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FOREIGN TRADE

DEPARTMENT OF TRADE AND COMMERCE, OTTAWA



EXPO 67 Plans for the Businessman

FOREIGN TRADE

FEBRUARY 5, 1966

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COVER: When it is completed, the International Trade Centre at Expo 67, to be built on Mackay Pier, will look like this. The wing to the left will house the Expo Club, with dining-room and lounge and an outdoor café. The two floors of the main building will contain offices and conference rooms. The Centre will open each day at eleven and remain open until late in the evening. For full details, see the article on page 2.

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The Hon. ROBERT H. WINTERS, Minister.

J. H. WARREN, Deputy Minister.

O. MARY HILL, Editor.

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Expo 67 Plans for the Businessman

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"I'll meet you at the International Trade Centre"—this will be a familiar arrangement between Canadians and businessmen from foreign countries once Expo 67 opens. Read the article on page two to find out what the Centre is, what services the Business Development Bureau, which will operate it, intends to provide, and particularly how Canadian businessmen can help to ensure its success.

How to Sell Automotive Parts in the U.S.

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Here is the exporter's guide to the new market opened up by the Canada-U.S. Automotive Agreement and its provisions for duty-free entry of original motor-vehicle equipment. The article outlines what the procedures are for establishing duty-free status and what buyers to approach in the state of Michigan. It also discusses the market for service parts, not included in the Agreement.

Take a Second Look at Ceylon

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Our Trade Commissioner in Bombay recently visited Ceylon and sent us a report on how things are going there, with the new government tackling long-standing problems and making good use of extensive foreign aid. Against this background of renewed confidence in the country's future, the author examines the market there for Canadian products and points up the more promising opportunities.

ECIC Offers Long-Term Export Financing

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In mid-October 1965, the Export Credits Insurance Corporation announced certain changes in the administration of Section 21A long-term export financing to meet changed conditions in world markets. This article, number twenty in our continuing series "How to Win World Markets", discusses the basic criteria for granting this financing and explains how and why these were modified.

What's Current in Commodities?

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Our Commodity section in this issue covers two commodities and two European markets. If you make furniture but have never thought of trying to sell it in West Germany, find out what our Trade Commissioner in Duesseldorf has to say about prospects. Or if frozen foods are your line, consider Italians as customers.

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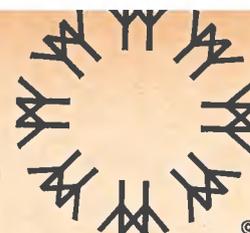
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EXPO 67



Plans for the Businessman

EXPO 67 early recognized that visitors to the World Exhibition would, hopefully, include thousands of businessmen drawn from many countries. The Corporation in charge of Expo therefore decided to set up within its Operations Department a group that would both encourage foreign businessmen to come and see Expo 67 and also provide facilities for them to meet and do business with their counterparts in Canada or those visiting Expo from other countries. Discussions were initiated with the Department of Trade and Commerce and out of these came the Business Development Bureau of Expo 67, set up in July 1964. This is an Expo first—no other World Exhibition has offered these special services to the business community. Expo 67 will run, incidentally, from April 28 to October 29, 1967.

Directing the work of the Business Development Bureau is G. F. G. Hughes, a veteran Foreign Service Officer with the Department of Trade and Commerce who has served in a number of countries, and also as an Assistant Director of the Trade Commissioner Service and as Director of the former Industrial Promotion Branch of the Trade Department. He has been lent to Expo 67 for its duration.

Foreign Trade recently interviewed Mr. Hughes on the plans that the Bureau is making, on the services it expects to provide, and on what Canadian business can do to further its work, both now and when Expo 67 is in full swing. Here are some of the questions that we asked him and his answers.

PLANNING

Will the Business Development Bureau be housed in a special building?

The Canadian Bankers Association is providing \$600,000 towards the construction and operation of a building, the International Trade Centre, to house the Bureau. Other sponsorship is being sought to help with the furnishing of the building, which is to have both a Canadian and an international atmosphere. It will be L-shaped, will cover 20,000 square feet, and will be built on Mackay Pier, near the main entrance to Expo and with a commanding view of the whole site. It will have two floors, a wing that will house the Expo Club, landscaped grounds, and an outdoor café. The architects are D'Astous and Pothier of Montreal, whose main contract at the moment is the Chateau Champlain.

How will it be staffed?

Administrative staff will be provided by the Expo 67 organization. The special counselling services for business visitors throughout the six months of Expo will be undertaken by representatives of the federal Departments of Trade and Commerce and of Industry, by representatives of the commercial and industrial development departments of the chartered banks, and by provincial Departments of Trade and Industry. The Department of Trade and Commerce intends to provide groups of its Trade Commissioners drawn from various countries to serve in rotation.

What facilities will the International Trade Centre offer?

The first floor will contain offices for the Bureau's administrative staff and for representatives of the federal Departments of Trade and Commerce and Industry. Offices on this floor have also been offered to provincial Departments of Trade and Industry and two of them—Quebec and Manitoba—have accepted this offer so far. Offices on the second floor will house representatives of the chartered banks. In addition, there will be conference rooms for meetings or seminars; these rooms can either be used separately or opened out to form a larger unit. They will also double as

private dining rooms or even as a small cinema for the showing of industrial or trade promotion films. A library and reading room will contain a good selection of Canadian commercial reference works, plus trade and industrial periodicals and directories. Each country participating in Expo 67 will contribute a representative sample of this type of literature and airmail and other editions of the world's leading commercial and industrial journals will be provided. One wing of the Centre will be used for the Expo Club.

What is the Expo Club?

The Expo Club will become the social headquarters for visiting businessmen, both Canadian and foreign. It will not be open to the general public but only to individual Canadians or Canadian firms who take out membership and, without charge, to foreign businessmen who register their intention of using the facilities of the Business Development Bureau. The membership fee for Canadians will be based to some degree on how often they expect to use the Club; for this reason, businessmen in the Montreal area may pay a higher fee than those in other parts of Canada and firms will be asked to state how many of its personnel will be making use of the facilities. Membership will include admission to the Expo site at all times. Canadian members will be expected to play host to their foreign visitors. The Expo Club will have a dining room seating about 100, a lounge area that will accommodate about 80, and an outdoor terrace café.

How does the Bureau determine what services and facilities the foreign businessman will probably want?

At an early stage, the Bureau set up an International Commission on Business Development to advise it, composed of representatives of each country that has decided to participate in Expo 67. A working committee of this Commission, which consists of foreign commercial representatives of participating countries, meets periodically with Bureau staff. In this way, the Bureau is kept aware of the probable needs and wishes of its foreign visitors.

PROMOTION

What types of promotion is the Bureau now carrying on?

First, the Bureau is undertaking promotion abroad to encourage foreign businessmen to come to Expo 67 in large numbers. Through the mailing facilities of the Canadian Government Travel Bureau, it is dispatching personal invitations to some 15,000 individual businessmen, government officials, trade and industrial associations in almost every part of the world. Canadian Trade Commissioners have sent in to the Bureau the names and addresses of businessmen and officials who are the decision-makers in their countries. Using these lists, over 2,000 personal letters have already gone out to the more remote areas such as the Far East, Africa, Australia, and New Zealand. Each letter told the story of Expo, enclosed a pamphlet about the Business Development Bureau, and asked the recipient to get in touch with the Canadian Trade Commissioner in his area for further details. Later, the Trade Commissioner is expected to contact those who have not been in touch with him. The lists of names are also being given to the Commissioners General of the participating countries to encourage them to extend their own invitation to business leaders. Provincial Government representatives abroad will also help to promote Expo.

Will this promotion continue?

Yes, a second letter will go to the whole list of 15,000 about four months after the first letter has been dispatched. It will invite the recipient to register his intention of visiting Expo and to return this registration form

to the Trade Commissioner nearest him, who will in turn send it to the Business Development Bureau. This procedure establishes close contact between the Trade Commissioner and the potential Expo visitor. The Trade Commissioner can help him to plan his trip to include the things that he wants to see in Canada and the people he should meet. As for the Bureau itself, the receipt of the registration card initiates a file on the visitor, his interests, the time he intends to come, the contacts he wishes to make, and so on. For much of this information the Bureau is relying on the individual Trade Commissioner. Nearer to the opening of Expo, towards the end of 1966, the Commissioner General of Expo 67 will send a letter to all the businessmen with whom the Bureau has been in touch. Some form of identification card may be enclosed for the individual to present when he arrives.

How is the Bureau attempting to interest Canadian businessmen in its work?

The Canadian businessman's interest in foreign trade is well established. He is accustomed to receiving foreign visitors and the Bureau's publicity will be directed mainly toward making him realize that the Expo period presents an opportunity for persuading greater numbers of the people he normally deals with to come to Canada. He will be asked to invite his foreign agents or distributors to visit Expo and to see Canada during the centennial year; some firms may wish to hold regional sales conferences here. Canadian companies with foreign affiliates are being asked to publicize Expo. The chartered banks are already talking it up with their foreign correspondents. One of the banks, in fact, has written to all its foreign connections enclosing a brochure on Expo and its features and has asked them to direct visitors to Canada in 1967.

When the foreign business visitor actually arrives at Expo, what procedure will be followed?

Hostesses will be posted at the Place d'Acceuil, the entrance to Expo. They will send business visitors to a special information desk where they will be welcomed and directed to the International Trade Centre, only five or six minutes' away. If a number of businessmen inform the Bureau that they will be coming as a group, an escort will be waiting for them at the entrance. All businessmen can expect better results from their trip to Expo if they notify the Business Development Bureau before they come. Interpreters who speak the major languages will be on hand and guides for those who wish to move through Expo as a group. The Bureau will provide telex and telephone service and limited stenographic facilities. It will compile and maintain a comprehensive catalogue of all products on display throughout Expo, all equipment used, and the exhibitor or supplier of each, and the visitor may consult this catalogue. The staff of the Bureau will keep in close contact with all Expo pavilions and will be able to arrange for the businessman to see a specific product or person in any of them.

Will there be an opportunity for foreign and Canadian businessmen to meet informally?

Twice a week for the duration of Expo, Contact Receptions will be held at the International Trade Centre to which visitors of the day, both Canadian and foreign, will be invited. The Bureau will know in advance about the business interests of the foreign businessmen coming and will be able to invite other Canadians whom the former will wish to meet. These receptions will be held in one of the larger conference room units that will hold about 75 to 80 people. As each guest enters the room, he will receive a list of all the other guests, the name of the companies or associations they represent, and the fields in which their interests lie. Hostesses will see

that guests meet the men to whom they wish to talk. Each reception will last about an hour and a half.

How can the Bureau help the Expo visitor who wants to do business in Canada?

This is where the counselling service of the Bureau will prove its worth. The Trade Commissioners and other officials on duty will be able to suggest contacts throughout the country or sources of supply. If the visitor inquires about sources of canned salmon, for example, a telex to various organizations in British Columbia will provide the answer and if necessary, a trip to Vancouver will be suggested. The same procedure, in general, can be used to answer inquiries on buyers in Canada, on suppliers of products, on investment in this country, on industrial development, and even on Canadian real estate. The provincial government representatives and the representatives of the chartered banks will also be there to brief the visitor. On request, liaison between business visitors from participating countries other than Canada will be arranged.

Will visits to other parts of Canada be arranged by the Bureau?

The Bureau's objective is to have each major commercial centre set up a co-ordinating committee to deal with the larger-than-normal number of business visitors during 1967. It has already held discussions on this with Canadian trade and industrial associations, such as the Canadian Export Association and the Canadian Manufacturers Association, with the provincial Departments of Trade and Industry, and with Boards of Trade and Chambers of Commerce in the larger centres. This liaison will continue throughout 1966, to ensure that the Bureau will have eventually one point of contact with which it can get in touch to meet requests from foreign businessmen. If a visitor from the Netherlands, for example, would like to study developments in the Alberta oilfields, the Bureau will put him in touch with the contact in Alberta. The Bureau will not undertake to make travel arrangements but will put the visitor in touch with those who can.

Are any group conferences being planned?

The intention is to make available to all countries participating in Expo 67, perhaps through their commercial representatives here in Canada, the conference rooms at the International Trade Centre for one or two days at a time. The country can then arrange a conference, a program of films, or perhaps a reception for a group of its businessmen coming to Expo or for a trade mission. The facilities of the Bureau can be used in this way to supplement what the country offers in its own pavilion.

Are any features being planned primarily for the Canadian businessman?

Yes, the Bureau is planning a series of business lectures to be sponsored by the Maclean Hunter Publishing Company. The series will consist of 14 lectures spread over the six months that Expo 67 will last and to be given by world recognized authorities in economics, finance, international trade, and business affairs. The lectures will be staged in the DuPont auditorium on the Expo grounds to invited audiences of Canadian businessmen, but a small part of the hall will be set aside for foreign businessmen who wish to attend. The lectures will not be advertised abroad. Other seminars for Canadians may be planned.

The basic program of the Bureau during the period that Expo is operating, says Mr. Hughes, will be "to ensure efficient handling of business visitors and to assist them in gaining contact with appropriate Canadian businessmen." This program, he believes, "if well carried out and adequately followed up, will secure lasting benefits for Canada and other participating nations." ●

How to Sell Automotive Parts in the U.S.

The Canada-United States Agreement on Automotive Products has opened up a large market for Canadian-made parts in Michigan and other states. Detroit's motor-vehicle manufacturers are in a receptive mood, but Canadian products must still be sold, prices must be competitive, Canadian facilities must be expanded, and Canadian quality must be kept at the traditional high.

The Canada-United States Agreement on Automotive Products

Under this Agreement, the United States agreed, and subsequently provided for in the Act of October 21, 1965, to accord duty-free treatment to imports of *Products of Canada** described as follows:

- (1) Motor vehicles for the transport of persons or articles as provided for in items 692.05 and 692.10 of the Tariff Schedules of the United States and chassis therefor, but not including electric trolley buses, three-wheeled vehicles, or trailers accompanying truck tractors, or chassis therefor.
- (2) Fabricated components, not including trailers, tires, or tubes for tires, **for use as original equipment in the manufacture of motor vehicles* of the kinds described in paragraph (1) above.
- (3) Articles of the kinds described in paragraphs (1) and (2) above include such articles whether finished or unfinished.

*These two qualifications are important. They are carefully defined and are covered by the phrase "if Canadian article and original motor-vehicle equipment" in all U.S. Tariff items which provide for duty-free entry of the parts described in sub-paragraph (2) above.

NOTE: The Agreement does not provide for duty-free entry of service parts into either country.

Definition of a "Canadian Article"

The Act of October 21st provides the following definition:

"The term 'Canadian article', as used in the schedules, means an article which is the product of Canada, but does not include any article produced with the use of materials imported into Canada which are products of any foreign country (except materials produced within the customs territory of the United States), if the aggregate value of such imported materials when landed at the Canadian port of entry (that is, the actual purchase price, or if not purchased the export value, of such materials, plus, if not included therein, the cost of transporting such materials to Canada but exclusive of any landing cost and Canadian duty) was—

"(A) With regard to any motor vehicle or automobile truck tractor entered on or before December 31, 1967, more than 60 per cent of the appraised value of the article imported into the customs territory of the United States, and

"(B) with regard to any other article (including any motor vehicle or automobile truck tractor entered after December 31, 1967), more than 50 per cent of the appraised value of the article imported into the customs territory of the United States."

I. V. MACDONALD.*

PROSPECTS for selling automotive parts have never been better. Industry spokesmen are almost unanimous in predicting a continued increase in automobile sales and foresee yearly averages of over 10 million units by 1970. This rapid growth has overtaxed the capacity of existing suppliers and prompted a search for new sources, despite increased investment by U.S. auto manufacturers and parts suppliers. Mr. Roy Abernethy, President of American Motors Corporation, has estimated that the U.S. auto industry will sell at least 45 million cars in the next five years, pushing U.S. car population well beyond 90 million by 1970.

Mr. F. G. Donner, Board Chairman of General Motors Corporation, has said that capital expenditures by GM in 1966 could reach \$1.3 billion under favourable conditions, exceeding the estimated \$1.2 billion for 1965 and \$930 million for 1964. This does not include the cost of special tooling, which for General Motors runs to about \$750 million a year. Ford's current expansion program for the four-year period 1964-67 is expected to exceed an unprecedented \$2.4 billion, at least a quarter of which will probably be spent in Michigan.

*Mr. Macdonald, who was until recently Consul and Trade Commissioner in Detroit, prepared this article shortly before his transfer to Beirut, Lebanon.

Chrysler plans to spend \$1 billion for expansion during the next two years.

Automotive Products Agreement

The Canada-United States Agreement on Automotive Products was signed on January 16, 1965. The Act to implement the United States commitment under the agreement was signed into law by the President on October 21, 1965. At the same time, the President issued a Proclamation, as provided for in the Act, which:

1. Brought into effect immediately those provisions of it which define (a) a Canadian article and (b) original motor-vehicle equipment.
2. Established that the duty-free entry provisions would become effective on December 20, 1965, but retroactively to January 18, 1965—the date on which Canada's commitment under the Agreement was implemented.

(The U.S. commitment under the agreement and the definition of a "Canadian article" are given on page 6, and the definition of "original motor-vehicle equipment" and listed bona fide manufacturers on this page. U.S. customs procedures to establish duty-free status the reader will find on page 8.)

