NOVEMBER 13. 65

# FOREIGN TRADE

DEPARTMENT OF TRADE AND COMMERCE, OTTAWA

# FOREIGN TRADE

NOVEMBER 13, 1965 Vol. 124 No. 10

Established in 1904. Published fortnightly by the Department of Trade and Commerce.

The Hon. MITCHELL SHARP, Minister.

J. H. WARREN, Deputy Minister.

O. MARY HILL, Editor.

Material appearing in this magazine may be reprinted, preferably with credit to "Foreign Trade".

Subscription: $5.00 a year in Canada $7.00 abroad.

Single copies: 25 cents each.

Please forward all orders to: Queen's Printer, Government Printing Bureau, Ottawa.



**COMING—TRADE WITH THE COMMONWEALTH CARIBBEAN, NOV 27 ISSUE**

# Chile Develops Its Forest Resources

**Rapid development of the pulp and paper industry in Chile has attracted Canadian interest and provided a market for Canadian equipment. Our Santiago office provides a review of the forest resources, both native and exotic, on which this industry is based.**

Z. W. BURIANYK, *Assistant Commercial Secretary, Santiago.*

FIRST, let's go on an imaginary journey. Slip on your seven-league caulking boots and your red mackinaw. We start at a point just north of Ketchikan, Alaska, and follow a course along the coast, straying inland for not more than an average of 80 miles. We pass through the rain forests of British Columbia, Washington and Oregon, with their mighty stands of fir, spruce, hemlock and cedar, continue along the rugged coast of Northern California, down onto the sweeping beaches as you near the Mexican border and through the coastal desert of Sonora. The journey ends just a few miles north of Acapulco. What have you accomplished? You have merely travelled the equivalent in length of Chile and you have received an amazingly accurate mirror image of this little known country of South America.

For the present, let us confine ourselves to an area resembling British Columbia, or the eight Chilean provinces of Maule, Linares, Nuble, Concepción, Bio-Bio, Malleco, Arauco and Cautin, because, although most of Chile

**Forestry experts from many countries have been active for the last three years in Chile's timber industry. One such specialist (above) demonstrates the proper method of planting insignis pine at a local lumber camp. One of Canada's advisors is Emil Lehman of Vancouver (right). He is inspecting a load of Chilean pine lumber bound for Belgium. Mr. Lehman was brought to the country in 1962 through the United Nations' FAO program to train lumber inspectors.**

has trees throughout, this area, made up of native forest and plantations, is the heart of the true forest region.

### Non-Native Plantations

With an abundance of rain in all seasons, fully 90 per cent of Chile's exotic plantations (non-native species) are concentrated in this eight-province area. The most important species, insignis pine, alone accounts for more than 90 per cent of this plantation growth and even by Canadian standards, growth is unbelievable. Plantation pine is harvested after as few as 14 years but more commonly a 15- to 20-year cycle is followed. Growth rings more than an inch apart and indicating one year's growth are not unusual, a testimony to the ideal conditions and tremendous forest potential of this area. The Government of Chile intends to exploit this resource and is planning a reforestation program which over five years will see 450,000 hectares (more than 1.1 million acres) planted predominantly in insignis pine and other important species, such as eucalyptus, Douglas fir, maritime pine and cypress.

### Native Forests

The native forest can be roughly divided into two zones. The first begins at 48° South, (south of this point, most of the valuable species have disappeared) to about 43° S. This zone, largely uninhabited, has heavy rainfall and difficult terrain and although the stands are potentially exploitable, few operations are evident.

In the second zone, occurring between roughly 43° and 37° S, lies not only most of Chile's plantation growth but also its native forest. The area is estimated to contain about ten million acres of native forests of which more than eight million acres are exploitable. They occur in the coastal range, the Andes, and on wet sites in the Central Valley. Principal species are araucaria, coigüe, valdiviano, roble-raulí, chiloé, lenga, alerce, and ciprés de las Huaitecas. (See Table I.)

**TABLE I**

**COMMON AND SCIENTIFIC NAMES OF SPECIES FOUND IN CHILE**

| Chilean Name | Scientific Name |
|---|---|
| Alerce | Fitzroya cupressoides |
| Araucaria | Araucaria araucana |
| Ciprés de las Huaitecas | Pilgerodendron invifera |
| Coigüe | Nothofagus dombeyi |
| Eucalyptus | Eucalyptus globulus |
| Lenga | Nothofagus pumilia |
| Lingue | Persea lingue |
| Pino insigne | Pinus radiata |
| Poplar | Populus nigra var stalica |
| Raulí | Nothofagus alpina |
| Roble | Nothofagus obliqua |
| Tepa | Laurelia philippiana |

Roughly 60 per cent of this zone, or about 5.5 million acres, is covered by two relatively low-value types of trees—coigüe and valdiviano. Known as the rain forest, it is characterized by evergreen from the ground to the canopy, with a profusion of shrubs, mosses, ferns and lichens growing on stubs and rotting logs. Despite the difficulty of seasoning coigüe, it accounts for about 17 per cent of the cut, the highest percentage of the annual cut of native species.

About one million acres are very wet and feature two types of limited value—chiloé and ciprés de las Huaitecas. On another 1.2 million acres relatively inaccessible alerce, rauli and araucaria grow. Rauli is a component of the decidous roble-raulí forest and covers about half a million acres. Lenga, a decidous beech, occupies another 500,000.

### Areas and Volumes

It is estimated that at present the exotic plantations of Chile total some 750,000 acres, of which the greater portion consists of insignis pine. These pine forests, the raw materials for the pulp and paper industry and an extensive sawmill industry, were estimated in a 1965 survey to contain a little more than two billion cubic feet. Eight per cent of the stands are less than five years old, 20 per cent six to ten years, 33 per cent 11 to 15 years, 27 per cent 16 to 20 years, 10 per cent 21 to 25 years, and only 2 per cent 25 years or older. In a rotation of 25 years, the mean increment per acre ranges between 195 and 395, with an average of about 300 cubic feet.

**TABLE II**

**CONVENIENT CONVERSION FACTORS**

**(approximations only)**

| | |
|---|---|
| 1 acre | =0.4 hectares |
| 2.5 acres | =1 hectare |
| 1 cubic foot | =0.028317 cubic metres |
| 35.3 cubic feet | =1 cubic metre |
| 1 cubic foot per acre | =0.07 cubic metre per hectare |
| 14.3 cubic feet per acre | =1 cubic metre per hectare |

Poplar plantations, the primary source of wood for the match industry, are estimated to contain about 40 million cubic feet. These stands, most of which are owned by Chile's one match company, are scientifically managed and are operated on a 20-year rotation with a final cut at 17 years, followed by three years of agricultural crops to replenish the soil before the stand is established. Further, these irrigated stands are pruned in their first, third and fifth years and starting at five years, thinned at two-year intervals.

Eucalyptus plantations support about 53 million cubic feet from a base of roughly 32,000 acres. Originally introduced to produce mining timber, poles and posts, these stands are also a major source of firewood.

### Forest Operations

Although modern forest techniques with mechanized equipment are used, this practice is the exception rather than the rule. The majority of operations both on plantations and in native forests are relatively primitive, using hand tools and oxen. The brawny lumberjack, a familiar figure in the Canadian woods, is unknown in



91881—2

Chile. Here the forest worker is a small man, rarely exceeding five feet six inches in height. He lives on a diet mainly of bread, beans and aji (chili). Safety gear is virtually unknown and instead of a caulking boot, he usually wears "ojotas"—sections of used tire treads held on his feet by strips of leather.

**TABLE III**

**NEWSPRINT AND WOOD PULP EXPORTS FROM CHILE 1960-1964**

| | Newsprint | Wood pulp |
|---|---|---|
| | (metric tons) | |
| 1960 | 28,631 | 13,503 |
| 1961 | 32,544 | 30,702 |
| 1962 | 23,505 | 22,528 |
| 1963 | 30,565 | 14,490 |
| 1964 | 28,170 | 10,854 |

**TABLE IV**

**CHILEAN IMPORTS FROM CANADA OF PRODUCTS RELATED TO FOREST INDUSTRY 1961-1964**

| Item | 1961 | 1962 | 1963 | 1964 |
|---|---|---|---|---|
| | | (Can. dollars) | | |
| Papermakers' felts | 167,158 | 208,007 | 238,281 | 195,185 |
| Wire cloth | ........ | ........ | 38,939 | 22,384 |
| Chain saws | 18,089 | 24,322 | 6,666 | 13,653 |
| Saws, sawmill machinery | ........ | ........ | ........ | 177,992 |
| Pulp and paper machinery | 4,860 | 4,898,513 | 4,522,816 | 3,737,088 |

His equipment is also simple. Axes are still the most common means of felling but in some areas the two-man crosscut saw is used with a bow saw. Power saws are gaining popularity but because of their cost, and lack of skilled woodsmen to handle or maintain them, this gain is slow.

Oxen are still used extensively—90 per cent of the timber is skidded by teams using a yoke and chain. Wooden carts similar to the Red River cart are conspicuous in Chilean forests. But perhaps the greatest detriment to efficient operations is the lack of all-weather roads. Most forest roads are built with excessive grades, poor drainage, sharp curves, and little if any surfacing. During the heavy winter rains, they become virtually impassable.

## Processing Industries

At present, Chile has five modern mills producing pulp and/or paper, with an estimated capacity of 230,000 tons. Expansion on the drawing boards or under way should increase this to about 570,000 tons by 1970. The raw material supply is adequate: a recent study indicated a supply capable of supporting a pulp and paper industry of 700,000 tons output by 1970. Indeed, Chile is looking to this industry to help considerably in redressing the chronic imbalance of international payments, with special emphasis on the member countries of LAFTA, to which all Chilean newsprint is currently exported and in which Chile enjoys preferential tariff treatment on pulp and paper products. (See Table III.)

The sawmilling industry is extremely flexible. It is estimated that there are between 800 to 1,200 mills, but only 100 can be regarded as permanent. In the native forest, mills are concentrated in Valdivia, Osorno and Llanquihue; the pine mills are primarily in the province of Concepción. There are about ten major pine sawmills with a total capacity of 75 million board feet a year.

With few exceptions, sawmilling costs are very high, for a number of reasons: the need for an excessive amount of labour, outmoded plant design, and obsolete equipment. Many mills use portable steam power which is insufficient, resulting in wide variations in the lumber produced.

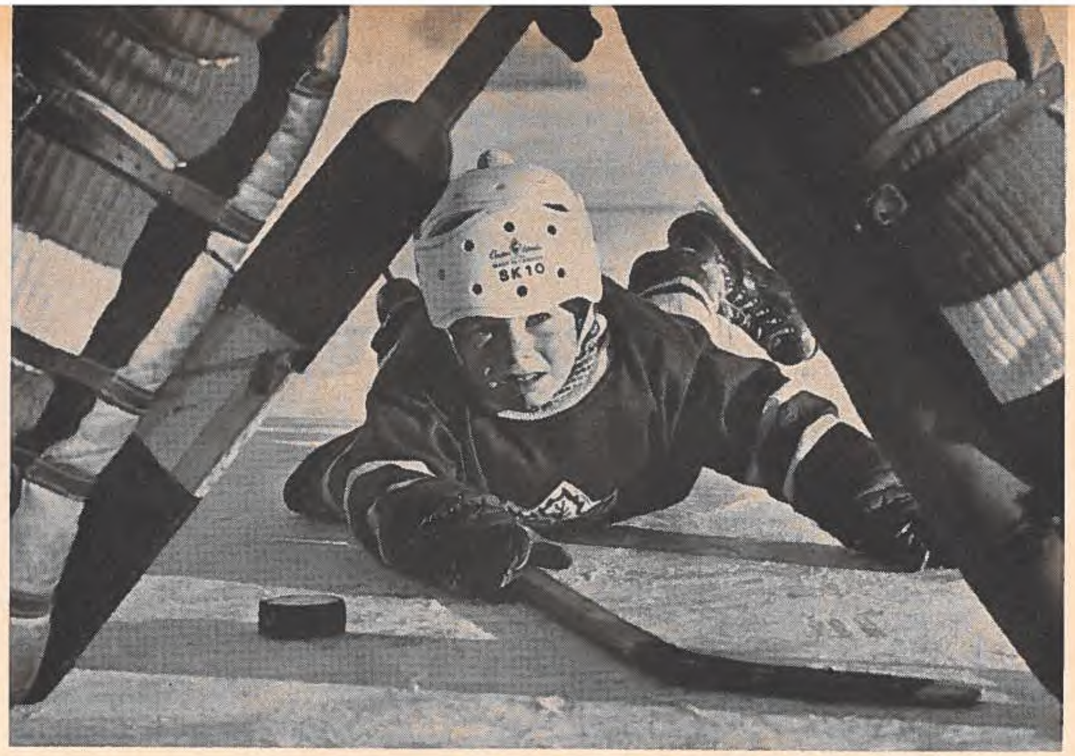
However, new plants with modern equipment and using good management techniques are consistently turning out high-quality lumber and with the recent introduction of grading rules as known in Canada and accepted throughout the world, Chile is beginning to compete in the export market. Recently, small initial amounts were shipped to Britain, West Germany and Israel as well as to its main traditional customer, Argentina.

Canadian firms have been and are selling machinery and equipment both to pulp and paper plants and to sawmills in Chile. (For details, see Table IV.)

## Canadians Assist Foresters

One of the most active offices in Santiago is that of the Instituto Forestal. A joint Chilean Government venture with FAO—the Food and Agriculture Organization of the United Nations—it was founded in September 1961. In addition to Chilean forestry personnel, it is staffed with forestry experts from various parts of the world, from Canada to Finland, from Australia to Norway. Since its inception, the organization has conducted numerous surveys and forest inventories, gathered data for reports, recommended changes and developments, and trained Chilean foresters in the modern techniques of scientific tree harvesting, reforestation, conservation and other related practices.

Among the visiting experts, a number of Canadians have come and gone over the past three years, imparting their skill and knowledge. Currently three Canadians are still with the Instituto and each has served an average of 2½ years. The three are Bob Dixon of Toronto, on loan from the Ontario Department of Lands and Forests and an expert on forest inventory; Tom Stephens of Montreal, a logging transportation adviser, and Emil Lehman of Vancouver, who has trained 59 inspectors in Canadian lumber-grading standards. Following checkout meetings with the FAO Head Office in Rome, the three will be returning to their own regional forests in Canada in the next few months. ●




# From Pads and Pants to Purses

**Jack Cooper, president of Cooper-Weeks Ltd., a Toronto leather goods firm, is a man who believes in doing a job thoroughly. This attitude has resulted in export sales in 12 countries.**

F. A. COCKRAM,
*"Foreign Trade."*

THE WINNING EXPORT PROGRAM of Cooper-Weeks is based on five "musts": a quality product, personal selling, persistence, flexibility and firm commitments.

Nowhere has success been more marked than in the company's attack on the British leather goods market—a particularly tough nut to crack. Mr. Cooper first went to Britain two years ago; he not only hoped to make sales, but was also contemplating opening a plant there to produce large-run, semi-handmade lines for the EFTA markets.

## Get in and Stay in

Two or three months before his trip, Mr. Cooper wrote to Trade and Commerce officers in London. The result: "They made a number of appointments for me and gave me as a showroom the office of one of the staff who was back in Canada on leave. I received a fair amount of encouragement, but I quickly found that British buyers are a little hard-shelled; while they were all courteous, they were also rather wary. They had had previous experiences with North American manufacturers who had come into Britain on a fly-by-night basis, had taken orders, and then left repeat orders to chance. I decided to go in with both feet, to send someone over who was well acquainted with our lines. He could make repeat calls on any buyers who hadn't taken us on the first time. If you ask a buyer for a definite future appointment it's harder for him to get off the hook. Setting up an office in another city or country is expensive, but after a year or so the results justify the outlay."

The assistant manager of the firm's Vancouver branch, who had had 10 years' experience, volunteered to go over for five years; the company is now in the process of hiring one or two people to assist him because he cannot always stay in London where many of the buyers are concentrated. Markets such as Manchester and Liverpool need servicing too.

One of the most important things to remember, according to Mr. Cooper, is that a product must reflect the tastes of a distant market. There have been instances where a North American exporter has loaded up British customers with extremely styled personal leather goods whose quality left something



91881—2½

to be desired. When these could not be sold, buyers who tried to return shipments found that freight transportation costs were too high. They were forced to keep the merchandise and as a result Canadian companies have had to battle a certain resistance ever since.

