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Trading in Eastern Europe

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Contents

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Editorial Imbalance

Anyone contemplating a trip abroad will appreciate the value of being able to consult a reference book which is factual, doesn't pretend that every sunset on distant horizons is golden, and offers the reader a Canadian perspective on foreign places, peoples and procedures. The logic of presenting such information in one handy volume is obvious, but in the case of a businessman's guide to Eastern Europe — which encompasses seven countries, one of them with an area greater than Canada, and their combined population in excess of 360 million — the task makes serious inroads upon the space available in a single issue of CANADA COMMERCE. Within these covers we present merely a digest of facts and figures about business opportunities in lands where other industrial countries of the Western world are energetically pursuing trade and establishing economic liaisons.

Because of magazine budget considerations, the normal balance of editorial content has been sacrificed, which is regrettable, if only because some readers with no professional interest in Canada-East Europe trade may be tempted to dismiss the subject as boring. But whilst it is true that our on-the-spot market analysts are concerned only with the business potential of the USSR and neighbouring countries, each of the reports throws interesting sidelights on the tenor of everyday life in Eastern Europe.

All of the information from abroad was contributed by I.T.&C. personnel. A multitude of photographs was supplied — promptly and with great zeal — by the Ottawa embassies of the countries concerned. From the same sources came books, magazines and leaflets — total weight 29lbs., and all in English.

Trading With Eastern Europe

C.L. BLAND, Chief, Eastern Europe Division, European Bureau

The April 1970 issue of Canada Commerce carried a feature, "Eastern Europe — a $6 Billion Market". By 1975 that same market had grown to over $25 billion. In 1970, Canadian exports to the region* were valued at $142 million, 73% of which represented sales of grain. Last year Canadian sales to Eastern Europe totalled $618 million, with grain accounting for 84%.

Approximately two-thirds of the region's imports are supplied by COMECON** countries or LDCs, but the $25 billion in imports from the industrialized West is not an inconsequential figure. Trade with the West has recently been expanding at a faster rate than intra-COMECON trade — particularly in the field of machinery and equipment.

At first glance it might appear that Canada has been keeping up with the growth of the East European market. However, it is relevant to note two points. First of all, grains still account for a high percentage of our exports to the area (although non-grain exports have increased by 168% since 1970). Secondly, competitors are doing considerably better in supplying machinery and equipment to the market. Preliminary figures for 1975 indicate that West Germany's exports to Eastern Europe totalled $8.1 billion: France sold $2.6 billion, Italy $2.2 billion and Britain $1.3 billion. Japanese and U.S. exports to the region were valued at $2.2 and $2.8 billion respectively.

Canada's West European competitors are more conveniently placed geographically and have been serving East European markets over a longer period. They are therefore better equipped for the protracted and often difficult negotiations necessary to nail

* *USSR, GDR, Poland, Czechoslovakia, Hungary, Romania, Bulgaria and Albania*

** *USSR, GDR, Poland, Czechoslovakia, Hungary, Romania, Bulgaria, Mongolia and Cuba*

Until the first Sputnik soared into space in October 1957, many Western observers rejected the idea of the USSR being a potential rival in the field of industrial technology.

The USSR being the only country with an area greater than Canada, comparisons are inevitable. Well, the USSR scores over Canada — and South Africa — as a source of diamonds. The estimated annual yield is approximately 10 million carats (Zaire tops the list with 13 million carats, most of which are industrial stones).

Canadians who want to do business in Poland are recommended to supply sales leaflets in Polish. Not that English is entirely unfamiliar to the Poles. They produce text books for schools in Kent, birthplace of William Caxton (1422-91), father of English printing.

down a contract in Eastern Europe. In addition, when dealing with a trading bloc which still uses barter and counterpart trade (more recently, product payback for plant installation), West European countries, as well as the U.S. and Japan — who have been accelerating their sales efforts in the region — have markets more complementary to Eastern Europe. Their capacity to absorb industrial raw materials in return for machinery and equipment is therefore greater than Canada's. Nonetheless, most imports from the West consist of machinery and equipment, and Canadian businessmen should aim for a greater share of the large market for finished products. We have made some progress in this field, but much hard work remains to be done.

In 1975, Canadian imports from Eastern Europe were valued at $159 million — some $22 million below the previous year's total. These imports are more broadly based than our exports to the area. Principal imports in 1975 included fabrics, textile products, footwear, bicycles, steel, specialized machinery and equipment, food-stuffs and wines.

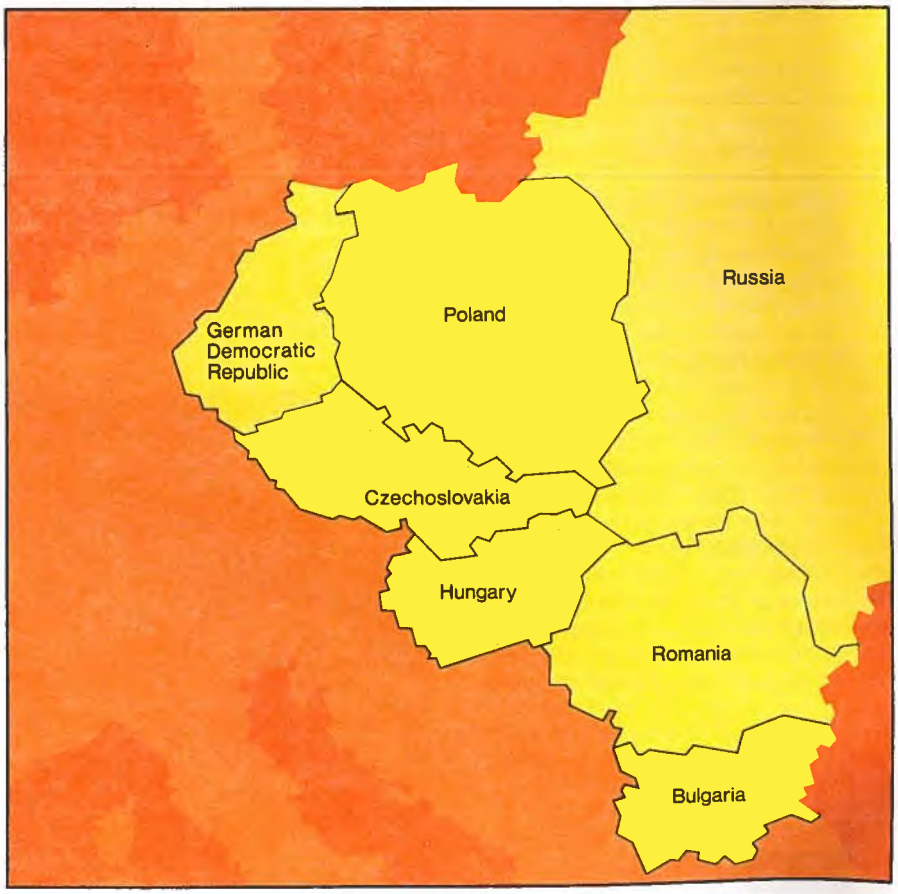
Canada's merchandise trade deficit with Eastern Europe — $19.2 million in 1974 — was converted into a $459 million surplus last year. Our 1975 exports increased to all countries in Eastern Europe, with the exception of Bulgaria, Hungary and Czechoslovakia. On the other hand, only imports from the Soviet Union showed gains last year, mainly as a result of depressed markets in Canada for traditional Eastern European products.

Eastern Europe's appetite for Western goods and technology has grown substantially over the past decade. During the period leading up to the Conference on Security and Co-operation in Europe (C.S.C.E.), Eastern Europe adopted a policy of modernizing its industrial base through expanded trade with the West. The Final Act of the C.S.C.E., signed last year, recognized, inter alia, the inviolability of frontiers and the territorial integrity of participating States. It established guidelines for relations between East and West which encouraged the freer movement of people and information. While rapprochement has only just begun, sufficient confidence has existed to enable East / West trade to expand by 40-50% annually over the last few years.

In terms of market development, Canadian activities with Eastern European countries reached a new peak in 1975. Better trade figures should result.

A concerted effort was made during 1975 to bring Canadian products and services to the attention of those trade and economic authorities in Eastern Europe who were in the process of drafting national economic plans for the period 1976-80. Two trade development missions, composed of Department of Industry, Trade and Commerce representatives and Canadian industrialists, visited five of the eight countries in the region and identified a wide range of opportunities to increase exports of goods, services and technology. The main areas included: machinery and equipment for forestry, pulp and paper, oil and gas, mining and agriculture; airport related equipment; electronics; transportation and special vehicles; livestock, consulting engineering services; and a wide variety of machinery and equipment for heavy and light industry.

The USSR and Poland sent high level trade missions to Canada during 1975. The members, economic decision-makers, were exposed to Canadian capabilities in



various industry sectors. During the year three Cabinet Ministers visited Eastern Europe, and in doing so underlined the interest Canada has in expanding links with the area. Other activities included official Canadian participation in two Eastern Europe trade fairs and a variety of smaller missions, some sponsored by provincial governments, both incoming and outgoing, organized along specific product lines. In addition, a large number of marketing efforts by individual companies were supported by the Program for Export Market Development (through which the Department shares the risk of Canadian exporters' promotional efforts abroad).

As an offshoot of one trade development mission — and of the substantial marketing efforts which preceded and followed the mission — a Canadian consulting firm (H.A. Simons) won a contract — the first for Canada in Eastern Europe — to provide design and project management services for a large pulp and paper complex at Kwidzyn, Poland. It is hoped that this success (coupled with the $500 million financial protocol agreed to by the Export Development Corporation and Poland to promote purchases of Canadian services, equipment and machinery in the forest industries sector) will spearhead a new break-through in our exports of capital goods, equipment and services to the region generally.

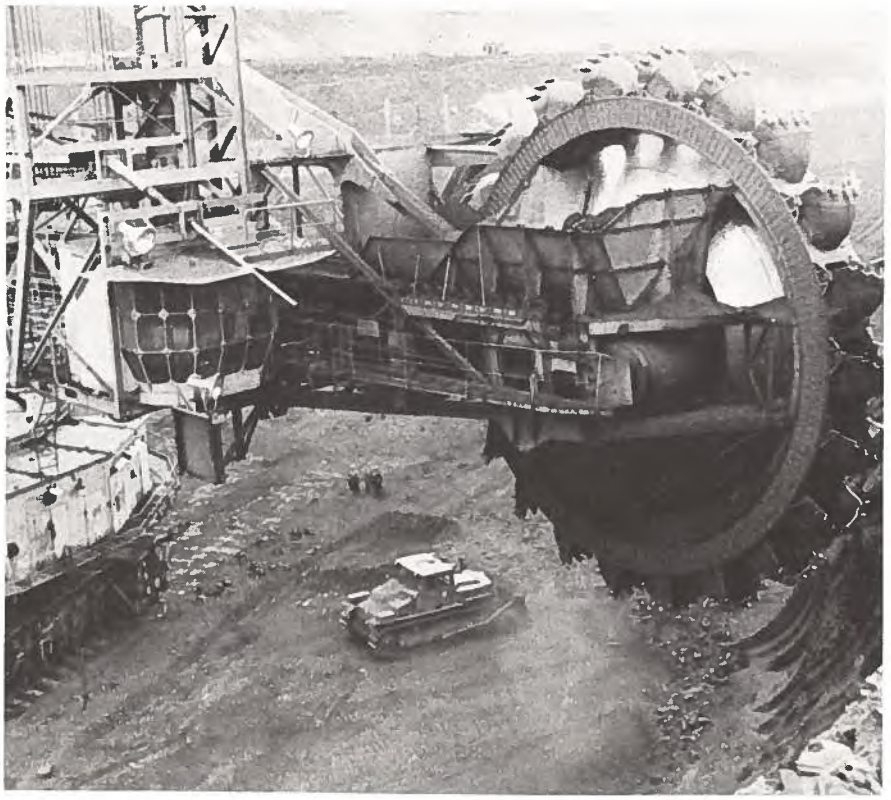
Looking ahead, the USSR has announced it will be placing greater stress on qualitative rather than quantative improvements in its economy during the 1976-80 five-year plan. This, combined with a shift in terms of trade related to energy resources which favours the Soviet Union at the expense of the other East European countries, could signal a slowdown in the expansion of trade with the West.

During 1975 poor grain harvests in Eastern Europe necessitated larger imports than usual. This, coupled with inflation and economic stagnation in the West, which meant that increased imports of capital equipment cost more while exports declined, resulted in a hard currency trade deficit for Eastern Europe estimated at more than $8 billion. As hard currency can be expected to remain in relatively short supply, the area will likely continue to emphasize varied forms of industrial cooperation and counter purchase arrangements over the foreseeable future.

Most Eastern European countries are experiencing balance of payments difficulties of varying intensity. As a result, they will probably be more selective purchasers of Western products in 1976. Indeed, Western exports to Eastern Europe, with the exception of the USSR, declined in the second half of 1975. However, this is expected to be a temporary slowdown: the region requires Western machinery, equipment and technology to retain the momentum of its industrial development programs. Good opportunities still exist for increased Canadian trade with Eastern Europe as the articles in this special edition point out.

Eastern Europe is financing a significant portion of its present deficit through borrowings of Eurocurrencies and long-term export credits. To facilitate financing the exports of capital goods, equipment and services to Eastern Europe, the Export Development Corporation agreed to financing arrangements with the USSR and Poland last year in the amount of $500 million to each country. The Department and Canadian companies will work closely together during the months ahead to help en-

With a population ten times greater than Canada, the USSR is using up its natural resources at a much faster rate. Coal, still the main fuel, employs a million workers, who produce in excess of 700 million tons annually (Canada, less than 24 million tons). Striving for higher outputs, COMECON countries are interested in automated cutters, other mining equipment and vehicles.



sure that these funds are utilized.

Canada has trade agreements with all Eastern European countries except the GDR and Albania. Many countries in the region are, like Canada, members of the General Agreement on Tariffs and Trade (GATT). Our bilateral trade agreements with East European countries usually provide, inter alia, for annual consultations which allow Canadian officials to monitor economic developments, to identify import priorities in these countries, and to stress Canadian capabilities in industry sectors which dovetail with the priorities so identified. There is also the Canada/USSR Agreement on Co-operation in the Industrial Application of Science and Technology (INDEXAG), concluded in January 1971. The Mixed Commission of the INDEXAG meets annually at ministerial level in Moscow and Ottawa alternatively and was last convened in Ottawa in May, 1975. At that time, the Agreement was renewed for another five-year period. Consultations were also held during 1975 with Poland, Romania, Hungary and Bulgaria, and official trade talks took place with Czechoslovakia. In addition, the Eastern Europe Division maintains close contact with Eastern Europe trade officials and business representatives resident in Canada, and both export and import trade developments are kept under continuing review.

Simply put, the major objective of Canadian trade policy vis-à-vis Eastern Europe — while maintaining our traditional role as a supplier of grains and industrial raw materials — is to increase the semi and fully manufactured component in our sales. We have enjoyed some successes in this field. To the Soviet Union we have supplied off-highway vehicles, oil drilling equipment, boilers, valves and compressors: to Poland, log skidders and pulp and paper equipment: to Hungary and Bulgaria, agricultural equipment. We look forward to increasing successes by Canadian firms in selling manufactured goods to Eastern Europe over the next few years.

The articles prepared for this issue pinpoint industrial sectors in which good export opportunities exist for the Canadian business community. I would urge all businessmen interested in diversifying their export markets to read these articles carefully. While much persistence and patience is required to sell into this area, the rewards can be substantial. We hope that our efforts have set the stage for an increased level of trade between Canada and Eastern Europe.

The Central Asia — Centre gas pipeline. Natural gas represents 15% of Soviet fuel production. The major sources are the North Caucasus, mid-Volga, Ukraine, Azerbaijan and Uzbekistan. The USA, USSR and Canada are currently the world's largest producers of natural gas.

CANADIAN TRADE WITH EASTERN EUROPE 1974-75
% Million

	Exports		Imports	
	1974	1975	1974	1975
Albania	6.3	10.5	—	—
Bulgaria	4.6	2.4	4.1	3.8
Czechoslovakia	22.8	9.7	61.8	46.4
East Germany	3.2	4.3	7.0	5.4
Hungary	6.4	6.3	15.7	15.0
Poland	85.2	114.0	43.9	40.8
Romania	5.0	62.1	25.8	19.2
USSR	28.7	408.9	23.1	28.5
TOTAL	162.2	618.2	181.4	159.1
of which grain	104.4	517.7		

Sources: *Statistics Canada*

Study the Soviet "shopping list"

D.H. CHENEY, Minister-Counsellor (Economic), Moscow

Until the early seventies, Canada's trade relations with the Soviet Union were based primarily on a bilateral trade agreement signed in 1956 and renewed periodically thereafter. Apart from large sales of grain to supplement poor Soviet harvests (1956, 71, 72, 73 and 75), our exports to the USSR were small and relatively static. Likewise, Soviet sales to Canada were stereotyped and showed little sign of increasing in either volume or variety. To most Canadian exporters, the USSR market, though reputed to have enormous potential, was largely unknown and regarded as a scalping ground for all but the most powerful Western concerns with the resources and stamina to pursue it.

However, a framework now developing is rapidly changing these older concepts. (see table on Canada — USSR Trade). Several Canadian suppliers of large off-highway vehicles, forest harvesting equipment and components for heavy processing industries have proven that large and lucrative contracts can be secured. They have been the pioneers in demonstrating that there is room in the immense Soviet industrial development program for determined Canadian manufacturers whose products, developed for our own particular needs at home, are unexcelled in quality and performance under the equally rigorous conditions existing in the Soviet Union.

In 1971, Canada and the USSR signed an Agreement on the Industrial Application of Science and Technology which also opened the way for increased trade. From the outset, the Agreement was intended, not only as a vehicle for the exchange of technology, but as a means of identifying opportunities for commercial exchanges stemming from the activities of joint working groups in architecture and the construction, electrical, forest-based, gas, oil, non-ferrous metals and transportation industries. Three new "ad hoc" groups are being set up to study opportunities for joint co-operation in the industrial application of geology, coal and ferrous metals.

In May 1975, Canada signed a $500 million financing protocol with the Soviet Union for the purchase of capital goods. This was the largest such arrangement ever negotiated with a single trading partner and signified our resolve to provide a tangible stimulant to the development of a more important trading partnership with the USSR. The Soviets responded by dispatching a large delegation of senior officials from industrial ministries. Headed by a vice minister of trade, the month-long visit included an on-the-spot survey of Canadian productive capacity of greatest interest to the USSR development program. As a result of their investigations, the Russians identified a number of sectors. The most promising opportunities appear to exist in the following areas:

forest products, furniture and woodworking, oil and gas, chemicals, production of heavy trucks, manufacture of synthetic carpets, and airport terminal and hotel construction.

Details and advice regarding this shopping list of Soviet requirements may be obtained from the European Bureau of the Department of Industry, Trade and Commerce, and the USSR Trade Representation in Ottawa.

A number of Canadian companies are now pursuing several projects with Soviet foreign trade organizations. Additional opportunities are waiting to be taken up. In most cases, the projects have fairly strict deadlines to fit Soviet development plans. Thus, while the Soviets are willing and anxious to conclude contracts with Canadian firms under the financing protocol, they cannot absorb undue slippage. In recent weeks, they have indicated that Canadian firms do not exert themselves as strongly as they should in pursuing these export opportunities. Our potential Russian customers are extremely tough and astute bargainers. The line of credit will be utilized only if offers are competitive in all respects and diligently nurtured at every stage. Elsewhere in this issue, we offer some advice to Canadian exporters on strategies for penetration of the USSR market based on solid practical experience. In addition, we are continually considering new measures for the improvement of our general trading framework with the USSR.

Five Year Plan (1976-1980)

Every sector of the Soviet economy is intensively planned. Targets for growth, production and consumption are set out in great detail in five year economic plans and their annual components. The latest (10th) Five Year Plan, covering 1976-1980, was outlined publicly in mid-December 1975. It sets targets or goals to be achieved by the end of the plan period. Prior to announcement of the Five Year Plan, the Soviets published the 1976 component. It is an indicator of the direction and tone of the program, as well as the blueprint for economic development activity which must be attained if the Five Year Plan is to be kept on track. The State Committee for Planning (Gosplan) is the architect of Soviet economic planning.

In the past, Soviet economic plans were characterized by high growth rates and targets with strong emphasis on heavy industry, huge new natural resource developments and manufacturing complexes. In recent years, more attention was promised for light industries and the production of consumer goods. However, as it became apparent that some priority industries would fall short of their targets, the growth rates for consumer goods production were cut back. Even so, some production targets proved to be unattainable, although growth achievements were still impressive by any standard. Moreover, the constant striving for greater output went on at the expense of quality, efficiency and balance of production commensurate with the national economy.

The Tenth Five Year Plan indicates that these shortcomings did not escape the notice of Soviet

planners. While growth will continue, rates of increase have been set at more realistic levels. The largest proportion of increased output will be achieved by higher labour productivity. More judicious use of raw materials, fuel, energy, machinery, equipment and financial resources is also underlined. It is apparent that the traditional reliance on heavy industry will again hold down consumer goods production. The Plan emphasizes the need to reduce the gap between fundamental and applied research and actual production. There is recognition that economic management must be improved, providing for better organization and planning, enhanced standards for industrial performance, modernized accounting systems, more effective incentives to bolster productivity and greater emphasis on the use of automated and computer systems in planning and management.

National income (GNP) is to increase by 24 - 28%, compared to the previous target of 39% (actual gorgrowth 1971-1975 was 28%). Total industrial output is slated to grow by 35 - 39%, as compared to 47% targeted for 1971-1975 (actual growth, 43%). Heavy industry production is to grow by 38 - 42%, as compared to 46.3% under the previous plan. Consumer goods production, which was slated for a 48.6% expansion in 1971-1975, is now reduced to 30-32%.

The annual growth of the GNP by 4.4 - 5.0%, projected for the next five years, must now come from more efficient utilization of existing resources. Increased labour productivity is to generate 85 - 90% of the anticipated growth of national income, 90% of the increase in industrial production, 100% in agricultural produce, 100% in building and construction, and 95% in railway transportation. Labour productivity increases demanded of the industrial sectors range from 23 - 25%, for iron and steel, to 59 - 61% in the chemicals industry. Enterprises already operating will receive 64% of total state investment, up from 60% in the earlier plan. The proportion allocated to industrial construction in existing operational enterprises will be 66%.

Industries are exhorted to produce more efficiently, and measures are laid down to ensure that they do so. Labour forces will be maintained at existing levels, or even reduced, and the proportion of capital investment earmarked for raising production will be cut by 5%.

Figures given for improvement in the consumer goods sector are modest. Volume of retail trade is to grow by 5.4 to 5.8% a year, which is down from the 6.8% growth achieved in 1975. The pace of housing construction will continue at 1975 rates, when about 110 million square metres were put in place. Automobile and truck production is scheduled to reach 2.2 million units per year by 1980, as compared to the 1975 target of 2.1 million and an actual total of just under 2 million. The average wage of the Soviet worker is to increase by 16 to 18% over the next five years, to reach 170 roubles (IR=$1.33) a month by 1980. This is considerably less than the 30.8% rise foreseen for the previous plan, but in line with the actual achievement of 20%.