Seeing the Right Buyer

There are thousands of buyers within the numerous operating divisions of the automobile companies which purchase production parts, service parts, production machinery and equipment, materials, services—thousands of items connected directly or indirectly with automobile manufacture. Thanks to highly efficient organization, it is not difficult for a Canadian supplier to locate the buyer concerned specifically with his product. In most instances, appointments are not required, although the Detroit Consulate would be pleased to make appointments

Definition of "Original Motor-Vehicle Equipment"

The Act of October 21, 1965, provides the following definition:

"The term 'original motor-vehicle equipment', as used in the schedules with reference to a Canadian article, means such a Canadian article which has been obtained from a supplier in Canada under or pursuant to a written order, contract, or letter of intent of a *bona fide motor-vehicle manufacturer* in the United States, and which is a fabricated component intended for use as original equipment in the manufacture in the United States of a motor vehicle, but the term does not include trailers or articles to be used in their manufacture.

"(b) The term 'motor vehicle', means a motor vehicle of a kind described in tariff items 692.05 and 692.10 (excluding an electric trolley bus and a three-wheeled vehicle) or an automobile truck tractor.

"(c) The term 'bona fide motor-vehicle manufacturer', as used in this headnote, means a person who, upon application to the Secretary of Commerce, is determined by the Secretary to have produced no fewer than 15 complete motor vehicles in the United States during the previous 12 months, and to have installed capacity in the United States to produce 10 or more complete motor vehicles per 40-hour week. The Secretary of Commerce shall maintain, and publish from time to time in the Federal Register, a list of the names and addresses of bona fide motor-vehicle manufacturers."

Bona Fide Motor-Vehicle Manufacturers

On January 6, 1966, the Department of Commerce published its first list of firms which it determined to be "bona fide motor-vehicle manufacturers" and the effective date of that determination as follows:

American Motors Corporation
14250 Plymouth Road
Detroit, Mich. 48232
January 18, 1965.

Chrysler Corporation
341 Massachusetts Avenue
Highland Park, Mich. 43031
January 18, 1965.

The Flexible Company
North Water Street
Loudonville, Ohio 44842
January 18, 1965.

Freightliner Corporation
5400 North Basin Avenue
Portland, Ore. 97217
January 18, 1965.

General Motors Corporation
3044 West Grant Boulevard
Detroit, Mich. 48202
January 18, 1965.

Kenworth Motor Truck Company
8801 East Marginal Way
Seattle, Wash. 98108
January 18, 1965.

Ottawa Steel Products
Daybrook-Ottawa Corporation
Ottawa, Kan. 66067
January 18, 1965.

S.S. Automobiles, Inc.
161 West Wisconsin Avenue,
Suite 6164
Milwaukee, Wis. 53203
May 7, 1965.

Avanti Motor Corporation
613 South Michigan Street
South Bend, Ind. 46600
June 7, 1965.

Divco Truck Division
Divco-Wayne Corporation
22000 Hoover Road
Detroit, Mich. 48200
January 18, 1965.

Ford Motor Company
The American Road
Dearborn, Mich.
January 18, 1965.

FWD Corporation
105 East 12th Street
Clintonville, Wis. 54929
January 18, 1965.

International Harvester Company
401 North Michigan Avenue
Chicago, Ill. 60611
January 18, 1965.

Motor Coach Industries, Inc.
Pembina, N.D. 58271
January 18, 1965.

Peterbilt Motors Company
38801 Cherry Street
Newark, Calif. 94560
January 18, 1965.

Walter Motor Truck Company
School Road
Voorheesville, N.Y. 12186
January 18, 1965.

The names of other such manufacturers are expected to be published shortly.

upon request. Subject to the comments below on the policies of the individual automobile company, it is necessary only to determine the automotive divisions which offer a potential market for the products the Canadian wants to sell, call at their purchasing offices (listed at the end of this article) and identify

the product to the receptionist. He will then be introduced to the buyer, just as a representative of a U.S. company would be. Because of their relative rarity, however, visits by Canadian vendors are likely to make an impact on most buyers that a comparable United States competitor could not achieve.

It is important to bear in mind that the buyer is always interested in exploring new sources and will welcome a visit. However, many buyers are under considerable pressure and therefore the presentation should be well organized in advance. It should include a written résumé of the company's history, a

**U.S. Customs Procedures to Establish Duty-Free Status TC 433 K
(T. D. 56529)**

Automotive Products Trade Act of 1965—Customs Regulations amended

Duty-free status of certain automotive vehicles and articles used as original equipment in the manufacture thereof—Section 10.84 added to Customs Regulations.

Treasury Department,
Office of the Commissioner of Customs,
Washington, D.C.

To Customs Officers and Others Concerned:

Title 19—Customs Duties

Chapter 1—Bureau of Customs

Part 10—Articles Conditionally Free, Subject to a
Reduced Rate, etc.

The Automotive Products Trade Act of 1965, Public Law 89-283, an act to provide for the implementation of the agreement concerning automotive products between the Government of the United States and the Government of Canada, and for other purposes, approved on October 21, 1965, and Presidential Proclamation No. 3682 of October 21, 1965, issued pursuant thereto, provide for the duty-free treatment of certain automotive vehicles and articles used as original equipment in the manufacture of such vehicles.

The purpose of this amendment is to prescribe the procedures required to establish this duty-free status. Part 10 is amended to add a new center head and section reading as follows:

AUTOMOTIVE PRODUCTS

10.84 Automotive vehicles and articles for use as original equipment in the manufacture of automotive vehicles—(a) When total exemption from duty on automotive products is claimed on the ground that an importation consists of "Canadian articles" as defined in General Headnote 3 (d), Tariff Schedules of the United States, this fact must be established to the satisfaction of the chief customs officer at the port of entry. Such customs officer may accept as satisfactory evidence that an article is a "Canadian article" a certificate executed by the exporter in the appropriate form specified in paragraph (b) of this section, subject to any verification he may deem necessary, or he may satisfy himself of such fact by other means if, taking into consideration the kind and value of the goods and

the circumstances of importation, he deems a certificate unnecessary.

(b) (1) When no material which is not the growth, product, or manufacture of Canada or of the United States was used at any stage in the production of the imported article, a certificate in the following form may be accepted as evidence that the commodity is a "Canadian article":

The product covered by the (Describe the invoice, bill of lading, or other document or statement identifying the shipment) annexed or appended to this certificate of Canadian origin at the time it was subscribed is the growth, product, or manufacture of Canada. No foreign materials (other than those which are the growth, product or manufacture of the United States) were used at any stage in the production of this product, i.e., either in its immediate production or in the production of any intermediate product used at any stage in the chain of production in Canada which resulted in this product.

(2) When any material which is not the growth, product, or manufacture of Canada or of the United States was used at any stage in the manufacture of the imported article, a certificate in the following form may be accepted as evidence that the commodity is nevertheless a "Canadian article".

The product covered by the (Describe the invoice, bill of lading, or other document or statement identifying the shipment) annexed or appended to this certificate of Canadian origin at the time it was subscribed is the product of Canada. There were used in its production in Canada(number of units and description) of foreign materials (other than those which are the growth, product, or manufacture of the United States) having an actual purchase price (or, if not purchased, an export value) of per unit of quantity plus, if not included in such unit values,

summary of important production contracts (with special reference to contracts with the Canadian subsidiary where there is one), a complete description of plant facilities, and up-to-date information on sales volume, finance and investment program. A company need not be large to qualify as a supplier. More than

70 per cent of General Motors suppliers, for example, have fewer than 100 employees.

After Initial Visits

On the basis of an initial visit, the buyer or other company official can set in motion the procedures whereby a Canadian company will

become an accredited supplier and receive invitations to bid. This sequence is by no means automatic. A buyer must be able to justify fully the acquisition of a new source. Frequently in such cases he will consult his supervisor, as well as Engineering, Receiving Inspection, and possibly other sections of the

....., the cost per unit of bringing such foreign materials to Canada.

(3) If such customs officer is satisfied that the revenue will be protected adequately thereby, he may accept in lieu of the certificate specified in subparagraph (2) of this paragraph a certificate in the following form when the merchandise covered thereby does not contain foreign materials (other than those which are of the growth, product, and manufacture of the United States) in excess of 50 per cent of the final appraised value in the United States:

The product covered by the (Describe above the invoice, bill of lading, or other document or statement identifying the shipment) annexed or appended to this certificate of Canadian origin at the time it was subscribed is the product of Canada. There were or may have been used in its production in Canada foreign materials (other than those which are of the growth, product, and manufacture of the United States).

It is impracticable to ascertain the exact number of units of foreign material, if any, used in its production or the purchase price and cost of transportation to Canada of such material, but to the best of (my) (our) (its) knowledge and belief the purchase price and cost of transportation to Canada of such foreign materials as were or may have been used would not exceed 50 per centum of the final appraised value in the United States determined in accordance with section 402 or 402a, Tariff Act of 1930, as applicable, of the product brought into the United States covered by this certificate.

(4) The certificates described in subparagraphs (2) and (3) shall not, of course, be accepted if the statements therein contained on their face make it evident that the importation is not a "Canadian article" within the meaning of General Headnote 3 (d), Tariff Schedules of the United States.

(5) If more than one kind of article is covered by a certificate provided for in subparagraphs (1), (2), or (3) of this paragraph, the information required by the certificate shall be shown with respect to each kind. When more than one kind of material of other than Canadian or United States origin is used in the production of an article covered by such a certificate, the certificate shall state the number of units, description, and purchase price plus, if not included therein, cost of transportation to Canada, per unit of each such kind of material.

(6) A certificate conforming to subparagraphs (1), (2), or (3) of this paragraph shall be accepted as evidence of the facts alleged therein only if (i) there is annexed thereto a copy of the commercial invoice or bill of lading covering the articles

or other documentary matter which identifies the articles to which the certificate pertains, (ii) the certificate is signed by the manufacturer or producer of the articles to which it pertains, or by the person who exported the articles from Canada, and (iii) it clearly appears that such copy or other documentary matter was annexed to the certificate when it was signed.

(c) When an importer makes an entry, or withdrawal from warehouse, for consumption of articles for use as "original motor-vehicle equipment" as that term is defined in Schedule 6, Part 6, Subpart B, Headnote 2 (a), Tariff Schedules of the United States, he shall file in connection therewith his declaration that the articles are being imported for use as original equipment in the manufacture in the United States of the kinds of motor vehicles specified in the headnote, furnish the name and address of the motor-vehicle manufacturer, and attach to the declaration a copy of the written order, contract, or letter of intent. Proof of use need not be furnished.

(d) If, after a Canadian article has been accorded the status of original motor-vehicle equipment it is decided to divert the article from its intended use in the manufacture in the United States of motor vehicles, the importer or other person deciding to divert the article from its intended use must notify in writing the headquarters office of the customs district in which the article at that time is located and make arrangements for its destruction or exportation under customs supervision or pay duties in accordance with Schedule 6, Part 6, Subpart B, Headnote 2 (d) (ii). If these arrangements are not made, the article, or its value, is subject to forfeiture. (77A Stat. 11, 325; 19 U.S.C. 1202 (Gen. Hdnte 3 (d), Sch. 6, Pt. 6B, Hdnte 2).)

(R.S. 251, 77A Stat. 14, sec. 624, 46 Stat. 759; 19 U.S.C. 66, 1202 (Gen. Hdnte 11), 1624.)

These regulations shall be effective with respect to articles which are or have been entered for consumption or for warehouse on or after January 18, 1965, and, in case such entries have been liquidated, when request for exemption from duty under the Automotive Products Trade Act of 1965 is filed with the customs officer concerned on or before January 19, 1966.

LESTER D. JOHNSON,
Commissioner of Customs

Approved: November 10, 1965

TRUE DAVIS
Assistant Secretary of the Treasury

firm concerned with purchase analysis and company policy. Should any difficulties arise or advice be required beyond that which the buyer offers, the Canadian exporter should consult the company's Director of Supplier Relations (or equivalent officer), a position created by each of the automotive companies to achieve a better understanding between buyer and seller.

The Canadian should follow up his initial visit within a few weeks by letter, telephone, or personal call on purchasing officers, by careful attention to any request to bid, and where appropriate, by invitations to purchasing officers or production men to visit his company's facilities in Canada.

Once a Canadian firm is accepted as a potential supplier, it should request blueprints and specifications on those items which it believes it can provide satisfactorily and is not already producing for the Canadian industry. It should report to the buyer any manufacturing difficulties it foresees that might affect the quality of the parts, and suggest modifications if indicated. Where feasible, the firm should be prepared to submit samples prepared on its own production tools. Before beginning volume production it should submit promptly samples turned out on regular production tools and inspected for quality at its plant. Satisfactory performance at this stage is important. When volume production is under way, quality standards and rigid inspection must be maintained; this function should not be left to the customer. Where required, durability tests should be carried out periodically.

Quality, Delivery, Price

The automotive companies strive for good relations with their many thousands of independent suppliers on whom the success of their own business so largely depends. "Good relations," in the words of the GM Code, means "procuring the right products, of the right quality, in the

right quantity, at the right time, at the right price, and with the right service," while assuring the supplier of "fair and courteous treatment . . . and a high standard of ethics in all transactions." Or in the words of the Chrysler Suppliers' Guide, "We buy technical know-how, quality, the ability to meet time commitments, and competitiveness. We are very much interested in what you have to offer in the way of new or improved products and ideas . . . your suggestions will receive prompt, courteous attention and . . . the widest possible exposure in the Chrysler activities most vitally concerned."

Among Chrysler's purchasing objectives are the development of "competent new suppliers" and the "assisting of current suppliers to become even more proficient in meeting our needs." Concerning the need for new investment by vendors, Chrysler President Lynn Townsend has said that the only way for supplier companies to keep up with the projected automotive growth is to start aggressive expansion themselves. Speaking specifically of sourcing in Canada, a Director of Purchasing at Dearborn said that the larger Canadian parts manufacturers appear to be making the greatest effort, whereas smaller firms "must get aggressive and sell." He said that the main thing was to convince smaller suppliers that they can sell in the United States.

The After-Market

Parts for the after-market are not included in the Canada-United States Automotive Agreement. However, the parts after-market in the United States is not only big business (about \$12 billion a year at retail) but it is stable business because, unlike decisions to purchase new cars, purchases of replacement parts often cannot be deferred.

To exploit United States markets for service parts—the after-market, that is—the Canadian should ap-

proach the service parts division of each of the automakers (see listing at the end of this article), and also consider the appointment of independent distributors of auto parts. Because there are few independent distributors of auto parts able to give national coverage in the United States, he should be prepared to make appointments on a regional basis.

Defence Production Sharing

Michigan is headquarters for the U.S. Army Mobility Command with a procurement budget of \$2 billion. The United States Department of Defense and authorized United States military contractors, including the automotive manufacturers, are permitted under the Defence Production Sharing Agreement to import duty-free from Canada a broad range of products for ultimate use by the U.S. armed services. Under these provisions, Canadian parts suppliers have already been successful in obtaining many subcontracts, including a number recently associated with the production of the M-151 military vehicle. For information on documentation and consignment instructions, potential Canadian suppliers are advised to contact either the Canadian Consulate, Detroit, or the Canadian Liaison Officer, c/o U.S. Army Ordnance District, 1580 East Grand Boulevard, Detroit 11, Michigan.

Direct Contact Required

Canadian vendors, even those long established as suppliers to the Canadian automobile industry, should not rely on the Canadian subsidiary to develop contacts with the parent company and sales on their behalf. Many U.S. buyers do not welcome this method of doing business because, logically, they want to become as well acquainted with their suppliers as possible. In fact, they would like to treat Canadian vendors (and potential vendors) exactly as they would a U.S. supplier. It is in the longer-term in-

terest of the Canadian parts industry to encourage non-discrimination in the minds of buyers, because only in this way can optimum integration of Canadian suppliers in a North American industry be achieved.

If you are unable to call frequently on potential and existing customers, you may find it profitable to appoint a local U.S. representative to sell your products on commission. There are many reputable agents in this field with well-established buyer contacts who would be pleased to consider new lines, especially of production parts. You can obtain the names and addresses of prospective agents from the Trade Commissioner.

With enterprise, salesmanship, investment, and a degree of confidence, Canadian manufacturers should achieve outstanding success in the new United States market for automotive parts.

These Are Your Potential Customers in the State of Michigan

GENERAL MOTORS

Purchasing by General Motors is the responsibility of each division, subject only to over-all company policy. General inquiries, however, may be directed to the Procurement Section, Manufacturing Staff, General Motors Building, Detroit 2, Michigan.

AC Spark Plug Division
1300 N. Dort Highway
Flint 2, Mich.
(including defence products)

Buick Motor Division
1051 E. Hamilton Ave.
Flint 2, Mich.

Buick-Oldsmobile-Pontiac Assembly Division
General Motors Bldg.
3044 W. Grand Blvd.
Detroit 2, Mich.

Cadillac Motor Car Division
2860 Clark Ave.
Detroit 32, Mich.
(including defence products)

Central Foundry Division
37 Florence St.
Saginaw, Mich.
(including defence products)

Chevrolet Motor Division
General Motors Bldg.
3044 W. Grand Blvd.
Detroit 2, Mich.

Defense Systems Division
General Motors Technical Centre
30800 Mound Road
Warren, Mich.

Detroit Diesel Engine Division
13400 W. Outer Dr.
Detroit 28, Mich.
(including defence products)

Detroit Transmission Division
Willow Run
Ypsilanti, Mich.
(including defence products)

Diesel Equipment Division
2100 Burlingame Ave. S.W.
Grand Rapids, Mich.
(including defence products)

Fisher Body Division
30001 Van Dyke Ave.
Warren, Mich.

GMC Truck and Coach Division
660 South Blvd. E.
Pontiac 11, Mich.
(including defence products)

General Motors Corporation—Central Office
General Motors Bldg.
Detroit 2, Mich.
(non-production materials)

General Motors Institute
W. 3rd & N. Chevrolet Ave.
Flint 2, Mich.
(non-production materials)

Manufacturing Development
General Motors Technical Center
30800 Mound Rd.
Warren, Mich.
(processing equipment)

Oldsmobile Division
1014 Townsend St.
Lansing 21, Mich.

