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# FOREIGN TRADE

DEPARTMENT OF TRADE AND COMMERCE, OTTAWA

# FOREIGN TRADE

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**COMING—DEVELOPMENT AND TRADE IN SOUTH AMERICA, JANUARY 22 ISSUE**

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# Chicago: Big Next-Door Market

**Recent articles in "Foreign Trade" have reviewed for Canadian exporters the various techniques of doing business in Chicago and the eleven-state area of mid-America which it dominates. This report gives an up-to-date picture of Chicago's economy and the market available to aggressive and competitive Canadian industry.**

—Chicago Asso. of Commerce and Industry

**Chicago is a city of big things: the Post Office (centre), for example, is the largest in the world. Note that the Eisenhower Expressway passes through it after leaving the interchange in the foreground.**

D. H. CHENEY, *Consul and Senior Trade Commissioner, Chicago.*

RIGHT from the start, the boisterous frontier post of Chicago was headed for big things. Fifty years after its incorporation as a town on March 4, 1837, Chicago became one of the great metropolitan centres of the world with a population of over a million. Today it is the foremost manufacturing and distribution centre in the United States, with annual sales exceeding $60 billion. In 1964 its manufacturers produced goods valued at over $31 billion. Its metropolitan area embraces eight counties of northeastern Illinois and northern Indiana, with a population of more than seven million.

Imports flow into the state of Illinois at the rate of more than $1 billion a year and it is estimated that approximately 25 per cent of total trade between Canada and the United States originates within the eleven states which comprise the territory of our Chicago office.

### Transportation Hub

Chicago is the transportation hub of the U.S. and the world's largest and busiest railroad centre, loading 3,000 freight cars a day in its yards. It is the starting point for 20 trunk-

line railroads. Its three airports handle 16 million passengers a year and ship 15 per cent of the country's air cargo volume. Twenty-eight commercial airlines operate from Chicago and 16 of them, including AIR CANADA, provide international service. O'Hare Field is the world's largest airport in terms of land area and passenger traffic.

Each day Chicago's motor-truck service provides scheduled transportation to 54,000 communities; some 400 common carrier companies operate 12,000 trucks. More than 2,000 local carriers serve the city itself. Overnight trucking service is provided to 2,000 communities within a radius of 400 miles of Chicago.

The port is served by 49 steamship lines which offer regular overseas services to 66 countries in Europe, North Africa, Middle East, Far East, Australia and the Caribbean. The port system comprises four distinct facilities.

- **The Calumet-Sag Channel**—an all-water link between the Great Lakes-St. Lawrence Seaway and the Mississippi River system, through which barge lines provide scheduled service to ports along 4,500 miles of the Mississippi River and those on the Gulf Coast.

- **Lake Calumet**—Chicago's largest port, the main transfer point between ocean and lake ships and the river barges, trains and trucks.

- **Navy Pier**—on the lakefront opposite the famous Chicago Loop; handles 250 ocean ships a year.

- **The International Steamship Terminal**—at the junction of Lake Michigan and the Calumet River; handles another 300.

More than $200 million has been earmarked for Chicago port development since the St. Lawrence Seaway project was approved.

### Commerce and Industry

Metropolitan Chicago's industrial complex contains more than 14,000 manufacturing plants and some 4,000 of these have been added since 1943. About 70 per cent of these factories are within the city limits and they provide 65 per cent of the area's blue-collar employment. The electrical machinery manufacturing industry alone absorbs 14 per cent of this work force.

Of the 100 leading U.S. industrial cities rated according to value added, 47 are located within the 23 states comprising Chicago's distribution hinterland. They contribute 36 per cent of the U.S. total of value added, or $50 billion.

Chicago leads all other U.S. cities in the production of steel, telephone equipment, radios, television sets, confectionery products, household appliances, metal products, electrical machinery and non-electrical machinery. Other important products include plastics, diesel engines, sporting goods and athletic equipment, transportation equipment, printing machinery, books and periodicals, perfumes, cosmetics, tin and paper containers, pumps, plumbing supplies and food specialties.

### Occupation and Income

Metropolitan Chicago contains 4 per cent of the U.S. population but accounts for more than 5 per cent of total national production. Out of total employment of some 3 million persons in the metro area, 970,000 are in industry, 560,000 in trade, 420,000 in services, and 160,000 in finance, insurance and real estate. Total personal income per household averages $10,500—27 per cent above the national average. Personal income per capita is $3,200, 30 per cent greater than the national average. In 1964 the area added 35,000 new jobs and cut its average unemployment rate to less than 4 per cent, lowest of any major metropolitan area in the U.S.

### Building and Construction

New commercial construction during the five-year period 1958-1962 amounted to $1.5 billion for offices, stores, apartments, hotels, motels and service establishments. Present investment in industrial plants, land and buildings is averaging a billion dollars a year. In the four years ended in 1964, forty-one buildings (each valued at over half-a-million dollars) were built, more than in any other American metropolitan area.

### Research and Development

Chicago industries operate some 1,200 research laboratories and midwestern industries spend more than $2 billion a year on private industrial research and development, 25 per cent of the national total. Industrial research is prominent in the food, container, metallurgical, refining, transportation equipment, home appliances, plastics, chemical and printing industries. Medical and pharmaceutical research is also outstanding. Argonne National Laboratory is the leading centre in the country for research into the peaceful uses of atomic energy. Fifty colleges and universities in the area also carry on important research programs. Several firms are doing outstanding work in the fields of space and interplanetary communications.

### Trade Shows and Conventions

Chicago is the leading trade show and convention centre in the U.S., catering to an average of 1,200 events each year. Trade shows provide domestic and foreign manufacturers with the ideal opportunity for reaching large numbers of potential customers and for testing the U.S. market. Major regional and national exhibitions held in Chicago include:

Furniture and Home Furnishings Markets
Chicago Automobile Show
National Housewares Show
National Boat, Travel and Outdoor Show
Machine Tool Builders Show
Marine Products Exhibit and Conference
National Chemical Exposition
National Home Builders Show
National Shoe Show
National Sporting Goods Show

In the next eighteen months Canada will be participating offici-

ally in the following trade shows in Chicago:

**1966**

National Sporting Goods Association Show
January 30-February 3

Marine Trades Exhibit and Conference
September 22-26

National Shoe Fair
October

American Society for Metals Exposition
October 30-November 3

National Association of Home Builders Show
December 4-8

**1967**

Chicago Gift Show
February

National Sporting Goods Association Show
February 5-9

American Society of Tool and Manufacturing Engineers Show
March

National Restaurant Convention and AMHA Motelrama
May

Possibly your products would be suitable for display in an exhibit sponsored by the Department of Trade and Commerce in one of Chicago's large trade shows. We would be pleased to advise you on how to proceed.

### Distribution Alternatives

Alternatively, you may wish to consult us about the most effective method of distribution to use. There are a number to choose from.

**1. Selling direct**—You will find in Chicago some of the largest mail order houses in the world, accounting for more than 90 per cent of U.S. sales through catalogues. Over seven million people live in metropolitan Chicago, 9.5 million within a radius of 100 miles, 35.1 million within 300 miles, and 63 million within 500 miles.

**2. Selling to retailers**—Metropolitan Chicago has 55,000 of them and they ring up $10.8 billion in annual sales.

**3. Selling through wholesalers**—There are more than 12,000 wholesalers in metro Chicago, with total sales of more than $25 billion. Some of the leading products sold at wholesale (with annual sales figures) are:

| | ($ billion) |
|---|---|
| Groceries | 4.5 |
| Machinery | 2.9 |
| Drugs and chemicals | 1.9 |
| Electrical goods | 1.6 |
| Motor vehicles | 1.5 |
| | **($ million)** |
| Lumber and construction materials | 719 |
| Furniture | 562 |
| Hardware, plumbing and heating | 514 |
| Tobacco | 294 |

**4. Selling to manufacturers**—There are more than 14,000 manufacturers in Chicago's metropolitan area, with total annual sales of just over $25 billion. Here are the top manufacturing groups with their annual sales figures:

| | ($ billion) |
|---|---|
| Food and like products | 4.4 |
| Primary metals | 4.2 |
| Electrical machinery | 2.8 |
| Fabricated metal products | 2.4 |
| Non-electrical machinery | 2.1 |
| Chemical products | 1.8 |
| Printing and publishing | 1.5 |
| Petroleum and coal products | 1.3 |

**5. Selling to service establishments**—You will find some 40,000 service establishments in metropolitan Chicago, with a total annual sales volume of $2.7 billion.

### King of the Midwest

Chicago's stature in industry, distribution, marketing and research makes it the undisputed king of the U.S. Midwest. It is therefore an ideal place to test your products for acceptance by the discriminating American consumer. Depending upon your product, one of four Canadian Trade Commissioners stationed here will be pleased to work with you in planning an assault on this big market in the heart of America. ●

## African Development Bank Begins Operations

THE African Development Bank, formed just one year ago, has now set itself up in Abidjan, capital of the Ivory Coast, after moving in March from its temporary quarters in Addis Ababa. The bank has a nucleus of staff speaking both French and English and expects to open formally for business in January or February 1966.

Authorized capital is U.S.$250 million, of which half is to be subscribed in convertible currency or gold over a six-year period; U.S. $32 million has been paid in so far. The Bank now numbers 27 member countries, of which 16 are in French-speaking Africa. Unlike the Inter-American Development Bank, the first such regional institution, or the Asian Development Bank now in the process of organization, both of which provide for extra-regional members, non-African countries are not eligible for membership in the African Development Bank.

It is intended that the Bank, despite its small size, offer the same broad range of services as the World Bank and its subsidiaries, the International Development Association and the International Finance Corporation combined. It is authorized to lend to governments and to private borrowers, with or without guarantee, on terms considered appropriate for the particular project concerned. It will be able to guarantee loans made by other institutions, buy equity of private companies, borrow local currency for loans in the same country, and carry on technical assistance operations.

The management, in view of the Bank's limited resources, sees its main role as a catalyst which will attract outside capital to worthwhile projects. The Bank will also be seeking to supplement its own resources through funds raised in non-African capital markets and by official trustee arrangements for tied loans such as the Inter-American Development Bank has entered into with the United States and Canada. ●

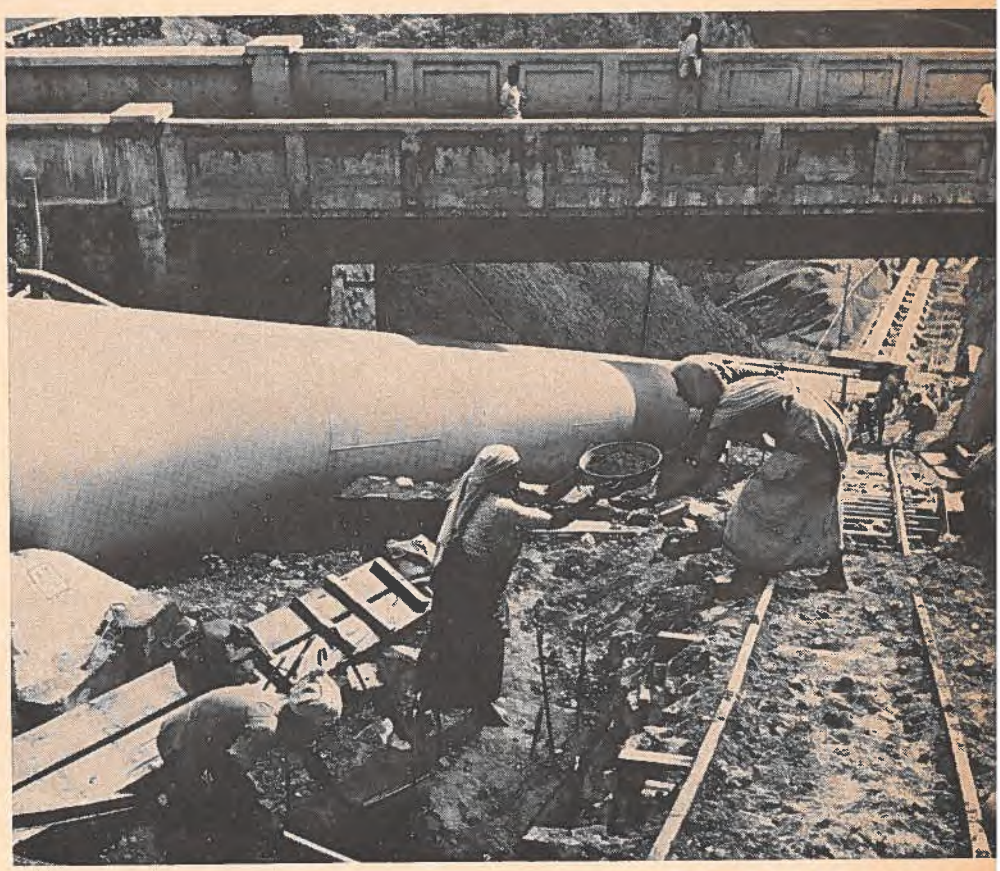
# Canada Aids India's Power Development

WILLIAM G. ROBERTS, *Assistant Commercial Secretary, New Delhi.*

**Colombo Plan grant aid, special credits under ECIC, and development loans have helped finance an impressive power development program since 1951, including projects in many parts of India.**

CANADIAN Colombo Plan aid to India alone since the Plan was set up in January 1950 to the end of the fiscal year 1964-65 totalled $273 million. Over 25 per cent of this has been spent on advancing India's power development program.

These grants to India have been supplemented by two types of credits or loans. The first is the Special Credits administered by the Export Credits Insurance Corporation under the authority of Section 21-A of the Export Credits Insurance Act. The difference between Special Credits and normal Section 21-A financing lies in the fact that the amount of financing to be made available to any one country is established in advance, usually at a meeting of donor countries which examine jointly the aid requirements of a particular developing country. Special Credits are long-term loans (10 to 20 years) made at commercial rates of interest and mainly for projects that will produce early and measurable economic returns, as contrasted with grant-aid programs that often involve infrastructure projects. To the end of fiscal year 1964-65, the Export Credits Insurance Corporation had allocated $50 million as Special Credits to India.



—External Aid Office.

**These Indian women are working on the Kundah hydroelectric project. Photo shows two completed penstocks in the background and the construction of a third.**

The second source of loans to India is the new Development Loan program. Under it, India obtains loans on "soft" terms (50 years, ten years' grace period, interest-free, and three-fourths of one per cent service charge) according to an announcement made in Ottawa in November 1963. Canada allocated to India $10 million for development loans in 1964-65, the first year of operation, and $20 million in 1965-66.

### Co-operation Plays Vital Part

In providing a mixture of grants, special credits and development loans, Canada thus offers one of the most flexible aid programs of any country. This assistance, which is in the form of Canadian goods and services, serves a variety of uses: capital assistance for major projects, the provision of food and other commodities, and technical aid. Projects to be undertaken by Can-



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ada in India are requested by the Government of India on the basis of their relative priority in the context of India's Five Year Plans. They are usually related to economic, educational or social development and are co-operative ventures, with India contributing to local currency costs, including those for labour and materials. This element of self-help is a vital one in the Colombo Plan program and has been amply demonstrated in the Indo-Canadian projects.

Rupee counterpart funds resulting from the sale in India of commodities supplied under grant aid have often been set aside by agreement between Canada and India to help meet the local costs of these undertakings.

### Canadian Economy Benefits

It should be emphasized that the many aid projects undertaken in India have benefited the Canadian economy both directly and indirectly through the orders placed with Canadian manufacturers, the contracts placed with Canadian consulting engineering firms, the purchase from Canadian producers of raw materials or foodstuffs, the salaries paid to Canadian personnel abroad, or the allowances paid to overseas personnel temporarily in Canada. As well, Canadian and Indian companies have come to know and understand one another, a factor which has sometimes led to commercial orders outside the aid programs.

