20 countries; 7,000 square meters of covered exhibition space rented; 700 participants in the technical seminars, including the University of Toronto Press. "Obuv-69", because of the wide variety of footwear production, attracted 1,500 exhibitors from 37 countries, including several developing countries. There was a Canadian pavilion shared by one firm with an Austrian company. European exhibitors were satisfied with the results.

Two international exhibitions are planned for 1970, both in Moscow. "Modern Equipment and Technological Processes in Light Industry—Inlegmash-70" will open at Sokolniki for two weeks on June 2, 1970. To be exhibited are machinery and equipment for processing natural and artificial fibers from raw state to finished garment; machinery for the fur, shoe and hat industries; dyestuffs; measur-

Foreign Specialized Exhibitions in the U.S.S.R. 1970 - 1971

1970

Modern machines and equipment used in the **woodworking industry,** Moscow January 20-31

Special technological and measuring equipment for the production and control of **electronic and micro-electronic integrated circuits,** Moscow January 20-31

Machines and equipment for production of **glass and delft (china) domestic ware,** Leningrad May 20-31

Equipment used in the production of **jewellery,** Tallinn July 14-24

Mechanization of technological processes for **animal husbandry,** Kiev September 10-24

Automatic equipment and systems for **traffic control,** Moscow September 25-October 6

Prosthetic and orthopaedic appliances and materials used for their production, Moscow October 27-November 6

Equipment for the processing and bottling of **wine;** equipment for processing grapes and the production of **fruit juices** and equipment for the **soft drinks** industry, Kishinev October 9-21

Modern means of mechanization and automation of **postal communications,** Moscow October 27-November 6

Modern **geological survey** equipment and instruments, Moscow Oct. 27-Nov. 6

1971

Domestic equipment for passenger **aircraft;** modern ground passenger services, equipment for loading, unloading and transportation of goods in **airports,** Moscow March/April

Equipment for producing **illuminated signs** and advertisements and examples of such signs, Tbilisi June

Modern equipment used in underground **hydrotechnical construction,** Erevan July

Rolling stock, Scherbinka July 1-20

Modern **amusement park** equipment and **theater** equipment, Moscow June/August

Foundry equipment, Leningrad August

All correspondence about these fairs should be sent to: Directorate of Foreign Specialized Exhibitions Sokolnicheski Val, l-a, Moscow B-232, U.S.S.R. Telex: MOSCOW 185 SPECVYSTAVKI; Telephone: 268-76-53, 268-52-91.

ing instruments for the textile industry and equipment for the automation of these industries, and related equipment.

The second international exhibition, "Chemistry—Khimiya-70", will run from September 10 to 24, 1970. Applications for participation were accepted up to April 1, 1970. Subject matter for the exhibition includes science and scientific research, chemical and petrochemical technology and equipment, use of chemicals in industry, construction and agriculture, and chemistry for recreation. Just about anything in the chemical field—from heavy organic synthesis to pollution treatment, to synthetic floor coatings to chemicals for restoring works of art—are mentioned as relevant in the exhibition prospectus.

Coming up in 1971 is "Modern Equipment for Trade and Public Catering Establishments", May-June in Moscow.

The preliminary outline indicates this will include all kinds of equipment for preparing and serving foods and beverages in retail stores, restaurants and canteens, meals on trains and aircraft, vending equipment, washing and cleaning equipment, and materials for finishing and furnishing shops and restaurants. A detailed prospectus and summary of conditions for participation is available.

Late in 1968 a new kind of specialized trade show was introduced in the U.S.S.R. Called "Foreign Specialized Exhibitions of the Latest Machines, Equipment and Instruments", and open to exhibitors by invitation only, these fairs are confined to fairly narrow sectors of industry—e.g., brewing, refining sugar, and "equipment for producing finished parts by cold volumetric stamping, rolling and reduction". All were held in early 1969. These "Foreign Specialized Exhibitions" for 1969-70 are listed opposite.

Foreign reaction to these shows has been enthusiastic. Since they are not open to the general public, all visitors can be assumed to be Soviet specialists worth the exhibitors' time. Exhibitors are encouraged to show their equipment in operation. Technical seminars allow for the presentation of papers and for specialized discussion. Much of the equipment exhibited is already committed for sale.

After a little encouragement by the Commercial Division of the Embassy in Moscow, **exhibition officials have become enthusiastic about Canadian participation**. Several Canadian firms have been invited to specialized exhibitions, in particular: "Modern Means of Mechanization and Automation of Postal Communications—POCHTA", to be held in Moscow October 26 to November 4, 1970 (41 Canadian companies invited);" Mechanization of Technological Processes for Animal Husbandry", Kiev, September 10 to 24, 1970 (six companies); "Prosthetic and Orthopaedic Appliances and Materials used for their Production", Moscow, October 27 to November 6, 1970 (one company); "Modern Geological Prospecting Equipment and Instruments—Geologorazvedka", Moscow, October 26 to November 4, 1970 (12 companies). More detailed information, including copies of "*Conditions of Participation in Foreign Specialized Exhibitions*" are available from the Commercial Counsellor, Moscow, or the Directorate of Foreign Specialized Exhibitions, 1-A Sokolnicheski Val, Moscow B-232, U.S.S.R.

A third and even more specialized type of exhibition is held in association with the meetings of international scientific organizations. In 1970, such meetings in the Soviet Union will include the Eleventh International Gas Congress, Moscow, June 8 to 13 (Canadian participation in the exhibition is already invited) and meetings of chemists in Riga, June 19 to 28; anatomists in Leningrad, August 14 to 23; historians in Moscow in August, and radiologists in Tbilisi, October 19 to 25. Planned for 1971 and already attracting Canadian interest is the Eighth World Petroleum Congress in Moscow from June 13 to 19.

The exchange of trade and technical missions between the U.S.S.R. and Canada has proved a useful method of trade promotion, and a few Canadian companies have tried advertising in the Soviet trade and industrial press. But the best way to get your equipment seen and appreciated by the ultimate Soviet customer is to show him how it operates. Soviet international exhibitions, specialized foreign exhibitions and technical symposia shows provide the opportunity. Canadian companies who would like to know more about these are invited to write to the Commercial Division of the Canadian Embassy in Moscow. We will be happy to arrange for you to receive an invitation to the exhibition that meets your requirements.

Canadian Trade Commissioners Serving Eastern Europe

Bulgaria, Hungary, Rumania

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Canadian Embassy
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Vienna 1, Austria

J. M. T. Thomas
Commercial Counsellor

C. R. D. Kelly
Assistant Commercial Secretary

R. R. M. Logie
Assistant Commercial Secretary

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Assistant Commercial Secretary

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Commercial Secretary
Canadian Embassy
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R. A. Bull
Commercial Counsellor

J. D. Welsh
Commercial Secretary

Your Business Visit to Eastern Europe

Getting to Eastern Europe isn't difficult but making sales contacts calls for knowhow. This article will put you on the right track.

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

The sales manager of a Toronto specialty machinery firm, en route to visit his wife's family in southern Bulgaria, decided at the last moment to spend a day in the capital city of Sofia making some exploratory business calls. Rather to his surprise (we suspect) some promising sales leads turned up, and his European sales representative is now undertaking a thorough cultivation of the Eastern European market.

A few reasons more convincing to an export manager are:

1. You must visit if you want to sell. Few Canadian companies have been able to sell mail-order to these markets. Communication by mail is slow and unreliable; letters may go unanswered and brochures be filed untranslated, but the visiting businessman is always given the courtesy of a full hearing.

2. Your product may be one which has more sales potential in Eastern than in Western Europe. But market surveys cannot be done at your desk. Far too little information is published even in the local language. But you will often be told enough across the table to evaluate the market accurately.

3. A large project could be brought to your attention during the visit. News of such projects is rarely published in Eastern Europe so that the man who walks in at the right moment may get a valuable lead.

4. You may be able to cover the market quickly. Because the state-owned enterprises are centralized, you will find that you have fewer calls to make. Your two most promising Eastern European markets can be covered in one week and Canadian exporters have been known to cover three in a week. And that one week can be appended to your planned visit to Western Europe, Africa or Asia at relatively little extra cost.

A Budapest street scene. There are convincing reasons for a business trip to Eastern Europe, and Budapest is only four hours by train from Vienna.

