
THE TECHNIQUES
OF EXPORT TRADE

The Techniques of Export Trade

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The First Steps

How to Organize for Export	5
How to Work Out Export Prices	9
Internal Management Problems in Export	14
Research into Foreign Markets	18
Planning a Business Trip Abroad	22
They've Tried It and It Works	26
Selling Abroad: the Techniques	28
Trade Terms and the Exporter	33

How to Finance and Insure Exports

Financing Export Shipments	38
Marine Insurance: Its Place in the Export Sale	41
How Export Credits Insurance Works	46
Export Drawbacks: How They Operate	51

Preparing Goods for Shipment

Documentation in Export Trade	55
Handling Export Documents	62
Packing for Export: Practices and Problems	63
How to Mark and Label Export Shipments	68

From Seller to Market

The Mechanics of Export Shipping	71
The Freight Forwarder and His Function	76
How Air Freight Serves the Exporter	78
Canadian Ports Serve the Exporter	81

Promoting Export Sales

Export Advertising: Methods and Media	84
Foreign Fairs Promote Foreign Trade	94
How to Sell in Latin America	97
How to Sell in Europe	101
How to Sell in Asia	104
Exporting through the C.C.C.	107

Special Export Problems

Credit Problems in Foreign Markets	109
Foreign Tariffs and the Exporter	111
Manufacturing Abroad: Branch Plants or Licensing?	118

For Further Information

How DBS Can Help the Exporter	121
How "Mr. Canada" Promotes Our Trade	128
Abbreviations of Trade Terms	132
Selected Bibliography on Foreign Trade	134

preface

The postwar years have seen Canadian exports climb from $2.3 billion in 1946 to $4.8 billion in 1956. As foreign demand for the products of our fields and forests, our mills and our mines grows, more and more Canadians enter into export trade. Established companies begin to look beyond domestic markets, new businesses seek customers abroad, and students of the procedures and processes of exporting increase.

These procedures become more complex as the years go by. The businessman today must know how to deal efficiently with the paperwork that foreign trade involves. But he must also know something about market research, foreign tariffs, export credits insurance, sales promotion in foreign countries, the working out of export costs, and many other subjects. And although there are many British and American books and articles on the various phases of foreign trade, there is a dearth of Canadian material. "The ABC of Export Trade", published by the Department of Trade and Commerce in 1947, has long been out of print.

Several months ago the Department undertook to fill this need by publishing in "Foreign Trade" a series of articles on the techniques of export. For these articles we turned to successful exporters, businessmen in specialized fields, and experts within the Department.

We have now collected these articles and reprinted them under the title "The Techniques of Export Trade". In offering this reprint to the public, we should like to thank all those who co-operated with us in this project. It is our hope that the information presented in this booklet will influence more Canadians to enter foreign markets and will help to make their success more certain.

How to Organize for Export

What factors should a Canadian company weigh and consider before it makes the decision to enter export markets? To what sources should it turn for guidance and advice? What should the next step be? Here are some of the answers to these questions, drawn from interviews with nine leading Canadian exporters.

O. MARY HILL, *Editor, "Foreign Trade".*

ONE SUMMER AFTERNOON two years ago, the Canadian Trade Commissioner in Hong Kong, on tour in Canada, dropped into the office of an air conditioning firm in Montreal. He looked at some of their air conditioning units, checked on prices and production, and asked whether the company did any export business. He discovered that they had been thinking vaguely about foreign markets, but that was all. The upshot of his visit was that, on his return to his post, he obtained a good Hong Kong agent for these packaged air conditioning units. Already at least seven have been installed in Hong Kong buildings.

And there is more to this story. In the Department of Trade and Commerce in Ottawa, the Commodity Officer covering this field became interested. He asked some twenty officers of the Trade Commissioner Service abroad to look into the market for air conditioning units in their territory. The result: the Montreal company has begun to sell in Jamaica also and has six other markets under investigation.

That is how one Canadian company became interested in doing business abroad. Like them, many other firms hesitate about seeking foreign markets. They worry about such problems as tariffs, documentation, shipping difficulties, exchange controls, and import restrictions. They shrink from dealing with foreign customers whose tastes, language, and business practices may differ from their own. They think in terms of an elaborate export organization and ask: "Is exporting really worth the effort?"

Large and Small

A company which wants to do export business usually discovers that these problems aren't nearly as complex as it feared. Nor does a venture into the export field necessarily require a complicated business set-up. In fact, methods of organization for export vary widely among Canadian exporters. At one extreme is the Aluminum Company of Canada, which sells the bulk of its production in foreign markets. Alcan has four associated selling companies abroad, covering the United States and Latin America, Europe and the Middle East, the Far East, and the United Kingdom and other Commonwealth countries. Acting through these associated companies, the sales division of the Aluminum Company of Canada directs all overseas sales of Canadian aluminum. It also has subsidiary companies operating in Mexico and Brazil and, in certain other areas, it uses commission agents.

At the other end of the scale comes the Montreal air conditioning company, starting out with one agent in one chosen market, adding new agents and territories gradually, and so building up an export business. In the process, the company acquires know-how and learns that the problems of export aren't so formidable after all. Between these two methods lie several stages of development.

Ask Questions First

Large or small, any company which wants to succeed in the export market can't afford to enter it on a trial-and-error basis. Fact-finding should come first. One technique which successful exporters endorse is to begin by getting the answers to some fundamental questions. Here are a few of them.

- Does our business lend itself to export, or are the products which we make suited only to the domestic market?
- Have we enough production to meet domestic and possible foreign demand? What percentage could be devoted to export on a continuing basis?
- What countries are already buying this product or a similar one?
- What is the volume of their purchases? Where do they obtain their supplies?
- Are they importing the product because they do not make it themselves, or because of a temporary shortage?
- If they make a similar product, do they protect their own manufacturers by a tariff on imports, by import quotas, or by some other device?
- Which countries have regulations that make selling a foreign product difficult—such as import restrictions, exchange controls, and so on?
- Are payment problems likely to crop up because of a shortage of dollars?
- What about shipping services and shipping costs?
- Which markets are likely to be permanent and expanding ones?
- What Canadian firms are already established in these markets?
- Are there any Canadian export regulations that apply to this product?

Finding the Answers

In working out the answers to these questions, the businessman has many sources of information on which to draw. First comes printed material, such as figures given in the *Trade of Canada* series published by the Dominion Bureau of Statistics, which lists Canadian exports by country and by commodity. Commercial representatives of foreign countries in Canada can supply information on competing imports into their countries. Export statistics of leading trading countries often give useful hints, as do statistics of the United Nations and other international organizations. (These are frequently available in local commercial libraries.) The trade journals which cover various industries, the chartered banks, Dun and Bradstreet's market surveys, and market guides to the various areas all are helpful. So are the reports contained in each issue of *Foreign Trade*. Most companies find, incidentally, that market research of this type isn't a one-time affair but a continuing process. Some maintain up-to-date dossiers on markets in which they are interested and reports and clippings are systematically filed and retained. Through such research, a company evaluates its current markets and discovers new ones.

The inquirer also has at his command the various services offered by the Department of Trade and Commerce. In Ottawa he can talk with a Commodity Officer familiar with the field in which he operates, with an Area Trade Officer who specializes in the territory in which the businessman is interested, with a tariff expert or a transportation adviser. If a trip to Ottawa isn't possible, he can write explaining his problems. One of the important first steps is to obtain a listing in the Department's *Exporters Directory,* a confidential guide to Canadian companies interested in export business and the products which they sell. This *Directory* is on the shelves of every office of the Canadian Trade Commissioner Service abroad.

There is help for the exporter not only at home but also in the 44 countries where Trade Commissioners are stationed. The help which they can give will be discussed later in this article, or the reader can refer to "How 'Mr. Canada' Promotes Our Trade" on page 128.

Support at the Top

When all the relevant facts are collected, the company must make a basic decision: "Shall we enter the export market? Are we willing to invest the time, money and effort needed to make a success of export business?" Successful Canadian exporters all emphasize that an export program means long-term planning. It means devoting a certain percentage of production to export customers even if, at times, the domestic market must go short. It means a long-range effort, not the occasional attempt to dispose of a temporary surplus. It means putting money into opening up these markets and waiting two, three, or even five years for results.

Only top management can make these far-reaching decisions and no export effort can succeed unless top management supports it. The former Minister of Trade and Commerce made this clear—and emphasized the need to spend money on export promotion—when he spoke to the annual meeting of the Canadian Exporters Association in the fall of 1954. Said Mr. Howe: "The building up of export markets may require even more attention and time than the building up of domestic sales. In other words, I am entering a plea for better treatment for the export departments of Canadian manufacturing organizations . . . In the Canadian Government, we have learned that it pays rich dividends to put some extra money into trade promotion activity. The results do not come overnight. It is sometimes months or years before the new office begins to pay off in extra business. But it is very rarely that we have regretted the decision to expand."

Testing Grounds

When the company has committed itself in principle to the export adventure, the logical next step is to choose a few markets as testing grounds. Old hands feel that it is better to get sales to one or two markets running smoothly, then branch out into other areas. One way of proceeding is to send to the Department of Trade and Commerce samples of the product (if it lends itself to samples), price lists, terms of trade, specifications, and descriptive literature. Officials can then suggest which markets to try out and the material can be sent on to Trade Commissioners in the chosen areas. They can compare the product with competitive ones, advise on tariffs, any shipping problems, and the peculiarities of the market.

Methods of Exporting

Most Canadian companies which commit themselves permanently to the export market prefer to set up their own export departments and then to sell through exclusive agents in foreign countries. This means selecting an experienced man as export manager and supporting his efforts. It means also training clerks to handle documentation and export procedure, and to take care of export correspondence.

To Succeed in the Export Market . . .

Nine Canadian companies were interviewed to collect material for this article. Among other questions, we asked them: "What are the secrets of success in foreign selling?" Here are their answers:

- *Go into export to stay; don't be an "inner and outer". If necessary, set aside certain percentage of production for foreign markets.*
- *Make use of various sources of printed information, statistics, etc., and of the Trade Commissioner Service in acquainting yourself with the size and the characteristics of each market.*
- *Follow up this market research by personal visits to the areas in which you wish to sell. Adapt your product if you can to the tastes and demands of the various countries.*
- *Pick your agents abroad with care, give them sales aids such as samples and promotion literature, and then back them up in every way.*
- *Make it easy for your customer to buy by quoting prices C.I.F. whenever that is possible, or F.O.B. plus transportation costs from port.*
- *Don't be afraid of spending money to make money; money spent in visiting the markets, for example, is well invested.*
- *Don't expect results too soon; it takes at least a year and sometimes three or four years to build up worthwhile business.*
- *Cultivate export markets while business is good at home, and you have the money to spend on promotion and on opening up new territory.*

But there are other ways of handling export sales which many companies new to export prefer; so do firms which do not seek permanent export markets but only occasional foreign sales. The three most common are:

- *Export Agent*—The agent secures orders for the company's goods through his own system of representation abroad, and charges the company a commission on sales made. He looks after all the details of selling the goods but does not take the financial risk.

- *Export Merchant*—The Export Merchant buys goods from the manufacturer outright, pays for them, and resells them to foreign customers. A good many export merchants specialize in certain types of goods —machinery and machine tools, for example, or forest products, or wheat and flour—and in certain markets. Using this system, the company has no personal contact with its overseas markets. And it gives a lower net return.

- *Commission House*—This is a variation of the Export Merchant. The Commission House (or Commission Agent) buys in Canada for the account of a foreign customer, attends to the shipping of the goods, and may also pay for them, with the foreign buyer reimbursing him later. His main interest is serving his overseas client.

Those firms which shy away from export because of the problems involved in documentation and shipping often employ a forwarding agent to dispatch the goods. The general subject of Freight Forwarding is covered on page 76.

See for Yourself

All but one of the companies interviewed during the preparation of this article chose to sell through resident agents abroad. And though it is possible, with the help of the Trade Commissioner, to choose suitable agents in foreign countries by correspondence, the ideal arrangement is for the export manager to make the selection himself. This means that, as soon as the company has decided which markets it wishes to enter, the export manager, either alone or in company with a senior executive, should visit those markets. Travelling by air, he need not be absent from his home base too long. And the benefits of this personal investigation are very real—one export manager vows that one visit is worth a hundred letters. To make sure that his time in each country is put to the best possible use, the exporter should write to the Trade Commissioner well in advance. The Trade Commissioner can then arrange appointments with prospective agents and customers, gather statistics on the market, on competitive imports and so on, and make hotel reservations. An experienced export man offers this tip to companies selling consumer goods: send samples to each area well in advance of your arrival, then take them with you on your calls. If samples aren't practical, descriptive literature, catalogues, etc., will do; they can be left with customers and agents. Another has adopted the practice of sending his samples by airmail or air express even though the cost is high. He feels that once a prospective buyer or agent has expressed an interest, the samples must be in his hands with a minimum of delay or the interest may wane.

The trite remark "You have to spend money to make money" was never more true than it is in the export market. Personal selling trips bring orders that a company can get in no other way—one Canadian found that during his first three calls abroad he sold goods enough to pay for his entire trip. He adds that there's no better way to get the "feel" of the market, to learn about the idiosyncrasies of foreign customers, to establish friendly relations with them, and to learn about competition. And there's no better way to find a good agent—to size him up, educate him in what the product will do, and come to a mutually satisfactory arrangement. A Canadian firm which sells in over 65 countries and has years of experience with exports still tries to see that a member of the export department visits every market every year. Personal relationships are just as important abroad as they are at home.

If for any reason a personal visit is out of the question, the exporter can rely on the assistance of the Trade Commissioner. Most companies prefer using an exclusive agent and paying him a commission on sales. It's well to look into his credit standing before making a formal arrangement with him, and the banks and the Trade Commissioner can help with this, or the exporter can check with other Canadian companies which he represents. Once the agent is chosen, the important thing is to give him full support. The technique of dealing through agents is also discussed more fully on page 28.

Tangible Rewards

Occasionally companies reluctant to embark upon export trade offer as a reason: "Foreign businessmen are sometimes unreliable". Successful Canadian exporters laugh at this notion; one says flatly that not only are foreign customers thoroughly reliable—they also are easier to please than domestic ones. Another exporter tells the story of a Mexican customer who went bankrupt. Several years after, he paid off the debt although he was under no legal obligation to do so. Nor are all Canadian companies free from criticism; there have been instances where the company failed to ship according to sample, or did not live up to delivery dates. Unreliable exporters hurt Canada's reputation in overseas countries. A man with wide export experience gives the recipe for success as "reliable suppliers and reliable representatives".

The records of literally hundreds of Canadian companies attest that efforts and attention given to export markets bring tangible results. But, says one expert, "Only a comparative handful of companies have applied as much creativeness and vigour to the development of sales abroad as they have to selling at home". This series of articles is intended to help that situation by answering the question: "How should we go about export selling?" and thus to persuade more Canadians to go out and sell in foreign markets. ●

How to Work Out Export Prices

This article discusses the all-important problem of pricing goods to meet competition abroad and to earn a net profit for the exporting firm. Various pricing methods are outlined, including how to charge fixed and variable expenses and what to consider in quoting prices.

R. B. SPIRO, *Director, International Division, Coleman Lamp and Stove Company Ltd.*

EXPORTERS FREQUENTLY SPEAK of the three "P's" of export—Product, Price, and Promotion. The product has to be right in design, in function, and in its usefulness to the customer. It has to be properly advertised, exhibited, demonstrated and serviced. Most important, it must be priced correctly.

An exporter may turn out a good-quality product and advertise and promote it well, only to see it fail in the export market because of its price. The keen competition now prevailing in the export field makes pricing of paramount importance. When a businessman sets a competitive price in a foreign market, he is concerned that sales shall return a reasonable net profit to his firm. Correct export pricing can therefore make or break an export business.

There are three ways to set export prices:

- Basing them on prices charged to distributors in the Canadian market.
- Basing them on competitors' prices in the foreign market.
- Basing them on actual manufacturing costs.

The pricing method used should depend on the type of goods exported and the importance of foreign orders to the total business of a firm.

Export Prices Based on Domestic Prices

This system bases export prices on lowest domestic distributor prices and is most often used by firms with a small percentage of export sales or which only enter export markets now and then. To the prices which the company quotes its largest domestic customer, transportation and other costs to move the goods to the port of shipment are added. This then becomes the export price.

Although it is convenient, this method is no guarantee of competitive prices. The exporter will find he must compete with foreign manufacturers who may pay lower wages and with Canadian manufacturers who may quote lower prices based on factory costs or cut the figure down to meet competition abroad.

Export Prices Based on Competitors' Prices

This is a more realistic pricing method, but the exporter has to be sure his costs are low enough to meet any competition and still make a profit. If he is to use this method successfully, he must make certain that he has correct information on prices quoted by competitors.

Generally speaking, those who use some form of this pricing method are exporters of farm products, metals (except iron or steel), and minerals. Prices for these products are established from day to day, often from hour to hour, on the world's main commodity

Example: Export Department Expenses

	Fixed $	Variable $	Totals $
Selling Expenses			
SALARIES AND WAGES			77,000
commissions		25,000	
regional sales managers	10,000		
sales engineers	7,500		
sales representatives	10,000		
executive and administrative	7,500		
clerical and stenographic	15,000		
pensions, etc.	2,000		
TRAVELLING			13,000
regional sales managers		3,000	
sales engineers		1,500	
sales representatives		5,000	
executives	1,500		
auto depreciation		1,000	
supplies	1,000		
ADVERTISING AND SALES PROMOTION			71,000
salaries and wages	5,000		
advertising		50,000	
public relations	1,000		
literature		10,000	
promotion		2,500	
miscellaneous		2,500	
TOTAL SELLING EXPENSES			161,000
Distributing Expenses			
salaries and wages	5,000		
supplies (packing material)		12,500	
trucking		500	
rent and storage	1,000		
TOTAL DISTRIBUTING EXPENSES			19,000

	Fixed $	Variable $	Totals $
Administrative Expenses			
executive and admin. salaries	20,000		
clerical and stenographic	20,000		
pensions	1,000		
miscellaneous salaries	2,000		
TOTAL ADMINISTRATIVE EXPENSES			43,000
General Expenses			
stationery and supplies		1,000	
credit, collections	250		
donations, dues, etc.	500		
legal fees	250		
patents and trademarks	250		
postage		1,000	
telephone		500	
telegraph and cables		500	
repairs and maintenance	500		
depreciation and amortization	1,000		
insurance	750		
rent	750		
taxes (payroll, real estate, capital stock, etc.)	1,500		
miscellaneous	500		
TOTAL GENERAL EXPENSES			9,250
ACCOUNTS WRITTEN OFF	1,500		1,500
TOTAL EXPENSES			233,750
TOTAL SALES			1,500,000
EXPENSE RATIO TO SALES			15·6 %

exchanges. Usually these prices reflect world demand and the supply position in the country or countries which are the largest exporters of a particular commodity.

Export Prices Based on Costs

For manufactured goods, the only correct way to calculate export prices is to base them on actual manufacturing costs. This price should then be compared with domestic prices and competitors' export prices before it is definitely fixed. During times of keen competition, exporters are forced to quote the lowest possible prices and in some cases to go below their lowest domestic distributor prices. In countries where the customs duty on imported goods is taken on the "home consumption value" or "fair trade value" in the home market, such price reductions have only a partial effect. If, for instance, a product is exported from Canada at an F.A.S. price of $10.00, but the net domestic price to customers who buy in quantities similar to the quantities exported is $15.00, then the customs duty (for example, in the Union of South Africa) will be levied on the $15.00 and not on the $10.00 export price.

The regulations prevailing in the various Commonwealth countries whereby special certified invoices have to contain not only the export price but also the so-called home consumption value are intended to prevent exporters from "dumping" goods at an export price much lower than their domestic price. Consequently, even if export prices are based on factory costs, they should also be compared with domestic distributor prices. It should be the general aim of any exporter to keep prices more or less in line with domestic prices, to avoid creating the impression that he indulges in either profiteering or dumping.

A comparison with competitive prices is also imperative. It is fairly easy for a Canadian exporter to keep his prices in line with the export prices of other Canadian exporters who produce the same product under the same conditions, with similar raw material costs, wage rates and general expenses. However, the problem becomes more difficult when he has to compete with exporters from other countries, particularly from countries with lower wage rates.

Calculating Actual Costs

In determining actual manufacturing costs, the direct factory expenses for materials and labour and a share of plant overhead are charged against export operations. The export department is credited with the invoices when the goods are shipped. Less clearly defined is how to charge general administrative overhead.

With a "built-in" export division, many administrative operations are carried out simultaneously by other departments of the company. Management has to apportion expenses to the domestic and export divisions for services provided by the accounting and statistical departments, the general office management, the advertising personnel and even the stenographic pool. Where exports are only a small proportion of total sales, these charges should be kept as low as possible by eliminating any costs which do not seem directly related to export sales. Failure to do this either prices goods out of the export market or makes it impossible for export operations ever to show a profit.

When export sales are large, it is usually easier to charge administrative overhead against a separate export department. For convenience, the cost of an export department can be divided into four categories: sales, distribution, administration, and general expenses.

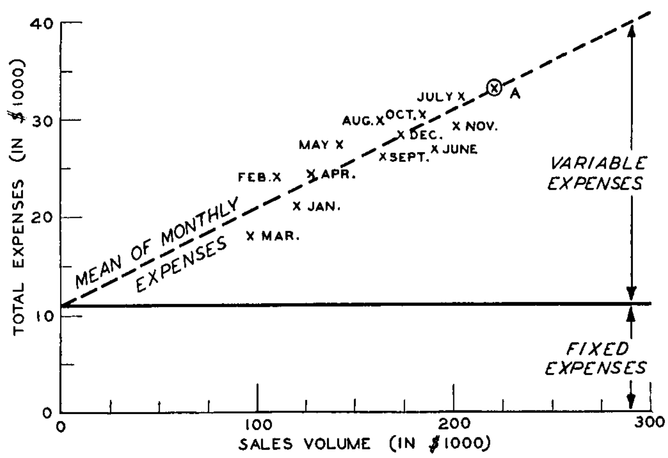
Expenses that might be included are: for selling—salaries, wages and commissions paid the sales staff, travelling expenses, advertising and sales promotion; for distribution—a share of the salaries and wages in the shipping department, cost of export packing materials, transportation and storage charges; for administration—salaries of the vice-president in charge of exports, the export manager and his assistants, clerks and stenographers, a share of the salaries paid other top executives and their clerical staff; for general expenses—stationery, office supplies, telephone, cables and other sundry items.

Fixed and Variable Expenses

Certain costs of operating the export department—the fixed costs—change very little with the volume of business. Other expenses—the variable costs—rise with increased export sales. Most administrative charges—including salaries paid executives, regional sales manager, sales engineers and representatives—remain relatively fixed; commissions to salesmen, travelling expenses, advertising and packing costs rise or fall with sales. (For details see "Example: Export Department Expenses".)

Some of the fixed expenses can be controlled. If the business trend is definitely down, the export manager may be able to reduce staff at head office or in regional offices in time to economize. He may also aim to reduce inventory although in practice it is likely to build up while sales drop; factory production cannot be cut off as quickly as sales can fall.

EXAMPLE: FIXED AND VARIABLE EXPENSES
FOR A GIVEN SALES VOLUME



Each "X" is plotted on the diagram horizontally from the figure for total expenses for a month and vertically from the figure for sales volume for the same month. When monthly records for the previous 24 to 36 months are available, a more accurate line for the "Mean of Monthly Expenses" in relation to sales volume can be drawn. The position of the mean line is established so that the sum of the distance from the mean line for the points above it is about the same as for the points below the line.

Equipped with the diagram shown, the export manager can find the probable division between fixed and variable expenses for any given sales volume. An exporter whose monthly sales, for example, are \$200 thousand finds he can get further orders for \$20,000 if he can quote a lower price. But how much lower can he go?

From his diagram, (see point A), the export manager sees that total expenses for his department are about 15 per cent of the sales value for a \$220 thousand volume. He finds that fixed expenses are one-third and variable expenses two-thirds. Instead of adding

15 per cent to factory costs to cover sales costs, he could add as little as 10 per cent and still cover his variable expenses.

If the exporter must quote a cut price, it is advisable to cover at least the variable costs and if possible a share of fixed costs. If export sales at cut prices exceed 15 to 20 per cent of total exports, he runs the risk of not earning a net profit; higher-priced sales in less competitive markets could absorb some but not all of the fixed costs, expenses for trial runs, development and servicing.

Example: Profit and Loss Statement

GROSS SALES		1,500,000
Merchandise sales	1,300,000	
Shipments to subsidiaries	200,000	
DEDUCTIONS FROM GROSS SALES		42,000
Cash discount allowed	1,000	
Transportation out	40,000	
Special allowances	1,000	
NET SALES		1,458,000
GROSS COST OF MERCHANDISE SOLD		1,045,000
Standard cost	1,000,000	
Factory variance	25,000	
Trial run expense	5,000	
Development and research	10,000	
Rework and repair	2,500	
Transportation in	2,500	
GROSS INCOME		413,000
DEDUCT EXPORT DEPARTMENT EXPENSES		233,750
OPERATING INCOME		179,250
OTHER INCOME		19,000
Bad debt recoveries	500	
Interest income	1,500	
Royalties	15,000	
Foreign exchange gain	500	
Miscellaneous	1,500	
		198,250
OTHER DEDUCTIONS		2,500
Interest expense	1,500	
Foreign exchange loss	500	
Miscellaneous	500	
INCOME BEFORE TAXES ON INCOME		195,750 (13% of gross sales)
TAXES		92,500
Federal corporation tax	80,000	
Provincial income tax	7,500	
Reserves	5,000	
NET INCOME		103,250 (6·88% of gross sales)

The export manager, given the authority he should have to be flexible about prices, should analyze his profit-and-loss statement to decide what gross margin between selling price and factory costs leaves an adequate net profit. Such an analysis provides accurate data on which to base price quotations in various markets so that the export business as a whole earns a profit.

The Basis for Pricing

The net profit achieved in an export operation, of course, measures the exporter's efficiency. The profit and loss statement of an export department (see "Example: Profit and Loss Statement") is also a basis for calculating export prices and indicates whether the pricing methods used result in an over-all profit.

The statement starts with merchandise sales, with deductions for cash discounts and the cost of transportation from factory or warehouse to the seaport. The net sales figure which results is then compared with costs.

Costs consist of standard costs (which are as a rule adjusted only every three months or six months) and of the factory variations or variances which indicate whether the actual production costs were higher or lower than the standard costs. To these costs are added the expenses for research, development, trial runs, repairs, and for transporting some materials or component parts to the factory. All these are expenses which are not specifically export operating expenses and for this reason are not included in the export department's expenses.

The total of standard costs, factory variances, and other expenses results in the gross costs which are deducted from the net sales figures to give the gross income. The gross income has to cover the export department's operating expenses, some incidental expenses encountered especially in export operations, and finally the net income or profit.

In our sample profit and loss statement, deducting gross costs from net sales leaves a gross income of $413 thousand which finally results in a net income after taxes higher than 6 per cent of sales. An average manufacturer who makes this percentage of net profit could consider his export operations satisfactory under present competitive conditions.

We have set a margin of 33⅓ per cent in our example between the standard costs ($1,000,000.00) and the merchandise sales value ($1,500,000.00) which is the total of export invoices at the quoted export trade term (we assume "F.A.S. Atlantic seaport"). Consequently, if the factory cost department indicates standard costs of $10.00 for a new product, then the gross margin of 33⅓ per cent will result in an F.A.S.

Detailed Export Quotation

These are the items the exporter includes when he draws up his price quotation and conditions of sale.

- *THE PRICE QUOTATION*

  The net price and currency
  Trade discount (if a standard price list used)
  Quantity discount
  Cash discount
  Point of delivery for the price quoted: (which foreign trade term: F.A.S., F.O.B. ship, C.I.F., etc.)

- *CONDITIONS OF PAYMENT*

  Examples: Open account (net cash 10 days after date of invoice)
  Irrevocable confirmed letter of credit
  Sight draft, documents against payment, etc.

- *GENERAL TERMS OF SALE*

  —to be agreed between seller and buyer

  Who is to pay for export packing?

  Is the commission to the company's representative or broker included in the price quotation?

  Date of delivery and possible penalties in case of default?

  Is shipment to be made in one lot or are partial shipments allowed?

  Is direct shipment required or is transhipment allowed?

  Is shipment under special flag required?

  Freight prepaid or freight collect?

  Who is to arrange for booking of shipping space?

  How is marine insurance to be arranged: by seller or buyer, on open policy for amount higher than C.I.F. value, etc.? Who is to pay for war risk?

  What documents are required and how are they to be handled?

  Who pays fees for certificates of origin, visas or consular invoices?

  What special inspection documents are required and who pays inspection costs?

  Are weight and quality discrepancies permitted? If so, up to what percentages?

  What bank is to be used for the presentation of documents?

  Who is to select the forwarding agent?

seaport price of $15.00, which provides for an adequate net profit as set out in this profit and loss statement.

This rough calculation of an export price will have to be adjusted upward for heavy goods with higher inland transportation costs or downward for a standardized product which has been manufactured for many years and is therefore less costly to handle.

Quoting Prices

Under present competitive conditions, the closer the exporter gets to the customer (by quoting, say, C.I.F. instead of F.O.B.), the better. The buyer wants to be able to calculate his landed price with as little trouble as possible. (See "Trade Terms and the Exporter" on page 33.) When the exporter quotes various discounts (called trade discounts) on his list prices, depending on territory, his own work is simplied but it is less satisfactory to the buyer. Quoting a definite net price has a better psychological effect on the overseas customer and makes it easier for him to calculate landed costs.

The export manager may also quote quantity discounts or cash discounts on his net price. It is not advisable to grant cash discounts higher than 2½ per cent even if cash is paid in advance or irrevocable letters of credit established; most overseas customers suspect that prices are inflated to cover higher cash discounts. The currency must also be stated in the quotation; you should quote in U.S. dollars for many countries.

When you quote "F.O.B. port of shipment", you have prepaid all charges until the goods are on board ship. It gets more complicated for the exporter when he quotes C. & F. (cost and freight) but then the buyer has only to figure out the marine insurance, customs duties, and landing charges to find his landed cost.

A C.I.F. (cost, insurance and freight) price quotation leaves only customs duties and landing costs for the buyer to calculate. Sometimes the term C.I.F. and C. is used to assure the importer that all commissions are included in the price. If the seller agrees to absorb interest on financing at no extra charge, he will quote C.I.F.C. and I.

Nothing should be left to chance or wrong interpretation when the exporter makes a price quotation. Terms and conditions for the sale include the items listed under the heading, "Detailed Export Quotation". An experienced exporter, freight forwarder, bank expert, or lawyer can help draw up proper terms and conditions for the sale.

The exporter should accept all the help he needs to establish his prices correctly and quote them clearly. His product, no matter how useful its design nor how well promoted, has to be priced correctly to succeed in the export market. ●

Internal Management Problems in Export

What is the most efficient way to ensure steady production for export? In what different ways can a company organize to handle export orders? How can the export man gain management's support? These and other problems are discussed in this article, written by an executive with long experience in the techniques of export trade.

IVAN E. LENARD,
Export Sales Manager, Canadian Breweries Limited.

DOES THE EXPORT MANAGER enjoy the same standing and receive the same co-operation as the domestic sales manager? Frequently we hear the complaint that he does not. We hear too of companies which short-ship export orders or even refuse them altogether to satisfy domestic needs.

It is only common sense for any business organization to put first things first, but many are apt to forget that export sales can be built only on a record of steady, dependable supply. These problems become acute when domestic shortages persist and the supplier finds himself in a buyers' market.

Planning Export Production

One of the most difficult tasks of management is to reconcile conflicting export and domestic claims when production facilities are taxed to capacity. In some organizations where domestic and export products are identical, the problem is solved by reserving a predetermined percentage of total output to service export demand. Several manufacturers reserve part of their total production for new market development and a substantial proportion of this can be earmarked for export.

Complications arise, however, when export needs require changes in product design or engineering. Under such circumstances, export orders have to be routed through the plant and this may involve important, and in many cases complex and costly, changes in normal production routine. Such alterations on manufacturing equipment can result in production losses which, if properly charged against export, could make the company's products non-competitive in foreign markets. Thus a great deal of planning is required at the early stages, before export business is solicited, to ensure available plant facilities to process foreign orders. Frequently manufacturers gear production to seasonal peaks and find certain months in the year when special orders can be handled without interrupting seriously the normal flow of production. Export orders in slack seasonal periods can help to balance output and carry fixed overhead charges.

In many instances the Canadian season is the reverse of peak periods in foreign lands. Our summer coincides with winter in the Southern Hemisphere. Therefore it is often possible to produce goods in seasonal demand for export at a time when domestic requirements are at their lowest.

Some companies are able to plan their export production ahead in anticipation of later foreign business. Thus they can manufacture export orders when it is most convenient and when it interferes least with regular domestic production.

The success of a plan of this nature depends on unfailing executive support carried through all levels of control in the organization. If the control is left in the hands of the export executive without full support from the top, misunderstandings and functional organization problems are bound to appear.

Achieving Executive Support

This executive support can be achieved through export committees and departmental organization illustrated later. Nevertheless, the export executive will have to use tact and ingenuity to keep up the interest in export among senior executives. He can achieve this by urging market visits on the part of management personnel and by circulating up-to-date market reports among policy-level executives. These executives should have the opportunity to meet foreign distributors when they call at head office. Copies of letters and reports from foreign distributors indicating changes in trends, suggestions for improvement in design, and commercial intelligence on the activities of competitors should always be circulated to keep management fully informed. Copies of significant speeches, statements and articles on export and information on opportunities in foreign markets should be brought to the attention of management.

Organizing for Export

The proper organization of the central export headquarters is by far the most important step. If the export department is not put into proper working order and is not adequately staffed with qualified personnel, all management's goodwill will not succeed in exploiting export opportunities.

In most organizations the work is administered at headquarters by distributing export business on a functional basis among the personnel already engaged in the same type of domestic task. The company uses the personnel setup as it exists and attempts through the export executive to give foreign trade its proper balance and attention. In many such cases the domestic sales manager, who is the direct superior of the export manager, supervises export sales. The treasurer handles financial arrangements and the credit man devotes part of his time to export credits. No special arrangements are made for documentation, packing, advertising or other functions.

This plan is simple, flexible, and economical, although the efficiency with which the foreign work is conducted depends to a great degree on the personality and diplomacy of the export executive. He accepts the responsibility for instilling a proper degree of interest and enthusiasm for export and his tact and personality may determine how successful he will be in obtaining co-operation. Domestic demand and shortages will influence the dealings of the foreign department a great deal and will necessitate constant changes in standard department policy.

The difficulties of the export manager in such an organization are obvious. He must suggest to capable —but in some cases experienced but uninterested— fellow officers in the company precisely why and what changes are necessary in product and procedure to meet the demands of foreign trade. Production methods which, after tedious effort, have been standardized may have to be changed to provide for export needs. The traffic manager, who may have worked out to a science the methods of packing and routing for safe and economical movement in domestic trade, has to begin anew in the preparation of export shipments. Thus the success of this plan of organization depends upon the ability of the export manager to persuade his colleagues to recognize the peculiarities of export trade.

Executive control over foreign business is imperative. The export manager is not left entirely on his own resources when the president or senior vice-president is vitally interested.

Where export trade absorbs only a small percentage of total output, or in small firms, the feature of economy sounds very attractive. In some organizations domestic and export business are identical and a high degree of specialization is not needed. Several manufacturers train nearly all employees to handle both export and domestic orders, because they believe that greater efficiency results from this interchange of functions than from the employment of a specialized foreign trade staff. Moreover, there is the guarantee of more even employment because a recession in one line may have no serious effects on personnel.

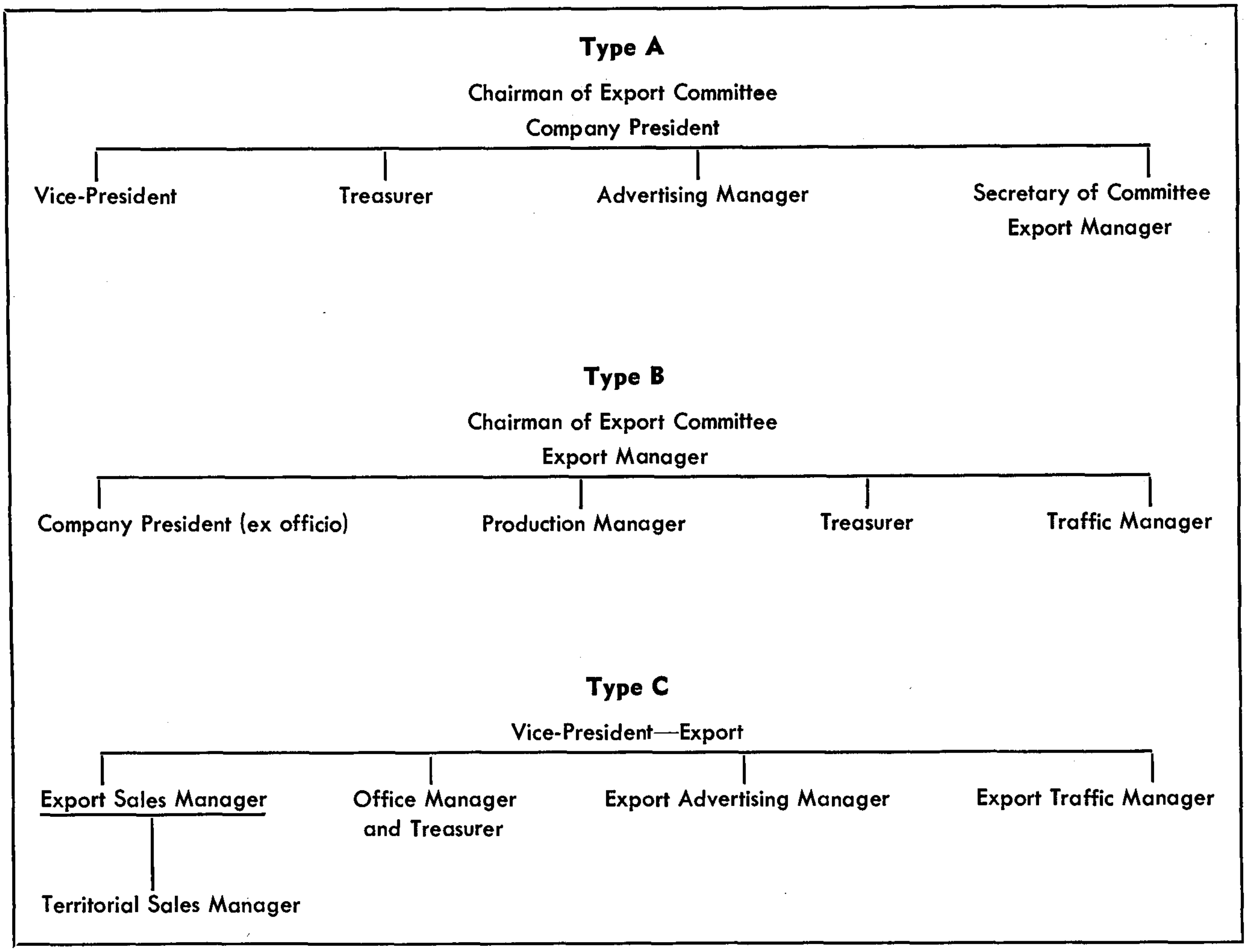
Establishing Export Committee

Some companies control foreign trade through a committee of department heads or officials. Such an export committee may, for example, consist of the president, the export manager (who can also be chairman or secretary of the committee), the treasurer, the production and advertising managers. This committee determines matters of policy and it is left to the export manager to instill the foreign trade spirit and co-operation necessary for the active promotion of the export program.

Some typical export committees are illustrated in the charts on page 16.

One can assume that the export manager has a great deal more authority in Type B than in Type A committee organization. Large companies, however, with a separate export department or export sales subsidiary would probably operate with an export committee Type C.

Types of Export Committees



In this company, the vice-president of export supervises the complete foreign operation. All functions, with the exception of production, are under the control of the export department and this means greater specialization and concentration. The foreign business of the company and profits may be more accurately measured. Errors are less likely to creep in and aggressive promotion of export is assured.

Setting Up Export Department

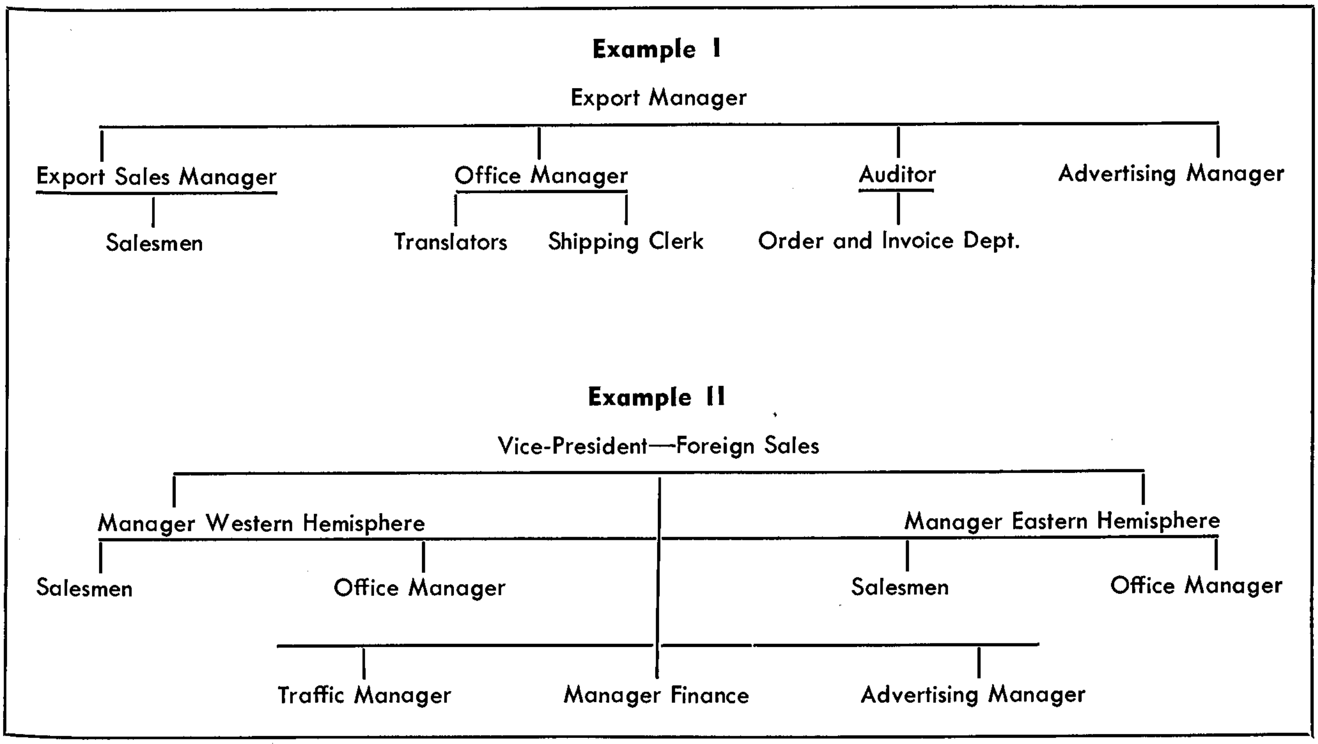
Companies enjoying considerable export volume as a rule prefer a separate export department or a subsidiary export sales company. The separate export department, in comparison with the built-in department discussed earlier, performs all export functions with the exception of production. The number of divisions and personnel depends upon the volume of sales.

The department is under the supervision of the manager, although not infrequently a vice-president or general manager is in charge. In this organization, the manager controls all foreign sales; he selects and trains all salesmen who work in conjunction with foreign distributors. The manager is responsible for advertising, pricing, credit, foreign licensing arrangements, etc. All correspondence (and advertising which requires translation) is handled by a staff of translators. Orders are filled, packed and shipped by the export shipping clerk. All accounts of the export department, as well as records with branches and distributors, are kept by an export auditor. The auditor prepares bills and drafts on the invoices prepared in the invoicing department and is responsible for the collection of foreign accounts. Thus this export department is autonomous in every respect.

Forms of Specialization

The export department in another company emphasizes territorial specialization. The product may be one frequently purchased by foreign government officials. Close contact with the foreign purchasers is required.

Types of Export Departments



The department might be in charge of a vice-president—foreign sales. Two sales managers are in charge of broad territories. All the details are handled in the respective geographical departments. Credits and financing are especially important in such an organization because individual orders involve large sums of money. This work is handled by the finance department in collaboration with the vice-president—foreign sales and the sales managers concerned.

Forming a Selling Company

The second way in which the foreign work of a company may be entirely separated from domestic operations is to establish a distinct selling company. The parent company then goes about billing the selling company in much the same manner as it does other customers. Often the selling company takes on the name of the parent concern—e.g., XYZ Export Co.

This subsidiary takes over and conducts the entire foreign trade of a company. The selling company buys at prices agreed on with the parent firm, pays the latter for the purchases, and endeavours to show a profit. The prices may be at cost or they may include a small profit to the parent company.

The reasons for adoption of this plan of operation are various. First of all, it means the concentration of executive control in the hands of responsible, experienced officials. The export executives of the selling company possess greater authority and responsibility than under any other plan. In addition, all possibility of conflict between domestic and export interests or personnel is eliminated. Furthermore, one of the greatest advantages of the separate selling company is the facilities provided for determining accurately the profit or loss the export business yields. Overhead which was charged against the entire business, but which was not properly attributable directly to foreign sales, can be eliminated. This may mean showing a greater profit on export than the company ever realized before.

There may be other advantages to a separate selling company. Tax advantages may be one; the chance to secure sales agencies for other non-competitive products another. Facilities may be provided for selling abroad without violating foreign anti-dumping laws.

Making Final Decision

The final decision on the organization depends upon the products sold as well as upon the policy of the company. Certain tax advantages must be taken into account when the income tax laws consider the entire capital or profits of a company for taxation purposes.

Frequently the question becomes largely one of personalities and if they do not harmonize, many factors, even aggressiveness, may cause difficulty. Management must weigh and consider these factors when it is making plans for foreign trade activity. Each individual case must be decided upon its merits.●

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Research into Foreign Markets

Many companies rely on market research to guide their export operations. Once carried out only by large organizations, today smaller companies are finding it a useful tool. This article discusses the basic principles of market research and sets out logical steps to take in getting it under way.

K. M. S. MACONICK, *Aluminium Union Limited.*

"I have six faithful serving men
They taught me all I knew,
Their names are What and Where and When
And How and Why and Who."

THERE IS NO GREAT MYSTERY about market research, whether it is carried on at home or abroad. The introductory quotation from Kipling sums up its scope. Broadly speaking, it covers the various inquiries into the selling and distribution of a product or service in a particular market. In addition, it tries to discover where the best markets are and to define their boundaries. In other words, the object of market research is simply to aid a company to sell its products more effectively in the face of competition.

The chief difficulty about market research today is how to conduct it efficiently outside the confines of the manufacturer's domestic market. Plenty of books have been written about domestic marketing in North America; only a few cover research into overseas markets. Moreover, most of the pioneer work in this field has been carried out by large organizations selling basic raw materials or heavy engineering products and engaged in world-wide trade. Many of them also have fabricating plants or operating subsidiaries in many countries.

Few of these great organizations, whether Canadian, British or foreign, have made public the knowledge they have gained through experience and expensive research. Fortunately, this attitude is changing. Publications sponsored by large corporations are appearing in increasing numbers, giving examples of experience in open overseas markets and outlining methods of economic and market research. In addition, the great postwar increase in manufactured goods sold in international markets has brought a corresponding increase in the quality and quantity of available information on these markets.

Define Objectives First

This article is written primarily for the newcomer to the field of overseas market research, but it may also serve as a yardstick with which to measure existing operations. The Canadian businessman interested in export market problems presumably is familiar with current domestic marketing techniques, is aware of the need for them, and is in fact practising them within the limits of the size of his enterprise and the skill that he can afford to command. If he is not engaged in such activities or is not prepared to examine them, then any effort he may make overseas is almost certain to fail after the novelty of his initial entry into a market has worn off.

The first thing the manufacturer must do is to define his commercial objectives and keep a clear eye on them as he pursues the search for information. He must ask himself what he wants to do in foreign markets. Is he looking upon them as a safety valve for excess production at home, or are they to become a vital part of his total operation? How much of his total production and effort does he want to devote outside Canada? Or, to put it another way, "How much does he *have* to sell abroad to stay in business at all, or to be able to expand?"

The relative effectiveness of overseas research will depend to some extent on the size of his domestic operation. If he already has a department engaged in examining market information, this department can help him to assess data, using criteria already established. However, the man in business in a smaller way and without such facilities should not be discouraged. A number of thoroughly reputable research or marketing specialists who undertake this type of work for a fee are available both in Canada and abroad. In fact some of the most successful exporters have been small companies which have done market research intelligently before starting to sell abroad.

Larger companies which already have set up facilities will probably need to re-examine their approach to market research and analysis when they enter the export field. This examination of methods and techniques should be a continuous process.

Collecting and Interpreting Data

The first step in market research is collecting information. The exporter must be prepared to devote a considerable part of his initial investment and some of the expected profits to setting up a suitable method of collecting facts and to building a sales organization able to act on them. His attitude at this stage should not be "How much will it cost?" but "How much will it earn?" Field trips by well-prepared and intelligent men are essential in any overseas marketing operation and should be the first step in establishing or extending overseas selling. The value of the right man on the spot cannot be over-emphasized.

The next essential is not to begin with any preconceived notions about a particular market or its needs. The exporter must sell what the customer wants and not what he thinks that customer ought to want. (Naturally, this does not mean that the consumer's needs cannot be altered or expanded by sales promotion, sampling and advertising.) Men employed in doing this research should be familiar with the prejudices, tastes and needs of the local population. Then the information which they collect can mean something when the company relates it to the sales effort and to the requirements of production and design.

The exporter of basic raw materials, the manufacturer of machinery and equipment, and the producer of consumer goods each face vastly different problems. But it is important for all three to examine the immediate and long-term economic conditions in the countries in which they expect to operate. They can turn to several sources for this information. In complex and highly developed countries like the United Kingdom, quantities of economic data and forecasts, many published by government departments, are easy to obtain. But a country with a relatively backward and under-developed economy probably will have inadequate and unreliable sources of economic and social information. In these cases, there will be little data to serve the exporter as a long-term guide. In fact, even short-term guesses may be wrong because of an uncertain political climate. Here the "old hand" —the man who knows the country well—is often invaluable. (He should not, however, be so old as to be fossilized!) The Canadian Trade Commissioner can also give valuable help.