A number of industrial sectors in which the Soviet Union wants to spur development are precisely those where Canadian firms can be most competitive.

Agriculture

Traditionally, agriculture has been of enormous importance to the Soviet economy. Immense effort and capital investment have been devoted to its development. In the new Five Year Plan, the already high level of absolute investment in agriculture will be maintained: its share of total economic investment will even increase slightly, remaining above 25 per cent. At the same time, output is to increase substantially. The most important factors contributing to this rise will be greater efficiency and labour productivity. Total investment in the 1976-1980 period is to reach 171.7 billion roubles, an increase of 31% over the previous Five-Year period. The state's share of this will be 115.7 billion roubles (67.4%): the remainder will be contributed by the collective farms. Investment will grow by an average of less than 6% a year, and average annual output is to grow by 14 to 17%. The same pattern is evident in the component for 1976, with very modest injections of capital investment and high rates of increase in production.

The main task set by the planners for the agricultural sector is "to ensure the further growth and greater stability of farm output, the utmost possible improvement in the effectiveness of stock and arable farming to satisfy the population's food requirements, and industry's need for raw materials more fully, and to build up state stocks of agricultural produce". The prime task is to increase grain production to the utmost and improve the general stability of grain production by:

(a) improving the structure of areas under crops;
(b) raising yields;
(c) making more effective use of mineral and organic fertilizers;
(d) cultivating larger areas of reclaimed lands;
(e) introducing high yielding strains and hybrids.

Other important tasks include improving the quality of crop and livestock farm products; the use of more productive hybrids and strains of all plants and animals; and taking measures to prevent losses in the production/transportation link, and during storage and processing.

Grain production is to average 215 - 220 million tons over the next five years, an increase of 19-22% over the previous plan period. Production for 1976 is set at 205 million tons, 14% above the annual average of the Ninth Five Year Plan. Increased production of strong and hard wheat, rye, buckwheat, millet and rice is called for. Areas sown to corn, barley, oats, legumes and other forage crops are to be expanded. Special attention is to be given to expanding production of corn on irrigated lands. State pur-

chases of grain are to reach 90 million tons annually.

The plan calls for higher output of livestock products through increased productivity, larger herds, increased production and more effective use of natural and mixed fodder, better conditions for the care of animals, more effective pedigree breeding and increased mechanization. Meat production (slaughter weight) is to reach 15 to 15.6 million tons, compared with an average of 14.1 million in 1971-1975. The target for milk is 94-96 million tons annually, as compared to 87.5 million in the previous period. Annual egg production is to rise to 58 - 61 billion, as compared to 50 billion in the period 1971 to 1974.

The total value of machinery delivered to Soviet farms is to rise by 45% over the previous plan. The numbers of tractors and trucks to be delivered are 1.9 and 1.35 million, up 200,000 and 250,000 respectively. The target for grain harvesters is decreased slightly, from 560,000 to 538,000. Targets for other machines, such as excavators, scrapers and tractor trailers, have all been increased. Great emphasis is placed on efforts to increase the life of machines and maximize their utilization through improved storage, repair and maintenance facilities. Land reclamation programs, including irrigation, drainage and pasture improvement, will be continued on a large scale. Capacity for storage of 30 million tons of grain will be placed in operation.

Economic Outlook

It is fairly clear that 1976 is intended to be a year of consolidation, of securing the economic base for the new direction plotted for the Tenth Five Year Plan. With lower growth obligations to meet, the various economic sectors can concentrate on improving efficiency and raising labour productivity, which will be needed to sustain higher rates of expansion in the following four years of the plan. For example, overall industrial output should rise by an average of 6.2 to 7.0% a year to attain the planned total of 35-39% over the five years. The target for 1976, however, is 4.3%. Similarly, while the 1976 target for increased output by heavy industry is only 4.9%, the annual average rise should be 7.0 to 7.8%. Annual production targets for consumer goods should show increases of 6.0 to 6.4%, but the target for 1976 is just 2.7%. Retail trade volume, which should rise 5.4 to 5.8% annually, will increase only by 3.6% this year. These examples point up the shift in priorities back to heavy industry.

Foreign Trade Projections (1976-1980)

In the past few years, Soviet trade with the West has been characterized by the purchase of very large turnkey projects and manufacturing complexes. Present indications are that the Soviets are placing less emphasis on these developments for several possible reasons. The economic infra-structure will require time to absorb those projects already in motion or nearing completion. The more modest growth rates projected for the new Five Year Plan could signal an intention to reduce dependence on direct importation of expensive, principally Western, technology and equipment. It is perhaps significant that the plan also calls for an increase in the sale and purchase of licenses and the extension of "new forms of mutually advantageous economic, scientific and technical co-operation including the realization of joint projects". The huge Soviet purchases of grain in 1975 will probably have a considerable impact this year on the availability of hard currency for other imports. The grain contract with the United States, running until 1981, will also exert some pressure. Thus, while trade will continue to grow, the Soviets can be expected to become even more selective in their purchasing policies. A stiffening in their bargaining tactics is already evident.

Prospects for Canada—USSR Trade

Canadian enterprises generally were not financially powerful enough to take a leading role in projects on the huge scale sought by the Soviets in the past. However, many have the specialized skills to undertake re-equipment and modernization work of the type foreseen in current Soviet plans. Moreover, a number of the sectors in which the Soviet Union wishes to spur development are precisely those in which

Gone the days when songwriters plugged the Ile of France and two Cunard 'Queens' ruled the sea cruise lanes. The latest luxury liner — "spacious staterooms, wall to wall carpeting, 2-channel musical programmes" — has a hammer and sickle emblazoned on the funnel. Built in England, the 14,000-ton ODESSA earns her keep, not in Soviet waters but along the dollar route linking New York and Bermuda.

Although the 3,461-mile Irtysh ranks fourth among the world's rivers (behind the Nile, Amazon and Yangtze), it did not serve Karaganda, a mining town in Central Kazakhstan. So along came the bulldozers, carving out a canal flanked by a highway.

A trading phenomenon of the post-war era has been the expansion of the USSR merchant fleet. Equally impressive was the emergence of Poland as a shipbuilding nation. During 1975, the Gdynia yard completed 15 vessels totalling 328,680 tons and launched another 15 ships of 218,420 tons.

Canadian firms can be most competitive. The following sectors should provide promising opportunities for Canadian participation in Soviet industrial development.

Oil

Oil drilling operations will benefit by the introduction of universal assembly drilling rigs, new drilling heads, heading engines, cleansers and high strength casting and drilling pipes. The new plan also calls for continuous technological re-equipment of the industry, including "comprehensive control systems". The oil refining industry plans to increase the output of high octane gasoline, low sulphur diesel and aviation fuels, aromatic hydrocarbons and high quality lubricating oils. There is to be new emphasis on combined and enlarged production facilities.

Gas

Construction of 35,000 km. of new pipeline is planned. The creation of underground gas storage reservoirs is being encouraged. The plan forecasts the use of new methods for intensifying the flow of gas from wells; completely automatic units for the commercial development of

gas; trunk pipelines consisting of pipes 1,420 mm. diameter and over — designed for working pressures of not less than 75 atmospheres; and compressor stations with pumping units of up to 25,000 k2. capacity.

Coal
It is planned to step up extraction of coal by open pit method in Eastern areas, and from oil shales in the European part of the USSR.

Ferrous and Non-Ferrous Metals
Interest in scientific and industrial co-operation under the Canada/USSR Industrial Exchange Agreement is developing. There appear to be areas where exchanges could eventually lead to commercial transactions. The Soviets have exhibited interest in Canadian equipment and processes for treating copper and other non-ferrous ores. The economic plan also identifies interest in several facets of steel making technology, including preparation of raw materials. In non-ferrous metals, the Soviets wish to develop the manufacture of hard alloys, carbon and other products.

Chemicals and Petrochemicals
The plan places heavy emphasis on fertilizer production, especially phosphates. Output of concentrated and compound fertilizers will be increased. By 1980, nitrate, phosphate and potash fertilizers are to be produced, mainly in granular form to facilitate transport in bulk, and dry mixing. The production of synthetic resins and plastics, synthetic rubber, chemical fibres and thread, tires (especially radial-ply), and household chemicals will be expanded.

Timber, Woodworking and Pulp and Paper
The plan calls for highly productive equipment and advanced technological processes. In Siberia and the Far East, logging and wood processing are to expand, as are the chemical and mechanical processing of wood waste, low quality wood and softwood.

Light Industry
Fabric production will increase, as will accessories and finishing materials used in the manufacture of clothing, footwear, and leather. Synthetics fibres and threads, polymers and high quality dyes are to be used to upgrade product quality. New highly productive technological processes and systems for comprehensive mechanization and automation of production are to be introduced.

Food Industry
New methods of packaging, specialized transportation, bulk transport and other "progressive" methods of storage and transportation are to be introduced. There are also requirements for automated lines for weighing, packaging, bottling and continuous action sterilizing.

Geological Exploration and Prospecting
Encouragement is being given to the search for oil and gas on land and in offshore areas. There is to be extended application of advanced geophysical and geochemical methods and the use of aerial and space techniques for geological surveying.

Licensing and Joint Projects
Potential opportunities in these areas have not been extensively explored thus far by Canadian firms. However, our European and American competitors are pursuing them with considerable success. The Soviet plan also places increased emphasis on all forms of economic contact with industrially advanced capitalist countries.

Your Business Visit to Moscow
Whether planning your first trip to the USSR, or if you already regard yourself as a veteran, study the April 1975 issue of "Canada Commerce". The tips for travellers and the marketing suggestions are still valid and merit a quick review.

CANADA — USSR TRADE
Exports to USSR
($ million)

	1971	1972	1973	1974	1975
TOTAL	127.6	284.7	290.6	28.7	408.9
(of which non grain)	15.4	17.9	5.8	18.8	54.9

Imports from USSR
($ million)

	1971	1972	1973	1974	1975
TOTAL	12.6	15.2	23.0	23.1	28.5

Main Exports
($ '000)

	1974	1975
Barley	1,108	52,324
Wheat	8,834	280,893
Raw hides and skins	4,197	4,233
Radio active elements and isotopes	6,933	6,296
Valves	—	7,580
Air and gas compressors and parts	—	4,280
Motor vehicles and parts	1,111	15,827

Main Imports
($ '000)

	1974	1975
Fur skins	1,847	1,053
Broad woven fabrics	382	1,038
Radio active elements and isotopes	4,041	5,349
Tractors and parts	2,568	5,388
Hydraulic turbines and parts	28	1,470
Metalworking machinery and parts	681	1,915

Soviet Contracts Require Push, Patience, Persistence

DENNIS B. BROWNE, Commercial Counsellor, Moscow

Few Western businessmen are likely to say that initial entry into the Soviet market is easy. But most of those who have succeeded have found it to be well worth the effort in terms of continuing sales volumes at reasonably profitable levels. The USSR is one of the world's largest industrial producers; its development plans are enormous and its requirements for industrial equipment and machinery are very large indeed. Similar climatic conditions in Canada's vast northern reaches present particularly attractive opportunities for exporters dealing in cold weather equipment.

The effective use of centralized purchasing bodies enables Soviet planners to create a buyer's market for items which must be imported. All imports are channelled through Foreign Trade Organizations (FTOs) belonging to the Ministry for Foreign Trade. Only FTOs have the legal capacity to sign import contracts and all industrial ministries requiring imported equipment must work through them. There are some fifty FTOs, each dealing in a particular range of goods and materials and each transacting annual business in millions or even billions of dollars.

The highly centralized nature of the Soviet market requires Western exporters to use different strategies than they would in Western markets. For example, distributors and trade houses buying and selling on their own account simply do not exist. Furthermore, Soviet citizens are forbidden by law to represent foreign business interests. Thus, sales must be made directly to the FTO, often with the assistance of a Western agent, who may or may not be resident in Moscow.

The initial sales effort generally takes a long time, often from two to six years, and a carefully thought out strategy is generally needed for positive results. As one European representative of a Canadian company put it: "difficulties in Canadian/Soviet trade often arise from the fact that the Canadians are playing poker while the Russians are playing chess".

In formulating an effective strategy, the Canadian exporter will have to work with much less market intelligence than he is accustomed to. Published information is often vague to the point of being meaningless. Nonetheless, it should be possible to identify two key marketing targets: the user ministry and the FTO. The Commercial Division of the Embassy in Moscow will generally do this for you.

Having identified your prime targets, it is necessary to ensure that they are fully aware of your product. Since any contract will ultimately be negotiated with the FTO, it is a good idea to approach an appropriate division early. Every FTO has a technical library in which it keeps copies of all technical brochures received, generally for three years. Potential suppliers can keep their files active and up to date by periodically submitting new technical and market information and reminding the addressee of their continuing interest in exporting to the USSR.

Frequently, on receipt of new technical literature, the FTO will circulate it among its clients to see if there is any immediate interest in receiving further information. But it must be remembered that the FTO is a purchasing agent and does not undertake in any way to sell an exporter's goods to Soviet industrial users.

Thus, the user ministry and its various branches must be the prime target. Most industrial ministries have technical departments, development and planning institutes and import departments. The institutes design and develop new equipment and systems which may or may not incorporate imported items. They plan major new undertakings, often recommending various types of imported equipment. They may also test and evaluate competing equip-

ments. The technical departments deal actively with foreign companies, determining what types of equipment are available and often assessing the productive capacities of potential suppliers. They also undertake, frequently in conjunction with their institutes and import departments, detailed technical evaluation of proposals submitted by Western exporters. Import departments assist in equipment selection and generally participate in final technical negotiations with suppliers.

There are a number of effective ways to bring your product to the attention of user ministries. Advertisements in specialized journals published in the USSR reach a wide, select audience and modified direct mail campaigns can be instituted by this means. Often it is possible to send technical information directly to the technical departments of the ministries. Many Western producers arrange for Soviet delegations to visit their plants to gain first hand knowledge of their equipment and productive capacities. Wider exposure is obtained by demonstrating equipment in the USSR, either at trade shows or seminars, both of which are dealt with in separate articles.

Companies going after particularly big programs often find it useful to sign cooperative agreements or protocols with the State Committee for Science and Technology. Two Canadian companies are currently working in this manner. In several other instances, Canadians have developed contacts with industrial ministries by participating in working groups set up under the Canada/USSR Agreement on the Industrial Application of Science and Technology. Working groups are currently functioning in the areas of architecture and construction, electrical industry, forest-based industries, gas industry, non-ferrous metals, oil industry and transportation industries. Ad hoc groups are being established to study the possibilities for cooperation in the industrial application of geology, the coal and the ferrous metals industries. Many Western companies have found technical exchange and industrial cooperation good pathways to export sales.

The planning function is greatly emphasized in the USSR. Industrial ministries examine their requirements well in advance. They will often seek much detailed technical information and even preliminary proposals for equipment needed some two, three or five years in the future. As their plans take form and substance, much comparative evaluation is done. The supplier whose equipment is preferred in the planning stages often enjoys a very real competitive advantage at the time of final equipment selection.

According to one Canadian businessman: "difficulties in Canadian-Soviet trade often arise from the fact that the Canadians are playing poker while the Russians are playing chess".

As project planning approaches completion, the ministry applies to the central planning authorities for approval in principle and any hard currency allocation necessary for imported equipment. According to the nature and priority of the project, hard currency expenditures may be authorized on the basis of cash payment, long term credits, self-compensating transactions or even barter or switch trading.

Payment in cash is obviously most attractive to Western exporters. Long term credit arrangements have been put in place for Canadian exporters of capital equipment by means of the Export Development Corporation's $500,000,000 financing protocol. Self-compensating transactions require two complementary contracts: one for the supply of plant and equipment on long term credits and one for the disposition of products over the term of the credit. In self-compensating transactions, the product is generally sold on behalf of the Soviets by the Western participant and not actually accepted in payment for the capital goods. Canadian companies have little or no experience with self-compensating, barter or switch trading transactions with the USSR.

At this point it is important to note that the central planning authorities make the money allocation to the appropriate FTO and not to the industrial ministry in its own right. Thus, the centre of action shifts from the ministry to the FTO. This shift is the primary signal to the Western supplier that the project will actually go ahead. From this time on, all action will be led by the FTO. The FTO will call for the submission of highly detailed commercial proposals for all equipment and services to be supplied. Because the FTOs must achieve huge annual turnovers with comparatively small staffs, they prefer to sign prime contracts for large amounts of equipment rather than purchase individual items. However, every individual item to be included in the contract must be delineated with separate prices and weights clearly assigned. The proposal must contain complete technical descriptions of all equipment in a form that can ultimately be incorporated into the contract. The proposal will be subjected to close technical study by ministry specialists and all technical questions must be settled before actual commercial negotiations begin.

Negotiations will be based on the FTO standard form of contract. Being the only customer in the world's largest country allows one to dictate terms to a considerable extent. Sample forms of contract conditions can be obtained from the Commercial Division of the Embassy in Moscow, or the Eastern Europe Division, European Bureau, Department of Industry, Trade and Commerce, Ottawa.

It is at the commencement of commercial negotiations that the great purchasing skill of the Soviets becomes most evident. The purchasing system is designed to place tremendous leverage in the hands of the FTO's highly trained negotiators. Your proposal, submitted in detail, will have been examined in detail. All prices will

have been compared whenever possible with those of your Western competitors and any upward discrepancies will be diligently attacked. We have not been able to find a single example of a proposal being accepted precisely on the terms in which it was offered. All experienced Western suppliers know that to bring negotiations to a successful conclusion, they must be prepared to give something away.

The above dissertation is not intended to discourage prospective entrants to the Soviet market. It is offered as a realistic appraisal of the efforts necessary to obtain a first contract. If the equipment meets expectations, subsequent contracts come much easier. The established supplier truly enjoys a favoured position and the Soviets frequently prove to be very good customers. Nonetheless, the initial selling effort is expensive and it does take time. Seen as an investment in long-term market returns, it is well worthwhile.

Breaking in to the Soviet market requires patience and persistence. One of the most frequently heard comments of Soviet trade officials is: "Canadians don't push hard enough". Your Trade Commissioners in Moscow stand ready to help you push hard, push persistently and push effectively.

Convincing evidence that East Europe opens its doors to Western technology. That Soviet built sedan closely, very closely resembles an Italian Fiat. Same body dimensions and a near-identical choice of power units (1200 and 1500 c.cs.). The Soviet Lada is exported — to Britain, where it is in direct competition with its Italian cousin. The USSR automobile has the edge on price, but a better bargain is the Polish Polski. It has the body shell of a mid-Sixties Fiat 125 and a pushrod ohv engine conceived in Turin.

Top Priority For Trade Fairs

DENNIS B. BROWNE, Commercial Counsellor, Moscow

The USSR Chamber of Commerce and Industry organizes in Moscow and other major centres specialized exhibitions which feature only those industries scheduled for expansion within the current or forthcoming plan periods. The trade fair is a clear signal that sales possibilities will exist and that decision makers in that industrial sector will attend from all parts of the USSR. Thus, the participant is assured access to prime target audiences that would otherwise be practically inaccessible, and at a crucial time in the planning cycle.

This is probably the best way to introduce your product to the Soviet market or to support an existing sales effort.

If you wish to participate in a Soviet trade fair, apply for the "Conditions of Participation" to the Department of International and Foreign Exhibitions, USSR Chamber of Commerce and Industry (1A Sokolnichiski Val, Moscow B-232, telex Moscow 185 UMIV VTP).

Formal applications should be submitted four to six months prior to the opening date. They must be accompanied by at least ten copies of technical brochures describing all items to be exhibited. Brochures will be examined by interested agencies (including potential customers). If the described items are deemed to be of interest, your application will be accepted.

Rent — approximately R.20 (the rouble equalled $1.33 in 1975) per square metre is payable in advance: 50% within two weeks of acceptance of application, and the remaining half two months before the opening date. Payment for all anticipated services must be deposited with the fair authorities one month in advance. Exhibition stands may be rented from the Chamber of Commerce, or supplied in prefabricated form from Canada or Western contractors. The Soviets have stringent fireproofing requirements and it is important to have all imported materials approved in advance. Stand designs must be submitted for approval two months before the fair opens.

While effective visual presentation is important, more attention is paid to the actual content of an exhibit and related publications than to aesthetic appeal. Exhibitors must have an abundant supply of publications, because Soviet technologists will almost invariably take the time to read technical literature in detail, and a high quality of information content has greater impact than expensive four-colour reproductions. Publications in Russian are also better received than those in English or French. A good compromise is to hand out illustrated technical brochures in English or French, supplemented by a Russian typed insert containing comprehensive technical descriptions of products.

Care should be taken in editing publications, because they will be examined for political content and banned if found to be offensive. For example, if referring to a "German" affiliate, or to experience in that country, indicate clearly which Germany is meant.

Decision makers will attend and the exhibitor is assured access to prime target audiences that normally would be practically inaccessible.

Technical seminars organised by the State Committee for Science and Technology (SCST) are a regular feature of Soviet trade fairs. Exhibitors wishing to present papers must submit three copies at least three months prior to the exhibition. Those found to be technically most interesting will be accepted at no cost for inclusion in the SCST seminar. Others may be presented at the exhibitor's expense in a parallel seminar organized by the Chamber of Commerce. Obviously, the SCST seminar is the main event, but presentation of papers in the Chamber of Commerce seminar may still reach a wide number of important specialists with whom contact might not otherwise be established (a separate article deals with the presentation of seminars in the USSR).

The Soviet Ministry for Foreign Trade, through its Foreign Trade Organizations (FTOs), operates a Trade Centre at every Soviet trade fair. Any sales made off the stands will be to the FTO. An exhibitor should therefore visit the Trade Centre early, meet the FTO officials and invite them to visit his stand. Establishing a good working relationship with the appropriate FTO contact should be a prime objective. Equipment on display is frequently purchased towards the end of the fair and exhibitors should be prepared to extend their stay in the USSR for negotiations, if necessary. The Soviet trade fair is a very important "first step" to launching a longer-term marketing exercise.

Pre-exhibition publicity is helpful in bringing the right specialists to the stand. Canadian exporters may organize direct mail campaigns through V/O "Vneshtorgreklama" or, at minimum, send invitations to relevant FTOs and user ministries through the Commercial Division of the Canadian Embassy in Moscow. All exhibitors must make an insertion in the exhibition catalogue, generally costing R.50. They can also book advertising space at R.200 per single column.

Follow up is all-important. The exhibitor who neglects to do so will discover that participation was a waste of money. A record should be kept of specialists who visit the stand and express interest in any product displayed. Subsequent technical bulletins sent directly to them on a regular basis are a good way to keep company products under active consideration. But care must be taken not to offend FTO authorities. Soviet protocol requires that all

communications from foreign suppliers be through the relevant FTO.

