

Trade and Economic Relations

Canada and the Soviet Union arranged for Most Favoured Nation (MFN) treatment in 1956. Trade between the two countries is further governed by a 1976 agreement on industrial, economic, scientific and technical co-operation.

The U.S.S.R. is Canada's 11th-largest export market, importing over \$1.1 billion in Canadian goods in 1988. In this decade it has been Canada's number one export market for grains, accounting for more than 80 percent of Soviet-bound exports.

However, Canada is also attempting to diversify its exports to the U.S.S.R. The most promising sectors for Canadian companies are natural resource development, food processing and telecommunications.

Using oil and gas as an example, Canada's exploration and extraction techniques—developed to cope with its own harsh climate—are well-suited to the oil and gas fields in the Soviet Caspian basin and the High Arctic. This gives Canadian firms a competitive edge in the Soviet market.

As with natural resources, similarity of climates has allowed Canadian companies to enter the Soviet agricultural market, particularly where Canadian industry has developed specialized agricultural equipment.

Perestroika, the now familiar term referring to the restructuring of the economy, has attracted the interest of a number of Canadian companies. Since May of 1988, more than 20 joint venture agreements have been signed. To facilitate and diversify the trade between Canada and the U.S.S.R., the Export Development Corporation has established a line of credit of up to \$500 million to finance Soviet purchases of Canadian goods and services.

Canadian imports from the Soviet Union have remained below \$30 million annually for much of the 1980s, although they rose sharply to over \$156 million in 1988 through Canada's purchase of platinum. Still, Canada continues to run an annual trade surplus of \$1 billion. As a result, the Soviets have repeatedly asked that Canada assist by increasing its imports of Soviet goods. To this end, the Canada-U.S.S.R. Trade Task Force has been established to provide marketing assistance to Soviet exporters.