### You Can Change Tastes

Another important thing that any exporter to Britain must remember, says Mr. Cooper, is that British tastes change slowly, and sometimes the buyer herself (most leather buyers are women) may not be sure what the public will accept. He recalled one of his own experiences: "One particular buyer whom I called on first—and who bought a fair amount of our goods—wanted everything plain. No flowers, no applique, no decorations. I said to this lady that we were going to be stocking in Britain shortly and that I would like to see her try a few of our key containers which were flowered—with the provision that if they didn't move, we would be happy to exchange them for plain ones (which in any event cost the same). The next time I was in Britain the first thing she said to me was, 'Oh, Mr. Cooper, they loved the flowers.' You can see that sometimes it is necessary in a quiet, unobstrusive manner to get people to give new things a try, even though their judgment is that these things won't sell.

"You must listen to suggestions from prospective buyers and be prepared to alter your product to suit the market. There has to be compromise, though, because it costs a good deal of money in most industries to tool up for new styles. The approach we use is to tell the buyer that we will make a special model of a key case or billfold to fit British standards, but in the meantime we suggest that she try to sell our existing line. You must be tactful, however. Telling a customer, 'Here is merchandise that has sold like a house on fire in North America. If you can't move it, there's something wrong with you,' will get you thrown out of European stores faster than anything else.

"We have found that the easiest customers to sell are those who have visited Canada and the United States and seen how we sell small leather goods in self-selection units. Many of these have done increasing amounts of business, and other buyers who resisted at first have now come around. Strangely enough, we have found that those who were most difficult to approach are today our best customers."

### Hockey, Lacrosse Sales Increase

A large percentage of Cooper-Week's export sales comes from its extensive line of protective equipment for hockey and lacrosse. Sales of hockey gear in the United States are growing by 10 to 12 per cent each year, and the list of European countries where the company's name means money in the till reads like a Grand Tour itinerary: Britain, France, Switzerland, Italy, Austria, West Germany, Sweden and Finland.

Mr. Cooper made a rather startling remark about Canada's other national game: "Do you know that our company sells more dollars' worth of lacrosse equipment in the U.S. than it does in Canada?" The reason? The United States' Air Force Academy, West Point and Annapolis have all made substantial purchases; they have decided that lacrosse provides a greater chance for active exercise than most other team sports.

Selling hockey equipment in the United States is nothing new to Cooper-Weeks; the firm has been in the market for the last 25 years. None the less, market conditions have changed and selling practices have had to change with them. Mr. Cooper sketched out the story.

"Hockey is catching on in the United States as far south as Los Angeles and even into Florida. Promoters have established artificial ice rinks at great expense and are trying to get round-the-clock, year-in, year-out use of them by pushing figure-skating classes, curling, and, as early as 5:00 a.m., children's hockey leagues. The impact has been tremendous.

"Until three or four years ago the hockey equipment business in the U.S. was a specialty trade where one or two dealers would cover a very wide area. They would call on all the schools and colleges and the rest of the sporting-goods dealers would stay out. Hockey equipment is now sold more and more on an over-the-counter basis, with even department stores getting on the bandwagon.

"For a long time we could sell only the cheaper lines of equipment below the border. Some 20 years ago, when the equipment shed of Cornell University burned down, the gloves which were ordered from us were considered to be useful in Canada only in the 12 to 14-year-old category. Things have changed as the sport has become more popular, and now we find youngsters in the U.S. buying our NHL-quality equipment."

### Fairs Advertise Line

Trade fairs have become an important part of the firm's technique for selling sporting goods in Europe. For the last two years Cooper-Weeks has exhibited successfully at the SPOGA fair in Cologne, attracting inquiries from as far away as Hungary, Czechoslovakia and the U.S.S.R. European hockey is at the same stage of development as it was in the U.S. a few years ago, Mr Cooper said. The better quality equipment is not sold over the counter.

"In a large city like Stockholm, for instance, you can do 80 per cent of the business with one dealer. If you took on anyone else you would offend the man who is presently selling a lot of goods—and you wouldn't do that much more business. At trade fairs, then, we sometimes have to turn down the people who didn't see us first; always making sure to close no doors."

The firm has found that the more popular hockey becomes in Europe, the more local manufacturers get into equipment lines. At the same time, however, the dollar value of Cooper-Weeks equipment sales keeps rising. The reason for this, Mr. Cooper thinks, is that through constant attention to quality and strong, continued promotion campaigns the company is now known as a supplier of first-class professional equipment. "Made in Canada" means a good deal when Europeans talk about hockey equipment.

Special attention to quality has meant that the company can now sell golf bags and matching casual luggage in Europe as well as in Britain, even though golf is still a rich man's game on the Continent. Incidentally, golf bags and hockey equipment have also been sold in countries as far removed as Mexico and Australia.

### Pricing Problems Vary

Mr. Cooper believes that the pitfalls of exporting for him differ between the United States and Europe.

"In the United States it is absolutely necessary to make it as easy as possible for the buyer to import your product. For instance, prices in our catalogue are in U.S. dollars. We offer goods on two plans: f.o.b. Toronto or f.o.b. Detroit, Buffalo or Cleveland, with the transportation, brokerage and duty paid to these points. The customer who prefers to buy in the second manner has no more problems than if he were buying from an American source located in those cities. We tell our customers frankly that it costs them 3 to 4 per cent more that way than it does to buy f.o.b. Toronto. We have a cash investment to make for the duty, brokerage and transportation, and since we offer dating on fall shipments (which is what the Americans are used to) we don't recover the cash outlay—to say nothing of wage and material costs—until several months after they've been shipped. The really enterprising dealer will buy f.o.b. Toronto and go to a little more trouble himself.

"In Europe importers are much more enterprising. There are fewer of them because of the nature of the trade there and they are invariably more experienced. The American market for athletic goods is pretty much self-contained and the average dealer there has limited experience in direct importing. The European sporting goods dealer is very much more a man of the world: he sells English golf and tennis equipment, Swedish skis, Austrian ski boots and German rifles. It is nothing to him to import."

Cooper-Weeks quotes prices to European dealers f.o.b. Toronto in Canadian dollars. Wholesalers pay the same prices as their Canadian counterparts, less the federal sales tax of 11 per cent; the plan for retailers is exactly the same. The firm originally quoted in U.S. dollars but when competition became fiercer, it was decided to quote the same prices in Canadian currency. This meant, in effect, that dealers could buy for almost 8 per cent less. Flexible thinking is now paying off.

"You must make enough personal trips to convince people that you really do intend to stay in the market and service it." Perhaps this statement by Mr. Cooper shows more than any other his solid belief in persistence and firm delivery commitments. Foreign confidence in a Canadian company's continued interest is half the battle, says this seasoned campaigner. And his plan of attack seems to be good for all fronts. ●

## 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, Edmonton and Vancouver, Department of Trade and Commerce; Fredericton, Department of Industry.

**United States**—N. L. Currie, Consul and Trade Commissioner in Detroit:

Stratford—November 15
Woodstock—November 16
London—November 17
Chatham—November 18
Windsor—November 19

### In Territory

**Communist China**—R. G. Woolham, Trade Commissioner in Hong Kong, will visit Peking and Shanghai November 25 to December 1.

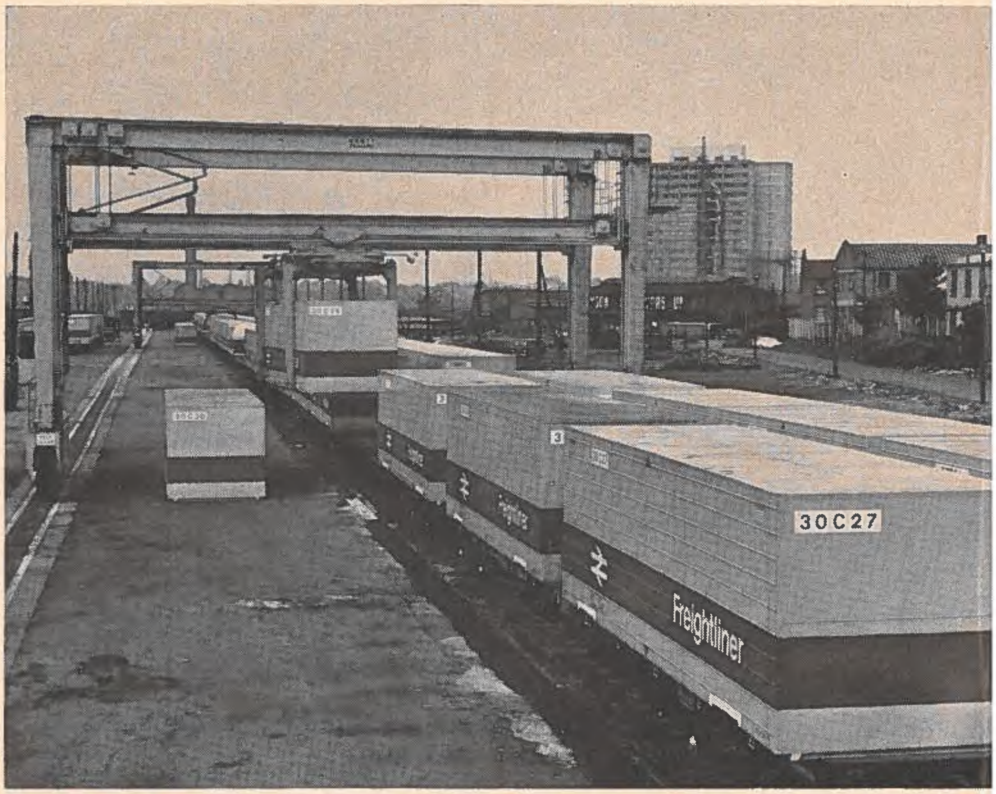
**Cyprus**—B. C. Steers, Commercial Secretary in Tel Aviv, Israel, will visit Nicosia, Famagusta and Limassol during the week beginning November 28.

**Saudi Arabia**—I. V. Macdonald, Commercial Counsellor in Beirut, Lebanon, will visit Jeddah December 3-9.

**Yugoslavia**—R. G. Godson and R. J. L. Berlet, Assistant Trade Commissioners in Vienna, Austria, will visit Belgrade, Novi Sad, Zagreb, Rijeka, Trieste and Ljubljana November 17-26.

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

# Freightliners Will Speed Deliveries




**Giant rolling cranes with claw-like pickup mechanisms are an essential part of Britain's new Freightliner road/rail system. In the background (far left) one can see a pickup crane in an "open" position poised over a container. Test-runs are now under way.**

**Freightliners, British Railways' response to the competition from truckers, may revolutionize the transporting of goods, domestic and even imported, throughout Britain and to the Continent.**

W. R. VAN, *Trade Commissioner, Liverpool.*

BRITISH RAILWAYS has been rapidly losing ground to truckers in the highly competitive and more lucrative cartage of general merchandise, though it is still the kingpin in the haulage of raw materials in bulk. Manufactured goods—export and import, city to city, groceries to the supermarkets and general stores, suits from the multiple tailors to their stores, and all the bits and pieces—these are the loads that truckers have been able to carry more swiftly and more cheaply than the railway.

British Railways has now decided to make a stand. It has taken up the challenge and by so doing hopes not only to create a new chapter in rail history, but to get itself back on the rails financially in the freight field. How does it propose to do this? The answer is through the Freightliner. The date?—January 1966. The routes?—the major routes for carrying goods between London and Liverpool, Manchester and Glasgow and between Liverpool and Glasgow and Glasgow and Manchester.

What is a Freightliner? What advantages will it have over trucks? These are some of the questions that come to mind.

## Freightliner Features

Freightliners, according to reports, are the most modern freight expresses in the world—trains built to international standards, trains of long, low boxcars close-coupled into semipermanent units, trains which, for the first time in British Railways history, will have air-operated disc brakes. These trains will be made up exclusively of containers constructed to international specifications—some of steel, some of light alloy, some of plastic. The containers will carry loads of up to twenty tons each. Trains with payloads of 675 tons will travel between major transport centres at speeds up to 75 miles an hour and an average of 50 miles. The standard train will consist of 15 cars with an over-all length of nearly 1,000 feet. They will be hauled by diesel-electric locomotives in the 2,000 to 2,750 h.p. range. Longer or shorter trains can be made up as circumstances require.

British Railways estimates that 50 per cent of future Freightliner traffic will come from miscellaneous loads collected by private truckers. In its challenge to the truckers, the Railways has expressed the desire to work with them rather than attempt to compete with them along the main routes where, it is felt, the road haulers will no longer be able to operate profitably once the Freightliner service is firmly established. Because British Railways has made it crystal clear that it is after the trade that truckers now carry up and down the major trunk roads connecting the principal cities and ports of Britain, it hopes that the truckers will accept its invitation to provide a network of collection and delivery services based on key points in the country. British Railways, with containers mounted on Freightliners, will then provide the long-distance trunk haulage at speeds and prices that truckers will probably not be able to match.

### Advantages Demonstrated

With Freightliners, British Railways will be able to carry 500 tons of freight between Liverpool and London in four hours with only two men's labour. They will carry their big loads entirely in containers. For example, a Freightliner can arrive in the Liverpool depot at Garston and be unloaded, reloaded and dispatched again in two hours. This has to be compared with the much longer operation of breaking up a conventional freight train by shunting the freight cars, unloading them, and then having them lie idle for perhaps a week or more before they are loaded again. Damage and pilferage would be eliminated.

Even though Freightliners will not be in active operation for some time yet, they have been undergoing rigorous testing. A Freightliner has been leaving Rugby on the Liverpool route at 4.10 a.m. every working morning and pulling into a siding at Garston at 5.58 a.m. This experimental Freightliner has been making three round trips a day between Rugby and Liverpool. As a test train, it has been carrying a simulated load of cut-up railway lines and concrete blocks. It has been going through all the motions of an authentic train operation and demonstrating that it is capable of carrying more than 4,000 tons of freight in one working day. Other fully loaded prototypes are running over various routes to ensure that all breaking-in problems are overcome before full-scale operation.

Special equipment has been designed and ideas to speed up the loading and unloading of all the container Freightliners have been borrowed from the Continent. Eventually at depots like Garston (Liverpool) giant self-propelled gantry cranes capable of spanning two railway tracks and a roadway wide enough for two or three lines of road vehicles will speed the handling of Freightliner loads.

### Revolutionary Method

The significance of the container method of carrying miscellaneous freight is that it points the way to a revolution in goods transport. So successful has the container method been since its introduction a comparatively short time ago in coastal shipping that almost 100 per cent of freight crossing the Irish Sea is now carried in containers. The Freightliner concept of freight handling reduces the transit time of goods. It brings Britain and most of the Continent at least a day nearer to Canada and the United States for goods moving through Liverpool. When the Freightliner project attains its objective, Freightliners will ultimately run on to the docks, pick up 600 tons of cargo, and travel by direct rail routes via the Midlands to London, Dover, the train ferries to the Continent and so to Paris, Brussels, the Ruhr, Milan and Scandinavia faster than any other service. In turn, exports from Europe to North America will also be speeded up by "Freightliner via Liverpool" methods.

Two Freightliners a day in each direction between Liverpool and London are at present contemplated. This is only a start. As this new method gains over the conventional long-distance freight transport, it is easy to foresee a collection of Freightliners serving the port of Liverpool and speeding goods on their arrival from Canada to destinations not only within Britain, but on the Continent as well.

### Information for Exporters

The Office of Trade Relations of the Department of Trade and Commerce publishes bulletins covering shipping documents and customs regulations for some 83 countries. In addition, this information is summarized by area for the Far East, the Middle East, Latin America, Europe and the Commonwealth. A pamphlet entitled *Customs Information for Canadian Exporters to the United States* is also available.

Also available are bulletins on:

Tariff Arrangements in Force between Canada and other Countries

Where to Obtain Foreign Customs Documents in Canada

Canadian Export Permit Regulations

Tariff Preference for Canadian Goods Abroad.

Export Assistance from Canadian Trade Commissioners.

In addition, the Office attends to general inquiries from exporters about foreign import duties and trade regulations for particular products, and other related aspects affecting Canadian exports.

For copies of any of the documents described, readers should get in touch with the Office of Trade Relations directly.

# Korea: Trade Moves Up

**Proportion of imports paid for by foreign aid is diminishing, exports are increasing, and some trade liberalization has resulted. Opportunities for Canadian exporters in most lines remain limited.**

R. G. C. SMITH, *Minister (Commercial), Tokyo.*

KOREA'S foreign trade has begun to expand and this expansion should continue as the country reaps the benefit of growing stability and considerable foreign aid, provided largely by the United States. But the staggering defence expenditure that continues despite the heavy share carried by the United States and the separation of the more industrialized north from the predominantly agricultural south still inhibit economic stability.

The progress that is being made is illustrated by Table I showing commercial imports (those not supported by U.S. AID) and total exports.

