CANADA COMMERCE

APRIL
1975

Business in Eastern Europe

TECHNOLOGY TRANSFER AGREEMENT

In a first for the Canadian computer industry, Consolidated Computer Inc. of Toronto and Fujitsu Limited, Japan's largest computer manufacturer, have signed a technical assistance agreement as a major step toward closer technological co-operation between the two companies.

William G. Hutchison, President of Consolidated Computer Inc., said the agreement will offer C.C.I. a technology base "which in many respects should match any large computer company in the world". The signing took place in Tokyo. Present for the signing were senior managers of the two companies, the Canadian Ambassador and members of the Canadian Embassy in Japan.

Fujitsu will transfer product manufacturing technology to C.C.I., concentrating on such areas as production engineering, manufacturing engineering and product testing. It is Japan's largest manufacturer of electronic and communications equipment and its computer division has grown in the past 15 years to the point where its sales are now approximately $700 million annually.

Consolidated Computer Inc. with head office in Toronto and manufacturing facilities in Ottawa, is the first and, so far, the only Canadian company to design, manufacture and export computer systems. Its products, the KEY-EDIT series of data entry devices, are marketed world-wide through agreements with Fujitsu in Japan, I.C.L. in England and Ecodata in Brazil.

Left to right are: H. Iwasaki, Executive Director, FACOM Data Terminal; Y. Yamamoto, General Manager, Computer Division, Fujitsu Limited; W.V. Moore, Chairman, Consolidated Computer Inc.; W.G. Hutchison, President, C.C.I.; R. Campbell, Canadian Ambassador to Japan.

CANADA COMMERCE

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In This Issue

We get letters and lately a lot of them have been asking: "What happened to *Canada Commerce?*" What happened is that our printer had a disastrous fire last fall and the effects of that were compounded by a number of other production problems. The end result was that about six months' work was completely fouled up.

However, we are back on the track now and you should be getting your copy of *Canada Commerce* on schedule from here on. As you can see, this issue is packed with all sorts of information. We are spotlighting the countries of Eastern Europe this month and as you read these articles you will find that Canadians could be missing a lot of business in that part of the world.

We also take a look at Brazil, a country offering many exciting possibilities to the venturesome. But as our experts point out, it is a market that will require a lot of work.

And that's not all. On page 38 you will find our regular listing of Trade Commissioners and their addresses but this time we have added the names of our Commercial Officers as well.

Articles

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BULGARIA best bet is specialization

GEORGE HAZEN, Commercial Counsellor, Vienna

The crossroads of the Balkans and a country of sometimes startling contrasts, Bulgaria is the most closely linked with the Soviet Union of all the countries of the Council for Mutual Economic Assistance (CMEA or COMECON). Friendship with the Soviet people is both an historical phenomenon dating from the days of liberation from Turkish domination and the Nazi armies, and a political aim of the Bulgarian Government. It is not surprising, therefore, that Russian is the most popular foreign language and that the Soviet presence in industrial development and construction is pronounced.

At the same time Bulgaria is the least developed of the Socialist countries, with the exception of Albania, and for that reason, presents a different complexion to the enterprising exporter. Despite heavy reliance on Soviet expertise and financial assistance, Bulgaria recognizes and welcomes Western technological excellence. The bona fide exporter will find not only a warm welcome at the doors of the technical ministries but also an impressive array of highly trained talent among the men and women on the opposite side of the bargaining table.

Performance of the Bulgarian economy in 1974 fell a little short of expectations. Capital investment was off 4 per cent from the planned target of leva 4,452 million (U.S. $1.00 = leva 1.2 — tourist rate), although the value of completed projects at leva 4,633 million was 32 per cent higher than the previous year. Agricultural production was down, largely due to a severe drought which affected most unirrigated areas. But there were some reported bonuses during the 1974 Plan year. Among them were pay increases for certain groups, including farmers; retail trade turnover increased marginally (despite some shortages throughout the year); and individual real annual income surpassed targets, to reach leva 1,146.

No details of the 1976/80 Five-Year Plan have been released but it is unlikely there will be any major shift of emphasis, and an analysis of plans for 1975 provides some clues to export opportunities.

In general, the targets of the 1971/75 Five-Year Plan should be fulfilled. Capital investment in 1975 will rise by 7 per cent over 1974 and industrial production will increase by 8 per cent. The latter will have increased by 55 per cent over the 1970 base period and, this year, will concentrate on power generation, ferrous metallurgy, the chemical industry, and machine building. Considerable emphasis will be laid on improving the standard of living and on providing more consumer satisfaction through increased supplies of both goods and services. Anti-pollution measures and reafforestation have been allocated substantial funds. There is a serious shortfall in housing construction, and a planned target of 68,000 units for 1975. Consequently there is interest in new construction techniques and equipment to help raise productivity. In setting industrial targets, great emphasis is being laid on increasing labour productivity. It has been suggested that 86 per cent of planned industrial growth will be due to higher per-capita labour output. This clearly suggests the introduction of automated techniques and therefore there may develop a market for sophisticated electronics.

Considerable stress has been placed on improved performance in agriculture, a sector of the economy not noted for impressive results in the past. Total output must increase 9.3 per cent during 1975, not an unrealistic figure when based on the under-achievement of 1974. Stock breeding seems to be the prime concern and an increase in areas of fodder crops of 7.7 per cent, to a total of more than 2 million tons, at the expense of cereals, sunflowers, cotton, and certain other crops, is planned. It is noteworthy that the Food and Agriculture Organization of the U.N. has financed a fodder research project and that a state economic enterprise is devoted exclusively to this. Bulgarian leaders have stated that improved production of meat, milk, and eggs is the major problem of agriculture and Canadians may find opportunities for sales of breeding cattle and semen.

Installation of about 52,000 telephones is planned in 1975, over-reaching the target of 8 sets per 100 families. Television and radio broadcasting stations will continue to expand their facilities. In this and other areas the

Bulgarians plan to introduce new scientific and technological developments, and Canadian exporters should ensure that their achievements are made known.

Canadian exports to Bulgaria are nominal and there are opportunities to improve our performance. A comparison of planned Bulgarian requirements and demonstrated Canadian capabilities suggests that the best chances lie in specialized agricultural machinery and machinery related to forestry; i.e.: extraction, processing, and conservation. Canadian cattle for breeding purposes should also sell in Bulgaria. Furthermore, until targets for residential and other construction are met, it is likely that new techniques and materials will be sought eagerly. And, despite existing Bulgarian ties with European and CMEA suppliers, Canadian manufacturers of electronic specialties may find that a market will develop.

As in most other East European countries, the word "co-operation" is heard everywhere and it denotes, in Bulgaria, any type of industrial or sales agreement except a joint venture in the country itself. Direct equity participation is not permitted under Bulgarian law but profit sharing, product buy-back and joint marketing agreements in third countries are all possible, as is the more traditional licensing arrangement.

Exporters wishing to deal with Bulgaria must first of all identify the organization which trades in that particular product, then ensure that complete literature with technical specifications, prices, and delivery terms is forwarded. Often it is prudent to send pertinent material to us in Vienna in three sets, which we will then forward to the right party, copying it to the Ministry of Foreign Trade, which influences all import transactions, and hand-carrying a third set on a personal trip to Sofia. If interest is shown, direct correspondence by the exporter followed by a personal visit are essential ingredients in the recipe for obtaining a contract.

One asset in trading with Bulgaria is flexibility. Your product as it exists may not be just right for the job but, if modification of design is possible, negotiation with the end user may result in changes satisfactory to both sides, culminating in a worthwhile sale. Furthermore, mutually-advantageous direct export may pave the way to a profitable manufacturing arrangement.

Many businessmen ask themselves why they should endure the difficulties and keen competition of doing business in East European countries, when easier, more familiar markets are close at hand. But two good reasons come quickly to mind: the most important being the simple desire to expand the marketing base; but equally attractive are the very high returns confronting the exporter — the chance of selling a six months' supply of, say, dome fasteners for the garment industry of an entire country (that's a lot of dome fasteners!). In any event, contacting the Department's Eastern Europe Division or its office in Vienna could prove to be worthwhile.

Canadian exports to Bulgaria . . .
(Jan.–Sept. 74)

	$'000
Cattle for breeding and semen	347
Machinery and vehicles	102
Other	61
Total	**510**

. . . And our imports
(Jan.–Aug. 74)

Food products	1,337
Wines and liquors	242
Machinery	360
Textiles and garments	468
Antibiotics	293
Other	144
Total	**2,844**

Consumption Indicator Targets for 1975

Meat & meat produce	126	lbs.
Eggs	159	
Vegetables	302	
Fruit	395	
Cotton textiles	31	sq. yds.
Woollen textiles	9	
Shoes	2.2	pairs
Radio sets per 100 families	106.9	
TV sets per 100 families	65.3	
Refrigerators per 100 families	62.6	
Cars per 100 families	14.4	
Telephones per 100 families	8–10	

CZECHOSLOVAKIA promising future

D.T. WISMER, Commercial Secretary, Prague

East, West; home is best." With these words a Czechoslovakian Trade Commissioner recently returned to Bratislava from a three-year posting in Montreal, replied to my question, "What is it like being home?"

For most people, from whatever country, his maxim holds at least an element of truth and I have concluded reluctantly that from my vantage point in Prague, it appears that Canadian businessmen seldom give the "East" a chance. I estimate that over the past year, fewer than 100 Canadian businessmen have visited Czechoslovakia.

As with most phenomena, this seeming lack of interest can be explained. Easier markets than Czechoslovakia exist at present, but it is debatable whether this will continue to be true, in light of today's international economic dislocations. In common with other East European countries, the Czechoslovak economy does not yield results to the application of standard Western marketing techniques. Statistical information either is not compiled in detail or is unavailable, having been classified a State Secret. This severely limits market research — usually the first step in a

Canadian company's marketing effort. Access to end users, technical personnel and plants is controlled at the ministry level, thus hampering the first-hand exchange information so vital to today's trade.

Public relations and advertising are in their infancies in Eastern Europe and much more emphasis is placed on giant annual trade fairs than in Canada, so that Canadian companies must re-think their marketing strategies in this area. There are problems with language — Canadian businessmen generally are not familiar with Slavic languages, while the second technical language in most of Eastern Europe, attributable to history, is German. Then there are the general differences in environments between socialist and capitalist societies, which tend to have a discouraging effect on Canadian business visitors.

While the conditions noted exist to lesser or greater degrees in all East European countries, Czechoslovakia is perhaps one of the most restrictive in certain other specific areas. Foreign capital investment, for example, is not allowed in Czechoslovakia, whereas it is permitted in Romania, Hungary and Poland. Today, when the Chase Manhattan Bank has an office in Moscow, it is illegal for foreign firms to establish offices here.

Czechoslovakia has been slow also to develop her "foreign trade representation agencies." In Canada, these agencies would be known as manufacturers' representatives. Only 11 such agencies are licensed by the state to represent foreign companies and, unfortunately, all of them are understaffed. This makes it almost impossible for them to take on new products offered by companies interested in entering the Czechoslovakian market.

So much for the bad news — now for the good. There are many reasons why Czechoslovakia should become a much better market for Canadian goods and services, perhaps the best in Eastern Europe, in the future.

The Czechoslovakian Socialist Republic is probably the most economically-advanced country in Eastern Europe today. In 1973, in a country one-one hundredth the size of Canada, with only two-thirds the population, Czechoslovakia produced more than 13 million tons of steel — the equivalent of Canadian production. Czechoslovakia ranks highest of all East European countries in terms of durable consumer goods per capita. Over the last five years, Czechoslovakia has supplied one-third of the total dollar volume imported by Canada from Eastern Europe and Statistics Canada lists more than 300 different products which Canada imports from Czechoslovakia.

This evidence of relative economic maturity and sophistication means that Czechoslovak businessmen, better than any other Eastern Europeans, can deal with Canadian businessmen on their own terms. As détente between East and West becomes better defined and conditions stabilized, latent forces extant in Czechoslovakia should mitigate towards concrete development of our trade relations at a faster rate than would be possible in most of the other East European countries.

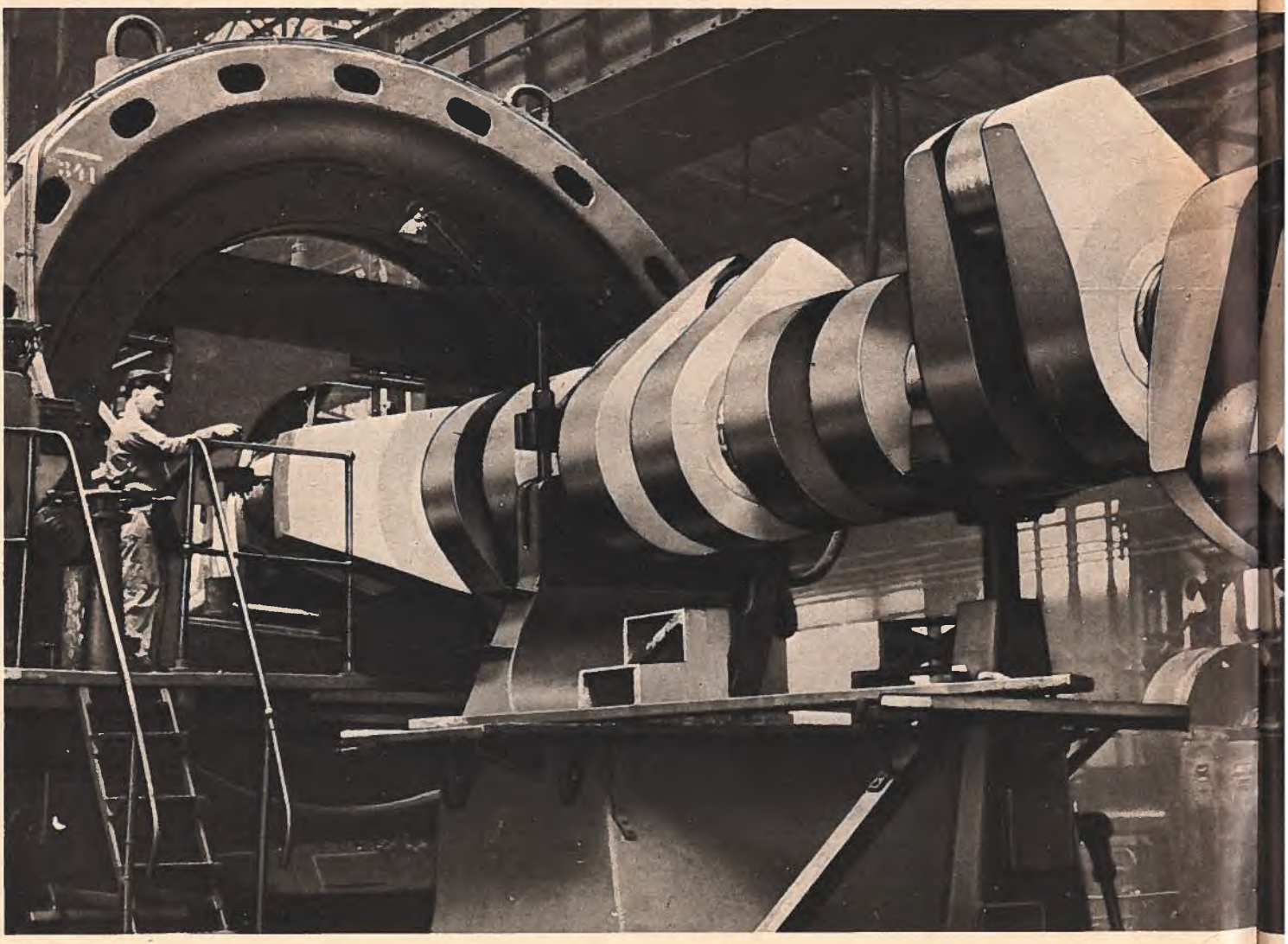
Yet another reason for being optimistic about the future of Canadian-Czechoslovakian trade is the fact that the economies of the two countries are complementary. The potential of this situation has not even been scratched. Czechoslovakia is a net importer of raw materials and a net exporter of a wide range of basic engineered and consumer goods products. At the same time it is badly in need of various high-technology equipment and up-to-date know-how in order to modernize existing industry and offers an untapped market for high-quality consumer items. Canada can help fill Czechoslovakia's needs in all of these areas and, if warranted, absorb more of Czechoslovakia's relatively low priced basic products, to both countries' advantage.

Looking at the trade statistics accompanying this article, one cannot help but be impressed by the rather large surplus Czechoslovakia has been enjoying over the past few years. While welcoming

Czechoslovakia's competitiveness in the Canadian market, Canadian trade officials have also been cognizant of some of the obstacles encountered by Canadian businessmen in Czechoslovakia due to structural differences between the two economies.

Discussions with Czechoslovak trade officials have led to a number of new developments which, judging by available 1974 statistics are having some effect in overcoming these obstacles. The East European Division of the Department of Industry, Trade and Commerce in Ottawa asked for and has been given a list of products that Czechoslovakia is actively sourcing for hard-currency purchases. This list is available to interested businessmen. Czechoslovakia has also taken a significant initiative by creating an import division within the Canadian subsidiary of one of its Foreign Trade Corporations, Omnitrade Canada Ltd. of Montreal, which is prepared to screen Canadian products for their suitability for sale in Czechoslovakia.

With authority to handle international transactions in all commodities, and backed up by its close relationship with the other foreign trade corporations and with Czechoslovakian industry, Omnitrade and its parent in Czechoslovakia, Transakta, offer Canadian business a unique mechanism for entrée into the Czechoslovak market. Most Canadian companies interested in Czechoslovakia would do well to approach Omnitrade to see if an agreement could be worked out on trade representation in Czechoslovakia. All foreign trade companies in Czechoslovakia are organized on a sector basis and are responsible for imports as well as exports in their respective sectors. Because many of them are doing well with

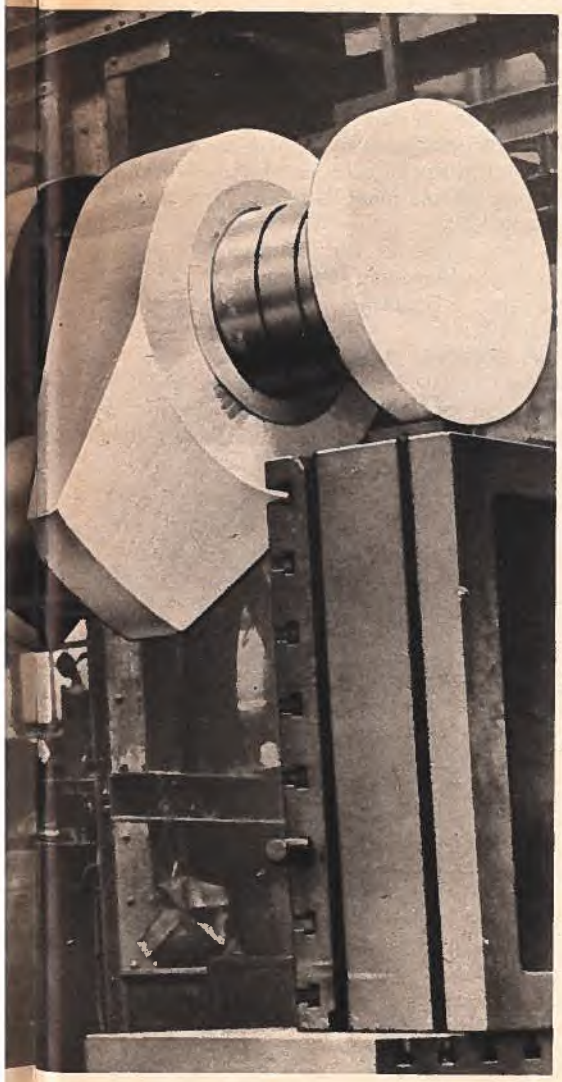


their exports to Canada, they are receptive to offers from Canada.

Czechoslovakia's annual imports from Western industrialized countries total more than $1.5 billion. West Germany accounted for 22 per cent of that amount, compared with Canada's less than 1 per cent in 1973. Statistics are not yet available but it appears that Canada did somewhat better in 1974 thanks to new sales of beef breeding stock, veneer and a kraft recovery boiler.

Canadian consulting engineers are discussing two turn-key pulp and paper mills, a steel mill and a large diameter tube mill, all planned for construction as part of the 1976-80 Five Year Plan. Possibilities also exist for the sale of airport equipment, oceanology equipment, pollution control equipment, sawmill equipment, electronic components, pipe-line manufacturing equipment, construction equipment, agricultural equipment, food processing equipment, plastic manufacturing equipment, apparel and process control instrumentation.

If the future looks more promising for Canadian exports to Czechoslovakia, that promise will only become reality if more Canadian businessmen are prepared to visit Czechoslovakia to discover the charm and the challenge behind the greeting "Dobry den pane." The Canadian Embassy in Prague will be pleased to help in making introductions.



Canada's Trade With Czechoslovakia . . .
($ million)

Exports...		**Imports...**
12.4	*1968*	27.4
3.8	*1969*	30.0
6.9	*1970*	27.5
6.1	*1971*	30.7
4.3	*1972*	34.2
9.9	*1973*	42.8

Note: Incomplete statistics show Canadian exports were worth $12.6 million for the first six months of 1974, while imports were valued at $23.1 million for the first five months.

GERMAN DEMOCRATIC REPUBLIC at a glance

M.W. McQUINN, Assistant Trade Commissioner, Hamburg

Area: 41,767 sq. miles
Population: 1972 – Male 7,866,000
1972 – Female 9,145,000
Climate: Moderate
Language: German
Currency: GDR Mark. 1 mark = 100 pfennig. The GDR mark is officially at par with the Federal German Republic (Deutsche) mark (approximately $1 = 2.65 marks) and is non-convertible. No GDR marks may be taken into or out of the country.
Weights and measures: Metric
Electrical supply: 50-cycle, 380/220 volts
Principal cities: (Population in thousands): East Berlin (capital – 1,090), Leipzig (577), Dresden (505), Karl-Marx-Stadt (302), Magdeburg (273).
Economy: In 1972, industry and construction accounted for 69.3 per cent of national income and employed 45.9 per cent of the labour force. The GNP is approximately $46.5 million.
Agriculture: In 1972, accounted for 11.1 per cent national income and employed 11.6 per cent of labour force. Total agricultural land is 15.6 million acres — 11.4 million acres tilled, 4.2 acres pasture. Of the tilled land, 1.7 million acres were planted with wheat, 1.6 million acres with rye, 1.5 million with barley and 0.6 million acres with oats.
Industry: Industrial output in million tons: 298 – coal; 2.5 – gasoline; 3.8 – diesel fuel; 6.0 – heating oil; 3.3 – fertilizers; 5.7 – raw steel; 3.7 – rolled steel; 18.3 – concrete; 8.6 – cement.
Total imports: $7.1 billion in 1973
Chief imports: Pharmaceuticals, sulpherpyrites, raw asbestos, particle board and paper, construction machines, lifting and conveyor equipment, wheat.
Chief suppliers: USSR – 31.6 per cent; FGR – 8.9 per cent; Czechoslovakia – 8.6 per cent; Poland – 8.2 per cent.
Imports from Canada, 1973 ($ million): 0.14 – live animals; 2.4 – barley; total imports – 3.0
Total exports $7.1 billion in 1973
Chief exports: Machinery, clothing and footwear, chemicals and fertilizers, railway rolling stock.
Chief markets: USSR – 37.8 per cent; Czechoslovakia – 10.1 per cent; Poland – 9.8 per cent; FGR – 9.5 per cent.
Exports to Canada, 1973 ($ millions): 1.2 – machinery; 0.76 – photographic goods; 0.61 – radio/phonograph equipment; total exports – 5.7
Price: Quote in U.S. or Canadian dollars, f.o.b. Canadian port and c.i.f. Hamburg.
Samples: Special import licences are not required and are not subject to duty if clearly marked as such on accompanying documents. Samples may be sent only in limited quantities and only to foreign trade agencies.
Visas: Required
Customs and documentation: No duties levied on commercial traffic. Normal export documentation acceptable. Freight documents must specify a contract number and reason for importation (this information will be supplied by the state trading company).
Fairs & exhibitions: Leipzig International Spring Fair (9-12 March 1975) Leipzig International Fall Fair (21 Aug.-7 Sept. 1975).
General enquiries can be directed to: Leipziger Messeamt, Postfach 720, 701 Leipzig, Deutsche, Demokratische Republik.
For detailed information: European Bureau, East European Division, Department of Industry Trade & Commerce, Ottawa, Ontario K1A 0H5.

Total GDR Imports 1972	**22,851,300,000 Marks**
Trade with Canada	(million marks)
Exports	14.9
Imports	16.4

(Source: Statistisches Jahrbuch der DDR 1973)

Trading Partners (1973)

Imports %		**Exports %**	
U.S.S.R.	31.6	U.S.S.R.	37.8
West Germany	8.9	Czechoslovakia	10.1
Czechoslovakia	8.6	Poland	9.8
Poland	8.2	West Germany	9.5

Major imported items:

Pharmaceuticals	137,431,000	marks
Sulphurpyrites	51,980	t
Raw Asbestos	59,657	t
Al_2O_3	96,897	t
Particle Board	47,900	m^3
Construction Equipment	127,443,000	marks
Lifting & conveyor equipment	183,576,000	marks
Paper	179,339	t
Canned vegetables	97,933	t
Canned fruits	54,255	t
Spirits	52,391	hl
Wheat	2,040,000	t

J.R. BROCKLEBANK, Commercial Secretary, Budapest

HUNGARY
foreign trade a way of life

"What's the first word that comes into your head when you think of Hungary?"

"Paprika, I guess."

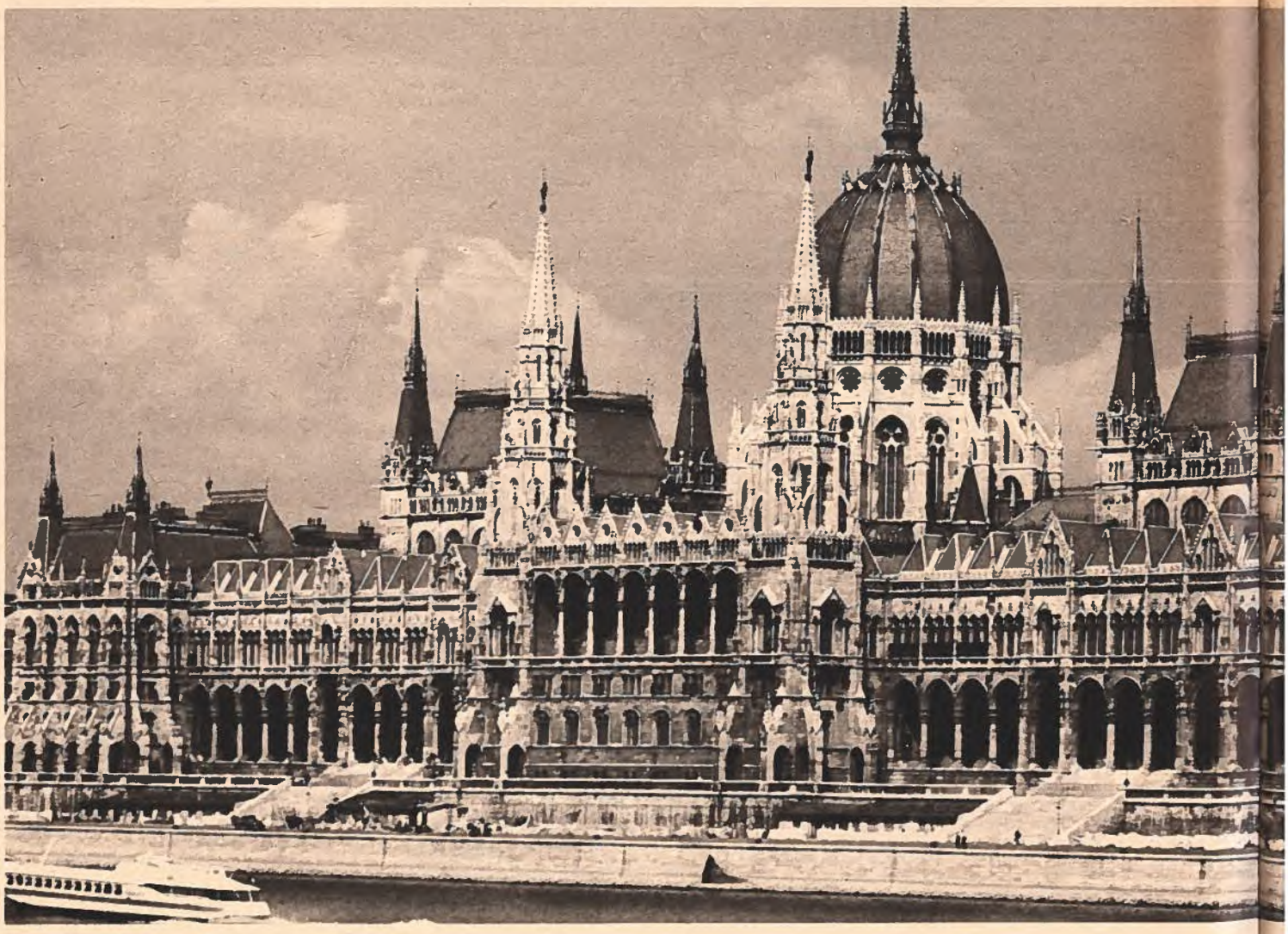
"I thought you would say that. What would you say if I told you that a Hungarian won a Nobel Prize for his work with paprika."