Pontiac Motor Division
196 Oakland Ave.
Pontiac 11, Mich.

Research Laboratories
General Motors Technical Center
30800 Mound Rd.
Warren, Mich.
(research equipment and materials, including defence products)

Saginaw Steering Gear Division
3900 Holland Rd.
Saginaw, Mich.

Technical Center Service Section
General Motors Technical Center
30800 Mound Rd.
Warren, Mich.
(non-production materials)

Ternstedt Division
30007 Van Dyke Ave.
Warren, Mich.
(interior hardware, etc.)

United Motors Service
General Motors Bldg.,
Detroit 2, Mich.
(service parts, including defence)

FORD

The Ford Motor Company, Ford Division, has centralized its purchasing in Dearborn to include a large part of the purchasing for Oakville as well as U.S. plants. However, advice will continue to be given to Canadian suppliers (and potential suppliers) by Mr. Ed Pritchard, Director of Supplier Development, Oakville, who will seek out new sources in Canada for export to the United States and attempt to stimulate interest in U.S. sales. Recently Ford's U.S. Purchasing Division sent out a letter to Canadian suppliers describing its purchasing methods and listing buyers.

Central Purchasing Office
The American Rd.
Dearborn, Mich.
(raw materials, machinery and equipment, tools and dies, non-production items)

Engine and Foundry Division General Offices
3001 Miller Rd.
Dearborn, Mich.

Ford Division General Offices
17101 Rotunda Dr.
Dearborn, Mich.
(production and service parts)

Hardware and Accessories Division
General Offices
McKean & Textile Rds.
Rawsonville, Mich.
(P.O. Box 412, Ypsilanti, Mich.)

Metal Stamping Division General Offices
Body Engineering Bldg.
Research and Engineering Center
Dearborn, Mich.

Tractor and Implement Division General Offices
2500 E. Maple Rd.
Birmingham, Mich.
(including defence products)

Transmission and Chassis Division
General Offices
36200 Plymouth Rd.
Livonia, Mich.

CHRYSLER

New Canadian vendors are advised to introduce themselves to Mr. Jack Downey, Director of Purchasing, Chrysler Canada Limited, 2450 Chrysler Centre, Windsor, Ontario, with whom U.S. purchasing co-operates closely, and subsequently to Mr. C. C. Chauvin, Manager, Purchasing Research, Chrysler Corporation, 341 Massachusetts Avenue, Highland Park, Michigan, who will in turn arrange contacts with appropriate buyers.

Corporate Purchasing Office and Central Buying Office
341 Massachusetts Ave.
Highland Park, Mich.

Car and Truck Assembly Group
7900 Joseph Campeau,
Hamtramck, Mich.

Power Train Group
275 Massachusetts Ave.
Detroit 31, Mich.

Stamping Group
3675 E. Outer Dr.
Detroit, Mich.

Parts Division
7000 E. Eleven Mile Rd.
Center Line, Mich.

Engineering Staff
12800 Oakland Ave.
Highland Park, Mich.

Amplex Division
6501 Harper
Detroit 31, Mich.

Defence-Space Group
7000 E. Eleven Mile Rd.
Center Line, Mich.

AMERICAN MOTORS CORPORATION

Canadian manufacturers not already introduced should call on R. W. McNealy, Executive Director of Purchasing, who will in turn introduce them to the appropriate buyer.

American Motors Corporation
14250 Plymouth Rd.
Detroit, Mich.

Major Automotive Parts Manufacturers in Michigan

United States manufacturers of parts and assemblies for vehicle production themselves offer a market for other parts, materials and hardware manufactures. A few major concerns in this field in Michigan are:

Eaton Manufacturing Co.
9771 French Rd.
Detroit, Mich. 48213

Fruehauf Trailer Co.
10940 Harper Ave.
Detroit, Mich. 48232

Kelsey-Hayes Co.
38481 Huron River Dr.
Romulus, Mich. 48174

Motor Wheel Corporation
1600 N. Larch St.
Lansing, Mich. 48914

Budd Co., Automotive Division
12141 Charlevoix
Detroit, Mich. 48215

Midland-Ross Corporation
Power Controls Division
490 S. Chestnut St.
Owosso, Mich. 48867

Clevite Harris Products Inc.
17220 W. Eight Mile
Southfield, Mich.

Ex-Cell-O Corporation
1200 Oakman Blvd.
Detroit, Mich. 48232

Houdaille Industries Inc.
Detroit Division
2660 E. Grand Blvd.
Detroit, Mich. 48211

Rockwell-Standard Corporation
Universal Joint Division
1 Glass St.
Allegan, Mich. 49010

Hayes Industries Inc.
437 Fern Ave.
Jackson, Mich. 49202

A. O. Smith Corporation
Automotive Division
119 Dexter
Ionia, Mich. 48846

Evans Products Co.
Transportation Equipment Division
13101 Eckles Rd.
Plymouth, Mich 48170

American Metal Products Co.
5959 Linsdale Ave.
Detroit, Mich. 48204

Dura Corporation
1365 E. Beecher St.
Adrian, Mich. 49221

Gibraltar Manufacturing Co.
3592 Military
Port Huron, Mich. 48060

Monroe Auto Equipment Co.
1426 E. First St.
Monroe, Mich. 48161

Thompson Ramo Wooldridge Inc.
TRW-Michigan Division, Portland Works
902 Lyons Rd.
Portland, Mich. 48875

Clark Equipment Co.
324 E. Dewey
Buchanan, Mich. 49107

Auto Specialties Manufacturing Co.
Graves St.
St. Joseph, Mich. 49085

Holley Carburetor Co.
11955 E. Nine Mile Rd.
Warren, Mich. 48090

Simpson Manufacturing Co.
1000 S. Chicago
Litchfield, Mich. 49252

King-Seeley Division
King-Seeley Thermos Corporation
315 S. First St.
Ann Arbor, Mich. 48108

Hancock Industries Inc.
225 N. Horton St.
Jackson, Mich. 49204

McCord Corporation
E. Grand Blvd. at Riopelle
Detroit, Mich. 48211





A Ceylonese worker checks over a rack of drying crepe rubber, one of the island's traditional exports. Lower world prices for this have cut foreign exchange earnings.

Take a Second Look at Ceylon

New Government is moving away from state trading, drafting plans to cope with chronic problems, and enlisting foreign aid. As these policies begin to take effect, Canadian exporters in a number of fields might well take a second look at this market.

S. G. HARRIS, *Trade Commissioner, Bombay.*

IN the spring of 1965, Ceylon elected a new government. After an absence of some nine years, former Prime Minister Dudley Senanayake returned to that office as leader of a Coalition Government. The new Prime Minister is faced with many serious economic problems but has pledged that his government will take all the necessary steps to set the economy on the right road. This will not be easily done; the national coffers are empty and foreign exchange reserves low. Nevertheless, there is an air of expectation in Ceylon and a feeling of confidence in the future. This feeling of confidence is illustrated by the recent extension of approximately \$50 million in import aid from a number of western countries under the sponsorship of the World Bank and there is a promise of more to come next year if Ceylon takes steps to put its economic house in order.

Restrictions May Be Eased

It is too early to see much evidence of change but slowly steps are being taken that will profoundly affect future business prospects in Ceylon. The trend towards state control of the import trade has been halted by the Government which has stated that the public and private sectors will both have a place in the development of the economy. An effort is being made to release the blocked rupee funds of foreign investors and new plans are being drafted to grapple with the chronic food problem. World Bank teams are studying various aspects of the economy with a view to suggesting better use of available aid funds and the Bank itself will probably provide more loans.

Ceylon's problems are typical of those of many developing countries where sagging world prices for traditional exports (in this case tea and rubber) no longer provide the foreign exchange necessary to maintain the flow of essential imports. In 1960 import controls were instituted and have been applied with increas-

ing rigour ever since. Except for products that compete directly with those of a few fledgling industries recently established, most products are granted import licences on the basis of a percentage of imports in the best year from 1959-1961. Leaving aside items that can be obtained against rupee payment from Eastern Bloc countries, licences are not restricted by origin and Canadian suppliers can compete for the limited business available. In the next year or two, as the aid loans to Ceylon help to finance the import bill, more of its normal foreign exchange earnings should become available for commercial imports and a general easing in import trade should take place. Another situation beneficial to trade is the fact that not a day has been lost in strikes at the port of Colombo since the spring of 1965. As a result, shipping companies as of November 1, 1965, removed completely their surcharge on shipments to Ceylon which as recently as 18 months ago ran as high as 50 per cent.

TABLE I
WHAT CANADA SELLS TO CEYLON*

	1964 (Can. dollars)
Wheat flour (CP)**	1,847,892
Asbestos fibre	764,877
Newsprint paper	260,212
Plastic and synthetic rubber	36,871
Industrial chemicals	69,286
Petroleum and coal products	42,229
Cement (CP)	127,630
Marine engines and parts	58,273
Transformers and electrical switchgear (CP)	37,677
Spark plugs	25,652
Files and rasps	132,362
Stationery and office supplies	43,783
Contractor's equipment (CP)	1,071,918
Optical lenses	5,394
Canadian exports, including all others	4,724,309

*DBS figures.

**Shipments sponsored wholly or largely under Canadian Colombo Plan.

Ceylon has been described as "an exporter of tea, rubber and coconut products and an importer of every-

thing else". The almost complete lack of local industry means that a wide range of manufactured goods plus large quantities of foodstuffs must be imported and to the extent that import licences allow, almost any item finds a market. Traditionally Canada sells to Ceylon commercially asbestos fibre, newsprint, canned fish, files, spark plugs, auto parts, outboard motors, spectacle lenses, office supplies and selected chemical and pharmaceutical products, to give a few examples of the varied assortment. The new policies now being set in motion will undoubtedly benefit Canadian exports to this small and rather remote market.

Under our Colombo Plan aid program we also supply flour, fertilizer, and a variety of industrial goods required for the many special projects that we have undertaken on the island. This year, Canada will supply \$4.5 million in Colombo Plan aid as part of its contribution to the \$50 million emergency assistance program sponsored by the World Bank. This alone should measurably increase the interest in and knowledge of this market on the part of many Canadian exporters.

What Is Needed Now

Quite apart from the fact that Ceylon provides a market for all sorts of products, there is at the moment a definite need for food items which are in short supply. Normally Ceylon buys canned fish from Japan and South Africa and dried fish from Pakistan and the Persian Gulf area. This year the Japanese catch has not been good and alternative sources of canned mackerel, sardines and salmon must be found. The Indo-Pakistan conflict has affected the dried fish trade and, from a long-term point of view, there are also suggestions that the demand in Pakistan and India is increasing so that there is progressively less and less dried fish available for export. Ceylon therefore presents a market for Canadian salt cod that

could be developed through a proper promotion program.

Another definite need this winter is potatoes. Normally Ceylon obtains supplies from Greece, Italy and Northern Europe, but this year the crops in these regions have not been good. The possibility that dried potatoes from Canada might fill this need is being actively pursued. Because the Ceylonese prepare potatoes in a curry or stew, they want chips or slices which remain whole when cooked rather than powder, which can only be made into mashed potatoes. An additional attractive feature of dried potatoes is that they solve the problem of storage. There are no cool storage facilities in Ceylon and arrivals of fresh potatoes by ship must be regularly timed to avoid heavy loss from spoilage.

Engineering Projects

In another area, a number of engineering projects are being worked up in Ceylon to increase power supplies, improve and extend harbours and paper mills, rejuvenate the telephone system, and dieselize the railways. These and others present prospects for Canadian engineers and equipment in the future and should be actively followed up by interested Canadian companies. As a result of our past involvement in hydro, power transmission, fisheries projects and the new Katanayaka airport currently under construction, Canadian engineers have built up a considerable reputation in Ceylon.

All these favourable trends suggest that Canadian firms should dust off their files, reactivate their old agencies, and investigate future prospects in Ceylon. If you do not have an agent there and you would like a report on the prospects for your product, write to the Commercial Division, Office of the High Commissioner for Canada, P.O. Box 1006, Colombo, Ceylon. It's time that Canadian exporters took a second look at this lovely island on the other side of the world. ●



How to Win World Markets 20

Manufacturers of capital goods and equipment can now meet foreign competition by offering overseas customers the extended credit they demand. This article describes the types of loans available under Section 21A of the Export Credits Insurance Act and explains the criteria applied in examining loan applications.

J. A. STRANG,
Information Department, Export Credits Insurance Corporation.

GOVERNMENT long-term export financing was introduced in Canada in 1960. It is a program designed to promote exports of capital goods involving credit terms extending beyond five years. It provides a facility enabling Canadian manufacturers to compete in international markets by offering credit terms

repay, the amount of credit involved, the durability of the equipment being sold, and the terms offered by foreign lenders on that or similar projects.

The pattern of terms that has developed is a total credit period of seven to twenty years, including periods of grace on principal repayments consistent with the time required for manufacture, installation, and start-up of the project.

Results Prove Success

A summary of ECIC's experience provides some indication of the success of the program. Since the first Financing Agreement was signed on August 8, 1961, to the end of 1965, ECIC has concluded 32 Agreements covering transactions with a total value of \$270 million in 12 countries. More than 1,000 firms from all parts of Canada have supplied goods and equipment to fill these orders and the direct man-hours of employment created has been estimated at close to 50 million.

Among less tangible but equally important successes are the invaluable opportunities to increase the experience and technical competence of Canadian engineers and designers, the growing recognition of Canada as a major supplier of capital goods and services, and the goodwill Canada is gaining in areas which provide new potential for increasing foreign trade, not only in capital goods but in consumer goods as well. Furthermore, exporters have demonstrated both resource-

ECIC

Offers Long-Term Export Financing

equal to those offered by their foreign competitors.

The Federal Government charged the Export Credits Insurance Corporation with the responsibility of administering this program under Section 21A of the Export Credits Insurance Act.

Long-term export financing is offered to assist Canadian exporters to match the credit terms that their foreign competitors offer. There is no intention, however, that the facilities should be used to initiate an international credit race by allowing Canadian exporters to capture orders by outbidding foreign competitors on credit terms. An assessment of what terms are necessary and justifiable is based on the earning and amortization possibilities of the project, the ability of the buyer and of the buying country to

fulness and efficiency in co-operating to reduce reliance on imported components by developing Canadian sources of supply.

Program Is Flexible

In the five years of operation, experience has proved that the basic principles adopted by ECIC and governing the application of long-term financing to export transactions are sound—that is, that the credit terms requested be clearly necessary and justifiable, that only capital goods and related services be eligible, that the sale have industrial and employment benefits for Canada, and that the project be a sound one in a creditworthy country. However, ECIC is sensitive to the necessity of adapting to the real needs of Canadian exporters. Changes in the administration of Section 21A financing announced in October 1965 demonstrate that this is a flexible program ready to meet developments in foreign trade as they occur. These changes originated from the experience ECIC has already gained and out of a recognition that the requirements of 1966 differ from those of 1960. It has therefore become necessary to redefine some of the terms—in particular, to adopt a broader definition of what constitutes “capital goods”, and to lower the minimum value of transactions qualifying for financing.

By redefining the criteria that determine the eligibility of a transaction for long-term financing, the facility has been placed on a broader base to permit greater participation by Canadian producers. This article is directed principally to producers who are not aware of, or who are not sufficiently well informed on, the facility as it exists today.

Criteria for Granting Credit

The criteria that determine the eligibility of transactions for long-term export financing are generally broad. They are repeated here, together with a brief explanation of

the way in which they are interpreted in relation to applications for financing.

● **Goods and Services Eligible**—Only capital goods and related services are eligible for long-term export financing. Capital goods are loosely defined as investment goods constituting part of a plant or fixed assets. These are goods which retain their identity and have a prolonged useful life which ordinarily will be at least as long as the credit period involved in the sale. Equipment and materials required for major projects such as power plants, paper mills, ore smelters, telecommunications

Long-Term Export Financing

Nuclear Power Plant, West Pakistan—A \$48.1 million loan will finance materials and equipment for and construction of a nuclear power generating station in West Pakistan. The 137,000-kilowatt plant will be the first of its kind in Pakistan.

Aeronautical Wind Tunnel, India—The National Aeronautical Laboratory will use a \$4.2 million loan to finance the purchase of an aeronautical research wind tunnel. Two Canadian companies have designed and are building the installation.

Telephone Equipment, Philippines—The Philippines Long Distance Telephone Company, Manila, is buying \$13.5 million worth of central office switching equipment, branch exchange units and radio carrier equipment. The firm is the largest of its kind in the Philippines.

Power Generation and Transmission Equipment, India—The \$8 million sale includes hydraulic turbines, generators, switchgear and associated equipment to be installed in a power plant at the Kota Dam on the Chambal River.

Steel Rails and Track Accessories, Mexico—To provide 22,000 tons of steel rails and accessories for Ferrocarril del Pacifico, a government railway. The contract is worth \$3 million.

Communications Equipment, Engineering Services, United Arab Republic—A \$3.8 million loan will help to expand communications services and facilities in the Nile Valley. The buyer is The General Egyptian Organization for Cinema and Broadcast Engineering. Television, radio and microwave equipment is included.

Nuclear Power Station, India—Equipment, materials and services for a 200,000-kilowatt nuclear power station at Rana Pratap Sagar, Rajasthan State. The \$37 million project is modelled on Canada's Douglas Point power station.

Telephone Equipment, Israel—Central office and associated equipment of the Strowger automatic type will be used to install 16,400 automatic telephone lines and 18,500 terminals by the Israeli Ministry of Posts. The \$2.3 million project is designed to serve Haifa, Ibn-Gevirol and Ahuza.

systems, or projects of a similar nature qualify, as do otherwise non-eligible items which form an essential part of a project being financed.

