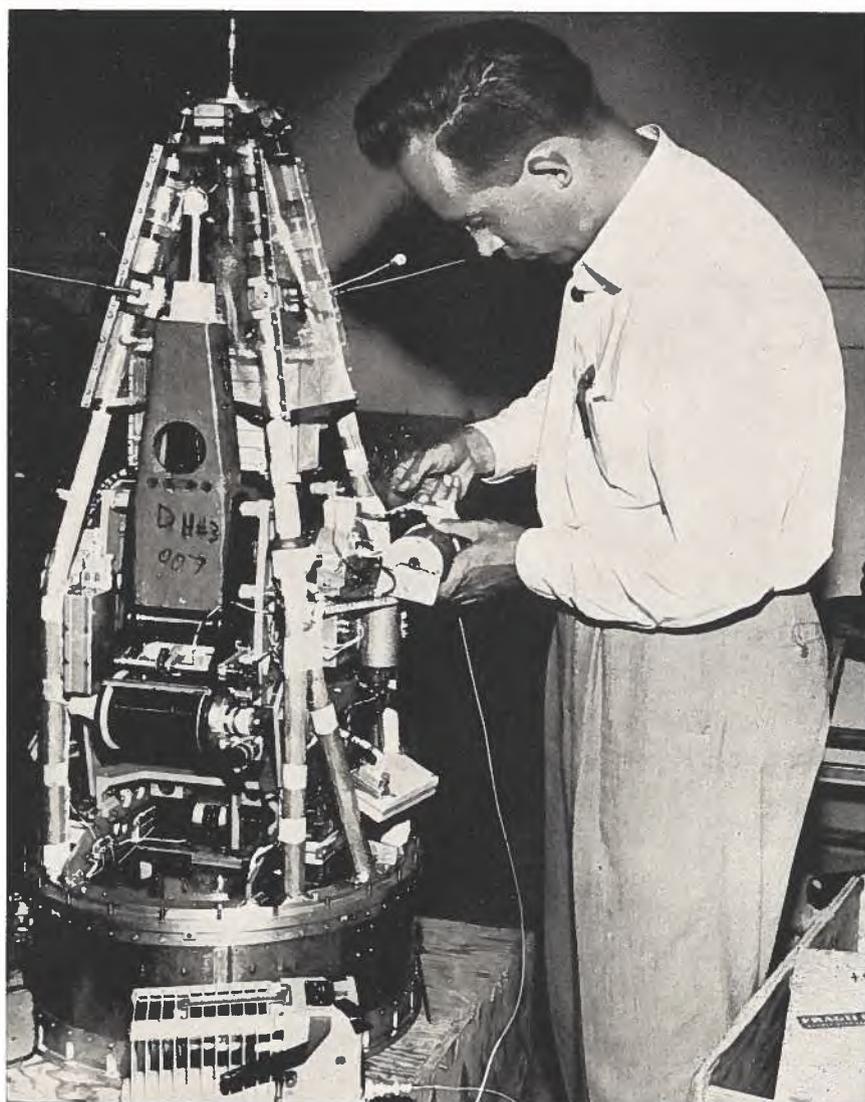


SEPTEMBER 19. 64

FOREIGN TRADE

DEPARTMENT OF TRADE AND COMMERCE, OTTAWA



**Space Research—
the Newest Market**

FOREIGN TRADE

SEPTEMBER 19, 1964

Vol. 122 No. 6

COVER: A NASA Javelin rocket carried instrumentation designed by the Canadian Defence Research Telecommunications Establishment to an altitude of nearly 600 miles. The picture shows part of one of the 75-foot steel-tape antennae under test; it is rolled about a drum and can be extended on radio command. For the story on Canadian-U.S. co-operation in the expanding space program, turn to page two.

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If you have a product—or even an idea—that could find a place somewhere in the vast U.S. space program, you will find this report absorbing and thought-provoking. And you will want to watch for a companion piece in our next issue.

How Chile's Trade Is Developing 6

The election just concluded focussed attention on Chile, that unusual country, geographically speaking, on the west coast of South America. Canadians have an \$11 to \$12 million stake in this market—reason enough for publishing this careful study of Chilean trade, the influence of the LAFTA tie, the effect on our sales.

The Market for Domestic Appliance Components 14

What you lose on the swings, you gain on the roundabouts—that's often true in international trade. Here's an example: as South Africa, Peru and Venezuela build up a domestic appliances industry, imports of appliances dwindle but the demand for imported components rises. These three reports point out the opportunities.

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The "yellow gold" of the Rhodesias is the flue-cured tobacco it raises and sells throughout the world. Canadians will be interested in this explanation of how the Rhodesian crop is produced and marketed and the problems the growers face.

Don't Overlook Britain's Catering Industry 30

From the new and imposing London Hilton down to the ubiquitous British pub—they all provide meals and all need food products that Canadians want to sell. This brief report gives an idea of the size of the market in the catering industry.

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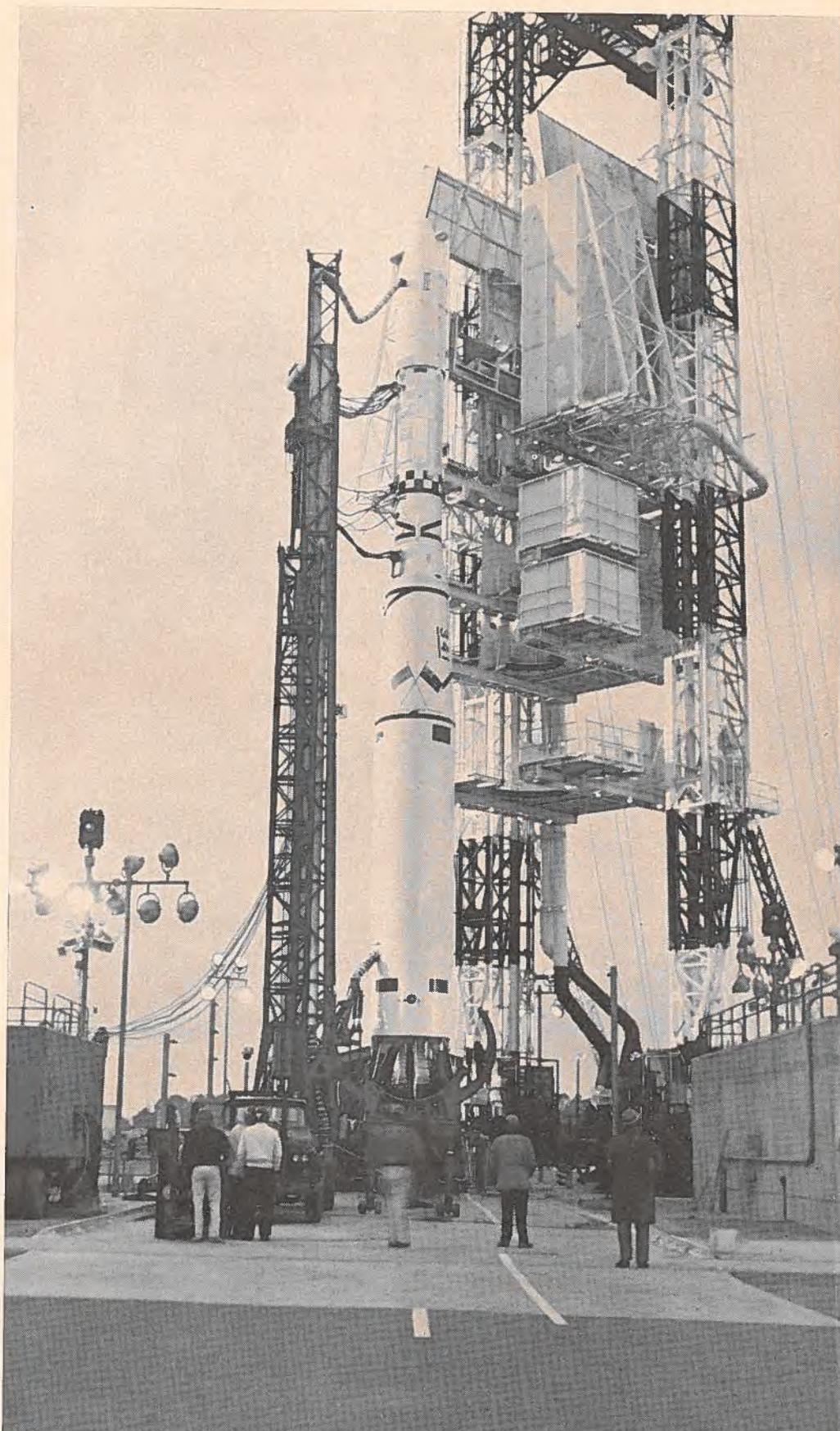
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COMING—SPACE RESEARCH: THE NEWEST MARKET, PART II, OCTOBER 3

Space Research -

—NASA Photo.
This Thor-Agena launch vehicle has a Canadian-made satellite, Topside Sounder, mated to the top. The photograph shows it poised ready for launching—the first joint Canadian-U.S. project in this field. Note in the centre the Red Ensign and the Stars and Stripes painted side by side on the Agena stage as a symbol of co-operation.



the Newest Market

Some Canadian firms have already grasped opportunities for selling products, skills and ideas to the fast-moving U.S. space program directed by NASA. With better understanding of what Canada and the U.S. are doing in space research—and the close co-operation between them—more Canadian companies might cultivate this space-age market. This is the first of two reports on the NASA program.

G. E. BLACKSTOCK, *Consul and Assistant Trade Commissioner, New Orleans.*

THE National Aeronautics and Space Administration was set up by Act of Congress in October 1958. Its objectives, as stated in the Act, are the expansion of knowledge of atmospheric and space phenomena, the development of aeronautical and space vehicles, the long-range study of the benefits and problems of using space for peaceful and scientific purposes, preservation for the United States of a leading rôle in aeronautical and space science, and making available to the military services any discoveries of significance to national defence.

In establishing NASA, the United States was recognizing, as other countries do, that the potential benefits of space activity are almost unlimited and can lead to the broadening of economic as well as scientific horizons. These economic benefits include the development and application of new products; new technologies such as miniaturization; the training of new scientists, engineers and technicians; the broadening of the industrial base, and greater employment opportunities. Then too there are the demands of security.

NASA's Program

NASA pursues these varied goals in a number of ways. Unmanned satellites and sounding rockets are used to increase knowledge about the earth and its cosmic environment and about the universe. The

first of these satellites launched by the United States was the Explorer I, which was put into orbit in January 1958 as a project of the International Geophysical Year. It made one of the most important single contributions to the IGY—discovery of the Van Allen Radiation Region in space around the earth. Following the Explorer series came the Vanguard series (which discovered that the earth is slightly pear-shaped instead of a flattened sphere) the Echos, Relays, Syncoms, Telstars, Tiros and Nimbus satellites and many others. Some of these were used purely for scientific investigation, others have had practical applications in weather forecasting, communications and navigation. Canada was the third nation in space when the Alouette satellite was boosted into orbit by a NASA rocket on September 28, 1962. Other international projects of one kind or another have been mounted between NASA and Britain, France and Italy.

Sounding rockets have been in use much longer than satellites and many more of them have been launched. The Aerobee, Argo, Nike and the Canadian Black Brant series are examples. They are used to investigate geophysical properties of the upper atmosphere, winds, cloud cover, cosmic rays, radiation belts, ultraviolet rays and solar flares, among other phenomena.

Other unmanned spacecraft are used for investigations of the moon,

our neighbouring planets, the sun and space itself. The Pioneer series was the first in a sequence of long-distance space probes being used to study the Van Allen Radiation Region, the density of micrometeoroids in space, and the interplanetary space between the orbits of earth and Venus. The Ranger series, devoted to studies of the moon, suffered a number of setbacks in the early stages of the program. The Ranger IV was the first U.S. spacecraft to land on the moon and the Ranger VII, which landed on the moon in July 1964, was the first of the series to be completely successful and to relay back close-up photographs of the moon's surface. The Mariner series has been used to study Venus. In December 1962 Mariner II passed within 21,000 miles of that planet and relayed back to earth an amazing nine million pieces of data, including the information that there is no life on Venus as we know it.

Landing a manned spacecraft on the moon by 1970 became a goal of U.S. national policy in 1961. Since that time the United States has assembled for this purpose the greatest array of manpower, money and scientific and engineering talent ever before mobilized anywhere except for making war. The U.S. space industry now rivals the automobile industry in size. NASA has 30,000 employees, ten major centers, and over 5,000 major industrial firms

under contract, all contributing directly to the manned space flight effort. Its estimated \$5.7 billion budget for the current fiscal year is a seventeenfold increase over the 1959 estimate and more than three-quarters of the entire budget of the Government of Canada.

Man-in-Space Program

The man-in-space program of the United States consists of four separate projects, all steps on the way to the moon: X-15, Mercury, Gemini and Apollo.

● **X-15** is a manned research vehicle unlike any other in the world. Part airplane, part spacecraft, it is essentially a flying laboratory sponsored by the Air Force and Navy as well as NASA. It is used as a proving ground for theories developed mathematically or in the wind tunnel, and to test pilot condition and reactions during hypersonic flight. The X-15 is launched at about 45,000 feet from under the wing of a specially modified Air Force B-52 bomber. At 150,000 feet, the pilot is at the edge of space, where there is no atmosphere to support him or help him to control his rocket plane, and he begins his re-entry and glide to earth. Since its first flight in 1959, the X-15 has flown 100 times, collecting vast amounts of invaluable data.

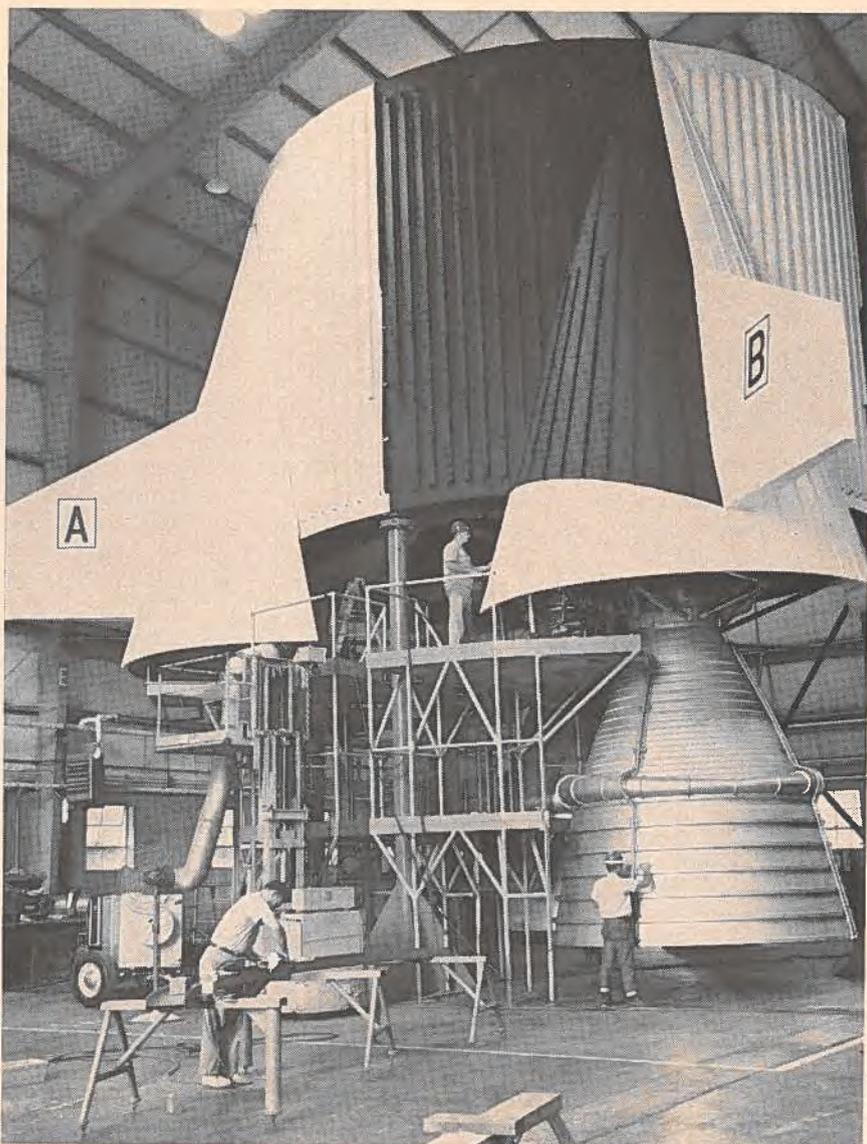
● **Project Mercury** was organized to orbit a manned spacecraft, investigate man's reactions and abilities in space flight, and to recover both him and his spacecraft safely. Tens of millions of people watched each manned Mercury launching on their television sets as the series ran its course between 1961 and 1963.