"Come on, there's no Nobel Prize for cooking."

"No, he won it for isolating the vitamin C found in the spice."

Hungary is an important producer of pharmaceuticals of many kinds and this is an example of the way in which the Hungarian economy has become specialized. But specialization is not an option; there is little choice for a small country. Hungary is smaller than the island of Newfoundland and its population is only about 10 million. It is poor in natural resources. The oil and gas is expensive to develop; the coal is of low quality; the only metallic ore of importance is bauxite; and there are few forests. The only great natural resource has been the fertile soil which for centuries has allowed Hungary to be an important food producer.

Of course agriculture cannot employ



an entire population and provide them with the relatively high standard of living which Hungarians enjoy. Hungary ranks about twenty-fifth among the world's nations in terms of per capita income. (But it can be argued that Hungarians do their best to keep their farmers busy — each day the average Hungarian consumes 3194 calories, more than any other European.)

While agriculture has remained the backbone of the economy, Hungary has been industrializing since the turn of the century. If anything, the pace of industrialization was accelerated after the emergence of a Marxist-Leninist government in the late forties and the nationalization of all large factories in March 1948. Indeed, the pressure on Budapest, which is home to one-fifth of the country's population, became excessive and new industries had to be located in the provinces.

With its small population, Hungary could not hope to become self-sufficient in manufactured goods. This, coupled with her relative poverty in raw materials has made her heavily dependent on foreign trade. In 1973 Hungarian exports totalled about $3.9 billion and imports, $3.5 billion. At present foreign trade represents about 40 per cent of Hungarian gross national product and some government economists have predicted this could rise to 55 or even 60 per cent by 1990. They also estimate that about 60 per cent of Hungary's requirements for raw materials and sources of energy must be imported. If this is restricted to industrial raw materials the figure climbs to 80 per cent.

These same economists consider that the country can pay for no more than 25 per cent of its imports with agricultural products. Thus, policy-makers see Hun-

gary as being in a position something like Japan's — a nation that must sell its manufactured goods abroad just to keep the economy supplied with necessary raw materials.

Hungarian foreign trade can be divided into three parts of almost exactly the same value: 1) trade with the Soviet Union; 2) trade with other socialist countries; 3) trade with capitalist and developing countries. Many of the raw materials Hungary needs are imported under long-term contracts with the Soviet Union.

Hungary's trade with the U.S.S.R. and with other socialist countries which make up the Council for Mutual Economic Assistance (CMEA or COMECON), is conducted in transferable roubles. While these roubles are transferable under certain conditions within CMEA, they cannot be exchanged for convertible currency. In other words, Hungarian success in selling salami to Czechoslovakia is no help in trying to get the dollars to buy an airport runway sweeper from Canada. Hungary has developed surpluses in its trade with almost all of its CMEA partners and these surpluses are, in effect, large loans to its trading partners. This has led to a vigorous attempt to import more from CMEA sources and reports indicate that this has been at least partially successful.

The past year also saw a considerable increase in imports paid for with convertible currency. The sharp increases in raw material prices caused a deterioration in Hungary's balance of payments situation. The long-term purchase arrangements with other socialist countries may have helped Hungary somewhat but the loss of the market for cattle and beef in the European Economic Community was a serious blow.

As Hungary entered 1975 there was an outpouring of statements about improving on the performance of 1974. There were calls for strengthening economic ties with the other CMEA countries and especially the U.S.S.R. and hidden in some long speeches a call for fewer imports from the West could be found. But the real message in all statements was the importance of making more effective use of materials and manpower.

Specific examples have been cited often in these speeches and these are worth examining for opportunities they may offer to Canadian exporters. Energy conservation is given great emphasis and exporters of industrial control equipment able to demonstrate savings in heat or electricity may find a receptive market.

In presenting his budget to the Hungarian Parliament, the Minister of Finance noted that the large scale production methods used in Hungarian farming demanded fertilizer, insecticides and animal feed which had to be paid for in convertible currency. He said: "We spend huge amounts of foreign exchange on the import of proteins. It would therefore be advisable to increase domestic animal fodder by the processing of more animal residue. It would be possible also to improve the technology of gathering in and preserving fodders . . ." Specialized agricultural machinery and equipment for processing slaughterhouse by-products thus will be in demand.

Materials-handling equipment should also present considerable opportunities. One study indicated that about 20 per cent of the labour force was engaged in lugging materials. The Council of the Ministers (the Cabinet) has stated that "it is absolutely necessary to considerably reduce the labour force used for the conveyance of materials."

A shortage of manpower has also put pressure on the service sector and a great growth in "do it yourself" activity will be promoted by the government. No doubt standard hand tools will be produced locally or imported from within CMEA but Canadian manufacturers of specialized equipment for export or those who would be interested in licensing Hungarian firms to produce materials which can be used easily by the amateur should find an interesting market. Related to "do-it-yourself" is small scale gardening. Small plots continue to play an impor-

tant role in fruit and vegetable production and gardening tools and equipment may be saleable items.

In large-scale agriculture Hungary often is the leader among socialist countries. New techniques and equipment are always of interest but the purchase of quality breeding stock and seeds has also been important. Canada already has a good reputation with Hungarian agriculture as a supplier of dairy cattle and poultry and there should be opportunities for plant and animal sales.

The modernization of the Budapest airport is a project in which Canadian exporters may also find sales possibilities. The first stage involves runway construction and airport lighting systems are of current interest. Airports seem a long way from our original comment about paprika but it does bring us back to the idea of specialization — Canadian specialization this time.

We might also look at the Hungarian specialties. They may provide some insight into the sort of product that might have a good chance of success. As already mentioned the pharmaceutical industry is vast. Perhaps a line of packaging machinery or a contract for fine chemicals should be explored. Telecommunications equipment, particularly telephone apparatus, is a key industry. There may be possibilities for sales of components or equipment for installation on the shop floor. A third specialized industry, but one which offers less in the way of export potential, is bus manufacture. One of the world's largest bus factories is in Budapest, but not a single passenger car is assembled in Hungary.

"OK, I see what you mean about specialization but my company is very specialized and we can't spend much money on just one market. I've heard that it takes ages to sell in Eastern Europe and that when they finally agree to buy they want to pay you in plum jam or something."

If you do have a product which you would like to sell to Hungary there are a number of different approaches. First you could start an exchange of correspondence with one of the foreign trade enterprises. These companies have a specific range of commodities for which they are the exclusive importer.

Once you have some reason to believe that there is a serious interest in your product you could visit Hungary. But before arriving you should have requested appointments with the foreign trade enterprise and asked for contact with the ultimate purchaser. Attempts to contact the final purchaser are not always successful but should be tried.

It takes time to sell in Hungary, as it does in any other market and you are more likely to succeed if you can maintain continuing contact with the potential purchaser. If you cannot do this yourself, you can deal through a Canadian trading house which has sales personnel visiting Hungary regularly. You can have a European-based sales organization (the East-West trader) represent you on his visits from Austria or Germany, or a local Hungarian agency can represent you. These Hungarian agencies are particularly useful if your product is of a type that must conform to Hungarian regulations or receive government approval. If you eventually become very successful, a new provision of the foreign trade law now allows you to apply for permission to open a permanent representative office of your own in Hungary.

Some businessmen have become discouraged because Hungarian officials seem always to talk about "industrial co-operation". This terminology is applied to all types of business transactions which fall outside the category of simple exports. These non-traditional relationships could include barter (even accepting payment in plum jam) but also might involve licensing or working together with Hungarian industry in a third market. If buy-back relationships are proposed, a trading house could be a useful partner to arrange for the purchases.

Canadians would be advised to patiently and politely listen to such requests for non-traditional commercial relationships. If they don't make economic sense, say so but if you respect their attempts to find a mutually beneficial relationship, they will respect yours.

POLAND

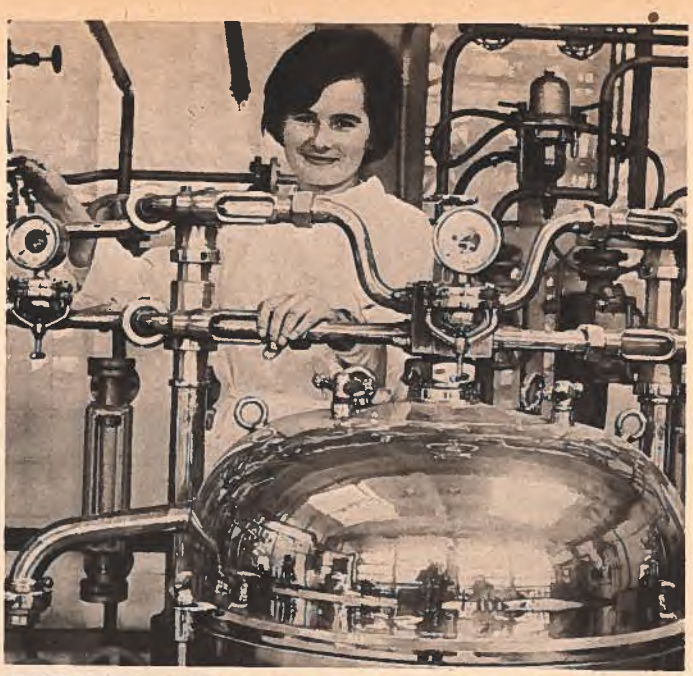
east-west momentum maintained

JOHN H. LANG, Commercial Secretary, Warsaw

East-West trade is booming. Even the most optimistic projections of the growth of trade between COMECON and the Western countries have proven to be too conservative. Detente has provided the stimulus to this increase in trade and Western credits have provided the wherewithal to really make it move.

Among the Eastern European countries which have increased their trade with the West substantially, Poland is the clear leader. Polish imports from outside COMECON amounted to 33 per cent of total imports in 1971, 39 per cent in 1972 and 48 per cent in 1973. The trend is continuing, for although official figures are not complete for 1974, it is fairly certain that imports from the West now account for more than half of total Polish imports.

Canadian exports to Poland more than doubled from 1971 to 1973, and appear to be maintaining momentum. Our exports to Poland as of September 1974 totalled almost $70 million, nearly four times higher than for the same period in 1974. Most of this increase, however, is made up by sales of grains and raw materials, while the nearly com-



mensurate gains in Polish export sales to Canada are made up of finished and semi-finished products. The balance of trade appears to be in our favour but we are coming out short in terms of exchanging manufactured goods and more effort on the part of Canadian exporters is required.

Much of the difficulty experienced by Western firms attempting to break into Eastern European markets stems from an incomplete knowledge of the organizational framework employed in these countries. A better knowledge of the way things work in Eastern Europe would do much to dispel the reluctance of some Canadian exporters. Once understood, the system can actually simplify the process of market penetration, since channels are well defined.

In Poland, the Ministry of Foreign Trade (MFT) is responsible for drawing up the foreign trade section of the Five Year Plan. The Ministry collates information on the import intentions of all sectors of the economy and allocates import permits according to set priorities and availability of foreign exchange.

Permission to spend foreign exchange is granted to the Foreign Trade Enterprises which have the exclusive right to export and import the products and services in the industrial sector each represents. Foreign businessmen usually approach the appropriate F.T.E. as the first step in their effort to get into the Polish market and, after contact has been established, are normally able to meet with the end-user of the product or service they are selling.

Industry in Poland is organized according to branch and each branch is coordinated by an Industrial Combine. The end user of products and services from the West may be an individual manager

seeking assembly equipment for his factory, or it may be an Industrial Combine seeking a complete plant on a turnkey basis. The end user's imports must be channelled through the appropriate F.T.E. Recent organizational reforms in Poland have placed many of the F.T.E's under the supervision of the Industrial Combines, thus allowing the end user a stronger voice in purchasing decisions.

Opportunities for Canadian exporters can sometimes be gleaned from the Five Year Plan, but the published portions of this document are usually couched in terms of percentage increases in investment in the various industry sectors and are too general to determine which specific products or services the Poles intend to bring in from abroad. The Five Year Plan is also subject to revision periodically. As a result, the F.T.E.'s remain the best source of information on Poland's import requirements.

What are Poland's requirements, and how can these be translated into opportunities for Canadian exporters? The present Five Year Plan is the product of an undertaking by the central planners to provide more goods for the Polish consumer by improving methods of production in existing plants, and to strengthen foreign exchange earnings by modernizing and streamlining production facilities in those areas which offer the best export and import substitution potential.

The key factor then, necessary to meet planned objectives, is the acquisition of plant and machinery to produce more and better goods for both the Polish consumer and foreign markets. The best opportunities for Canadian exporters are for equipment, technology, and complete installations to modernize industry and increase production. Food processing plants; equipment for the production of pharmaceuticals, petrochemicals and electronic products; heavy construction machinery; wood processing plants; machinery and complete plants for the production of prefabricated building components all have potential buyers in Poland and Canadian exporters have an excellent chance to successfully compete with other foreign sources in winning contracts for their supply.

Factors which the F.T.E. takes into account in choosing suppliers include those which a Western buyer would consider, such as price, quality, delivery and credit terms, but also include a strong measure of policy consideration which it is important for the hopeful supplier to understand.

Because imports from the West require hard currency which is always in short supply, those goods which are available from within the East Bloc, i.e., for which hard currency need not be expended, are not purchased from Western sources. Hard currency is reserved for those products obtainable only from the West.

In general, it can be said that Eastern European countries attempt to achieve bilateral trading balances with each of their trading partners. Theoretically, this would mean that suppliers in countries with which Poland has a trade deficit have a strike against them from the outset, but in practice the principle of bilateral balancing is no longer strictly adhered to.

Because F.T.E.'s are duty-bound to complete a transaction by using up as little hard currency as possible, exporters may be required to barter or accept a switch deal. In Poland, barter or more complex switching are no longer as popular as a few years ago and are rarely, if ever, proposed to sellers of high-priority or technologically-refined products. A Western exporter who agrees to barter can buy local goods to offset Polish hard currency obligations. The products and price may be agreed upon at the time the contract is signed, or the Western firm can simply sign a counter-purchase agreement committing it to buy Polish goods within a certain time. Switch deals involve taking whole or partial payment in the form of "clearing dollar" credits which Poland has earned from exports to developing countries. Professional barter or switching agents are in the best position to help with transactions of this type.

Western suppliers of sophisticated equipment may be asked to join in some form of "industrial co-operation". While this phrase has assumed a magical aura in Poland, the arrangement proposed is likely to be quite straight-forward, taking

the form of production buy-back, co-production, specialization, joint marketing, contract manufacturing, or co-operation on projects in third markets.

Co-operation agreements are the fastest growing area of business relationship between the East and West and may allow Western firms considerable advantages: a foot-hold in the Polish market for the product in question; labour costs less than half those in North America — resulting in lower-cost components; freedom from strikes and therefore stable supply; longer production runs through specialization of components manufacture by each party; frequent contact with officials in positions to be able to point out new sales opportunities.

The advantages of co-operative arrangements to the Polish partner include up-dating his technology with the assurance of being able to adopt improvements and therefore keep up with

technical progress, and offsetting the costs of importing new equipment by offering production in return. Although increased Polish exports and access to long-term financing have made foreign exchange more readily available to Polish F.T.E.'s, Canadian exporters can still expect that in many cases they will be asked to engage in a form of industrial co-operation.

In recognition of the growing importance of trade between Canada and Poland, joint trade consultations are now held on a regular basis. These meetings provide a forum to discuss means of increasing trade by pin-pointing areas in which future developments will create a demand for the skills and products of the other country. As a result of the consultations held so far, Canadian manufacturers have been made aware of and are actively pursuing opportunities to sell technology, plant and equipment which will substantially alter the composition of our exports to Poland.

At present, Canadian firms are negotiating for straight sales and licensing agreements in agricultural equipment, pulp and paper mills, breeding stock, aerospace technology, sawmills, building component plant and machinery, mobile homes, computer displays, aeromagnetic survey equipment, telecommunications equipment, pollution control devices, and complete plants for the production of chemicals, and industrial equipment. Other Canadian exporters enjoy ongoing sales relationships with Polish buyers for the supply of a wide range of products. It is clear that possibilities exist for Canadian products in nearly every industry sector.

The Department of Industry, Trade and Commerce sponsored participation in the Poznan Fair in June 1974. At this event, nine Canadian firms displayed electronic equipment and were highly successful in attracting enquiries not only from Polish end-users, but from foreign trade officials from all over Eastern Europe, and interested parties from Western Europe as well. Sales have been made already and expectations for future sales, based on contacts established and discussions now underway, are high.

Over the years, a mystique about doing business with Eastern European countries has developed, with the result that many exporters turn over the responsibility for their sales promotion efforts in this area to specialized East-West traders. As mentioned above, this may be the best way to resolve deals involving complicated barter or switch arrangements, but in the case of Poland where such deals are rare, Canadian exporters are usually better off coming to Poland themselves. The Poles' desire to meet face-to-face can put the middleman in a bad position. He is considered unnecessary and expensive and Canadian businessmen embarking on their first sales effort in Poland should be aware of the importance the Poles attach to personal contact between buyer and seller. Polish hospitality is famous and extends into business as well as personal relationships.

The Poles may not always answer correspondence promptly, but this is not necessarily an indication of a lack of interest, but rather of the relatively large number of individuals who must look at a proposal before an answer can be given. Telexed messages are much more likely to be answered promptly than letters.

The best initial approach to the Polish market is through the Commercial Division of the Canadian Embassy, ul. Matejki 1/5, Warsaw. The Commercial Division is able to put out feelers on your behalf which can provide you with the names of contacts, an indication of the current situation in your area of interest, and tips on how best to commence. You should also contact the Eastern Europe Division of the Department's European Bureau in Ottawa.

ROMANIA vigorous growth

GEORGE HAZEN

Probably nowhere in Eastern Europe is an economy more closely linked with the West than that of Romania. The period of the present Five Year Plan 1971-75 has seen a substantial growth in trade with the market economies of the industrialized countries to its present level of 41 per cent of Romania's total. And the economy has grown with equal vigor — most targets set under the Plan will be exceeded, many attained in 4½ years.

Clearly Romania has benefitted from the acquisition of Western technology and some investment, achieving a GNP estimated at lei 1500 billion (US $1.00 – lei 4.97) in 1974. And it is estimated that individual incomes will rise to more than lei 12,500 by 1980. The price for this link with the West is an exposure to the effects of inflation that has important consequences for a planned economy and it means that either prices will rise or material shortages will become inevitable, and it appears that Romania faces some of both.

Goals for future growth remain ambitious, despite the unsettled economic climate and, if targets in the new Five Year Plan are realized, Romania will no longer be identifiable as a "developing country" in the traditional sense.

Relatively unchanged for the past few years are patterns of land use in a rich countryside dominated by the horseshoe of the Carpathian mountains. Some 58 per cent of the population of 21 million remains rural, and agriculture, although increasingly mechanized, has been the sector of the economy slowest to take advantage of modern methods and equipment. It is a countryside to attract tourists and the government has taken measures to accommodate them not only on the Black Sea coast but more recently in ski areas inland and in other regions.

But the Canadian exporter will be concerned mainly with Bucharest, a city of 1.6 million, where all major political and economic decisions are made. It is here that 20 ministries control the affairs of 60 foreign trade organizations and more than 100 associated industrial centrals. It is here that the salesman must vie with his counterparts from the rest of the world for a piece of the action. It is here that he must cope with the impersonal foreign trade organization and find the patience to negotiate increasingly tough contracts.

In today's world, traditional trade is not the only means of doing business. In Romania, the word co-operation has found currency and is generally acknowledged to describe an arrangement with foreigners that transfers technology or economic benefits to Romania by means of investment in a joint venture, licensing, a marketing agreement in a third country, or something similar. Progress has been made in establishing in Romania joint venture companies with up to 49 per cent foreign equity; there are now five, of which Control Data of the United States is one. Despite encouragement from all sides to enter such arrangements, it seems logical that co-operation should flow as a natural consequence from normal trade where mutual confidence has been established and mutual advantage demonstrated.

What do the next five years hold in the way of opportunities for the Canadian businessman in Romania? Information now available about the general features of the 1976-80 Plan indicates that the rate of investment will be maintained at about one third of GNP. Absolute targets are astonishing; some lei 900,000 million will be invested between 1976 and 1980, compared to a total of lei 550,000 million for the 1971-75 Plan. Of new equipment required, 70 per cent will be made locally and 30 per cent imported or result from co-operation projects. Foreign trade will continue its growth to become seven to nine times greater by 1990 than in 1974 and, by 1980, products of the machine building industry will comprise 40 per cent of exports compared with 27 per cent today.

Top-priority industries will be machine building and chemicals. In the first, stress will be laid on automation electronics, electro-technical goods, fine mechanical products, optics, ship building, and a continuation of the machine tool program. The chemical industry will concentrate on production of synthetic fibres, plastics, and synthetic rubber. High priority will be given to an expansion of steel production, particularly of high alloy steels, from the present level of about nine million tons a year to 18 million tons. The main increase will result from enlargement of existing plants. Support for this program will come from the one-third of Romanian researchers who are in the machine building and chemical fields, and a policy of co-operation with other economies.

Products to be introduced under the 1976/80 plan will include: miniaturized components and related equipment; computer technology, emphasizing peripherals; telecommunication vacuum techniques; measurement and control devices; machine tools, incorporating numerical controls; mining equipment; drilling machinery; petrochemical installations; heavy trucks and buses; diesel-electric locomotives; ships, especially ore carriers and tankers up to 150,000 DWT; aeronautical products; petroleum-based chemicals; salt; wood,

including fertilizers, resins, and pharmaceuticals.

Major projects under the new Plan will include resumption of work on the Danube/Black Sea canal to connect Calarasi with Mangalia. The latter includes two long breakwaters, a shipyard, and a railway; the former will be the site of a large (8 million tons) iron and steel plant, including a new cokery, and specifications should be available by July 1975. The canal will incorporate hydroelectric and irrigation schemes. Expansions will be undertaken at older steel installations. Current aluminum production of 200,000 tons will be boosted by 50,000 tons by 1980. The first of several planned nuclear power stations will be built and the first stage of the Bucharest subway will be constructed. An irrigation system will be built to include a navigable link between Bucharest and the Danube.

Many new and exciting developments will occur in the next five years, but a number of more immediate activities should also attract Canadian exporters. There will be continued expansion of pulp and paper facilities to utilize Romania's 6.3 million hectares of mixed conifer and beech forests. Asbestos fibre is needed for the construction industry. Long range contracts are sought for iron ore and coking coal. Import requirements will continue for non-ferrous concentrates and for copper, nickel, and tin.

Agricultural production targets are ambitious, particularly when viewed against recent performance, but planned investment is actually less than for the period 1971/75. Considerable mechanization is envisaged in light of the government's intention to reduce the agricultural labor force from 42 per cent in 1974 to only 27 per cent by 1980. Irrigation projects now on the drawing boards will assist in achieving targets. There will be some shift in balance away from cereals, with animal husbandry accounting for almost 50 per cent of farm output by 1990.

The exporter should not overlook projects being financed by the World Bank and for which foreign procurement is open to bidding on a non-discriminatory basis. Three loans have already been signed for a chemical fertilizer plant, a special steel plant, a thermal power project and others are in the works — such as an irrigation scheme with an accompanying agricultural credit, and an integrated pulp and paper facility. Although much of the equipment for these undertakings will come from Romanian factories, there will be opportunities for foreigners. Detailed information is available from our International Financing Branch in Ottawa.

Now, how does a Canadian exporter go about getting a handle on specific possibilities? The first thing to do is to write to us in Vienna, enclosing three complete sets of literature and an indication of c.i.f. North European port prices and delivery times. We will do two things with this material: first, send it under cover of an appropriate letter to the correct foreign trading organization, with a copy to the Canada Desk officer at the Ministry of Foreign Trade; second, on our next personal visit to Bucharest, hand-carry the third copy to an interview with the officer at the foreign trading organization. If there is interest, the ball will then be in the exporter's court to correspond directly and, eventually, to plan a personal visit. A Romanian trading company will not normally sign a contract without face-to-face negotiation, and so businessmen should be prepared to visit this country. Those interested in entering the Romanian market should contact both the Eastern Europe Division of the Department of Industry, Trade, and Commerce and the Commercial Division of the Canadian Embassy, Vienna, for advice and assistance.

Canadian exports to Romania . . .
Jan-Sept 74
($'000)

Asbestos	1,951
Hydrocarbons	292
Machinery	261
Laboratory equipment	1,310
Others	308
Total	**4,122**

. . . And our imports

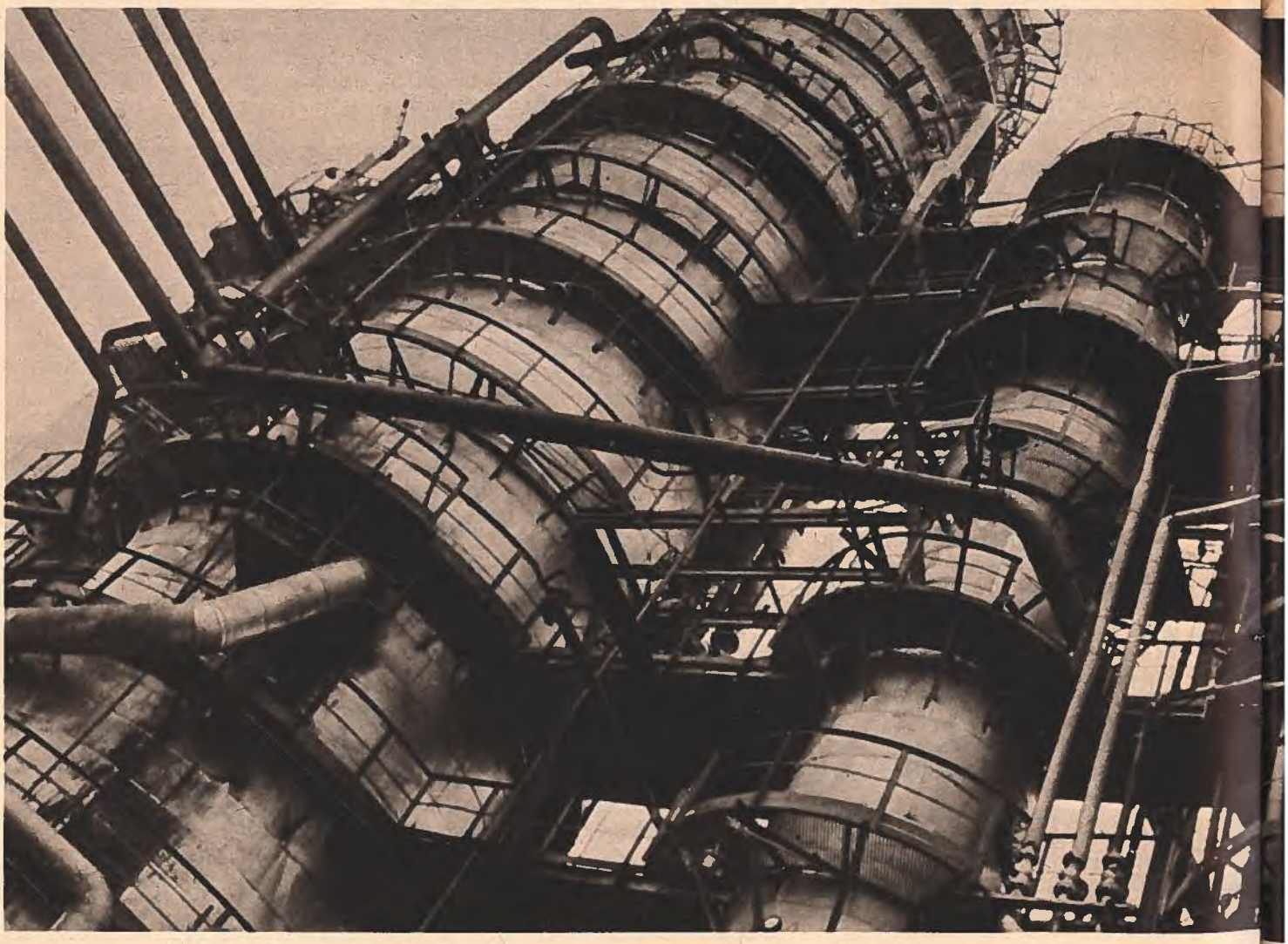
Food products	866
Synthetic fibres	225
Fabric and yarns	832
Fuel oil	6,253
Steel	594
Glass and glass products	280
Vehicles	871
Furniture	962
Garments	6,064
Footwear	1,652
Household textile products	876
Other	911
Total	**20,386**

THE USSR: tough but lucrative

The Soviet Union has a reputation as a tough market to crack. Nevertheless, those Western firms that have succeeded have found it to be well worth the effort. Results come much more slowly than they do in Western markets, but once a supplier is established, the Soviets are usually loyal customers. Perhaps the greatest difficulty facing a novice in the U.S.S.R. is imposed by the differences from markets closer to home. An understanding of the Soviet structure and its import procedures is essential to the successful sales plan.