Table I also illustrates the recent improvement in the earning capacity of the economy (exports increased nearly four times in five years), and thus a lessening in the need for aid to support a generally growing import demand. (It should be added, however, that the basis for compiling the figures has been changed from time to time.)

## "Aid" Imports Decreasing

Imports financed by various forms of aid and not considered "commercial imports" are naturally large. They are, however, beginning to fall off. In 1955, goods imported under U.S. aid and various relief projects totalled over $236 million, and in 1957 nearly $383 million. By 1962 the figure was still $232 million, but in 1963 it fell to $216 million and in 1964 to $128 million. These figures include both Support Assistance (SA—commodity imports), equipment for plant projects, imports under development grants and loans, and essential basic agricultural products supplied under PL480. (The volume of the latter varies according to local crop conditions.) It is significant, however, that commodity imports and imports arising from development loans have decreased from $225 million in 1960 to $67 million in 1964. This reduction has been accompanied by a lessening of the controls on imports and a widening of the range of goods that may be imported with free exchange.

It is clear that the United States holds the major share of Korea's trade and that developing countries which may supply goods with U.S. AID funds are in a preferred position to sell to Korea. Table II gives total imports from various countries not eligible since 1961 to use AID funds and from the U.S. Except for imports from the U.S., the figures for 1962-64 represent largely commercial imports, because, as explained, U.S. AID funds were

**TABLE I**

**KOREAN FOREIGN TRADE***

| | Exports f.o.b. | Commercial Imports c.i.f. | (Balance— Deficit) |
|---|---|---|---|
| | | (U.S.$'000) | |
| 1955 | 17,966 | 108,628 | 90,662 |
| 1960 | 32,827 | 97,168 | 64,341 |
| 1961 | 40,878 | 103,138 | 62,260 |
| 1962 | 54,813 | 178,989 | 124,176 |
| 1963 | 86,802 | 232,707 | 145,905 |
| 1964 | 119,056 | 184,503 | 65,447 |
| 1965 Jan.-June | 68,687 | 130,889 | 62,202 |

*Korean statistics.

**TABLE II**

**IMPORTS INTO SOUTH KOREA***

| | 1955 | 1960 | 1962 | 1963 | 1964 |
|---|---|---|---|---|---|
| | | | (U.S.$'000) | | |
| **Total imports (AID-supported and free)** | **341,000** | **344,000** | **422,000** | **560,000** | **404,000** |
| Of which: | | | | | |
| Japan | 19,000 | 70,000 | 109,000 | 162,000 | 110,000 |
| Britain | 5,700 | 9,100 | 6,300 | 5,200 | 3,200 |
| France | 2,600 | 2,500 | 1,200 | 900 | 100 |
| Italy | 7,900 | 11,500 | 4,900 | 3,300 | 4,500 |
| West Germany | 10,600 | 41,000 | 19,200 | 22,700 | 23,900 |
| Canada | 1,800 | ........ | 2,000 | 3,500 | 2,500 |
| United States | 77,900 | 133,700 | 220,300 | 281,700 | 202,100 |

*Korean statistics.

**TABLE III**

**CANADA-KOREA TRADE***

| | Exports to Korea | Imports from Korea |
|---|---|---|
| | (Can.$'000) | |
| 1960 | 3,916 | 404.4 |
| 1961 | 2,067 | 76.2 |
| 1962 | 1,492 | 98.7 |
| 1963 | 3,870 | 380.4 |
| 1964 | 1,096 | 473.1 |
| 1965 (Jan.-May) | 442.2 | 356.5 |

*DBS figures.

**TABLE IV**

**CANADA'S TRADE WITH KOREA, 1964***

| Imports from | (Can. $'000 | Exports to | (Can. $'000 |
|---|---|---|---|
| Total imports | 473 | Total exports | 1,096 |
| Of which: | | Of which: | |
| Clothing | 126 | Mutilated newsprint | 583 |
| Fishery foods and feeds | 73 | Barley | 147 |
| Textiles, silk, cotton, rayon | 68 | Malt | 91 |
| Zinc ore | 61 | Nickel | 68 |
| Stainless table cutlery | 31 | Synthetic fibres and waste | 35 |
| Footwear | 22 | Copper plates, sheet, strip | 33 |
| Transistor radios | 14 | Chemicals and derivatives | 20 |
| Motor vehicle parts | 12 | Wood pulp | 15 |
| Artificial flowers | 8 | Canned meat | 13 |
| Commercial fishing equipment | 4 | Heavy salt cod | 13 |
| | | Asbestos milled fibres | 12 |
| | | Insulated wire and cable | 9 |

*DBS figures.

not available for imports from the other countries during these years.

Table II confirms that trade opportunities are limited, yet both Japan and West Germany have expanded their sales considerably. What is important, however, is the fact that Korea is beginning to earn more through improved capacity and ability to export and there is every prospect that there will be an expanding market for imports, many of which will be paid for in free exchange.

## Exports Moving Up

The leading Korean exports last year were:

| | (U.S.$million) |
|---|---|
| Plywood (from imported hardwood) | 12.5 |
| Cotton fabrics | 11 |
| Iron ore and concentrates | 6.75 |
| Dried laver (seaweed) | over 5.5 |
| Raw silk | 5.5 |
| Tungsten ores and concentrates | 4.7 |

Other products with possibilities of considerably larger export sales include dried and frozen shrimp, canned fish, and some raw materials such as talc and fluorspar. Some manufactured goods, such as rubber-soled and waterproof shoes, sewing machines and radios, are also finding their way into export markets.

It is clear that the ability of Korea to liberalize imports further and to reduce its dependence on aid-supported imports will depend on the extent to which it succeeds in increasing its exports—because the defence burden will presumably continue for the foreseeable future.

It seems probable that a large proportion of basic food requirements such as wheat will continue to be supplied under PL480. However, the figures quoted above illustrate the progress made in reducing the amount of goods imported under aid appropriations, aside from the PL480 shipments.

## Opportunities for Canada

The opportunities for Canadian exporters are, first of all, limited by the exchange control and import control regulations. (See the article on page 13 for a summary of these.) If, for example, an item is listed as eligible for aid support it may not generally be obtained from Canada or other developed countries. Some items are prohibited import from all countries, some are permitted import under a restricted regime, and others can be brought in virtually without restriction. Looking at the imports in 1964 and the first six months of 1965 that came in using "free exchange" (and which Canada is eligible to supply) the following are of at least potential interest; (first figure is for 1964 and second for first six months of 1965 in thousands of U.S. dollars.)

Barley—$7,374 (all U.S.), 7,542 (mostly from Australia).

Malt—323 (all Canada), 51 (41 Australia).

Synthetic rubber (this is mostly an AID item)—465 (mostly Japan), 466 (Japan).

Wood pulp (except for groundwood, it is all AID)—513 (Sweden, Finland).

Other pulp and waste paper—1,404 (mostly Canada).

Synthetic fibres—4,188 (Japan), 3,795 (Japan).

Chemicals—39,647 (these vary considerably: synthetic organic dyestuffs, mostly from Germany, are fairly important but manufactured fertilizers make up 21,700 of the total for 1964; main items are urea and ammonium sulphate and other nitrogenous fertilizers, mostly from Japan.)

Nickel—124 (Canada 67, Japan 48), 91 (mostly Canada).

Copper—142 (Japan 110, Canada 40), 77 (mostly Japan).

Lead—131 (Australia, Mexico and Britain), 227 (all Japan).

Non-electrical machinery—15,687 and 9,475. This group is fairly diversified but air conditioners, mostly from Japan, came to 236 and 196, and refrigerators 251 and 23 (U.S.).

Electrical apparatus and appliances—8,044 and 4,473, of which switchgear (mostly from West Germany) accounted for 475 and 223.

Electrical telecommunications equipment (mostly from Japan but some from the United States) 398 and 401. Communications equipment 4,103 and 1,100 (again, mostly from Germany).

Live cattle (probably mostly dairy cattle) 378 (all from the U.S.).

The list above is by no means exhaustive. In fact, there is a considerable range of goods, particularly machinery, being imported with free exchange. Because of the proximity of Japan, its manufacturers are in a favoured position. However, Canadian companies would be well advised to have a look at the Korean market and to establish connections there in order to take advantage of growing demand and of any new opportunities arising out of the liberalization of imports.

To supplement the statistical information above, which is not broken down, the following items have been noted from invoice returns as being imported into Korea currently with free exchange. Among those of potential interest to Canada, with leading supplier, are:

| Commodity | From |
|---|---|
| Electrolytic zinc ingots | Peru |
| Zinc ingots | Japan, West Germany |
| Water closets | Japan |
| Prefab metal buildings | U.S. |
| Gypsum wallboard | U.S. |
| Polyethylene fishing nets | Japan |
| Yellow iron oxide | West Germany |
| Stainless steel sheet | Japan |
| Lead ingots | Japan, Canada |
| Vertical stock pumps | U.S. |
| Groundwood pulp | Sweden |
| Papermakers' felts | Austria |
| Paint | U.S. |
| Gate valves | Japan |
| Aluminum thresholds | U.S. |
| Stainless steel wire screen cloth | Japan |
| Linseed oil | U.S. |
| Nickel anodes | U.S. |
| Onion seeds | Japan |
| Steel scrap | U.S. |
| Kraft paper and asphalted k.p. | U.S. |
| Telephone switchboard parts, rectifiers | Japan |
| Synthetic rubber | Japan, U.S. |
| Nickel ingots | U.S., Canada |
| Vitamin E | Switzerland |
| Lithopone | Belgium |
| Chain saws | U.S. |
| Zinc sheet | West Germany |

Nearly all imports are made on letter of credit. In fact, all imports other than those on letter of credit, even on a documents on payment or documents on acceptance basis, require prior approval of the Ministry of Commerce and Industry, including goods on the automatic approval list. There is a fair amount of government buying by international tenders put out by OSROK (Office of Supply, South Korean Government) but frequently the lead time is short. It will probably prove difficult to follow up these tenders unless the manufacturer is represented in Korea. The local representative could then prepare tenders for his principal and advise on the conditions under which they are issued.

There is a fairly wide range of products that can be sold in Korea even if the volume of sales is sometimes small. Interested Canadian firms should write the Commercial Counsellor in Tokyo who can quickly advise whether the item may be imported with free exchange and, if so, the regime under which it comes. He can also suggest suitable connections. ●

## Colombia Develops Sugar Industry

COLOMBIA is well on its way to developing a sugar industry which could earn substantial amounts of foreign exchange and lessen its dependence on coffee, its biggest permanent crop. If the full potential of the Cauca Valley is exploited, the country could become a major exporter of sugar.

About 850,000 acres are planted to sugar. Of this, 130,000 acres in the Cauca River Basin are used to grow cane for the production of centrifugal sugar, chiefly for export. The remaining 720,000 acres in other parts of the country produce cane for "panela", a non-centrifugal sugar that most Colombians prefer.

It is in the Cauca Valley that Colombia's sugar industry is developing most rapidly. The Valley is three degrees north of the equator and the length of the day varies little throughout the year. Temperature and precipitation favour cane growing and there is abundant groundwater, with fertile soil often four feet deep. It is one of the few regions in the world where cane can be harvested and processed all year round. It yields excellent crops 14 to 18 months after planting—on the average about 47 metric tons an acre although 90 metric tons is not uncommon. This compares favourably with Hawaii and Peru, although skilled use of land and chemicals is not as highly developed as in those countries.

About 20 mills are operating at present, turning out mainly centrifugal raw sugar but two produce refined and sulphite sugar for domestic use. From 1949 to 1963 production increased more than 10 per cent a year. If this growth continues, Colombia should be able to export 170,000 tons in 1966, 280,000 in 1967, and 500,000 by 1970.

The development of the sugar industry in the Cauca Valley is also providing important social benefits. The industry now employs 18,000 workers and this should rise to 35,000 when production goals are reached. Wages are already higher than in the rest of the rural sector and the industry offers social security and fringe benefits that amount to an additional 65 per cent of the basic wage. The expansion of the sugar industry has done much to eliminate social unrest and the banditry for which the Valley was known in the past and to bring peace and stability to an important agricultural centre.

—JAMES C. BRADFORD,
*Assistant Commercial Secretary, Bogota.*

# South Korea's Import and Exchange Controls

**The Republic of Korea still imposes import and foreign exchange control, though some relaxation of quantitative restrictions is evident. What this system is and how it works is outlined here.**

R. G. C. SMITH,
*Minister (Commercial), Tokyo.*

IMPORTS INTO KOREA are still under a tight system of import and foreign exchange control but quantitative restrictions have been liberalized considerably. A plan or "regime" is drawn up for each six-month period and this establishes the method of payment for each permitted import, according to the Standard International Trade Classification. It also enumerates the items that may not be imported. This plan is published in Korean but sometimes the Korean Traders Association has it translated into English. (The plan for the last half of 1964 was translated; that for the first half of 1965 was not.)

## SA and KFX Imports

Imports are divided into two basic groups; those that may be imported under U.S. AID financing (Support Assistance—SA) and those that may be brought in using Korean-generated foreign exchange (KFX).

The list of imports authorized under U.S. AID financing may be changed at any time, although generally the list of items for which Support Assistance is available is revised every three months. There is another list of items comprising the few commodities imported under PL 480 financing.

SA-financed goods may not be imported using any other means of payment, unless the funds allocated are found to be insufficient for market needs in any one quarter or unless the goods are imported by the Government; then KFX imports may be authorized. Again, goods subject to SA financing may not be imported from any country other than the United States and the developing countries. In practice, this means that if a product is on the SA eligibility list, it may not be imported from Canada, from any of the other countries generally classified as "developed", nor from the Communist Bloc countries. The list of developed countries includes all of Free Europe, Australia, New Zealand, South Africa, Japan, and Hong Kong (textile products). If an SA product is found to be temporarily not available from the U.S. or the permitted area, imports from outside the area on a barter basis may be authorized or the item may be transferred to KFX listing.

It is of interest to note that the amount and the number of goods being financed by SA funds are declining steadily. In 1965, the SA funds made available totalled $70.8 million compared with $222.4 million in 1956.

## Imports under SA

Imports under SA financing are divided into three categories: Automatic Approval, Restricted, and Semi-Restricted. In group one, AA, an importer may bring in goods to any amount within the limit of the related P/A (Procurement Authorization) and the import permit is granted automatically. The AA list for the current quarter is as follows:

Hides and skins
Gypsum
Magnesite clinker
Steel scrap
Fire brick
Pulp (except groundwood pulp)
Synthetic rubber
Sulphur
Carbon black
Titanium dioxide
Caustic soda
Soda ash

Sodium borate
Abrasives
Phenol
Boric acid
Phthalic anhydride
Maleic anhydride
Other ferro-alloys
Copper strip
Aluminum
Tire cord
Raw rubber
Tin ingot
Zinc ingot

**Restricted**—In group two, the Restricted list, imports are permitted only up to a specifically allocated amount. The allocations under this listing are as follows:

| | Increase for Period March June | Cumulative Total 1965 to end of June |
|---|---|---|
| Synthetic plastic materials | $700,000 | $1,900,000 |
| Paraffin wax | ........ | 200,000 |
| Caprolactam | 200,000 | 800,000 |
| Acetate rayon yarn | 300,000 | 1,000,000 |

Third-quarter limits have not yet been established. Annual requirements for the commodities estimated in the Commodity Supply Program, however, are as follows:

| | |
|---|---|
| Synthetic plastic materials | $3,800,000 |
| Paraffin wax | 300,000 |
| Caprolactam | 1,585,000 |
| Acetate rayon yarn | 2,000,000 |
| Beef tallow | 3,240,000 |

**Semi-Restricted**—In group three, the Semi-Restricted List, the goods may only be imported with a permit from a competent Minister or designated organization. This listing is currently as follows:

Fertilizer—procurement through Office of Supply (OSROK).
Machinery—no limit on amount but subject to Prior Approval.
Medicinals—same as above.

## Imports under PL480

Imports under U.S. PL480 are now limited to wheat and raw cotton. Tallow was formerly a PL480 item but it has been shifted to the SA restricted list. Here again, if PL480 funds are available, imports may not be made from sources other than the U.S. The funds under this heading vary in accordance with local crops. In 1964, for example, nearly $61 million of goods were imported under this heading.

The bulk of the PL480 allocations go to pay for imports under Title I—that is, the U.S. provides the goods free but the importer must pay local currency for them and the resulting "counterpart funds" generally go to the budget. A relatively small proportion of goods is imported under Title II and no counterpart funds are generated but the goods are used to pay local wages in kind. Finally, a small proportion of the allocation is an outright gift (Title III).