Further information about Soviet trade fairs may be obtained from the Eastern European Division of the Department of Industry, Trade and Commerce in Ottawa, or from the Commercial Division of the Canadian Embassy in Moscow. We would welcome the opportunity to help you participate.

International Specialized Exhibitions USSR 1977-78

1977	Building and Road-Making Machinery and Equipment for Mechanization of Construction and Erections, MOSCOW
May — June	Electrotechnical equipment and power transmission lines, MOSCOW
June — July	Railway transport, MOSCOW
August — September	Equipment for production and control of articles of electronic technology, MOSCOW
October	Chemistry, MOSCOW
1978	
March — April	Equipment and technology for the food industry, trade and public catering establishments, MOSCOW
June — July	Organization of technical servicing and repair of cars and equipment for these purposes, MOSCOW

Specialized Foreign Exhibitions USSR — 1976

September 30 — October 10	Equipment for growing, harvesting and processing black and green unbroken and instant tea, TBILISI
October 7-17	Ships' Automation, LENINGRAD
October 12-20	Equipment, tools and instruments for the watch and clock industries, MOSCOW
October 13-22	Instruments and apparatus for radio-physical research, MOSCOW
October 14-24	Latest types of machinery, equipment and instruments for the food, canning and wine-making industries, BAKU
October 14-24	Cotton cleaning equipment, TASHKENT

Note: International Exhibitions include Soviet equipment; Foreign Exhibitions do not.

Technical Seminars Open the Door of Opportunity

DENNIS B. BROWNE, Commercial Counsellor, Moscow

The prospective exporter to the USSR is almost inevitably faced with the immediate question of how to stimulate Soviet interest in his product. A way must be found to demonstrate technical competence and product superiority to Soviets at many levels who have the power to influence equipment selection. The target audience includes designers, project engineers, planners, operators, administrators and scientists. They may be working in industrial ministries, industrial institutes, academic establishments, central committees, planning authorities, Foreign Trade Organizations or operating industrial enterprises. In most instances, they are practically impossible to identify, let alone approach individually.

A technique proving to be effective and rapidly gaining popularity is the presentation of technical seminars. Seminars are particularly appropriate for products that cannot easily be incorporated into ordinary trade shows, although seminars frequently will include the display of small product samples, models, etc. The seminar is often used in conjunction with exhibitions and trade fairs. In fact, most international exhibitions organized in the USSR include technical seminars as a regular part of the program.

Obviously, effective audience selection is a prerequisite to success. Because certain limitations exist regarding ease of communications between Western suppliers and the target audience, it is necessary to find a sponsor who will do audience selection for you.

Three such sponsors are readily available to Western firms. V/O "Vneshtorgreklama", the FTO responsible for foreign advertising in the USSR, undertakes to organize seminars on a fee-basis. The USSR Chamber of Commerce and Industry also organizes seminars, generally in conjunction with an equipment display or a full-fledged trade fair. The State Committee for Science and Technology sponsors seminars if they are of a highly technical nature. Seminars may also be arranged under the auspices of the Canada/USSR Agreement on Co-

operation in the Industrial Application of Science and Technology (INDEXAG). In such cases, the Soviet sponsor is either the State Committee for Science and Technology or the actual user-ministry.

In all cases, summaries of papers to be presented must be submitted for approval. The general practice is that purely commercial seminars will not be accepted and papers, therefore, must contain a good deal of useful technical information. The most successful papers generally provide solutions to specific problems or outline an up-to-date approach to an industrial process. Needless to say, the solution or process is based on the use of your company's equipment and questions arising from the presentation very often present excellent opportunities for good, solid sales pitches.

Your company's capabilities will be judged by the quality of presentation and the competence with which questions are handled. Thus, it is important to send a good team of top specialists. Cutting costs by sending only junior sales people will prove to be expensive in the long run.

Seminar organization is probably easiest through "Vneshtorgreklama" or the Chamber of Commerce. The former offers a package of services, including assessment of the subject matter among Soviet organizations and enterprises, printing and distribution of invitations, renting of premises, furniture, facilities and service personnel, an advertising banner, decoration of the hall with the company material, transportation services, meals and a cocktail reception. At extra cost, "Vneshtorgreklama" will translate papers into Russian, hire audio-visual equipment and provide technically competent interpreters.

"Vneshtorgreklama" seminars may be organized for one or two days with up to one hundred participants each day. A seminar day, including breaks, should not exceed five hours. A one-day seminar in Moscow costs R. 3400 ($4,522) while two days cost R. 5700 ($7,581). Costs in other cities are approximately ten per cent higher.

In order to accommodate the necessary preparation time, firms wishing to present seminars through "Vneshtorgreklama" must submit papers, plus fifteen copies of data sheets, brochures and other advertising materials, to the FTO at least 2-2½ months in advance. Payment must be made in full 1½ months prior to the seminar date.

'Similar services are offered by the USSR Chamber of Commerce and Industry, except that seminars organized by them will always include an equipment display.

The preparation can be expensive and time consuming, but the standards are set by Canadian competitors in Europe, Japan and the USA.

Seminars presented under the sponsorship of the State Committee for Science and Technology are generally held in scientific or industrial institutes or industrial ministries at appreciably lower cost. However, the subject matter of such seminars must be of significant technical interest to the Soviets and will generally relate to future technological cooperation or large, self-compensating projects, rather than to the straightforward sale of goods.

The actual techniques of seminar presentation are much the same here as elsewhere, with close attention to detail all important.

The principal problem is language. Papers may be presented in English or French through simultaneous translation, or through an interpreter translating short pieces at a time. Alternatively, the interpreter may be asked to read the paper straight through in Russian, with subsequent questions handled by company representatives through the interpreter. In any case, use short, concise sentences so that the meaning is not lost in the mechanics of translation. Technical jargon should be avoided. Phrases such as, "redundancy configuration", "system modularization", "on-line diagnostics" and "sectorization and re-sectorization" will confuse even the best interpreters. Finally, ensure that the interpreter working with you has the paper at least two weeks in advance so that he will be thoroughly familiar with it at the presentation.

Speaking through an interpreter will take about three times as long as in your own language.

The great danger is that papers presented through interpreters will become lifeless . This factor increases the importance of high quality visual aids. Films showing your product in action are always appreciated. Difficult points can almost invariably be clarified with good slides. All script on slides should be in Russian. The marginal cost of adding a Russian sound track to a film will probably prove to be cost effective. Models and free-standing charts or diagrams should be labelled in Russian. And you should have sufficient copies of your paper, plus good technical brochures, preferably in Russian, to hand out to every member of the audience.

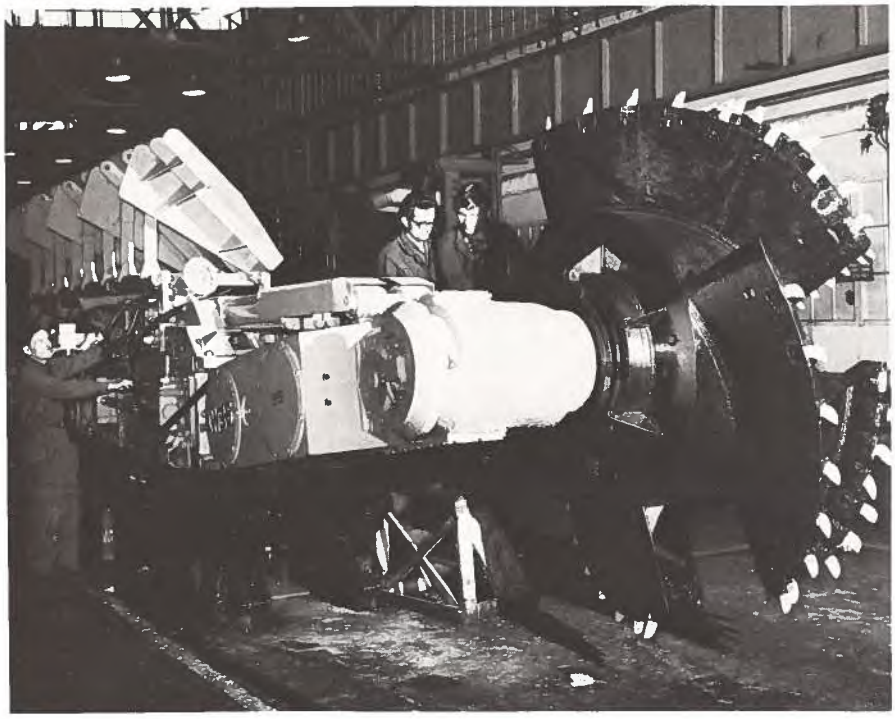
No doubt this sort of preparation is expensive and time-consuming, but it is the standard set by your European, American and Japanese competitors. It is the standard against which you will be judged. Thoroughness and quality of preparation cannot be over-emphasized.

At the beginning of this article we stated that technical seminars are a good way to introduce your product to the Soviets. We believe this to be true. However, it must not be forgotten that, while a high quality technical seminar will provide an excellent foundation for your sales efforts, actual results depend upon effective follow-up.

If you wouild like to consider using the seminar technique in the USSR, your Trade Commissioners in Moscow will be pleased to assess possibilities and assist with all preliminary arrangements.

Ride the Polish Tide

GARRETT LAMBERT, Commercial Secretary, Warsaw.



Happily, Poland's $15 billion highway construction program will not disturb the serenity of this 50-year old rest house deep in the Tatra Mountains.

Prototype (left) of a 30-ton coal cutter-cum-loader developed for Polish mines. It can handle 1,000 tons per hour.

French designers and engineers were responsible for this animal fodder plant in northwest Poland. It has a capacity of 100,000 tons per year and requires few operators.

Taken in October 1975, the bottom-left photograph will interest injection pump engineers and students of Polish styles for men.

"There is a tide in the affairs of men which, when taken at the flood, leads on to fortune". Shakespeare's words come readily to mind when considering bilateral commercial relations between Canada and Poland. The trade tide is now in flood. Yet it was only five years ago that the first Canadian trade commissioner was posted to Warsaw. The timing was propitious: a new Polish Government had been formed in 1970 and its five year economic program called for a massive expansion of the country's industrial base. Although our traditional exports to Poland have been based on grains, volume depended upon Polish harvests. But recognizing the trade potential of Poland's industrial explosion, the Commercial Division encouraged Canadian manufacturers to expand their activities into areas of sophisticated technology. These efforts were rewarded in spectacular fashion in July 1975: a $50 million contract was signed between Polimex Cekop of Poland and H.A. Simons (International) Limited of Vancouver for the Kwidzyn Forest

Products Complex. Subsequently a $500 million financial agreement was negotiated between EDC and Bank Handlowy.

Many factors were involved in the Polish decision to deal with Canada for this important industrial complex, of which the engineering contract was but the first step. Not least was the growing recognition by both governments of mutual benefits to be derived from closer political and economic ties. The process was cumulative, but if one were to seek a turning point for trade relations, it would have to be the Canada-Poland Trade Consultations which took place in Warsaw in June, 1975. They occurred at precisely the right moment to influence The Kiwdzyn decision. The Consultations immediately followed a high level mission of Canadian business leaders to Poland and preceded the opening of the Poznan Trade Fair, in which Canada participated with a major pavilion. ITC's Senior Assistant Deputy Minister of Operations led both the mission and the Canadian delegation to the Consultations and then went on to open Canada's pavilion at Poznan. The Consultations identified specific sectors of mutual interest, allowed each delegation to emphasize particular marketing objectives and committed both sides to a series of events which are now having tremendous impact on our trade with Poland. Six weeks later the first contract on Kwidzyn was signed.

In late September, the Export Development Corporation in Ottawa announced an agreement with Poland which provides for $500 million of financing to support Canadian participation in the development of Poland's forest industries. Since then the two governments have taken a number of major initiatives. The Hon. Allan MacEachen, Secretary of State for External Affairs, made an official visit to Poland in October, when further discussions were held about mutual objectives.

In January 1976, after meetings in Ottawa and Warsaw, an expansion of the fisheries agreement was agreed to covering the rights and obligations of Polish vessels operating off Canada's East Coast. There was also a first-time short term agreement covering Canada's West Coast fisheries, and an agreement in principle for a longer term arrangement, including Polish recognition of Canada's anticipated extended jurisdiction in these areas. In February, in separate discussions, the framework of an air agreement covering direct regular air service between the two countries by LOT and Air Canada was finalized. In May 1976, Mr. MacEachen received Polish Foreign Minister, Stetan Olzowski, in Ottawa and these new agreements were signed.

As in other East European countries, the Polish economy is geared to five-year cycles — with the State the supreme motivating force, the setter of production targets, the architect of major industrial projects.

To round off this brief history of recent developments, a number of new initiatives have been taken by Canadian and Polish firms in diverse sectors of Polish industry. In November 1975, a Polish sourcing mission, led by vice-ministers of Foreign Trade and Forestry, and consisting of economic specialists, visited Canada to study how Canadian industrial and capital equipment might meet the needs of the new Five year Plan. The Polish experts were agreeably surprised and impressed, and their shopping list totalled some hundreds of millions of dollars in potential purchases from Canada.

The 1976-80 Plan, like its predecessor, is a major expansionist development program. Detailed contents would interest potential Canadian exporters, but only guidelines and broad principles are published, since conditions can change and resources are often reallocated in order to take account of shifts in spending priority. Furthermore, in addition to those projects which are included in the Plan, either explicity or otherwise, there is yet another area of capital investment which takes place outside its aegis. Such projects are generally referred to as self-liquidating, self-repaying or self-financing. These are deemed to be desirable, but do not command major capital commitments. An economic forecast is made to demonstrate whether the industry concerned can generate foreign exchange through exports or import substitution. If earnings, with appropriate long term financing, will enable a plant to pay for itself and obviate the need for scarce national resources in its construction, then the Central Planning Committee's approval is sought and implementation proceeds in the normal way.

Of the general goals of the 1976-80 Polish Plan, one cries out for attention:

> "To increase capital investment by 40% compared to the period 1971-75, particularly in the following sectors: raw materials, fuel and energy production; metallurgy; food production and processing; machine tools, chemical, forestry and light industry, transport systems."

Mr. Gierek, in his speech to the Seventh Party Congress, indicated that this increase would be in the order of 700-740 billion zoties ($35-37 billion). Thus, the total capital investment over the next five years should be 2,600 billion zoties or about $130 billion.

Fuel and Energy

Hard and brown coal production is to increase, both through opening of new mines and in stepping up the production of existing mines. Hard coal output should reach about 210 million tons in 1980 (172 million tons in 1975). Power production — most of which uses lignite as fuel — will reach 132 billion kw hours.

Metallurgy

Completion of the Katowice steel mills (with Russian technology), as

well as the modernization and extension of existing facilities in cooperation with COMECON and Western partners, should result in production of about 22 million tons of steel in 1980 and 14.7 million tons of rolled goods. This should keep Poland and Canada equal in production figures. Special attention will be given to up-grading processing facilities for high quality metallurgical products, and to replace imports. The output and processing of copper, zinc, lead and sulphur will be developed intensively. Compared with 1975, the 1980 production of copper should increase by 72%, lead by 58% and aluminum by 36%. In 1975, Poland sold 3.5 million tons of sulphur abroad and, with 30% of world exports, is second only to Canada.

Food Production and Processing
Agricultural production will rise by 16% and animal breeding by 18%. The central problem will be to speed up the production of cereals and animal feeds. New land — 600 to 800 thousand hectares will be brought under cultivation to increase the supplies of foodstuffs to the domestic market by 37%. Crop yields should improve for cereals to 32 quintals / hectare, potatoes 210 quintals / hectare. By 1980, there should be 15 million head of cattle and 23.5 million swine.

Industry Development
Since industrial production must increase by 50%, significant new investments will be required. Considerable attention will be paid to the production of machine tools for export, and to the chemical industry which, using Polish raw materials as a base, must increase its output by 70%.

Forestry Industries
To meet the demand for furniture, paper and construction materials, production in the forest industries generally will increase by 48%. The production of furniture will increase by 77%, paper and packaging materials by 48%, and building materials by 55%. In this latter field, special attention will be paid to the production of construction components as well as dimensional lumber.

Heavy Industry
Production in this sector is to increase by 67%, with emphasis on the following product areas: automation, electronics, medical equipment, farm machines, food processing equipment, industrial consumer goods, shipbuilding, power plants, including nuclear, transportation and construction equipment, and environmental protection systems.

The items listed give an indication of the magnitude and breadth of investment activity which will take place in Poland in the coming 54 months.

We would like to see more Canadian businessmen taking a serious interest in Polish potential, particularly with a view to the approach encouraged by the Poles, i.e. cooperation. Obviously, a significant negative trade imbalance can be tolerated for limited periods, but is unlikely to be acceptable as a semi-permanent situation. Thus, Canadian companies would do well to look at some of the many fine Polish products during their marketing trips here. Having opened with a quotation from Shakespeare, it might be appropriate to end with a saying minted 200 years ago in New England: "Truly there is a tide in the affairs of men, but there is no gulfstream setting forever in one direction".

Preoccupied as it is with industrial output targets, foreign contracts and the quest for technological breakthroughs, Poland does not forget the past. In this Pomeranian laboratory a "Madonna and Child" sculpture is restored to its former splendour. The most ambitious restoration project is the rebuilding of Warsaw Castle, all but destroyed during World War II. Six million Poles perished during the period 1939-45.

Polish 'Co-operation' means give and take

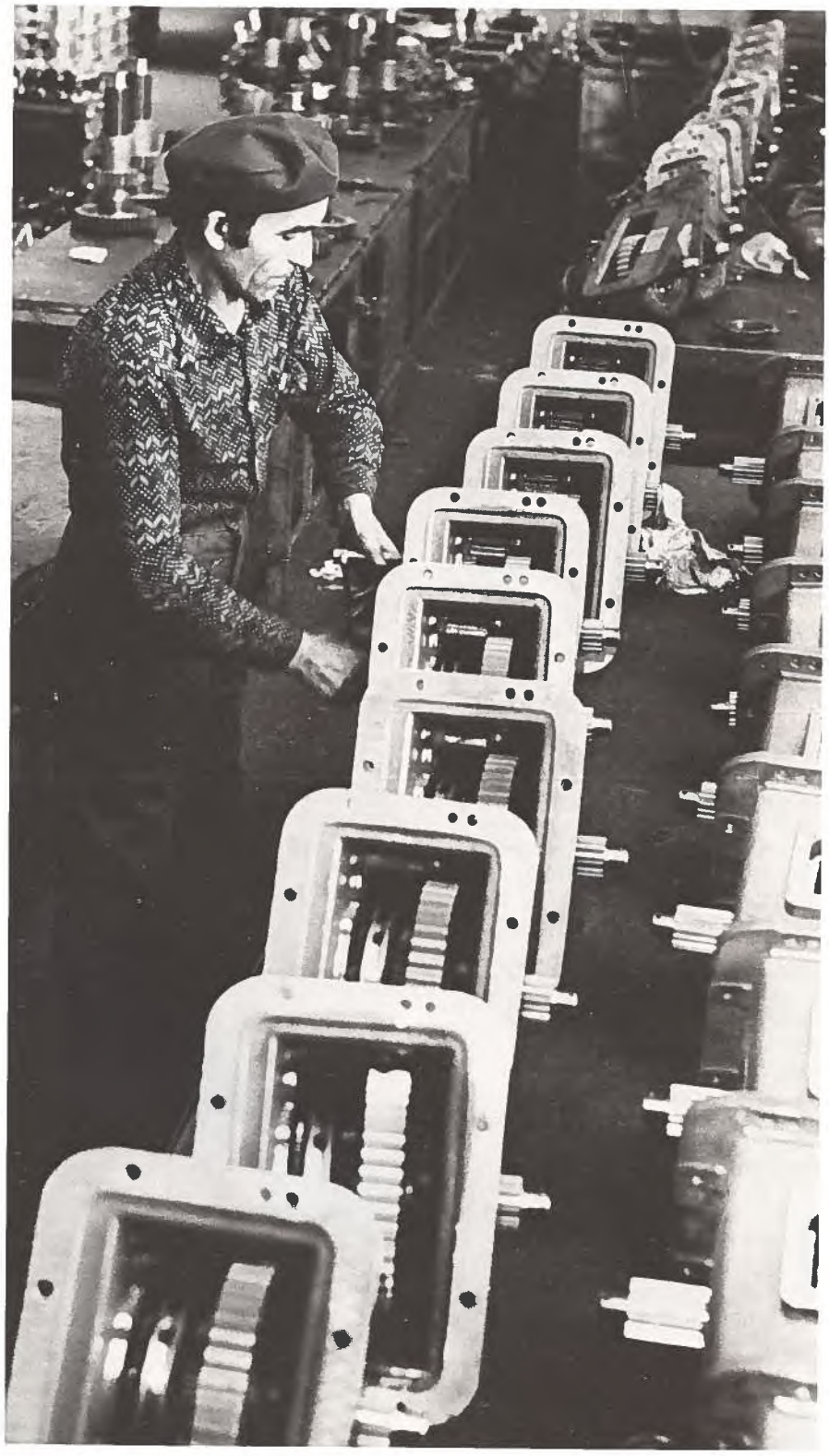
T.G. CULLEN, Second Secretary (Commercial), Warsaw.

Before a Canadian businessman addresses himself to a specific evaluation of the Polish market, he should acquaint himself with the organization and objectives of the Polish Government.

Manufacturing industries and their commercial counterparts have a chain of command that starts with the Government's Economic Planning Commission. It sets long-term priorities and can have some direct influence on very large projects. Occupying the next rung of the decision making ladder are the industrial ministries and the Ministry of Foreign Trade and Maritime Economy. They allocate investment priorities by industry sector. Some industries report directly to the Ministry of Foreign Trade, which has both a supervisory and a regulatory role. The remaining industries report directly to industrial ministries and their foreign trade operations are merely regulated by the MFT. The next rung of the internal market comprises state enterprises (or co-operative organizations); each of these has its foreign trade counterpart (Foreign Trade Enterprise).

Thirty three million Poles occupy a country with less than half the area of Saskatchewan. Western widget makers who sell hard, deliver fast and expect immediate settlement, find the land infertile. But Canadian patience is rewarded with slow-ripening harvests of trade.

The FTEs are the official and primary contact points for foreign suppliers wishing to do business in Poland. They conclude deals on behalf of the manufacturing plants, which make up the fourth rung of the market ladder. The combines or GIANT ECONOMIC ORGANIZATIONS (Wielkie Organizacje Gospodarcze) have considerable independence in forming and implementing policies. They depend on their industrial ministries in varying degrees, but generally only as regards co-ordination or overlap into other development programs. Most important, the combines have their



own foreign currency resources and are in the most intimate contact with the individual plant or factory, which is the typical end user. It is important for the foreign exporter to make contact with the end user as well as with the foreign trade enterprise. The FTEs may facilitate contact with end users, but their viewpoint is not always a clear reflection of their client's priorities. All the while, however, the exporter must maintain his liaison with the FTE, which will generally negotiate and sign a contract.