Four main bodies administer and direct Soviet foreign trade. The Council of Ministers governs the national economy as a whole. The Foreign Trade Department of the State Committee for Planning (Gosplan) works out export and import plans in co-operaton with the Ministry of Foreign Trade, which is the main body responsible for the administration of foreign trade. And the State Committee for Foreign Economic Relations is responsible for Soviet technical assistance to other Socialist and developing countries.

Although other Soviet organizations



are concerned with foreign trade, the Ministry of Foreign Trade has a virtual monopoly on imports and its Foreign Trade Organizations (F.T.O.'s) are the most important contacts for Western exporters. There are some 50 F.T.O.'s subordinate to the Ministry of Foreign Trade, each exercising exclusive jurisdiction over imports and/or exports of the range of goods assigned to it. Thus the Canadian exporter's initial sales effort to the Soviet Union should be to an F.T.O. and his ultimate contract negotiations will be with an F.T.O.

Two other Soviet organizations concerned with foreign trade and with which Canadian exporters have contact are the State Committee for Science and Technology (SCST) and the U.S.S.R. Chamber of Commerce. The SCST is responsible for the supervision and co-ordination of all scientific and industrial research and development in the U.S.S.R. It selects, co-ordinates and finances major projects in the national economy and can play a key role in selecting foreign suppliers of technology and equipment for priority projects. The SCST also operates the State Scientific Technical Library system which disseminates technical information, including information on the products of Western companies, to 82 industrial branches, to 15 republic divisions, to regional centers and, finally, to 10,000 "information bureaux".

The U.S.S.R. Chamber of Commerce has more than 1,500 members, including F.T.O.'s and industrial enterprises. It works closely with the Ministry of Foreign Trade and the F.T.O.'s to promote foreign trade. For our purposes, its most important functions are sponsoring incoming trade missions, staging trade fairs, providing introductions to

user Ministries, assisting in patenting foreign inventions in the U.S.S.R. and providing other services such as translators.

Initial contact — In their first approach to the Soviet market, many Canadian companies simply send brochures to the relevant F.T.O. or user Ministry and request enquiries. This technique may have worked on some occasions in the past, but with the increasing competition in this market it is unlikely to work in the future. There can be no doubt that a systematic approach is required.

The first step in any marketing plan, market research, may well be the most difficult one in the Soviet Union. Industrial statistics to which we are accustomed in the West are simply not available and, beyond publishing the Five Year Plan and its annual supplements, the Soviets generally do not provide hard information in response to enquiries. It is difficult for Western businessmen to travel on business in the U.S.S.R. and they seldom have access to industrial establishments in order to observe local conditions and requirements first hand.

Thus, the initial contact should be through the relevant F.T.O. The Commercial Division of the Embassy will assist in determining which F.T.O. is appropriate and the Soviet trade office in Ottawa may be of assistance. In its first letter the company should provide a complete technical description of its product, often in the form of technical brochures and an outline of the scope of its activities. Western-style glossy brochures are not of much interest here.

The F.T.O. will examine the information to determine whether there is a requirement for the product. Many F.T.O.'s have technical libraries in which they retain copies of technical brochures for up to three years. If there is a current requirement for the product, the F.T.O. may respond fairly quickly, probably inviting the company to send a representative to Moscow for negotiations. More often, there will be no response and the company will have to initiate followup, generally by suggesting a visit to Moscow. If there is absolutely no interest in the product, the F.T.O. will decline to receive company representatives and an unnecessary trip is avoided.

Negotiations — A visit to Moscow is an essential step in making all but the most insignificant sales. Technical competence is important, as is the representative's stature within his company. Thus the visiting representative(s) should be senior and should have detailed technical knowledge of the product and its application. Because the order ultimately will be signed by the F.T.O., arrangements should be primarily with it, however, Canadian businessmen should also try to see the user Ministry. Often the F.T.O. will invite ministry representatives to participate in the meetings. Otherwise the F.T.O. or the Commercial Division of our Embassy may arrange separate appointments.

The user ministry defines its require-

ments and the technical standards to be met. On the basis of ministry parameters, the F.T.O. sources the goods. In many cases, the ministry participates in technical evaluation of the products offered. Final selection is usually up to the F.T.O., but in special cases the ministry will designate a single supplier.

Before entering negotiations with the Soviets, the Canadian businessman must be well prepared. The Soviets have a deserved reputation for being extremely clever and extremely hard bargainers. The Canadian must know precisely the limits he can agree to in terms of price, delivery, training and installation, and other items. He must be prepared for negotiations over a protracted period — sometimes up to three years — requiring heavy front-end costs in terms of time and expenses that will not bring an early return.

The exporter must be prepared to be flexible in examining alternative financing techniques. He must be prepared to negotiate a contract in minute detail because the Soviets insist that all contracts be observed to the letter. And, perhaps most important, the exporter must be prepared to walk away from the deal if he cannot get it on terms that can be lived with. The businessman who cannot go home empty-handed puts himself in a weak position and is likely to be forced into an unfavourable contract.

Soviet F.T.O.'s generally try to obtain at least three quotes on a particular item before entering into a contract with a Western supplier. Thus, the first stage of the negotiations finds the F.T.O. trying to determine the range of options in terms of price, financing and other specifications and seeking to improve these conditions as much as possible.

The second phase of negotiations begins when a single supplier has been chosen. This phase may still be protracted, stretching over several weeks and requiring a number of visits. Each meeting lasts up to two hours and the Soviets prefer to space the meetings a day or two apart. The Soviet side will use its position as a monopolistic buyer to increase its bargaining power. Soviet negotiators come to the table armed with a considerable amount of information about the prospective supplier and his competition.

On the other hand, the Canadian side has less information than usual about the requirement and the proposed application of his product. Often, when bidding on an industrial installation, the Western supplier does not know even its intended location.

Some Soviet bargaining techniques have been identified by exporters doing business here. The Soviets may try to get a firm price very early in the negotiations, often quoting very large volumes, and later try to hold the exporter to that price while reducing quantities or demanding other extras such as increased spares, free training or improved financing terms. The Soviets may negotiate with the weakest competitor first, force him to make some concessions and then try to extract these concessions from the others. Delay is also a frequently used bargaining tactic. Canadians have found themselves subject to considerable pressures for last-minute adjustments to contract terms just as their visas are about to expire.

To avoid the more common pitfalls, Canadian exporters are advised to establish good personal relations between the leaders of the two teams. All difficult negotiating points should be raised early in the proceedings so that they can be cleared out of the way. The final price should not be agreed until the end of the negotiations. Often, when all major points have been agreed upon, the Soviets will introduce a new bargaining team in order to get a final price reduc-

tion.

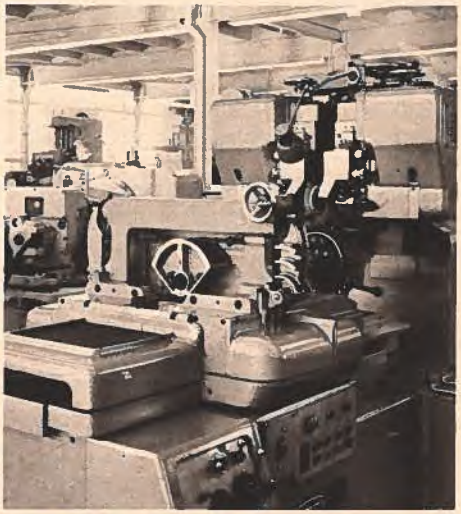
Canadian exporters should pay close attention to all contract conditions. Contracts tend to be more detailed than in the West and they are interpreted on a literal basis. Exporters cannot rely on "normal commercial practices" and the Soviets can be unsympathetic about difficulties arising later because an item was overlooked at the time of negotiations. The Soviets limit force majeure clauses as much as possible, generally excluding strikes and material shortages. They require strict contractual guarantees and stipulate penalties as high as 5 per cent to 10 per cent of the contract value. There are several standard arbitration clauses and Canadians usually opt for arbitration in a third country such as Sweden.

Terms of payment are important and have been widely publicized in the Western press. A number of large compensation deals have been signed for turnkey plant installations in which the Western exporter supplies a plant and takes payment in the product produced therefrom. The Soviets also trade on a barter basis, particularly with other Socialist and developing countries but Canadian suppliers have not yet concluded contracts on either a compensation or barter basis. The standard techniques for Canadians are sales for cash or on credit.

Low interest rates are consistently demanded by the Soviets and if a credit deal is in the offing, the Canadian exporter should discuss the availability of financing with the Export Development Corporation or a bank before entering into any discussions on price. The Export Development Corporation currently has two financing contracts with Soviet customers.

Representation — Local distributors for imported products do not exist in the U.S.S.R. and it is not possible for Canadian exporters to appoint Soviet sales representatives. However, although no Canadian companies have done so, Western exporters doing a large volume of business with the U.S.S.R. can establish an accredited office here. Such offices have been established by a number of American, European and Japanese companies and some of them have expressed interest in representing Canadian exporters. Alternatively, Canadian companies have appointed European firms making frequent visits to Moscow to be their agents in the Soviet Union. Such agency arrangements can reduce the heavy front-end costs of penetrating the Soviet market, but if a significant volume of business is to be done, a visit by a senior company representative will be necessary at some time during negotiations.

Sales techniques – Several sales techniques are readily available in the Soviet Union. As already mentioned, the U.S.S.R. Chamber of Commerce organizes International and Foreign Trade Fairs, most of which are held in Moscow. Soviet equipment is included in "international" but not in "foreign" trade fairs. These are always specialized in a product sector and generally include a symposium. Fairs are only organized for types of equipment for which requirements exist. The exhibitor can be assured, therefore, of an interest in his type of equipment and the fair gives a good indication of the import intentions of the user ministries. Having examined the



equipment at the fair, it generally takes the ministries a year or two to write it into their import plans. Thus, sales are not immediate and those firms that fail to provide effective follow-up to trade fair participation are frequently disappointed.

Company solo fairs and symposia may also be organized through the Chamber of Commerce. This is obviously an expensive way to launch a product in the Soviet Union, but it is one way to make sure that the right people get to see it and many European firms have found such fairs to be worthwhile. Again, the importance of strong followup efforts cannot be over-emphasized.

The Canada/U.S.S.R. Agreement on the Industrial Application of Science and Technology (Industrial Exchanges Agreement) provides a means for Canadian firms to demonstrate their products to the Soviets and to make contact with Soviet user ministries. Working groups have been set up for several industry sectors and programs of exchange visits have been established enabling Soviet missions to visit Canadian industrial installations and Canadian businessmen and government representatives to gain first hand knowledge of Soviet industrial practices and requirements. Further information about the Agreement can be obtained from the Office of Science and Technology of the Department of Industry, Trade & Commerce.

Promotion — Advertising is possible in the U.S.S.R. and the most common medium is technical journals. All ads are placed by V/O Vneshtorgreklama, the F.T.O. responsible for foreign advertising in the U.S.S.R. and Soviet advertising abroad. The technical journals are distributed to a wide, specialized and definable readership. Advertisements frequently include a coupon to enable the reader to request further information which is supplied by Vneshtorgreklama. While the F.T.O. will not identify the enquirers for you, it will tell you how many enquiries were generated by your advertisement. Vneshtorgreklama also runs direct mail advertising compaigns, but again they do not identify the addressees.

It is possible for Canadians to obtain patent protection for their inventions in the U.S.S.R. and to register their trademarks, and information about this can be obtained from the Commercial Division of the Embassy.

The sale of licences to the Soviet Union is expected to increase over the next five years. Gosplan has recognized that it is more economical to purchase a licence for an item already proven elsewhere than it is to develop it from scratch. The non-convertibility of the rouble is a strong incentive to produce high-volume items domestically rather than allocate hard currency reserves for their purchase from Western suppliers.

As stated at the beginning of this article, the U.S.S.R. is a tough market to crack. But exporters who have the mental flexibility to take on a new challenge and the energy and persistence to follow it through to a conclusion find it can be lucrative. How about you? The Commercial Division of the Canadian Embassy in Moscow is ready to assist.

SOVIET-CANADA TRADE PROSPECTS

W.G. PYBUS, Minister-Counsellor, Moscow

Prospects for improving trade between Canada and the Soviet Union are better than at any period since the first Trade Agreement concluded with the U.S.S.R. in 1956. A shift in the direction of Soviet economic objectives towards the civilian sector, first discernible in 1965, has been greatly accelerated. This has stimulated increased interest by the Soviets in obtaining Western technology, particularly that of the United States.

At the same time, Western needs for energy and industrial material match closely Soviet potential capability in these areas. Western technology and capital equipment are needed in the U.S.S.R. to assist in catching up to the West's production efficiency levels, to meet civilian demands and to provide means of payment of these key elements of development.

Canada's exports to the Soviet Union since 1956 have exceeded $1.8 billion, with 93 per cent of this resulting from grain sales. However, prospects for expanding Canadian-Soviet trade in the environment of the 70's are mainly in the industrial sector and in 1974, Canadian exporters of industrial products concluded contracts worth $46 million, reflecting a substantial increase over previous years. But in order to take advantage of developing opportunities, Canadian approaches to the huge, centrally-planned Soviet market will need to be more determined than past efforts.

Soviet emphasis in the post-war period was on building a strong industrial base centred principally on heavy industries. In the Eighth Five-Year Plan (1966 to 1970) there was a substantial shift towards developing agriculture and, to a lesser extent, consumer goods. Soviet experience in this period showed the need for placing greater emphasis on improved technology in all sectors of industry, especially the consumer field. Performance under the current Five-Year Plan (1971 to 1975) points to greatly increased efforts to obtain the latest Western technology and to improve productive efficiency.

Given the massive scale of their needs, especially in the development of energy and resource industries, the Soviets have turned increasingly to Western Europe, Japan and, more recently, the largest single technological source, the United States. Détente through a network of U.S./Soviet governmental commercial agreements in 1972 was quickly followed by commercial contracts involving grains, construction machinery, automobile and truck manufacturing equipment, fertilizers, gas compressors, canning machinery, a typewriter factory and a host of proposals both big and small to meet Soviet industrial needs.

An important aspect of Soviet trade policy in the 70's has been the increasing number of industrial, technological and scientific exchange agreements with Western countries. Since 1965, agreements have been concluded with Finland, France, Germany, Britain, Japan and Italy, among others. The Canada/U.S.S.R. Agreement on the Industrial Application of Science and Technology was signed in 1971. In all of these, emphasis is placed on transfer of technological know-how to the Soviet Union, as evidenced by the many contracts which have been negotiated in the past few years.

Soviet industrial growth in the past year was impressive. Based on Soviet figures covering the first nine months of 1974, substantial gains were recorded in most sectors. But it must be kept in mind that such figures usually have limitations because their validity relates only to base points which are often vague.

However, the average increase in all sectors of production is shown at 8.2 per cent over planned revised targets for the period. Labour productivity recorded an advance of 6.7 per cent over the comparable period for 1973. Nine-month figures for energy production were: 340 million metric tons of oil, 190 billion cubic metres of gas, 511 million tons of coal and 711 billion kilowatts of electrical energy. Production of agricultural equipment was down about 7 per cent but automobile production increased 23 per cent. Most heavy industrial sectors showed growth rates varying from 9 to 14 per cent. In the consumer sector, which continued to lag, knitted goods, leather shoes, fish products and washing machines were below target.

Soviet economic structure: Canadian exporters surveying the Soviet market are faced with a centrally-planned economy with a bureaucratic structure comprised of planning agencies, production ministries, distribution agencies, trading organizations, institutes and a variety of support organizations. Within this structure, the numerous bodies dealing with economic development often appear unco-ordinated and the channels of communication and decision-making usually present a confusing picture to the Western observer.

Many a Canadian exporter intent upon getting to the end user has found acceptance of his product at the particular point within the structure. Confident that he has almost made a sale, he is dismayed to find that this is only the beginning. Before the end user can obtain the equipment considered to be technically superior, the appropriate foreign trading organization must confirm this claimed superiority and negotiate a satisfactory commercial contract within the boundaries set by the planning organizations and financial authorities. But despite these hurdles, many of which develop through lack of understanding of how the Soviet structure operates, solid opportunities exist for continuing business in this market.

Another aspect of the Soviet system is the importance of the long- and short-term planning mechanism in relation to the often massive requirements within the U.S.S.R. For example, the Ust Ilimsk forest project has become almost a household word within the Canadian forest industry. Plans for this integrated forest products complex were first revealed in the late 1960's. The Soviets requested tenders on the project from several countries and finally settled on the French to take the lead. But subcontracts have been let to other Western countries and it is in this context that Canadian forest harvesting equipment and sawmills have been discussed. The interesting point is that the overall project has advanced only as far as preparation of the site and essential services. It is evident that the completion date will be sometime around 1980, at the earliest.

Methods of payment: While the plant-for-product or compensation type of

transaction is still featured in most negotiations, its importance is diminishing as a result of the improved Soviet balance of payments position and the high cost of financing prevailing in the Western world. The Soviet Union in 1974 probably will have enjoyed a favourable hard currency position as a result of higher earnings from exports of gold, oil, industrial materials and military equipment. Furthermore, the Soviets spent less on grain. They are still interested in obtaining Western credits, particularly where compensation transactions are involved, but the money markets of the world turned against them, with higher interest rates being demanded. In addition, Western countries are re-examining their policies and practices concerning concessional terms for exports. For example, the interest rate for the French line of credit of 13 billion francs recently negotiated has been increased from 6.05 per cent to 7.2 per cent for projects in excess of 450 million francs and for other projects, from 6.25 per cent to 7.55 per cent.

In general, credit will continue to be a feature of commercial negotiations with the Soviet Union, but at higher cost. Under present circumstances, cash is increasingly likely to be a feature of transactions with the U.S.S.R. For example, International Harvester U.S.A. sold for cash $100 million worth of tractors and bulldozers and a West German consortium building a steel plant at Kursk in the Ukraine moved from credit and compensation terms to a cash basis for $1.2 billion worth of engineering and equipment.

The Canadian approach: Thus far, Canada's approach to selling industrial equipment in the Soviet Union has been somewhat fragmented. Individual companies have attempted to sell specialized items in competition with other Canadian suppliers. While in some instances such competition may be healthy, almost invariably it works to the advantage of the buyer.

With respect to major projects, the thinking of Canadian exporters tends to follow North American patterns, particularly regarding consulting engineering services. In Canada, major industrial installations are usually planned by a consultant who is paid for his concept, the detailed engineering and supervision of the project, and for finding suppliers. The Soviets are in a position to demand, and get on a competitive basis from Western suppliers, complete details of proposed projects, including engineering, and to select the proposal most closely fitting the Soviet interest. The only consolation for losing bidders is that in proving themselves to the Soviets in their unsuccessful bid, they may fare better in subsequent dealings. These facts of life in dealing with the Soviet Union may be hard for Canadian exporters to accept. But they must be recognized and dealt with.

The urgent need of Western Europe, Japan and the United States for energy and industrial materials gives these countries a major incentive to deal with the Soviet Union on its terms. They see a double benefit, both with respect to supplying industrial equipment and obtaining assured supplies of raw materials — usually at favourable prices. The main incentive for Canadian industry engaged in the resource exploitation similar to that in the U.S.S.R. is the supply of industrial equipment. The best opportunities will be presented to Canadian firms specializing in various fields of technology. For example, Canadian manufacturers of forest industry equipment enjoy a solid international reputation and are considered to be the technological leaders in several areas. And it is obvious that Canadian firms with expertise in Arctic development should be able to compete in the U.S.S.R.

Soviets in Canadian market: Despite the major imbalances in commodity trade that have occurred between the U.S.S.R. and Western countries, Soviet planners continue to place great emphasis on balancing on a bilateral basis their trade with other countries.

The Soviets suffered serious setbacks in their initial efforts to develop the Canadian market, largely as a result of ineffective marketing strategy and apparent inability to supply the kinds of goods required on the Canadian market. But in recent years they have vastly improved their marketing techniques, particularly with respect to tractors and machine tools. Canadian-based tractor sales and service centres in Toronto, Montreal and Regina are making their presence felt.

This may be a pattern for other product lines as the Soviet program for sales in Canada unfolds. In the heavy electrical sector, Soviet contracts with B.C. Hydro and Manitoba Hydro demonstrated a capability to compete on an international basis. As Soviet industry becomes more sophisticated so will its ability to broaden the Soviet export package.

Given a continuation of the present direction of Soviet economic development, prospects for Canadian exporters in this market should improve. Clearly, the Soviet Union has requirements for the type of technology and equipment Canadian industrialists have so successfully applied to our own energy and resource development. In order to take full advantage of the opportunities, Canadian manufacturers must be prepared to risk more substantial amounts of money and time in market development activities.

The Canada/U.S.S.R. Agreement on the Industrial Application of Science and Technology concluded in 1971 has, in the main, provided an excellent instrument for dialogue with Soviet end-user ministries. To make the Agreement work calls for a high degree of co-operation between government and industry. With demonstrated will on both sides to develop and expand trade, Canadian exporters have a clear opportunity to greatly increase sales to the Soviet Union.

AGRICULTURE and the soviet economy

R.A. GROUNDWATER,
Commercial Secretary, Moscow

Development of an efficient agricultural industry has long been recognized as a key to the overall economic development of the Soviet Union. It is clear that both total agriculture investment and productive agriculture investment have grown faster in the past 10 years than all investment throughout the economy. With global problems of increasing agricultural production to meet world demands, the importance of progress in Soviet agriculture increases — and Soviet agriculture potential remains relatively untapped.

It is recognized that major improvements could result from use of better machinery, fertilizers, insecticides and herbicides. Additional production increases will result from plant selection, cultivation methods, animal breeding, scientific feeding and land improvement. Canada's future role in the Soviet agribusiness sector is likely to depend on the extent to which the Soviets are able to match production capacity with target levels of consumption.

With a population of 250 million people and the objective of Soviet officials to raise substantially per-capita protein intake, a target for grain production in the Soviet Union of about 250 million tons annually would be in line with other advanced economies. To achieve such a target would require increased supplies in the order of 50 to 100 million tons annually. To the extent the Soviet Union must import grain in order to maintain its program of improving protein consumption, strain is placed on available foreign currency and postpones imports in the capital goods sector. Thus, if the harvest fails, the total economy suffers. The requirement to increase agricultural production places a strain both on the labour resources of the agricultural sector as well as the service industries.

Soviet investment in agriculture and related sectors accounted for 26 per cent of all investment during the period 1961 to 1965. Ten years later some 35 per cent of all investment was in agriculture. The agricultural work force is declining gradually in numbers as a result of improved productivity but it still represents nearly one-third of the total Soviet work force compared with 4 per cent, for example, in the United States. One of the difficulties faced by the Soviet Union has been a shift of highly productive labour from agriculture to industry. A further productivity loss occurs as a result of the need during harvest time to shift labour and already-limited transport from industry to the fields, in order to complete the harvest.

As in all producing countries, the key to improved production levels and production efficiency turns upon the level of relevant inputs. More than half of the projected increase in grain production, fodder and technical crops is to be achieved through increased application of mineral fertilizers. Fertilizer production is being increased and is expected to reach 120 million tons by 1980, more than double the output of 1970. This will allow for a great increase in application per hectare in the Soviet Union, bringing it closer in line with agricultural practices in the leading producing countries.

In 1968 an average of 37.7 kilograms of mineral fertilizer (in terms of nutrient content) was applied per hectare of ploughed land in the U.S.S.R. compared with averages of 82 kilograms in the United States, 206 kilograms in West Germany and 224 kilograms in Britain. By 1973, the Soviet rates of application had reached about half of the American levels and are expected to grow significantly by 1980.

The machinery used in all aspects of agricultural production is improving steadily in the U.S.S.R. Mechanization of agriculture still lags behind many Western countries, but the gap is gradually closing. There were about 1.6 million tractors in the Soviet Union in 1965 and by 1973 this number had risen to 2.2 million. But Soviet experts estimate that almost 5 million tractors are required. Similarly, there is an insufficient number of trucks. However, the huge Kama River truck plant will come into production during the next Five Year Plan, with a production capacity of 250,000 trucks annually. Currently it is estimated that about 40 per cent of farm power (tractors and trucks) and labour is occupied with transport operations alone. A major agricultural transport efficiency loss occurs as a result of poor or non-existent roads characteristic of many areas of the Soviet Union and major road building programs will be needed.

So far, herbicides and insecticides are not used extensively in the Soviet Union, with the exception of some specialized crops. But Soviet agricultural research institutes are keenly aware of the benefit of efficiently controlling crop-destroying weeds and insects. Increasing emphasis is being placed on this specialized area of the chemical industry but priorities in other sectors of chemical production have limited the availability of a wide range of chemicals required. In addition, development and manufacture of specialized spraying equipment has a lower priority than other agricultural machinery.

Canadian agronomists visiting the Soviet Union have been impressed by the level and scope of Soviet research and application with respect to plant breeding and selection. The Soviet Union is a recognized world leader in the production of sunflower seeds and supplies of strains developed in the U.S.S.R. are sought by many countries. Varieties with oil content as high as 52 per cent have been developed. Soviet scientists have also developed special grains for the New Lands of Siberia and other new varieties are contributing to increased production throughout the U.S.S.R. Through the Agribusiness Working Group, under the Canada/U.S.S.R. Agreement on the Industrial Application of Science and Technology, programs are being develop-

ed for exchanges of information and experience concerning a wide range of agricultural crops.

With the many variations in climate and topography existing in the Soviet Union, cultivation methods are of great importance in increasing production. Despite some equipment inadequacies, the Soviets have developed efficient methods to deal with a wide variety of farming conditions. The highly publicized development of the New Lands is particularly notable in this respect. It may be recalled that initial efforts to develop the region were in the main unsuccessful, largely because methods used west of the Urals were applied. However, the use of the Noble blade type plough, stubble seeding, hoe drills, deep tillage cultivators and other specialized equipment developed for the region, combined with more suitable crop rotation has resulted in the establishment of a viable agricultural producing area.