## KFX Imports

All goods not listed as eligible for SA or PL480 support are imported through the use of Korean exchange, known as KFX, unless they are on the "non-specified" list (goods import of which is prohibited for normal purposes). However, goods on the "non-specified" list may be imported with a permit if they are required for re-export as a further manufactured article. Under the KFX system, goods are also broken down into Automatic Approval (AA), Restricted, Semi-Restricted, and Non-Specified, (i.e., generally prohibited but sometimes a special announcement may authorize import).

Automatic Approval means that the import and exchange permits can be and are approved automatically by a foreign exchange bank and there is no limit on the amount. The Restricted items are those for which the Ministry of Commerce and Industry establishes quarterly quotas. In this case, the division of the allocation may be made by the appropriate Minister and may depend on the exporter's past record or on proof of sales contracts made by end-users.

Semi-restricted items are those that require a permit issued by a competent Minister. No quarterly quotas are established in advance.

This import and exchange control system is backed up by an import deposit system, which operates both for SA and KFX imports.

## Import Deposit System

Under the SA system, for shipments of $5,000 or less the importer is required to deposit 255 won per dollar at the time he applies for the import permit (i.e., the full amount of won at the basic rate of exchange). For goods valued at over $5,000 he must deposit 55 won at time of application and the 200 won at the end of the waiting period,—that is, at the end of the time during which the application is being processed, which may be taken as 45 days minimum. When the documents are delivered on the arrival of the goods, the importer must then present an exchange certificate for the full dollar value of the shipment, and the won deposit is returned. (The current going rate of exchange is about 268 won per dollar and this is the rate at which the importer must buy his exchange certificate from the exchange certificate market).

Imports under KFX must be covered by the full amount of foreign exchange at the time of application for an import permit or when the letter of credit is issued. When goods are on the AA list for KFX import, it is possible with Bank of Korea authority for the importer to wait for a few days before the goods arrive (stale bill) before applying for an import permit. (This system is not used much.) The permit is generally refused on the grounds that foreign exchange loss is increased and the foreign exporter is not often prepared to accept the risk under present conditions.

Where raw materials or parts are being imported for processing into finished goods for export, the banks are permitted to give usance of 135 days. (Generally, the cost is 9 per cent annually.) Otherwise, commercial banks may not finance imports even when goods are on the AA list, and the importer has recourse to private borrowing where the rate may be 3-5 per cent per month.

Similarly, commercial banks may not lend for imports under SA financing.

However, importers may bring in anything to a bonded warehouse. No deposit is then required, but the goods must be cleared within two months either for entry for consumption or for re-export. This applies to both SA and KFX shipments.

Importers working under PL480 financing are required to deposit won to the amount of 50 won to the dollar at the time of application and the remainder when the licence is granted. Again, except for raw cotton, the banks may not give credit for PL480 imports; for raw cotton, the commercial banks may give financing. NO cash deposit is needed but a bank letter of guarantee is given to the Bank of Korea and held until the goods arrive. After that, the banks may extend loans up to 60 days after arrival (at 14 per cent, plus processing charges). There are no such credit arrangements for imports of wheat.

### Exports Require Permit

Exports generally require a permit and this is normally granted by the foreign exchange bank. The normal method of payment is specified unless the item is on the prohibited list. Normal method of payment is defined as one in which the proceeds of export are collected on sight, or 60 days after sight, or within 90 days after shipment under an irrevocable letter of credit. Otherwise, the authority of the Ministry of Commerce and Industry is required.

The previous "link system", whereby the exporter could link his export earnings directly to imports, has been abolished. However, the exporter is still allowed to hold his exchange for 15 days during which he is free to use it to import goods for his account or to sell the exchange certificate. After that he must sell the exchange certificate to an exchange bank. ●

**N. R. Cumming (right), Consul and Assistant Trade Commissioner, Milan, watches the selling of fruit and vegetables in the sales bays of one of the four pavilions of the newly opened wholesale produce Milan market.**

## Milan Builds a Fruit and Vegetable Market

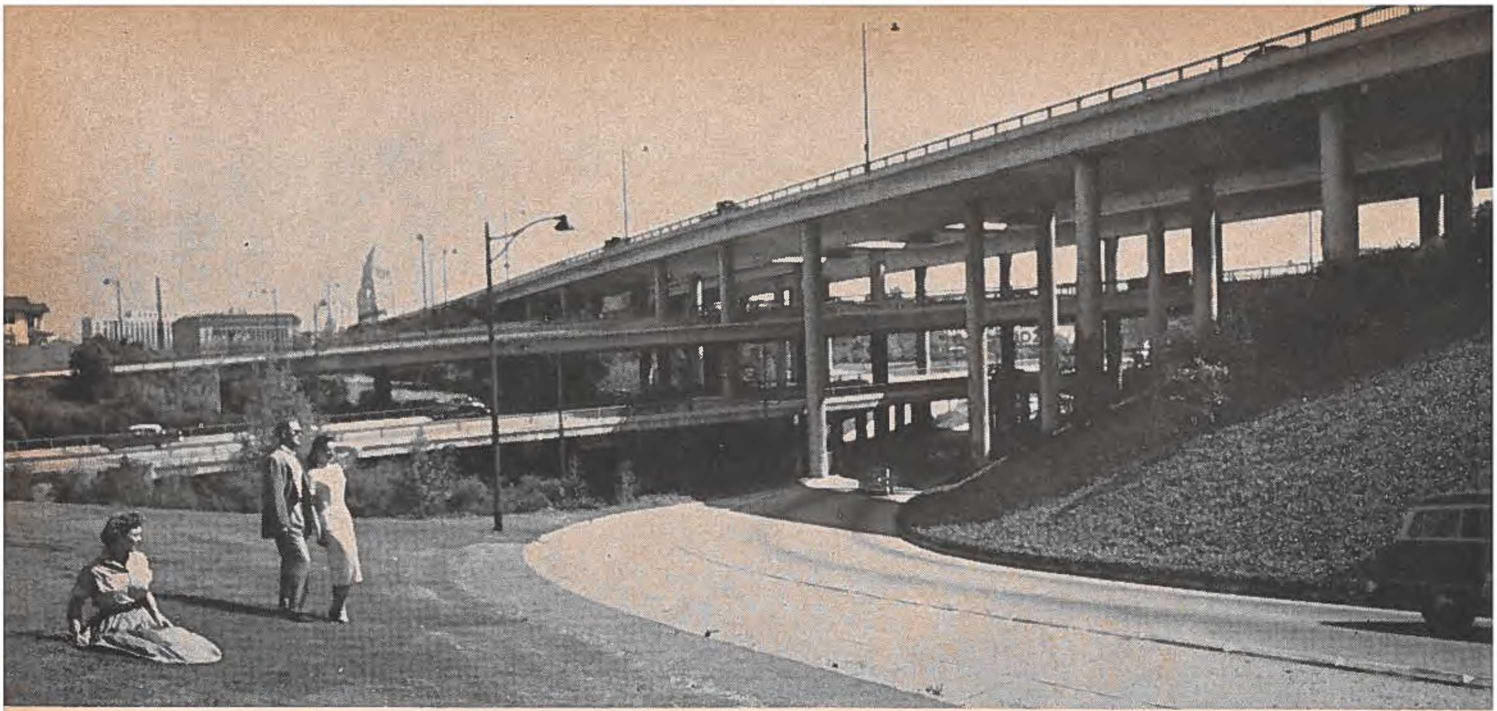
MILAN'S new wholesale fruit and vegetable market is an interesting example of what modern architecture and engineering can do to cut costs and spoilage and save working time in a large market. It covers 4.2 million square feet with another 2 million reserved for future expansion and serves the 7.5 million people of Lombardy.

Four pavilions laid out in a rectangle with landscaping around them house 240 wholesalers each and together have a covered area of 720,000 square feet. The focal point is a 300-room, 12-storey building. The first floor, reached by a ramp, has meeting rooms, banks and restaurants and leads to a half-mile overhead passageway overlooking the sales areas. Parking space surrounding the pavilions can accommodate 10,000 trucks; a railway siding with seven miles of spurs can handle 350 freight cars at once.

Incoming goods go either to storage rooms for individual stands or to a refrigerated area with a capacity of 10,000 tons. This cold storage keeps goods for sale during off-seasons and this prevents excessive fluctuations in prices. Electric hand trucks quickly move products to and from the sales area.

Some 500,000 tons of fruits and vegetables worth about $69 million pass through Milan every year and during each working day 68,000 cases arrive from all parts of Italy. Among the vegetables displayed in this clean and efficient market are celery, fennel, runner beans, cabbage, carrots, lettuce, onions, eggplant and marrow. Apples, grapes and pears are the most popular fruit.

—WILLIAM H. SKOUSE, *Commercial Assistant, Milan.*



The average Californian's high income level has attracted consumer goods from all over the world—including cars. High-speed throughways, like this one in Los Angeles, are a symbol of the rapid development of this huge metropolitan area.

# California Comes to the Crossroads

**California's economy has been expanding at the rate of 10 to 15 per cent a year. Last year, the figure was 9 per cent. But it's still a huge market; retail sales reached $29 billion last year. Canadians should not hesitate to offer quality consumer products in quantity.**

L. J. TAYLOR,
*Consul and Assistant Trade Commissioner, Los Angeles.*

SOUTHERN CALIFORNIA has been booming since 1950—a boom that has been based on population growth, on agricultural development, on secondary manufacturing, and on contracts carried out for the defence industry. These features have combined to make it one of the biggest markets in the United States. Now the boom seems to be tapering off a bit, partly because of a cutback in defence contracts. Southern California is undoubtedly at an economic crossroads—but it still is, and will continue to be, the number two retail market in the United States. Canadian companies should be in there selling.

### Boom Was Soundly Based

First, let's take a look at the facts and figures on which Southern California's prosperity is based.

- The area has grown at an astounding rate: population growth in the 1950's was three times the national average. About 250,000 people come to live in California every year. The economic "leverage" is phenomenal: every family moving in to live and work spends an average of $30,000 in goods and services in its first year in the state. (This figure includes housing.)

- Agriculture is still expanding; crop values climbed from $1.4 billion in 1949 to $2.4 billion in 1963. But whereas the great irrigation-fed agricultural developments of the 50 years from 1890 to 1940 were a response to the growing demand of the rest of North America for citrus fruits, vegetables and nuts, which only California could produce, the present increase in output has resulted from the explosive population growth noted above. For example, dairying now tops all other agricultural groups because of the growing demand from state residents.

• Secondary manufacturing has become perhaps the greatest force behind Southern California's boom. Manufacturing employment has doubled since 1950. This considerable increase should be set against a rise of 10 per cent in the United States as a whole. Of every 100 new jobs in manufacturing in the 1950's, 45 were in Southern California—or almost half of those created during the decade.

Resource development did not figure prominently in the boom. The area is not rich in natural resources. Petroleum output, a growth industry for 80 years, has been declining and Southern California now produces less than 10 per cent of U.S. output, down from 18 per cent in 1949. There is some mining of industrial minerals—such as talc, gypsum, sodium carbonate, boron, asbestos, diatronite, lime, molybdenum and barite—but development activity has eased off.

## Some Slowdown Evident

That is one side of the picture. Now let us take a look at the other side—the present slowdown in economic activity. If Canadian exporters read in newspapers and periodicals about this decline, they should not be unduly worried. Take the defence contracts. In 1961, California received 24 per cent of the defence industry's prime contract awards. By 1964, this figure had dropped to 21 per cent. But this still means $5 billion a year in business placed in this state, plus another $3 billion for research and development work in space contracts.

Aerospace employment has levelled out at about 425,000 but in this industry there is an increasing research content as compared to hardware. One has only to compare the compact size of the Gemini-Titan 5 with the number of military aircraft that can be purchased for the same amount of money to see that the nature of the job in aerospace is changing radically. More slide rules and fewer welders—that is the trend of the future. The commercial aircraft industry, however, will continue to employ both, and business is looking up. The DC-8 jet is still in production at Douglas, and customers, including Air Canada, will soon have delivery of the latest version, the DC-9. With the supersonic transport program under way, it could in fact be in better shape than it has been for a number of years.

Housing starts have declined sharply in recent months—by about 30 per cent. This is not so shocking when you consider that, in 1963, some 40 per cent of the new housing built in the whole United States was located in California. Commercial and industrial building, on the other hand, sparked by a new boom in high-rise office accommodation in downtown Los Angeles, has increased 50 per cent in 1965 over the previous year.

Manufacturing employment, after twenty years of strong and steady gains, levelled out last year at 1,434,000. Positions in the aerospace and electronics industries declined slightly. But expansion in the consumer and capital goods industries in California is more than offsetting these job losses. The "Help Wanted" lineage in Los Angeles newspapers was 34 per cent greater in the first six months of 1965 than in the same period of 1964—a good omen for the future.

## Big Consumer Market

The important thing for the Canadian exporter to keep in mind is that, despite the decline, Southern California is still the number two retail market in the United States. And it will continue to hold this position because it has a stable economy, based partly on agriculture and partly on industry. It has an enviable climate and other living advantages that attract thousands of new residents every year, making for a boom in the service industries and increasing the demand for food and other consumer goods.

Some readers pondering the growth of Southern California may say to themselves, "All this growth means growth of my rivals. California seems to be becoming more self-sufficient; there is less of a chance for me now." This is true to some degree but not entirely. Let us take a closer look at the structure of the manufacturing industries of Southern California. There is a heavy concentration on durable goods: seven out of ten manufacturing jobs are in this industry. With so much of the labour force turning out products that are not ultimately for sale to the consumer, a potent expansion in income is produced. The average Californian family has an income of $7,120—a figure hard to match anywhere else in the world. This purchasing power attracts consumer goods suppliers and their products flow into California as "exports" from the eastern United States. Canadians can share in this market; Vancouver, Toronto and Montreal are all closer to Los Angeles than New York is.

## Canadians Could Sell

What can Canadian companies sell here—leaving out of the discussion just now the great number of sub-contract opportunities in the defence industry. One way to answer that question is to list a few of the things that they are already selling.

High-fashion clothing
Fashion accessories, such as handbags, belts, scarves, etc.
Suede coats, sweaters
Specialty food products, such as canned lobster, preserves or other delicacies that appeal to the high-class food trade
Gift items and glassware, provided that the design is original and the quality high.

There are many other consumer products that Californians will buy if you offer them and if you realize that this is a big market like New York and demands the same efficiency, service and quality.

One word of caution—don't try to sell here unless you have the production to back it up. Just remember, the GNP in this state is almost the equivalent of the GNP in Canada so it is not like introducing your products in another Canadian province. This is not to discourage the smaller companies as we have other suggestions for you: we can give you contacts, say, in Salt Lake City or in Denver, markets more your size until your production increases. Write to the Trade Commissioner in Los Angeles if you have a product with possibilities and don't back off because you think that the area is declining. We can help you find customers. ●

# Gabon in Brief

**Area:** 102,290 square miles.

**Population:** 45,000.

**Climate:** hot and humid equatorial climate. Temperature varies only slightly, maintaining an average of 71 to 86 degrees F., throughout the year. The coastal region is cooled by the Beaguela current but inland climate depends on altitude. There are four seasons: a long dry season from May to September, a short rainy season from October to mid-December, a short dry season from mid-December to mid-January, and a long rainy season from mid-January to mid-May.

**Topography:** Gabon is covered almost entirely by equatorial rain forest, with savannah land in only a few areas. There are three distinct relief zones in the country: the coastal lowlands, the plateau region and the mountains. The coastal lowlands extend from 20 to 120 miles inland, the plateau region spans the north, east and southeast, and the mountains make up the rest of the country.

**Language:** French is the official language and is used in all government and commercial correspondence.

**Currency:** CFA franc: 227 francs equal one Canadian dollar.

**Import controls:** import licences are required for all goods from non-franc-area countries. Responsibility for obtaining the necessary import licence lies with the foreign importer. The granting of an import licence entails automatic allocation of foreign exchange.

**Weights and measures:** metric system.

**Major cities:** Libreville, the capital (population) 31,000; Port-Gentil (20,000).

**Economy:** based principally on forest resources, but country also rich in minerals.

**Total Gabonian imports:** 1963—Can.$52.0 million; 1962—Can.$41.8 million; 1961—Can.$38.7 million.*

**Chief imports:** (Can.$ million) 1963—food, beverages, tobacco 9.4; raw materials .447; energy products 2.9; transportation equipment 18.2; other industrial products 21.0.

**Chief suppliers:** (Can.$ million) 1963—France 31.0, United States 6.1, West Germany 3.6, Britain 2.0, Cameroun 1.3.

**Value of imports from Canada:** 1964—Can.$145,707; 1963—Can.$15,148; 1962—Can.$60,962 (DBS figures).

**Chief imports from Canada:** 1964—iron and steel pipes and tubes $139,636, chain saws and parts $4,270.

**Total Gabonian exports:** 1963—Can.$78.1 million; 1962—Can.$63.0 million; 1961—Can.$59.6 million.*

**Chief exports:** (Can.$ million) 1963—rough lumber and logs 31.2, manganese ores and concentrates 14.7, raw petroleum 11.3, thorium ores and concentrates 7.6, plywood and veneers 7.6.