If this is your first visit to Eastern Europe, **you should begin by sending brochures and information on your product well in advance to the responsible Canadian Government Trade Commissioner**. He can make first inquiries to assure you that your product is, in fact, of a type imported from the West and not in a category reserved for imports from other socialist countries or for domestic production. The Trade Commissioner can also give you a brief

assessment of market prospects to guide you in selecting the countries you should visit. When you give the word, he will arrange appointments for you with the state trading companies and, where possible, with the major end users. It is wise to contact the Trade Commissioner two months in advance of your proposed visit to get things rolling.

Keep in mind that organizations you want to visit will be concentrating on vacations in July and August and overburdened with negotiations during the time of the local international trade fair. November and December are often good months to come because the import requirements for the coming year have been finalized by that time.

There are plenty of jet flights from Western Europe to Eastern European capitals. **Air Canada flies direct to Moscow and will soon inaugurate a direct service to Prague.** The Eastern European countries operate their own national airlines which provide good jet service from Western European centers. If you prefer to see some landscape, take the train from Vienna to Budapest; it is a pleasant four-hour trip. Some Canadian visitors like to rent a car in Vienna and drive to Prague or Budapest. In most countries, tourist visas can be obtained at the airport or at the border on arrival, except when you are entering by train. However, **you may feel more secure if you have your passport visaed beforehand at the appropriate embassy in Ottawa.**

Adequate hotel accommodation is available in all the Eastern European capitals and some of the hotels are outstanding. In Budapest, for example, the newly-opened Duna International Hotel is so designed that each of its 350 rooms has a fine view across the Blue Danube towards the Castle Hill. The Grand Hotel on Margaret Island is equally splendid, set amidst the greenery of a Danube island park. In Bucharest the Athenee Palace Hotel will soon be challenged for supremacy by a new Intercontinental Hotel. The major hotels in the capitals offer telex, currency changing, car rentals and a variety of tourist services. Be sure to bring along three things: a copy of your reservation confirmation, a bar of hard water soap, and a supply of soft toilet paper.

Typical of the hotels is this one at the famous spa of Karlovy Vary, Czechoslovakia.

When you present yourself for your scheduled appointment, your first step is to ask for the protocol office. Here you will tender your business card to an officer, usually a woman, who will ring up the officials you are scheduled to meet and if necessary call in someone to interpret. Many of the officials involved in foreign trade will speak English or French but if not, the provision of an interpreter is standard hospitality, as is the coffee or brandy (or both) that will appear shortly after you sit down to talk.

You should start by presenting each of those present with one of your cards (not forgetting the interpreter, who may be an officer) and thoroughly introducing your company and the reason for your visit to them. In this it is helpful to have in mind the interests and functions of the people to whom you are talking.

Your first meeting is most likely to be with one of the several state-owned foreign trading companies through which, by law, all imports are channelled. Each of these companies has the responsibility, (usually the sole responsibility) for the import of a specified range of goods. For example, Bulgarsem is the Bulgarian foreign trade company which imports the country's seed requirements, Tehnoimport in Bucharest is the trade organization for scientific instruments, Chemolimpex imports Hungary's chemicals, and so forth. Within each foreign trading company the officers are specialized and each deals with a narrow range of products.

The man across the table at your first meeting will in all likelihood be one of these specialists. From the various end users in the country he has received purchase orders, each duly authorized and approved by the commercial and planning authorities, and it is his job to buy the specified goods at the best possible price, quality and commercial terms.

If the product you are offering is a standard one, easy to specify in written form (for example, a chemical or a mineral) the man you are sitting with may be the only contact you need. He will compare the offers received and, subject to approval by the Foreign Trade Ministry, he will decide which offer to accept. He wants to hear your complete pitch, including prices and delivery terms, and will doubtless probe for price or credit concessions. Even if the current orders have already

Judging from this shot taken in Sofia, traffic jams would be unknown in Bulgaria. Western suppliers, though, have found good business opportunities in Eastern Europe, but a personal visit is a must if you want to sell.

been placed, your terms and prices will be carefully noted for reference for the next quarter or the next year. Having finished your coffee and chatted about the weather, you can go away whistling and pack your bags.

Many of you reading this, however, will not be content simply to make a pitch to the foreign trading company. You may have a product with unique features, a product which must be demonstrated and explained to the user so that when he places his import orders with the trading company he will specify your product. Or perhaps you have a standard product but one with new or improved applications. Or you may be offering complete plants and want to make your snput at the planning stage. Whatever ihe reason, you may consider it necestary to contact the end user.

In theory, the foreign trade company is supposed to serve as an information channel, passing your brochures and prices to potential customers in the country. In practice, you would be unwise to rely on this form of dissemination. The degree of access to the domestic end user that you can expect varies greatly from country to country and even from industry to industry. In some cases you have little hope of shaking his hand; in others, if you play your cards right, you should succeed. **You will have the best chance of meeting the end user by employing one of these methods:**

1. Contact him by mail in advance of your visit, sending brochures and introducing your products. Request an appointment during your visit, stating clearly the reason for the visit. The Trade Commissioner can help you make the initial contact, although this is not easy; few Eastern European countries publish a trade or manufacturers' index.

2. Ask the foreign trading company to have a representative of the customer present at the initial meeting. Again, you must make a good case.

3. After your meeting with the foreign trade officials, while they are still dazzled by your presentation, ask them to arrange further meetings for you with interested persons.

4. Drop in and see the local Chamber of Commerce. Each country has such a body, a part of whose job it is to help visiting businessmen make contact with local enterprises. The officer responsible for Canada in each body has given valuable assistance to many a Canadian businessman.

5. If all else fails, go to the place you want to visit, knock on the door of protocol, state your case, and look as if you are prepared to wait.

In most cases you will be meeting your customer in an office somewhere but **it is not impossible to visit an operational enterprise.** Canadian businessmen have toured a pulp mill in Braila, Rumania, a chocolate factory in Budapest, and a brewery in Sofia, to give some examples. And a Cana-

dian obstetrician has demonstrated his invention in more than one hospital in Eastern Europe by actually delivering babies.

Lately another method of making contact has come into favor, designed particularly for high-technology products. **By prior arrangement with a local agency, a Canadian company can present a technical symposium or exhibition.** If the emphasis is on new advances and a paper with an appropriate title is promised, the mailing-list invitations will be accepted by a fair number of the engineers most directly concerned with your product. A Canadian government-sponsored mission of six instrument firms recently staged technical seminars in five Eastern European capitals, with promising results. Attendance averaged 40 to 50 and many contacts were made for further meetings the next day. In two working days it proved possible to meet the majority of the appropriate contacts in each country. The arrangement fees for the group averaged about $200 per seminar but the businessman touring alone would have to pay somewhat more. If properly arranged beforehand, the seminar can draw a high proportion of the end users into direct dialogue with the Canadian expert.

Be careful in your conversations and your subsequent correspondence to keep the foreign trading company fully involved. In most Eastern European countries, reforms are in various stages of implementation and are aimed at shifting some of the decision-making power on imports from the trading companies towards the end users. While this shift is in progress it is best to continue courting them both.

Currency laws are taken seriously by the Eastern Europeans but there are only two you need to know. First, do not take any local currency into or out of the country (although you may carry as much convertible currency as you wish). Second, change your money only at the official currency booths at the airport, the border, the hotel or the bank, and carefully save the currency receipt given to you. The receipt must be presented when you leave the country and wish to cash in your remaining local currency. If you lose the receipt, you will get nothing for your wad of forints or crowns.

An opiate for tired nerves is this peaceful garden of an old Rumanian castle.

After five there are various attractions in Eastern Europe. A plunge into one of the warm mineral baths like the one in Budapest's Hotel Gellert will wash away the wearies and set you up for the evening. In most capitals there are several fine restaurants with international and national cuisine. At the Goryublansko Hanche on the outskirts of Sofia you can munch your shopska salad to the lively strains of some excellent Bulgarian folk singing and dancing in national costume. Or feast on caviar on the terrace of the Pescarus, overlooking the lake at the edge of Bucharest. Opera, sports and theater are of good quality and inexpensive, and movies in English with local subtitles can be found. If you prefer a quiet evening, bring along a supply of reading material in English; only a few hotels provide Western newspapers. Books in English are scarce, although a bookstore near the Duna Hotel carries a volume printed in Budapest entitled *Military and Diplomatic Relations between the French and the Iroquois in the 18th Century*!

The Canadian Government Trade Commissioners listed on page 21 will be glad to help you with any aspects of your visit, but to make it as effective as possible, give them plenty of notice.

Finally, we would be pleased to have you drop in and see us when you come so that we may discuss your strategy in following up your business visit to Eastern Europe.