Project engineering and other services associated with a financed sale may be included in the financing. Financing will also be provided for a Canadian firm which can obtain a contract to supply goods or services or both for part of a project financed primarily by a foreign lender.

● **Minimum Value**—The transaction should normally be of substantial value—at least \$1 million—

Made These Sales Possible

Heavy Electrical Equipment, East Pakistan—Diesel and steam electric power generating and transmission equipment is included in the \$5.3 million sale. This is in addition to a previous loan of \$6 million to the East Pakistan Water and Power Development Authority.

Services and Equipment, Taiwan—To build and to provide training at a lumber, plywood, and furniture component manufacturing complex for the Vocational Assistance Commission for Retired Servicemen. The \$5 million sale is the first of its type in Taiwan.

Zinc Smelter, Sulphuric Acid Plant, India—A zinc smelter and associated sulphuric acid plant will be erected near Cochin, Kerala State. The loan of \$1.6 million will cover part of the foreign exchange cost of the \$12 million project.

Steel Rails, Mexico—The Mexican National Railways has placed a \$10 million order for steel rails and track accessories. The order is part of a continuing railroad rehabilitation project.

Capital Projects, India—Engineering services and power plant and sub-station equipment are covered by an \$8 million loan. A further \$1 million is for the expansion of an aluminum smelter and the construction of a foil mill.

Engineering Services, Pulp and Paper Machinery, Mexico—To help modify and diversify the existing newsprint and book paper production facilities of a paper mill at Tuxtepec. The \$2.97 million loan was made to Fabricas de Papel Tuxtepec, S.A., Mexico City.

Bauxite and Alumina, India—For the expansion of the Indian Aluminum Company Ltd. bauxite mine and alumina facilities at Loharga, Bihar State, and its smelter at Alupuran, Kerala State. The company is the largest aluminum firm in India. It expects its smelter production to rise from 11,000 to 16,000 tons of aluminum per year as a result of the \$900,000 addition to an original \$1 million loan.

Industrial Furnaces, India—A number of re-heating and heat-treating furnaces worth \$1,960,000 will be used in three steel mills at Durgapur in West Bengal. Canadians will design, supply and install the furnaces for Hindustan Steel Limited, a Government of India agent.

but exceptions may be considered in special circumstances. An example is the instance just mentioned of a Canadian firm which has obtained an order of less than \$1 million to supply part of a project financed mainly by a foreign supplier for which he must accept the credit terms applicable to the whole project.

● **Creditworthiness of Buyer**—ECIC must be satisfied that the foreign buyer will be able to meet his repayment obligations and that the buying country is economically and politically stable enough to meet its foreign debt obligations in dollars.

● **Soundness of Project**—The Canadian applicant must submit information sufficiently complete to establish the technical and economic soundness of the project as well as supporting economic and financial data to establish its viability. In most instances this means offering evidence to establish the ability of the project to pay for itself.

Canada's long-term export financing program is geared to mesh with the priority requirements of the borrower's country—and if there is a formal development plan it is customary to require evidence as to whether the project is within the plan or outside it.

● **Canadian Content**—Canadian content must be the maximum attainable under the procurement possibilities for the equipment, materials, and services required, but in any case should not be less than 80 per cent. The margin of 20 per cent is to cover the purchase of those items and services not procurable in Canada which are necessary components of the equipment being supplied from Canada. The financing that Canada provides is intended to be used only for goods and services to be exported from Canada and may not be used for local costs in the borrowing country, nor for off-shore procurement generally.

● **Prospects for Continuing Trade**—The greater the export trade promotion consequences of a particular project appear to be, the more attractive it becomes for long-term financing. There is a strong preference for transactions offering continuing trade possibilities on commercial credit terms not requiring continuous commitments of Section 21A financing.

● **Industrial Benefits in Canada**—Priority will be given to transactions contributing to the increase in efficient production and to advanced technological development in Canada.

Four Types of Loans Made

Not only have the criteria for eligibility for Section 21A financing been redefined to meet the always changing needs of international trade but administrative procedures have been broadened too. Section 21A financing has been geared to meet not only the exporting facilities designed to promote export of Canadian capital goods but also the special needs of developing countries. There are in fact four types of loans administered by ECIC.

1. Trade Promotion Loans—The direct trade promotion loan made to a foreign buyer on application by the Canadian exporter. The business is

sought out and developed by the Canadian exporter who then applies to ECIC on behalf of the buyer for a loan covering the transaction.

2. Special Credits—For some countries, Canada has joined a consortium of creditor countries which jointly pledge foreign capital assistance to a particular developing country. Funds are allocated as a Special Credit to the recipient country in advance of selection of specific projects for financing; otherwise, the technique of administration does not differ radically from export promotion credit. The recipient country normally selects the project for which it desires to purchase Canadian equipment, and once ECIC approves this project, the way is clear for the foreign buyer to enter into commercial negotiations with the appropriate Canadian supplier.

Canada has made Special Credit commitments in this way to Greece, India, Pakistan and Turkey.

3. Joint Financing—For Latin American countries, in addition to the normal trade promotion credits, there is a special facility for co-operation in financing development projects between ECIC and the IADB (Inter-American Development Bank). ECIC has committed funds to IADB to finance, in conjunction with it, projects which neither the IADB nor ECIC feels like undertaking alone because of the size of the foreign exchange commitment or for other reasons. The commitment to Latin American countries through the IADB does not preclude financing under straight export promotion long-term credits. Canadian exporters may still seek out and develop business there which will qualify for long-term export financing under Section 21A in the normal manner.

Should advantageous opportunities arise for joint financing with any national or international lending agency, there is no impediment to making co-operative arrangements for ECIC to participate. Negotia-

tions are already under way to develop projects on this basis.

The Canadian portion of loans made in conjunction with other lending agencies is tied to the purchase of capital goods and services from Canada.

4. Loans to National Industrial Development Banks—More recently ECIC has been authorized to make loans to national development banks to be re-lent or allocated to industrial or other users in the country concerned. Normal Section 21A financing criteria are applied to purchases made under this program, except that the loan would be committed in advance of placing actual export orders.

Applying for Financing

At all times Canadian exporters receive maximum assistance to help them channel their trade promotion efforts in the most productive directions. It is impossible even for experienced exporters to be completely familiar with all the aspects of long-term export financing. Each case is unique and requires its own approach. To this end ECIC is prepared to discuss prospective transactions requiring long-term export financing at a very preliminary stage and to give guidance on the eligibility of the proposed transaction under Section 21A.

By means of early consultation, the exporter can obtain explicit definitions of criteria and policies as they may apply to his particular case. Preliminary discussions will enable him to learn all of ECIC's requirements and will prove invaluable to him in preparing in the proper way his formal application for Section 21A financing. When he is aware of these requirements and thus is in a position to obtain essential information from the foreign borrower during his commercial negotiations, the exporter can submit more easily a fully documented application. This makes it possible for ECIC to process the application

and give with the minimum delay a decision regarding Section 21A financing.



Italy Buys Powdered Milk

ITALY is a good market for skimmed powdered milk. In 1964 it imported 38,000 metric tons worth about \$8 million. The United States supplied 25,068 metric tons, France 8,840, Canada 838, Belgium and Luxembourg 815, West Germany 690, Poland 615, and the Netherlands 296. Figures for 1965 are not yet available but they are not expected to equal those for 1964.

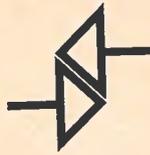
Duties on powdered milk for human consumption from non-EEC countries are sufficiently high to preclude any imports from Canada for this end use. The market for skimmed powdered milk for animal feeds is active, however, and the duty on non-EEC shipments is not excessive—about three quarters of a Canadian cent per pound.

At the end of last November quotations on powdered milk for animal feed-stuffs with a butter fat content of not over 1.5 per cent and not containing alfalfa were: from France—37.5 cents Can. per kilogram c.i.f. Italian frontier; from Belgium—33 cents Can. a kilogram c.i.f. Italian frontier; from the United States—U.S. \$287 a metric ton c.i.f. Genoa.

Italy requires imports of powdered milk to be packed in three-ply reinforced bags of 50 kilograms with a polyethylene liner. Bags of 100 kilograms are also acceptable. Each bag must bear an analysis of the contents in Italian, the name of the producer, and the exact date that the milk was processed. This information must be printed on the bags or on tags securely attached to them.

Canadian producers should find opportunities to export skimmed milk powder to this country, provided it is for animal feeds and provided it conforms to the Italian packing regulations. They should send their quotations, preferably c.i.f. Italian port, to the following addresses: Commercial Counsellor, Canadian Embassy, Via G.B. de Rossi 27, Rome, Italy, or Consul General and Trade Commissioner, Canadian Consulate General, C.P. 3977, Via Pirelli 19, Milan, Italy.

—A. B. BRODIE,
Consul General and Trade
Commissioner, Milan.



Canadian Electronics Firms Probe New England Industry

ONE OF THE MAJOR United States markets for Canadian electronics products is the New England states and one of the best ways to advertise these products there is to exhibit at NEREM, the Northeast Electronics Research and Engineering Meeting.

Nine Canadian firms joined 326 other exhibitors at the latest show, held at the War Memorial Auditorium in Boston early last November. The Canadian exhibit, sponsored by the Department of Trade and Commerce, was the only national one. Among the products on display were magnetometers, television equipment, wave-soldering machines, ionospheric sounding equipment, memory drums, paper-tape readers and information display systems, microwave components, precision electrical measuring instruments, solid-state test equipment, resistors, attenuator pads and integrated circuits.

Two Canadian receptions were held during NEREM. The first, a briefing reception, was limited to Consular staff, the representative from the Department of Defence Production, and the participants themselves. Pre-show briefing sessions such as this are now virtually standard operating procedure at most Canadian exhibits. Government officials and exhibitors get a chance to become acquainted and to make co-ordinated plans for social activities, etc. A major element of this pre-show meeting was the reading and discussion of an exhibitors' manual. This booklet, prepared by the Boston staff, gave an up-to-the-minute rundown on the state of the industry in the region (including detailed sales tables), and a product breakdown of likely prospects—both in private industry and government organizations. Copies of all press releases sent out in a pre-show mailing were provided as well as a number of useful Boston addresses and telephone numbers, including Canadian Government personnel and travel and freight transportation offices.

A general reception for the exhibitors and guests from the U.S. electronics industry and the NASA Electronic Research Center (which is based in Cambridge), plus other prominent U.S. officials was given on the first day of the show. This reception was timed not to conflict with any other NEREM activities, and 108 guests attended.

Technical advertising literature is most important at such a showing. *Space Age Electronics from Canada*, a two-colour, 19-page booklet, was sent out

in advance to a selected list of executives both in the electronics and associated industries as well as all electronic engineers in Massachusetts. During the show itself, over 1,000 of the booklets were distributed and appeared to be well received by the trade.

Although about 20,500 visitors attended NEREM, results cannot be measured by immediate sales. No exhibitor really expects to do a great deal of over-the-counter business. Sales projections by participating firms tell the tale and these run from \$600,000 to \$1.5 million. The executives who provided these figures are not engaged in selling gimmicks; they know their products are subject to fierce competition, rigorous testing and exacting production schedules.

One such executive wrote to government officials after the exhibition, "This is a very good show for us." Faint praise? In this field—not on your life!



D. S. Baker, Canadian Vice Consul and Assistant Trade Commissioner in Boston, pins a maple leaf to the lapel of A. O. McCoubrey at the Northeast Electronics Research and Engineering Meeting last November. Mr. McCoubrey was the active general chairman of NEREM during the past year.

Modern Homes: Scotland's Surprise

"There is no substitute for seeing it for yourself." A satisfied visitor at a fair? Wrong. A more than satisfied exhibitor.

This Canadian businessman was no tyro: he had done all the right things to prepare his company for entering the market. He and his colleagues had talked to businessmen, utilities officials, export specialists, Canadian Government officials and many others. They had checked competitive literature and prices and studied marketing peculiarities in the area. The only thing left was to see what the man on the street, the ultimate user, had to say. And that's when the surprise came. The Scots came in the thousands; they stopped, looked, listened. They then said, "Aye," in such numbers that this Canadian could only shake his head, almost in disbelief, and say, "There is no substitute for seeing it for yourself."

Stories like this came from many of the Canadian stands at the Modern Homes Exhibition in Glasgow last October. Our country and our goods are well known and liked in Scotland, and substantial over-the-counter sales at the fair reflected this.

Attention-getters are important at this kind of show because the public is asked to view over and over the same general lines of products. Canadian giveaways included 19,000 maple leaf pins, 7,000 Canada shopping bags, 3,200 Canadian World's Fair folders, 3,000 Expo 67 Fact Sheets, and 17,480 copies of *With a Canadian Accent*, a 23-page booklet which described and illustrated the products exhibited. The pins and shopping bags were particular hits; one saw them all over Glasgow days after the fair was finished.

A direct mail campaign (usually an integral part of any trade fair program) was omitted in Glasgow because the show was aimed primarily at the consumer. Nonetheless, public relations material was sent out to 53 local newspapers and magazines and one exhibitor sent an advance mailing to 100 prospective distributors. Press, radio and television coverage during the exhibition was handled by the Publicity Attaché from the Canadian High Commissioner's office in London. About 450 complimentary tickets were sent out to agents in the area and almost half of these were turned in during the fair. Trade Commissioners feel that these not only attract the trade to the stand but also help to promote good relations with people who will be assisting them throughout the year.

Canadians showed a wide range of products at the Modern Homes Exhibition. They included oil and gas-fired furnaces, stoves, refrigerators, a garbage-disposal unit, lighting fixtures, stereophonic high-fidelity radio-phonograph units, a concentrated air freshener, floor polishers, carpet shampooers, outboard motors, windows and water heaters. Although many

of the electrical products had not yet received official approval, all manufacturers felt that this was only a matter of time.

Scotland not only has a fund of goodwill toward both Canada and its products, but it is also more than ready to accept quality goods at prices which, quite frankly, Canadian producers thought might prove too high. One firm wrote, "There is a tendency in pricing for export to establish the lowest possible acceptable margins. By talking to dealers, distributors and consumers, we will now be able to price to the market rather than to the margin. We must admit to our surprise that selling here can be more profitable than we anticipated." Both Scotland's production and wages are on the rise and consumer tastes are following suit.

To paraphrase an old saying, "We came. They saw. We conquered." At the Modern Homes Exhibition the legendary alligator jaws of the Scotsman's purse became a thing of the past.

East Meets West in Canton—and They Trade

THE CHINESE EXPORT Commodities Fair, held twice a year in Canton, Communist China (from April 15 to May 15 and from October 15 to November 15) is an important forum for trade discussions between Western businessmen and Chinese trade officials.

During the 1965 fall fair, the 5,900 foreign business visitors were reported to have signed about 29,000 trade contracts with Chinese state trading corporations. The dollar volume of business was not revealed but it was said to be the largest ever. The Chinese both buy and sell at this fair, and although they use it mainly to display their own products, foreign businessmen too make many sales.

Last fall, traders from Britain, Japan, France, Germany and Italy sold synthetic textiles, chemicals, steel, transport equipment and especially machinery—food-processing machinery, lathes, high-precision grinders and polishers, and other specialty and precision types of equipment. Opportunities for Canadians lie not only in the products listed above but also in hides and leather, pulp and paper, plastics and synthetic resins, and so on. Prices have to be competitive and quality is an important selling point.

An increasing number of Canadian businessmen are attending these fairs, both to buy and to sell. In October they came to buy not only the traditional products that China exports to Canada (walnuts, peanuts, garments, textiles and handicrafts), but also the greater variety of consumer goods that China's light industries turn out. The quality, variety and styling of many of these products were impressive and trading appeared brisk.

If you are interested in doing business with Communist China, a trip to the Canton fair will give you

a good introduction. You may make sales there or you may have to go to Peking to the head office of the trade corporation concerned. There is a market for a number of foods. It is difficult to crack and competition is keen, but it is also big and expanding. Details of the formalities of attending the fair and of doing business with the Chinese state trading corporations were given in the *Foreign Trade* issue of April 17, 1965. The Office of the Canadian Government Trade Commissioner, P.O. Box 126, Hong Kong, stands ready to assist interested Canadian businessmen and to provide advice on marketing opportunities for their goods in China.

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

Massive Exhibit for Barcelona Samples Fair

THE Barcelona International Samples Fair in Spain this year will boast the largest Canadian exhibit of capital industrial equipment ever mounted in any country. The reason: Spain's growing concern about its economic capabilities and Canada's awareness of the potential of this market.

Spanish economic plans for the near future include providing power and docking facilities, subways, steel mills, railroad maintenance and a number of secondary industries. Canada can sell on the same basis as the United States as far as shipping costs and tariffs go, yet our sales in Spain are only a fraction of those of our neighbour to the south. One reason why Canadians should be able to sell competitively is

the present difference in the exchange rates of the U.S. and the Canadian dollar.

The Barcelona fair (held this year from June 1 to 15) is the only one of its kind in Spain; in 1964 it attracted 10,416 exhibitors and 1,801,370 visitors, 278,000 of whom were from outside the country. Almost \$160 million worth of business was transacted as a result of the 1964 show.

Canada's 5,737-square-foot exhibit will be well placed in the machinery building, immediately inside the main gates of the fairgrounds. Of the 21 firms participating, 15 will have exhibits showing actual operations and almost all will be manned by Canadian executives and technicians.

The range of products brought together by the Department of Trade and Commerce is extremely broad: metal-forming and shaping machines, aluminum and stainless steel end products, spark erosion units, steel mill equipment, brake shoes and linings, wear-resistant castings, railroad and track maintenance equipment, flame-cutting torches, precision assembly units, hydraulic motors, automotive welding controls, heavy equipment such as cranes and sluice gates, hydraulic tracing controls for milling, hand tools, overhead travelling cranes, X-ray cameras for quality control, belt vulcanizing equipment, numerical controls for machine tools, paint sprayers and tire vulcanizing equipment.