**Chief markets:** (Can.$ million) 1963—France 39.3, United States 10.4, West Germany 10.1, Israel 3.4, Britain 3.0.

**Value of Canadian purchases:** 1964—Can.$687,165; 1963—Can$859,086; 1962—Can.$1,122,934 (DBS figures).

**Chief Canadian purchases:** 1964—hardwood plywood Can.-$598,040, veneers, figured hardwoods Can.$89,125.

**Terms of payment:** usually letter of credit against the ocean bill of lading (documents). Prices should be quoted c.i.f. Libreville or Port-Gentil.

**Samples:** samples that are not otherwise admissible may be temporarily entered free of duty on posting a deposit or bond which is refunded if the sample is re-exported within one year.

**Correspondence:** airmail only; letters 25 cents a half ounce.

**Trade agreements:** GATT, effective August 17, 1960, governs the exchange of most-favoured-nation treatment. Preference is, however, accorded to members of the Equatorial Customs Union and the EEC countries.

**Import controls, documentation, customs tariffs, marking and labelling:** consult the Office of Trade Relations, Department of Trade and Commerce, Ottawa.

**For detailed information on this market write to:**

European Division
Office of Trade Relations
Department of Trade and Commerce
Ottawa

or

Canadian Embassy
P.O. Box 572
Yaounde, Cameroun

---

*Service Statistique du Gabon; Section Statistique de la Conference des Chefs d'états de l'Afrique Equatoriale.

# West Germany Expands Petrochemical Industry

**A growing demand for its products and improved supplies of economical raw materials have led to an upswing in the petrochemical industry. Production and profits are rising steadily and, spurred by foreign competition, the industry is planning greater expansion.**

HENRY MAHNCKE, *Commercial Officer, Duesseldorf.*

THE GROWTH and prosperity of the petrochemical industry in West Germany is based on the increase in oil refining and the need to find profitable ways of using the by-products. The petrochemical sector can now obtain ample supplies of primary petroleum products for processing at a time when the manufacturers of coal-based products are faced with ever-rising costs of raw materials and power. Official statistics and company announcements show that expansion is common throughout the petrochemical industry; in 1964, total turnover reached DM31.2 billion.

### Farbenfabriken Bayer AG

Farbenfabriken Bayer AG, Leverkusen, is the first of the three leading petrochemical manufacturers in West Germany. In 1964, this company accounted for 13.4 per cent of total sales of the German petrochemical industry and its turnover amounted to DM3.6 billion, 11.6 per cent more than in 1963; dividends remained at 18 to 20 per cent. As in the past, the firm expanded chiefly in its export activities. It is continuing to invest in new projects at a rate of DM400 million a year.

Bayer has plants at Leverkusen, Elberfeld, Dormagen and Verdingen, and is planning a new plant at Antwerp, Belgium. It also controls the Bayer sales organizations and operates Bayer Foreign Investments Limited in Toronto. This Canadian subsidiary has a capital of Can. $32.5 million.

Products streaming from the Bayer plants include dyestuffs; processing agents for the textile, leather, paper, paint, varnish and plastic industries; organic and inorganic chemicals; plastics and primary products used in producing them; pharmaceuticals for human and veterinary medicines; chemical fibres, both cellulosic and fully synthetic, and plant-protection agents and pesticides.

The Bayer Company has undertaken an expansion program and is raising its production capacity to meet the growing demand for plastics and synthetic rubbers. It has already started production of cis-polybutadiene in a large new addition to its Dormagen factory. The firm will produce 20,000 tons a year in co-operation with Chemische Werke Huls AG, part of Stereo-Kautschuk-Werke GmbH which was formed in 1963. Cis-polybutadiene is a synthetic rubber that has outstanding elastic properties because of its molecular structure. Another new plant started producing Perbunan C, a flame-resistant rubber, in 1964. Capacity is 24,000 tons a year. Bayer will also manufacture Novodur, a high quality plastic based on a special type of synthetic rubber; output is expected to reach about 15,000 tons a year. Poly-isoprene is also to be produced at the Bayer works at Dormagen.

### Farbwerke Hoechst AG

Farbwerke Hoechst AG, Frankfurt am Main, is the second of the three leading chemical organizations in West Germany. In 1964, it increased its turnover 20.3 per cent over 1963, domestic sales by 19 per cent, and exports by 23.5 per cent; dividends remained at 18 to 20 per cent. Plans for greater production of petrochemicals were realized by company participation in the new Caltex refinery at Raunheim, Southern Germany, last year. Hoechst is also investing DM 400 million in new projects in the current year—DM250 million of this to widen its petrochemical base.

The Hoechst organization has plants at Hoechst, Griesheim, Offenbach, Gersthofen, Bobingen, Gendorf and Bad Hersfeld. It controls the Knapsack works managed by Knapsack AG, and the Wiesbaden-Biebrichworks managed by Kalle AG under an operating agreement. Of the total Hoechst sales in 1964, plastics and raw materials for paints, varnishes and solvents accounted for 22 per cent; fibres (inter alia Trevira) and foils 17; dyestuffs, textile auxiliaries and intermediate organic products 16; pharmaceuticals 13; fertilizers and agricultural chemicals 8; building materials, welding materials and gases 9, and inorganic chemicals and miscellaneous products 15. Research and development also play an important part in the operations of this firm.

### Badische Anilin

Badische Anilin und Sodafabriken AG (BASF), Ludwigshaven, is the third leading petrochemical firm in Germany. The main centre of activity is the Ludwigshaven works, the largest single chemical works in Europe. This firm, like Bayer and Hoechst, paid dividends of 18 to 20 per cent in 1964. BASF

**WEST GERMAN TRADE IN MINERAL AND CHEMICAL PRODUCTS—1964**

| Mineral products | Imports | Exports |
|---|---|---|
| | (DM'000) | |
| Unroasted iron pyrites | 84,353 | 45 |
| Sulphur of all kinds, other than sublimed sulphur | 40,967 | 4,693 |
| Natural calcium phosphates, natural aluminum calcium phosphates, apatite and phosphated chalk | 137,639 | 5,413 |
| Infusorial earths, siliceous fossil meals and similar siliceous earths | 6,481 | 1,398 |
| Crude natural borates and concentrates | 5,659 | 7 |
| Metallic ores and concentrates | 1,646,760 | 11,511 |
| Oils and other products of the high temperature distillation of coal tar | 15,523 | 507 |
| Petroleum and shale oils | 3,443,505 | 2 |
| Crude benzine | 45,801 | 14,566 |
| Fuel oil, light and very light | 650,429 | 30,525 |
| **Chemical and allied products** | | |
| Halogens | 10,549 | 142 |
| Hydrogen, rare gases and other metalloids and non-metals | 1,116 | 845 |
| Silicon | 24,172 | 4,727 |
| Sulphuric acid, oleum | 10,968 | 5,252 |
| Boric oxide and boric acid | 6,563 | 117 |
| Oxides, hydroxides and peroxides | 4,001 | 3,493 |
| Cobalt, nickel, iron and lithium chlorides | 4,018 | 2,950 |
| Chlorates and perchlorates | 5,392 | 1,313 |
| Phosphites, hypophosphites and phosphates | 705 | 405 |
| Other phosphates | 23,021 | 3,789 |
| Ammonium carbonate | 5,048 | 3,976 |
| Borates | 10,349 | 206 |
| Radioactive chemicals and isotopes | 10,008 | 2,097 |
| Artificial radioactive isotopes | 1,630 | 244 |
| Hydrogen peroxide | 16,640 | 654 |
| Hydrocarbons | 66,314 | 25,402 |
| Methyl alcohol | 31,915 | 20,359 |
| Saturated acylic aldehydes | 5,147 | 3,457 |
| Nitrile-function compounds | 27,128 | 5,572 |
| Natural concentrates of vitamins A and D | 13,748 | 3,798 |
| Organo-therapeutic glands and other organs | 5,993 | 2,552 |
| Thomas phosphates | 21,990 | 14,522 |
| Tanning extracts of oak | 10,628 | 3,225 |
| Varnishes and lacquers with added insecticides | 923 | 188 |
| Essential oils and resinoids | 42,176 | 3,585 |
| Lubricants | 6,125 | 2,727 |
| Tall oil | 6,332 | 671 |
| Concentrated sulphite lye | 2,555 | 1,582 |
| Spirits of turpentine | 5,163 | 974 |
| Rosin and resin acids | 64,201 | 3,129 |
| Additives for lubricants | 41,031 | 11,843 |
| Ethyl-fluid | 29,779 | 684 |
| Other additives for mineral oils | 9,080 | 568 |
| **Artificial resin and plastic materials** | | |
| Epoxy resins | 20,394 | 6,038 |
| Other high polymers and artificial resins | 11,500 | 3,444 |
| Latex | 60,546 | 332 |
| Synthetic rubbers | 169,714 | 94,030 |

is expanding and has allocated DM200 million for a factory at Antwerp, Belgium, to manufacture fertilizers and synthetic fibre primaries. The company will obtain future requirements of nitrogen from an ammonia plant it is now building at Rotterdam-Pernis. This particular plant is a co-operative venture with a Dutch firm and will cost 45 million guilders. BASF is also joining with Shell to build, at a cost of NF80 million, a high-pressure polyethylene plant in France.

BASF turns out products ranging from bulk goods like plastics and fertilizers to special products like dyestuffs and agricultural chemicals. It is the largest plastics producer in West Germany and about two thirds of its products are fully or almost fully finished. In 1964, chemicals and related products made up 64.5 per cent of the firm's total output. Plastics and primary fibre products accounted for 54.5 per cent of this, other products 10.0, agricultural products 18.4, and dyestuffs and auxiliaries 17.1. BASF is almost self-sufficient and manufactures most of the base products it needs; production is nearly all based on petrochemicals.

### Greater Expansion Predicted

The demand for chemicals in Europe is growing and, coupled with the more economical feedstock available from the oil refineries, will lead to a greater expansion of the petrochemical industry. It is safe to assume that by 1966, three quarters of all organic chemicals produced in West Germany will be based on petrochemicals compared with barely one third in 1957. The emphasis placed by United States firms on investment in Europe, particularly in Germany, also makes it urgent for the domestic industry to strengthen its position by building efficient new plants.

## Agency Agreements

IN the reference list that accompanied the article "Getting and Keeping Salesmen Abroad" which appeared in the September 4, 1965, issue of *Foreign Trade,* we informed readers that the booklet entitled "Specimen Agency Agreements for Exporters" would be supplied free by the Institute of Export in London. The Institute has since written to tell us that the price to Canadian clients is two shillings plus postage. We regret this error.

A patent attorney with impressive experience and many contacts in the international patent field discusses the reasons for patent protection, the problems of obtaining patents abroad, the granting of patent licence agreements, and other phases of this important topic.

# Foreign Patents and the Exporter

ALAN SWABEY, *Alan Swabey & Co., Montreal.*

YOU need only scan the report of the Secretary-General of the United Nations, *The Role of Patents in the Transfer of Technology to Developing Countries*[1], to see that patents are here to stay as a tool of international trade. But they can be a two-edged sword. A deft commercial thrust under patent protection may help to gain access to a new market or an attempt to develop one may be parried by a hostile patent. Between these extremes are many possibilities to help or hinder the foreign trader in his operations.

Members of a recent panel of the Patent and Trademark Institute of Canada[2] from the electronics, rubber and drug industries made it clear that the approach to international patent dealings may vary widely from industry to industry. It is hard to lay down general rules. In some fields, patents may only arise as headaches. In others, they may be the catalysts of success. And today, with the world everybody's oyster, even a stay-at-home company may be jetted into foreign patent dealings, if only to protect its own backyard.

## Why Patent Abroad?

There are various reasons for taking out patents in foreign lands. Among them are:

**1.** To secure research and development investment by protecting products into which R and D have been built.

**2.** To wrap up unpatentable know-how in a saleable package.

**3.** To protect export sales by keeping competitors' goods off the market.

**4.** To stop competitive manufacture in one country which might flood the patentee's markets at home or abroad.

**5.** To set up a position of armed neutrality by blocking rival patents.

**6.** To protect investment in a plant in a foreign country.

**7.** To create a trading position—that is, rights which can be bartered or disposed of for cash.

These effects have been helpful to the sophisticated international operator.

## Problems Involved

What are the main problems in gaining a foreign patent position? Patents are granted only on *new* processes, products or machines, so above all, one must have access to advanced technology, either the fruits of one's own R and D or by licence from somebody else. What you can and cannot patent varies from country to country, so you may not be able to patent the same aspect of a development as at home. For example, you may be able to cover a chemical product in Canada but in most countries can only patent the process of making it. This means that extra research may have to be done to discover and protect equivalent processes.

Then one must often act within time limits which are all too short. In most countries one must apply for a patent before the invention has been described in a patent or publication or within a year of the home application under the International Convention (an agreement between the major industrial countries and some others). Foreign patenting plans may have to be made long before the invention has become a winner at home. And odds are that oneshot efforts are unlikely to pay off as a planned patent portfolio would.

There is also the upkeep. In most countries, to keep the patent in force you have to pay renewal fees (annuities) and you have either to "work" (manufacture) the invention in the country or at least comply with some formal requirement. To realize on the investment, efforts to exploit have to follow closely on the patenting activity. Where nationalism is strong, success may call for a foreign partner at least as front man. If you expect a cash return on your foreign patents, make sure there are no local restrictions to prevent you from taking your money home.

### No Comprehensive Patent

Is there not an international agreement by which a patent taken out in Canada covers you abroad? is a question exporters often ask. The answer is "no". A patent still has to be sought in each country. The International Convention extends only to such things as equal protection of foreigners under the law, priority rights, etc., short of actually extending the protection across international frontiers. The European Common Market, the Scandinavian countries, and other trading blocs have talked about a communal patent. A world patent has even been mooted. So far, these ideals have not become reality, although the patent profession is ever working through its world associations to try to improve the patent laws. The International Association for the Protection of Industrial Property (IAPIP), the International Chamber of Commerce (ICC), and the United Nations have periodic forums on the subject. A new Western Hemisphere group, the Inter-American Association of Industrial Property (ASIPI), has just been formed to try to conform the patent laws of the Americas. The United International Bureaux for the Protection of Intellectual Property (BIRPI) have published a Model Patent Law[8] to help developing countries make the climate more attractive for patent enterprises.

The hottest patent news is that the Soviet Union this year joined the International Convention. This opens up new possibilities for patent exchange with this vast industrial country. The Soviet has also set up a central trading agency called "Licensintorg" which transacts patent deals both on Soviet patents abroad and foreigners' patents in the U.S.S.R. Other countries in the Soviet Bloc also belong to the Convention and have trading organizations modelled along the same lines.

### Defensive Aspects

So much for the offensive. How about the defensive? The chances of the Canadian exporter getting into patent trouble abroad will depend a lot on his line of goods and may vary from zero to serious, depending on whether the product is old or new. The situation in Canada may be no guide. A patent can be dead in Canada but still alive abroad. In New Zealand a product old in North America can still be patented because only use or publication in the country is a bar. Or someone other than the North American patentee may own the patent. In Britain, a trader seeing a product abroad can take it home and patent it as importer. Many countries—for example, France, Belgium and Italy—do not screen patents for novelty but register any claim presented, leaving it to the patentee and the infringer to fight it out in court.

If your product is only patented in Canada, it is safer not to ship it abroad marked "patented". In Germany, for example, the importer would be open to legal action by a competitor for unfair competition. Other countries may keep goods out until the false marking is taken off. Laws vary widely and you should check for each country.

### The Patent Licence Agreement

Exclusive rights granted by a patent in any country can be exploited by the patentee himself or he can give an exclusive or non-exclusive licence to someone else. So, the patent licence agreement is the passport to international patent dealing. It should reflect clearly all the rights and obligations of the parties and at the same time respect the public and competitors by staying within the limits of legal and ethical fair trading.

The number of patents taken out by Canadians is small compared with the United States, Britain, Germany, Japan and the other populous industrial countries and chances are a Canadian may find the other fellow in the driver's seat. This makes for hard bargaining. But do not be a push-over. Get expert help to find levers to reasonable terms. In any event, the licence should be a two-way street and marked with guideposts so that there is no deviation from the intended routes of the parties. The toll should give the patentee a fair return, yet not burden the licensee unduly.

What, then, are the things to look for in a licence under foreign patents? First, go through the same checklist as for a domestic patent agreement.