Sources of Information

Broadly speaking, sources of economic information can be classified as follows:

1. *International sources*—Publications of the United Nations, International Labour Office, and other international agencies.

2. *Government sources*—Government publications, published by departments or by central publications organizations.

3. *Trade sources*—Trade associations in various countries that make available information and statistics on the production, consumption and use of products.

4. *Private sources*—In many countries special economic research services provide information and conduct research into markets. These services are particularly diverse in the consumer field. Many banks have international market information departments. Some of the more influential publications have excellent research and information sections—e.g., *The Economist, The Times* and the *Financial Times,* all of London; the *Time-Life-Fortune* organization and *The Wall Street Journal,* of New York.

5. *Public sources*—Trade press and business publications and the daily press.

6. *Personal contacts*—Consultations with knowledgeable and influential experts.

The examination and determination of long-term economic trends is as important as the relating of information to immediate market needs. In fact, without continuous economic forecasting, short-term research becomes much less effective. Naturally, all such data must be kept up-to-date.

Once he has some preliminary data, the next step is for the exporter to examine the competition. What is the competition and where does it come from? Can his product stand up against it? The answers to these questions must be sought in the field, using the services of agents and outside consultants, or by comprehensive research undertaken by the exporter's own organization. The latter method is expensive and is usually only justified when he expects a large volume of trade.

With the economic and competitive picture in his mind, the businessman should be able to assess the

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How Market Research Works

TO ILLUSTRATE how market research is carried out, let's create a mythical firm, the Super Hot Company. This company makes electrically powered equipment, including household appliances (such as vacuum cleaners, mixing machines and floor polishers), plus a range of power tools, small industrial motors and pumps, suitable for light industry or for the do-it-yourself fan. The Super Hot Company has never actively sold its products outside of North America, though it has filled a considerable number of unsolicited foreign orders. At this point, it wishes to make a formal excursion into export markets. Outlined below is the method of market research which it followed:

1. PRELIMINARY MEETING—A meeting called by management considered the whole problem and decided to concentrate initially on the one or two markets most likely to yield immediate results and require only a limited risk in investment and servicing facilities. The search for these markets was left to the sales department.

2. ANALYZING SALES FIGURES—The figures of unsolicited sales to foreign countries were analyzed. It was revealed that 40 per cent of the orders came from certain parts of South America and that there had been a consistent flow of orders from the United Kingdom. (In most of the latter orders, however, the goods were re-exported through agents to Africa and South East Asia. This point is a good example of the fact that one must not jump to conclusions from a superficial analysis of figures.) Obviously, the company's products sold particularly well in tropical areas, probably because they were well made and could stand up to difficult climates. A breakdown by products showed that auxiliary motors and generators and vacuum cleaners were the most popular.

3. CHOOSING AN AREA—Data on sales revealed further that the bulk of the orders had gone to Venezuela and Brazil, with an even scattering among other South American countries. There was an apparent correlation between the general economic level of the country and the level of demand.

4. EXAMINING THE MARKET—An examination of South America as a potential market was decided upon. The assistant sales manager (B.Sc., electrical engineering, and M.B.A., Western) was made responsible for this and told to present a report and recommendations within three months. He consulted the sources of information detailed in the accompanying article and also sought help from the Department of Trade and Commerce in Ottawa on tariffs, import duties, and so on. He then charted the general economic pattern and the income levels in each country and reported on the probable commercial climate.

5. NARROWING THE CHOICE—After examining the report, the company decided to find out which of its products were likely to have an immediate sale in South America and in which countries. Eventually, Venezuela was selected as the best area in which to test the market, because of its good supply of dollars, freedom from import controls, and booming consumer market founded on an expanding capital investment program. (Brazil was not chosen because of the currency problem.) Choice of products involved studying the pattern of energy production and the distribution of electricity both in rural and urban areas, its sources and end uses. This survey was also directed to finding out what proportion of the electric power produced was used by industry and what proportion of the population had electricity in their homes and in what areas. This was considered essential to the establishment of a distribution and service organization, using either agents or direct representation.

6. ON-THE-SPOT INVESTIGATION—At this point, it was decided that a visit to Venezuela was necessary and that outside help was needed. The firm invited the representative of a well-known international advertising and marketing organization to accompany the assistant sales manager on a visit to Venezuela. This advertising company had an office in Venezuela and considerable information about the market there. For example, it provided information on the competition, both domestic and foreign; on methods of promotion, advertising and selling; on price and marketing policies, and on servicing facilities.

7. DECISIONS MADE—On the basis of this information and talks which the assistant sales manager had with the Canadian Commercial Secretary and his staff in Caracas and with many other persons in Caracas and other main Venezuelan cities, it was decided to concentrate first on selling small industrial motors and pumps, vacuum cleaners, and washing machines. The main market was not likely to be in consumer products because domestic labour in Venezuela was still relatively inexpensive and only a limited middle-income group was interested in buying labour-saving appliances. Demand for electric motors for a variety of purposes—such as sump pumps, drainage pumps, auxiliary generators, etc. —was expected to be brisk.

8. SELLING BEGINS—A sales office to market the company's products was set up in Caracas and it was decided to limit sales initially to the immediate area. From here on, it became a selling problem, but sales had to be directed by careful correlation of effort with continuing market research. Despite this research, some mistakes were made but these were more easily corrected because of the existence of a properly co-ordinated marketing set-up.

potential market for a particular product. This again requires the analysis of information and the use of "educated guessing". Actual sales figures when they begin to come in, and their interpretation and relationship to the other basic information, are the most reliable guide to the potential of the market.

The type of organization needed to sell in foreign markets, the best selling and promotion methods, and the service needs and financing problems can be decided on as experience is gained in overseas operations. But the two essentials for success are an open and flexible mind and the diligent and continuous application of information gathered to the problems of selling and distribution.

Organizing the Research

The following points outline in general terms the way in which the average exporter might organize his search for more information:

- He should employ as a marketing expert someone who is familiar with economics and statistics and with overseas sales problems and who uses common sense in interpreting them. He should not be afraid to pay this man a higher-than-average reward and give him the right assistance and equipment. The marketing man is a compass—on his advice will depend much of the success of the exporter's operations.

- He should give the marketing man a high place in the sales organization—ideally, he should report directly to the sales manager.

- He should be prepared to send experienced men on regular visits to his important markets "to smell around". The sales force overseas should be familiar with the market information men and the data they are seeking and should be taught the importance of providing continuous information for them.

- The marketing man should head a central research and statistical centre using standardized terms and definitions, understood and agreed upon throughout the organization.

- The information produced by this department should be closely related to sales performance and forecasting.

- The exporter must be prepared to invest time, money and thought in making detailed surveys of the needs of his individual markets, employing if necessary local agents and market consultants.

- The exporter should keep on hand up-to-date charts and tables which clearly indicate progress in export markets and the probable future course. He should encourage use of such aids throughout his organization. All such information should be readily available to management.

It may be helpful to review the logical and natural steps in market research whether it is conducted at home or abroad:

1. *Informal Investigation*

Getting a rough-and-ready feel of the problem from preliminary reading of printed sources and from conversation with experts familiar with it.

2. *Situation Analysis*

Examining the market in a more formal way. This involves basic problems about the product, company, industry, competition, marketing methods and consumer habits. This examination should help in determining how much information is needed.

3. *Planning the Investigation*

What specific inquiries should be made on what problems? How much should be spent on the investigation? What people should be approached? What methods should be used?

4. *Securing the Information*

This includes collection of data both from inquiries in the field as a result of the initial examination, and also by use of all available statistical sources, internal and external, and from the collection of information (sampling, questionnaires, etc.).

5. *Organizing and Classifying the Information*

This involves tabulating and collating facts and figures and preparing them for presentation to management.

6. *Analyzing and Interpreting the Information*

Covers the assessment of information gathered by the various methods, correlating and examining it, and recommending the action needed.

7. *Presentation of the Information*

The presentation of the information gathered to those who make decisions and the final discussion before taking action is the climax of the research activity, and the resultant action is its sole justification.

The relative simplicity of market research when it is conducted in a sophisticated area, like the Eastern United States or Britain, stands out in great contrast to the complications of language, time, cost, distance, climate and local custom in more distant and less developed markets.

The absence of suitable assistance for doing local research, unfamiliarity with local problems, and the lack of facilities taken for granted in the modern industrial economy make research in some markets difficult. However, the combination of good research management at home and sensitive, efficient and flexible methods abroad can give reliable results. •

Planning a Business Trip Abroad

Some exporters hesitate to undertake a visit to foreign markets because it takes planning. This article explains how the experienced travel agent can relieve the prospective traveller of time-consuming detail, eliminate many of his problems, and smooth his path.

L. C. TOMBS, *Vice-President, Guy Tombs Limited.*

BUSINESS TRAVEL IN FOREIGN COUNTRIES differs in two respects from pleasure travel—although some businessmen can plan journeys that are a happy combination of business and pleasure. Destination is one difference. For example, the banker or the exporter figure largely in travel to South America, although far fewer tourists go to this area than to Mexico or the West Indies. Except for a limited number of South American cruises, a travel agent is seldom asked to book a passenger to Colombia, Chile or Argentina unless his client is engaged in business or is an official of government or an international organization.

Documents Need Careful Attention

The second difference between travelling on business and on holiday lies in the documents which the traveller must carry. Many of the Latin American countries, for example, have elaborate and exacting regulations about the variety of documents which the visitor—and especially one bent on business—must have to enter. In addition, the length of the forms and the number of copies often prove irksome.

For example, one Latin American country issues tourist cards to Canadians at a cost of $3.00, without pictures, plus passport. (Naturally the visitor will carry his Canadian passport.) An exporter, however, must apply in person for his "business card" two weeks in advance and must explain the nature and the length of his intended visit. This business card can cost him from $3.00 to $40.00, or even up to $100.00. In addition, he must supply five profile and eight full-face pictures, or a total of 13. Not every Latin American country makes things so difficult. One, for instance, issues tourist cards at $2.00 to both Canadian tourists and businessmen and does not require either a passport or pictures.

The regulations, indeed, vary from severity to definite liberality. Canadians may visit Bermuda, the Bahamas, the British West Indies, and British Guiana without passports, provided that they carry suitable identification. The Western European countries—with the exception of Iceland, Finland, Portugal and Spain—do not require visas from Canadian visitors; Turkey and Yugoslavia do.

It is difficult to be dogmatic about this matter of documents, because the situation is always changing. Some countries—and they are not all in Latin America—ask the businessman to produce a police certificate, letters of recommendation, or other documents which are described in the box feature on page 23. The trend today in Latin America appears to be towards substituting tourist cards for visas, or for passports and visas. Occasionally, travellers engaged in business have entered certain Latin American countries equipped only with tourist cards, but this practice is not recommended. A prospective traveller should check carefully with the representatives of the countries which he intends to visit about the documents which he will need, or rely upon the travel agency to check and recheck visa and other requirements. This is the only safe way to proceed.

Situation Will Improve

The business traveller who has already had experience with involved documentary requirements will be interested to hear that various organizations are working for the simplification, standardization, and above all, the reduction in the number of "national" travel documents. For example, the International Air Transport Association and the International Civil Aviation Organization have attacked persistently the red tape frequently encountered by airline passengers. With the help of other international bodies, governments, and professional associations, this campaign is meeting with some success.

One encouraging development took place at the Sixth Inter-American Travel Congress held in Costa Rica in April 1956. There the representatives of 19 of the 21 American republics unanimously adopted (subject to ratification) a series of far-reaching resolutions. One of these called for the reduction of documentary requirements for travel between their countries to three basic papers—proof of identity and nationality, a simple embarkation-debarkation form for statistical purposes, and the international certificate of vaccination.

Because the man travelling on business often must go to countries off the tourist track, because he must comply with these exacting documentary regulations, and because his time is valuable, he frequently turns to the authorized travel agent to help him plan his trip. The agent works hand in hand with the steamship lines, the airlines, and the commercial and resort hotels. Just how many people turn to the travel agent to do their planning for them was revealed in testimony before the Civil Aeronautics Board in Washington and New York several years ago, when it was stated that agents make 50 to 85 per cent of transatlantic air bookings. The same applies to steamship bookings. An official spokesman for the Trans-Atlantic Passenger Conference (which includes the principal Atlantic and Mediterranean steamship lines) remarked recently that "on the North American continent, more than three-quarters of the transatlantic steamship tickets are sold through the medium of travel agents".

Passports and Visas . . . a Few Pointers

THE TRAVELLER to foreign countries will find that many requirements are common to most countries—for example, a passport. But as he travels from place to place he is apt to find certain regulations that are peculiar to only one country. There are two important principles to follow:

One, find out the proper procedure from the Mission in Canada of the country you plan to visit, and two, do not plan any trip at the last moment or you may be disappointed. You must obtain passports, health documents and visas and these may take longer to complete than you think. Some foreign governments require their officers in Canada to check with the home office before issuing a visa to a businessman; this could mean a delay of weeks.

To avoid embarrassing situations and annoying delays, be sure to check regulations ahead of time. Here are a few to keep in mind:

- *Carry a valid Canadian passport; most foreign countries require it. One notable exception, of course, is the United States where proof of identity and of Canadian citizenship are the only requirements for a stay up to six months. (If you wish information about passports and visas for various destinations, write to the Passport Officer, Department of External Affairs, 40 Bank Street, Ottawa.)*

- *Obtain all the necessary health documents or valid immunization certificates for each country you will visit.* *(For details see box feature on page 24.)*

- *If entry visas are required, obtain them from the Mission in Canada of the countries concerned. In some cases the traveller may have to carry a transit visa to pass through a country to and from his final destination; these also are available from consulates in Canada.*

- *For leaving most countries, presentation of a passport at the border is usually sufficient. Some require an exit visa as proof to border authorities that the traveller has no financial or tax obligations and has committed no crimes during his visit.*

- *Some countries require a business card, or subject the business visitor to additional forms and procedures: be sure to inform foreign government officers of the purpose of your visit so that there will be no misunderstanding later.*

- *Become acquainted with customs requirements and regulations covering currency brought in or taken out of the country, travellers' samples, and so on. You should also investigate local income tax regulations as they affect the taking of orders during your stay in the country.*

N.B.: When you apply for a visa you usually have to show a valid passport; proof of financial means or sponsorship by a citizen for the time you will be in the country; a return travel ticket or a ticket for a country beyond; in some cases, proof of good character and good health; and any valid international vaccination certificates required.

An efficient and well-established travel agent is in an excellent position to provide his client with objective, experienced service. He can advise him about alternative carriers and routes, draw up precise itineraries, book transportation (including car purchase or hire), reserve hotel rooms and, if necessary, arrange for meals, transfers, etc. He can provide the answer to the businessman's questions about passports, visas, currency, tipping, and photography. He can suggest the best seasons to visit certain countries and the proper clothing to pack. He can look after baggage and the forwarding of exporters' samples. The inexperienced traveller who tries to look after all these details himself often ends up thoroughly confused or finds he has paid out a good deal of money for rather unsatisfactory arrangements. He may, for one thing, arrive in a strange country only to find that all the hotels in the city he wants to visit are jammed. The business traveller particularly, who wants to make every moment count, cannot risk delays and confusion.

What about Fees?

In most cases, the travel agency does not charge the traveller for its services. Instead, it receives its modest commissions from the airline or the steamship company, and the rate of commission is fixed by the respective Conferences. He charges his client exactly the tariff fare. (British and European railways also pay a commission on bookings to agents in the Western Hemisphere.) Nor does the agent charge for consultation. He does, however, charge a small fee in certain cases:

1. When he is asked to set up a conducted "package" tour for a group.

2. When he must plan and arrange a tailor-made "foreign independent tour", which involves a great deal of additional work.

3. In booking certain hotels. This small service fee is necessary because the country concerned either does not permit the transfer of commission funds abroad, or because many hotels do not make a practice of paying commissions to agents.

Most travel agents belong to the American Society of Travel Agents (ASTA) which has a world-wide membership of over 3,000—including, as "allied members", transportation companies, numerous hotels, public relations and advertising firms, and representatives of many government tourist bureaux. The 1,200 active members of ASTA (that is, American and Canadian travel agency members) solicit and process about 90 per cent of travel agency bookings in North America and ASTA membership has become a guarantee that the client will receive good service.

Healthy and Wise . V

VALID HEALTH CERTIFICATES are a necessity for a trip abroad and the wise traveller inquires well in advance about the documents he should carry and the inoculations he will need. The regulations vary widely from country to country, but here is a brief outline of the more common requirements. The traveller should, however, check with an authorized travel agency or with the Quarantine Service of the Department of National Health and Welfare or with foreign government representatives before making final plans.

Health Documents

- *International Certificates of Vaccination—the only form of vaccination certificate which is recognized by all countries. These must be completed and signed by your doctor, then stamped by some recognized government health authority (federal, provincial, or municipal) to make them valid.*

Smallpox—carry proof of vaccination within the past three years. Although you may visit some countries in Europe without it, you cannot return to Canada without being vaccinated before you land. Most countries, however, require smallpox vaccination certificates.

Yellow fever—many countries require the traveller to show a certificate of vaccination against yellow fever if there is a possibility that he has been exposed. Regulations covering air travellers are strict in several countries and notably India, Pakistan and Ceylon which impose nine-day isolation on all air visitors who fail to present a valid vaccination certificate. There are two yellow fever zones: in Africa, the area between the Union of South Africa and countries bordering on the Mediterranean; in the Americas, all countries between a line drawn from Honduras to Tobago and as far south as southeastern Brazil and Bolivia. Worst yellow fever areas in each zone are in the tropical forest regions. Vaccination for yellow fever is administered at special centres in Canada by the Department of National Health and Welfare.

Cholera—a certificate is required by India, East Pakistan, Burma, China, and other parts of South East Asia where there have been severe outbreaks in recent years. The vaccination is good for six months but a booster shot should be obtained every four to six

...e . Word to the Traveller

months, or as long as you are in an area where there is any danger of infection. Persons entering Canada from an infected area require a valid certificate.

• *Personal Health Certificates—several countries in Latin America require a health certificate signed by a doctor and approved by a Canadian health authority before granting extended visas or resident privileges. Brazil still requires all travellers to present a certificate on a consular form filled out by a physician designated by the Brazilian Mission in each country.*

To Protect Your Health

Although no country requires vaccination certificates for the following diseases, the traveller should make sure he is protected when necessary against:

• *Typhoid and paratyphoid fever (strongly recommended for foreign travel).*

• *Tetanus (for protection in case of accident).*

• *Typhus (borne by lice, usually in areas where living conditions are poor; freedom from infestation is best protection but vaccine is used).*

• *Diphtheria (if not immune as indicated by the Schick test).*

• *Plague (only if there is an epidemic in the country the traveller expects to visit).*

Canadian travellers going to or coming from Alaska, the Bahamas, Bermuda, Cuba, Greenland, Hawaii, Iceland, Jamaica, Panama, Canal Zone, Puerto Rico, St. Pierre and Miquelon, the United States, and the Virgin Islands are not required to carry smallpox certificates nor any other proof of vaccination. Persons arriving in Canada from an area of a country where yellow fever is reported are required to show proof of yellow fever vaccination if headed for a yellow fever receptive area in the United States.

Material used in this box feature was supplied by the Department of National Health and Welfare, and for the feature on page 23 by the Department of External Affairs—Editor.

Out of long experience in the planning of trips for business and other travellers, I am setting out a few simple but important details which the businessman going abroad should watch:

1. Be sure to allow sufficient time to complete visa and other documentation for certain countries.

2. If you are going to Europe or travelling across the Atlantic, book your westbound Atlantic steamship passage or your return air passage before you leave Canada. This is especially important if you are travelling by ship.

3. Check and confirm all connections and transfers *in good time* while you are travelling.

4. Reconfirm your various air reservations according to the instructions printed on your ticket and in the timetables. (Your agent should remind you to do this.)

5. Reserve British and Continental hotels well in advance during the late spring, summer, and early autumn—several months in advance, if this is feasible. In London and Paris, where the hotel situation is always very tight, bookings should be made well ahead at any time of year. This also applies to the busy seasons in South America, Bermuda, and the West Indies.

For Australia, New Zealand, the Philippines, Japan, Hong Kong, Indonesia, Singapore, India, Pakistan, the Middle East, and for Africa, reservations in advance are absolutely essential. The numbers and size of reasonably good hotels in these areas are limited and the businessman must have *confirmed* reservations, made normally at least two months before arrival. The transportation companies, the agents, and the travel trade organizations continue to feel concern over the availability of hotel space outside the Western Hemisphere.

6. Carry travellers' cheques in American dollars, and also take with you some American bills and, if possible, small amounts of the currencies of the countries you will be visiting. In most European countries, the traveller can purchase local currency at frontier airports. These exchange offices will usually take any excess of the currency of the previous country visited.

7. Take sensibly light but durable baggage, especially if you are going by air.

8. If you wish either to purchase or hire a car for use on the Continent or in Britain or elsewhere, or to ship your own car, check with your travel agent about procedure.

9. Inquire about the seasons in the countries you plan to visit and adapt your clothing to the climate. •

They've Tried It
. . . and It Works

Does a business trip abroad really pay off in orders? It does, say the export managers of three Canadian companies, interviewed by "Foreign Trade"—if the traveller spends his time to best advantage. Here is their advice to the exporter embarking upon a first foreign visit.

O. MARY HILL, *Editor, "Foreign Trade".*

A VISIT TO FOREIGN MARKETS helps the exporter to establish personal relations with agents and with customers, gives him an insight into buying habits and marketing practices, and increases his sales. But these results only follow if the traveller does some fact-finding first and then uses his time to advantage.

That's the considered judgment of the export managers of three Canadian companies interviewed by *Foreign Trade*. Each company sells a different type of product; their markets and their approach vary. But each of them is convinced that personal selling pays.

A. C. Bornemisa, Manager of the International Division of Canadian Canners Limited, has in the last two years visited some 20 countries in Central and South America, the Caribbean, and Europe. Philip Sanford, export manager of the Arborite Company Limited, has in the same space of time travelled in Africa, the Middle East, and Latin America. William E. Lett, export manager for Noranda Copper and Brass since 1952, has concentrated his journeys in Latin America, where sales opportunities for his company's products appear most rewarding.

From our talks with these advocates of "seeing for yourself", we emerged with some sound advice which the prospective traveller might bear in mind.

(1) *Plan to spend some time on research before you set out.* Read all you can about each country, its economy and its people, before you leave. This will prepare you to talk to businessmen there. Study statistics on the markets you intend to visit. Find out what your competitors are selling there and at what price. The best way to do the latter is to send your price list to the Trade Commissioners in the countries you plan to visit, asking them to check it against competing products. Mr. Bornemisa follows this practice. He also works out in advance the laid-down costs of his merchandise in the currency of each area, and the freight rates from Canadian port to the various ports of destination.

(2) *Make your arrangements and your reservations well in advance.* This includes writing in good time to the Trade Commissioner asking him to arrange appointments. Two of the men we interviewed leave it to the Trade Commissioner to make hotel reservations for them; the third prefers to do it himself. Tell the Trade Commissioner how many days you plan to spend in his territory and whether you wish to interview prospective agents or customers or both. Tell him what your problems are so that he can do some thinking about them before you arrive. It is also a sound idea to carry with you introductory letters from your Canadian bank to its foreign correspondents. Such letters may help in obtaining useful introductions and commercial references.

If you already have an agent in the territory, write him about your plans well in advance also.

(3) *Don't operate on too tight a schedule.* It is wise, especially if you are travelling by air, to allow a little leeway to take care of unexpected delays. Mr. Sanford suggests spending a *minimum* of one week in each major market and at least two clear working days in any place which you visit on business. It's important too to check with the Trade Commissioner or your local agent about holidays in the various countries. Not knowing about them can disrupt a carefully planned trip.

(4) *Take some sales aids with you.* Mr. Bornemisa, who sells canned foods, sends some samples of his line in advance to each point on his itinerary. Mr. Sanford, of Arborite, follows this practice too and also takes descriptive literature—if possible, in the language of the country he is visiting—plus pictures

in both colour and black and white of various ways in which Arborite can be used. In sending samples to the Trade Commissioner, be sure to authorize him to clear them through Customs and pay the duty, making it plain that you will reimburse him.

(5) *Stay at first-class hotels and entertain your customers in proper style.* This applies also to government officials with whom you make be talking business. Mr. Lett points out that this is particularly important in Latin American countries. The formality of an office visit gives way to a more relaxed atmosphere, conversation is less hurried, and there is time for the visitor and his guest to get better acquainted.

(6) *On a first trip, or if you are pressed for time, concentrate on choosing and training agents.* Try to find out how the agent is regarded by the business community and whether he already has contacts in your line of business. Make your own estimate of his personality. Mr. Bornemisa makes it a practice not only to become acquainted with the top executives in the agency he selects but also with the sales force, who are directly concerned with moving his merchandise and may need help with selling problems.

(7) *If possible, call on present or prospective customers with your agent.* Calling on all of them may not be feasible in one short visit, but a few should be selected and called upon during each trip. It is important, says Mr. Lett, to see any who have complaints or who have encountered problems in using your product. A talk face-to-face usually minimizes the complaint and straightens out matters quickly.

(8) *Don't try to cover too much ground in one trip.* If you are a beginner in export trade, it is usually better to concentrate on one area and get your sales there well organized. Then investigate additional markets.

(9) *Follow up on your visits promptly and carefully.* Make sure that the businessmen on whom you call receive quickly any literature, samples or other information which they request. Mr. Sanford carries a dictaphone with him and every day or two dictates reports, requests for samples, and so on. He then airmails the dictation to home office, which carries out instructions immediately.

(10) *Make personal selling trips a continuing assignment.* For best results, these seasoned business travellers say, you should revisit an active market every year, particularly when it promises well and is reasonably accessible. Once business is going smoothly and your representatives there are able to manage by themselves, your visits can be less frequent (say every two or three years) and you can turn your attention to other areas. ●

Selling Abroad: the Techniques

In what way can the gaps between Canadian exporter and foreign customer best be bridged? What are the advantages—and the disadvantages—of indirect and direct selling abroad? These and other questions which the new exporter asks are discussed in this article.

O. MARY HILL, *Editor, "Foreign Trade"*.

THE CANADIAN FIRM which has investigated foreign markets for its products and has resolved to enter the export field at once faces a pressing problem. What is the best method of making export sales? At home the sales department can select, train and supervise the sales force; in a foreign setting, distance, language, different customs, and many other factors complicate the situation.

The novice who asks the veteran exporter: "How shall I go about selling my products abroad?" usually receives the answer: "That depends." It depends on what product he wants to market and whether it calls for a technical man to sell and service it. It depends on whether the manufacturer wants to sell abroad consistently or only occasionally. It depends upon which market or markets he has in mind. It depends upon how much time and effort he is prepared to put into export business.

Generally speaking, two methods of export lie open to him—the indirect and the direct (or possibly a combination of the two). Indirect exporting may be done in several ways, but the following are the most usual:

- *Export Merchant or Export House*—The firm sells its goods directly to the export merchant, who pays for them in cash and re-sells them to foreign customers. The merchant usually has his own agent abroad, or may even have branch companies in various countries. Many export merchants specialize in certain areas and some in certain products, such as dairy products, paper, chemicals, or flour. The export merchant always operates as a principal and not as an agent for either buyer or seller. This type of organization is perhaps more common in the United Kingdom and in Europe than it is in Canada.

- *Export Agent*—The export agent, generally speaking, serves the manufacturer as an export department. That is, he secures orders for his client's product abroad, attends to the shipping, documentation, and so on. For this, he charges the producer a commission on sales. He usually represents his client on an exclusive basis in certain territories.

- *Buying Agent*—The buying agent commonly acts on behalf of an overseas customer. Like the export agent, he looks after all the details of forwarding the goods and adds his commission to the price which he charges the foreign customer. In some cases he pays the producer on behalf of the overseas customer; otherwise, he receives a commission from the customer on payments made directly to the producer.

Advantages of Indirect Method

Many firms find that one of these three methods of exporting best meets their needs. The indirect technique takes most of the risk out of export and makes it unnecessary to set up an export department. The agency looks after the intricate detail of documentation and shipping; export and buying agents may even assume the credit risk. Marketing abroad, in fact, becomes almost as straightforward as marketing at home.

Indirect exporting has proved to be a good way for a company to "feel out" export markets before committing itself fully. A product can be introduced to foreign buyers, demand initiated, and sales volume built up. Meantime the exporter, untroubled by sales problems, can concentrate on production and on

When the exporter uses a local agent, it is usually a good practice to have an expert from head office visit customers with the agent to discuss technical difficulties or complaints.

prompt attention to export orders. Many exporters testify that it is a good way to sell specialties and also to reach certain markets. One firm, for example, sells to the British West Indies through an export merchant who has a quota under the British West Indies Trade Liberalization Plan.

There Are Disadvantages

The indirect method of exporting undoubtedly has its advantages; some experienced producers continue to make use of export representatives to cover certain areas. But there are disadvantages too. The exporter cannot control his foreign sales made through these channels in the same way that he controls domestic sales, nor can he drive as hard for sales volume. The buying agent, for example, primarily tries to please the foreign customer, not the Canadian manufacturer. And in any type of indirect export the exporter largely ceases to have control over markets or over export policy. One expert puts it this way: "The greatest weakness of indirect export, the one in fact which includes all the others, is the one inherent in being separated from customers and markets".

Direct Export

If the exporter decides that he prefers to set up his own export department and deal directly with foreign markets, he then selects one of several methods of making export sales:

1. *Direct sales by the producer in Canada to the seller abroad*—This is a common way of selling to large consumers such as department stores, clothing factories, and users of bulk foodstuffs.

2. *Selling through resident agents abroad*—This method is the one which the majority of Canadian companies adopt. The exporter chooses agents in the areas in which he wishes to trade. Most agents ask for an exclusive contract in their territories.

3. *Setting up branch sales offices abroad*—Many firms move on to this stage after building up sales through the agency system. It involves sending out salesmen from head office to staff these offices.

4. *Setting up branch sales offices plus warehouses*—This further step is often essential when the company deals in products that require after-sales service.

5. *Sales to government or government agencies*—Trade of this type is sometimes restricted to agencies which the purchasing government nominates. Sometimes also these sales are made by tender.

6. *Establishing subsidiary companies or manufacturing plants*—This development may be necessary because of foreign tariffs, patents and trademark legislation, taxation, or other foreign government policies.

Canadian firms often use different exporting methods in different areas, or progress from one stage of direct export to another. One large Canadian exporter, for example, often starts out in a new market by using resident agents. It then progresses to resident salesmen supervising sales in three or four countries. The third stage is the opening of a sales office, and the fourth the setting up of a subsidiary company.

Selling through Resident Agents

Because so many Canadian exporters sell abroad through exclusive agents, it is worth discussing at some length the selection, training and supervision of these "resident representatives". To begin with, there are two types of agents.

1. The agent who buys goods outright from the manufacturer, maintains his own warehouse, and resells to customers. This type of trading is particularly useful for products which have to be serviced as well as sold, and for which the agent must keep stocks and supplies of spare parts.

2. The agent who solicits orders for the manufacturer, forwards them for direct shipment, and receives a commission on sales.

The old recipe for hare soup begins: "First of all, catch a hare." In dealing with agents, the first step is to find the right one. If the exporter makes a wise choice, his subsequent problems are few; if the agent is unsuitable, problems multiply. One good method of approach is through the Trade Commissioner, who

When You Are Choosing an Agent . . .

In choosing an overseas agent for your company, you may want to check the following points before making your decision:

1. *How well does the agent stand in with the trade—and with the government authorities? The latter is especially important in some countries.*

2. *Is he already familiar with the field in which your company operates and does he have good contacts in it?*

3. *What non-competing Canadian lines does he handle?*

4. *Does he hold the agency for a competing product from any country?*

5. *Has he adequate accommodation and staff—and enough staff with commercial experience?*

6. *Is his main office situated in a good centre of business—keeping in mind the nature of your product. Has he adequate coverage of other important sales centres in the country?*

7. *Does he maintain adequate service facilities if yours is a product that needs servicing?*

8. *Are he and most of his staff nationals of the country in which the agency operates? (This is important in some areas.)*

9. *Can he advise your firm on packing, marking and other regulations, import controls, best methods of advertising, and so on?*

10. *Does he understand the local market thoroughly and the credit standing of prospective customers?*

11. *Is he willing to work on a trial basis for at least six months?*

can line up suitable candidates if the exporter is unable to do this himself. Whenever possible, the export manager or other top executive of the company should make the final choice on a personal visit, because the personality of the agent is most important. But it's not merely a matter of sizing the agent up in an interview: a number of points which should be investigated are listed in the box feature above.

One Canadian businessman who has been successful in the export field insists that a prospective agent should not be turned down just because his firm is small or new. In such cases, the exporter checks with the Trade Commissioner and other sources. If the firm is well known and well regarded, and has good contacts, it is probably a good risk. Sometimes a long-established agency has so many clients that it cannot devote much time to any one product.

Contracts and Commissions

Once the agent is selected, the next step is making an arrangement with him and agreeing on terms. Some Canadian firms insist upon a formal, written contract; others prefer an exchange of letters between the agent and the chief executive of the company; still others rely upon an informal agreement. The form of any written contract varies, of course, with the country. Certain companies prefer a contract that runs for a year, is renewed automatically, and may be cancelled on six months' notice by either party. Others like to make two-year contracts; some find five-year contracts practical. But most companies agree on the need for a trial period, although it seems to vary from six months to one year after the date of the first shipment. Some firms insist upon the agent contracting to do a stipulated volume of business.

The rate of commission on sales averages about 5 per cent, apart from advertising concessions; it may rise to 7 or 7½ per cent or higher in very competitive markets or if the agent guarantees the accounts. As one export manager puts it: "If the ante goes up, so does the commission". It is usual to pay the agent his commission (or perhaps a smaller one) even on orders which the company receives directly. On government orders the commission sometimes drops to 2½ per cent and on bulk goods such as wheat, coal, paper, and metals, it may also be lower. Most agents do not receive their commission until the goods are paid for. The usual practice is to pay the agent once a month or at least once a quarter.

When the agent buys outright from the manufacturer, the position is different and the only problem is payment terms. One pharmaceutical company which sells in this way ships to a new agent on letter of credit only. After a trial period, the terms may be cash against documents, or even several months' credit.

Training the Agent

Like salesmen in the home market, the agent needs to be educated in what a product can and cannot do, and in how to sell it. This is even more vital for him because he has to operate so far away from the manufacturer's plant. The export manager should begin the process when he is visiting the agent's territory.

Together they can sit down and discuss the selling points or the export manager can take the agent on a demonstration selling round. One of Canada's leading exporters brings its agents to head office for a period of training so that they can learn how the product is fabricated and how it can be used. This isn't feasible for most companies, but many encourage the agent to visit Canada at some point, see the manufacturing process for himself, and meet the credit and advertising people. Few firms pay the agent's travelling expenses but most look after his entertainment while he is in Canada.

Give Him Sales Aids

If he is to do a good sales job, the agent needs effective sales aids, such as samples, catalogues, technical literature, and inexpensive give-aways. Some companies assume that the mere sending of a catalogue and a few samples is enough. This is short-sighted. A Canadian with intensive experience in widely scattered foreign markets remarks: "When a firm sends out a salesman in Canada, he is not expected just to hand a catalogue to a would-be customer with the words: 'Read this—it will tell you everything you need to know.' The salesman has been trained to supplement the catalogue with a detailed account of all the virtues and uses of the product. This is just what is lacking in many agents. If the Canadian exporter would prepare a special sales screed outlining all the virtues of his product and its advantages over substitute lines in appearance, wear, etc., it would be of immeasurable assistance to agents thousands of miles away."

Many Canadian firms do see that their agents receive helpful sales aids. These vary, depending upon whether the agent is selling a consumer product or a complicated piece of machinery. Some firms supply the agent with a stereoscopic viewer, plus slides that show the product in use. Others give the agent stickers to use on his correspondence, counter cards for retail stores, or small advertising pieces to hand out, such as key chains or calendars. Technical brochures are a "must" for some products and normally are supplied in the language of the country. A small number of companies get their agents to send in lists of prospects, and then prepare and dispatch direct mail pieces in the proper language. (Export advertising and other forms of sales promotion abroad are discussed more fully in an article on page 84.)

If the firm operates in a specialized field, the agent may need skilled help from time to time. One pharmaceutical company, for example, sends its medical director on periodic visits to its foreign markets. The chief purpose is to give the agents and their detail men a refresher course. An explosives manufacturer has a technical expert covering its markets regularly—not to sell its goods but to explain to customers how to use them properly. These experts also can investigate complaints and help to settle them.

One excellent way of maintaining good relations with the agent is to correspond with him regularly, and to see that he receives copies of any letters that touch on matters which concern him. Keep him always in the picture. If his orders cannot be filled at once, write and tell him why. If the company hears of a projected development (government or otherwise) that may mean orders, let him know about it. Some firms correspond with the agent in his own language; others do not, but nearly all have facilities to translate his replies.

Handling Agency Problems

Selling through agents does present certain problems. Among the more common, according to the experience of a dozen Canadian companies, are:

- *Complaints from the agent about competition.* This is sometimes an attempt to force the company to cut its prices or to raise his commission. Perhaps the agent has, to begin with, sacrificed part of his commission to lower prices and thus make more sales, and has found this doesn't work. The best approach is to have someone like the Trade Commissioner investigate the validity of his complaint.

- *Not enough time devoted to selling your product.* This often happens when the agency has too many lines to handle and cannot give enough time to each. Occasionally the agent only wants to add the name of your company to his list, without exerting too much effort to sell. An agent with fewer lines may do a better job.

- *Sales remain static.* A personal visit by the export manager is usually the best way to attack this problem. Careful study of statistics of imports into a country will show whether the firm's sales are increasing in proportion to the rise in imports. (One wide-awake agent in Ecuador examines ships' manifests and checks on competing goods coming into the country.) Perhaps the agent does not employ enough staff or spends more time in selling goods that pay a higher rate of commission.

- *The too-zealous agent.* In his anxiety to increase his sales, this agent may not be paying enough attention to the customer's credit standing and credit problems may be increasing. The usual solution is to make certain that the agent receives no commission until the customer pays for the goods. Or ask him to guarantee the accounts.

- *Problems beyond his scope.* Many of these problems, particularly in specialized products, may not be his fault. He needs prompt and skilled help, such as a man sent down from head office or the plant can give.

Experienced exporters say that problems with the agent are usually few if he gets what he wants most—a chance to do good business. It's wise, however, to make a habit of checking on his performance once a year. Is he doing a more or a less efficient job than he was last year? If the exporter cannot drop in on the agent regularly and judge for himself, he can seek the help of the Trade Commissioner. Many of the Trade Commissioners also report to Canadian firms any changes in the status of the agency, such as financial difficulties or the death of a partner.

Direct Representation Overseas

The company with a large stake in export often reaches the point where sales seem to justify setting up branch sales offices in certain territories. The establishment of overseas offices, staffed chiefly by salesmen sent out from Canada, naturally proves more costly than selling through agencies. It also involves, in most cases, looking after a man and his family—to say nothing of finding salesmen who will adapt to the new situation and who will get along well with foreign businessmen. Sales branches should therefore only be set up when returns will be large enough to cover expenses and leave a profit—even when sales are slow. Several of the Canadian automobile manufacturers and pulp and paper companies, among others, have chosen this method of distribution. (Sometimes direct representation is combined with an agency agreement, with the company's own salesmen working in the agent's office.)

Many exporters, both here and in Britain and the United States, insist that too few companies take this plunge. One of them puts it succinctly: "The local agent, almost of necessity, has to handle a large number of lines and of course will only push those items which sell easily. This . . . secures only a fraction of the sales which can be obtained through branch offices where the employees are well trained and enthusiastic over the company's product . . . There is always the question of overhead costs . . . but these are more than compensated for in the volume of sales achieved. Of course different products require different treatment but by and large . . . direct or branch sales offices could be applied successfully to most items."

Establishing a Subsidiary

The establishment of a subsidiary company or the setting up of a manufacturing unit in a foreign country is a complex operation that cannot be discussed here and which is treated in some detail in the article on page 118. Dollar shortages, import restrictions in the foreign country, foreign legislation, and many other things must be considered in making the decision. In some cases, the Canadian firm decides to establish first an assembly plant overseas, and out of this a complete foreign manufacturing plant may in time evolve. One method that has been used is to buy a share in a local firm engaged in a similar business.

Flexibility Important

In conclusion, most veteran exporters agree that the newcomer should tackle the problem of distribution abroad with an open mind. He should examine the various techniques for himself, not blindly adopting one which some other company has found useful. Different territories may call for different approaches; the important thing is to be flexible and to change when change is needed. Above all, the new exporter should begin a regular program of overseas visits. Only in this way can he "take the pulse of the market" and learn for himself how it is functioning. ●

Trade Terms and the Exporter

Many terms used in international trade have, over the years, come to have a precise meaning. Proper understanding and correct use of these terms is vitally important to the foreign trader. Some of them and their application are discussed and defined in this article.

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IN INTERNATIONAL TRADE there are a number of special terms—especially in connection with marine insurance—which are an integral part of that trade but which are unfamiliar in everyday language. Many of these phrases derive from ancient laws and customs of the sea and of trade.

They have one valuable feature—from long usage they have come to have meanings as precise as scientific terms. As one example, the word "freight" in shipping law is limited to meaning the price paid for the transportation of the goods. The goods themselves are called "cargo". It has been said that the law of the carriage of goods by sea and the law of marine insurance are both the essence of simplicity in theory: it is only in practice that complexities become apparent.

Because of Canada's geographical position and its size, goods and merchandise have to be transported great distances from their source to the consumer. The cost of such transportation must figure appreciably in the value of the merchandise and it is, therefore, most important that both buyer and seller at all times clearly understand who is to pay for the transportation. Ignorance on this point could quite easily transform what should be a profitable undertaking into a disastrous loss.

Moreover, the services of various specialists are required to ensure the prompt and efficient movement of goods from one country to another. These various essential services cost money and have to be considered in addition to the actual cost of carriage when one is buying or selling merchandise.

It is therefore of vital importance in international trade transactions to determine the exact point at which the title of the goods and with it the expense and responsibilities change from seller to buyer.

Every commercial transaction is based upon a contract and the trade terms have the important function in that contract of naming the exact point where the ownership of the merchandise is transferred from the seller to the purchaser. At the same time, the contract defines the responsibilities and expenses of the seller *up to that point* and those of the buyer *at that point*. In using the various trade terms, it is important to remember that the rights of each party correspond to the duties of the other.

Trade Terms Vary

The chart on page 34 illustrates the various points at which title changes. All charges above the line to domicile are for buyer's account.

Before dealing in detail with some of the more widely used trade terms, it should be pointed out that they are not accepted in all details by all trading countries. These terms have come into use over many years and although they are accepted in broad outline by the chief traders, the businessman must be on the watch for variations in various countries and even in certain trades.

The International Chamber of Commerce, through its National Committees, has done important work towards achieving uniform understanding among all member countries of the terms generally used in international trade.

The result of their work is the set of rules known as *Incoterms 1953* which offer the certainty of uniform rules in place of the uncertainties of the varied interpretations of the same terms in various countries. *Incoterms* lays down categorically that the *seller must* and the *buyer must*—there are no half measures—the various responsibilities are written out in detail. It covers seventeen different trade terms.

Where there were major differences in current practice, the principle was adopted that a contract price settled on the basis of *Incoterms 1953* would provide for mini-

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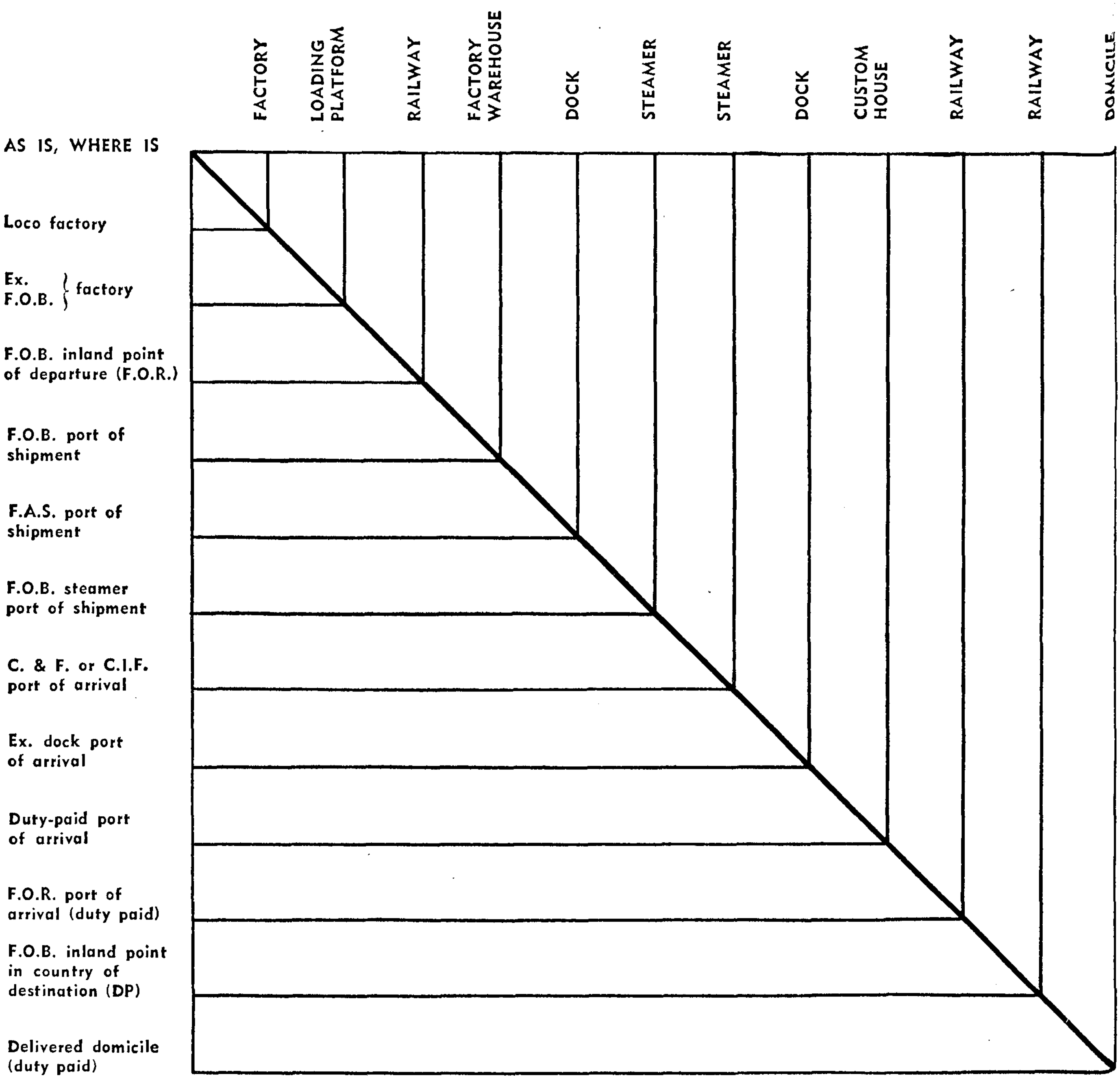
Trade Terms and Definitions



All changes above the line to Domicile for buyer's account

mum liabilities on the part of the seller, leaving it to the parties to provide in their contracts for greater liabilities than those in the set of rules, if they wished to do so.

In a few instances, provision must be made for the custom of a particular trade or port. Again variations may be required, such as *"Incoterms 1953,* C.I.F. plus War Risk Insurance", when the buyer insists on protection against war risks.

"As Is, Where Is" and "Franco Delivered"

The simplest sale on the part of the seller is "as is, where is". This type of sale is common at auctions, sales by government agencies of surplus goods, and so on. Where the sale is for export, the seller must guarantee the availability of an export permit, but there his responsibility ends. Last year, for example, a foreign government offered for export a quantity of firearms "as is, where is". The foreign buyer had the expense and responsibility of packing the guns, moving them to the port of export, and all other details in having them shipped until cleared through Customs of his own country and placed in his own warehouse.

The easiest terms of sale as far as the buyer is concerned is *franco delivered,* including duty and local cartage, to his warehouse. The buyer has only the responsibility of obtaining an import permit, if one is necessary, and passing the customs entry—at the seller's expense.

Steps in Moving Merchandise

Between the two terms of sale already described there are many expenses that accrue to the goods in the country of export. That is why it is normal for the buyer (importer) to appoint an agent such as a freight forwarder in the country of export. The following are some of the steps required in moving merchandise from the factory to ship's departure:

Export permit (if required)
Currency permit (if required)
Export packing
Cartage
Carriage to the docks, including preparation of bill of lading and payment of carriage
Payment of wharfage and/or shed storage
Weighing and sampling, if required
Completion of any necessary customs export formalities
Preparation of customs or consular invoices, as required in the country of destination
Preparation and submission of the ocean bills of lading
Prepaying ocean freight, if necessary
Obtaining insurance certificate—or policy—as required

The answer to the question who pays for any of these depends upon the terms of sale.

In dealing with the various terms, the businessman should bear in mind that some of them, as will be explained, have become loosely used, especially in North America, no doubt because they were first applied to domestic movements. It is usually best to interpret each term in its literal sense. This means, for example, always using the term "ex factory", rather than "F.O.B. factory" and avoiding any possible confusion between "ex factory" and "F.O.R."—(free on rail—or truck).

Briefly, one should remember that F.O.B. means free on board and means that the seller's responsibility and liability do not cease until the goods have passed the ship's rail. The term should, therefore, always be F.O.B. ship . . . (named port).

F.O.B. Ship (Named Port)

The seller must:—

1. Deliver the goods on board the vessel named by the buyer at the named port of shipment, in the manner customary at the port, and at the date or within the period stipulated.

2. Provide at his expense for customary preparation and packing appropriate to the nature of the goods and to their carriage by sea.

3. Bear all costs payable in respect of the goods until such time as they shall have effectively passed ship's rail at the port of shipment.

4. Give the buyer, at his own expense, such notice of shipment of the goods as may enable the buyer to insure the goods.

5. Provide at his expense the customary "clean" document, in proof of delivery of the goods on board the vessel.

6. Bear the costs of checking operations (such as checking of the quality, measure, weight, quantity) necessary for the purpose of loading the goods on board at the port of shipment.