One of the keys to the development of both agriculture and industry in India is power, including oil, coal, hydroelectric and atomic. Canada's rich heritage of energy resources (including waterpower, coal, oil, natural gas, and radioactive ores), coupled with the manner in which they have been developed, has enabled the Canadian electrical industry to acquire experience and skills much needed in India. This knowhow has been used to India's advantage in both Colombo Plan hydroelectric projects and ECIC Special Credits projects. These projects are outlined below.

### Colombo Plan Power Projects

• **Mayurakshi**—This project was part of the over-all Mayurakshi hydroelectric-flood control-irrigation scheme for the economic development of West Bengal. It was intended to control an unruly river and to supply irrigation and electric power for the factories and cottage industries in the area. Rupee counterpart funds of $2.5 million resulting from a $15 million wheat grant under the 1951-52 Canadian Colombo Plan were set aside by agreement between Canada and India to meet the local costs of the undertaking. Canada helped directly by providing all the electrical generating and transmission equipment, worth approximately $1.3 million. Subsequently the 2,000-foot-long dam containing the 4,000 kw. hydroelectric station was named the "Canada Dam" when it went into operation in 1955.

• **Umtru**—The first major hydroelectric plant in Assam was the Umtru project, formally inaugurated in 1957. It has a total generating capacity of 8,400 kw., obtained from three generators of 2,800 kw. each. The cost of the Umtru project is estimated to be about $4.6 million. The Canadian contribution, in the form of electrical equipment and engineering services, was approximately $1.2 million. Rupee counterpart funds of $2.1 million resulting from a Canadian grant of aluminum and copper in the 1953-54 Colombo Plan helped to defray local costs. In addition, Canada supplied engineers for the erection of the electrical equipment and provided training in Canada for an engineer and other technical personnel connected with the project.

During 1964-65 Canada agreed to expand the Umtru hydroelectric power-generating station by providing additional plant generating capacity of 2,800 kw. The Canadian contribution will cover the services of consulting engineeers and provide technical equipment at a total Canadian cost of $650,000.

• **Kundah**—The Kundah project, situated on the Kundah River in the Nilgiri Hills of Madras, is being built in three stages to provide additional electrical power to the grid that supplies the city of Madras and surrounding area.

Canada contributed $23.5 million for stage I and stage II which were completed in 1961—two powerhouses with a generating capacity of 150,000 kw. In addition, the funds that Canada contributed supplied materials for constructing transmission lines and transmission towers. Canada also agreed to the use of $5 million in rupee counterpart funds to help defray local expenses. In these projects, India undertook all the civil works at Kundah, including the building of the dams.

Canada has agreed to contribute approximately $22.2 million for stage III of the Kundah project. Stage III, in general terms, will consist of the construction of three additional powerhouses with a total installed capacity of 190,000 kw., the addition of an extra generating unit in each of the two existing powerhouses to increase their combined capacity by 55,000 kw., the construction of additional storage and diversion works in the Kundah River and its tributaries, and the erection of transmission lines and substations interconnecting the Kundah development with the Madras State electricity grid. Canada will also permit rupee counterpart funds of approximately $25 million to be used to help finance rupee costs of the project.

• **Idikki**—Work has begun on the Idikki hydroelectric power project to provide an additional 500,000 kw. of power to accelerate the industrialization of Kerala by damming the Periyar and Cheruthoni Rivers and putting up a hydroelectric generating plant. The Canadian component of the project is $25 million to provide

engineers and technicians, construction equipment, generating plant equipment and transmission line facilities. Rupee counterpart funds amounting to approximately $20 million will be used to help finance rupee costs of the project.

• **Other Projects**—As part of the 1954-55 Colombo Plan, Canada supplied a large number of diesel electric generating sets valued at $3,003,000. The sets varied from 25 kw. to 100 kw. output at 0.8 p.f. and went to a large number of small communities located beyond existing power-grid systems. As soon as power grids were expanded to meet the needs of these communities, the intention was to move the generating units to locations not yet touched by the service.

In the 1963-64 Colombo Plan, Canada made provision for the supply of $2.8 million worth of power transmission equipment, chiefly transformers and lightning arresters.

Work on the Canada-India nuclear reactor announced in 1955 continues. During 1964-65 Canada agreed to provide replacement units and spares valued at an estimated $1 million for the reactor, originally built under Canadian auspices at Trombay. Work also continued during 1964-65 on the water loop for the reactor at a total estimated cost of $800,000.

### Other Assistance

In addition to the projects outlined above, Canada has supplied commodities under Colombo Plan grants of direct interest to the Indian electrical industry, including copper, aluminum, lead, zinc, nickel and asbestos.

Indian engineers have received technical training in Canada under Colombo Plan technical assistance schemes and ten teachers and two advisers were assigned in 1964-65 to programs in India. Canadian professors of mechanical, electrical and civil engineering have held positions at the Regional Engineering College, Mangalore.

### ECIC Projects

• **Rana Pratap Sagar Project**—On December 4, 1963, a loan agreement totalling $8 million was entered into to cover the purchase of Canadian hydroelectric power plant and substation equipment and the employment of Canadian engineering services for this project. The Montreal Engineering Company was appointed to supply the engineering services and to co-ordinate the procurement of the equipment from ten prime contractors and hundreds of subsuppliers in Canada.

The power station will form part of the $40 million Rana Pratap Sagar project in Rajasthan. This is the second of a three-stage irrigation and hydroelectric complex known as the Chambal Valley Development Scheme.

• **Rajasthan Atomic Power Plant**—On April 27, 1964, Canada agreed to lend India $37 million to cover the purchase in Canada of equipment, materials and services for the 200,000 kw. nuclear power station to be built at Rana Pratap Sagar in association with the hydroelectric complex. The Indian Department of Atomic Energy is acting as prime contractor and will be responsible for building the station. Engineering and consulting services for the nuclear portion of the plant will be provided by Atomic Energy of Canada Limited. Montreal Engineering Company Limited has been appointed by the Indian Department of Atomic Energy as the Canadian engineer for the project and will also act as a procurement agent for purchases made in Canada. Capital equipment to be supplied by Canadian manufacturers includes the major nuclear components, switchgear and substation equipment.

• **Kota Dam Project**—On February 18, 1965, Canada agreed to lend India $8 million for the Kota project. Montreal Engineering Company Limited is acting as consultant and procurement agent. The project is a counterpart of the Rana Pratap Sagar hydroelectric project except that only three units will be installed at the present time.

### Aid from Canadian Industry

Kelsey Engineering Limited, Vancouver, provided design and engineering services and training facilities for technicians for the two cable projects: Omega Insulated Cable Company (India) Limited, and Traco Cable Company.

Indo-Canadian technical co-operation has thus resulted in the building of hydroelectric projects and atomic reactors and the provision of technical assistance and commodities. All this represents a permanent and continuing contribution to India's power development program.

### Tours of Commodity Officers

One of the principal functions of the Commodities and Industries Services is to maintain close liaison with the Canadian business community. This function is carried out by commodity specialists organized into divisions representing major industry groups.

In the course of their trade promotion efforts, these officers are required to undertake tours and to interview Canadian firms interested in export trade or needing the assistance of the Department of Trade and Commerce.

Any firm interested in meeting these commodity specialists should write to the Directors of the Agriculture and Fisheries, Industrial Materials, or Manufacturing Industries and Engineering Branches, Department of Trade and Commerce, indicating the products that it is anxious to sell abroad. The appropriate commodity officer will then undertake to interview the company on his next tour that includes the city.

# NE Builds an Export Campaign

**Meticulous market research, persistent cultivation of contacts, building up the company's image in developing countries—on these the Northern Electric Company of Montreal has based its drive for export contracts—a drive that is already succeeding.**

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

"IT TAKES PATIENCE."

That is Andrew C. Kovats' answer when he is asked what it takes to sell telecommunications equipment, wire and cable abroad. Pressed further he adds, "and plenty of knocking on doors."

Mr. Kovats, Vice-President and General Manager of Northern Electric's International Operations Division, knows what he is talking about. Two years ago Northern made its first major overseas offer—telephone switching equipment for Turkey. Since then Mr. Kovats and his colleagues at Northern have made a great number of visits to Turkey to explain the technical details of that proposal and the contract still has not been awarded. To them this is not unusual; it is all part of the game, although a decision is expected this year.

Meanwhile Northern has knocked on other doors, with faster results. In the fall of 1964 it won a major contract for telephone sets and cable in Costa Rica. It has increased its sales of telephone sets and cable in the United States and has done business in many other parts of the world, for example, Thailand. It has also tendered on contracts in Greece, Malaysia, Colombia, Venezuela and a number of other countries which, taken collectively or even individually, could represent a considerable amount of business. Northern is negotiating about the setting up of manufacturing plants in Iran and elsewhere.

To make that much progress in a highly technical and competitive field, characterized by traditional and well-established suppliers, in a scant two years presupposes a well-planned marketing campaign. In fact, the planning began even before Mr. Kovats formed Northern Electric's International Operations Department in 1963. The department expanded so rapidly that by July 1964 the International Operations Division was created, which is free to call upon engineering personnel in other divisions or experts in other areas as the need arises. It has set up a system of area sales managers who travel in the regions assigned to them, selling the company and its products vigorously. They also keep their eyes open for further opportunities and feed information back to Head Office.

### Research in Depth

How does a company which is solidly established in Canada but without experience in marketing abroad get started in the export business? First, in co-operation with the International Market Development Department, the organization of the Company Economist delved into printed economic information: publications of the Economist Intelligence Unit, studies made by the World Bank and various United Nations agencies, information supplied by various Embassies in Canada, and data from other sources. They were seeking answers to questions like these, covering a large group of countries:

- What is the gross national product?
- To what degree is the country able to stand on its own economic feet?
- At what stage of development is it? Is it ready to start improving communications or building up a telecommunications industry?
- Is it receiving foreign aid and if so, from what sources?
- Is it a good prospect for World Bank loans or loans from other international organizations? Would it be favourably considered for ECIC long-term financing in Canada?
- How many telephones per capita are there in the country? Who controls the telephone system?
- Is there a sophisticated communications manufacturing industry? If so, is it seeking export markets?

At the same time the economists studied comparative tariffs throughout the world on equipment such as Northern makes. This helped them

**A. C. Kovats, (left) vice-president and general manager of Northern's International Operations Division, explains a telephone switching system to (second from left) Dr. J. Armand, president of the National Telephone Company of Venezuela (CANTV); R. W. Best, Northern's Area Manager for Latin America, and Dr. L. M. Quintero, assessor for, and Dr. S. Itriago, secretary of, CANTV's Board.**

to establish whether the tariff favoured any particular country or group of countries (such as the EEC) with a well-developed communications industry. They had in mind the old advice about not playing in a league if you can't hope to win.

This sounds like the sort of assignment that professional market research organizations normally take on. But Northern executives point out that although the professionals have acquired a good deal of experience in market research studies for consumer products, industrial market research is very specialized and is generally carried out by each firm individually. What is needed is very sophisticated economics allied with engineering experience, plus close liaison with research staff. All this Northern could provide within its own organization.

Once the data had been assembled and studied, they pointed to the most promising places to start an export campaign. Western Europe was out—most of the countries there manufacture their own equipment and often sell it abroad too. Many of the developing Commonwealth countries were poor prospects because they have already reached agreements with British firms to supply them under contract for ten years and then to set up local manufacturing plants for them. With these exceptions, the developing countries offered the best prospects. Northern finally chose to concentrate initially on three areas—the Middle East, Latin America, and Africa.

### Knocking on Doors

Then came the time to start making field trips to contact government officials and the staffs of overseas telecommunications administrations. This is still going on, because in this business many doors open only after repeated knocking. Most Canadians look upon telephones in the same way as they do radios or refrigerators and they contract for telephone service as easily as they buy groceries or order fuel oil. It is hard for them to realize that selling telecommunications systems is like selling equipment for a big hydroelectric project or contracting to build a dam. It means long and patient cultivation of contacts, it means bringing the company and its qualifications to the attention of the right people, it means visiting many countries many times to establish exactly what the needs are and how Northern could meet them. It means a great deal of casting bread upon the waters.

Mr. Kovats, in discussing the search for markets, always speaks of his company's indebtedness to the Canadian Commercial Counsellors during this period in which a bridgehead is being established.

The contract in Costa Rica illustrates this. Through UN contacts and the Canadian Trade Commissioner in Guatemala, Northern learned in 1961 that the Costa Rican Electricity Institute was looking for telephone equipment, to be financed by a World Bank loan. Several Northern officials went down to investigate, met with the Institute's personnel, and briefed them on the company's capabilities. Two years later, when Costa Rican plans began to take final shape, they paid another visit. Tenders were finally called in June 1964 and Northern had only six to eight weeks to prepare a bid. Evaluation of the tenders took another three to four months (this was reasonable) and finally the company won a contract for 30,000 telephone sets and a good portion of the cable, against 13 other bidders.

The search for bigger business in Venezuela is taking just as long. When Venezuela announced several years ago that it was in the market for switching equipment for the Caracas exchange involving some 70,000 telephone lines, Northern immediately applied for information. It received Envelope Number One, which called for the submission of the company's credentials and qualifications in this field. After these data had been dispatched, several of Northern's staff made three or four trips to Caracas to find out exactly what kind of equipment was needed and to keep in touch with developments. Two years later along came Envelope Number Two, containing the specifications on which to base a tender. Six companies are competing for the contract and the award will probably be made soon.

### Building an Image

Northern is paying close attention to another aspect of marketing abroad—building up in the public mind an image of the company and the up-to-date equipment and services it can offer. This image-building is one of the ways of influencing business and usually begins before there is any definite prospect of securing contracts. It can take many forms. One is institutional advertising—for example, advertisements telling the Northern story were run in an Athens newspaper. (Northern has been in pursuit of various major contracts for equipment in Greece for many months.) In Caracas, an exhibition on its local representative's premises was the method chosen. This centered around station equipment (that is, anything that goes into a customer's location, from telephone sets to private branch exchanges with some 30 lines in 10 different arrangements). Venezuelans involved in the contract for switching equipment were brought in to see this. It provided a small-scale demonstration of Northern's crossbar switching method.

A proposal for a plant in Iran to assemble crossbar switching systems and telephone sets initially and then to go into local manufacturing by stages has been awaiting a decision from the Iranian authorities. Northern seized the opportunity of the visit to Canada by the Shahanshah last May to take His Imperial Majesty on a tour of its Research and Development Laboratories near Ottawa. The Shahanshah saw some of the newest switching equipment and personally completed a call to the Los Angeles Weather Bureau in just a few seconds, using one of the most modern pushbutton telephone sets. He was afterwards presented with a speakerphone with his crest on it and a Princess phone for Her Imperial Majesty the Empress Farah; the dials on both were in Persian numerals. These telephones were installed in a palace in Tehran as a souvenir of Their Imperial Majesties' Canadian visit.

### Travelling Time

The numerous trips to Turkey mentioned at the beginning of this article illustrate another phase of an export campaign like Northern's—the need to spend a great deal of money, especially on travel, before reaping returns or merely to turn up promising leads. Last fall two Northern area managers set out for Ethiopia and East Africa. The Ethiopians are known to be studying proposals for an improved communications system and the Canadians will evaluate the situation. Their evaluation will determine the company's future activity in the area.

It is vital in the telecommunications field to offer the right product at the right moment. The developing countries tend to concentrate on one phase of their over-all technical development at a time, rather than moving forward on several fronts at once. A typical postwar pattern has been to build up primary sources of power first, then road and rail communications, and then telecommunications. Also, as secondary industry develops in a foreign country the higher level of business increases the pressure to improve the telephone service, and this further hastens progress. Northern has found that it is essential for the telecommunications supplier to make itself known and then be available when the telephone system is marked for attention.