- How protective is the patent? Does it actually cover the invention to be exploited in the market or can it be avoided by slight changes?

- Are there any contrary-held patents which might be infringed in carrying out the invention?

- Has the patent any presumption of validity?

• Is the royalty properly geared to the profit potential?

• Is the life of the licence and the territory clearly spelled out?

• Is there a cancellation clause so you can escape if the deal does not work out as hoped?

If you are the licensee, try not to mortgage the future by agreeing to hand over free all improvement-inventions you may make. But if you are the licensor, insist at least on a licence under any improvements made by your licensees. Define what is meant by "improvements" to avoid this likely source of dispute.

Look for local quirks. Are there any restrictions placed on the conduct of either party which offend any fair trading, anti-trust, or combine law? Are there any local limitations restricting the exploitation of the licensed article or process? Has the country adequate machinery to protect patent rights? Perhaps the courts may be so ignorant of patent matters or so far behind or the procedure so expensive that patent protection exists in theory only. As a foreigner, have you a chance of restraining local infringers? Or perhaps the rights under the foreign patent should be nominally assumed by a national of the country or possibly it should be a joint enterprise with a national. Has the patent right any real teeth, or might you, to protect your rights, have to sue a customer or government agency, making the suit impractical? Are there provisions in the agreement which guarantee you release in the event that the rights supposed to be conveyed do not really exist?

There are some circumstances which no guarantee can cover. In some areas, if you happen to infringe a rival dominating patent you could be stopped by a temporary injunction and put out of business. Check the terms of the agreement in depth with experts who know legal and commercial angles and the territory before putting your name on the dotted line.

## Bibliography


1. *The Role of Patents in the Transfer of Technology to Developing Countries.* Report of the Secretary General, United Nations. New York. 1964.
2. *Patent Licensing.* Hamer, Whitman, Todds and Goudreau. Proceedings of the Patent and Trademark Institute of Canada, October 1965. See particularly the bibliography. (To be published shortly.)
3. *How to Exploit Patents and Know-how in Europe,* Wade and Chereau, Advance House, Ardmore, Pa. 1963.
4. *Patents throughout the World,* Wm. Wallace White and Byfleet G. Ravenscroft (USA) 1948, revised to date.
5. *Manual for the Handling of Applications for Patents, Designs and Trade Marks throughout the World.* Bureau voor Technische Adviezen, Amsterdam, Holland, 1927, revised to date.
6. *Foreign Licensing Agreements, Studies in Business Policy,* No. 86 and 91, National Industrial Conference Board. New York. 1958, 1959.
7. *Fortune* Magazine, October 1965. Advertisement on page 43 by Sumimoto Electric Company.
8. *Model Law for Developing Countries on Inventions.* United International Bureaux for the Protection of Intellectual Property. Geneva. 1965.


### Sources of Information

Where can one seek more detailed information on how to use patents in international trade? There are good handbooks[4, 5] which give a quick idea of the patent laws and regulations of the various countries. Their advice should not be taken as a final answer because the handbooks are soon out of date and may not pick up changes in interpretation or in the laws themselves. On many questions it may be wise to have your patent attorney ask his associate in the country of interest for the most up-to-date view on a given point, because he is part of a network of patent people throughout the world equipped to obtain or defend patents. They know the local ground rules.

The patent attorney's or lawyer's work is generally limited to dealing with the Patent Office, the courts, or your competitors at the legal and technical levels. On the approach to the commercial side, it is harder to obtain advice. Most published material[3, 6] is quite general and each industrial field poses different problems. You have to cope with such facts of life as local customs, philosophy and ethics, which are not easy to learn about from books. The language barrier can be tough too.

In some areas of the world, you may reach what you think is a meeting of minds, only to find later that your opposite number was only saying "yes" to be polite and did not really agree at all. Experience is about the only way to learn about this type of international horse trading and you may find experts close-mouthed about their hard-to-come-by knowhow. Connections also mean a great deal and here the Canadian Government Foreign Trade Service can be a great help.

The international patent game will still be played with vigour in years to come. Up to now, Canadians have for the most part played the game one way, paying for the use of others' patents without having as many of their own to trade. Let's hope that in the future more Canadian firms will learn to play the game both ways. As one foreign manufacturer put it recently in *Fortune*[7]; *"You know the deal: a company develops a product or a process, patents it, exploits it at home then licenses it abroad. The licensee pays the licensor and still takes home a profit. Everybody wins. But obviously the big winner is the developer—he gets paid twice. It's a high stakes game. To stay in it you need patience and a large, steady investment in R & D. But the payoff can be big."* •

# British Patent Procedures and Regulations

**Canadian firms selling or intending to sell manufactured goods in Britain often need to know how to apply for a "Patent for Invention". This article provides an introduction to a complex subject.**

L. N. LAUNDY, *Commercial Officer, London.*

LAST YEAR more than 43,000 specifications were filed with the British Patent Office, nearly double the number in 1952. The fact that two-thirds of last year's specifications came from abroad shows that securing protection by filing applications in different countries is rapidly becoming a habit.

In this age of intense competition it is necessary for manufacturers and many others engaged in industry and commerce to have some knowledge of patents. Canadian firms which are considering taking out British patents may find the following general outline of the regulations useful. They should realize, however, that it is only possible to refer briefly to the more important points of the Patent Act in the space available. Further information will be willingly supplied by the Office of the Minister (Commercial), London, or inquiries can be sent direct to the Patent Office.

The Patent Office, Southampton Buildings, Chancery Lane, London, W.C.2., has been located in the same area of London in one form or another since the 17th century and has a library containing 10 million patents. Apart from patents, the Patent Office also deals with registered designs and registered trademarks. This article is concerned only with patents or, to be more precise, "Patents for Invention".

A "Patent for Invention" is a temporary, qualified and conditional monopoly granted by the Crown to encourage inventions for the benefit of the public at large. It gives to the patentee the sole right to make, use or sell his invention during the period the patent remains in force. It is granted for a limited time only. Patents granted after January 1, 1950, are for a term of 16 years, subject to the payment of the necessary renewal fees. They are granted only for manufactures—that is, processes and articles capable of industrial exploitation. Such manufactures must be new; this means not used or described in any previously printed document. Mere systems, schemes or new discoveries are not patentable although the use of apparatus in connection with them may be.

A British patent gives protection only in Britain and a separate patent must be obtained for other countries in which protection is desired. The question of whether patent rights exist in another country should be referred to a patent agent in that country.

## Applying for a Patent

Applications for a patent must be filed at the Patent Office either directly or through a patent agent and can be accompanied either by a provisional or a complete specification, except for a "Convention" application, which must be accompanied by a complete specification. It should be understood that the Patent Office does not undertake to give legal advice or opinions on specifications. An application for a patent must be filed before any publication or disclosure of an invention in Britain takes place.

It is interesting to note that the true and first inventor includes the true and first importer. This means that if a person brings an article back from abroad, he is entitled to apply for a patent claiming to be the true and first inventor.

An application can be made either by the inventor himself or by a person to whom he has assigned the right. It is possible for a person to apply in respect of an invention sent to him from abroad.

Patents are granted from the date the complete specification is filed.

## Provisional Specifications

An applicant may, if he so desires, start with a provisional specification. This must be a clear, but not necessarily detailed, description of the invention. The basic fee for a provisional specification is £1 ($3.00).

There are many advantages to starting with a provisional specification. For the payment of a small sum the applicant can record the invention and is allowed 12 months (or 15 months with an extension) in which to file the more expensive complete specification. A provisional specification serves to give priority over other applications for the same invention at a later date and also gives the applicant time to determine whether there is any prospect of using the invention profitably.

After obtaining the provisional protection, an inventor is free to submit his invention to manufacturers and others likely to be interested. No search is made under a provisional application nor is any examination of it made by the Patent Office.

### Complete Specifications

No action towards the actual granting of a patent is taken until a complete specification is received and the patent dates from the date of filing of the complete specification. The fee for a complete specification is approximately £10 ($30). According to the Patent Act, a complete specification should contain a full and detailed description of the invention and must finish with a distinct and proper statement of "claims" on which the whole scope of the patent depends. If claims are not drafted correctly, the way may be left open for the easy infringement of the patent.

The renewal fee for a patent is due before the expiration of the fourth and each consecutive year thereafter of the term of the patent. These fees range from £6 in the fourth year to £30 in the sixteenth.

### International Convention

Under the terms of the International Convention for the Protection of Industrial Property, to which both Canada and Britain are parties, a person who has applied for a patent in a Convention country has the right, within 12 months from the date of the first application in a Convention country, to claim priority for an application in respect of the same invention in another Convention country. The application must be accompanied by a complete specification.

### Use of the Patent Agent

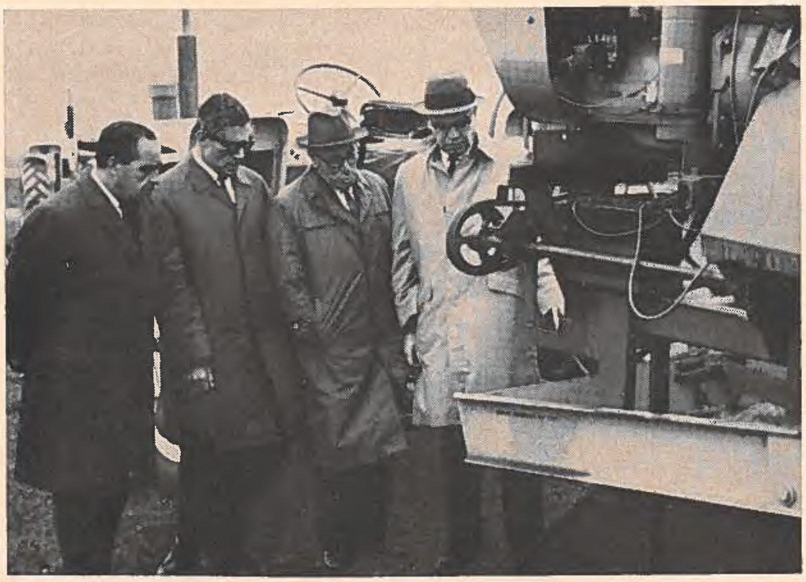
There are about 750 qualified patent agents in Britain, most of whom are located in the vicinity of the Patent Office. The primary duty of a patent agent is to create a patent and, contrary to some impressions, he has little to do with the sale of patents.

Although, as already stated, it is possible for a person to apply direct to the Patent Office, it is often advisable to employ a patent agent because the application must be accompanied by a specification and this specialized document is both technical and legal.

A patent agent is able to carry out searches through previously granted patents and give advice to his client on the validity and possible infringement of patents. Some patent agents specialize in certain technical fields but the professional work involved is of the same nature over all the diverse technical fields.

The work of the patent agent includes the writing of a clear and detailed description of his client's invention and the careful formulation of claims to cover the invention. It also involves overcoming any objections to such claims by the Patent Office examiners and by any competitors who may lodge an opposition to the granting of a patent.

The fees charged by a patent agent are governed by the amount of work carried out and it is therefore not possible to be too precise about the costs of preparing and filing an application for a patent. A patent agent's fee for a straightforward invention, including the government stamp fee, would be approximately £36 ($108). A provisional specification would cost about £13 ($39). ●



**Three agricultural authorities from Portugal recently spent ten days in Canada studying the seed potato industry in New Brunswick and Prince Edward Island. The trade mission, sponsored by the Department of Trade and Commerce, examined growing areas, research farms, processing operations and machinery. Here S. C. Wright, Deputy Minister of Agriculture for P.E.I., points out features of a potato harvester. Mission members were (from the left) Augusto Rosa de Azevedo, chief, phytopathological department of the Direction-General of Agricultural Services; Manuel das Neves Barreto, chief agronomical inspector of the National Fruit Board, and Antonio Joaquim de Andrade Cabral, chief of inspection, Phytopathological Services, all of Lisbon.**

# *What's current in commodities?*

## Seed Potatoes

**Venezuela—Canada holds major share of market but attempts to use locally grown seed have met with some success in Andes region. In lowland districts growers expect to rely on imports of Canadian certified seed for the foreseeable future.**

G. T. FONS, *Commercial Assistant, Caracas.*

THE VENEZUELANS have acquired their seed potatoes abroad ever since experiments in developing local varieties and seeds proved unsuccessful. Strict plant health control was exercised by the Venezuelan Ministry of Agriculture to avoid the introduction of new diseases or pests, which could be expected to do far more damage than in temperate climates, where the winter kills off a large percentage of germs and insects. As an additional means of control, imports were channelled through the government-owned and operated Banco Agrícola y Pecuario (Agricultural and Livestock Bank). With the increase of potato growing in Venezuela, several growers' associations were established and these organizations were given the privilege of placing collective orders for their members without recourse to the Agricultural and Livestock Bank. Thus a large percentage of seed potato orders is now placed directly by the growers' associations with the foreign suppliers.

Potato growing in Venezuela is limited to two clearly defined climatic zones. The lowlands—up to 1,500 metres above sea level—have a tropical climate but the highlands above that altitude come closer to a temperate climate. After experiments trying out several varieties of seed, it became evident that Canadian seed potatoes produced the best yields up to an altitude of 1,500 metres. At higher altitudes, European varieties like Alpha and Maritta, imported chiefly from the Netherlands or Germany, yielded larger crops. Canadian seed potatoes proved unsuitable.

### Canadians Now in Lead

Soon it became a firmly established practice to place the larger share of Venezuelan seed potato orders with Canadian growers. Only 10 to 20 per cent of total imports was supplied by European exporters.

The splendid yield, good adaptability to the tropical climate and growing conditions, and the reliability of Canadian plant health services contributed to making Venezuelan potato growers prefer Canadian seed potatoes, which now have almost a monopoly of the Venezuelan market. Canadian seed is used in all lowland growing areas and imports have risen from trial orders of 39,655 kilos in 1934 to 13,683,559 kilos in 1964 (according to DBS statistics converted to kilograms). (One kilogram=2.2 pounds.)

Table I shows the fluctuations in our seed potato exports to Venezuela in the last ten years. They were taken from Venezuelan Government import statistics except those for 1964, which are based on Dominion Bureau of Statistics data as mentioned above.

It will be noted that our exports show a general rise but this has been reversed at times because of adverse economic or growing conditions.

To assess the share of Canadian exporters in the Venezuelan market,

**TABLE I**

**VENEZUELAN IMPORTS OF CANADIAN SEED POTATOES**

| Year | (kilograms '000) |
|---|---|
| 1954 | 7,744 |
| 1955 | 9,627 |
| 1956 | 12,057 |
| 1957 | 9,210 |
| 1958 | 11,476 |
| 1959 | 7,705 |
| 1960 | 5,415 |
| 1961 | 12,945 |
| 1962 | 7,658 |
| 1963 | 9,311 |
| 1964 (DBS) | 13,683 |

**TABLE II**

**WHERE VENEZUELA BUYS SEED POTATOES**

| | 1961 | | 1962 | | 1963 | |
|---|---|---|---|---|---|---|
| | Value (bolivars) | Quantity (kilos) | Value (bolivars) | Quantity (kilos) | Value (bolivars) | Quantity (kilos) |
| Total imports | 3,278,839 | 14,585,868 | 2,693,043 | 8,800,724 | 2,423,618 | 9,590,245 |
| Of which: | | | | | | |
| Canada | 2,842,640 | 12,945,271 | 1,967,651 | 7,558,065 | 2,300,860 | 9,311,388 |
| United States | 401,609 | 1,538,363 | 85,573 | 228,035 | ........ | ........ |
| West Germany | 20,409 | 66,250 | 425,367 | 189,638 | ........ | ........ |
| Netherlands | 6,633 | 22,750 | 212,935 | 721,396 | 116,274 | 271,446 |

Table II may serve. It gives imports from the main supplier countries for the years 1961 to 1963.

### Handling Problems

Although the Canadian seed potato has made headway in this territory principally because of its special qualities, plus skilful marketing and reliable deliveries by Canadian growers and exporters, problems of different kinds do arise at times.

Venezuela has two potato-growing seasons to one in Canada. The main problem has always been to get Canadian seed potatoes to Venezuelan growers at the beginning of the second season, when our seed potatoes are well past the sprouting stage. All attempts to overcome that difficulty have so far failed and some of the problems accompanying Canadian seed potato deliveries resulted from these attempts.

Our Venezuelan trade partners insist on rather stringent regulations about the size of the tubers and their freedom from plant diseases, because Venezuela does not have many of the potato diseases and pests familiar in other areas. Stringent tolerances are also enforced for those diseases existing in the country like "Rhizoctonia" or "Scab". Some shipments attacked by these disorders have been allowed to be treated locally but it is always preferable to avoid the need for such treatment which delays deliveries and increases costs. When the Venezuelan regulations were changed recently, difficulties developed because of differing interpretations of the percentage of tolerance for tubers affected by disease. The Canadian interpretation was that the surface of each potato should be considered, but the Venezuelans insisted initially on condemning all that showed even slight signs of being affected. The matter was discussed and a satisfactory solution reached.