Both the 21 exhibitors and the Department of Trade and Commerce are determined to make a good showing at the Barcelona International Samples Fair, and if the present enthusiasm is any indication, they will. ●



Mrs. Harold Wilson is shown talking to G. Gough, general sales manager of Ecco Jewellery (U.K.) Ltd., at the International Watch and Jewellery Show in London which she opened. Ecco is a British marketing company which promotes sales of five Canadian jewellery firms based in Ontario. The company is Canadian controlled and has reported good sales for this co-operative venture.

Don't Forget Iceland

Here is an island that imports almost everything, from macaroni to machinery; in 1964 per capita spending on imports reached \$788 or a total of \$142 million. A number of Canadian manufacturers are finding a promising market in this country where trade restrictions are disappearing and where the standard of living is high.

M. R. BELL, *Assistant Commercial Secretary, Oslo.**

"YES, I had thought of Iceland but when someone told me that the total population was less than 200,000, I just did not think it would be worthwhile."

This seems to be a fairly common attitude among Canadian exporters toward Iceland and one that is somewhat short-sighted. Iceland is small but it has one of the highest stand-

ards of living in Europe and a booming economy, and it imports almost everything—from capital equipment to consumer goods. In addition, because it is not a member of any trading group, it has no preferential tariffs and Canadian firms compete on an equal footing with other foreign suppliers.

Economy Developing

In recent years, economic trends in Iceland have been favourable. Ex-

*Mr. Bell completed this report shortly before his transfer from Oslo to the London office.



There's work for everybody, both young and old, when Iceland's famous fishing boats put into harbour. Dockside packing was the order of the day when these herring boats came back with the holds overflowing.

cellent fish catches and rising export prices, plus government subsidies, have largely offset the increasing costs, permitting exports to go up remarkably and resulting in a high rate of economic growth. With this rapid development, however, Iceland has had a painful case of inflation which has forced repeated devaluations of the krona. Since 1964 this situation has improved somewhat, although the subsidies used as part of the cure have aggravated problems of internal demand.

One of the major problems confronting Iceland is the tremendous reliance on one industry—fishing—which has not always proved stable. Over 90 per cent of the island's exports, the vital backbone of the current economic boom, consists of fish or fish products. To counteract this, priority has been given to attracting other industries even at the price of admitting foreign capital. The electric power potential of the rivers pouring off the high central plateau has focussed attention on industries such as aluminum and diatomite which use large amounts of power. Hopes are high that at least two projects will be under way shortly.

The dominance of fishing affects not only exports but also imports and the domestic scene. With little diversification of industry, Iceland relies on imports for nearly everything from machinery to macaroni. Total imports in 1964 were valued at \$142 million or \$788 per capita.

Trade Being Liberalized

From a position of almost total import restriction in the 1950's, Iceland has in recent years taken steps toward full liberalization and on the basis of 1964 imports, slightly more than three-quarters of the total is now "free listed". Even for these free list commodities, however, the Icelandic importer must obtain a foreign exchange allotment and before he receives it, he must deposit

from 10 to 50 per cent of the purchase price in a bank for a minimum of 15 days. For goods purchased on consignment the bank holds the deposit until payment is made.

An important part of the imports that Iceland regulates is open to Canadian suppliers—products covered by the "global quota list" which applies to all countries except those with bilateral agreements with Iceland. This list is divided into two groups: the first includes commodities for which import and foreign exchange licences are issued only three times each year, and the second covers items for which licences will be granted when judged necessary. Commodities on the global quota list in 1965 accounted for approximately 6 per cent of total Icelandic imports. Exporters may obtain advice on periodic changes in the list from the European Division of the Department of Trade and Commerce, Ottawa.

This leaves approximately 20 per cent of Iceland's imports on restricted lists which are not open to Canadian suppliers. These imports are covered by the country's bilateral trade agreements with Eastern Bloc countries like Czechoslovakia, Hungary, Poland, Rumania, and the Soviet Union, and with Brazil. Gasoline and fuel oil account for almost 9 per cent of all imports and are the major items of trade with the Bloc countries. Coffee is the main commodity covered by the agreement with Brazil. Other important products under restriction are agricultural produce, meats, poultry, potatoes, vegetables and fruit, which are included to protect the Icelandic agricultural community. Grains and milled products—including wheat and wheat flour, cracked corn and cornmeal, barley and barley meal and milled rice—and also soya bean oil and tobacco and tobacco products are also under a form of control and are purchased under PL480 from the United States. Icelandic banks when dealing in foreign exchange are authorized

to restrict the purchase of these commodities to the United States.

State Does Some Trading

A number of products, although free of area restrictions, may be imported only by one of Iceland's five State Trading Corporations. These are:

(1) Tobacco, wines and liquors, perfumes, industrial alcohol and matches, etc.

Afengis- og tobaksverzlun ríkisins,
Borgartúni 7,
Reykjavík.

Mr. Jon Kjartansson,
Managing Director.

(2) Fertilizers

Aburðarverksmiðjan h.f.,
Gufunesi,
Reykjavík.

Mr. Hjalmur Finnsson,
Managing Director.

(3) Radio and television receivers

Víðtaekjaverzlun ríkisins,
Gardastraeti 2,
Reykjavík.

Mr. Sveinn Ingvarsson,
Managing Director.

(4) Telephone, telegraph and postal equipment

Postur og sími,
Kópavogi, Digranesv. 9,
Reykjavík.

Mr. Gunnlauger Briem,
Managing Director.

(5) Tree seedlings

Skograekt ríkisins,
Grettisgotu 8,
Reykjavík.

Mr. Haakon Bjarnason,
Managing Director.

Imports by these state corporations amounted to approximately \$8 million in 1964. Not included in this are the fresh vegetables and potatoes imported by a monopoly operated by the Agricultural Producers Board under authority from the Government.

Co-operatives Are Major Buyers

Co-operatives, as in all Nordic countries, play an important part in Iceland's commercial life. The Federation of Icelandic Co-operatives, founded in 1902, boasts 56

Australian Agriculture

member societies with a membership of over 31,000. Sales in 1964 through the 241 outlets topped Can. \$80 million and purchases abroad by the Federation's Import and Machinery Department reached almost \$13 million.

The Federation of Icelandic Co-operatives is also active in the fishing industry and their Fisheries Products Department exports frozen and salt fish, fish meal, fish oil and fish roe to 10 or more countries. The Industry Department operates 11 factories in the field of textiles (clothing), skin curing and tanning, shoe manufacturing, coffee roasting and packing, soaps and detergents, paints and varnishes, and electrical appliances. Another department handles trading in agricultural produce and the Federation also controls or is affiliated with insurance companies, oil marketing firms, contracting and banking establishments.

Getting to Iceland

If you feel there may be a market for you in Iceland, your first step should be to write to the Commercial Division, Canadian Embassy, No. 5 Fr. Nansens plass, Oslo 1, Norway. The Trade Commissioner will then conduct a preliminary market survey on your behalf. The prospects may warrant a personal visit to Reykjavik which will enable you to get a firsthand idea of the market. Two Icelandic airlines now run direct flights to Reykjavik from New York, Glasgow, Oslo, Copenhagen and Luxembourg and connect with routes from most cities in Europe and North America.

Canadian exporters who may be in England and who do not have the time to visit Iceland have an alternative. They can call on the London branch of the Federation of Co-operative Societies at 16 Eastcheap, and discuss the possibility of introducing their products into the Icelandic market.



The rural sector of the economy achieved several production records during the period reviewed in this report. Drop in world prices for sugar, wool and wheat and smaller wheat shipments, however, resulted in an over-all decline in Australian export earnings

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

AUSTRALIAN EXPORTS totalled £1,291 million in 1964-65, £79 million less than in 1963-64 but far greater than in any other year. In the best years before 1963-64, exports did not exceed £1,070 million.

Three commodities—wool, wheat and sugar—were responsible for the drop in export returns between 1963-64 and 1964-65. Wool prices averaged about 15 per cent lower in 1964-65 and sugar prices fell almost 50 per cent from the abnormally high levels of 1963-64. The volume of wool and wheat shipped was somewhat smaller than the record set in the previous year, but sugar shipments increased. Most other exports of primary produce rose in value.

Rural Production Increases

Conditions were generally good at the outset of 1964-65 although a drought developed in some areas early in the year. Some districts got relief later but others are still affected by the lack of rainfall. The

adverse weather, however, had little influence on over-all production and its effects became apparent only in the latter part of the year.

Wheat production in 1964-65, at 370 million bushels, set an all-time record. It was 42 million bushels larger than in 1963-64 and resulted from a 7 per cent rise in acreage and a higher yield per acre. Production and acreage were larger in all states except South Australia. Production of barley and oats also increased but maize and sorghum output declined.

Sugar production is estimated at 1.95 million tons, 225,000 tons more than in 1963-64, largely because of greater acreage.

Production of wool increased only slightly over 1963-64 but, at an estimated 1.70 million pounds, it set a record. Total meat output rose about 3 per cent, mainly as a result of greater beef and veal production which probably exceeded one million tons for the first time.

Early estimates for milk production were not borne out because of

AUSTRALIAN RURAL EXPORTS

JULY 1 TO JUNE 30

(values in £'000,000)

	1963/64		1964/65*	
	Volume	Value	Volume	Value
Wheat (incl. flour) ('000,000 bu.)	285.4	202.1	236.4	167.3
Barley ('000,000 bu.)	17.8	9.1	16.3	9.0
Oats ('000,000 bu.)	16.7	6.3	20.2	7.8
Wool ('000,000 lb.)	1,673.	500.	1,626.	420.4
Sugar ('000 tons)	1,116.2	78.3	1,269.2	56.3
Beef and veal ('000 tons)	281.3	88.3	316.0	100.2
Butter ('000 tons)	90.7	28.5	96.3	33.7
Cheese ('000 tons)	27.8	6.8	27.2	7.1
Total value, all exports of rural origin	1,073.5		955.4	

*1964/65 figures provisional.

Has Good Year

the drought in parts of New South Wales and Queensland. Nevertheless, Australian whole-milk production increased slightly over the record of 1963-64. Butter production was slightly lower.

Production Up, Value Down

It is estimated that total rural production in 1964-65 was 4 per cent over 1963-64. The gross value, however, was less because of lower average prices for two major commodities, wool and sugar. The gross value of wool production decreased by £90 million to £421 million. World sugar prices also fell sharply and consequently sugar production dropped £14 million in value to £65 million. Because these lower prices were offset considerably by the increase in volume (especially of wheat, sugar and meat) and by a general rise in meat prices, the gross value of rural production dropped

only £31 million (about 2 per cent) below 1963-64.

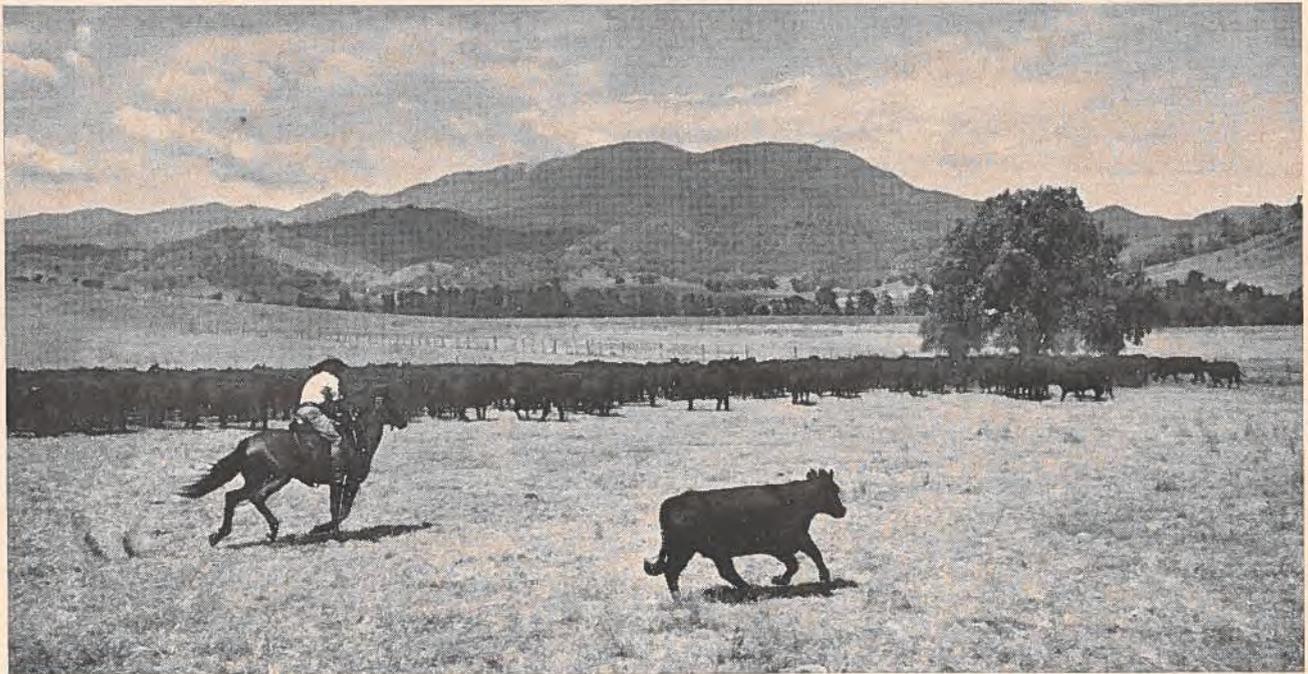
Exports Decreased

The volume of exports of rural origin decreased about 3 per cent for the year, mainly because wheat sales totalled some 55 million bushels less than in 1963-64, when a record 285 million bushels were exported. This was partially compensated, however, by a rise in the volume of exports of sugar, meat and dairy products. Raw wool exports are estimated at 1,626 million pounds compared with 1,673 million in the previous year.

In value, however, agricultural exports decreased substantially because of the lower wool, wheat and sugar prices. Although the volume of wool exports was roughly comparable to 1963-64, lower prices sent the value down £80 million to £420.3 million. Wheat exports

brought £35 million less than in the previous year because of the smaller volume and lower export prices: lower prices also reduced the value of sugar exports by about £23 million. Higher prices for meat and dairy products had some offsetting effect, but total agricultural exports fell £118 million from the record of £1,073 million set in 1963-64. Nevertheless, this figure was the second highest on record and 1964-65 must be regarded as a good export year.

Total farm income fell significantly during the year and costs rose 7 per cent, with increases in costs of fertilizer, marketing and fodder, and in wages and indirect taxes. Higher costs and the fall in the gross value of rural production resulted in a farm income of £650 million (£753 million in 1963-64) but this still compares favourably with earlier years. ●



On Belltrees station in the Hunter Valley, New South Wales, a stockman cuts out a steer from a herd beneath the 5,000-foot-high Mount Woolooma. Both the production and exports of beef and veal have risen appreciably in Australia.

What's current in commodities?

Furniture

West Germany—Furniture in the Bundesrepublik is a billion dollar business but Canadian products have yet to be sold there. Manufacturers using promotion techniques that succeed in Canada should have no great difficulty in selling quality furniture to this affluent market with its 58 million people.

HOWARD E. CAMPBELL, *Consul, Duesseldorf.*

THE LEDERHOSEN'D, velvet-vested inhabitants of Bavaria prefer German beer—and drink it exclusively; the stylishly-clad, fashion-wise Fräuleins of Dusseldorf prefer German handbags—and carry them almost exclusively. But the 58 million citizens of the Bundesrepublik happily sit in, sleep on and live with furniture from all over the world—and not one stick or cushion of it is Canadian. Why?

Possibly it is because the German public has never seen Canadian furniture.

The Atlantic Ocean and the German language are not insurmountable barriers to Canadian furniture manufacturers. And although not all Canadian furniture would appeal to German tastes, certainly much of it would.

Germans, like all prospering people, are interested in having something different from the neighbours, something new or something foreign if it is unique. They are ready to buy and the channels through which new lines of furniture may be presented to them are open and fairly easily navigated.

The Canadian furniture maker selling in Germany will find many advantages. Not only is the sales potential three times that of Canada's but the market is so large and diverse that almost any type of

furniture can be sold. Once a manufacturer has established outlets, he can use them as a springboard to the entire European Economic Community—with its population of 180 million. Even sample orders in Germany are large by Canadian standards and filling them would enable the supplier to realize economies of mass production and at the same time improve his competitive position in the Canadian market.

Determining Consumer Tastes

What are Germans likely to buy that Canadian furniture manufacturers can offer? There are several means of determining changing German tastes in home and office furnishings.

One of the best guides is the report issued at the close of the International Furniture Fair held in Cologne every other year. This year it took place from January 25 to 30, when over 1,000 manufacturers from 23 countries displayed their lines to an estimated 70,000 buyers from all over Europe. What was bought and sold will form the basis for the report of fair authorities.

Another good way of determining trends in the German furniture market is to read the reports issued by the study group for German

Traditional Furniture (Arbeitskreis Deutsche Stilmöbel). This organization publishes the results of consumer surveys conducted periodically by members of its staff. Bear in mind in reading such reports, however, that the study group is sponsored by manufacturers of traditional furniture and tends to devote most of its efforts to recording changes in demand for furniture of this type.