● **Project Gemini**—the first manned Gemini flight will soon take place. It will lift two men into orbit for up to two weeks to study their performance and behaviour and how their abilities are affected by the long flights. Other purposes are to develop orbital rendezvous and docking techniques, such as how to bring together and join two space-

craft in flight at about 18,000 miles per hour.

● **Project Apollo**—the ability to perform the orbital rendezvous is crucial to the next step in space, Project Apollo, which will carry three U.S. explorers to the moon and land two of them on its surface. The Apollo spacecraft will consist of a command module attached to a service module which is in turn attached to a lunar excursion module. Once on the proper earth-moon

trajectory, the command-service modules are disconnected from the LEM, turned about, and connected again nose-to-nose with the LEM. When the craft has reached moon orbit, two of the astronauts will go from the command module into the LEM, disconnect it for descent to the moon, return after their allotted time on the moon's surface, dock the LEM as before and go back into the command module. The LEM will then be disconnected and abandoned. The service module is



—NASA Photo.

This is a "soft" mockup of the 33-foot-diameter tail section of the Saturn V space rocket, nearing completion. Two of the five F-1 engines to power the boosters are already in place; the five together can develop a total thrust of 7.5 million pounds.

then fired to put it and the command module into the proper trajectory for return to earth. The service module is jettisoned just before the command module makes its re-entry into the earth's atmosphere and parachutes to earth.

Canada and Space Research

In Canada, space exploration means two things: programs conceived and carried out under Canadian control, and programs of other countries—for most practical purposes this means the United States—in which Canadian science and industry are called on to play a part.

Canada's first space project was the Alouette, designed and built by the Defence Research Board and intended to help with a uniquely Canadian problem. Its main purpose is to make soundings of the ionosphere from above in an effort to discover why radio communications in the Canadian North are so plagued by electrical disturbances, and it has been remarkably successful. As its first birthday passed, scientists noted that its performance had exceeded every expectation and that there had been not one system failure or need for any of the spare equipment the satellite carries. Now it has been announced that Canada will put four more satellites into orbit: Alouette II, under design since 1963, and ISIS A, B, and C, all for scientific study purposes. The program is to be jointly funded by DRB and by NASA, whose Deputy Administrator called it the most advanced program of international co-operation in space research yet to be developed. The Canadian cost will be about \$8 million.

In addition, Canada has made a number of other space-research efforts. Project HARP is one of the most interesting. HARP stands for High Altitude Research Program and it is being conducted by McGill University in Barbados, where 50-pound research payloads are fired in a Martlet missile 100 miles up into the fringes of space by a converted 16-inch naval gun donated by the U.S. Navy. This means that

instrument packages cost only about eight cents per pound-mile to lift as compared with \$1.25 for rocket-launched payloads.

Another Canadian project is the Black Brant family of high-altitude sounding rockets. Designed by Canadian industry in co-operation with the Canadian Armament Research and Development Establishment, Black Brant rockets, using solid fuels developed by CARDE, carry payloads of 25 to 300 pounds to altitudes of 100 to 800 miles. A considerable number have been launched already from the Research Range at Churchill, Manitoba, and from the NASA station at Wallops Island, Virginia.

The University of Toronto has over 50 researchers at work in its Institute of Aeronautics, chiefly investigating problems of space or very-high-altitude flight. Others work on the uses of ionized gas and plasma flow as a future means of space propulsion. The University of Western Ontario also has a space-related research program of laboratory astrophysics. The National Research Council has many programs of study and research which have a direct bearing on space and the Department of Transport recently announced that it will build Canada's first ground station for experimental work with communications satellites in Nova Scotia. The station will consist of an 85-foot antenna dish housed in a 120-foot radome, with all the electronic and other equipment necessary for exchanging television, telephone, telegraph and data transmissions with other ground stations, via such NASA-launched experimental satellites as Telstar, Relay and Syncom. The station will be linked with Canada's existing communication systems and can be expanded to permit eventual commercial use.

Co-operation with the U.S.

Canada plays its own rôle in space, but this does not preclude working closely in a co-ordinated effort with NASA and the United

States space program, on both a government and commercial contractor level. The great success of the Canadian Government's co-operative efforts with NASA are being matched by increasing activity on the commercial side. A small nucleus of Canadian firms is showing that Canadians can compete successfully in the United States and win a respectable share of business from NASA and from its prime contractors. Already some Canadian companies have established high reputations for themselves and there are many more hesitating on the sidelines.

The space age is here to stay and every firm with a research and development capacity or a production capacity related in any way to space should be thinking in terms of it. In the next issue of *Foreign Trade* we will look at some Canadian commercial successes in this field and examine in detail some of the areas in which there are opportunities for companies both large and small. We will describe some of the problems that NASA is seeking help to solve, some of the hardware it uses, how and where its major prime contractors do business, and how Canadian companies can go about getting a share.

Loan for Spanish Railways

THE World Bank has granted a loan of \$65 million to the Spanish Railways (RENFE). This forms part of a group of credits which may total \$200 million and will assist in financing the first stage (1964-65) of the Ten Year Plan for modernizing the railways, to cost approximately \$1,000 million.

The plan includes the renewal of rolling stock and railway lines, and the elimination of certain unprofitable services. Both diesel and electric passenger and freight trains will be purchased as steam engines are withdrawn. It is said that all equipment purchased under the loan will be by international tender, though preference may well be given to Spanish manufacturers whose bids are not more than 15 per cent higher than foreign bids, because import duties on rail equipment are normally higher than 15 per cent.

How Chile's Trade Is Developing

Imports reached record last year, with LAFTA partners, particularly Mexico, supplying greater share. LAFTA concessions have affected some Canadian sales, but exports of capital goods still substantial. Prospects for marketing consumer goods continue slim.

J. R. MIDWINTER,
Commercial Secretary, Santiago.

CHILE'S imports in 1963 reached the record value of U.S.\$637 million, a surprising increase over the U.S.\$518 million of 1962, considering the stringent trade and exchange restrictions. Because exports in 1963 totalled only U.S.\$542 million, up marginally from U.S.\$532 million in 1962, the country's balance of commodity trade was transformed from a modest surplus of U.S.\$14 million into a deficit of U.S.\$95 million.

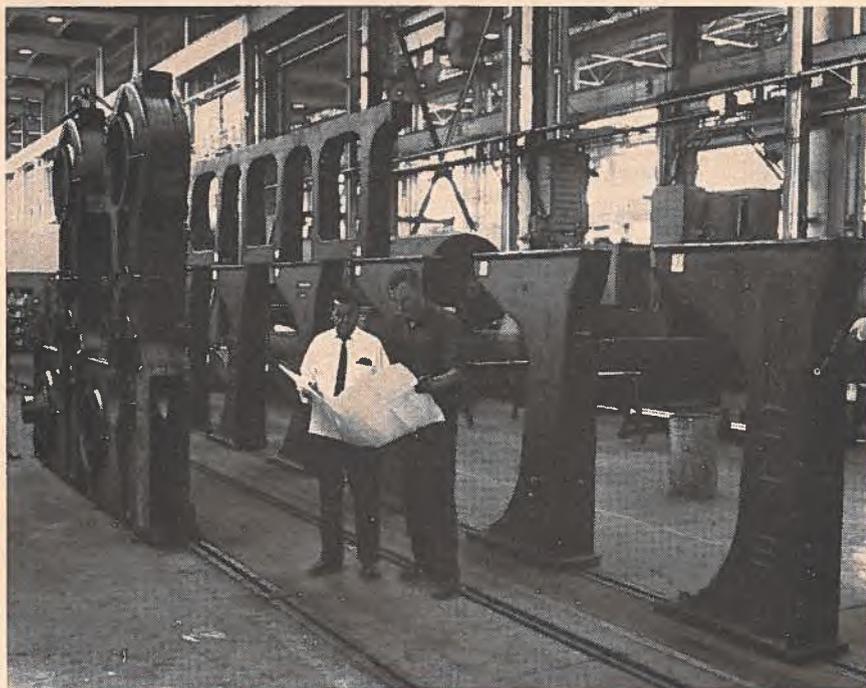
Markedly higher imports of cotton, sugar, wheat and other agricul-

tural products, industrial raw materials, and capital equipment more than offset reductions in luxury goods, consumer durables, fuels and transport equipment. There are three main reasons for this increase following the 1962 cutback to U.S.\$518 million from the previous record imports of U.S.\$585 million in 1961.

- First, agricultural expansion has lagged badly in Chile as in most of the developing countries. A rapidly growing population with, by world standards, fairly high incomes, has resulted in a heavy demand for tropical and sub-tropical food products, such as coffee, tea, cocoa, bananas, and cane-sugar, which cannot be produced in Chile. But even in temperate-zone products Chile has been falling steadily behind and has had to import growing quantities of wheat, meat, dairy products, vegetable oil and other basic items to feed itself. In 1963 the problems were compounded by an abnormally wet summer which ruined much of the earlier promise of good harvests.

- Second, Chilean industry has expanded the volume and range of consumer goods it produces (under protection of import restrictions and outright prohibitions) in response to the demands of a growing population with increasingly sophisticated tastes and the money to satisfy them. Most of these secondary industries have to import some or all of their raw materials and in many instances the amount of foreign exchange saved by domestic manufacture is small.

- Third, private investment and the Government's economic development activities have entailed large-scale imports of capital equipment. These increased considerably in 1963 as a result of decisions made earlier.



Canada's sales to Chile reached a record in 1962, when pulp and paper machinery like these gear cases was shipped to a \$10.5 million newsprint mill going up at Nacimiento. Last year, equipment was sold for a kraft pulp mill expansion at Laja.

Financing such a heavy import program has obviously been difficult. It was only handled in 1963 through receipt of foreign aid, medium- and long-term suppliers' credits and some capital investment and through serious stretching-out of the enforced waiting period after shipment of goods to Chile before foreign exchange cover may be obtained. By early 1964, instead of a nominal 120 days some suppliers were experiencing delays of up to 10 months to one year. Command over scarce foreign exchange by Government, Central Bank and commercial banks (in that order) to meet their own obligations abroad has meant that at times only limited sums have been made available to the ordinary commercial importer.

Chilean-LAFTA Trade Growing

Chile's trade with its LAFTA partners increased significantly in 1963. Exports rose by one quarter over 1962 to U.S.\$49.3 million; imports jumped 50 per cent to U.S.\$120 million. In 1963, this LAFTA trade represented 9.1 per cent of Chile's total exports and 18.8 per cent of total imports.

Tables I and II show how Chile's trade with LAFTA countries has been developing since 1960, when the Montevideo Treaty was signed. Because tariff concessions first went into effect on January 1, 1962, the tables show the experience of the last two pre-LAFTA years as well as the first two years of trading on preferential terms.

The LAFTA arrangements have definitely contributed to the growth, both absolute and relative, in Chile's Latin American commerce and this is clearly revealed for the first time in the 1963 trade returns. However, most of the movement continues to be in traditional items and many changes can be accounted for by factors other than the Montevideo Treaty.

Tables III and IV give the product breakdown of Chile's exports to and imports from its LAFTA partners.

TABLE I
CHILE'S IMPORTS FROM LAFTA AREA, 1960-1963

	1960	1961	1962	1963
	(millions of U.S.\$)			
Argentina	39.6	55.1	42.8	52.5
Peru	22.2	24.0	24.0	26.5
Brazil	13.5	9.8	7.1	18.8
Mexico	1.7	2.0	2.8	11.0
Ecuador	4.1	2.2	2.5	7.3
Uruguay	0.3	0.6	0.9	2.0
Colombia	0.3	0.4	0.3	1.4
Paraguay	0.2	0.1	0.1	0.5
Total imports from LAFTA Area	81.9	94.5	80.5	120.0
Total imports from all countries	499.7	590.5	511.8	637.5
Percentage of imports from LAFTA area	16.3	16.0	15.7	18.8

TABLE II
CHILE'S EXPORTS TO LAFTA AREA, 1960-1963

	1960	1961	1962	1963
	(millions of U.S.\$)			
Brazil	5.8	6.3	18.5	27.0
Argentina	17.9	23.2	14.9	14.5
Peru	3.4	2.9	3.1	3.7
Uruguay	1.1	1.4	1.1	1.4
Mexico	0.4	0.3	0.7	1.2
Colombia	1.0	0.3	0.7	0.9
Ecuador	0.7	0.5	0.5	0.7
Paraguay	neg.	neg.	neg.	neg.
Total exports to LAFTA area	30.2	34.8	39.4	49.3
Total exports to all countries	490.0	508.1	532.1	542.0
Percentage of exports to LAFTA area	6.4	6.8	7.4	9.1

TABLE III
CHILE'S PRINCIPAL EXPORTS TO LAFTA AREA

Products	1961	1962	1963	Principal Markets
	(millions of U.S.\$)			
Copper, refined	0.9	16.7	24.8	Brazil, Argentina
Newsprint	4.4	3.1	3.7	Brazil, Peru, Mexico, Argentina, Uruguay, Ecuador
Steel sheets	9.4	1.6	3.4	Brazil, Argentina
Nitrates	3.6	2.7	2.8	Brazil, Argentina, Peru
Wood pulp	3.6	3.1	1.9	Argentina, Brazil
Iron ore	1.6	2.0	1.8	Argentina
Copper wire, bare	1.2	0.8	1.6	Argentina
Lumber	2.5	2.1	1.5	Argentina
Liquid petroleum gases	0.6	0.5	1.1	Argentina, Brazil
Nuts, shelled or not	0.9	1.0	0.8	Argentina, Brazil
Peaches, canned	0.4	0.5	0.5	Peru
Apples, fresh	0.3	0.4	0.5	Peru

The great bulk of imports from the LAFTA countries in 1963 continued to be primary agricultural products; raw cotton, live cattle for slaughter, sugar, coffee, bananas and wool made up over 60 per cent of Chile's LAFTA imports last year and accounted for over half of the increase from 1962. Each of these items has been the subject of LAFTA negotiation and receives preferential tariff treatment. However, with the significant exception of wool and wool tops, each is a traditional import into Chile from neighbouring countries and would have been purchased even without concessions. The same comment is valid for most of Chile's other imports from LAFTA countries; the 25 leading items are shown in Table IV. It is true that items on the LAFTA negotiated list are exempt from prior deposit, customs surcharge and some other requirements of Chile's extremely severe import restrictions, and this may have helped maintain imports in some cases. On the other hand, most of the products concerned—food and industrial materials—enjoy high import priority and a large proportion of them, from both LAFTA and non-LAFTA sources, are exempt from the restrictions in any case.

In several important individual instances, however, the LAFTA concessions have made a clear impact. Wool and wool tops have already been mentioned. Chile traditionally has exported unwashed wool from the Punta Arenas area to Europe and imported washed wool and wool tops for internal use. These purchases have now been diverted almost entirely to Argentina and Uruguay as a direct result of LAFTA.

Other important diversions seemingly resulting from application of LAFTA preferences include domestic sewing machines, sodium tripolyphosphate, titanium dioxide, cacao, tea, office machines, razor blades, pine resin and lathes. Not shown in Table IV but still significant in volume have been diversions to LAFTA countries of orders for

TABLE IV
CHILE'S PRINCIPAL IMPORTS FROM LAFTA AREA

Products	LAFTA (L)—Other Countries (O)			Principal Sources	
	1961	1962	1963		
	(millions of U.S.\$)				
Cotton, raw	L	6.8	18.0	26.8	Peru, Mexico U.S.
	O	7.7	2.3	4.4	
Cattle, live for slaughter	L	27.8	23.2	17.7	Argentina
	O	.....	.....	.....
Sugar	L	16.5	3.6	8.6	Brazil, Argentina, Peru Cuba, Poland
	O	0.8	6.2	12.9	
Coffee	L	3.3	2.7	7.8	Brazil, Colombia
	O	0.2	0.1	0.1	
Bananas	L	1.6	2.5	6.8	Ecuador
	O	.....	.....	.....
Wool and wool tops	L	2.3	1.7	5.7	Argentina, Uruguay U.S.
	O	1.0	12.5	21.9	
Wheat	L	4.7	3.2	4.3	Argentina U.S.
	O	1.0	12.5	21.9	
Lard	L	2.3	1.8	3.3	Argentina Netherlands
	O	0.3	0.4	0.6	
Books, magazines, newspapers	L	1.9	3.5	3.6	Argentina, Mexico U.S., Spain
	O	2.7	2.8	4.0	
Yerba maté	L	2.2	2.5	2.7	Brazil
	O	.....	.....	.....
Butter	L	2.1	0.6	2.5	Argentina Denmark, Netherlands, France, U.S.
	O	0.3	3.0	2.0	
Beef, fresh and chilled	L	3.8	3.8	2.4	Argentina
	O	.....	.....	.....
Hides (mostly cattle)	L	2.1	0.8	2.4	Argentina
	O	.....	.....	.....
Sewing machines, domestic	L	0.6	0.2	1.9	Brazil Japan, Spain
	O	3.3	1.6	1.2	
Quebracho extract	L	0.8	0.8	1.3	Argentina West Germany
	O	.....	.....	0.1
Tallow, inedible	L	0.5	0.3	1.3	Argentina U.S.
	O	0.1	0.3	0.1	
Sodium phosphates	L	0.2	1.3	Mexico U.S., France
	O	0.8	0.8	0.3	
Rice	L	neg.	neg.	1.0	Uruguay U.S.
	O	1.6	1.1	1.1	
Titanium dioxide	L	neg.	1.0	Mexico Britain, W. Germany
	O	0.9	0.7	0.6	
Cacao	L	0.1	0.2	0.9	Brazil Costa Rica
	O	0.6	0.4	neg.	
Tea	L	neg.	neg.	0.8	Argentina Ceylon, Britain
	O	7.3	6.7	9.6	
Office machines	L	0.1	neg.	0.7	Argentina, Brazil U.S., W. Germany
	O	6.1	3.9	3.0	
Razor blades	L	0.6	Argentina Panama
	O	0.6	0.5	0.4	
Pine resin	L	0.2	0.2	0.5	Mexico U.S.
	O	0.5	0.2	.....
Lathes	L	neg.	0.4	Brazil, Argentina West Germany
	O	0.5	0.6	0.4	

cocoa butter, steel cable, passenger elevators, automatic looms, zinc ingots and farm machinery. Larger imports of books from Argentina and Mexico may also be due at least in part to LAFTA concessions. Although the total value of these diversions is still not large compared with that of traditional imports, they point to new trading patterns which are bound to become more important as time goes on.