7. Bear the costs of all dues and taxes payable in respect of the goods for the purpose of loading them on board.

8. Bear all the risks of the goods until such time as they shall have effectively passed ship's rail.

9. Provide the buyer, at the buyer's request and expense, with the certificate of origin and the consular invoice.

We have seen how confusing F.O.B. factory could be and similarly F.O.B. port of export—e.g., F.O.B. Montreal—can equally cause trouble because, in some cases, the seller really means F.O.R., or "ex factory".

F.A.S. (Free Alongside Ship)

F.A.S. (Free Alongside Ship) . . . (named port of shipment) is quite widely used and its meaning is clear.

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The seller must place the goods alongside the vessel during its loading period and pay all charges up to that point. Although the seller's legal responsibility finishes once he has obtained a clean wharfage receipt, actually, as in other terms, he is obligated to assist the buyer (at the buyer's expense) to obtain any other documents which the buyer requires to complete export and carriage, plus requirements for clearance at destination. This term is particularly convenient when dealing in heavy commodities such as locomotives, etc.

C. and F. and C.I.F

C. & F. (cost and freight) and C.I.F. (cost, insurance and freight) . . . (named port of destination) are also widely used and have been urged on both importers and exporters alike by experts. Exporters feel that under such terms they can channel all their exports in bulk through the agent (forwarder) of their choosing to their own port of export and then be in a position to patronize a flagship of their own country. From the importer's point of view these terms mean fewer responsibilities for him because it is the exporter who gambles (unless there is a suitable clause in the contract) on fluctuations in freight and insurance rates.

C.I.F. is a documentary transfer and it is therefore necessary for the importer to take up the documents at his bank even if the ship does not reach destination. Moreover, although the seller pays the cost of ocean transportation, the goods travel at the risk of the buyer.

Sometimes the seller is willing to assume the risk of exchange fluctuations that may occur between acceptance of the contract and the date of payment. In such cases the price is quoted C.I.F. & E. or F.O.B. & E.

C.I.F. & C. means the commission charged by a middleman is included in the price. Prices quoted C.I.F.I.C. is again a step farther, including not only the commission but also the interest charges which accumulate to considerable amounts in indent transactions.

However, traders should be most cautious at all times in using variations of the terms C. & F. or C.I.F. in their contracts. The reason is that over the years the courts have handed down judgments defining the various responsibilities of C.I.F. and C. & F. and the addition of a phrase may cause a court to refuse to recognize the variations as being a C.I.F. or C. & F. contract at all.

Arbitrating Disputes

In settling disputes which arise over the question of whether the contract has been properly carried out, importers and exporters have suffered under the disadvantage of being uncertain about what law of what country will apply to their contracts. The International Chamber of Commerce *Incoterms 1953* suggests that the insertion in foreign contracts of the following clause should take care of any necessary commercial arbitration:

> *"All disputes arising in connection with the present contract shall be finally settled under the rules of conciliation and arbitration of the International Chamber of Commerce by one or more arbitrators appointed in accordance with the rules."*

In many foreign countries, such as France, the United Kingdom, Italy, Norway, Belgium and the Netherlands, there are special commercial courts composed of businessmen who can, by reason of their powers plus knowledge of various trades, quickly arbitrate all disputes. In Canada no commercial courts exist, but a number of Boards of Arbitration do perform similar functions.

Meaning Must Be Clear

At all times, it is essential when either buying or selling internationally that the terms used shall have a clear and explicit meaning in the contract. Not only should both parties to the contract be aware of these terms but any agent who is appointed (such as a freight forwarder) should also be acquainted with the terms so that he will know who is responsible for the various charges.

Whenever inland freight is involved, the buyer should be informed of any applicable carload rates and be given the necessary minimum quantity. And when the ocean freight is collect, the seller should discover whether or not the buyer is a signatory to the Steamship Conference operating between the two countries.

For reasons already explained, even on a C.I.F. quotation it is advisable for the buyer to satisfy himself that the seller has insured adequately against marine risks, etc. In dealing with F.O.B. named port of export, it is usual for the buyer to take out full coverage warehouse to warehouse. However, if the seller is not situated in the actual port of export, it is advisable for him to take out his own insurance to F.O.B. point because, although the buyer has warehouse-to-warehouse cover, his insurable interest does not begin until the goods reach the F.O.B. point.

Misunderstandings can occur when trading terms are not clearly understood, and similarly difficulties can result if other terms, such as weights or measurements, are not clearly defined. When goods are sold by weight, it is essential to specify whether the price refers to *net weight* or *gross weight*. Usually the price is based on net weight. Packing is often a considerable item in export trade and contracts should specify clearly who is responsible for the cost of export packing.

The same name is given in different countries to units of weights and measurements which are in fact of different value. The libra of Argentina is equal to 1·0142 American lb., the libra of Mexico to 1·0146 lb., and that of Venezuela to 1·0161 lb. In most Latin American countries, 25 libras make one arroba while in Brazil there are 32 to one arroba. The United States and the British West Indies use the Queen Anne gallon, but the rest of the English-speaking world uses the imperial gallon. Commercially six American gallons are equivalent to five imperial gallons.

An English ton (often referred to as the long ton) is 2,240 lb. but the American or short ton is 2,000 lb. The metric ton is 2,204·62 lb. and the Spanish ton 2,271·64 lb. A hundredweight, which is abbreviated as cwt., is 112 lb. in the United Kingdom and 100 lb. in the United States.

A shipping ton for freight-rate purposes is equivalent to 2,240 lb. or 40 cubic feet, and the steamship company normally uses the measure that gives it the greater revenue. Certain conferences operating from the United States work on a 2,000 lb. ton. Here again, the businessman must always be sure of the exact meaning of the terms he uses. ●

Incoterms 1953 *may be obtained from the Canadian Council of the International Chamber of Commerce, 1411 Crescent Street, Montreal 5, Quebec; price 75 cents. A larger volume,* Trade Terms, *interprets ten trade terms as used and understood in eighteen different countries. It too may be obtained from the Canadian Council of the I.C.C., at a price of $2.00 to I.C.C. members and $3.50 to non-members.*

The definition of trade terms in the United States is frequently based on Revised American Foreign Trade Definitions 1941, *adopted by a joint committee representing the Chamber of Commerce of the United States of America, the National Council of American Importers, Inc., and the National Foreign Trade Council, Inc., and published in a pamphlet by the National Foreign Trade Council, Inc., 111 Broadway, New York 6, New York. Price 10 cents—Editor.*

Financing Export Shipments

Stiff competition in world markets means that Canadian exporters cannot always sell for cash or on letter of credit. Here a banker explains other methods of financing exports and the services which the chartered banks can give.

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THE MAJOR PORTION of Canada's foreign trade is financed and facilitated by the chartered banks under arrangements with their foreign branches and correspondent banks abroad. This system provides Canadian importers and exporters with a smooth-working, efficient banking service at reasonable cost. In addition to making outright advances against bills of exchange supported by documents of title covering both incoming and outgoing shipments, banks in Canada offer their customers a comprehensive range of financial and information facilities. Such services have been developed throughout the years to meet demands created by the steady growth of Canada's foreign trade.

Foreign Departments Established

Following the First World War, most Canadian banks established administrative departments in their head offices to deal with the many new problems presented by international trade and payments. It was during those years that the United States dollar began to challenge the pound sterling as a medium of payment on international account, and New York, for the first time in history, seriously rivalled London as banker for the world at large. With many currencies, including sterling, cut adrift from gold and fluctuating widely in terms of one another, foreign exchange quotations became a vitally important factor in the day-to-day calculations of traders and, consequently, their bankers. Canada's rapidly expanding interest in world commerce, accompanied by complex problems for the individual trader arising out of the first war and its aftermath, made it imperative for the banks to consolidate the general administration of their foreign business under the direction of specialized departments at head office. The functions and operations of these head office departments have been augmented from time to time to meet the changing needs of those engaged in foreign trade in all parts of Canada. Our bank, for instance, has sent representatives periodically to practically every part of the world since the last war to gather information at first hand to improve our services to the public.

Credit Risks

In export trade, as in the domestic market, the seller must assess the credit risk and quote terms of sale accordingly. In foreign trade, however, the credit risk must be considered in conjunction with the financial standing of the country to which the goods are being sent. The buyer may be perfectly willing and able to pay in his own currency but if his country suffers from a chronic shortage of foreign exchange, and particularly of dollars, the Canadian supplier may be faced with lengthy delay in obtaining settlement. He may even suffer outright loss.

Where buyers and sellers have an inter-company relationship or are otherwise well and favourably known to each other, and where there are no serious exchange transfer difficulties, exports are often arranged on an open account or consignment basis. Such sales are generally settled by mail or cable transfers through banking media and present no particular financing problems. These transactions are known as clean payments, and a large volume of these payments is handled daily by Canadian banks on instructions from correspondent banks around the world. Cash with the order is another relatively simple and effective method of settlement. This procedure is, however, seldom used in these highly competitive days.

The Documentary Draft

A large and growing proportion of Canadian export trade is financed by means of sight or time drafts drawn by shippers or buyers abroad. Such drafts are known as bills of exchange. They are usually accompanied by documents of title consisting of commercial and customs invoices, marine insurance policy or certificate, and a full set of ocean bills of lading, made out to the order of shipper and endorsed in blank—or, in other words, in negotiable form. In the case of sight drafts, these documents are normally released to importers only against payment, but when thirty-day or longer time drafts are used, surrender of documents usually takes place solely on the strength of the importer's written acceptance on the face of the bill. In every instance, the exporter must supply his bank with complete collection and settlement instructions.

The export may be financed by discount of the relative bill of exchange at the exporter's bank at time of shipment. Alternatively, the bill could be handed to the bank with instructions to collect before making settlement. Still another financing procedure is for the Canadian exporter to pledge the bills to his bank as partial or full security for a general line of credit.

Principle of Documentary Drawings

The basic principle behind documentary drawings is the fact that the seller is satisfied to start the goods on their journey before they are paid for, but he wants to be assured of payment before they actually pass into the physical possession of his customer. If the bill is drawn payable at so many days after sight or date, the buyer's written acceptance definitely establishes his obligation (but not necessarily his ability) to pay at a fixed maturity date. Apart from the exchange conversion feature, which is a serious factor in some countries, the main risk in use of documentary draft procedure is that the buyer may refuse or be financially unable to honour the drawing. Where the draft has been drawn at sight, dishonour usually results in expensive warehousing and other costs for the seller, pending disposal of the goods to another buyer, possibly at a substantial loss. The drawer's position in regard to non-payment at maturity of an accepted time draft is even more insecure, because the goods have already passed into the hands of the buyer and probably have been disposed of to third parties. Costly legal proceedings, followed by partial if not complete loss, are often the result.

It is, therefore, evident that Canadian exporters should be fully satisfied not only with the reliability of buyers but also that foreign exchange resources and general economic conditions in the country of import will permit prompt settlement. Reports on the credit-worthiness and general reputation of foreign firms may be obtained by airmail or cable through your own bank anywhere in Canada. Similarly, the branch of the bank you deal with has ready access to the latest foreign economic and other practical information available at the Foreign Department of its head office.

The Bank Act

The financing of Canada's exports not only covers the period between shipment of goods and final settlement from abroad but also begins at the first stages of domestic production. Under the provisions of Sections 86 to 90 of the Canadian Bank Act, the chartered banks are enabled to provide a large volume of short-term working capital to industry and commerce. The purpose is to facilitate the complete series of operations, from processing of raw material to finished product and to eventual disposal of surplus production in markets abroad. In fact, these sections of the Bank Act, which had their origin in "an Act granting additional facilities in commercial transactions" passed by the Parliament of the old Province of Canada in 1859, constitute the very backbone of our industrial production financing and, in turn, have an important bearing on the flow of our export trade.

Commercial Letters of Credit

The history of commercial letters of credit dates back to the earliest days of banking. Their origin is credited to Roman and Lombard money-changers who also are believed to have introduced the bill of exchange. While there are various definitions of letters of credit, the following one, I think, most aptly describes the purpose of the instrument: "A bank issuing a letter of credit furnishes its credit, which is both good and well known, instead of the buyer's credit, which may be good but is not so well known." The wording of definitions may differ but the basic fact remains that the establishing bank gives its own undertaking to pay to sellers stated sums of money against delivery of certain documents within a prescribed time.

Commercial or documentary letters of credit may be issued in various forms but, generally speaking, they fall into two main categories:

- *Irrevocable credits,* which constitute a binding and irrevocable obligation on the part of the establishing bank to honour drawings issued in conformity with terms of the credit. Such credits may not be cancelled or altered without the consent of all parties concerned. The Canadian bank through which the credit has been forwarded will add the following clause on the relative advice to the beneficiary:

This letter is solely an advice of credit opened by the above mentioned correspondent and conveys no engagement by us.

It is the practice, however, of many Canadian exporters to require the written assurance or firm undertaking of a bank in Canada that credits issued by a foreign bank will be honoured in due course. For instance, the issuing bank abroad may not be well known to the Canadian beneficiary or perhaps the importing country has a difficult exchange position which conceivably could interfere with performance of the issuing bank's undertaking. Provided, of course, it is instructed to do so by its foreign correspondent, the Canadian advising bank then assumes complete responsibility for the credit by adding the following undertaking to its letter of advice to the beneficiary:

We hereby confirm this credit and thereby undertake that any drafts drawn and accompanied by documents in order will be duly honoured upon presentation.

• *Revocable credits,* otherwise known as "Authority to Pay" or "Authority to Purchase". These instruments authorize payment to the beneficiary upon presentation of draft and specified documents—subject, however, to modification or cancellation without notice to the beneficiary. Such credits serve mainly as a means of arranging payment and afford the exporter very little protection. They are used infrequently and only where sellers have implicit confidence in the buyer's ability and willingness to carry out terms of sales contracts. The wording of these credits and any relative letters of advice should include this clause:

This credit is subject to revocation or modification at any time without notice to you.

Uses of Letters of Credit

The importance of commercial letters of credit and their usefulness generally in world trade warrants more detailed mention of their functions and use. First, it should be clearly understood that they deal with documents but not goods. Neither the negotiating bank in Canada nor the issuing bank abroad can accept any responsibility whatsoever for the quality or other characteristics of the underlying goods, but they must ensure only that the documents are made out strictly in accordance with terms of the credit. It follows that the importer should satisfy himself thoroughly through his bank of the general standing and reputation of the exporter before placing the order. Second, even an irrevocable credit offers limited, if any, protection to the exporter who is unable to meet the terms of the credit in every respect. If discrepancies occur in documents which cannot be corrected in time for delivery and the exporter furnishes the negotiating bank with a guarantee, he has, in effect, automatically signed away his rights under the credit. In other words, the foreign importer if he chose could refuse to take delivery of the documents because they did not agree with his requirements as outlined in the credit. It is easy to imagine what might happen if there had been a sharp drop in the price of the goods following placement of the order.

The United States and a number of other countries have drawn up a code of procedure governing commercial letter of credit transactions which is known as the "Uniform Customs and Practice for Commercial Documentary Credits". Neither Canada nor any other country in the British Commonwealth has subscribed to the rules and conditions of this code but nevertheless it is widely used by banks and commercial houses in this country for reference and general information. In addition, the National Foreign Trade Council Inc., New York, has issued a useful pamphlet containing definitions of trade abbreviations and terms.

The Foreign Exchange Risk

If the exporter sells for Canadian dollars, the exchange risk falls on the foreign importer, but if payment is to be made in the currency of the importer's country, the prudent exporter will protect himself against exchange rate fluctuations between the time of sale and of settlement. This he can do by selling a future to his bank for delivery at the approximate time the foreign funds are due for payment. An uncovered exchange position could easily cost an exporter not only his trading profit on the goods but a substantial loss besides.

Export credits insurance is a subject in itself but it plays such an important part in the development of Canada's export trade that it deserves special mention. Under the provisions of a policy issued by the Export Credits Insurance Corporation, an arm of the Canadian Government, the exporter is able to insure his shipments against most of the principal risks of loss. The Corporation will insure up to 85 per cent of the contract price at a moderate premium and these facilities, when pledged to the exporter's bank, materially ease financing requirements. (*An article on the Export Credits Insurance Corporation appears on page 46 —Ed.*)

The subject of financing naturally relates to banking, but this article would not be complete without mention of the facilities offered by private trade associations and by the Canadian Government. These facilities have done much in opening up world markets for our products. Intelligent trade promotion efforts of this type, combined with sound financing by the banks, place at the disposal of Canadian traders a combination which, we believe, is difficult to match. •

Marine Insurance

its place in the export sale

To the novice in export, marine insurance seems complex and the terms used baffling. In this article, a veteran in this field answers many of the questions which exporters ask about transfer of title, coverage, types of policy, etc.—and also explains some of the more common terms.

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MARINE INSURANCE IS ESSENTIAL to the financing of export sales and every care must be exercised in the preparation of the policy. The terms or insuring conditions, amount, etc., are governed by the sales contract, letter of credit, or custom.

The article on page 33 deals with terms of sale, particularly Cost Insurance and Freight (named port of discharge). An exporter's C.I.F. quotation to his customer should stipulate the terms of the marine insurance which he will furnish. This is necessary so that, in the first place, there will be no misunderstanding between the seller and his customer; second, to give the exporter the protection he needs until risk and title pass to the buyer, and third, to give the buyer an opportunity to order broader terms at his expense if he or his banker consider this necessary.

The International Chamber of Commerce in 1953 published *Incoterms,* or "International Rules for the Interpretation of Trade Terms", which, if they are incorporated in a sales contract, call for a very restricted form of insurance, leaving the buyer with the responsibility of asking and paying for broader terms. This is perfectly sound but it does not satisfy this writer because the suggested terms (F.P.A., or Free of Particular Average) are too restrictive. It is suitable to insure certain commodities on a limited form but practically all forms of manufactured goods require broad or so-called "all risks" terms, if these are available.

Who Is "at Risk"?

Under a *true* C.I.F. (port of destination) sale, the exporter is at risk until the goods are placed aboard the vessel at port of lading, after which the buyer is at risk although title may not necessarily have passed to him. The policy the exporter furnishes protects him in accordance with its terms while he is at risk, and thereafter it protects the buyer.

It is important to know and remember that although a marine insurance policy is assignable without permission of the underwriter, it can only be assigned while the assured (exporter) has an interest in the subject matter insured, unless beforehand he has expressly or by implication agreed to assign it. It is not unusual to find an exporter who has sold on open account holding the insurance policy until his invoice has been paid, in the belief that if the goods are damaged, he has some protection for the debt owing him. To do so on a C.I.F. sale probably has the effect of making the exporter responsible for delivery, thus destroying the character of the C.I.F. contract. At the worst, when the sale is made under a letter of credit there is an incomplete tender of documents and payment may and can be refused.

The exporter should endorse the policy at the time and in the same manner as he does the document of title (bill of lading). Insurable interest and title in the goods will pass to the buyer simultaneously.

Calculating the Premium

To the manufacturer or merchant in the export field the procuring of marine insurance is no mystery, although its terms may be. The insurance premium will depend on many factors—the commodity, its packing, the class of steamer carrying it to port of discharge, the final destination and, of course, the terms or conditions of the policy.

Preferably, the exporter should consult a broker or agent who is thoroughly competent. Marine insurance rates are not regulated by so-called Tariff Associations or Conferences, but the experienced intermediary will select a suitable company and secure a fair rate. With an increasing volume of exports and a favourable loss experience, the exporter will find that rates will be reduced and his costs will be less. Marine underwriters are as anxious as the exporter is to see that merchandise is delivered in sound condition, because this benefits everyone. The exporter's cost is lower, the underwriter makes a small profit, and the buyer is content. To this end the packing employed can be one of the most important factors and some insurance companies maintain a staff of experts in this field to help with the problem.

What to Insure Against

Turning now to the question of what perils should be insured against, we must first examine the sales contract. In making his quotation (C.I.F. port of discharge) the exporter will or should specify the terms of coverage he will furnish for the price asked. Next, he must look for variations of these terms in the acceptance or letter of credit if there is one. Should an extension of terms be required, any extra cost is for account of the buyer. It is essential that the policy provided state in the same words what is called for in the letter of credit. With this in mind, as soon as the exporter receives advice of the opening of the credit, he should consult his broker or agent and determine whether a policy can be written in the terms required. Quite often the foreign buyer or his banker use expressions which are meaningless and it is vital to the seller's economic well-being that amendments be made before the credit expires. Too often the exporter leaves consideration of the marine insurance until the day before the documents must be presented to the bank. Should a million-dollar sale be jeopardized through a fall in the market price, he may wish he had paid attention to detail.

The "Open Policy"

For the regular exporter, the open policy is the usual and most satisfactory contract between him and his underwriter. It is a contract under which the exporter agrees to declare every shipment sold on C.I.F. terms and those which the buyers have instructed him to insure. The underwriter in turn agrees to accept all such declarations and to issue a policy or certificate for each as the assured requires.

The open policy contains all the conditions of the insurance, including a valuation clause setting out the formula to be followed in arriving at the amount to be written. Often the goods are on the way to seaboard or actually aboard the ship before all the charges are known for the calculation of the insured value. If a loss occurs before the individual policy is issued, the liability of the underwriter is defined.

Because marine insurance as we know it had its greatest development in England, beginning early in the 14th century, the standard form of English marine policy is employed as the basic contract. There has been little variation for 200 years and although the wording may appear archaic, the meaning has been defined by the Courts and codified by statute. The following provinces of Canada have passed Marine Insurance Acts identical with the Marine Insurance Act 1906 Great Britain—first, British Columbia in 1926, followed by Nova Scotia 1941, New Brunswick 1943, Manitoba 1945 and Ontario in 1946.

In Quebec, provisions respecting marine insurance are contained in the Civil Code, Articles 2470, 2479, 2482, and 2492-2567. These are special conditions in the Civil Code which are similar to English law. Any differences are not substantial. In general, in the absence of Quebec statutory authority, one must fall back on English Common Law.

The basic form is amended by clauses or endorsements which alter its scope according to the needs of the assured. First in importance is the "Free of Capture and Seizure" clause which "takes out" the risks of war. These are put back in and defined by special wordings, to which can be added cover against the risks of "Strikes, Riots & Civil Commotions and damage caused by persons acting maliciously".

Each commodity has its special need for cover: liquids in bulk—leakage and contamination; machinery, stoves and refrigerators—breakage; flour to the West Indies where lighterage is necessary and tropical rains are sudden—fresh water damage; canned goods out of East Coast ports via the Panama Canal to West Coast ports or vice versa—ship's sweat. All these are additional to the cover provided by the basic marine policy. Each open policy must be prepared according to the needs of the exporter.

Terms Explained

It is difficult to discuss marine insurance without bringing technicalities into it; nevertheless, there are many inflexible rules. Some explanation of the terms Particular Average, General Average, and Sue & Labour Expenses may help the exporter to understand his policy a little better.

The purpose of the marine policy is to indemnify the assured for loss or damage caused by perils insured against. The manner in which the indemnity is fixed is set out in the Marine Insurance Act 1916 Ontario. Briefly, the assured is entitled to the same proportion of the sum insured as the goods are found to have depreciated. The depreciation is determined (in the absence of mutual agreement) by comparison of the gross sound and damaged duty-paid values at the place of arrival.

A Particular Average loss is a partial loss of the subject matter insured, caused by a peril insured against, and which is not a General Average loss. The following examples of the adjustment of Particular Average losses will illustrate the principle and demonstrate the effect of rising and falling markets.

Particular Average Demonstrated

An exporter sells 100 bags of flour C.I.F. Liverpool for $500 and furnishes a policy for $550. Upon arrival the flour is found to have been damaged by perils insured against, and cannot be used for the purpose for which it was bought. It is sold at public auction, with all charges payable by the seller, for $400 gross.

Upon arrival, the gross wholesale price of flour was $10 per bag. Therefore the value of 100 bags in sound condition was $1,000. In damaged condition it sold for $400 and the buyer lost $600 or 60 per cent of its value. The policy pays 60 per cent of the insured value or $330, so the buyer receives $400 from the sale and $330 from his underwriter, or $730 against a C.I.F. price of $500. That looks like a good profit, but it must be remembered the buyer would have made a profit of $500 had the flour arrived sound.

But suppose that, upon arrival, the sound market value (duty paid) has dropped to $4.00 per bag and because of damage the flour sold for $2.40 per bag. This shipment has been damaged to exactly the same extent as the one above, 60 per cent. The assured recovers 60 per cent of the insured value or $330 and adding the proceeds of sale, $240, his total is $570. Had the flour arrived in sound condition he would have sold it for $400 for a loss of $100.

The adjustment of both claims was governed by the same principle—the policy pays the same percentage of the sum insured as the goods are found to have depreciated, without any consideration being given to market fluctuations. Before the days of controlled commodity prices it was not unusual to find flour or tea selling in damaged condition at destination for more than its purchase price at time of shipment.

It is not proper for the underwriter to settle for the difference between the insured value and the net proceeds of sale, although many consignees present their claims in this manner. An adjustment such as this is called a "Salvage Loss" and is only permissible when the goods are damaged and have to be sold before arrival at destination.

General Average Explained

A General Average act occurs where "any extraordinary sacrifice or expenditure is voluntarily and reasonably made or incurred in time of peril for the purpose of preserving the property imperilled in the common adventure" and a General Average loss is one caused by or directly consequent upon a General Average act.

A ship laden with cargo is on her voyage when fire breaks out in cargo, say in No. 2 hold. Steam and/or water is introduced into that hold and this saves the ship and the remaining cargo, but destroys or damages the cargo in No. 2 hold. The cargo unaffected by fire and smoke but damaged or destroyed by steam and/or water is sacrificed to preserve the ship and cargo imperilled in the common adventure. The owners of the cargo sacrificed are thus entitled to claim their loss from those who benefited. For this reason, the party at risk when the cargo is safely landed (the buyer under a C.I.F. contract) is required to put up cash or an underwriter's guarantee to secure payment of the proper proportion of the cost of the sacrifice.

In the foregoing example there are several kinds of losses. The cargo damaged or destroyed by water gives rise to a claim for a General Average loss—that is, one caused by or directly consequent upon a General Average act. The damage from fire and smoke is Particular Average or a Total Loss directly caused by perils insured against. Undamaged cargo must pay its rateable proportion of G.A. contribution to reimburse the owners of cargo sacrificed, and the latter must also pay G.A. contribution on the amount made good by the contributions of others.

The value on which cargo will be assessed is called its Contributory Value. In order that all shall contribute uniformly, this value is usually the wholesale market value at port of safe arrival and discharge, less duty and landing charges—that is, its worth in the condition landed, less all charges which would not have been incurred if the ship had failed to arrive. As the policy will pay G.A. contribution in full if the insured value equals or exceeds the contributory, it is essential that the goods be insured for more than their C.I.F. cost. In the absence of any special instructions from his buyers the exporter should add 10 per cent.

Sue & Labour Expenses

It is the duty of the assured (or the assignee) to take all reasonable steps to preserve the property from loss or damage which would be recoverable under the policy. A peril insured against must first be in operation, not just a fear that a peril will perhaps operate. Such expenses are paid in full even though the steps taken failed to prevent a total loss. In short, the assured should act as a prudent uninsured person would.

Take the example of the merchant who receives a shipment of tinned goods which has been wet by sea water. If he is prudent, he will immediately unpack the tins and dry and buff them, otherwise the pitting and rusting will soon destroy them all. The cost of this and of relabelling are Sue & Labour expenses which are recoverable in full. But suppose such action, reasonable and prudent as it seemed at the time, failed to save the tins and all or most became a total loss. The expense is nevertheless recoverable as well as the loss of or damage to the interest insured. What is prudent and reasonable can be determined by agreement with the underwriter's representative before the work is undertaken. If no representative is available, the assured is not excused from taking appropriate action immediately. As the Sue & Labour clause says: "It shall be lawful (i.e., a legal duty) to the Assured, their Factors, Servants and Assigns, to sue, labour, and travel for, in and about the Defence, Safeguard and Recovery of the said subject matter of Assurance without Prejudice to this Assurance—". It may sound archaic but its meaning is clearly defined.

Delay in Transit

The coverage afforded upon an open policy attaches from the time goods leave the warehouse at point of origin and continues in due course of transit until the goods are delivered into final warehouse.

The marine extension clauses which replace the warehouse-to-warehouse clause provide for continuity of coverage, if there is no interruption or suspension of the ordinary course of transit within the control of the assured. Thus, if either shipper or buyer elects to interfere with the ordinary transit by, say, delaying the shipment by holding it for the next vessel, the due course of transit has been interrupted and insurance terminates immediately. It is a simple matter to arrange for the continuance of insurance if the underwriter is given prior notice and an additional premium, if required, is agreed upon.

Should the shipment be delayed in transit for reasons beyond the control of shipper or buyer, insurance does not terminate.

The main exception to these general provisions of the marine extension clauses concerns shipments to South America. After discharge from the overseas vessel at a South American port, insurance continues for sixty days (or ninety days if via the Magdalena River) or until delivered into warehouse at final destination, whichever shall first occur. As distinct from shipments to other destinations, insurance after discharge from the overseas vessel is not terminated when the ordinary course of transit is interrupted for reasons within the control of the assured.

War, Strikes

The risks of war and strikes, as mentioned before, are insured by special wording added to the policy. Each is covered by a separate set of clauses.

The coverage afforded under the war clauses does not attach before loading on board the overseas vessel and terminates upon discharge from the overseas vessel at final port. When cargo is not discharged immediately, it terminates after the expiry of 15 days from the date of arrival of the overseas vessel at final port. The lack of coverage on land is of particular importance to those buying goods abroad. Whenever possible, they should leave this uninsurable risk with the seller by purchasing "F.O.B. vessel" or "C & F. port of destination" rather than "ex works".

Space does not permit a discussion of the provisions pertaining to transhipment, forced discharge or other conditions of these clauses, or of the special clauses used for "Sendings by Air" and "Sendings by Post". Any broker or agent can give details.

The strike clauses cover theft or pilferage by, or other loss of or damage to, the property insured caused by strikers, locked-out workmen, or persons taking part in labour disturbances, riots or civil commotions. In addition, they cover destruction of or damage to the property insured by persons acting maliciously.

These are primarily "on land" risks and the clauses cover from warehouse to warehouse.

Cargo owners who are aware of the continuous strikes etc., hazard normally insure against those risks as they do against war risks. It is not recommended that war risks insurance be excluded in view of the need for cover should there be an outbreak of war with little or no warning. And the additional premium is a very small one.

Claims Procedure

Though under the C.I.F. contract of sale it is the buyer's responsibility to make claim against underwriters or stand any losses not recoverable, it is desirable to know the procedure to be followed. The policy will instruct the holder to notify the appointed representative of the insurance company for survey of the damaged goods or, if there is no representative, to call in Lloyd's agent or surveyor to the Board of Underwriters of New York. The request for survey must be prompt. The delivering carrier must be notified and a claim lodged within the time limit set in the bill of lading, in order to preserve for underwriters their rights under subrogation. The following documents make up the full complement.

(1) Survey report

(2) Shipper's invoice

(3) Copy of bill of lading

(4) Original or negotiable copy of policy properly endorsed.

(5) Copy of claim against carriers and the latter's reply.

The broker or agent should prepare the claim according to the law and practice governing the adjustment of marine claims and effect collection for the exporter or his customer.

Contingency Insurance

Certain countries prohibit C.I.F. buying, thus compelling the Canadian exporter to sell C. & F. port of destination, or else to keep title and risk until delivery has been made to the final warehouse. The writer believes that most Canadians adopt the C. & F. type of sale after first securing themselves against loss by means of the irrevocable letter of credit. If the terms of payment are documents on acceptance or documents on payment or open credit, it is advisable to insure the goods. Such insurance is for account of the exporter only and only pays for loss or damage from perils insured against if the buyer has refused to pay his account. Upon any such payment the underwriter is subrogated to the exporter's rights to recover from the buyer to the extent of the amount paid out under the policy. This can be particularly valuable to the exporter whose customer has refused payment because the goods were lost or arrived badly damaged.

How Export Credits Insurance Works

What protection does export credits insurance give the exporter? What types of policy does the Corporation offer and what risks do they cover? How does this coverage help business to expand its foreign markets? Here is basic information on this important aid to export business.

A. W. THOMAS,
Assistant General Manager,
Export Credits Insurance Corporation.

EXPORT CREDITS INSURANCE is a vital part of any foreign trade enterprise. It is available to exporters in most major exporting countries and its purpose is to protect them against non-payment of foreign accounts.

The Canadian Government passed the Export Credits Insurance Act in 1944, and the Export Credits Insurance Corporation, a Crown Company, started operations in 1945. This development of a government-sponsored insurance plan did not represent any instrusion of government into the field of private enterprise—it merely provided a service which was not available from commercial insurance companies.

Export credits insurance recognizes the fact that, particularly when the transfer of the proceeds of export sales presents difficulties, there is no other means by which an exporter can cover his risks or even assess the risk properly. However, the Corporation was not intended to subsidize exporters but to enable them to compete with exporters in other countries who are similarly protected. In all cases, the exporter pays a premium for the insurance cover.

Types of Policies

The Corporation insures two main classes of business:

1. General commodities sold on short credit terms, or credit terms which are usual for the particular trade. These generally extend from cash against documents terms up to a maximum of, say, six months.
2. Capital goods sold on medium credit terms with payments ranging over a period of from six months to a number of years.

The General Commodities Policies are issued to cover an exporter's entire export sales for one year. For capital goods an individual policy is issued to cover each specific contract of sale insured.

General Commodities Policies

Two types of policies are issued to cover goods sold on short credit terms—the Contracts Policy and the Shipments Policy. The Contracts Policy protects an exporter from the time when he receives the order until he is paid; the Shipments Policy protects him from the date of shipment only. Both policies cover exactly the same risks and the only difference is the time at which protection begins. The Shipments Policy is designed for the exporter who does not need to protect himself against the risk of loss before shipment. If an exporter manufactures goods to particular specifications, or goods which are so marked or stamped that they are of no value except to the original buyer, then he should take out a Contracts Policy. This will protect him against his customer becoming insolvent or against anything else which may prevent the shipment of goods which could not easily be sold elsewhere.

Capital Goods Policies

Specific policies are issued to cover capital goods such as plant equipment, locomotives, ships, heavy machinery, etc., sold on terms extending from six months to a number of years. The Corporation issues an individual policy to cover each contract of sale. When he is selling capital goods, the exporter should approach the Corporation as early as possible during his negotiations with the foreign buyer. The reason is that the Corporation has to consider not only the nature of the equipment being sold and the financial standing of the foreign purchaser, but also current conditions and the long-range economic outlook in the importing country.

Risks Insured

The main risks of loss against which the Corporation insures are:

- Insolvency of the foreign buyer.
- Failure of the buyer to pay to the exporter within twelve months after the due date the gross invoice value of goods which he has duly accepted.
- Blockage of funds or transfer difficulties which prevent the Canadian exporter receiving payment.
- War or revolution in the buyer's country.
- Any other cause outside the control of both the exporter and the buyer which arises from events occurring outside Canada and the continental United States of America—for example, the cancellation of an import licence or the imposition of import restrictions on goods not previously subject to licence.

The Corporation does not cover trade disputes nor straight repudiation by the foreign buyer. This is one point which exporters find difficult to understand. The Corporation cannot accept the task of acting as an arbitrator between Canadian exporters and foreign buyers in a dispute about the quality or quantity of goods delivered. If there is any dispute, it must be settled before the Corporation can consider a claim for loss.

Blockage of Funds or Exchange Transfer

The Corporation accepts risks in all countries where the buyer, under the laws of the country, can pay for the goods in Canadian dollars, U.S. dollars, or sterling which is transferable to Canadian or American account. One of the prerequisites for transfer insurance coverage is that at the time the exporter accepts the order, the buyer must have been able under the import and exchange regulations of his country to import and pay for the goods. If the buyer's country, before due date of payment, puts through some law, order, decree or regulation which prevents the transfer of the necessary currency, the Corporation will pay the exporter its share of the loss.

Spread of Risk

To obtain export credits insurance coverage an exporter must, as a rule, insure his exports to all countries—excluding sales made against irrevocable letters of credit or those paid for in advance. However, an exporter may exclude the United States from his policy and still be eligible for insurance coverage, because he can obtain credit insurance from commercial companies for U.S. sales.

One of the basic principles of insurance is to have a broad spread of risk. If, for example, an exporter wishes to insure a particular shipment to Venezuela, then all shipments to Venezuela (excluding those made against irrevocable letters of credit) must be covered. Similarly, if he wants to insure shipments to Venezuela, then all countries to which he ships must be included in the policy. By maintaining a broad spread of risk, the Corporation can quote rates which are moderate.

During our twelve years' experience we have often found an exporter unwittingly attempting to select against himself. As an example, during the early days of our operation I was called into a meeting of top executives in one of Canada's oldest manufacturing companies to discuss the advantages of export credits insurance. The president asked me what our insurance covered and I told him "non-payment by foreign buyers". He then asked if the company could select the risks and exclude insurance cover on some of its older accounts. I told him that we required a broad spread of risk and could not allow exporters to select against us. The president then turned to the vice-president and said: "What is the sense of taking out insurance on Jean, José, or the Allens? Why, the Allens are the third wealthiest family in the country." Some years later, this "third wealthiest family" ran into financial difficulties and was unable to pay the Candian exporter a substantial amount of money. Fortunately for this particular exporter, he did take out an insurance policy with us shortly after the initial discussions and his loss was fully protected.

Country selection can also be costly. Some of our first "political risk" losses were in countries which many exporters had requested us to exclude because they felt there was no risk. In fact, there is a real risk of loss on shipments to any country in the world.

Co-Insurance Principle Holds

Another basic principle behind export credits insurance is that of co-insurance. The Corporation pays up to 85 per cent of the amount of any loss under the terms and conditions of the exporter's policy; the exporter bears 15 per cent. In this way he retains an interest in the account and a restriction is placed on the indiscriminate or reckless extension of credit. Any recoveries made after payment of a loss are split 85 per cent for the Corporation and 15 per cent for the exporter. The Corporation expects its policyholders to continue their business on the same sound commercial lines under which they would operate if they did not have export credits insurance. The advantage to the exporters is that most of the loss element is removed and he is encouraged to expand his foreign trade.

The Corporation wishes to interfere as little as possible with an exporter's normal business and accordingly establishes a maximum amount in each policy, applicable to any buyer in any country covered by the policy; the exporter may extend credit up to this amount without reference to the Corporation. The only requirement is that the exporter must either have had previous favourable credit experience with the buyer or have obtained two up-to-date credit reports from independent reliable sources which justify his extending credit.

If the exporter wishes to extend credit to an amount greater than that set out in the policy, he then applies to the Corporation for approval. (See article on sources of credit information on foreign firms on page 109.)

Credit Check Safeguards Exporter

The Corporation has credit information on thousands of buyers in foreign countries and this information is brought up-to-date from a different source every six months. If the information is detrimental, policy-holders who are shipping to the particular buyer are immediately informed. An interesting case concerned a buyer to whom a Canadian exporter had been selling for some time on a limited basis. However, the exporter developed a new product and sent samples to buyers in different countries. One buyer felt he could take $50,000 worth and sell it. To some extent he based his estimate on the import duty assessed on the sample. The exporter approached us for a $50,000 credit limit but, because of our own information, we refused to approve more than $25,000. This amount of goods was shipped and a short time later the buyer was assessed a substantial amount of extra duty. This happened after he had sold a quantity of the goods and he was placed in a bad financial position and became insolvent. The exporter suffered a considerable loss but was reimbursed for 85 per cent of it through his Export Credits Insurance policy.

Obviously, with the vigilance which the Corporation maintains in procuring up-to-date credit information from numerous reliable sources, when it refuses to accept a name submitted for a credit limit or reduces the amount of the credit limit, it is performing a valuable service for the policyholder.

Export credits insurance is not intended to make the exporter careless in granting credit nor indifferent to the importance of employing a thoroughly trained credit executive. Not every business enterprise, of course, is large enough to justify the maintenance of a full-time Credit Department, but every business must have someone whose duty it is to decide upon the financial and moral standing of the applicant for credits.

The function of export credits insurance is to protect against the unexpected and unpreventable loss incurred in spite of every precaution taken by the policyholder. No precautions can prevent the occurrence of each and every contingency which may arise. Death, business depression, calamities and many other casualties are beyond the power of credit men always to foresee with any degree of certainty, but they all contribute to the inability of the debtor to discharge his obligations.

Calculating Premiums

It is difficult to indicate even generally what the rate of premium per country may be for any particular exporter. Each exporter has his own markets, credit terms, problems and difficulties, and all of these must be considered in setting the rates. The premiums are based on the class or type of goods sold, the countries to which they are shipped, the credit terms, the volume of the exporter's annual sales, the spread of risk afforded to the Corporation, the exporter's previous loss experience, and many other factors.

Until the Corporation receives an application it is impossible to predict the premium rate for any particular country. However, the average rate of premium on risks underwritten for the twelve years the Corporation has been in business is less than 1 per cent, and premiums are allowed as proper deductions in determining the exporter's taxable income.

Rates of premium are strictly confidential between the exporter and the Corporation and so is the fact that he holds a policy. In making his application the exporter agrees that he will not discuss the policy nor any of its details with any other person or concern except in confidence with his bankers. It is impossible for the Corporation, for diplomatic reasons, to publish a schedule of rates or even to indicate how rates vary between different countries.

The premiums which the Corporation collects must be sufficient to produce enough revenue to cover operating expenses and probable losses; it is not out to make a profit but neither is it intended to subsidize export trade.

Applying for Policies

The exporter, in applying for export credits insurance, submits an application on a relatively simple form which sets forth the export sales he hopes to make during the next twelve-month period, in total and by country, and gives information on sales made during previous years. The Corporation then sends the exporter a letter of quotation with the premium rate for each country to which he ships and the terms and conditions under which the Corporation is prepared to insure his export sales. The application from the exporter is in reality an application for a quotation of premium rates and creates no obligation on his part. The exporter is free to decide, after receiving the letter of quotation, that he does not wish to use the facilities offered. If he accepts the letter of quotation he pays a deposit of approximately 10 per cent of the estimated premium for the year. This is refunded to him when his policy expires or is carried forward if he renews it.

The method of reporting export sales is simple. Before the tenth day of each month, the exporter makes a declaration of the contracts and shipments he has made during the previous month and reports them, in total only, by country. It is not necessary to list individual shipments to different buyers. He then calculates the premium at the rates set out in the policy and sends his payment with his declaration.

Loss Payments

It is only when a claim arises that the Corporation is concerned with shipments made to individual foreign buyers. Then the policyholder must show that he has complied with the terms and conditions of the policy.

Generally speaking, the Corporation covers losses arising from events outside the control of the exporter and the buyer. Losses are paid in accordance with the conditions set out in the policy—very broadly, as follows:

Insolvency—immediately after the insolvency occurs.

Default—twelve months after the due date of payment if by that time the debtor's insolvency has not been established.

Foreign Exchange Transfer—six months after the due date of payment of debt.

All Other Risks—six months after the occurrence of the event which causes the loss.

Upon payment by the Corporation, the exporter is usually required to instruct his bank to assign to the Corporation 85 per cent of all recoveries obtained.

Aid in Financing

The Corporation will agree to pay to any bank the proceeds of any claim payable under a policy. Accordingly, the possession of an Export Credits Insurance policy should help an exporter in arranging his financing because he has insured one of his most important liquid assets and the collateral value of his foreign accounts receivable is enhanced. There are two main ways of assigning his insured accounts to his bankers—he can either assign an individual bill or he can make a blanket assignment of all his foreign accounts receivable.

Many of our policyholders arrange with their bankers that they will not ship any goods to foreign buyers without having Export Credits Insurance protection. On many large capital goods transactions, the banks will not finance a long-term contract unless the exporter has such a policy.

The Case for Credit Insurance

The case for credit insurance is that, by reducing the element of risk in the granting of credit, it lubricates the credit system which is of the very essence of trade and prosperity. The cover provided by credit insurance protects the profit and loss account of the insured, and it also protects his working capital which will not get tied up in bad debts and long overdue accounts. Thus credit insurance should make possible a larger turnover of business on the basis of a given volume of working capital. The businessman insures his plant, his stocks and his workers. The prudent businessman also insures his book debts. The cost of such insurance, at less than 1 per cent on the average, is low. Few businessmen would hesitate one moment in raising the commissions paid an agent from, say, 3 per cent to 5 per cent if that agent—of undoubted financial solidity—agreed to guarantee up to 85 per cent of any losses accruing through business which he places.

Two examples will serve to show the value of export credits insurance to Canadian exporters.

An exporter who had done a relatively small volume of export trade before the Second World War but had geared his plant to high production during the war wished to do as much export business as possible to maintain maximum output. The firm realized that the domestic market could not absorb more than half of its production. The export manager knew he would have to compete with manufacturers in other countries and would have to meet the credit terms they offered. He told the Corporation that he could sell the goods but he didn't want to worry about accounts receivable and that, once the credit manager had approved a credit limit on a buyer, he would go all out to sell that buyer the maximum amount of goods. He wanted his mind free to develop and maintain demand knowing that, in the event of any non-payment or transfer difficulties, his firm would be reimbursed and would be carrying only a small percentage of the loss. A policy was issued to this company—whose export volume had been running less than $1 million a year prewar—and during its third policy year it did a business of over $10 million. In fact, the firm has averaged better than $6 million a year since taking out an Export Credits Insurance policy.

Recently another exporter approached the Corporation to insure a $6 million contract he was negotiating. He told us that he would not take on the business without this insurance. After a thorough investigation the Corporation agreed to insure and the contract was financed and shipments made. The Canadian exporter

93289—4

received payments of well over $1 million but suddenly the buyer's country ran into foreign exchange difficulties. Although the buyer made payments in local currency, his country was unable to convert the local currency into dollars and transfer them to Canada. The Corporation will pay this Canadian exporter 85 per cent of the amount of the unpaid debt if the dollars remain blocked.

All trade involves taking risks, and this is especially true of export trade, where it is more difficult to know the buyers well or to be conversant with trading conditions. To meet intensified competition in world markets, the exporter is finding that both the credit he must offer and the risks he must take are increasing. The knowledge that these risks can be insured with the Export Credits Insurance Corporation is often the factor which finally decides whether or not he accepts an export order. Export credits insurance is, therefore, a matter which every firm in export business should consider carefully.

Export Drawbacks: How They Operate

To encourage exporters, the Government refunds to Canadian companies 99 per cent of the duties and taxes they pay on imported goods that are afterwards exported in the same or in a different form. A digest of the regulations governing these "export drawbacks" may prove useful to traders.

W. J. CALLAGHAN, *Tariff Consultant.*

MOST CANADIAN MANUFACTURERS, IMPORTERS AND EXPORTERS are aware that our customs and excise tax laws and regulations provide for a drawback of the duties and taxes paid on imported goods exported in the same condition as they were imported, and on imported goods used in, wrought into or attached to goods exported. Many companies, however (particularly the smaller ones) do not take advantage of these drawback privileges.

Drawback on Imported Goods Exported

Section 275(1)(*a*) of the Customs Act states that "the Governor-in-Council may, under regulations made by him for that purpose, allow, on the exportation of goods which have been imported into Canada and on which a duty of Customs has been paid, a drawback equal to the duty so paid with such deduction therefrom as provided for in such regulations". Section 46(7) of the Excise Tax Act states that "a drawback of ninety-nine per cent of the taxes imposed by Parts IV, V and VI and paid on or in respect of goods exported may be granted under regulations of the Governor-in-Council". Part IV covers excise taxes on automobiles, beverages, cigars, etc.; Part V covers excise taxes on playing cards and wines; Part VI covers consumption or sales tax.

Regulations governing the drawback on goods imported into and then exported from Canada have been issued from time to time by the Governor-in-Council. The latest are those covered by P.C.125/4317 passed on October 18, 1946. These regulations are also set forth in Department of National Revenue Memorandum Series D No. 17, DB-5 dated November 1, 1947. This Memorandum states that when imported goods on which customs and excise duties and taxes have been paid are exported from Canada, a drawback of 99 per cent of the duty and taxes paid thereon may be allowed, subject to the following conditions.

1. "The drawback shall be paid to the exporter of the goods.
2. "Whole packages of goods as imported may be broken and part only exported, but no use shall have been made in Canada of the goods exported.
3. "The quantity and identification of such goods imported and exported and the amount of duties and/or taxes paid thereon shall be ascertained.
4. "Claims for drawback submitted on and after September 1, 1946, shall not cover goods exported for a period of more than twelve consecutive months and must be filed with the Collector and complete evidence attached thereto within a period of six months from the date of the last export entry covered by the claim. Such drawback claims shall not be paid unless the duties and/or taxes have been paid on the goods within three years of the date of exportation thereof, nor unless the entered value for duty of the goods exported, on which claim is made, is in the aggregate more than fifty dollars.
5. "Claims for drawback shall be made under oath before a Collector, Justice of the Peace or Commissioner for Taking Oaths, in such form as the Minister of National Revenue shall prescribe and shall, before payment, be verified to the satisfaction of the Minister, who may require, in any case, the production of such further evidence, in addition to the usual averments, as he deems necessary to establish the bona fides of the claim. Nothing in these regulations shall be deemed to alter or amend the law, or to affect any discretion vested in the Minister with respect to the payment or non-payment of drawbacks, and the Minister shall

93289—4½

be the sole judge as to whether any claims for drawback shall be paid in whole or in part.

6. "Upon the exportation of the goods entitled to drawback, export entry in triplicate, in the usual form (with the words 'Subject to Drawback' marked on the face), shall be filed with the Collector at the port of exit from Canada, naming the conveyance by which and the country or place to which the goods are to be exported and fully describing the kind and quantity thereof and also the marks and numbers on the packages.

7. "The following documents shall be delivered with the claim for drawback:—

   (*a*) "A copy of the import entry showing payment of duties and/or taxes on the goods imported and exported, on which drawback is claimed. If a copy of the import entry, however, has been furnished with a previous claim for drawback, it will be sufficient to 'refer' to such copy and indicate the claim to which it was attached, without furnishing a further copy of the entry.

   (*b*) "A certified true copy of the export invoice.

   (*c*) "A copy of the export entry, duly numbered and certified by the Collector at the port of exit where the goods were entered for exportation from Canada.

   (*d*) "A certificate of importation, sale or transfer, in form prescribed by the Minister, when the claimant entitled to drawback is not the importer of the goods.

8. "Drawback is not payable in respect of Customs penalties imposed on imported goods.