Markets in Eastern Europe

Airport Equipment

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

Eastern Europe remains an open market for airport equipment in spite of the considerable imports over the past few years. The potential for future business for Canada will nevertheless be promising because a good deal of the equipment required for future expansion must be supplied from the West. Although most past contracts have gone to British, French and German suppliers, there is every reason to believe that Canadian exporters can compete and will find a ready outlet for their equipment. The following summary of developments and possibilities may help your company to decide whether or not you should be taking a serious look in this direction.

The recent move to jet aircraft throughout Eastern Europe reflects general developments in the growing use of air services. There are reciprocal routes to most points of Europe, some to the Western hemisphere, and others to the Middle East and Africa. The move of foreign lines into Eastern Europe and their demands for safe and good servicing have provided a fillip in the drive for improved standards of equipment and facilities.

To take advantage of the present dynamic expansion of passenger and freight traffic, the East Europeans now appreciate the need to provide better and more attractive air traffic facilities. Tourist passenger traffic to the Balkan countries, for example, continues to rise at a rate considerably in excess of handling capabilities. Air freight cargo in one of these countries jumped in 1969 by 62 per cent over 1968, with similar increases elsewhere throughout the Bloc. Emphasis in the past few years, therefore, has been placed on improving international airports. This will continue and attention is also being directed toward improving domestic airports.

Hungary—Perhaps the most active possibility at this moment is the on-again-off-again proposed modernization of the Budapest-Ferihegy international airport. The Hungarians expect to renovate the terminal completely, extend the runway system, and incorporate improved telecommunications, navigation aids and control systems, as well as ground support equipment. Supplying equipment required from the West for immediate needs and the modernization project should be business worth going after. As the Hungarians are favorable to Canadian offers, a concerted export effort could reap valuable results. One Canadian company will participate in the Canadian stand at the Budapest Fair this year.

Bulgaria—The Bulgarians have recently made public their intention to renovate the Sofia international airport completely by 1975. (Some improvements, including the installation of Canadian luggage-handling equipment, were made in 1968 to handle the Communist Youth Festival.) Although it is probably true that the Bulgarians will look first to the Soviet Union and other Eastern European sources of supply, they will have to turn to the West for a good deal of equipment not made within the Bloc. The Canadian-made luggage-conveying equipment is an excellent advertisement for other Canadian airport equipment manufacturers. Indeed, the Bulgarians have already said they would again use Canadian conveying equipment and have strongly indicated their interest in other areas of Canadian supply. No plans are known for expansion of the airports at Varna and Burgas but, with the increasing rate of tourist traffic to these points, some improvements must be undertaken within the next few years.

Rumania—The new Bucharest-Otopeni airport is to open in May 1970 and it is worth noting that several millions of dollars worth of equipment contracts were obtained in all areas by West European firms. The airport will be capable of handling all types of aircraft and the Rumanians claim it will serve one million passengers a year. There are serious questions as to how efficient some aspects of the new airport will be—in luggage-handling equipment, for example—and there could still be some interesting possibilities for Canadian firms. There is also potential in the proposed renovation of Constanza airport and the modernization of eight or more smaller domestic airports. The Constanza airport handles all air tourist traffic to Rumania's Black Sea coast. Considerable interest has been expressed in Canadian equipment for in-terminal communications, luggage-conveying systems, control towers, instrument landing systems, and telecommunications and airport maintenance equipment among others. Capitalizing on these possibilities, however, will require a first-hand intensive effort by Canadian exporters.

Czechoslovakia—The new international terminal in Prague was opened in the summer of 1968, but long-term plans for additions should mean possible sales for Western suppliers. In addition, the airport at Brno is scheduled to undergo reconstruction and modernization within the next few years. The Czechoslovakians plan to elevate this airport to international standards and will need considerable equipment from

Shown here is some of the airport equipment that Canada can sell to East Europe. A visit by an industrial team stands a better chance of success than a lone manufacturer's representative.

the West. Czechoslovakia now has requirements for ground-air communication and airborne or ground systems as well as airport runway maintenance equipment. They are aware of Canada's capability in this field and have indicated interest in supply possibilities.

Poland—The handsome new terminal at Warsaw airport was completed in 1969. The rapid growth in the number of passengers handled indicates that further expansion will be necessary within five years. The terminal site has sufficient runway capacity to handle the new large capacity aircraft and is expected to be adequate until the early 1980's. Polish officials are very much aware of current offerings of specialized airport equipment from Western sources, and European businessmen who have gained a toehold in this market attribute their success to close contacts with responsible Polish officials made and reinforced during a regular program of business visits. Canadian suppliers, however, particularly of electrical and electronic devices, are not well-known here. Few Canadian firms have visited Warsaw, where virtually all major specifying and purchasing decisions are made. An exception is a Canadian machinery firm that recently commissioned two runway sweepers at Warsaw's Okecie airport.

This brief review of business possibilities serves to identify generally the market in Eastern Europe for Western airport equipment. Several factors, however, determine the extent to which the East European countries buy from the West and how business is generally carried on. Among the most important of these are the availability in Eastern Europe of equipment good enough to do the job, and their ability to find hard currency for direct purchases, or to swing compensation or barter deals. An additional factor that must be borne in mind is the export controls that could effect sales of some of the more sophisticated communications and navigation equipment. However, this has not prevented several Western companies from doing an impressive amount of business.

Canadian capability has been widely broadcast throughout Eastern Europe and East Europeans, with the possible exception of Poland, are very much aware of the Canadian potential. Without exception they have responded with interest to advice and information, which in at least one case has led directly to a contract. Other contracts are under negotiation. A team of industry representatives with an integrated comprehensive and government-financed package has a much better chance than the lone company selling just one product. If indeed Canadian industry wants to take advantage of this lucrative—but not easy—market, then the East Europeans must be shown that our capabilities, long praised but little proven in this area of the world, do exist. They must see our industry and the followup must be thorough and on the spot. The market is there, the contracts are established, the introductions made and your abilities recognized. Unfortunately, considerable opportunities were missed in the construction of the new airports at Warsaw, Prague and Bucharest. If you are interested in those opportunities still existing, the Trade Commissioners' offices and the Department will be glad to provide you with all the information and assistance you need.

Pulp and Paper Equipment

MALDWYN THOMAS
Commercial Counsellor, Vienna

In recent years Eastern Europe has become a substantial market for pulp and paper equipment. Some of the equipment is manufactured locally and some obtained from Soviet Bloc sources. But a large share is imported from the developed Western countries—practically all of it from Western Europe. Canadian exporters have just begun to scratch this market and one major Canadian manufacturer recently obtained a contract for pulp equipment in Rumania.

About one third of Eastern Europe is forested and, after the U.S.S.R., its reserves are the greatest in Europe. Traditionally, most of the East European countries have had important forest industries. Some countries are better endowed with forests than others and some began to develop their forest industry earlier than others. Rumania, for example, with the biggest forest reserves in the area, had already developed a substantial industry early in this century and had become an important timber exporter. Hungary, on the other hand, with a relatively small forest area, did not begin to produce wood pulp until World War II.

In recent years, however, the shift in emphasis towards consumer goods, the need to develop exports to the West, and the importance attached to improving the quality of housing have led to **a sharply increased demand for more and better quality wood products,** paper and packaging materials. Consequently, afforestation and reforestation have been promoted throughout the area (where domestic wood supplies have been insufficient, arrangements have been made to import the required timber, mainly from the Soviet Union). Large sums have been invested in the expansion and modernization of the pulp and paper industry.

In order to obtain the latest technology, all East European countries have spent substantial sums of money purchasing pulp and paper equipment from Western suppliers and there is every indication they will continue to require Western equipment. Complete information is not available on the forest industry in East European countries nor on their expansion plans. New five year plans for the period 1971-75 should be published soon and should give a clear indication

of future trends. The following paragraphs, however, summarize briefly what is known of these plans.

Bulgaria—Cigarette paper machine to be installed with annual capacity of 4,000 metric tons; tissue paper output to be increased from 8,000 metric tons a year to 21,000 by 1971; container board and kraft paper output to increase from 240,000 m.t. a year in 1968 to 400,000 by 1973; four corrugating machines to be installed, and four paper mills to be constructed between now and 1974.

Czechoslovakia—Pulp output to be increased by 300,000 metric tons a year by 1980; increase of 50,000 m.t. a year in printing and writing paper and 420,000 m.t. a year of paper and paperboard by 1980; cardboard-making machinery with a capacity of 50,000 to 70,000 m.t. a year to be installed in Slovakia by 1973; sulphite pulp mill to be installed with capacity of 200,000 m.t. a year by 1974 or 1975. There will also be a possible expenditure of $80 million for equipment for Slovakia during the next ten years.