German magazines published for the furniture trade also give con-

TABLE I

TRADE JOURNALS SPECIALIZING IN FURNITURE AND INTERIOR DECORATION

md Interior Design
Stuttgart-S
Danneckerstrasse 52

Bau- und Moebelschreiner
Stuttgart-S
Danneckerstrasse 52

Raumausstatter
Stuttgart-S
Danneckerstrasse 52

Die Moebel-Industrie- und Ihre Helfer
Darmstadt
Geraver Allee 6

Besser Wohnen
Stuttgart-Bad Cannstatt
Hallstrasse 41

Das Haus
Stuttgart
Eduard Pfeifferstrasse 87

Bauen und Wohnen
München 8
Rosenheimerstrasse 145

Moebel und Raum
Herford
Brüderstrasse 30

Schöner Wohnen
Hamburg
Burchardstrasse 14

Architektur und Wohnform
Stuttgart
Hauptstätter Strasse 87

sumer preferences and draw attention to new products. Table I lists the names of these publications.

Growing Demand for All Types

German furniture buyers, according to all sources, are looking for lines offering something new but with the emphasis on quality. More and more German home-makers are affluent enough to express themselves in their furnishings. Instead of buying complete living- and dining-room suites as they did in the past, they now look for separate pieces which can be combined to suit their individual taste. They are buying more period furniture, which now accounts for an estimated 25 per cent of all sales.

Building trends are also influencing the sales of furniture. New houses are roomier and the bigger bedrooms are opening up a market for bedroom suites that didn't exist in the past. Kitchens too are bigger and for both new and remodelled ones, consumers are shopping for streamlined fittings and furniture.

Furniture in smaller sizes is selling well because many of the half-million new dwellings erected in Germany each year are apartments. Reports from the 1964 Cologne Fair indicated that buyers showed special interest in telephone tables, nests of tables, bedside tables, planters, hall furnishings—and even interestingly designed shoe, coat and hat cupboards and umbrella stands. Because most German homes are built without them, there is also a permanent demand for living, dining and bedroom cupboards. There is a market for children's furniture, for pieces upholstered in hide and in good quality plastics. Germany's booming industrial firms are looking for office furnishings—showing preference for modern design and functional advantages.

Competition Is Keen

Canadian manufacturers could surely meet some of this demand.

But at the same time, a lot of furniture popular in Canada would not sell in Germany. Although low-cost modern pieces make up 75 per cent of all sales, it is doubtful whether Canadian manufacturers could compete successfully with local and Scandinavian producers of linear modern. A recent fact-finding mission of the U.S. furniture industry came to the conclusion that large German producers of certain types of furniture are mechanized to a much greater extent than manufacturers in the U.S. are and, although automation makes them less flexible in design, it achieves economies not possible where a larger labour force is called for.

Nor is it likely that Canadian manufacturers could make inroads with roughly finished items. Although there is a demand for knock-down modern, it is produced in quantity by European (and particularly German) manufacturers who do a first-class job of finishing and pay meticulous attention to details. The U.S. mission made special mention of German manufacturers' superior inside finishing in cupboards, chests and drawers and concluded that U.S. firms could not offer equally fine interior finishes in a comparable price range.

Generally speaking Europeans, including Germans, are of the opinion that good modern design migrated from Europe to North America and they are relatively unimpressed with what has happened to it since. Exceptions to this generality include an admiration for modern done in woods that are scarce in Europe and for woods and plastics with durable, highly protective finishes.

Period Pieces Popular

The European reluctance to buy back what they consider their original designs in modern seems to disappear when buyers are offered period pieces. Recently an English manufacturer made headlines in the German market when he intro-

duced Old Colonial to England and then exported it to Germany. Because original period furniture is now so rare and expensive, German consumers are quite prepared to buy reproductions and varying adaptations, as long as they are well done. There may well be a market in Germany for French-Canadian provincial, or reproductions of our pre-Confederation period pieces. But, as German buyers are quick to point out, the craftsmanship would have to be excellent for the hand worker in Europe still gives minute attention to detail. Furthermore pieces with intricate carving, luxurious marquetry and other decorative refinements requiring special skills are still available from European sources.

Plotting a Sales Course

There are so many contradictions, so many variables in the German furnishing field that even in areas where European firms are firmly entrenched an enterprising Canadian might slip in. Some foreign firms have competed successfully by exporting (at minimum freight costs) frames and unusual fabrics to be assembled by manufacturers in Germany. Other manufacturers have entered the German market by displaying their lines in unusual colours and in a co-ordinated setting, a field where, generally speaking, German manufacturers are weak.

But it is a long way from a Manitoba factory to a Duesseldorf furniture-store window! How should the Prairie, Eastern or Western Canadian manufacturer go about getting his products here? That depends upon what channels and sales methods are best suited to his operation.

First, he must get his products before the German buyers. The largest concentration of buyers gathers at the Cologne International Furniture Fair described previously. By exhibiting his furniture at the fair the Canadian manufacturer can



Consumers examine the wide range of furniture offered in one of the larger department stores in the Federal Republic. Sales of furniture in West Germany in 1964 totalled over \$1 billion—of which \$40 million represents imports. Good quality and design, plus the interior finishing, are all-important to these buyers.

find out quickly whether his products will sell in Europe. He will also have a chance to compare his line with offerings from other countries and to talk with agents, importers, retailers and manufacturers. Some of the latter may wish to enter into manufacturing arrangements with him.

German manufacturers could be a vital link for a Canadian firm coming into the market, for often they are willing to offer another factory's line if it complements their own. For instance, a manufacturer of upholstered couches and chairs can sometimes be persuaded to display, stock and offer for sale in his catalogue, another's coffee and end tables. Furniture wholesaling as we know it does not exist officially in Germany. Furniture generally travels directly from the manufacturer to the retailer who takes orders based on his floor samples. There

are, however, stockist-agents who can be a great help to a Canadian exporter. Although not recognized as wholesalers, they sell to other retailers, as well as from their own retail outlets.

The manufacture of most wooden furniture in Germany is centered in North Rhine-Westphalia where the largest number of dealers are also located. However, production of upholstered furniture is generally concentrated in southern Germany. After studying the German industry the Canadian manufacturer should have a fairly clear picture of the sales channels to use.

Selling in Person

Home furnishings are sold in Germany through department and furniture stores and office furniture through stationery stores. Although there are 12,254 furniture outlets in Western Germany and 511 in West

Berlin, 4,200* firms account for about 95 per cent of total sales. Buyers for these firms and for department store chains are located in the larger cities like Berlin, Hamburg, Duesseldorf, Cologne, Essen, Frankfurt and Munich.

It is doubtful whether the first visit would produce more than sample orders for a Canadian manufacturer. German buyers, like their Canadian counterparts, want to examine the furniture in their store before buying it in quantity. But the visiting Canadian should prepare himself to talk as if he were expecting large orders. Buyers are best approached by appointment and with an illustrated catalogue. They want all the information Canadian buyers do. How much will the line cost landed in the store? What terms are offered? What kind of delivery schedule is feasible? What is the manufacturer prepared to do in the way of advertising or promotion?

Although the German buyers' questions are the same as those that would be asked in Canada, the answers are different. The delivered price of Canadian-made furniture in Germany must include inland and ocean freight charges, packing costs, insurance, German duties and taxes—and possibly warehousing charges and an agent's fee.

Costs and Documentation

German customs duties are levied on the landed cost (factory price plus freight) and amount to 15 per cent on both upholstered and wooden furniture. To this duty-paid value must be added the turnover equalization tax (Umsatzsteuer) of 6 per cent which applies to all furniture sold in Germany. Ocean freight rates vary, but the Conference rate is Can.\$60.50 per 40 cubic feet or 2,240 pounds, whichever yields the most revenue to the shipping company.

Export packing costs vary with the type of furniture shipped and

*Statistisches Bundesamt, Wiesbaden

TABLE II
WEST GERMAN TRADE IN FURNITURE

	1963		1964	
	100 kg	DM 1,000	100 kg	DM 1,000
Chairs and other seats whether or not convertible into beds:				
Total imports	98,837	48,238	134,976	67,374
of which:				
Belgium	4,879	3,671	7,120	5,879
Denmark	14,312	11,785	21,033	15,692
Finland	2,022	1,040	2,544	1,474
France	5,064	2,380	4,851	2,470
Britain	2,712	2,745	4,842	4,515
Italy	8,632	4,492	12,856	6,335
Yugoslavia	27,937	5,893	39,855	7,981
Netherlands	16,229	8,260	21,679	11,943
Norway	1,158	1,217	2,253	2,117
Austria	722	267	1,273	738
Sweden	2,968	2,081	3,873	2,626
Switzerland	606	508	1,245	931
Czechoslovakia	2,493	356	2,558	379
Egypt	1,740	787	855	479
United States	501	406	1,477	1,171
Hong Kong	5,120	1,589	4,464	1,424
Others	1,742	761	2,198	1,220
Total exports	124,997	66,490	172,816	90,619
Other furniture and parts thereof:				
Total imports	198,816	65,187	245,298	82,600
of which:				
Belgium	13,197	4,783	21,565	11,387
Denmark	13,102	7,482	18,702	10,758
Finland	1,468	736	2,356	1,070
France	13,197	4,783	16,518	16,152
Britain	7,324	3,420	9,124	5,090
Italy	7,777	4,873	9,021	5,672
Yugoslavia	76,569	10,745	90,608	12,257
Netherlands	36,539	13,292	43,740	16,217
Norway	709	577	1,066	757
Austria	3,207	933	4,098	1,253
Sweden	7,767	3,281	9,575	3,999
Switzerland	7,551	3,513	9,115	4,178
Spain	975	738	1,807	1,472
Hungary	673	296	2,409	591
United States	481	472	931	610
Communist China	103	41	112	66
Hong Kong	976	375	1,117	362
Others	2,703	410	3,434	4,143
Total exports	444,654	159,750	586,727	214,778

Source: Statistisches Bundesamt, Wiesbaden

the type of container used. Both English and U.S. firms selling on the Continent have had satisfactory experience shipping furniture in '2F' cardboard cartons and recently some ocean freight lines have made available special containers in sizes varying from 250 cubic feet up to an entire van. Both types of packaging are acceptable to insurance

companies, which offer all-risk insurance at less than 1 per cent of the value of the shipment.

The Canadian manufacturer, in addition to these costs, should include in his delivered price (which buyers want quoted c.i.f. in Deutschmarks) inland freight charges from his plant to the nearest port of exit and from the German port of

entry to the customer's door. He may use a freight forwarder who will complete all documents and assume responsibility for delivery of the goods. Charges for such forwarding services range between \$10.00 and \$20.00—depending on the size of the shipment.

German furniture dealers are accustomed to buying on open account and usually consider terms to start maturing upon receipt of goods, rather than from date of shipment. They expect a 3 per cent discount for payment within eight days and often ask for more extended terms (60 days) than are given in Canada. Background information on their credit standing can be obtained through Canadian banks or credit agencies.

Delivering the Goods

Probably the most difficult of the German buyer's many questions to answer is the length of time it takes to make delivery from Canada. Although merchants in the Bundesrepublik are used to waiting for delivery of the furniture they buy on the home market—anywhere from two weeks to two months—Canadian factories are too far away to deliver an order even within the two months. Four alternatives are open to the Canadian manufacturer. He can:

1. Warehouse his products in Germany.
2. Work out an arrangement with a German manufacturer who is willing to stock his line.
3. Appoint a stockist-agent to book orders for direct shipment to customers and keep limited stocks for their convenience.
4. Sell direct to retailers and fill repeat orders by air freight. This is only feasible if the furniture is shipped knocked-down and is expensive enough to warrant the rather high (50 to 70 cents a pound) transportation charges.

The method best suited to any given manufacturer depends on the price, type and weight of the furniture he is shipping.

Promotion Could Pay Off

Furniture stores in Germany probably expect less service and sales help from the manufacturer than their Canadian counterparts do. "Let's leave it that way," a Canadian newcomer could easily say and, if his line and prices are good enough, he would probably still do some worthwhile business. But then again he might offer the same help with sales promotion that he gives to his customers in Canada—thereby stimulating the German buyer's enthusiasm for his line. For example:

- Advertising of furniture by retail stores in Germany is currently done on a very small scale and the Canadian manufacturer might offer to

share a portion of the cost of promoting his products in newspaper advertisements placed by store owners.

- Little effort has been made in Germany so far to co-ordinate the display of home furnishings and the Canadian manufacturer might offer to work with other firms—German or Canadian—to display his furniture in attractive and complete room settings in stores, show windows and at model home exhibitions.

- The sale of furniture on the instalment plan is just becoming popular in Germany and possibly the Canadian manufacturer might wish to offer a scheme whereby the consumer would buy his line on particularly favourable terms.

Promotion, advertising and credit all cost money, but several firms exporting to Germany have found they pay off. All the more reason why a

Canadian manufacturer should investigate these possibilities before deciding if, or how heavily, he wants to invest in the German furniture market.

Certainly for a newcomer, entering Germany with an unknown line of furniture would be neither inexpensive nor easy. The German industry each year trucks \$1 billion worth of furniture into domestic retail stores. Last year alone, foreign manufacturers supplied the same retailers with an additional \$40 million worth of merchandise. The number of firms already established in the market adds up to formidable competition. But finding out whether it is competition that can be met successfully should be neither difficult nor costly and the prospects are good enough, the market big enough, to warrant investigation by any Canadian manufacturer who wants to increase his sales. ●

Frozen Food Products

Italy —The standard of living is improving and as it does, frozen foods will gain in popularity. Not only are frozen staples in demand but also products not previously part of the Italian diet. Canadian frozen food processors should keep close watch on this market, which may increase some 500 per cent by 1970.

U. BOSCHETTI, *Commercial Assistant, Milan.*

PACKAGED frozen food products are gaining ground in the Italian market and the prospects for greater sales over the next two years are bright. Although the existing network of cold storage and retail marketing outlets is inadequate for the distribution of frozen foods in the smaller towns, demand in the built-up cities like Rome, Milan, Turin, Bologna and Genoa is growing rapidly.

The Italian Association of Food Industries recently published statis-

tical data that place the 1964 consumption of frozen food products at 7,000 metric tons worth about \$8 million. The main products were 4,500 metric tons of fish (\$5.4 million), 1,800 tons of vegetables (\$1.6 million), 500 tons of fruit (\$750,000) and 150 tons of precooked dinners (\$230,000). Per capita consumption in Italy was 0.31 pounds compared with 6.12 pounds in the Netherlands, 3.10 in West Germany, and 2.29 in Belgium. Italy produces about 60 per

cent of its needs and imports the remaining 40 per cent, mainly from Denmark, Sweden and the United States.

Demand Expected to Mushroom

The improved standard of living in Italy has not only increased the demand for the frozen form of staple foods but also for a wide range of items which have not so far been a part of the Italian diet. Frozen packages of cod, flounder, sole, shrimp, peas, spinach, beans and other standard items have the biggest turnover but precooked dinners, rhubarb, brussel sprouts, corn on the cob, and potato chips are gaining favour.

The European Economic Community has prepared estimates that contain some interesting figures on future Italian demand for frozen packaged foods. The EEC foresees

that the consumption of frozen foods in Western Europe will increase 300 per cent between 1964 and 1970. Because Italy is now lagging behind its EEC partners in frozen food consumption, some forecasts indicate that the increase there may be as high as 500 per cent. This will place more emphasis on local production but it will also increase the demand for imports.

Some Obstacles to Overcome

Distribution is one factor which might prevent Italy from reaching this high consumption level. It is also something of a problem for the Canadian exporter. Despite recent improvements, Italian frozen food storage facilities remain inadequate. Though freezing capacity has doubled in the last ten years, the over-all cold storage space is still less than 3 per cent of production capacity. This means that frozen foods must be moved rapidly from the producer or importer to the consumer. Moreover, the super-markets, by far the largest importers and retailers of frozen foods in Italy,

insist that deliveries be made direct to their numerous retail outlets. European exporters have circumvented local distribution tie-ups by using refrigerated trucks and railway cars to ship directly to their major customers but it may be difficult and costly for Canadian suppliers to follow a similar procedure.

Another complication arises from the fact that existing cold storage and distribution facilities are controlled by approximately ten producing and/or importing firms. However, not all of these companies

carry a complete range of frozen foods nor are they, in some instances, completely satisfied with the quality and prices of their present suppliers. Finding a local representative with adequate cold storage space is a problem, but not necessarily an insurmountable one. If a Canadian supplier offers eye-catching products at competitive prices he can overcome the problems of distribution and proper representation, and because the Italian market is price conscious, facilitate his initial entry. Table I indicates the approximate current retail prices for some of the frozen foods appearing in Italian stores: duties, taxes and the usual 30 to 35 per cent mark-up are included. Table III gives the exact rates of duty and Table II the tax rate. Canadian frozen packaged food suppliers currently exporting to EEC countries will note that the "third country" duties levied by Italy are currently less than those of other Common Market countries.

Summing Up the Market

Prospects for increased exports of packaged frozen foods to Italy over the next few years are encouraging—provided Canadian suppliers have:

- Products suitable to local tastes.
- A flexible sales policy to enable a shift to bulk supply for packaging in Italy should competitive pressures make it necessary.
- Competitive prices.