"Drawback is not payable in respect of goods referred to above which are returned to the country from whence they were imported, except and provided evidence satisfactory to the Minister of National Revenue is furnished that the goods are first, exported after processing in Canada as ordered at time of importation; second, are being temporarily exported to be further processed and reimported into Canada; or third, are purchased for export by the Canadian Commercial Corporation."

Drawback claims should be filed monthly unless otherwise instructed and should be submitted on Forms No. K.35 (Claimant's Oath and Statement of Claim) and No. K.32A (Certificate of Importation, Sale or Transfer). Four copies of the Form K.35 and two copies of the Form K.32A should be filed with the Collector of Customs and Excise. These forms may be obtained from the nearest Collector of Customs and Excise and detailed information may be obtained at District Drawback offices located at Amherst, Nova Scotia; Montreal and Quebec City, Quebec; Ottawa, Oshawa, Toronto, Hamilton, London and Windsor, Ontario; Winnipeg, Manitoba; Calgary, Alberta, and Vancouver, British Columbia.

Drawback on Materials in Canadian Exports

Section 275(1) (*b*) of the Customs Act states that "the Governor-in-Council may, under regulations made by him for that purpose, allow a drawback equal to the duty paid, with such deduction therefrom as is provided for in such regulations or a specific sum in lieu of such drawback, in respect of materials used in, wrought into or attached to goods exported, or in respect of materials (not to include fuel or plant equipment) consumed in the manufacture or production of any such goods."

Section 276(1) of the Customs Act states that "the Governor-in-Council may under regulations made by him for that purpose, allow, on the exportation of goods manufactured in Canada and in the manufacture of which both imported materials and materials of domestic manufacture or production of the same class are used, a drawback equal to the duty paid, less such deduction therefrom as is provided in such regulations, on all such materials imported and used by the manufacturer in the manufacture of the goods exported and other goods; but such drawback shall not be allowed unless a like quantity of materials of the same class, whether imported or of domestic manufacture or production was used in, wrought into or attached to articles manufactured in Canada and exported." The statutory provision for the payment of drawback of excise taxes in the case of goods described in this paragraph is Section 46(7) of the Excise Tax Act, which has already been outlined in the second paragraph of this article.

Regulations respecting drawback on goods manufactured or produced in Canada and exported have been issued from time to time by the Governor-in-Council, the latest being those covered by P.C. 3687 passed on July 18, 1951. These regulations are also set forth in Department of National Revenue Memorandum Series D No. 17, DB-4 (1st Revision) dated July 20, 1951. This Memorandum states that:

(1) "When goods on which customs duties or customs duties and excise and/or sales taxes have been paid are used or directly consumed in, wrought into or attached to any articles manufactured or produced in Canada and exported therefrom, there may be allowed a

drawback of ninety-nine per cent of the duties and/or taxes paid thereon.

(2) "When imported materials and/or materials of domestic manufacture or production of the same class are used in Canadian manufactured goods exported, there may be allowed a drawback of ninety-nine per cent of the customs duties or customs duties and excise and/or sales taxes paid on the imported materials, in quantity sufficient to produce the exported goods, provided it be established that the imported goods upon which drawback is claimed were used in the plant producing both the exported goods and similar goods not necessarily exported, during the twelve consecutive months' period relative to the manufacture of the goods exported.

(3) "Except as may be otherwise provided by Order of the Governor-in-Council, the whole of the drawback shall be paid to the manufacturer or producer or exporter of the goods as exported.

(4) "The quantities of the goods used and the amount of duties and/or taxes paid thereon shall be ascertained.

(5) "Satisfactory evidence shall be furnished in respect of the manufacture or production of the articles in Canada and exportation therefrom.

(6) (*a*) "Claims for drawback submitted on and after the 1st August, 1951, shall not cover goods exported for a period of more than twelve consecutive months and shall be filed with the Collector of Customs and Excise and complete documentary evidence attached thereto within a period of six months from the date of the last export entry covered by the claim.

(*b*) "Such drawback claims shall not be paid unless the duties and/or taxes have been paid on the goods so used as aforesaid within three years of the date of the exportation of the Canadian article, nor unless the claims as presented at any one time aggregate ten dollars or over.

(7) (*a*) "Claims for drawback shall be made under oath before a Collector, Justice of the Peace or Commissioner for Taking Oaths, in such form as the Minister of National Revenue shall prescribe and shall, before payment, be verified to the satisfaction of the Minister, who may require, in any case, the production of such further evidence, in addition to the usual averments, as he deems necessary to establish the bona fides of the claim.

(*b*) "Nothing in these regulations shall be deemed to alter or amend the law, or to affect any discretion vested in the Minister with respect to the payment or non-payment of drawbacks, and the Minister shall be the sole judge as to whether any claim for drawback shall be paid in whole or in part.

(8) "Upon the exportation of any article entitled to drawback, export entries, in triplicate, in the usual form (with the words 'Subject to Drawback' marked on the face) shall be filed with the Collector at any port of exit from Canada, naming the conveyance by which and the country or place to which the goods are to be exported and fully describing the kind and quantity thereof and also the marks and numbers on the packages.

NOTE—"In the case of Less than Carload Lot shipments, as it is not possible for the exporter to state on the export entry the number of the car in which his shipment will be carried, this information must be noted on all copies of the relative export entry by the Customs Officer at the port of exit.

"Export entries relating to shipments forwarded and exported by truck are to be endorsed 'exported by truck' at the frontier port of exit.

"In the case of export shipments which upon arrival at the frontier port of exit go forward by vessel, the number of the outward report of the vessel must be noted on all copies of the relative export entry.

(9) "Drawback is not payable in respect of Customs penalties imposed on imported materials nor when the article exported is subject to a bounty to be paid by the Government of Canada on such article when made in Canada.

(10) (*a*) "Where it appears to the satisfaction of the Minister that the process of manufacture into which imported goods have entered has resulted in the production of saleable by-products retained in Canada, the drawback otherwise payable on the export of such goods (or in respect of materials used in, wrought into, or attached to such goods, or materials consumed in the manufacture or production of such goods) shall be reduced by a sum proportionate to the value of such by-products; that is to say, by a percentage equivalent to the percentage value of the by-product in relation to the total value of the goods manufactured or produced.

(*b*) "Where it appears that the process of manufacture has resulted in the production of merchantable scrap or waste, not exported, drawback otherwise payable shall be reduced by a sum to be arrived at by applying to the Canadian sales value of the merchantable waste or scrap, the prevailing rates of duty and/or taxes, if any, on merchantable waste or scrap of the same kind, if imported as such; provided that the prevailing rates of duties and/or taxes, if any, on the merchantable waste or scrap are not in excess of the rates of duties and/or taxes applicable to the prime imported goods; but where the prevailing rates for the merchantable waste or scrap, imported as such, are in excess of the rates applicable to the prime imported goods, the rates of duties and/or taxes applicable to the prime imported goods shall be used.

(11) "The following documents shall be delivered with the claim for drawback:

(*a*) "A copy of the import entry showing the payment of the customs duties or customs duties and excise and/or sales taxes on which drawback is claimed. (If a copy of the import entry, however, has been furnished with a previous claim for drawback, it will be sufficient to 'refer' to such copy and indicate the claim to which it was attached, without furnishing a further copy of the entry. If the tax for which drawback is claimed was paid on a domestic sale, the original invoice or a certified true copy thereof, representing such domestic sale, showing thereon the amount of tax paid and the number and date of the excise entry in which was included the amount of such tax paid to a Collector, shall be furnished. Should the domestic invoice, however, have been furnished with a previous claim for drawback, it will be sufficient to 'refer' to such and indicate the drawback claim to which it was attached.)

(*b*) "A certified true copy of the export invoice.

(*c*) "A copy of the export entry, duly numbered and certified a true copy by the Collector at the port of exit where the articles were entered for exportation from Canada.

(*d*) "A certificate of importation, sale or transfer, in form prescribed by the Minister, when the claimant entitled to drawback is not the importer of the goods.

(*e*) "A certificate of sale for exportation, in form prescribed by the Minister, when the claimant is the manufacturer or producer but not the exporter."

Drawback claims respecting goods manufactured or produced in Canada and exported should be filed quarterly unless otherwise instructed and should be submitted on Forms No. K.32 (Claimant's Oath and Statement of Claim), No. K.32A (Certificate of Importation, Sale or Transfer) and No. K.32B (Certificate of Sale for Exportation). Form K.32B contains a declaration to be completed by the purchaser in Canada when the goods covered are not shipped direct from the claimant's plant to the foreign purchaser, but pass into the hands of a Canadian purchaser who in turn exports same. Four copies of Form K.32 and two copies of the Forms K.32A and K.32B should be filed with the Collector of Customs and Excise. These forms may be obtained from the nearest Collector of Customs and Excise and detailed information may be obtained at the District Drawback offices.

Drawback on CCC Purchases

Regulations have been established governing a drawback of 99 per cent of the customs and excise duties and taxes paid on goods purchased by the Canadian Commercial Corporation, on and after January 2, 1948, for exportation from Canada, and for the remission or refund of the sales and excise taxes payable in respect of such goods to be exported. The present regulations were approved by Order-in-Council P.C. 113/1995 of May 17, 1946. These regulations are also contained in Department of National Revenue Memorandum Series D No. 17, DB-9 (1st Revision). Claims respecting Canadian Commercial Corporation purchases should be filed on Forms No. K.39 (Claimant's Oath and Statement of Claim) and No. K.32A. These forms may be obtained from the nearest Collector of Customs and Excise.

For Further Information

The full text of the regulations governing drawback on goods imported into Canada and exported from Canada and the regulations respecting drawback on goods manufactured or produced in Canada and exported have been set forth in this article. No attempt has been made to deal with the various administrative problems that arise from time to time, in connection with drawbacks. If an importer, manufacturer or producer requires an official ruling on any point not covered by these regulations, he should communicate directly with Mr. G. E. Aust, Director of Customs Drawbacks, or Mr. P. P. Last, Assistant Director of Customs Drawbacks, Department of National Revenue, Ottawa. ●

Documentation in Export Trade

What documents must accompany an export shipment when it leaves Canada and what is the purpose of each? How do documentation requirements differ between one area and another? How careful must the exporter be in preparing the documents? The author answers these questions in some detail for the guidance of executives inexperienced in this phase of export business.

H. V. JARRETT,
International Trade Relations Branch.

AN EXPORT SHIPMENT when it leaves Canada must be accompanied by certain documents in order to fulfil the customs requirements of the importing country. The authorities of the importing country may require documents of a specified kind, processed in a particular way, for a variety of reasons. When the exporter is confronted with an imposing and complex form to be filled in, he should remember that this form and each blank space in it serves some purpose.

The main use of Customs documents is to provide the importer with a complete and specific description of the goods so that he can have them correctly assessed for duty purposes. The documents may also be necessary for the administration of exchange control regulations and quota restrictions in force in the importing country, and for statistical purposes. Careful attention to every detail in completing them means that the goods can be cleared through the Customs with the least possible delay and fines and other unpleasant consequences avoided.

The documents most frequently encountered in export trade include the following:

- Consular invoice
- Commercial invoice
- Certificate of origin
- Certificate of value
- Ocean bill of lading

Other documents that the exporter may have to provide are:

- Packing list
- Health certificate
- Import licence

• Consular Invoice

The consular invoice, when the importing country requires it, is the most exacting document an exporter is likely to meet and it must be prepared meticulously. It is most generally needed in Latin America but a few other countries also require it. It consists of a form calling for a detailed description of the goods, with spaces for showing marks, numbers, weights (usually in the metric system), value and origin of the goods, and a declaration about the correctness of the contents of the invoice. The forms can usually be obtained only from the Consul of the importing country and must be submitted to him for legalization (hence the name). In some cases, commercial stationers stock these forms for sale to exporters. The consular invoice is frequently in the language of the importing country and must be completed in that language. It must contain no errors, either in typing or data. No erasures or strike-overs in typing are permitted nor any pen-and-ink changes or additions. In some countries the goods must be described in terms of the tariff of the importing country and the number of the tariff item shown. In such cases, the agent will furnish the required description and it must be used exactly as given. Errors or other deviations, even if unintentional, often lead to a fine. The responsibility for paying the fine rests with the importer, but if the fault is with the exporter, the importer will invariably deduct the amount of the fine from the remittance or request the exporter to allow for it.

• Commercial Invoice

The commercial invoice is usually supplied on the exporter's own form but the content must comply with the requirements of the importing country. In some countries, particularly those of the Commonwealth, the commercial invoice must be prepared on a special form prescribed by the Customs authorities of the importing countries. Such forms—sometimes referred to as Customs invoices—can usually be obtained from commercial stationers. Countries which require a consular invoice also require a commercial invoice, which serves to support and confirm the information given in the consular invoice. In other countries, it serves the same purpose as the consular invoice—that is, giving the importer the necessary information to clear the goods through the Customs.

• Certificate of Origin

The main purpose of this document is to establish the right of the goods to preferential or conventional duties to which the importer may be entitled. They are thus required for Canadian goods in many parts of the British Commonwealth. In the few cases where a certificate of origin is required in other than Commonwealth countries, consular legalization is usually demanded, and in some, certification by a Chamber of Commerce or other similar organization.

• Certificate of Value

Values shown in an invoice frequently have to be confirmed by a certificate of value signed by the exporter stating that the invoice contains a true and full statement of the price paid for the goods and that there is no other understanding between the exporter and the buyer about the purchase price. A declaration of this kind is usually included in consular invoices and frequently added to commercial invoices. Forms of invoice prescribed for shipments to most countries of the British Commonwealth incorporate a certificate of value. In some cases, the value of the goods must be certified by a Chamber of Commerce or similar organization.

• Ocean Bill of Lading

The Customs regulations of most countries specify the number of copies, either negotiable or non-negotiable, of the ocean bill of lading that must be supplied for Customs purposes.

A bill of lading may either be a straight or an order bill. A straight bill of lading is made out to a specifically named consignee and is a non-negotiable document by which the steamship company acknowledges receipt of freight and contracts to move it. With such bills of lading it is possible for the consignee, holding the arrival notice, to obtain possession of the goods without the surrender of the original bill of lading.

An order bill of lading is made out by the steamship company to the order of the shipper; the title to the goods is given by possession of the bill bearing the shippers' endorsement. In many cases the endorsement is in blank, thus vesting the title in the bearer of the bill and making it a highly negotiable document. In arranging for collection or acceptance of the draft, the shipper, in addition to turning over to the bank or agent the two or more negotiable copies of the bill of lading together with essential documents, will give specific instructions on the conditions under which the shipping documents are to be transferred to the buyer of the shipment. While order bills of lading are in common use, certain Latin American countries (such as Venezuela, Colombia, Ecuador and Brazil) either prohibit or make the use of them sufficiently difficult that the exporter has to (or finds it advisable to) switch to a straight bill of lading.

Consequently the customer or agent should always inquire about the type of bill of lading which is acceptable to the country concerned.

Where to-order bills of lading cannot be used, it is well for the shipper to satisfy himself about the financial status and reliability of his customer or the broker to whom the goods are consigned, or protect himself against any possible financial loss.

Two or three negotiable or signed bills of lading are usually issued by the steamship company, plus as many more non-negotiable copies as may be required. These are clearly marked non-negotiable. Where these bills have to be presented in duplicate or triplicate at foreign Customs, it is usual to supply one negotiable copy with each set of documents, plus as many non-negotiable copies of the bill of lading as are needed.

As a negotiable bill of lading and relative documents are required by the consignee to clear the shipment, documents should be forwared either by the same steamer that carries the merchandise or by mail in advance. Failure to produce the necessary clearance papers when the merchandise arrives may lead to severe penalties or excessive storage charges.

To avoid any possibility of loss in transit it is usual to forward two complete sets of documents, each with a negotiable bill of lading, in successive mails, to the consignee or to the bank or agent which is to hold this document for collection. The third negotiable bill of lading is usually retained by the shipper or bank in case of emergency.

Where the shipper's draft is negotiable through the bank or the bank is required to act as collector for the shipper, it is necessary that all negotiable copies be turned over to it so that it may have complete control of the shipment.

Bills of lading made out to order generally bear instructions to the steamship company to notify the consignee upon arrival of goods at the port of discharge.

An ocean bill of lading may be either a direct bill of lading or a through bill of lading. The distinction between the two is that the *direct bill of lading* covers shipment between direct ports of loading and discharge of the initial carrier concerned. *Through bills of lading* cover shipments from or to ports by more than one steamship line. The initial carrier transports the goods to a port of transhipment, where they are transferred to another steamship line for on-carriage to the port of ultimate destination.

• Packing List

This form is not generally prescribed by the Customs laws of importing countries. However, it is used to supplement the commercial invoice when numerous units of the same product are being shipped, or when the quantities, weights or contents of the cases may vary. The list is made out according to the number of the package and the details of the weight, measurement and contents of each are shown. It often includes the outside dimension of each case and the total cubic content and total weight of the shipment.

• Health Certificate

The regulations of many countries call for a certificate of health or sanitary certificate when animals, animal products and plant products are shipped. This is to ensure that the goods shipped are free from disease and insect pests, or in the case of food products, that they have been prepared in accordance with prescribed standards. These certificates are usually issued by the competent government authority in the exporting country. In Canada, the Department of Agriculture, or for processed food products the Department of National Health and Welfare, provides this document. When the shipping documents require consular legalization, this health certificate must be included with the documents submitted to the Consul.

• Import Licence

Many countries require the importer to obtain an import licence before placing his order abroad. Some, including most Latin American countries in which licences are required, specify that a copy of the import licence must accompany the shipping documents when these are presented to the Consul for legalization. In such cases the overseas customer will, of course, supply the exporter with the necessary document. Even when the exporter does not demand a copy of the licence he should always make sure that his customer has complied with the licensing requirements of the importing country before he ships the goods.

• Combined Documents

Many countries will accept documents which combine the features of the various ones described above. For example, shipments to many Commonwealth countries may be covered by a commercial invoice on a prescribed form, the back of which carries a certificate of origin and of value. A declaration of origin may also be incorporated in the consular invoice form. A commercial invoice may be converted into a consular invoice by requiring it to be legalized by the Consul.

Canadian Export Forms

The only documentation which the Canadian Government normally requires for exports from this country is the Customs export entry form B.13 and, in certain cases—depending upon the kind of goods or the country of destination—an export permit.

The export entry may be obtained at local Customs offices and is used mainly for statistical purposes. It requires a description of the goods, the quantity, value and destination, and whether they originate in Canada or are goods of foreign origin being re-exported.

An export permit is required for all goods intended to be shipped to any destination listed in an Area Control List established under the Export-Import Permits Act. Certain goods enumerated in an Export Control List, also established under authority of the Export-Import Permits Act, need a permit when shipped to any destination. This, however, does not apply generally to exports to the United States. Applications for export permits and information about the rules governing their use may be obtained at Customs offices or direct from the Department of Trade and Commerce.

Differ with Different Countries

The documents most likely to be needed in dispatching an export shipment abroad differ, naturally, with different countries and it is not possible to give in detail the requirements of all countries. However, in the sections which follow those of each of the major geographic areas are outlined concisely. For Latin America and Europe, there are tables showing the documents which each country demands.

BRITISH COMMONWEALTH

In many countries of the British Commonwealth, goods of Canadian origin receive preferential tariff treatment —that is, rates of duty lower than those applicable to similar goods from non-Commonwealth sources. There are two main conditions which must be fulfilled to entitle goods to tariff preference. First, the goods must be Canadian products within the meaning of the preference regulations of the country concerned.

Second, they must be consigned direct from Canada to that country.

To enable his customer to claim entry under preference, the Canadian exporter must supply a certificate of origin. For most preference markets, the certificate of origin is combined with a certificate of value and an officially prescribed form of invoice into a single document. The text of this document varies (though in many cases only in minor details) with the country. It is important therefore that the exporter use the correct form for the country to which he is shipping and that he does not, because of apparent similarity, substitute a form prescribed by some other area. The form of invoice and the certificate of value should be used for all shipments. The portion relating to origin, however, normally needs to be filled in only when claiming preferential tariff treatment.

Combined Documents

There are two basic versions of the combined document. In one, the form of invoice has columns calling for both the current domestic value in Canada and the selling price to the purchaser abroad. The combined certificate of value and of origin in this form contains appropriate declarations regarding the basis for the current domestic values shown in the invoice and the grounds on which the goods qualify as products entitled to preference. In the case of Australia and New Zealand, the form is amplified in various respects, particularly the certificate of origin, to meet the requirements of the respective customs laws.

The second basic type is an abbreviation of the first. The invoice calls only for the selling price to the overseas importer and the certificate of value is correspondingly shortened.

The United Kingdom is a notable exception. There is no official form of invoice and usual commercial invoices may be used. A certificate of value is not required. For claiming preferential treatment, four different kinds of certificates of origin have been prescribed. One of these is for goods which must qualify as the "growth or produce" of Canada—that is, such goods must be *wholly* Canadian. Another is a special certificate for sugar and tobacco. The remaining two are for goods which have been sufficiently processed as to be regarded as manufactured articles and which qualify as Canadian if a prescribed proportion of their factory cost is Canadian. In support of the Canadian "content" claimed in these certificates, the overseas manufacturer may be asked for supporting evidence in a Form of Cost Accounts, in which details of expenditures on materials, labour, and overhead must be given.

In any preference area, the importer may be asked to produce bills of lading or similar documents as proof of direct consignment. Transhipment in a foreign country is usually permitted and in such cases, a chain of evidence of direct consignment becomes necessary.

For shipments to India and Pakistan, which do not grant tariff preference to Canada, no special form of invoice is prescribed but a certificate of value must be supplied.

Preferential tariffs in the Commonwealth, and the conditions under which they are granted, are dealt with in more detail in an article on page 111.

UNITED STATES

The requirement of consular certification of invoices on shipments to the United States was abolished on October 1, 1955. The consular invoice form 138 is to be replaced by a "Special Customs Invoice" form. Until the new Customs forms can be prepared, printed and distributed and procedures set up for their use, consular form 138 will be used as the "Special Customs Invoice" form but will not require certification by the Consul.

In general, the basic requirement for the United States is that two copies of the Special Customs Invoice, on forms supplied free of charge by the Consul, must accompany shipments of more than $500. For goods which do not require the Special Customs Invoice, the commercial invoice, giving full details of the shipment, should suffice.

The U.S. Tariff Act stipulates that the consignee shall, with certain exceptions, produce the bill of lading at the time of making entry.

It is the practice of Canadian exporters when shipping to the United States to prepare three copies of a "pro forma invoice" to be attached to the bill of lading, forms for which may be obtained from the carriers. These invoices, signed by the shipper or agent, enable the consignee or broker to effect speedy clearance of the goods through the U.S. Customs.

LATIN AMERICA

As already indicated, the chief characteristic of Latin American documentation is the consular invoice which is required in fifteen of the twenty countries in that area. In Argentina and Uruguay the consular invoice is combined with a certificate of origin. In Chile the regulations call for a combined commercial invoice and certificate of origin; in Guatemala the main document is the certificate of origin; and in Costa Rica, Mexico

Table I

Documentation for Latin America

The following table indicates the documents required for freight shipments to countries in Latin America and sets out the main requirements in preparing these documents. (For further explanation see the notes following.)

Abbreviations:

C.I.=Consular invoice
C.O.=Certificate of origin
Com. I.=Commercial invoice
B.L.=Bill of lading

Country	*Documents Required*	*No. of Copies*	*Notes (See below)*
ARGENTINA	Combined		
	C.I. & C.O.	4	1.4.7.10.11
	Com. I	3	1.8.11
	B.L.	3	2.12
BOLIVIA	C.I.	6	1.4.6.10.12
	Com. I.	4	1.3.8.12
	B.L.	3	1.12
BRAZIL	C.I.	5	1.7.10.13
	Combined		
	Com. I & C.O.	4	1.3.8.13
	B.L.	2	1.13
CHILE	Combined		
	Com. I & C.O.	4	1.8.10.11
	B.L.	2	1.12
COLOMBIA	C.I.	4	1.4.6.10.12
	Com. I	2	1.5.8.12
	B.L.	3	1.12
COSTA RICA	Com. I.	3	2.4.8
	B.L.	2	2
CUBA	C.I.	6	1.6.11
	Com. I.	3	1.8.11
	B.L.	4	1.12
DOMINICAN REPUBLIC	C.I.	5	1.4.6.12
	Com. I.	3	1.8.12
	B.L.	5	1.12
ECUADOR	C.I.	7	1.4.6.10.12
	Com. I.	4	1.8.12
	B.L.	3	1.12
GUATEMALA	C.O.	3	1.3.4.6.9.11
	Com. I.	5	1.5.8.11
	B.L.	5	1.5.11
HAITI	C.I.	5	1.6.12
	Com. I.	5	1.8.12
	B.L.	6	1.12
HONDURAS	C.I.	5	1.4.6.13
	Com. I.	2	1.4.8.13
		+ 6 extra	2.8
	B.L.	2	1.4.13
MEXICO	Com. I.	4	1.8.9.11
	B.L.	..	2
NICARAGUA	C.I.	8	1.4.6.9.10.13
	Com. I.	4	1.4.8.13
	B.L.	4	1.5.13
PANAMA	C.I.	5	1.4.6.11
	Com. I.	4	1.5.8.11
	B.L.	4	1.13
PARAGUAY	C.I.	5	1.4.6.9.10.12
	Com. I.	2	1.5.8.12
	B.L.	3	1.12
PERU	C.I.	4	1.4.6.12
	Com. I.	1	1.8.12
	B.L.	5	1.5.12
EL SALVADOR	Com. I.	8	1.8.11
	B.L.	4	1.11
	C.O. (for some goods)	3	1.3.4.7.11
URUGUAY	Combined C.I. & C.O.	4	1.4.6.12
	Com. I.	1	1.8.12
	B.L.	5	1.5.12
VENEZUELA	C.I.	7	1.4.6.12
	Com. I.	3	2.8
	B.L.	3	1.12

NOTES:

1. Requires consular legalization or must be presented to Consul with other documents. (For Mexico Com. I. may be notarized, and in that case legalization is not required.)
2. Does not require consular legalization nor presentation to Consul.
3. Requires certification by Chamber of Commerce or similar organization. (For Bolivia, Com. I. requires this only if value $500 or more.)
4. Must be in Spanish.
5. Certain details must be in Spanish.

   (Notes 4 and 5:) For documents to which neither of these two notes apply, English or French may be used.
6. Forms obtained from Consul.
7. Forms obtained from commercial stationers (names are available on application to the International Trade Relations Branch).
8. Exporter's own form may be used, provided it contains all information required by the regulations.
9. The document specified is not required for freight shipments valued at less than the following amounts: Brazil, $25; Dominican Republic, $100; Guatemala, $50 (but restricted goods and goods subject to duty reductions by treaty require C.O. regardless of value); Mexico, $80; Nicaragua, $50; Paraguay, $10. (For all other countries consular documents are required for freight shipments regardless of value.)
10. Consuls will not legalize documents unless a copy of the import permit, or analogous document, or evidence of its issuance to the importer, is produced. There are some exceptions to this rule: exporters should assure themselves that if a permit is required, it has been obtained before shipment is made. (In Argentina a permit is required only for Category 1 goods—i.e., imports at official rate, and its number and date must appear on C.I. and B.L.)
11. Documents must be legalized by Consul located in Canada.
12. Documents must be legalized by Consul at port of export, whether in Canada or the United States.
13. Documents may be legalized by either Consul in Canada or Consul at port of export. (For Brazil it is preferable to have the documents legalized in Canada.)

Table II

Documentation for Europe

The following table shows the documents required for freight shipments to European countries other than those in the Soviet orbit, and indicates briefly the main requirements to be followed in preparing the documents. Further information is given in the notes following the table.

Unless indicated to the contrary, there are no requirements about the form of the documents, language, weights or measures, and no certification or consular legalization is needed.

Abbreviations:

C.I.=Consular invoice
C.O.=Certificate of origin
Com. I.=Commercial invoice
B.L.=Bill of lading

Country	*Documents Required*	*No. of Copies*	*Notes (See below)*
AUSTRIA	Com. I.	2	9
	B.L.	1	
BELGIUM	Com. I.	1	9
	B.L.	1	
	C.O.	1	3.14
DENMARK	Com. I.	2	11
	B.L.	1	
	C.O.	2	13.14
FINLAND	Com. I.	2	
	B.L.	2	
	C.O.	1	3.14
FRANCE	Com. I.	2	
	B.L.	1	
GERMANY (WESTERN)	Com. I.	2	9
	B.L.	1	
	C.O.	1	3.14
GREECE	Com. I.	8	2.5.16
	B.L.	2	
	C.O.	1	3
ICELAND	Com. I.	2	6.9
	B.L.	2	
ITALY	Com. I.	3	5
	B.L.	1	
	C.O.	2	3.14
NETHERLANDS	Com. I.	2	10
	B.L.	1	
NORWAY	Com. I.	2	2.10
	B.L.	1	
PORTUGAL	C.I.	3	1.15
	Com. I.	1	
	B.L.	2	
	C.O.	2	1.14
SPAIN	Com. I.	3	9
	B.L.	1	
	C.O.	4	1.8.14
SWEDEN	Com. I.	2	11
	B.L.	1	
SWITZERLAND	Com. I.	1	7.10.12
	B.L.	1	
	C.O.	1	3.4.9.14
YUGOSLAVIA	Com. I.	2	
	B.L.	1	
	C.O.	1	3

NOTES:

1. Requires consular legalization.
2. Consular legalization may be required in certain cases.
3. Requires certification by a Chamber of Commerce or similar organization.
4. Must be in language of the importing country.
5. If language of the importing country is not used, a translation may be required at the discretion of the Customs.
6. Should be in English or accompanied by a translation into English.
7. Should be in French or both English and French.
8. Should be in French or Spanish, or a Spanish translation is required.
9. Weights and measures must be stated in metric units.
10. Standard Canadian weights and measures may be used, but use of the metric system is preferable.
11. Commercial invoice is required only for goods dutiable at ad valorem rates, but desirable for other goods as well.
12. Commercial invoice is not obligatory, but desirable to supply shipper with information required for Customs declaration.
13. Must be issued by competent Canadian authorities.
14. Certificate of origin is only required in certain cases.
15. The consular invoice, known as "declaration of cargo", must be on a prescribed form obtainable from commercial stationers.
16. One copy of the marine insurance policy should be included whenever the insurance charges have been paid by the exporter on behalf of the importer.

and El Salvador the commercial invoice is the principal one. Costa Rica is the only Latin American country which does not require consular legalization of the documents, although Mexico gives the exporter a choice of having the invoice notarized or legalized.

Fees for legalization of documents vary greatly and often are substantial. In some countries there is a flat fee of so much per set of documents; others charge fees on the value of the shipment as shown in the invoice—going as high as 8 per cent ad valorem in some cases. Some fees are collected by the Consul who processes the documents. Others are paid by the importer at the port of entry. The cost of forms, when purchased from Consuls, is often as high as $6 per set.

EUROPE

For most European countries the only documents needed for Customs purposes are the commercial invoice and bill of lading. In a few countries a certificate of origin must also be supplied for some shipments. Portugal is the only country which requires a consular invoice and in Spain the certificate of origin, when required, must be legalized by the Consul. With these exceptions, documents for shipments to European countries do not require consular certification.

The requirements for overseas possessions of European countries generally follow the pattern of the mother country.

INDEPENDENT COUNTRIES OF ASIA AND AFRICA

For all countries in this area the commercial invoice, giving full details of the shipment, and the bill of lading are among the documents required for Customs purposes. These documents, without consular legalization or Chamber of Commerce certification, are all that is normally required for shipments to the following countries: Burma, Egypt, Ethiopia, Indonesia, Iraq, Israel, Saudi Arabia and Thailand. The commercial invoices may be prepared by the shipper on his own form, except when shipping to Iraq and Israel, for which special forms are prescribed.

For Lebanon and Syria the commercial invoice is combined with a certificate of origin and requires certification by a Chamber of Commerce or similar organization, or for Lebanon by a Lebanese Consul if there is one in the place of shipment.

For Iraq the commercial invoice must be certified by a Chamber of Commerce and a certificate of origin must also be supplied.

For Jordan the commercial invoice must be certified by a Chamber of Commerce.

Japan requires a certificate of origin for goods granted concessions under the General Agreement on Tariffs and Trade. This must be legalized by a Japanese Consul if there is one in the place of shipment; otherwise by a Chamber of Commerce.

Consular invoices are required for shipments to China, Liberia, the Philippine Republic and Turkey.

Some Final Remarks

In a brief exposition of the principles governing the preparation of export documents, it is possible only to give the requirements in broad outline. There are many exceptions to the general rules. The requirements not only vary from country to country, but vary within a country itself for different commodities. The outlines given here apply mainly to shipments by freight. The procedures for shipments by parcel post and air cargo usually differ in some respects, and in most countries are not quite so strict or exacting. Nevertheless, they must be precisely followed to avoid difficulty.

Documents should be prepared in time to get them into the hands of the importer before the goods reach the port of entry. The regulations of some countries prescribe that documents must be presented to the Consul for legalization within a specified time—often before the ship sails or at least within a day or two after sailing. Failure to comply can result in severe penalties. The papers should, wherever possible, be sent to the consignee by airmail.

The International Trade Relations Branch has compiled leaflets on *Shipping Documents and Customs Regulations* for many countries. These give full details of the requirements in force and are available on request. The Branch can also supply information on any country not included in this series and is prepared to assist with any special problems that may arise. Consular officials of the importing country, the Canadian Manufacturers Association, the Canadian Exporters Association, and Boards of Trade or Chambers of Commerce in the larger cities are also equipped to advise exporters on documentation.

Exporters frequently find it advisable to have their shipping documents prepared for them by shipping agents many of whom, through long experience and exact knowledge of the requirements, are able to perform this service efficiently. They not only fill in the forms in the language required (translating if necessary) but also present the documents to the Consul for legalization when this is called for.

Finally, the exporter should follow precisely any instructions he receives from his overseas agent or customer. Sometimes the reason for a particular instruction may not be clear and the exporter may be tempted to ignore it because of the added burden. Such short cuts, however, may be dangerous and should be avoided at all costs. ●

Handling Export Documents

G. B. JOST,
Export Sales Manager, Canadian Industries Ltd.

EXPORT DOCUMENTS are an everyday part of export business and any company entering this field has to contend with a multitude of forms and a great deal of paperwork. Its employees therefore need to understand the procedures involved in making an export shipment and the documentation required.

The procedure illustrated in the accompanying chart is carried out in a company large enough to have specialized departments to service export orders. Other firms may follow a different procedure but all of them have to take essentially the same steps.

Let us start with the EXPORT ORDER which the company's foreign representative has mailed to the export sales office. An assistant to the export sales manager checks and notes the order and passes it to the product sales office. Its job is to review the order, determine the credit rating of the customer, whether the goods are on hand, the delivery dates, possible shipping space and date of shipment, and the exchange rate that will apply. For certain goods, the company may have to obtain an EXPORT PERMIT from the Department of Trade and Commerce.

Next, the exporter checks to see whether the buyer needs an IMPORT PERMIT or LICENCE to import the goods into his country. If one is required, the exporter must obtain a copy of it or full particulars, including its value, number, expiry date and the currency for which it is granted.

If the importer has arranged to pay for the goods by LETTER OF CREDIT, it is important to examine this document very closely. The exporter should satisfy himself that all the requirements are reasonable and can be met, and that the specified documents can be completed and sent to the customer before the expiry date. He should note any discrepancies or vague wording and arrange immediately to have any corrections, changes in the order, or time extensions confirmed by the bank.

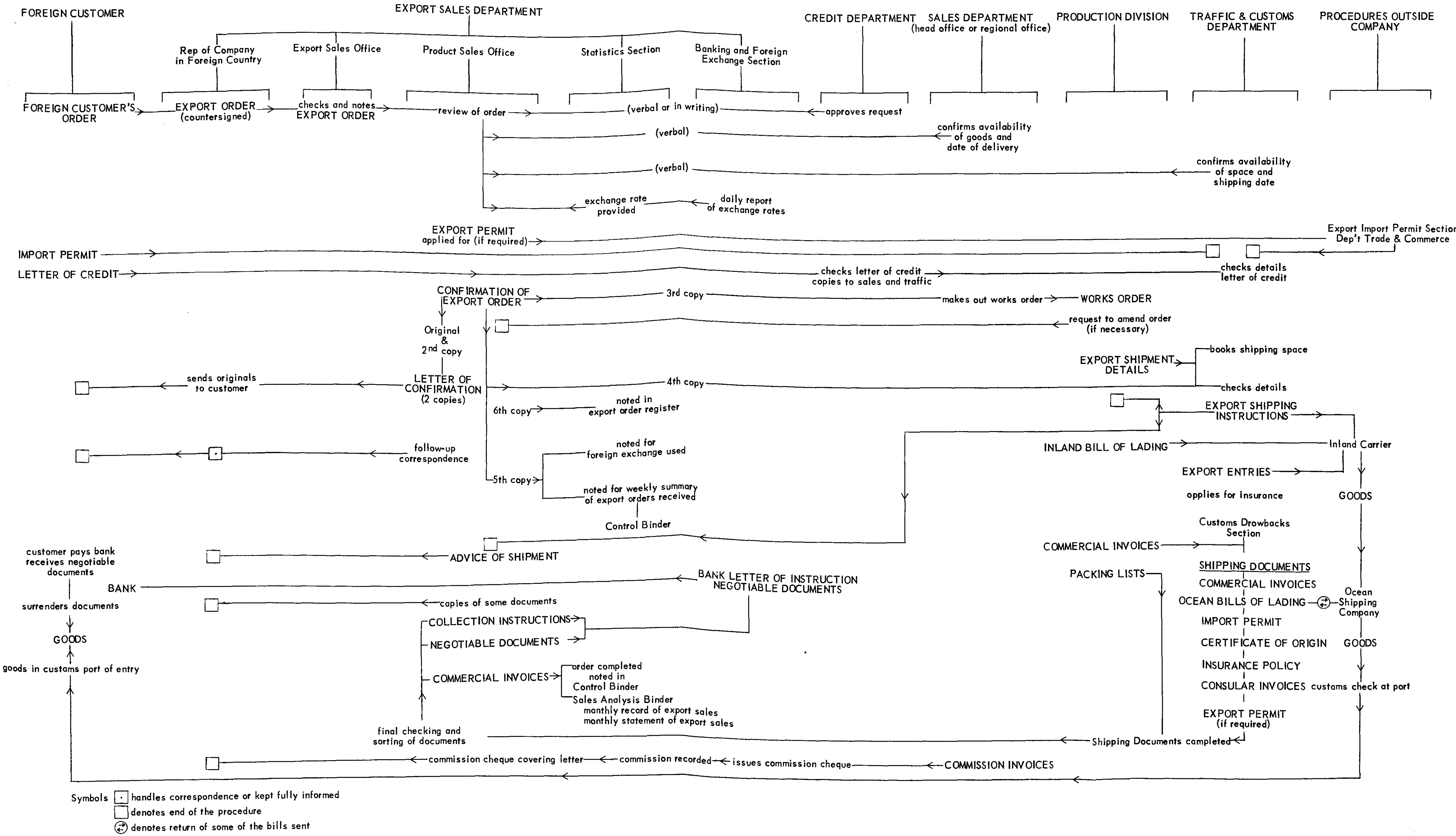
The next stage in documentation is the CONFIRMATION OF EXPORT ORDER. As the flow chart opposite shows, it not only serves to notify the customer and the company representative that the order has been received but gets the production of goods and the preparation of the export shipping documents under way. The company uses copies of the confirmation of export order form to keep track of the order and for compiling statistics.

As soon as the traffic and customs department of the company receives the details of the export shipment from the production division, it books shipping space with the shipping company. The traffic department then prepares EXPORT ENTRIES which are required by the Canadian Customs to accompany the goods to the seaport. The export entries and the complete shipping instructions are next sent by the traffic department to the manufacturing plant or warehouse. At the same time a copy of these documents goes to the product sales office (export sales office) which in turn sends the ADVICE OF SHIPMENT to the company's foreign representative. The traffic and customs department receives 12 copies of the COMMERCIAL INVOICE from the production division and prepares 15 copies of the OCEAN BILL OF LADING, forwarding them to the shipping company which returns three negotiable and six non-negotiable copies. The traffic and customs department also arranges for marine insurance and receives two originals and one copy of the INSURANCE POLICY.

Some countries require a CERTIFICATE OF ORIGIN certified by the Chamber of Commerce or Board of Trade and CONSULAR INVOICES in the language of the importing country. These documents are sent to the nearest office of the Consul representing the country in Canada, with copies of the commercial invoice, the ocean bill of lading, the import permit, and sometimes the PACKING LIST. The Consul examines the invoices, checks them against the evidence supplied, and certifies a number of originals of the various documents.

When traffic and customs has completed all the shipping documents, it sends them to product sales for final checking and sorting. The company's banking section makes sure that the customer's bank receives a negotiable set of all the documents before the goods arrive. The customer pays the bank, receives the documents, and obtains his goods from the customs authorities on arrival. ●

EXPORT DOCUMENTATION PROCEDURE



Packing for Export

. . . Practices

What methods do experienced exporters follow and what materials do they use?

. . . Problems

How do they protect goods against travel hazards but keep packing costs down?

O. MARY HILL, *Editor, "Foreign Trade."*

"WE ARE SORRY TO REPORT," said the letter on the export manager's desk, "that the last shipment of washing machines arrived in poor condition. The enamel surface on many of them was badly chipped and some had dents in the side because the crates did not stand up to rough handling."

"The wooden cases in which the small motors were packed," wrote an agent in Brazil to his principal in Canada, "landed in excellent shape. But when the cases were opened, several of the motors had rusted because of exposure to sea air. I would suggest better protection for the next shipment."

Many export departments receive letters like these, telling them about goods damaged in transit. The damage rarely results from uncontrollable hazards; usually it's the fault of careless packing. Several years ago the packaging committee of the Maritime Association of the Port of New York studied damage to outbound cargoes of 20 vessels owned by 19 different countries and plying 11 trade routes to all parts of the world. This study revealed that *poor packing was the cause of 65 per cent of the damage,* compared with only 15 per cent from bad handling during unloading, 10 per cent from lack of protection against pilferage, 7 per cent from careless stowage, and 3 per cent from rough loading. Damaged shipments increase export costs and lead to higher insurance and shipping rates; they also lose customer goodwill. Good packing becomes more important as the scope of export trade widens and more highly manufactured goods move to overseas markets.

Export packing made tremendous strides during the Second World War and this progress has continued in the postwar years. Today the exporter has at his command new packing techniques, many types of new materials, and several sources to which he can turn for competent advice. Products ranging from completely-knocked-down vehicles to transformers and down to powdered milk and fragile electronic parts can be packed to reach a distant destination in top shape.

Three Packing Principles

The packing department or the independent packer plays a vital part in an export business and can make efficiency pay off in cold cash. But the new exporter must learn about advances in this field and how to make use of them to protect his product on its journey.

To begin with, he should bear in mind the three principles of good export packing.

1. Good packing is "engineered" around the product itself and is an integral part of its design. "Your finished product," says one exporter, "is an article packed for shipment."

2. It protects the product against all reasonable hazards.

3. It is as economical as is consistent with safety.

A Canadian authority on export packing remarked to me that "the product itself tells you what to do with it." Examination shows at what points it needs to be protected, and whether humidity, rain, sea air or water, or changes of temperature will damage it. A refrigerator, for instance, must be cushioned against shock and protected from abrasion where it makes contact with the container; it must also be braced against shifting and vibration. Small motors need to be kept dry and away from corrosive substances such as salt air; eggs need to be protected from breakage and changes in temperature. One way to attack the problem is to have the designer of the product plan the shipping container or at least write the packing specifications.

Protection against Hazards

Every product encounters certain hazards en route but these vary with the product itself, the method of travel, and the destination. Where is the shipment going, and is it travelling by air or by sea? How long will it be in transit? Will it have to be transhipped, stored or lightered at any point? What are the unloading facilities at its destination? Will duty be charged on the gross or the net weight? (To answer some of these questions, the exporter may have to seek help from his foreign agents or from the Trade Commissioners abroad.)

The chief physical hazards include rough handling during loading or unloading, shock, vibration or bumping during transit, careless stowage, and the strain imposed by "static loading"—piling one case on top of another in the ship or boxcar, on the dock, or in a warehouse. Port facilities bulk large in packing plans. If the goods go to ports where they are unloaded by machinery, they can be packed in large units. But if they are destined for, say, Matadi in the Belgian Congo, where human heads and hands take the place of lifting cranes and winches, they should be put up in man-sized packs. Coleman Lamp arranges its kerosene lanterns in 42 lb. packs when they are going to such ports. The Services specify 70-pound packs whenever possible for all overseas shipments.

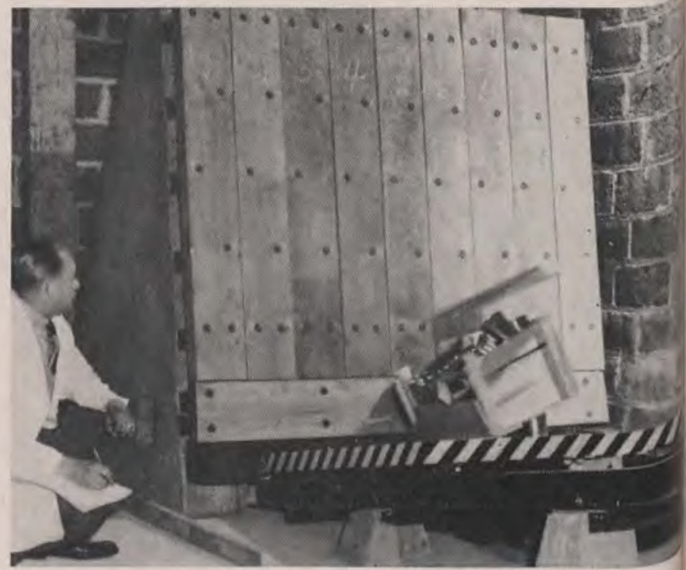
The methods of coping with these hazards are many. Perhaps the most important is selecting the container best suited to the purpose—lumber, cleated plywood, corrugated cleated container braced with wooden studs, wirebound wooden boxes, fibreboard drums, and so on. In shipping many types of machinery, blocking and bracing within the case become important; this prevents inside shifting and damage from vibration. Steel strapping gives added strength to a pack, particularly when it is stapled to the case. Cushioning materials such as cellulosic fibre, styrofoam, rubberized hair and moulded pulp cut down on interior damage. Delicate products such as radar tubes may be put into a canvas sling mounted on springs inside the case.

Pilferage too is a physical hazard and protection against it a special problem. A recent British study showed that just under one-quarter of the losses sustained by British underwriters of marine cargo resulted from theft and pilferage. No shipping container is tamperproof but a poorly made one that splits or breaks under strain invites the thief. Steel strapping welded together or stapled to the case, seals and arrow-type clips, plywood cases that quickly show evidence of attempts to open them—all these help. A Canadian company has designed a spiral fluted nail—the "Ardox" nail—that thwarts the thief because it is almost impossible to draw it out of a case. U.S. exporters are also using this nail.

Chemical hazards in shipping include water or water vapour, salt air, dust, variations in temperature, and so on. Some exporters, especially of highly manufactured goods, rate corrosion above rough handling as the primary shipping hazard and adopt special procedures to guard against it. At General Motors, for example, exposed engine parts are covered with a rust preventive before they go into the shipping case. Certain other parts are dipped into a solution of 50 per cent lanolin and 50 per cent naphtha, then wrapped in greaseproof paper; blue wadding goes over chrome parts and painted surfaces and mouldings are wrapped in wax-coated paper. All shipping cases are lined with waterproof paper.

Corrosion May Cause Damage

The Armed Forces have laid down specifications for the packing of much of their equipment. These include



—Forest Products Labs.

This "inclined impact" (Conbur) machine consists of a short length of track (right) inclined at a 10-degree angle, with a rigid wall at right angles to it. Throwing an export pack against this wall at varying speeds tests resistance to impact.

Training Packaging Experts

The most intensive packaging training program in Canada goes on in the Longue Pointe military area in Montreal. There the Joint Services have set up a unique Packaging School, primarily to train Army, Navy and Air Force personnel in the theory and practice of packing. Established in April 1955 after a trial course undertaken in the late fall of 1954, the School has conducted about 25 two-week courses with 15 students in each. In February 1957 the course was lengthened to three weeks.

Each class of students is drawn from the three services but also includes civil servants working with the armed forces or other government departments. Most of those selected bring with them at least some acquaintance with packaging problems. Under the guidance of instructors chosen from each service, they cover nearly every phase of interior and exterior packing in a series of 25 lectures, supplemented by demonstrations, exhibits, films, and tours. Nor is the course all theory—it entails laboratory work also. For example, the student is given an item to be packed and must select what he considers the proper cleaning, preservation and packing procedures, carry them out, and later justify his choice. He may be handed several pieces of wood and told to put together a box according to specifications. He learns about packaging specifications, containers, water-resistant barrier papers, cushioning materials, blocking and bracing, carloading, heat sealing, economy in packaging and many other subjects. If he passes the rather stiff examinations he receives a packaging diploma.

Industry—especially firms which handle defence contracts—has shown a good deal of interest in the school. As a result, beginning in March each course has included two civilians from industrial companies. Competition for these two places is stiff and for the present industries making equipment for the services which requires military packaging will have priority.

Although the school itself is closed to most civilians, they can obtain an excellent publication on military packaging. It carries the resounding title "Preservation, Packaging and Packing of Military Supplies and Equipment", costs $1.75, and should be ordered from the United States Government Printing Office, Washington, D.C.

cleaning and preservative procedures, adding a desiccant such as silica gel, wrapping in the proper type of barrier paper or applying a hot strippable plastic coating, and lining the container with waterproof paper. Desiccants are important when the air sealed *inside* the pack must be kept dry in addition to the outside air being kept out. One important precaution against moisture is the use of properly seasoned lumber for the shipping case; green lumber may contain enough moisture eventually to corrode the product it encloses.

When dust is the hazard, open crates are the worst offenders. Some exporters have turned to a different type—a corrugated cleated container, with wood studs glued on to brace it and an inside frame. One manufacturer has shipped 75 washing machines to Peru in these crates without a single report of damage. Careful cushioning is of course necessary to prevent abrasion.

Shippers to certain areas may encounter other hazards. Insects may damage a pack while it is in storage or transit, or termites may make a nourishing meal out of a wooden box. Rats or mice may gnaw their way inside. Main protection against such attacks is to treat the material used in shipping cases with chemicals that make them unattractive to insects, rodents, and other pests.