Hungary—Increase by 1975 of 50,000 metric tons a year of container board and kraft paper; five new machines to produce 35,000 m.t. a year of tissue and tissue paper, and 30,000 m.t. of fluting by 1973; large pulp and paper mill to be completed by 1977 at Harta Dunapatak; three or four additional mills by 1978 to produce 120,000 m.t. a year of semi-chemical pulp.

Poland—Increase in pulp production from 450,000 to 650,000 metric tons a year by 1975; paperboard, liner and kraft production to increase from one million to 1,400,000 m.t. by 1975, and sanitary paper from 45 to 50 million m.t. a year by 1971.

Rumania—Increase of 50,000 metric tons a year of newsprint and 125,000 m.t. of fine paper by 1975; a pulp and paper complex with a capacity of about 140,000 m.t. a year of pulp and 118,000 m.t. of paper by 1975; and another 10 or 20 complexes to be built over the next decade. Already under construction are a pulp and paper complex at Turnu-Severin with a capacity of 140,000 m.t. pulp and 118,000 m.t. a year of paper; installations at Braila to increase pulp production by 110,000 m.t. a year; pulp mill at Suceava; newsprint mill at Letea-Bacau, and pulp and paper mill at Dej.

The pulp and paper equipment sector has become one of the important markets in Eastern Europe for Western industry. In some cases the socialist countries have purchased turnkey plants and even complete complexes from Western suppliers. In other cases they have bought individual units or lines of machinery. Sometimes individual Western manufacturers have handled contracts completely on their own, but frequently, because of the size and complexity of the requirements, they have formed consortia. These have often been multinational in character. Normally, the East European countries purchase their requirements through specialized state trading enterprises, but the industrial end-users in the pulp and paper industry are usually involved in the technical negotiations.

Like most customers, the East Europeans have been looking for the latest in technology, at the best possible price. Industry is owned entirely by the state and new investment decisions tend to be state decisions. Furthermore, planning in the socialist countries is long-term and it may take considerable time before a planned project is realized. Consequently, negotiations have usually been long and drawn-out and a successful West European supplier has had to be patient. **Many trips to the area are required in the course of negotiations** and most successful West European firms pay regular visits to maintain contacts, even when there are no negotiations. Many firms have found it useful to maintain a special office, located as close to the market as possible (say in Vienna) to deal with their East European business.

Because East European currencies are not convertible and their earnings of convertible currency have to be hoarded carefully, **price and payment terms are often just as important as the quality of the technology**. Generally, favorable credit facilities are expected for larger contracts, and **the Western supplier may also be asked to accept partial payment in merchandise** (often in the form of output from the project in question). This type of transaction is commonly called "compensation" or "counter purchase commitment" and although it may be argued that it adds to the cost of the trade, it has nevertheless become an accepted way of doing business. Western equipment manufacturers who themselves are unable to take the merchandise offered by their East European customers usually turn to specialized trading organizations located in several West European cities, especially in Vienna. These organizations may arrange to take over the goods at an appropriate discount. The cost of carrying out such a compensation transaction of course, has to be calculated when presenting the equipment offer and the experienced Western exporter establishes as soon as possible whether or not this type of trade will be a requirement.

Though the bulk of business in the pulp and paper equipment sector, as in most capital equipment sectors, still consists of outright purchases of Western equipment, the socialist trading enterprises and industries are tending increasingly to produce some of the equipment themselves. A number of West European exporters have found it advantageous to have part of the equipment made produced by their East European customers under licence and **in some cases have entered into long-term industrial co-operation agreements with their East European partners.** Sometimes the East Europeans propose that the equipment produced in this manner be marketed jointly in a third country.

Canadian technology is still not well known in Eastern Europe and Canadian exporters sometimes have to prove that the industry exists in Canada before they can begin selling. Fortunately, Canada's leading role in the forest industry is respected throughout Eastern Europe and Canadian manufacturers of pulp and paper equipment find an audience ready to listen to them. However, Canadians have not yet begun to play a major role in this important market sector. Some firms have exhibited their products at East European trade fairs and others have made exploratory visits, but few have entered into serious negotiations in this area. Where Canadian firms have gone ahead and offered equipment, the results have been promising and have indicated that **Canadian industry can be competitive in the East European countries.** The most promising de-

velopment has been the award of a contract for over $2 million worth of pulp equipment at the large Turnu-Severin pulp and paper complex in Rumania to a Canadian manufacturer.

There is no doubt that there is a market to explore and that Canadian manufacturers will be well received in Eastern Europe. Yet, the road to success will not be an easy one. Quality will have to be first-class, prices and payment terms competitive. Firms will have to show considerable flexibility in organizing and in conducting their negotiations. However, those firms willing to put the required effort into the East European market should be able to obtain worthwhile contracts in this important growth sector.

The Trade Commissioner offices accredited to the East European countries are ready to assist Canadian firms in developing exports in this market and would be very pleased to hear from interested manufacturers.

Licensing in Eastern Europe

R. J. L. BERLET
Commercial Secretary, Prague

The purchase and sale of technical knowhow and manufacturing licences in Czechoslovakia (and in other Eastern European countries) have shown a dramatic rise over the past five years. This movement stems from decisions dating back to 1965 relating to economic reforms in the economy. Purchasing technology is also associated with the shortage of convertible currency that the country chronically suffers from, and offers Czechoslovak enterprises a way to cut down on their foreign currency expenditures. Such agreements sometimes also involve joint marketing of the end product in third countries and offer possible significant earnings of hard currency. Western companies are increasingly turning to some sort of co-operation agreements with enterprises here when they find the road barred to direct sales. On large continuing projects, in fact, import of equipment is frequently contingent upon procurement of technology, thereby allowing maximum participation by Czechoslovak industry.

The majority of technological exchanges are, understandably, with neighboring COMECON countries. Specialized standing commissions bring together experts for exchange of information in such key areas as agriculture, chemicals, coal, electric power, ferrous and non-ferrous metals, oil and gas, timber and cellulose, geology, transportation, construction, electronics, atomic energy, engineering, and food and light industry. The technology gap between these countries and the West, however, appears to be steadily widening and because of this trend, **all COMECON countries have, in varying degrees, programs which invite Western knowhow into the area**. Czechoslovakia, historically an industrial country, has been particularly active in this in recent years. Numerous French, British, Italian, Japanese, Dutch and Swedish firms have licensed their production to enterprises in this country in such diverse fields as computers, telecommunications equipment, chemistry, transportation vehicles and industrial machinery. North American companies have been late starters but are also now concluding licensing and technical aid agreements here.

Poland too continues to recognize the important contribution that foreign technology can make to its economic development. There is, however, growing concern about both the timing and the extent of this contribution. Officials now stress that the benefits from foreign licences must be achieved in shorter periods—that is, before the purchased technology goes out of date. In addition, specific Polish research institutes are assigned to each licence purchased in order to explore fully all problem areas and, where appropriate, to adapt and improve the technology for Polish conditions.

The opportunities for licensing by Canadian firms in Hungary, Rumania and Bulgaria seem to be expanding somewhat, as more Canadian businessmen visit these countries, and certainly the three countries consider licensing an important part of their import programs. A few contracts with Canadian firms are under discussion at this time and bid fair to be concluded, especially in the fields of packaging and X-ray equipment.

To continue making progress in the licensing area, it is essential to concentrate on the requirements of these countries as well as on what Canada can supply. When good possibilities are uncovered by the Trade Commissioners, the Canadian company concerned should pursue these on the spot. **The West European countries are keen competitors in this area, but there should be worthwhile if limited opportunities for Canadian sales.**

There are several types of agreement. Most stipulate a direct payment of funds in return for drawings and other data required to tool up for production. Some agreements include royalty payments on each item produced, and others call for payment of a lump sum to cover a specified period of time. Market areas and similar considerations are always well specified and frequently are the cause of protracted negotiations, since the enterprise in this country invariably wants the opportunity to export to certain convertible currency areas.

Czechoslovak enterprises also do a brisk business in exporting technology, particularly in textile engineering and

metallurgy. This country boasts 283 state research and development institutes. Their activities include both basic research and development and the institutes co-operate closely with universities, industry, and the appropriate government ministries.

