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FOREIGN TRADE

DEPARTMENT OF TRADE AND COMMERCE, OTTAWA

Spotlight on South Africa

FOREIGN TRADE

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COVER: Lumber has for many years ranked high among the hundreds of products that Canadians sell to South Africa. These workmen are stacking Canadian Douglas fir that will be used by a mining company near Johannesburg Most of the mines constantly keep enough lumber on hand to last them many months.

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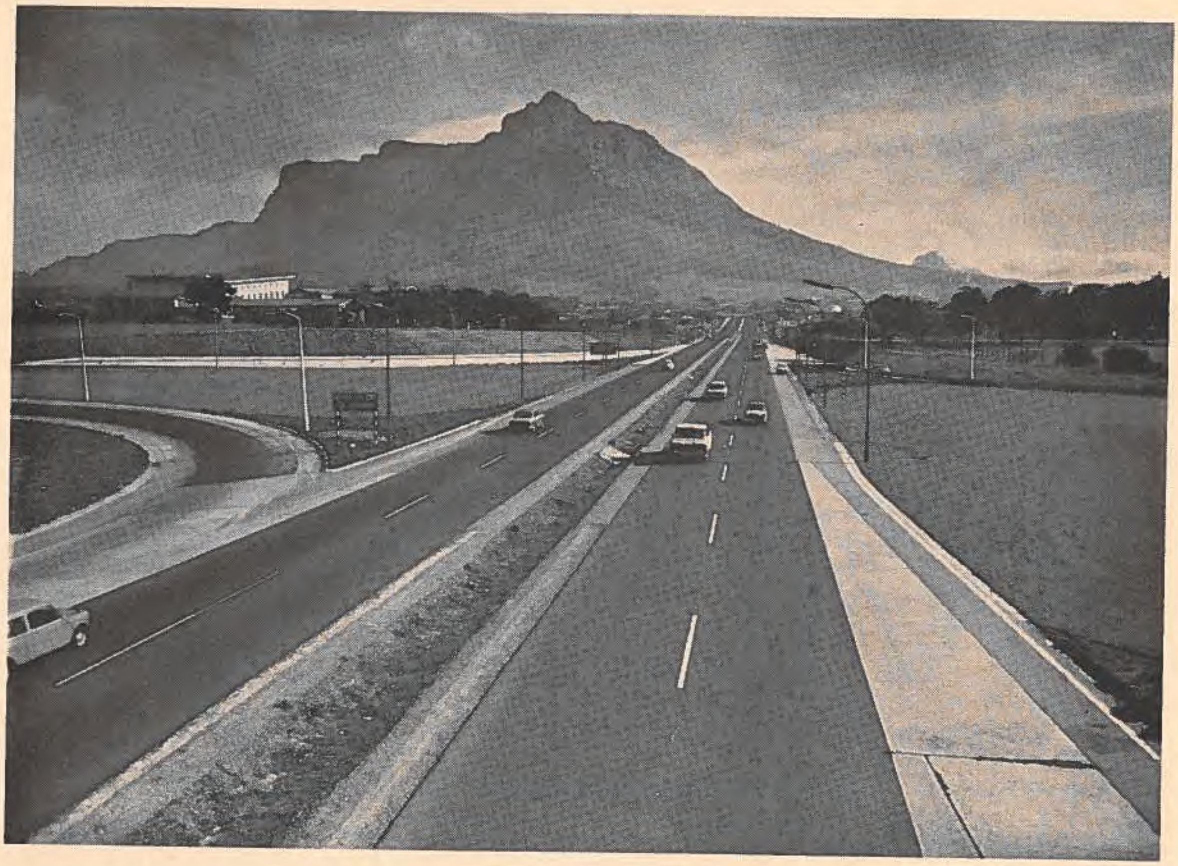
COMING—TRADE AND DEVELOPMENT IN THE FAR EAST, APRIL 30 ISSUE

South Africa in 1965



- Took measures to curb inflation, including tighter import control.
- Increased its imports in first three quarters by 21 per cent.
- Exported less than in 1964 and increased its trade deficit.
- Bought over $76 million worth of Canadian goods.

H. W. RICHARDSON, *Trade Commissioner, and*
D. H. LEAVITT, *Assistant Trade Commissioner, Cape Town.*

THE YEAR 1965 was one of prosperity in South Africa, accompanied by some problems. It was a year of further economic growth and of a significant increase in the average purchasing power. But it was also a year when this country, after three years of vigorous economic expansion, faced those difficulties that confront all rapidly expanding economies. South Africa must find how to industrialize without balance-of-payments difficulties, avoid inflationary pressures, and take the minimum restrictive action or risk stunting future economic growth. The increase in the gross national product last year in real terms was 5 per cent. During the previous three years, the average was a very high 7½ per cent in real terms.

outh Africans can speed through much f their country in the same way that ;anadians can. This is one of the ıroughways which link the main cities.