Keeping Costs Down

The third principle in export packing is to keep costs as low as possible consistent with safety. Stiff competition today is forcing the Canadian exporter to watch all expenses carefully and packing sometimes accounts for 10 per cent of export costs. Poor packing that ends in a damaged product is poor economy. But just as a child can be over-protected, goods can be over-packed. This over-packing may be hard to detect because the goods arrive safely and no complaints arise. A veteran export packer says that "there is no use designing a crate that would withstand numerous specified hazards but which priced itself out of the market." The experienced shippers protect their products only against *normal* hazards.

Many of the advances in packing techniques in the last few years have been made by the Services and by

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industries filling defence contracts. The Army, Navy and Air Force—unlike the ordinary exporter—must ensure that their equipment is so packed that it can be used at any time and under any conditions. Human lives may depend upon it. But the Services also take packing costs seriously. At the huge R.C.O.C. Depot at Longue Pointe, Montreal, all "technical stores" for the Army are handled and packed. Inventory includes many thousands of items at any one time, ranging in size from 60-inch searchlights and Centurion tanks to tiny electronic parts. The packing problems presented by the majority of these items have been studied and worked out, with economy as well as efficiency in mind. The cost of packing rifles, for example, has been cut by more than 50 per cent by redesigning the case and using a new preservative method. Similar research is carried out in Navy and Air Force depots. In Ottawa, a Joint Services Packaging Committee keeps packing problems and techniques under constant survey.

The "committee method" has gained favour in industry too. One Canadian General Electric plant which set up a packaging committee was able to cut the cost of its export packs from $15.00 to about $4.00. At Coleman Lamp, the method of packing space heaters was investigated and a new case designed that cost only half as much.

This continuous and careful review of packing costs constitutes the best way of keeping them low. This review could cover several fields:

• *Labour Costs*—These can often be cut by streamlining operations and by making use of new techniques and devices. Good organization of a packing line in the plant will save time and waste motion. Automatic nailing machines for nailing wooden boxes, foam rubber rollers that speed up marking of cases, tape dispensers, automatic stitching machines, a device for welding steel strapping—all these are available. Once a year the Packaging Association of Canada puts on a Packaging Exposition in Toronto. Here the exporter may examine a number of machines or processes to expedite his packing operations.

• *Material Costs*—Finding and using the right material for each packing job—and using no more of it than is needed—is an important economy measure. Over-packing, for instance, may start with the exporter choosing for his shipping cases a heavier lumber than he really needs. Keeping down the weight and the cubic content of a case saves both materials and shipping costs.

One company changed from an enclosed crate to an open one, with the appliance inside adequately braced and padded, and saved $4.00 per case. Sometimes the exporter can use less expensive panels in his crates with proper framing, or even resawn lumber. Or for certain cases he can switch from lumber to plywood or fibreboard.

—General Motors

Bare metal parts need to be protected against rust before they are packed. Here a workman is dipping army-truck brake flanges destined for Karachi in a lanolin-ethyl solution. They are then drained in the wire-mesh basket at the left.

—General Motors

Before this crate containing automobile parts was packed, export boxing engineers decided on the size of the container and worked out a packing plan. As the final step in packing a thin layer of oil is sprayed over all exposed parts.

The new cushioning materials, such as cellulosic fibre and rubberized hair, should be investigated: they do a good protective job but they should be used as cushioning only and not wasted as space fillers. Some of the barrier papers (asphalt paper, foil or polyethylene laminated to kraft, aluminum foil laminated to scrim, etc.) protect efficiently against chemical hazards. But many of them are high-priced and selection of the right one needs care.

• *Efficient Use of Space*—Using every possible inch of space in a shipping container also saves money. Some companies, recognizing this, employ a boxing or packing engineer to work out exactly how each case is to be filled. I saw for myself what a "boxing engineer" can do when I watched the packing of completely-knocked-down automobiles at the General Motors plant in Oshawa. Not one inch of space in the big wooden cases is wasted. Gas tanks are taken apart and nested, to save room. Automatic transmissions go into a special crate with a grooved piece of wood inside that holds them securely. Fitted neatly underneath are small starting motors, each wrapped in protective paper. The larger three-ton cases, when they are packed, are an eye-catching lesson in space economy.

How to Become an Expert

The new exporter, aware that packing has made great strides, may well feel a little overwhelmed and may wonder where to turn for help. He might begin by studying some of the material on packing specifications.

• *Packing Specifications*—During the war export packing received concentrated attention from the Canadian Packing Committee, which published useful literature. Some of this work has been taken over by the Canadian Standards Association. The Association offers pamphlets on "Moisture Vapour Barriers—(Protective Packing)" (50 cents); "Nailed Wooden Boxes (Protective Packing)" ($2.00); "Cleated Plywood Boxes" (75 cents); and "Skidding of Machinery for Shipment" ($2.00). These can be obtained from the Association at 235 Montreal Road, Ottawa.

The specifications put out by the Canadian Government Specifications Board embrace a wider field and apply to the packing of goods on government order. They cover, for example, barrier materials of various types, cushioning material, case liners, desiccants, sealing compounds, excelsior, adhesives, and so on. The average exporter (unless he holds defence contracts) may find these specifications too detailed for commercial business but he can use them to check on his own packing materials and practices. He can write for a list of them to the Canadian Government Specifications Board, National Research Council, Ottawa.

• *Testing and Advice*—One division of the Forest Products Laboratories in Ottawa, a government enterprise, is continuously at work on export cases, studying how they withstand shipping hazards. Machines there simulate vibration in transit, impact and drops from a height, and test the reaction, stacking strength, etc., of various containers, methods by which sheathing is attached to a frame, and so on. The Laboratories stand ready to help the exporter with his shipping container problems and to test export packs for him. Those interested should write to or call on the Chief, Forest Products Laboratories, Department of Northern Affairs and National Resources, Pretoria and Metcalfe Streets, Ottawa.

Four laboratories in Canada maintained by private companies undertake to carry out for exporters the National Safe Transit tests. These, devised some years ago by individual carriers and the major carriers' associations in the United States, determine how well the product and its packaging stand up to vibration, impact and other shocks encountered in transit. Those which survive the tests in good condition receive the "Pre-Tested Safe Transit Shipment" label.

• *Packaging Problems*—The Packaging Association of Canada maintains committees that study many phases of packaging, and one that concentrates on export packing materials and methods. In addition, it sponsors the annual Packaging Exposition. Interesting articles on packing also appear from time to time in *Canadian Packaging,* a monthly magazine.

• *Other Sources*—Many Canadian companies manufacturing fibreboard or wirebound boxes, wooden crates, packing or cushioning materials, offer special advisory services to exporters or will design packs around their product. There are also a few packing specialists who will handle the entire packing job for a fee. This type of service is not as highly developed in Canada as it is in the United Kingdom or the United States.

Common Sense First

As time goes on, export packing becomes more scientific and the literature on the subject grows. But the exporter need not be awed by this. One of the outstanding authorities on packaging in Canada insists that "export packing is 90 per cent common sense."

Begin with your product. Study it, learn how to protect it, modify the packing as experience dictates. Good packing will prove to be the best economy, and the time and trouble spent in achieving it will not be wasted. •

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How to Mark and Label Export Shipments

Marks and labels vary in kind from marks of origin to shipping marks, cautionary marks, trademarks and so on; they also vary from country to country. The author discusses the purposes which these marks serve and some of the regulations governing them.

H. V. JARRETT,
International Trade Relations Branch.

THIS SERIES ON EXPORT TRADE has stressed the importance of complying with import and sales regulations laid down in other countries. Among such regulations are those on the marking and labelling of goods or of their containers. Because of the varied types of marking regulations in force throughout the world, it is possible in a short article only to outline briefly the chief requirements an exporter may have to meet. Countries are named merely to give examples of the various types of marking legislation in force. This should not be taken as a complete description of that country's requirements nor does it mean that similar ones do not apply in other countries not mentioned. The exporter may obtain detailed information on specific regulations by writing to the International Trade Relations Branch, Department of Trade and Commerce, Ottawa.

Marks of Origin

An exporter writes: "I am making a shipment of Canadian-produced automobile tires to England. Must they be marked with the name of the country of origin and if so, is there any requirement on how the marking must be done?" This is typical of many of the questions received by the International Trade Relations Branch.

Marks of origin regulations are of two broad types. First, there is the regulation requiring that a mark of origin be placed on goods irrespective of any other consideration. This, for convenience, may be referred to as a compulsory mark. Second, there is the regulation which requires a mark of origin only when, without it, a false impression is created about the origin of the goods. This is known as a corrective mark.

Compulsory Marks of Origin

Compulsory marks of origin are not as universally prescribed as people sometimes suppose. A few countries insist that all imported goods which can be marked must be marked. In others, this is required only for specified products.

Under the United States Tariff Act, all imported articles must be marked with the English name of the country of origin. Failure to do so makes the goods liable to an additional duty of 10 per cent ad valorem. Exceptions are made for articles incapable of being marked, those that cannot be marked without injury, or those that can be marked only at prohibitive expense.

Marks of origin are prescribed for imported goods in general in Argentina, Cuba, Uruguay and the Philippine Republic. In Chile all goods ordinarily consumed by the public must be marked to show the country of origin. Mexico requires an indication of origin for goods bearing trademarks registered in Mexico if the manufacturer wants full protection under the Mexican trademark law.

The United Kingdom has issued compulsory marking orders for an extensive list of products—and this brings us back to the problem of the Canadian tire exporter. The answer to his question is that, for this particular shipment, the tires must be marked either "Made in Canada" or simply "Empire". The mark must be moulded on the wall of the tire so as to be visible when it is fitted to any wheel. It must also be printed or stamped indelibly on the wrapper or other container (if any). Similar requirements apply to many (but by no means all) products imported into the United Kingdom. Generally speaking, the mark must include the actual name of the country of origin or, alternatively, indicate whether the goods are of "Empire" or "Foreign" origin.

Other countries which have fairly long lists of products on which the origin must be marked include Denmark, France and Norway. Many other countries prescribe marks of origin for a few products.

Corrective Marks of Origin

A false impression of the origin of goods may be created in a number of ways, often quite unintentionally on the exporter's part. It may arise because of similarity of place names, from including the address of the purchaser or import agent on a label, or even from the use of a particular language in describing the goods. Most countries prescribe the use of a corrective mark of origin in such instances, even if it is not otherwise required. The United Kingdom Merchandise Marks Act, for example, provides that where goods bear a trade description which includes a name resembling that of a place in the United Kingdom or the name of a British dealer or trader, a counter-indication of origin must correct the false impression thus created. In India, Pakistan and Ceylon, goods bearing descriptions in English but not produced in Britain are considered to be falsely described unless they bear a definite and adequate counter-indication of the true country of origin. Similarly, goods exported to Brazil bearing labels in Portuguese but not products of Portugal must show the true origin.

The exporter should take care in using trade descriptions with a regional connotation (e.g., English walnuts, Spanish onions, Roquefort cheese), since these may, if the goods do not come from the place designated, either be prohibited or require a counter-indication of origin.

Method of Marking

The regulations usually specify the manner in which the marking should be done and sometimes the minimum sizes of lettering. The mark should, in any event, be legible, conspicuous and indelible. Where it is used as a counter-indication, it must be in close proximity to, and as conspicuous as, the mark it is intended to qualify. The name of the country alone is not always enough. Some countries require that the name be accompanied by such phrases as "made in" or "produced in". English or French wording for Canadian products is generally acceptable, but in some cases the language of the importing country must be used.

The responsibility for marking goods with the name of the country of origin does not always lie with the exporter. Sometimes the requirement is that the mark be placed on the goods before their sale in the country of import; in such cases it is the importer who is responsible for marking the goods. Nevertheless, it is advisable whenever a mark is required for the producer of the goods to provide it because often this can be done more easily during manufacture or preparation of the shipment for export.

Labelling

Many countries have detailed requirements for the labelling of such products as prepared foods, beverages, and pharmaceutical and toilet preparations. The purpose is to assure the purchaser of the quality and quantity of the goods he is purchasing. Labels may have to include the name and address of the manufacturer, list of ingredients, weight or volume of contents, and other relevant information. Frequently these descriptions must be in the language and weights and measures system of the importing country. In some countries, products of this kind must be registered with the authorities of the importing country and the registration number included on the label.

Shipping Marks

Marks and numbers put on outside containers should, of course, be large enough and legible enough to ensure that the goods reach their destination safely. They must also permit the containers to be clearly identified with the corresponding shipping documents. Some exporters suggest that in shipping goods that

These shipping cases filled with automotive parts are ready for their journey. Markings (seen on the left side of the cases), include dimensions and various weights. Most of them also carry, close to the address, a mark of origin.

might attract the pilferer, "blind" marks should be used which will not give away what is inside. These blind marks should be changed frequently. In the same way, advertising on the container sometimes draws unwelcome attention. When second-hand containers are used, the old shipping marks should be carefully removed to avoid confusion.

Some countries specify precisely the marking to be used. The specifications may include the size of the lettering, the position on the containers, the method of applying the marks (brush or stencil), the system in which weights and measures must be given, and so on. Often the use of any but stencilled marks is prohibited.

Cautionary marks are sometimes a problem in ports where the cargo is handled by illiterate dock-workers. In such cases, symbols that are understood everywhere can come to the rescue. For example, the universal sign for "Fragile" is a wine glass.

Trademarks

Trademarks are valuable property and Canadian firms owning them may wish to protect them in the markets to which they are shipping. This involves many legal technicalities. A Canadian exporter who wishes to register his trademark abroad is well advised to seek the advice of his local patent and trademark attorney. Most of them have correspondents in other countries through whom to obtain information on the procedure involved and to effect registration.

In most countries the right to a trademark may be acquired by its use, irrespective of whether or not it is registered in the country to which the goods are exported. However, in some Latin American countries—and a few others—the right to a mark is conferred solely by registration. If goods bearing a trademark are exported to any of these countries, the original owner should register the mark there.

The use of the word "Registered" in connection with a trademark, when the mark has not been registered in the country of import, is prohibited in many cases unless it is followed by the name of the country in which it is registered.

Other Marks

Other marks which an exporter may have to use include hallmarks for precious metals, marks relating to quality and standard, date marks on perishable products, special marks for explosives and other dangerous materials, and so on. Any trade description attached to a product should, of course, be accurate.

The use of national symbols such as coats of arms, flags and the like is frequently restricted. The use of Red Cross (name or symbol) is prohibited by international convention. ●

—CPR Photo.

The Mechanics of Export Shipping

Getting his goods to foreign markets in the cheapest and most expeditious way often involves the new exporter in seemingly complicated procedures. What these are and how they should be handled is the subject of this article.

D. B. GILLESPIE,
President, Gillespie-Munro Limited.

THE CANADIAN EXPORTER who wishes to deliver his goods to points abroad has many means of transportation at his disposal. The methods he will use depend to some extent upon the nature of the goods, their destination, the need for speed, and so on.

The largest percentage of export traffic, both in value and in volume, comes under the heading of "freight shipments" and this deserves attention first.

When an exporter first is ready to move a shipment which is of a size to warrant sending by freight (this can roughly be said to be any package or series of packages in volume exceeding 100 pounds), his first thought is how best to move the shipment. There is generally an obvious route via his nearest Canadian port of loading to destination. This will often be the ocean vessel's port of discharge in the country of destination. However, this may not be the quickest route and sometimes not even the most economical.

Rail and Ocean Rates

Rail freight rates in Canada are almost invariably charged in cents per hundred pounds or per weight ton. Ocean freight rates, on the other hand, are charged on all kinds of bases. They may be charged at so much per hundred pounds, per 2,000 lb., per 2,240 lb., per cubic foot of volume, per measurement ton of 40 cubic feet. Or—which is more involved—they may be charged on a rate at the option of the ocean carrier of so much per unit of measurement or weight, whichever may yield the greater return to the carrier. On goods of very high value such as bullion, currency, radium, and so on, freight rates are charged on a percentage of the declared value of the shipment.

The bases of weight or measurement of ocean rates are designed because a vessel has just so much cubic capacity and just so much weight capacity. In order to bring its earnings to the total required by the owners, the latter must be assured of such a total whether there is a preponderance in a given cargo of pig iron or of a commodity bulky but light, such as crated radios or men's hats.

How to Choose a Vessel

When the exporter reaches his decision on how the shipment is to be moved, the first thing to do is to contract for ocean freight space on a vessel which will load during a period when the shipment can be delivered at loading port. There are often up to a dozen different steamship companies loading freight vessels at a given port in Canada for the same destination. On the other hand, there are other trades which are served by only a single steamship line. Where there is a choice, the shipper, before booking freight space, should consider whether the loading date coincides with the date that the shipment will be ready, the speed of the vessel, the number of intermediate ports of call, and the route via which the ship will travel.

For instance, there may be a sailing for the Far East via the Mediterranean and the Suez Canal. Such a voyage might be much longer than that of a ship proceeding via the Panama Canal and the Pacific Ocean. Particular care must be exercised in choosing the most suitable vessel in trades where numerous ports of call are involved. One vessel might, for instance, make Montevideo her third port of call on the southbound voyage. Another, sailing a week earlier, might make Montevideo only after calling at half a dozen intermediate ports where delays can be extensive, and finally arrive many days later than the more direct ship.

Direct Shipping Preferable

It is often possible to book freight for a given foreign destination on certain vessels or steamship lines which will proceed to that port. In other cases, vessels or steamship lines may operate to the given port subject to transhipment at an intermediate one. If the exporter can be certain that transhipment will save time, this can be considered. But it is usually much better to have freight go forward on a vessel which will proceed directly to the port of destination, particularly if the goods might be damaged through secondary handling.

Speed of vessel is of great importance because though many of the older-type vessels still plod along at a steady 9 or 10 knots per hour, there are many fast modern ones which cruise at 16 to 20 knots and which can cut voyage times almost in half. The exporter is not as directly concerned in this as the receiver abroad but this matter should be considered.

Booking Ocean Space

When the exporter, directly or through his freight forwarder, has decided on a certain vessel to carry his goods, he contacts the steamship agent and arranges for freight space by stating the quantity by weight and measurement of his shipment, specifying which vessel he has selected. The booking clerk of the steamship line takes full particulars and issues a steamship contract number or engagement note number, as it is sometimes called. This is followed by a written and signed engagement note or contract on which particulars of the shipment, the name of the vessel, loading port and dates, destination, and usually the ocean freight rate are all noted. It may also specify when delivery alongside vessel is required. (A very few lines do not issue written space contracts.)

There is always the danger of a shipper reserving or booking a block of ocean freight space and then not cancelling with the line in time to permit the booking of other freight to take its place. The line reserves the right to call on the shipper to pay for this unused freight space. The exporter should therefore be careful to book only the space which he can fill or to cancel the space not required.

Conference and Non-Conference Lines

A word on the question of Steamship Conferences might be useful. A "Conference" is an association of two or more steamship lines operating in the same trade who agree on a tariff of freight rates. There are certain trades where conference lines only are in operation. In other trades both conference lines and non-conference lines are in operation. Where there are conferences operating out of Canadian ports, they are usually in agreement with similar or affiliated conferences controlling the operations from U.S. North Atlantic ports. This is particularly true of the conferences of steamship lines operating from Canada to the United Kingdom, to Continental Europe, and to the Mediterranean.

Some of the conferences contract with a shipper on a yearly basis for all of his freight at a specified rate. If a shipper signs no contract, he must then pay freight on a somewhat higher basis under what is known as the "dual rate system". The payment to conference lines of the higher non-contract rate carries one benefit only—freedom to ship on non-conference steamers at a lower rate where it suits a particular shipper.

Non-conference lines are one or more steamship companies who either are not permitted by the conference lines to join their ranks or who do not wish to do so. They are free to quote whatever rates they like.

Moving Shipments by Rail

At this point, the shipment is still at the factory or inland warehouse, but it has been booked for clearance on a specified vessel and is ready to be moved to seaboard. When shipments are being billed out from the point of origin by rail, the railroad bill of lading should show the destination of the goods, package marks, number of packages of a specified kind, the commodity (which should be carefully described in accordance with the railway tariff description), the weight, the name of the vessel for which the shipment is intended, and the steamship contract number. (Other documents needed, such as the export permit, the export entry to satisfy the Canadian Customs, and certain documents needed for shipments through U.S. ports are discussed in the article on "Documentation" on page 55.)

By far the largest proportion of freight is moved in what are known as "boxcars". These cars are used for freight which must be protected from the weather only; other freight which can be affected by temperature changes must be loaded in more specialized equipment. Fresh meats, vegetables, fruit, fish and similar perishables must be loaded in refrigerator cars, which look like boxcars but are heavily insulated and have ice bunkers in each end. These bunkers are filled with different mixtures of lump or crushed ice with salt and keep the temperature of the car down to a figure which preserves the products in good condition. The same refrigerator cars can be used in exactly the opposite way to protect vegetables or liquids from damage by low temperatures by installing portable heaters in the ice bunkers. These keep the temperature of the contents at a figure which protects against damage by frost.

For certain products such as extra-length freight, lumber, automobiles, etc., it is necessary at times to ask the railways to supply cars of extra length. The normal length of the standard box car is 36′ 6″ inside measure. There are many 40′ box cars which can be readily supplied, and others are even longer. Flat cars for heavy machinery, steel, rough lumber, pulpwood and other traffic not affected by the elements are used extensively. Gondola cars, largely for coal, stone or other bulk commodities and oil tank cars for all manner of liquids shipped in bulk are constantly available to shippers.

Ordering Railway Space

The next step is for the shipper to order from the railway agent the necessary car or group of cars required to move the shipment. (A carload movement is usually 20 tons or more.) The shipper specifiies what type and size of car is required and the car is placed within a few hours on the shipper's siding or on a "team-track" in the railway yard closest to the shipper's plant. Forty-eight hours' free time is granted by the railway company without charge for the loading of each car. Beyond that point the company charges demurrage. For carloading movements, it is usual for the shipper's own employees to load the car, and in this case, the railway company does not check the count of the cases or pieces into the car. A clause on the railway bill of lading or receipt is inserted "S.L. & C." or "Shipper's Load and Count". This is to preclude the possibity of the shipper or consignee making a claim on the railway company for shortage of a piece or pieces which the shipper himself loaded. The shipper must also brace or block the load in the car so that it will not shift and cause damage. This is done at his expense. When the car is completely loaded, the railway sends a man to place seals on the car doors. If these seals are intact on arrival of the car at seaboard, it is assumed that the car was not tampered with during transit.

Less than carload shipments are handled differently. The shipper either delivers to the railway freight depot or, in centres where the railways maintain cartage services, the goods are picked up by the railway truckmen at shipper's plant or warehouse. The railway trucker receives the goods, signs the bill of lading, and picks up the export entry, export permit and so on. He takes the goods to the freight depot where they are loaded in a car with other goods for the same port of loading. In this event, the loading of the cars, the blocking and bracing are done by the railway at its own expense and the railway also is responsible for all loss or damage to goods while they are in its possession, subject to the reservations on the bill of lading form.

From Rail to Ship

At Canadian ports the routine of transfer of traffic from the railway companies to the steamship companies is simple. At all Canadian ports the various steamers are allocated certain of the steamship sheds for the season or from ship to ship. This is solely controlled by the National Harbours Board. Generally, to avoid confusion, the Board through the Harbour Masters allocates vessels of the same line to the same sheds, but this does not always follow. It is therefore necessary for the steamship lines to "order" in freight (both carload and less than carload) to a certain designated shed for a certain date and time. At Montreal, for example, the National Harbours Board maintains its own railway system within the dock area and this moves the carloads or cars of less than carload freight to the sheds.

On arrival alongside the proper steamship shed, railroad cars are unloaded to the shed floor by railway freight handlers or longshoremen. The railroads pay for this service and generally include it in the export rail freight rate. Less than carload freight is trucked by railway trucks from the local freight terminal to the steamship sheds. If traffic moves under an export rail rate, other terminal expenses such as wharfage charges due to the National Harbours Board are included. If it is not moving under an export rate, the shipper must arrange to pay these charges directly.

Wharfage Charges

Wharfage charges are assessed on a weight or on a measurement basis, according to the ocean freight rate applied. There is a wharfage tariff listing rates on a limited number of commodities but the general rate is 50 cents per ton of 2,000 lb. or 40 cubic feet, as carried by the steamship company. If this wharfage is payable by the shipper and not through the rail delivering carrier, the shipper must prepare his own "Wharfage Ticket", a small square form issued by the Harbours Board, take it with a copy of the bill of lading (ocean) and the money to the Wharfage Office. If this is not done within 30 days the office sends the shipper a ticket or account with a penalty of 25 per cent tacked on. Wharfage and other charges assessed by the National Harbours Board are used to maintain harbour properties.

Delivery to Vessel by Truck

A great deal of traffic is delivered to the sheds by inland water carriers and by trucks, both local or long distance. In this case, steamship checkers are on hand to check and receive the freight. Trucks are supposed to carry sufficient men to unload their vehicles and place the freight where the steamship checker indicates. As it is unloaded from the truck, the pieces are counted and if the count is correct, the trucker gets a receipt from the checker. This is called a "dock receipt" and shows the shipper's name, the number of cases or pieces, the commodity, the shipping marks, the weight or the measurement. Because weighing facilities are not available in the steamship sheds, the shipper's or railroad weight is usually taken. Measurements, however, are usually taken or at least checked by the checkers. This dock receipt is a receipt from the steamship company and must be surrendered with the ocean bill of lading which is also a receipt. When the shipper receives the ocean bill of lading, he then has the steamship company's final receipt for the goods and has no further use for the dock receipt.

Certain shipments are moved from Canada through West Coast ports. Vancouver, of course, carries the largest volume of freight and here the handling procedure is largely the same as in the East.

Deck Cargo

Certain types of freight can be loaded on the decks of steamers without encountering damage during ocean transit. This is true of certain freight packed in drums, rough lumber, heavy freight or large dimension freight which simply cannot be loaded in the holds. Great care is taken to see that this deck cargo is firmly braced by timbers and lashed with steel cables or straps to prevent shifting during the voyage.

Express and Parcel Post

So far we have been dealing with the routine followed in the moving of export traffic by freight which, of course, takes care of the bulk of the export traffic. However, there are other means of moving certain specialized types of high-value freight where speedy delivery is more important than economy. First among these is movement of export traffic by export through to destination. The express companies operating in conjunction with the steamship lines and representatives will send their truckers to a shipper's warehouse in Canada to pick up a shipment and give a receipt at that time for the delivery to certain foreign destinations. Not many destinations abroad can be served in this manner. If the destination is one which the express company can serve, it will call at the shipper's premises for the package or packages, and will pick up the necessary export entry, export permit (if required), pro-forma or customs invoices and/or certificate of origin, depending upon destination. Relatively little export traffic moves in this manner.

Another means of moving commercial shipments abroad is by ordinary parcel post. This method is used rather extensively on high-value traffic with low weight. Export entries must be surrendered with the parcels to the Post Office together with the export permit, if needed. A customs declaration form must also be completed and affixed to the outside of each package. In using this method, the shipper dispatches directly to the consignee any customs invoice or other documents which he will need to clear the package at destination. These documents are not usually enclosed in the package nor affixed to the outside.

Mexico and Central America via Rail

One last means of moving freight to foreign countries is by ordinary rail freight or express. Freight can be moved to Mexico and also through Mexico to certain countries in Central America. This traffic can go by ordinary rail freight from shipping point in Canada and also by express. Whenever freight is moved to points in Mexico or beyond to Central America, it is usual to consign the shipments to a customs broker at the U.S.A./Mexico border and the ports of entry are normally El Paso or Laredo, Texas. All freight or express is transferred at the border point into Mexican rail equipment and the broker, for traffic destined to Mexico, will clear the shipment into Mexico for account of the receiver. To do this, all he needs is ten certified copies of the shipper's commercial invoice.

For traffic for movement through Mexico, the same broker at the U.S.A./Mexico border will attend to the necessary bonding arrangements through Mexico. The entry into final country of destination, of course, is the affair of the ultimate consignee.

Many other things must be considered in shipping goods abroad—such as documentation, marine insurance, export permits, credit, and so on. These are covered in other articles in this series. So are the services provided by a freight forwarder, particularly when the goods must move through New York or other U.S. ports. ●

The Freight Forwarder and His Function

Many exporters are finding that entrusting the intricate detail of export shipping to a freight forwarder leaves them free to concentrate on their main business—selling. The services which the forwarder offers to both new and experienced exporters are explained here in some detail.

G. A. A. DOUGLAS, *President, Canadian International Freight Forwarders Association.*

THE TERM "FREIGHT FORWARDING", in its simplest sense, covers the movement of all types of products from the seller to the foreign buyer, using the most expeditious means and routes. Someone once remarked that primitive man acted as his own forwarder: he packed his wife on his back, clutched his elementary tools or weapons in his hand, and set off for a new destination. As trade and travel became more widespread and more complicated, experts in both began to appear. About two hundred years ago freight forwarding on the continent of Europe evolved as a recognized business; today the forwarding agent plays a well-defined and important role in export trade.

The modern freight forwarder controls the movement of goods from the exporter's plant up to the point where the foreign buyer has agreed to take possession and accept responsibility. Often the forwarder, after he has fulfilled his obligations to his Canadian client, continues to look after the goods, carrying out the foreign buyer's instructions. In both situations, he acts on behalf of principals; he himself normally never enters a transaction as a principal nor acquires a financial interest in it.

Helping the New Exporter

Companies with a large foreign trade and a well-organized export department often undertake themselves many of the services which a freight forwarder provides. It is the new exporter or the firm with fewer overseas connections that find him particularly helpful. The businessman thinking about his first foreign sales often asks: "How can a freight forwarder help me?" He should put that question to the forwarder himself and together they should sit down and talk over the exporter's prospects and problems.

In this preliminary discussion, not all the questions will come from the exporter. The forwarder will have his innings too. What product does the businessman wish to export? Where is his plant? What percentage of his production can be devoted to export sales? In what markets is he interested? What competition does he face? Has he worked out his export prices? Has he selected any agents? If the exporter wants to get the best possible service from a forwarder, he should answer these and other questions fully and frankly. He can be certain that everything he tells the forwarder will be considered confidential. The exporter can "bare his soul commercially" without any qualms.

Initial Services

Many people still think of a freight forwarder as a man who books ocean freight space, prepares the shipping documents, and sees that the goods are placed on board the vessel selected. Actually his services—particularly to a new exporter—may begin long before the time of shipment and extend much farther. An experienced forwarder can help with one of the first problems—finding suitable agents. Suppose his client wants to sell steam shovels in Spain. The forwarder through his correspondents there can check on the size of the market, potential agents and customers, and so on. He thus confirms or supplements the information which the Canadian Trade Commissioner can supply. By quoting a through shipping rate, he helps the exporter to determine his export prices.

The best way for the exporter to investigate a foreign market is to visit it himself. But at the outset, and if he is beginning in a small way, he may not want to spend a sizable sum on travelling expenses. The forwarder helps him to compensate for this lack of personal knowledge by advising him on various technical matters. These include selling terms in foreign countries (such as cash against documents, open account, etc.), export packing and marking, foreign weights and measures, exchange operations and restrictions, documentation, and so on. In fact, the new or the small exporter can regard the freight forwarder as his export department—as near as the telephone on his desk. Even the larger firms often find it convenient to let the forwarder handle the complicated details that export shipping involves. This leaves them free to concentrate on developing markets and sales.

Speeding the Shipment

In moving goods swiftly and easily, the forwarder relies upon the knowledge gained over the years of rates and routes, sailing schedules, port facilities and so on. He can advise on the proper timing of a shipment so that it will reach a seaport at the right moment for a certain sailing, and on how to avoid transhipment with the dangers of damage and pilferage that it involves. Before shipment begins, his staff takes control of the goods, checks quantities, arranges for or provides suitable export packing (especially important in shipping manufactured goods). He supervises the marking, weighing, measuring, and the transfer to the ship, and the placing of the necessary marine and other insurance. His clerks look after the shipping documents, consular invoices, certificates of origin, documents of title and so on. This service is especially valuable to the exporter whose plant is inland, where there may not be foreign consulates. Practice makes the forwarder's staff efficient at dealing with consular documents and there is less risk of mistakes which delay the departure of the goods or errors which prove costly. The forwarder also looks after and presents to the bank the necessary documents for obtaining a letter of credit.

Occasionally forwarders offer a small exporter, particularly of package freight, a "consolidated shipments" service. Under this plan a number of small shipments are forwarded together and the cost of each is reduced. Freight forwarders in the United Kingdom often use this method, offering small shippers to continental European points a direct-to-the-buyer service. In other cases, where transportation rates for a certain commodity have not yet been established, the forwarder negotiates with carriers and the insurance underwriters for equitable charges. He also advises on export permits and on export drawbacks when these apply.

Tracing Lost Shipments

Sometimes in spite of all precautions an export shipment is lost at some stage of its long journey from seller to buyer. The forwarder is always alert to this possibility. Whenever a shipment fails to arrive at some point at the designated time, he puts a tracer on the goods and calls for proof of delivery. He also dispatches letters of reservation to all the carriers. These letters keep the door open against the possibility of a claim; if they are not sent within a reasonable time, the claim may become obsolete and the exporter loses out. And the search for a missing shipment can consume a lot of time and energy. The forwarder sees that the various carriers make a port-to-port check on the movement of the goods and sometimes pushes the search on his own. Employees of one forwarding firm recently discovered a missing shipment in the wrong hangar at the airport at its destination.

Services Abroad

Many of the freight forwarder's services are performed for his client within Canada. But most forwarding agents also have branch offices or correspondents in foreign countries or work with old-established and reputable forwarders who act as their sub-agents. When the Canadian exporter travels abroad, he has access to the facilities and services of these branch offices or agents—often in places where there is no Canadian Trade Commissioner stationed. These offices can provide him with interpreters or guides, can arrange for samples to be sent to his next stop or shipped home, and can advise the visitor about his own purchases. In exploratory trips, the forwarder usually covers the exporter's movements with letters of recommendation. He may also arrange for the necessary outlay on foreign duties or duty deposits, expenses, etc. The exporter, under this system, need not carry a great deal of money with him and need not wait over at any particular point to settle accounts.

Fees and Services

What does the forwarder charge for his services? Freight forwarders in Canada have not yet agreed upon a standard rate of fees, although the Canadian International Freight Forwarders Association, formed about six years ago, is working on the problem. At present, each shipment is handled on an individual basis and the charges set accordingly, but there are no hard-and-fast rules about fees. There is, of course, a nominal fee for the preparation of each set of documents. In practically every case, the forwarder's fees are much below the cost of maintaining an entire export shipping department.

To the exporter who thinks that the freight forwarder can help him do a more efficient selling job, I offer a word of advice. Take the forwarder into your business confidence, give him the facts he needs, and discuss with him how he can be of service. Then, when you have decided to make use of him, give him *exact* instructions. By satisfying the instructions and wishes of both the seller and the buyer, the forwarding agent fosters goodwill between the two parties to a transaction and so helps the growth of international trade. ●

How Air Freight Serves the Exporter

Postwar years have seen air freight prove its value in export trade, especially when speed and security are vital. Today's co-ordinated air freight services can save the exporter both time and money, provided they are used to best advantage.

HUGH JOHNSTON,
Director of Cargo Sales, Trans-Canada Air Lines.

THE FACT THAT Canada's export trade accounts for approximately one-fifth of the national income points up its vital role in the nation's economy. And because distribution plays such an important part in export trade Canadian exporters should be fully aware of all the means of distribution at their command. Only by knowing about them and their uses can businessmen here hope to compete successfully in today's highly competitive world markets.

One of the newest types of distribution available to the Canadian exporter is international air freight which, if it is thoughtfully employed, can help to solve particular distribution problems and supplement other shipping services.

Although international air carriers handled air freight long before the last war, it was not until the close of the war, after trans-ocean air transport had been proven, that any really worthwhile volume of air freight was carried. Even then, the lack of standardized methods of handling the traffic between carriers precluded its fast development. However, with the rebirth of the International Air Transport Association in Chicago in 1945 and the establishment of headquarters in Montreal, real progress began. Traffic Conferences were set up for nine traffic areas throughout the world (they have since been reduced to three). These three Conferences worked on standard rate-making practices for air freight, a standard document of carriage, and a multilateral interline agreement permitting traffic to move through to destination on one airwaybill/consignment note. As progress was made in achieving these objectives, international air freight grew very rapidly and gradually became accepted by shippers and consignees throughout the world.

Co-operation through IATA

Today IATA has as members practically every international airline of any consequence and, as a result of this co-operation through IATA, it is now possible to ship by air to practically all the world's principal cities. To illustrate the service available to shippers in Canada as a result of the work of IATA and using Trans-Canada Air Lines as an example, it is now possible for a shipper here—or in any city which TCA serves in Canada or the United States for that matter—to obtain high-speed air freight service not only to the United Kingdom, Ireland, France and Germany, which they serve directly, but also to the principal cities of Europe and Africa. This can be done at through rates, or using easily determined combination rates. And, as a result of the establishment of interline agreements and the standardization of shipping documents, the shipments will move through on one airwaybill. In the same way, service can be provided to the Orient and Australia through connections with Canadian Pacific Airlines at Vancouver. International air freight, a high-speed transportation service, is now available on a standard basis on all IATA member airlines. In fact, shipments can be made by air freight to almost any point.

International air freight tariffs are simple and easy to use. Rates are established in a fairly simple manner

When an automotive dealer in Caracas, Venezuela, needed 500 car radios from Canada in a hurry, they were in his store 36 hours after being dispatched from Windsor—thanks to air freight. Service like this helps the exporter to keep customers.

by agreement through IATA. The method of filing rates has been standardized, with one rate per pound for shipments under 100 pounds and another lower rate per pound for shipments over 100 pounds. There are some exceptions to this method of rate-making in the form of specific commodity rates and quantity reductions but generally speaking, this technique is standard. It makes possible a simple combination of local rates to make up a through rate where none is in effect, although through rates to most important cities are available. So that rates may be quoted to or from interior points in Canada and the United States to distant cities, TCA has published special inland proportional rates, as they are called. These, when added to the rates from the Montreal gateway, result in comparatively low through rates which may be quickly calculated. IATA has also established a standard minimum charge on most routes.

The rules and regulations under which shipments are carried have also been, to a great extent, standardized between IATA carriers. Valuation charges have been set up uniformly so that a shipper, by declaring his valuation at a higher level than the free valuation allowed, may extend the amount of the carrier's liability. A small valuation charge is assessed for this service. In addition, TCA and other IATA carriers have made provision in their tariffs for all-risk insurance when this is required. In order that shippers may obtain return of funds quickly and not tie up capital, TCA, with most IATA carriers, has set up a C.O.D. service at reasonable charges to most countries. Generally speaking, tariffs provide that we may accept most types of commodities for carriage with the exception of articles likely to cause damage to the aircraft or other cargo.

How to Obtain Service

One of the basic questions in the minds of readers is probably: "How does one obtain international air freight service?" The answer is simple. The preparation of shipping papers for international air freight involves no new techniques—in fact, the standard IATA-type airwaybill which is now almost universally used permits a wider application of the principles already proved in surface practice. This document makes possible the movement of a shipment on a through bill from an inland airport of origin to an airport of destination throughout the world, or even to an off-airline city. Air freight is probably the only shipping service available today where this is possible. The airwaybill/consignment note is made out by the shipper or his forwarding agent, or a simpler "Shipper's Letter of Instructions" may be used which authorizes the carrier to complete the airwaybill.

After either one of these documents has been completed and provided that the export documents are in order, it is only necessary to call the nearest TCA office for pick-up and the shipment is on its way. TCA—in fact most airlines operating international service—have equipped their offices with basic information on documents required to ship to foreign countries.

To illustrate the variety of shipments which move in international air freight service at the present time, here are a few examples which were taken at random from TCA manifests:

From	*To*	*Commodity*
Montreal	Belfast	Electrical tubes
Edmonton	Beirut	Acetone
Windsor	Helsinki	Automobile tools
Montreal	Cuba	Medicinal preparations
Montreal	Caracas	Cigarettes
Montreal	Colombia	Chemicals
Toronto	Cape Town, S.A.	Law books
Toronto	Aruba, N.W.I.	Electrical transcriptions
Welland, Ont.	Copenhagen	Graphite samples

These examples serve to illustrate some of the uses of international air freight today. It has, in fact, many advantages which justify a much broader use.

Advantages of Air Freight

The basic and obvious advantage of air freight over other methods of moving goods is SPEED—speed which, when coupled with fast service on the ground, makes possible the rapid delivery of goods to all parts of the world. This in itself has a great attraction for exporters in these difficult days, when conditions are changing rapidly and when competition from other countries is particularly keen. However, speed in itself is not the whole story. Air freight has great immediate significance for the shipper confronted with an emergency, or for the export sales manager who wishes to take advantage of the sales appeal of fast air shipment.

International air freight offers other advantages too, which produce real economies. For instance, it expedites capital turnover and makes it possible for working capital to be returned more quickly. This can, in some instances, result in worthwhile savings in interest payments. It also effects economies in inventory and simplifies warehouse problems because almost the same delivery can be provided right from a manufacturing plant to customer as from a regional warehouse. This can mean lower warehousing costs and at the same time a cut in inventories as the need for maintaining large stocks to satisfy fluctuating demand is eliminated. A large Swedish firm engaged in export trade throughout the world decided some time ago to eliminate the warehouse it was maintaining in Brazil. It established a small showroom with a very small stock and now depends on air freight to replenish this stock as needed. This, of course, also has its effect on financing—to the extent inventory is reduced, capital is released and interest saved.

Offers Greater Security

In addition to its speed, air freight has another important characteristic—greater security and protection in transit than when using other forms of transportation. The risk of pilferage and theft, as well as the accidental loss, seems to bear a fairly direct relationship to the number of times of exposure to the possibility of such loss. In air freight, the chances of such loss are small and this is borne out by actual loss experience. The result (combined with speed of air transport) is often much lower insurance charges.

Because of this greater security, it is sometimes possible to use less packing material and in some cases less expensive material. Some shipments that may require solid crating for surface transportation may be shipped in wirebound crates. Others that require wirebounds for surface may only require cartons for air shipment. The type of packing can in turn affect the labour costs associated with packaging. And if less expensive packaging is used, there is usually a reduction in weight as well—and in shipping costs.

These are a few of the possibilities of air freight—not all of them, but enough to illustrate the fact that air freight cannot be judged entirely on the basis of rates alone. Its real worth can only be determined when one has "looked behind the rates" at the many possible benefits. For many commodities, these more than compensate for the higher charges.

Of course, all the advantages of air freight do not apply equally to all exporters, but it is probably safe to say that air freight can be of use to every exporter. Those who export primary products or articles of low unit value can benefit by shipping samples of their goods by air freight to beat competition and to indicate their progressive attitude and the speed with which orders can be handled. An example is the shipment which a lumber exporter in Vancouver forwarded, consisting of a railway tie consigned to the Egyptian Railways in Cairo. As a result, he is reported to have received a large order to be shipped by sea.

Exporters of manufactured goods which, because of their nature, cannot justify complete air shipment, will find air freight valuable for filling rush replacement orders and for shipping advance stock to tide a customer over until his complete order arrives by surface transport. Automobile parts from Windsor go regularly by air to Australia and South Africa.

Finally, there are the shippers of commodities of fairly high value or of perishables—such as fashions, drugs, certain types of machinery and electrical equipment, textiles, raw and dressed furs, precision instruments and many other commodities—who find air freight useful as a day-to-day shipping service, after carefully weighing its advantages.

Air freight alone is not likely to solve all the problems of Canadian exporters in competing for foreign trade. Nevertheless, if the exporter becomes aware of its potentialities and makes use of them, he will find it a valuable supplement to other transportation services. ●

Canadian Ports Serve the Exporter

A program of improving facilities and speeding service has made Canadian ports a vital factor in our foreign trade. They offer the Canadian exporter certain specific advantages and these are outlined by an expert well versed in Canadian shipping problems.

W. C. PERRON, *Chairman, Canadian Port Committee, in collaboration with committee members.*

EVERY YEAR, nearly 150 million tons of waterborne cargo are handled by about 180 reporting harbours that serve the foreign and domestic trade routes of Canada. About 30 per cent constitutes shipments loaded for foreign markets, about 25 per cent consists of goods arriving from foreign ports, and about 45 per cent represents coastwise traffic. One-third of the total tonnage (about 50 million tons, made up of exports 34 per cent, imports 22 per cent, and Canadian coastwise trade 44 per cent), moves through the eight national harbours of Halifax, N.S.; Saint John, N.B.; Chicoutimi, Quebec, Three Rivers and Montreal, P.Q.; Churchill, Man., and Vancouver, B.C. Altogether 77 Canadian ports share in this waterborne movement of foreign commerce.

Because foreign trade is so vital to our economic welfare and because it is important to encourage direct trade between Canada and other countries through Canadian ports, the Government of Canada has spent millions of dollars in developing these ports. Expenditures on capital account for the eight national harbours alone have reached over $250 million. This money went to provide wharves, transit sheds, grain elevators, refrigerated warehouses, terminal railways, shore and floating equipment—in fact, every facility essential to the efficient and economical operation of these ports.

The development of the national and other important Canadian harbours has gone forward with the expansion of Canadian waterways, railways, highways and airways—and this development is continuing. New construction recently completed or under way will give somewhat greater flexibility. Many of the ports are being geared to handle the increased volume of business which is expected with the opening of the St. Lawrence Seaway.

Ports Give Good Service

The earning capacity of a ship depends largely on the number of pay-voyages in a year and turn-round time in port is therefore an important factor in ship operation. Each day in port requires an outlay of money with no compensating income from freights. Canadian harbours are noted for a high standard of efficiency that ensures quick turn-round. Cargo is carefully handled and dispatched promptly. Contributing to port efficiency are accessibility to shipping, adequate port facilities, good transportation services, and modern cargo-handling methods. For example, good pilotage, tug services where necessary, and efficient aids to navigation in the form of lights, buoys, and reporting stations for direct communication of vessel movements, weather and other shipping intelligence enable ships to proceed from open water into the harbours and to their assigned berths without delay.

Port facilities combine efficiency with economy. They are designed to serve effectively the majority of the users and, in particular, to enable cargo to be transferred with minimum delay from or to deepsea ships to or from coastal and river craft, railway cars, transport trucks and, in some cases, pipelines. Long-term planning is stressed and trends in both ship design and traffic movements are carefully considered.

There are regular and frequent sailings to many overseas ports. Yearly departures in international seaborne shipping are now close to 35,000 and the ships are of such design, capacity and speed as to meet all reasonable traffic requirements. To supplement direct services and at rates no higher than via the direct services, a number of shipping companies have transshipment arrangements at London, Antwerp, Cristobal

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and other ports for shipments between Canada and countries direct sailings to which may be inadequate for certain trade movements.

Rail and highway transport services to and from Canadian ports are efficient and dependable, providing shipside pick-up and delivery of shipments. Coastal shipping can meet all reasonable traffic demands.

The handling of cargo, including the loading and unloading of ships, railway cars and transport trucks, is well planned and managed and diligently performed. Unloading and loading of ships is co-ordinated with the loading and unloading of railway cars and transport trucks to avoid bottlenecks and congestion of and delays to traffic. Mechanized methods are used wherever practical to increase efficiency and lower over-all costs. Canadian ports are notably free from labour difficulties.

Specific Advantages to User

Canada's northern trade routes during the summer season offer particular advantages in the movement of perishable goods such as packinghouse products, dairy products, fruits and vegetables. These northern routes provide lower air and water temperatures than the more southerly ones and, in so far as the North Atlantic is concerned, avoid the high temperatures in the Gulf Stream which make refrigerated stowage necessary.

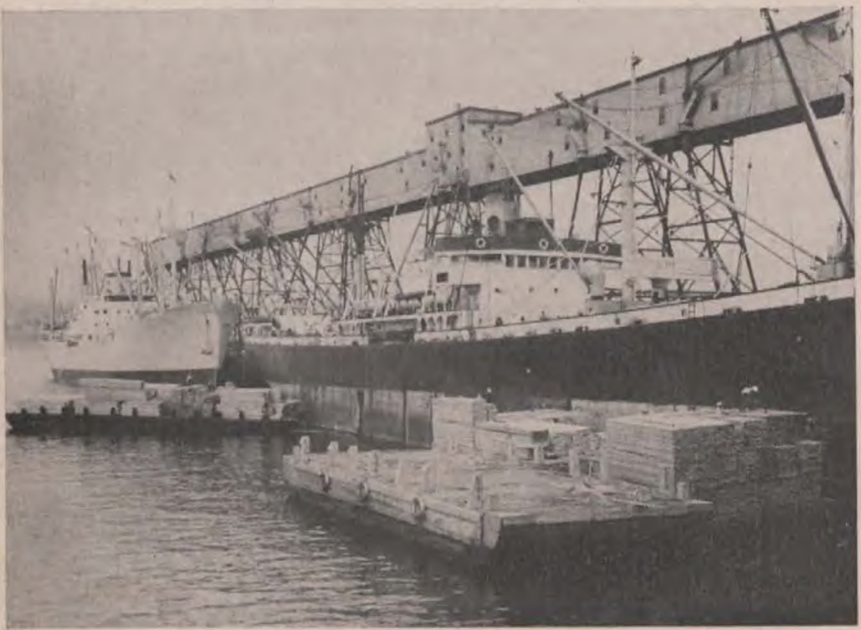
Generally speaking, railway freight rates on shipments moving via Canadian ports are lower than or equal to railway rates via competing United States ports. The same statement applies to inland water and truck rates. Ocean rates too are competitive as between Canadian and United States ports. During the past few years, Canadian railways have established through rail-and-ocean rates from interior points, particularly in Ontario, which—apart from the advantage of involving only one rate calculation—also mean in many cases lower charges than via competing United States ports.

The provision in Canadian railway export tariffs that any number of free deliveries may be made on a consignment to Canadian Atlantic ports also gives shippers a further advantage.

Railway car demurrage charges at Canadian ports are in many cases lower than at the competing United States ports. For example, free time at Canadian Atlantic ports is ten days, after which demurrage is charged at the rate of $5.00 per car per day. This compares favourably with the Port of New York, where the free time is seven days and demurrage rate $3.00 per car per day for each of the first four days and $6.00 per day thereafter.

Through export bills of lading are in use from Canadian points of origin via Canadian ports but this privilege is not available on shipments from Canadian points via United States ports. With the exception of shipments to consular countries which require bills of lading to be visaed, the handling of bills of lading covering exports via Canadian ports can also be carried out more expeditiously than for shipments via U.S. ports. This means that exporters can avoid delays in negotiating their documents.