As with all foreign trade, **the sale and purchase of licences falls within the competence of a foreign trade company with exclusive powers** to negotiate the commercial terms of these transactions. The Polytechna foreign trade corporation is charged with offering Czechoslovak developments and technology abroad. In one case known to this office, a United States national residing in Prague carries on a business of purchasing licences for possible use in his own country.

The Department of Industry, Trade and Commerce, Industrial and Trade Inquiries Division, co-operates with Polytechna in bringing offers of Czechoslovak technology to the attention of Canadian industry. This is done through the Division's publication *New Products Bulletin* which is widely distributed in Canada. The products or processes listed in that publication are available for manufacture in Canada under some type of arrangement such as licensing, joint ventures, etc.

A number of Canadian companies are currently exploring, and in some cases actually negotiating, the manufacture of their products under licence in Czechoslovakia. These include both heavy and light engineering and chemical processes. Areas singled out for expansion over the next few years for which Czechoslovak industry will be interested in purchasing both equipment and manufacturing knowhow include food processing equipment, packaging machinery, specialized textile machinery, pulp and paper equipment, and a broad range of chemical plant, including ethylenes, propylenes and polyester fibers. Should any Canadian company wish to look into this avenue of approach, we would be pleased to make an assessment here and provide assistance.

Food Industry Equipment

L. T. DICKENSON
Assistant Commercial Secretary, Vienna

The food industry has a very important part to play in the economies of Eastern Europe. Sales of food products to Western countries bring in foreign exchange that is urgently required for purchases of capital equipment from the West.

At present, Bulgaria exports foodstuffs to over 60 countries, and Hungary's exports of food and agricultural products make up over 20 per cent of its total exports. In Rumania, the output of the food industry represents more than one fifth of total industrial production, and from 1951 to 1968 the average annual rate of increase in its output was 9.2 per cent. Rumania's next five-year plan has set the goal of increasing food production by 35.4 per cent between 1971 and 1975. Investment will be used primarily to create new production facilities, with special emphasis on the meat, frozen food, canned food, dairy, fish and liquor sectors. Also, production will be diversified. Only in recent years, for example, have the following products been produced in Rumania: concentrated and powdered milk, vegetable and fruit juices, frozen foodstuffs, concentrated soups, diet foods and children's products. In 1968 Rumanian factories produced about 5,000 types of food products compared with barely 2,000 in 1959.

Although most of the five-year plans have yet to be disclosed, there is every indication that the food industry will continue to receive large inputs of capital. Large investments have already been made to improve the standards of food processing, packaging and storage. **Much of the new plant and equipment has come from Western Europe.** Modern facilities produce foodstuffs for Western European housewives as well as for their Eastern European counterparts, who are also looking for a wide range of products attractively and conveniently packed. Canadian producers of modern food processing, packaging and storage equipment should follow the example of their European competitors and examine this market carefully. Western European equipment manufacturers have gone after this market aggressively. A Canadian who recently toured a canned ham factory in Rumania was amazed at the advanced technology in use. A close examination showed that almost all the equipment had been imported from Western Europe.

In Poland, Canadian sales strategy should be geared to packaging requirements that are export-oriented. In selling their food products—whether vodka, canned ham or the famous Polish pickles—in Western markets, Polish exporters have grasped the important role packaging can play in a product's success.

Milk, meat and poultry processing equipment, as well as automatic packaging and packing equipment, **will make up a large part of future Czechoslovakian investments in the food industry**. The Ministry of Planning in that country has stated that there will be an increase of 43 per cent from 1970 to 1975 in the use of equipment in consumer goods industries.

One Canadian exporter of food industry equipment, after making a tour of Bulgaria, said, "Our chances of sales are good in Bulgaria because of the relatively centralized economy and their need to export". With such a centralized production system, there is a requirement for faster machines and more sophisticated equipment. A large portion of Bulgaria's food production is put up in glass. For example, that country claims to be the world's largest exporter of wine in the bottle. Although the new Bulgarian five-year plan has not yet been published, investments will probably be made in areas such as canned and frozen vegetables and fruit, wines, beer and meat packing.

Most investments in the Hungarian food industry are being directed at modernizing present production facilities and introducing up-to-date packing and transportation techniques. There are opportunities for Canadian companies in the meat, fish, wine, fruit and vegetable sectors. In recent years Hungary's ability to produce agricultural products has outstripped its storage and processing facilities. In 1969 a bumper fruit crop brought about serious storage problems. Apples and apricots rotted because of insufficient cold storage. The state wineries called on the crude oil industry to make available empty oil tanks to store more than three million gallons of juice from surplus grapes.

The Czechoslovakians have indicated that, in addition to imports of Western equipment, they are seeking licences for local production of modern sophisticated equipment. Eastern Europe is becoming more and more receptive to industrial co-operation with foreign companies. If Canadian equipment producers feel that high transportation costs make their equipment uncompetitive in this market, then they should consider licensed production.

As a country with a sophisticated consumer-oriented economy, **Canada should be in an excellent position to sell food packaging, processing and storage equipment to Eastern Europe.** However, Canadian equipment suppliers have a lot of legwork to do, because most of them are completely unknown here. To get a share of some of the outlays for equipment, Canadian firms must be prepared to send technical experts and salesmen to visit this market, as the establishing of contacts with personnel in the food processing industry is essential in any sales effort in Eastern Europe. In fact, to sell any equipment, a Canadian must be prepared to visit these markets, offer sophisticated equipment at competitive prices, undergo lengthy negotiations that tax his patience, offer competitive financing and, possibly, even agree to accept compensation goods as payment.

If your firm would like to examine this market, forward a letter with several sets of product literature to the Canadian trade offices responsible for Eastern Europe. They can then make a preliminary assessment of interest in your company's products.

Depending upon the degree of centralization, a visit to experts in each capital need not take too long. If the Trade Commissioner feels there is interest in your equipment, he can set up appropriate appointments for you. For only a marginal cost, a side trip to some Eastern European countries could be included on your next business visit to Western Europe.

The seminar, a trade promotion technique quite popular in Eastern Europe, is particularly well suited to promotion of food industry equipment. By giving a seminar, you can reach a large number of experts in your particular field. A slide or movie presentation accompanied by a commentary can focus pictorially on those features of your machine that make it unique. Organizations set up to handle seminars will invite the appropriate guests, arrange for meeting halls, and provide projectors and technical interpreters.

In summary, there is a market for food industry equipment in Eastern Europe. Equipment manufacturers from Western Europe have gone after this market aggressively and successfully. In order to understand the market, to establish contacts and—most important—to conclude a sale, you must visit Eastern Europe. Why not start the ball rolling by writing today to the Trade Commissioners responsible for Eastern Europe?

Grapes for the Rumanian wine market. The food industry plays an important part in the East European economy, but production can outstrip facilities.

Foreign Tariffs and Trade Regulations

Iraq

"A **new commercial agency law for Iraq went into effect on December 24, 1969.** According to this law, all agents of foreign manufactures, suppliers, and other business firms, in order to be registered in the Register of Commercial Agencies, must be Iraqi nationals residing in Iraq and should maintain a business office in Iraq. This office should have a trade name or address registered with the Directorate General of Registration and Supervision of Companies. Moreover, all agents should be members of an Iraqi Chamber of Commerce.

"Nationals of Arab countries shall be treated equally as Iraqis provided that their countries grant Iraqi nationals similar rights, and that they comply with other requirements of the law.

"Companies representing foreign firms should be incorporated in Iraq, and all of their sbares must be owned by Iraqis or by nationals of Arab countries, provided that such Arab countries grant Iraqi nationals similar rights.

"No permit shall be granted for materials and equipment whose imports are monopolized by the public sector.

"The Minister of Economics may exclude from the above provisions agencies which require special tecbnical experience not available among Iraqi and Arab nationals."

Lebanon

Sleepwear of all kinds will be subject to the Lebanese import licensing regulations, as of February 15, 1970, and its import will not be authorized unless a permit is granted in advance by the Ministry of National Economy.

New Zealand

New opportunities for Canadian exports to New Zealand will be created by the exemption from import control, effective March 13, 1970, of textile fabrics and glass fabrics classified under items of tariff chapters 50 to 58 and 70.

Excluded from this exemption are woven pile fabrics and cbenille fabrics of a kind used to upholster furniture (other than velvets, velveteens, velours and plushes, containing man-made discontinuous fibers but not containing sheep's or lambs' wool or fine animal hair, and weighing more than 5½ oz. per square yard).