Those Canadian firms already selling frozen products to the Common Market are especially well placed to move into Italy. The Trade Commissioner offices in Milan and Rome know the Italian frozen food importers and marketing firms and, given prices c.i.f. Genoa, Naples, Trieste or Venice and samples, will endeavour to assist Canadian suppliers wishing to do business in the Italian market. ●

TABLE I
APPROXIMATE ITALIAN
RETAIL PRICES

Product	Package	Retail Selling Price (Can.\$)
Sea bream fillets	1 lb.	0.60
Cod fillets	8 oz.	0.30
Rainbow trout	12 oz.	0.78
Peas	8 oz.	0.20
Carrots	8 oz.	0.20
Mixed vegetables	10 oz.	0.30
Raspberries	8 oz.	0.51
String beans	8 oz.	0.39
Spinach	8 oz.	0.30
Green peas	9 oz.	0.48
Strawberries	8 oz.	0.55

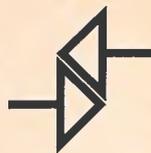
TABLE II
ITALIAN TAXES ON FROZEN FOODS

Type	Amount (per cent)	Applicable to
IGE (turnover)	4	Fruits and vegetables
Equalizing	3	Fruits and vegetables
Administrative	1	Fruits, vegetables and fish

TABLE III
ITALIAN TARIFFS ON FROZEN FOODS

	EEC Tariff	Third countries (incl. Canada)
	(in per cent)	
(a) Frozen vegetables		
A—Cooked		
I. Tomatoes and tomato preparations	6	14.10
II. Other	8	16.90
B—Uncooked	Free	12.00
(b) Frozen fruit (containing added sugar)—at present there is additional "frontier sugar surtax" of Can.\$10.20 per 220 lb.	7	19
(c) Frozen fish		
A—Fresh water fish		
I. Trout	7.20	16
II. Perch	4.00	10
B—Salt water fish	8.10	20.10
Fillets	8.10	18.00

trade lines



A new shipping line has entered the St. Lawrence-to-Europe winter trade. The Finn-Canada Steamship Lines is scheduling a year-round service from Montreal to Antwerp, Belgium, and Hamburg, Germany. If sufficient cargo is forthcoming, additional calls will be made at Rotterdam, the Netherlands, and Bremen, Germany. During the winter there will be at least one sailing a month and during the summer two or three.

The service was inaugurated by the *M. S. Finntrader* which sailed from Montreal on December 15. The second vessel employed in the winter service, *M. S. Finnulp*, was scheduled to sail from Montreal on January 8. Two additional vessels will enter the service in the spring of 1966, when sailings will be maintained approximately every ten days.

The general agents for the new line are Canada Steamship Lines Limited, 759 Victoria Square, Montreal 3, Quebec—Ottawa.

Jamaica will be almost self-sufficient in tires and tubes when Goodyear Jamaica Ltd. starts production in its new plant in the spring of 1967. Initial capacity will be about 156,000 tires and 115,000 tubes for automobiles, trucks, tractors, farm machinery and construction vehicles. Later it may produce industrial commodities like conveyor, fan and V belts—Kingston.

New Zealand has bought its first gas turbine generating plant from Orenda Industrial, a division of Hawker Siddeley of Canada. The Waitemata Electric Power Board, Auckland, installed the plant to reduce maximum demand charges for power during peak load periods. This packaged peaking plant has a capacity of six megawatts and burns diesel fuel; a second unit will be supplied and installed within the next 18 months—Wellington.

Crude oil imports into the EEC totalled 196 million tons in 1964, up 18.3 per cent in one year. Imports of refined products now total over 20 million tons, 9.5 per cent of the Community's total petroleum imports. The Middle East continues to be the main supplier although Africa, particularly Libya, is increasing its shipments. Eastern Bloc countries supplied 12.9 million tons in 1964, 6 per cent of the total. Domestic production, both oil and gas, is still rising and recent discoveries in the North Sea have enlarged proved reserves. The percentage of energy supplied

by petroleum products is also reflected in the steady investment in refineries and pipelines throughout the EEC—Brussels.

Norway is now using squid to produce fish meal and fish oil. One plant in the northern part of the country used 660,000 pounds of squid in the fall of 1965—Oslo.

BHP is planning a new steelworks at Port Kembla, Australia, at an initial cost of £44.8 million. The works will include a blast furnace (the largest in the British Commonwealth) with an annual output of one million tons, a strip mill and plate mill with a combined capacity of 4.5 millions tons a year, and a plate finishing line. BHP also proposes to export about 300,000 tons of pig iron, 1.5 million tons of iron ore, and 1.2 million tons of pellets a year to Japan. Negotiations with Yawata Iron and Steel will open shortly—Melbourne.

Some 310 Spanish companies will invest Can.\$500 million in new plants to be located in the Industrial Development Areas of Saragossa, Burgos, Seville, Huelva, Vigo, Valladolid and La Corunna. These areas enjoy special tax and other concessions which make them attractive to investors. Approximately 18 per cent of the money to be invested will come from foreign countries, mostly from France—Madrid.

The U.S.S.R. launched its first fiberglass fishing vessel. The 65-ton *Nadezhda* recently made its maiden voyage on the Neve River. It is the first of 14 vessels of its class, is fitted with a 900 h.p. engine, and is designed to be used as a trawler or seiner—Moscow.

Electrical cables (telephone, high-tension, etc.) are being produced in Italy by the Fulgorcavi Company at a new factory. Present output is 2,000 metric tons of bare and insulated cable per month, but will later range from 60,000 to 100,000 tons per year—Rome.

Spain expects to produce 13 million metric tons of steel a year by 1972. Consumption will then reach about 12 million tons; the hope is to market the surplus in West Europe and North Africa. Current consumption is 5.5 million tons, 3.5 million from domestic sources and 2 million imported. The growing

automobile industry (1965 production up 40 per cent from 1964) absorbs 25 per cent of local steel output and the construction industries 25 per cent—Madrid.

Labour shortages in West Germany are slowing production schedules. Deliveries are often four to six weeks late and many foreign manufacturers are selling in Germany because they can deliver faster than local plants. Even with 1.2 million foreign workers, 700,000 jobs in West Germany are unfilled—Duesseldorf.

Italian production of office machines rose from a value of \$62.4 million in 1954 to \$176 million in 1964; unit sales of portable typewriters rose from 88,349 to 530,000 and calculating and accounting machines from 97,949 to 590,000. Italy is now the world's largest producer of calculating machines and the third producer of typewriters, after the United States and West Germany. Canadian exports of office machines

to Italy have also increased during the period; sales during the first six months of 1965 totalled over \$660,000—Rome.

Drills and reamers in more than 800 different sizes and types are now made in Johannesburg. Local firm announced 50 per cent increase in factory space and stated it can supply 70 per cent of South African requirements—Johannesburg.

Future development of Swedish Ports will be studied by an official committee. It will examine location, size, form, profitability and capacity, in the light of increasing West European trade and the prospect of a bridge across the Sweden-Denmark Sound. The implication is that a number of harbours will be closed down, although this move would meet with strong opposition—Stockholm.

Trade Commissioners on Tour

In Territory

British Honduras—D. I. Ditto, Assistant Commercial Secretary in Kingston, Jamaica, will visit Belize February 28-March 5.

Costa Rica—P. D. Donohue*, Assistant Commercial Secretary in Guatemala City, will visit San José February 28-March 1.

J. H. Nelson, Commercial Secretary in Guatemala City, will visit San José April 21-22.

Cyprus—D. S. Armour, Assistant Commercial Secretary in Tel Aviv, Israel, will visit Cyprus February 15-21.

El Salvador—P. D. Donohue*, Assistant Commercial Secretary in Guatemala City, will visit San Salvador March 14-16.

J. H. Nelson, Commercial Secretary in Guatemala City, will visit San Salvador April 28.

Honduras—P. D. Donohue*, Assistant Commercial Secretary in Guatemala City, will visit Tegucigalpa and San Pedro Sula, March 9-11.

J. H. Nelson, Commercial Secretary in Guatemala City, will visit San Pedro Sula and Tegucigalpa April 18-20.

India—S. G. Harris, Trade Commissioner in Bombay, will visit Hyderabad, Madras, Bangalore and Mysore January 31-February 15.

Iran—W. Gibson-Smith, Commercial Counsellor in Tehran, will visit Isfahan and Shiraz for a week beginning February 14.

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

*Mr. Donohue is making this tour in preparation for a tour of business centres in Canada this summer.

Mexico—J. E. G. Gibson, Assistant Commercial Secretary in Mexico City, will visit Merida, Yucatan, and Chetumal, Quintana Roo, February 7-11.

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

Nicaragua—P. D. Donohue*, Assistant Commercial Secretary in Guatemala City, will visit Managua March 7-8.

J. H. Nelson, Commercial Secretary in Guatemala City, will visit Managua April 20-21.

Panama—P. D. Donohue*, Assistant Commercial Secretary in Guatemala City, will visit Panama City March 2-4.

J. H. Nelson, Commercial Secretary in Guatemala City, will visit Panama City April 25-26.

Spain—R. M. Dawson, Commercial Secretary in Madrid, will visit Barcelona February 21-26.

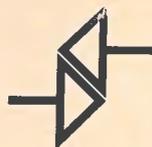
Thailand—F. M. Mulkern, Assistant Trade Commissioner in Singapore, will visit Thailand February 21-25.

United States—H. S. Hay, Consul and Trade Commissioner in Detroit, will visit the following Michigan cities February 14-25: Lansing, Grand Rapids, Muskegon, Kalamazoo, Battle Creek, Saginaw, Bay City and Flint.

P. A. Savard, Consul and Trade Commissioner in New Orleans, will visit Charlotte, North Carolina, February 7-10.

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

foreign tariffs and trade regulations



Britain and Ireland

FREE TRADE AREA—A free trade agreement between the Republic of Ireland and Britain was signed in London on December 14th and takes effect on July 1, 1966. Ireland is to cut import duties on British goods (excluding jute manufactures and certain agricultural and fisheries products) by 10 per cent on July 1, 1966, and by the same proportion in each subsequent year until they are eliminated on July 1, 1975. Britain is to abolish import duties on Irish goods in a single step on July 1, 1966.

The agreement also provides for the elimination of quantitative restrictions on imports and exports.

Although the agreement replaces the existing trade agreement between the two countries, the Irish contractual preferences on certain agricultural products in Britain and the preferences enjoyed by Britain in Ireland on agricultural goods excluded from the free-trade area are to continue.

A provision gives the Irish special advantages in Britain in respect to live animals and lambs and beef meats. The British and Irish cattle industries are already closely integrated.

British Honduras

TARIFF CHANGES—British Honduras has revised its tariff to assist agricultural and industrial development, to provide protection for local industry and for additional revenue. Tariff increases are largely on luxury goods (perfume, spirits, jewellery, cameras, watches, refrigerators, etc.), and on goods competing with domestic products (cigarettes, furniture, wine, fruit juices, fish, builder's woodwork, etc.). The rates on some essential foodstuffs and on agricultural and industrial machinery have been reduced.

Details on individual products may be obtained from the Commonwealth Division, Office of Trade Relations.

British Virgin Islands

TARIFF INCREASES—On December 30, the British Virgin Islands announced tariff increases on a wide range of goods including tobacco, cigarettes, cameras, sporting goods, toys, beer, liquor, gasoline and lubricating oil. Information on individual products may be obtained from the Commonwealth Division, Office of Trade Relations.

Jamaica

IMPORT CONTROLS—Effective January 6 ladies' handbags have been made subject to import licensing. Importers must be in possession of a valid import licence before these goods will be permitted entry into Jamaica.

Rhodesia

TERMINATION OF PREFERENCES—The Administration of Ian Smith has announced that Canadian goods shipped after December 31, 1965, enter Rhodesia under the Column "B" (most-favoured-nation) rate instead of the Column "C" (preferential) rate as formerly. Further details may be obtained from the Commonwealth Division, Office of Trade Relations.

South Africa

IMPORT PERMITS FOR 1966—The initial allocations of import permits for 1966 are generally the same as the initial allocations for 1965 for consumer goods, raw materials and inexpensive plant and equipment. The regulations governing the issue of import permits for 1966, gazetted on December 10, 1965, state that import licences will be issued on the following basis:

1. **Free list**—This includes tea; gasoline, kerosenes, oils and greases; lifesaving equipment; X-ray plates and film; paper patterns for clothing and hosiery industries; diaries, books, brochures, newspapers, periodicals; music; maps; wool; selected fabrics and trimmings for clothing industry, buckles, dress shields, knitting accessories, pins, needles, scissors, clippers; optical appliances and instruments, surveying instruments, balances; drawing and mathematical sets; medical, dental, surgical and veterinary instruments and appliances; orthopaedic appliances; scientific and laboratory instruments. The goods specified can be imported without a permit.

2. **Capital plant and equipment and raw materials**—(a) in the case of merchants who import such goods for resale—according to such quotas as may be authorized from time to time. The initial 1966 allocations for raw materials imported by merchants will be 50 per cent of their imports during the calendar year 1964. The initial 1966 allocation for merchants for capital plant and equipment will be: 50 per cent of 1964 imports for such equipment with an f.o.b. price not exceeding \$1,500.00 per single unit; 25 per cent of 1964 imports (excluding purchases by state organizations) for such equipment with an f.o.b. price between \$1,501.00 and \$75,000.00 per single unit. Each case will be judged on its merits for such equipment with an f.o.b. price exceeding \$75,000.00 per single unit.

(b) Manufacturers who import such goods for their own use may bring in raw materials on the basis of four months' stock at current rate of consumption. Import licences for capital plant and

equipment will be granted on the basis of essentiality. Note that in all cases manufacturers and merchants are expected to obtain their requirements of capital plant and equipment and raw materials from domestic producers whenever possible.

3. Motor cars, commercial vehicles, and also motorcycles, motor scooters, mopeds and auxiliary engines including outboard motors and pedal cycles. CKD material for motor vehicles and maintenance spares and accessories for the foregoing; licences will be granted registered importers in accordance with such quotas as authorized from time to time. No quotas or initial allocations were announced.

4. Selected consumer goods, including waistbanding, bindings, cloth labels and tabs, ribbing, slide fasteners; specified yarns, threads and twists; plastic sheeting; man-made staple fibres; sausage casings; weighing machinery; laboratory glassware; clock movements; cinematographic and photographic film, projectors and cameras (for film over 35 mm.), sensitized photographic paper; oil baize and oilcloth; tape and wire recorders; razors and shavers, hairdryers; foodmixers; egg beaters; flatirons (paraffin and petrol types); clocks and watches; household crockery and glassware; dish and glass washing equipment; vacuum cleaners; oil lamps and lanterns; cutlery, spoons and forks including blanks; selected kitchenware; fountain pens, ball-point pens and refills; mechanical pencils; second-hand overcoats; musical instruments; domestic sewing and knitting machines; room air conditioners; gas meters; selected business machines; aeroplanes and gliders; television apparatus and equipment; amusement machines; textile piecegoods imported by merchants; timber; fertilizers; milled rice; all general merchandise and items not included elsewhere in the regulations.

Quotas will be determined from time to time for registered importers.

The initial allocation for 1966 for these goods will be 50 per cent of a merchant's direct imports of such goods during the calendar year 1964.

The initial allocation for 1966 for general merchandise not specified will be 30 per cent of an importer's assessment basis.

The initial 1966 import allocation for rice will be the same as the initial allocation in 1965.

No allocation announced for timber, fertilizers and textile piecegoods imported by merchants.

5. Restricted list—This includes meat, fish, milk, jams, jellies and honey; canned vegetables; soya beans; leguminous seeds; fruits; confectionary starch; infant's foods; macaroni, spaghetti and vermicelli; biscuits, cakes and puddings; pickles and sauces; beverages; tobacco, cigarettes; cement and concrete proofers; natural asphalt and bitumen; specified fertilizers; paints, polishes; fireworks; matches; specified plastic sheeting and materials; tiles; regenerated cellulose tape and film; belts and belting; towels, tissues, novelties, decorations, etc., of paper; jewellery and imitation jewellery; clothing with specified exceptions; synthetic rubber; rubber hose, tires and tubes; gloves; handbags; golf bags; ties; articles of furskins; plywood; portable electric lamps; toilet paper; paper tapes; felt damp-course; specified floor coverings; pulpboard; loose-leaf covers and binders; labels; tickets and tags of paper or plastic; blankets and rugs; lace; hosiery; boots and shoes; sanitaryware; fencing; pipes, tubes and fittings; electric conduit tubing; bolts and nuts; stoves; enamelware and domestic holloware; plain copper wire; aluminum foil; welding electrodes; household refrigerators; deep freezers and display cabinets; conveyors; scrapers; lawnmowers; domestic laundry machinery; electric motors not less than 1 h.p.; generators up to 7½ kilowatt; electric floor polishers; radios; perambulators and baby carts; cameras and projectors (for film up to 35 mm.); cine cameras and projectors 8 mm.

The goods in this list can only be imported on a permit in which they are specifically described. Importers may convert their existing import permits into such specific permits, provided the goods to be imported fall within the same general category as

the goods detailed in the original import permit issued and the importer surrenders original import permit to the value of three times the amount of specific import permit applied for.

The lists under 1, 4 and 5 are only indications, they have not been quoted in full detail and exporters needing more complete identification of products should write to the Department of Trade and Commerce, Commonwealth Division, Office of Trade Relations, Ottawa, or the Canadian Government Trade Commissioners at P.O. Box 715, Johannesburg, or P.O. Box 683, Cape Town.

Venezuela

RESTRICTIONS ON IMPORTS OF FRUIT—Our office in Venezuela has informed us that, in order to protect its own fruit industry, Venezuela has restricted the import of fruit as follows:

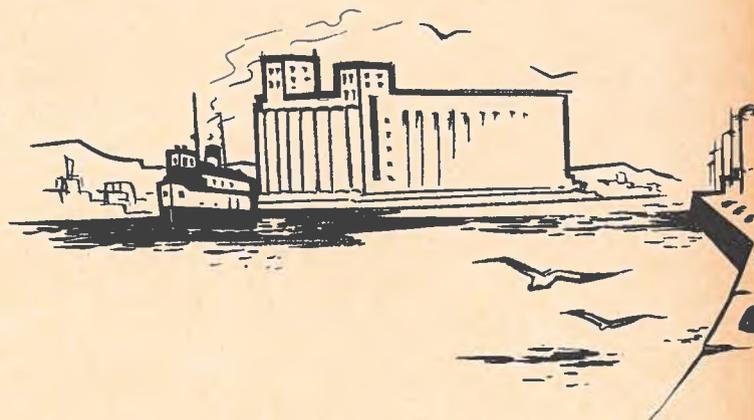
Prohibited: oranges, mandarins, other citric fruit, bananas, pineapples, and melons.