The reader will have noted from Table I that, although imports from Argentina and Brazil have increased markedly, the really striking gain has been in purchases from Mexico. There is no doubt that, in Chile at least, Mexican entrepreneurs and manufacturers have been the quickest to take advantage of the new opportunities afforded by LAFTA preferences.

Effect on Canadian Exports

Scattered instances of Canadian exports being adversely affected are beginning to crop up. They include synthetic rubber, self-propelled combines, office machines, zinc ingots and razor blades (a Canadian-made internationally known brand used to be reshipped to Chile from the Panama Free Zone and orders are now filled from the company's Argentine factory). The total value of business so far lost to Canada, however, is slight. Reductions in sales are still chiefly the result of other factors, as will be seen below. No serious deterioration in Canada's position seems likely at the moment of writing, although the foregoing list suggests the areas in which losses may occur in future.

LAFTA Exports Show Growth

Chile's exports to its LAFTA partners have not increased as rapidly as its imports from them. There is some feeling here that this situation results from high costs of Chilean products because of inefficient manufacturing procedures, a relatively high wage level, and expensive social welfare programs. Transportation difficulties are also cited. To some extent all these fac-

TABLE V
PRINCIPAL CANADIAN EXPORTS TO CHILE

	1961	1962	1963	January-March	
				1963	1964
	(Can.\$'000)				
Machinery	1,358	6,751	6,775	1,011	1,029
Pulp and paper mill machinery	5	4,899	4,523	629	543
Mining machinery	345	624	1,091	161	215
Agricultural machinery	754	607	534	142	38
Transportation Equipment	152	1,220	1,385	367	164
Passenger automobiles and chassis	37	966	1,102	330	91
Metals in Primary Forms	1,195	1,279	835	135	117
Aluminum	691	999	619	72	100
Asbestos Fibres	770	851	765	28	211
Chemicals and Related Products	780	693	634	171	74
Plastics and synthetic rubber	447	426	348	106	72
Industrial Textiles	1,810	595	495	153	91
Papermakers' felts	167	208	238	64	30
Synthetic yarn	1,531	243	124	32	30
Electrical Apparatus, Communications Equipment, Instruments and Controls, Calculating Machines and Similar Items	715	683	474	59	128
Spark plugs		269	282	11	40
Card punch machines and computers	535	177	60	26	75
Refractories	201	483	109	12	84
Total of above items	6,981	12,555	11,474	1,936	1,898
Total Canadian Exports to Chile	8,225	13,278	12,329	2,096	2,083

tors are relevant. However, in some instances, such as steel and wood pulp, growing domestic requirements have meant smaller surpluses available for export. In others—such as newsprint, tabulating card stock and, again, wood pulp—establishment or expansion of productive facilities undertaken in response to new LAFTA opportunities requires several years for implementation.

So far, the most striking effect of LAFTA has been the diversion to Chile of Brazilian and Argentine orders for refined copper, though this has probably not meant any net increase in Chilean copper exports. Canadian exports of copper refinery shapes to Brazil and Argentina appear to have suffered, though the main significance has been for United States and European refineries.

Looking ahead over the next few years, the most likely areas of expansion include newsprint, long-fibred kraft (and possibly sulphite) wood pulp, tabulating card stock for card-punch machines, steel sheets and reinforcing bars, copper wire and tubing, petroleum products, and

specialized temperate-zone agricultural products such as fresh and conserved fruit, nuts, malt, wine, etc. Canadian sales of some of these items will certainly suffer, though the effect may not be too noticeable because the Latin American market will probably expand more rapidly than Chile's ability to increase production. Much will depend upon how foreign investors view Chile in comparison with other LAFTA countries and, counterrwise, upon the attitude that the new Government resulting from the September 4 presidential election will maintain towards foreign investment. Although Chilean industry is among the most balanced and best developed in Latin America, internal resources of capital and technical and managerial skills are insufficient in themselves to enable the country to take full advantage of all the opportunities developing out of the LAFTA connection.

Some of the first bloom of LAFTA has faded for Chileans, who, despite warnings, expected more rapid progress than has really been possible and underestimated the practical barriers to trade expan-

sion which remain even after tariff concessions have been obtained.

Progress is now likely to be slower and spottier, with occasional setbacks and more or less public wrangles between governments and special interests. It would be unwise, however, to act on the assumption that the economic integration forces at work will not continue to grow in effectiveness.

Canadian Trade Prospects

Machinery, transportation equipment and other products with a high degree of manufacture have made up the bulk of Canada's commodity exports to Chile in the past three years. (See Table V). Industrial materials and components remain important but have fallen off relatively since 1961. Sales of food and other consumer goods are insignificant. Exports jumped dramatically in 1962 with a flood of pulp, paper and other machinery shipments to the Nacimiento newsprint mill and that year reached a record value of Can.\$13.3 million, in part because of the phasing-out of deliveries to Nacimiento as the mill progressed towards completion.

Notable in 1963's exports were the first shipments of equipment to the big kraft pulp mill expansion at Laja, a large movement of mining machinery (Noranda Mines Limited's new Chilean subsidiary accounted for much of this), a complete sawmill (accounted for statistically in 1964's trade returns) and over 700 knocked-down cars for assembly at Arica in northern Chile. There were also larger sales of papermakers' felts and spark plugs.

On the negative side, Canadian firms in 1963 shipped substantially less aluminum ingot and refractories and less agricultural machinery, asbestos, synthetic yarn, synthetic rubber and statistical machines than in the previous year. These declines resulted partly from the continuing difficult trading conditions in Chile but partly also from more intensive competition from other suppliers and from internal corporate policy

shifts. The most striking example of the last is the continued diversion of Massey-Ferguson farm machinery business to the company's plants in Britain. On the whole, Canada's ability to meet credit competition seems to have been fairly good in the capital goods field and it is this as much as anything that has sustained our sales performance. On the other hand, Canadian suppliers of food, industrial materials and components and sundry small capital equipment items have sometimes found it difficult or impossible to meet the credit, official balance-of-payments assistance and other special concessions that competitors in the United States and other countries have been able to offer. In a few cases, suppliers who had over-extended themselves in credit earlier have had to retrench.

Trade figures are so far available only for the first three months of 1964; these show that exports continued at a rate almost equal to that of the same period in 1963. However, with Noranda's mine and Nacimiento now in production, with shipments to Laja only slowly building up to full volume (the total value will be less than that of the equipment supplied to Nacimiento), and with the current political uncertainties holding up buying decisions, exports to Chile during 1964 will probably fall below those of 1963.

Except for scattered and rather risky sales on extended terms to Punta Arenas and Arica, the "free zones" at the country's southern and northern extremes, Canadian manufacturers of consumer goods can virtually forget Chile for the next few years at least. There is little likelihood of any early significant easing of the restrictive system of import registrations, prior deposits, high customs duties and effective prohibition of imports of any product available within Chile or deemed inessential.

Payments will continue to be slow, with most transfers only being effected several months after shipment of the merchandise concerned.

Even at best, transactions will remain subject to cumbersome and time-consuming administrative procedures which in themselves constitute a highly effective device for restricting imports and conserving foreign exchange. Nevertheless, although trading conditions in general will remain difficult over the next year or two, there should continue to be fair prospects for Canadian suppliers of industrial materials, capital equipment and technical services of all kinds, especially for those productive sectors currently in a state of relatively dynamic development, such as pulp and paper, lumber and other forest products, mining and fishing. There should also be interesting opportunities for the sale of construction equipment, hydro and thermal-electric generation and distribution equipment, purebred and grade cattle for livestock improvement, and forage seeds.

Pharmaceuticals for Egypt

In spite of government control and the building up of a \$37 million home industry, Egypt imports an average of \$30 million worth of pharmaceuticals each year. As a rule, U.A.R. authorities do not welcome or permit foreign majority control of enterprises. They make an exception, however, in the pharmaceutical field, and Hoescht, Orient, and Pfizer control factories.

The Supreme Organization for Drugs, now more frequently called the Egyptian General Organization for Pharmaceuticals and Medical Appliances, will not buy from outside suppliers unless it has investigated the manufacturer and satisfied themselves about his reliability. Canadian firms wishing to contact the Organization should write to it directly at 6 Chawarby Street, Cairo. They will then receive a questionnaire and, if all goes well, be registered and receive notice of the Organization's requirements. The bulk of the import needs of the U.A.R. are contained in a lengthy list which appears each April or May, but pressing needs are purchased at any time during the year.

Take Time for Taiwan

Visiting Tokyo or Hong Kong, or possibly other Asian centres? Put Taiwan on your itinerary too. It's simple to arrange this and if you are selling industrial equipment or raw materials, it will probably pay off. And you'll receive a warm welcome.

W. B. WALTON, *Consul and Assistant Trade Commissioner, Manila.*

MR. SMITH stepped carefully down the passenger ramp which had just been placed against the doorway of the gleaming aircraft. The jet flight from Tokyo to Taipei had been smooth and the three hours had gone by unnoticed. Part of the time had been spent consuming an excellent meal—not Chinese, to be sure, but he would have plenty of chance to regain his touch with chopsticks during the next few days. He put his briefcase down on the concrete apron and turned and waved goodbye to the smiling steward and the two diminutive hostesses standing at the top of the ramp.

"Welcome, Mr. Smith." The words reached his ears as he walked across the tarmac towards the obviously brand-new airport terminal. A small group of men were waving in his general direction; he suddenly realized that they were holding a banner which read "Welcome, Mr. Smith". The company's Tokyo agent had been as good as his word.

The story ends here for the reader but not for Mr. Smith, the Canadian businessman. He went on to five hectic days of business appointments, business luncheons and business dinners, not to mention countless glasses of hot green tea. His newly-found business acquaintances also drove him out to see the almost completed Shihmen Dam, the waterfall at Wulai, and the port of Kee-

lung. They took him to the Chinese opera and he found it difficult to understand but fascinating.

Mr. Smith's visit, although short, was packed with informative discussions and he left for Hong Kong with a good deal of literature in his flight bag and a large number of facts in his head. He spent the whole of the flight to Hong Kong jotting down notes to be used when describing market prospects in Taiwan to his general sales manager and to business friends in other firms.

This sub-tropical island, also known to Canadians as Formosa, lies some hundred miles off the Chinese mainland, on the direct air route between Hong Kong and Japan. It has a rapidly expanding economy and population (twelve million and growing at a rate of 3 per cent a year). This makes it a possible market for many Canadian products.

Planning the Trip

Let's see how Mr. Smith planned his trip. He obtained a visa easily from the Chinese Embassy in Ottawa (he could have got one also from the Consulate General in Vancouver, and for a flying visit of less than 72 hours, no visa is needed).

He went to Taiwan at the time when warm clothing was needed (roughly from October to March).

Summer wear is appropriate for the rest of the year. He took with him an ample supply of visiting cards. Cards are exchanged on all occasions and are extremely useful, particularly in view of the language differences, so this was a must.

In planning his trip, he asked about festivals; there are at least a dozen each year. They are exciting for the tourist but the businessman in a hurry may find his program disrupted.

He discovered that a certificate attesting to smallpox vaccination and inoculation against cholera was mandatory and he got a cholera shot at least six days before departure from Canada. His personal effects entered duty-free, he found that foreign currencies were readily convertible, and he did not have to declare travellers' cheques or bank drafts. Bona fide samples and gifts, he found, may be brought in by the traveller.

The Canadian businessman who, like Mr. Smith, plans a trip to Taiwan should address preliminary inquiries to the Chief, Asia and Middle East Division, Department of Trade and Commerce in Ottawa, or to the Canadian Consulate General, P.O. Box 1825, Manila, which keeps in close touch with trade developments in Taiwan. He may also write directly to the China Productivity and Trade Center, 181 Chungshan North Road, Section 2, Taipei, Taiwan, Republic of China.

Personnel of this semi-official trade promotion agency will be pleased to answer questions and to assist the Canadian exporter or importer in arranging business appointments. The Industrial Development and Investment Center, 60 Chungshan North Road, Section 2, Taipei, performs similar functions in the industrial field and stands ready to assist business visitors in any way it can.

Tourist information may be obtained by writing to the Taiwan Visitors Association, 21 Chungshan North Road, Section 3, Taipei.

Getting to Taiwan

Three Canadian Pacific Air Lines flights leave Vancouver each week for Tokyo and Hong Kong. Travelers holding air passage Tokyo-Hong Kong or Tokyo-Manila may stop over in Taipei at no extra charge. The flight from Vancouver to Tokyo takes eight to ten hours.

You may wish to spend a few days in Japan before continuing on via Civil Air Transport, Northwest Orient Airlines, Cathay Pacific Airways, Japan Air Lines, or Thai Airways International, all of which fly to Taipei three times a week from Tokyo. There are flights every day between Hong Kong and Taipei by CAT and Cathay Pacific and tri-weekly services by JAL and Thai Air. The Hong Kong-Taipei run takes barely an hour.

A traveller who is already in Europe or the Middle East can choose among a number of international carriers to pursue his journey via Pakistan, India, Bangkok, Singapore and Manila. Flying time from Manila to Taipei is less than two hours.

How about Accommodation?

There are excellent hotels in all major cities. A few, with pertinent

details, are listed in the accompanying table.

Getting Down to Business

Chinese hospitality is overwhelming. If you have been corresponding with several agents in Taiwan, they may all be at the airport to meet you. If you arrive unannounced, the trade organizations mentioned later will certainly take care of you. Customs and airport officials are courteous and helpful.

The Canadian Trade Commissioner in Manila will be pleased to suggest the names of active and responsible firms or government organizations worth contacting. It is also usually possible to obtain information on the business background of potential agents.

Taipei (population one million) is the principal business centre, but Kaohsiung (second largest) is important for its seaport and industrial complex. The cities of Tainan (historic) and Taichung (agricultural centre) are also of interest, and may be reached by train, road or air. All are within two hours flying time of Taipei. The business visitor or tourist who wants to see these places should leave at least one week free for his stay in Taiwan. Tourist attractions include the Chinese opera, several museums, Buddhist temples, the hot sulphur springs at Peitou, the cherry blossoms of Yangmingshan (Grass Mountain), Sun Moon Lake (in Central Taiwan), the Taroko Gorge, the east-west cross-island highway, and the perpendicular cliffs of the east coast.

Telephone, where possible, to make specific appointments. Before taking a taxi, ask the hotel receptionist or doorman to write down your destination in Chinese characters; show the address to your taxicab driver and keep it for future reference. Before taking leave of a businessman, ask him to write down the address of your next appointment and, if necessary, call a cab for you. Taxis are plentiful and inexpensive. Pedicabs are available but passengers in them require nerves of steel.

WHERE TO STAY IN TAIWAN

	No. of Rooms	Single	Rates per day (U.S.\$)	
			Double	Suite
Taipei				
Grand Hotel 1 Lane 1, Chungshan North Rd., Section 4. Tel. 48241	170	10.00	10.00-12.50	18.75-100.00
China Hotel 14 Kuanchien Road Tel. 39521	56	7.50	11.25	12.50-30.00
First Hotel 63 Nanking East Road Section 2 Tel. 52211	133	6.00	10.00-12.00	15.00-40.00
Friends of China Club 109 Huaining St. Tel. 23817	41	7.50	10.50	.....
Taichung				
Railway Hotel 9 Tzuyu Road Section 2 Tel. 3030	35	.....	5.00-6.00	13.50
Tainan				
Hwa Chow Grand 7 Lane 4, Minsheng Rd. Tel. 2104	38	3.75	5.00	7.50-15.00
Kaohsiung				
Grand Hotel 10 Love River Road West Tel. 54206	26	.....	6.25	11.25
Garden Hotel 279 Liu Ho 2nd Road Tels. 3249, 3240	34	5.00-7.50	5.00-7.50	10.00-11.25

Rates do not include tax and gratuities.