The carriers serving Canadian ports accomplish this by various methods. In the case of received-for-shipment ocean bills of lading, the inland office of the



Two vessels load at a Canadian port. The one in the foreground is receiving a cargo of lumber from barges alongside; the one in the background is getting wheat from the grain gallery. Canadian harbours pride themselves on their efficiency in cargo-handling which, aided by modern equipment, means quick turn-round time in port.

steamship company which generally does the booking receives from the shipper his ocean bill of lading and forwards manifesting copies to the seaboard office. The seaboard office, in turn, telegraphs the inland office when the shipment has been received on the pier. The inland office then signs the bill of lading and hands it over immediately to the shipper.

On-board ocean bills of lading are handled in exactly the same way as received-for-shipment ocean bills of lading, except that the seaboard office telegraphs the inland office only when shipment is actually aboard the vessel.

The Canadian National Railways, Canadian Pacific Railway Company and Canada Steamship Lines Limited extend the through-bill-of-lading privilege to all ocean lines that request it. If a through bill of lading must be endorsed "on board", there are two methods of accomplishing this. Under one method the shipper hands over his originals to the inland steamship agent who, in turn, requests his seaboard agent to telegraph him immediately shipment is loaded on board, at which time the originals of the through bill of lading are endorsed and handed back to the shipper. Under the other method, the inland carrier's local agent who issued the bill of lading holds the originals in his possession and releases same to the shippers with the "on board" endorsement when he receives a telegram from his seaboard office. The latter method is preferable at outlying points where there is no steamship representative.

Economic Benefits to Canada

The fullest possible development and use of Canadian transportation facilities and services for Canadian traffic benefits not only Canadian port interests but also the entire country.

At port level, for example, recent estimates disclose that on a postwar cargo liner of 8,700 tons gross and 5,100 tons net register, and inward general cargo of 3,571 long tons and outward general cargo of 7,142 long tons carried inland by railway, the combined vessel and cargo costs at an Eastern Canadian port approximated $68,066. Of this amount, $57,393 (or 84 per cent) involved labour charges. For each ton of cargo the combined costs were $6.35 and labour costs $5.36. The combined earnings alone of longshoremen, freight handlers, watchmen and checkers at Halifax, N.S., and Saint John, N.B., are approximately $9,000,000 a year, equal to the total retail sales price of over 3,000 Canadian automobiles in the lower-priced field. Add to this the combined salaries and wages emanating from operations of dockyards, ship chandlers, shipping agents, forwarders, brokers and others and the total becomes impressive.

Port of Toronto News for January 1957 discussed the relation of the port to its community in the following way: "The relation of the port to its community is often misunderstood or overlooked. The work created in the handling of goods is only a small part of the benefit accruing. New markets created through the use of the port's facilities mean greater sales, more employment, higher pay-rolls, a better standard of living. These are difficult to measure accurately in dollars and cents but a report in the United States Department of Commerce *Review of 1955* suggests the value of various commodities to a port. Relating this to the tonnage at the Port of Toronto for the record year 1956, we find a direct value to the port of $22,000,000. Using the accepted economic principle of 'Free Economic Generation' this represents a total income to the port area of around $66,000,000."

The development of Canada's transportation system—with its railways, highways, airways, waterways and ports—has strengthened and broadened the whole economy. With the complete co-operation of all interests, our transportation facilities and services will continue to expand and will bring maximum benefits to the entire country. ●

Export Advertising

√ *What problems face an exporter planning overseas advertising?*

√ *How does a typical company cope with these?*

√ *Can the language barrier be hurdled successfully?*

√ *Does co-operative promotion in foreign markets work?*

√ *Can point-of-sale advertising be used abroad to good effect?*

Advertising Abroad - - methods and media

ADVERTISING IN FOREIGN MARKETS presents many problems identical with, and some very different from, advertising in the home market. It seeks to reach the largest possible number of consumers at the lowest possible cost, making use of the media best suited to this purpose. But normally it is advertising done at a distance, without intimate acquaintance with the market and sometimes without the help of an experienced advertising agency. In some areas the choice of media is more limited and so too is the coverage each gives. Copy and illustrations—and even the colours used—must not offend against local taste or customs. Translation of English copy into the vernacular must be done skilfully, or the result may be nonsense, or worse.

Who Arranges for Advertising?

These problems naturally vary from market to market and even from product to product. They vary too with the amount of available business, because this determines the size of the advertising budget. But the first one is common to all: how is the advertising to be arranged? The normal method in Canada—using the services of an advertising agency—may not prove feasible in Saudi Arabia or Trinidad. Very few Canadian agencies maintain branches or correspondents overseas. There are international advertising agencies but their services may come too high for a company just launching out into export. But if the exporter is marketing an expensive and intricate piece of machinery, such an agency may well prove invaluable because it can provide the needed technical copy, properly translated by a professional writer. Some countries have well-established advertising agencies whose services can be valuable. But sometimes they concentrate largely upon placing the advertisement rather than giving the complete advertising service expected in Canada.

Some companies rely entirely upon advertisements prepared at home and then dispatched overseas for translation and printing. Others give their agents abroad allocations for advertising and leave the spending of these to them. Usually this proves unwise; agents are not advertising experts even though they understand local conditions.

Experienced Canadian exporters say that the advertiser, his Canadian agency, and the agent overseas should all share in the planning of foreign advertising and should collaborate closely. The company should invariably retain control of general advertising policy and, if the advertisements are prepared by its own agency or advertising department, should clear them with the agent before publication. Even where the local agent spends the appropriation, his efforts should be carefully supervised. As soon as he accepts the agency for the company's products, the overseas representative should be told what advertising support he can expect, and whether he will receive any part of the advertising budget directly, to spend as he sees fit. Some local firms contribute a sum equal to that which the exporter allows.

The agent makes his most useful contribution by supplying information on local peculiarities and taboos, by making sure that the translation is acceptable and idiomatic, and by advising on the various media and their advantages or disadvantages. Often he sends his principal copies of as many as possible of the newspapers and magazines put out in his territory. Equally helpful are copies of competitors' advertisements.

Role of the Agency

The role of the exporter's advertising agency remains much the same as in the domestic market. It supplies artwork, copy, filmstrips, radio material, etc., making sure that these can be adapted for foreign use. Some firms insist that all translation be done abroad, by someone familiar with the idiom of the country, to avoid a stilted or clumsy text. Sometimes the firm sends over the artwork and English copy, plus layout showing where the translation can be stripped in. Translations made at home should always be carefully checked abroad. (The language problem is more thoroughly discussed in one of the following sections.)

Sometimes the firm sends to its agents a catalogue showing the mats of advertisements available with illustrations of the product and the company name. When the agent orders a particular mat, it should go to him by airmail or it may arrive too late to be useful. A distinctive trademark or "chop", instantly recognized even by consumers who cannot read, is a great asset in a foreign market—especially in selling consumer goods, as the success of "Coca Cola" proves. It should find a place in all the company's advertising and on packages, etc. Similarly, illustrations or pictures should be used liberally even at the expense of text.

Choosing the Right Media

In many areas the exporter has as wide a choice of media as he has in Canada. But different media have different emphases. In a country with a large number of illiterates, radio or film advertising assumes much greater importance. Before he makes any selection, however, the advertiser needs to know the groups or classes served by the various media, the relative cost of each medium, the extent and frequency of national and local advertising, and so on. For much of this information he must rely upon his agents.

To illustrate the wide range of media in most markets, we are setting out a checklist in the following paragraphs and giving a few salient facts about each.

- *Newspapers and Periodicals*—Daily and weekly newspapers, general magazines, trade and business journals. Some of these may have international circulation and some only local—as discussed in a following section, "Advertising Builds Foreign Sales." (Exact figures on circulation may be harder to get than they are in Canada.) One experienced exporter follows the practice of allowing the foreign agent to assume full responsibility for all advertising campaigns carried out in the daily newspapers and popular local magazines—with the understanding that the home company must approve the advertisements. Advertising in international journals, on the other hand, commonly is the responsibility of the home office. Even then, it is worthwhile to check with the agent to discover which of these periodicals are most widely read in his country. For local advertising, mats or complete plates may be supplied to the local agents from head office, or artwork only sent and the copy either written abroad or translated from accompanying English text. Advertisements may include offer of literature, reply coupons, etc., to test their pulling power.

- *Yearbooks, Directories, and Programs*—Yearbooks, trade directories, trade fair catalogues and directories, theatre, sports or concert programs, annual and semiannual publications. These may be either foreign publications or Canadian publications distributed abroad.

- *Radio, Television, Films*—These may be particularly useful in less literate countries but are becoming more popular everywhere. Some areas make wide use of short films (one to two minutes) or even briefer film clips of 15 seconds. Where necessary, the film can do all its selling through the picture, without text. Longer films can sometimes be placed in commercial theatres and industrial and technical ones used in selling machinery and similar products to special groups. Standards should be kept high, especially for Latin America where this type of advertising is used most frequently. There it is almost essential to distribute films in colour, with sound track in the language of the country.

- *Point-of-Sale Advertising*—Window displays, counter cards, containers, names and slogans printed on wrapping paper or shopping bags, demonstrations, samples of product, folders, leaflets, etc. This type of advertising is discussed in one of the following sections.

- *Direct Mail Campaigns*—Such campaigns may be planned and produced either in Canada or in the foreign territory, keeping translation and other problems in mind. One of the advantages of doing the mailing from head office is that prospects pay more attention to mail that carries a foreign stamp and address. It is important to check first on whether foreign advertising is permitted entry and whether mailing charges will be high. One problem is obtaining useful lists of foreign prospects. The most successful campaigns do not rely on one mailing piece and on one impact only. Literature may include letters, booklets, catalogues, price lists, and so on. The local regulations and customs should be checked with the agent. An attractive catalogue is a particularly important sales tool. Products in it must be carefully and accurately described, preferably using the metric system of weights and measures. But catalogues are expensive and should be distributed carefully.

- *Outdoor Advertising*—Posters (highly developed in some markets and well designed and printed), illuminated signs, streetcar and bus advertising, posters on railway cars or stations, posters on trucks, advertisements printed on packing cases, floats and parades, loudspeaker announcements, aircraft skywriting and trailers, painted walls. Special shipments can sometimes be advertised on the carrier itself.

- *Giveaways*—The obvious choice here is samples of the manufacturer's product, where this is possible. Or the exporter may choose related items (for example, a painter's cap from a paint manufacturer), or unrelated ones such as ballpoint pens, cigarette lighters, score cards, diaries and calendars, recipe books, or miniature models of the product (tractor, etc.). Good taste should play a large part in the selection of giveaways. The exporter must decide whether they are to be given to agents for general distribution to consumers, or restricted to dealers and their staffs. This decision affects the number ordered and their cost.

- *Trade Fairs and Exhibitions*—Worth study are not only international and national fairs but also vertical and industry shows and those arranged by a single firm or group of firms in one or more countries, or travelling exhibits. For data on trade fairs generally, see the article "Foreign Fairs Promote Foreign Trade" in our March 2, 1957, issue.

In the following sections, advertising executives of four companies currently selling in foreign markets cover various aspects of export advertising, drawing illustrations from their own experience. ●

Advertising Builds Foreign Sales

W. P. BRITT, *Sales Vice-President, Outboard Marine International, S.A.**

ANY GROWING, ENTERPRISING NORTH AMERICAN COMPANY ultimately must give serious thought to export markets—and this means coming to grips with the problems of export advertising.

Outboard Marine Corporation is no stranger to advertising, but we realize the great difference there is between advertising at home and advertising overseas. The kind of advertising that is effective in the domestic market will not necessarily bring results abroad.

The objective of any kind of advertising is to sell a product or services. But export advertising requires a different approach, a different slant, and a different level of language—simply because the markets are different. They vary from the Canadian market in nearly every conceivable way, but particularly in tastes, habits of thinking, and in income levels. The problem is not merely one of translating words but of translating ideas. Thus, the four-color, prestige-winning domestic ad that exhibits the product against a background of distinguished-looking, well-dressed, attractive people surrounded by the good things of modern life may be quite inappropriate in the Far East, where incomes are low and the revenue-earning value of the product is more important than any amount of glamour or prestige.

First Steps

Realizing these and other complexities of advertising in foreign markets, Outboard Marine decided to enlist the services of a New York advertising agency that specializes in this field. Not every business has the volume to justify employing an export advertising agency but we believe that, where possible, it is a wise thing to do.

*Outboard Marine International S.A. is a recently established wholly-owned subsidiary of Outboard Marine Corporation of Canada Ltd.

We are assuming that, before a new exporter confronts the question of export advertising, he has already set up a system of distributors abroad. Through his distributors he has learned a good deal about his foreign markets and has some idea of what is needed to increase sales. This is the point at which he turns to advertising.

With some data on his markets and advice from his distributors, the new exporter who has advertising in view must think first about his budget. Two considerations bear upon this: the amount of his foreign sales and the amount of money needed to do an effective advertising job of international scope. Only an expert can give an estimate of the latter.

Choosing the Media

Once the budget is set, the media to be used in getting across the advertising message must be chosen. International media—by which we mean chiefly periodicals published for export—serve two purposes: to develop existing markets and to discover new ones. The existing market may have been developed solely through the work of distributors and the circulation abroad of domestic media. The value of domestic media, at least in the early phases of exporting a product, should never be discounted. Canadian and American magazines have a wide circulation beyond the shores of North America and keep turning up, long after publication, in the most out-of-the-way places. The United Kingdom too has a number of widely circulating magazines, although they are published mainly for the domestic or Commonwealth market. The use of these domestic media to influence a foreign market can be an expensive proposition for an export department because rates are based on the total circulation, including the whole domestic circulation.

Today a large number of effective international media are published in the United States, and particularly the various overseas editions of well known American magazines. These do not circulate at point of publication but are intended for and have direct impact upon export markets. If you have the European market in mind, you should consider the various European editions of *Reader's Digest,* the Atlantic edition of *Time,* the European edition of *Newsweek,* and the international edition of *Life.* For America south of the Rio Grande, investigate the Latin American edition of *Time, Life en Espanol, Vision,* its Portuguese equivalent *Visao,* and the Spanish edition of *Popular Mechanics.* All these have wide circulation. Then there are trade magazines such as *Automovil Americano, Transporte Moderno, Petroleo Interamericano.*

What about local foreign media, those circulating only in a particular market? Some types of products

One of Outboard's advertisements prepared for the Latin American market. Note how both the commercial and recreational uses of the outboard are stressed and the illustrations are well suited to the area.

will undoubtedly benefit from the use of such media, including local radio, television and cinema. However, we in Outboard Marine leave the local media to our local distributors to use as seems best to them on a co-operative basis. If there are peculiarities, seasonal or otherwise, or sudden changes in any particular market, adjustments can be made by recourse to advertising through the local distributor and in the local media.

What Type of Ad?

The type of ad to run in international media will be conditioned partly by the nature of the media themselves and partly by the applications of the product in export markets. For example, although our outboard motors have a strong recreational appeal in the domestic market, overseas they are used chiefly for commercial purposes, such as fishing, ferrying, patrolling, logging, lightering, etc. Some suggestion of recreational use even in these markets has recently come to light in the form of water skiing, a sport that seems to be increasing in popularity everywhere. Thus the type of ad run will reflect present and potential uses of the product. And the advertising policy, as well as size, class or mass circulation of the media, will further influence the advertising copy and layout.

In brief compass, one can do little more than suggest the principal questions which the new exporter must face when he embarks on an export advertising campaign. One last admonition to the newcomer—spare no effort necessary for a thorough understanding of your export markets. •

Solving the Language Problem

R. B. SPIRO, *Director, International Division, The Coleman Lamp and Stove Co. Ltd.*

CANADIAN ADVERTISERS are familiar with the language problem, although they do not always deal with it successfully. They face this problem when they advertise products first introduced or manufactured in the English part of Canada and later on in French Canada—and vice versa. Language difficulties multiply, however, when a company decides to launch a worldwide advertising campaign.

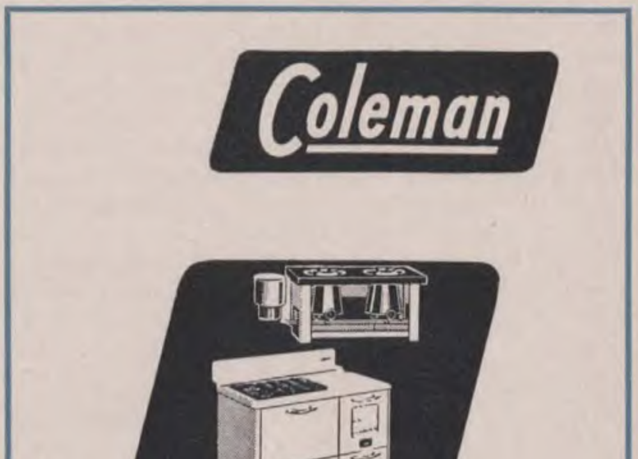
An export advertiser's first desire is to eliminate the language problem altogether if he can. Often he can accomplish this if buyers recognize his product by an illustration or brand name. In some cases, a new product may be promoted in this way if the company is willing to spend money to establish the brand name through frequent repetition. The familiar picture of a well-known soft drink bottle with the brand name beside it is seen around the world and requires little or no text.

Using Illustration and Brand Name

This type of advertising is based on the simple thought association of "product, illustration and brand name". It is particularly successful in countries with a high percentage of illiteracy or in places where customers strongly prefer established products of proven quality. Illustration-brand name advertising is used successfully in the Middle East and Far East, for example, and eliminates the language problem altogether.

The simple thought-association type of advertisement often features a colourful illustration or perhaps some colour combination which also identifies the packaged product and is pleasing to the eye. However the advertiser must be familiar with and careful about local customs, traditions and beliefs; some colours may be "taboo" with certain tribes and some colour combinations may hurt national feelings. The triangular thought-association advertisement such as "little child—pet—product", may be a favourite in North America but elsewhere it may arouse superstition, suspicion and negative reactions in people.

A well known cigarette company which features a black cat as its trademark had this experience when it introduced its brand in West Africa. Sales were unsatisfactory because many Africans thought the black cat indicated that this tobacco product was made only for coloured people. Sales rose immediately when the black cat was replaced by a white one on the lithographed metal boxes.



Here is one way of overcoming the language problem, possible in selling certain products. Pictures of the products, plus the brand name, convey the advertising message without the need of any supporting copy.

Translation of the English copy into Persian and setting it in type was done in Iran itself. Unfolded "blanks" with the printed illustrations only were sent to Iran and the text was printed locally in black. Typesetting facilities for languages such as Persian, Siamese, Arabic, or Japanese are practically never available in Canada.

Use Correct Foreign Words

Even the use of a necessary single word, plus the brand name, can create language difficulties. For example, in all Germanic languages the brand name comes first and the product afterwards: thus "Coleman Lantern" in English or "Coleman-Lantaarn" in Dutch; in all Latin languages, the order is reversed, thus "Lanterne Coleman" in French or "Linterna Coleman" in Spanish. Such details can play havoc with layouts of advertisements, with multicolour printing plates, and in many other ways.

The language problem becomes more serious if the advertisement requires a product description or other sort of lengthy copy. Fortunately, people abroad are not used to the superlative-packed copy we are accustomed to in North America. Abroad, people are mainly interested in solid facts such as: How big is it? How heavy is it? How long does it last? How much does it consume? and last but not least, How much does it cost? Straight answers to these concrete questions are usually easier to translate than metaphors, slogans or double meanings as used so much in successful advertising copy on this continent.

Many words which, for example, are perfectly acceptable in the pure Spanish, such as "Castellano", create a smile when used in Cuba, Mexico or Argentina. To use really correct copy for Latin America the advertiser should have it checked by local copywriters in at least half a dozen different countries in South America. This should not surprise us as we are confronted with very similar problems even in English-speaking countries. We have to remember that the Canadian word "coal oil" becomes "kerosene" in the United States and Australia and "paraffin oil" in most other English-speaking countries. The English word "petrol" changes to "gasoline" here in North America.

In the case of sales promotion literature, a thorough knowledge of the product is required first of all if you are going to attempt a translation into another language. For best results send the English copy to the country for which it is intended so that a local expert—expert in the product and in the local language—can make the translation. While this procedure is imperative for instruction sheets, installation manuals, recipes, etc., it is advisable also when the advertising text is at all complicated. Never send the text alone; include layout and illustrations.

Something like this could happen to you: the warning of an English advertisement not to buy "white elephants" which may stay a long time in the inventory was translated correctly into French with the word "rossignole" (nightingale) which has the same meaning in that language. But when this translation was made, nobody thought of sending the whole layout with illustrations to the French translator. In the French advertisement a white elephant was illustrated on top of the copy with the word nightingale. You can imagine the reaction of French customers!

The language problem reaches its climax when the advertising text has to be printed in characters such as Chinese, Japanese, Arabic, or Siamese. It is obvious that the translation should then be made in the country to which the advertisement is addressed. The printing should then be done in that country too, because rarely can the typesetting be done in Canada. Do not entrust proofreading, especially of technical manuals, to Canadians of these national origins; they will find it difficult not to make mistakes in the use of characters. The solution in such cases is to send unfolded "blanks" with the printed multi-coloured illustrations only to the country of destination and have the text printed locally in black.

Like so many problems in export trade, the language problem is a difficult one. But it is also fascinating, because the challenge of language stimulates the imagination and resourcefulness of the export advertiser. ●

How Seaboard Promotes Lumber

E. G. PERRAULT, *Department of Trade Promotion and Expansion, Seaboard Lumber Sales Company Ltd.**

ONE IMPORTANT ASPECT of the export trade in lumber is the channels of distribution, which usually include agents, importers and merchants. Because the Canadian shipper does not sell lumber to the ultimate end user in the form, size or shape that meets his needs, Seaboard's approach to foreign advertising differs from that of an exporter of finished products with direct consumer appeal. Foreign buyers prefer to purchase most of their lumber in sawn form for further sorting, resawing and manufacture to suit the particular demands of their customers.

In our view, the first purpose of foreign advertising is to create goodwill for the wood species of British Columbia and to establish confidence in our service and integrity. Less frequently, we extend the scope to promote some particular end use of British Columbia softwoods but this is intended usually to aid those importers who stock a manufactured product.

Magazine Is Main Medium

The first objective of our advertising program, then, is to keep our name and our products continuously and prominently before the importers and the specifiers of lumber products. A quarterly magazine written in a friendly and informal manner, attractively illustrated and containing informative articles of interest to people in the timber trade, is the principal medium employed. Our readers are importers, merchants, specifiers, end users and trade organizations. No obvious attempt is made to "sell", although stories appear from time to time describing new and interesting uses for timbers, specifically British Columbia softwood species.

The mailing list for our magazine consists of the names of all those companies and individuals with whom we do regular business. In addition, our branch offices, agents and others submit additional lists of names from time to time and, of course, the names of Trade Commissioners, timber association personnel, and other officials are an important part of our mailing list. It has also been our practice to send several hundred copies of our magazine to professional groups such as architects, contractors, technical schools, and any other associations whose activities involve, or could involve, the use of B.C. lumber products. Approximately 50 per cent of our mailing list is in the United Kingdom

Aims of Seaboard's Advertising

- *To establish and continue to develop goodwill for B.C. lumber shippers through their own magazine.*
- *To establish and promote continuously the brand name and the products which Seaboard exports.*
- *To promote new products, or new uses for established products, whenever this appears to be necessary.*

*Seaboard Lumber Sales Company Limited with its affiliate, Seaboard Shipping Company Limited, is the export sales and shipping organization of a large group of leading British Columbia producers of forest products. Its member mills manufacture shingles, plywood, hardboard and lumber in all forms.

and the remainder is divided equitably among the other major world markets. We rely on our branch offices and agents to advise us of changes in or additions to our mailing list. All lists are checked every six months by our Sales Department to eliminate deadwood and add new names.

Advertising in Trade Journals

Although our major goodwill effort is the quarterly magazine, we supplement it with a small advertising program, largely institutional in nature, in trade journals in the United Kingdom. Seaboard's small advertising program in trade journals originates entirely in our trade promotion department. In other words, this office establishes advertising policy, provides a free-lance artist with rough sketches or ideas for advertising layouts, writes the necessary copy, and establishes an advertising schedule with selected trade journals in the United Kingdom. To facilitate the actual placement of advertisements in the U.K. we have hired an advertising agent in that country. He makes sure that the finished advertising layouts we send to him are made into suitable plates and delivered to the appropriate magazines in time for publication.

Plywood Promotion Problem

Late in 1954, when trade in plywood in the United Kingdom was returned to private business after being in government hands since the beginning of the Second World War, we faced a special promotion problem. A great many changes had taken place in the plywood industry in British Columbia while this product was "off the market" in Britain as far as the trade was concerned. Then too, plywood is a commodity with direct appeal to end users and one that normally reaches the consumer in the form and size shipped by the mill. A new generation of specifiers and end users had grown up in the long war and postwar interlude and Seaboard felt that it would have to introduce Douglas fir plywood to the market all over again.

Before embarking on an advertising program for Douglas fir plywood in the United Kingdom, the first task was to carry out a personal survey of the market to ascertain the end uses for the various grades of British Columbia plywood. At the same time, a survey of advertising media was closely examined. We decided that the primary purpose of a plywood advertising program was to introduce and sell the merits of this product to the architects, engineers, contractors and potential end users. We found that importers and merchants were willing and able to lay in a stock; our problem was to create consumer demand.

In the first year following decontrol of Douglas fir plywood in the United Kingdom, Seaboard placed a series of advertisements in specifier and end-user trade journals. The advertisements were made to perform an additional service through the insertion of a coupon in the layout inviting the reader to send for descriptive literature and samples. The coupon also served to measure the effectiveness of the media.

Our advertisements do not solicit direct inquiry. Readers are encouraged to contact their local plywood merchants or importers. A substantial stock of descriptive material and samples was set up in the office of a direct mailing service in the United Kingdom to take care of coupon requests quickly.

In preparing this plywood campaign, we used a somewhat more complicated procedure than for our trade journal advertising. A Canadian advertising agency, in consultation with us, developed all advertising layouts to the finished artwork stage, the media were selected here, and detailed schedules drawn up. Finished advertising layouts, together with advertising schedules, were then sent to a British advertising agency commissioned to see to the plate-making and the placing of these advertisements. Seaboard's sample and literature service was established to work

Here is one example of the institutional type of advertising that Seaboard places regularly in British trade journals. Finished advertising layouts are sent from Vancouver to Seaboard's British advertising agent.

in conjunction with the plywood advertising campaign. It was administered through our London office under the direction of head office.

Currently we are engaged in our second year of Douglas fir plywood advertising in the United Kingdom, and have made some changes in emphasis as a result of the first year's experience. Journals which produced the greatest response are being given more attention and the advertisements are directed towards specific grades and end uses rather than a general introductory type extolling the properties of the product.

Practically all of Seaboard's overseas advertising is concentrated in the United Kingdom where we can expect best results from our advertising and promotion campaigns.

Our advertising program is based on the principle of assisting our agents wherever possible. If there is any remote possibility that a proposed advertising program is likely to run counter to the wishes of our agents, we consult with them. In addition, although we do not insist upon it, we suggest to our agents that they follow up advertising campaigns with local campaigns of their own. We encourage our agents and importers to suggest ideas for promotion and advertising that appear likely to help their sales programs. ●

Point-of-Sale Campaigns

FRANK A. HEALY, *Manager, Office of Information, The House of Seagram Ltd.*

NO CANADIAN COMPANY is more concerned with export than Seagram's, which distributes its products to 103 markets throughout the world.

In building this widespread export business, Seagram Overseas Corporation, with its head office in Montreal, conducts advertising and public relations campaigns in many countries. In addition, it carries on a continuous program of trade development, including point-of-sale campaigns.

The methods used in these campaigns vary widely because of differences in culture and language in the various markets, but the basic principles are the same.

Before entering a foreign market, the company studies traditions and customs there, social practices, business methods and habits, feeling that the more it knows and understands a new market, the less chance there is of advertising or promotion material being ineffective.

Directed to "Carriage Trade"

Our V.O. whisky is generally considered a luxury product. High import duties, transportation costs, the rate of exchange of the Canadian dollar, etc., all add to its cost to the consumer, a problem faced by many Canadian exporters. Our promotion program therefore is aimed at the so-called "carriage trade"—those who can afford to buy the product.

Direct mail plays an important part. A special department in the company's head office conducts a continual direct mail program to key prospects in export markets, to retail outlets, and to distributors. Distributors are kept fully informed about the company's advertising and sales promotion programs and are given advice on new methods of merchandising and ways and means of increasing their sales.

Merchandising Tools Used

In retail outlets, special brand promotions are of major importance. Among the merchandising tools used are premium promotions, window displays, seasonal specials, counter signs, and back-bar strips. In many markets where retail outlets do not lend themselves to window displays as we know them, Seagram's uses outdoor advertising (usually small metal signs and decals) as close to the outlets as possible, sometimes attached to the building itself.

Wherever possible the themes carried by these point-of-sale items are designed to fit in with local and international advertising messages.

Careful research is carried out before new point-of sale display material is produced. One of Seagram's most popular displays with distributors and retail outlets (see illustration) was designed as the result of a questionnaire sent to all our distributors asking for their ideas on a display piece best suited to their particular markets.

Their views disclosed such a difference of opinion that at first it appeared that the only solution would be

Typical of the wide variety of point-of-sale material which Seagram's uses in foreign markets is this interchangeable display. Note the three ways in which it can be set up. Final design incorporated suggestions received from distributors in response to a questionnaire.

the production of several displays. Some wanted one with a brand symbol, some with no brand symbol, some with the letters V.O. featured, some without the letters featured, and so on. Because costs prohibited making a number of displays, we developed a plastic one in six colours that was interchangeable enough to suit the wide range of ideas. It satisfied everyone.

The company believes that a good slogan, repeated with regularity, is vital in the success of any sales campaign. Our slogan—*Honoured the World Over*—appears on the back label of the Seagram's V.O. bottle and is used whenever possible on all promotion material and literature.

In some export markets, of course, promotion campaigns develop a distinctive slogan of their own. A typical example is a *V.O. on the rocks* campaign carried out with considerable success in Latin American markets. A three-way tie-in between consumer advertising, retail merchandising and special premium offers was planned to hit the market at the same time. All the promotion was built around the *V.O. on the rocks* theme, using a distinct logo or style that quickly became recognized throughout the market.

A premium used in package stores consisted of a smartly-packaged gift of two *V.O. on the rocks* old-fashioned glasses—as illustrated in the advertisements—which the retailer presented to the customer when he purchased a certain amount of V.O. A sampling campaign to develop new business was planned, in which special prospects received a small flask of V.O. as well as the two *V.O. on the rocks* glasses.

All of Seagram's export promotion material carries the V.O. logo in the standard Seagram colours, blue and gold. Today in many markets throughout the world these Seagram point-of-sale items are recognized by their distinctive colour alone.

Search for New Methods

In the company's head office in Montreal, a large staff is constantly looking for new ways and means of sales promotion in virtually every market.

When it is suitable, material used in the Canadian domestic market is adapted; this reduces unit costs. Tearsheets of Canadian advertising accompany some direct mail to individual prospects.

The company's films of the annual Canadian Open Golf Championship for the Seagram Gold Cup are another example. These films are distributed to export markets throughout the world and are rapidly gaining in popularity. Apart from their public relations value, they create a favourable atmosphere for follow-up personal calls and direct mail promotion.

It all adds up to a well-thought-out campaign to maintain and develop sales and prestige for Seagram's V.O. Canadian whisky in the markets of the world. Like any successful promotion program it requires a knowledge of the market, careful planning and co-ordination with local distributors, and energetic follow-up under the guidance of company field representatives. ●

Foreign Fairs Promote Foreign Trade

Many exporters have found trade fair exhibits a useful way of trying out a market or boosting their foreign sales. But choosing the right fair and the right type of display demands careful thought if participation is to pay dividends. Here is advice on making these important choices.

L. H. AUSMAN, *Director, Information Branch.*

THERE ARE MANY REASONS why a Canadian exporter may find participation in trade fairs abroad a sound way of promoting his foreign sales. The first is that fairs and exhibitions provide a place where sellers can display and buyers can examine samples of a wide range of competitive products in a convenient and relatively inexpensive setting. Fairs began as marketplaces and this continues to be their primary function. But in the more complex economy of today they also serve other purposes. They build prestige and secure favourable publicity for the exhibiting firm and keep its name before the public. They also prove useful as a place to acquire production or trade information and to keep abreast of what competitors are doing.

Different Types Emerge

Over the centuries, different types of fairs have emerged. Today we classify them roughly as either "horizontal" (general), or "vertical" (specialized), and the businessman must understand the difference between them before he can make an intelligent choice. The "horizontal" fair, in general, presents a wide range of goods and services and is not confined to the products of a single industry nor a section of it. It is still the most common type of fair, although within this classification there are several variations:

1. The general fair with one or more exhibit halls. The fair management may or may not make an effort to group the exhibits by trade or nationality.
2. The fair which includes national pavilions in which the products exhibited by various foreign countries are grouped together. The Canadian National Exhibition in Toronto and the St. Erik's Fair in Stockholm are good examples of fairs that are a combination of (1) and (2).
3. The fair in which products shown are grouped together under established trade classifications. In some of the larger ones, such as the German Industries Fair in Hannover, certain halls are placed at the disposal of specific industrial groups such as chemicals. Other fairs, such as the Vienna Fall Fair and the Utrecht Spring Fair, combine methods (2) and (3).

These general fairs are organized by a national, regional or municipal government or by a private group. Some are international in scope; others do not use that term but accept foreign exhibitors—and all of them welcome foreign buyers. Generally speaking, many of the purely national or regional fairs are not of interest to the Canadian exporter. Even if they accept overseas exhibitors, their possibilities for sales promotion are limited.

The "vertical" fair, on the other hand, limits exhibits to the products of a single industry or a part of it and is usually organized by the industry itself or by a trade association. The displays sometimes include allied lines, such as equipment and supplies for the industry or service organizations connected with it. Good examples of the vertical fair are the National Winter Sports Show in New York and the Salon de la Chimie (chemicals and allied products) in Paris.

Getting Information on Fairs

The Canadian exporter faced with choosing the proper foreign fairs at which to exhibit needs certain basic information about them. He can turn to several sources. A number of magazines—most of them European—are devoted exclusively to fairs and at intervals publish fairly complete calendars of fairs throughout the world.

These fairs are also mentioned in many export magazines and in official publications like *Foreign Trade* (Ottawa), the *Board of Trade Journal* (London), and *Foreign Commerce Weekly* (Washington). The exporter's agents in foreign countries, the Canadian Trade Commissioners abroad, and the foreign commercial representatives of various countries in Canada are also good sources of information. Trade associations in Canada can frequently furnish data on vertical fairs covering their fields.

Choosing the Fair

The experience of many Canadian firms has proved that the trade-fair technique brings results to those who know how to make good use of it. This does not mean that any fair, or any type of exhibit, will do. To get good results the exporter must choose the right fair in the first place and put into it the right type of exhibit.

Before he makes any selection, the exporter must first decide why he wants to exhibit at all. If he is entering the market for the first time or is introducing a new product, he probably wishes to survey the market, to see what his competitors are doing, and to secure an agent. He may therefore choose a "vertical" or industry show or display his product under its particular classification in one of the large international fairs which stress trade buyer attendance. There he will be able to reach prospective agents and others in the trade. If he subsequently appoints one or more agents, he has justified his investment.

If, on the other hand, the exporter is already represented in the country in which the fair takes place, he may want to participate as a means of increasing sales or helping the local agent. In this case, he will be investigating public reaction to his product, soliciting trade inquiries, or taking orders on the stand. The vertical type of fair or an exhibit in the appropriate trade classification in an international fair may be his best choce too.

In some instances, however, the primary purpose of the display is to attract the general public and here the horizontal fair may be the answer. The decision depends largely on the type of product the exhibitor is selling. If he is marketing a consumer product, or one of interest to a wide range of industrial buyers, the general fair should be considered. If he is selling capital goods or a product of interest to a special type of customer such as a buyer of footwear or a purchasing agent for a specialized industry, the vertical fair may be the proper choice. Always he should consider the commodity grouping, the attendance of buyers and general public at the fair, and his current distribution arrangements in the area before making up his mind.

Other factors entering into his choice include:

- The location, size and type of the fair, and the trade classifications which it covers.
- The number, country, and trade classifications of buyers expected.
- The number of exhibitors and the proportion of foreign ones.
- The number of exhibitors in the exporter's own trade classification. (This will help to determine whether the fair will attract enough buyers in his line.)
- The regulations governing exhibits and the facilities offered to exhibitors, including publicity and press services.
- The experience and reputation of the sponsors and management.

How Much Will It Cost?

Before finally committing himself to an exhibit, the exporter should have some idea of what it will cost. This is not a question that can be answered here very accurately, because there are so many variables. The best I can do is mention some of the things that have to be considered, though not all of them are present in every case and sometimes they are of minor importance.

The charge for the space, which varies with the size of stand, does not differ widely from one fair to another. However, its relation to the total cost of exhibiting does change, depending on the type of product displayed, the freight costs, the nature of the display itself, transportation and living expenses of the persons manning the stand, and publicity expenses (literature, advertising, film showings, entertaining, etc.).

In estimating costs, the prospective exhibitor should keep in mind the following things:

- Space rental. Does it include the provision of the stand shell, electric light, power, fascia boards with the firm's name, etc.?
- Stand construction—if this is not included in the space rental.
- Decoration, lighting, display material and furniture for the stand.
- Maintenance of equipment and depreciation of samples on display.
- Services such as electricity, gas, water, telephone, cleaning, etc., when they are not included in the rental charge.
- Transportation of samples (one way or return).

- Travelling and living expenses for executives and staff, and salaries for locally engaged attendants or stenographers.
- Advertising and publicity of all types.

This may seem a formidable list but not all items apply to all exhibits. A manufacturer of capital equipment which has to be demonstrated and who wants to make a special effort in a distant market may find that his expenses run into several thousands of dollars. The manufacturer of a novelty item or a precision instrument, on the other hand, might place all his samples and display cards in a large suitcase, man the stand himself, and depend on the product and the drawing power of the fair to bring buyers to his display. Aside from his transportation and living expenses (which would be the same as for any business trip) his expenses might not exceed $500 to $1,000. In nearly every case the exhibitor, by studying the rules and regulations issued by the fair authorities and by taking up other matters with them, can make a reasonable estimate of costs. Naturally he will also have to consult approved contractors to find out the charge for designing and building the stand.

Getting Results

There are several ways in which a firm can take part in a trade fair abroad. It can organize the stand itself, with or without the help of its local agent or representative—although co-operation is usually desirable. It can take part in a composite display with other manufacturers. Or the local agent can decide—or be encouraged—to have a stand of his own at which he displays the firm's products. Experienced Canadian firms report success with all three methods.

Whatever the method adopted, the stand must be well designed, though the design need not be elaborate. The location should be carefully chosen, preferably on the advice of someone who has seen the fair in operation. The exhibit must be manned by people familiar with the product and, whenever possible, a senior officer of the company should be on hand for at least part of the time. So should the local agent.

Publicity both before the fair opens and during its run is important. It may include a direct mail campaign, advertising in the local trade press, distribution of literature at the stand, and co-operation with press services. Orders and inquiries should be followed up promptly: this pays off in business and in goodwill.

How the Department Helps

The use of trade fairs as a sales medium is not as well developed in Canada as it is in Europe and this may explain why Canadian exporters have ventured less into this field. There is some evidence that this situation is changing and some well-known Canadian firms are already displaying their products, in co-operation with agents and distributors, at fairs in various parts of the world. The results have shown the wisdom of this policy. Other companies may wish to follow in their steps, and the Department of Trade and Commerce stands prepared to advise and assist any individual firm or industrial group which wishes to try the trade fair approach. Furthermore, recognizing how costs may mount when a firm goes into fairs as far away as Europe, Asia, or Latin America, the Department has in recent years developed a trade fair program to assist interested companies. It is intended to bridge the gap between no participation at all and the time when the exporter can undertake to set up an exhibit himself. Naturally, the Department recognizes that the best possible approach is the private exhibit where inquiries are handled efficiently by company representatives on the stand.

In initiating its trade fair program, the Department first of all studies carefully the various international, national, and industry shows scheduled throughout the world. Then, after consultation with individual companies, it draws up a schedule of department participation in trade fairs for the next calendar year. Following a carefully thought-out time-table, the Department reserves space in the fairs chosen, informs Canadian exporters, and designs, builds, ships and erects stands. The firms which are taking part supply samples of their products and are encouraged either to send personnel from Canada to help man the exhibit or to make suitable arrangements with their agents. They may also be invited to co-operate with the Department in advertising the Canadian display.

If You Are Interested

In any one show, the Department cannot accommodate more than a selected list of companies from any industry. None the less over a period of years it makes every effort to provide space for all firms seriously interested in any specific market. Exporters who would like to know more about these exhibits and how to have a part in them should write to the Commodities Branch, Department of Trade and Comerce, Ottawa. Because the program is worked out in the spring and summer for fairs taking place in the twelve months beginning the following January, the Department must hear from interested firms well in advance—preferably before the end of April preceding the year in which the fair will be held. It is also prepared to consider suggestions for co-operative participation in a fair in any part of the world—provided it attracts enough exporters.

Whatever method of participation the exporter chooses, he stands to benefit from exhibiting the right products at the right time at the right fair. Experience testifies that it is one of the most rewarding ways of prospecting for new markets or increasing sales in established ones. ●

How to Sell in Latin America

A Canadian exporter with long experience in Latin America offers down-to-earth advice on how to enter this market. Many of the points which he makes may also help the established exporter in increasing his sales.

FRANK L. MARSHALL, *Executive Vice-President, Seagram Overseas Corporation Limited.*

LATIN AMERICAN MARKETS beckon strongly to Canadian producers—and they are richly worth our cultivation. These countries have a particularly warm regard for Canada and a great admiration for and a desire to duplicate our impressive, well-rounded progress of the last twenty years. They want more trade with us and, since the two economies are complementary, this two-way trade should continue to expand.

But sustained growth in exports of our primary products and manufactured goods to Latin America will not be either simple nor easy to attain. What prize is?

The first step for a Canadian company interested in this area to take is to review the figures of Canadian sales of its type of product to the various Latin American countries over the last few years. These figures it can get from various sources, including the Dominion Bureau of Statistics, the Trade Commissioner Service of the Department of Trade and Commerce, the Canadian Manufacturers Association, and the head offices of the leading banks.

Next, a qualified sales executive or representative of the firm should pay a visit to a selected country or countries. This trip should be carefully planned in advance and the help of the Trade Commissioner in each area sought. It is also useful to carry letters of introduction to Canadian branch banks or to correspondents of the Canadian banks with which the firm does business. If for some reason a personal visit is not feasible at the outset, business can go forward by correspondence—first with the Trade Commissioner and with the banks and later with the firms recommended for handling your line.

Means to Sound Distribution

The basic approach to each market should be carefully thought out before you undertake to introduce your product. If a factory sales office is out of reach at first, a decision must be made on other ways of distributing and selling. Canadian manufacturers generally find that a branded product is by far the most likely to compete successfully with European, Far Eastern or locally made goods. And for branded products, an exclusive stock-carrying distributor is ordinarily the best selling approach in Latin America.

But how should these exclusive distributorships be set up? Should you (*a*), give your line to one single firm for an entire country, or (*b*), split it between two or more firms on a geographical basis? The right answer may well be (*a*) in some countries, and (*b*) in others. A well-qualified import firm in Havana, for example, with an adequate sales force that covers the whole interior, would usually qualify as exclusive distributor for all of Cuba for such things as branded electrical appliances, automotive batteries, tires, food or beverage products. This is because imports normally clear through Havana for all of Cuba and are distributed through Havana to the whole island. The same holds true in Argentina, Uruguay, Peru, Panama and Guatemala—a firm located in the capital city can look after distribution of branded products throughout each country. One firm for national distribution should also suffice for Chile, Bolivia, Ecuador and other Latin American countries, with the exception of the ones mentioned in the paragraph below.

Colombia, Brazil, Mexico, and (to some degree) Venezuela present a rather different situation. From the angle of internal transport, Colombia may be said to consist of three to four distinct marketing areas: the north coast, readily served from Barranquilla; the high plateau, from Bogotá; the somewhat isolated province of Antioquia, from its capital city of Medellin, and western Colombia out of Cali, with shipments to the

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latter entering through the Pacific port of Buenaventura. Four separate, exclusive stock-carrying distributors can best serve this market unless you can find one large nationally organized firm with full warehousing, selling and service facilities in each of these four areas.

Similarly, in Brazil stock-carrying distributors in Rio and São Paulo, in Para, and possibly in Rio Grande du Sul are ordinarily needed. In Venezuela a firm concentrated in Caracas alone will not be enough. Full facilities must be, and frequently are, available in Maracaibo through one firm—but this point must be carefully watched. The growing oil-producing area in eastern Venezuela and the Ciudad Bolivar iron centre should also be kept in mind when you are planning your distribution in this wealthy, rapidly growing market. In Mexico, a Mexico City buyer will scarcely wish to purchase from a distributor in Monterrey in northern Mexico nor from Mazatlan on the west coast, and vice versa.

Once a distribution system has been set up, the exporter has to consider such vital matters as price, quality, type of advertising, consumer preferences and buying power in each country. These may vary rather widely even within the different sections of one country.

Marketing and Development Policies

A careful analysis of the degree of industrial and economic advance in each area may serve as a sound guide to merchandising policy. Important too is the rate at which the urban population is growing and the degree to which a middle class is developing to supplement the once predominant, small and wealthy upper stratum and the vast and poor lower class of the World War I and pre-World War II periods. Generally speaking, the wealthy or middle class Latin American buyer will willingly pay an adequate price for an imported, trade-marked product of recognized fine quality. Thus in countries that have made good economic progress, you should concentrate on your top quality if your line includes A, B, and possibly even C grades. To reach the lower class of buyer in a major market and for market penetration in some of the smaller and poorer countries where price consciousness is widespread, you may introduce your B quality and possibly in some instances your C. Obviously, you should concentrate on those markets or segments of markets that will take your A quality and ensure an adequate and sustained profit and an enduring hold on the market. Some suppliers feel it is good policy to leave the lower-price field entirely to other purveyors.

Canadian exporters of capital goods to Latin America face severe competition from European, U.S. and other suppliers, but some companies meet it successfully. Diesel locomotives made in Canada, like this one, are going to Argentina this year.

Advertising and Display

The upper and middle class consumers in Latin America are usually people of culture and good taste who buy with care and discrimination. Nevertheless, the selling approach may well vary considerably from that made to consumers in the same income bracket in Britain, Scandinavia, Australia, or Germany. Understatement is conceded "power" in selling in those countries. But Spanish and Portuguese are inherently rich, graceful and flowery languages and over-statement and hyperbole come naturally. To refer to a commercial product as "noble" is by no means unusual. To term a given product "sound" or "satisfactory" may be adequate praise in Northern Europe but in Latin America this mild praise would depreciate it—or worse. Too flamboyant selling copy is not advised but a complimentary, graceful selling approach and beautiful, artistic illustrations are desirable and effective.

Similarly, sales aids for the Latin American market should be artistic in design and colourful for the middle and upper class trade, but must always be in good taste. For the indigenous populations in the interior of some of the countries, a rather elementary approach to selling a brand may be in order or even required. This type of consumer is inclined to be particularly suspicious in making his purchases because of his or his relatives' unsatisfactory buying experiences. A brand with visual illustration frequently proves invaluable with this type of trade.

In fact, some years back in Central America and the north coast of South America a certain type of kerosene showing a red rooster was widely popular. When some other brand was offered, it was often refused as not being kerosene. The same was true of Red Spool barbed wire and of Royal baking powder. This attitude

This shipment of rubber thread is on its way to Colombia and Mexico. The manufacturers have increased their export sales fivefold since 1953, with the biggest rise in Latin America.

is found most often in areas where there is still some illiteracy. Illiteracy is being reduced in Latin America but it is still common in certain countries or at least in certain areas.

Obviously, all advertising, sales aids, instruction booklets, etc., should be in Spanish for all Latin American countries except Brazil, whose 58 million people speak Portuguese, and Haiti, where the language is French. Sales communications, as distinct from letters on distributor contracts or policy matters, should ordinarily be written in Spanish, Portuguese or French, as the case may be. Even though one or more of the firm's principals may (and frequently do) read English, the rank and file probably do not and in many cases will not be able to read and act upon sales instruction letters written in English.

The Spanish, Portuguese and French used in your booklets, advertisements and so on should be grammatically correct. These sales aids should also be prepared by practical people familiar with the language as used in business in the area covered.

Problems to Overcome

In a market which is growing and broadening as Latin America is, competition naturally is strong. The United States, for example, puts forth continuous and sustained sales efforts there. In certain lines—such as hardware, machinery, optical equipment, cameras and drugs—Germany is a strong contender. Japan offers competition in textiles, ceramics, cameras, and certain specialties; the United Kingdom pushes woollens, large electrical machinery of hand assembly construction, ships, and aircraft. But many Canadian manufactured products can and do compete—and make profits for their companies.

Aside from Cuba's relatively small tariff preferences in favour of the U.S., duties are uniform on products imported into the Latin American republics, regardless of the country of origin. Puerto Rico gives strong duty preferences to products from the United States but is nevertheless expanding as a market for Canadian goods.

Some countries have dollar exchange restrictions, but these are gradually being relaxed. And there are many free dollar markets from which to choose—Mexico (though import permits are required), Guatemala, El Salvador, Panama, Venezuela, Peru, Cuba, Dominican Republic, Puerto Rico and Haiti.

Markets for the New Exporter

I would suggest to the new exporter that he make a start in some of the smaller, less competitive markets, such as the Dominican Republic, Guatemala, El Salvador, Panama or Haiti, and intermediate markets such as Peru. Venezuela is of course a free dollar and a prize market, but it is the scene of aggressive competition by suppliers from all over the world. Many Canadian products, however, can and do compete there and the prospective exporter may be making goods in such a category.

Credit Need Not Be Problem

In consumer goods, competition is not really serious, as they are sold against irrevocable letters of credit or through sight draft, shipping documents against payment, or 30 to 90 days' acceptance drafts, documents delivered by the exporter's bank against consignee's acceptance of the time draft.

The latter form of payment gives the importer an opportunity to clear the goods through customs and get them into his warehouse a few weeks before he has to pay the draft. This is a valuable facility because the exclusive national distributor, on his part, must extend credit to his customers, purchasers of the manufacturer's product—particularly if he sells to retailers (which is usually the case) or even direct to consumers, rather than to wholesalers.