On-the-spot detailed study is absolutely essential before tendering on any communications contract. The company's engineers may have to find out what kind of telephone equipment the country already has because the type to be offered in the tender must fit in: there must be a marriage with full compatibility. All kinds of details underlying the specifications are needed. This may involve a firsthand study by a team of engineers and on the data they obtain the price quotation and the final tender are based. A heavy performance bond usually must accompany major tenders. During the process of evaluating the various bids—and this is often lengthy—the company is generally called upon to

defend its offer, technically and financially. In some cases the negotiations become prolonged and can even result in the specifications being revised and completely new tenders called for. Mr. Kovats remarks a bit wearily that the documents associated with tenders sometimes fill a small trunk.

### What to Offer?

In tendering on overseas projects, just as in tendering on domestic jobs, Northern must carefully select the most suitable type and quantity of equipment to offer. Take switching equipment. Most foreign administrations are only interested in the most modern crossbar switching systems, but they often request features, such as malicious call tracing, which are not provided in Canada. Also environmental conditions, such as tropicalization, must be considered. To compete successfully in certain areas, the company is now designing and soon will be turning out low-capacity systems.

Once established in a market for equipment that goes on subscriber premises (such as telephone sets, which can be regarded as a normal consumer product) "trading up" becomes a possibility. Northern has carefully planned programs for the introduction of new products such as the Princess telephone, and also for upgrading the telephone service to businessmen with equipment such as the call director. The sequence of introducing new products is most important and sales promotion literature must be matched to the program and to the characteristics of the market. Most of the technical bulletins that the company turns out are still in English only, but some brochures have been translated into Spanish and, of course, local advertisting is always in the language of the country concerned. Incidentally, there is a profusion of tongues at Head Office. It has employees fluent in over 50 languages; during the negotiations over the Turkish tender a Turkish engineer on its staff proved to be invaluable.

### Information System

Every company doing international engineering business needs a good information system. That is one of the services that Northern expects from its overseas representatives, even though its area managers based in Montreal travel widely and frequently. It goes without saying that the selection of good representatives is crucial to success in overseas business and Northern Electric takes a lot of time to select them. Once they have been appointed, the International Operations Division keeps in close touch with them by mail, cable and telephone and all are visited regularly and frequently.

The local representative need not be versed in engineering techniques, although ideally he should have some engineers on his staff; however, in many countries there is a shortage of good engineers and most of them are working for the telephone administrations. In any event, the company can fly out an engineer when one is needed to supplement the technical competence of the representative. The representative is expected, above all, to supply information on the market and the general competitive environment, on government plans for the expansion of the telephone system, and on its general plans for the industrial development of the country. The representative is also intimately involved in promotion methods and local advertising and it is vital that he be a well-established and respected businessman.

After more than two years of painstaking preparation, Northern Electric seems to have reached take-off point. Last year its export sales totalled $13.4 million but capturing any one of the big contracts now pending would mean a figure exceeding this for one job alone. Obviously, as far as sales go, it is headed for the upper strata—where any good telecommunications company should be.

## Electronics Boom in Hong Kong

HONG KONG is spending more on electronic equipment. Imports of radar and commercial radio apparatus totalled $870,000 in 1964, up 31.4 per cent over 1963. In the first seven months of this year imports reached $450,000. Britain, a traditional supplier, accounted for $290,000, the United States $66,000, Switzerland $22,000, Japan $20,400 and Canada $4,300. Although Canadian sales are small, we have now entered the electronics market in Hong Kong and may hope for larger future sales.

A major electronics purchase in Hong Kong in 1965 was a $47,000 addition to the storm-warning radar system. Part of a $236,000 project, it will be set up at Tate's Cairn and will supplement a substation erected in 1959. Installation of the new radar will be completed in May 1966. To house the antenna a radome able to withstand winds of over 200 miles an hour will also be constructed. The new equipment will enable the Royal Observatory to study the eye of a storm at a maximum range of 200 miles, a limit set by the curvature of the earth. Decca Radar Limited, London, England, is supplying the equipment.

Hong Kong will have a second television station in operation by 1967, a development that may prove interesting to Canadian manufacturers. A number of groups have already submitted bids; the successful bidder should be known by February 1966. Any Canadian firm interested in this TV station should direct inquiries to the Canadian Trade Commissioner, P.O. Box 126, Hong Kong.

—A. BLUM,
*Assistant Trade Commissioner, Hong Kong.*

**The services that freight forwarders offer have proved invaluable to inexperienced exporters and can save even the veterans time, money and trouble. How do they function; and what about fees?**

# Freight Forwarders Speed Exports

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

THE TELEPHONE rang in the offices of one of Canada's leading freight forwarding firms in Montreal.

"This is John Jones of the ABC Company," said the caller. "We have just made our first overseas sale. We're new at this game. Could you look after all the documentation and shipping arrangements for us?"

In the next few minutes the forwarder asked a number of questions and jotted down the answers. When the conversation ended, he knew, among other things:

**1.** The product to be shipped.

**2.** Where it was going and the best means of transportation.

**3.** When the customer expected delivery.

**4.** Whether or not the product needed any special type of stowage, such as refrigerated space, or came under the heading of hazardous cargo.

**5.** The terms of sale; in this instance, letter of credit.

**6.** Who would arrange transportation from the plant to the steamship shed when shipping space was booked.

**7.** Whether the company was placing its own marine insurance or would insure under the forwarder's open policy.

Mr. Jones, the forwarder discovered, was shipping washing machines to Peru. Obviously the type of packing used for shipments within Canada would not be strong enough. The forwarder advised that a wooden frame or crate with steel strapping would be needed and that these crates must carry special markings. He also asked how the shipment was to be consigned and the bills of lading made out.

### Shipping the Product

Armed with this information, the forwarder went to work.

**1.** After a number of phone calls, he obtained the most advantageous rate for the shipper.

**2.** He then booked space on a ship offering this rate and due to arrive at the port of destination within the desired time. He advised the ABC Company by letter of this booking.

**3.** He made certain, in discussions with Mr. Jones, that the payment and financing arrangements were in order.

**4.** He verified whether or not an import licence was required or a Canadian export permit.

**5.** His staff prepared the necessary documentation for Peru: a consular invoice (four copies and in Span-

ish), a commercial invoice (one copy), and the B-13 export entry form. They had the consular invoice legalized by the Peruvian Consul and paid the fee.

**6.** When the ship was ready to load, the forwarder's truck picked up the shipment, checked the quantities, and took it to the dock.

**7.** At the shipper's request, after the vessel sailed the forwarder lodged with the collecting bank all the necessary documents against the letter of credit, including the ocean bill of lading.

**8.** Because the forwarder had an agent in Callao, the port at which the ship would dock in Peru, he instructed this agent to see that the shipment arrived in good condition and was sent to Lima, the ultimate destination.

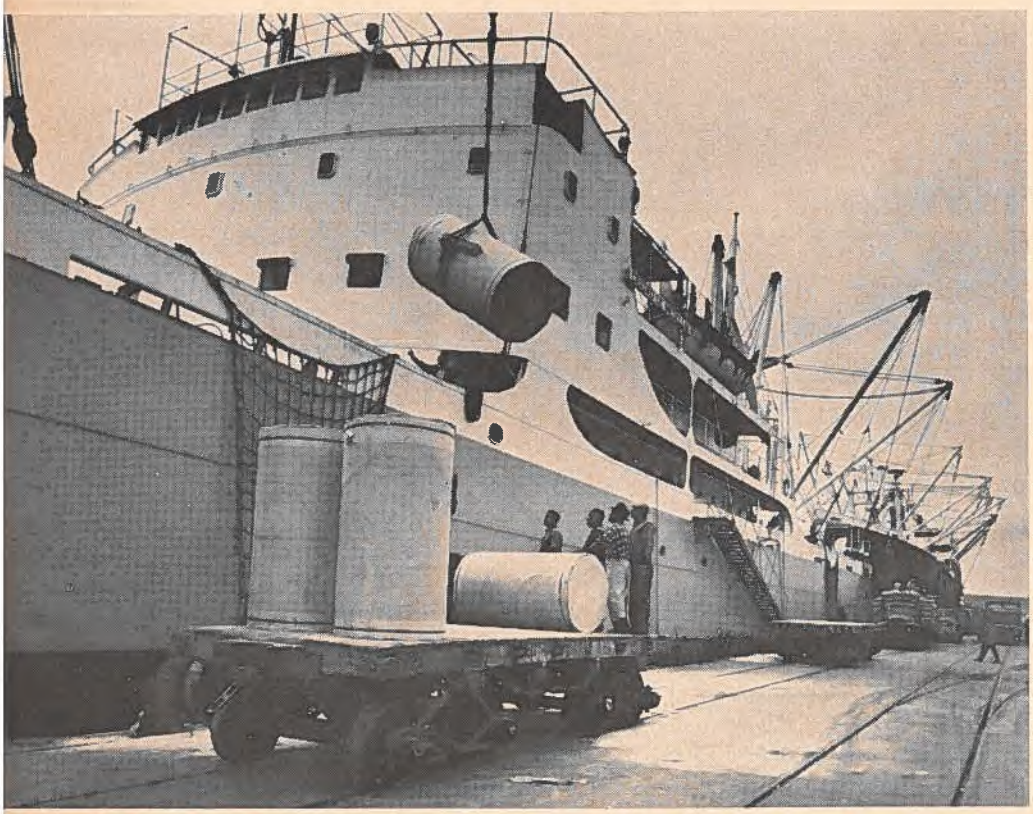
### Instant Traffic Department

This is a simplified version of the many services that the freight forwarder performs for a client, and the procedure outlined may vary with location and with the various carriers. But in general the freight forwarder is a person "who gets paid to make sure that an export shipment arrives at its destination." To this should be added: "as quickly as possible, in the best possible condition, and with a minimum of wear and tear on the exporter." In fact, he is an "instant traffic department." He is particularly sought after by companies without a traffic department though even those with well-established ones still call on the forwarder for special services or in shipping to certain areas. And because one of the essentials to export success is living up to delivery promises scrupulously, the forwarder has become a vital part of our export effort.

There are more than 120 international freight forwarders in Canada located in nearly all the provinces, though they tend to concentrate in the major ports. Some 65 of them belong to the Canadian International Freight Forwarders Association Inc., which was formed in 1949 and strives to maintain high standards in the forwarding business.

### Why Use a Forwarder?

One of the benefits that the exporter receives from using a freight forwarder is a saving in time—time that he can devote more profitably to selling his goods than to fussing over documents or shipping details. Some exporters forget that as shipping clerks they are fairly high-priced. The forwarder also saves his client money. He can analyze shipping costs expertly and decide which is the most economical means of transportation. He can advise an exporter how to save on shipping costs by packing products in a way that saves weight or reduces cubic content. Many countries demand documents made out in their own language and some levy heavy fines for the slightest error in them, even a strike-over on the typewriter. The



**This cargo of newsprint destined for one of Lima's daily newspapers is being unloaded in Callao. Shipping arrangements for many products like this are made and delivery expedited by Canadian freight forwarders, who serve the export community in a variety of ways. Their experience keeps many companies free of forwarding problems and able to devote their time and energy to promoting sales.**

## Schedule of Minimum Forwarding Fees*

| | |
|---|---|
| Obtaining export permits from Ottawa | $5.00 |
| Preparation of wharfage tickets & payment of wharfages | .50 |
| Preparation of B-13 export entries | 3.50 |
| Preparation of Certificate of Origin forms (legalization fee, if required, additional at cost) | 2.50 |
| Preparation of B-14 export entries | 8.50 |
| Preparation of U.K., West Indies & Commonwealth invoices | 2.50 |
| Preparation of consular invoices re South America | 5.00 |
| Messenger service fee—optional (depending on distance) | |
| Preparation of insurance certificates | 1.00 |
| Booking ocean freight space, preparation of ocean bills of lading and basic forwarding fee | 7.50 |
| Airmail postage, stamps, forms—optional & extra | |
| Other services rendered—optional & depending on amount of work carried out, i.e., personal & H. H. effects | |
| Bulk shipments—optional—it is recommended that such rates be negotiated between forwarder and shipper | |
| OTHER DOCUMENTATION—refer to schedule of fees as issued by the Dominion Chartered Customs House Brokers Association | |

*This schedule was adopted at the fourteenth annual general meeting of the Canadian International Freight Forwarders Association in February 1963 and was issued for the guidance of its members.

forwarder keeps abreast of changes in documentation requirements and his experienced staff can minimize or eliminate these errors. Trouble with delivery dates? Because of his long-standing relationship with the shipping companies, the forwarder can often get space for his client when it is tight or, for a new product, can help him negotiate an equitable rate. He can also handle difficult transshipment arrangements and deal with emergencies, such as dockers' strikes or other incidents that make changes in routing necessary.

Invariably the forwarder asks about origin of the product being shipped and whether or not it contains imported parts or materials on which the manufacturer has already paid duty. If the product is going to a Commonwealth country and contains the stipulated Commonwealth content, the forwarder can advise whether it is eligible for Commonwealth preference. If it contains imported parts or materials, the exporter can probably claim a drawback of the duty paid on them; the forwarder's staff can prepare the drawback claim. Occasionally an exporter does not realize that for certain goods going to certain destinations he must have an export permit and in certain countries the importer must obtain an import licence. The forwarder can warn him and prevent him from getting into serious trouble.

### For the Small Exporter

Generally speaking, it is the small or the new exporter who has special need of the freight forwarder's expertise and many forwarders offer him services tailored to his requirements. For example, for a good many countries several shipments can be consolidated into one, with a consequent saving in freight charges. This shipment may be consigned to the forwarder's foreign agent or branch office in the port of destination—say Rotterdam. It is then broken up and the individual parcels sent on to the buyers. During the winter months, some forwarders in Eastern Canada operate their own export pool cars to Halifax or Saint John and this cuts down on inland transportation costs. And, as mentioned before, most forwarders maintain an open marine insurance policy and small shippers can be covered under it. One exporter who had forgotten to make arrangements for insurance was relieved when the forwarder drew the matter to the company's attention before the vessel sailed and issued an insurance certificate from his own open policy.

### Other Services

As an earlier article in this series pointed out, air freight is becoming more and more important in export trade; in fact, at least one forwarding firm with offices in Montreal, Toronto, Winnipeg, and Vancouver specializes in air freight alone. But all forwarders know when and how air freight can be used to advantage. For example, one small shipment was going to Southern Africa by sea, packed in wooden crates. The forwarder made a cross comparison of rates and, weighing other factors also, discovered that the product could be put into cartons and sent air freight at a saving. It would arrive in equally good condition and the customer would be happy with the speed-up. By consolidating air cargo shipments from several exporters, a forwarder can also provide a saving in air freight costs, particularly in lower minimum charges for small shipments. Most forwarders in the East and some in the West maintain an up-to-date listing of air cargo tariffs and hold IATA-approved air cargo agency appointments.

One exporter wished to send something c.o.d.—samples of new merchandise to Britain. He did not

wish his prospective customer to pay the postage but only the $200 value of the merchandise. He brought the parcel into the forwarder's office, addressed to the consignee in care of the forwarder's agent in Britain. The British Customs invoices also went to the agent. He cleared the shipment and paid the postage. He then got in touch with the consignee, collected the $200 and turned over the parcel.

Despite the care taken, a shipment sometimes goes astray. The alert forwarder puts a tracer on it immediately. If it is damaged, the overseas agent of the forwarder can assess this damage for purposes of a claim. He can also arrange to put the goods in storage until they can be sold to another buyer. The forwarder in these circumstances sends to the carrier or carriers what are known as "letters of reservation" to keep the claim open.