Chinese food is excellent. If you don't like spicy dishes, tell your host beforehand. You may find the rice wine rather bitter but the local beer may make it easier for you to survive the popular custom of "gambé"—that is, frequent toasts, all "down the hatch".

Trading with Taiwan

The Canadian visitor should understand the techniques of trading with Taiwan before he comes to the islands.

Private traders, of whom there are perhaps two thousand in Taiwan, handle both exports and imports. Many are anxious to meet potential suppliers. Government-controlled exports, such as rice and timber, are handled by government agencies. The procurement of imported products for public enterprises is carried out by the Central Trust of China (Federal Government) and the Taiwan Supply Bureau (Provincial Government). They may import anything from medicines and laboratory equipment to basic chemicals and industrial machinery.

The Government of Taiwan pursues a relatively free trade policy, but supervises exports and imports in an effort to speed up economic development. Import curbs are therefore imposed chiefly on consumer goods, as available foreign exchange is used primarily to purchase industrial machinery and raw materials from abroad. The responsible agency is the Foreign Exchange and Trade Commission (FETC).

Imports are classified into three categories:

- Prohibited, such as cigarettes, wine, sugar and camphor.
- Controlled—those items which can be produced locally or which are considered luxury-type goods.
- Permissible items which may be imported, without limitation on amount, by duly registered importers. Details of items on the permissible list can be obtained

from the Chinese trade organizations mentioned above, or the Asia and Middle East Division of the Department of Trade and Commerce in Ottawa. Imports of some items included in the U.S. AID import program (which will be phased out within the next few years) are confined to U.S. sources of supply.

Payment for imports is normally made by letter of credit. The Bank of Taiwan approves applications for foreign exchange and handles settlement. The Bank of China, Bank of Communications, and the Overseas Chinese Commercial Banking Corporation can also carry out foreign exchange transactions. The Nippon Kangyo Bank makes settlement for imports from Japan only.

Because Taiwan is short of natural resources, exports of goods processed from imported raw materials are encouraged. Duties on such imports are rebated in full, following export of the manufactured items. If the raw materials go to a bonded warehouse or factory, they are exempt from import duties.

It is important that foreign exporters or manufacturers appoint local registered agents to look after their interests. This is particularly

true of Invitations to Bid, because the local representative can then issue his supplier's quotation locally. One of the main reasons for going to Taiwan might be to secure a good agent.

A number of Canadians have already visited Taiwan. In February of this year, a Canadian Consulting Engineering Trade Mission made an extensive tour. Its members, all highly qualified specialists in various fields of engineering, were unanimous in their conclusion that the Taiwan market is well worth a personal visit by consultants and by suppliers of industrial equipment and raw materials. (A fairly detailed picture of Taiwan's postwar development, its industries, its prospects and market potential was given in the May 16, 1964, issue of *Foreign Trade*.)

It is obvious that Taiwan, with the technical and financial assistance of Western nations, particularly the United States, is making rapid strides in industrial development but much remains to be done. To the Canadian manufacturer, consultant, buyer, investor or tourist looking to the Far East, Taiwan sends this invitation. "Come for business. Come for pleasure. But come!" ●



Deft Formosan fingers at work in one of the textile plants on Taiwan.

What's current in commodities?

Domestic Appliance Components

South Africa—Trend towards local manufacture of appliances has stepped up demand for imported components, especially for use in washing machines, refrigerators, and gas stoves.

STUART McDOWALL, *Assistant Trade Commissioner, Johannesburg* and R. G. GODSON, *Assistant Trade Commissioner, Cape Town.*

THE Canadian manufacturer can maintain a share of the South African market for domestic appliances by switching to the supply of component parts. The past few years have witnessed a definite trend towards greater local manufacture. By 1962, the latest year for which figures are available, imports of parts and components for refrigerators, washing machines and other household heating and cooking appliances had increased to over \$5.5 million, almost double the value of imports of built-up units.

Table I gives some idea of the import pattern for various appliances and parts in 1962.

A closer look at some of these appliances will show where the best opportunities for the supply of components lie.

Washing Machines

There are many local manufacturers of washing machines and this is one of the fields in which a number of components are imported—such as motors, timing devices and solenoids. Most of the timing devices come from England. The marketing of fully automatic washing machines is just beginning and is at present between 8,000 and 10,000 a year. Sales of the conventional washer are much larger.

Refrigerators

The main refrigerator parts imported are motor compressors, evaporators, dryers and strainers,

thermostats, special switches and capillary tubing. There is talk of making most of these components locally and it is probably just a matter of a few years before this takes place. The South African market, estimated at 45,000 refrigerators per year, is very price conscious. At present Britain supplies most of the thermostats at f.o.b. prices that range from \$1.27 to \$1.98. The rigid-system type are made locally at delivered prices of about \$2.53. Compressors are mainly supplied from Denmark and France at f.o.b. prices ranging from \$16.50 for $\frac{1}{4}$ and $\frac{1}{2}$ h.p. units to \$31.50 for a $\frac{3}{4}$ h.p. unit. Although

some of the evaporators are made locally, most come from France at f.o.b. prices ranging from \$4.40 for seven cubic foot refrigerators to \$5.83 for a ten cubic foot. Dryers and strainers are obtained from a wide range of overseas suppliers. There are not too many food freezers in South Africa; the current market is estimated at about 1,200 units per year.

Heating and Cooking Appliances

The main item is stoves, a very competitive field; most components are made locally, except the oven control valves, timing devices, range elements and specialties. Britain supplies almost all the timing devices. At present gas ranges are not too widely used because of the high cost of gas compared with electricity, but with the new gas pipeline being constructed to serve the Rand, it is expected that more gas will be used domestically and thus

TABLE I
SOUTH AFRICAN IMPORTS OF APPLIANCES AND PARTS

Commodity Imported	No. of units	Value Can.\$ 1962	Main sources of supply 1962
Washing Machines	11,200	1,140,000	Britain
Parts		650,000	Britain, United States
Refrigerators	11,300	1,430,000	United States, Italy, Sweden
Parts		4,380,000	Britain, Denmark, Sweden, United States, West Germany, France
Stoves	630	53,000	Britain, United States
Parts		440,000	Britain, United States, West Germany
Irons	21,200	102,000	Britain, West Germany
Parts		65,000	Britain, Belgium, West Germany
Kettles	2,800	21,000	Denmark
Parts		22,000	Britain, Belgium
Other heating and cooking appliances		630,000	Britain, West Germany
Total value of imports, including parts		8,933,000	

gas ranges should become more common. This is a field that any Canadian company with manufacturing knowhow should investigate from the point of view of manufacturing under licence.

The gradual decrease in the number of servants in urban areas will undoubtedly lead to increased sales of all types of domestic appliances as more and more households buy labour-saving appliances. In their turn, the urban Africans will purchase an increasing number of the low-cost older models, as their rising incomes allow them to equip their households with these.

What Specifications?

Components must meet the specifications laid down by the South African Bureau of Standards, which is similar to the British Standards Institution. Just recently the South African Bureau announced some compulsory safety specifications to which all goods, imported and domestically manufactured, must conform. More details on these may be obtained from the Canadian Standards Association or by writing to the Canadian Government Trade Commissioner in Johannesburg or Cape Town. In addition, most manufacturing establishments have licensing arrangements and components must therefore meet the specifications laid down by the licensor. The maker of component parts who is currently supplying a Canadian manufacturer which may have a sister company in South Africa would do well to investigate the sales possibilities there because this is an indication that the specifications of his product are likely to be accepted readily.

Participation Necessary

In summary, the situation seems to be this. Within the last 18 months in South Africa there has been a substantial upsurge in general economic activity which has led to a rapid expansion in the sale of domestic appliances. The more complicated components are still being imported in sizable volume, with

price the major factor. However, there is a definite trend towards having all the components manufactured and assembled locally. This is fostered by the Government's policy of import licensing—a form of giving first refusal to the local

manufacturers. Therefore, the best prospect for long-term and continuing sales in this market is some degree of participation in this way. In the short run, price, delivery, quality and general customer service will be the decisive factors. ●

Peru—Production of appliances still limited. Future manufacturing plans might include obtaining sophisticated components from Canada, if exporters pursue opportunities in the right way.

K. G. RAMSAY, *Commercial Secretary, Lima.*

PERU, with one foot on the threshold of industrialization, is far behind many countries in Latin America in the production and use of domestic appliances. But this situation spells opportunity for energetic, imaginative, and export-conscious Canadian manufacturers. Successful exploitation of this opportunity, however, means more than dabbling your toes on the edge of the pool by mailing catalogues to a list of firms provided by this office. You must jump in and swim, with personal visits and direct financial and administrative participation in the growing Peruvian economy.

A few figures will serve to point up the extent of the possibilities in this market. Refrigerators have only recently been manufactured here; imports reached 29 million soles in 1959 and 34 million in 1962. Washing machine imports have climbed from 5,999 units in 1960 to 7,500 in 1962. Food mixers, rapidly becoming popular, moved from 27,000 units imported in 1960 to 32,000 in 1962. It is the demand that these imports are temporarily satisfying which is setting the pattern for future manufacturing in which sophisticated components from Canada (printed circuitry, thermostats, valves, gauges, etc.) might well find a place. Sales will

depend on the extent to which individual Canadian exporters examine trade possibilities with a flexible mind.

Flexibility means a willingness to correspond in Spanish and to encourage the learning of Spanish by employees at all levels. It means a desire to understand Peruvian customers, their problems, their hopes, and their relations with other Latin Americans. It involves willingness to do business their way, at their tempo, and by their ground rules. It presupposes an interest in examining any proposal that appears to offer a profit for both parties.

Components Imports Rising

Peruvian imports of a selected list of electrical appliance components jumped from a little under \$500,000 in 1951 to well over \$2 million in 1962. The rate of growth is shown graphically in the chart. The foreign suppliers who enjoyed the lion's share of this increase were those who, by establishing a branch office or participating financially in a local importing or manufacturing firm, put themselves in a position to influence Peruvian imports.

What edge do Swedish, Belgian, Dutch and Japanese manufacturers have over their Canadian competitors? Perhaps only their flexibility of mind—their readiness to examine

the many different ways to participate actively in this rapidly growing market and their avoidance of company policies which limit exports.

Understandable national pride has brought about legislation directed towards promoting a higher Peruvian labour content. A recognition of this inevitable trend suggests that Canadians with a long-term interest in this market will have to plan carefully to protect their initial investment in market development. The company ready to sell sophisticated components to Peruvian manufacturers today can continue to participate in the market tomorrow—even after such components can be produced locally.

Tie-Ups with Local Companies

That local manufacture is still in its infancy is attested to by recent advice from the Peruvian authorities that there is little manufacturing of domestic electric appliances. Specifically, only two kinds of appliances are shown as made here in the years 1960, 1961 and 1962.

These were electric water heaters manufactured by two firms and refrigerators by one firm. Production figures for water heaters in these three years were 2,621, 2,774 and 2,785 units respectively. The figures for refrigerators are more dramatic: 6,334 and 1,323 units. In both instances the word produced should be taken to mean "assembled". There is no record of any production before 1960.

Washing machine production is worth examination at three levels: (a) hand-powered plungers rocking in a wooden tub, (b) electric or gasoline-powered wringer washers, and (c) fully automatic units. Of Peru's eleven million population perhaps 83 per cent are not yet customers for (a), 15 per cent are between (a) and (b), and 2 per cent are approaching (c). It is doubtful whether mass-production techniques at the (a) level would be practical. However, an alert Canadian manufacturer might well consider some form of financial and managerial association with a Peruvian

company to manufacture washing machines in which the Canadian share would be large enough to ensure that components from Canada would be used in assembly at the (b) and later the (c) level. During a visit made to obtain background information for this article, a local company inquired about Canadian interest in just such a proposal. The last step, of course, would be the manufacturing of the components in Peru.

Service Is Vital

An alternative to financial and administrative participation is service—a service maintained by close personal liaison (an important facet of Peruvian commerce) and so efficient and useful that a customer would not consider turning to a different supplier. For instance, there is a local manufacturer whose dies are made outside Peru. He often has his drawings returned to him with changes suggested on the basis of the die manufacturer's experience. When there is a particularly difficult manufacturing problem, it is not unusual for a technician from the die factory to fly to Lima to advise on the solution. Toronto is \$264.00 and 12 hours from Lima by a comfortable Canadian carrier.

Pertinent to the line of thought developed in this article is the question of currency convertibility. It is often forgotten that Peru, with a long history of currency stability and freedom from exchange restriction, enjoys a unique position in South America. Even the revolution in the summer of 1962 had no appreciable effect on the rate of exchange or the convertibility of the Peruvian sol, which is worth about four cents Canadian. Repatriation of profits from Peru thus presents no problem to the foreign investor.

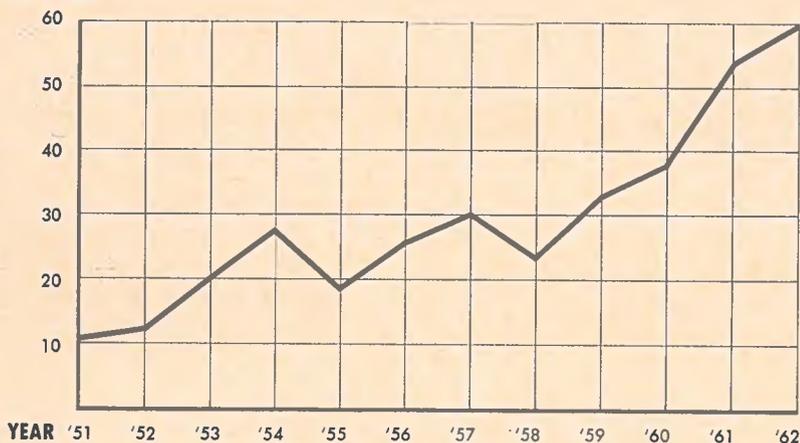
All the foregoing is background against which to consider specific suggestions:

(1) Consider your components to determine whether their production is more complicated than a simple

Peru's Imports of Domestic Appliance Components

(Fuses, Plugs, Switches, Sockets, Thermostats, Controls, Starters, Relays, etc.)

MILLIONS OF SOLES



One Canadian dollar equals 24.88 Peruvian soles

toggle switch (local production adequate) and less complicated than the gyroscope in an aircraft compass (as yet no need for it). Within this wide range there are opportunities.

(2) Decide whether you have the capital, time and personnel available

to develop sales in this market along the lines suggested.

(3) Write this office to ensure that there is no special reason which would prohibit the development of a market for your particular components. For example, foreign car

manufacturers are already supplying all Peru's requirements for voltage regulators.

(4) Come to Peru with an open mind. We can organize your appointments to make optimum use of your time. ●

Domestic Appliances and Components

Venezuela—Local assembly of domestic appliances is progressing, with parts brought in from either North America or Europe. Sales of Canadian components will take time to develop, but promotion campaigns should begin now.

J. R. CAUX, *Assistant Commercial Secretary, Caracas.*

VENEZUELA'S economy, once completely dependent upon oil, iron ore and agriculture, has been transformed during the last few years and has now entered the era of secondary manufacturing. Industries such as food processing, distilleries and breweries, iron and steel products are becoming important.

One of these industries, assembly of domestic appliances, is in the first stages of development. More than 20 plants of various sizes are already engaged in the assembly of appliances such as refrigerators, gas and kerosene ranges, water heaters, electric irons, electric fans, and floor polishers. There are plans for local assembly of washing machines to start in late 1965. Other household appliances which are made in large quantities in a country like Canada do not enjoy a big market in Venezuela at the moment. Electric ranges, toasters, percolators, electric kettles, hot plates, etc., are still considered luxuries and their local assembly is not yet contemplated. However, Venezuelan standards of living are constantly rising and a day will come when these appliances will also sell well.

Washing Machines and Dryers

Over the past several years, Venezuela has imported an average of

Bs.13.7 million worth of washing machines and dryers per year. This figure includes both domestic and industrial appliances, as well as automatic and wringer-type washing machines. Imports of washing machines and laundry equipment from Canada during the 1959-63 period have averaged approximately \$450,000 a year.

Once domestic production of this equipment begins in Venezuela, the local firms will receive protection from imports through high tariffs or the application of compulsory import licences. The total market is estimated at 19,000 wringer-type washing machines a year and 8,000 automatic machines. More than half the requirements are expected to be covered by local production during the first year of operation.

As most clothes drying is done in the open, there is little demand for automatic clothes dryers and as a result imports have been negligible. A recent development has been the installation of a few coin-operated laundries and if they become popular, it could lead to the assembly of this type of equipment.