Acceptance draft transactions at 30, 60, or 90 days, when an exporter is dealing with any one of the large number of soundly rated and reputable firms in Latin America, are not hazardous. This is even more true because the manufacturer who sells through exclusive distributors does not have to extend credit to more than one or two firms in a country. Loss ratios on these carefully extended credits over ten years or so run to a very small percentage of sales and are usually

93289—7½

lower than the loss ratio in domestic credit. The Canadian exporter can normally discount these drafts at his bank, with recourse to himself in case of non-payment. And he can, of course, usually obtain full protection against non-payment through the Export Credits Insurance Corporation. Latin American importers do not generally expect open account terms payable against exporter's statement nor do North American exporters extend them.

Capital Goods Exports

Canadian exporters in the capital goods field face severe competition from European, British, Japanese and American exporters, especially on big projects such as dock installations, railway steel track and equipment, steel plants, glass and cement plants, etc. Inadequate credit facilities in Canada have meant the losing of some large-volume export sales in this field. In the United States, the Export-Import Bank finances this type of export and there are similar arrangements in many European countries.

For Established Exporters

Most of the recommendations made in this article have been addressed to new exporters to Latin America. But because they deal with fundamentals they apply to established exporters as well, although in a more specialized and selective way. These exporters should make sure that they steadily increase their personal contacts with their distributors through regular visits to their territories. It is also useful to have the distributors make occasional visits to the principal's plant in Canada.

Many companies with a promising business with a Latin American distributor are getting good results from close co-operation between qualified men from the factory and the distributor's own sales and promotion staff. Modern merchandising and marketing techniques are not too well established in many of the Latin American markets and, properly developed on the ground by well-versed men from the factory, they can be of great value.

Long-Term Cultivation

During the last 15 years or so, two combined government and business trade missions from Canada have toured Latin America. In addition, delegations from various Canadian business associations and business groups have visited this area. The resulting contacts are an invaluable approach and a stimulus to better two-way trade and mutual understanding and every effort should be made to expand them in number and in scope. With their help, and with the individual efforts of individual exporters, this Latin American market should become more and more important to Canada. ●

How to Sell in Europe

The European market varies widely from country to country but certain broad sales principles hold true in each. The author outlines some of these principles and illustrates them by drawing on his own experience in selling food products to Britain and to Western Europe.

A. C. BORNEMISA,
Export Sales Manager, Canadian Canners Limited.

TO THE PROSPECTIVE CANADIAN EXPORTER looking for markets in Europe I would recommend starting with intensive market research—an investment that will save him time and money in the long run. But before he begins this survey, the exporter should be certain that he is interested in building up a steady export business, that he has quality products to offer, and that his production facilities are adequate to satisfy the prospective market demand. He should also be prepared to make certain concessions in profits by quoting introductory prices and by adapting the styling and packaging of his products to European requirements.

For his survey he should select one or several of the European countries in which he believes he will encounter the least resistance. By this I do not mean only sales resistance but also currency and import restrictions. There are certain countries—such as Switzerland, Sweden and Belgium—which impose few or no restrictions on imports.

In certain cases, however, it is an advantage to start a sales campaign in a market with limited possibilities but with a demand for the exporter's products. Of course once he has consolidated his position in the initial markets, he will have an opportunity to extend his operations to other territories. He should, however, study the nature of the market restrictions. Some of them result from dollar shortages and are bound to be eliminated gradually. Others arise from protectionist tendencies and are bound to remain effective for a longer period. The number of restricted areas is continually decreasing and since the establishment of the European Payments Union, even the most controlled economies are making plans for the convertibility of their currencies.

Once the businessman has selected his first European "trial market", he should consider making a personal visit to the area. But before he sets out he should study the geographical, economic, historical and other aspects of the prospective market. After his arrival he should start his interviews with the Canadian Trade Commissioner and with the local correspondents of his Canadian banking connections. He will find these people most co-operative and through them will be able to contact members of the local trade to find out the reaction of the prospective customer to his export plans. He should pay careful attention to the opinion of his prospective customers about the practical use, styling and packing of his product. He should also find out about any requirements (technical and others) imposed by local government or trade standards and the changes which may be necessary to comply with these requirements. It is important that he compare his export prices with the prices of the domestic and foreign competition.

Approaching the Market

When Canadians buy European products, they ask for offers from European exporters quoting laid-down Canadian costs, including freight, insurance and customs duty. The European customer requires the same co-operation from us. Therefore the exporter should try to quote a price laid-down in the warehouse of his European customer and, if this is not possible, then he should at least quote C.I.F. European port.

The European customer is familiar with the fact that the exchange rate between the Canadian and U.S. dollars is changing daily and therefore he wants the quotation on a firm basis. I would suggest that the exporter quote in U.S. funds, reserving a safe margin in his costs for the variation in exchange rates.

The problems of export packing and shipping should be studied carefully. The forwarder can help by finding out the sailing schedule to European ports, but nothing but a personal visit will enable the exporter to collect first-hand information about local conditions and technical requirements.

Market planning will not be effective without the backing of selective advertising. There are many international advertising agencies who can advise on this point but it is well to study advertising methods on the

The European market differs from country to country; methods of distribution, products in demand, terms of payment, and advertising practices in a bustling Northern city like Stockholm (above) may have little in common with those in Salzberg (right), a smaller provincial town in Austria.

spot too and the political, ethnic, religious and other characteristics which an advertising campaign should take into account. Advertising in Europe is less costly than in Canada and the advertising methods are usually more conservative.

Stress Quality and Service

Many European customers still believe that any product coming from North America is beautifully styled but has only a short life. Canadian exporters should try to eliminate this belief and stress the quality of Canadian merchandise and the efficient service which is offered.

An excellent way of getting the confidence of prospective customers is to submit the product to the testing laboratories established by many European governments and trade organizations. A testimonial from these organizations is widely respected and carries weight when it is quoted in advertising.

It is commonplace to say that Europeans are born linguists. However, the exporter should not overlook the language requirements when devising sales literature. If he wishes to have sales pamphlets translated in Canada, he should submit the text and translation to his future customers and make sure that the right expressions are used.

Technical catalogues and users' guides should quote metric measurements. Our system of inches and pounds, etc., is unknown to the average European customer outside Great Britain.

When completing market research, the businessman should bear in mind that efficient selling backed up by generous advertising will not be enough if the merchandise lacks quality. Consistent quality and fair pricing should be the criteria in European export policy.

Set Up Distribution Carefully

Once he has studied the market from the point of view of product and consumer demand, the exporter should select the appropriate method of distribution. Because of the ever-changing character of the European market, it is practically impossible to suggest any general approach to distribution. In many countries the old system of middleman—i.e., commission agent-importer-wholesaler-retailer—still survives. In others, some of the middlemen have been eliminated. In many areas

the trade groups tend to form powerful associations, which protect and pool the interests of their members and also act as purchasing agents for them.

Regardless of the method of distribution chosen, it is wise to appoint a general agent for the market. His efficiency might be increased by appointing sub-agents in the different important regions.

Appointing an agent is a difficult step and the decision should not only be based on personal impressions, but also on the recommendation of the Canadian Trade Commissioner, of the local banks, and of the credit associations. The trade references should be checked and it should be established that the prospective agent has at least some experience with the type of goods. The exporter should study with him the sales methods in the market and should train him and his salesmen thoroughly.

The exporter has now surveyed the market, adapted his products to the requirements of the customer, and found an agent. Before he begins to make sales, however, he should study sales terms and credit conditions. He should establish reliable sources for credit reports (Canadian Trade Commissioners, banks, credit report organizations, etc.). And he should protect his shipments by using the services of the Canadian Export Credits Insurance Corporation.

Sales Terms and Credit Conditions

Personal experience bears out that there are fewer credit risks in Western Europe than in other world markets. The businessman should, however, be cautious at the beginning and remember that, because of the destruction caused by the Second World War and the European reorganization which followed, many new companies have been organized. Some of these lack the required financial backing or experience and credit references will enable the exporter to avoid such contacts.

As far as established customers are concerned, he should check on their credit ratings at least twice a year, thus restricting the risk to a minimum.

Selling terms to Europe depend on the particular product but generally the letter of credit system is almost entirely eliminated and business is done on the basis of sight draft or term. There is, however, little demand for long-term credit except for capital goods. When he is granting credits, in addition to references the exporter should consider the attitude of his competition.

Businessmen marketing in Europe often hear about deals which are not familiar to the average Canadian, such as "barter transactions", "switch deals", and "transit contracts". All these deals result from the currency problems of European countries (including certain debtor members of the European Payments Union) and from the desire of creditors to reduce their soft currency balances.

The banks and other contacts will help the exporter to separate the legitimate proposals from the obscure and through these deals he may be able to sell his products in markets which, in spite of the consumer demand, he has been unable to enter because of import restrictions. But these transactions are only practical on a volume basis.

Other Vital Factors

In outlining the principles of marketing and merchandising I have talked about the importance of personal visits. This point cannot be stressed strongly enough. The exporter can accomplish excellent results through personal visits and once he has his market established he should continue them, repeating them as frequently as the market potential and the development of sales warrant.

The personality of the Canadian export sales executive is of great importance. His European customers expect him to be well informed about world conditions and the market. He should know how to deal with people. His job is to initiate and to develop the sales of his company and therefore he should be fully familiar with the company's policies and its products. He should be well qualified to take on-the-spot decisions and he should be a real link between the head office and the European sales network.

Visits to the European market should be followed up by prompt and courteous correspondence. If the executive does not have an export staff capable of carrying on correspondence in the different European languages, then he should couch his letters in very simple English. European businessmen usually speak only school English and the average European translator has little or no knowledge of specific business problems.

Cultivate Market Now

What are the prospects for Canadian exports in the European market? Every day we read reports on the changing situation in Europe and the possible effect of the future Common Market. These ambitious plans should not, however, postpone the start of export planning. The trading world is never static and the situation is changing constantly in the international as in the domestic market. It is the task of the businessman to adapt his business and himself to changing conditions and to remember that the basic sales problem remains the same: "Turn people's needs into wants".

I think we should give serious study to the European market. Manufacturers with increasing surplus potential should study the prospects of entering these markets. The established Canadian exporter should review his operating methods and he should make certain that he will not lose out on trade with Europe. The Common Market will take 12 to 15 years to become fully operative and in the meantime there is an immediate and long-term market in Europe for Canadian raw materials and semi-manufactured goods, and good prospects for many quality manufactured products.

The European market will certainly become increasingly competitive. Canadians should concentrate on supplying quality products requiring advanced manufacturing techniques and large-scale production facilities. Canada has most of the necessary raw materials and a fast-developing industry. The competitive nature of the European market should be a challenge and a stimulus. ●

How to Sell in Asia

Canadian exporters keen to do business in Asian markets face certain special problems and must work out an individual approach, varying from country to country. The author, who has travelled widely in the East and knows these problems at first hand, offers wise counsel along these lines to fellow exporters.

C. F. TERRELL, *Export Sales Manager,*
Coleman Lamp and Stove Company Limited.

THERE IS NO MYSTERY about how to do business in Asia, but there is one cardinal rule—be flexible. The exporter may well find that his traditional methods of carrying on business in other areas may not work when he turns to the Far East. But once he has decided that flexibility is essential, he can then follow the normal procedure in looking into market prospects.

Naturally, it is wise to begin by reviewing Canadian export statistics to discover whether anyone is selling similar products to this area. But if the exporter finds that Canadian shipments to Asia are confined to such things as wheat, flour, newsprint, locomotives, etc., he should not be discouraged. Canadian manufacturers of consumer goods have actually paid little attention to Asia as a whole.

Study Area First

The next step, I suggest, is to obtain and study the export statistics of the United States Department of Commerce, to see what our competitors across the border are doing. Then write to the Canadian Trade Commissioners stationed in the Far East. They will be happy to give you information about:

- The need for and acceptability of your product.
- Whether import restrictions or exchange quotas affect purchases from abroad.
- The usual methods of distribution adopted by competitors.
- Possible representatives or distributors.
- Whether it is preferable or desirable to become associated with nationals of the country.

Fortunately, current policy is to encourage the Canadian Trade Commissioners to make frequent tours of their territories. This means that they can provide up-to-date information about countries which fall within the areas for which they are responsible, but in which they are not stationed. The Trade Commissioner in Singapore, for example, can advise Canadian companies about conditions and possibilities in Burma, Thailand, or British Borneo.

Go There Yourself

There is no substitute for a personal visit to a potential market by the export manager or sales executive and this holds true in Asia. This visit must be carefully planned—after the Canadian Trade Commissioners have provided adequate advance information. The exporter will supplement this data with his own research on market potential, on the main competition and its effect on prices, and on the degree to which foreign suppliers have become established in the various countries.

Once he has assessed the potential for his product in the different regions, the exporter can confine his trip to countries which permit imports of the products he is selling and where the prospects are promising. To make his tour a success he should also use the introductions which the Trade Commissioners will gladly provide. It is only by undertaking an exploratory trip of this type that the exporter can learn the peculiarities of the individual markets.

Trend to Nationalization

Many Asian countries are at the moment striving to become successful independent nations. Some of the governments in this vast area have passed legislation with the aim of transferring commerce from those who have carried it on traditionally in certain fields to its own nationals. The result is that the Government confines import licences or exchange quotas to "national" companies or gives them a substantially larger number of licences or a higher quota. Some of these companies sell their allotments to the traditional importers for a premium.

Prewar, this part of the world was a traditional market for Japanese goods and Japan is gradually regaining that position. There are other changes too. Hong

Kong has become an important industrial city instead of just a free port and centre of entrepôt trade. Mainland China is growing more export-conscious and is already selling to countries where the local Chinese are sympathetic to the present regime and where they are able to obtain import licences. In many parts of Asia (particularly the Philippines, Thailand, Singapore and Malaya, Indonesia, Indo-China and Hong Kong) and in certain fields of business, the Chinese have been established for many years and still wield considerable influence.

Distribution Methods

The manner in which foreign exchange is allocated or import licences granted will determine, to a large degree, methods of distribution. If numerous importers receive allocations, the exporter will be well advised to do business with as many of them as possible. Under these circumstances, it might be wise to have a reputable and influential commission representative. In countries where the Chinese dominate the trade, it is usually not a good plan to appoint one of them as the firm's commission representative. Why? —because his fellow Chinese will not deal with him if he holds a preferred position.

The custom in most parts of Asia has been for many products to be imported by a sole agent or exclusive distributor, most of whom were European (British, Swiss, Dutch, Danish, or French) or American. Not only has the method of allocating foreign exchange caused distribution changes in certain countries; so has the nationalization process, which is opening the import trade to nationals of the country. This in itself should not be a problem. Unfortunately, however, too many of these "national" importers have not been trained to this type of business and some are not interested in building up a successful, long-term enterprise. The latter, after finding someone (usually a Chinese) to finance their initial imports, sell the goods as soon as they arrive regardless of the condition of the market and spend the total proceeds. The benefactor is left out in the cold. At least one Asian country is trying to remedy this. And there are many successful and efficient "national" companies. The exporter should, however, undertake a careful investigation before he makes any commitments.

The countries to which I have referred above are obviously those in which the Chinese wield the greatest influence in the import trade. This is only one portion of the Far East and does not include Ceylon, India, Pakistan and Burma.

Pakistan and Burma currently have serious shortages of foreign exchange and at present it is difficult to do business in these countries except in certain capital goods, usually imported under the Colombo Plan. Until recently, Canadian exporters found it just as difficult to sell India anything other than capital or highly essential goods, because of its policy of protecting home industry, plus the shortage of dollars. At the moment Ceylon presents the best opportunities, provided that similar products are not available from India, Hong Kong or Germany at much lower prices.

Advertising and Sales Promotion

Asia speaks a great variety of languages and has tremendous numbers of illiterates. Although the limited educated class usually knows English (or French in Vietnam, Cambodia and Laos) it is essential to

A Malay fisherman, traditionally clad, shows off his new outboard motor made in Canada. The Asian markets differ so widely from the domestic market and even from each other that each requires an individual approach. That is why personal visits to survey demand in the various countries and plan the sales approach are so important in this part of the world.

use either the local language or no text at all, depending upon the medium.

If the class of customers which the exporter wants to reach can read and newspapers or magazines are the best advertising media in that area, the language problem is not serious because the agent can easily arrange for translation of copy. Radio too is a useful medium and advertising over the air is not much of a problem if the exporter has the help of a good agent. Radio has a wide coverage because there are many battery sets in sections where the majority of the people do not or cannot read.

Sun blinds for store fronts and locally prepared posters are excellent advertising media but for the benefit of the illiterate, the text should be kept to a minimum. (Incidentally, some countries impose a special tax if these media incorporate any English or other foreign words.) Metal signs are an old-time favourite because they are relatively inexpensive and can be affixed easily to store fronts, pillars or posts, trees, bridges, and many other places. Once again, these should feature identification and trademark. Film slides to be shown at intermission or at the opening of a theatre or movie performance are still used with considerable success. These too should feature the product and trademark with as little text as possible.

This points up the importance in the Far Eastern market of a good "chop" or brand; there are many millions of consumers who cannot read and who can only identify the product by the appearance of the goods or the colour of the label. The chop soon becomes recognized and accepted; in fact, it is difficult and sometimes impossible to change the colour or design either of the product or of the package.

Giveaways have long been a favourite means of sales promotion in this area. Many popular items fall into this category—pen knives, ballpoint pens, paperweights, plastic wallets, balloons, file clips, calendars, blotters, pencils, either packed with the product or distributed by the agent. What type of giveaway to use depends upon whether the exporter wants to reach the dealer or the consumer—and on the profit margin.

Terms of Payment

For many years the Far Eastern importer has customarily done business by letter of credit which, in some markets, warrants a cash discount varying from 1 to 2½ per cent. There are exceptions and where the terms of payment are other than letter of credit, the usual credit investigation should be made. An up-to-date report from the Canadian Trade Commissioner is highly desirable; so is a review of current conditions in the country to which the exporter is selling.

To the exporter who is wondering whether his product will sell in Asia, I can give an answer based on my own experience. That answer is yes—provided that he has a competitively priced product, is flexible in his methods of doing business, and is willing to treat each country in this area as an individual market.

Exporting through the C.C.C.

A government-owned export agency, the Canadian Commercial Corporation, is the official channel through which the exporter sells goods required for Canada's military and economic aid programs overseas, to fill orders from the United States for defence materials, and to meet a variety of requests from foreign governments for goods and services. This article explains the role of the C.C.C. and its relations with the exporter.

J. T. DAVIDSON, *Information Branch.*

NAME ANY TYPE OF PRODUCT and we wager that the Canadian Commercial Corporation has arranged for its purchase or shipment overseas at least once. Currently the Corporation is involved in procuring equipment and supplies of all kinds to fill North American defence orders placed here by the United States Government. But it also handles exports of munitions and military stores for NATO and defence orders for Commonwealth and other friendly nations. The advantages of using the services of the Corporation should not be overlooked by those countries which normally purchase defence supplies in Canada.

The activities of the CCC are, of course, much broader than its role as an exporter of defence material: in fact, it can help manufacturers and suppliers to expand their sales. This Crown Company is the Canadian purchasing agency for international organizations such as UNICEF and UNKRA; it purchases equipment and supplies and arranges for technical services under the Colombo Plan; it buys relief supplies and ships them to disaster areas when orders are placed by the Canadian Government.

The company is also in the import business—for example, it brings in rhesus monkeys for the Salk vaccine program and secures abroad certain strategic materials used for defence purposes.

Value of Contracts

During the 1955-56 fiscal year, the value of all contracts awarded by the CCC totalled $77,860,000. Of this amount, $46·6 million covers contracts placed on behalf of the United States military departments with Canadian suppliers—mainly for explosives, military aircraft and parts, and electronic devices used by the Armed Forces. Substantial too were the sums allotted for the purchase of commodities such as chemicals and petroleum products and for obtaining general supplies. Included in this total were equipment and services for joint Canadian-United States defence projects.

Contracts placed for arms for shipment to NATO retached $6.0 million in the fiscal year 1955-56 and military stores and other defence supplies ordered by the United Kingdom totalled $1.35 million; defence orders from several non-NATO and Commonwealth countries totalled $897 thousand. All this represents orders handled by the CCC.

Most of the Corporation's non-military trade resulted from orders worth nearly $21·8 million placed on behalf of the Colombo Plan Administration for construction materials; generating, transportation and communication equipment; surveying and engineering services for Canada's share in South East Asian development projects, principally in India, Pakistan and Ceylon. The United Nations relief agencies placed orders in Canada through the CCC for supplies worth $694 thousand.

Selling through the CCC

As a Crown Company responsible to Parliament through the Minister of Defence Production, the CCC follows the buying policies of the Department of Defence Production (DDP) and, to a considerable extent, uses the facilities of that department for the calling of tenders and for the negotiation and placing of contracts. Any company wishing to compete for CCC business merely has to see that its name is included in the DDP tender lists for the commodities which it is prepared to supply.

The Corporation works out all details of specifications, packaging, shipping, financing, etc., in connection with a contract or inquiry with the requisitioning agency. In most cases, it then requests DDP to obtain quotations or proposals from Canadian industry on its behalf.

The manufacturer must decide first what products he would be willing to supply. He then writes the Secretary of the Department of Defence Production requesting him to place the firm on the tender lists for these commodities. The Secretary sends a questionnaire to the seller requesting details of plant facilities and other pertinent information; the company must return the form and have it approved before its name will be placed on the lists. The DDP must satisfy itself that any firm asked to tender is capable of supplying the quality and quantity of goods it requires.

The full address for information on tenders and making applications is as follows:

The Secretary,
Department of Defence Production,
No. 2 Temporary Building,
70 Lyon Street,
Ottawa, Ontario.

The Department of Defence Production uses the same tender lists both when it procures supplies for the Department of National Defence and when it places orders for the CCC. A businessman may return a successful tender and be awarded a contract either for the Department of National Defence (which could be called a domestic market) or for the Canadian Commercial Corporation which is, in effect, an export market for his goods.

What the CCC Buys

Recent boosts in Canada's contributions to the Colombo Plan, especially for hydro-electric projects, has upped the proportion of non-military goods and services purchased by the Corporation. At the same time, purchases in Canada by U.S. Defence Departments through the CCC have eased off considerably—$12 million less in 1955-56 than in 1954-55.

Orders placed for engineering and construction services connected with the Colombo Plan power projects in Pakistan, India, Ceylon, and Burma amounted to $13 million in 1955-56; the Corporation also bought generators and other electrical power equipment valued at $4·4 million. Other projects under the Plan, to improve transportation facilities and bulk handling of materials and also to improve farming practices, led to orders for equipment valued at $1·5 million.

The Crown Company, during a typical year, is in the market for a wide variety of goods, as the following summary of additional purchases in 1955-56 indicates: flour (nearly $3 million); communication and miscellaneous equipment and servicing ($700 thousand); lumber products ($478 thousand); drugs, medical, hospital and laboratory supplies ($148 thousand); wheat ($122 thousand), and insecticides ($54 thousand).

Has Wide Experience

In its brief eleven-year history, the CCC has acquired a great deal of experience in procuring supplies and arranging for export shipments. When it was first organized in 1946 the Corporation was to assist in the development of Canada's export trade and help dispose of her goods. To do this, it took over the operations of the Canadian Export Board set up in 1944 to handle purchase and export of the non-military supplies then being poured into liberated countries. Early in 1947, the CCC also accepted the purchasing functions of the wartime Department of Munitions and Supply, thus becoming purchasing agent for the Department of National Defence, as well as handling exports of goods for other government departments. When the tempo of military purchases increased as world tension heightened and after the Korean war broke out, the new Department of Defence Production was organized to take over the rapidly expanding job of procuring munitions and supplies for the Canadian Armed Forces.

By 1951 the Canadian Commercial Corporation had returned to its original export-import activities, although it was shipping mainly arms and military supplies. Its activities and emphases have changed from time to time, but the CCC has continued to provide an export channel for Canadian companies.

Ten years of shipping everything from military aircraft, guns and ammunition to drugs, emergency rations, and clothing anywhere in the world have given the CCC personnel an intimate knowledge of almost any export problem, no matter how intricate. True to the spirit of the Canadian Export Board which it succeeded, the staff of the CCC is broadly interested in expediting Canada's export trade. And, as it carries out its tasks, it avoids competing in any way with the commercial activities of private firms. ●

Credit Problems in Foreign Markets

Where should an exporter turn for the information on which to base his credit policies towards his foreign customers? What are the factors in a good credit report and how often should one be obtained? Pertinent questions like these should be answered before the Canadian businessman enters into business arrangements with a foreign company.

A. S. GILLOW,
Manager, Foreign Credit Information Department, The Royal Bank of Canada.

THE SALE OF MERCHANDISE OR SERVICE anywhere in the world involves the problem of credit. In the domestic market the matter is relatively simple: the seller is often in close contact with the buyer and can obtain firsthand information about his customer's affairs without much trouble. Any important adverse change is usually ascertained quickly and investigated without much delay. Selling in foreign markets, on the other hand, although it involves those problems usual in the domestic market, presents several additional factors all of which have an important bearing on credit policy.

Let us consider a firm which is entering a foreign market for the first time. Probably the first decision it has to make is through what channels it should sell. It can sell direct from the home office without representation, or it can appoint a local agent on a commission basis. On the other hand, the firm may wish to appoint a local distributor who will buy for his own account. Although the final decision may be a matter of company policy, it will also depend to a large extent on practices common in that market.

Determining Credit Policy

The next problem which will arise is general policy on credit terms. Obviously, to sell by letter of credit is an ideal way to do business, but unless the goods are in short supply and badly needed, it is probable that the trade will require more liberal terms. In this situation, the company's policy will depend on a variety of factors. To first-class clients whose financial position is sound and whose reputation is good, it may concede open account or term drafts which may run as high as 60 or 90 days. Of course, competition is an important factor. Other things being equal, a firm cannot expect to exact sight draft, D.O.P. terms when its competitors are granting 30 to 90 days. The nature of the merchandise also has a bearing on credit terms. The more perishable it is, the quicker the turnover—hence profit margins are smaller. Under such circumstances, credit is usually confined to short terms such as sight draft or letter of credit. Some firms find very satisfactory a practice occasionally used. An arrangement is made between agent and exporter whereby the latter pays a higher rate of commission on the understanding that the agent will guarantee any accounts submitted. That is to say, in the event of an account going bad, the agent will underwrite the debt.

Sources of Credit Information

Once the firm has arrived at the general policy to be pursued in the new market in the light of the factors discussed above, the next and perhaps most important step is to investigate new accounts as they are acquired. The exporter has access to several sources of pertinent information without which he cannot properly assess the credit risk. These are:

1. Canadian branch banks
2. Canadian Trade Commissioners
3. Commercial agencies
4. Canadian and American exporters already selling to the foreign importer.

• *Canadian Branch Banks*—The exporter through his own branch bank has virtual access to the information in the files of foreign banks anywhere in the world. Some Canadian banks maintain foreign branches and are thus well equipped to supply accurate information on firms in those areas where they have branches. Where there are no Canadian branches, the banks can supply similar information obtained from their foreign banking correspondents with whom they maintain a close relationship. Our bank, for example, operates a special department which maintains voluminous credit files on a world-wide basis and receives a constant flow of information from our foreign branches as well as our correspondents. Credit rating books and exporters' directories covering a large part of the globe are readily available to exporters through their bankers.

- *The Canadian Trade Commissioners*—These men, located on the spot, also have access to the local foreign banks and are well equipped to supply up-to-date information and if necessary to interview the prospective agent or importer. Often the importing firm is well known to the Trade Commissioner who at some time or other may have endeavoured to introduce Canadian lines to him.

- *Mercantile Agency Reports*—These reports, when available, are also useful sources of information. The exporter should realize, however, that in certain countries these reports are considerably more expensive than those available in Canada and the United States, and in certain areas are unknown.

- *Other Suppliers*—Often an importer will give as a reference the names of some of his suppliers, who as a rule will co-operate in providing a report on how the importing firm has met its obligations over the years.

What Makes a Good Report?

What are the factors considered essential in a good credit report? Generally, it should show how long the firm has been in business; the type of business (whether importers, distributors or agents, and the lines carried); names of the principals or partners; the reputation of the firm in the trade and among the banks, as well as the reputation of the individual partners; the company's paying record—i.e., how it meets its obligations to the trade; financial data on the firm; similar information on the principals. In practice, the exporter will frequently find that the reports he receives do not always cover all the points mentioned. Unfortunately, there is no standardization and the way in which a report is prepared depends upon the practice among the banks in the country of origin. Often financial information is not available in detail. In some countries, such information in the files of the bank has been given to it in confidence and the bank is therefore not free to divulge it without the express permission of the client.

In seeking information, an exporter can be most helpful to the reporting bank if he states clearly the nature of the transaction. When a specific amount of credit is involved, he should say whether it is for one shipment or covers a number of shipments to be made over a specified time. Without this information the reporting bank cannot properly assess the credit risk. A bank should never be asked to set a maximum figure to which credit may be extended. This is an unfair question and one which a bank will seldom if ever answer. Some firms have a tendency to exaggerate the amount of credit which they may extend—a practice which can cause confusion and may result in the wrong inference being drawn. It is better to ask for an expression of opinion for no more than the amount of the order and if, at a later date, the orders increase in volume, then seek a new report based on the new conditions.

Timing of Reports

The problem which arises next is how often to obtain credit reports on one's customers. In the main, most firms find it sufficient to review the information in their files once every year or eighteen months. Of course, circumstances may arise which make it necessary to check more often. This is particularly true where an order is received for a large amount beyond the credit limits already set for the account. Generally speaking—and this refers particularly to South America—the reports are revised by the reporting bank only after receipt of a new balance sheet, usually some time after April or May.

"Case of Need" and Other Factors

Certain other important factors have a bearing on the credit risk and information on them should be obtained at the time the financial situation of the client is investigated. These are: import regulations, exchange restrictions, general business conditions, and the political situation. Where an import permit is required, the exporter should assure himself that the importer holds the required licence; the same applies to the exchange permit where one is needed. The bank and Canadian Trade Commissioner can also help in these matters.

An important factor which an exporting firm sometimes overlooks is the use of a "Case of Need", which is usually the exporter's agent. His value depends on the powers granted to him by his principal. Frequently a simple "Case of Need" is all that is required. This means that the collecting bank will keep the agent advised about the payment record of bills held for collection. The idea is that when the foreign collecting bank has advised the agent that a bill has not been accepted or paid, he can then call upon his customer and often straighten out the difficulty without delay. A "Case of Need", however, cannot give the collecting bank any instructions unless the exporter has given him definite powers. A reputable agent in good standing may be given power to dispose of the merchandise, reduce the amount of the bill, and perform any other act in the interests of his principals which he may deem necessary. This is an extreme case, however, and is granted only to first-class firms.

In short, in matters of credit the exporter has at his command valuable sources of information. He should not hesitate to use these to the full and to profit from them. ●

Foreign Tariffs and the Exporter

To the new exporter, foreign tariffs may appear baffling. First he must grasp the tariff terms in common use and their meaning; then he must understand preferential arrangements, customs unions, free trade areas, and other aspects of tariff legislation. This article presents basic information on this complex subject and suggests where to seek further aid.

H. V. JARRETT,
International Trade Relations Branch.

THE EXPORTER'S INTEREST in the rate of duty levied on his products in countries abroad starts from the time he investigates the market possibilities. He wants to know the duties applicable for various reasons:

- One, to assess the possibility of selling his product in competition with those of other countries or those locally produced.
- Two, to find out whether his product is assured of tariff treatment at least equal to that accorded to his foreign competitor, or whether he will either enjoy a preference or be faced with tariff discrimination.
- Three, to know if there are any problems of tariff classification affecting his goods.
- Four, to have an answer to any subsidiary question that may arise, such as the dutiable value or weight of his products, conditions under which preferences are granted, possibility of dumping duties being applied, and so on.

The purpose of this article and the one to follow in the next issue is to answer these questions briefly and to define some of the technicalities of tariff legislation that the Canadian exporter doing business abroad inevitably meets.

Tariff systems may be classified into the following general types:

- *Single column tariff:* This is a tariff which consists of one schedule of duties with a single rate of duty for each article, applicable equally to imports from all countries. Duty reductions negotiated by countries employing such a system are usually generalized to apply to all other countries. Among the countries which today have single column tariffs are, for example, West Germany, Japan, the Scandinavian countries, and Mexico. The United Kingdom applies duties, whether or not negotiated by agreement, equally to imports from all countries, except for the preferences which she accords to other countries of the British Commonwealth. The United States tariff is of the same kind, treating all countries (with certain exceptions) alike.
- *Maximum-minimum tariff:* This involves the setting-up of two more or less complete columns of duties in the tariff. The lower rate is applicable to countries accorded most-favoured-nation treatment and the higher to other countries. Sometimes maximum-minimum tariffs contain only one column (usually called the minimum tariff) and the rates of the maximum tariff are determined by applying a percentage increase or multiplier to the minimum rates. France and Spain are among the countries employing this system.
- *General-conventional tariff:* The countries employing this system start out with a single column of duties and then proceed to establish a second column of conventional duties in negotiation with other countries. This second column includes only those items on which conventional rates have been negotiated and does not therefore cover all tariff items. The conventional rates are applied to countries enjoying most-favoured-nation treatment. On items on which rates have not been negotiated, the general tariff applies.

• *Preferential tariff:* This consists of the reduced rates accorded to another country by reason of a special relationship existing between them—such as among members of the British Commonwealth, between France and Portugal and their respective overseas territories, and the preferences exchanged by the United States with Cuba and the Philippines. Preferential rates of this type are exchanged exclusively between the countries within the respective spheres and are not extended to outside countries. A more detailed discussion of these preferences will be given in a later article.

Types of Rates

Specific Duties are rates levied upon commodities in terms of so much currency according to their weight, number, length, volume, or other measure of quantity. Duties are usually expressed in currency in use in the country and may be converted to Canadian terms at the current rate of exchange. There are exceptions, however. For example, in the tariffs of Spain and Chile rates are given in gold pesetas and gold pesos respectively. To convert duties to local currency, the rates are multiplied by an established factor of conversion.

Ad Valorem Duties are those which are levied in percentage terms on the value of the goods.

Alternative Duties occur where both specific and ad valorem duties are specified for an article, the rate applicable being the one which returns the higher duty (in a few instances the lower rate is the ruling one).

Compound Duties are those in which both a specific rate and an ad valorem rate are levied on the same article.

Tariff Classification

The simplest form of tariff is one which consists of a single item levying the same rate of duty on all imports. Such a tariff is applied only by a country with an uncomplicated economy. As the industry of a country grows and as more and more articles come into production, tariffs tend to become more complex. This arises from the need to assess duties equitably on a wide range of goods, with greatly varying values, for providing whatever protection may be deemed desirable and for encouraging the import of essential products. Tariff negotiations also promote greater specialization of tariffs, because concessions are often designed to cover only a particular grade or type of a product.

Tariffs which employ specific duties are apt to become much more highly specialized than those in which ad valorem duties predominate. For example, a single ad valorem rate may be used to cover a wide range of machinery. When levying specific duties on the same machinery, however, it becomes necessary to break the classification down into weight groups, with lower rates applying to the heavier machines. The textile tariffs of many countries display very complex classifications, with rates varying with the component fibre or mixtures of fibres, weight per yard (or other measure), thread count, type of weave, and whether or not the fabric is dyed or printed.

Before the Second World War the tariffs of many countries, particularly those of Europe and Latin America, were based on specific duties and were, on this account, very complex. Since the war, however, the tendency has been to convert to the ad valorem system. A further trend towards simplification of tariff administration is the adoption by a number of countries of a standard tariff nomenclature, worked out by an international committee of experts and approved by the countries participating in the Customs Co-operation Council in Brussels.

In spite of some simplification in tariff procedure, the task of administering tariffs presents many problems. It is obvious that even a tariff of several hundred items cannot describe clearly every product that enters into trade. With the constant introduction of new products and of new materials in manufacturing processes, new questions of tariff classification have to be answered. Frequently two or more items of a tariff may have to be considered in assessing the rate on a particular article, depending upon its use or component material. In case of disputes over the correct assessment of an article, the matter may have to be resolved by a customs court or tariff board established for that purpose.

The International Trade Relations Branch of the Department of Trade and Commerce maintains at Ottawa a staff of experts who, through training and experience, can determine with a good degree of accuracy the tariff classification of any product which a Canadian exporter wishes to introduce into another country. Final decision rests, of course, with the customs authorities of the importing countries.

Duties Levied for Special Purposes

There are two kinds of duties which are levied only in special circumstances and under certain specified conditions. These are anti-dumping duties and countervailing duties.

• *Anti-dumping Duties*—The term "dumping" means sales of a product for export at lower prices than those charged for it in the domestic market. Dumping may also occur during a period of devaluation or depreciation of a country's currency. This causes export prices, at least temporarily, to be abnormally low in terms of foreign currency. Sale at such export prices is termed exchange dumping.

When lower export prices are accounted for by legitimate drawbacks or exemption of the exported goods from direct internal taxes, such sales are not usually regarded as dumping.

To offset the effects of dumping many countries have introduced legislation providing for the levying of anti-dumping duties, which are special additional import charges designed to raise the price of the imported goods to the normal level. They usually consist, therefore, of amounts based on the difference between the export price and the home consumption price in the country of export. These duties almost invariably are applied only to articles of a class or kind produced in the countries of import.

- *Countervailing Duties*—These are related to anti-dumping duties. They offset bounties or subsidies paid on exports by the government of the exporting country and are usually equal in amount to the bounty or subsidy.

Additional Charges on Imports

In addition to customs duties proper, many countries levy extra charges of one kind or another. The most common form is a surtax of a percentage of the duty. Other forms include ad valorem surcharges, package tax (which is a small extra charge on each package in the shipment), and a variety of other charges of various kinds. Generally these taxes are for some particular purpose such as to provide means for construction of port works, to establish funds for promotion of social welfare, and so forth. The exchange regulations of a country may also provide for taxes of various amounts on imports and removal of quantitative restrictions on imports may lead to the imposition of a compensatory import tax.

Of a different kind are the internal taxes which are collected on imports by many countries. These are usually (but not invariably) levied at the same rate as on similar products of domestic origin. Included in this category are sales taxes, excise taxes, purchase taxes, turnover and transaction taxes and the like.

In many countries, particularly those of Latin America, consular fees for legalization of shipping documents are an added (and sometimes substantial) charge on imports. Some of these are collected by the consul performing the service and others at the port of entry of the goods.

Dutiable Weight

In the case of specific duties calculated on the weight of the goods it is necessary to know not only the rate of duty applicable but also whether the duty is levied on the gross, legal or net weight of the goods. Each country has its own definition of these terms but generally they are about as follows:

Gross weight is the weight of the goods and of all interior and exterior containers and packing material.

Legal weight is the weight of the goods together with the immediate interior containers. Legal weight used in this sense is employed mainly in tariffs of Latin American countries.

Net weight is the weight of the goods themselves without consideration of packing materials. It should be noted, however, that in a few countries net weight is defined to include the immediate containers.

Tare allowances are sometimes used to arrive at the dutiable weight. For example, in Cuba many tariff items specify that the duty is to be levied on the gross weight decreased by a specified percentage thereof, which varies according to the type of container used. In Switzerland gross weight may be arrived at by adding a percentage to the net weight.

By knowing the basis on which duty is levied on his goods, an exporter is better able to assess the true level of the duty and this knowledge will also be a guide to the kind of packing material he should use, consistent with assuring arrival of the goods at their destination undamaged. This is particularly true of products such as canned goods and bottled liquids, in which the weight of the containers and packing material makes up a large share of total weight of the shipment.

Most countries using specific duties use all the foregoing types of dutiable weights, depending upon the commodity involved. In some countries however—for example, Venezuela, Switzerland and Colombia—all (or nearly all) specific duties are levied on the gross weight regardless of the nature of the goods.

Dutiable Value

The price at which goods subject to ad valorem duties are invoiced to the purchaser in the importing country is not always the one on which the duty is levied. Very often, indeed, the invoice price is disregarded in the assessment of customs duties and some other basis of valuation is taken.

In many countries, particularly those of the Commonwealth, duty is levied on the export price or the current domestic value of the goods, whichever is higher. For example, in Australia the dutiable value is either the actual money price paid for the goods by the Australian exporter or the current domestic value, whichever is higher. To both these values are added all charges payable for placing the goods free on board at the port of export. In the United States, past practice has been to appraise goods on the basis of their freely offered domestic selling prices in the country of export. A new procedure is being devel-

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oped in accordance with recent legislation which is expected to result in the appraisal of most goods on the basis of their export prices to wholesalers in the United States.

A form of dutiable value at one time quite common but not used so much now is the official value. Under this system the values of imported goods are fixed by legislative or administrative action and are incorporated in the tariff schedules. Among the countries now employing this system are Mexico and Uruguay. In Mexico the official values are used as a basis for levying ad valorem duty only when they are higher than the invoice price. In Uruguay the official valuations are used irrespective of the invoice value and are generally considerably lower than the current market prices. To offset this, the nominal ad valorem rates, plus various surcharges, are high. Argentina also employed this system but recently converted its tariff to a straight ad valorem basis, although it continues to use official values for a few rates bound by trade agreements.

It is particularly important that the exporter should show prices in his invoices with exactitude. He should be prepared to show such prices in whatever form the regulations of the importing country call for.

Commonwealth Preference System

Canada, as a partner in the British Commonwealth, enjoys tariff preferences for her products in many countries of the Commonwealth over similar products of non-Commonwealth origin. The preferential tariff system of the Commonwealth as now operating had its inception in 1898 when Canada granted reduced duties to imports from the United Kingdom. By 1907 all the self-governing Dominions had adopted preferences in favour of the United Kingdom. Before the First World War, the United Kingdom levied duties on only a very limited number of products but by 1919 had accepted the preferential principle by extending preferences to the whole Empire on such goods as were dutiable.

The year 1932 witnessed a notable expansion of intra-Imperial preferences. Included was the adoption by the United Kingdom of a new and comprehensive tariff on foreign goods, establishment of preferences in several British Colonies for the first time, and reciprocal trade agreements between various units of the Commonwealth concluded at the Imperial Economic Conference at Ottawa.

Preferences have since been modified and supplemented by subsequent negotiations among various members of the Commonwealth. Under arrangements at present in force, preferential rates of duty favouring Canadian products as compared with those of non-Commonwealth countries are provided for most articles imported into the following countries:

United Kingdom	Gambia
Australia	Sierra Leone
New Zealand	Somaliland Protectorate
Federation of Rhodesia and Nyasaland (preferences do not extend to the whole area)	Mauritius
	Seychelles
	St. Helena
	Malta
Ceylon	Cyprus
British West Indies (13 Colonies)	Fiji
	Western Samoa
Bermuda	British Solomon Islands
British Guiana	Gilbert and Ellice Islands
British Honduras	Tonga

In the following Commonwealth countries, the preferences enjoyed by Canada are restricted to a few items, in some cases because the tariff itself is of very limited scope:

Union of South Africa (including South-West Africa, Basutoland, Bechuanaland, and Swaziland)	Hong Kong
	Brunei
	Sarawak
	North Borneo
	Gibraltar
Federation of Malaya	Cayman Islands
Singapore	Falkland Islands

Some preferences are also accorded to Canada by the Republic of Ireland although that country is no longer a member of the Commonwealth.

The tariffs of the following parts of the Commonwealth do not give preferences to any Canadian products:

India	Zanzibar
Pakistan	Nigeria
British East Africa	Ghana

Preference Conditions

To obtain preference, Canadian goods must comply with certain specified conditions. The conditions are not standard and vary from country to country throughout the Commonwealth.

The prime condition in granting preferences is that a certain proportion of the material and labour entering into the product be of Canadian origin. A distinction is usually made between articles which are grown or produced in Canada and those which are manufactured in Canada. The former generally must be wholly of Canadian origin; the latter may contain anywhere from 25 to 75 per cent of Canadian material and labour (depending upon commodities and country).

In most cases materials of other Commonwealth countries may be included to make up the required content but in Australia the prescribed content must be either Canadian or Australian. In Australia and New Zealand, there is a provision that goods that are *wholly manufactured* in Canada may contain basic raw materials, or certain specified partially processed materials, of non-Commonwealth origin in any proportion.

Another condition for obtaining preference is that the goods be consigned direct from Canada to the countries of import. This does not mean that they must be shipped from a Canadian port but that when they leave Canada, their final destination is the Commonwealth country to which they are being sent. If the goods are consigned first to a country not entitled to preference—to the United States, for example—and thence re-consigned to the Commonwealth country, the privilege of entry at preferential rates is lost.

Other Preferential Arrangements

A preferential agreement between the United States and Cuba has been in force since 1902. It was revised in 1934 and has been modified by GATT and by agreements made by Cuba with other countries. Under this arrangement the United States and Cuba grant each other exclusive preferences, consisting of percentage reductions from the minimum rate, on a wide range of products exchanged between the two countries.

An agreement between the United States and the Philippine Republic provides for the reciprocal granting of tariff preferences. These preferences, however, are to be eliminated gradually by annual reductions in the preferential margins and are due to be eliminated entirely by 1974.

France and her overseas territories have an extensive preferential system and preferences are also exchanged between Portugal and her colonies.

Customs Unions and Free Trade Areas

A customs union is an agreement which eliminates tariff barriers between two or more countries and in which the countries in the union have a common tariff against imports from the rest of the world. Each state in the union maintains its own sovereignty in all matters other than those affecting customs.

The most notable modern example of a customs union is that between Belgium, the Netherlands and Luxembourg, commonly called Benelux. There are others of lesser significance and a few more are in the process of formulation or under discussion.

A free trade area differs from a customs union in that the countries comprising the area, while removing, in whole or in part, tariff barriers against each other's products, do not have a common tariff on imports from other countries. There is a relationship of this kind between Chile and Peru and between El Salvador and Nicaragua.

Another type of arrangement is that illustrated by the European Coal and Steel Comunity. Members of this Community are France, West Germany, Italy, the Netherlands, Belgium and Luxembourg. They have agreed to establish among themselves a common market for coal, iron ore, steel and scrap by reducing duties on each other's imports and maintaining separate tariff rates on these products when imported from other countries.

Tariff Relations with Other Countries

Canada's tariff relations with countries outside the Commonwealth are governed by commercial agreements, trade treaties, and some less formal arrangements in force between Canada and other countries and by the General Agreement on Tariffs and Trade (GATT). These arrangements unite Canada with all the major trading nations of the world and with most other countries, and protect trade from discrimination in the application of tariffs.

The chief feature of all these arrangements is that they provide for exchange of most-favoured-nation treatment among the parties to the Agreement. This means that the contracting states agree that each party will accord to the goods of the other the benefit of the lowest duties applied to similar goods originating in any other country. There are exceptions to this rule. For example, there are provisions that the preferences exchanged among members of the British Commonwealth may not be claimed by countries outside the Commonwealth. Similarly, preferences exchanged exclusively between the United States and Cuba, the United States and the Philippine Republic, France and her overseas possessions, and similar arrangements based on historical, political or geographical grounds are excepted from the application of the most-favoured-nation principle.

Canada signed the Protocol of Provisional Application of the General Agreement on Tariffs and Trade on October 30, 1947, and it went into force on January 1, 1948. GATT, as well as assuring most-favoured-nation treatment among the contracting parties, provides for scheduled tariff concessions and lays down rules and regulations to govern the conduct of international trade.

The first round of tariff negotiations at Geneva in 1947 involved more than one hundred pairs of negotiations between individual countries, the results of which were consolidated into a single comprehensive annex to the Agreement, divided into schedules. These schedules covered some 45,000 separate tariff items. Subsequent rounds of tariff negotiations at Annecy in 1949, at Torquay in 1950-51, and at Geneva in 1956 extended these concessions to many other items and have brought more countries within the orbit of the agreement, which at present comprises 35 contracting parties. The concessions negotiated on these occasions are to remain in force until January 1, 1958, and thereafter, unless modified in accordance with the terms of the Agreement.

Export Duties

Export duties are not of prime concern to exporters but are worth some mention because of their incidental interest and to complete the tariff picture. Most export duties are levied for revenue purposes and, since there is no desire to handicap exports unduly, they are usually very low. In some cases there may be a protective implication, when a country wishes to discourage the export of a product in short supply which is needed for domestic industry. Not many countries have gone into the export duty field. Export duties in most countries which employ them are levied on only a limited range of products, but one or two countries apply them to the generality of exports.

Import and Exchange Restrictions

Import restrictions are frequently used in place of, or in addition to, tariffs to regulate imports and therefore should be considered in any general study of tariff legislation. They are, indeed, a more exact method of control since by their use imports can be limited to certain predetermined amounts or can be excluded altogether if this is deemed desirable.

Quantitative restrictions or other similar forms of import control have been adopted in many countries. They began to be seriously used between the two wars and after the Second World War became widespread. They have been used chiefly in countries in balance-of-payments difficulties but have also been employed as a device for protecting home industries.

Import restrictions take many forms. Sometimes they are "global" quotas in which the amount to be imported from the world is fixed and the supplying countries compete for a share of the quota. In other cases individual quotas are established for each supplying country, with the amount usually based on proportions supplied in some previous period. These two methods may be combined by first setting up a global quota and then allocating shares of this quota to various countries. In still other instances, no quotas may be announced, and imports are regulated by licences which are issued to (or withheld from) individual importers on the merits of each application as it is presented.

Another form of limiting imports is exchange control, in which the restriction applies not to the goods themselves but to obtaining exchange to pay for them. The effect, of course, is the same as a restriction on imports since an exporter is seldom willing to sell goods for which he is paid in currency which he cannot use. In conjunction with this type of control, some countries classify imports into categories and provide funds at officially set rates of exchange for each category. The more favourable treatment is accorded to goods considered most necessary to the country's economy. The same effect is achieved in some other countries by levying exchange taxes at various rates in accordance with the essentiality of the product.

The General Agreement on Tariffs and Trade prohibits in principle the use of quota restrictions on imports. However, since it is recognized that, under present conditions, this ideal is not immediately attainable in every country, certain clearly defined exceptions are permitted. One of these is that products of a kind which are controlled internally, such as agricultural and fishery products, may be subjected to import control. Any such restrictions must be non-discriminatory—that is, applicable equally to imports from all countries. Another type of restriction permitted is that enforced temporarily to protect the foreign exchange reserves of a country or for balance-of-payments reasons. In this case discriminatory application of restrictions as between sources of supply may be employed. For example, countries in the sterling area and others similarly situated, because they need to conserve their dollar holdings, exercise stricter control against imports from dollar countries, such as Canada and the United States, than against non-dollar sources of supply.