Objectives of the Polish Government

The wants of the directors of a state controlled, centrally planned economy such as Poland's are of direct concern to the foreign trader. In order to evaluate his product's chances in the Polish market, some current conditions are highly relevant and must be considered. Poland is not satisfied with the present nature of its trade with the West. Three quarters of Western exports to Poland are highly processed industrial products, whereas the West's imports from Poland are overwhelmingly raw materials, semi-finished goods and food products. The Polish Government is determined to increase the value-added component of exports. During the last five years, huge sums (much of it financed by Western credits) have been invested in capital projects, in mining, ship-building, coal, copper, farm machinery, steel, chemicals, sulphur, and motor vehicles. The Government will deepen and broaden investments in these and other sectors during the span of the 1976-80 Five Year Plan. Many of these projects are already coming on stream or will do so in the near future. Increased exports from these new plants are expected to reduce Poland's large debt servicing burden, which already amounts to one-fifth of the nation's export earnings. The quickening of exports from this outward looking economy is a key objective of Polish foreign policy, with particular attention being paid to bilateral trade balances with other nations. Consequently, the kind of trade partners that are certain to be well received in Poland are those who can make a contribution — either direct or indirect — to the expansion of permanent two-way or multi-lateral trade, and whose products, technology or organization can contribute to the growth of Polish exports or, alternatively, are of significance for import substitution. Another government objective looms large in the choice of trade partners — the desire that prospective partners advance the technological progress of Polish industry.

Ways and Means

The Canadian businessman has a series of hard questions to ask himself before he can take a serious step toward Warsaw. These have to do with the requirements and con-

Two photographs that personify the main thrusts of Polish industry and trade. Similar shots would be representative of Canada, but world events have had a sharper impact upon the Polish economy. The redefining of national boundaries resulted in Poland getting a slice of territory rich in minerals in exchange for a vast acreage of arable land. These changes contributed to the transition from predominantly agricultural country to the current position, in which 48% of the national income is derived from industry.

straints of the Polish economic system. First, the currency problem must be faced. The Western exporter whose exclusive interest is for the quick sale of X number of widgets for hard cash on the barrelhead, i.e., a traditional direct sales approach, has limited prospects in Poland. One-time sales on this basis are still a possibility, but continuing sales are out of the question unless the dollar amounts are relatively small and/or the technology involved is of an extremely specialized and sophisticated nature, or unless the peculiar nature of the product or service rules out a greater integration or involvement in the local economy. Bearing in mind that Poland commits foreign exchange with great care and caution, one should give thought to an alternative approach much favoured by the Poles — "co-operation".

Co-Operation

Simply stated, co-operation means some form of longer-term integration or involvement. It denotes a serious we-are-with-you-for-the-long-ride commitment from the trade partner. It calls for reciprocal ingenuity to make this special relationship work and be mutually profitable. It denotes a friendly and quiet patience which will be frequently drawn upon in the face of what are clearly some challenging problems.

Co-operation agreements are as many-splendoured as the themes of romantic novels, but the same elements keep recurring:

a. Pay-back in product.
b. Offset arrangements or switch trading, e.g. of manufactured components.
c. Exchanges, purchases and sales of scientific research & licenses.
d. Joint production and sub-deliveries.
e. Joint marketing activities in third countries.
f. Joint elaboration of projects.

Co-operation agreements can be signed with production enterprises, combines or unions, and other industrial (or commercial) units. The attractions of the co-operation agreement for the Western partner include the opportunities to institutionalize his presence in an important, stable and perhaps otherwise inaccessible market, expand his market possibilities into neighbouring socialist countries, increase and diversify his manufacturing capabilities, etc. The attractions for the Polish partner include acquisition of vital technological and marketing assistance and better approaches to foreign exchange utilization.

The insistence on co-operation should be placed in perspective. Canadian suppliers of, say, equipment and services for large capital projects, or Canadian manufacturers of specialized electronic equipment may have no need or even opportunity to enter into a co-operation agreement. The Polish government does not advance willy-nilly proposals of co-operation with all foreign companies, and has no desire to acquire manufacturing capability in each and every sector. The zones of co-operation are generally those which reflect critical domestic manufacturing sectors and promise considerable export potential for Polish industry.

The Approach

Whether a Canadian company contacts a Polish industry through writing to a Foreign Trade Enterprise, or takes advantage of an inquiry from a combine, end user or a ministry, a serious approach will include the proposal to visit Poland by a senior representative of the firm who can speak with authority about the firm and his industry. He must be prepared to invest a long period of time in getting to know the market and establishing the reliability of himself and his firm. If his company is not already well-known in Poland, he faces the immediate task of making it known to the prospective end users and the appropriate foreign trade enterprise. Participation in the Poznan Trade Fair or another specialized exhibition should be considered.

No serious approach to this complicated market can be made at long range. We strongly urge that one of the first stops for a Canadian businessman on his maiden voyage to Warsaw should be the Commercial Division of the Canadian Embassy. We will be pleased to set up a schedule of appointments in advance of your arrival. Where appropriate, we will analyze and facilitate your contacts with the necessary sectors of the Polish market and provide ongoing support to your program, wherever possible. Whether or not you are accustomed to avail yourself of the services of Trade Commissioners in Western markets, you will find that collaboration with this office can be a very useful facet of your marketing efforts in Poland.

Addresses of sources of market information on Poland:

Polish Trade Commissioner,
1500 Stanley St.,
Suite 315,
Montreal 100, P.Q., Canada, (tel.: 849 8667,

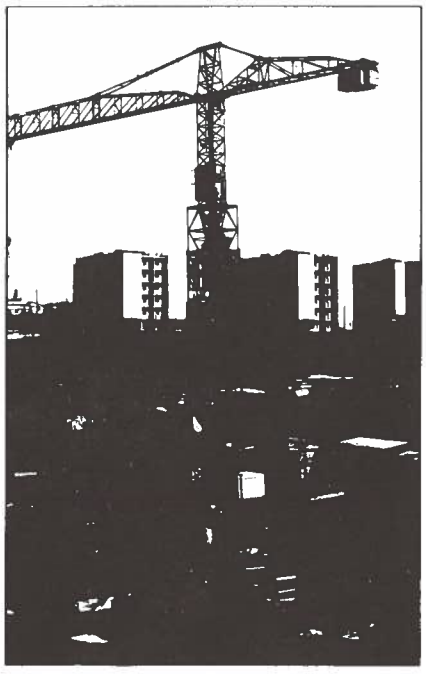
Polish Chamber of Foreign Trade,
ul. Trebacka 4,
Warsaw, Poland.

Canadian engineers bid for Czechoslovak contracts

W.A. CROSS, Commercial Counsellor, Prague

Canadian marketing efforts in Czechoslovakia over the past few years have been heavily directed towards those areas in which Canada has internationally-competitive expertise. They include technology and equipment for pulp and paper plants, saw-mills, mining, communications, geophysics, pollution control, steelmaking and aluminum production. Canadian engineering consultants have bid on a number of major projects included in the 1976-80 Five Year Plan. Decisions in favour of Canadian companies could mean sales of equipment and engineering services in excess of $100 million over the next couple of years and would represent an important breakthrough in Canadian/Czechoslovak trade.

Exports to Czechoslovakia have traditionally been mainly wheat, oil seeds, raw hides, asbestos and other unprocessed resource products. Imports cover a broad range of commodities and include everything from traditional Czechoslovak products, such as machine tools and glassware, to tennis balls, tents and bicycles. Czechoslovakia's imports from Western industrialized countries total approximately $2 billion per year. West Germany accounts for one quarter of these purchases. Canadian exports, about $20 million annually, suffer badly in comparison with the figures for European countries.

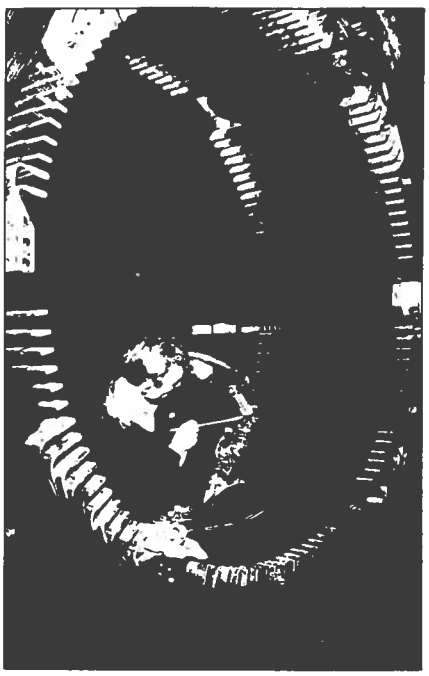


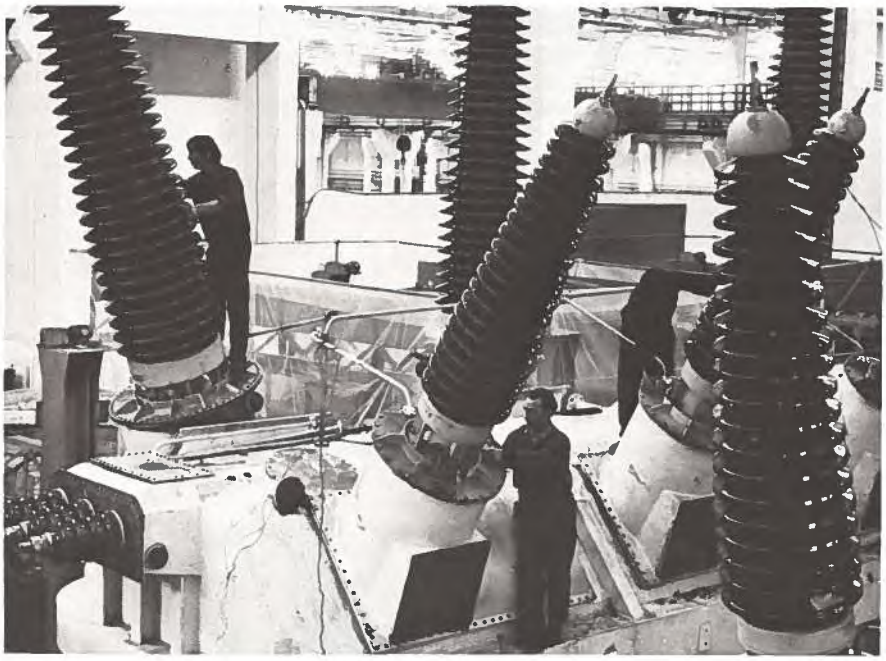
The Canadian share of Czechoslovakia's annual $2 billion trade with the West is a modest $20 million. Canadian consulting engineers have set their sights on major projects which would net an estimated $100 million in two years.

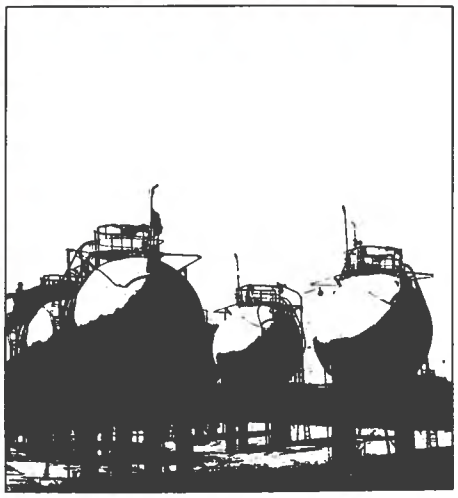
Breaking into the Czechoslovak market is not easy. There is, first of all, the distance involved, coupled with methods of doing business which are unfamiliar to many Canadian companies. It is unusual to get immediate results; the market takes a long time to develop, and it is only after considerable study and comparison that Czechoslovaks place an order. They prefer one or a few proven suppliers. Also, industrial equipment is generally ordered for users throughout the country. You are not just selling to one plant for one installation; but to all installations in Czechoslovakia. Once established, the size and the ongoing nature of the business may be very rewarding. As long as the product remains satisfactory, the Czechoslovaks will continue to buy from a proven supplier. The competition, of course, is often fierce. Most Western exports to Czechoslovakia are from neighbouring countries, such as West Germany and Austria, which are only a car drive away from the customer and offer a variety of products at very attractive prices. It is essential that any company interested in Czechoslovakia should first gather as much preliminary data on the country as possible and then carefully analyze the market for their product before deciding whether the often considerable front-end expense is warranted.

There are several areas of high level technology in which we have opportunities of selling to Czechoslovakia. This is particularly true where, because of Canada's geography, climate or other domestic factors, we have developed unique technology and equipment. Air traffic control equipment, oceanology equipment and technology, and off-highway vehicles are examples. Canada is also competitive and has potential in specialized areas outside the high technology fields. In recent years Czechoslovakia has developed into an interesting market for breeding cattle — both Holstein-Friesian and Shorthorns — and has been a long-time customer for significant sales of Canadian sewing needles and saw chains.

Our advice to any Canadian firm interested in breaking into the Czechoslovak market would be to submit price lists, descriptive brochures, etc. to this office, and we will do our utmost to investigate what the potential is for their products. When an interest has been established and users are known, we shall then be in a position to advise when or if a visit to Czechoslovakia might be worth while. Opportunities exist, and we are anxious to help you in breaking into this market.







Second only to the USSR as a European oil producer, and rich in natural gas and lignite, Romania is now concentrating upon new power stations. Winter snowfalls in the Carpathian Mountains are of Canadian dimensions.

Romania favours joint ventures with the West

GEORGE HAZEN, Commercial Counsellor, Vienna

Romania's start of a new Five Year Plan presents an ideal opportunity to appraise the potential for Canadian exporters to increase their share of this competitive but worthwhile market.

Canada and Romania have a trade agreement calling for periodic consultations, held alternately in Ottawa and Bucharest, to redefine trade objectives and opportunities, and to identify areas of potential industrial joint ventures in third markets.

The latest consultations were held in Bucharest last October during the visit of trade mission, led by Assistant Deputy Minister Claude Charland. Meetings at Foreign Trade Organizations (FTOs), Ministries, Industrial Centrals and factories revealed Romanian needs for goods and services in areas such as steel pipes and sheets; zinc and copper plated sheets; zinc plated steel wire; ball bearings; copper, lead and zinc concentrates; coking coal; wood pulp; livestock; naphthaline; benzene; pesticides; fish meal; machine tools for metal working with numerical control; quartz crystals; transistors and integrated circuits; mining and construction equipment; rolling bridges; electrolytical refinery equipment for aluminum; special drilling equipment; manufacturing installation for oxygen bottles; technological equipment for manufacturing hydro insulating materials; equipment for manufacturing electrorefractory bricks;

State control does not extend to the weather. Romanian farmers had to contend with three years of drought, yet yields of the main crops — maize, wheat and potatoes — were improved through better irrigation and drainage, more machinery and increasing use of fertilizers.

pulp and paper equipment; geophysical equipment; special vehicles and consulting engineering services.

Prior to the consultations, an official visit by Agriculture Minister Eugene Whelan heightened interest in Canadian agricultural products, equipment and services, and in an exchange of information on veterinary medicine and regulation.

The economic alliance with East European neighbours is close, but Romania pursues an autonomous foreign policy and maintains relations with countries of varying political persuasions.

A notable increase in two-way traffic by Canadian and Romanian businessmen has brought the level of trade between the countries to an all-time high, and opportunities for Canadian exporters have never been better. An understanding of several factors is, however, essential.

Romania's economy is centrally administered under the umbrella of successive Five Year Plans, and foreign trade is conducted on a monopoly basis by FTOs. Their job is to shop for Industrial Centrals which cover requirements of a group of factories or enterprises, and for individual enterprises. Co-operation of the FTOs is also required by manufacturers of goods that are not "off the shelf" and who want to discuss modifications with end users.

Guidelines set out in Five Year Plans determine purchases, and while alterations do occur there is little deviation from general targets, so it is important to study the Plan and match opportunities to Canadian capabilities.

Secondly, as with other East European countries, doing business with Romania is not for babes in the woods. It takes an experienced negotiator to deal with contracts that are seldom signed on the basis of a first price quotation, or which offer payments in compensating trade or in kind, or involve financing, training programs, co-operative agreements for point ventures or third country marketing of new products. Businessmen may be required to make several visits to conclude agreements; persistence is, therefore, essential and may be expensive, but the rewards are well worthwhile.

In many cases it may be desirable after initial reconnaissance to appoint a European, perhaps Viennese, agent to sniff out trade opportunities until the volume of business warrants establishing an office in Vienna or Bucharest.

The Black Sea, a holiday playground for the four countries sharing its shoreline, is five times bigger than Lake Superior. The average depth is 4,200 feet, but it bottoms at 7,360 feet. The Danube, Dneiper, Dneister and Don flow into the ice-free Black Sea, which is well stocked with herring, mackerel, pike and sturgeon.

Assistance is also available from the Romanian Chamber of Commerce, which annually publishes the "Economic and Commercial Guide to Romania" and "Your Commercial Partners in Romania" in French, English and other languages. The Chamber also assists Western companies to set up and operate their own offices — a service to which 100 firms have

subscribed — and houses an Arbitration Court and Office of Goods Control.

Joint ventures with Western companies are much sought after, and include partnerships with Japanese, Italian, West German, French and American companies for the respective production of protein enriched fodder yeast; production and marketing on third markets of coloured and non-coloured acrylic fibres; reduction gears for ship motors; production and marketing of instruments and electronic components for medical apparatus and a data control installation. In addition, Romanian organizations have an interest in 20 mixed companies headquartered in other countries, with emphasis on the production of primary and semi-processed materials.

What about Romania's place in the international scheme of things? Despite membership in the Council for Mutual Economic Assistance (CMEA or COMECON) and the Warsaw Pact, Romania pursues an autonomous foreign policy and maintains relations with countries of varying political persuasions — her CMEA partners, China, Albania, the Western industrialized countries, the Third World, Israel, and the Arab Middle East among others. It is a member of the GATT, the IMF and the World Bank, has a special relationship with the EEC, and participates in UN bodies such as UNCTAD, UNIDO, FAO, IAEA, ECE, and in the International Tin and Cocoa Agreements.

Important long term financing has been secured from the World Bank for chemical fertilizer production, a steel plant, thermal power facilities, an irrigation project and agricultural improvement, Projects under consideration range from irrigation and further agricultural credits through hydro power and machinery plants to transportation canals. Some of these loans hold potential for Canadian manufacturers.

Nor to be overlooked are activities of the UNDP and executing agencies of the UN in pre-feasibility and feasibility programs, some of which are on a rather large scale, in almost all sectors of the economy. It should be noted that current information extends only to 1977; a new program covering the years to 1982 is under preparation. Details on UN and World Bank projects are available from IT&C Ottawa, International Financing Branch.

A few words about the 1976-1980 Plan which was conceived in the context of a 15-year plan ending in 1990. Some tentative goals are:

* Power production totalling up to 140 billion kwh in 1990, largely based on low-grade fossil fuels, although about 20% will be nuclear-based and a considerable portion on the burning of waste materials
* Steel output level of about 26 million metric tons annually, with high quality carbon steel and alloys accounting for about two-thirds of the total
* Major development of non-ferrous metal production, including aluminum, copper, zinc, lead, and special metals for electronics and electrical engineering; magnesium, titanium tungsten, silicon, germanium and others
* Concentration by the chemical industry on production of organically synthesized items, synthetic rubber, artificial fibers, and specialized industrial products. There will be greatly increased production of fertilizers with an eventual target of 286 pounds per acre.
* Machine building will receive major emphasis after 1980, with an average annual growth rate of up to 11%. The industry will concentrate on electronically controlled machines, and make special efforts to develop closed-loop industrial control systems in tandem with the machine-tool automation program.

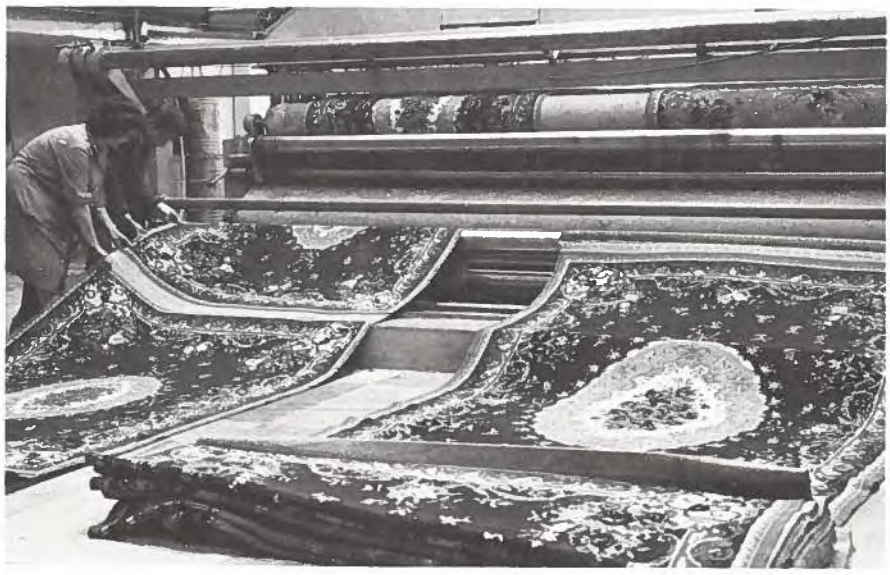
Seldom is the frontier of any country closed to a manufacturer of life-saving equipment. Romania's trade links with the West are stronger than those of some neighbouring states. The European Economic Community granted trade preferences to Romania. Membership of GATT, the IMF and the World Bank are other economic assets.

CANADIAN EXPORTS TO ROMANIA — 1975
$ thousands

Wheat	49,323
Rye	8,236
Wood pulp	1,466
Hydrocarbons	502
Textile industry machinery/parts	499
Inorganic bases and metallic oxides	452
Total for items listed	60,478
Total exports	62,131

CANADIAN IMPORTS FROM ROMANIA — 1975
$ thousands

Clothing	4,610
Footwear	3,955
Tractors	2,264
Furniture	1,602
Fabrics, textile	1,045
Phenois and phenol alcohols	636
Gloves and mittens	582
Oxygen function acids and derivatives	463
Bicycles	411
Towels	400
Bedding	399
Freshwater fish	383
Total for items listed	16,750
Total imports	19,238



In summary, the best sales prospects in Romania lie in the priority sectors — chemicals, machine building, metallurgy and electronics. There will be a market for turnkey plants and investment projects but few can be negotiated on a cash basis. Compensation and buy-back agreements could amount to nearly 100% of the toal sale.

In view of pressure on foreign exchange reserves, westerners can expect increased pressure to negotiate industrial co-operation and licensing agreements with repayment through product delivery. Additional import demand exists for open-pit mining equipment, copper and aluminum smelter installations, coal mining machinery, high-alloy steelmaking facilities, gas liquification plants, railway freight cars, passenger aircraft, food processing machinery and agricultural equipment.