Refrigerators and Freezers

Although token production of refrigerators from imported parts started during 1962, it really de-

veloped in 1963. At the moment there are only three local producers of refrigerators assembling a number of various brands, but at least two large international companies are expected to start production in the fall of 1964. Local assembly is protected by import licensing and consequently no imported refrigerators are now permitted entry because the market can be supplied by local production.

Annual consumption of refrigerators in Venezuela is about 30,000 and this figure is not expected to change very much in the next few years. Most of the component parts for these appliances are imported although the boxes, insulation work and plastic parts are made locally. Approximately 2,000 freezers are also assembled in the local plants.

Gas and Kerosene Ranges

In view of the high costs of electricity in Venezuela, gas ranges are preferred to electric ranges and there is a substantial demand for them. Preference is normally given to the smaller sizes because of smaller kitchen space than in North America and lower standards of living.

There are five plants assembling gas ranges in Venezuela and the actual production is about 25,000. Annual consumption is roughly double that figure and although no more imports are allowed into Venezuela, there are still stocks from previous free imports and the market is thus kept supplied without shortages.

As in refrigerators, all parts except the boxes are imported. Some firms are now thinking of manufacturing the burners locally but these plans are far from being firm and it is not likely that they will materialize in the near future.

Some 15 manufacturers of kerosene ranges are operating in Venezuela and a substantial number of these stoves, about 25,000, are now assembled from imported parts.

Other Appliances

Local assembly of other domestic appliances has started in Venezuela. About five firms are making gas water heaters of all sizes and approximately 150,000 of these are assembled every year. One large local plant is also making 120,000 electric irons a year and is expecting to increase production up to 300,000 eventually. (This rather large figure is explained by the high rate of breakage from bad handling.) Finally, over 9,000 fans of all sizes and 1,000 floor polishers round out local assembly of domestic appliances.

Component Parts

Practically all component parts for the locally assembled domestic appliances are imported either from North America or from Europe. Only certain components not requiring a great deal of manufacturing skill are made in Venezuela, such as boxes for refrigerators and gas ranges. In view of the limited market for these appliances, both the Government and individual plants consider the local manufacture of highly specialized parts uneconomic. It is expected, however, that some of the more complicated parts will be made in Venezuela in the not too distant future, at least for the most popular appliances.

Except in certain special instances, no local firm is tied up with an exclusive foreign supplier of component parts. Most firms are free to buy from whomever they wish, provided prices are competitive and specifications meet with the approval of foreign parent compa-

nies or firms which have negotiated the licensing agreement for local assembly.

Because the assembly of appliances is still in its early stages, it may be some time before a market for Canadian suppliers of such parts as switches, thermostats, refrigerator components, etc., can be developed. Nevertheless, it is not too soon for Canadian exporters to give serious consideration to developing possible sales in this market.

The Commercial Division of the Canadian Embassy, Caracas, is prepared to give every assistance possible. The Canadian exporter, however, should be guided by the following suggestions:

- Select an active and energetic agent who is willing to visit the local manufacturing firms at regular intervals.
- To make a better choice of an agent, try to pay a personal visit to Caracas.

Australia Plans for Power Needs

FORESEEING greater demand for electric power in the years ahead, Australians are busy planning to meet the need. In Tasmania, for example, the Governor has announced that a seventh power station will be incorporated in the Mersey-Forth project. This development, already approved by the Tasmanian Parliament, includes six separate power stations and the creation of several artificial lakes, at a total cost of more than £52 million.

Now investigations by the Tasmanian Hydroelectric Commission have revealed that another station can be added to the project economically. It will be built below Rowallan Dam and will use the flow of water from Lake Rowallan. The Commission is submitting a report to the Government and legislation will be introduced during the present session of Parliament authorizing the building of the extra station. Construction will begin later this year; work on access roads, the base camp, and workshops is already under way.

In the Lower Derwent part of the power scheme, construction of the Meadowbank scheme is well advanced and is progressing on the Repulse scheme. Work is about to begin on the Cluny Dam site.

● Arrange to have attractive descriptive literature, preferably in Spanish, and samples of your products available so that the prospective agent can ascertain sales possibilities in advance of your trip.

● Quote prices f.o.b. or preferably c.i.f. Venezuelan ports, in U.S. dollars when possible. You will find that although many commercial sales in Venezuela are made on letter of credit, you may have to consider terms up to six months with several manufacturing firms.

● Once sales are initiated, be extremely careful to meet delivery dates, in order to maintain your business reputation and secure further orders.

● Pay special attention to documentation and shipping instructions stipulated on the order sheet. You may wish to entrust your documentation to an experienced shipping agent. ●

Over in Western Australia, Works Department engineers have proposed a method of harnessing the tides in Secure Bay, 60 miles southeast of Koolan Island, to produce three times the present total power output in Western Australia. If the tides can be exploited, it will mean a 50-times increase in Australia's present electrical capacity to 300 million kilowatts. The cost is estimated at about £300 million.

Secure Bay is one of six sites on the northwest coast with a similar potential for power production. Harnessing this power would mean a bigger and more complex engineering job than any yet carried out in the western part of Australia. At the moment, the West Australian Public Works Department is investigating what would be involved, with the technical help of France Technique, the French research organization. If the scheme proves to be economically attractive and if outlets can be found for the power to be produced, Western Australia will add power potential to the rich mineral wealth now being exploited. This could mean the establishment of large mineral refining plants in the area.

—Office of the Commercial Counsellor, Melbourne.

COMMODITY NOTES

Aluminum

NORWAY—Norway's state-owned aluminum company, A/S Ardal og Sunndal Verk, made a net profit of Norwegian kroner 44.8 million (about Can.\$6.8 million) in 1963, compared with kroner 32.9 million (about Can.\$5 million) in the previous year. Sales set a new record last year at kroner 474 million—kroner 96 million more than in 1962. Output of crude aluminum reached an all-time high of 147,390 tons, compared with 144,010 tons in 1962; electrode paste output rose from 89,715 tons to 90,910 tons. This year the company expects to operate at its full capacity of some 165,000 tons of crude aluminum a year. Ardal, said to be the largest aluminum plant in Western Europe, plans to build a new smelter at Sunndal with an annual output capacity of 35,000 tons, to be increased later to 45,000 tons. The first building stage is scheduled to be completed in 1968—Oslo.

SWEDEN—Svenska Aluminium Kompaniet's plant now operating will more than double the annual production of aluminum at Sundsvall to 30,000 tons, and plans are being made for additional extensions.

Total production of aluminum in Sweden is about 30,000 tons a year, compared with annual requirements of about 70,000 tons (1963). Consumption is increasing rapidly so it will be some years before Sweden is able to meet her needs from home production—Stockholm.

Anchovy Nets

SOUTH AFRICA—During April and May, five fishing boats caught 7,800 tons of anchovy off the Cape West coast. A single throw netted up to 100 tons, and fishermen are optimistic that fishing for anchovy could develop into a major industry.

According to reports, large shoals of anchovy have also been seen off the South West African coast, but it is not yet known whether these shoals will appear regularly and in sufficient quantity within range of the boats and their factories. It is believed that factories in the area will be allowed to import two nets each, and if the new factory at Luderitz is included this will raise the total number of nets to be imported into the Republic and South West Africa to 53, with a total value of Can.\$600,000—Cape Town.

Citrus

UNITED STATES—A nationally-known business consulting firm has predicted that the Florida citrus industry will recover from the 1962 freeze by the 1967 season when the state is expected to produce 135

million boxes of oranges and 29 million boxes of grapefruit. Florida's production loss from the disastrous freeze of December 1962 was so severe that it became a major importer of citrus rather than exporter during the past year—New Orleans.

Electronic Components

ITALY—The U.S. Litton group has completed a factory near Rome to manufacture electronic components for the F 104G aircraft used by NATO. The factory is built on a site of about two and a half acres and employs about 500 workmen—Rome.

Motor Vehicle Engines

MEXICO—Fabricas Automex (one-third owned by the Chrysler Corporation) has opened a plant capable of producing 20,000 car engines a year. This means that Chrysler has taken a big step towards fulfilling the Mexican Government's requirement of 60 per cent local content. The plant is located in Toluca, Mexico State. It is expected that the car assembly plant will be moved shortly from Mexico City to a site adjacent to the new plant. Mexico imported \$1.8 million worth of motor vehicle engines from Canada in 1963—Mexico City.

Paper

SOUTH AFRICA—Crown Zellerbach Corporation and South African Paper Processing (Pty.) Limited are combining to establish a mill to produce tissue for wrapping citrus and deciduous fruit, plus towelling and serviette paper. The bleached sulphate pulp is to come initially from British Columbia. Some of the papermaking machinery will be imported; local producers will supply ancillary equipment and machinery. It is expected that the mill will be set up near Johannesburg, and the cost is estimated at approximately \$7.5 million—Johannesburg.

Plastic Products

ITALY—General Plastics of Naples has been formed by CEAT of Turin, a leading Italian tire manufacturer, and General Tire and Rubber of Akron, with equal capital. The company plans to invest about \$16 million in a new plant in Southern Italy to produce plastic products of various types—Rome.

Plywood

UNITED STATES—Site work has been completed and construction will begin this week on a \$4 million ply-

wood plant at Keltys, near Lufkin, Texas, by the Angelina County Lumber Company and Southland Paper Mills, Inc. Completion is set for February 1965. The new plant is one of a number being built in East Texas that will use Southern pine logs as raw material; others are located at Diboll and Silsbee. Most plywood used in the Gulf Coast area has been shipped in from the West Coast and produced from fir. The new plant will have an annual capacity of 62 million square feet of plywood sheathing for construction purposes—New Orleans.

Polyvinyl Flooring

SOUTH AFRICA—A French company has recently opened a new \$420,000 push-button factory near Cape Town to produce polyvinyl flooring material. Designed to operate round the clock, the factory requires only one skilled technician and a staff of coloured workers.

It is estimated that the plant will save South Africa one and a half million dollars a year in foreign exchange—Cape Town.

Readymade Clothing

SWEDEN—In 1963 Swedish producers of readymade clothing increased exports to \$15.6 million, 14 per cent above 1962. Imports recorded an even larger increase—20 per cent to \$39 million. Retail prices for clothing rose by 2 to 3 per cent in 1963—Stockholm.

Spring/Lock Washers

SOUTH AFRICA—Manufacture of spring washers will commence soon at a new plant opened by Wire Industries Steel Products and Engineering Company in the Transvaal. This will be the first time that spring washers have been produced in the Republic—Johannesburg.

Steel

BRAZIL—Usiminas is preparing to ship 30,000 tons of steel products to the Argentine. This is considered to be one of the first results of the Brazilian Government's new efforts to expand the export of manufactured products—São Paulo.

SWEDEN—Sweden's average production of ingot steel reached 89,700 tons a week in May, 4,000 tons larger than the April 1964 weekly rate and 8,200 tons more than May 1963. Production of pig iron in May was 44,400 tons a week, 4,100 tons above the April average and 4,800 tons above the May 1963 figure—Stockholm.

SWEDEN—Hellefors Iron Works in Central Sweden is expected to be first in the world to employ a new method of producing vacuum-treated steel. A plant for

extracting the gases from steel has been built by SKF (Swedish Ball Bearing Co.) in collaboration with ASEA and Stal-Laval, at a cost of \$420,000, and will start to operate later this year. Built-in TV cameras will allow observation of the gas-extraction process—Stockholm.

Steel Mill

AUSTRALIA—The chief general manager of Broken Hill Proprietary, Sir Ian McLennan, recently announced the start of a £40 million (\$97 million) expansion program to establish a basic steel industry in Western Australia. BHP is the gigantic steel complex which in 1962-63 produced over 4.25 million tons of ingot steel. Contracts for the first phases of construction of the No. 1 blast furnace at Kwinana, near Perth, have been let. This includes installation of turbo-blowers, ore-handling installations, and blending and conveying equipment. It is planned to complete the blast furnace by 1967 to coincide with the opening of a new 313-mile standard gauge rail link from Koolyanobbing to Kwinana. Extensive iron-ore deposits are located at Koolyanobbing. BHP already operates a rolling mill in Kwinana. Its capital expenditure throughout Australia in the past eight years has exceeded £256 million (\$607 million)—Melbourne.

Sugar

UNITED STATES—Last year Louisiana harvested the largest crop in the history of its sugar industry—about 760,000 tons worth nearly \$158 million. The previous record of 650,000 tons was set in 1961—New Orleans.

Television Sets

NEW ZEALAND—More television sets were produced in 1963 than radios. Figures show the number of television sets produced totalled 98,400, an increase of 43,500 over the 1962 production. There was a further decline in the number of radios manufactured in 1963 but it was smaller than in 1962. Radios produced totalled 92,900 in 1963, 97,500 in 1962, and 151,900 in 1961—Wellington.

Timber

VENEZUELA—The Venezuelan Minister of Agriculture and representatives of the United Nations Special Fund recently signed an agreement for a study of the timber resources of northeast Guayana. The United Nations Special Fund is expected to contribute U.S. \$598,500 towards the cost of the survey—Caracas.

Tires

COSTA RICA—The Costa Rican Government has authorized a United States company to manufacture tires locally. This new factory will be in competition with the factory established in Guatemala several years

ago under the integrated industry classification of the Central American Common Market Organization—Guatemala City.

Tires and Tubes

TURKEY—Turkey's third tire plant, in which the U.S. Royal Company has a 60 per cent share of the U.S.\$5 million equity, was inaugurated on May 22 at Adapazari. The plant cost about U.S.\$13 million and will have an initial production of 190,000 tires and tubes of various sizes a year, which is expected to reach

250,000 in the next few years. The two existing plants, Pirelli (annual output 120,000 tires) and Goodyear (140,000), both located at Izmit, began production during 1963. The Turkish Government's Five Year Development Plan 1963-67 envisages a fourth foreign investment in tire manufacturing; a number of firms have been mentioned but no definite announcement has been made. With domestic production now capable of meeting the normal demand, tire imports have been confined to those special sizes and qualities not produced in the country—Athens.

TRADE COMMISSIONERS ON TOUR

In Canada

The following officers are undertaking tours of business centres throughout Canada as detailed below. Businessmen who wish to see them should get in touch with the Board of Trade or Chamber of Commerce in the cities mentioned, with the following exceptions: Toronto, Canadian Manufacturers Association; Windsor (Ontario), Greater Windsor Industrial Commission; St. John's, Halifax, Montreal, Ottawa, Winnipeg and Vancouver, Department of Trade and Commerce; Fredericton, Department of Industry.

Chile—J. R. Midwinter, Commercial Secretary in Santiago, who has been posted to the Office of Trade Relations and Trade Policy in Ottawa.

Quebec City—October 5 Toronto—October 13-16
Montreal—October 6-9

Italy—R. Brookes, Commercial Assistant in Rome.

Montreal—September 28- Hamilton—October 14
October 2 London—October 15
Toronto—October 5-9 Sarnia—October 16
Welland—October 13

Malaysia—E. H. Maguire, Trade Commissioner in Singapore, who will be returning to his post.

Montreal—October 13-16 Toronto—October 19-23

Peru—K. G. Ramsay, Commercial Secretary in Lima, who will be returning to his post.

St. Catharines—September 21 Hamilton—October 26-27
Welland—September 22 Winnipeg—October 28
Halifax—September 28-29 Regina—October 29
St. John's—September 30- Saskatoon—October 30
October 1 Edmonton—November 2
Saint John—October 2 Calgary—November 3
Quebec—October 5 Vancouver—November 4-12
Montreal—October 6-16 Victoria—November 13
Toronto—October-19-23

Temporary Duty in Ottawa

R. Brookes, Commercial Assistant in Rome, Italy, September 21-25. Contact European Division, phone: 99-2-8727.

S. G. Harris, Assistant Commercial Secretary in Washington, September 14-25. Contact United States Division, phone: 99-2-5176.

E. H. Maguire, Trade Commissioner, Singapore, October 1-9. Contact Commonwealth Division, phone: 99-2-2421.

J. R. Midwinter, Commercial Secretary in Santiago, Chile, September 28-October 2. Contact Latin American Division, phone: 99-2-7641.

C. M. Forsyth-Smith, Trade Commissioner, September 16-30. Contact Trade Commissioner Service, phone: 99-2-6800.

B. C. Steers, Commercial Secretary, Tel Aviv, October 1-15. Contact Asia and Middle East Division, phone: 99-2-5642.

In Territory

Communist China—R. K. Thomson, Senior Trade Commissioner in Hong Kong, and P. M. Roberts, Trade Commissioner, will visit Shanghai, Peking and Wuhan, September 28-October 15.

Mexico—J. E. G. Gibson, Assistant Commercial Secretary, Mexico City, will visit Monterrey September 25-30.

Mozambique—C. R. Gallow, Trade Commissioner in Johannesburg, South Africa, will visit Lourenco Marques October 5 to 9.

Portugal—P. A. Theberge, Assistant Commercial Secretary in Lisbon, will visit Oporto October 19-26.