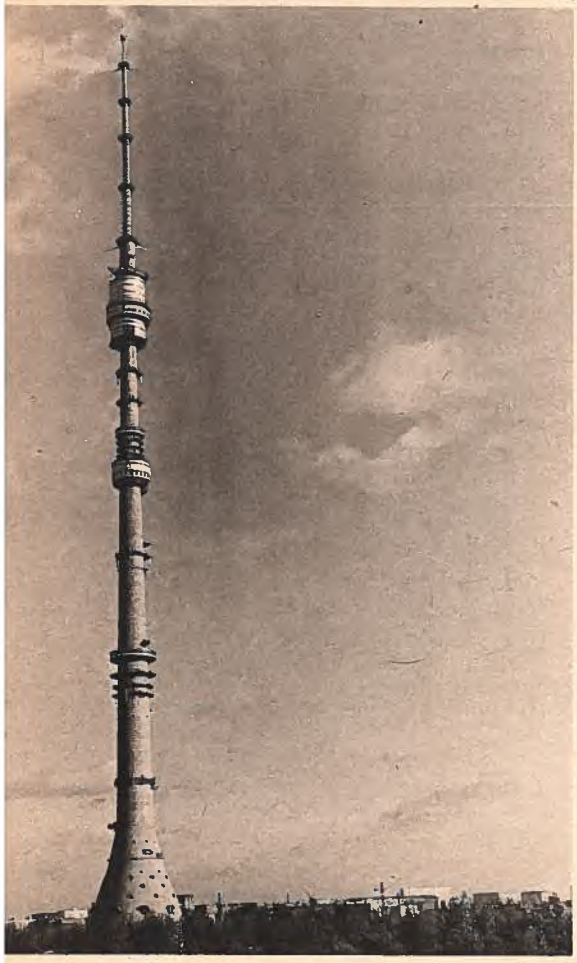
Livestock production in the Soviet Union is vital in meeting targets for increasing the amount of protein in the diet of the Soviet people. In attacking the problem, the Soviets are making extensive use of integrated specialized farms producing milk, beef, pork, poultry, eggs and mutton. The scale of some of these farms is enormous by Western standards. For example, simple swine feeding enterprises have a capacity of 108,000 to 150,000 pigs a year. These state livestock farms are generally located in grain growing regions in proximity to large urban areas. In the development of these super-production units, management techniques originating in the highly successful poultry industry have been given broader application. The massive production scale of the state farm units is based on the application of scientific principles to the management and feeding of livestock, resulting in significantly higher productivity than that obtained on other farms in the U.S.S.R.

In the final year of the current Five Year Plan, the Soviet target is to bring into production mechanized poultry farms with an additional 7.7 million laying hens and 20.6 million chickens for meat. Pig breeding and feeder complexes are expected to add 1.4 million animals. Similarly, beef production complexes will be increased.

Deputy N.K. Babykov, Vice Chairman of the U.S.S.R. Council of Ministers, in a December speech, indicated that extensive land reclamation work under way will be increased by 1975. It is proposed that land irrigation, financed by state investments, will increase this year by some 985,000 hectares. If this target is achieved, total land area being improved under the current Five Year Plan will reach 3.7 million hectares. Drainage is envisaged for an area of more than 1 million hectares and the planned total for the drainage program up to the end of 1975 is 4.4 million hectares.

Looking to the next Five Year Plan, 1976 and beyond, an ambitious land reclamation program will cover a triangle bounded on the west by Leningrad/Moscow, on the east by the Urals, and the famous black soil region running through the Ukraine. The 15-year program which has just been adopted is intended primarily to improve the productivity of the land, to develop its infrastructure, and to achieve greater labour productivity through mechanization and specialization.

Canada's role — In the 1960's, and so far this decade, Canada has supplied important quantities of cereals to the Soviet Union to meet short-falls caused largely by weather conditions. As Soviet grain production grows through increased efficiency, import requirements are likely to decrease. At the same time, emphasis on increased livestock production will result in higher domestic consumption. This, combined with the inability to control the weather, could result in continued imports although these are likely to occur more sporadically than in the past.



FIRST VISIT to MOSCOW

Planning is all important. Business will not be done by those who happen to be passing through and decide to make some impromptu business calls.

Appointments with Soviet Ministries or F.T.O.'s may be arranged through the Commercial Division of the Embassy. Two to three weeks advance notice is helpful. The Soviets generally agree to the visit in principle and fix the exact time of appointments one to three days in advance.

Visas should be applied for three weeks in advance through the Soviet Embassy in Ottawa or the Soviet Consulate in Montreal. Business or tourist visas may be obtained, the former if invited to Moscow by a Soviet Ministry or F.T.O. Most Canadian businessmen use tourist visas. All places to be visited in the U.S.S.R. must be listed on the visa.

Reservations for accommodation and travel within the U.S.S.R. are handled by Intourist through accredited travel agents in Canada. The Embassy cannot make hotel reservations. Most Canadians reserve first class or deluxe accommodation. Both classes include transport to and from the airport, hotel accommodation and breakfast or all meals. Deluxe also includes the use of a car and driver for three hours a day.

Arrival procedures are not difficult, but they may require some patience. Passport and customs formalities are similar to those in most countries except that all currency and valuables being brought into the U.S.S.R. must be declared and the receipt retained for outward clearance. Following customs clearance, the visitor reports to Intourist who advise him the name of his hotel and provide ground transportation to Moscow.

Currency regulations should be taken seriously. The import and export of roubles are prohibited. Currency should be converted only at official exchange bureaux which are located at the airport and in most main hotels. All receipts should be retained. Generally only small amounts of roubles are required as major expenses have been prepaid and souvenirs are most frequently bought at hard currency beriozkas.

Local transportation is generally

readily available. Taxis are usually stationed outside Intourist hotels. Chauffeur-driven cars may be hired at the hotel service desk. A visitor with an International Driver's Licence may rent a self-drive car, but only the most seasoned travellers are advised to do so. Because few drivers speak or read English or French it is wise to have addresses written in Russian by the Service Bureau at the hotel.

Phone numbers should be obtained in advance where possible. Moscow phone books are like the proverbial hen's teeth. The visitor should note his hotel room phone number as calls are made direct, not through a central switchboard. The Embassy telephone number is 241-9034.

Visiting cards are generally exchanged at the beginning of every meeting. It is recommended that they be printed in Russian as well as in English or French. Business visitors should not plan to have cards printed in Moscow.

Office hours for Soviet organizations are 9 a.m. to 6 p.m., Monday to Friday. The lunch break is generally from 1 p.m. to 2 p.m., although appointments are sometimes scheduled during this time. The Embassy is open from 9:30 a.m. to 6 p.m., with most of the staff off for lunch between 1 p.m. and 2 p.m.

SELECTED SOVIET FOREIGN TRADE ORGANIZATIONS

V/O "Aviaexport"
32/34, Smolenskaja-Sennaja Pl., Moscow G-200
President:
V.S. Studenikin

Exports and imports aircraft, helicopters, aircraft engines, aircraft units, aircraft instruments, aircraft electrical equipment, radio navigational aids, electric gear, control and testing apparatus, spare parts; parachutes and parachute systems, various aerodrome and aircraft equipment for the maintenance and servicing of aircraft and helicopters.
Handles overhauls and scheduled maintenance; provides for technical servicing of aircraft equipment, training and retraining of foreign specialists at Soviet civil aviation schools.

V/O "Avtoexport"
14 Ul. Volkhonka
Moscow G-19
President:
V.M. Petrov

Exports and imports passenger cars and lorries, buses, truck-tractors, tipping lorries, special purpose vehicles, motorcycles, motor scooters, bicycles and mopeds; garage and repair equipment.
Renders the buyers assistance in the technical servicing of the machines supplied by the Soviet Union and in training foreign specialists.

V/O "Electronorgtechnika"
2, Fadeeva Str.
Moscow
President:
Y.A. Kislenko

Exports and imports general purpose digital and analogue electronic computers, peripheral devices for computers, management control equipment, devices for acquisition and primary processing of data, including key-operated desk computers and calculating punches.
Exports valves, semi conductor devices, integrated circuits, S.H.F. instruments, gas-discharge devices, camera and oscillographic tubes, photo-electronic multipliers, photocells, ferrite elements, resistors and capacitors.
Renders assistance to buyers in erecting, mounting and starting the equipment, in maintaining the equipment delivered from the USSR and in training personnel for different countries.

V/O "Exportkhleb"
32/34, Smolenskaja-Sennaja Pl.
Moscow G200
President:
V.I. Pershin

Exports and imports wheat, rye, barley, oats, maize, rice, pulses, flour, groats, oil seeds, oil cakes, oilseed meal, and other grain and fodder products, as well as seeds and seedlings.

V/O "Exportles"
32/34, Smolenskaja-Sennaja Pl.
Moscow G-200
President:
V.N. Akhuratov

Exports pine and fir sawngoods, sawn Siberian larch, timber, sleepers, pitprops, pulpwood, sawn timber, plywood, fibreboards and chipboards, cellulose, paper, furniture, frame wooden houses and other goods.

V/O "Exportljon"
33, Ul. Arkhitektora Vlasova
Moscow V-420
President:
V.A. Sobolev

Exports cotton, linter, flax, flax tow, long hemp and hemp tow, sheep, goat and camel wool, goat down, cotton, flax, woollen, silk and staple fabrics, sewing and cotton threads, fishing nets and net materials, natural silk, cotton, flax and hemp waste and waste from the production of chemical fibres.
Imports cotton, sheep wool, woollen yarn, viscose and acetate yarn, jute and jute goods, sisal, manila hemp, raw silk, artificial and synthetic fibre, fabrics, cord.

V/O "Licensintorg"
31, Ul. Kakhovka
Moscow M-461
President:
V.A. Salimovskiy

Handles operations involved in the sale of licences for Soviet inventions in all fields of industry and undertakes obligations for rendering licence purchasers skilled technical assistance, transfer of know-how and technical documents in keeping with the terms of licence agreements; purchases licences for foreign inventions and scientific and technical improvements in all fields of industrial production; sells and buys machines, equipment, materials and manufactured goods whose delivery as prototypes and samples is stipulated in the terms of licence agreements; renders on a commercial basis engineering services in the fields of metallurgical, foundry and chemical technology and some other fields of industry.

V/O "Machinoimport"
32/34, Smolenskaja-Sennaja Pl.
Moscow G-200
President:
S.F. Volchkov

Imports power engineering and electrotechnical equipment, hoisting and haulage, pumping and compressing equipment, excavators, railway rolling stock, oil extracting and oil refining equipment and industrial fittings.

V/O "Mashpriborintorg"
32/34, Smolenskaja-Sennaja Pl.
Moscow G-200
President:
D.V. Petrov

Exports and imports wire and radio communications equipment, electric and measuring instruments, meters and automatic devices, material testing machines and instruments, metereological, aerological, oceanographic and hydrological instruments and equipment, still and movie cameras, radio and TV sets, watches, optical instruments.

V/O "Metallurgimport"
32/34, Smolen-

Imports mining, ore dressing and drilling equipment, tunnelling and extracting machines, timbering, drilling equipment

Trade Patterns Distorted

H.J. KRAUKLIS, External Trade Division, Statistics Canada

Higher prices advanced Canada's exports and imports to record values of $32.1 and $31.6 billion in 1974, with respective increases of 26 per cent and 35 per cent over the previous year. Average price rises of 35 per cent for exports and 29 per cent for import commodities obscured a drop in the physical volume of exports of about 7 per cent and moderate growth of 3.5 per cent in the volume of imports last year.

The divergence in the growth pattern of exports and imports has resulted in a sharply reduced trade surplus of $419 million last year[1], compared with a surplus of $2 billion in 1973. The trade surplus for 1974 is the lowest since 1966, and reflects the dampening effect on Canadian exports by the world-wide economic retrenchment, while our imports are still growing. The trade surplus with the United States decreased to $53 million in 1974, from a surplus of $586 million in 1973 and $1,085 in 1972. There was also a predictable growth of petroleum-related trade deficits with Latin America of $210 million to $610 million and with other countries of $870 million to $780 million. In contrast, the surplus with Britain increased $170 million to $760 million, and that with the European Economic Community rose $110 million to $250 million. Throughout the year, the balance of trade continued to weaken. By the fourth quarter, there was a deficit of $363 million, of which one half originated in trade with the United States.

The precipitous jumps in crude oil prices have also contributed to the distortion of the trade pattern. Excluding crude petroleum, the year-over-year increase in the value of exports reduces to 20 per cent while that for imports moderates to 29 per cent. Despite the 120 per cent rise of the value of crude oil, the volume in fact declined. Regional trade patterns are somewhat skewed by the fact that Canada exports only to the United States and imports primarily from Venezuela and the Persian Gulf States.

This distortion also becomes apparent in the commodity composition of trade. While fabricated materials accounted for a stable share of both domestic exports and imports in recent years, i.e. 35 per cent of the former and roughly 21 per cent of imports, the proportion of crude materials in domestic exports rose sharply from 29 per cent in 1973 to 34 per cent in 1974, owing, of course, to the importance of crude petroleum in international trade. The proportion attributable to finished goods fell from 36 per cent to 31 per cent of domestic exports and from 67 per cent to 61 per cent of Canada's imports, on account in part to the reduced relative importance of automotive products.

Exports — Owing to sharp price rises, three commodities alone — crude petroleum, wheat, wood pulp — accounted for more than one half of the total increase in the value of domestic imports from 1973 to 1974. Together with automotive goods, four metals (iron ores and concentrates, copper, nickel, zinc and their alloys), lumber and newsprint paper, they made up 61 per cent of Canada's exports in 1974.

While crude petroleum shipments to the United States declined 21 per cent, from nearly 420 million barrels in 1973 to 332 million barrels last year, the value more than doubled to $3.4 billion from $1.6 billion because the average price increased 190 per cent. Exports of wheat dropped to 11.5 million tons from 13.7 million tons in 1973; however, with a doubling in the average price, the value of shipments rose to $2 billion from $1.2 billion. Higher average prices in 1974 of some 60 per cent contributed to gains of 75 per cent to $1.9 billion in the value of wood pulp sold, as the volume of shipments expanded only about 10 per cent to 6.8 million tons.

The weakest major export commodity during the year was lumber, which declined 20 per cent in value, largely because of the continuing slack in construction activity in the United States, its major market. Spruce lumber prices declined 5 per cent to 8 per cent from 1973 levels. Western red cedar and douglas fir lumber with important overseas markets rose 2 per cent to 4 per cent in average prices, and hemlock lumber 10 per cent. On the other hand, with the continuing strong demand for newsprint, the export value rose 34 per cent to $1.7 billion last year from $1.3 billion in 1973, including a marginal increase in volume to 8.7 million tons.

Exports of the four principal metals also rose during the year but again because of higher prices, rather than because of volume. Sales of metal ores and concentrates rose 19 per cent to $2.4 billion, with some decline in volume. Fabricated non-ferrous metal exports increased 26 per cent to $2 billion on somewhat lower quantities shipped. Average prices increased 57 per cent for zinc, which experienced a 30 per cent drop in volume, 36 per cent for aluminum, 26 per cent for copper, 24 per cent for iron ore and 11 per cent for nickel.

Over the last decade, the development of Canada's export trade has been profoundly influenced by the trend in sales of automotive goods in the United States. In 1965, motor vehicles and parts represented less than 3 per cent of Canadian exports. This share expanded to a peak of almost 24 per cent in 1973, but declined to 21½ per cent in 1973 and again to 17½ per cent in 1974. Nevertheless, considering the weakened demand for automobiles in the United States, particularly in the last quarter, Canada's exports of motor vehicles held up fairly well during 1974. Engines and other parts suffered a moderate decline in shipments.

Imports — As a result of higher prices for crude petroleum, Venezuela has become our third-ranking supplier, after the United States and Japan. Iran, Canada's next-largest oil supplier, ranked sixth, after Britain and West Germany. Reflecting the petroleum situation, the share of the industrialized countries in Canada's imports has declined. Imports from the United States dropped to 67 per cent from 71 per cent of the total; the share of Western Europe decreased slightly, while Japan's share of imports rose marginally to 4½ per cent. The rest of the world increased its share from 14½ per cent in 1973 to nearly 19 per cent last year.

The ten most important commodity groups made up 68 per cent of imports and 71 per cent of import expansion in 1974. In descending order of importance these were automotive goods, industrial machinery, crude petroleum, food, aircraft and other transportation equipment, steel fabricated materials, chemicals, communications equipment, farm machinery and tractors, and fabricated textiles. Crude oil alone accounted for 8 per cent of imports and 21 per cent of the rise in imports.

Trade with the United States — Canadian exports to the United States in 1974 totalled $21.3 billion, barely ahead of imports at $21.2 billion, after advancing 24.5 per cent and 28.6 per cent respectively over 1973. As indicated before, exports of energy and petroleum products showed large gains in value, with substantial increases in the last half of the year. In addition to crude petroleum exports of $3.4 billion, shipments of natural gas rose 41 per cent to $494 million although volume dropped 7 per cent. Exports of electricity reached $175 million, a 60 per cent gain over 1973, as volume declined more than 7 per cent. Petroleum and coal products posted a gain of 63 per cent to $673 million. Sales of automotive goods moved slightly ahead of 1973 levels on a moderate drop in volume. Following a decline in the second quarter of 1974, shipments of

motor vehicles and parts picked up strongly again in the third quarter as car manufacturers extended their model year. But on account of falling vehicle sales and production, exports of these goods declined again in the fourth quarter. As a result of partial interruption in production, exports of whisky declined sharply. Lumber shipments continued to decline during the year.

Imports of motor vehicles and parts at $6.3 billion stood 14.5 per cent above 1973 levels and widened the deficit in automotive trade to roughly one billion dollars from $350 million in the preceding year.

Imports of fabricated steel materials rose steeply to $635 million from $355 million in 1973, as did non-ferrous metals ($420 million, up from $240 million) and coal ($310 million, up from $175 million), again mainly because of price increases. Purchases of chemicals increased 45 per cent to $1.2 billion, those of agricultural machinery rose 42 per cent to $790 million, while imports of industrial machinery and food each gained about 30 per cent to $2.1 billion and $1.1 billion respectively.

Trade with Other Countries — Exports to overseas countries rose 30 per cent to $10.7 billion in 1974, from $8.2 billion one year earlier. Three quarters of the gain of $2.5 billion in exports to countries outside the United States came from larger sales of half a dozen commodity groups: wheat (up $790 million), wood pulp (up $350 million), metal ores and concentrates (up $260 million), paper and paperboard (up $229 million), fabricated non-ferrous metals (up $140 million), and coal (up $110 million). Wheat shipments were impeded by harbour strikes in the second half of the year.

Imports from these countries advanced 51 per cent to $10.3 billion from $6.8 billion in the preceding year. Expenditures for crude petroleum almost tripled to $2.6 billion. Excluding petroleum, imports rose 31 per cent, matching the growth rate of exports. In addition to crude oil, fabricated steel products, sugar, chemicals and automotive products accounted for almost three quarters of the gain in imports.

Exports to Japan rose 25 per cent to $2.2 billion as the value of 1.6 million tons of wheat increased from $173 million to $305 million. Shipments of coal expanded to $230 million from $160 million, and those of copper ore brought $492 million, up from $433 million. Sales of a variety of end products doubled, to a total of $60 million from $32 million in 1973. Imports advanced 41 per cent to $1.4 million on the strength of demand for fabricated steel products ($257 million up from $107 million), television and other communications equipment ($210 million), passenger cars ($205 million) and other transportation equipment ($170 million).

Wheat, wood pulp, and newsprint contributed largely to the 18 per cent increase in Canadian sales to Britain. Major components of imports (up 12 per cent to $1.1 billion) were industrial machinery, transportation equipment, fabricated steel, chemicals, and other fabricated materials.

Sales to the founding European Economic Community countries rose 34 per cent to over $2 billion. Shipments to Italy led with an increase of 53 per cent to $457 million. Exports to Western Germany advanced 20 per cent to $527 million and those to France 46 per cent to $308 million. Food sales, mainly wheat, jumped 70 per cent to $435 million, followed by a 50 per cent rise to $750 million in shipments of fabricated materials, including wood pulp valued at $350 million. Industrial machinery ($205 million, up 30 per cent), fabricated steel materials, chemicals, passenger automobiles, and other transportation equipment were the major contributors to the 30 per cent rise in imports to $1.8 billion in 1974.

In Latin America, Brazil more than tripled its purchases in Canada to $380 million, mainly wheat. Sales to Venezuela rose one third to $175 million and to Mexico by one half to $177 million. Wheat sales to the area quadrupled to $325 million, on twice the quantity shipped in 1973. Exports of transportation equipment advanced two thirds to $170 million. Newsprint and fabricated steel materials were other important commodities in greater demand. Crude petroleum dominated imports from the area. In addition to Venezuela, small quantities were also obtained from Columbia and Ecuador. Crude oil imports from this area actually dropped 15 per cent to 131 million barrels, although payments increased 150 per cent to $1.2 billion in 1974. Other major imports included sugar, coffee and fuel oil.

Exports to the rest of the world amounted to $3.3 billion, or 10 per cent of total sales in 1974. While exports rose by one quarter over 1973, imports jumped by two thirds to over $4 billion, or 13 per cent of total imports. Shipments to Commonwealth and preferential countries (excluding Britain) increased 22 per cent to $1 billion, and included wheat, newsprint, lumber, metals and communications equipment. Imports from these countries rose 27 per cent from 1973 and exceeded exports by $55 million in 1974. Last year Canada bought 84 per cent of her raw sugar from Australia, South Africa, Mauritius and other Commonwealth countries. Payments for this commodity jumped to over $400 million from $162 million just one year earlier but volume declined 11 per cent to somewhat less than one million tons. Other food purchases were valued at $500 million. Imports of fabricated materials reached $680 million in 1974. Deliveries to China, mainly of wheat, increased to $434 million from $273 million one year earlier, in contrast to plummeting shipments to the USSR, which fell to $29 million from $290 million in 1973.

Efforts to increase exports to oil producing countries of the Middle East and North Africa, Egypt, Syria and Lebanon met with some success as shipments rose to $350 million in 1974 from $140 million in 1973 and less than $100 million in 1972, mainly of wheat to Algeria and Lebanon and of fabricated materials to Iran, Iraq and Algeria. This did not prevent a widening of the trade gap as payments for crude petroleum rose to $1.4 billion for 160 million barrels in 1974 from $450 million for 173 million barrels in the preceding year.

Outlook for 1975[2] — As the industrialized world passes through a period of economic slowdown, Canada's exports will continue to be adversely affected. Unfavorable factors include the continuing weak performance of the automotive and construction sectors in the American economy during 1975 and a high saturation of Japan's demand for raw materials on account of excess stocks acquired during 1973 and 1974. Canada's terms of trade are expected to continue on the declining course evident in 1974, as price levels of metals and wheat weaken in relation to prices of imported manufactured goods.

The deteriorating balance of trade will reflect the scheduled reduction of crude petroleum exports to 800,000 barrels a day from January 1 and 650,000 barrels a day from July 1, 1975. On the other hand, the mild winter weather should reduce demand for petroleum imports. One should also note the significant deceleration during 1974 in the declining rate of the volume of exports and in the rate of increase in the volume of imports. In summary, a rather large trade deficit should be expected for 1975, its size dependent on the degree of recovery of the American economy officially forecast for this year.

[1]*Canada's published trade totals do not comprise international shipments of unrefined and refined gold nor gold and other coin. With the exports increasing 45 per cent from $177 million to $257 million and the imports more than tripling from $46 million to $160 million, the inclusion of these commodities would have added $131 million and $97 million respectively to the merchandise trade surpluses of 1973 and 1974.*

[2]*While based on official statistics and background information, the commentary on outlook represents the personal views of the author, an economist in the Trade Review and Research Section, External Trade Division, and not those of Statistics Canada.*

Canadian Trade With All Countries and the United States, 1973-74

(by section and commodity division)

	Exports — $million				Imports — $million			
	World		U.S.		World		U.S.	
	1973	1974	1973	1974	1973	1974	1973	1974
Live animals	145	89	118	72	137	109	131	100
Food, feed, beverages, tocacco	3,008	3,709	862	805	1,844	2,398	861	1,137
Meat and preparations	203	149	108	70	229	195	88	80
Fish and marine animals	434	371	282	249	110	119	53	57
Grain, flour, meal, cereal preparations	1,633	2,509	70	130	129	245	113	226
Fruits, vegetables and preparations	106	105	40	49	609	684	402	468
Sugar and preparations	38	43	19	17	212	502	17	61
Miscellaneous foods, materials, preparations	183	143	60	43	337	404	103	150
Fodder and feed	114	107	47	42	71	80	70	79
Beverages	238	207	231	200	131	140	7	8
Tobacco	59	75	3	3	17	19	8	9
Crude materials, inedible	5,019	7,762	2,734	5,028	2,016	4,067	780	1,075
Animal products	118	112	46	45	84	91	58	60
Vegetable and wood products	463	502	81	106	215	311	168	251
Textile and related fibres	20	26	10	16	158	162	115	121
Metal ores, concentrates, scrap	1,997	2,372	599	717	330	394	170	200
Crude petroleum and natural gas	1,833	3,902	1,833	3,902	941	2,643	0	0
Coal and other bituminous substances	166	319	4	46	175	309	175	308
Non-metallic minerals	407	506	151	181	88	119	72	99
Other waste and scrap	17	24	11	16	24	37	23	36
Fabricated materials, inedible	8,194	10,569	5,698	7,025	4,282	6,469	2,824	4,203
Leather and rubber materials	13	11	8	8	107	138	77	104
Wood	1,846	1,493	1,446	1,029	248	334	184	257
Wood pulp	1,059	1,855	617	1,060	17	19	13	17
Paper and paperboard	1,555	2,113	1,196	1,525	139	207	130	192
Textiles	115	132	44	51	636	816	303	408
Oils, fats, waxes, extracts, derivatives	49	72	9	12	84	159	55	107
Chemical products	699	976	455	673	1,023	1,537	806	1,167
Petroleum and coal products	312	594	293	476	215	370	88	143
Iron and steel alloys	479	746	359	568	653	1,258	355	636
Non-ferrous metals	1,603	1,976	888	1,121	373	600	239	419
Metal basic products	160	217	126	175	415	566	326	422
Non-metallic mineral basic products	164	174	132	136	245	332	162	223
Miscellaneous products	140	210	127	192	104	133	85	108
End products, inedible	8,308	8,980	7,161	7,632	14,777	18,171	11,695	14,442
Industrial machinery	554	751	384	498	2,126	2,715	1,658	2,143
Farm machinery and tractors	290	397	274	375	636	902	558	789
Passenger automobiles and chassis	2,373	2,628	2,316	2,571	1,775	2,012	1,438	1,627
Other motor vehicles, engines and parts	2,965	2,900	2,808	2,735	4,188	4,969	4,057	4,669
Aircraft, engines, and parts	414	433	332	321	511	628	461	589
Other transportation equipment	313	218	140	124	397	639	247	448
Communication and related equipment	301	353	177	216	812	956	505	582
Electric lighting and distribution equipment	88	104	54	49	264	298	196	234
Scientific equipment	130	135	80	79	372	436	305	359
Office equipment and computers	205	217	135	118	497	607	398	475
Other equipment and tools	159	199	110	135	859	1,185	707	984
Apparel, accessories, and footwear	138	145	101	97	458	578	70	114
Other personal and household goods	99	115	64	66	563	703	230	322
Pharmaceutical products	39	40	8	11	110	145	62	81
Books, printed matter	49	65	43	57	317	373	259	308
Photographic goods	35	42	25	31	283	359	189	245
Miscellaneous end products	156	239	110	151	510	665	358	474
Special transactions, trade	*45*	*82*	*40*	*68*	*247*	*313*	*192*	*249*
Total	**24,719**	**31,191**	**16,612**	**20,630**	**23,303**	**31,527**	**16,484**	**21,206**

Percentage Distribution of Exports and Imports by Stage of Fabrication
(per cent)

	Exports				Imports			
	1971	1972	1973	1974	1971	1972	1973	1974
All Countries								
Crude materials	27.1	26.5	29.3	34.3	12.3	12.1	13.2	16.6
Fabricated materials	34.7	34.6	34.5	34.8	21.4	20.6	19.9	22.6
End products	38.2	38.9	36.2	30.9	66.3	67.3	66.9	60.8
United States								
Crude materials	17.2	17.0	19.0	26.2	8.3	8.2	8.8	8.9
Fabricated materials	34.1	34.8	35.0	34.5	18.7	18.0	17.9	20.6
End products	48.7	48.2	46.0	39.3	72.9	73.8	73.3	70.5

New program to assist Canadian shipbuilders

After two years of study, the federal government has introduced a new shipbuilding assistance program. This new program will have advantages over previous ones in that it provides incentives for improved performance to increase productivity and efficiency.