### Choosing a Forwarder

How does the exporter go about choosing a freight forwarder? He can obtain the names of firms in this business from a number of sources, such as the local Board of Trade or Chamber of Commerce in port cities, or he may write to the Trade Services Branch, Department of Trade and Commerce, Ottawa, for its revised free directory. This lists freight forwarders by provinces and also, by the use of symbols, points out which ones operate pool cars or warehouses, act also as customs or chartering brokers, lease containers, carry on export packing or are air freight consolidators. Lists of freight forwarding firms are also published in *The Canadian Forwarder* and in McGoldrick's *Canadian Customs and Excise Tariffs.*

In selecting a forwarder, the exporter should use the following points as a guide:

**1. His financial resources.** Usually the forwarder pays inland transportation charges, documentation fees, freight bills and other charges himself and later collects from his client. For this and other reasons, he needs adequate financial reserves.

**2. His stability.** Find out what firms are currently using his services and check with them.

**3. His organization.** Does he have a staff large enough to make speedy and efficient service possible? Are they well trained in various fields, such as documentation or marking and labelling regulations? Do they keep abreast of changes in documentation requirements?

**4. Field of specialization.** If a firm intends doing most of its shipping by air, for example, it should look about for forwarders with special experience in this field.

**5. His connections abroad.** Many forwarders with good connections or agents in a number of foreign countries can help the exporter in a number of ways not strictly related to the delivery of his goods. For example, he can send samples ahead of his travelling client and arrange to have them cleared through customs; he can line up interpreters or guides, make appointments with prospective customers, and so on. These services are especially useful in areas where there are no Canadian Trade Commissioners.

### What about Fees?

How much does a freight forwarder charge for his services? Are the fees that he receives from his clients his only source of revenue? To answer the second question first, bona fide forwarders normally receive brokerage fees from ocean carriers of 1¼ or 1½ per cent of the ocean freight bill. This practice may vary, depending on the trade routes used.

To regular exporters the forwarder sometimes charges a flat fee, with a set minimum. More often, he charges so much for each set of documents required, plus an

### For Reference

Canada. Department of Trade and Commerce. Transportation and Trade Service Branch. *Directory of Canadian International Freight Forwarders.* Ottawa, 1965. 19 p. Mimeographed.

Price: free

Order from: Department of Trade and Commerce.

*Custom House Guide.* New York, Budd. Annual. Contains list of forwarders in each U.S. port and forwarding agents in foreign countries.

Price: $35.00

Order from: Budd Publications Inc., Box 7, Bowling Green Sta., Custom House, New York, N.Y. 10004.

*Exporters' Encyclopedia.* New York, Ashwell. Annual with supp. bulletins. Contains list of freight forwarders in leading cities.

Price: $45.00

Order from: Thomas Ashwell & Co., Inc., 20 Vesey St., New York, N.Y. 10007.

McGoldrick's *Handbook of the Canadian Customs Tariff and Excise Duties.* Montreal, McMullin. Annual. Contains a list of freight forwarders.

Price: $10.00

Order from: McMullin Publishers, 417 St. Peter St., Montreal, Que.

Murr, Alfred. *Export/Import Traffic Management and Forwarding.* Cambridge, Md., Cornell Maritime Press, 1957. 360 p.

Price: $7.75

Order from: Cornell Maritime Press, Box 109, Cambridge, Md.

National Customs Brokers and Forwarders Association of America. *Foreign Freight Forwarders.* Annual.

Price: free

Order from: The Association, 8-10 Bridge St., New York, N.Y.

*Shipping Digest.* New York, Shipping Digest, Inc. Weekly. Contains list of foreign freight forwarders in leading U.S. and Canadian cities.

Price: $6.00 per year

Order from: Shipping Digest Inc., 25 Broadway, New York, N.Y. 10004.

additional fee for extra services performed. On consolidated shipments, a minimum fee is paid by each of the shippers involved. On many normal shipments the fees run from $15 to $25. Three years ago the Canadian International Freight Forwarders Association Inc. worked out and approved the schedule of minimum fees given in the accompanying box feature. These have recently been amended but the schedule is intended merely as a guide.

A number of companies new to export business begin by using a freight forwarder and when the business becomes sizable, set up their own traffic departments. Others continue to use forwarding services. They recognize that, as one experienced forwarder puts it, "the manner in which the shipment is delivered to the importer, the safe arrival, the neatness and exactness of the documents all play a vital role in exporting." They know that prompt and proper delivery keeps customers happy and leads to more business. In the growth of Canada's export trade the forwarder has played and is playing an important part. •

# Businessman's Bookshelf

### The Middle East and North Africa 1965-66

*Europa Publications Ltd. 820 pages. $18.00.*

THIS twelfth edition of a comprehensive directory of the Middle East and North Africa is larger and contains more information than the eleventh, which included North Africa for the first time. The area covered by this directory—35 countries and territories—is changing rapidly. For those who have business dealings with or are considering a venture there, the book is an excellent reference and source of topical information.

The format is unchanged and the first of three parts remains a political and economic survey of the area in general. It covers the predominant religion, Islam, political organizations, and the impact of oil on the development of the region. It also contains new chapters on two interstate organizations established during the last year: the Maghreb Permanent Consultative Committee and the Regional Co-operation for Development.

Part II details alphabetically the countries and territories that constitute North Africa and the Middle East. Here the reader will find in a simple form a great volume of data, including names of members of the government and diplomatic corps of each country; leaders of political and religious organizations; lists of banks, industries and businesses; newspapers and periodicals; and names and addresses of their principal officials. For those interested in further reading, each chapter concludes with a bibliography.

Part III has been thoroughly revised and over 200 biographies of prominent Middle Eastern and North African personalities appear for the first time. Two general bibliographies complete this useful work.

*Order from: Europa Publications Ltd., 18 Bedford Square, London, W.C. 1, England.*

### Air Freight—Key to Greater Profit

*A. D. Groenwege and R. Heitmeyer. 147 pages. U.S. $2.50.*

THIS BOOK describes air freight as the perfect tool for developing new and different markets and highlights the significant advantages of shipping by air. However, it also points out that air freight is a premium product and must not be compared with other means of transportation on the basis of price alone. The value received must be considered and freight rates by themselves should not be the deciding factor in choosing transportation.

The book then goes on to describe all the direct and indirect costs applicable to shipping and the many intangible factors that can have a bearing on a company's profit. It follows this analysis with a new and simple method of evaluating air freight costs and illustrates it with comparisons for different commodities. Those contemplating air transportation for their products will find this data an aid in arriving at a decision. Those now using air transportation will find it (particularly the chapter on packing) a useful guide to greater efficiency in their operations.

The author points out that the first recorded air freight shipment took place in 1910, when a 60-pound bolt of silk was flown from Dayton, Ohio, to Columbus, Ohio. The aircraft, with the cargo fastened to a wing, took 66 minutes to complete the 65-mile flight. Today 3,300 million ton-kilometers of air freight move around the world each year.

*Order from: A. Groenwege, International Air Transport Association, 1060 University Street, Montreal, Quebec.*

### Selling the Soviet Market

*Business International. 94 pages. $50.00.*

THE BASIC PREMISE of this very thorough work suggests that trade and its expansion rest among other things on mutual trust and good relations and that the continuing approach towards political detente between the West and the Soviet Union leads to a corresponding growth in trade. The book contains a wealth of valuable information for both the expert and the novice in trading with the Soviet Union. It provides a survey of the basic structure of the Soviet economy and offers guidance on a number of problems that confront a businessman—such as practical methods of dealing with the Soviet state organizations that carry on foreign trade on the basis of government monopoly, or requirements in the field of licensing and patents under Soviet law.

The introductory outline on management planning and economic controls in the Soviet Union is not entirely up to date, because important reforms borrowing from the concept of a market economy have been announced since the publication of this trade manual.

*Order from: Business International, 757 Third Avenue, New York, N.Y. 10017.*

### Oxford Economic Atlas of the World

*Oxford University Press, 286 pages. $12.75.*

THE THIRD EDITION of this atlas replaces the 1959 edition and has been updated to reflect the world-wide economic and political changes of the past five years. Totally new maps include those on natural gas, petroleum refineries, beer, paper, cement, aircraft, and nuclear and geothermal power stations. There is a revised map of population distribution plus a pair of new maps showing infant mortality and population increase. Another addition is a map showing airports of the world and air routes with 50 or more flights a week. The country-by-country statistical index contains more detailed information on newly independent countries.

A 22-page standard atlas is complemented by a series of world maps showing important aspects of physical geography such as temperature, rainfall, soils, vegetation, agriculture, and minerals and industries.

The Statistical Index gives actual commodity figures for each country and also information on area, land use, population, national income, communications, currency and comparative balance-of-trade figures.

*Published by: Oxford University Press, 70 Wynford Drive, Don Mills, (Toronto), Ontario.*

### World Trade in Wool and Wool Textiles 1952-1963.

*Commonwealth Economic Committee. 195 pages. $4.20.*

THIS REPORT of the Commonwealth Economic Committee provides, for market researchers and for everyone interested in textile economics, a wealth of statistics and commentary on the world trade in wool. It covers all aspects of the trade, from raw wool to finished fabrics and carpets.

The study indicates an extraordinary growth in the world trade in raw wool and wool products during the period 1952 to 1963. This growth has not been constant, but a comparison of 1952-54 and 1963 world export figures shows an increase of about one third in raw wool and of about two thirds in wool tops. In the same period exports of yarn, fabrics, and carpets doubled.

The greatest increase has taken place in yarns, particularly in worsted yarns. This reflects the generally rising standard of living throughout the world as in the developing countries, cheaper wool yarns are usually produced domestically.

Certain countries have made impressive advances during the period studied, particularly Japan, Italy and West Germany. Canadian imports of raw wool declined in the early 1950's, but recovered in 1956 and since then have averaged about 18 million pounds a year.

A significant feature of this book is the presentation of information on a comparable basis for such a long period of years. As well, it gives a brief summary of world tariff policies as they relate to wool and wool products, and an appendix sets out the import duties on the same items in the major world trading areas.

*Order from: The Queen's Printer, Ottawa, Ontario.*

# Australia's Food Export System

**Food and foodstuffs play an important part in earning foreign exchange for Australia. To ensure orderly and profitable sales abroad marketing boards have been established to either buy and sell these commodities or to regulate trading in them.**

D. I. CAMPBELL, *Assistant Commercial Secretary, Canberra.*

**AUSTRALIAN FOOD EXPORTS 1963-64**

| Type of Authority and Commodity | Exports Value (£ million) | Per cent of total exports |
|---|---|---|
| **Commonwealth Trading Boards** | | |
| Wheat and flour | 203.8 | |
| Butter | 28.0 | |
| Cheese | 6.8 | |
| Eggs | 1.8 | |
| Skim milk powder | 1.5 | |
| Ghee | .6 | |
| Total | 242.5 | 44.5 |
| **Commonwealth Regulatory Boards** | | |
| Meat (all types) | 115.8 | |
| Wine | 1.6 | |
| Dried fruits | 9.8 | |
| Canned fruits | 16.9 | |
| Apples and pears | 14.7 | |
| Honey | 1.4 | |
| Total | 160.2 | 29.4 |
| **State Trading Boards** | | |
| Sugar | 80.0 | |
| Sorghum | 0.0 | |
| Barley | 9.1 | |
| Total | 89.1 | 16.3 |
| **Co-operatives** | | |
| Rice | 3.9 | |
| Citrus fruits | 1.5 | |
| Oats | 6.3 | |
| Total | 11.7 | 2.2 |
| **Commodities not included above** | | |
| Milk products | 7.5 | |
| Other animal | 11.1 | |
| Fish | 7.2 | |
| Fodder | 1.9 | |
| Other vegetable | 13.8 | |
| Total | 41.5 | 7.6 |
| **Grand Total** | **545.0** | **100.0** |

Source: Australian Department of Primary Industry.

THE AUSTRALIAN system of statutory marketing boards has an important bearing on the country's export performance and on the economy in general. In 1963-64, food and foodstuffs exported from Australia earned over 39 per cent of total export income and the marketing boards were concerned with 74 per cent of those exports.

The term "marketing board" includes statutory bodies, like the Australian Wheat Board, which actually buy and sell, and organizations which do not engage in trading operations but do regulate export marketing activities. All of the export marketing schemes and the legislation relating to export quality standards (which are designed to increase export trade) are founded on the Central Government's power to control external trading. Apart from their power to control exports, the marketing boards possess the power to regulate the sale and the distribution of their commodities after export.

The main purpose in first establishing the marketing boards was to eliminate destructive competition and the chaotic conditions which once prevailed in selling Australian produce in overseas markets. At one time, individual firms sold produce overseas in competition with organised marketing authorities that handled all food exports from rival and primary producing countries. Australian firms, acting in isolation, had little knowledge of the actions of their foreign counterparts and, as a consequence, their shipments tended to become congested.

## Control Methods Adopted

The method generally adopted in Australia to overcome these difficulties was to prohibit, except under authority of licence, the export of commodities coming under marketing board control. Such licences are normally granted only to individuals or firms with facilities considered necessary for the conduct of export marketing along orderly lines. For example, licences to export dairy products are confined to traders who have been appointed as agents by butter and cheese factories. By and large, canned fruit export licences are confined to canner-exporters (who control about 95 per cent of the trade), exceptions being made in the case of recognized and established Australian import-export houses which cater to miscellaneous markets in small parcels. The Australian Wheat Board is the sole constituted authority for marketing wheat within Australia and for the export marketing of wheat and flour. There is, therefore, no licensing system. However, merchants approved by the Wheat Board negotiate some exports of wheat and most exports of flour.

## Board Powers Extensive

Board supervision of export trade extends in all instances far beyond recommendations for issuance of licences. For example, boards may

establish minimum or, in some cases, fixed prices for sales to certain countries. They may impose restrictions on consignment shipments (as the Australian Canned Fruits Board has done) or, alternatively, they may insist that all shipments should be on consignment (as the Australian Dried Fruits Control Board has done for sales to Britain). The boards may also permit sales only through agents approved by and registered with them and at standard commission rates. Again, the boards may nominate marine insurance agents, establish final shipping dates, etc.

From the outset, the boards were active in negotiating freight rates for Australian products shipped overseas. All the boards, except the Australian Wheat, Wine and Honey Boards, are represented on the Federal Exporters' Overseas Transport Committee. The FEOTC represents the interests of producers and shippers and decides policy for negotiation with shipowners of the Australia-Britain-Continent Conference in the Australian Overseas Transport Association. The AOTA provides a forum for negotiating freight contracts between producer-shipper interests and shipowners. In the AOTA contracts, fixed rates for freight are determined and these are subject to annual review and negotiation.

Most of the boards exercise their greatest degree of control over major markets. Traditionally the British market was the most important for all the commodities handled by Australian Marketing Boards but in recent years it diminished in importance as other markets began taking increasing proportions of some products. Although Britain is still regarded as Australia's best long term market for several agricultural products, Communist China has been the main outlet for wheat for some years, the United States has become the largest market for meat and Japan is now the main outlet for wool.

### Trading Methods Varied

As mentioned previously, the Australian Wheat Board has monopoly trading powers. Growers are required to deliver to it all wheat other than that retained for seed or feed on the farm where it is produced. The Board negotiates export sales direct with overseas buyers. Sales to Britain, Europe, the Middle East and India, however, are usually made through the Australian Wheat Committee, an agency of the Board located in London. With the exception of Ceylon, flour is sold overseas by private traders but under the general control of the Australian Wheat Board. The Wheat Board alone handles sales of flour to the Ceylon Ministry of Agriculture and Food.

The Australian Dairy Produce Board is now the sole exporter of butter and cheese to Britain. The Board purchases, through licenced traders, butter and cheese destined for Britain and sells it through appointed agents there. The agents account to the Board for sales and the Board in turn accounts to the manufacturers for particular shipments (or sales over a determined period) on the basis of actual returns on each grade of butter and cheese involved. In the accounting, only approved marketing charges, such as freight, British port dues, insurance, cold storage, commission, promotion etc., are deducted.