These exemptions will create a highly competitive situation in a consumer products field which has been restricted through controls for many years. The tariff chapters affected are:

50: Silk
51: Man-made fibers (continuous)
52: Metallised textiles
53: Wool and other animal hair
54: Flax and ramie
55: Cotton
56: Man-made fibers (discontinuous)
57: Other vegetable textile materials
58: Carpet, mats, matting; pile and chenille fabrics; narrow fabrics; trimmings; tulle and other net fabrics; lace; embroidery
70: Glass

A list of products proposed for exemption from the requirements of import licensing, effective July 1, 1970, was published in the **New Zealand Gazette** of February 26, 1970. The proposed items, listed below, are subject to the consideration of objections which may be raised by New Zealand manufacturers. These objections must be lodged by May 26, 1970.

Schedule 1—Goods Classified under Certain Tariff Items

Tariff item and description	
15.04.03	Whale oil, whether or not refined
Ex 28.47.00	Salts of metallic acids (excluding sodium molybdate and ammonium vanadate on declaration by a manufacturer for use as or with fertilizers; potassium permanganate)
Ex 29.07.09	2:4 dichlorophenol (excluding salts and esters (thereof); parachlor-orthocresol
Ex 32.13.19 37.08.02	Magnetic ink character recognition (M.I.C.R.) Flasb light materials of a kind and in a form suitable for use in photography
Ex 37.08.09	Chemical products on declaration that they will be used only in processing X-ray films
38.03.01	Activated carbon (decolorising, depolarising, or absorbent)
Ex 38.13.09	Fluxes, on declaration that they will be used only with wire in automatic and semi-automatic welding machines
Ex 38.17.01	Hydrolyzed protein foam solution, on declaration that it will be used only as a fire extinguishing preparation
38.19.35	Metalworkers' surface and case-hardening preparations
Ex 38.19.36	Mixed gases, liquified or compressed, viz.: fluorinated hydro-carbon gases

Ex 39.03.83 Ex 39.03.84	Regenerated cellulose, printed, embossed or otherwise surface-worked, viz.: cellulose sponge cloth in sheets exceeding 300 sq. in. in area
39.05.19	Natural resins modified by fusion, other than in solution
39.05.29	Artificial resins obtained by esterification of natural resinic acids or of resinic acids, other than in solution
Ex 39.07.99 Ex 48.13.03	Electronic stencils for use with duplicators
40.07.01	Thread and cord composed wholly of unhardened vulcanized rubber (not textile covered)
Ex 40.14.07	"O" rings and hydraulic seals
48.02.00	Hand-made paper and paperboard
48.13.04	Transfer papers
Ex 53.11.03	Billiard cloth, on declaration that it will be used only in the manufacture or repair of billiard tables
56.01.19 56.02.19 Ex 56.03.00 56.04.19	Synthetic fibers (excluding nylon and polyester staple fiber and nylon and polyester tops); continuous filament tow other than of nylon and polyester for the manufacture of discontinuous synthetic fibers
57.07.02 57.07.03	Yarn and thread of coir and raffia, not being sewing threads
59.09.02 59.09.03 59.09.09	Textile fabrics coated or impregnated with oil or preparations with a basis of drying oil (excluding such fabrics as may be determined by the Minister)
Ex 60.01.03 Ex 60.01.07 Ex 60.01.22 Ex 60.01.24 Ex 60.05.21 Ex 61.07.00	Shaped tie blanks and knitted or lockstitched fabrics, when declared by a manufacturer for use by him only in making neckties
Ex 60.01.04 Ex 60.01.07 to Ex 60.01.25 Ex 60.01.27 to Ex 60.01.29	Knitted trimmings not exceeding 30 cm. in width, when declared by a manufacturer for use by him only in making apparel
67.01.03 67.01.09	Skins and other parts of birds with their feathers or down, down, and articles thereof (other than feathers and parts of feathers)
Ex 73.14.06 Ex 73.14.09	Iron or steel wire, whether or not coated, but not insulated, viz.: stitching wire; welding wire in coils on declaration that it will be used only with automatic or semi-automatic welding machines
73.15.92 73.15.96	Mattress wire, of high carbon steel or of alloy steel
Ex 73.27.09	Wire reinforcing, on declaration that it will be used only in the manufacture of rubber tires and tiring
Ex 73.38.33 Ex 76.15.15	Pressure cookers
Ex 82.02.19	Metal cutting bandsaw blading
82.09.05	Knives with folding blades
Ex 83.01.03	Locks, on declaration that they will be used only in the manufacture or repair of luggage trunks and the like
84.49.09	Tools for working in the hand, pneumatic or with self-contained non-electric motor (excluding grease guns and other force feed lubricating equipment and chain saws)
Ex 87.09.01 to Ex 87.09.05 87.09.09	Motor cycles, being motor vehicles running on two wheels but not more than three when fitted with a sidecar (excluding "farm-type" motor cycles, power cycles, autocycles, mopeds, and scooters) decided by the Minister as being designed for use wholly or principally on public highways; sidecars
Ex 87.12.11 Ex 87.12.12 Ex 87.12.19	Parts and accessories of motor cycles (excluding those wholly or principally of unhardened vulcanized rubber or artificial plastic materials and parts and accessories of power cycles, autocycles, mopeds, and scooters)
90.01.06 90.01.09	Polarizing optical elements for spectacles; sheets or plates of polarizing material
Ex 90.26.19 Ex 90.26.22 Ex 90.26.23 Ex 90.26.24 90.26.29	Liquid supply or production meters (other than water meters); calibrating meters for gas, liquid, and electricity supply or production meters
96.06.01 Ex 96.06.02 Ex 96.06.09	Hand sieves and hand riddles, of any material (other than those wholly or principally of wire)
Ex 98.01.11	Button moulds of metal; blanks and parts thereof of metal

Schedule 2—General Classes of Goods

Illuminating glassware and signalling glassware, not optically worked nor of optical glass, viz.: moulded glasses for vehicle lamps and magnifying glasses

Parts of audiometers

Parts of deaf aids

Perforated cards for Jacquard attachments and the like

Safety razors, including those of plastic, and parts thereof

Scissors (including tailors' shears) and blades therefor

Peru

The ban on many non-essential imports, originally introduced March 1, 1968, has been extended by the Government of Peru for another year, to the end of March 31, 1971.

Philippines

"The Philippines fee for legalization of consular invoices has been raised from $10 to $20."

"The conversion rate of foreign exchange to be used as tax base in the computation of Customs duties, internal revenue taxes and other charges due on imports arriving in a Philippine port after February 21, 1970, shall be subject to the free market rate of exchange prevailing at the time of arrival of the goods", the Philippine Department of Finance announced.

"All imports into the Philippines, except for Unclassified Consumer (UC), Semi-Unclassified Consumer (SUC), and Non-Essential Consumer (NEC) Items (which will continue to be disallowed), shall be serviced in their entirety by agent banks, by letters of credit, documents against acceptance and open account arrangements, also at the prevailing floating exchange rate, without prior specific approval of the Central Bank.

"Imports have been likewise freed from special time deposit (STD) requirements, and existing STD's shall be released as they mature. Monthly ceilings on foreign currency letters of credit opened by commercial banks have also been removed. Ceilings on domestic credits have likewise been lifted. These measures were put into effect as of February 24, 1970."

Trade Lines

The control system at the Tunis-Carthage international airport in Tunisia will be built with the assistance of a U.S. AID loan of $6.2 million. It will be used to build and purchase technical equipment for the new system, which will be completed by 1971—Berne.

A Cdn.$1.7 million brewery to be built at Dondo, Angola (Portuguese West Africa), will be financed by an Angolan, British and Belgian consortium. It will be the third brewery in the Province of Angola—Lisbon.

The possibilities of seal hunting in the Antarctic will be investigated this summer by the Norwegian firm of A/S Rieber and Company of Bergen. Despite a decrease in operations, some Sunnmoere firms took part in this year's sealing activities, and interest in the trade still appears to be great—Oslo.

The Magdalena River bridge to be located at Barranquilla will cost an estimated U.S. $160 million. The five bids submitted, which were based on the Colombian Government's design, were higher than the estimate although all the firms submitted alternative plans, some of which were less than the U.S. $160 million estimate —Bogota.

A Norwegian company and several official bodies have devised a system for joining high tension cables by explosion. The system has been in use for two years and is highly satisfactory, even under the most adverse climatic conditions. Launched on the world market in late 1969, it has been well received—Oslo.