The efforts of Romania's scientists and technicians will be directed toward three main goals — optimizing use of natural resources, raising the technical level of manufactured goods and developing new production methods. They will be assigned to a total of 600 investment projects, some to go into production by 1980 and others during the 1981-1985 plan.

In broad terms, then, Romania, with its population nearly equal to Canada's, and its conscious program of securing Western technology, offers some fascinating opportunities for doing business. Drop us a line in Vienna to find out more about it.

Prospects are bright in the Balkans

GEORGE HAZEN, Commercial Counsellor, Vienna

The Plovdiv International Trade Fair has become one of the most important industrial shows in the Balkans. Last year a group of Canadian manufacturers, in co-operation with our embassy in Vienna, organized a group exhibit, sold 75% of the units on display and negotiated maintenance and servicing agreements covering the others. Participants were Balthes Farm Machinery of Tillsonburg; Eaton Yale's Timberjack Division, Woodstock, Ontario; Can-Car Pacific's Chip-N-Saw unit, Vancouver; and Omark Saw Chain, Guelph.

The important thing about the Plovdiv Fair is the fact that it provides a rare opportunity for direct contact with end-users in Bulgaria. This is a welcome change from the frustration often encountered by exporters who must deal through Foreign Trade Organizations (FTOs). There is another advantage: import licences are generally freely granted whereby exhibits utilize a special foreign exchange budget set up for the trade fair. In this way exhibitors avoid the often tedious wait for an ordinary license.

The Canadian exhibit at Plovdiv 1975 was the only out-door display visited by the Presidential party. Moreover, Omark won a Gold Medal in the category of "common use" products, an unusual distinction for a first-time exhibitor.

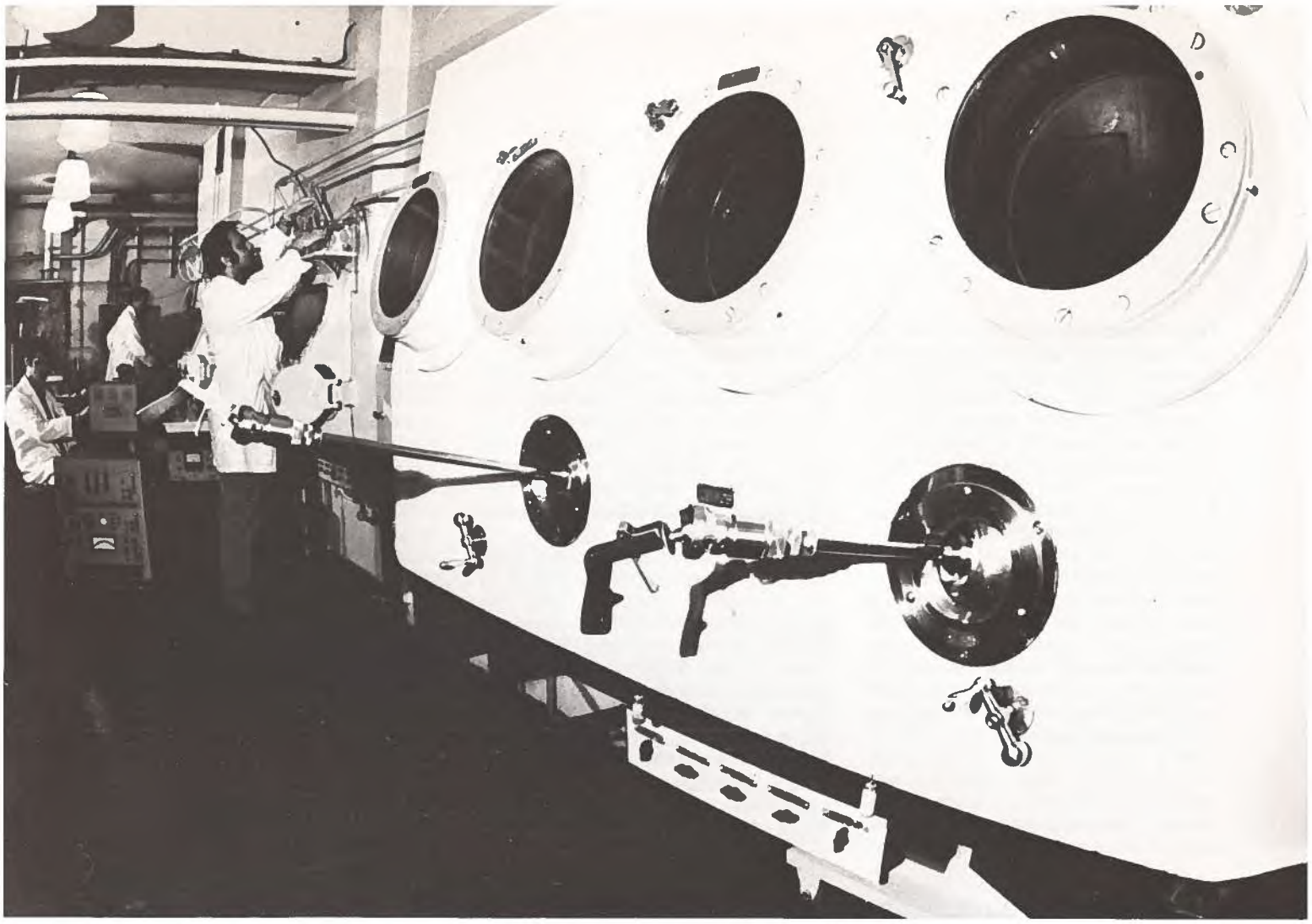
Like other socialist countries in Eastern Europe, Bulgaria has a centrally directed and planned economy. The seventh Five-Year Plan began in January and extends through 1980. Such central direction means, of course, that the normal market forces are not at work: there is usually only one buyer for a particular product or service, which means that the market's requirements can be predicted with some certainty. That is why it is so essential to keep abreast of all published material describing developments and to make personal contact with import organizations as frequently as possible.

Foreign trade is a monopoly of the state under the direct control of the Ministry of Foreign Trade, which issues all import and export licenses. Other bodies with special mandates are the Committee for Foreign Economic Relations, responsible for increasing the number of scope of co-operation agreements with western firms, and the Committee for Agricultural machinery, concerned with the acquisition of modern agricultural technology and equipment. Actual buying and selling of goods and services rests in the hands of about 40 FTOs, each of which has exclusive right to operate in its own particular area. All of them belong to the Bulgarian Chamber of Commerce and Industry, from which detailed information on each company's activities can be obtained. The Chamber is also concerned with the arbitration of disputes, visits of trade delegations, and the organization of exhibits and symposia. (An excellent description of the organization of foreign trade in Bulgaria can be found in the *Business International* series "Doing Business with Eastern Europe".)

Read Bulgarian guide books and you are transported to a land of imposing monasteries and mosques, picturesque costumes and old-world customs. The romantic Danube and the golden sands of the Black Sea beckon.

Study the GNP statistics of a country which used to be the most backward in Europe and you may decide that the business prospects are even more tempting than Bulgarian tourist attractions.

Also of interest to the foreign businessman are the various committees, research institutes and state economic corporations that influence purchase decisions or actually write the specifications which guide FTOs in buying goods and services. Mentioned previously is the opportunity provided by the Plovdiv Fair in making such key contacts, but it is possible to reach these organizations at other times.



The cooperation of the FTO is required, and it also helps to utilize the good offices of the Ministry of Foreign Trade, which can be approached through the Canadian trade commissioner.

Canadian exporters should also be aware of the Committee for Science, Technological Progress and Higher Education, a supradepartmental body with an expanding control function in the implementation of state planning in science and technology. The Committee makes basic recommendations on whether certain goals should be achieved by means of indigenous research, or by seeking appropriate technology elsewhere.

Why should a Canadian businessman focus on such a distant and little known market as Bulgaria? A British publication, *Commerce International,* recently stated:

> "Too often Bulgaria is dismissed in the Western press as a remote agrarian Balkan state, whereas the truth is that it has one of the most expansionist economies in Europe. Although admittedly starting from a smaller base, at its current rate of economic progress Bulgaria can be expected to overtake Britain in per capita GNP terms by the end of the 1980s."

A study of trade figures supports this thesis and, while it is expressly stated that Bulgaria's principal trading partners will continue to be the socialist countries, the absolute rise in trading volumes makes the market worth considerable attention.

In general, the Bulgarian Government seems satisfied that targets for the 1971-75 Plan have been met and sometimes exceeded, although certain gaps are evident, principally in industries related to construction, primary steel and cement. But, by and large, industrial growth has been impressive and a foundation has been laid for consolidation in various sectors in the new plan period. As compared with 1974, the national income will have met its target of a 9% rise in 1975 and industrial production will have risen 10% (2% over target).

The draft directives for the 1976-80 Plan contain excellent information on the direction which the Bulgarian economy will take and offers guidance to Canadian businessmen who wish to participate in its development. Let's look at what's in store.

Genuine advances in living standards, with real incomes rising by 3.0 — 3.4% annually and the average monthly income of workers and employees reaching 170 leva (1 Leva = Cdn. $1.02) by 1980. Food consumption and ownership of consumer durables are intended to move nearer to "scientific norms" and could well result in better levels for the "average man".

Foreign trade will remain very much oriented to CMEA (COMECON) members — 75% of the total, of which the USSR will enjoy about 55%. It is estimated that an annual increase of about 10% will be maintained, one of the highest in CMEA.

It is planned that total investment for the five years will be Leva 30-35 billion (cf. Leva 21 billion for 1971-75).

The directives seem to lay more emphasis on modernization and expansion of existing industrial plant rather than on major new projects, although Bulgaria will also require advanced technology from the industrialized Western countries for machine building, precision mechanics, chemicals, and electronics. Canadian companies should watch for turnkey opportunities in these sectors, which normally attract the lion's share of investment funds. Not to be ignored in the new Plan, however, is light industry for the consumer sector, including food processing.

Annual industrial growth will vary from 9.2 to 9.9%, somewhat above the average of 9.1% for the 1971-75 period, and will depend largely on improved labour productivity. The increased responsibilities of the Science and Technology Committee are expected to play a major part in achieving these goals.

The machine building sector is to increase output by 100% during 1976-80, and nearly 25% of existing equipment will be upgraded or replaced. New capacities will be introduced for the power generating, chemical, metallurgy, ore-extracting, and food and beverage industries. Bus production is intended to increase 200%, tractor output by 150%, and production of trucks by 40% (including heavy fork lift trucks, refrigerator containers, and road building equipment). Shipbuilding specialization will be continued in 25,000-ton bulk carriers, 100,000-ton tankers, and 38,000-ton coal carriers.

Growth of ferrous metal output should average 13-18% annually. Modernization of the Kremikovtsi and Pernik steel works will be completed and the construction of a third metallurgical works initiated. Improved technologies will be applied to metalcasting generally, and for precision casting, casting under pressure and counter-pressure, and powder metallurgy. Annual production from the Kremikovtsi and Pernik works should equal 3.5 million tons of steel and 4 million tons of rolled ferrous metals.

By 1980, chemical output should increase and account for over 12% of total industrial production, with priority on petrochemistry, organic synthesis, and the manufacture of polymer products. New plants will be built at the petrochemical combine near Burgas. This will enable output of polypropylene, rubber, and synthetic fibres to grow from 140,000 metric tons (1975) to 430,000 tons by 1980. Other sections of the chemical industry will grow to provide more than half of the raw materials needed for textile production, and to increase output for the lacquer and paint industry, pest control preparations and insecticides.

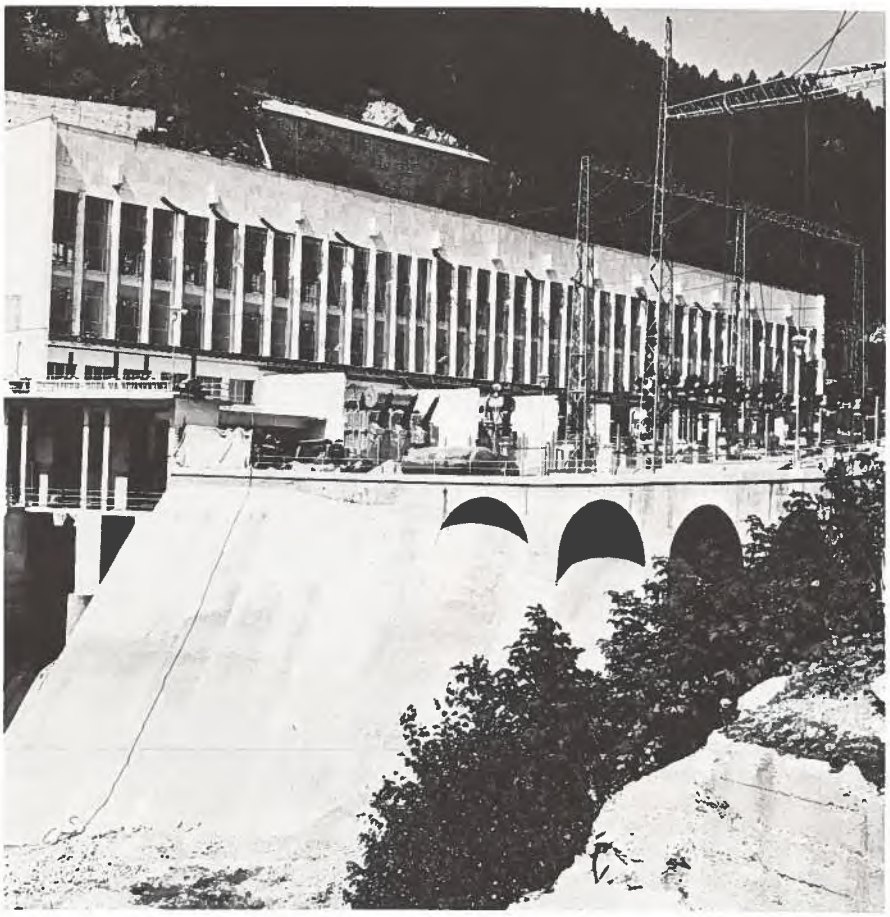
The largest timber-processing works in the Balkans is under construction near Silistra and should start production by the end of 1979. It will process about 1,000,000 cu.m. of timber a year and produce pulp, paper and chipboard. Preparations

Canadian Exports to Bulgaria — 1975
$ thousands

Tobacco harvesting machinery/parts	1,542
Special industry machinery	376
Wood pulp	188
Manufactured goods not shown	222
Total for items listed	2,328
Total exports	2,378

Canadian Imports from Bulgaria — 1975
$ thousands

Canned tomatoes	1,360
Canned tomato paste	424
Still grape wines	295
Metalworking lathes	243
Dried vegetables	197
Shirts	165
Total for items listed	2,684
Total imports	3,754



During the period 1971-75, Bulgaria doubled its generating capacity. The latest Belmeken-Sestrimo power station in the Rila and Rhodope mountains will also provide irrigation for 60,000 hectares of land.

are underway for the construction of a special harbour at Silistra.

Bulgaria is becoming a specialist in certain fields of electronics and output should increase during the Plan period by 100%. Emphasis will be on equipment for digital control of metal-cutting machines, remote control of electric trucks and controls for agricultural machinery.

Specialization will continue on memory devices on magnetic tape, new types of calculators, electronic safes, and automatic telephone exchanges.

Out of a total increase of 45%, 82% of all investment funds allocated to light industry will go to textiles, leather, furniture, glass and porcelain production. Above average increases of output are scheduled for tobacco, knitwear, cooked and semicooked foods, other food processing, and non-alcoholic beverages.

Construction of the Sofia-Burgas-Varna superhighway and the Sofia subway will proceed. There will be increases in the use of container transport and in the automation of freight handling facilities. By 1980, the Varna-West harbour should be completed and the Burgas harbour expanded. There will be an increase in mileage of electrified railway lines and a need for control technology.

Total electrical generation capacity is to reach 10,000 MW by 1980, an increase of 9-10%. Bulgaria's first nuclear power station (880 MW) is already operational (Soviet technology) and by the end of the decade nuclear facilities will account for 20% of generating capacity. With additions to the Varna thermal power station (630 MW) and Mariza-Istok complex (840 MW), total annual output should reach 38 billion kwh by 1980. Coal production should reach 38 million tons annually, thanks to the new collieries at Mariza-Istok,

Trozanova, and Dobrovdja. Exploration for oil will continue, especially in the Black Sea and in the Dobroudja basin.

The Plan also calls for increases in building materials to enable completion of nearly half a million new apartment units.

Agricultural output will continue to be paced behind industrial growth, with an average annual increase of 3.7%, marginally higher than the rate in 1971-75, but totalling 20% overall. Much of the increase will rest on higher labour productivity, including the introduction of high horsepower (80-300 HP) tractors, and high performance combine harvesters and specialized machinery.

Animal husbandry will receive priority and its relative share in overall farm output will be increased to nearly 49% of the total, with the total number of livestock rising by 20-30%.

By 1980 grain production should grow by 30% over 1975, concentrating on overcoming the constant shortage of fodder materials. Efforts will be made to increase yields of alfalfa and soya, and the area of pasture extended. Extensive use will be made of the Danube for irrigation. By 1985, and additional 700,000 hectares will be irrigated, and present equipment modernized.

Further development of the current 153 agro-industrial and 10 industrial agrarian complexes will continue during the five-year period, with greater specialization in fixed types of crops and produce. Units of this size, rare even in North America, permit the application of advanced farming technologies and substantial economies of scale. Computer techniques are even now widely employed by the complexes, and there may be significant opportunities for Canadian firms in this area. Tobacco growing will concentrate on the broad-leaved Virginia and Burley varieties. Vineyards will adopt high-stemmed, wide-row varieties, which lend themselves readily to mechnization for increased production of wine and table grapes. Fruit growing will concentrate on introduction of better varieties of apples, peaches, plums, cherries, sour cherries, and apricots, which will be marketed throughout the year.

Further hints about the direction of development can be obtained by studying the thrust of work planned in cooperation with the United Nations Development Program. Of particular significance to Canada will be advanced work on instrument design, in telecommunication research, pollution control on the Danube, the Balkan power transmission grid, fodder research and testing, and food irradiation. Details can be obtained from the International Financing Branch at ITC Ottawa.

How much attention have Canadians actually been paying to Bulgaria? The Plovdiv Trade Fair has already been mentioned. Canadian visitors included a trade mission from Quebec, a delegation from the Canadian Tobacco Council, and representatives of Air Canada. European agents representing Cadian interests also paid visits to the Canadian exhibit.

May 1975 saw the visit to Sofia of a high level trade delegation led by ITC's Senior Assistant Deputy Minister, Operations. Business members of the group established several valuable leads which are beginning to crystallise into actual business. The exercise induced participants and other Canadian firms to make repeat visits on their own initiative. (A report on the mission's visit is available from the European Bureau, ITC Ottawa.)

Last year also saw the visits to Bulgaria by Canadian ministers: Secretary of State Hugh Faulkner, and Agriculture Minister Eugene Whelan. The latter visit has had important commercial spin-off by stimulating Bulgarian interest in Canadian agricultural technology, farm machinery, and the verterinary sciences. An important direct result was a delegation of agricultural equipment manufacturers which visited Bulgaria in May 1976. Results have yet to be tabulated, but the future looks promising.

Of the business planning trips to Bulgaria during the past 18 months, a significant number were consulting engineers. While indigenous design capacity is well developed, there is a distinct need for assistance in new technology and in procurement of modern equipment and processes, some of which involves the commissioning of new plant.

All this Canadian activity has not been lost on Bulgarian businessmen, as witnessed by an

increasing flow of visitors to Canada. Technology transfer is at the root of this interest, especially in fields where Canada is strong: pulp and paper, electronics, telecommunications, avionics, mining, agricultural equipment and livestock for breeding purposes. These are the areas in which Canadian exporters should concentrate. Personal visits are critical to sales in Bulgaria. It takes time and effort to build an atmosphere of confidence with officials of the FTOs. For some products, too, it will be necessary to go beyond the FTO to the end-user and specifier. This can be done by individual visits, arranged with the cooperation of the FTO, and at the Plovdiv and other trade fairs. Not to be overlooked is the value of a symposium or seminar; these can be arranged by Bulgarreklama, the national advertising agency, and are guaranteed to attract people who participate in the decision-making process.

Then there is the question of representation in the market. How should one approach it? The options include a Bulgarian firm which could be ideal, indeed essential, for "detailing" a product for which each individual economic unit must make a purchase decision.

There might be greater advantage in having a commercial or technical representative in Vienna or elsewhere in Europe. Such a person or firm could be either a direct employee or branch of a Canadian firm, or an agent in the classical sense. Perhaps what is needed is a parts and service depot to back up sales to several East European countries.

Some firms opt for direct sales from their Canadian base, despite the added expense of Transatlantic travel and relative remoteness from the market. These are most often companies who know (or can quickly get to know) their very limited number of customers. However, whatever route an exporter chooses to follow, the Vienna office can provide useful advice and information.

Having discovered and entered the market, how do you get paid? Direct payment in hard currency should be sought, but may not always be agreeable to the Bulgarian buyer. One could then consider export financing over the medium or long term by a chartered bank or by EDC (obtain further information from ITC Ottawa, International Financing Branch). However, foreign exchange, even for a long term payment, is becoming increasingly scarce because of the rapidity of Bulgaria's development based on imports from industrialized western countries, and recourse to "payment in kind" may be necessary. This goes under various labels — barter, switch, buy-back, compensation trade — but the most popular and acceptable in Bulgarian eyes is a "cooperation" arrangement.

Cooperation implies a contractual tie with a Bulgarian enterprise and may take the form of:

- joint construction of industrial plants or modernization of existing facilities
- joint scientific research, design consultation and R&D
- cooperative production of finished and semi-finished goods on the basis of licenses, exchange of know-how and technical consultation
- cooperation following delivery of complete industrial plants
- organization of joint enterprises in third countries

Certain ground rules apply to cooperation and you should consult the Vienna office about them.

Doing business in Bulgaria is not the easiest activity in the world, but the rewards can be worth the effort. Added to this is the pleasure of visiting a picturesque and little known country and of dealing with an open and friendly people.

And drop in on us in Vienna.

Although it occupies a low place in the world league of grape and wine producers, Bulgarian statisticians claim that, per head of the population (fewer than 9,000,000), the country ranks sixth for grapes. Not in dispute is the area's claim to being one of the first users of wine. That was 'way back', some 6,000 years ago. France, introduced to wine about the sixth century B.C., produces 25% of the world's annual production of 4,500 million gallons.

A German sausage is a German sausage on both sides of the Berlin wall; but other products and services are getting an easy passage through political barriers.

A New Trading Partner

G. LAMBERT, Commercial Secretary, Warsaw

On August 1, 1975, Canada and the German Democratic Republic announced the establishment of diplomatic relations. The agreement has far-reaching implications, not the least of which are in the development of bilateral trade. Although some trade has taken place over the past years, total two-way trade in 1975 amounted to only $9.7 million, a decrease from the $10.2 million achieved in 1974. Canada's balance of trade with the GDR, which in 1975 was two to one in the GDR's favour, improved slightly in 1975, with exports totalling $4.3 million and imports $5.4 million. Once accreditation of diplomatic missions has taken place, it is expected that talks aimed at strengthening economic and trade ties between the two countries will begin.