It provides for a subsidy of 14 per cent of the approved cost of a vessel built in Canada. This subsidy level will be reduced to 8 per cent at the rate of 1 per cent annually starting January 1, 1976. The program has no terminal date.

To encourage the yards to modernize and improve productivity, the program also provides for an incentive grant of up to 3 per cent of the cost of vessels entitled to subsidy, or purchased by the federal government. This incentive grant will be paid when matched by an equal capital investment by a shipyard for modernization.

Assistance programs for the construction of fishing vessels built and owned in Canada will be maintained and the Fisheries and Marine Service of Environment Canada will continue to administer its program for fishing vessels of 35 feet to 75 feet in length.

For fishing vessels over 75 feet in length, owned and operated in Canada, government support will be maintained by a combination of the new Shipbuilding Assistance Program of the Department of Industry, Trade and Commerce and an extended fishing vessel program administered by Environment Canada. A new vessel assistance program for the fishing industry is being developed by the Ministry of State for Fisheries.

The new shipbuilding program will encourage the use of Canadian materials, components and equipment. Shipbuilders will have the option of completing existing agreements under SCSR and STAP (see below), or they may choose to transfer these agreements to the new Shipbuilding Assistance Program. All applications received after March 14, 1975, including fishing vessels over 75 feet in length, have been processed in accordance with the new Shipbuilding Assistance Program.

The Canadian shipbuilding industry at present consists of eight major shipyards, 15 intermediate and about 30 smaller establishments. They construct new vessels, conduct extensive repair and conversion operations and fabricate heavy industrial products.

Production of new vessels currently runs at approximately $315 million annually, about $175 million of which is exported. Annual revenue for repairs totals about $70 million and another $65 million worth of industrial products are manufactured — in other words, a $450 million industry.

Under the old shipbuilding assistance scheme, there were two programs, the Ship Construction Subsidy Regulations (SCSR) and the Shipbuilding Temporary Assistance Program (STAP). SCSR provided subsidies of 35 per cent for fishing vessel construction and 17 per cent for other commercial vessels. STAP provided a subsidy of 17 per cent on vessels for export.

Trade Commissioners on the Move

	From	To
B. Adam	Training — Ottawa	Tehran — Assistant Commercial Secretary
J. Klassen	Russian language training — Ottawa	Moscow — Assistant Commercial Secretary
D.H. Cheney	Russian language training — Ottawa	Moscow — Minister-Counsellor (Economic)
D.R. Bjonback	Assistant Commercial Secretary — Tehran	Ottawa

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 International Bureaux, 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.

Note: The following rates were current at March 5. Because of unsettled market conditions exporters should consult their bankers for up-to-date quotations.

Country and Currency	foreign currency unit in Canadian dollars	Canadian dollar in foreign currency units
Algeria		
Dinar	.2380	4.20
Arab Republic of Egypt		
Pound (official)	2.5500	.39
Argentina		
Peso (financial)	.0999	10.01
(commercial)	.1996	5.01
Australia		
Dollar	1.3635	.73
Austria		
Schilling	.0614	16.29
Bahamas		
Dollar	.9978	1.00
Belgium and Luxembourg		
Franc	.0293	34.13
Bermuda		
Dollar	1.0397	.96
Bolivia		
Peso	.0494	20.24
Brazil		
Cruzeiro (official free)	.1313	7.62
Britain		
Pound	2.4262	.41
British Honduras		
Dollar	.6078	1.64
Burma		
Kyat	.2072	4.83
Chile		
Escudo (commercial)	.0004	2,500.00
(financial)	.0003	3,333.33
China, Peoples' Republic of		
Yuan	.4188	2.39
Colombia		
Peso (fixed)	.0360	27.78
Costa Rica		
Colon	.1197	8.35
Cuba		
Peso	N.A.[10]	
Czechoslovakia		
Koruna (fixed basic rate)	N.A.[10]	
Denmark		
Krone	.1847	5.41
Dominican Republic		
Peso	.9978	1.00
Ecuador		
Sucre (official)	.0399	25.06
El Salvador		
Colon	.3991	2.51
Fiji		
Dollar	1.2473	.80
Finland		
Markka	.2870	3.48
France, Monaco, etc.[1]		
Franc	.2391	4.18
French Pacific[2]		
Franc	.0132	75.76
Franco-African Republics[3]		
Franc	.0048	208.33
Germany		
D Mark	.4352	2.30
Ghana		
New Cedi	.8647	1.16
Greece		
Drachma	.0342	29.24
Guatemala		
Quetzal	.9978	1.00
Guyana		
Dollar	.4444	2.25
Haiti		
Gourde	.1996	5.01
Honduras		
Lempira	.4989	2.00
Hong Kong		
Dollar	.2135	4.68
Hungary		
Forint (official)	.0869	11.51
Iceland		
Krona (official)	.0067	149.25
India		
Rupee	.1291	7.75
Indonesia		
Rupiah	.0024	410.00
Iran		
Rial	.0134	74.63
Iraq		
Dinar	3.3704	.30
Ireland		
Pound	2.4262	.41

Country and Currency	foreign currency unit in Canadian dollars	Canadian dollar in foreign currency units
Israel Pound	.1663	6.01
Italy Lira	.0015	666.66
Jamaica Dollar	1.0976	.91
Japan Yen	.0035	285.71
Kenya[4] Shilling	.1379	7.25
Korea, Republic of Won	.0024	404.38
Lebanon Pound (free)	N.A.[10]	
Libya Dinar	2.777	.36
Malawi Kwatcha	1.2280	.81
Malaysia Dollar	.4475	2.23
Mexico Peso	.0780	12.82
Morocco Dirham	.2353	4.25
Netherlands Florin	.4243	2.36
Netherlands Antilles Florin	.5574	1.79
New Zealand Dollar	1.3505	.74
Nicaragua Cordoba	.1410	7.09
Nigeria Naira	1.4700	.68
Norway Krone	.2044	4.89
Pakistan Rupee	.1008	9.92
Panama Balboa	.9978	1.00
Paraguay Guarani (free)	.0078	128.21
Peru Sol (free)	.0225	44.44
Philippines[5] Peso (free)	.1402	7.13
Poland Zloty (fixed basic rate)	.2577	3.88
Portugal & Overseas Provinces[6] Escudo	.0419	23.87
Saudi Arabia Riyal	.2850	3.50
Sierra Leone Leone	1.2371	.81
Singapore Dollar	.3358	2.98
South Africa Rand	1.4867	.67
Spain & Dependencies Peseta	.0181	55.25
Sri Lanka[7] Rupee	.1555	6.43
Sweden Krona	.2567	3.90
Switzerland Franc	.4095	2.44
Syria Pound (free)	.2711	3.69
Thailand Baht (free)	.0493	20.28
Trinidad & Tobago[8] Dollar	.5055	1.98
Tunisia Dinar	2.2927	.44
Turkey Lira	.0713	14.03
United States Dollar	.9978	1.00
Uruguay Peso (free)	.0004	2,500.00
Venezuela Bolivar (official free)	.2302	4.34
Yugoslavia Dinar (official)	.0571	17.51
Zaire, Republic of[9] Zaire	1.961	.51
Zambia Kwacha	1.3893	.72

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

2. New Caledonia, New Hebrides, French Polynesia.

3. Chad, Central African Republic, Congo (Brazzaville), Dahomey, Gabon, Ivory Coast, Islamic Republic of Mauretania, Niger, Senegal, Upper Volta, Cameroon, Togoland, and Malagasy. Also Reunion, Comoro Islands, St. Pierre and Miquelon.

4. Rate also applies to Tanzania and Uganda.

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

6. Approximately same for Portuguese territories in Africa.

7. Formerly Ceylon.

8. E. C. dollar, at same rate, used in Leeward and Windward Islands.

9. Formerly Congo (Kinshasa).

10. Rates not available at press time.

Wanted: Manufacturers

This information is intended to promote additional manufacturing in Canada and is re-printed from the New Products Bulletin, published by the Industrial and Trade and Enquiries Division of the Department. Further material on items listed is for Canadian manufacturers only and no responsibility is assumed for claims or statements made. Address inquiries, quoting item numbers, to: Industrial and Trade Enquiries Division, Department of Industry, Trade and Commerce, Ottawa K1A 0H5.

Concrete slab, artificial stone and tile production equipment
German firm is offering the Canadian manufacturing rights to its range of machinery for the production of concrete slabs and paving stones, flagstones and tiles. The slab production equipment consists of a press with surcharge vibration, hydraulic pump, automatic feeding device and control panel. As an option, it can be equipped with an automatic material skip hoist and take-off device. Flagstone and tile production equipment includes automatic tile-grinding machines, fully-automatic turntable tamping machines and take-off devices, etc. Literature available. **Item 3134**

Self-locking screw
American firm is offering the Canadian manufacturing rights to its all-metal, prevailing-torque, self-locking screw. This re-usable lockscrew has an integral resilient rib that keeps parts together under stress and at high temperatures and produces the locking effect upon assembly with a standard nut or blind hole. The screws are produced by conventional thread-rolling machines using a set of special dies, thus requiring a small additional capital expenditure by those companies already possessing such machines. It is claimed the locking effect remains even after repeated assembly and disassembly of the screw with mating thread. Literature available. **Item 3135**

Cold presses for producing bolts, screws
German firm seeks a joint venture or licensing arrangement with a Canadian company for the manufacture of its high-capacity single or double-blow cold upsetting machines (headers) for the production of screws, bolts, rivets and spherical parts. The machines usually operate with wire coil but for special cases will accept single blank feed. The machines are claimed to be low-priced and of sturdy, reliable construction. Literature available. **Item 3136**

Grain seeder
Yugoslavian firm seeks to licence a Canadian company to manufacture its lightweight device for sowing seeds of all types, particularly very small ones such as wheat. The main feature of the equipment is a rotating spiral which separates a fixed amount of seed and throws it into the rotor which distributes it to circular placed outlets. The seeder is of the hitch type designed to be pulled by a tractor. The spiral is powered by the turning of the seeder's wheels. Literature available. **Item 3137**

GRP moulding process
British firm offers under licence the Canadian manufacturing rights to a new moulding process for the production of large size glass-reinforced plastic parts. The process utilizes light-weight, low-cost-material moulds secured by hydraulic clamp units. It combines techniques of vacuum resin impregnation with low-pressure compression moulding between matched moulds. The process is well suited to large composite structures in excess of 250 lbs. and 100 sq. ft. in area. Claimed advantages over spray and hand lay up operations include increased productivity, lower labour content, and complete adhesion between the F.R.P. and core materials. Literature available. **Item 3138**

Pre-fabricated railway crossing slabs
German firms seeks to licence a Canadian company to manufacture its pre-fabricated reinforced concrete railway crossing slabs. Slabs are installed using a new flotation principle, supported by non-shrinkable metallic grout filled mortar bags, placed on ties. They are secured to the rails with specially designed hardware. This system is claimed to offer advantages in ease of installation and low cost maintenance. Literature available. **Item 3139**

Accumulating conveyor — joint venture
American company seeks a Canadian joint venture partner to manufacture its accumulating roller conveyor. The conveyor has a very low line pressure due to the difference of coefficient of friction between the rollers and the products and the rollers and roller shafts. It is designed for applications where products must be accumulated, or conveyed gently and quickly. Chief advantages claimed are low line pressure, low noise, ease of installation and maintenance, ability to accumulate on one lane while conveying on another, and fully powered turns with no dead plates. Literature available. **Item 3140**

International Projects

INDIA — INDUSTRY

About 850 medium- and large-scale industrial enterprises in India will be able to maintain and expand production with the assistance of a credit of $100 million from the International Development Association (IDA), an affiliate of the World Bank. The credit will meet part of the industries' foreign exchange requirements of about $911 million during 1975/76 for imports of raw materials, components and spare parts.

India's industrial growth during the late 1950's and the first half of the 1960's was quite rapid. India now has a highly diversified industrial structure capable of producing a wide range of capital goods and intermediates. Since 1966, however, India's industrial growth has slackened. Among the factors contributing to the inadequate rate of growth has been the under-utilization of capacity caused by the shortage of imported raw materials and components. The IDA credit of $100 million will enable the

Government to finance additional imports.

The products of the eligible industries are crucial to India's economic development. The industries selected are: tractors and power tillers, fertilizers, pesticides, electrical equipment, aluminum smelting, commercial vehicles, automotive ancillaries, castings and forgings, machine tools, heavy construction equipment and spare parts for heavy earth moving and power generating equipment.

ROMANIA — AGRICULTURE

The World Bank has approved two loans totalling $100 million to assist in the development of agriculture in Romania, which seeks to develop agriculture as an important complement to the significant progress already made in industry during the past decade. The main needs are to increase productivity and production, and to reduce year-to-year fluctuations in output which result from dependence upon uncertain weather.

A $70 million loan will help Romania finance a major irrigation project 60 km southwest of Bucharest. The Giurgiu-Razmiresti Irrigation Project will use water from the Danube to irrigate about 100,800 hectares located between the towns of Giurgiu and Razmiresti in southern Romania. The irrigation works will serve about 18,500 hectares under cultivation by State farms and about 82,300 hectares owned by co-operatives.

A $30 million loan will help to finance over 40 individual agricultural production projects in southwestern Romania. The project will be based upon the recently completed 74,600 hectare Sadova-Corabia irrigation scheme located in a historically poor region of Oltania. It will include on-farm development for crop production and livestock development on co-operatives and State farms, as well as investments in a number of related agro-industries.

Implementing Organization (Agriculture): Bank for Agriculture and Food Industry, Bucharest, Romania.

Procurement: $37.1 million of materials, equipment and livestock to be used for the project will be procured either through international competitive bidding or on the basis of international price quotations under World Bank guidelines. Contracts for $21.6 million of materials and equipment which can be bulked for tendering in amounts of $100,000 or more will be awarded on the basis of international competitive bidding. For purposes of bid comparison under international competitive bidding, local suppliers will be accorded a preference of 15 per cent or the applicable customs duty, whichever is lower. About $2.9 million of small contract items not available in Romania and female dairy cattle expected to cost $12.6 million will be procured on the basis of price quotations from suppliers in at least three countries.

Implementing Organization (Irrigation): Department of Land Reclamation and Agricultural Construction, Ministry of Agriculture, Food Industry and Water Management, Bucharest, Romania.

Procurement: Contracts for the supply of major equipment and materials totalling $59 million (including contingencies) will be put to tender on the basis of international competitive bidding under World Bank guidelines. A margin of preference for local equipment manufacturers of 15 per cent or customs duty, whichever is lower, will be applied. Up to $700,000 of locally available items will be procured under Romanian procedures because the contract amounts would be too small to attract international interest.

Consultants: Will be retained to assist in preparation and processing of tender documents for procurement in accordance with Bank guidelines. Consultants or suppliers post-sale services will assist in erection and preliminary operation of imported equipment and machinery. Specialized and on-the-job training in foreign countries is planned for economists and for project technical personnel in irrigation, engineering and agricultural skills.

Export Opportunities

The inquiries listed below come from several sources, including various Branches of the Department in Ottawa and the Trade Commissioner Service posts abroad. Exporters should correspond directly with the companies or agencies mentioned, using the addresses given, and should send copies of the correspondence to the Trade Commissioner for follow-up. The Department of Industry, Trade and Commerce cannot assume any responsibility for trade negotiations that exporters may enter into with these firms, nor can it vouch for their commercial standing.

The inquiries listed below come from several sources, including various Branches of the Department in Ottawa and from the Trade Commissioner Service posts abroad. More information on these items can be had by contacting the post at the address shown under each item. In some cases we have given the name and address of the company so they may be contacted direct.

Agriculture

SWITZERLAND — Unmanufactured tobacco: Commercial Counsellor, Canadian Embassy, Kirchenfeldstrasse 88, 3000 Berne, Switzerland.

Electrical and Electronics

GREECE — Greek importer/agent of toys and other small domestic electric appliances would like to contact Canadian suppliers of small motors suitable for hair driers and other small electric appliances. They are interested in fractional motors ranging from 2 watts to 1,000 watts: Commercial Secretary, Canadian Embassy, 4 Ioannou, Ghennadiou Street, Athens 140, Greece.

MALAYSIA — Company seeking representation on exclusive agencies basis in Malaysia, Singapore, Brunei and possibly other Asian countries for the following products: gas and electrical cookers; washing machines; electrical irons and other household appliances; power drills: Far East Oxygen (M) Sdn. Berhad, P.O. Box 1087, Jalan Semangat Post Office, Petaling Jaya, Selangor, Malaysia.

SWITZERLAND — Computer software and potentiometers: Commercial Counsellor, Canadian Embassy, Kirchenfeldstrasse 88, 3000 Berne, Switzerland.

TURKEY — A Turkish firm is interested in importing power driven hand tools such as sanders, drills, lapidary equipment, etc. Please forward catalogues and 1975 price lists to: Mr. Nasit Kisakurek, Cihan Sokak, 29/10, Sihhiye, Ankara, Turkey, with a copy of correspondence to Commercial Counsellor, Canadian Embassy, Nenehatun Caddesi 75, Gaziosmanpasa, Ankara, Turkey.

Equipment and Machinery

GREECE — A Greek company, producing plastic film and film bags, is interested in finding Canadian suppliers of film extruders of 110-150 kg/hour capacity, size 60 centimeters, and related film bag making equipment: Commercial Secretary, Canadian Embassy, 4 Ioannou, Ghennadiou Street, Athens 140, Greece.

Foodstuffs

MALAYSIA — Quality biscuits packed in 8 oz. and 1 lb. sizes: S. Pritam Singh Co. (M) Sdn Berhad, 76, Jalan Haji Hussein, Kuala Lumpur, Selangor, Malaysia.

SWITZERLAND — Swiss firms interested in finding suppliers of: concentrated orange juice, pears, apples, conserves of mandarines, conserves of crabs; live, blanched and cooked lobsters: Commercial Counsellor, Canadian Embassy, Kirchenfeldstrasse 88, 3000 Berne, Switzerland.

Hardware

MALAYSIA — Building hardware such as locks; shutters; hinges; plumbing fittings, etc. and tools, bolts and nuts, etc.: Far East Oxygen (M) Sdn. Berhad, P.O. Box 1087, Jalan Semangat Post Office, Petaling Jaya, Selangor, Malaysia.

Recreation

SWITZERLAND — Hunting and sporting arms, hunting accessories, fishing rods, fishing apparel and accessories: Commercial Counsellor, Canadian Embassy, Kirchenfeldstrasse 88, 3000 Berne, Switzerland.

Foreign Tariffs and Trade Regulations

BRAZIL

The Customs Policy Council has announced the following tariff changes:

Resolution 2314 of January 16, 1975 reduces the duty from 15% to 10% for one year on vanadium pentoxide (tariff heading 28.28.16.00).

Resolution 2315 of January 16, 1975 exempts from duty a quota of 53,197. metric tons (dry weight) of synthetic rubber latex for the year 1975 within specially authorized individual quotas (tariff heading 40.02.00.00).

Resolution 2322 reduces the duty from 85% to 25% for one year as of January 16, 1975 on polypropylene films, nominal thickness up to 0.026 mm for the manufacture of electrical condensers. (tariff heading 39.02.04.99).

Resolution 2323 of January 16, 1975 exempts from duty vibratory coffee harvester, portable, driven by internal engine, if imported by user or if consigned to him (tariff heading 84.25.99.00).

Resolution 2325 & 2326 revoke tariff exemptions granted on low density and high density polyethylene (tariff headings 39.02.02.01 and 39.02.02.02).

Resolution 2327 of January 15, 1975 exempts from duty non-concentrated emulsifier for fast etching of micro-zinc cliches if imported by newspapers or editors (tariff heading 34.02.99.00).

Resolution 2328 of January 20, 1975 exempts from duty for one year tetrahydrothiophen (tariff heading 29.35.33.-00).

Resolution 2329 of January 20, 1975 extends for one year the exemption from duty granted by resolution 1992 on fertilizers for use on leaves (tariff headings 31.05.06.00 and 31.05.99.00).

Resolution 2331 of January 20, 1975 exempts from duty for one year mechanical wood pulp (47.01.01.00), semi-chemical wood pulp (47.01.02.00), chemical soda and sulphate wood pulp, unbleached (47.01.04.00) chemical soda and sulphate wood pulp, bleached (47.01.05.00), chemical sulphite wood pulp, unbleached (47.01.06.00), chemical sulphite wood pulp, bleached (47.01.07.-00) and paper waste for the manufacture of paper (47.02.00.00). Exemption will not be granted to third countries if firm offers available from LAFTA countries.

PERU

Supreme Decree No. 1310-74 AG of December 30, 1974 exempts from customs duties and taxes for the year 1975 a wide list of products imported by the agricultural sector. The list includes purebred animals; animal semen; seeds for sowing; certain fertilizers, insecticides and fungicides; tractors and farm machinery.

SPAIN

An official bulletin of February 8, 1975 announces the following global quotas:

	Tariff heading	Annual Value (pesetas)	Method of calling
Hops	12.06	62,004,635	Annual
Meat preserves	16.01-16.02	62,358,947	Annual
Fruit preserves	20.03-20.04	62,358,947	Annual

Miscellaneous food products	19.04-21.07B 21.07D	12,666,660	Annual
Soups and soup preparations	21.05	23,384,605	Annual
Beer	22.03	28,757,119	Open permanently
Fish meal	23.01B	372,984,452	Open permanently
Pottery products	69.11B-12B 69.13-69.14	36,300,000	Six monthly
Anthracite	27.01B	41,896,250	Open permanently
Other glass products	70.21C	16,500,000	Six monthly
Costume jewellery etc.	71.15-71.16	28,600,000	Six monthly
Other foundry iron and steel products	Ex.73.40.C-1 73.40 C-2 - 73.40.C3	44,000,000	Six monthly
Unwrought lead & products	78.01-78.02	33,000,000	Open permanently
Industrial hand tools	82.03A-82.03B 82.03C Ex.82.03E 82.04	102,300,000	Six monthly
Saws and blades	Ex.82.02	33,000,000	Six monthly
Fatty alcohols	15.10C	78,650,000	Six monthly
Perfumery, cosmetics and toilet preparations	33.06-34.01B	39,600,000	Six monthly
Chemically pure glucose and lactose	17.02A1- 17.02.B-1	78,650,000 27,500,000	Six monthly
Surface active preparations	34.02B		Six monthly
Phenoplasts and furane resins	39.01A	88,000,000	Six monthly
Aminoplasts	39.01B	59,400,000	Six monthly
Dextrins and dextrin glues, soluble or roasted starches, starch glues	35.05	5,500,000	Six monthly
Fireworks and matches	36.05-36.06	1,100,000	Six monthly
Photographic material	37.04A-37.05B	6,050,000	Six monthly
Polyvinyl chloride	39.02E	59,400,000	Six monthly
Styrene polymers and co-polymers	39.02C	30,250,000	Six monthly
Other styrene polymers etc	39.02A-2:39.02N	74,800,000	Six monthly
Articles of materials of the kind described in headings 39.01 and 39.06	39.07B	88,000,000	Six monthly
Silk fabrics	50.09-50.10	60,500,000	Six monthly
Cotton yarns	55.05-55.06	26,620,000	Six monthly
Cotton fabrics	55.07-55.08- 55.09	72,600,000	Six monthly
Tulle, lace, velvet and knitted fabrics	58.04E-58.09 58.09-60.01C	33,800,000	Six monthly
Special fabrics	Ex.59.03 A-59.07 59.08 Ex.59.11-Ex. 59.12-Ex.59.13-60.06 A-1-60.06 B-1	30,250,000	Six monthly
Carpets and rugs made from cotton	58.01-58.02		
Other textile manufactures	58.03 58.05D-58.07A1 58.07B1-58,07C-1 58.07.D-1-59.01 59.02C Ex.59.04B Ex.59.05C Ex.59.06 Ex.59.14 Ex.59.15	14,300,000	Six monthly
Knitwear	Ex.60.02-60.03A-2 60.03B-2 60.03C-1 60.04C-60.05C	25,300,000 3,630,000	Six monthly Six monthly
Outerwear	61.01A-Ex.61.01D 61.02A-Ex.61.02D	17,600,000	Six monthly
Underwear	61.03A-Ex.61.03D 61.04A-Ex.61.04D	3,300,000	Six monthly
Other garments and fabric accessories	61.05-61.07-61.09	9,350,000	Six monthly
Other ready-made clothing	62.01.B-1-62.02A 62.03-Ex.62.04 Ex.62.05B	9,680,000	Six monthly
Sewing machines	84.41 A-1	9,900,000	Six monthly
TV and sound receivers	85.15A-1-85.15A2	59,400,000	Six monthly
Transmission and reception apparatus	85.15B-1-85.15B-2 85.15B-3	129,800,000	Six monthly
Non-liberalized parts for the manufacture of electric radiotelegraphic, radiotelephony and TV apparatus, and carbon brushes for film projection	Ex.85.15E Ex.85.24 C	156,200,000	Open permanently

	Tariff heading	Annual Value (pesetas)	Method of calling
Equipment material for new investments	Sections XVI and XVII	15,005,121,670	Open permanently
Special vehicles for the transportation of earth, rocks and minerals	87.02 B-2	389,743,420	Six monthly
Motor vehicles for the transport of goods or of persons & goods (with max. 9 seats)	87.02 A-1	1,210,000,000	Six monthly
Parts for the manufacture of tractors	Ex.87.06	171,487,104	Open permanently
Industrial motor vehicles and their parts and accessories for their manufacture	87.01.C Ex.87.02 A-2 87.02 B.1-87.02 B3 Ex.87.03 Ex.87. 05 Ex.87.06	330,000,000	Six monthly (except for parts which open permanently)
Parts and accessories for the manufacture of motor cars	Ex.87.04 A Ex.87.05E Ex.87.06	292,304,265	Open permanently
Gramophones, dictating machines and other sound recorders and reproducers	92.11C 92.11D 92.11E	42,900,000	Six monthly
Prepared record blanks, not liberalized and parts and accessories for non liberalized apparatus under Tariff heading 92.11	92.12B2 92.13	51,700,000	Open permanently
Arms	93.01 93.02 93.03 93.04 93.05 93.06	33,000,000	Six monthly
Munitions	93.07	16,500,000	Six monthly
Toys	97.01 97.02 97.03	33,000,000	Six monthly
Games and parlour games	97.04 97.05 97.08	26,400,000	Six monthly

Try a new twist in summer hiring

It's that time of year again — the time of the great student job scramble. Among the students pounding on the doors of private enterprise and government offices across the country are the ones from Association Internationale des Etudiants en Sciences, Economiques et Commerciales. Fortunately, this highly-regarded organization is better known by its more wieldy acronym, AISEC (eye-sek), and even if it is not exactly a household word in Canadian executive circles, more employers are hiring its members than ever before.

AISEC is a giant among student organizations. It was founded in the late Fifties and now has members in 52 countries (see *Canada Commerce*, November/December 1974). Managers who have taken advantage of the AISEC program invariably comment on the high calibre of the students made available. One such executive is Gray Gillespie, director of the Winnipeg Regional Office of the Department of Industry, Trade and Commerce. Mr. Gillespie's office has been hiring university students for summer work since 1967 but last summer was the first in which an AISEC member was employed.