South Africa—H. W. Richardson, Trade Commissioner in Cape Town, will visit Port Elizabeth and East London October 1-9.

South West Africa—R. G. Godson, Assistant Trade Commissioner, Cape Town, will visit South West Africa September 14-25.

Businessmen who would like these officers to undertake assignments for them should write to them at their posts as soon as possible.

Rhodesia's Tobacco Industry



From Southern Rhodesian fields, where it is cultivated by Africans, tobacco . . .

Tobacco from Salisbury's auction floors now goes to over 40 countries; earned \$115 million in foreign exchange last year. Here is a report on how the tobacco is raised and marketed—and on some of the problems the tobacco industry faces.

IAN R. SMYTH, *Assistant Trade Commissioner, Salisbury.*

"TOBACCO", said Ben Jonson, "I do hold to be the most sovereign and precious weed that ever the earth tendered to the use of man." Three hundred and fifty years later no Rhodesian grower would disagree. Here tobacco is indeed king and, as the backbone of the economy, is certainly precious. In Southern Rhodesia it is the number one employer and the principal source of foreign exchange, with an export value last year of \$115 million, or roughly half the country's total exports. From its inception over 70 years ago the industry has grown to

the point where tobacco from Salisbury's auction floors now reaches over 40 countries.

When we speak of "Rhodesian" tobacco—that is, tobacco sold at the Salisbury auctions—it should be noted that it comes from both Northern and Southern Rhodesia, but nearly 93 per cent of it is grown in Southern Rhodesia. Virtually all of this is the Virginia flue-cured type. The story of Rhodesian tobacco, therefore, is to a large extent the history of flue-cured Virginia production in Southern Rhodesia, which dates back to 1893. In that

year a commercial crop of 57½ pounds of Virginia flue-cured tobacco was sold to Britain at a price of 4/6d. per pound, thus becoming Britain's first leaf import from the British Empire since the loss of the American colonies.

Becomes Leading Industry

The real development of Rhodesian tobacco began in 1912, sponsored by the British South Africa Company, which in those days administered the two Rhodesias under Royal Charter. In 1927, conscious of a British demand for quality tobacco properly shipped, the Imperial Tobacco Company (of Great Britain and Ireland) opened a factory near Salisbury and this marked a turning-point for the industry. For the first time, more tobacco was exported to Britain than to South Africa, hitherto the principal buyer.

It also marked a turning-point in Southern Rhodesian production, which quickly took over the lead from Northern Rhodesia and Nyasaland. Since 1927, the significant influences in the industry have been mainly operative in Southern Rhodesia. These influences (some of which are dealt with in more detail later) have been Commonwealth preferences, the introduction of compulsory auctions in 1963, dollar restrictions and their favourable effect on British imports of Rhodesian tobacco, the London agreement of 1947, and the gradual growth of a number of organizations, both private and government, that support every aspect of the industry.

The production and export of tobacco is by far the most important element in Southern Rhodesia's economy. For the last five years (see Table I) it has represented about 45 per cent of total exports

and in production alone employs about one quarter of the country's 600,000 African (native) workers. The annual wage bill in tobacco cultivation is about \$25 million, most of which goes to Africans. More than \$6 million is spent on fertilizers, insecticides and fungicides and another \$6 million on fuel and power. As the basic cash crop, tobacco plays a valuable rôle in agricultural development, providing the money to finance expansion in mixed farming on lands that might otherwise be uneconomic.

Unlike U.S. production (average planting three acres) or Canadian (average 30 acres), the Rhodesian grower operates large estates. Nearly all of the 2,700 growers each plant more than 50 acres and over one third of them plant 100 acres or more. In 1962, about 218,000 acres of flue-cured Virginia were planted, from which the 1963 average yield per acre was about 826 pounds.

... moves to the auction floors in Salisbury, where potential buyers are sizing it up.



SEPTEMBER 19, 1964

TABLE I
SOUTHERN RHODESIA'S PRODUCTION AND EXPORTS OF TOBACCO

Year	Production ('000 pounds)	Exports	Price per pound (cents)
1959	180,350	138,300	43.05
1960	207,000	154,300	42.70
1961	219,621	171,500	42.27
1962	215,602	175,100	43.70
1963	180,346	168,900	52.02
1964	320,000	.....	33.5-36.0 to mid-July

TABLE II
AVERAGE COST OF PRODUCTION OF RHODESIAN TOBACCO 1961-62

Item	Per Pound Sold (cents)
African labour	9.72
European labour	2.76
Tractors	2.75
Seed	0.06
Fertilizer	3.00
Pesticides	1.25
Insurance	1.70
Miscellaneous	1.00
Curing fuel	0.27
Transport	0.42
Commercial grading	0.80
Hessian, paper and twine	0.65
Selling charges	1.50
Overheads	5.85
Interest	0.90
Rent	0.60
Total	33.23

Production Costs High

This yield may seem disappointing by Canadian standards (we average about 1,500 pounds per acre) but it is no reflection on the ability of the Rhodesian grower. Soil types, low productivity of labour and, above all, uncertain weather make his task a hard one. And apart from the skill and care demanded in growing his tobacco, the Rhodesian farmer has to master other arts. On his isolated farm he must perform his own machinery repairs, do most of his own building, construct dams, and engineer irrigation schemes. Above all, he must be a labour relations expert, for the average Rhodesian tobacco farm employs about fifty African labourers, most of whom have their families with them. As a sideline, therefore, the farmer also has to run a canteen and general store.

All of this adds up to relatively high production costs. In 1961-62, the average cost of production of Rhodesian tobacco was over 35 cents per pound, a figure which is broken down in Table II. This year, production costs have been estimated at 31 cents per pound but prices at auction are also down, hovering between 33.5 and 36 cents per pound. Although Rhodesian leaf is usually of good standard, freakish weather has contrived this year to reduce its quality and at the same time produce a record crop of about 320 million pounds. With good reason, therefore, growers are concerned about narrowing profit margins.

Organization of the Industry

There are a number of bodies, both government and private, which exercise considerable influence on the industry. First among these is the growers' own organization, the Rhodesia Tobacco Association (RTA), which is responsible for safeguarding growers' interests. The RTA is headed by a council consisting of representatives elected from 25 districts in the two Rhodesias. From this Council members are chosen who represent the growers on two statutory commissions—the Tobacco Research Board and the S.R. Tobacco Marketing Board. Financed by a statutory levy on each pound of tobacco sold at auction, the RTA contributes about two thirds of the money required to operate the Tobacco Research Board.

The counterpart of the RTA is the Tobacco Traders Association (TTA), another private body, which looks after the interests of those engaged in selling, buying, packing, exporting and allied aspects of the industry. The interests of growers and traders meet in the Tobacco Marketing Board, a statutory commission to which the RTA and TTA each nominate three representatives. The TMB is chaired by a senior civil servant and performs such functions as regulation of auction sales, registration of growers,

licensing of graders, and the setting of standards for all areas of the industry. The TMB also has conducted international negotiations on behalf of the industry and was responsible for the 1947 London Agreement, under which British buyers give forward indications of their requirements.

On the technical side, the requirements of growers are met by two more statutory commissions whose names are self-explanatory—the Tobacco Seed Association and the Tobacco Research Board. The first of these is the source of certified seed and the second (mainly financed by growers) is intended, according to its terms, "for the specific purpose of improving the average quality and yield per acre, and reducing the average cost per pound weight of Rhodesian tobacco."

Sold at Auction

Rhodesian growers are not subject to production controls and there is no system of price supports. However, all Virginia flue-cured tobacco must be sold at one of the three Salisbury floors in a completely free auction. The daily tobacco auction sales, from March to September, have become an institution in Southern Rhodesia's capital and a major attraction for tourists from all over the world.

Rhodesian farmers deliver their cured and graded leaf to the floors in bales weighing from 50 to 240 pounds each. Laid out in long lines and sold individually, over one million bales move through the floors over the course of six months.

Supervised by an official of the Southern Rhodesian Tobacco Marketing Board, the sales are governed by a set of rules which have the force of law. About a dozen licensed buyers take up their position in a line parallel to the line of bales. Facing them is the selling team employed by the auction-floor company, whose three key men are the starter, the auctioneer and the ticket marker. The first announces a price at which bidding will start,

the second records the bids in the familiar auctioneer's sing-song, and the third scribbles the final price, the buyer's name and the grade mark on the bale ticket. The average bale is sold in six seconds, the speed depending very largely on the skill of the starter in selecting a price close to the buyer's own assessment of the bale's value.

Promoting Export Sales

Because about 94 per cent of last year's Rhodesian tobacco production was exported, perhaps the most important body of all is TEPCOR, the Tobacco Export Promotion Council of Rhodesia. Although the Tobacco Marketing Board has been responsible for the actual negotiation of some overseas agreements, it is TEPCOR which promotes sales on behalf of the industry. By its terms of reference TEPCOR cannot itself physically deal in tobacco but otherwise its scope is wide. It can initiate overseas selling missions and suggest to Government the countries with which bilateral agreements should be concluded. It is the recognized body on which the tobacco trade may call for information and sales assistance and is required to compile market studies and statistical surveys on behalf of the Tobacco Marketing Board, the RTA, or the Tobacco Traders Association. TEPCOR has been a big factor in the successful advance of the Rhodesian industry and in the

TABLE III
DESTINATION OF RHODESIAN FLUE-CURED VIRGINIA EXPORTS

	('000 pounds, dry weight)		
	1961	1962	1963
Britain	95,249	80,766	92,787
West Germany	23,724	25,553	23,130
Netherlands	11,929	12,250	9,843
Australia	8,354	4,129	3,667
Belgium	6,367	8,297	3,121
Japan	6,361	6,524	5,748
Hong Kong	5,312	6,409	7,454
Malaya	5,218	6,505	6,663
Italy	.....	10,500	3,654
South Africa	3,960	3,199	3,217
Other (35 countries)	5,026	10,268	9,716
Total exports	171,500	175,100	168,900

next two or three years it will, more than ever, carry a heavy responsibility.

Southern Rhodesia is the only flue-cured producing country which has substantially improved its position in world export markets over the past ten years. It has done so by maintaining its reputation as a consistent supplier of tobacco sold at genuinely free auction sales where the sole factors which decide the price are quality, supply and demand. Through long-standing connections (particularly in Britain) with overseas buyers, the Rhodesian

industry has built up a fund of goodwill and a sense of obligation both to and from its customers.

Despite the international goodwill enjoyed by the Rhodesian tobacco industry, TEPCOR has before it a hard task. The vagaries of climate in the 1963-64 growing season contrived to boost per-acre yields nearly 50 per cent and Rhodesian growers, who had aimed at a crop of perhaps 250 million pounds, find themselves with a harvest nearer to 320 million pounds. Unfortunately, most of the crop is of indifferent quality and it

has so far fetched correspondingly lower prices. A number of suggestions about how to remedy the problem have come forward from private individuals. It has been proposed, for instance, that sales be halted while growers voluntarily withdraw one bale in five of their unsold tobacco. Production controls for next season have been discussed widely and as of this writing it seems possible that the Rhodesian Tobacco Association may call for voluntary cutbacks of perhaps 20 per cent. Time will tell what method of solving the problem is adopted. ●

FAIRS AND EXHIBITIONS

Canadians Display at Fine Foods Fair

TWELVE food and beverage producers representing a cross section of the industry in Canada recently participated in the Pacific Fine Foods and Beverage Fair at the Biltmore Hotel in Los Angeles, California. The exhibit was sponsored by the Department of Trade and Commerce.



Two Canadian businessmen attending the Pacific Fine Foods and Beverage Fair were (left to right): D. A. Kruger, Alberta Distillers Ltd., and J. M. Lumby, Dare Foods Ltd. They are shown in front of the Canadian exhibit at the Los Angeles exhibition talking to J. G. Kaffezakis of Trade and Commerce.

About 700 buyers for delicatessen, specialty and gourmet stores attended the fair, and reports indicate that the Canadian exhibitors made some worthwhile contacts.

The 500-square-foot display, which dominated the hotel's Galeria Room, was made up of four free-standing units. These eight-foot-high sections featured the word "Canada" across the top as well as colored photographs depicting various Canadian scenes. The display, in fact, was the only one at the show with a fabricated structure; other exhibitors used the familiar curtained enclosures.

Over 2,000 copies of a booklet entitled *With a Canadian Flavor* were distributed during the four-day exhibition. It was also sent out before the show to a selected mailing list. The 16-page brochure contained both advertising copy and descriptive pictures of the products on display. Other advertising included space in the show's newspaper and a press release which was sent to the industry's trade magazines.

Among the exhibiting companies were Alberta Distillers Ltd., Andres Wines Ltd., British Columbia Packers Ltd., Burns & Co. Ltd., Canada Packers Ltd., Dare Foods Ltd., Kosher Meat Canning Co. Ltd., W. H. Malkin Ltd., Maple Sugar Producers of Quebec, Paulin Chambers Co. Ltd., Potter Distilleries Ltd. and baker Guennel Co.

Booklet Heralds Vacation Show

THE annual Philadelphia Travel, Vacation and Outdoorsmen Show has prepared a 16-page magazine in preparation for its 1965 exposition.

Featuring 46 photographs of the colorful show, the magazine also includes commercial messages from show suppliers such as exhibit builders, designers and furniture rental firms.

The exhibition will again present the largest array of travel-vacation displays and entertainment gathered together in the four-state area of Pennsylvania, New Jersey, Delaware and Maryland. It will take place March 13-21 in the Pennsylvania National Guard Armory, and will be open to the public from noon to 11 p.m. both Saturdays, from noon to 7 p.m. on Sundays, and from 5 to 11 p.m. during weekdays.

Brochures may be obtained by contacting the show's executive offices at 845 North Broad St., Philadelphia, Pennsylvania.

Shipshape Fair Takes Lisbon by Storm

JAPAN has come up with a new idea for external trade promotion—a ship designed to act as a floating fair or exhibition. Called the Sakura Maru, the 13,000-ton vessel is manned by 230 persons and is sponsored by the Japan Industry Floating Fair Association.

Lisbon was the final port of call for this year's trip and the fifth one made by the group.

Space was allotted to the 400 stands in order of importance. First came telecommunications, automobiles and motorcycles, metals and machine tools, and textile machinery and finished cloth. These were followed by a wide range of machines and manufactured products, both in the capital and consumer categories. Foodstuffs and beverages had the smallest amount of space.

The telecommunications exhibit was the most striking. It included television-telephones and transistorized radio and television sets. Heavy machinery on display included units for use in agriculture, road and mining, pneumatic and hydraulic, packaging and shipbuilding

operations. The Shipbuilders' Association of Japan also mounted a large exhibit.

The ship was filled with visitors, and the exhibit aroused considerable comment. This is not surprising because most Portuguese know relatively little about Japanese goods. The exhibition was exceptionally well run and was presented under the most favorable conditions. Although its immediate effect on sales is difficult to determine, its public-relations impact was great.

—THEO J. MONTY,
Commercial Counsellor, Lisbon.

European Trade Fairs in October

GOING to Europe next month? If so, why not attend some of the various trade fairs planned for the next four weeks. These fairs will give you a better understanding of market conditions, needs and the latest product developments. The time involved is small, and the rewards could be most surprising.

Belgium

Oct. 10-25 International Food & Home Exhibition, 10 place de Brouckere, E/V, Brussels.

Britain

Oct. 13-16 Food Packaging Exhibition, 64 Cannon St., London.

France

Oct. 3-6 MEUROPAM and PRO-MEUROPAM: furniture equipment and supplies as well as finished items. Palace of Engineering, Quai A. Legnon, Lyon.

Oct. 8-17 International Office Equipment Fair. 6 place de Valois, Paris.

Germany

Oct. 15-18 International Lingerie & Foundation Garments Trade Fair. P.O. Box 140, Berlin.

Italy

Oct. 3-12 Italian Machine Tool Exposition. Corso Matteotti 11, Milan.



Canadian pelts surround the official group at the European Fur Fair held in Frankfurt, West Germany, earlier this year. H. J. Horne, Canada's Commercial Counsellor in Bad Godesberg, greets a member of the delegation as His Worship the Mayor of Frankfurt looks on. Almost 300 exhibitors displayed their wares to 20,000 business visitors. Canada was the only country to mount a national exhibit.

TRANSPORTATION NOTES

New Zealand

INTERNATIONAL JET AIRPORT—The Auckland International Airport at Mangere, due to open in the last quarter of 1965, will be New Zealand's first airport capable of handling the jet aircraft now operating on major world air routes.

The airport is located in a large, flat, fog-free area, has good visibility in all directions and is only 30 minutes travelling time from Auckland.

The first stage, scheduled to open officially on January 29, 1966, is an 8,500-foot runway equipped with full radio aids. The main runway is built for aircraft of an all-up-weight of 500,000 pounds. The cargo shed is the temporary passenger building.

The second stage of development, based on an agreement between the New Zealand Government and the Auckland local government, calls for a permanent terminal building to be opened in 1969. Further planned stages are the extension of the main runway, and construction of a cross-wind runway and a runway parallel with the main one.