This market has held a mystique for Canadian producers, due partly to lack of contacts, but also because of the country's industrial capacity in relation to its size. The GDR, with a population of 17 million, ranks among the world's leading industrial producers.

Before the creation of the German Democratic Republic, Rostock did not merit inclusion among Europe's top twenty seaports. Now it operates round-the-clock, a major contributor to the country's $15 billion import-export business. With Japan enjoying a near monopoly in sophisticated photographic equipment, it's worth remembering that GDR cameras and lenses are readily available at bargain prices in Canada.

Although poor in mineral resources, except for lignite, potash and rock salt, the GDR has highly developed steel, chemical and petrochemical industries. The agricultural sector, though not sufficient to meet domestic needs, is consistently one of the better performers in Eastern Europe. The GDR is strong in the electrical and electronics fields, in optics, in machine tools, and in the fuel and power industries. Great efforts are made to maximize the output and efficiency of human resources. Between 1955 and 1970, largely due to capital investment ($217 million in 1974), output per man rose by 150 percent.

Tight management of the economy is possible because the state is almost totally government controlled. State enterprises account for over 90 percent of the country's Net Material Product (a measurement used in Eastern European countries in place of Gross National Product). Programs to eliminate the remaining few private enterprises are being implemented. The market forces which exist in capitalist countries are not allowed to operate in an economic environment which subordinates everything to five year plans. These plans delineate the sectors of investment priority and provide the resources and production targets for the total spectrum of economic activity.

In terms of industrial production, the GDR ranks tenth in the world. Using 1970 as a base, the index for industrial production rose from 122 in the fourth quarter of 1973 to 131 in the same quarter of 1974. The largest industrial branch is mechanical engineering and vehicle construction. It is intensely export-oriented and accounts for more than 56% of exports and 35% of imports. Ships, locomotives, machine tools and processing equipment are the main components. The second largest industry, chemicals production, places the country in number three position in the world. Originally based on the upgrading of lignite and other domestic raw materials, it is now deeply involved in petro-chemicals, with most of its petroleum coming from the USSR via pipeline.

Agriculture is another example of efficient management of scarce resources. With 16 million acres under cultivation (5.6 million under wheat; 312,000 under oilseeds; 1.5 million for potatoes; 560,000 for sugar beets; and the balance under fodder) the GDR's performance has consistently been high in comparison to her partners in COMECON. Yields have risen steadily as fertilization and equipment have been improved. However, no matter how efficient, the country must rely upon imports to supplement her own production.

Although it occupies only one tenth of Ontario's area, the German Democratic Republic ranks among the world's top twelve industrial nations and is third in terms of chemicals production.

Just as domestic economic activity is highly structured, so is the apparatus concerned with foreign trade. All imports and exports are handled by companies set up for the purpose. These foreign trade organizations (FTOs) are often the only sales contact unless the circumstances are such that the seller is permitted to speak to companies on technical matters. All commercial questions, however, are the prerogative of the FTOs, which simply negotiate transactions. Exporters and importers wishing to test the water in the GDR should write directly to the FTO responsible for their product category and enclose about five sets of brochures. English correspondence is quite acceptable, although companies with good German capability may find it a plus factor. The best export prospects appear to be production materials and machinery, and essential agricultural products. In principle, the GDR imports only those goods which are considered vital to the economy and which cannot be supplied by its COMECON partners. Consequently the market for consumer goods is severely limited. Large-volume purchases have tended to be bought "spot" rather than via long-term relationships with traditional suppliers (COMECON countries excepted). Some movement away from this approach appears to be taking place. Shortages two years ago meant that certain essential supplies had to be bought at very high free market prices. The GDR countered by selling in the highest price market of the moment, thereby neglecting to develop long-term confidence on the part of pur-

GDR PRODUCTION

('000 metric tons unless otherwise indicated)

	1973	1974	% change
Coal	751	592	-21.2
Lignite	246,244	247,868	.6
Pig Iron	2,202	2,280	3.5
Steel	5,892	6,164	4.6
Cement	9,547	10,100	5.8
Sulphuric acid	1,058	1,005	-5.1
Synthetic rubber	133	139	4.4
Plastics & resins	489	517	5.8
Newsprint	102.3	104.5	2.
Chemical Fertilizers	3,369.5	3,710.1	10.1
Tyres ('000)	5,393	6,018	11.6
Passenger cars ('000)	147.1	154.6	5.2
Commercial vehicles ('000)	30.62	33.93	10.8
Electricity (mn kwh)	76,908	80,286	4.3

chasers. These policies are the facts of an economic strategy in which every unit of foreign exchange is stretched to its maximum value. Although production machinery is bought rather differently, vendors must be prepared for protracted and difficult negotiations.

Companies with European representation may wish to include the GDR in their agents' territories. Although, generally speaking, East European countries do not like to deal through agents (preferring to save the cost of the commission) they are beginning to recognize that commission representatives can reduce company overheads. There are also GDR agencies prepared to take on western firms as clients. However, their approach is rather different from that taken in western countries. First, the agency is a GDR government company, and, therefore, ultimately works for your customer's employer. Second, the agency may very well represent your competitors for the same business. Thus, using the agency properly requires some changes in technique. It can provide administrative support, such as arranging itineraries, setting up appointments, hotels, transportation, interpreters, etc. It can advise on opportunities and climate and perform limited follow-up. You should not, however, use the agency as a channel for commercial information other than offers. Your price structures, negotiating positions, etc. should be kept strictly out of your dealings with the agency unless you are prepared to have them known by the FTO with which you are dealing. At the moment, because of our own lack of experience and contacts in the GDR, we are not in a position to advise on the merits of any of the companies concerned. However, we will be glad to hear from Canadian exporters about their experiences, good and bad.

Finally, no article on the GDR would be complete without reference to the Leipzig trade fairs. Leipzing is without doubt the most important showplace in Eastern Europe, attracting visitors from more than 90 countries. The two major eight-day fairs, held in March and September, are distinguished by the categories of products. Basically, the March show concentrates on heavy industry, electrical and electronics products for automation, special agricultural machinery, and packaging equipment. The September fair covers eight technical groups emphasizing chemicals and the light machine industry, including forest machinery. Both shows carry consumer products. More detailed information on which show would best suit your company's interests, either as exhibitor or visitor, can be obtained directly from the Leipziger Messeamt.

Once accreditation is accomplished, the Commercial Division in Warsaw will try to establish the broadest possible range of contacts in the GDR economic establishment in order to assist Canadian exporters. We hope to undertake regular visits to East Berlin and will attend the Leipzig shows. We will gladly undertake calls and follow-up activities on behalf of Canadian companies. To that end, we would appreciate receiving information on current projects of interest, as well as copies of relevant correspondence with GDR firms. The GDR is a market in which we are unlikely to achieve spectacular shortrun sales. But it offers opportunities for steady long-term growth to Canadian companies with staying power. We would welcome an opportunity to assist such companies.

CANADA — GDR TRADE

	1960	1973	% change
	(millions of dollars)		
Total Imports	3,922	11,630	297
Total Exports	3,945	11,137	282
Imports from Free Market Countries	863	3,786	439
Exports to Free Market Countries	795	2,556	322
Imports from Socialist Countries	2,888	7,496	260
Exports to Socialist Countries	2,984	8,155	273
Imports from USSR	1,712	3,676	215
Exports to USSR	1,653	4,208	255
Imports from Canada	3.4	6.7	197
Exports to Canada	1.8	8.0	444
Percentage Make-up of Foreign Trade	%	%	
Imports of Raw Materials	41.8	31.7	
Exports of Raw Materials	30.5	22.4	
Imports of Mechanical Engineering Ind.	14.4	35.8	
Exports of Mechanical Engineering Ind.	51.8	56.6	
Imports of Light Industry & Food Prod. Ind.	27.7	21.0	
Exports of Light Industry & Food Prod. Ind.	15.8	17.9	
Imports of Agricultural & Forest Products	15.4	9.3	
Exports of Agricultural & Forest Products	—	—	

The German Democratic Republic
Foreign trade organizations

Ministry of External Economic Relations,
DDR — 108 Berlin, Unter den Linden 44 / 60,
Phone: 2 20 70 Cables: Windrose
Telex: 11 369.

Office of External Economic Relations of the German Republic,
DDR — 108 Berlin, Unter den Linden 12,
Phone: 2 08 14 00.

Chamber of Foreign Trade of the German Democratic Republic,
DDR — 108 Berlin, Schadowstrasse 5 / 7,
Phone: 22 54 41, Cables: Interkammer
Telex: 114 840

Zentrales Büro für Internationalen Lizenzhandel der DDR,
Central Office for the International Licensing Trade of the GDR,
DDR — 108 Berlin, Schicklerstrasse 5 / 7,
Phone: 5 14 80.

SERVICING ENTERPRISES

Leipziger Messeamt, (Leipzig Fair Office),
DDR — 701 Leipzig, Markt 11 / 15,
Phone: 7 18 10
Telex: 051 2294: 051 318 (Messegelände).

LIMEX GmbH.,
Foreign Trade Enterprise for technical services, economic scientific-technological cooperation with foreign countries,
DDR — 102 Berlin, Breite Strasse 12 / 17,
Phone: 20 90 Telex: 0112 141

AGENA Aussenhandeisvertretungen GmbH.,
DDR — 1054 Berlin, Rosenthaler Strasse 72 a,
Phone: 4 22 90 09, 4 22 78 44
Telex: 011 2996
Representations of foreign trade partners in the GDR and mediation of commercial transactions of every kind.

INTERVER, GmbH,
DDR — 108 Berlin, Clara-Zetkin-Strasse 97,
Phone: 2 29 82 04 Telex: 112 096
Consultation on all commercial prospects regarding trade with the GDR. Representations and establishment of business relations.

KONTAKTA Aussenhandelsvertretungen GmbH,
DDR — 1058 Berlin, Granseer Strasse 7,
Phone: 4 22 61 00 Telex: 011 2045
Import and Export representations — establishment of international business contacts.

TRANSPORT, FORWARDING AND TRAFFIC FIRMS

VEB Deutrans, Internationale Spedition,
DDR — 108 Berlin, Otto-Grotewohl-Strasse 25,
Phone: 22 01 21 Telex: 011 2331.
All transportation orders in connection with exports and imports, including transit operations and container transport, chartering of ships on the regular line services, information and advice on all questions regarding international freight transport.

INTERFLUG,
Gesellschaft für internationalen Flugverkehr mbH,
(GDR Airline),
DDR — 1189 Berlin-Schönefeld, Zentralflughafen,
Phone: 67 20 Telex: 011 2892

BANKS AND INSURANCE COMPANIES

Deutsche Aussenhandelsbank AG,
DDR — 108 Berlin, Unter den Linden 24 / 30,
Phone: 2 20 03 21 Telex: 11 21 11
Banking transactions connected with import, export and transit trade.

Deutsche Auslands — und Rückversicherungs —AG Berlin,
DDR — 102 Berlin, Inselstrasse 1 b,
Phone: 25684 Telex: 5 15 74.
Transport insurance, reinsurance, credit insurance, average adjusters in all important trade centres of the world.

FOREIGN TRADE ENTERPRISES

Elektrotechnik Export — Import,
DDR — 102 Berlin, Alexanderplatz 6, Hause der Elektroindustrie,
Phone: 51 80 Telex: 11 2844.
Power transmission and distribution plant and appliances, equipment and apparatuses of process instrumentation and control engineering; electric welding equipment, automatic welding machines and accessories, resistance heated industrial furnaces and plant; cable and overhead fittings, electro-carbon products, electro-ceramics, electric, electronic and nuclear measuring and testing equipment, low, voltage switchgear and power relays, telephone exchange equipment, radio transmission and receiving sets, marine electronics, railways, signalling and safety plant, industrial control systems, active and passive components for electro-technology and electronics light sources.

Helmelectric, Deutsche Export — und Importgesellschaft mbH.,
DDR — 102 Berlin, Alexanderplatz 6, Hause der Elektroindustrie,

Phone: 21 80 Telex: 011 2259.
Electric household appliances, lighting fixtures of all types, wiring material, television sets, radios, electro-acoustic apparatuses, aerials, explosion-proofed electric operation means.

Industrieanlagen — Import,
Volkseigener Aussenhandelsbetrieb der DDR,
DDR — 108 Berlin, Mauerstrasse 83/84,
Phone: 22 59 41 Telex: 011 22 14.
Import of complete plant and procedures for the chemical and electro-chemical industries, metallurgical industry and power stations, glass and ceramics industry and construction materials industry.

Machinen-Export, Volkseigener Aussenhandelsbetrieb der DDR,
DDR — 108 Berlin, Mohrenstrasse 53/54,
Phone: 22 40 Telex: 011 2461
Harbour cranes, container handling appliances, conveying equipment and plant, plant for transporting and handling of minerals, mobile cranes, railway slewing cranes, truck, mounted cranes, caterpillar slewing cranes, transport equipment, storage equipment, earthmoving and road-building machinery, building materials machinery and plant such as large panel construction works, machinery and equipment for fine and ordinary ceramics.

Metallurgiehandel GmbH, Volkseigener Aussenhandelsbetrieb der DDR,
DDR — 1054 Berlin, Brunnenstrasse 188/190,
Phone: 4 29 20 Telex: 011 2523
High-grade steel, ultra-pure steels, sheets, rolled steels, pipes, strip steel, cold-drawn steel, steel wire, pig iron, ferro-alloys, special-purpose metals, super-pure metals, semiproducts of precious metals, processing of customer-supplied nonferrous metallurgical products, licences.

Transportmaschinen Export-Import, Volkseigener Aussenhandelsbetrieb der DDR,
DDR — 108 Berlin, Johannes-Dieckmann-Strasse 11/13.
Phone: 22 40 (Zentrale) Telex: 112 094
Import: agricultural machinery, tractors, agricultural plant. Machines for the food and luxuries industry, passenger cars, utility cars, buses, two-wheeled vehicles, workshop equipment, vehicle spare parts, electrical components and accessories.

VEB Carl Zeiss Jena,
DDR — 69 Jena, Carl Zeiss-Strasse 1,
Phone: 830 Telex: 058 8622.
Systems of equipment for: investigation and testing in the metallurgical industry, length and angle measuring, the electronic industry, industrial photogrammatry, agro-chemistry, chemical industry and investigation purposes programming systems SYMAF and AUTOTECH for automation and rationalization of production engineering; DOKUMATOR-system for rationalization of scientific documentation to be applied for investigation and instruction purposes, in industry and administration. Single appliances: microscopes, electronic microscopes, optical-physical measuring instruments, high-frequency spectrometers, technical precision measuring instruments, geodetic instruments, photogrammetrical instruments, planetaria, magnetic tape stores for data and X-ray equipment, binoculars, sighting telescopes, magnifying lenses, special-type visual aids, appliances for subjective refraction.

BASIC, LIGHT AND FOODSTUFFS INDUSTRIES

Bergbau-Handel, Gesellschaft für Ausfuhr und Einfuhr von Bergbauerzeugnissen mbH.,
DDR — 108 Berlin, Otto-Nuschke-Strasse 55,
Phone: 2 04 50 Telex: 011 2071
Import: Hard coal, hard-coal coke, ores and ore concentrates, fire-resistant products, nitrogen and phosphor fertilizers, raw phosphor and building materials.

Chemie — Export — Import, Volkseigener Aussenhandelsbetrieb der DDR,
DDR — 1055 Berlin, Storkower Strasse 133,
Phone: 5 38 20 Telex: 011 2171
Inorganic and organic chemicals, mineral oil products, tar products, scents, aromas, essences, household chemicals, soaps, candles, cosmetics, plant protective and pesticides, chemico-technical special products, paints and varnishes, organic dyestuffs, textile auxiliaries, leather auxiliaries, rubber and asbestos products.

Genussmittel Import-Export, Volkseigener Aussenhandelsbetrieb der DDR,
DDR — 108 Berlin, Thälmannplatz 2,
Phone: 22 01 31 Telex: 112 352
Import: coffee, cacao, tobacco, wine, hop, tea, beer, rice, oil, fish, dried fruit, whale meat extract, alcoholic beverages.

Holz und Papier, Export and Import,
DDR — 108 Berlin, Krausenstrasse 35/36,
Phone: 20 75-0 Telex: 112 235
Import: cut and sawn timber of all kinds, fibre wood, round timber, veneers, boards of all kinds, cork, wicker material, cellulose of all kinds, paper and cardboard.

Intermed Import/Export, Volkseigener Aussenhandelsbetrieb der DDR,
DDR — 102 Berlin, Schicklerstrasse 5/7,
Phone: 5 14 80 Telex: 011 2666
Import: equipment and plant for the health service,

drugs for human, dental and veterinary medicine, medicines and active substances as well as special chemicals for laboratories, equipment for laboratory techniques in industry and agriculture and education, equipment for the comprehensive polytechnical secondary school and instructional cabinets for vocational training, special products for material testing, precision measuring techniques, optics, weighing technology.

Interplex Export / Import GmbH,
DDR — 701 Leipzig, Brühl 42 / 50,
Phone: 7 97 40 Telex: 051 477
Raw skins, furs, fur garments, manufacture of customer-supplied furs, raw fur skins, leather, synthetic leather, P.V.C. soft foil, P.V.C. floor covering, P.V.C. table cloth, leather and pursemakers' goods, suitcases, shoes.

Nahrung Export-Import, Volkseigener Aussenhandelsbetrieb der Landwirtschaft und Nahrungsgüterwirtschaft der DDR,
DDR — 102 Berlin, Schicklestrasse 5 / 7,
Phone: 51 03 21 Telex: 011 2191
Import: agricultural seeds, oil seeds, grain, pulses, animal and vegetable proteins, dairy products, meat and meat products, casings, breeding livestock.

Textilcommerz, Volkseigener Aussenhandelsbetrieb der DDR,
DDR — 108 Berlin, POB 1206,
Phone: 22 03 71, Telex: 112 011
Import: raw material for the textile industry, textiles of all kinds.

Bouquet for the nomads

Market intelligence reports which appear in the pages of CANADA COMMERCE come from 64 countries and are provided by the Department's 468-strong Trade Commissioner Service. During the summer months, 34 members of the Service and their families will be packing their belongings and establishing themselves in different parts of the world. Inevitably, travel plans and freight schedules will go awry, and some globe-trotters may wonder if the Canadian business world appreciates their efforts. Mr. S.F. Hughes, Executive Director of the Canadian Chamber of Commerce, made no secret of his regard for I.T.&C. personnel abroad when he addressed the Rotary Club of Vancouver.

"Canada is one of the world's leading trading nations. As such, it requires government policies that will encourage trade on the broadest possible scale.

"We are very fortunate in that regard. Aiding and abetting our trading opportunities are two outstanding yet sometimes misunderstood services of the federal Department of Industry, Trade and Commerce.

"The Trade Commissioners Service is geared to provide valuable assistance — through competent and interested people — to Canadians wishing to engage in international trade.

"If we have a problem in this field, it is due almost exclusively to misuse of the facility by the business community. Our businessmen perform very well in domestic markets, but too many seem to under-utilize their initiative, aggressiveness, salesmanship and closing skills when they leave Canada. This is more true of some of those small and middle sized companies which do not have any meaningful international experience.

"The Trade Commissioners Service is there to help us do business — not to do all our selling and negotiating for us. It is discouraging to note the frequency with which businessmen expect the Service to list, line up and sell the prospects, and then remit the orders to the Canadian businessmen.

"The Trade Commissioners Service is made up of a fine group of people who are geared to help but who were never intended to do the whole job as publicly funded order-takers.

"Another excellent example of service to our international traders is the Export Development Corporation. From its early beginnings in the field of credit insurance, this Crown corporation has developed into a service which now also provides financing expertise for export assistance — expertise which is as sophisticated as any in the world."

Hungary Seeks Canadian Suppliers

H.W. GUY, Commercial Secretary, Budapest

Having suffered economic setbacks in the past two years, Hungary starts its 5th Five Year Plan with restrained optimism. Foreign trade accounts for almost half of the gross national product and inflationary trends in the West and in the countries of Eastern Europe have had a marked effect on the cost of living in Hungary.

Almost 60% of the foreign trade is with neighbouring countries, particularly the Soviet Union. Western Europe accounts for most of the remaining 40%, while commercial links with Canada, Japan and the U.S.A. are a more recent development. Hungarian business leaders and decision makers therefore need more information about our products and technology. Some Canadian goods find their way to Hungary through other European countries and it is logical to assume that direct contact between the original suppliers and the end user would increase the volume of business.

Hungary's new Five Year Plan aims at stepping up trade by 9-10% each year. The thrust towards East European countries is scheduled to absorb 40% of the expansion, which gives some cause for optimism among Western trading nations interested in the Hungarian market.

Giving impetus to Hungary's export drive is the 1975 balance of payments deficit: it amounted to approximately $700 million — much of it attributed to increased energy imports (mainly from the USSR).

During the 1976-80 period, the state plans to invest $43.5 billion, the bulk of it earmarked for the "material" sector and the expansion of production capacity. Another $5 billion will be invested in new houses and apartments.

Of special interest to Canadians are the state investments in copper mining and in smelting processes for scarce ores found in Hungary. The scale of state assistance may be influenced by world copper prices.

Students of the Hungarian economy will recall the introduction in 1968 of the "New Economic Mechanism". This allowed individual state-owned enterprises to decide what proportion of net plant incomes (after taxation) would be ploughed back into the industry and the sums which could be distributed as bonuses to factory employees. For the 1976-80 period, this scheme has been modified: new economic regulators reduce factory profit margins and the investment initiative has been transferred to the National Planning Office.

Major investment projects reflect Hungary's preoccupation with energy sources. Backed by Soviet technology, the state is building the Paks nuclear power station, the first reactor of which is scheduled to go critical in 1980. Other enterprises in this field include two oil-fired thermal power stations, a 750 kv power line and the Orenburg gas pipeline. The last two will draw their energy from the Soviet Union.

Steel production will rise as a result of new plant at the Danube Iron Works and improved facilities at the Lenin Metallurgical Works. The Five Year Plan makes provision for expansion in the aluminum industry. There will be a reconstruction program at the Szekesfehervar Light Metal Factory and the latest technological processes introduced at existing smelters.

The chemical industry will be served by a new PVC plant and the expansion of a polyacrylonitrile factory. For the construction industry there will be a new cement factory, while food processors can look forward to better facilities for producing salami and canned meats.