**Farm hands harvest one of the two potato crops that Venezuela produces each year. Canada supplies from 80 to 90 per cent of the seed planted by the country's farmers.**

### Trend towards Self-Sufficiency

The strong trend in Venezuela towards using the income from oil to make the country self-sufficient rather than spend it on imported commodities that could be locally produced could not fail to affect seed potato imports also. Visits of Canadian experts to Venezuela and visits of Venezuelan plant health specialists to Canada have made the Venezuelan authorities aware that self-sufficiency in this sector would be difficult to achieve. Nevertheless, experimental work was resumed with the purpose of producing local seed. This trend was strengthened by the need of having seed for the second (spring-summer) harvest.

According to reports published at the third meeting of the Latin American Society of Potato Researchers, the work of the experimental station in Mucuchies (Venezuelan Andes) has been outstanding. It is true that the high altitude in the Venezuelan Andes makes disease and pest control easier. Therefore, it is not surprising that it has been possible to develop suitable varieties and that attempts to grow seed of these varieties have been fairly successful experimentally. The Venezuelan research scientists admit that moving from this phase to the growing of certified seed to substitute for seed hitherto imported from Europe, will need a lot more work. The build-up of a body of experts and supervisors, checking stations, etc., will also have to be considered before the country can do without regular imports of European seed.

### Prospects for Canadian Seed

Becoming self-sufficient in seed potatoes for the lowland crops in Venezuela presents far more problems. An estimated 80 to 90 per cent of the country's potato harvest comes from these low areas. The tropical heat and moisture there require seeds to be practically free from diseases that might endanger the crop under the prevailing hot-house conditions. Both officials and private organizations have been at work trying to develop local seed for that zone, but the progress made so far is not even remotely comparable to that achieved in the Andean region. It is therefore expected that Venezuela will have to rely for the foreseeable future on Canadian seed potatoes for the low-land growing districts.

The intense interest of Venezuelan growers in obtaining seed for their spring-summer crops may lead to attempts to grow local seed from imported "foundation" stock and use it for the second crop. Only experience will show whether this can provide the local growers with a product able to maintain the high standards of vitality, productivity and freedom from disease that are a matter of course in using Canadian certified seed. ●

# Building Supplies

## West Germany—Residential construction is booming and last year the industry completed 600,000 units. Larger living quarters equipped with modern fittings and components are in demand and the time is ripe for Canadians to enter a profitable market.

JAMES A. ELLIOT, *Consul, Duesseldorf.*

WEST GERMANY still has a housing shortage, despite a building campaign which has averaged over 500,000 dwellings a year during the past decade. Much of the shortage resulted from the war, when 2.2 million dwellings were destroyed and 2.5 million damaged out of a 1939 total of 10 million units. The postwar influx of 11 million refugees further increased the shortage and it now stands at 6 million units. Most of this shortage is in Lower Saxony but it also exists in North Rhine-Westphalia and the Munich area in Bavaria.

This shortage should be overcome by 1966, when residential construction will probably level off at about 400,000 units a year. Of these, 150,000 to 200,000 will be for newlyweds; the remainder will replace older dwellings.

The backlog is being reduced but the size of new dwellings is increasing and separate houses and duplexes are replacing flats and apartment blocks. Of the dwellings completed in 1953, 58.3 per cent had three rooms or less and only 9.9 per cent had five or more. In 1962, by contrast, 32.7 per cent of new dwellings had five rooms or more and only 27.1 per cent had three or less. In the same period the percentage of single houses rose from 11 to 23 per cent of the total dwellings erected and buildings with more than three units fell from 61 to 51 per cent of the total.

These and other figures are expanded in the tables on page 29.

### Building a House

An unusual feature of the German housebuilding industry by Canadian standards is the absence of a general contractor. An architect usually supervises the construction of houses he has designed and he deals directly with plasterers, carpenters and other tradesmen. This means that fixed-price contracts are almost never made.

Most privately-owned houses are sold before they are built and the purchasers often have limited resources. Therefore builders buy materials in small quantities and as needed. This fact, combined with the current German labour shortage, makes architects and builders reluctant to specify material which might be unavailable when required. If materials are not delivered on schedule the builder either pays idle workmen or risks losing them. Any Canadian firm selling building supplies in this market must arrange to maintain adequate stocks in Germany.

The one-family house being built in Germany today generally has uninsulated, solid masonry walls and partitions. Insulation is usually not up to Canadian standards but with the increasing use of central heating it is gradually improving.

### Apartments Are Popular

Apartments, although losing ground to single-family, duplex and multiple units, still account for half the new dwellings built each year. Municipal or provincial authorities build some but private firms or individuals erect most of them and usually as a commercial venture. These firms frequently act

# Residential Construction in West Germany

## Number and type of dwellings completed

| | Total Number —of which: | Single Houses | Multiple Units | Other Buildings |
|---|---|---|---|---|
| | ('000's) | (per cent of total) | | |
| 1954 | 542.8 | 60.7 | 37.8 | 1.5 |
| 1960 | 574.4 | 44.4 | 54.1 | 1.5 |
| 1961 | 565.8 | 47.3 | 51.1 | 1.6 |
| 1962 | 573.4 | 46.5 | 51.9 | 1.6 |
| 1963 | 569.6 | 47.2 | 51.3 | 1.5 |

### For Comparison—

| | Total Number —of which: | Single Houses | Multiple Units |
|---|---|---|---|
| | ('000's) | (per cent of total) | |
| **United States** | | | |
| 1954 | 1,220.4 | 91 | 9 |
| 1960 | 1,296.0 | 82 | 18 |
| 1961 | 1,365.0 | 76 | 24 |
| 1962 | 1,492.4 | 71 | 29 |
| 1963 | 1,617.7 | 66 | 34 |
| **Britain** | | | |
| 1954 | 199.6 | 77 | 23 |
| 1960 | 103.2 | 58 | 42 |
| 1961 | 303.2 | 78 | 22 |
| 1962 | 313.6 | 76 | 24 |
| 1963 | 307.7 | 76 | 24 |

## Sources of building funds

| | Public Authorities | Housing Associations and Co-operatives | individuals | Private housing corporations | other enterprises |
|---|---|---|---|---|---|
| | (per cent) | (per cent) | | (per cent) | |
| 1954 | 3.8 | 32.5 | 56.8 | 4.0 | 2.9 |
| 1960 | 2.7 | 26.1 | 62.4 | 4.3 | 4.5 |
| 1961 | 2.2 | 25.3 | 63.3 | 4.1 | 5.1 |
| 1962 | 2.5 | 23.9 | 62.9 | 4.9 | 5.8 |
| 1963 | 2.5 | 24.4 | 62.3 | 5.0 | 5.8 |

### For Comparison—Britain

| | Local Authorities | Other Authorities | Private Persons unaided | Private Persons aided |
|---|---|---|---|---|
| | (per cent) | (per cent) | (per cent) | |
| 1954 | 67.2 | 6.2 | 26.1 | 0.5 |
| 1960 | 62.2 | 1.5 | 54.7 | 1.6 |
| 1961 | 37.8 | 2.1 | 58.4 | 1.7 |
| 1962 | 40.3 | 2.1 | 55.9 | 1.7 |
| 1963 | 40.0 | 1.9 | 56.6 | 1.5 |

## Total number of rooms that construction provided:

| 1954 | 1960 | 1961 | 1962 | 1963 |
|---|---|---|---|---|
| | | (000's) | | |
| 1,956.4 | 2,328.7 | 2,337.0 | 2,391.4 | 2,389.6 |

## Average number of rooms per dwelling:

| 1954 | 1960 | 1961 | 1962 | 1963 |
|---|---|---|---|---|
| 3.6 | 4.2 | 4.1 | 4.2 | 4.2 |

## Average number of rooms per 1,000 inhabitants:

| 1954 | 1960 | 1961 | 1962 | 1963 |
|---|---|---|---|---|
| 39.4 | 42.0 | 41.6 | 42.0 | 41.5 |

## Number of dwellings built with:

| | one or two rooms | three rooms | four rooms | five or more rooms |
|---|---|---|---|---|
| | (per cent of total) | | | |
| 1954 | 11.4 | 39.7 | 37.2 | 11.7 |
| 1960 | 8.6 | 21.8 | 41.9 | 27.7 |
| 1961 | 8.1 | 20.5 | 40.8 | 30.6 |
| 1962 | 8.1 | 19.0 | 40.2 | 32.7 |

## Number of dwellings with fixed bath or shower:

| 1954 | 1960 | 1961 | 1962 | 1963 |
|---|---|---|---|---|
| | | (per cent of total) | | |
| .... | 90.9 | 96.7 | 97.2 | 97.7 |

## Number of dwellings with central heating:

| 1954 | 1960 | 1961 | 1962 | 1963 |
|---|---|---|---|---|
| | | (per cent of total) | | |
| .... | 30.5 | 36.3 | 42.5 | 49.0 |

## Useful floor space per dwelling:

| 1954 | 1960 | 1961 | 1962 | 1963 |
|---|---|---|---|---|
| | | (square metres) | | |
| 58.8 | 70.8 | 72.9 | 73.5 | 75.2 |

as general contractors—buying land, hiring architects, and supervising the construction of the building. About 10 per cent of their business is building apartment blocks for other groups (often insurance companies), working to plans drawn up by architects employed by the purchaser.

New apartment buildings, in comparison with the older ones, have a greater number of larger rooms. The buildings themselves are more modern in appearance than private houses and building methods more up-to-date. However, like private houses, these apartments seldom have built-in cupboards and closets. Windows are almost always unscreened and double-glazing is regarded as an expensive novelty.

German building regulations restrict the use of wood for structural purposes in all buildings over two stories. Solid reinforced concrete is the common construction medium. Little structural steel is used except in the rare office building of the skyscraper type. The use of prefabricated concrete panels for apartments is increasing steadily and some receive a decorative finish of ceramic tile at the factory. Steel or aluminum Canadian curtain-walling should be able to compete successfully with these concrete panels.

Most German apartments have small balconies and Canadian sliding aluminum doors should sell well here, because they give access without taking up too much space. Sturdy locks should be incorporated in all doors shipped to Germany.

### Commercial Construction Lags

A rise in commercial and industrial construction is expected to help fill the gap which will appear after 1966, when housing construction levels off. Restrictions were imposed on commercial construction in 1962 to ensure that the available labour in the building trade was used to combat the housing shortage. These restrictions caused a decline in non-residential building and there are a substantial number of business firms waiting to build new offices and plants when the controls are removed and labour and materials become available.

This expected spurt in commercial construction should provide Canadian suppliers with excellent market possibilities for attractively designed and competitively priced components. It could even be a better market than the housing field, because the architects who specialize in commercial buildings are much less conservative than their colleagues in the residential construction business. In addition to being more receptive to new ideas, these architects have clients who are more conscious of long-run costs and better informed than the average residential builder.

### Selling to the Trade

The building supplies trade in Germany is well-organized and Canadian firms interested in selling to this market will need a qualified agent or distributor. These in turn will stock products for distribution to wholesalers and retailers or will call upon jobbers who maintain their own stocks. Builders require "free house" quotations which include duties, taxes and inland freight, and direct sales to all but the largest firms can be ruled out. These are two more reasons for selling through a local agent or distributor.

There is a large group of eager buyers in Germany but there are a few hurdles you must clear before your products become part of a building. You must realize that the German architect occupies an important place in the construction scene. He usually acts as a general contractor and you must sell him on your products.

- German builders are quite conservative so that items suitable for current building methods (mainly solid reinforced concrete) are much easier to sell than those which require the builder to adopt new methods. Nevertheless a good salesman can change centuries of tradition if he has a dollar-and-cents argument.

- German building codes affect many products so the first step in selling is to get your product approved. If you encounter any difficulties the Trade Commissioner or your agent can help.

- Metric measurements are standard in Germany, although some architectural modules (e.g., window sizes) are based on measurements in inches. Prepare specifications in the metric system.

- The business language of Germany is German! Either you or your agent must prepare sales literature in German.

- German house-builders usually buy their supplies in "dribs and drabs" as needed. You must arrange to maintain adequate stocks in Germany.

Sizes, particularly of doors and windows, vary considerably. There are 18 standard heights for windows ranging from 20 to 100 inches and 24 standard widths ranging from 25 to 140 inches. These and other DIN standards are available from the Beuth Vertrieb GmbH., Berlin, for about $1.00 a page.

The Building Supplies Mission which visited Germany in March 1965 found that their products fell into two categories:

**(a)** Items visible in a completed house. These find a ready market if they are well-made, distinctive, and contribute to modern comfortable living. Aluminum windows and doors are in this category as well as locksets, siding, wallpaper and heating equipment.

**(b)** Items hidden or inconspicuous in the finished building. These are sold almost solely on price—provided that they meet the minimum legal requirements. This category includes lath and plastering material and structural items.

You can overcome any obstacles in this market fairly easily once you are prepared for them. This could be a profitable market for Canadian manufacturers and we hope to see more and more Canadian salesmen filling their order-books in Germany.

Write to the Trade Commissioners in Germany if you are interested in selling building supplies and if you have the productive capacity to handle large-volume sales. Remember to enclose illustrated sales literature and quote your prices c.i.f. Rotterdam or Hamburg, preferably in Deutschmarks. We can then carry out a preliminary market survey and if this appears promising, we will suggest a number of suitable local agents or distributors. Once you have completed the opening negotiations we will recommend a personal visit to Germany. This will enable you to make your final choice of agents and give you an on-the-spot picture of conditions here. ●

# Trade Lines

**Australian Newsprint Mills Ltd. plans a £14 million (Can.$34 million) expansion at Boyer,** about 18 miles from Hobart. Installation of a third papermaking machine will increase production from 90,000 to 160,000 tons a year. Construction is to be completed in about three years—Melbourne.

**Finland has called for tenders for a 300-megawatt nuclear power station.** Contract is to be awarded within a year and operation will begin in the early seventies. Foreign investment will meet two thirds of the $80 million cost. Export industries will benefit from lower-cost electricity; rates are now higher than in North America or the U.S.S.R., about the same as in Britain, but less than in Germany. State-operated companies now supply 40 per cent of requirements—Stockholm.

**Swedish wholesalers expect turnover to go up 87 per cent between 1960-70 to reach $4,000 million by 1970, at constant prices.** Investment in premises, furnishings, equipment and vehicles is expected to total $380 million to $500 million, with a similar investment in stocks, credit, etc. Sales of building materials, fuels and capital goods will expand steadily at 5.6 per cent a year; consumer goods will rise by as much as 8.7 per cent a year for five years and then taper off to 5.8 per cent—Stockholm.

**Pittsburgh will hold another Home Show on May 4-8, 1966; 50,000 prospective home owners expected to attend.** Sponsored by the Home Builders Association of Metropolitan Pittsburgh, the event will interest Canadian firms selling or wishing to sell in the tri-state area of Western Pennsylvania, Ohio and West Virginia. Exhibits will include building materials, furnishings and accessories, outdoor living and landscaping materials and equipment, mobile homes and travel trailers, vacation homes and home modernization techniques—Philadelphia.

**Hong Kong is producing high-tensile-steel bars.** A local rolling mill, Shiu Wing Co. Ltd., has started turning out bars in a full range of sizes at prices ranging from Can.$5.22 to $5.40. In the past, most high-tensile bars were imported—Hong Kong.

**South Africa is producing fishnets from locally manufactured nylon and terylene.** A new factory near Capetown will attempt to supply all the nets needed by the South African and South West African fishing industries by the end of 1966. Savings of between $3 million and $4 million a year in foreign exchange would result —Cape Town.

**Gold Production in South Africa** in 1964 reached 29,136,542 fine ounces or 6 per cent more than in 1963; it was valued at $1.1 billion—Johannesburg.

**The Argentine Industrial Bank, in accordance with the National Development Plan, is granting loans** up to 60 per cent of the total value of investment in machinery, equipment and installations and up to 50 per cent of the costs of construction. Terms are five years from date of completion at 15 per cent a year. Industries eligible include food, vegetable oils, feedstuffs, construction, industrial ceramics, chemical, electronic, pulp and paper, scientific and technical instruments, steel byproducts and machine tools—Buenos Aires.

**An Australian firm, Associated Pulp and Paper Mills Limited, will spend £5 million** (Can.$12 million) on the first stage of a new paper mill at Wesley Vale, near Devonport, Tasmania. Production will begin within about three years. Project also includes development of a water scheme from the Mersey River (20 million gallons a day), housing and access road—Melbourne.