Aircraft will be assisted to take off and land by surveillance radar located on Wairo Island, about half a mile from the main runway; by full instrument landing facilities; by Omni-range.

The number of passengers per month using the airport is estimated at about 30,000 domestic and 15,000 overseas—Wellington.

South Africa

STEAMSHIP LINE EXPANSION—The South African Marine Corporation (Safmarine) is planning to build five more cargo vessels for its services to the United States, Britain and Europe. The new ships will be designed for a speed of over 20 knots and will have a deadweight capacity of about 12,000 tons. Refrigerated compartments and deep tanks for bulk liquids will be included—Cape Town.

Spain

PORT EXPANSION—The Spanish Development Plan will invest a total of 12,001.81 million pesetas in port development, of which 2,795.7 million will be for completion of present port construction.

Over 3,300 million pesetas will be spent on new material, cranes, locomotives, launches, etc. Present dock space falls short of needs by 6,830 metres. During the Four Year Plan, 18,000 metres of docks are to be constructed to help absorb the annual deficit and to enable Spanish ports to cope with increasing traffic. Other planned purchases include 476 new cranes, 34 loading machines, 100 trailers and other ancillary equipment.

Ample dredging of ports to maintain necessary depth for large vessels is a problem particularly acute in the ports of Bilbao, Santander, Avilés, Huelva and Seville, and involving an annual dredging program of 5.5 million cubic metres. New dredging equipment valued at 973 million pesetas will have to be acquired to maintain dredging progress.

The following are individual plans for some of the major Spanish ports:

Seville—construction of the so-called Seville-Bonanza canal, considered essential for expansion of the existing port, involves a total investment of 3,958 million pesetas. During the Four Year Plan, commencing in 1965, some 1,020 million pesetas will be invested.

Bilbao—total investment in this port for additions to dock facilities and for construction of a new fishing harbour will amount to 2,177 million pesetas, of which 740 million will be spent during the four years of the Development Plan.

Huelva—the port of Huelva will be relocated at the mouth of the Tinto and Odiel Rivers, and the present port will be used exclusively for fishing vessels.

Barcelona—1,200 million pesetas will be invested in construction of 1,200 metres of new docks and in the purchase of 75 new cranes.

Canary Islands—traffic in the various ports of the Canary Islands is rapidly expanding and Puerto de la Luz is considered one of the seven busiest ports in the world. Both Puerto de la Luz and Santa Cruz de Tenerife have a huge petroleum traffic. Some 665 million pesetas have been granted to expand the ports of La Luz and Las Palmas and 735 million for Santa Cruz de Tenerife.

Spanish ports handling petroleum are growing in number and by 1968 this traffic may reach 40 million tons. The outstanding ports of La Coruña, Cartagena, Malaga, Tarragona, La Luz and Santa Cruz de Tenerife have important petroleum installations, either completed or under construction.

Spanish fish catches, probably reaching 1,200,000 tons by the end of 1967, will create traffic for the ports of Vigo, La Luz, Pasajes, Huelva, Algeciras, Bermeo, Ondarroa, Barbate and Arrecife—Madrid.

Sweden

PRIVATE AVIATION EXPANDING—The Royal Swedish Aero Club estimates that by 1975 there will be 2,500 private aircraft in Sweden compared with 540 on January 1, 1964.

The club stresses the need for better airfields and for a streamlining of present regulations in order to handle the coming expansion—Stockholm.

North American sales techniques are taking hold in Britain. A number of these new developments, plus new regulations and legislation being considered, will have an important effect on food sales to Britain and Canadian exporters should watch them closely.

W. M. MINER, *Commercial Secretary (Agriculture), London.*

British Food Merchandising Goes Modern

ALL along the main streets of Britain the growing battle for the food shopper's custom is evident and this increasing competition is resulting in many North American-style innovations in grocery merchandising. New supermarkets are appearing regularly and older stores are being modernized. Grocery groups and

retail distribution is becoming more centralized and some food products are sold directly to supermarket companies, grocery groups and catering organizations. Many importing companies (a few now called food brokers) have adopted modern promotion techniques to attain national distribution of a limited range of specialized products. Some now handle non-food lines as well. These developments, not all new by any means, are continuing and Canadian food exporters should be aware of them.

Volume Retailing

chains are employing various forms of price cutting and trading stamps have arrived. Food promotion campaigns are more frequent and elaborate; practically all outlets now offer "specials" in the form of discounts, premiums, competitions or prizes. Shop signs and displays are bolder and more colourful and the brands they advertise now include a greater variety of pack sizes and a broader range of products.

The structure of food merchandising is also changing. Buying for

The growth of supermarkets and the voluntary grouping of independent grocers have been in the forefront of change in retailing methods. Calculations based on newly released *Census of Distribution* figures, (as shown in Table I) indicate that the growth rate of "multiples" slowed down between 1950 and 1961, but their sales volume rose sharply. The relatively strong position of the independent stores vis-à-vis the co-operatives seems to be related directly to the voluntary grouping of the former, combining the advantages of personal selling with those of large-quantity buying.

Although the British housewife appears to be attracted by North American retail methods—the wide choice, the colourful packaging and the advantages of once-a-week shopping—she is not willing to go all the way to the outskirts of town to take advantage of them. This means that supermarkets must find sufficient space in the centre of town, the high cost of which can only be offset through a much bigger turnover.

TABLE I
BRITISH FOOD STORES*

	Percentage change in number of stores		Percentage change in sales**	
	1950-57	1957-61	1950-57	1957-61
Multiples	+ 3.8	+ 1.6	+15	+38
Independents	+ 3.7	- 1.8	- 1	+11
Co-operatives	+25.0	- .3	- 1	+ 5

*Based on information from *Census of Distribution*.

**Based on constant dollar value 1950=100.

Other interesting facts can be gleaned from the *Census of Distribution*:

1. The decline in the number of grocery establishments was most marked in the greater London area.
2. In most regions of the country the number of grocery shops rose during the 1957-1961 period; Wales, East and West Riding, London and the southern regions were exceptions to this trend.
3. The supermarket development was concentrated at first in the London and southern areas, but the emphasis has been shifting to the North.
4. There is little sign of a major shift of retail business away from the town centers.
5. 34,000 independent grocers still ring up sales of less than \$180 a week.

Success selling through supermarkets depends largely on the type of product sold. Branded, nationally advertised, attractively packaged lines are moving well, but the supermarkets have not succeeded so well in retailing fresh vegetables, fresh meat, bakery products or confectionery.

This changing pattern in retailing should be followed closely by Canadian exporters. As food merchandising becomes more centralized, it will take greater volume, continuity of supply and eye-catching packaging to secure shelf space in Britain.

Trading Stamps Have Arrived

The introduction of trading stamps by some British food chains in 1963 was by no means unopposed (some leading chains preferred price cutting), but this promotion method now has a firm foothold and is likely to become a permanent feature of retailing here. Stamp trading is an extremely sensitive and controversial topic in Britain today, and Canadian exporters would be well advised not to take

sides as there are important customers for Canadian foods on both sides of the argument. The use of trading stamps has resulted in additional price discounts for some foods. This brings us to a second controversy going on in Britain today—the abolition of resale price maintenance.

Resale Price Maintenance

A government bill now before Parliament is designed to abolish resale price maintenance in Britain. This action has important implications for manufacturers, retailers (particularly supermarkets and small shopkeepers), and consumers. For supermarkets, the principal effect would be on the range of products they can handle. Although resale price maintenance in principle covered all goods, the increase in the number of supermarkets quickly broke down the practice for most grocery products. Furthermore, manufacturers in practice accepted some discounting because the chains could always market under their own brands.

This development is of interest to Canadian food exporters primarily because it may affect the growth of supermarkets and the type of products they carry. Should price-cutting be permitted for most non-food products, the supermarkets will find it easier to expand and will probably diversify into other lines to a greater extent. It seems unlikely, however, that the abolition of resale price maintenance will have much effect on food prices.

Food Regulations Reviewed

The British Food Standards Committee constantly reviews regulations governing labelling and composition of foodstuffs, acting in an advisory capacity to the Minister of Agriculture. Representations are invited from anyone interested in the products being studied. In this way, the viewpoint of Canadian and other overseas processors can be taken into account before the committee's proposals are placed before Parliament.

At present, standards affecting cheese and meat products are among those under consideration. Proposed standards for meat content in canned meat, meat pies and similar products are being reviewed. In its preliminary work, the committee is prescribing the desirable minimum meat content and writing acceptable descriptions for a broad range of designated products. Proposed quality standards for cheese are under study.

The new Weights and Measures Act was adopted last year and will be implemented in various stages to full effect by July 31, 1965. Under the Act, the Minister can establish at any time new regulations on container sizes and the marking of weights.

The general Labelling of Food Order 1953 is being reviewed and may soon be amended to tighten up certain requirements for the display of information on food labels, such as name of the food, list of ingredients, and name and address of the manufacturer.

Similarities between Canadian and British regulations on minimum composition and labelling of food are only coincidental. In some ways the British requirements are more stringent than ours and give no margin of tolerance. In other respects they are more lenient. It is clear that the Food Standards Committee, with its broad terms of reference, will continue to examine food regulations to protect the consumer, and in the process the requirements may gradually become more specific and exacting. Canadian food exporters must be alert to changes and carefully check the regulations before introducing new products, labels or packs in Britain.

Index to Foreign Trade

The index to Volume 121 of *Foreign Trade*, covering the issues from January 11 to June 27, 1964, has now been printed. Readers who wish to have copies should write to the Editor.

Don't Overlook

Britain's Catering Industry

Purchases of food products estimated at \$1,200 million a year make British caterers worth cultivating. Canadian firms with a new product, pack or process should seek a share of this business.

BASIL M. FILLMORE, *Commercial Assistant (Agriculture), London.*

SALES by the food catering industry in Britain exceeded £150 million in the peak month of August 1963 and in February, at their lowest ebb, totalled about £100 million. This is a normal pattern for the industry but the rate of overall annual increases in sales has accelerated in recent years. This reflects the increased travel and tourism in Britain and the greater sophistication of taste which has led to considerable investment in new equipment in hotels and other catering establishments.

Slightly more than 50 per cent of catering sales are made by brewing groups who own almost all public houses throughout Britain. There are some 47 brewers in this category (including one state-owned group) who own many hundreds, possibly thousands, of pubs. A further 25 per cent of total sales is accounted for by restaurants and cafés and 15 per cent by hotels and holiday camps. The remaining 10 per cent represents sales by canteens in factories and offices.

In addition to domestic customers, the industry catered to over two million overseas visitors in 1963, a rise of 83,000 over the previous year.

This statistical expansion is easily evident in a casual look around Britain. In London alone, new hotel blocks have taken their place among the landmarks—the London Hilton, the Europa, Carlton Tower, the Ariel, the Airport, the St. Georges,

and the Royal Garden (1965). Many older hotels have been renovated.

Structure of Industry

As mentioned before, the brewing groups are the largest hotel owners in Britain, with several thousands of small inns, public houses and small hotels scattered throughout the country, catering to tourists in season and itinerant businessmen all the year round. In general these pubs and hotels are let to licensees who manage them on behalf of the brewers. The licensees are individually responsible for their catering and operate as separate units.

Conversely, through mergers and takeovers ownership of hotels is now concentrated in the hands of a relatively small number of major groups. The largest owns 210 hotels all over the country; some are luxury types of hotels and others in the medium class. In general, the policy is to centralize management and purchasing throughout the groups, mainly through the head offices in London. This is very different from the practice of brewery groups. Similar integrated arrangements characterize the Railways hotel organization responsible for the hotels, pullman cars, restaurants and buffet cars, and station buffets of British Railways.

Many high-class restaurant chains have a centralized management and purchasing policy directed from head office. This is also true of a

well-known holiday hotel and camp chain.

Other important segments of the industry concern themselves with catering to schools and hospitals. For schools, administrative responsibility lies with the Ministry of Education but general and purchasing policies are implemented by the various county boroughs. Hospital catering is subject to the over-all policy of the Ministry of Health and is organized on an area group basis; purchasing is centralized within each of these groups. These sections of the industry fall within the classification of industrial or institutional catering; much of this work is carried out by specialist contractors to offices and factories, etc. In large firms, however, such facilities are usually an integral part of their own organization.

These various sections of the industry have trade associations specifically devoted to their interests. One association covers the luxury hotels, another the medium class, and a third confines its interest to industrial or institutional caterers. The Hotel and Catering Institute is concerned with haute cuisine, acts as an educational body for the industry and awards diplomas.

Canada's Share Is Small

It follows that this active and expanding trade generates a secondary industry that supplies its needs of various products in the quantities and at the place desired. Taking into account caterers' overhead in the form of premises, equipment, heating and staff wages, and based on the latest estimate of catering sales in 1963, the business of supplying foods to caterers is estimated at

between £300 and £400 million a year.

This market is shared principally between wholesale distributors of local and imported produce and local food manufacturers. Overseas producers such as South Africa, Australia and some European countries (Spain and Italy in particular), hold a smaller share of the market.

Within this framework, the wholesale distributors of produce make direct deliveries from the markets to hotels, etc., and manufacturers deliver direct from their plants without any intermediate handling. Major agents and importers representing overseas suppliers deliver from quayside or warehouse direct to large caterers

and hotels. Wholesale distributors perform the important function of maintaining a network throughout the country to deliver to smaller caterers whose requirements are not large enough for direct deliveries from point of origin.

As an overseas supplier, Canada enjoys only a very small portion of this business, with bulk and catering packs of frozen foods, solid pack apples, pie fillings, tomato juice and some fresh produce.

Although there are no obvious gaps in present sources of supply for caterers, a close examination of the industry may reveal some items that Canada could provide. Caterers are keenly concerned with technical aspects of the products, delving into

composition, consistency, drained weights, number of portions, etc., before deciding on a purchase. A particular food itself may not be the problem but the style of processing, size of container, or guaranteed number of portions may be the factor that sells it. In addition, the prerequisite for gaining business of this type is consistent quality, control, regular volume of supply, competitive prices, and an agent or importer equipped to handle the special requirements of caterers. Inclusion in the "buying manuals" of the major groups in the industry could lead to lucrative business for any Canadian exporter who has a product that meets their requirements. ●

Venezuela Regulates Seed Potato Imports

Last month the Venezuelan Government issued new regulations governing imports of certified seed potatoes. This report on them holds particular interest for our Canadian growers who currently account for about 97 per cent of sales in this market.

W. D. WALLACE, *Commercial Counsellor, Caracas.*

THE office of Health and Animal Industry of the Venezuelan Ministry of Agriculture and Livestock has introduced new regulations governing the import of certified seed potatoes in order to establish a firmer control over the use of seed potatoes in this country. The new regulations were published in the official Gazette No. 27.515 of August 13, 1964, and take effect on that date.

Following is a summary of the more important articles of the new law.

1. The import of certified seed potatoes through an import quota allocation system will be made by the Ministry of Agriculture directly through the medium of the Agricul-

tural and Livestock Bank or through authorizations to be given to agricultural co-operatives, potato growers or potato-growers' associations. In addition, the seed potato import must correspond to the variety officially recommended by the Ministry of Agriculture.

2. Each individual seed potato imported into the country must be duly identified by means of a dyestuff that cannot be washed off and cannot affect human health or destroy the germination capability of the product.

3. Each shipment must be accompanied by a plant health certificate issued by the competent health

authorities of the country from which the seed potatoes are imported.

4. The potatoes must be imported into the country packed in new wooden crates with a capacity of fifty (50) kilograms net and with a central division. The crates must be externally reinforced with two metal strips and must carry glued to each a label issued by the plant health service of the country of origin, giving the following specifications: variety, size of the tuber, number of official field certificate which corresponds to each lot, the date of plant health inspection previous to shipment, and the name of the firm exporting them.

TABLE I
VENEZUELAN IMPORTS OF SEED POTATOES

Country of Origin	1960		1961		1962		1963	
	Kilograms of total	Per cent						
Argentina	.....	.....	228	.01	1,560	.02	.....	.....
West Germany	394,267	4.30	66,250	.45	189,638	2.16	.....	.....
Canada	5,415,360	59.40	12,945,271	88.80	7,658,065	87.00	9,311,388	97.10
Denmark	152	.10	.....	.....	2,030	.02	.....	.....
United States	3,243,769	35.60	1,538,363	10.60	228,035	2.60	7,411	.10
Netherlands	55,549	.60	22,756	.15	721,396	8.20	271,446	2.80
Portugal	.....	.....	13,000	.09	.....	.....	.....	.....
TOTAL	9,109,997	100.00	14,585,868	100.00	8,800,724	100.00	9,590,245	100.00

TABLE II
VENEZUELAN IMPORTS OF POTATOES, n.e.s.