The current programmed expansion of the Italian steel industry holds promise of an increase in purchases of Canadian raw materials. Production in 1968 was about 20 million tons, and the target is 30 million tons annually by 1980. In 1968 Canada sold to Italy 1.5 million tons of iron ore ($16.1 million) and 64,200 tons of steel scrap ($1.4 million)—Milan.

In Spain production and use of electrolytic aluminum doubled during the past five years. Production increased from 49,000 tons in 1964 to 107,000 in 1969. During the same period consumption increased from 53,100 tons to 111,500 tons—Madrid.

In 1969 production of Spanish mercury from the Almaden Mines, the world's richest, amounted to 58,000 flasks (one flask contains 34.5 kilos). Under the country's Second Four Year Development Plan (1968–71) the production target set for mercury is 95,000 flasks by 1971. Current price for mercury is Cdn.$744 per flask—Madrid.

The Ecuadorian Government, in its efforts to attract foreign investment, is actively pursuing a program of joint participation with foreign companies. Already the Government has joint ventures with one firm in Japan and another in the United States. In each case the Government holds 51 per cent of the company shares —Bogota.

A mild recession in Venezuela's petroleum industry braked the 1969 economy to a pace slower than the preceding five years. Crude oil output in 1969 was down 0.3 per cent from 1968. As the petroleum industry generates about 65 per cent of total Government revenue and about one-quarter of the GNP a minimal deceleration in the industry's output can cause changes. However, the bolivar is still South America's sturdiest currency —Caracas.

Tourism in Cyprus has increased by 70 per cent in the two years ending 1969. Tourist arrivals on the island last year totalled 115,000 compared with 1968's total of 88,500 and 1967's total of 68,400. Because of the demand for more tourist accommodation, the Government is considering increasing budget allocations for development of tourist facilities and improving loan terms to hoteliers. The increase of tourism on the island calls for a reappraisal of accommodation requirements for 1971 to more than 5,000 beds as against the current projection of 3,200—Tel Aviv.

This year Spain will complete several port improvement projects begun in 1969 as part of a nationwide program of updating dock and warehousing facilities. In 1969 a total of 4,907 meters of docks, 6,298 meters of wharves and 25,204 square meters of warehouse space were completed at a cost of Cdn.$46.4 million. Included were the improvement of tanker docking facilities at Huelva to accommodate vessels of 35,000 tons and at Gijon for ships of more than 100,000 tons—Madrid.

The amount of merchandise which passed through Spanish ports in 1969 increased by 7 per cent to 131,929 million tons while passenger traffic increased by 12.6 per cent to 4.9 million. The number of vessels calling at Spanish ports in 1969 was 104,305 (298 million GRT)—Madrid.

Poland, in a reversal of its usual pattern of trade, has agreed to import 6,000 tons of butter from West Germany

during the first quarter of 1970. The about-face results from increased domestic consumption of butter and a dry summer that adversely affected production. In the first nine months of 1969, Polish butter exports dropped by 50 per cent—Bonn.

A multi-million dollar marina and housing project is to be built at Muizenburg, in the southern suburbs of Cape Town. The development will cover 1,500 acres and, in addition to the first marina in South Africa, will include public parkland, a commercial center, golf course and a residential community that will eventually house about 20,000 people. The Anglo-American Corporation and Creative Homes Division of Ovenstone Southwest Investments Limited are backing the development, which will eventually cost around Cdn.$150 million—Cape Town.

The largest dock gate ever built was recently towed from the River Clyde, Scotland, to Belfast, Northern Ireland. Built at a cost of Cdn.$774,000 by Sir William Arrol & Co., Glasgow, it weighs 1,400 tons, is 310 feet long, 37 feet wide, and has an overall depth of 35 feet. A 24-foot wide roadway deck permits loads of up to 100 tons to cross the dock. The gate will enclose Harland & Wolff's new shipbuilding dock, the world's largest —Glasgow.

A Norwegian heating equipment manufacturer is claiming a world precedent in the use of printed current circuits for conventional heating systems. The company produces a heating foil which is flexible, inexpensive and safe for heating homes, traffic routes, soil, and which can be laminated to textiles, plastic, wood, paper and nylon—Oslo.

A Mexican company in competition with eight international firms recently won a $3.5 million contract for the construction of 200 box cars for the Santa Fe Railways of New Mexico, U.S. During the past eight years, the Mexican company has sold rolling stock to railway companies in the United States, Panama and Colombia, as well as the National Railways of Mexico. The firm presently runs an assembly operation in Colombia—Mexico City.

Spain has bought 30 Mirage-3 aircraft and three two-seater E-B training planes from France at a cost of Cdn.$97.65 million. The Spanish firm Construcciones Aeronauticas S.A. (CASA) will manufacture 45 per cent of the Mirage fuselage. This firm had previously signed an agreement with France for the manufacture of the front section of the Mercure aircraft. The first ten Mirage planes will be delivered to Spain this year at a cost of Cdn.$768,000 each. The remaining 20 will be built in collaboration with CASA—Madrid.

A new company to convert uranium nitrate into uranium tetrafluoride (UF4) has been formed in Europe by government organizations and private industry of eight European countries. Capital for this company, Société de Fluoration de l'Uranium, has been provided by organizations of seven European countries. The uranium nitrate will come from the Belgian Mol recycling plant —Brussels.

Spain expects to produce 7.7 million tons of steel this year and 8.5 million in 1971, just short of its expected consumption of 8.9 million tons. During the 1963–68 period Spain increased its annual consumption of steel by 104 per cent, more than any other steel-consuming nation. The Government hopes that by the end of 1971 Spain will be well on the way to becoming self-sufficient in this commodity—Madrid.

A new type of lawnmower, with maximum emphasis on safety, is being shipped by the Norwegian firm A/S Norsk Lettmetall to a U.S. customer. The first order for 2,000 will be followed by an order for 5,000, and if the market proves profitable a subsidiary will be set up in the United States—Oslo.

International Loans

Electric power facilities in Malawi will be expanded with the help of $8.25 million being provided by the International Development Association and the African Development Association and the African Development Bank. The loan will cover the foreign exchange costs of a three-year $12.4 million program of Malawi's Electricity Supply Commission. This program will install 19 megawatts of new generating power, build 198 miles of transmission and distribution lines and expand substations. A hydroelectric power station will be built at Tedzani Falls on the Shire River with an initial capacity of 16 mw., and a 3 mw. diesel unit will be installed at Lilongwe. Help will also be provided for the commission's training program for managerial, administrative, professional and technical staff. This is the first time one of the World Bank group and the African Development Bank have joined in financing a development project.

Telecommunications in northeast Brazil will be increased and improved with an Inter-American Bank loan of $26 million. Open to Canadian procurement, it will be used to build a central microwave network in the State of Bahia, which will link 59 urban areas and Salvador (the state capital) by telephone, telex, radio-telephone and telegraph. The project will include purchasing vehicles, installing electric power generators, operating exchanges, and purchasing transmitting, relaying, switching and remote control equipment. The Salvador service will get about 19,200 new telephone lines and several other cities will have about 21,580 telephone lines added.

Trade Commissioners on Tour

In Canada

If you wish to meet the officers whose itineraries are listed below, get in touch with—

In Ottawa—
Department of Industry, Trade and Commerce

In St. John's, Halifax, Montreal, Winnipeg, Regina, Edmonton, Vancouver—
Regional Office, Department of Industry, Trade and Commerce

In Toronto—
Canadian Manufacturers Association

In Windsor, Ontario—
Greater Windsor Industrial Commission

In Fredericton, New Brunswick—
Department of Industry

In all other centers—
Board of Trade or Chamber of Commerce

Netherlands

F. W. Zechner, Commercial Officer in the Hague:

Montreal: April 23-27
Quebec City: April 28-29
Halifax: April 30-May 1

In Territory

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

Bulgaria, Hungary, Rumania

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 would like the Trade Commissioners to undertake assignments for them in these East European countries are advised to write to the Vienna office immediately.

Ivory Coast

J. P. Bell, Commercial Secretary, and J. Filion, Assistant Commercial Secretary, in Accra, Ghana, will visit the Ivory Coast May 10-20, June 7-20.

Nigeria

B. Dussault, Assistant Commercial Secretary in Accra, Ghana, will visit Nigeria May 3-9, June 1-6.

People's Republic of China

Trade Commissioners in Hong Kong regularly attend the Commodities Fair in Kwangchow in the spring, April/May, and in the fall, October/November. Canadian businessmen who would like the Trade Commissioners to assess prospects for them for sales or purchases should send full particulars of their offers or requirements to the Hong Kong office.