**Among the marketing boards functioning in Australia is the Dried Fruits Control Board and apricots, which these women are preparing for the drying process, come under its jurisdiction. The Board is supported solely by a charge on exports; much of its revenue is spent on promoting sales in overseas markets, particularly Britain.**

The Board's functions in respect of other export markets continue to be regulatory.

### Revenue Derived from Levies

Australian marketing boards derive their revenue from a variety of sources. The Australian Wheat Board receives its revenue from the proceeds of sales, the Australian Meat Board from a levy on livestock slaughterings, the Australian Wine Board from a levy on grapes delivered to wineries for use in the manufacture of wine, and the Australian Honey Board from a levy on domestic sales. The Australian Dried Fruits Control Board, the Australian Dairy Produce Board and the Australian Apple and Pear Board obtain funds solely from charges on exports. The Australian Canned Fruits Board derives the major part of its revenue from an excise on canned deciduous fruit sold in Australia and the balance from a levy on canned fruit exports. In 1963-64, board income from levies totalled $2.3 million.

The boards are empowered to spend their revenue in many ways. In recent years they have devoted an increasing proportion to publicity and research and have raised rates of levy specifically for those purposes. Although boards must invest surplus funds, they themselves determine what is in fact surplus. In practice, they have accumulated large surpluses only from trading operations.

The Australian Dairy Produce Board, for example, had control of a reserve of £1.96 million in the Dairying Industry Stabilisation Fund in June 1962. The fund was accumulated to bolster equalisation prices for butter and cheese in unfavourable years. However, the Board used money from the fund to establish milk reconstitution plants in overseas countries, thus providing assured outlets for Australian butter oil and skim milk powder. The general principle of the wheat stabilisation legislation is also to carry forward reserves from "good" years to augment returns in "poor" years. In this case any reserves accumulated are under the control of the Australian Treasury, not the Australian Wheat Board. In fact, reserves of growers' money were exhausted at the close of the 1959-60 pool and since then the Australian Government has had to provide about £30 million to meet its obligations under the export guarantee.

Each of the trading boards relies on government-guaranteed advances from the Rural Credits Department of the Reserve Bank of Australia to enable them to pay for produce on delivery. The Australian Wheat Board pays a first advance for wheat at a rate approved by the Government. It makes further payments from the proceeds of sales only after the overdraft has been liquidated.

### Trade Publicity Expanded

All the boards (except the Australian Wheat Board) spend a large portion of their income on publicity and promotion and in recent years have displayed an impressive increase in activities in these fields. Traditionally, they have staged their major publicity efforts in the British market which absorbs a major portion of the products coming under board control. To plan and co-ordinate a joint campaign for the promotion of board products in Britain, a body known as the Overseas Trade Publicity Committee was formed. The functions of the OTPC are:

**(1)** to plan and recommend co-ordinated publicity and promotion programs, in Britain and elsewhere, designed

(a) to establish the quality of Australian primary products generally and thus create a favourable Australian image, and

(b) to identify those products to the consumer at the point of sale;

**(2)** to implement and conduct approved programs and obtain the fullest possible support of importers, wholesalers, and retailers in achieving the objects of those programs.

Finance is provided for the OTPC operation by contributions from the member marketing boards and the Australian Government. In 1963-64, the Government approved the extension of OTPC activities to Europe and other areas and provided £(Stg)80,000 towards the cost of a "probing" campaign in Europe. Marketing boards supported it with contributions of at least £(Stg)20,000. A European Publicity Committee was recently created in London to make annual recommendations to the OTPC on the pattern to be followed in Europe to promote Australian primary products.

The Government also approved support for OTPC promotion of board products in other areas with the main emphasis in Southeast Asia and in Canada. Support is in the form of government contributions to board funds and most of the marketing boards have taken advantage of this offer. ●

## Trade Commissioners on Tour

### In Territory

**Italy**—Officers of the Milan office will visit Genoa February 1-4, Torino February 7-9, and Padua February 15-17.

**Netherlands Antilles**—John D. Blackwood, Commercial Secretary in Caracas, Venezuela, will visit the Netherlands Antilles February 14-19.

**Puerto Rico**—J. E. Kepper, Acting Commercial Secretary in Santo Domingo, Dominican Republic, will visit San Juan January 10-14.

**Venezuela**—J. R. Caux, Assistant Commercial Secretary in Caracas, will visit Maracaibo and possibly other centres in western Venezuela January 24-29.

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

**Newest regional free trade area will take shape when the Australia-New Zealand Free Trade Agreement comes into force. This article outlines the main features of the agreement and discusses its possible effect on trade between and with the two countries.**

D. I. CAMPBELL, *Assistant Commercial Secretary, Canberra, and*

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

# NAFTA Creates a Free Trade Area

THE New Zealand/Australia Free Trade Agreement, setting up another regional free trade area, was signed in Wellington on August 31, 1965, to come into effect on January 1, 1966.

Australia/New Zealand co-operation has long existed in many spheres and this free trade agreement is one further aspect of a general, and in many ways logical, movement towards trans-Tasman co-operation over a broad front. However, this agreement covers only economic co-operation and makes no provision for any closer political or military integration.

### Movement Began in 1963

This agreement brings to fruition a study of possible free trade that began in 1963, with an official inquiry into the question. The findings were made public in a joint statement which gave the impression (this was strengthened by the background information given by trade officials) that it would not be feasible to establish free trade in dairy produce and lamb products, in which New Zealand is strongly competitive, nor in some industrial products which Australia turns out. New Zealand was said to be interested mainly in free trade in forest products.

In their efforts to expand trade between the two countries, the Australian and New Zealand Trade Ministers have borne in mind the future as well as the present trade interests of each. Their approach was to eliminate duties and to curtail quantitative restrictions on as much as possible of the trade between the two countries. It is expected that this beginning will be built upon as trade expands and experience with the agreement accumulates, and as production capacity in the two countries adapts to the combined markets.

### Scope of Agreement

Included in the initial stage of the agreement is 60 per cent of the total trade between the two countries. Although the list of products involved covers a wide range, significant redirection of trade is not expected immediately because the bulk of the items covered already enters the two countries duty-free.

As was expected, forest products were included in the agreement and it is here that New Zealand hopes to achieve a long-term growth of exports to Australia. Other products included and offering promise of greater trade to New Zealanders are frozen peas and beans, dried vegetables and strawberries, as well as pork and cheddar cheese, although the latter two are under quantitative restrictions.

Australia appears to have obtained fewer concessions of immediate export value and may benefit less initially, but the progressive lowering of existing tariffs on a wide range of products—including certain types of machinery, metals, electrical goods and chemicals—

should give her greater penetration of the New Zealand market in the long term. This, coupled with the prospect of widening the range of items to be included in the agreement, should in the long run prove to be to Australia's advantage.

### The Agreement Summarized

**1.** The effective date of commencement of the agreement is to be January 1, 1966.

**2.** The duration of the agreement will be for a minimum period of ten years, that is, until December 31, 1975.

**3.** Each country will maintain separate tariffs on imports from third countries.

**4.** There will be annual reviews with the object of adding progressively to the scheduled items of goods specified for inclusion in the agreement. Exceptions can be made for goods if their inclusion would seriously affect domestic industry.*

**5.** The agreement provides for phasing out of all duties on scheduled goods by 1974 on the following basis:

If, on the day before the commencement of the agreement, goods are free of duty
—they remain free of duty

If the duty is 5 per cent or less
—free from January 1966

If the duty is over 5 per cent and up to 10 per cent
—half that rate in 1966 and 1967 and free from 1968

If the duty is over 10 per cent
—from 1966—80 per cent of 1965 rate
—from 1968—60 per cent of 1965 rate
—from 1970—40 per cent of 1965 rate
—from 1972—20 per cent of 1965 rate
—from 1974—free.

These rates may be reduced more rapidly or eliminated earlier if either country so wishes.

*For example, tinplate and steel rails have been included in the schedule but will probably be withdrawn when New Zealand production begins.

**6.** The provisions of the 1933 Australia/New Zealand Trade Agreement are to continue subject to this new agreement and deemed to form part of this agreement.

**7.** For those Australian goods now paying higher duties in New Zealand than British preferential rates but not scheduled for free entry in the agreement, the rates of duty will be adjusted at the earliest practicable date and in any event before January 1, 1974, so that there will be no difference between the rate of duty to Australia and the lowest rate applied to any third country for goods under the same New Zealand tariff item.

**8.** Neither country shall maintain or introduce import restrictions unless they apply these restrictions to trade with third countries, with the exception of cheddar cheese and pork entering Australia. New Zealand is to be allowed to maintain its import licensing restrictions for balance-of-payments reasons.

**9.** Either country may impose duties to encourage industrial development but these duties must be phased out over a 12-year period at the rate of 20 per cent every two years, commencing after four years.

### Present Trade

The growing trade imbalance between Australia and New Zealand has caused serious concern in New Zealand and it is hoped that the terms of this Agreement will en-

TABLE I

NEW ZEALAND'S TRADE WITH AUSTRALIA

| Year | Calendar year exports to Australia ($Can. million, f.o.b.) | Calendar year imports from Australia ($Can. million, c.v.d.) |
|---|---|---|
| 1954 | 19.2 | 82.5 |
| 1955 | 20.1 | 91.5 |
| 1956 | 25.2 | 99.9 |
| 1957 | 30.3 | 135.6 |
| 1958 | 30.9 | 131.1 |
| 1959 | 33.0 | 111.3 |
| 1960 | 40.5 | 136.8 |
| 1961 | 33.0 | 140.7 |
| 1962 | 33.0 | 149.7 |
| 1963 | 51.3 | 182.7 |
| 1964 | 52.5 | 194.7 |

TABLE II

PRINCIPAL NEW ZEALAND EXPORTS TO AUSTRALIA

| | 1962-63 | 1963-64 | 1964-65 |
|---|---|---|---|
| | ($Can.'000 f.o.b.) | | |
| Live animals | 894 | 1,500 | 2,166 |
| Meat, fresh, chilled, frozen | 1,329 | 1,914 | 984 |
| Cheese and curd | 165 | 270 | 252 |
| Fish, fresh or simply preserved | 1,134 | 1,290 | 1,722 |
| Vegetables, roots, tubers, fresh frozen | 1,011 | 1,638 | 1,815 |
| Sugar (mainly lactose) | 627 | 648 | 675 |
| Hides and skins (undressed) not fur | 1,182 | 558 | 366 |
| Wood, shaped or simply worked | 2,307 | 2,385 | 3,123 |
| Pulp and waste paper | 7,725 | 7,845 | 6,831 |
| Crude animal materials | 204 | 273 | 375 |
| Wool and other animal hair | 3,540 | 3,459 | 2,913 |
| Crude vegetable materials | 1,332 | 1,914 | 1,416 |
| Paper and paperboard | 12,339 | 17,160 | 17,946 |
| Floor covers, tapestries, plaiting materials | 378 | 351 | 510 |
| Copper and copper alloys | 114 | 402 | 225 |
| Agricultural machinery and implements | 360 | 414 | 450 |
| Clothing | 183 | 396 | 417 |
| Machinery and appliances and machine parts, n.e.s. | 249 | 456 | 621 |
| Oilseeds, oil nuts, and kernels | .... | 258 | .... |
| Medicinal and pharmaceutical products | 135 | 255 | 471 |
| Others | 2,673 | 3,234 | 4,899 |
| **Total** | **37,881** | **46,620** | **48,177** |

Source: New Zealand Department of Statistics.

courage further mutual development of trade and at the same time reduce the almost four to one trade deficit that New Zealand has with Australia. (See Table I.)

The relative industrial development and consequently the principal exports of the two countries are apparent from a look at the chief products the two countries sell to each other. (See Tables II and III.)

Over 92 per cent of New Zealand's foreign exchange earnings come from a narrow range of primary agricultural products. Its exports to Australia of manufactured goods, with the exception of pulp and paper, are limited to a value of a few hundred thousand dollars. Australia, on the other hand, exports mainly manufactured goods to New Zealand, although it also ships certain fruits, wheat and other agricultural products in which New Zealand is not self-sufficient.

## Canada's Trade Affected?

Canada's trade with New Zealand and Australia should not be noticeably affected, at least in the earlier years of the agreement but after a second or third 20 per cent reduction in tariffs of scheduled items, we may feel pressure in some commodities.

Canada exported almost $180 million worth of goods to Australia and New Zealand during the calendar year 1964—$145.8 million to Australia and $33.7 million to New Zealand. (See *Foreign Trade* of May 1, 1965, for details of our trade with Australia and New Zealand.) This Free Trade Agreement should not affect these exports significantly because the bulk of them consist of commodities already duty-free from all sources or not yet included in the agreement.

Of particular importance to Canada, however, is the inclusion of forest products in the schedule to the agreement. In 1964/65, Canada exported wood pulp, paper and board to Australia valued at more than $25 million. New Zealand exports of these products were close to $29 million. Although many items grouped under the heading "pulp, paper and board" enter Australia from both Canada and New Zealand duty-free, the agreement is expected to lead to a rationalization of the combined forest resources of the two countries. The freight advantage and this co-ordination in growth of the forest industries are disadvantages which Canada will have to overcome in order to share fully in the rapidly growing market in Australia for forest products.

A few other specific commodities (such as frozen peas and beans and unalloyed copper bars and rods) will face tougher competition as the tariffs in Australia and New Zealand are lowered progressively.

Most items enumerated in the agreement, as pointed out before, are already duty-free and freely importable. For this reason and because of the numerous provisions that either country can implement in case of contingencies, the agreement may have little early effect on Australia-New Zealand trade at this stage. However, with the annual reviews intended to add commodities at present dutiable and items under import licence in New Zealand, the agreement could well develop into a meaningful free trade agreement mutually advantageous to the two countries. ●

**TABLE III**

**PRINCIPAL NEW ZEALAND IMPORTS FROM AUSTRALIA**

| | 1962-63 | 1963-64 | 1964-65 |
|---|---|---|---|
| | ($Can.'000 c.d.v.) | | |
| Wheat, unmilled | 11,631 | 11,478 | 10,719 |
| Nuts, fresh fruits, dried citrus fruits | 1,650 | 1,533 | 2,004 |
| Dried and dehydrated fruit | 3,246 | 3,702 | 3,876 |
| Sugar | 3,783 | 16,491 | 4,851 |
| Wool and other animal hair | 1,737 | 2,736 | 3,393 |
| Wood, shaped or simply worked | 1,251 | 1,383 | 1,563 |
| *Petroleum products | 19,932 | 26,331 | 12,702 |
| Organic chemicals | 1,974 | 1,590 | 1,785 |
| Inorganic chemicals | 1,506 | 1,902 | 3,165 |
| Medicinal and pharmaceutical goods | 3,621 | 4,410 | 5,601 |
| Paper and paperboard | 1,848 | 2,025 | 1,860 |
| Textile yarn and thread | 2,052 | 4,275 | 4,503 |
| Iron and steel bars, rods, angles, shapes and sections, including sheet pilings | 3,030 | 6,648 | 7,704 |
| Universals, plates and sheet iron and steel | 16,185 | 15,987 | 18,642 |
| **Iron and steel wire | 4,341 | 3,585 | 2,640 |
| Copper and copper alloys | 5,154 | 5,739 | 5,574 |
| Hand and machine tools | 1,227 | 1,536 | 1,704 |
| Machinery and appliances and machine parts n.e.s. | 4,521 | 8,013 | 7,944 |
| Electric apparatus and machinery n.e.s. | 2,247 | 3,714 | 3,660 |
| Road motor vehicles | 9,249 | 23,454 | 25,770 |
| Printed matter | 4,077 | 4,275 | 4,245 |
| Tubes, pipes, and fittings of iron or steel | 1,788 | 2,982 | 3,918 |
| Electric power machinery and switchgear | 1,614 | 2,841 | 3,225 |
| Photographic and cinematographic supplies | 2,490 | 2,595 | 3,153 |
| Plastic materials, regenerated cellulose, artificial resins | 2,361 | 2,310 | 4,116 |
| Explosives | 1,149 | 1,845 | 1,983 |
| Other | 32,433 | 37,083 | 41,493 |
| **Total** | **146,097** | **200,463** | **191,793** |

Source: New Zealand Department of Statistics

*The sharp reduction in 1964-65 was the result of the opening of an oil refinery at Whangarei, N.Z.