Agriculture

Traditionally an agricultural country, Hungary plans to increase crops and farm products by 16-18% during the 1976-80 Plan. Half of the $5 billion investment allocated to this industry is destined for mechanization. This aspect of the program should attract the interest of Canadian manufacturers of agricultural machinery. Irrigation also figures high in the list of Hungarian priorities, and Canadian cattle breeders should not lose sight of Hungary's determination to step up milk production by increasing dairy herds. Other opportunities in the agricultural sector will exist for Canadian fertilizers and insecticides. The official Hungarian list of 1975 imports quotes $5 million for Canadian insecticides. Once again we would emphasize the importance of gaining first hand knowledge of Hungary, and indeed of all East European countries where a sales potential exists. You won't be a lone crusader: East European airliners draw a sizeable slice of their revenue from Western businessmen, complete with order books.

Hungarian timber falls far short of domestic requirements and new forests of 40-45 hectares are planned for the 1976-80 period.

Transport and Communications

The 5th Plan allocates $5 billion for the development of transport and communications, with another $2 billion set aside for improvements to and the upkeep of the existing road system. Budapest will have its metro or subway lines extended and the state will channel a large proportion of its $5 billion investment into mass transit.

The country's railway network is due for modernization and 140,000 new trucks will speed freight haulage. In addition to the proposed Friendship and Orenburg pipelines from the USSR, Hungary is working with Yugoslavia and Czechoslovakia on the Adria oil pipeline.

Budapest's Ferihegy Airport is scheduled for development as part of the Five Year Plan, and the national telephone and microwave systems and the international telex links will be improved.

Pollution Control
The Hungarian Government has enacted environmental protection regulations which set an example to the rest of Eastern Europe. To assist industrial plants in meeting anti-pollution standards, the state is placing heavy emphasis on acquiring the latest technology and equipment.

Foreign Trade
According to some experts, Hungary's foreign trade during the current Five Year Plan will increase to 50% of the GNP. Coupled with the trade drive is a determination to widen the circle of trading partners. This presents intriguing opportunities for Canadian manufacturers, who should take into their reckoning the fact that contracts with Hungary could open the door to other customers in Eastern Europe. The key is "the international division of labour agreement" which exists between CMEA members.

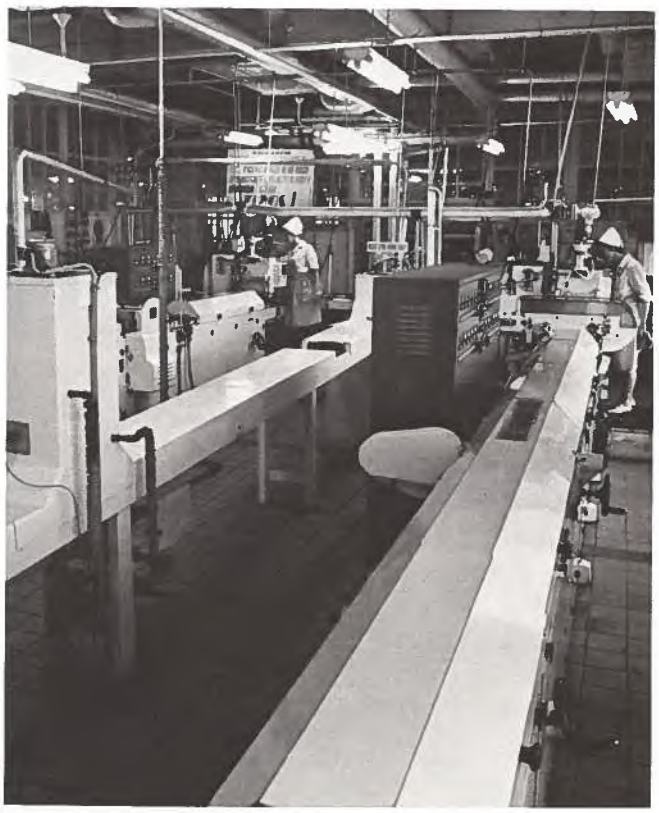
The Hungarian Ministry of Foreign Trade encourages state purchasing organizations to include Canadian companies in their quotations. Rather than waiting for an invitation to tender, enterprising Canadian businessmen are investigating the sales potential of a country that needs and wants our products and expertise.

The Hungarian Ministry of Foreign Trade has made it clear to the relevant state organizations that Canadian suppliers should be included in their quotations. Needless to say, the organizations in question must first become familiar with the Canadian industrial scene and get to know the specialized products of individual manufacturers. That process will be accelerated if enterprising Canadian businessmen conduct their own investigations of the Hungarian market.

As is the case with other East European countries, sales do *not* materialize overnight. In some cases, two or three years may be required for cultivation. While many consider it a long drawn-out process, the advantage is that, once recognized, accepted and invited into the market, you will automatically be requested to compete for any similar requirement thereafter.

Naturally, one of the ways of increasing exposure and contact with the Hungarian enterprises would be participation in one of the numerous fairs held by HUNGEXPO, the monopoly foreign trading company for expositions. There are three major annual fairs organized by HUNGEXPO: the Budapest Spring Fair, which is for capital projects, and the Autumn Fair, which is primarily for consumer goods. The third is the annual AGROMASEXPO, which is for agricultural equipment. Some fairs are held every two years and others every three years. There are still others in which manufacturers should be represented, and the Commercial Division at the Embassy will be pleased to guide you.

Current Trade Levels
Statistics produced by the governments of Canada and Hungary have a wide disparity. This is due to the fact that Hungary has traditionally relied upon certain brokers and agencies in Western Europe for the supply of goods. Canadian statistics record country of destination, not of final sale, while the Hungarian import figures are based upon country of origin. As a result, we sometimes use the Hungarian statistics to indicate the total trade between Hungary and Canada, which showed approximately $33 million in 1975. Traditional major items have been hides and skins, breeding cattle and, in a fluctuating manner, barley. However, we are starting to see an increase in agricultural machinery equipment, insecticides and pesticides, as well as a variety of electronic and electrical goods. As the investment proceeds in the fifth Five Year Plan, with the renovation of manufacturing facilities, there will be opportunities for specialized Canadian machinery. In addition, a few sizeable projects, either in the bidding cycle or those that will come up to international tender, will have a Canadian bid.

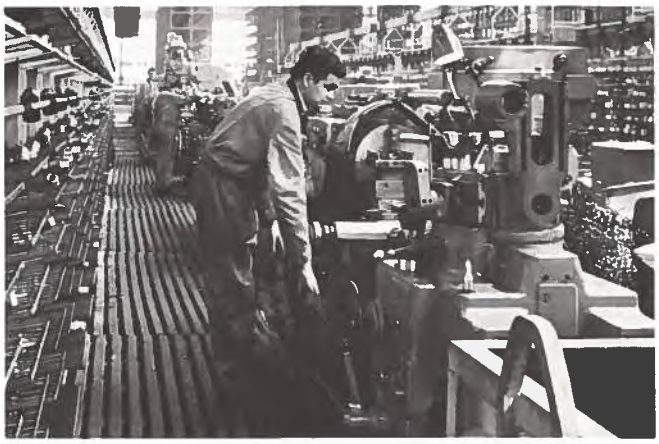


As spick and span as a medical establishment, but this century-old chocolate factory in Budapest, now fully automated, won fame for such mouth-watering delicacies as Dobosh gâteau, walnut strudel and witches' froth (braced with apricot brandy) and Hungarian doughnuts (laced with rum).

Conclusion

The favourable political climate between Hungary and Canada, including the desire of the Hungarian Government to diversify trade partners and include Canada in more of the opportunities, presents some valid reasons for considering the Hungarian market for your products. Naturally, the Commercial Division of the Canadian Embassy in Budapest will be pleased to assist you. If you are planning a visit, we would suggest that you forward information at least two weeks prior to your visit, so that the appropriate contacts can be established and meetings arranged. Alternatively, literature should be sent and, if an interest is perceived, a follow-up visit can be arranged to capitalize on the opportunity.

During 1975, Canada imported Hungarian lathes valued at $267,000. Surprising was our enthusiasm for Hungarian mattresses, to the tune of $1,032,000. Wine topped the Canadian shopping list, with Bull's Blood first choice of connoisseurs and Szekszardi Voros one of the best buys on LB shelves.



Canadian Exports to Hungary — 1975 ($ thousands)

Dairy cattle	1,228
Hides and skins	921
Wood pulp	871
Semi-conductors and parts	448
Dressed furs	258
Agricultural machinery	245
Food and beverage machinery	232
Broad woven fabrics	220
Other manufactured goods	488
Other semi-manufactured goods	242
Total for items shown above	5,153
Total for all items	6,264
Total shown in Hungarian data	18,300

Some major Canadian exports shown in Hungarian data:

Insecticides	4,926
Barley	1,827
Copper	604
Agricultural machinery	1,091

Canadian Imports from Hungary — 1975 ($ thousands)

Wines and spirits	2,151
Tableware	2,064
Gloves and mittens	1,988
Mattresses	1,032
Bicycles	807
Fur goods, apparel	732
Cotton yarn	868
Glove and garment leather	455
Furniture	455
Clothing	445
Lathes	267
Sheet and plate glass	233
Firearms	220
Total for items shown above	11,535
Total for all items	15,029

Proud of the country's industrial development, Hungarian government officials submitted this photograph of viscose yarn production. Tourism is also a booming business in Hungary, rimmed by the Alps and the Carpathian Mountains; whose capital Budapest, is one of Europe's most beautiful cities, and where picturesque hand-woven garments made from natural fibres are still popular in rural areas.

Anatomy of a Mission

OLI COSGROVE, Office of Information and Public Relations, IT&C Ottawa

His suits had not been hanging in the closet long enough to shed their wrinkles when the company president, recently returned from a 25,000-mile business trip, shot off a letter to the Departmental post in Kuala Lumpur.

"We finally arrived back in Ottawa," he wrote, "and for the first time were not on schedule. We landed ¾ hours early!" The departure from schedule was forgiveable, even welcome — the traveller was home. Had it occurred at any time during the previous two weeks, however, it might have called for some equally unscheduled diplomacy.

The aircraft's passengers were the Hon. Donald Jamieson, Departmental officials, and 29 senior businessmen who comprised Canada's first ministerial trade mission to ASEAN nations — Indonesia, Malaysia, Singapore, Thailand and the Philippines.

"An official party met us at each destination, and in the Philippines a band was on the tarmac ready to strike up on our arrival," said the mission co-ordinator. "A five-minute error either way could have caused embarrassment."

The February 29 — March 14 mission has been judged an outstanding success. It returned with an estimated $10 million in unanticipated, on-the-spot sales alone — unanticipated because the nature of the products sold usually involve lengthy deliberation between buyer and seller — and the figure is expected to increase substantially now that ASEAN doors have been opened to Canada.

Hopes for future business are already materializing in commissions and queries that mission delegates, many of whom had negotiated in the area previously, insist would not have appeared without the mission. They credit the change in fortune to ministerial leadership and to "super-excellent" organization.

"Top level ministerial presence upgrades the stature of a mission; it shows that Canada cares, and the host country responds," observed a bank president.

"An individual might by his own efforts manage to see some top people if he had the patience to persevere, but it would be a horrendous job," said the vice-president of an oil and gas exploration company. A forest products executive said he accomplished in two weeks what would have taken two years to do on his own.

The Minister met with five heads of state and 30 of their ministers, and businessmen were busy from early morning to late evening keeping approximately 1,000 appointments with senior and middle management which previously had sometimes been reluctant to see Canadians. The aura of importance which high level leadership gave the mission not only opened opportunities for new export business but also provided the crucial impetus required to complete agreements which were at various stages of negotiation.

Confidence, hope and optimism spring eternally from the pens of those who report on international trade missions. Sometimes, and this is one such occasion, the author's message has an authentic rather than a hollow ring of truth. But real proof of a successful expedition is in the order books of Canadian businessmen who made the 25,000-mile sweep through South East Asia.

"From a competitive point of view it is absolutely necessary for Canada to make its missions as classy as possible," said a delegate. "That's what other countries do."

In a telephone survey of some mission members, all of whom paid their own expenses except for transportation, Mr. Jamieson received high praise.

"I envy him his ability, and I would never want to take on the challenges that he has," said a livestock breeder and member of Toastmaster International. "I heard the speeches he made in the five countries. He never repeated himself, and his knowledge of each country was astounding." Others, themselves past masters in the art of meeting people, were impressed with the Minister's facility to make friends. Their admiration extended to the Minister's staff.

"The amount of work involved in that mission must have been unreal," said one. "I would not want to have had the responsibility for setting it up." By all accounts, the mission went off without a hitch.

"The excellent performance was a constant topic of conversation among the businessmen. We kept waiting for a slip-up — there's always one — but it never came," said another. One delegate admitted that he had searched his mind for criticism, couldn't find any, and concluded that his next trip would be dismal in comparison.

Organizers attribute the mission's success to the businessmen's appreciation for compliance to schedules and responsibility, but for the record, *Canada Commerce* investigated how they "achieved the impossible."

It began October 31, 1975, with a six-page proposal for the ASEAN mission submitted to the Assistant Deputy Minister for Export Development. The proposal was one of many, based on continuous monitoring of world trade developments and Canada's ability to respond to them, that Departmental International Bureaus prepare annually for ministerial consideration.

On November 4, a Task Force of key personnel from six Departmental divisions began the countdown to mission accomplished. It identified 104 major steps, allocated areas of responsibility, and set completion dates for each step. Most steps involved an enormous amount of preparation which was checked and double checked.

"Keep in mind the level of people we were dealing with — company presidents and vice-presidents and country leaders who routinely expect efficiency," said the mission co-ordinator. "We didn't dare slip up anywhere." Nor were Task Force members excused from regular duties; the ASEAN mission was

added workload. What that workload entailed can be surmised from a summary of just three of the steps.

Selection of the industry deputation is more complicated than drawing names from a hat. It must correspond to a host country's needs — for ASEAN, equipment and services for forestry and wood processing, airports and aircraft, ships and port development, material handling, railways, food processing and power generation and transmission; considers Canadians already active in the area and perhaps on the verge of signing contracts; executives who are cognizant of their industry in Canada because they must represent the whole industry; a company's ability to satisfy potential demand; rotation to give as many companies as possible a chance to participate in missions, and representation if possible from each province. The ASEAN mission presented an added complication — the delegates had to represent companies capable of conducting business in all five countries.

Working closely together the department's Industry Sector Branches, Regional Offices, Pacific, Asia and Africa Bureau, Office of Export Programs and Services, and ASEAN posts initially listed 130 companies and short-listed 50. Next came the phoning process to recruit participation.

"It isn't always easy to reach executives," said the mission secretary. "They travel. And when we eventually make contact, some have previous commitments, so we take the first alternative on the list and start phoning all over again."

Participation confirmed, the Department prepares company profiles and speeds them to the posts, which begin immediately to line up appropriate appointments. For a three-day period the Jakarta post booked 250 appointments. The profiles are also included in briefing books for delegates, one of whom estimated that meeting Canadian colleagues constituted 25% of the trip's value.

"It isn't as easy for westerners as it is for businessmen in the Toronto-Ottawa-Montreal triangle to meet bankers and others with whom to co-operate in joint ventures and other activities," he said.

The briefing books' main purpose, however, is to clue up the delegates. The ASEAN "briefs" were 8½" x 11" and 2" thick. They were equivalent to crash courses in world trade and economics, the history, politics and economies of the ASEAN members and their relations with other countries, Canada's relations with those areas, Canada-ASEAN trade records and potential, tariffs, import and exchange controls, investment climate and opportunities, multilateral financing and financing assistance available, Canadian programs and policies and their implications for trade, Canadian aid to ASEAN members and Canadian projects underway or short-listed in ASEAN areas. Included were biographical sketches of Canadian embassy staff, of ASEAN heads of state and their ministers, and itineraries for each country.

Several government departments and agencies, whose guidance or services the companies would require to conduct export business, provided the information. Preparing the books was an easier job, completed in two weeks.

The Canadian trade mission swept across the Pacific and hurried through five states of South East Asia with pencils poised to book orders. No official photographer was present to record the scenic splendours and it was left to a solitary airport camera to catch the evening arrival of Mr. Jamieson at Singapore. Greeting the Minister of Industry, Trade and Commerce is the Canadian High Commissioner, R.K. Thomson. Those formal city suits look right for the occasion, but the night air in Singapore had a humidity factor of 95%, and the temperature nudged above 95°F.

The delegates, who received the books the day before departure, fortunately had a 17-hour flight and an overnight stop-over in Hong Kong to study them, and their memories were refreshed with further briefings by the embassies before they began their rounds of appointments.

Every morning of the mission 29 impeccably groomed businessmen surged out of the hotel, descended on 29 cars and dispersed in 29 directions. Later in the day the 29 men in 29 cars converged on the hotel from 29 directions. The logistics of setting up and implementing 55 different itineraries for every day of two weeks requires a firm constitution. There were separate itineraries for the Minister, for his officials who met with their counterparts, for four newspaper reporters, and an overall appointment grid so organizers could locate any individual at any time.

A central transportation desk was set up in each country to administer in-country travel. Every delegate was given a number which corresponded to a numbered car, whose driver had previously checked out his routes. If anyone was late the secretary at the destination could report to the desk, which could initiate a trace. Assembling everyone for official functions, for which they travelled together by chartered bus, was an added challenge.

Airport clearance also demanded split-second timing. The deputation and hosts proceeded to a private lounge and press conference, giving mission staff 20 minutes to clear more than 100 pieces of luggage, present passports, health certificates and disembarkation cards, which were filled out during flights between countries by staffers who had kept records of mission members' personal data — 660 in all for boarding and deplanning.

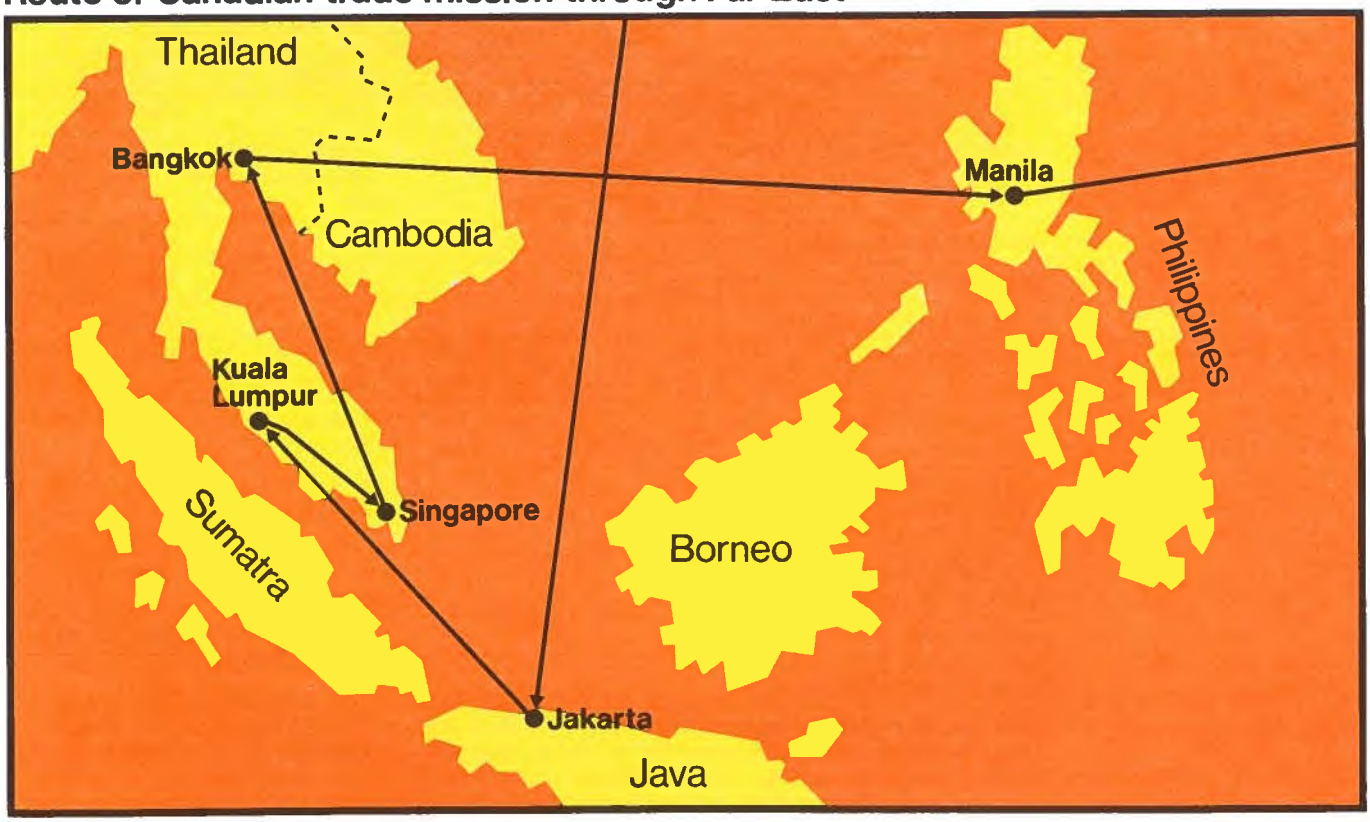
Arriving at hotels, delegates learned they were pre-registered, handed a key, and found their luggage awaiting them in their rooms. Luggage was also collected from the rooms.

"With a schedule like we had, it was essential to remove as much physical pressure as possible or no human being could cope," the mission co-ordinator said. A delegate who has used the Department's services for individual business trips said he wasn't surprised at the mission's efficiency.

"From experience since I entered the international consulting field in 1964, I can assure any businessman who travels alone that he'll get the same quality of co-operation from IT&C all over the world," he said.

Now if only the Department could do something about those temporary wrinkles in the suits . . .

Route of Canadian trade mission through Far East



Fair Formula '76

The Department of Industry, Trade & Commerce has revised the cost-sharing formula for trade fair participation to increase incentive for manufacturers to break out of traditional trade patterns and venture further afield.

The new formula, administered under the Promotional Projects Program, effects changes in shipping arrangements and participation fees and introduces assistance with travel expenses. It became operative on April 1, 1976.

While the nature of trade shows will make some exceptions to the new arrangements inevitable, the Department will refund to companies the return economy air fare for one representative attending trade shows in Latin America, the Caribbean, Eastern Europe, and the Pacific, Asia and Africa Region, and half the return economy air fare for up to two company officials who participate in trade fairs in Western Europe. The latter fares cannot be combined to make one single fare.

Participation fees, previously determined by various factors such as size of display, estimated cost of exhibit and number of times a company has participated, now are standardized. Fees for all parts of the world except the United States, where the rate is $400 for a minimum 100 square feet and $4 for each additional square foot, are $300 for the same given area and $3 for each additional square foot.

Fees continue to include design, construction and erection of exhibits, project and publicity officers' services and market and trade commission counselling.

Shipping arrangements, formerly costed on a 50/50 round-trip basis, require companies to assume the full cost of shipping and the Department to reimburse them 100 per cent, subject to the most economical means by land or sea, for the cost of returning unsold products and equipment. Co-ordination of shipping activities remains a Departmental responsibility.

Detailed information on the program changes is available from the Market, Planning and Co-ordination Division of the Office of Export Programs and Services, telephone 995-6221 (Area code 613).