Senegal

J. P. Bell. Commercial Secretary, and J. Filion, Assistant Commercial Secretary, in Accra, Ghana, will visit Senegal May 17-23.

South Africa

W. D Wallace, Trade Commissioner in Cape Town, South Africa, will visit Port Elizabeth, East London and area May 18-27.

Turkey

Trade Commissioners in Ankara visit Istanbul frequently. Canadian businessmen who would like the officers to undertake assignments for them in that city are invited to write to the Commercial Division, Canadian Embassy, Vali Dr. Resit Caddesi 52, Cankaya, Ankara, Turkey.

Regular personal contact with the businessmen in his territory is one way the Trade Commissioner keeps up to date on trade opportunities and serves Canadian exporters. Here Walter Boychuk (center), Acting Commercial Secretary in Djakarta, chats with directors of P.T. Astra International (Chinese-owned), one of Indonesia's large importers (about $10 million a year). Mr. Boychuk was posted from Canberra, Australia, to Djakarta last summer to re-open the Canadian trade office there.

Foreign Exchange Rates

These nominal quotations may help exporters in checking prices, but they should consult their banks before making any firm commitments. When more than one rate is shown, the one to be used depends on the commodity traded. Information on the rate for any specific commodity may be obtained from the Office of 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 buying rate is that at which banks purchase exchange from exporters; the selling rate is that at which banks sell exchange to importers.

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

For conversion of column one to the U.S. dollar equivalent, *multiply* by .93. **To convert column two, *divide* by .93.**

Country and Currency	Value of foreign currency unit in Canadian dollars at April 10	Canadian dollar in foreign currency units
Algeria Dinar	.1939	5.15
Argentina* Peso (free)	.3071	3.25
Australia Dollar	1.204	.8305
Austria Schilling	.0415	24.03
Bahamas Dollar	1.072	.93
Belgium and Luxembourg Franc	.0216	46.72
Bermuda Pound	2.582	.38
Bolivia Peso	.0900	11.11
Brazil Cruzeiro (official free)	.2399	4.16
Britain Pound	2.582	.38
British Honduras Dollar	.5367	1.86
Burma Kyat	.2254	4.44
Ceylon Rupee	.1802	5.54
Chile Escudo (bank rate)	.1010	9.90
(free)	.0869	11.50
China, Republic of New Taiwan Dollar (official)	.027	37.04
Colombia Peso (fixed)	.059	16.94
Congo (Kinshasa) Zaire	2.144	.46
Costa Rica Colon	.1620	6.17
Cuba[1] Peso	.....	.....
Czechoslovakia Koruna	.1491	6.70
Denmark Krone	.1431	6.98
Dominican Republic Peso	1.073	.93
Ecuador Sucre (official)	.0596	16.77
(free)	.0534	18.72
El Salvador Colon	.4294	2.38
Fiji Pound	1.232	.81
Finland Markka	.2554	3.91
France, Monaco, etc.[2] Franc	.1939	5.15
Franco-African Republics[3] Franc	.0039	256.4
French Pacific[4] Franc	.0107	93.44
Germany D Mark	.2944	3.39
Ghana New Cedi	1.051	.95
Greece Drachma	.0357	27.93
Guatemala Quetzal	1.073	.93
Guyana Dollar	.5367	1.86
Haiti Gourde	.2148	4.65
Honduras Lempira	.5367	1.86
Hong Kong Dollar	.1770	5.64
Hungary Forint (official)	.0921	10.85
Iceland Krona (official)	.0122	81.96
India Rupee	.1425	7.01
Indonesia[5] Rupiah	.....	.....

*Peso recently revalued.

Country and Currency	Value of foreign currency unit in Canadian dollars at April 10	Canadian dollar in foreign currency units
Iran Rial	.0142	70.42
Iraq Dinar	3.006	.33
Ireland Pound	2.582	.38
Israel Pound	.3069	3.26
Italy Lira	.0017	588.23
Jamaica Dollar	1.290	.76
Japan Yen	.0030	333.33
Kenya Shilling	.1526	6.55
Lebanon Pound (free)	.3328	3.00
Malaysia Dollar	.3507	2.85
Mexico Peso	.0859	11.64
Morocco Dirham	.2156	4.63
Netherlands Florin	.2955	3.38
Netherlands Antilles Florin	.5692	1.75
New Zealand Dollar	1.207	.82
Nicaragua Cordoba	.1534	6.51
Nigeria Pound	3.017	.33
Norway Krone	.1502	6.65
Pakistan Rupee	.2254	4.43
Panama Balboa	1.073	.93
Paraguay Guarani (free)	.0086	116.28
Peru Sol (free)	.0246	40.65
Philippines[8] Peso (free)	.185	5.39
Poland Zloty (fixed basic rate)	.2700	3.71
Portugal & Colonies[6] Escudo	.0373	26.66
Saudi Arabia Riyal	.2066	4.84
Sierra Leone Leone	1.508	.66
Singapore Dollar	.3507	2.85
South Africa Rand	1.508	.66
Spain & Dependencies Peseta	.0153	64.93
Sweden Krona	.2065	4.85
Switzerland Franc	.2495	4.00
Syria Pound (free)	.2819	3.55
Thailand Baht (free)	.0523	19.15
Trinidad & Tobago[7] Dollar	.5367	1.86
Tunisia Dinar	2.044	.48
Turkey Lira	.1192	8.38
United Arab Republic Pound (official)	2.468	.40
United States Dollar	1.073	.93
Uruguay Peso (free)	.0043	232.56
Venezuela Bolivar (official free)	.2389	4.18
Yugoslavia Dinar (official)	.0858	11.65

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 Mauretania, 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.

8. Exchange rate in Philippines on floating basis with daily quotations by banks.

Markets in Brief

U.S.S.R.

Area

8.7 million square miles.

Climate

Temperature ranges from subtropical to arctic. Climate is continental. Centigrade scale is used.

Population

236.7 million (January 1968)—108.7 million males and 128.0 million females. Of this, 188 million are under the age of 52. Average living space per capita in urban areas is ten square meters.

Income

National income, 1967, Cdn.$268.8 billion (based on official rate of exchange: one rouble equals Cdn.$1.20). Per capita income Cdn.$1,139. Average monthly salary approximately Cdn.$124.

Banking

64 million savings accounts. Average amount in savings accounts about $503.

Retail Sales

Retail sales including public catering totalled Cdn. $148.3 million in 1967. Per capita retail sales Cdn.$630, for food products Cdn.$275, for non-food products Cdn.$271.

Motor Vehicles

251,000 automobiles produced in 1967. This indicates a new domestic supply of 200,000 units in 1967. Bicycles and motor bicycles numbered 141 per thousand persons, motorcycles 19 per thousand persons.

Radio and Television

177 radios per thousand persons; 96 television receivers. Radio and television broadcasting facilities (625 lines per picture) are publicly owned.

Water Supply

Safe to drink.

Electric Power

50-cycle a.c., 127 and 220 volts, single- and double-phase, voltage and frequency stable. Production, 1967, 588 billion kwh.

Coal

Anthracite, brown and coking are available. Production in 1967, 595.2 million tons. Consumption by households in 1967, 20 million tons.

Gas

Manufactured and natural gas are available. Production in 1967, 159.2 billion cubic meters. Consumption is showing marked increase as new reserves are opened up and new pipelines are completed.

Petroleum

Production, 1967, 288.7 million tons.

Weights and Measures

Metric system.

Screw Thread

Metric.

Standards

Approval organization is: State Committee for Standards, Measures and Measuring Instruments, Southwest 38 Kvartal, Dom 189A, Moscow, U.S.S.R.

"Fotovision 70" Flies to Britain

These boxes waiting to be stacked aboard an Air Canada jet bound lor London carry D & F Fotovision Albums consigned to a British distributor. Looking the shipment over are Gerry and Claude Desmarais, who founded their firm, Desmarais et Frère Ltée., nearly 19 years ago when they were barely out of their teens. Their original product was wedding albums and these are still the biggest seller. Desmarais et Frère started operations in a basement but they have moved with the times. Today they own a plant that covers 30,000 square feet and employs 135. With expansion has come diversification—a complete album system that covers pictures, slides, movies, and tape cassettes. The two brothers have already looked beyond the borders of Canada. Their albums are selling in Australia, France, Bermuda, and a number of others. Now, with this shipment they are on their way to sales in another big market.

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

CANADA
POSTAGE PAID
PORT PAYÉ