Subject to compulsory import licensing: apples; grapes; pears; plums; strawberries; cherries; other fresh fruits; fruits in alcohol, wine or liqueurs; fruits preserved in temporary solutions (brine, sulphurous aqueous solutions, etc.); fruits, fruit peel and parts of plants, drained, glazed or crystallized (sweetened), flavoured or not.

These restrictions went into effect on January 3, 1966, but do not affect shipments that have been visaed by a Venezuelan consulate on or before that date.

West Indies

FREE TRADE AREA—On December 15, 1965, the Caribbean Free Trade Agreement was signed by Antigua, Barbados and British Guiana. It is the intention of the parties to this agreement that it should come into operation as soon as possible in 1966, and in any case not later than September 1966.



The Ocean Freight Market

AVERAGE RATES in the dry cargo trades showed little change between the third and fourth quarters of 1965. The increase in rates for grain from the St. Lawrence River—a normal feature of that sector of the market in the fourth quarter—was less sharp than in the fourth quarter of 1964. Rates for grain from North Atlantic ports held steady during the quarter in marked contrast with the wide variations noted in 1964. Similarly, a tone of stability prevailed in the rate for grain from the Pacific coast where rates remained well above the 1964 level. There was a slight easing in the rates paid to smaller ships engaged in the lumber and general cargo and the scrap iron and steel trades, but these rates too were well above the levels recorded in the fourth quarter of 1964.

The rate for black oil from the Caribbean to United States North Atlantic ports was above that recorded the previous year during most of the quarter. There was

a sharp increase at the end of October 1965 and the rate then rose continuously before levelling off at the end of the quarter.

During 1965 ocean freight rates in the dry cargo trades were higher and the quarterly variations less volatile than in 1964. World trade continued to expand, though the rate of expansion was not so great as in 1964, and for the second year running the over-all level of charter rates was higher than for any year since the Suez crisis of 1956/57. Time charter rates were uniformly higher last year than in 1964 and many more fixtures, including tankers for grain shipments, were reported for periods extending over two years. In contrast, rates in the petroleum trades until the fourth quarter were generally below the levels recorded in 1964. The quarterly fluctuations of rates in these trades were wider in 1965 than in the year before.

CHARTER RATES—FOURTH QUARTER 1965

The rates shown in column A are in sterling or U.S. dollars with the Canadian dollar equivalent in column B calculated at £=\$3.01 and U.S. \$=\$1.08. For comparison the rates a year ago are shown in column C with the Canadian dollar equivalent in column D calculated at £=\$2.99 and U.S. \$=\$1.07.

TIME CHARTERS

The classes of ships indicated have been selected as representative for the purpose of illustrating time charter rates. Average rates per deadweight ton per month for the fourth quarter of the year were as follows:

	1965		1964	
	Fourth Quarter		Fourth Quarter	
	A	B	C	D
	£ or U.S.\$	Can.\$	£ or U.S.\$	Can.\$
General Trading (approximately 6 months)				
Motorships, 11,000-12,999 dwt. 13-14.9 knots	4.21	4.55	3.47	3.71
Motorships, 13,000-14,000 dwt. 13-14.9 knots	3.93	4.24	3.38	3.62
Steamships, 9,000-10,999 dwt. 9-10.9 knots	2.78	3.00	2.88	3.08

TRIP CHARTERS

Average rates for the fourth quarter of the year were as follows:

	1965		1964	
	Fourth Quarter		Fourth Quarter	
	A	B	C	D
	£ or U.S.\$	Can.\$	£ or U.S.\$	Can.\$
Heavy Grain (per long ton)				
St. Lawrence to Britain	45s. 0d	6.77	46s. 10d	7.00
St. Lawrence to Belgium/Holland	5.45	5.89	5.07	5.42
St. Lawrence to France	5.90	6.37	6.67	7.14

TRIP CHARTERS

	1965		1965	
	Fourth Quarter		Fourth Quarter	
	A	B	C	D
	£ or U.S.\$	Can.\$	£ or U.S.\$	Can.\$
St. Lawrence to West Germany	4.67	5.04	4.78	5.11
St. Lawrence to Italy	7.75	8.37	7.61	8.14
St. Lawrence to Japan			10.88	11.64
St. Lawrence to Poland			5.98	6.40
St. Lawrence to U.S.S.R. Baltic	6.75	7.29		
St. Lawrence to U.S.S.R. Black Sea	7.50	8.10		
Great Lakes to Britain			76s. 0d	11.36
Completing St. Lawrence			39s. 5d	5.89
Great Lakes to Belgium/Holland	10.53	11.37	8.91	9.53
Completing St. Lawrence	5.00	5.40	4.79	5.13
Great Lakes to West Germany	10.49	11.33	8.97	9.60
Great Lakes to Venezuela			12.00	12.84
Halifax/Saint John to Britain	43s. 6d	6.55	35s. 0d	5.23
Halifax/Saint John to Belgium/Holland			3.92	4.19
Halifax/Saint John to France			5.35	5.72
Halifax/Saint John to West Germany			3.93	4.21
British Columbia to Britain	8.78	9.48	7.49	8.01
British Columbia to Belgium/Holland	6.86	7.41	6.85	7.33
British Columbia/North Pacific to Japan	8.34	9.01	7.09	7.59
British Columbia to East Coast of India			76s. 0d	11.36
British Columbia to the Philippines	9.25	9.99		
British Columbia to Communist China			44s. 2d	6.61
Coal (per long ton)				
Hampton Roads to Belgium/Holland	28s. 9d	4.33	27s. 4d	4.09
Hampton Roads to Japan	7.83	8.46	7.81	8.36
Lumber and General Cargo (per long ton)				
British Columbia to Britain	15.33	16.56	14.34	15.34
British Columbia to Australia	17.77	19.19	15.53	16.62
British Columbia to Italy			14.25	15.25
Oilseeds (per long ton)				
British Columbia to Japan	8.40	9.07	7.00	7.49
Iron Ore (per long ton)				
British Columbia to Japan	4.55	4.91	4.50	4.82
Potash (per long ton)				
British Columbia to Brazil			10.15	10.86
British Columbia to Japan	8.25	8.91	6.70	7.17
British Columbia to New Zealand	9.08	9.81		
British Columbia to the Philippines	10.06	10.86		
British Columbia to Taiwan	9.10	9.83		
Scrap Iron and Steel (per long ton)				
St. Lawrence to Spain	9.16	9.89		
U.S. Atlantic to Italy			9.11	9.75
U.S. Atlantic to Japan	13.91	15.02	13.46	14.40
California to Japan	9.65	10.42	8.44	9.03
Sulphur (per long ton)				
British Columbia to Belgium/Holland	9.00	9.72		
British Columbia to East Coast of India	98s. 3d	14.79		
British Columbia to Italy			10.00	10.70
British Columbia to Kuwait	13.10	14.15		
Oil Black (per long ton)				
Venezuela to Portland, Maine	1.98	2.14	1.82	1.95
Persian Gulf to Portland, Maine	6.32	6.83	4.45	4.76
Venezuela to Montreal	2.44	2.64	2.31	2.47

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 .9305.

Foreign Exchange Rates

Country	Unit	Type of Exchange	Can. dollar equivalent Jan. 24	Units per Canadian dollar	Notes (see below)
Algeria	Dinar .....	.....	.2192	4.56	
Argentina	Peso	Free .....	.005716	174.95	
Australia	Pound .....	.....	2.4110	.4148	
Austria	Schilling .....	.....	.04159	24.04	
Bahamas	Pound .....	.....	3.0138	.3318	
Belgium and Luxembourg	Franc .....	.....	.02161	46.27	
Bermuda	Pound .....	.....	3.0138	.3318	
Bolivia	Peso .....	.....	.09135	10.95	
Brazil	Cruzeiro	Official Free .....	.0004863	2,056.34	†
Britain	Pound .....	.....	3.0138	.3318	
British Guiana	Dollar .....	.....	.6279	1.59	
British Honduras	Dollar .....	.....	.7534	1.33	
Burma	Kyat .....	.....	.2257	4.43	
Ceylon	Rupee .....	.....	.2260	4.42	
Chile	Escudo	Bank rate .....	.3036	3.29	
		Free .....	.2511	3.98	
Colombia	Peso	Free .....	.05954	16.80	
		Certificate .....	.1194	8.38	
Congo, Republic of	Franc .....	.....	.007164	139.58	(1)
Costa Rica	Colon .....	.....	.1622	8.17	
Cuba	Peso .....	.....	†	†
Czechoslovakia	Koruna .....	.....	.1493	6.70	
Denmark	Krone .....	.....	.1560	6.41	
Dominican Republic	Peso .....	.....	1.07469	.9305	
Ecuador	Sucre	Official .....	.05970	18.75	
		Free .....	.05803	17.23	
El Salvador	Colon .....	.....	.4299	2.33	
Fiji	Pound .....	.....	2.7151	.3683	
Finland	Markka .....	.....	.3358	2.98	
France, Monaco, etc.	Franc .....	.....	.2192	4.56	(2)
Franco-African Republics, etc. ..	Franc .....	.....	.004384	228.10	(3)
French Pacific	Franc .....	.....	.01206	82.92	(4)
Germany	D Mark .....	.....	.2678	3.73	
Ghana	Cedi .....	.....	1.2558	.7963	
Greece	Drachma .....	.....	.03582	27.92	
Guatemala	Quetzal .....	.....	1.07489	.9305	
Haiti	Gourde .....	.....	.2149	4.65	
Honduras	Lempira .....	.....	.5373	1.86	
Hong Kong	Dollar	Free .....	.1883	5.31	
		Official .....	.1884	5.31	*Jan. 14

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

*Latest available date.

†The Cruzeiro was devalued November 16, 1965; the Central Bank of Brazil is expected to issue soon the new cruzeiro. One new cruzeiro will then equal one thousand old cruzeiros.

Country	Unit	Type of Exchange	Can. dollar equivalent Jan. 24	Units per Canadian dollar	Notes (see below)
Iceland	Krona	Official	.02499	40.02	(1)
India	Rupee		.2260	4.42	
Indonesia	Rupiah		.004299	232.63	(1)
Iran	Rial		.01419	70.49	
Iraq	Dinar		3.0091	.3323	
Ireland	Pound		3.0138	.3318	
Israel	Pound		.3582	2.79	
Italy	Lira		.001720	581.40	
Japan	Yen		.002995	333.89	
Lebanon	Pound	Free	.3516	2.84	
Malaysia	Dollar		.3511	2.85	
Mexico	Peso		.08598	11.63	
Morocco	Dirham		.2149	4.65	
Netherlands	Florin		.2970	3.37	
Netherlands Antilles	Florin		.5699	1.75	
New Zealand	Pound		3.0029	.3330	
Nicaragua	Cordoba		.1535	6.51	
Nigeria	Pound		3.0138	.3318	
Norway	Krone		.1505	6.64	
Pakistan	Rupee		.2260	4.42	
Panama	Balboa		1.07469	.9305	
Paraguay	Guarani	Free	.008705	114.88	
Peru	Sol	Free	.04006	24.96	
Philippines	Peso	Free	.2751	3.64	
Poland	Zloty	Fixed-basic rate	.04478	22.33	
Portugal & Colonies	Escudo		.03738	26.75	(5)
Sierra Leone	Leones		1.5046	.6646	
South Africa	Rand		1.5069	.6636	
Spain and Dependencies	Peseta		.01795	55.71	
Sweden	Krona		.2079	4.81	
Switzerland	Franc		.2482	4.03	
Syria	Pound	Free	.2817	3.55	
Thailand	Baht	Free	.05159	19.38	(1)
Tunisia	Dinar		2.0580	.4859	
Turkey	Lira		.1194	8.38	(1)
United Arab Republic	Pound	Official	2.4718	.4046	
United States	Dollar		1.07469	.9305	
Uruguay	Peso	Free	.01508	66.31	
Venezuela	Bolivar	Official Free	.2394	4.18	
West Indies	Dollar		.6279	1.59	(6)
	Pound		3.0138	.3318	(7)
Yugoslavia	Dinar	Official	.08598	11.63*	

*As of Jan. 1/66, the Yugoslav new dinar entered circulation at parity with 100 old dinars.

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.

Spanish Industry: Progress and Problems

The Chemicals Industry

SPAIN initiated trade liberalization in 1959 and large foreign chemical companies promptly invaded the market with low-priced products. Spanish manufacturers soon found they could not compete and it was apparent that a complete overhaul of the chemicals industry was needed. Since 1963 total investment in new installations and projects has amounted to Can.\$909.1 million. The industry currently employs 150,000 workers and its gross production for 1965 is expected to reach a value of Can.\$1,545.4 million.

The latest development within the industry is the building of five petrochemical plants. They should start production in 1966 with a combined capacity of 356,000 tons consisting of the following: ethylene 125,000 tons, propylene 50,000, high pressure polyethylene 60,000, low pressure polyethylene 16,000, polypropylene 7,000, synthetic rubber 30,000, lamp-black 20,000, acetaldehyde 28,000, ethylene oxide and derivatives 20,000. Foreign capital is participating to varying degrees in these plants because such projects come within the "preferential interest" category which offers certain incentives. Among these are the reduction (as high as 95 per cent) of import duties on equipment not manufactured in Spain, plus important tax concessions.

Value of gross output per worker in 1965 should be a little over Can.\$10,000, one of the highest in Spanish industry yet considerably lower than in other highly industrialized countries. For example, gross value per worker in the United States reaches Can.\$45,455 and in Britain, France, West Germany and Italy more than Can.\$18,182. The greatest growth rate is in inorganic chemicals, plastic raw materials and plastic products; the rate for organic chemicals is more or less stationary at present. Under the Development Plan (1964-67) the growth rate target for the industry was fixed at 11 per cent for 1964 but the actual increase amounted to 12.3 per cent. Targets were surpassed in all sectors except organic chemicals, where the closing down of many antiquated plants and the delays in installing the new petrochemical plants have slowed up growth.

The Spanish chemical industry in comparison with those in other European countries still has a long climb ahead of it. For example, the average ammonia

output of some of the large European plants is about 1,000 tons or more a day; in Spain it is about one tenth of that. Spanish production of other basic chemicals is similar. However, in inorganic chemicals, particularly in the production of sulphuric and phosphoric acid, Spain hopes to achieve production levels comparable to those in other countries.

Imports of chemicals during 1964 increased 14 per cent but exports rose 29 per cent. This growth of exports has been maintained during 1965 because of larger shipments of mercury which accounts for 25 per cent of total chemical sales abroad. The value of imports this year is expected to reach Can.\$363.6 million, 27 per cent over 1964. Exports, at Can.\$91 million, rose 47 per cent. Once the petrochemical plants are in full production, imports will drop con-

siderably, and exports, it is hoped, will rise.

This important branch of Spanish industry is making definite progress, but the problems it has to overcome are big because of the many defective, outmoded and uneconomic plants throughout the country. The Government's continued efforts to encourage the unification of small dispersed plants into large production units have so far met with limited success. This is naturally holding back the vital renovation and modernization of the industry which is so essential if Spain is to compete eventually in world markets. In addition, the industry still has much to do towards the standardization and quality control of products.

—I. W. CEBAS,
*Office of the Commercial Counsellor,
Madrid.*

The Textile Industry

THE SPANISH textile industry for the past few years has been going through a series of crises. These were brought on in part by the switch in demand from cotton and woollen textiles to synthetics, the large number of small industries, outmoded and uneconomical production methods and machinery, and lack of investment.

The confused situation prevailing last year resulted in only 75 per cent of production capacity being used and caused much hardship to the industry. Prospects for this year are unpromising and it is likely that production will be even lower. Particularly hard hit will be the Catalan region of which Barcelona is the centre and which accounts for 80 per cent of total output—72 per cent of cotton production, 81 per cent of silk, 34 per cent of various types of fibres, 74 per cent of knitted garments, and 48 per cent of ready-made clothing.

The Government under its "Restructuring Plan", which it is now implementing, will invest \$61.6 million in the wool and cotton sectors. Of this amount it will channel 70 per cent into the renovation of existing plants.

Value of textile production in Spain during 1964 is calculated at \$1,666.4 million, with exports during 1964 totalling \$433.3 million. Investment in the industry is now estimated at \$833.3 mil-

lion a year, with imports of machinery in 1964 amounting to \$41.7 million; annual output increase is 6.5 per cent.

Spain manufactures all classes of textile fibres—cotton, wool and silk—and a wide range of artificial fibres, including rayon, acetate and cellulose fibres. Domestic production of polyamide and polyester fibres is considered sufficient to meet local demand and production of acrylic fibres is under way.

Over the past few years good progress has been made in manufacturing synthetic yarns and the following are the production figures in metric tons for the period 1958 to 1964 inclusive: 1958, 1,469; 1959, 2,009; 1960, 3,100; 1961, 3,074; 1962, 6,078; 1963, 10,485; 1964, 11,600.

Imports in 1964 totalled 39,449 tons, an increase of 15,306 over 1963. This consisted of 11,889 tons of artificial and synthetic fibres, 16,743 of cotton and 10,817 of wool. Exports in 1964, on the other hand, dropped to 38,010 tons, down 8,641 from 1963. Of this amount, 12,744 tons were artificial and synthetic fibres, 22,031 cotton, and 3,235 wool.

The Government recently decided to reduce the import tariff for textiles and as a result has exposed the industry to competition from abroad at an extremely critical period of redevelopment and modernization. It has, however, promised to study the effects of the new tariff on the industry and remedy the situation wherever necessary. ●

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