A continuing effort is being made to reduce the burden of import restrictions and progress has been significant. In both the sterling area and in Europe the liberalization of dollar imports has opened up new opportunities for Canadian trade.

There are a few countries which impose few, if any, restrictions on imports, among them Canada and the United States. Some important Latin American and European markets, such as Cuba, Peru, Venezuela, Belgium, Switzerland, are also relatively free of import control.

It is important that Canadian exporters make sure before shipping abroad that their customers have fulfilled all the licensing requirements. If a licence is necessary, the customer usually informs the exporter of the licence number or, in some cases, sends him a copy of the licence itself.

The Canadian exporter who wishes information about tariffs and other measures relating to the import of goods into other countries may obtain it by writing to the International Trade Relations Branch, Department of Trade and Commerce, Ottawa. The Branch has on file as complete a collection of the tariffs of the world and of subsidiary legislation as it is possible to obtain. This is kept up-to-date by a constant supply of amendments received from Canadian commercial representatives in the field. It is supplemented by notices and news items appearing in official gazettes, trade papers, bank reports, and reference works and by similar material received from many sources. Translations of tariffs are supplied by the International Customs Tariffs Bureau at Brussels, an organization founded in 1890, to which all the major trading nations including Canada subscribe.

In requesting information about tariffs, the exporter should describe the product in as much detail as possible, with particular reference to its use and component materials. Samples of the products should, if practicable, be supplied. Illustrated catalogues or brochures describing it also help in determining tariff classifications. If the tariff classification is not clear, or cannot be easily determined from the information available, the Branch is in a position to request an official ruling from the customs officials of the country concerned, through the commercial representative. Assistance is also available to an exporter who, through some inadvertence, may find himself in difficulties with the customs authorities of another country.

Much practical assistance is also afforded to exporters by such organizations as the Canadian Manufacturers' Association, Canadian Exporters' Association, and Boards of Trade and Chambers of Commerce in the larger cities. ●

Manufacturing Abroad

Branch Plants or Licensing?

When valuable export markets are cut off, Canadian manufacturers of finished goods should consider alternative ways of doing business abroad. But in making a choice, the exporter should understand what these alternatives involve and the problems which may arise in working out arrangements in foreign countries.

R. B. SPIRO, *Director, International Division, Coleman Lamp and Stove Co. Ltd.*

CIRCUMSTANCES MAY SOMETIMES COMPEL a Canadian manufacturer to consider setting up a branch plant abroad or making a licensing arrangement with a foreign company. In these days of dollar shortages, import restrictions and increasing competition, this may be the only way he can continue to do business in some countries. Exporters are well aware of the effect on their trade of recurrent or permanent balance-of-payment difficulties, some of the national programs of industrial development, and open or hidden protection of local industries. Recently too it has become increasingly difficult for Canadian manufacturers to land their products at competitive prices even in countries with low tariffs; our manufacturing costs are usually higher than those of our competitors and freight costs are mounting.

A Canadian company which, over the years, has established the good reputation of its brand in a foreign market does not accept easily the loss of the fruits of years of overseas sales promotion. But unless it is willing to withdraw from the market, it may have to make other arrangements to prevent its brand from disappearing in certain countries.

There is little alternative in some cases but to transfer part of the company's manufacturing to a former good market that has weakened or disappeared or to a country that offers a good prospect for business. What the Canadian firm will do depends on the size of the market involved, regulations of the country, the capital and skills it can spare, and the possibility of working out satisfactory arrangements with a foreign manufacturer. As a rule, the Canadian company has to accept the fact that eventually the foreign branch plant or licensee will make the entire product unless it proves impossible for it to turn out certain components.

Suppose the manufacturer decides that circumstances demand action if he wishes to retain a share of business in another country. Should he establish a branch plant overseas or should he arrange for manufacture of his goods under licence? Each system has its advantages and disadvantages and its special problems which must be considered carefully.

Deciding on a Branch Plant

There are advantages as well as disadvantages for the Canadian manufacturer in setting up a factory overseas. If he owns the plant in a foreign country he makes all the decisions; he can arrange to finance the enterprise according to his own policy, can plough back profits or have them remitted to Canada, and can decide on dividends, etc. He has complete control over his overseas production and can dictate quality or make special design changes which he feels are needed.

The branch plant can purchase components locally or the parent company may supply them from Canada; the policy depends largely on the import control regulations in the country where the factory is operating. Choice of where the overseas plant will obtain raw materials or select sub-contractors is in the hands of the Canadian enterprise. It has complete control over distributing and selling the goods within the country and also decides on export policy, if any. If the manufacturer chooses the right country for his branch plant he may be able to sell what was originally a Canadian product in other countries that are now closed to dollar goods.

What are the disadvantages of branch plants? The first one is the need for additional capital and the inherent investment risk. The foreign country may decide to block dividends or may make it impossible to repatriate capital. In any case, the Canadian company investing abroad has to contend with some of the exchange controls which have plagued trade in recent years.

United States manufacturers can obtain insurance through the International Co-operation Administration against the risks of non-convertibility of dividends or capital repatriation; it covers also risks of nationalization or confiscation of an investment. At present, there is no similar investment insurance available in Canada.

A second problem is the management of the branch plant. Often the Canadian firm cannot spare the trained personnel able to take care of the details associated with the financial, sales, or production management of overseas factories. Skilled people sent out from Canada to manage the business must have the necessary experience and also be fluent in the language of the country in which the factory is located; finding this combination poses a major problem. Those who are selected to go abroad should be adaptable persons who will get along well with their future associates and adapt themselves to foreign ways of doing things and to foreign living conditions. Canadians sent out on such missions expect to spend comparatively long vacations every second or third year home in Canada. This, plus the transporting of families and providing adequate living quarters, raises costs considerably.

Then there is the matter of compensating Canadian employees abroad. Some countries apply high income taxes to alien residents and require them to pay for compulsory social security measures; these payments reduce the net income of the Canadian employed in the company's foreign plants or sales establishments. In spite of lower living costs in many countries, it still costs a company considerably more to maintain an employee overseas than to employ him at home.

And you are still not through with possible personnel difficulties. In underdeveloped countries, for example, the manufacturer will not find it easy to get the right kind of skilled workers. He will find such people in Europe or in most of the Commonwealth countries. But even here he will have a recruiting problem because there is a shortage everywhere of highly-qualified engineers, technicians, and executive personnel.

Manufacturing under Licence

Canadian manufacturers may not favour investing substantial amounts of capital in overseas countries. They may hesitate to accept the risks which accompany such investments, or to surmount the personnel difficulties involved. They may find that they can solve many of their problems by making a licensing arrangement with a suitable local manufacturer.

• *Choosing a Manufacturer*—The problem is to seek out a manufacturer who not only has the equipment to produce the goods under licence but who is willing to co-operate closely. The Canadian company will want him to accept advice on technical, sales and financial matters, yet not attempt to go his own way and possibly cut out the licensor altogether after a short period of co-operation.

The company which grants a licence has to be careful and often has to investigate to find the right type of enterprise and the right type of owners or managers.

Once the Canadian company chooses a foreign firm, it must work out details of the licensing arrangement; often this will need the approval of the foreign government. Some countries require agreements to be registered with a government authority, especially if patent or trademark rights are involved.

• *Working Out the Royalty*—Naturally, the Canadian manufacturer is interested in two main points—the amount of royalty he can obtain or the licence fee he can charge. This negotiation will involve the Government because licensing arrangements are usually made in countries which are short of dollars and the exchange control authorities must approve the amount.

Often the royalty is divided into a service fee, which compensates the manufacturer for technical and other assistance which he provides, and payment for patent and trademark rights which he grants to the licensee. It becomes more important to split the licence fee in countries which levy one rate of tax on the technical service fee and another on earnings from the granting of patent and trademark rights. Some countries do not tax technical service fees; others apply the same tax rate to the total licence fee.

The Canadian licensor should be aware of another taxation possibility that could eat into his possible earnings: there may be a turn-over tax or remittance taxes to pay in addition to the usual tax on royalty income. He should investigate thoroughly to be sure that a fixed royalty percentage will prove profitable after taxes.

Most royalties vary from 2½ to 7½ per cent (average 5 per cent) on the factory sales value in the case of consumer durable goods; local manufacturers find this amount acceptable and governments will approve. Royalties are subject to income tax in the country where they are earned but our tax regulations allow Canadian companies to deduct this amount from their Canadian tax.

• *Supplying Component Parts*—The Canadian company usually prefers to supply the licensee with essential component parts. This depends on the dollar position of the recipient country and particularly on its industrialization policy. The practice in many countries is to grant generous import licences for parts in the first two or three years of the contract and then insist that more and more of the product be produced locally. Finally, after a period of five or ten years, the foreign government stipulates that the local manufacturer must make the entire product locally.

Thus a Canadian manufacturer still may be able to supply substantial quantities of component parts to his licensee. Licensing agreements sometimes even lead to an increase in the Canadian company's exports to a country, especially if import regulations have closed or restricted the market. This market for components likely will disappear in time; the firm which grants a licence has to accept the fact that it can only depend on its royalty. This is inevitable but justified when it is the only way of sharing in the market.

A firm may retain a market for components if they are high-precision parts which no manufacturer in the licensee's country can make; in other cases the necessary production equipment such as tools, dies or single-purpose machines are so expensive that it would raise the cost of parts unjustifiably. It may be necessary to convince licensees and government authorities that they should allow imports of some components for the whole period of the licensing agreement.

• *Deciding on Length of Contract*—Some dollar-short countries do not like to approve high-percentage licence fees for long-term contracts (five to ten years or longer). Their governments may agree to a substantial down payment for the supply of blueprints, material specifications and other technical assistance and insist on a low percentage royalty on locally produced units.

A Canadian manufacturer could receive a down payment of $10,000 to $20,000 for supplying blueprints, material specifications, and tool drawings or for placing an engineer in the licensee's plant for six months. But he may have to agree to a royalty of only 2½ per cent. Sometimes a foreign government approves a total licence fee of 5 per cent for the first five years and insists on reducing it for the second five years.

Canadian manufacturers usually prefer to make short-term agreements, especially if they are not sure that an overseas manufacturer will control the quality of his goods and keep down costs. The foreign company, however, has to invest capital to re-arrange its factory layout, to buy new equipment, and to make tools and dies. Most of them insist on agreements at least five years long and in most cases, ten years.

• *Terminating the Licence*—The Canadian licensor should make sure that he will retain control of the manufacture of his products after a licensing agreement expires; he should specify that tools or equipment installed to produce his goods become his property. He can be certain of this if he pays for them outright—although he will have to invest capital and this makes a licensing agreement less attractive.

It is possible for the foreign manufacturer to buy the tools and then include a pro-rata part of their cost in every unit produced and sold. The licensee receives payment for the tools from a higher selling price for the goods for one or two years; they then become the property of the licensor in Canada when the licensing agreement expires or is cancelled. One weakness of this system is that the foreign licensee may not produce enough goods in the time agreed for full pro-rata amortization. Furthermore it is always difficult to predict the condition of the tools or equipment when they are handed over to the licensor.

The Problem of Distributing Goods

Often the foreign licensee is a purely industrial firm with no organization for selling the Canadian manufacturer's type of goods. If the Canadian company has been using agents to distribute its products, the licensee could continue to use them. However, these agents are not always willing to commit themselves to selling the entire output of the licensee because of the risks.

The Canadian firm may be called upon to share the risk with its agents through a financing arrangement or to create a new sales and distribution firm. It may find that the disadvantages of investing capital and sharing risks in sales distribution outweigh the advantages of a pure licensing agreement in which the local firm handles sales.

The small Canadian company—or larger ones which do not wish to make a capital investment in foreign countries—may favour a licensee who will look after all details of production and sales. However, the Canadian firm ceases to influence decisions on the distribution system or the sales and price policies, and even gives up control over exports to markets which it might possibly supply from Canada. There is also the problem of fair treatment for former agents whom local manufacturers with their own distribution systems are reluctant to include. Yet the Canadian who negotiates with patience, tact and diplomacy can be fairly certain of working out an agreement that allows former agents to participate in the licensing arrangement.

It takes time to find the right foreign company and negotiate a proper agreement acceptable to the authorities. But where circumstances warrant the expenditure, a licensing arrangement, or even a branch factory in a major market, can be a paying proposition despite the numerous problems and hazards. And it is a source of satisfaction to see a product originally designed and created in Canada continue to please customers abroad. •

How DBS Can Help the Exporter

Canadian exporters can use the material issued by the Dominion Bureau of Statistics in ways that vary with the individual firm and with the type of business. This article first analyzes DBS publications of general interest to foreign traders and then presents an annotated list covering more specialized fields.

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THE FIRST THING which an exporter wants to know is whether goods of the type which he wishes to sell abroad are already being exported. If they are, he wants to know in what quantities, their value F.O.B. the point at which they are consigned for export, and where they are going. This information he can find in a number of publications.

The basic document about exports is Volume II of the annual publication, *Trade of Canada* ($5.00 per set of three volumes, single volumes $2.00 each). This shows the exports of different commodities or commodity groups. For each one, the quantity and value of exports to individual countries are given, as well as a total for exports as a whole. A comprehensive index lists the commodities shown, so that it is easy to find one's way through the publication.

Similar figures are given monthly in *Exports* ($5.00 per year, single copies 50 cents). This publication gives figures for the current month and for the year to date. It has no index but the commodities are arranged in essentially the same order as in the annual publication. The easiest way to use the monthly data is in conjunction with an annual volume. *Trade of Canada* gives the commodity code for each item, and when this has been established, it is easy to find the commodity in the monthly publication because the commodity code numbers are given there in the right-hand column of each page.

Foreign Trade Reviewed

The exporter may, however, be more interested in a particular country than in a particular type of export. In this case, he will be more interested in facts which are arranged by countries.

Both the annual and the monthly publication give summaries of the total value of exports to individual countries. Similar totals are also given monthly in *Domestic Exports* ($2.00 per year, single copies 20 cents). This publication breaks down total exports of all countries into commodity groups, such as machinery or fertilizers. Exports to the United Kingdom and the United States are shown by major groups, such as iron and its products, or chemicals and allied products.

The best source for data by individual countries is the quarterly *Articles Exported to Each Country* ($2.00 per year, single copies 50 cents). This gives the total value of exports to each country and lists, for each, the quantity and value of the individual commodities exported. The commodity breakdown is as detailed as that in *Trade of Canada Vol. II.* For each country, commodities are listed in the order of their commodity code numbers. Each issue of *Articles Exported to Each Country* gives cumulative data to the end of the current quarter, and a comparison with the corresponding period of the previous year. An exporter whose requirements are met by annual figures would need only the December issue.

The Review of Foreign Trade comes out twice a year. The *Review of Foreign Trade, First Half Year* (50 cents) includes summaries of a number of trade

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statistics. Among them are data on the value of exports, by main groups and principal commodities, in total and to the following areas: United Kingdom, United States, Europe (except the Commonwealth and Ireland), the Commonwealth (except United Kingdom) and Ireland, and Latin America. The dollar value of total trade with each individual country is also given. The *Review of Foreign Trade, Calendar Year* (75 cents) includes similar information for the calendar year and also gives exports to 30 countries, with value data on the principal commodities. The countries chosen are the thirty leading ones in Canada's total trade. A breakdown of total exports by the sections and divisions of the Standard International Trade Classification is also included. Both these publications contain descriptive text which outlines the foreign trade picture and indicates significant changes.

Related Exports

Businessmen may find it profitable to study the exports not only of their own products but also of goods normally used in connection with them. A manufacturer of can-openers, for instance, might be interested in exports of canned food, because these indicate a potential market for can-openers. A manufacturer of lubricating oils and greases might be interested in the exports of machines, because these will require lubricating when in use. Lumber, nails, woodworking tools and roofing materials are often used together, and the manufacturer of one of them might be interested in the exports of any of the others. Of course, a country may import one article and produce the associated items locally. None the less, many businessmen would find it worth their while to scan the trade statistics quite widely, to see what hints about a potential market they can find by observing the exports of items which are used in conjunction with their own products. Users of the Canadian goods already exported should be easier to sell to, because of their experience with Canadian quality.

Origin of Exports

The parts of Canada from which existing exports come might well be of interest to the potential exporter, as giving an indication of the effects of location and hence of the transport factor. Figures on this are not directly available but some clues can be obtained from information about the seaports through which goods are shipped. The annual *Shipping Report* ($1.00 per set of three sections, individual sections 50 cents each) should be used for this. Section 1 gives the type and quantity of cargo loaded, the country of destination, and the country of registry of the vessel. These data are given for three geographic regions: the Atlantic and Lower St. Lawrence River ports (including Montreal), Great Lakes and Upper St. Lawrence River ports, and Pacific ports. Section II gives, for every port in Canada, the quantities of individual commodities loaded for export. It does not, however, give their destinations. *Canal Statistics* (25 cents) gives, for individual canal systems, the amount of commodities carried en route from Canada to the United Kingdom and other countries. *Trade of Canada,* Volume I, gives the total value of exports from each customs port. It also contains summaries of the export data included in Volume II.

The publications described above make up the basic reference material on exports. They are compiled directly from the information about individual export transactions which reaches the Bureau. Care is taken, of course, to draw up the totals in such a way that the details of individual transactions are not disclosed.

Secondary Information Sources

Much of the information from these basic sources is repeated in other Bureau publications, to give the export angle of a study of the economy in general or of some particular sector of it. *Canada Year Book* ($4.00 clothbound, $1.50 paperbound), is the most important of the secondary sources. It contains each year a chapter on foreign trade which gives a general review of the situation, together with statistical tables showing trade with different countries and trade in different commodities. Articles dealing with individual sectors of the economy may contain export data on various commodities. The shorter version of the *Year Book, Canada* ($1.00), also contains a chapter on foreign trade.

Other publications which deal with individual sectors of the economy also contain export data. For instance, a recent consolidation of the available statistics on energy, Reference Paper No. 69, *Energy Sources in Canada—Commodity Accounts for 1948 and 1952* ($1.00) gives total exports for a number of fuels.

Many of the annual volumes of the *Census of Industry* contain material on the exports and imports of the main products of the industry concerned. The reader who is primarily interested in one industry gets a fuller picture of its place in the economy than he could obtain from production data alone. In some cases, tables are given which show the balance between supply (which is built up by production and imports) and demand (which consists of domestic disappearance and exports). A number of quarterly and monthly surveys carried out by the Industry and Merchandising Division also carry export trade data, for the convenience of readers. This enables them to study the latest trade figures at the same time as the latest production data.

The Agriculture Division also includes export data in a number of its publication and the Public Finance and Transportation Division includes some, in addition to the shipping data already mentioned.

The Bureau's publications are listed in *Current Publications,* which is available free from the Information Services Division. This pamphlet contains an index for commodities from abrasives to zirconium, showing where to find statistics about them. It should be in the hands of all users of Canadian statistics.

The following pages contain an annotated bibliography of such material likely to be helpful to traders in a wide variety of fields, arranged mainly by commodity classification. The publications mentioned are annuals, unless otherwise stated. The businessman may obtain them by writing to the Information Services Division, Dominion Bureau of Statistics, and enclosing a cheque or money order made payable to the Receiver General of Canada.

Mineral Products

Exports of mineral products are given in a number of publications, including:

Preliminary Report on Mineral Production (35 cents)
Quantity of exports (also value in the case of a number of items) for past ten years of aluminum, cadmium, cobalt, primary copper, refined copper, iron ore, lead, mercury, nickel, selenium, silver, zinc, coal, asbestos, arsenious oxide, feldspar, graphite, gypsum, dead-burned refractories, nepheline syenite, peat moss, quartz, salt, sulphur, talc and soapstone, and cement.

Data on exports of the above commodities, and also on clay products, iron oxides, lime, mica, petroleum, stone and titanium are given at various places in the following publications:

The Silver-Lead-Zinc Mining Industry (25 cents)

Silver, Lead and Zinc Production (monthly; $1.00 per year, single copies 10 cents)

The Nickel-Copper Mining, Smelting and Refining Industry (25 cents)

Copper and Nickel Production (monthly; $1.00 per year, single copies 10 cents)

The Miscellaneous Metal Mining Industry (25 cents)

Iron Ore (monthly; $1.00 per year, single copies 10 cents)

Non-Ferrous Scrap Metal and Secondary Non-Ferrous Ingot (memorandum; quarterly, $1.00 per year)

The Coal Mining Industry ($1.00)

Preliminary Report on Coal and Coke Statistics (25 cents)

Coal and Coke Statistics (monthly; $2.00 per year, single copies 25 cents)

The Crude Petroleum and Natural Gas Industry (25 cents)

The Asbestos Mining Industry (25 cents)

Asbestos (monthly; $1.00 per year, single copies 10 cents)

The Feldspar and Quartz Mining Industry (25 cents)

The Gypsum Industry (25 cents)

The Peat Industry (25 cents)

The Salt Industry (25 cents)

Salt (monthly; $1.00 per year, single copies 10 cents)

The Talc and Soapstone Industry (25 cents)

The Miscellaneous Non-metal Mining Industry (25 cents)

The Cement Manufacturing Industry (25 cents)

Cement (monthly; $1.00 per year, single copies 10 cents)

The Clay and Clay Products Industry (25 cents)

Products Made from Canadian Clays (monthly; $1.00 per year, single copies 10 cents)

The Lime Industry (25 cents)

The Stone Industry (25 cents)

Fish and Fishery Products

Data on exports of fish are given in:

Fisheries Statistics of Canada (*Canada Summary*) (25 cents)
Value of fish exports for past ten years. Quantity and value of exports of Canadian fish and fishery products for past two years, with considerable commodity detail. Value of total fish exports to individual countries for past two years.

Monthly Review of Canadian Fisheries Statistics ($2.00 per year, single copies 25 cents)

Food, Beverages and Tobacco

Exports of foods, beverages and tobacco, usually with a fine degree of commodity detail, are shown in the following reports:

Foods and Beverages General Review (25 cents)

The Process Cheese Industry (memorandum, 10 cents)

The Fruit and Vegetable Preparations Industry (25 cents)

The Flour Milling Industry (25 cents)

The Prepared Breakfast Foods Industry (25 cents)

The Feeds Industry (25 cents)

The Biscuit Industry (25 cents)

The Distilling Industry (25 cents)

The Brewing Industry (25 cents)

The Wine Industry (25 cents)

The Confectionery Industry (25 cents)

The Sugar Refining Industry (25 cents)

The Macaroni and Kindred Products Industry (25 cents)

The Miscellaneous Food Preparations Industry (25 cents)

The Canned Foods Summary (25 cents)

Value of exports of canned foods by general commodity group, for selected years from 1939. Quantity and value of exports of canned fruits, vegetables, juices, with commodity detail, for past two years. Value of exports of concentrated milk products since 1920. Quantity of canned food consumed, shown in table incorporating production, imports, exports and inventory changes for current year.

The Slaughtering and Meat Packing Industries (25 cents)

Quantity and value of exports, for past three years. Considerable commodity detail.

The Tobacco and Tobacco Products Industries (25 cents)

Quarterly Stocks and Consumption of Unmanufactured Tobacco ($1.00 per year, single copies 25 cents)

The Control and Sale of Alcoholic Beverages in Canada (50 cents)

Leather, Fur and Products

Exports of leather, fur and their products are given in the following publications:

The Leather Footwear and Leather Boot and Shoe Findings Industries (25 cents)

Exports of Canadian-made footwear, by quantity and value, to individual countries for past three years. Data for three classes of footwear.

The Leather Glove and Mitten Industry (25 cents)

The Leather Tanning Industry (25 cents)

The Miscellaneous Leather Products and the Leather Belting Industries (25 cents)

Statistics of Hides, Skins and Leather (monthly; $1.00 per year)

The Fur Goods and Fur Dressing Industry (25 cents)

Wood and Its Products

Wood and its products make up the most important group of Canada's exports, and data are given in:

The Lumber Industry (50 cents)

Quantity and value of total exports of lumber, annually since 1926. Exports of forest products compared in dollar value with exports of the other commodity groups for past three years. Quantity and value of exports of sawmill products and other forest products for past two years, with considerable commodity detail.

Production, Shipments, and Stocks on Hand of Sawmills East of the Rockies (monthly $2.00 per year, single copies 25 cents)

Production, Shipments and Stocks on Hand of Sawmills in British Columbia (monthly, $2.00 per year, single copies 25 cents)

The Furniture Industry (25 cents)

The Veneer and Plywood Industry (25 cents)

Peeler Logs, Veneers and Plywoods (monthly, $2.00 per year, single copies 20 cents)

The Hardwood Flooring Industry (25 cents)

The Pulp and Paper Industry (50 cents)

Exports of Canadian pulpwood by quantity, and as a percentage of production, since 1908. Quantity and value of exports of chemical pulp and of mechanical pulp since 1908, together with total exports as a per cent of total production of pulp. Exports of newsprint paper since 1917, by quantity and value, and as a percentage of production. Exports of forest products compared with exports of other commodity groups for past three years. Quantity and value of exports of wood pulp and of paper and paper goods for past two years, with considerable commodity detail.

Hard Board (monthly; $1.00 per year, single copies 10 cents)

Asphalt Roofing (monthly; $1.00 per year, single copies 10 cents)

The Paper Box and Bag Industry (25 cents)

The Printing Trade (50 cents)

Iron and Steel and Their Products

Exports of iron and steel and their products are given, with varying degrees of commodity detail, in:

The Primary Iron and Steel Industry (25 cents)

Quantity of exports of primary iron and steel, with commodity detail, during current year.

The Agricultural Implements Industry (25 cents)

The Hardware Tools and Cutlery Industry (25 cents)

The Heating and Cooking Apparatus Industry (25 cents)

Primary Iron and Steel (monthly; $2.00 per year, single copies 25 cents)

Scrap Iron and Steel (memorandum; annual, 15 cents. There is also a special monthly statement, available on request.)

The Sheet Metal Products Industry (25 cents)

The Wire and Wire Goods Industry (25 cents)

Steel Wire and Specified Wire Products (monthly; $1.00 per year, single copies 10 cents)

Products of Transportation Industries

Exports of products of the transportation industries are shown in the following publications:

The Motor Vehicles Industry (25 cents)

Number of passenger cars and of trucks and buses shipped for export by manufacturers annually since 1945.

Number and value of automobiles exported, by type, for last two years.

Number of motor vehicles exported monthly, for past two years.

Number and value of automobiles exported to principal countries of destination.

The Aircraft and Parts Industry (25 cents)

The Bicycle Manufacturing Industry (25 cents)

Motor Vehicle Shipments (monthly, $1.00 per year, single copies 10 cents)

The Motor Vehicle Parts Industry (25 cents)

The Railway Rolling Stock Industry (25 cents)

Exports, with varying degrees of commodity detail, are given for the non-ferrous metal products industries, the electrical industries, the non-metallic mineral products industries, and the chemical industries in the following publications:

Non-Ferrous Metal Products

The Aluminum Products Industry (25 cents)

Quantity and value of exports of aluminum and its products (six commodity groups), for past two years.

The Brass and Copper Products Industry (25 cents)

Non-Ferrous Scrap Metal and Secondary Non-Ferrous Ingot (memorandum; quarterly, $1.00 per year)

The White Metal Alloys Industry (25 cents)

The Jewellery and Silverware Industry (25 cents)

Electrical Industries

The Electrical Apparatus and Supplies Industry (25 cents)

Domestic Electric Refrigerators (monthly; $1.00 a year, single copies 10 cents)

Radio and Television Receiving Sets (including Record Players) (monthly; $1.00 per year, single copies 10 cents)

Non-Metallic Mineral Products

The Artificial Abrasives Industry (25 cents)

The Asbestos Products Industry (25 cents)

The Glass and Glass Products Industry (25 cents)

The Coke and Gas Industry (25 cents)

The Petroleum Products Industry (25 cents)

Quantity and value of exports of petroleum and its products (seven commodities) for past two years.

Refined Petroleum Products (monthly; $2.00 per year, single copies 25 cents; annual supplement 50 cents)

Refined Petroleum Products (Preliminary Report) (monthly; $1.00 per year, single copies 10 cents)

Chemical Industries and Products

Chemicals and Allied Products, General Review (25 cents)

Value of exports of chemicals and allied products to the United Kingdom, United States, and all countries for selected years since 1920.

The Acids, Alkalies and Salts Industry (25 cents)

Sulphuric Acid (special compilation, 15 cents)

Ammonium Sulphate (special compilation, 10 cents)

The Fertilizers Industry (25 cents)

The Fertilizer Trade (25 cents)

The Medicinal and Pharmaceutical Preparations Industry (25 cents)

The Paints, Varnishes and Lacquers Industry (25 cents)

The Primary Plastics Industry (25 cents)

The Soaps, Washing Compounds and Cleaning Preparations Industry (25 cents)

The Toilet Preparations Industry (25 cents)

The Vegetable Oils Industry (25 cents)

The Inks Industry (25 cents)

The Polishes and Dressing Industry (25 cents)

The Compressed Gases Industry (25 cents)

The Coal Tar Distillation Industry (25 cents)

Textile Products

Exports by the textile industries are shown in the following industry reports:

General Review of All Textiles (25 cents)

Value of exports of textiles, by component material and degree of manufacture, to the United Kingdom, United States, and all countries for past two years.

The Cotton Textiles Industries (25 cents)

The Wool Textiles Industries (25 cents)

Synthetic Textiles and Silk Industry (25 cents)

The Awning, Tent and Sail Industry (25 cents)

The Cordage, Rope and Twine Industry (25 cents)

The Cotton and Jute Bag Industry (25 cents)

The Hosiery and Knitted Goods Industries (25 cents)

The Men's Factory Clothing Industry (25 cents)

The Women's and Children's Factory Clothing Industries (25 cents)

The Corset Industry (25 cents)

The Miscellaneous Clothing Industries (25 cents)

The Hat and Cap Industry (25 cents)

Rubber Products and Miscellaneous

Exports by the rubber products industry and the miscellaneous industries are given in the following reports:

The Rubber Products Industry (25 cents)

The Button, Buckle and Fastener Industry (25 cents)

The Broom, Brush and Mop Industry (25 cents)

The Musical Instrument Industry (25 cents)

The Sporting Goods Industry (25 cents)

The Miscellaneous Industries (25 cents)

Agricultural Products

Data on the export of agricultural products are given, with detailed commodity breakdowns, in the following publications:

Quarterly Bulletin of Agricultural Statistics ($1.00 per year)

Value of exports of Canadian farm products to the United States, United Kingdom and all countries for past ten years.

Value of exports of products of farm origin, by broad commodity group, to the United States, United Kingdom and all countries for the past two years.

Quantity of exports of specified agricultural commodities for past five years.

Quantity of exports of mixed fertilizers, by type, for year ending June 30.

Supplement to Handbook of Agricultural Statistics Part I—Field Crops (reference paper, 75 cents)

Grain Trade of Canada ($1.00)

Grain Statistics Weekly (memorandum; $2.00 per year)

Grain Milling Statistics (memorandum; monthly, $1.00 per year)

The Wheat Review (monthly, $2.00 per year)

Coarse Grains Quarterly ($1.00 per year)

Dairy Statistics (25 cents)

Live Stock and Animal Products Statistics (50 cents)

Production of Poultry and Eggs (25 cents)

Report of Fur Farms (25 cents)

Fur Production (25 cents)

Wool Production and Supply (memorandum, 10 cents)

Estimates of Production and Consumption of Meats (memorandum, 10 cents)

The Sugar Situation (memorandum; monthly, $1.00 per year)

Electricity, Oil Exports

Data on the export of electricity and of oil delivered to foreign pipeline connections are given in the publications listed below. The oil figures are not true net export figures, since they include oil entering the United States in transit to another part of Canada.

Pipe Lines (Oil) Statistics (annual, 25 cents)

Quantity of oil delivered to foreign pipeline connections for past two years.

Pipe Lines (Oil) Statistics (monthly, $1.00 per year)

Central Electric Stations (25 cents)

Quantity of electricity exported, by company exporting it, for past two years. Total exports for past nine years and for 1939. Exports, by province, for past year.

Electric Powers Stations (monthly, $1.00 per year)

Publications can be obtained from the Information Services Division, Dominion Bureau of Statistics, Ottawa or the Publications Branch, Queen's Printer, Ottawa. Orders should be accompanied by a cheque or money order made payable to the Receiver General of Canada. The group subscription rate, which covers all regular periodical reports, costs $30.00 per year. Memoranda published on various subjects cost $15.00 per year for a group subscription. Reference papers—which contain the results of special projects on such subjects as the supply and distribution of energy sources in Canada—cost $5.00 per year. (If issues do not reach a total of $5.00, a credit is allowed.)

How "Mr. Canada" Promotes Our Trade

In many countries, the Trade Commissioner becomes known as "Mr. Canada", in tribute to his efforts in building up Canadian trade. Those efforts take many forms, as this article illustrates. Perhaps it will suggest ways in which the Department can help you promote your business abroad.

ONE DAY IN JUNE 1953, the Canadian Trade Commissioner in Boston flew up to Toronto to visit the Canadian International Trade Fair. While he was making the rounds of the exhibits, he met one of the Commodity Officers of the Department of Trade and Commerce.

"I wish you'd go and talk to the exhibitor in stand No. 18," said the latter. "He's showing a line of giftware made in the Maritimes. It should sell well in the United States but he tells me he hasn't been too successful so far. He has expanded his plant and he badly needs more sales. Perhaps you could help him."

The Trade Commissioner talked with the exhibitor and, when he returned to Boston, took some samples of the giftware with him. During the next few months, he carried these samples about whenever he had time, showing them to department store buyers, giftware jobbers, and potential agents. Convinced that the line really would sell in the Boston area, he picked out two live-wire salesmen each of whom was anxious to take on the agency.

The next problem was to get the manufacturer, who was curiously apathetic about the whole affair, to come down to Boston, talk to the two men, and choose between them. Eventually a long distance call turned the trick. The manufacturer came, selected an agent —and today his giftware is selling not only in New England but also in other parts of the United States.

Before he returned home, he had an admission to make. "I should have done this long ago," he said to the Trade Commissioner, "but I couldn't believe that the Department of Trade and Commerce was sincerely interested in helping me to sell my product."

Promoting Products

Today more than one hundred Trade Commissioners stationed in 44 countries are making it possible for thousands of Canadian producers to find customers abroad. In the last few months, they've had a part in selling printing ink in Latin America, spaghetti in Hong Kong, leather in Guatemala, milk powder in Mexico, oil burners in West Germany, pulp and paper in Peru, caviar in the Middle East—and have promoted literally hundreds of other products. Backed up by the Department's officers at home, they are on the lookout every day for new openings for the Canadian exporter. And because exporting—like every other line of business—has its special problems, they are equally ready to cut red tape, smooth out difficulties, suggest methods of approach, and help keep the channels of trade clear.

The First Approach

To show how the Department goes to work to help the Canadian who wants to sell in foreign countries, let's begin with a manufacturer who's new to the export market. He has a product which he thinks will sell overseas. How does he set about making contacts?

He can, of course, write directly to the Trade Commissioners stationed in the countries in which he is interested. But the most effective approach is to write to the Department of Trade and Commerce in Ottawa or to pay a personal visit. His inquiry—which should

George Browne, Commercial Secretary at the Canadian Embassy, Havana, (left) looks over an outgoing shipment of table potatoes produced in Cuba from Canadian seed. Getting about and talking with local exporters and importers is a vital part of the Trade Commissioner's job; legwork as well as paperwork is needed.

go into detail about the product, the price, present distribution arrangements, and so on—will reach the various branches concerned. If there's a tariff question involved, the International Trade Relations Branch will study it; if transportation costs, the Transportation Division. It will undoubtedly receive attention from the Commodities Branch and from an officer familiar with that type of industry. Together the officer and the manufacturer will discuss, face to face or by correspondence, potential markets and methods of approach. Where necessary, they will call upon other experts in the Department for advice.

The next step is an indispensable one—obtaining a listing in the *Exporters' Directory*, a confidential guide to Canadian companies active in the export field. This Directory, compiled and kept up-to-date by the Department, is on the shelves in every Trade Commissioner's office and he regards it as his basic tool. To obtain a listing, the firm fills out a questionnaire covering the products it has for export, whether it is already selling abroad, and the areas in which it is interested. (Not only manufacturers but also export agents, jobbers, brokers and export merchants are entitled to a listing in the Directory.) When the Trade Commissioner receives an inquiry from a Canadian firm, he checks immediately with the Directory. If the company is not included, there are inevitable delays while he writes for the information he needs.

These preliminaries over, the Department goes into action to help sell the product. If it is one which has wide appeal—say apples—it may rate a "product report" from many areas. This is initiated by a circular letter to selected offices abroad, giving full details about the commodity (varieties available, sizes, sales arrangements, etc.) and asking for a full report on market prospects in each territory. When all the replies are in, they are collated and a digest prepared.

Studying the Market

To take another example, let's suppose that an exporter has a certain type of builders' hardware which he believes will sell in Latin America. Consulting with the Department, all agree that probably Venezuela, Colombia and Mexico offer the best prospects. A request for a market investigation goes, say, to the Caracas office. The Trade Commissioner there consults his carefully maintained card file of importers and the products they handle, wholesalers, agents, etc. This may give him good leads. But market research means legwork as well as paperwork. He makes the rounds of the main hardware merchants and wholesalers to sound them out and to discover what competition, domestic or foreign, the Canadian must face. The report back to the manufacturer covers not only competition, prevailing prices and prospects but also consumer tastes, tariffs and other restrictions, foreign exchange problems, and so on. The Trade Commissioner may give advice on the best way of packaging, shipping and advertising the product.

Often any difficulties that are disclosed can be surmounted by joint action by the Department's staff at home and abroad. Sometimes it's a matter of transportation costs. Not long ago, a manufacturer wished to sell in South Africa a new type of product. The steamship tariff covered only an older version of this product, at a higher rate. The Trade Commissioner in the Union, advised what the landed cost of the new commodity would be, pointed out that it simply couldn't compete. This—and the fact that it *was* a new type of product—was made clear to the steamship officials and a lower rate was negotiated.

Perhaps, in these days of controlled trading, it's a tariff problem that has to be solved. Not long ago a shipment of Canadian skim milk arrived in Mexico. Because it was intended as animal feed, a small amount of carbon black had been added to make it unfit for human use and eligible for a lower rate of duty. After a time the Mexican authorities claimed that the carbon black was being removed and the product sold for human food. This would mean a rise in the duty.

The office in Mexico City got in touch with Ottawa and put the technical question up to the Agriculture and Fisheries Branch of the Department. The Branch insisted that it just wasn't possible to remove the carbon black once it was added; that would be like unscrambling eggs. This fact was relayed to the Mexican authorities—and the duty was not raised.

Choosing an Agent

But let's get back to that builder's hardware going to Venezuela. The exporter decides, when he has studied the reports, that he would like to try his luck in the Venezuelan market. But the Trade Commissioner is not, nor is he intended to be, a salesman. He serves as a liaison between the seller and potential buyers. So his next responsibility is either to persuade the exporter to fly down and personally survey the market, or to recommend a suitable agent for him.

During his stay at a post, the Trade Commissioner makes it his business to become acquainted with the better agents and the lines which they handle. He may therefore find it easy to talk over his proposition with a competent person and advise the exporter of his reaction. Very often the best course is to make an agreement with an agent, on behalf of the principal, for six months and see how it works out. From long experience the Trade Commissioner acquires the capacity to sum up an agent shrewdly and his advice should be heeded. One letter to the Department commends the "effective co-operation of Mr. ———, Canadian Government Trade Commissioner, in connection with the search for and appointment of a capable agent to represent us in that part of the world." Once the agency arrangement is made, the Trade Commissioner checks in about six months' time to see how it is working out. He usually reports to the firm back home any serious change in the agent's status, such as long-continued illness, financial difficulties, or the death of a partner. It might otherwise be some time before news of the change got back to Canada.

Preparing the Way

Most Trade Commissioners feel that their time is never better spent than in arranging for an exporter to visit the market and in helping to make that visit a profitable one. Some months past, for example, the export manager for a Canadian company making fish nets and netting wished to tour certain Latin American countries. The Trade Commissioners in these countries gathered in advance certain statistics on the types of fishing carried on, domestic production, and so on, and on imports of fishing nets and twines. They arranged appointments for him with industry and with government officials and contacts with prospective agents; when it was necessary, they acted as interpreters. The result: a tremendous saving of the visitor's time and effort and a trip that paid for itself, in new business, many times over. Another exporter was persuaded to visit Venezuela by a Trade Commissioner who was on tour in Canada. The result: $300 thousand worth of orders for his firm in a few months.

Trouble Shooting

It would be comforting to report that, once an agent has been found and the goods shipped away, the hazards are past. Actually the course of export business, like domestic business, seldom runs completely smooth and one of the Trade Commissioner's main functions is to put his knowledge and skill to work to straighten out trade tangles.

Sometimes, for example, an irate importer rings up the Trade Commissioner and complains about the quality of a Canadian shipment. He may even refuse to take delivery. On occasion the dispute arises because the exporter did not ship according to sample; sometimes it's the result of circumstances beyond his control. In such cases, the Trade Commissioner can't act as an arbitrator. He can, however, explain the situation to the two parties involved and speed the settlement of the dispute.

Occasionally his role as mediator leads him into unusual situations. Some years ago, the office in London received a complaint that a shipment of canned salmon was not up to scratch. Over to the importer's warehouse went a Trade Commissioner who, it happened, had in his college days worked each summer in a salmon cannery.

An open tin of salmon was presented to him. There was slight discoloration at the top but his experienced eye told him that a small piece of skin, left on, had come into contact with the top of the tin. The quality was not affected. But he wanted to prove his point. He ordered a tin each to be extracted from two cases and then sat down and ate the salmon from both tins. "If I'm alive and well tomorrow morning," he said, "you'll know the salmon is all right." An early morning telephone call proved that he had never felt better —and the shipment was accepted.

Because an expert is not always at hand to straighten matters out in that dramatic way, the Trade Commissioner in cases of dispute customarily gets in touch with the agent and then with the Canadian company concerned. He may ask the company to send a representative down, or may recommend using a commercial survey company. Speed matters, because Canada's reputation for sound trading is at stake and the foreign importer is apt, from one experience, to generalize about all Canadian exporters.

A somewhat similar problem is the recovery of debts owed to Canadian suppliers. No Trade Commissioner can be considered as in any sense of the word a debt collector. But occasionally he may use moral persuasion upon a recalcitrant customer, usually by pointing out to him that his conduct is jeopardizing his sources of supply. It often works. One Trade Commissioner was recently able to obtain payment of an account that dated back to 1947 and involved complicated currency controls.

Easing Trade Restrictions

The postwar era of currency controls, import quotas and trade restrictions has hampered the Trade Commissioner's activities in many ways but it has also opened new avenues of usefulness. In countries where the imposition of import restrictions becomes necessary, he has sometimes been able to safeguard Canadian interests. For example, the import authorities may not be aware that Canada is a good source of supply for the product and she may not be allotted any quota. Representations from the Trade Commissioner sometimes help to rectify this and his good relations with the authorities win him a hearing.

A case in point arose in the Johannesburg office. The South African authorities had made provision for a small quota of imports from Canada of a widely used household appliance but had prohibited the entry of replacement parts. The export manager of the company came out to South Africa to see whether anything could be done. Together he and the agent visited outlying farms where they saw many of these appliances lying unused for want of one small part. Then, with a documented case, the Trade Commissioner approached the director of imports and won a small quota for replacement parts. Similarly, Trade Commissioners stationed in the West Indies have sometimes been able to obtain small quotas for Canadian firms not included under the BWI Trade Liberalization Plan.

Finding Trade Leads

The value of a Trade Commissioner to our export trade goes far beyond the efforts which he makes on behalf of one particular firm or one specific product. A first-class officer abroad is always seeking trade opportunities and always alert to promote Canada's business. The initiative in introducing Canadian-made lines often comes from him rather than from the manufacturer back home. It may be the announcement of a development project which sets him thinking of equipment which Canada might supply. Scanning the ships' manifests often yields clues about possible imports. His contacts with people in his territory may supply other leads which he can follow up. Suppose an announcement of a new animal feeds factory appears in the press. That seems to mean a disappearing market for Canadian feedstuffs. But the Trade Commissioner calls on the head of the new enterprise, points out that Canada could supply the needed types of feed wheat, and obtains continuing business for Canada.

Much of the information which the Trade Commissioner discovers goes into reports for individual firms or for the Department. Often it is worked into an article for publication in *Foreign Trade*—one of the traditional links between Canadian suppliers and foreign market. Furnishing reports for the magazine is, in fact, one of the Trade Commissioner's responsibilities.

Efforts Bear Fruit

Do his varied efforts on behalf of Canadian trade bear fruit? The trade statistics and the experience of Canadian exporters answer that question effectively. A bulky file entitled "Letters of Appreciation for the Work of Trade Commissioners" yields many examples. Here is one, culled from that file. The names of the country, the firm, and the product are omitted because the Department holds the affairs of individual firms in the strictest confidence.

"We were extremely interested in obtaining this business and in October sent our technical sales representative down with detailed price and shipping information so that he could work out with our representative our best offering against the contract. We have every confidence in our representative but without the guiding hand of your Trade Commissioner who knows the Latin temperament and was able to suggest better methods of approach than those planned by our own representative and agent, I do not believe we would have been as successful . . .The Trade Commissioner's co-operation in making available to us the services of his staff, as well as office facilities, for preparation of highly confidential price lists and specifications prior to their submission to the Government, was very valuable indeed.

"Our representative advises that because government officials . . know and respect the advice of your Trade Commissioner, they were thereby assured that our offers of technical assistance were quite sincere and furthermore that our prices and quality of goods would be the equivalent of the best that would be offered by our competitors.

"We would like to indicate our appreciation of the invaluable assistance rendered by him at this particular time." ●

Abbreviations of Common Trade Terms

Foreign trade reference books indicate that there are several acceptable forms for many abbreviations. In these cases, the editors have chosen those used in two or more of the reference works consulted. This list was also checked by various people engaged in export trade.

The reader should bear in mind that certain abbreviations apply to specific businesses and may not have the same precise meaning in all cases. For contracts, it is advisable to write trade terms out in full if the abbreviation is not familiar or can be interpreted in more than one way. (See “Trade Terms and the Exporter” on page 33).

a.a.r.	Against all risks (marine insurance)
A/C	Account current; appeal cases
A/D	After date
Ad. val.	Ad valorem
A/O	Account of
A/P	Authority to purchase; authority to pay; account payable
a.r.	All rail
A/R	All risks; against all risks
A/S	At sight; account sales
B.E.	Bill of exchange
B/L	Bill of lading
B.M.	Board measure (lumber)
B.O.	Buyer's option
B/P	Bills payable
B/R	Bills receivable
Bs/L	Bills of lading
C.A.D.	Cash against documents
C. & F.	Cost and freight
C.I.	Consular invoice
C. & I.	Cost and insurance
C.I.F.	Cost, insurance and freight
C.I.F. & C.	Cost, insurance, freight and commission (or charges)
C.I.F. & E.	Cost, insurance, freight and exchange
C.I.F. & I.	Cost, insurance, freight and interest
C.I.F.C. & I.	Cost, insurance, freight, commission (or collection) and interest
C.I.F. C.E. & I.	Cost, insurance, freight, commission (or collection), exchange and interest
C.Kd.	Completely knocked down
C.O.D.	Cash on delivery
C.R.	Carrier's risk; company's risk
c/s	Case; cases
Cwt.	Hundredweight (long 112 lb., short 100 lb.)
C/T	Cable transfer
D/a	Days after acceptance
D/A	Documents against acceptance
D/D	Demand draft
D/d	Days after date
D.O.A.	Documents on acceptance
D.O.P.	Documents on payment
D/P	Documents against payment
D/S	Days after sight
D/W	Dock warrant
d.w.	Deadweight
E. & O.E.	Errors and omissions excepted
F.A.A.	Free of all average
F.A.S.	Free alongside; free alongside ship
F.B.M.	Feet board measure (lumber)
F.C.S.	Free of capture and seizure (marine insurance)
f.d.	Free docks
F. & D.	Freight and demurrage
F.O.B.	Free on board
F.O.R.	Free on rail
F.O.S.	Free on steamer
F.O.T.	Free on truck
F.P.A. (A.C.)	Free of particular average (American condition)
F.P.A. (E.C.)	Free of particular average (English condition)
G.A.	General average (marine insurance)
I.B.	In bond
I.L.C.	Irrevocable letter of credit
I.P.A.	Including particular average
L/A	Landing account; letter of authority; Lloyd's agent
L/C	Letter of credit
l.c.l.	Less than carload lot
L.T.	Long ton (2,240 lb.)
Mdse.	Merchandise
M.I.P.	Marine insurance policy
M.O.	Money order; mail order
M/T	Mail transfer
M.T.	Metric ton (2,204.6 lb.)
M/V	Motor vessel

n.a.	Not applicable; no account; non-acceptance
N.C.V.	No commercial value
n.e.s.	Not elsewhere specified
N/F	No funds
N/M	No mark
N/O	Name of; no orders
n.o.e.	Not otherwise enumerated
n.o.p.	Not otherwise provided for
n.o.s.	Not otherwise specified
O/D	On demand
O.P.	Open policy (insurance)
O/R	Owner's risk
P/A	Payment authority; power of attorney; private account
P.A.	Particular average (marine insurance)
P.L.	Partial loss
Pro forma	As a matter of form, for guidance
p.p.	Per procuration (signed on behalf of)
Ql.	Quintal (112 lb.; 100 kilos metric)
R.P.	Return of post
S.b.	Short bill
S/D	Sight draft
S.D.	Sea damage
S/L.C.	Sue and labour clause
S.kd.	Semi-knocked-down
s.o.	Ship's option
S.O.	Seller's option
S.P.A.	Subject to particular average
S.R. & C.C.	Strikes, riots and civil commotions (insurance)
S/S	Steamship
S.T.	Short ton (2,000 lb.)
T.B.L.	Through bill of lading
T/L	Total loss
T.L.O.	Total loss only
T.M.O.	Telegraph money order
T.R.	Tons register
T.T.	Telegraphic transfer; cable transfer
v.c.	Valuation clause
V.C.	Valuable cargo
W.A.	With average
W.B.	Way bill
W/M	Weight or measurement; without margin
W.P.A.	With particular average
W/R	Warehouse receipt
W.R.	War risk (insurance)
Y/A.	York-Antwerp Rules, 1924 (general average)

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