**Sweden is delivering 250,000 kilowatts a year of electric power to other West European countries.** The KONTI-SKAN powerline went into operation on September 10, 1965; it links power lines from the North Cape to Sicily. Two Danish, one Swedish and one German company built the connecting link at a cost of D.Kr.200 million—Copenhagen.

**The U.S.S.R. can now deliver timber from the White Sea to Baltic ports without transshipment at Leningrad.** The Baltisky 22, specially constructed for river and deepsea travel, made an eight-day voyage in September from Bielomorsk across the White Sea to Lakes Onega and Ladoga, and then across the Baltic to Denmark—Stockholm.

**Helsinki, capital of Finland, announced ten-year city plan in September.** It calls for $110 million for first stage of a subway system, $174 million for new housing, $110 million for roads and bridges, and $53 million for harbour improvements. A concert hall, congress hall and bus station are also included—Stockholm.

**Plant to manufacture air conditioners has just opened in the Pretoria area of South Africa.** Plans call for the production of 3,000 units in first year with substantial increase the following year. The market is estimated at nearly 16,000 units a year. Local content of the equipment is expected to be about 70 per cent—Johannesburg.

**Eight thoroughbred mares recently sailed from Canada to Trinidad** where they will be used as breeding stock by the island's police force. Trinidad has frequently purchased Canadian horses in the past but these were replacements for aging or ailing police horses—Ottawa.

**The World Bank has approved a loan of $40 million to help finance Spain's 1964-67 Port Development Plan.** Of this amount $22 million will be applied to civil works and equipment for four major ports and $18 million to equipment for 17 other important ports and to general port use. Spain has more than 300 ports; 17 of the 27 larger ones handle 90 per cent of the traffic. The Port Development Plan at a cost of $200 million aims to expand and modernize existing facilities and to renew equipment to meet an increase in traffic over the next decade. These investments will reduce turnaround time, lower cargo handling costs and improve general efficiency—Washington.

**Mexico has increased the tonnage of its merchant fleet by 12 per cent in past year;** it now totals 443,901 d.w.t. The 44 freighters in the deepsea fleet account for 65,385 tons; recent acquisitions will raise this by 40 per cent. The 17 vessels in the tanker fleet, which is engaged in coastal traffic, total 145,302 tons—Mexico, D.F.

**The World Bank is lending a total of $32 million to Nigeria to be used for road projects.** A loan of $17.5 million will be used to help finance two four-lane highways in the port area of Lagos, the capital. The roads should relieve traffic congestion and speed movement to and from the Apapa wharves. An earlier IBRD loan is being used to expand these wharves which now handle a large part of Nigeria's foreign trade—Washington.

**South African Sugar Association now estimates production for current season at 1,083,800 short tons;** original estimate was over 1.5 million. Acreage under cane increased but serious drought and late delivery of essential mill equipment caused shortfall in production. Exports during June 1965 amounted to 32,135 short tons, bringing the total exports since the first of the year to 203,656 short tons. This includes sugar manufactured in previous season—Johannesburg.

**Hong Kong plans two new towns,** each with a population of one million, at Sha Tin and Castle Peak in the New Territories. Costs of engineering works for both schemes, if these are carried out, will be about $250 million—Hong Kong.

**Nylon production will double** when South African Nylon Spinners (Pty.) Ltd., Bellville, completes expansion program. Capacity of 18 million pounds by 1966 is planned. Nine million pounds will be used for clothing and nine million for industrial products such as tire cords and conveyor belting—Cape Town.

**United States has granted, under PL480, a Spanish co-operative long-term credit amounting to $37 million;** it is repayable within 15 years. The co-operative, comprising 900 local groups with a total membership of 250,000 small farmers, will use the credit to finance a livestock development program, including the building of silos, cattle reception centres, abattoirs, deep freezing and transportation networks, experimental farms, feed factories and imports of feeds and pedigree cattle from the United States. This represents the largest credit ever granted under PL480 to a private group—Madrid.

**Japanese automobile production reached 1,705,000 units last year,** surpassing French output and exceeded only by the United States, West Germany and Britain, according to the Canada-Japan Trade Council. From 1954 to 1964 the Japanese automobile industry experienced a 24-fold production increase. One out of every 19 consumers owns an automobile but manufacturers agree that current business adjustments will result in a more conservative future growth—Ottawa.

**Sweden passes new law to protect farmers.** Business firms must now obtain approval of local agricultural boards before they can acquire farm or forest lands for industrial purposes—Stockholm.

**Britain remains leading market for South African apples,** with imports of 90,242 tons in the past season, 2,000 tons less than the year before but still a record. Tonnage is expected to double within next 10 years. Canada is also buying South African apples and imported 80,000 cases in 1965 compared with 68,000 in 1964—Cape Town.

**A new Finnish grain dryer capable of handling 20 tons a day** will go on sale next spring. Intended for large family farms, it is produced by Oy Fiskars AB, Helsinki, manufacturers of agricultural implements. It uses moist air and keeps the grain floating in it while it is in the dryer—Stockholm.

**South Africa's imports from January to May this year reached R736.6 million** compared with R603.5 million in the corresponding period last year. Exports totalled R384.6 million compared with R417.2 million in the same period last year—Cape Town.

**West German chemical company plans R2.7 million plant at Milnerton, Cape Town,** to produce polyester fibre; opening is scheduled for early 1967. Output of four million pounds of fibre a year is expected to save Republic R5 million a year in foreign exchange—Cape Town.

**Israel's merchant fleet now exceeds one million d.w.t.** and has an additional 300,000 tons on order. Zim Israel Navigation owns three quarters of the tonnage. It operates 67 vessels, including six passenger liners, and has another six totalling 80,000 d.w.t. on order in Japan, Yugoslavia, the Netherlands and Italy. El Yam, the second largest carrier, is operating nine freighters totalling 160,000 d.w.t. It has on order from Britain two bulk freighters of 65,000 tons each and from Japan two freighters of 45,000 tons each. The latter are to be delivered in December and early next year—Tel Aviv.

## Foreign Tariffs and Trade Regulations

### Israel

DOCUMENTATION REQUIREMENTS—The documents required for normal shipments to Israel are the invoice and bill of lading in the original plus two copies. The invoice for customs clearance should contain all the information needed for identification, examination, valuation, and classification of goods and give details regarding origin, supplier terms of trade, shipment, etc. That is, they must include:

detailed description of the goods
the quantity of each kind of goods in the metric system
price or value of each unit
gross weight of each package
net weight of the goods contained in each package
total gross and net weight of consignment
true value of the goods
cost of packing
cost of transport in the country of export
expenses of shipping or loading
dock dues
agent's fees
cost of freight by rail or sea
all insurance charges incurred in the export of the goods to Israel

The original invoice of the imported goods shall be signed by the supplier abroad of such goods.

No special form has been prescribed: any regular commercial invoice will be accepted, provided the information listed above is supplied. Because the commercial invoice form used by Canadian companies does not usually meet all these Israeli requirements, Canadian firms may use blank forms giving full details and specifications and attach them to their commercial invoices. They may also use a form of customs invoice suggested by the Israeli Customs authorities, although these authorities have stated their preference for ordinary commercial invoices containing all the necessary headings.

The suggested form of Israeli customs invoice may be available from commercial stationers and printers in Canada. Information on contents of this document may be obtained from the Asia and Middle East Division, Office of Trade Relations, Department of Trade and Commerce, Ottawa.

This has a bearing on information regarding documentation for Israel given in Foreign Trade of October 16, 1965, page 18.

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, 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 .9310.

# Foreign Exchange Rates

| Country | Unit | Type of Exchange | Can. dollar equivalent Nov 2 | Units per Canadian dollar | Notes (see below) |
|---|---|---|---|---|---|
| Algeria | Dinar | | .2191 | 4.56 | |
| Argentina | Peso | Free | .005967 | 167.59 | |
| Australia | Pound | | 2.4095 | .4150 | |
| Austria | Schilling | | .04159 | 24.04 | |
| Bahamas | Pound | | 3.0119 | .3320 | |
| Belgium and Luxembourg | Franc | | .02163 | 46.23 | |
| Bermuda | Pound | | 3.0119 | .3320 | |
| Bolivia | Peso | | .09130 | 10.95 | |
| Brazil | Cruzeiro | Official Free | .0005845 | 1,710.86 | |
| Britain | Pound | | 3.0119 | .3320 | |
| British Guiana | Dollar | | .6275 | 1.59 | |
| British Honduras | Dollar | | .7530 | 1.33 | |
| Burma | Kyat | | .2256 | 4.43 | |
| Ceylon | Rupee | | .2259 | 4.43 | |
| Chile | Escudo | Bank rate | .3156 | 3.17 | |
| | | Free | .2639 | 3.79 | |
| Colombia | Peso | Free | .06170 | 16.21 | |
| | | Certificate | .1193 | 8.38 | |
| Congo, Republic of | Franc | | .007160 | 139.66 | (1) |
| Costa Rica | Colon | | .1621 | 6.17 | |
| Cuba | Peso | | ‡ | ‡ | |
| Czechoslovakia | Koruna | | .1492 | 6.70 | |
| Denmark | Krone | | .1558 | 6.42 | |
| Dominican Republic | Peso | | 1.07406 | .9310 | |
| Ecuador | Sucre | Official | .05967 | 16.76 | |
| | | Free | .05800 | 17.24 | |
| El Salvador | Colon | | .4296 | 2.33 | |
| Fiji | Pound | | 2.7134 | .3685 | |
| Finland | Markka | | .3356 | 2.98 | |
| France, Monaco, etc. | Franc | | .2191 | 4.56 | (2) |
| Franco-African Republics, etc. | Franc | | .004382 | 228.21 | (3) |
| French Pacific | Franc | | .01205 | 82.99 | (4) |
| Germany | D Mark | | .2686 | 3.73 | |
| Ghana | Cedi | | 1.2550 | .7968 | |
| Greece | Drachma | | .03580 | 27.93 | |
| Guatemala | Quetzal | | 1.07406 | .9310 | |
| Haiti | Gourde | | .2148 | 4.66 | |
| Honduras | Lempira | | .5370 | 1.86 | |
| Hong Kong | Dollar | Free | .1869 | 5.35 | *Oct 22 |
| | | Official | .1882 | 5.31 | |

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

| Country | Unit | Type of Exchange | Can. dollar equivalent Nov 2 | Units per Canadian dollar | Notes (see below) |
|---|---|---|---|---|---|
| Iceland | Krona | Official | .02498 | 40.03 | (1) |
| India | Rupee | | .2259 | 4.43 | |
| Indonesia | Rupiah | | .004296 | 232.76 | (1) |
| Iran | Rial | | .01418 | 70.53 | |
| Iraq | Dinar | | 3.0074 | .3325 | |
| Ireland | Pound | | 3.0119 | .3320 | |
| Israel | Pound | | .3580 | 2.79 | |
| Italy | Lira | | .001719 | 581.73 | |
| Japan | Yen | | .002984 | 335.12 | |
| Lebanon | Pound | Free | .3523 | 2.84 | |
| Malaysia | Dollar | | .3509 | 2.85 | |
| Mexico | Peso | | .08593 | 11.64 | |
| Morocco | Dirham | | .2148 | 4.66 | |
| Netherlands | Florin | | .2980 | 3.36 | |
| Netherlands Antilles | Florin | | .5695 | 1.76 | |
| New Zealand | Pound | | 3.0011 | .3332 | |
| Nicaragua | Cordoba | | .1534 | 6.52 | |
| Nigeria | Pound | | 3.0119 | .3320 | |
| Norway | Krone | | .1504 | 6.65 | |
| Pakistan | Rupee | | .2259 | 4.43 | |
| Panama | Balboa | | 1.07406 | .9310 | |
| Paraguay | Guarani | Free | .009667 | 103.44 | |
| Peru | Sol | Free | .04004 | 24.98 | |
| Philippines | Peso | Free | .2754 | 3.63 | |
| Poland | Zloty | Fixed—basic rate | .04474 | 22.35 | |
| Portugal & Colonies | Escudo | | .03736 | 26.77 | (5) |
| Sierra Leone | Leones | | 1.5038 | .6650 | |
| South Africa | Rand | | 1.5060 | .6640 | |
| Spain and Dependencies | Peseta | | .01794 | 55.74 | |
| Sweden | Krona | | .2076 | 4.82 | |
| Switzerland | Franc | | .2486 | 4.02 | |
| Syria | Pound | Free | .2809 | 3.56 | |
| Thailand | Baht | Free | .05266 | 18.99 | (1) |
| Tunisia | Dinar | | 2.0568 | .4862 | |
| Turkey | Lira | | .1193 | 8.38 | (1) |
| United Arab Republic | Pound | Official | 2.4703 | .4048 | |
| United States | Dollar | | 1.07406 | .9310 | |
| Uruguay | Peso | Free | .01725 | 57.97 | |
| Venezuela | Bolivar | Official Free | .2391 | 4.18 | |
| West Indies | Dollar | | .6275 | 1.59 | (6) |
| | Pound | | 3.0119 | .3320 | (7) |
| Yugoslavia | Dinar | Official | .0008593 | 1,163.73 | |

# 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.

# New Zealand Restricts Credit

LESS than three months after he presented his last Budget, the New Zealand Minister of Finance announced new means to curb public spending. These took effect on September 1, 1965, and will last for one year.

The object of this action, he said, was to take funds out of the spending stream. He also gave his unqualified assurance that the Government would not use the extra funds to increase its own expenditures but would play its part by freezing funds and taking money out of circulation by repaying its indebtedness to the Reserve Bank.

In general, the measures include the following:

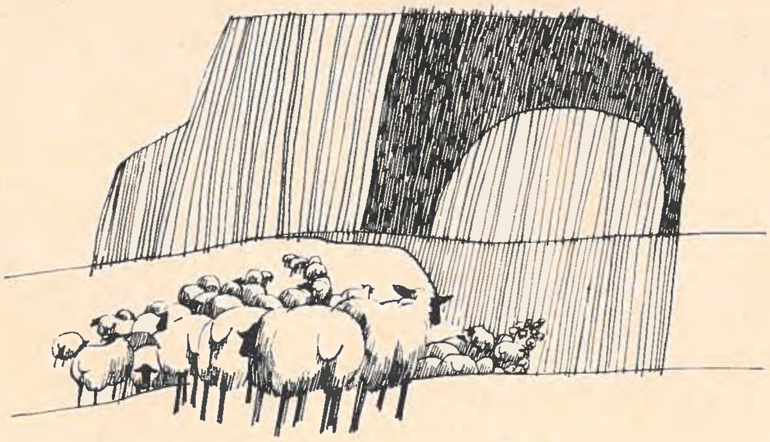
(1) Less time to repay loans on motorcycles, secondhand cars and trucks.

(2) Compulsory advance payment of three months' rent for television sets hired.

(3) Increased investment in government securities by savings banks, insurance companies. and instalment finance firms.

The maximum period of credit for secondhand cars and trucks is to be reduced from 18 months to 12 months, and for motorcycles to 12 months.

Persons renting television sets must deposit 12 weeks' rental in advance. This applies irrespective of the period for which the set is rented, but if this is less than 12 weeks, the remainder of the deposit is refundable when the set is returned.



The larger and well-established trustee savings banks have agreed to increase their investment in government stock from the statutory 50 to 70 per cent in respect of net new deposits accumulated in the next year. The private savings banks have agreed to invest 80 per cent of their net new deposits in government stock compared with the statutory 70 per cent.

The members of the Life Offices Association have agreed to invest £2 million ($6 million Canadian) more in government securities in the next year and the organizations representing fire and accident insurance companies have agreed to increase their combined holding of government stock by £750,000 ($2.25 million Canadian).

The executive of the Hire Purchase Association of N.Z. has agreed to recommend that its members take up in quarterly instalments government securities equivalent to 7½ per cent of their new lending under instalment buying or other extended credit arrangements over the next year. Members of the Finance Houses Association have agreed to take up government stock equivalent to the arrangement for instalment buying companies. Similar arrangements will apply to non-farm lending of stock and station agents.

The Government has also decided to apply these additional measures:

—The rate of interest on advance payments of income tax is to be increased from 2½ to 4 per cent.

—The maximum average interest rate chargeable by trading banks on their advances to customers is to be raised from 5.84 to 6 per cent. The Minister of Finance said no general rise in bank overdraft interest rates was involved but the banks would be able to apply much higher rates in appropriate cases. This should help to achieve the required reduction in bank advances.

—C. A. CARRUTHERS,
*Assistant Commercial Secretary, Wellington.*

*If undelivered return to:*
The Queen's Printer, Ottawa, Canada

CANADA
POSTAGE PAID
PORT PAYÉ