The student was Arne Hoff, a 22-year-old graduate of the University of Economics and Business Administration in Bergen, Norway. Mr. Gillespie employed him during June, July and August, and told *Canada Commerce* of the experience: "He proved to be the most successful, competent and enthusiastically thorough summer student we have ever employed."

Mr. Gillespie said that comment was not meant to imply criticism of Canadian students, saying that Mr. Hoff probably had an extra degree of motivation simply because he was in a foreign country working for an unfamiliar organization and anxious to do well. However, Mr. Gillespie noted that the Norwegian student showed a sense of business which was "somewhat surprising to us as we have not evidenced quite the same realistic comprehension among the Canadian university students we have been exposed to."

Mr. Hoff also had some comments about the AISEC experience. He said he had become involved because he wanted some international business experience and also because it seemed like a good opportunity to undergo some practical language training. There were 12 foreign exchange students in Winnipeg alone last summer, including one other Norwegian, two French, two Austrians, one Finn, a Dane, a Japanese, a Swiss, a German and a Yugoslavian but it appears that Arne Hoff was the first foreign student ever hired by IT&C.

In a letter to Mr. Gillespie, he said: "The experience provided by the Regional Offices is just what is needed. As tomorrow's business and government

Arne Hoff

administrators we students are greatly interested in foreign trade. Certainly I have learned more about Canada and the Canadian way of doing business by being on the spot than one or two years at my university could have provided."

According to Mr. Hoff, the AISEC program has other benefits: "Once the graduates have spent a summer or two in Canada, they will be able to assist Canadian Trade Commissioners around the world. Certainly this will be true in my case because I was not treated as merely a foreign guest but rather as a potential Canadian. It is certainly a country I would like to see more of."

It should be noted that AISEC is not a one-way street. For every student placed in Canada, a Canadian travels to an assignment abroad.

SNC Group doubles net income, says annual report

Net income of The SNC Group for 1974 doubled the 1973 figure, with the company realizing net income of $2,752,000 or $2.08 per share, compared to $1,361,000 or $1.05 per share in 1973.

Sales increased by $21 million, from $40,738,000 in 1973 to $61,732,000 in 1974. "More than $16 million of this increase came from additional sales of professional services," stated SNC Group president Camille A. Dagenais. He attributes the company's outstanding 1974 performance to "our reputation for management skills and our consequent ability to accomplish projects within time and cost constraints".

Of the Group's 1974 revenues, 21 per cent came from international work (see January *Canada Commerce*), 53 per cent from projects in Quebec and 26 per cent from the rest of North America. "Both the percentage and dollar value of North American business outside Quebec have risen sharply", said Mr. Dagenais. "Our chief accomplishment was our penetration of the U.S. market through the establishment of a subsidiary, SNC Limited. Projects totalling $225 million in capital value were obtained in the United States.

In Canada we moved into the expanding markets of the West and North-West through the formation of a new company, SNC Tottrup Services Ltd., with offices in Edmonton and Calgary." In 1974 The SNC Group also set up a joint company in Africa, SNC (Nigeria) Ltd., in partnership with the government of the Midwest State of Nigeria.

The SNC Group is currently at work on projects with a total capital value of $2.2 billion. "Of this figure," the president said, "$1.8 billion represents projects for which we are providing 'engineer-procure-construct' services — an increase of more than $1 billion over 1973. I think this shows that we have accomplished our objective of becoming Canada's leading 'engineer-procure-construct' company."

Among some of the Group's more outstanding assignments in 1974 were the Canada-France-Hawaii telescope, two zinc smelters totalling $200 million in capital value in the United States, a $25 million aromatics plant in Ontario, the Montreal Urban Community's new sewage pumping station — to be the largest in North America — and the La Grande 3 site in the James Bay Development Project.

The Ocean Freight Market

As we went to press, statistics vital to preparation of this feature were not available. They had not arrived from Europe. However, The Ocean Freight Market will resume next month and the information not available for this issue will be included.

Change of Address

Since March 5, the Regina Regional Office of the Department has been located at: Room 980, Avord Tower, 2002 Victoria Avenue, Regina, Saskatchewan S4P 0R7. The Telex and telephone numbers have not changed.

Jamaican import targets

On February 26, the Jamaican Minister of Marketing and Commerce announced Jamaica's 1975 import target of $Jam. 900 million, broken down as follows:

	1975	**(1974)**
	($Jam. million)	
Food	135	(98)
Total consumer goods	220	(165)
Raw materials	260	(203)
Petroleum products	190	(147)
Capital goods	230	(210)
Other	85	(67)
Total	**900**	**(725)**

The Minister stated that this was the limit of Jamaica's ability to import and still maintain a satisfactory balance of payments. The value of the target assumes a lower rate of price inflation in 1975 than in 1974 and thus may have to be reduced if inflation should continue at or about its 1974 rate.

skaja-Sennaja Pl.
Moscow G-200
President:
N.P. Maksimov

for mines, handling and transporting machines, conveyors, rotor and multi-bucket excavators, crushing and milling equipment, ore-dressing equipment, coal and peat briquetting plants, metallurgical and foundry equipment, sintering and ore pelletizing equipment, equipment for coke-oven, blast-furnace, steel-making and foundry plants, equipment for non-ferrous metallurgical and foundry equipment, sintering and ore pelletizing equipment, equipment for coke-oven, blast-furnace, steel-making and foundry plants, equipment for non-ferrous metallurgy, rolling equipment, blooming, slabbing, steel-sheet and section mills, flattening mills, railway-wheel mills and other rolling equipment, drawing and finishing equipment for rolling and sizing shops at rolling plants, draw and push benches, pointing machines, automatic lines and equipment for sizing, straightening, cutting, trimming, grinding and polishing of rods, sheets and strips, packing lines and lines for other finishing operations, handling and transporting equipment for metallurgical industry, cranes for metallurgical applications, ore and coal reloaders and other handling machinery for metallurgical plants, equipment for integrated plants, equipment for mining, handling and dressing of iron and non-ferrous metal ores, equipment for mining and stripping applications, ferrous and non-ferrous plants, coke-oven plants, peat-briquetting plants.

V/O "Prodintorg"
32/34, Smolenskaja-Sennaja Pl.
Moscow G-200
President:
V.D. Alekseyenko

Exports and imports foodstuffs of animal origin, as well as refined and raw sugar and vegetable oils.
Exports and imports, in particular, soft and pressed caviar, tinned fish and crab-meat, quick-frozen fish, sea foods; trepangs, squids, frozen shark; dairy products, butter, boiled butter, eggs and egg products, cheeses, as well as ice-cream, sunflower seed oil, cotton and olive oil, whale oil; meat and meat products, meat subproducts, tinned meat and milk, enzyme and ferment raw materials; wildfowl and poultry; technical oils and lubricants, pedigree, draught and meat horses; pedigree cattle; animals for zoos.

V/O "Prommash-import"
32/34, Smolenskaja-Sennaja Pl.
Moscow G-200
President:
N.I. Melnikov

Imports equipment for cellulose, paper and cardboard-making factories, equipment for the manufacture of corrugated cardboard and packaging materials; equipment for making half-finished and finished paper goods; equipment for sawmills and furniture factories; chipboards and fibreboards, plywood and parquetry factories, woodworking machine-tools and other equipment for the woodworking industry, installations for coating paper and other materials; painting equipment using electrostatic and electrophoresis methods; greenhouses for growing vegetables and flowers.

V/O "Promsyrio-import"
13, Chaikovsky Str.
Moscow
President:
Y.L. Brezhnev

Exports and imports pig-iron, ferro-alloys, steel billets, steel shapes and sections, thick and thin steel sheets, white tin, zinc-plated steel in sheets and rolls, quality and high quality steels, electrotechnical sheets, steel strips, various steel ropes, steel wires, steel mesh, railway transport materials, cast-iron and steel pipes, steel cylinders, steel chains, electrodes, bolts, nails, nuts, rivets and other hardware.

V/O "Razno-export"
15, Verkhne-Krasnoselskaja Ul.
Moscow B-140
President:
A.A. Borodko

Exports and imports portland cement, window panes (plain and patterned), marble and granite in blocks and slabs; gypsum and gypsum stone, mica; vermiculite, perlite; asbocement pipes and slates; soft roofing, radiators, facing and floor tiles; sanitary engineering outfits; domestic refrigerators, washing machines, vacuum cleaners, floor polishers, irons and other electrical household appliances; electric razors, razor blades, hairdresser's equipment; conventional lighting and special electric bulbs, household electric fittings and electrical insulation materials; household sewing machines; primus stoves, kerosene stoves, samovars; hunting and sporting guns, cartridges and sports gear; crockery; musical instruments; stationery, slide rules, sets of drawing instruments, educational aids and toys; sewn and knitted wear, stitched and embroidered articles; hand-operated fire extinguishers; fibreglass articles; leather haberdashery and other ready made leather goods; leather and rubber footwear; oriental-type leaf tobaccos, cigarettes, cigar tobaccos, dark leaf

tobaccos; matches and match sticks.

V/O "Raznoimport"
32/34, Smolenskaja-Sennaja Pl.
Moscow G-200
President:
I.A. Russov

Imports and exports non-ferrous metals and alloys; non-ferrous rolled stock, foils and powders; non-ferrous ores and concentrates; cable articles, cable fittings and wires; natural and synthetic rubber, tires for lorries and passenger cars, buses, trolleybuses, motor cycles, bicycles, tractors and farm machines; technical rubber goods; floor coatings.

V/O "Sojuzchimexport"
32/34, Smolenskaja-Sennaja Pl.
Moscow G-200
President:
V.G. Molodtsov

Exports and imports products of basic chemistry, gases and elementary substances; sorbents, soda products, non-organic acids, salts of non-organic acids; products or organic synthesis; alcohols and solvents, organic acids; output of coke industry byproducts; products of timber chemistry; synthetic resins and plastics; chemical poisons; synthetic dyes and auxiliary textile substances; industrial synthetic detergents; chemicals for the rubber industry; lacquers and paints and non-organic pigments, chemical reagents and pure preparations; film and photographic materials; photographic chemicals; chemicals for colour film production; volatile oils and synthetic flavouring substances, perfumery, soap, household chemicals, glycols, silicon oils, additives to oil products.

V/O "Sojuznefteexport"
32/34, Smolenskaja-Sennaja Pl.
Moscow G-200
President:
N.Y. Merkulov

Exports crude oil, liquified and natural gases, straight run (Nafta), automobile and aviation gasoline, burning kerosene, various kinds of diesel oils and masouts, lubricating oils, petroleum coke, benzene, toluene, paraffin, ozokerite, etc. as well as imports various petroleum products.

V/O "Sojuzplodoimport"
32/34, Smolenskaja-Sennaja Pl.
Moscow G-200
President:
Y.B. Zhizhin

Imports and exports fresh, dried and quick-frozen fruit, berries and vegetables, canned fruits and vegetables, nuts, fruit and berry pulps and juices, wine materials, wines and liquors, brandies, mineral waters, soft drinks, tea, coffee, cocoa-beans, various flavourings and spices, starch, confectionery, food concentrates, baby foods and other foodstuffs.

V/O "Sojuzpromexport"
32/34, Smolenskaja-Sennaja Pl.
Moscow G-200
President:
B.Z. Nikolayenko

Exports and imports coal, coke, anthracite, coal pitch; manganese, chrome and iron ores, peroxide; asbestos and products thereof; mineral fertilizers; graphite; magnesite and magnesite clinker, refractories, crucibles and graphite retorts for metal smelting; electric carbons; sodium sulphate, sulphur pyrite; welding flux; sulphur; pyrite cinders, talcum, barite and other raw materials.

V/O "Sojuzpushnina"
6, Ul. Kuibysheva
Moscow K-12
President:
V.M. Ivanov

Exports and imports various kinds of furs, raw, dyed and dressed karakul, bristle, animal hair, brushes, hides and skins, natural and artificial leather, skin dressing waste, vegetable tanning extracts; feathers; casings and casein; bone glue and bone oil. Holds three fur auctions a year in Leningrad (in January, July, October), takes part in the Leipzig and London auctions, sells goods from warehouses in Moscow, Leningrad, Stockholm and Paris, concludes long-term contracts for delivery of furs to foreign firms.

V/O "Stankoimport"
32/34, Smolenskaja-Sennaja Pl.
Moscow G-200
President:
I.M. Maslov

Exports and imports a wide range of metal-cutting machine-tools: turning lathes, thread-cutting lathes, turret lathes, boring lathes, shafting lathes, wheel lathes, roll-turning lathes, automatic and semi-automatic lathes; drilling, boring, grinding, honing, polishing, gear-finishing, screw-cutting, milling, planing, broaching, cutting-off, electro-erosion, ultrasonic and transfer machines and automatic production lines, wood-working machine-tools (export), forging and pressing equipment, measuring units and instruments, hand-operated electric and pneumatic tools, metal- and wood-cutting tools, mechanical tools, chucks, hard-alloy products, abrasive products, diamond tools, ball and roller bearings.

V/O "Sudoimport"
5, Kalyajevskaja Ul.
Moscow K-6
President:
V.I. Ocheretin

Exports hydrofoil ships, transport and fishing vessels, tugs, buckets, suction dredgers, motor boats; ship equipment — diesel engines, pumps, compressors, deck machinery, electrical and navigational aids.
Imports sea-going, river vessels, fishing and auxiliary craft; undertakes repair of ships abroad.

V/O "Techmashimport"
32/34, Smolenskaja-Sennaja Pl.
Moscow G-200

Imports equipment and machines for the chemical and oil-refining industry, for the production of basic chemical products, for organic synthesis, for the manufacture of chemical fibres and plastics,

President: L.K. Lukyanov	synthetic rubbers, rubber and rubber goods, dyestuffs, lacquers and paints, mineral fertilizers, herbicides, plant protection means, as well as equipment for the manufacturing of plastic goods, refrigerating equipment and laundries and cleaners.
V/O "Techno-promimport" **32/34, Smoln-skaja-Sennaja Pl.** **Moscow G-200** President: V.P. Dashkevich	Imports equipment for the light, print-ing, cable-making, glass, meat and dairy, confectionery, tobacco and wine-making, electronic and light engineering industries; equipment for the building materials industry and for the production of enzyme preparations; equipment for flour mills and elevators, packing machines for the indicated industries and also for packing medicines and vitamins.
V/K "Techsnab-export" **32/34, Smolen-skaja-Sennaja Pl.** **Moscow G-200** President: Y.P. Volchkov	Exports and imports rare and rare-earch metals and their alloys, isotopes, ioniz-ing-radiation sources, deuterium and tritium targets, medical and flaw-detecting betatrons, elementary-particles accelerators, radio-isotopic and dosi-metric instruments, mass-spectrometers, medical radio-logical equipment, scien-tific and industrial X-ray equipment, biological shields and personal protec-tive facilities for work with radioactive materials.
V/O "Tractoro-export" **21/5, Kuznetskij Most** **Moscow K-31** President: A.V. Yengibarov	Exports and imports wheeled and cater-pillar tractors, farm and road-building machines, special equipment, appliances and instruments for repairs and technical servicing. Renders technical assistance to its clients in the technical servicing of machines imported from the USSR and in training personnel.

EAST/WEST TRADING HOUSES POTENTIAL IN VIENNA

Should I sell direct from my plant?

Should I use my regular European agent to promote business in Eastern Europe?

Should I use an East/West trading house?

Should I use a local agent in the Socialist country itself?

These are questions to which every exporter should address himself when embarking on a serious sales campaign with the Socialist countries.

Much depends on the type of product to be sold — is it technical or non-technical; is it a one time sale or is there repeat business; is there one customer in the country or several; is on-the-spot service needed, just regular service visits or simply an occasional look in the door?

Some western firms, such as Britain's Rank Xerox, found the domestic agent to be invaluable in sniffing out all the potential business to be had. Selling copy machines took about the same detail work in the Socialist world as in a market economy — each potential user had to be convinced that he should earmark part of his budget for such a purchase. Some firms, on the other hand, are convinced that insistence by a foreign trading organization on dealing through a local agent is pure political feather-bedding and is to be resisted unless it appears imperative to making a sale.

Over the years there has developed in Vienna and in some other European cities a species of firm which we can call an East/West agent, or trader. They take divergent forms. Some are simply brokers, earning a finders fee on goods shipped direct from the factory — others are merchants, taking possession of goods and reselling in the East. Some sell non-technical goods on either a one-time or repeat basis; others are sophisticated firms that provide expert salesmanship and service for high technology products. Some represent foreign exporters on a continuing basis; others exist to put together a complex barter or compensating trade deal on a one time only basis.

Whatever the style of the business, each is an expert in dealing with the Socialist countries and has built up an

impressive list of contacts in government ministries, industrial enterprises, and trading companies. Each has his own particular friends who tell him which way the wind is blowing. Often these firms will specialize in one or only a few of the Socialist countries, or in certain product lines that require contacts in a limited sector of the economy.

Our analysis of this complex situation is not complete and we would welcome news and views arising from the experience of our readers. Given enough information and lead time, we may be able to suggest the best solution in a particular case. In any event, write direct to us in Vienna: Commercial Counsellor, Commercial Division, Canadian Embassy, Dr. Karl Luegerring 10, 1010 Vienna, Austria.

FOR BALTHES BUSINESS IS BOOMING

DAVID MAGEE, Editor

About three years ago, Balthes Farm Equipment Manufacturing Limited, of Tillsonburg, Ontario, was making a tentative entry into the world of exporting. Beginning in the late sixties, it had participated in several trade fairs with the assistance of the Department of Industry, Trade and Commerce and it had arranged demonstrations of its tobacco harvesting equipment in a number of countries, including some in Latin America and Eastern Europe.

But for some time, it appeared the company was not going to make much headway. There were many expressions of interest in Balthes equipment but nothing much happened to alter the export sales picture significantly, despite the fact the company could point to its domination of the Canadian market for tobacco harvesting equipment (about 75 per cent).

And then came the breakthrough — one of its tobacco harvesters was shown at a trade fair in Budapest, Hungary, in the spring of 1971 and this resulted in two on-site sales. This was followed by the purchase of another 45 machines by the Hungarian Government. After that, Balthes products began to gain wide acceptance (see *Canada Commerce*, December 1972).

Since the fall of 1972, Balthes has had to expand its Tillsonburg plant from about 25,000 square feet to 47,000 square feet and the number of employees has almost doubled. Machines of one type or another are being shipped to Eastern Europe, Malaysia and South Africa as well as to domestic customers. Units are being tested by potential buyers in Mexico, Brazil and one or two other countries.

However, the most exciting development for the company is the opening of a subsidiary plant in Austria. It is located about 35 miles south of Vienna, with about 6,000 square feet of working space. But there is room on the property for considerable expansion. Balthes general manager Gene Stampfer told *Canada Commerce* that the Austrian company will be majority owned by the parent firm but it will be operated entirely by Austrians who will, within a year or so, be able to buy shares in it.

Mr. Stampfer said that Balthes' European customers are enthusiastic about the new plant. No longer will they have to contact Tillsonburg and then wait for parts or service — they will be able to sort out their problems much faster with, hopefully, just a phone call. Mr. Stampfer said that "we sort of stumbled onto this plant." It was not designed to be used as a manufacturing facility before Balthes leased it — originally it was to have been an apartment and recreation complex.

What was to have been the tennis court is now the assembly area. And company employees will be able to live in the apartments. But should they decide not to live so close to their jobs, the apartments are sufficiently removed from the manufacturing area to make them suitable for regular tenants.

The plant is on a major rail line and shipping, obviously, will be much simplified as far as the European customers are concerned. Hungary is still the largest Eastern European customer but Bulgaria may soon become a larger volume buyer. It recently purchased 120 harvesters worth $1.7 million. The company is also selling in Yugoslavia, Czechoslovakia and East Germany, and there appear to be strong prospects in Romania and Poland.

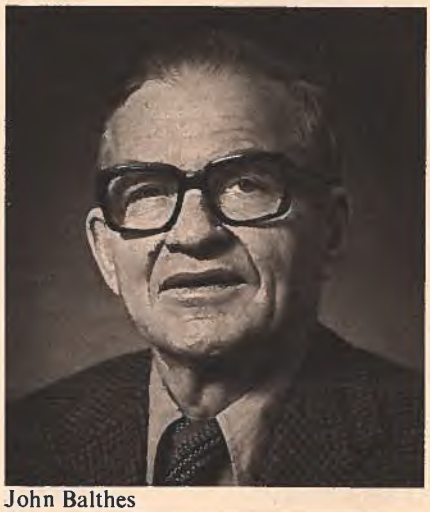
Balthes has registered its subsidiary as an Austrian company but all financing has been done from the Canadian end. Mr. Stampfer said "naturally we're looking for a line of credit in Austrian banks but the first year has to be totally financed in Canada . . . in other words, the lease on the plant, the payroll and all other expenses are being handled from here."

The Austrian management personnel spent the summer in Canada becoming familiar with the company's operations. They are hiring the workers for the new plant but they will be assisted by people from Tillsonburg who will travel to Austria for the start-up period.

The company's main product line is still tobacco harvesters but new machines are being developed. A tomato harvester is being tested in Hungary this year and prospects appear encouraging, as the machine is suitable for other types of vegetables such as cucumbers and peppers. In addition, Balthes is custom-building high-clearance spraying rigs. These can also be used to de-tassle corn and in other applications. The sprayers were introduced in British Columbia last summer and also appeared at the California farm show in February.

The company has no intention of establishing additional manufacturing plants in Canada or the United States at present but the possibility has been considered in long-range planning. Many shipping problems have been overcome by designing machines so that they can be knocked down for delivery, then assembled easily by the dealer. Freight costs have been cut considerably by this use of compact packaging.

With North America's economic outlook difficult to predict, at best, and gloomy, at worst, Mr. Stampfer admit ted some concern about the future. Business for his company couldn't be better — as he put it, the Tillsonburg plant had to be expanded "just to keep the walls from bursting" — but he felt the boom could be an artificial one. On the other hand, farms are becoming increasingly mechanized and government agencies are lending more money to farmers to buy machinery. These factors, plus the company's good reputation and aggressive sales team, give its general manager as much cause for optimism as any general manager in the country.



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BRAZIL

W.J. ROBERTS, Vice-Consul and Assistant Trade Commissioner, Rio de Janeiro

INVESTMENT IN BRAZIL

Foreign investment is welcome in Brazil but, understandably, on Brazil's terms. The regulatory agencies are seldom far removed from business activity, allowing the authorities to exercise close control over economic development.

Such control is not limited to investment. Even direct sales are closely regulated, in that each shipment of imported merchandise must be granted an import licence (guia de importacao) by CACEX, a department within Banco do Brasil (distinct from Banco Central do Brasil). Each application for an import licence is examined individually, on an ad hoc basis, to determine the compatibility of the import with current national policy. If a licence is granted, the product is then subject to import tariffs ranging from 0-205 per cent of landed cost.

There are extremely attractive prospects for investment within the country. Many investment incentives have been established, including import duty exemptions, income tax exemption, financing at very attractive interest rates and assistance with feasibility studies.

Some incentive programs are organized on a geographic basis, others on an industry basis. The larger geography-based programs are SUDENE, for the development of the northeast states from Maranhao to Bahia; SUDHAM, for the development of the Amazon Region; and SUVALE, for the development of the San Francisco valley in the states of Minas Gerais and Bahia. On approved projects, SUDENE offers the following fiscal benefits:

1) exemption from federal taxes and tariffs on equipment imported to establish new industries in the region;

2) complete exemption from income tax for 10-15 years for firms starting the manufacture of goods not currently produced in the region;

3) a 50 per cent exemption on income taxes for industries already established in the area;

4) loans or loan guarantees from government development banks

5) access to equity or loan funds from corporate entities outside the northeast area — such corporate entities may divert up to 25 percent of their income tax liability to approved investments under the supervision of SUDENE.

Incentive programs arranged on an industry basis include SUDENE, for the development of the fishing industry; EMBRATUR, for development of the tourist industry; FIBAS, for assisting manufacturers of basic industrial prod-

Glossary

BANCO DO BRASIL — Controlled by the federal government, this bank offers consumer services through an extensive branch system; issues all import and export licences; clears all foreign exchange transactions; administers financial incentive programs of many government agencies; and acts as the federal government's fiscal agent.

BANCO CENTRAL DO BRASIL — Less than 10 years old, is an analoge to the Federal Reserve Banks in the U.S.; and registers both capital brought into Brazil and profits remitted abroad.

BNDE — The national economic development bank; formulates policy for wide variety of industrial incentive programs.

BNH — National housing bank; provides financing for housing construction and for the production of housing materials.

CACEX — Department within Banco do Brasil; regulates all imports and exports through licence issuance, as well as administering Law of National Similars.

CDI — Industrial development council; co-ordinates industrial incentive programs, recommends granting of import tax exemptions.

CEF — Federal savings bank; generates funds for government financing programs from individual savings accounts as well as from a nation-wide weekly football lottery.

IBGE — Geography and statistics institute; compares with some functions of Statistics Canada.

FGTS — Unemployment insurance fund, into which non-government employers pay 8 per cent of payroll liabilities; funds allocated to BNH for housing financing.

FINAME — Program for financing the purchase of domestically-produced capital machinery, supervised by BNDE.

FINEP — Program for financing feasibility studies, supervised by BNDE.

FIPEME — Program for financing medium-term debt funding of small and medium sized enterprises.

FUNGIRO — Program to provide working capital financing to medium-sized firms.

FUNTEC — Program to finance technological research, and the introduction of foreign technology, eg. through the purchase of patent rights for use by local firms.

ucts (eg. non-ferrous metals, fertilizers); EMBRAMEC, for assisting manufacturers of capital goods, FUNTEC, for the transfer of technology to Brazilian firms; and FINURB, for assisting in construction of urban services in medium-sized cities. on approved projects in the tourist industry, EMBRATUR offers the following incentives:

1) income tax exemption for up to 10 years;

2) exemption from tariffs and taxes on imported goods with no nationally-produced similar;

3) financing at incentive interest rates;

4) access to equity or loan funds from corporate entities outside the tourism sector — such entities may apply up to 8 per cent of their income tax liability to tourism investments approved by EMBRATUR.

In addition to the assistance from industrial incentives, manufacturing a product within Brazil allows a firm to utilize the Law of National Similars. A similar is any imported product which may be substituted by a comparable Brazilian-produced item. When faced with competition from an imported product, a Brazilian manufacturer may request the Customs Policy Council to declare the imported product a similar. The imported product is then burdened with prohibitive tariffs.

As well as incentive programs for establishing industry in Brazil, further incentive programs are designed to encourage the manufacture of goods for export. These export incentives, which may be pyramided on the incentives already noted, include:

1) exemption of import duties and taxes for complete used manufacturing plants whose output will be exported — if some production is to be sold locally, the exemption would be pro-rated accordingly;

2) exemption from excise tax and sales tax on goods produced for export;

3) in addition to the latter exemption, rebates may be granted for both excise and sales taxes equivalent to the excise tax payable had the goods been sold in Brazil;

4) exemption from import duties and excise tax on goods and materials imported as inputs for export production;

5) reduction or refund of withholding tax (normally 25 percent) on loan interest or royalty payments;

6) carry forward of tax losses for six years.

In addition to the export incentives granted by Brazil, goods exported from Brazil to other Latin American countries travel within the Latin America Free Trade Association (LAFTA).

When considering the remittance of income generated by investments within Brazil, the close control of commerce again is evident. To qualify for remittance of profits, foreign capital must have been documented and registered with Banco Central do Brasil (quite separate from Banco do Brasil, see glossary) within 30 days of arrival in Brazil. After payment of a 25 per cent withholding tax, 12 per cent per year of registered capital can be remitted without penalty. Remittances exceeding 12 per cent of registered capital are subject to penalty taxes ranging from 40 to 60 per cent.

Prohibition of foreign investment exists for very few market sectors but foreign investment is restricted in the fields of petroleum production, domestic airlines, newspapers and broadcast media.

GEIPOT — Executive-level policy planning group for transportation, particularly rail transportation and urban-transit.