**The reduction in imports of this commodity was the result of the opening of a new wire mill in Auckland, N.Z.

# *What's current in commodities?*

## Non-Electronic Machinery and Components

**New England**—**Canadian firms will find in the non-electronic machinery industry promising opportunities but also stiff competition. It is the region's largest industry in number of employees, payroll and production value. Overshadowed by the more exciting electronics industry, it is still a lucrative market.**

D. S. BAKER, *Vice Consul and Assistant Trade Commissioner, Boston.*

FIRMS manufacturing non-electronic machinery fall into one of two groups:

- Industrial machinery and components and accessories.
- General machinery such as office appliances, or parts such as turbines for engines or other applications.

The first group accounts for about 65 per cent of New England's total production of non-electronic machinery and the second for the remaining 35 per cent. Table I gives the value of selected manufactures produced in New England in 1963.

The industrial machinery industry consists of three sub-groups. The largest and most important is that manufacturing metalworking machinery in general and lathes in particular. New England accounts for about 16 per cent of all such equipment produced in the United States. The region also accounts for about 22 per cent of the total value of the metal-cutting machine tools and 24 per cent of machine accessories, such as precision measuring tools.

The second largest group manufactures general industrial machinery and specialized machine components. Ball and roller bearings made in New England, for example, make up more than 25 per cent of total U.S. production.

The third ranking group turns out special industrial equipment with the emphasis on textile machinery. New England accounts for more than 40 per cent of the total U.S. value of textile machinery.

The industry is increasing both employment and productivity. Textile machinery producers are performing well over the levels that prevailed in 1964 and machine tool manufacturers have a substantial backlog of unfilled orders. The outlook for future industrial growth is bright.

Canadian firms interested in selling to the industrial market will find many opportunities in New England. But there are two areas in which the best opportunities lie:

**(1)** Industrial cleaners, materials handling equipment, work gloves, tools, etc.

**(2)** Parts and systems for use on or with the end product—for example, machine control systems, castings or fasteners.

This is only a partial listing but it serves to illustrate the commodities in demand.

Channels of distribution will vary as they do in Canada and will depend on your product, the particular market segment you are aiming for, and your company objectives. The more common channels are direct sales to original equipment manufacturers through a local representative, sales through a stocking distributor or through industrial supply houses, and sales by Canadian-based or local company salesmen.

If you are interested in this market, the Boston office is ready to obtain further information on your behalf and to arrange meetings with potential representatives, distributors or customers. You may direct your inquiry to the Department of Trade and Commerce, Ottawa, or to the Commercial Division, Canadian Consulate General, 607 Boylston Street, Boston 16, Massachusetts 02116. We will be pleased to hear from you. ●

**TABLE I**

**SELECTED MANUFACTURES PRODUCED IN NEW ENGLAND**

| Product | Value 1963 (U.S.$'000) |
|---|---|
| Ball and roller bearings | 254,264 |
| Metal-cutting machine tools | 238,161 |
| Textile machinery | 222,316 |
| Machine tool accessories | 183,451 |
| Special industrial machinery (not elsewhere classified) | 139,706 |
| Special dies and tools | 102,520 |
| Paper industry machinery | 90,446 |

Source: Bureau of the Census, *1963 Census of Manufacturers,* preliminary reports of the industries shown, 1965.

# Sporting Goods

**South Africa**—Sport is a booming business in this Republic—in 1963 it accounted for Can.$3.9 million in imports. Everything from fish hooks to javelins is in demand and for numerous products there is little local competition. Canadian manufacturers might find it worthwhile to try scoring in this market.

D. H. LEAVITT, *Assistant Trade Commissioner, Cape Town.*

SOUTH AFRICA is a country of outdoor living and South Africans participate eagerly in a wide range of outdoor sports. This keen interest has created a demand for sporting goods which local production cannot fully meet.

In 1962, imports of sporting goods were valued at R2,376,973; in 1963 the figure rose to R2,578,-349 (approximately Can.$3.9 million). Figures for all of 1964 are not yet available but it is interesting to note that sporting goods imports for July 1964 totalled R235,865 compared with R167,062 for December 1963. Canada supplies a very small part of this market and in 1963 sold only $11,059 worth of sporting goods to South Africa.

Import permits are required to bring sporting goods into the country, but sporting equipment is classed as "General Merchandise" and permits are not difficult to obtain. Duty is normally about 10 per cent and with a few exceptions, not more than 15 per cent.

**Fishing**—Fishing is one of South Africa's most popular sports and fishing tackle probably accounts for more sales than any other sporting equipment. There are now over one million anglers in this country with the number increasing all the time, but practically the only fishing gear made in South Africa is fishing rods. It is estimated that over 80 per cent of the rods sold here are made locally, from hollow blanks of glass fibre which come mainly from the United States. After processing they are fitted with hardware that for the most part comes from Japan. Nevertheless, Canadians can sell and are selling high-quality fishing rods in this market.

The domestic industry turns out simpler items like weights and rod-holders. South Africa also makes pressed metal centre-pin reels and simple wooden reels but imports more complicated geared mechanical reels from the United States, England, France, Germany, Italy and Japan. The country buys hooks and lures from Scandinavia; it also imports all fish lines.

**Water Sports**—The rapid growth of water sports offers Canadian manufacturers a number of opportunities to sell in this market. There are 36,000 power boats and 28,000 yachts in South and South West Africa and boating enthusiasts import more than 4,000 outboard motors every year. Canadian suppliers of marine hardware should examine this market closely.

South Africa is now manufacturing its own diving suits but when it comes to other diving equipment, it looks to Italy where two factories supply about 65 per cent of its requirements.

**Golf**—South Africa produces nearly all the equipment a golfer needs but an imported product has considerable sales appeal. This is true particularly of golf balls and, to a lesser extent, golf clubs. Dunlop, however, is building a new R1 million factory in Durban which will probably eliminate much of the demand for imported golf balls. United States and Australian golf clubs sell better than the local product and prospects for sales of Canadian clubs, which have been introduced here, appear promising. Three local factories produce golf bags and very few are imported.

**Rugby and Soccer**—The Republic itself, with two exceptions, is able to meet nearly all its requirements for rugby and soccer equipment. It imports, mostly from Germany, athletic shoes fitted with spikes or cleats. (Tennis-type shoes of canvas are made locally.) Despite a high 30 per cent import duty, the German shoes are nevertheless attractively priced and can compete with the locally made product. South Africa manufactures some soccer and rugby balls but still depends on Britain for about 50 per cent of its needs.

**Other Sports**—Britain supplies billiard balls and cues to go with the tables that South Africa turns out. It also supplies croquet balls, mallets and hoops, darts and dart boards. The United States meets the demand for balls and bats used in baseball and softball but Japan is now competing strongly for the position of leading supplier of baseball mitts against the U.S., the traditional source.

South Africa imports all ice and roller skates and all archery equipment and, from England and Sweden, most of its javelins, discuses and weights.

Local production of many types of sporting goods is increasing but South Africa can never be wholly self-sufficient. Although they will face stiff competition from traditonal suppliers, Canadian firms could still sell more to this market.

If you are interested and have something to offer, send your catalogues and prices, preferably c.i.f. South African port, to the Canadian Government Trade Commissioners in Cape Town (P.O. Box 683) or Johannesburg (P.O. Box 715). We, in turn, will be pleased to survey the market for you, help arrange a business visit if the survey warrants it, and recommend an agent. ●

# Ohio Department Stores Beckon

A. WORDEN EVANS, *Consul and Senior Trade Commissioner, Cleveland.*

**Retail outlets in Ohio continue to set new sales records and as they do, their buyers constantly seek new products. If you can offer quality merchandise at competitive prices, why not join the club of Canadian manufacturers now active in this lucrative market? The Cleveland Consulate will be glad to sponsor you.**

WHAT Canadian manufacturer is not interested in a market worth over $1 billion? Sales volume for department stores in Ohio continues to expand beyond the $1.3 billion record set in 1964, a direct reflection of the growing average family income that has now passed $10,000. Department store outlets have increased by more than 100 in the past five years with the stampede to suburban shopping centres. One Cleveland organization alone has built four stores of 500,000 square feet each to serve these outlying districts. All these factors have boosted sales in Ohio by $500 million during the last five years.

Department stores, however, have to compete with the general merchandise discount stores and cut-rate specialty shops. Although they must continue to carry the full range of merchandise that the buying public expects, they also have to offer something different to maintain their competitive position. For this reason, department stores throughout the state have developed a keen interest in quality merchandise imported from around the world. This means for Canadian manufacturers an entrée to the rich Ohio market.

We questioned merchandise managers and buyers to determine the basic requirements a manufacturer must meet to become a key supplier to their stores. Here are some of the ground rules.

### Modify If Necessary

Some producers may think that because an item sells well in Canada it will sell equally well in the U.S. market. In most instances this is so, but exporters should not take it for granted and should try to discover peculiarities. For example, domestic furniture buyers look for dustpans under the drawers in chests and night stands. The consumer feels that if a chest of drawers has this feature, it indicates quality even though it serves no useful purpose today. Another example is carpets. Canadian carpet buyers who are quality conscious readily accept carpeting with a scrim backing but Ohio consumers demand that carpets and similar coverings have a double jute backing. Some wearing apparel has failed to sell because workmanship, styling or design were not acceptable.

A manufacturer wishing to enter the Ohio market but doubtful about the suitability of his products may make arrangements through this office to discuss them with department store buyers, They are usually willing to help because they may thus acquire a new product or an alternative source of supply. Some Canadian manufacturers have already visited Cleveland and are now modifying their products to meet the tastes of Ohio consumers.

### Pricing for Profit

A manufacturer should prepare a price list in U.S. dollars before attempting to sell in Ohio. Buyers always want to know the net cost of merchandise delivered to their warehouse or store and with this information prepared in advance, manufacturers will find it easier to do business. A list, giving c.i.f.d. prices at destination (cost, insurance, freight and duty shown separately) is an essential selling tool.

Exporters should be aware, however, that goods entering the United

States are valued for duty under two sections of the Tariff Act referred to as the "New Value Law" and the "Old Value Law". Under the New Value Law, in establishing prices for the United States the value for duty of your product will be based on your offered price to wholesalers, if you are offering to them as well as to department stores. However, if you offer your products in the United States only to retailers or dealers and the prices vary, then the highest price to such customers is the value for duty unless the price differences are based on quantities. If the latter is true, then the quantity price at which the greatest dollar volume of sales over a representative period is made is the value for duty on all your sales.

In view of this, we suggest that an exporter set up a special price list for the United States, showing both f.o.b. plant and delivered prices. Any differences in these prices to a particular group should be based solely on quantity. The offer of an f.o.b. plant price will ensure that duty will not be assessed on freight charges. Although 95 per cent of imports into the U.S. are valued under New Value Law procedures, a few articles sold to department stores are still subject to the Old Value Law which has a foreign value concept. Your customs broker or the Department of Trade and Commerce in Ottawa can give you information on this.

Suppliers, wholesalers and retailers expect a reasonable profit which in most instances will range from 33⅓ per cent to 50 per cent of the retail price. The retail selling price must be in line with that of other key sources of supply—in other words, the competition. Some buyers may request that a manufacturer put the merchandise in their store either on consignment or on a guaranteed sales basis for a period of up to 90 days. We do not recommend this practice because it could result in a substantial financial loss.

Most important is the question of cash discounts. The standard terms are: within 10 days—2 per cent; within 30—net. This 2 per cent discount is important to department stores and accounts for a large percentage of their net operating profit. If a manufacturer does not extend this cash discount, he may expect to be precluded from doing business with this type of sales outlet. In accepting an order, he should understand that he is also accepting the terms 2 per cent within 10 days, net 30. He can expect the department stores to take this discount, whether or not it is stated on the invoice.

The manufacurer of seasonal merchandise may consider offering seasonal dating. A prime example is Christmas merchandise. One of the more common deals is the order placed on or before June 1 for shipment on or about September 1, and with payment of invoice on December 10. Another approach to this seasonal problem is extending an anticipation discount.

### Approaching the Buyer

Most buyers, although they do not work to a schedule of appointments, prefer to know in advance about a salesman's visit. This enables them to make certain that they have adequate time to spend with each caller. An appointment is also particularly important for anyone selling merchandise that is not easily transportable. Although arrangements can be made to have the buyer visit a sample room set up in a nearby hotel or motel, we recommend that Canadian firms take advantage of the excellent showroom at the Canadian Consulate in Cleveland. Receptions may be given in conjunction with displays and the Consulate is strategically located in relation to all the major Cleveland department stores.

### Filling the Purchase Order

Each store has a slightly different variation of a purchase order contract and store buyers recommend that manufacturers check carefully the conditions and contingencies appearing on the order form. Occasionally a store may use an out-of-date price when preparing the purchase order or request an unrealistic delivery date. When confronted with these problems, the manufacturer should contact the buyer immediately.

The purchase order is the fruit of the salesman's labour. Many buyers who listen to good sales presentations day in and day out are puzzled because in some instances a salesman does not ask for an order. This is definitely a sales weakness.

### Promoting the Product

Some manufacturers have an advertising allocation based upon the purchases of each given store. These funds can then be used to promote their product specifically, either through mail stuffers with the monthly billing, instore promotions, or newspaper advertising. Other firms may desire to go into what is known as a co-op advertising agreement. Under this arrangement a store pays up to 50 per cent of the advertising costs. Advertising done should always be substantiated by tear sheets.

One successful Canadian manufacturer got a favourable reaction when he requested permission from a buyer to hold a sales meeting with the store's floor personnel. The buyer intimated that few manufacturers will take the time to point out all the selling features of their products to the people responsible for moving these off the shelves.

### Sell Ahead of Season

The department stores normally work a minimum of six months in advance and in November or December buy seasonal items for the following spring and summer. Christmas is the biggest season of the year and the stores will sometimes purchase their merchandise as far as 13 months in advance. Cana-

dians should make their sales pitch well ahead of the season for which their products are intended.

Manufacturers of fall wearing apparel, winter sporting goods and Christmas merchandise can plan to begin making preliminary contacts now with the Ohio department store buyers for the 1966 season. The October 30, 1965, issue of *Foreign Trade* included an article listing buyer meetings for a major New York resident buying office. Specific items appeared under the month in which the largest proportion of buying is done. This schedule coincides closely with that of Ohio department stores.

### Delivering the Goods

The biggest headache that department store buyers have today is getting merchandise into the warehouse and onto the floor to meet orders generated by various advertising and merchandising programs. To be considered a key source of supply, the Canadian manufacturer must anticipate the demands for and movements of his goods at all times. If deliveries begin to run late, it is essential that customers be advised as soon as possible.

Deliveries that are continually late, however, can result in loss of retail sales and loss of buyer loyalty. Because of this, many manufacturers use Ohio as a test market to determine their potential in the U.S. and decide whether they need larger production facilities. The exporter should be careful not to sell beyond his production capacity.

### Other Sales Approaches

Although some manufacturers may wish to sell direct to the major department stores, others may be interested in reaching the larger specialty shops, discount stores, and smaller department stores in minor metropolitan areas. There are two basic approaches to this type of distribution. The first is to locate within the state one or more distributors whose sales force is in contact with the majority of the retail trade. The second—and often more effective—is to use a manufacturers' agent. These representatives call directly on the large volume purchasers and establish a network of distributor-dealer organizations for intensive market coverage.