Country of Origin	1960	1961	1962	1963
	(kilograms)			
Argentina	.....	.....	330	900
Canada	1,341,314	7,834,073	.....	.....
United States	5,809,263	19,071	5,640	171,239
Italy	611	.....	1	.....
Denmark	.....	.....	.....	4,630
Britain	211	.....	.....	.....
Total	7,151,399	7,853,144	5,971	176,769

5. Imported seed potatoes must be free from the following plagues and diseases: *Leptinotarsa decemlineata*, *Synchytrium endobioticum*, *Corynebacterium sepedonicum*, and *Heterodera rostochiensis*.

6. Shipments of seed potatoes imported from countries where there is *Heterodera rostochiensis* must be accompanied by a plant health certification specifying that the seed comes from fields free from this disease.

7. The weight of the seed potatoes is not to exceed four ounces, 114 grams. A tolerance of up to 5 per cent is permitted, leaving it to the discretion of the Ministry of Agriculture to authorize the import of seed potatoes up to six ounces or 171 grams when four-ounce seed potatoes cannot be obtained.

8. The tubers must have a clean appearance and be free from adhering soil and weeds.

9. The maximum tolerances for diseases and defects of tubers are given below for each shipment for purposes of inspection by the plant health authorities of this country.

	(per cent)
Soft rot	0.50
Dry rot	1.00
Dry rot of a seed end	0.50
Scab (<i>Actinomyces scabies</i>)	5.00
Rhizoctoniosis pathogenic (in interior of potato)	1.00
Rhizoctoniosis saprophytic	10.00
Virosis	0.50
Damaged tubers	3.50
Misshaped tubers	0.50
Mixed varieties	0.00

10. All shipments of tubers destined for seeding and affected with diseases or defects in excess of the tolerances given above will be rejected as seed.

11. Seed potatoes may be imported only through the ports of La Guaira and Puerto Cabello, but the Ministry of Agriculture reserves the right to authorize the use of other harbours.

The new regulations will be of particular interest to Canadian exporters of certified seed potatoes because of the importance of the Venezuelan market for this product. Table I shows that for the four-year period 1960 to 1963 imports of seed potatoes have averaged 10,521 metric tons a year. Canada's share of this market, ranging from 59.4 per cent in 1960 to 97.1 per cent in 1963, has averaged 8,832 metric tons per year. The United States and the Netherlands are the next largest suppliers, followed occasionally by shipments from West Germany and Argentina.

Imports of table stock potatoes, subject to compulsory import licensing, are seldom large unless there is a crop failure in Venezuela, as in 1960 and 1961 when over 7,000 metric tons were imported each year. It has been found, however, that in certain seasons when table stock suppliers are low, importers have sold certified seed potatoes for table use. Although the new regulations are devised to establish a control over diseases in the domestic production of potatoes, they are also directed at preventing the sale of certified seed potatoes as table stock potatoes in the local market.

Complete details of the new regulations may be obtained from the Chief, Plant Products Division, Agriculture and Fisheries Branch, Department of Trade and Commerce, Ottawa, or the Commercial Counsellor, Canadian Embassy, Apartado 11452 Este, Caracas, Venezuela. ●



FOREIGN TARIFFS AND TRADE REGULATIONS

Peru Introduces New Tariff

PERU has introduced a new tariff based on the Brussels Nomenclature which is used in negotiations by the Latin American Free Trade Area. The new tariff, "Arancel de Aduana-Importacion", which came into effect on August 20, completely revises the previous commodity classification and numbering system that has been in effect in Peru since 1935.

The tariff contains two columns. One lists the specific duty (usually based on weight); the other amalgamates the former multiplicity of surcharges and additional taxes into a single ad valorem percentage charge.

The commercial policy on which the new tariff is based is outlined in the Peruvian Budget Law that authorized the establishment of the new system. This law called upon those charged with preparing the new schedule to bear in mind four major criteria:

1. To limit to the minimum taxes levied on imports of capital goods.
2. To tax durable consumer goods and such goods as are likely to be produced locally.
3. To balance the rates of duty with the average of those of the LAFTA countries.
4. To accentuate the long and medium term promotional effects of the tariff without weakening immediate budgetary revenues.

Although the new tariff does not stipulate separate schedules relating to imports from GATT or LAFTA members, the Government has announced that the previously established preferential rates of duty applicable to purchases of items covered by either the Peru-Chile Agreement or the LAFTA schedules continue in force. It has also been confirmed that the GATT rates have been suspended.

Exports from Canada to Peru will be subject to the general rates of duty instead of the previous preferential GATT rates that applied to many items. In many instances, this will result in considerable increases in duties. Despite these changes, the special provisions for duty-free entry of certain goods established by such legislation as the Industrial Promotion Law, the Mining and Petroleum Codes, and laws relating to the import of livestock, meat and products, wheat, newsprint, etc., continue in force. As a result, a wide variety of imports of machinery, equipment, raw materials, and basic foodstuffs still qualify for import under special conditions. Also unaffected by the new tariff are the special 4 per cent tax levied on the freight costs of imports

and the additional 150 per cent ad valorem surcharge applicable to certain iron and steel products.

Peruvian imports are, by and large, items that are not available within the LAFTA region and thus our competitors—primarily the United States, West Germany, Britain and Japan—all face the same tariff increases. These increases, however, cover a broad range of products, including foodstuffs, raw materials, machinery and equipment, and industrial as well as consumer goods. It is thus possible that consumption of certain products may decrease as a result of higher landed costs. In addition, it is quite conceivable that the greater cost of foreign goods will act as an incentive to local industry and domestic production may expand and become more diverse to replace goods previously imported. To the extent that either of these developments takes place, Canadian exports may be affected.

The new tariff became effective on August 20 but importers of merchandise that had been shipped to or had reached Peruvian ports on or before August 19 have the option of clearing the goods under either the old or the new tariff, provided that this clearance is initiated before September 30. To facilitate the introduction of the new tariff, the Government has decreed that where mistakes or erroneous declarations occur on consular invoices as a direct result of the changeover to the new numbering and nomenclature system, the usual fines will not be applied during the 60-day period August 20-October 19. All other documentation requirements, including consular legalization of invoices before shipment, must be completed.

Canadian exporters to Peru are urged to check carefully into the documentation requirements set up by the Peruvian Customs Procedure Code. Your agent or importer can advise you about the nomenclature and numbers of the new customs classification of your product. This information must be given in the documentation and thus if there is any doubt about the exact tariff description or class numbers that apply, your agent or the Commercial Division of the Canadian Embassy in Peru can help by approaching the authorities for a ruling. Minor infringements of documentary procedure may lead to heavy penalties and clearance complications which could be avoided by careful advance preparation.

The Commercial Division of the Embassy will be pleased to provide detailed information in response to specific inquiries about the new tariff.

—D. J. McEACHRAN,
Assistant Commercial Secretary, Lima.

The following nominal quotations may prove useful in checking prices. Canadian traders should consult their banks before making any firm commitments.

Conversion into Canadian dollar equivalent and units of foreign currency per Canadian dollar have been made at cross rates with sterling or the United States dollar on the date shown.

Except when buying and selling rates are specified, the mid rates only are quoted. The buying rate is that at which banks purchase exchange from exporters. The selling rate is that at which banks sell exchange to importers.

When several rates are indicated, the rate applicable depends on the commodity traded. Information on the rate for any specific commodity may be obtained from the Office of Trade Relations and Trade Policy, Department of Trade and Commerce, Ottawa.

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

For conversion to United States dollar equivalent multiply by .92807.

Foreign Exchange Rates

Country	Unit	Type of Exchange	Can. dollar equivalent Sept. 4	Units per Canadian dollar	Notes (see below)
Algeria	Dinar .....	.....	.2199	4.55	
Argentina	Peso	Free .....	.007532	132.77	
Australia	Pound .....	.....	2.3998	.4167	
Austria	Schilling .....	.....	.04175	23.95	
Bahamas	Pound .....	.....	2.9998	.3334	
Belgium and Luxemburg	Franc .....	.....	.02167	46.15	
Bermuda	Pound .....	.....	2.9998	.3334	
Bolivia	Peso .....	.....	.09081	11.01	
Brazil	Cruzeiro	Official Free .....	.0007207	1,387.54	
Britain	Pound .....	.....	2.9998	.3334	
British Guiana	Dollar .....	.....	.6250	1.60	
British Honduras	Dollar .....	.....	.7499	1.33	
Burma	Kyat .....	.....	.2263	4.42	
Ceylon	Rupee .....	.....	.2250	4.44	
Chile	Escudo	Bank rate .....	.4583	2.18	
		Free .....	.3341	2.99	
Colombia	Peso	Free .....	.1079	9.27	
		Certificate .....	.1197	8.35	
Congo, Republic of	Franc .....	.....	.007183	139.21	(1)
Costa Rica	Colon .....	.....	.1626	6.15	
Cuba	Peso .....	.....	‡	‡
Czechoslovakia	Koruna .....	.....	.1496	6.68	
Denmark	Krone .....	.....	.1555	6.43	
Dominican Republic	Peso .....	.....	1.0775	.92807	
Ecuador	Sucre	Official .....	.05986	16.71	
		Free .....	.05819	17.19	
El Salvador	Colon .....	.....	.4310	2.32	
Fiji	Pound .....	.....	2.7025	.3700	
Finland	Markka .....	.....	.3367	2.97	
France, Monaco, etc.	Franc .....	.....	.2199	4.55	(2)
Franco-African Republics, etc. ..	Franc .....	.....	.004398	227.38	(3)
French Pacific	Franc .....	.....	.01209	82.71	(4)
Germany	D Mark .....	.....	.2710	3.69	
Ghana	Pound .....	.....	2.9998	.3334	
Greece	Drachma .....	.....	.03591	27.85	
Guatemala	Quetzal .....	.....	1.0775	.92807	
Haiti	Gourde .....	.....	.2155	4.64	
Honduras	Lempira .....	.....	.5388	1.86	
Hong Kong	Dollar	Free .....	.1876	5.33	
		Official .....	.1875	5.33	

‡There is no trading in Cuban pesos in U.S. or Canadian banks at present.

*Latest available date.

*Aug. 14

Country	Unit	Type of Exchange	Can. dollar equivalent Sept. 4	Units per Canadian dollar	Notes (see below)
Iceland	Krona	Official	.02506	39.90	(1)
India	Rupee		.2250	4.44	
Indonesia	Rupiah		.004310	232.02	(1)
Iran	Rial		.01422	70.30	
Iraq	Dinar		3.0170	.3315	
Ireland	Pound		2.9998	.3334	
Israel	Pound		.3598	2.78	
Italy	Lira		.001725	579.71	
Japan	Yen		.002993	334.11	
Lebanon	Pound	Free	.3507	2.85	
Malaysia	Dollar		.3520	2.84	
Mexico	Peso		.08620	11.60	
Morocco	Dirham		.2155	4.64	
Netherlands	Florin		.2984	3.35	
Netherlands Antilles	Florin		.5714	1.75	
New Zealand	Pound		2.9793	.3356	
Nicaragua	Cordoba		.1539	6.50	
Nigeria	Pound		2.9998	.3334	
Norway	Krone		.1504	6.65	
Pakistan	Rupee		.2250	4.44	
Panama	Balboa		1.0775	.92807	
Paraguay	Guarani	Free	.009698	103.11	
Peru	Sol	Free	.04017	24.89	
Philippines	Peso	Free	.2763	3.62	
Portugal & Colonies	Escudo		.03748	26.68	(5)
South Africa	Rand		1.4999	.6667	
Spain and Dependencies	Peseta		.01796	55.68	
Sweden	Krona		.2098	4.77	
Switzerland	Franc		.2493	4.01	
Syria	Pound	Free	.2817	3.55	
Thailand	Baht	Free	.05104	19.59	(1)
Tunisia	Dinar		2.6076	.3835	
Turkey	Lira		.1197	8.35	(1)
United Arab Republic	Pound	Official	2.4783	.4035	
United States	Dollar		1.0775	.92807	
Uruguay	Peso	Free	.04615	21.67	
Venezuela	Bollvar	Official Free	.2399	4.17	
West Indies	Dollar		.6250	1.60	(6)
	Pound		2.9998	.3334	(7)
Yugoslavia	Dinar	Official	.001437	695.89	

Notes

1. Additional rates are in effect.
2. Franc is also used in French Guiana, Guadeloupe and Martinique.
3. Chad, Central African Republic, Congo, Dahomey, Gabon, Ivory Coast, Mali, Islamic Republic of Mauritania, Niger, Senegal, Upper Volta, Cameroons, Togoland, and Malagasy. Also Reunion, Comoro Islands, St. Pierre and Miquelon.
4. New Caledonia, New Hebrides, French Polynesia.
5. Portugal: approximately same rate for Portuguese territories in Africa.
6. Barbados, Trinidad and Tobago, Leeward and Windward Islands.
7. Jamaica.

Cleveland Office Opens

THE opening by the Canadian Government of a new Consulate in Cleveland at the beginning of September marked another step in the constant efforts of the Department of Trade and Commerce to give Canadian exporters more and better service. Headed by two Trade Commissioners, the new office will be responsible for developing Canadian trade in the State of Ohio as well as carrying out the other functions of a Consulate in the same area. Cleveland is the ninth Trade Commissioner post in the United States and it will work in close co-operation with the existing offices to achieve optimum effectiveness in expanding Canadian exports.

Survey Precedes Choice

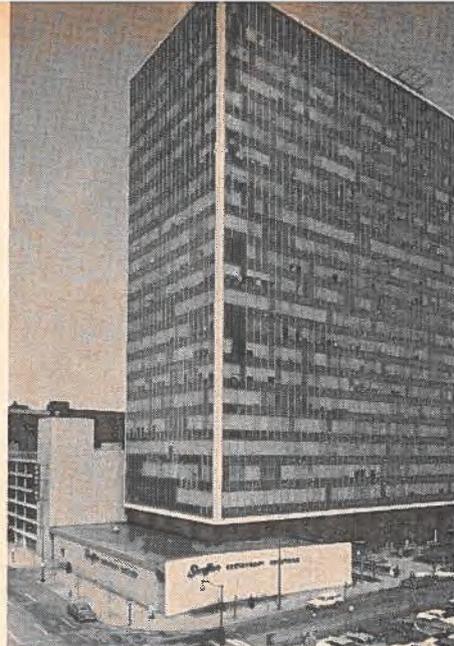
A careful survey was made of several alternative locations before a decision was taken to open the new trade post in Cleveland. Thorough studies revealed that Cleveland, with a metropolitan population of about two million, is the center of one of the richest market areas in the United States and contains the greatest potential for sales of Canadian products of any locality in which there is as yet no Trade Commissioner office.

There are twelve million people within a radius of 150 miles of Cleveland, or almost two-thirds of the total population of Canada, and the average income is one of the highest in the United States. To give some idea of the dynamic growth of

this area, investment by manufacturers on plant and equipment in Greater Cleveland alone in the period 1953-1962 amounted to \$2.1 billion, and according to the Greater Cleveland Growth Board, "the year 1963 was better than 1962 . . . and 1964 will be better than 1963." In addition, Cleveland's redevelopment plan, involving the clearing of a large slum section near the city center, has sparked projects such as a new 40-story office building, just completed, the ultimate value of which will be well over \$100 million.

In 1963, Greater Cleveland had over 3,658 industrial plants and an estimated 254,985 people employed in industry and commerce. Well served for transportation by rail and water and by the existing road network, further improvements are being made by the addition of thoroughways running to the heart of the city. The Port of Cleveland handles over 20 million tons of cargo a year with most commodities related to the thriving steel industry, though with the advent of the St. Lawrence Seaway, imports of manufactures from abroad have shown a dramatic increase.

The location of Ohio makes it difficult to estimate Canadian sales there because goods for use in the State tend to pass through Buffalo or Detroit. However, in addition to bulk commodities like lumber and newsprint, it is a large market for industrial components and there is



The new Canadian Consulate in Cleveland has its offices in this building located in the heart of the city.

a considerable sales potential for consumer goods.

The establishment of the Cleveland office means for Canadian exporters a new entrée into a lucrative and fast-growing market that is only minutes away by air from many Canadian centers. Thus this initiative on the part of the Department of Trade and Commerce should result in increased exports by Canadian businessmen as they take advantage of the new services offered and should make a further contribution to the expansion of Canada's trade.

Two Officers Selected

In charge of the new office, with the title of Consul and Trade Commissioner, is A. Worden Evans, who for the past 2½ years has been chief of the Commonwealth Division, Office of Trade Relations and Trade Policy, at the Department in Ottawa. Previously Mr. Evans served in Mexico, Trinidad, Cuba, South Africa, and Liverpool, England. Neil L. Currie has been transferred from Chicago where he has been Consul and Assistant Trade Commissioner to act in the same capacity at Cleveland.

The office is located at Illuminating Building, 55 Public Square. The telephone number is 861-1660 and the area code 216. ●



A. W. EVANS
Consul and
Trade Commissioner



N. L. CURRIE
Consul and Assistant
Trade Commissioner

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