Fair Program

A geographical listing of trade fairs and other promotions in which Canadian companies are scheduled to participate between July, 1976, and March, 1977, follows. The program is subject to change. Latest information is always available from IT&C Regional Offices and from the Office of Export Programs and Services in Ottawa.

AREA	EVENT	LOCATION	DATE
Pacific, Asia & Africa	International Trade Fair	Izmir Turkey	Aug. 20-Sept. 20
Enquiries: (613) 992-5047	Catalogue Show — Forestry Equipment and Machinery	Indonesia	September
	Catalogue Show — Electronic Equipment	Manila	September
	Catalogue Show — Automotive Aftermarket Parts	S.E. Asia	September
	Algiers International Trade Fair	Algeria	Oct. 1-17
	Baghdad International Trade Fair	Iraq	Oct. 1-21
	Commodity Sample Shows	Melbourne & Sydney, Australia	October
	Tehran International Trade Fair	Iran	Oct. 12-Nov. 1
	Catalogue Show — Electrical Equipment	S.E. Asia	Nov. 10-19
	In-Store Food Promotions	Japan	All Year
Europe	Frankfurt Book Fair	Frankfurt W. Germany	Sept. 16-21
Enquiries: (613) 992-7334	Offshore Technology, North Sea	Stavanger Norway	Sept. 21-24
	International Automotive Spare Parts & Accessories Exhibition (AUTOMECHANIKA)	Frankfurt W. Germany	Sept. 25-29
	In-Store Clothing Promotion — C & A, Brenninkmeyer Stores	Europe and U.K.	October
	International Fair for Components & Production Facilities (ELECTRONICA)	Munich W. Germany	Nov. 25-31
	International Hotel & Restaurant Trade Institutes, Hospitals and Industrials Canteens Fair (HORECAVA)	Amsterdam Holland	Jan. 10-13 1977

AREA	EVENT	LOCATION	DATE
Europe	International Records & Music Market (MIDEM)	Cannes France	Jan. 21-27
	International Home Textile Fair (HEIMTEX)	Frankfurt W. Germany	Jan. 14-18
	Salon International du Bâtimat (BATIBOUW)	Brussels Belgium	February
	International Watches, Jewellery, Silverware Trade Fair	Munich W. Germany	Feb. 12-15
	International Sports Equipment Fair (ISPO)	Munich W. Germany	Feb. 24-27
	Construction & Building Materials Exhibition (BOUWEURS)	Utrecht Holland	March
	International Exhibition/Technical Conference for Medical Electronics and Bio-Engineering (MEDEX)	Basel Switzerland	March
	International Book Fair	Brussels Belgium	March
	Mini-Solo Fisheries Products Shows	Europe	March
Western Hemisphere Enquiries: (613) 995-8303	American Library Association Exhibition	Chicago	July 18-21
	International Livestock Fair	Porto Alegre Brazil	Aug. 22-30
	Contract Furniture Solo Show	Washington	September
	Contract Furniture Solo Show	Minneapolis	September
	International Woodworking Machinery Show	Louisville	Sept. 18-22
	Marine Trades Exhibit & Conference	Chicago	Sept. 30-Oct.3
	Mini Solo Fisheries Products Show	Atlanta	Oct. 12
	Southern Furniture Mart	High Point N. Carolina	Oct. 15-22
	Automotive Parts and Accessories Association Exhibition	Las Vegas	Oct. 19-21
	Mini Solo Apparel Show	Atlanta	Oct. 27
	American Vocational Association Show (AVA)	Houston	Dec. 3-8
	Mini-Solo Fisheries Products Show	Los Angeles	Jan. 25 1977
	Mini Solo Apparel Show	Los Angeles	Jan. 25
	Mini Solo Apparel Show	San Francisco	Jan. 28
	Mini-Solo Fisheries Products Show	San Francisco	Jan. 28
	Mini-Solo Textile Show	Trinidad	January
	Contract Furniture Solo Show	Dallas	January
	International Automotive Services Industries Show	Chicago	March
	Contract Furniture Solo Show	Minneapolis	March

In Review

Leather Canada, Mar. 23 — 25: In its third year, the Montreal exhibition of ladies' leather and suedes jointly sponsored by IT&C and the Leather Bureau of Canada produced on-site sales of $3 million and a 12-month projected sales figure of $6 million for 30 companies. Considered a "must" on the annual fairs calendar, the event recorded 240 invited buyers from the United States.

Missions: Canadian capabilities were promoted in four missions involving 16 countries during February

and March.

An incoming oceanographic mission, considered by IT&C's Vancouver Regional Office as the most successful venture of its kind carried out on the west coast, comprised delegates from Greece, Italy, The Netherlands, Belgium, Sweden, England, Scotland, the United States, Australia, Venezuela, Peru and Brazil.

Key to the mission's success was a high degree of co-operation from Canadian industry which enabled government representatives at 12 posts to select delegates with a technical competency that could fully appreciate the calibre of the Canadian products they would inspect.

Enroute to the American Institute of Aeronautics and Astronautics Conference in Montreal in April, eight engineers from the Electronics Institute of Peking attended a seminar given at IT&C in Ottawa, and visited Northern Electric, Telesat Canada and the Department of Communications' research centre.

Two officials from the South Africa State Forestry Department, which plans to build a sawmill in the Eastern Transvaal, visited firms in British Columbia, Ontario and Quebec which have an opportunity to participate in the project.

In a second forestry mission, resulting from the negotiations for a Contractual Link with the EEC initiated by the Prime Minister, IT&C sent senior industry officials to Belgium, England, France, Italy and Germany. Frank discussions in each country revealed improved export opportunities for Canada while assuring Europeans that Canada could be counted on as a secure source of supply.

HYCO takes the prize

International Hydrodynamics Co. Ltd. (HYCO) of Vancouver, B.C., captured one of 29 Special Meritorious Awards for Engineering Innovation presented at the Offshore Technology Conference (OTC' 76) in Houston, Texas, May 3 to 6.

One of 1,500 exhibitors, HYCO was singled out by a judging committee comprising the best known engineers in the world for its development of sophisticated tools and services to enable the offshore industry to drill for and produce oil and gas more efficiently.

HYCO is one of few companies in the world with the capacity to design, build and operate submersibles. Its Pisces-class mini subs are known internationally as "workhorses of the sea." Of three new Pisces introduced in 1975, one was delivered to the Soviet Academy of Science in Moscow and two will be used in North Sea operations.

Canada's exhibit at OTC' 76, sponsored by IT&C, was one of 10 national stands at the conference which attracted 60,000 visitors.

The Metric System: Comma or period?

PHILIPPE CLEMENT

The introduction of "metric thinking" into the economic life of Canada will be a lengthy process beset with hurdles. So it is important right from the start to prevent anything that might spread confusion among Canadian users, especially where the comma and period are concerned.

A Standards Council of Canada guide on metrification stipulates: "To facilitate the reading of long numbers, the digits are commonly separated into . . . groups of three, . . . To avoid confusion with the decimal marker, the separator should be a space and not a comma, period, or any other mark."

Let us take an example. If you write asking a company that sells carpets to deliver 40,554 m2 to your apartment, be there when it is delivered. Why? Well, if your supplier is familiar with the standards Council of Canada directives, you will not get an unpleasant surprise. You will receive a little over 40 m2 of carpeting. If he is not familiar with the directives, however, chances are that you will not be able to get into your apartment for some time, because he may very well deliver 40 554 m2 of carpeting — enough to cover the MacDonald-Cartier Bridge.

The Standards Council's guide, therefore, marks the passing of the comma to indicate thousands, millions, etc. For instance, the figure four thousand two hundred and fifty must not be expressed by 4,250, but simply by 4250, and forty thousand seven hundred and twenty-five must not be expressed by 40,725, but by 40 725.

Another aspect of metrification involving the comma is a little more complicated and should be clarified as soon as possible. Which sign will serve as a decimal marker — the period, which complies with North American practice, or the comma, to comply with practice followed in Europe and many other countries?

The Standards Council of Canada has made no definite ruling on the matter, and a survey by the Canadian Standards Association turned up no serious obstacles to using the comma as a decimal marker in Canada. On the other hand, an official Federal Government document issued August 1, 1974, directs that the Canadian practice of using the period as a decimal marker be continued in French and English.

The International Standards Organization (ISO) Council tried to clarify the matter with a survey asking its members how many use the period and how many the comma. Out of 62 members, only 36 replied to the questionnaire. Consequently, the ISO has made no ruling on the use of the period or comma as a decimal marker. On the basis of the survey results, however, the ISO Secretary-General stated the the ISO should continue to use the comma as a decimal marker but refrain from publishing any document aimed at standardizing any sign as a decimal marker.

Canada's Standards Council recommends that until the ISO makes some ruling on the matter, whichever marker is used should be accompanied by an explanation.

If the author of a text prefers to use the comma, the Council recommends that he so advise the reader, pointing out that the general Canadian practice is to use the period. Similarly, a document meant for those familiar with the use of the period, but which may also be used by those accustomed to the comma, should draw attention to the use of the period and acknowledge the widespread use of the comma.

The first impression emerging from the Standards Council's stand is that its efforts are not conducive to simplifying future communications among Canadians.

In a booklet entitled "Metric System for Every Day", the Bureau of Normalization of Quebec (Quebec Department of Industry and Commerce) recommends that the comma be used to comply with current practice in the ISO, and to fall into line with normal practice in the countries of Europe and most of the nations with which Quebec is likely to do business in the future.

It would be advantageous, in my opinion, if the Standards Council did not wait for the ISO to make a ruling on which decimal marker should be used. A survey can be readily conducted by our representatives abroad to determine what percentage of the countries use the period (the ISO will find that out sooner or later). Canada could then choose to align itself with the majority and not delight in provincial disparities on such a serious matter as standardized signs for the metric system.

Insofar as Federal Government publications are concerned, it seems to me that the only criterion to be entertained should be use of the sign (period or comma) normally implemented among the readers, as the Metric Commission itself suggests. This means that any Federal publication intended for the province of Quebec should use the comma as a decimal marker.

As over 85% of Federal Government publications in French are distributed in the province of Quebec, or overseas in French-speaking countries which use the comma, the identity of the reader should be respected, once and for all.

Use of the period as a decimal marker in all French-language Federal publications for national distribution is an arbitrary measure which fails to consider the public for which the publications are intended.

World Trade News

A newspaper columnist recently described "Canada Commerce" as a mirror which reflects only a flattering image of Canadian industry. Certainly these pages focus attention on positive aspects of industrial activity at home and our marketing efforts abroad. Other countries have similar magazines — all of them preoccupied with contracts sought and won in international marketplaces.

Reproduced here is a digest of press releases and news items which appeared in recent issues of foreign trade journals. These snippets of market intelligence confirm the intensity of competition between industrialized nations — all of which have ministries and agencies and publications encouraging the export efforts of individual companies.

Yugoslav machine tools to Canada

The POTISJE Machine Tools and Gears Factory of Ada started its exports to Canada in 1962, when the Canadian firm IMPERIAL MACHINERY CO. LTD. of Toronto bought two universal lathes for its consignment warehouse. Gradually, the co-operation between the two firms developed and in June 1973 they set up the joint company SIRCO MACHINERY CO. LTD. in Toronto.

Export of POTISJE to that country doubled immediately after the joint company was set up. Sales in 1973 included 62 universal lathes of various types for a value of Can. $359,110; in 1974 exports included 127 machines for Can. $736,489 and in 1975, 208 machines for a value of Can. $2,197,074.

By the end of last year the POTISJE Machine Tools and Gears Factory of Ada had sold in Canada 1,500 universal lathes, and this year 150 more lathes will be exported. However, these are not the only machines which SIRCO MACHINERY CO. LTD. sells in Canada. Along with lathes, Yugoslav exports include various tools, drilling machines, presses, shears, grinders for flat grinding, clamping devices, milling machines and other products.

Yugoslavia Export

Finnish boots for Canada

Palmroth, a Finnish footwear manufacturer, has received an order for ladies' winter boots — value U.S. $1 million — to be supplied to several department store chains in USA and Canada next autumn.

Finnish Trade Review

Finnish house to Iran

Oyiranhouse Ltd. is a company founded with the aim of producing low-rise housing for Iran in a wide range of models especially designed for conditions in that country.

Finnish Trade Review

Halifax lumber shipments increasing

There has been a steady increase in the tonnage of lumber moving on ACL ships through the Halifax International Container Terminal over the past 18 months. The lumber was first sent as trial shipments on MAAFI trailers in 1973, and since that time, this method has proved so successful that now all available space on ACL vessels is used.

Traditionally, lumber was shipped through the Port of Halifax in the bulk carriers of regular shipping lines calling at the port, but in recent times these have largely disappeared. Shipping lumber in containers was tried for a time but this method was not really successful. With the introduction of RORO, limitations on size of lumber were removed.

Shipments have grown to about 300 tons a week. The lumber is mainly used in the housebuilding industry and for packing cases in the United Kingdom.

Lt. Col. Tim Hansen, president of Gentin Ltd., of Halifax, international overseas lumber brokers and agents, said that shipments to Liverpool had proved so successful that his company has recently introduced similar shipments to Germany via Bremerhaven and he hopes that they will develop.

Port of Halifax Bulletin

China may export wheat

Australian farmers have been warned that China could soon become a major wheat exporter. The warning came from Australia's Senator A. Thomas, who recently visited China. He said China might become a direct competitor against Australia on the finely balanced world wheat market.

China is currently Australia's major wheat market. Local producers are heavily dependent on the Chinese market. Senator Thomas said Australian producers should be prepared to cut production of standard grains despite the present boom in export prices. They should be developing special strains of wheat to meet potential new markets not open to the Chinese.

Journal of Commerce, New York

Polish medical equipment

The value of exports of Polish medical and photographic equipment is anticipated to double during the years 1976-1980. The principal items are medical instruments (e.g. surgical) which have become one of Poland's staple export products. They find many buyers in all socialist countries and also in the Netherlands, Canada, Japan, Sweden and the United States.

Also popular is Polish photographic equipment, especially the various models of "Krokus" enlargers, and the "Janpol-color" lenses for colour enlargements; their producer is Polish Optical Works, Warsaw. They are exported to over a dozen countries in Europe.

Polish Economic Survey

Selling the quiet Canadian DASH 7

De Havilland's sales team is marketing the DASH 7 worldwide with the assistance of the Boeing Commercial Airplane Company. Twenty-five DASH 7s have been sold in six countries around the world to eight operators, including Eastern Provincial Airways Wideroe's Flyveselskap, Greenlandair, Ethiopian Airlines, AirWest, Air Alpes, Quebecair and Rocky Mountain Airways.

In its U.S. flight demonstrations, the DASH 7

exhibited the excellent short field performance capabilities and extremely quiet operation for which it has become widely renowned. The short take-off and landing characteristics of the DASH 7 translate into full payload capability under hot and high airfield conditions. The DASH 7 power-plant has outstanding fuel efficiency, resulting in more passenger miles per gallon — especially on short-haul routes. These features contribute to the airplane's excellent short-haul economies, thus gaining early recognition for the DASH 7 by airline operators around the world as the best short-haul airliner for the 1980s.

Perhaps the DASH 7's U.S. demonstrations are best summed up by a California reporter's comment: "One of the most attractive features of the 50-passenger plane is something it lacks — noise."

De Havilland News Release

Expanding U.S. market for home improvement products

The U.S. market for lumber and wood products used in home improvement and maintenance work will grow by 56% over the next 10 years while the market for hardware, plumbing, paint, electrical and other non-wood supplies will grow by 66%, according to a new study by market research specialists Frost & Sullivan Inc. in New York City.

An important milestone occurred in the do-it-yourself market within the last year or two. For the first time, more than half of all building materials for home maintenance and improvements were purchased directly by homeowners rather than by contractors. The trend will continue and Frost & Sullivan projects the yearly growth of the do-it-yourself market for building materials from 1977-1984 to be 4.9%.

Frost & Sullivan News Release

Per Ardua Ad Astra

"Some years back, while serving as manager in Philadelphia, I received a phone call asking for the cost to ship a body to Prague, Czechoslovakia. Quickly calculating approximate weight of the outer case, coffin and body, I gave a price of $650. There was a slight pause, and then the accented feminine voice asked, 'thank you, but tell me, how much per pound?' Somewhat flustered, I reversed my calculation and quoted $1.10 per pound. With that the caller hung up. Several weeks later, a little old lady walked into the office, carrying a large shopping bag. She asked for me by name, and said, 'I'm Mrs. X.' Seeing the blank look on my face, she quickly hastened to add, 'I spoke to you concerning the shipping of a body to Prague, Czechoslovakia.' And, with that, she reached into the shopping bag, and took out a neat white parcel, wrapped with a big red ribbon — 'my husband, Joseph — I had him cremated.' I took the package from her, and placed it on the floor, and with that she burst into tears, and cried out, 'please don't put Joseph on the floor.' I bent over and placed Joseph on the desk, and typed the airbill of lading myself. The cost to send Joseph home was $14."

Joseph N. Berg, President,
Air Express International,
Stamford, Conn.

W. Germany Institutes Predict 5.5% growth

Five major economic research institutes in the Federal Republic of Germany predicted a growth rate of 5.5% for real GNP in the Federal Republic of Germany in 1976, revising their prognosis of October 1975 upward by a full percentage point.

The Bulletin

Canadian economy gets lift

The Canadian economy appears to be headed for a recovery during 1976 from the recession that plagued it during the past year, reports Elden B. Erickson, Counsellor for Commercial Affairs at the U.S. Embassy in Ottawa. Stimulated by rising exports and a revival in residential construction, the growth of real gross national product will range from 4.5 to 6 percent for 1976, according to economic and government forecasters, quite an improvement over the 0.2 percent recorded in 1975.

Most important for Canada's economic recovery in 1976 is the upturn now under way in the United States, Japan and Canada's other trading partners, which should lead to a significant reduction in Canada's trade deficit and help achieve a balanced trade in 1976. The increased demand for Canadian exports provided by recovery in these countries will stimulate the Canadian economy and should lead to strong imports as well.

Commerce America

Japanese industrial robots

The Nomura Research Institute has studied industrial robots and has concluded that their future is bright. Japan is in the midst of restructuring her industry toward higher productivity through new technology, more economical use of her highly educated and skilled labour force, and better use of raw materials available. The trend is toward high-technology, knowledge-intensive, high value-added products. This has placed a premium upon mechanical substitutes which can free workers from dirty, monotonous and wasteful jobs on assembly lines and elsewhere. Nomura estimated demand for robots will jump three-and-a-third times from 1975 to 1980 and more than eight times by 1985. Demand for robots in 1975 was 8,700 and this should rise to 42,400 by 1985. Most in demand will be machine-tool robots, followed by welding robots. While not explored by the Nomura study, it is expected that industrial robots will be in demand in the marine industries, medical engineering, construction and other more sophisticated processes. Mechanical-brain robots have a bright future when technological advances have been achieved and costs reduced. These industrial robots, in addition to the so-called mechanical brain type, fall into the classification of fixed and variable sequence robots and play-back and numerical control robots.

Canada-Japan Newsletter

Framework for new links with EEC

The Honourable Allan J. MacEachen, Secretary of State for External Affairs, announced that a Framework Agreement for Commercial and Economic Co-operation between Canada and the European Communities was signed on July 6, at Ottawa. The Agreement was signed for the Government of Canada by the Honourable Allan J. MacEachen Secretary of State for External Affairs of Canada, and for the European Communities by Mr. Max Van der Stoel, Minister for Foreign Affairs of the Kingdom of The Netherlands, President in Office of the Council, and by Sir Christopher Soames, Vice-President of The Commission of the European Communities.

After the signing of the Agreement, speeches were made by the signatories at a luncheon to mark the occasion. In their speeches the signatories emphasized the importance they attached to the Framework Agreement in the development of a closer and more vigorous relationship between Canada and the European Communities. The Agreement reflects the wish of the Contracting Parties to add a new Community dimension to the cordial and extensive relations which already exist between Canada and each of the Member States of the European Communities. It will provide a framework and focus for Canada/EC (European Communities) economic co-operation which should lead to increased trade and investment opportunities between the two sides. The implementation of the Agreement should in particular facilitate the expansion of industrial co-operation between Canada and Europe.

Among the principal objectives of economic co-operation which are identified in the Agreement, are: the development of Canadian and European industries; the encouragement of technological and scientific progress; the opening up of new sources of supply and markets; the creation of new employment opportunities; the reduction of regional disparities and the protection and improvement of the environment.

Certain features of the Agreement may be singled out:

The Agreement reaffirms the two parties' respect for the principles of the GATT (General Agreement on Tariffs and Trade) and confirms their wish to accord each other Most-Favoured-Nation Treatment on a reciprocal basis.

The Contracting Parties undertake to promote the development and diversification of their reciprocal trade to the highest possible level by means of commercial co-operation.

To this end they shall, in accordance with their respective policies and objectives:

A) Co-operate at international level and bilaterally in solving commercial problems of common interest;
B) Use their best endeavours to grant each other the widest facilities for commercial transactions in which one or the other has an interest;
C) Take fully into account their respective interests and needs regarding access to and further processing of resources.

The economic co-operation provisions of the Agreement, in addition to setting out the objectives of such co-operation, set out some of the means by which these objectives are to be pursued. These include the encouragement and facilitation of broader intercorporate links between their respective industries, especially in the form of joint ventures, increased two-way investment, technological and scientific exchanges, joint co-operation by their private sectors in third countries, and regular exchanges of information on industrial and agricultural matters.

The Agreement and any action taken thereunder shall in no way affect the powers of the Member States of the Communities to undertake economic co-operation bilaterally and to conclude, where appropriate, new co-operation agreements with Canada.

The Agreement sets up a Joint Co-operation Committee which will have an important role in the activities to be undertaken. The Committee will be responsible for promoting and keeping under review the various aspects of commercial and economic co-operation. It will play an instrumental role in developing contacts and promoting activities between Community and Canadian enterprises and organizations.

The Agreement is concluded for an indefinite period but may be terminated by either Contracting Party after five years, subject to one year's notice.

Finally, a Protocol will be signed in Brussels at a later date concerning commercial and economic co-operation between Canada and The European Coal and Steel Community (ECSC). This Protocol will stipulate that the provisions of the Framework Agreement signed this day will also apply to the ECSC.

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New Faces

Martine Bugeaud-Pelletier, editor since June 1, 1975, of *COMMERCE CANADA,* the French-language counterpart of *CANADA COMMERCE,* has left IT&C to join her husband on a CIDA posting in the Ivory Coast.

Yvon Bureau, her successor, has served with IT&C since June, 1972, first as writer/editor and then as assistant chief in the Department's French Editorial Division, Office of Information and Public Relations.

Another new face appeared on the *CANADA COMMERCE* staff on May 1. 1976. Oli Cosgrove, a writer in IT&C's English Editorial Division, 1967-1970, has returned for a year's assignment as writer and public relations officer in the Canadian Division.

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