### Exclusive Sales Arrangements

Canadian manufacturers may find sometimes that:

**1.** Their production capacity does not meet the demand for their products in the Ohio area.

**2.** It is advisable to follow a policy of selling only to a few select outlets.

An exclusive sales agreement with a department store, rather than any other retail outlet, is almost always the answer to these problems.

Department stores sometimes enter into an exclusive agency agreement with a producer of unknown brands of merchandise and attempt to develop these into a leading line. Manufacturers sometimes use a similar approach, hoping that their products will gain prestige from association with a store that has a good reputation and a large sales volume in a given area. Merchandise that lends itself to an exclusive agreement includes high-fashion wearing apparel, high-priced giftware, major electrical appliances, and hi-fi and television sets. There are, of course, other products suitable for such an agreement.

The parties involved in an exclusive agency contract must take into account a number of things. Among these are the merchandise involved, territory, inventory requirements, store quotas, terms of purchase, resale prices, promotion effort and duration of the contract.

### Use the Consulate

Our Cleveland Consulate has a thorough working knowledge of the channels of distribution plus numerous trade contacts and can provide a vital link between the Ohio marketplace and the Canadian manufacturer. We have already helped a number of Canadian manufacturers of department store merchandise and they have been highly successful in selling to the Ohio market. The goods that they sold included artistic glassware, giftware, women's handbags, infants' wearing apparel, women's casual wear, men's wear accessories, toys and stuffed animals, sporting goods, and gourmet foods.

The lucrative Ohio market has proved most rewarding to the Canadian firms that have cultivated it. Sales by one manufacturer to department stores in the state match those he has made in the entire Canadian market. Others have achieved what can be only described as startling success. The facilities of this office for displaying merchandise, for reaching buyers throughout the state and, where appropriate, for finding commission agents will help any manufacturer obtain a share of this rich and growing market.

### Turbo Beavers for Iran

THE FIRST de Havilland Turbo-Beaver exported from Canada recently arrived in Iran to serve with the Red Lion and Sun Organization (Iranian equivalent of the Red Cross) as an air ambulance. The organization evaluated all STOL aircraft in production and chose the Turbo-Beaver. The ambulance version can accommodate two stretchers, has seats for three walking patients or attendants, and is fitted with over-size wheels and wheel-skis for operation from roughed-out air strips in desert sands or mountain snows. The Red Lion and Sun Organization plans to establish three regional hospitals to serve the widely scattered Iranian population. The organization will fly patients to these hospitals and will probably purchase additional Turbo-Beavers to serve as air ambulances.

**The Mäkefjell steams through the St. Lawrence canals towards the Victoria Bridge. This freighter of the Fjell Line, Oslo, is part of Norway's modern international merchant fleet which contributes close to 10 per cent of the country's annual gross national product.**

# Norwegian Ships Sail the Seas

**The world's third largest merchant fleet sails under the Norwegian flag and its gross income equals the export earnings of all other Norwegian industries combined. This fleet also plays a vital role in Canada's international trade—2,000 calls a year at Canadian ports, regular sailings to and from Canada, and 20 per cent of its bulk carriers currently under charter to Canadian companies.**

J. E. LANCASTER,
*Commercial Counsellor, Oslo.*

NORWAY by world standards is a small country with few natural resources supporting a population only slightly over 3.7 million. It is surprising, therefore, that this small Scandinavian country, located in the extreme northwest of Europe, owns and manages the world's third largest and probably most modern merchant marine.

The importance of the shipping industry to Norway cannot be overestimated. In recent years it is claimed that shipping contributes close to 10 per cent of the gross national product. The gross freight income of the fleet in most years tends to match the gross export earnings of all other Norwegian industries combined. In fact, the foreign currency earnings of the merchant marine pay for one third of all imports into Norway.

The long tradition behind Norway's present position in the world of shipping goes back to the time of the Vikings. Recent research has indicated that these seafarers from Norway established a settlement in what is now Labrador and Newfoundland. However, operating from limited and even hazardous bases, the Vikings eventually abandoned their more remote settlements and turned their attention to fishing and other mundane sea

activities. Shipping as an important industry emerged in the 1600's and by 1880 the Norwegian fleet had become the third largest in the world, a position subsequently lost but now regained.

### Modern Vessels Make up Fleet

The modern Norwegian fleet was rebuilt following heavy losses in World War II, and has now increased from a wartime 2.7 million gross tons to over 15 million gross tons, almost 10 per cent of world shipping. This rapid expansion is expected to continue; at the beginning of 1965 Norwegian owners had 4.7 million tons on order, or over 20 per cent of the world's listed contracts. Table I gives a breakdown of the fleet.

TABLE I

NORWEGIAN MERCHANT FLEET—JANUARY 1965

| Class | Million Gross Tons | Per cent of total |
|---|---|---|
| *Tankers | 7.7 | 52.9 |
| Bulk carriers | 2.7 | 18.3 |
| Dry cargo tramps | 2.1 | 14.5 |
| Liners | 1.6 | 11.0 |
| Coasters and fishing vessels | .9 | 3.3 |
| **Total** | **15.0** | **100.0** |

*The Norwegian tanker fleet is the world's largest.

An interesting development in recent years has been the structural rationalization of the Norwegian fleet in order to maintain its competitive position in the international shipping trade. Special or tailor-made vessels have been constructed to meet the requirements of individual shippers. These include bulk carriers with multiple decks to transport motor cars and ships specially built to carry paper and liquid gas. Multiple compartment or "parcel" tankers have been developed and are able to transport limited consignments of liquids or chemicals which were formerly shipped in barrels. To the layman a more striking feature of the rationalization has been the scrapping of small and obsolete vessels and their replacement with super tankers of up to 165,000 deadweight tons and bulk carriers of 100,000 deadweight tons.

### Ships and Crews International

A feature of the operation of the Norwegian merchant fleet is its international character. As much as 91 per cent of its tonnage plies between various ports of the world but never puts in at a Norwegian port. This significant factor is an international recognition of the long tradition, accumulated experience and knowhow of Norwegian shipping managers and the seamanship of the personnel. With the rapid development of the fleet it has been found impossible, however, to man the new tonnage with Norwegian personnel alone. As a result, an estimated 13,000 of the 65,000 seamen serving aboard Norwegian flag vessels are from countries other than Norway. Spaniards predominate and account for 25 per cent of the foreign nationals.

Another feature of the shipping industry is the large percentage of the new tonnage launched that has been built in yards outside Norway and financed by foreign loans. The latter is of key importance to Norway because the mammoth capital investment does not place an unduly heavy burden on the economy. Although a number of Norwegian shipyards are able to turn out large tonnage and high quality vessels, the practice of directing contracts to foreign yards reflects the competitive needs of the Norwegian shipping industry and its international makeup.

### Canada Uses Norwegian Ships

Norwegian ships have long put into Canada's salt water ports and even before the turn of the century they plied the Great Lakes. Norway established a regular liner service linking the Great Lakes to Continental and British ports in 1935. The following year it extended this service, in conjunction with a Continental European line, to include Scandinavian ports. Using vessels designed to meet the physical limitations of the old St. Lawrence canals, Norway maintained this service except for the interruption of World War II. In 1959, the construction of the St. Lawrence Seaway opened a new chapter in the Great Lakes and now some forty shipping lines from various countries, including Norway, use the expanded facilities.

Norwegian flag ships play a vital part in Canada's international trade; they make 2,000 calls a year at Canadian ports or an average of six a day. At present, nine Norwegian liner companies provide regular sailings to and from Canada, a particularly important service for Canadian exporters. At the same time nearly half a million deadweight tons, close to 20 per cent of Norway's bulk carriage fleet, were chartered by larger Canadian operators at the beginning of 1965, probably making Canada Norway's major customer in this field. Norwegian hulls carry much of Canada's grain and the larger ore carriers of Norwegian registry are meeting the shipping demands created by newly-opened Canadian ore deposits. On our West Coast, Norwegian shipowners have introduced specially designed paper carriers which have resulted in cheaper and more efficient transportation of Canadian exports to the United States.

It can be said that, during a long period of business association and shared experience, Norwegian shipping interests have enjoyed good relations in their dealings with Canada. Canadians in turn have learned to respect the capacity and capabilities of the Norwegian shipowners and operators. Canadian and Norwegian co-operation in this field is likely to expand in the future, to the benefit of both parties.

# Foreign Tariffs and Trade Regulations

### Argentina

PRIOR DEPOSITS REDUCED—As from December 6, 1965, the prior deposit requirements for imports into Argentina have been reduced from 75 per cent to 50 per cent of the c.i.f. value. At the same time, the exchange rate was set by the Central Bank at 188-190 pesos to the U.S. dollar or equivalent.

### Brazil

IMPORT RESTRICTIONS EASED—On November 16, the Central Bank issued Resolution No. 9 which eliminates prior deposits on imports (previously 50 per cent of value of goods for 180 days) and the 10 per cent foreign exchange tax. In November the Central Bank also devalued the cruzeiro from Cr.$1,850 to the U.S. dollar to Cr.$2,200 to the U.S. dollar. The net cost of imported goods in cruzeiros thus remains at approximately the same level—Rio de Janeiro.

### Philippines

EXCHANGE REFORMS ANNOUNCED—In Circular No. 210 of November 6, 1965, the Central Bank of the Philippines announced the abolition, effective immediately, of the requirement to surrender 20 per cent of export receipts to the Central Bank at par value.

According to the announcement, all receipts from exports and invisibles must be received in currencies prescribed to form part of the international reserves and shall be retained by the authorized banks. Within a period of 60 days (or other time period which may be established in special cases) from date of shipment exporters must repatriate in instruments of international exchange the total value of their exports and must liquidate this value within ten days after repatriation. Payments for exports on a cash, collection or consignment basis must be arranged through the foreign exchange bank, which is specifically required to buy the exchange proceeds. The bank will also issue a certificate that the payment has been made or arranged to enable the clearance of imports through Customs.

In Circular No. 211, dated November 10, 1965, the Central Bank also introduced a new official parity rate for the Philippine Peso at P. 3.90 to the U.S.$1.00. (The previous rate was P. 2.00 to U.S.$1.00.) The new exchange rate will apply to all foreign proceeds of exports credited to the account of the bank of authorized agents on and after the date of the circular. The purchase and sale of authorized currencies by the Central Bank shall be based on spot buying or selling rates in New York or other financial centres, or on the current spot buying or selling rates for U.S. dollars by the Central Bank in Manila at the close of the previous day.

### Haiti

GOVERNMENT AGENCY TO CONTROL IMPORT OF ESSENTIAL ITEMS—A decree, dated November 8, 1965, places the import and distribution of a wide range of essential products under the control of the Regie du Tabac et des Allumettes. Items listed in the decree include: milk; cream; butter, cheese; wines, beer and spirits; cosmetics; soap and dentrifices; cotton and other fabrics; tires and tubes for vehicles and aircraft, and electric and non-electric machines and appliances. The Regie du Tabac et des Allumettes becomes the sole importer, import agency and distributor of these products, and a distribution commission to be charged by the Regie has been set at moderate levels. The distribution commission is in addition to the import duties and other import taxes. (The commission is doubled when applied to imports from "countries professing an ideology different from ours". Presumably this refers to Communist state-trading nations.)

The distribution commission on some of these products is as follows (5 Gourdes=U.S.$1.00):

| | |
|---|---|
| Cotton material, per piece of 25 yards | 5.00 Gourdes |
| Other material, per piece of 25 yards | 12.50 Gourdes |
| Remnants, per lb. | 0.50 Gourdes |
| Milk and cream, fresh, condensed, evaporated, per net kilo. | 0.20 Gourdes |
| Butter, cheese and curds, per net kilo. | 0.50 Gourdes |
| Margarine and cooking fat, per net kilo. | 0.20 Gourdes |
| Whisky, per bottle | 5.00 Gourdes |
| Perfume, beauty products, dentifrices, toilet products and toilet soap | 5 per cent of CIF value |
| Tires and tubes | 5 per cent of CIF value |
| Electrical machinery and appliances | 2 per cent of CIF value |

# Trade Lines

**Australia expects its 1965-66 wheat crop to be smaller** than for the last three years, when production reached 307 million bushels, 328 million, and 370 million respectively. However, good crops are expected in some states if conditions remain favourable for the rest of the year. Exports in 1964-65 reached 5.6 million tons, compared with 6.8 million in 1963-64. The biggest customers were: Communist China 2.2 million tons (2.5 million in 1963-64), the U.S.S.R. 840,000 (1.3 million), Britain 490,000 (750,000), India 470,000 (230,000) and Japan 430,000 (500,000)—Canberra.

**A new Jamaican Bureau of Standards** will develop commercial standards and codes of practice to control quality of commodities, and will provide facilities to examine and test products. A Standards Council, representing consumers, industry and commerce, and Government will formulate the policy of the Bureau on broad national lines; sub-committees will co-ordinate the views of all sectors and help prepare standards. Bureau laboratories are to test articles to ensure that they meet the standards. The Bureau will first draw up standards for foodstuffs and other agricultural products and later for building supplies, chemicals, household articles, mechanical and electrical goods and textiles and clothing—Kingston.

**Southern Italy will soon have a factory for modular elements (jointed or free) for civil and industrial building** and metal structures for road, railroad and special construction. The IRCOM (Industrie Riumite Costruzioni e Prodotti Modulari) company's 1½-acre plant will employ 300 workmen—Rome.

**South African textile and clothing output was estimated by the South African Foundation at R380 million in 1964**—a growth of 25 per cent in just over three years. Government has made R45 million available over a period of ten years for further expansion, especially in border areas. In 1961, South Africa had 1,447 textile and clothing firms with an estimated capital investment of about R70 million—Cape Town.

**Production and sales of Grenada nutmeg and mace are now rising rapidly,** as plantings made after Hurricane Janet in 1955 begin bearing. Exports for the first half of 1965 reached 14,000 cwt., compared with 14,400 cwt. for the whole of 1964. Increase in sales to the United States, Britain and the Common Market countries was most marked. Grenada's contribution represented 58 per cent of total imports of nutmeg and mace into Britain in the first half of last year.

**Soviet cars, trucks and buses were shown in Stockholm in October** after a promotion trip through six Western European countries. The Swedish press described them as cheaper than Western vehicles, with good terrain qualities but lacking adequate service outlets. Although the U.S.S.R. sold no commercial vehicles in Sweden in 1964, registrations showed 175 Moskvitch and 121 Volga cars; the latter are used widely in Stockholm as taxis. Sales in 1965 were slightly lower—Stockholm.

**Fibreglass production** by Scandinavian Glasfiber AB, Sweden, will soon double. The company, partly owned by the United States Owens-Corning group, will invest $2.5 million in extensions—Stockholm.

**West Germany's natural gas production has more than doubled in two years,** while known reserves have quadrupled. Production in 1962 reached 615 million cubic metres; in 1964 it was 1,460 million cubic metres. Definite and probable reserves in 1964 came to almost 200,000 million cubic metres—Bad Godesberg.

**El Salvador and Costa Rica expect increased yields of coffee** in 1965-66. The former estimates production at 2,150,000 bags compared with 2,060,000 in 1964-65; the latter estimates production at 2,350,000 quintals compared with 1,970,000 in 1964-65—Guatemala City.

**A new Costa Rican plant will be built to produce evaporated and condensed milk.** Estimated to cost U.S. $530,000, it will turn out 7.5 million pounds a year—Guatemala City.

**Guatemala has issued a "new industry" licence to manufacturer of** paper towels, serviettes, sanitary paper, and similar products. The recipient, one of the largest paper-converting companies in Central America, will invest U.S. $750,000 in a plant that will start produc-

tion in January 1966 and turn out 3 million kilograms a year—Guatemala City.