ICM/IPI — ICM - a value-added tax payable to state governments.

IPI - an excise tax levied at each stage of manufacturing, payable to the federal government.

MINIPLAN — Ministry of Planning, which uses as an advisory group the Planning Secretariat, composed of the Secretaries of Planning, Finance, Agriculture, Industry and Commerce and Interior.

PASEP — Pension fund for federal civil servants; provides funding for BNDE.

PIS — Social integration program, an institutionalized profit-sharing scheme; employers pay 0.50 per cent of monthly sales into blocked account at c.e.f. for each employee; funds used to finance CEF programs.

PROTERRA — Program to redistribute agricultural land in the northeast, and provide agricultural development incentives.

PROVALE — Program to develop navigation on the San Francisco river, and develop irrigation and infrastructure projects in the San Francisco valley.

SUDAM — Industrial incentive program for the Amazon region.

SUDENE — Industrial incentive program for the northeast section of Brazil.

SUDEPE — Investment incentive program for the fishing industry.

SUVALE — Industrial incentive program for the San Francisco valley.

ZOZIMO — Widely-read column in "Journal do Brasil", Brazil's second-largest daily newspaper.

JOINT VENTURES SOME CONSIDERATIONS

W.J. ROBERTS

EVENT 1: Canadian firm realizes that Brazil's economy has out-performed that of any other industrialized nation over the last six years in terms of real GDP growth.

EVENT 2: Market study on Brazil indicates considerable potential for sales of goods/services of Canadian firm.

EVENT 3: Closer analysis of market study indicates that direct sales to Brazil will constitute a short-term approach, and that medium-long term sales depend on Brazilian content in product.

At this point, the Canadian businessman will learn that joint ventures are a prerequisite for some types of business in Brazil. For example, consulting engineering firms must associate with a Brazilian engineering firm, and provide for a transfer of expertise to that associate, in order to work in Brazil.

While joint ventures are compulsory in the consulting sector, they offer several advantages to any business activity, including:

- Access to capital and financing in cruzeiro funds. Local participation in a joint venture is a requirement for benefits under the numerous industrial incentive schemes administered by various Brazilian government agencies.
- Access to existing production facilities for initial operation with Brazil. With pre-existing facilities, a joint venture can reduce the length of the start-up period and provide a cash flow for improvement of those existing facilities.
- Access to understanding of local business customs and practices. A local businessman can introduce the foreign firm to the need for and utilization of a despachante, or the reason for difficulties encountered in obtaining a dial tone on the telephone on rainy Friday mornings in Rio.
- Access to personnel experienced in a particular industrial sector. Locally-based employees offer several advantages over transplanted staff, not the least of which is avoidance of schooling problems for children and disputes over home leave provisions.
- Access to suppliers and markets through previous experience of the local firm participating in the joint venture.

When a firm has decided to participate in a joint venture with a Brazilian company, the services of one of the several qualified consulting firms in Brazil should be retained to study the format. The consulting firm can provide advice on forms of incorporation, i.e., the use of a sociedade anonima (S.A.) which is similar to a Canadian limited company, and may have transferable shares, and is governed by a form of partnership contract.

Items in an agreement for a joint venture which could be discussed with a consultant would be those topics which could provide future friction between the participants. These might include:

(i) adjustments to be made (and their timing) in the partnership agreement if subsequently discovered liabilities of the Brazilian firm affect the condition of the joint venture;

(ii) selection, appointment, remuneration and term of office of executives and officers of the joint venture;

(iii) development and introduction of new products;

(iv) new plant construction, or the renovation of existing plant;

(v) changes in financial structure of joint venture, e.g. debt-equity ratio;

(vi) market agreements, e.g. Brazilian authorities take a very strict view of restrictions of export markets available to Brazillan companies, whether explicit or implicit;

(vii) remittance of royalties, licence fees, dividends, etc.; royalty payments are closely supervised by the Central Bank, and may only occur when the royalty contract and the Brazilian company are duly registered with the Central Bank;

(viii) buy-out agreements, establishing the conditions under which the buy-out may take place, and the basis for calculation of price to be paid.

While this article has referred to joint ventures in terms of a legal entity (company in the form of limitada or sociedade anonima) representing the association between the local and the Canadian firm, a third option is available. Brazilian law allows the creation of a joint venture (sociedade em conta de participaçao) which is not a legal entity. This venture requires that a duly registered local firm or businessman be named as the legal nominee of the venture.

BRAZIL'S MASSIVE RAILWAY PROGRAM

W.L. CLARKE,
Commercial Secretary, Brasilia

The President of Brazil announced on October 18 a five-year plan which calls for investments of nearly $5 billion aimed at remodelling and developing Brazil's outdated and inefficient railway system. During last fall's Canadian Ministerial Mission, the Brazilian Minister of Transport told our Minister of Industry, Trade and Commerce, Alastair Gillespie, that Canadian participation in the new program would be warmly welcomed.

Canadian engineering firms are already engaged on a number of major railway projects in this country and future prospects for increased Canadian presence are bright. Besides consulting services, there would appear to be good potential for Canadian exporters to supply railway communications equipment, traffic control systems, freight cars, ore gondolas, steel rail, ties and possibly locomotives.

In order to understand the present status of Brazilian railways, several factors should be noted. The system arose out of a consolidation of a number of small, privately-owned railways built near the end of the 19th Century. Most of these were designed to haul coffee and other agricultural products to export ports and were constructed on narrow one-meter gauge. Brazil's principal ports are cut off from the rest of the country by the Serra do Mar mountain range. Although this natural barrier produced some rather remarkable engineering feats, it gave rise to very poor operating conditions for the railways.

After the Second World War there was a surge of highway construction throughout Brazil. The automobile and truck industries developed rapidly and reliable door-to-door road transportation soon almost squeezed the uncompetitive railway system out of business. As a result, the railways piled up large financial losses and new investments in plant and the introduction of modern railway techniques were not implemented. But the recent petroleum crisis has changed the picture and the Brazilian authorities now realize the importance of developing a healthy railway system for both freight and passenger transportation. This has been reinforced by Brazil's need for reliable and competitive modes of transport to move its rich mineral and agricultural resources to overseas markets.

Basically the new program aims to tackle the current problems in two interdependent ways: (1) technological improvements and the introduction of modern management methods; and (2) huge investments in new equipment and track facilities.

As a first step in this direction, the Federal Railway System (RFFSA) has created a subsidiary called "ENGEFER — Empresa de Engenharia Ferroviaria SA" (Railway Engineering Corp.), which will be responsible for feasibility and engineering studies and the supervision of construction work which, in the main, are to be carried out by private enterprise, leaving the administration free to concentrate on improving operational and administrative procedures. It is hoped that this will result eventually in a 7 per cent cut in the number of employees and that retraining programs, both in Brazil and abroad, will produce more efficient personnel to offset this reduction in workers. Sharp growth in operating revenues is expected from improved container and piggy-back transportation and from a more aggressive sales policy aimed at shippers of general freight cargo.

The technical improvement plan stresses the necessity of introducing such innovations as continuously welded rail butts, mechanical road-bed maintenance methods, centralized and automatic traffic control systems, and the use of a VHF radio system for fast and reliable communications.

The investment program is divided into 14 sub-programs and 70 individual projects that together will account for expenditures of $4.2 billion. Some of its more important aims are:

(a) construction of 2,360 miles of new lines;
(b) improvement of 6,700 miles of outdated track;
(c) either widening of 2,000 miles of 1 meter gauge track to 1.60 meter gauge or the addition of a third rail for the same purpose;
(d) electrification of 900 miles of track;
(e) acquisition of 298 locomotives, 20,000 freight cars, 70 integrated train-units, 3,175 iron ore gondolas, and 140 passenger cars. (These estimates may be increased as government planners are considering that up to 1,200 new locomotives and 84,000 freight cars might eventually be needed);
(f) laying of 1.5 million metric tons of new rail track.

The sub-program in support of Brazil's steel expansion plan is the most important one and accounts for 35.6 per cent of the total budget. It envisages a new 400-mile line between Belo Horizonte and Sao Paulo, with a 130-mile branch to the CSN Steel mill at Volta Redonda. The map shows the importance of this new line; not only will it take some of the burden off the present track between Belo Horizonte and Rio de Janeiro (particularly a large portion of the iron ore intended for domestic consumption) but the emergence of Belo Horizonte as a new industrial centre makes a direct connection between that city and Sao Paulo essential.

Improvements to the old Rio-Belo

Horizonte and Belo Horizonte-Vitoria lines are high priority items in the program. The Rio-Sao Paulo connection (225 miles) will be revamped also in order to allow greater train speeds.

Other major improvements will be carried out mainly in the South, especially in the States of Parana and Rio Grande do Sul, where a total of 895 miles of new track will facilitate the movement of soybeans, coffee and corn exports to the ports of Paranagua and Rio Grande. In Brazil's central region the branch to Brasilia will be improved and the country's only North-South connection, between Salvador and Belo Horizonte, which runs through the developing Sao Francisco River Valley, will be modernized and will include the addition of a line from Salvador to Maceio in the north.

Although generally oriented towards the improvement of the railway system's bulk cargo carrying capacities, the five-year plan also calls for substantial improvements to the suburban commuter services in Rio de Janeiro and Sao Paulo. These may prove to be the most difficult projects since both cities are hemmed in by urban development and new track can only be added by very costly redevelopment schemes. The program recommends the appointment of consulting engineers to study the problems and come up with possible solutions.

Of the total amount budgeted, approximately $3.9 billion is expected to be spent by 1979. About $1.4 billion of this amount will be raised by taxes, improved operating revenues, and the normal budgets set aside for the railway system by the Ministry of Transportation. The plan calls for the raising of $2.5 billion from commercial financing, of which $1.2 billion is expected to come from foreign sources.

Foreign participation: In principle, the Brazilian authorities will give priority to purchasing their requirements from Brazilian companies. This applies to the acquisition of both equipment and know-how. In practice this means that the Government, instead of turning directly to a foreign company for its needs, prefers to award a contract to a Brazilian firm, with the tacit understanding that the Brazilian firm might sub-contract or joint venture with a foreign company to help meet the terms of the contract. Therefore, Canadian firms interested in bidding on contracts arising from this program should be prepared to work with Brazilian firms.

According to officials at the Brazilian Ministry of Transportation, the following areas will require foreign participation: electrification, signalization, communications, centralized and automatic traffic control systems. In addition, foreign suppliers will likely have opportunities for sales where the local industry cannot meet the huge projected demand for such products as rail ties, rolling stock and steel rails.

Foreign suppliers may be given preference in those projects financed by foreign loans as these are very often tied to the condition that some of the hardware be bought in the loaning country. The Brazilian Ministry of Transportation has already received proposals in this connection from West Germany, Japan and Italy. The Brazilian authorities indicated, however, that foreign turn-key project offers will not be encouraged for any of the projects.

Canadian firms interested in participating in the program should register as soon as possible their capabilities and experience with the following three organizations charged with implementing various aspects of the plan:

- Rêde Ferroviaria Federal S.A.,
  praça Duque de Caxias 86 – 14° andar,
  20000 Rio de Janeiro – GB,
  President: General Milton Mendes Gonçalves;

- Ferrovias Paulistas S.A.,
  rue Libero Badaro, 39,
  Sao Paulo,
  President: General Jau Pires Castro;

- Engefer – Engenharia Ferroviaria S.A.,
  Palacio dos Transportes,
  praça 15 de Novembro,
  2000 – Rio de Janeiro – GB,
  President: Engenheiro Daniel Milaso.

Copies of correspondence should be sent to the Canadian Embassy in Brasilia and the Canadian Consulates in Rio de Janeiro and Sao Paulo for follow-up purposes.

THE ITAIPU PROJECT

JORGE M. DA COSTA,
Commercial Officer, Rio de Janeiro

The Parana River rises on the plateau of south-east central Brazil and flows south for 1800 miles, emptying in the Uruguay River to form the famous River Plate. In the section of its course extending from Guaira to Iguaçu, the Parana forms the boundary between Brazil and Paraguay and it is in this region, about 10 miles upstream from the international bridge across Foz do Iguaçu (Brazil) and Puerto Stroessner (Paraguay), that both nations have undertaken construction of a $4 billion hydro-electric project. It is the largest in the world, designed for an output of 12,600 Mw when fully operational.

The Itaipu Project, as it has been designated, will be implemented through the joint efforts of the Brazilian holding company Eletrobras, a government-owned corporation controlling the operations of electrical utility companies, and its Paraguayan counterpart, ANDE-Administracion Nacional de Electricidad. This association gave birth to the consortium Itaipu Bi-Nacional S.A.

The preliminary study for the Itaipu Project was done in 1972 by IECO-ELC, a joint venture company formed by Morrision-Knudsen's International Engineering Corporation and Electroconsult of Italy, and the same group is currently working on the final feasibility report, to be delivered soon to Itaipu Bi-Nacional. MONASA, a Brazilian subsidiary of Canada's Montreal Engineering, has been retained to prepare the feasibility study on power transmission.

The Itaipu Project can be visualized better in the light of various figures that illustrate its magnitude. While the preliminary study contemplated installation of 14 turbine-generator sets of 765 Mw, this has been revised and the current report recommends 18 turbine-generator sets of 700 Mw each, bringing up total proposed capacity to 12,600 Mw. These sets would be similar to the units being installed at Grand Coulee Dam. The reservoir will have a total capacity of 37,929 million cubic yards and an active capacity, at 23 meters drawdown, of 24,850 million cubic yards. This would involve flooding an area of 540 square miles — 309 in Brazilian

territory and 231 on the Paraguayan side.

Costs have become an unpredictable factor in view of the world's inflationary trend but it is worth noting that the heavy electrical equipment required by the project will cost at least $650 million. The percentage of imported equipment in this total will depend to a large extent on the financing arrangements that can be made by the Itaipu Administration.

Ten years ago, the electric power generation capacity in Brazil amounted to 6,840 Mw (71.5 per cent hydro and 28.5 per cent thermal). By 1969 this figure increased to 10,262 Mw, or 50 per cent higher than the 1964 level. Currently, it is estimated that the installed capacity totals 17,426 Mw — almost triple that of 1964. Brazilian performance in increasing generating capacity was better than that of Canada, Britain, the United States and West Germany. Eletrobras studies indicate that Brazil must double her power capacity every seven years to cope with a demand growing at 10 per cent a year. Investment required in the power generation sector is, therefore, in the order of $1,300 million a year, of which 80 per cent would be supplied from domestic sources and 20 per cent from external financing. Thirty-two power plants are under construction, all of them commencing operations between now and 1980, adding another 16,300 Mw to the present capacity.

In the year 2000, Brazil is expected to have a population of 200 million and 150,000 Mw of generating capacity providing 750 watts per capita. The substantial growth in Brazil's installed generating capacity programmed for the next five to 25 years provides excellent opportunities for Canadian expertise. Canadian industry has supplied turbines, generators, transformers, circuit-breakers, switches and other equipment and materials to many of the Brazilian hydro and thermal electric projects. In addition to their recognition of Canadian technology, engineering and advisory capabilities in this sector, Brazilian technicians keep a close watch on new developments in Canada.

As might be expected, the steady growth of Brazil's requirements for heavy power equipment has stimulated domestic manufacturers to expand their facilities. The Government fully supports their efforts through incentives such as the 15 per cent advantage extended to domestic manufacturers when bidding against foreign manufacturers; the upgrading of domestic supplies to the level of usual exports, provided those are financed in hard currency (EBRD & IADB), thereby rendering such supplies free of practically all local taxes; or the very low financing rates offered by BNDE (the National Development Bank) and its affiliate organization for the local manufacture of equipment, which vary from 5 per cent a year (for a domestic content of 51-55 per cent in value) to 3 per cent a year (for a domestic content greater than 75 per cent), plus the addition of a monetary correction factor.

As a result of this policy, Brazilian industry is capable of producing: 55-60 per cent of all large turbine requirements, with shafts and regulators being purchased abroad; 85 per cent of generators up to 112,000 kVA and 78 rpm, with thrust bearings, forged steel shafts, excitation controls, silicon steel sheet, copper bars and coils with epoxy insulation being imported; and 90 per cent of transformers up to 440 kV.

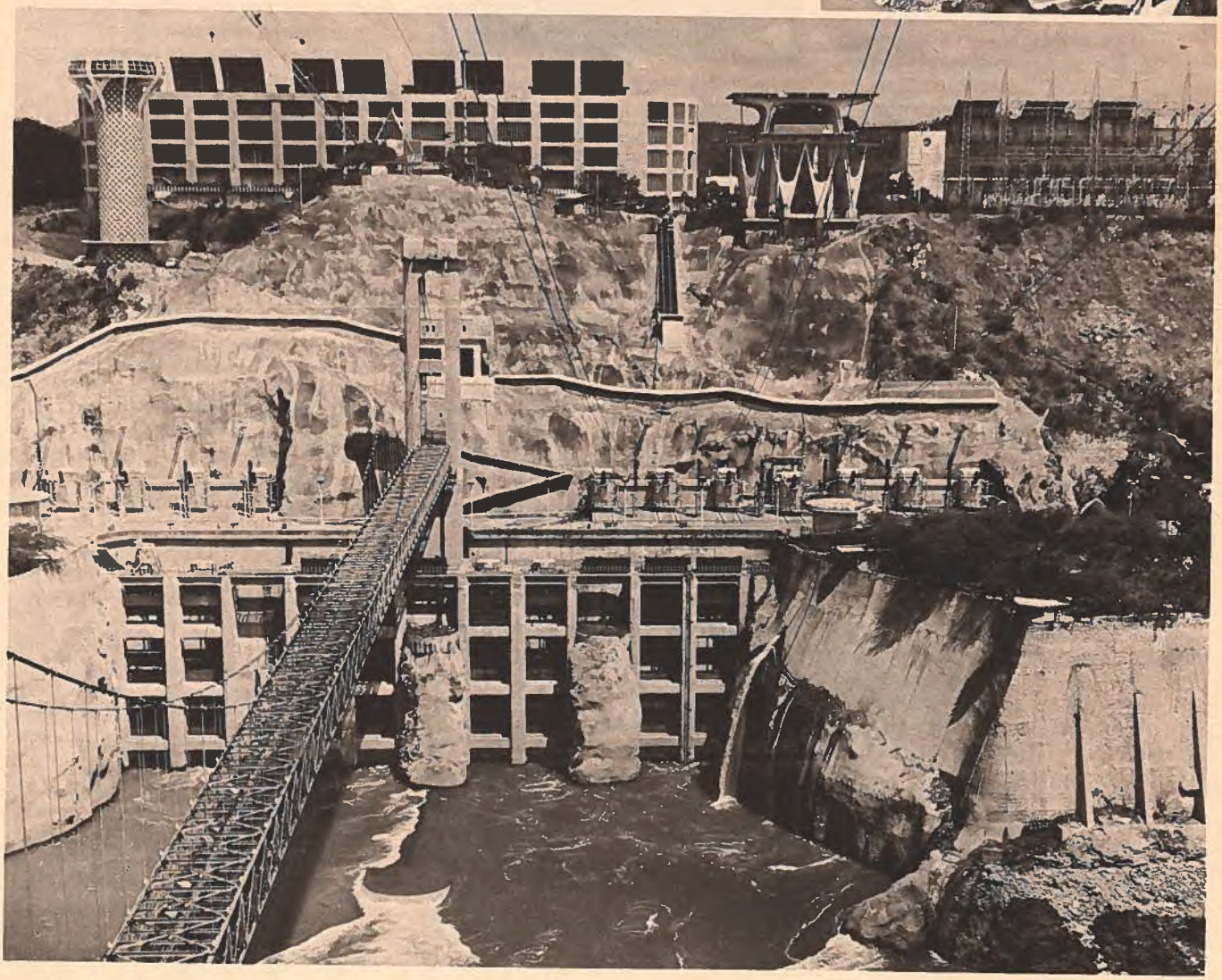
Some circuit breakers are manufactured in Brazil but imports are required. Transmission line towers are almost entirely of domestic manufacture but limited imports of transmission line insulators are necessary. On the other hand, microwave system components are

entirely imported.

Whether through direct sales, licensing arrangements or joint ventures, Canadian companies have access to a large potential market in Brazil. But they should be alert to the fact that Brazilian utility companies usually make all purchases through public tenders or calls for bids, with participants pre-selected by the client.

The pre-qualification procedure is widely advertised by the buyer and it is generally open to all reputable manufacturers. The appointment of a manufacturer's agent in Brazil considerably helps business development. While actual bids are mandatorily submitted by the manufacturer and are later evaluated by a commission that cannot be directly influenced by the agent, his role in the pre-proposal phase, either as a contact-man, a public-relations person or an advisor on laws and regulations should not be minimized.

Further information may be obtained from the Electrical and Electronics Branch in Ottawa or from our offices in Brazilia, Rio de Janeiro and Sao Paulo.



MINING IN BRAZIL

ROGER B. BLAKE,

Consul and Trade Commissioner, Rio de Janeiro

Canada's interest in mining in Brazil dates back to 1875 when a young Canadian geologist organized the original Brazilian Geological Survey, which eventually evolved into the present Departamento Nacional de Produçao Mineral (DNPM). It is hoped that the Canadian companies engaged in mining and mining equipment and services will continue to take a deep interest in this promising market. The Canadian Consulates in Rio de Janeiro and Sao Paulo and the Embassy of Brasilia are ready to assist in making inroads into this burgeoning area of activity.

The phenomenal growth rate that Brazil has experienced over the last six years (more than 10 per cent a year) has caught the attention of the world's investors. A stable government and favourable investment laws have created a climate of confidence for foreign capital and one of the areas being examined both by foreign companies and the Brazilian Government, is the mining industry. Over the next four years more than $4 billion will be invested in a dozen major projects, which, when combined with smaller ones, will require more than $1 billion in imported equipment for the mining and ore processing industries.

Accounting for less than 2 per cent of the GNP, mineral production is responsible for only two products among the country's 20 top exports. These were iron ore and manganese, total exports of which were $382 million in 1973. Brazil is considered to possess an abundance of 22 of the principal minerals used in the country, to have a sufficient reserve of 14 others and to be in short supply of another 14.

Brazil is, and will continue to be, principally an iron ore producer, with manganese a distant second. Bauxite, with recently discovered deposits, is being developed rapidly. But the greatest promise for the future appears to lie in base metals, particularly tin, nickel, zinc and copper. Brazil is already the world's leading producer of columbite/pyrochlore and beryl.

Only a small portion of the equipment used in large mining operations is manufactured in Brazil and opportunities exist in the following equipment areas: mobile mining, agglomeration, materials handling, transportation and communications. Imports of both goods and services will play a large part in the development of Brazil's mining industry in the years to come. There are no plans at the moment for Brazilian companies to produce the large dump trucks, blast hole drill rigs, shovels, tractors, front-end loaders, concentrates, stackers, reclaimers, pelletizers and other equipment that will be required. Domestic firms are involved in the manufacturing of the small, and in some cases, intermediate sizes of these types of equipment but generally speaking, the market for the bigger mining equipment would not justify the capital investment required for domestic manufacturing. At the moment Brazil manufactures a variety of crushers, screeners, grinders, feeders and conveyors.

Carajas Iron Ore Project — As mentioned previously, iron ore dominates the Brazilian scene and it is in this area where the principal expansion is being undertaken. Some estimates put Brazil's reserves above those of any other country in the world — in the neighbourhood of 20 billion tons. By far the largest new mining project is the $1.5 billion Carajas Iron Ore Project, involving a mine in the state of Para, and a 1,000 km railway line to the new port of Itaqui in Maranhao. At least $225 million is expected to be spent on imported capital goods for the complex.

Carajas is a partnership between Companhia Vale do Rio Doce (CVRD) and a Brazilian subsidiary of U.S. Steel — Companhia Meridional de Mineraçao. The name given to the company is Amazonia Mineraçao S.A. and production is scheduled to commence in 1978 with an initial annual output of 11.5 million tons, reaching approximately 44 million tons annually by 1984. Reserves at Carajas are 1.7 billion tons measured, 1.5 billion tons indicated and 11.5 billion tons probable. Average iron content is 67.68 per cent. Advanced engineering has already been done on the port and the railway lines, and both of these projects are being designed by Canadian engineering companies.

The following is a breakdown of the type of equipment needed for the Carajas complex, bearing in mind that construction will take three years to complete and that the mine will take another seven years to reach capacity.

RAILWAY:

Total equipment needs for the 1,000 km line are forecast at $310 million, of which $50 million would be for construction equipment; $150 million for rolling stock, locomotives and maintenance-of-way equipment; $80 million for rails and $30 million for support equipment.

Construction equipment — The most costly job of the Carajas project will be the clearance of the right-of-way for the railway line. This will involve up to 75 crawler tractors plus a fleet of compactors, scrapers, rollers, etc. Some of the equipment will be available locally but Amazonia may decide to buy units for use by the various contractors on the job to speed up the work.

Rolling stock — About 4,000 92-metric-ton railway wagons and 50 diesel locomotives (3,200-3,600 hp) will be ordered. Brazil already can produce railway cars and may be able to manufacture some of the locomotives itself. (Consideration is being given to electrifying the line instead of using diesel, in view of the high cost of fuel). However, a $4 billion railway expansion program announced by the Government a few months ago will certainly strain the domestic manufacturers' capacity and will, in all probability, necessitate the importing of a substantial amount of equipment.

Rails — The line will be a single track (1.60 meter gauge), 136 pound/yard rail. So far rails of this size are not manufactured in Brazil and in all liklihood will not be available in time for the Carajas project.

Maintenance of way — About $15 million worth of equipment will be purchased almost entirely abroad and includes tie tamping, tie setting and ballast laying equipment.

PORT TERMINAL:

Ponta de Madeira (Itaqui) port is expected to cost approximately $165 million and will be able to accommodate ships up to 350,000 dwt.

Piling — Sheet piling for the dock area will probably be imported, although

the amount is not yet known.

Materials handling — Most of this equipment will be imported. Projected costs are $7 million for four stackers and two reclaimers and $6 million for two shiploaders. More than 60,000 ft of conveyors and feeding equipment will be needed, the bulk of which domestic manufacturers will be able to supply.

Marine — Tugs, launches, crewboats and marine equipment will probably have to be imported and are expected to cost approximately $5 million.

Crushing — About $20 million worth of crushing and screening installations will be located at the port site. The $3 million worth of secondary and tertiary crushing equipment probably will be purchased from local manufacturers, although some of the $5 million of large screens and dryers may have to be imported. Ore will be crushed to six inches at the mine and ⅜ inch at the port.