**Mexico has developed plans calling for establishment** of new industries to turn out 370 different commodities now imported. Investment will run between $1.2 million and $2 million and will be open to both national and foreign interests. Included in the plans are iron and steel, electrical generating equipment, petroleum, petrochemical and chemical equipment, mining machinery, and electronic and telecommunications equipment—Mexico, D.F.

**Ethiopia's Imperial Board of Telecommunications has received a $4.8 million loan from the World Bank** to be used in its 1965-67 investment program. The program is designed to improve telephone and telegraph services; it includes construction of a new central automatic exchange in Addis Ababa, other new exchanges, new cables, and additional telegraph, telex and high-frequency radio equipment—Washington.

**Malaysia has received a $45 million World Bank loan** to assist in financing the Muda River irrigation project north of Kuala Lumpur. The project includes two dams, diversion works, dikes, tidal gates, canals and drains—Washington.

**West German housewives are falling for automatic dishwashers;** 17,237 were sold in the first three months of 1965 (6,000 in the same period the year before). Almost all firms in appliances field have started production and about 60,000 units were expected to be produced by the end of 1965. Producers believe they can sell some four million units in the next five years—Bad Godesberg.

**The Central American Common Market has led to increased trade** among the five republics. In 1964 this trade rose 60 per cent over 1963—from U.S. $66.2 million to U.S. $105.4 million—Guatemala City.

**Jamaica is expected to have 1,850 more hotel rooms by 1967.** The Mahoe Bay Hotel, near Montego Bay, will add 1,024 rooms; tourist centres at Ocho Rios, Duncans and other north coast regions will account for the remainder. Now that highways are completed and electric power is available on the south coast, the Negril Beach area is ready for development as a tourist centre—Kingston.

**Soviet Russia is expanding its ocean fleet** with an eye to increasing its foreign trade. By 1968 the fleet will be four times the 1958 tonnage; 90 per cent of Soviet oil will be carried in Soviet tankers and trans-ocean routes will connect with most Afro-Asian countries. Shipbuilding experts from the U.S.S.R. recently studied Swedish yards firsthand—Stockholm.

**A number of El Salvador industries, either new or** expanding, have recently applied for benefits under the Industrial Development Law. The applicants are firms making phonograph records, radio, TV and communications equipment, wood moulding, metal beds and furniture, mineral salt food supplements, plastic shoes and sandals, and glass Christmas ornaments—Guatemala City.

**A $1.5 million plant has been established in Guatemala** to produce corrugated boxes and cartons. The project, known as "Cajas y Empaques de Guatemala S.A.", will meet the needs of and obtain most of its raw material in Central America—Guatemala City.

**Guatemala has accorded "Hilaturas Centroamericanas", which will manufacture corded and combed yarns,** "new industry" status. The firm will be allowed to import duty-free for ten years machinery, spare parts, and raw materials including chemical, synthetic, polyester, acrylic and propylene fibres and woollen fibres of a type not produced locally. The new plant, estimated to cost U.S. $238,000, is expected to be in operation in 1966 and to produce at least 130,000 kilograms of combed yarn and 180,000 kilograms of carded yarn—Guatemala City.

**A group of six factories for manufacturing glass, plate glass and fiber glass has been built in central Italy.** The 33-acre, $72 million project was erected by the SIV company (formed mainly by Finanziaria Breda, a holding company) and by ENI (the state-controlled oil firm). Yearly potential: 32,000 metric tons of glass sheets of various types and thicknesses, 20,000 tons of moulded and wire glass, 85,000 tons of plate glass, 24,000 tons of safety glass and 2,000 tons of fiber glass—Rome.

**The Goodyear tire company has built its first Italian factory** less than 40 miles south of Rome. It will turn out tires and inner tubes for cars, trucks and tractors. Part of the "Banbury" mixer plant and other machinery are housed underground—Rome.

**A new Guatemalan light bulb factory,** "Bujías Centroamericanas S.A.", claims to be able to supply the entire Central American Common Market. It will not produce limited application bulbs. Mexican and Guatemalan interests have invested U.S. $150,000 and an additional $50,000 investment is expected—Guatemala City.

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 .9286.

# Foreign Exchange Rates

| Country | Unit | Type of Exchange | Can. dollar equivalent Dec. 13 | Units per Canadian dollar | Notes (see below) |
|---|---|---|---|---|---|
| Algeria | Dinar | | .2197 | 4.55 | |
| Argentina | Peso | Free | .005728 | 174.58 | |
| Australia | Pound | | 2.4146 | .4141 | |
| Austria | Schilling | | .04168 | 23.99 | |
| Bahamas | Pound | | 3.0183 | .3313 | |
| Belgium and Luxembourg | Franc | | .02169 | 46.10 | |
| Bermuda | Pound | | 3.0183 | .3313 | |
| Bolivia | Peso | | .09153 | 10.93 | |
| Brazil | Cruzeiro | Official Free | .0004873 | 2.052.12 | † |
| Britain | Pound | | 3.0183 | .3313 | |
| British Guiana | Dollar | | .6288 | 1.59 | |
| British Honduras | Dollar | | .7546 | 1.33 | |
| Burma | Kyat | | .2261 | 4.42 | |
| Ceylon | Rupee | | .2264 | 4.42 | |
| Chile | Escudo | Bank rate | .3130 | 3.19 | |
| | | Free | .2601 | 3.84 | |
| Colombia | Peso | Free | .05821 | 17.18 | |
| | | Certificate | .1197 | 8.35 | |
| Congo, Republic of | Franc | | .007179 | 139.29 | (1) |
| Costa Rica | Colon | | .1625 | 6.15 | |
| Cuba | Peso | | ‡ | ‡ | |
| Czechoslovakia | Koruna | | .1496 | 6.68 | |
| Denmark | Krone | | .1564 | 6.39 | |
| Dominican Republic | Peso | | 1.07688 | .9286 | |
| Ecuador | Sucre | Official | .05983 | 16.71 | |
| | | Free | .05821 | 17.18 | |
| El Salvador | Colon | | .4308 | 2.32 | |
| Fiji | Pound | | 2.7191 | .3678 | |
| Finland | Markka | | .3365 | 2.97 | |
| France, Monaco, etc. | Franc | | .2197 | 4.55 | (2) |
| Franco-African Republics, etc. | Franc | | .004394 | 227.58 | (3) |
| French Pacific | Franc | | .01208 | 82.78 | (4) |
| Germany | D Mark | | .2692 | 3.71 | |
| Ghana | Cedi | | 1.2576 | .7952 | |
| Greece | Drachma | | .03589 | 27.86 | |
| Guatemala | Quetzal | | 1.07688 | .9286 | |
| Haiti | Gourde | | .2154 | 4.64 | |
| Honduras | Lempira | | .5384 | 1.86 | |
| Hong Kong | Dollar | Free | .1876 | 5.33 | *Dec. 3 |
| | | Official | .1886 | 5.30 | |

†The Cruzeiro was devalued Nov. 16/65; as of Jan. 1/66, the present currency will be replaced by the new Cruzeiro at the ratio of new Cruzeiro/1000 old Cruzeiros.

‡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 Dec. 13 | Units per Canadian dollar | Notes (see below) |
|---|---|---|---|---|---|
| Iceland | Krona | Official | .02504 | 39.94 | (1) |
| India | Rupee | | .2264 | 4.42 | |
| Indonesia | Rupiah | | .004308 | 232.15 | (1) |
| Iran | Rial | | .01422 | 70.34 | |
| Iraq | Dinar | | 3.0153 | .3316 | |
| Ireland | Pound | | 3.0183 | .3313 | |
| Israel | Pound | | .3590 | 2.79 | |
| Italy | Lira | | .001724 | 580.05 | |
| Japan | Yen | | .002992 | 334.22 | |
| Lebanon | Pound | Free | .3524 | 2.84 | |
| Malaysia | Dollar | | .3518 | 2.84 | |
| Mexico | Peso | | .08615 | 11.61 | |
| Morocco | Dirham | | .2154 | 4.64 | |
| Netherlands | Florin | | .2987 | 3.35 | |
| Netherlands Antilles | Florin | | .5710 | 1.75 | |
| New Zealand | Pound | | 3.0072 | .3325 | |
| Nicaragua | Cordoba | | .1538 | 6.50 | |
| Nigeria | Pound | | 3.0183 | .3313 | |
| Norway | Krone | | .1508 | 6.63 | |
| Pakistan | Rupee | | .2264 | 4.42 | |
| Panama | Balboa | | 1.07688 | .9286 | |
| Paraguay | Guarani | Free | .008723 | 114.64 | |
| Peru | Sol | Free | .04014 | 24.91 | |
| Philippines | Peso | Free | .2751 | 3.64 | |
| Poland | Zloty | Fixed-basic rate | .04486 | 22.29 | |
| Portugal & Colonies | Escudo | | .03746 | 26.70 | (5) |
| Sierra Leone | Leones | | 1.5076 | .6633 | |
| South Africa | Rand | | 1.5092 | .6626 | |
| Spain and Dependencies | Peseta | | .01798 | 55.62 | |
| Sweden | Krona | | .2082 | 4.80 | |
| Switzerland | Franc | | .2494 | 4.01 | |
| Syria | Pound | Free | .2817 | 3.55 | |
| Thailand | Baht | Free | .05061 | 19.76 | (1) |
| Tunisia | Dinar | | 2.0622 | .4849 | |
| Turkey | Lira | | .1197 | 8.35 | (1) |
| United Arab Republic | Pound | Official | 2.4768 | .4037 | |
| United States | Dollar | | 1.07688 | .9286 | |
| Uruguay | Peso | Free | .01648 | 60.68 | |
| Venezuela | Bolivar | Official Free | .2397 | 4.17 | |
| West Indies | Dollar | | .6288 | 1.59 | (6) |
| | Pound | | 3.0183 | .3313 | (7) |
| Yugoslavia | Dinar | Official | .0008615 | 1.160.76 | |

# 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.

# Smoked Salmon from Spruce Street

"IT'S UP THERE," said my guide.

"Up there" was a short, dead-end street in Vancouver. At the top stood an unpainted two-storey building with a short flight of steps leading up to the second floor. At the top a black-and-white sign jutted out. "Imperial Salmon House", it read.

Inside and to the left of the door were two tiny crowded offices. At the back there was a large, bare and spotlessly clean room. It contained a large smoker with shelves, cutting tables, two bins filled with oak and hickory sawdust, a freezer chest, and a big walk-in cooler, with several large filleted and salted salmon waiting to be smoked.

From the cooler Mel Langner, who owns and operates Imperial Salmon House, produced a large side of fresh-smoked spring salmon and cut slices for us. "It's a gourmet product," he told us. We tasted it. It was indeed.

Mr. Langner has every reason to say that his is a one-man export business. Trained in construction, he worked in California for a while, then came back to his native Vancouver. Last spring he decided to set up his own salmon smoking operation. He bought an old woodworking shop and put it into shape, built both the smoker and the cooler, and had an expert install the cooling equipment. He found a broker to supply him with spring salmon—they provide large sides that the chef can set out happily on a buffet table—and got help on technical points from the Department of Fisheries in Vancouver.

Since then, he says, he's been production manager, technical expert, domestic sales manager, export manager—even stenographer and janitor. (He made the coffee for us too.) Occasionally his wife and 18-year-old son give him a hand and he hires casual labour as he needs it.

From the start, he had his eye on export markets. Early in the game he called on the Vancouver Regional Office of the Department of Trade and Commerce to ask advice. The decision was to try selling first in Britain, Japan, France, Germany, Italy and Australia. So taking off his production and putting on his clerical hat, Langner composed and typed a letter to Trade Commissioners in those areas—a letter that began: "We make the kind of smoked salmon used in the best hotels, restaurants and clubs." He offered a free sample fillet, sent by air, to prospective distributors or customers. Smoked salmon sells on taste, colour and texture and only the eye and the palate can judge these. With each sample he sends a letter telling how to handle the fish.

His first sample order came unexpectedly from Hong Kong, through a contact made by his B.C. broker. He prepared the sample, took it down to the airport (he always makes sure that his fish is properly loaded) and paid the $30 air freight, with some misgivings. In one week, back came an order for 1,000 pounds—and his customer apologized for taking so long. A sample sent to Madrid brought a first order for 100 pounds and a second for 1,000—by air freight. He has made it a practice to follow up on sample shipments within three or four weeks or to ask the Trade Commissioner to do this for him. Result: over half of all the people to whom he dispatches samples send in trial orders.

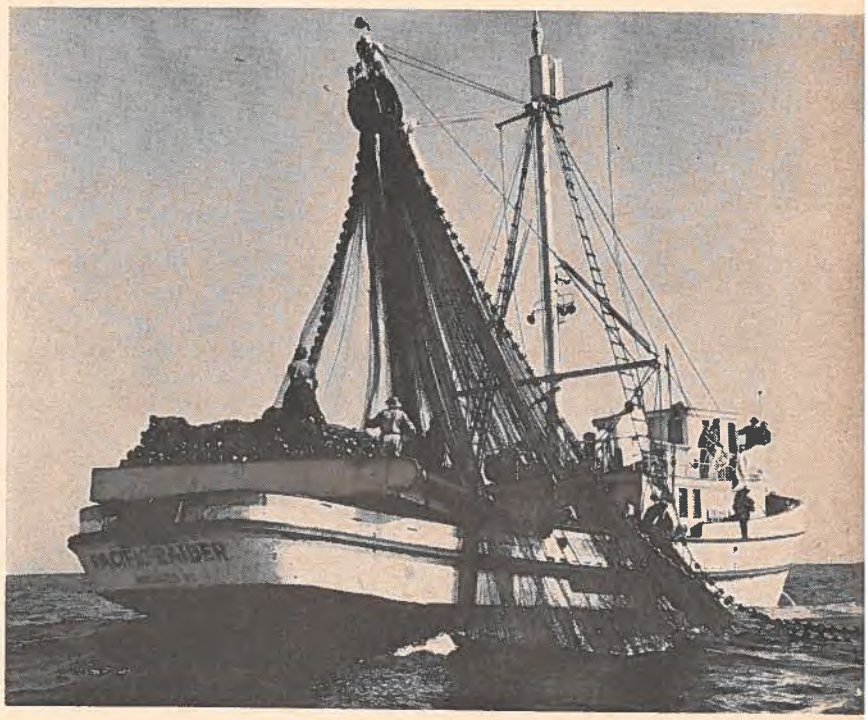
Problem one is to get the right distributor—a man who can walk into a leading hotel or exclusive club and talk directly to the chef. Problem two is getting to know the peculiarities of taste in each market. The Spanish like their smoked salmon without too much smoke; the Scandinavians like plenty of salt and plenty of smoke, and in Germany the Rhinelander likes it one way and the Bavarian another. Quality is the thing and Langner says that he makes his salmon "up to quality and not down to price". One Italian distributor bought a sample order, decided that the price was too high, and purchased from another company. But he soon came back into the fold with an order for 250 pounds. Cohoe salmon can also be smoked though it lacks oil, but Langner intends making some smoked cohoe for certain markets because it is less expensive.

Langner has applied his ingenuity to problem three—getting the salmon to market in top condition. He has made a carton out of a certain type of polyfoam in which a side of fish can be nested. This keeps the air space down to a minimum and protects the fish against rough handling. He sent one such shipment by air to Cape Town; the trip took 48 hours and the salmon arrived in perfect condition. Now he is experimenting with using the even more efficient polyurethane foam. He packs the fish either in 25-pound cartons to go by air freight or in steel-strapped 50-pound wooden boxes to travel by sea to far-off markets like Australia.

What type of market does he look for? One with a sizable higher income group, he says, and without restrictions on imports of a semi-luxury product. And shipping costs must not be so high that they make the price uncompetitive.

So far shipments from his smoker have gone to Hong Kong, Italy, Spain, Switzerland and Australia. He has also made good contacts in West Germany and other countries and hopes to see his sales rise further before Imperial Salmon House marks its first birthday next April.

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



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