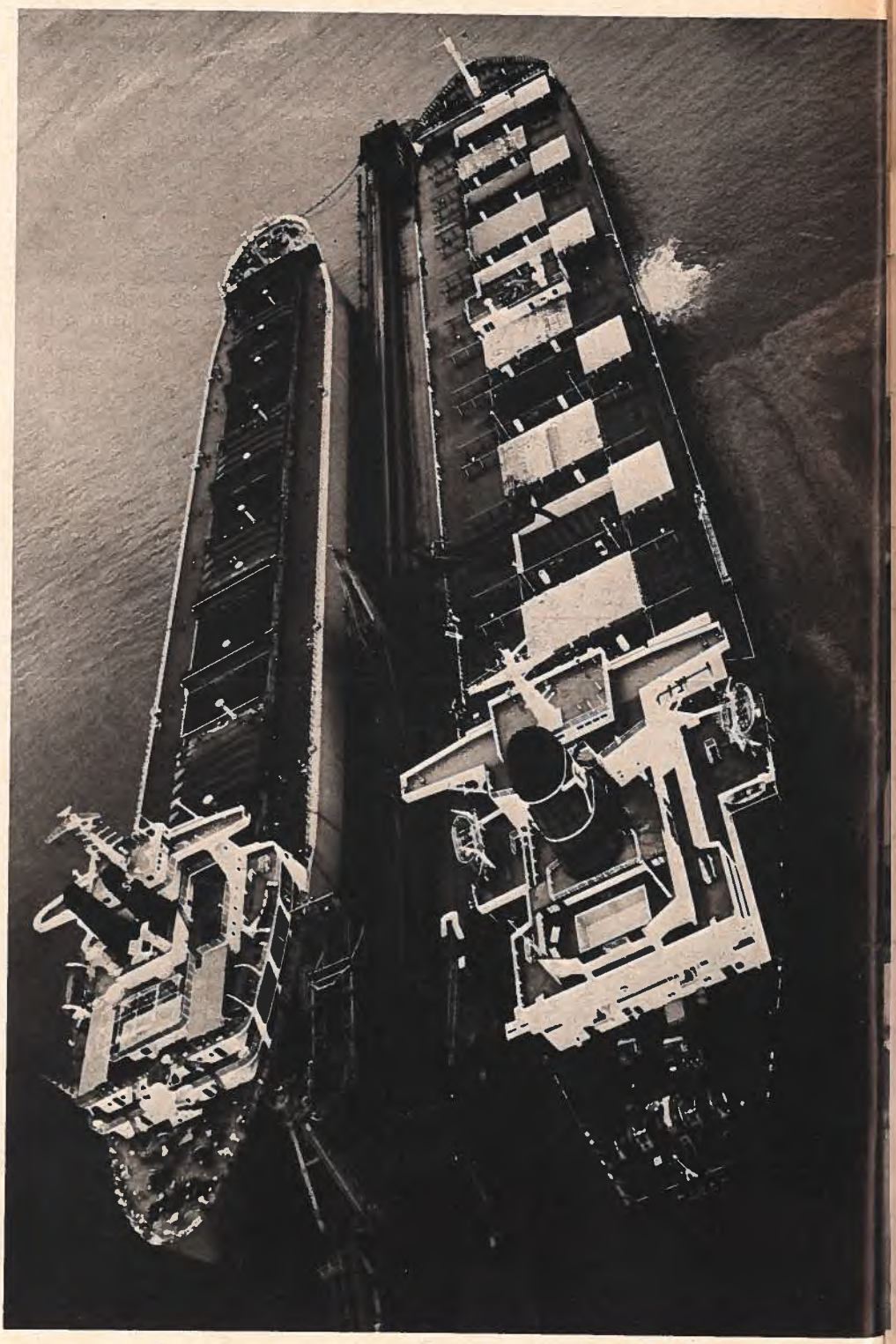
SIDEBRAS, the government-owned steel holding company, and Japan's Nippon Steel Company, are planning to install a $1 billion steel mill at Itaqui. Initial output will be 4 million tons of semi-finished products in 1980.

MINE:

About $25 million worth of imported equipment will be needed at the mine site itself, consisting of: eight 12-to 14-yd. power shovels, 28 150-ton electric wheel trucks, seven large graders, seven large crawler tractors, four large rubber tire tractors, primary crushers for 6 inch crushing, and 7,000 feet of conveyors and feeding equipment (possibly supplied by local firms).

In addition, Carajas will require about $2 million worth of imported laboratory equipment. Imported communications equipment will probably cost about $6 million, consisting of antennas, transmitting and receiving equipment, otwers, and telex hardware.

Trombetas Project — With predictions that by 1980 Brazil will be producing 5 million tons of bauxite, 2 million tons of alumina and 700,000 tons of primary aluminum, it is no wonder that Brazil is proceeding at full speed on the Trombetas Project, with participation by Mineraçao Rio Norte, two Brazilian aluminum companies and eight foreign companies, including Alcan.



The mine is located in the state of Para near the junction of the Amazon and Trombetas Rivers. A 30 km railway will transport the ore to a port on the Trombetas River which will accommodate ships of up to 50,000 dwt.

There will be a total investment of approximately $120 million, of which $15 million has been allocated for imported equipment, such as mobile drills, 3,000-kw diesel generators, a large primary crusher, a ship loader, portable reclaimers and a one-yard dragline.

Exploration — Brazil's mining growth has been a direct result of the amount of effort that has been channeled into exploration. This pace is now being stepped up. Nowhere is this more prevalent than in the vast Amazon basin where Companhia de Pesquisa de Recursos Minerais (CPRM), the government-owned mineral exploration company, together with private companies, has 250 geologists exploring the area. But the work in this part of the world is difficult and expensive.

During the past few years, two major projects have been carried out under the auspices of DNPM, the federal mines department. Projeto RADAM has completed coverage of approximately 4-6 million square kilometers of the Amazon. A German group working with CPRM carried out an aerial survey of approximately 562,000 sq. kilometers in Minas Gerais.

A third significant resource survey is now under way, partly financed by CIDA funds — the Goias Project. This involves a $4.4 million loan from the Inter-American Development Bank for exploration of a 377,000 sq. kilometer area of parts of the states of Goias, Mato Grosso and Para. Total cost of the project is estimated at $11.2 million. Canadian consultants will be advising DNPM on this project and some equipment will be purchased in Canada. The survey interpretation and preparation of project reports will be carried out by the Geological Survey of Canada and will be financed by CIDA.

Consulting services — As mentioned above, two Canadian consulting consortia have already won big contracts on the Carajas Iron Ore Project. In both cases, they have joined forces with a Brazilian firm and, in fact, an association with a local firm or a contract with CPRM itself is required by legislation in order to work in Brazil. Local talent is improving and this, coupled with legislation in favour of the Brazilian consultants, will make it tough going for Canadians. To keep up to date on the Brazilian mining scene, close contact **should be maintained with Canadian mining companies, many of which have offices in Brazil.**

The market for surface and aerial geophysical survey services is growing. Currently seven Brazilian firms are capable of performing aerial geophysical surveys. If a Canadian firm is to enter this market, it will have to open an office in Brazil, and associate with one of these local companies. Security regulations prohibit the use of foreign pilots in carrying out geophysical surveys. Much of the aerial surveying is performed under contract with CPRM, which invites tenders from local firms. If the survey is sufficiently complex, the local firm may retain a foreign firm to assist on a contract basis. Such contracts are registered with the Central Bank and payment for services is straightforward.

Equipment supplies — Suppliers of land and airborne geophysical equipment face a dilemma in this market. Mining companies generally do not want to purchase equipment, but prefer to contract to have the survey carried out. The contractors themselves feel that with the wide range of equipment in use, to purchase instruments for a particular project may result in using the equipment only once or twice. A rental or lease scheme is more attractive but the equipment can be imported duty-free only for specific contracts. In spite of this, sales of Canadian equipment are increasing. It is well known in Brazil and is respected. For example, Canadian equipment is in use at the University of Bahia (among others) and was used by German firms when they performed a survey of Minas Gerais.

Canadian drilling equipment manufacturers have been reasonably successful in the sale of their products to Brazil. Most of the mining in Brazil is open pit, but some coal, gold and new potash deposits may require underground mining equipment.

The best way for an equipment manufacturer to enter the market is through an agent. Good agents are available but due to the limited market, various government incentives, turnkey operations involving purchase for a whole project, financing difficulties, etc., few are anxious to take on lines of specialized mine equipment unless, of course, a project is immediately viable. But just as important is the presence of a service function. Although many large mining companies have their own well-stocked workshops and trained mechanics, some service capacity through a local agent or dealer is a virtual necessity. Some of the larger mining equipment companies send technicians as required while others maintain their personnel locally, where they function as both sales and service reps.

A local manufacturing presence definitely has advantages — in most cases more responsive servicing, more spares (and sometimes machines) in stock and improved technical assistance. Manufacturing in Brazil in one form or another (joint venture, manufacturing under licence, etc.) also creates a favourable image. As Brazil becomes more and more self-reliant in the manufacturing sector, tariffs will be prohibitive for those items imported into Brazil for which there is a national similar.

Trade barriers — Aside from tariffs and taxes, the barriers that Canadian exporters of goods and services in the field of mineral development will face are many. Some are relatively simple to overcome; others are more formidable. The principal obstacles are:

1) Brazilian legislation designed to protect local manufacturers, and/or to prohibit foreign technical assistance unless that assistance develops an expertise not presently existing in Brazil. Goods and services are denied entry into Brazil for use by government agencies or companies receiving government incentives, if similar goods or services are available from local sources.

2) Many developments are either foreign-owned or have joint Brazilian/foreign participation. In almost all cases the foreign expertise is obtained and equipment chosen to public knowledge of the operation. Therefore close contacts with foreign as well as local companies are imperative.

3) Projects tied to foreign financing from U.S., European or Japanese banks or development agencies usually preclude equipment purchasing from other sources.

4) Since many Canadian equipment manufacturers are subsidiaries of foreign parents, they are often prohibited from exporting to Latin America in general, and Brazil in particular. This is perhaps the major problem in selling heavy mining equipment here and only if Canadian financing is involved will most parents allow their Canadian subsidiary to participate.

5) Low-cost loans for services by Brazilian Government entities such as the CPRM, BNDE, FINEP, etc. make it attractive for many mining companies to use local or government-owned companies to do the prospecting and provide the necessary services. Even if such services are not as complete as desired, the type of the loan usually compensates for the shortcomings of such a contract.

6) Language difficulties, while not always a big factor, do play a role in Brazil, where graduate geologists and technicians are often educated locally and do not have a good knowledge of English or French.

Brazil and Canada have a most-favoured-nation tariff on trade between these two countries, under which the lowest tariffs usually apply.

DNPM — Departamento Nacional de Produçao Mineral — Except for oil, for which exploration, exploitation and refining is a state monopoly in Brazil, other minerals can be explored and exploited by nationals and foreigners upon the issuance of exploration grants and, ultimately, exploitation concessions. Such grants and concessions are issued by the Brazilian Department of Mineral Production (DNPM), which is a counterpart of the provincial Mines Branch in Canada. In addition to adjudicating applications for grants and concessions through its Mining Development Division, DNPM as an agency of the Mines and Energy Ministry, is responsible for Brazil's mineral production program through Divisions of Mineral Economics, Geology, Legal and Administrative. The recent creation of the federally-owned Mineral Resources Research Company (CPRM) has reduced DNPM's responsibilities for mineral exploration and mineral inventory maintenance.

CVRD — Companhia Vale do Rio Doce — CVRD was created in 1942 to participate in the mining, transportation and trading in iron ore and its associated products. The federal government holds 80 per cent of the outstanding shares through the National Treasury.

In 1973, CVRD produced 31.8 million tons of high grade iron ore from its open pit mines. The CVRD railroad, 550 kilometers (370 km double tracked) or 1 meter gauge track, hauled 1.7 million passengers and 41.7 million tons of iron ore, of which 4.8 million tons were mined by associated firms. The railroad is integrated with a bulk materials port at Tubarao (near Vitoria, in espirito Santo) which can unload railcars at 19,000 tons per hour, and accommodate ships of 270,000 dwt.

CVRD currently operates two iron ore pelletizing plants with a combined capacity of 5 million tons per year. A third plant of 3 million tpy is under construction in a joint venture with the Finsider group.

CVRD's subsidiaries include shipping, marketing and reforestation concerns. It holds 50.9 per cent of the shares of Companhia Meridional de Mineraçao, a Brazilian subsidiary of U.S. Steel, for the development of the Carajas iron ore deposit in the state of Para. CVRD is associated with 10 Japanese firms in Celulose Nippo-Brasileira S.A. (CENIBRA), for the construction of a 750 ton-per-day pulp mill and with Alcan for an aluminum-bauxite production feasibility study. In 1973 it had sales revenues of $343.4 million and a net profit of $129.3 million.

BRAZIL IN BRIEF

CPRM — Companhia de Pesquisa de Recursos Minerais — Formed in 1969 and operational in January 1970, this company has four basic objectives. They are:

1) To stimulate the discovery and augment the utilization of Brazilian mineral and water resources.

2) To guide, stimulate and co-operate with private enterprises in exploration and in studies intended for the utilization of water and mineral resources.

3) To supplement, in a strictly limited capacity, private enterprises in the field of exploration for mineral and water resources.

4) To give administrative and technical assistance to entities belonging to the Ministry of Mines and Energy.

Within these objectives, the CPRM may also:

a) Prepare studies and execute geological and hydrological works as well as carry out exploration for mineral and water resources;

b) Carry out, directly or in co-operation with private enterprises, scientific, technological, economic and juridical studies intended for the exploration and utilization of mineral and water resources;

c) Give technical assistance to public and private enterprises through the signing of contracts for the rendering of services;

d) Develop and support the training and improvement of the technical personnel required for its activities.

Area: 3,286,473 square miles
Population: 106 million

Climate: Tropical in the Amazon regions; almost temperate in the Centre and Centre-South; semi-arid in sections of the Northeast and humid temperate in the South; annual averages in Rio and Sao Paulo lie between 60°F and 83°F; hottest months are: December, January and February, when temperature may rise to 104°F; coolest months are June, July and August.

Language: Portuguese. The main industrial and trade companies can correspond in English and a small minority in French. Visiting businessmen usually will find English-speaking people or be provided with interpreter facilities. Spanish is also understood without difficulty but businessmen prefer brochures in English rather than in Spanish, when Portuguese literature is not available.

Currency: Cruzeiro (Cr$). Dollar currency or traveller cheques can be exchanged at your hotel and at local banks. The official exchange rate in November, 1974, was Cr$ 7.22-Cdn $1.00. Only 30 per cent of the total of dollars exchanged into cruzeiros can be re-converted into dollars upon presentation of receipts for all dollar-to-cruzeiro transactions. Therefore, be moderate in your exchange of funds into cruzeiros and keep all receipts.

Foreign exchange controls, import controls, documentation and customs duties: All goods from abroad are subject to import licences processed through CACEX (Foreign Trade Bureau of the Bank of Brazil). Applications made by local importers must be accompanied by exporters brochures, printed price lists, proforma invoices and statements that the prices quoted are in effect for export to any country. Owing to the increases in price of imported crude oil, and in order to avoid further deterioration of Brazil's balance of trade and also an erosion of its foreign currency reserves, the Brazilian Government has been strengthening the Law of National Similars (see accompanying article, "Investment in Brazil"), curbing imports of non-essential goods by raising the Customs duties 100 per cent and putting payment on virtually a cash basis.

Such an increase makes non-

essentials or imported similars subject to tariff rates that may go up to 205 per cent chargeable on the landed cost. As of November, 1974, Brazilian Government institutions and mixed companies have been forbidden from importing consumer goods from abroad or buying imported products that have similars manufactured in Brazil. These measures will be in force until December 31, 1976. These latter restrictions, however, do not apply to the private sector.

Weights and measures: Metric system.

Capital: Brasilia, inaugurated in 1960, in the geographical centre of Brazil.

Chief ports and harbours: Manaus (duty-free zone), Santarém, Macapa, Belém, Fortaleza, Natal, Recife, Salvador, Tubarao (largest iron ore port in the world), Vitória, Rio de Janeiro, Santos, Florianópolis, Porto Alegre and Rio Grande.

Marketing centres: Metropolitan Sao Paulo (7.7 million inhabitants) the city of Rio de Janeiro (4.7 million), Belo Horizonte (1.5 million), Recife (1.4 million), Porto Alegre and Salvador (1.3 million each), Brasília (600,000).

Economy; In 1974, Brazil enjoyed its seventh consecutive year of accelerated growth with an average annual GDP of 10.1 per cent. Growth rate in the industrial sector in 1974 was expected to reach 15 per cent and in agriculture, 10 per cent. In November 1974, Brazilian foreign currency reserves amounted to $6.5 billion and external debt may reach $13 billion. The inflation rate in 1973 was 15.5 per cent and increased to an estimated 31 per cent in 1974. Brazil's loans received from foreign countries until November 1974, totalled about $4 billion. Average per-capita income in 1973 was $566.

Electrical standards: Domestic power supply is 110 volts 60 cycles, AC in most cities. The chief exception, however, is Brasilia, where 220 volts is common. Two-pin plugs are used but they are round and not the same size as the European type.

Internal transportation: One can travel easily almost anywhere in Brazil by car, bus, train, airplane, ship or boat. Cars can be rented at airports, hotels or directly at the rent-a-car agencies with or without a driver. Rates range from $20.00 a day for a Volkswagen to $50.00 a day for a Galaxie Ford. All the state capitals and other centres are interconnected by regular daily flights.

Between Rio and São Paulo there is a shuttle service with more than 30 daily jet or turbo-jet flights. In 1974, the Brazilian highway system included a paved network of 75,700 km, on which ran 3,643,181 automobiles 72,189 buses, 630,873 trucks and 295.870 other types of vehicles. VARIG is Brazil's international airline connecting Brazil to the United States, Europe, Africa and the Middle East.

Chief imports: Oil, steel (especially stainless steel); steel mill equipment; heavy industrial machinery and other capital goods; some types of farm equipment, fertilizers, potash and many other chemicals; raw products for the pharmaceutical and plastic industries; radar equipment; mineral exploration machinery; larger diameter pipelines; advanced electronic equipment and equipment for hydroelectric generation; pre-cast concrete products; machinery for food processing, chemical and petrochemical processing fields; a few types of aircraft and parts; coking coal; sawmill equipment; grains; pulp and paper; nonferrous metals; some portable communications equipment; heavy sugar cane crushers or grinders for large sugar mills; smoked salmon; dried and salted codfish; smoked herrings; asbestos milled fibres; tallow; essential oils; engineering construction machinery; video tape processing equipment.

Chief suppliers: United States, Argentina, Britain, Saudi Arabia, Japan, West Germany, France, Yugoslavia, Canada.

Canadian exports to Brazil ($million) 1973: red spring wheat 37.7; newsprint paper 12.6; aluminum pigs, ingots 5.6; steel in strips, sheets, etc. 4.5; nickel anodes, cathodes, ingots, rods 3.3; potassium chloride, muriate 3.0; zinc blocks, pigs and slabs 2.5; copper, refinery shapes 1.8; hydraulic turbines and parts; lead in ore and concentrates; metallic salts; inorganic acids; molybdenum in ore, concentrates and scrap; generator parts and accessories; switchgear and protection equipment, etc.

Chief Brazilian exports in 1973: Coffee beans, soybeans, raw cane sugar, soybean cake and bean, iron ore, cotton wool, cocoa, frozen canned beef, castor oil, instant coffee, crystal cane sugar, leather shoes and footwear in general, sawn pinewood, concentrated orange juice, sisal, manganese, machinery and electric household appliances, transportation equipment, office equipment, essential oils, boilers, lathers, engines, mechanical and surgical instruments, constructors hardware, textiles, etc.

Chief markets: United States, West Germany, Japan, Britain, Italy, Spain, France, Argentina, U.S.S.R., Belgium Luxembourg, Sweden, Yugoslavia, Denmark, Portugal, Canada, Norway, Taiwan, Venezuela, Paraguay, Iran, Mexico, Switzerland, Uruguay, Peru.

Chief Canadian purchases ($ million) 1973: Green coffee 18.5; instant coffee 5.5; iron ore 6.9; frozen orange juice concentrates 5.2; leather boots, shoes, sandals etc. 3.4; canned corned beef 3.3; castor oil 2.4; other items; rayon, yarn, viscose or acetate; metal ores, concentrates and scrap; cane molasses; T.V., radio and phonograph chassis; sawn hardwood; leather garments, handbags and purses, etc.

Payment terms: Brazilian buyers of Canadian products pay through first class bank irrevocable of credit at first presentation, prior to shipment of the goods.

Correspondence: Air mail only and receipt still subject to delay of one or two weeks between Canada and Brazil and vice-versa.

Shipping services: Canadian exports to Brazil are carried on Brazilian Netumar (Canadian agents are Saguaney Shipping Ltd. of the Alcan Group) or Lloyd Brasileiro vessels. Insurance of goods must be made in cruzeiros by Brazilian insurance companies. The principal ports used are Quebec, Three Rivers, Montreal, Toronto, Hamilton, Windsor, St. John, Halifax.

Air services: No direct air services between Canada and Brazil. Travel therefore is usually via New York, Miami or Los Angeles. If visits to a

number of Brazilian cities are contemplated, it is much more economical to include them on the international ticket as local air tickets are expensive. There are several domestic airlines linking Brazilian cities as well as air taxi companies.

When to travel to Brazil: Brazilian businessmen take their vacation between December 15 and February 15. This is the period to avoid, in addition to Carnival Week, which is the few days prior to Ash Wednesday. The best period to come, both from a climatic and business point of view is March (except when Carnival is in early March) to June 30 or September 1 to December 14. July and August are slack trade months as many businessmen travel to Europe to take advantage of the warmer summer weather.

Brazilian holidays:

New Year's Day — January 1

Foundation of the city of Rio de Janeiro — January 20 (in Rio only)

Carnival — Monday and Tuesday preceeding Ash Wednesday

Good Friday — Varies

Tiradentes Day — April 21

Labour Day — May 1

Corpus Christi — Varies (usually a Thursday)

State Holiday in São Paulo — July 9

Independence Day — September 7

All Souls Day — November 2nd

Proclamation of the Republic — November 15

Christmas Day — December 25

If a holiday falls on a Thursday, many businessmen take the subsequent Friday as well, making up for it by working extra hours in advance of the holiday. Ash Wednesday through Friday of the Carnival week are also very slack days with people indisposed to do business.

Appointments: No appointments should be expected on week ends, national holidays or on days in between holidays and week ends. Appointments should be requested one week in advance.

Working hours: Government departments: 11 am to 4 pm; banks; 9 am to 5 pm; business and commerce: 8:30 am to 6 pm; working week: Monday to Friday; shops open Saturdays from 9 am to 12 pm.

Samples: It is customary for manufacturers to supply samples of their products free of charge. To save time Canadian samples can be sent by air express in small packages weighing less than 2.2 lbs and marked on the outside "sample only, no commercial value" and "anostra sem valor comercial" as this will make clearance through Brazilian customs much easier. Whenever possible, samples should be accompanied by product literature in English or Portuguese.

Visas: Tourist visa not necessary for a three-month stay by Canadians; for a longer stay one must be obtained and can be renewed once for a period of three months; temporary working visas obtained only at Brazilian Consulates outside Brazil.

Inoculations: Only small-pox inoculation is demanded by the Health and Immigration authorities. Other inoculations are left to the visitor's discretion.

Trade agreements: Brazil is a member of LAFTA. The bulk of its trade, however, is still with the United States and Europe.

Detailed information: Write to Western Hemisphere Bureau, Latin America Division, Department of Industry, Trade and Commerce, Ottawa, K1A 0H5 or Commercial Division, Canadian Consulate — Rio de Janeiro, Caixa Postal 2164 ZC-00, 20.000 Rio de Janeiro, GB, Brazil; Commercial Division, Canadian Consulate — Sao Paulo, Caixa Postal 6034, 03016-Sao Paulo-S.p.; Commercial Division, Canadian Embassy, Caixa Postal 07-0961, 70.000 Brasilia, Distrito Federal.

DOING BUSINESS IN BRAZIL

DEMOSTENES N. ANDRADE,
Commercial Officer, Rio de Janeiro

Many Canadians, and others, tend to think that Brazil is still so undeveloped that it needs to import nearly all kinds of consumer goods, from sewage equipment, paints, laundry machinery, fans, heating or air conditioning units, and fire extinguishers to toothpicks, toilet paper, taps and electric bulbs.

It happens, however, that almost all modern consumer goods are already produced in Brazil. Actually, the steady growth of the Brazilian economy over the last few years has made this country a highly attractive market for multinational firms. A brief investigation reveals that there are more than 200 giant U.S. industrial companies or their affiliates operating in Brazil, among them, G.M., Standard Oil, G.E. Chrysler Corporation, U.S. Steel Corporation, Shell Oil, Dupont, Goodyear Union Carbide, Swift Corporation, Eastman Kodak, General Foods, Westinghouse and Singer Sewing Company.

Banking firms, insurance groups, transportation companies and mining companies from the United States as well as similar organizations and competing trade concerns from Germany, Britain, Canada, Italy, Japan, and several other countries, are all investing, producing and selling in full swing in Brazil and exporting to other markets

as well.

Imports into Brazil are handled either through agents, distributors or subsidiary companies. Agents are usually the most reliable way and the best ones are located in the main cities or have branches in the major market centres. If a firm has no branches it may be advisable to appoint separate agents in Rio, Sao Paulo, Salvador, Belo Horizonte and Porto Alegre but this depends greatly upon the product and the market for it in Brazil.

Local distributors who maintain a stock for their own account are much more difficult to obtain and the best ones are already handling a number of complementary lines of products. Government purchases are usually large and are done by tender. In most cases the supplier must be represented in Brazil by an authorized agent. Separate departments and agencies call their own tenders and there is no central issuing office so that the hundreds of state and federal government agencies are issuing thousands of tenders annually. Government entities are forced by Decree-Law to purchase locally-made goods and services whenever possible and the Law of National Similars has been enacted to enforce this, especially now that the Government is endeavouring to avoid further dis-equilibrium in the balance of trade.

As the Government is interested in attracting international investors to Brazil, and given the country's political stability, high rate of economic growth, low labour costs and very bright prospects for the future which have been attracting foreign trade missions from various developed countries, it is recommended that Canadian industrialists seek joint ventures, licensing agreements or other investment possibilities in Brazil rather than looking for export business alone. Considering the liberal treatment accorded foreign capital and the wealth of opportunities, such efforts could yield high rewards.

Brazil has become the seventh world producer of automobiles and iron ore, the fifth largest producer of cotton, third in debarked logs, soya beans, corn, swine and cattle and first in coffee, cane sugar, hardwood and manganese. But there are problems.

The country has a record balance of trade deficit of $5 billion together with an external debt of about $13 billion. This situation is attributed to the sharp rise in crude oil prices, the general increase in raw materials prices, world-wide inflation and the need for Brazil to import increasing quantities of capital equipment to meet the demands of rapid development. The Brazilian Government is making an all-out effort to increase domestic production and in order to achieve this, the industrial incentives programs are being revised. Locally-produced machinery and other capital goods will be exempted from payment of federal and state taxes. To prevent further severe drains on the balance of trade and to avoid the erosion of Brazilian foreign reserves (which in November 1974 amounted to about $6.4 billion), the Government decided in June 1974, to strengthen the Law of National Similars. In an effort to attract more funds from abroad (Brazil's loans received until November, 1974 totalled about $4 billion), the authorities in September halved to five years from 10 the prescribed minimum term for loans raised overseas. The Central Bank has also trimmed to 5 per cent from 25 per cent the withholding tax on interest, commissions, expenses and discounts relating to loans received.

LASER ZAPS RIO

The Laser sailboat, designed by Canadian sailor Bruce Kirby and produced by Performance Sailcraft Company Limited of Montreal, has added Rio de Janeiro's scenic Guanabara Bay to its multinational territory.

While the factory in a Rio suburb is being completed, Performance Sailcraft has been shipping boats to Brazil's competitive sailors from the Montreal factory. Brazil's tough tariff structure allows only accredited competitive sailors (i.e. those with international competition credentials) to import Lasers with less than a 105 per cent import duty. By August 1974, 22 boats had been brought into Brazil, and were sailed in the First Brazil Laser Regatta on Rio de Janeiro's Guanabara Bay.

A subsidiary of Performance Sailcraft, Performance Sailcraft do Brasil Limitada, will soon commence production of Lasers at a factory in Sao Gonçalo, across Guanabara Bay from Rio de Janeiro. This plant is intended to produce boats for southern Latin America, within the Latin America Free Trade Association (LAFTA). The Brazilian plant is an addition to ones in Britain, South Africa and Australia.

CANADIAN FIRM SECURES IRANIAN HOUSING CONTRACT

Iranian-Canadian Development Corporation (IRANCAN), a new company registered in Iran and owned jointly by DELCANDA International Ltd. of Ottawa and several Iranian construction companies, will undertake the design and construction management of a 900-home development near Tehran. IRANCAN, which will be managed by DELCANDA International Ltd., will provide complete engineering services for the $45 million project. Modern construction techniques will be used to achieve economies and accelerate construction. Architectural services for the project are being provided by Arthur Erickson Architects of Vancouver. Mr. David A. Duggan, Vice President of DELCANDA, will head the new company and be resident in Tehran. IRANCAN will offer specialized consulting services to government and private industry in the fields of housing, transportation, municipal engineering, urban planning, and environmental engineering.

Delcanda's Cité Salongo housing project in Kinshasa, Zaire.

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