Economy Is Overheated

Consumer expenditure and investment outlays rose vigorously in 1964 and 1965 and were supported by extended credit facilities from all financial institutions and by large government spending. The demand for commercial bank credit continued to expand. With production capacity stretched to the limit, merchandise exports disappointing, and imports rising to an unprecedented high, South Africa had to accept a sizable deficit in the balance of payments on current account. This was not offset at first by much capital inflow, although this flow has recently accelerated. Accordingly, from September 1964 to September 1965 the gold and foreign exchange reserves dropped sharply from R489.2 million to R320.2 million (equivalent to Can. $480 million). The deficit was aggravated by a substantial fall in the volume of agricultural exports because of severe drought and adverse commodity price movements overseas (particularly in raw sugar). The drought, full employment, and easy credit combined to exert abnormal pressures on costs and prices.

Corrective Measures Taken

It took some time before the deteriorating balance-of-payments position and rising inflationary pressures prompted official action. In March 1965, the Government enacted the first corrective fiscal and monetary measures to restrict investment and encourage saving at the expense of consumption. It also made other cuts in bank credit and froze interest rates on deposits. Finally last August, the authorities tightened up import control by introducing a R3.00 conversion rate for goods on the Restricted List (previously a two-for-one rate of depletion of importers' basic quotas for these less essential goods). The traditional third and final round of basic quotas for all importers in 1965 was cancelled.

During the first nine months of 1965, the Republic's imports were running 21 per cent higher than during the corresponding period of 1964, and exports of merchandise were somewhat smaller. Only gold exports rose. Indications are that imports for the full year will come close to R1,-800 million and that the balance of payments on current account will show a deficit of about R300 million, including gold shipments. Recent capital inflow of R200 million should largely offset the deficit.

Although the drought is now broken throughout the country, South Africa will again have to import wheat and dairy products and (for the first time in many years) maize. This means that it will take longer to overcome the balance-of-payments problems and also that the rate of expansion, whether on its own or because of government action, will have to be maintained for a longer period at a static or somewhat lower level than it would otherwise. Unemployment is still extremely low and well below the number of unfilled vacancies in the skilled categories. In fact, the shortage of skilled labour will continue to be one of the most important factors hampering increased production in many branches of industry.

The vitality and great potential of the South African economy make it impossible to be pessimistic about the longer-term outlook. Yet the shape of economic development here during the next year or two will depend on the tricky combination of stability and growth, which will be the formula South African policymakers will seek in coming months. Therefore, although the present forecast for the South African economy indicates consolidation and some progressive improvement, it is difficult to predict when import and credit restrictions are likely to be relaxed.

Canadian Sales Rising

For the Canadian exporter to South Africa, the most difficult feature of this past year has been that South Africa has implemented its anti-inflationary policy in considerable measure through import licensing. Despite import control, however, more Canadian goods than ever before have been finding their way into the South African market. In 1964 we sold $69,165,805 worth of goods here. In the full twelve months of 1965, our exports to South Africa rose to $76,226,423, making this a more important export market for Canadians than any other country in Africa, Latin America or Asia (except Japan and recently Communist China). In 1964 South Africa ranked eleventh as a buyer of Canadian goods and during the first quarter of 1965 came seventh. In fact, it takes 70 per cent of all our shipments to the entire African continent.

Consumer purchasing power in South Africa is increasing rapidly, and now totals approximately $3.6 billion. The amount spent last year on imported consumer goods was $800 million, despite tightened import controls. Such controls, however, make it more difficult for most foreign suppliers to compete here if similar products are already produced locally.

During the past year Canadian firms have introduced such diverse

92919—1½

consumer products as trilite lamps, hacksaw blades, auto-burglar alarms, catalytic heaters, toys, window shade roller blinds and shade materials, coin-operated washing machines, and electric ranges. Some of these products are not made in South Africa, but others are. The Canadian product sells whenever it is lower priced or superior in design or quality to the locally manufactured article. The biggest opportunities, however, lie in industrial machinery, equipment, components and raw materials. There is a continuing interest on the part of South African firms in producing Canadian products under licence. This possibility or, alternatively, the establishment of a branch plant or joint venture is often the best way of selling here.

There are now eleven Canadian Holstein Friesian cows in South Africa and they have already succeeded in breaking three local milking records. This emphasizes the adaptability and high productivity of the Canadian strain of this breed under South African conditions and should mean future exports. Two Canadian Jersey cows have also just arrived, as well as more Canadian Jersey semen.

Canadian consultants or contractors interested in business here should have a base in the Republic, with a branch office or a tie-up with a local consultant if they are to participate in projects. The profession of consulting engineering is well developed and established in South Africa and the South African Association of Professional Engineers undertakes to bring Canadian offers to the attention of its members.

Remember that, whatever your interests, the two South African Trade Commissioner offices in Cape Town and Johannesburg are at your service. You need only airmail a letter to us to initiate a market survey on your behalf. ●

South Africa's

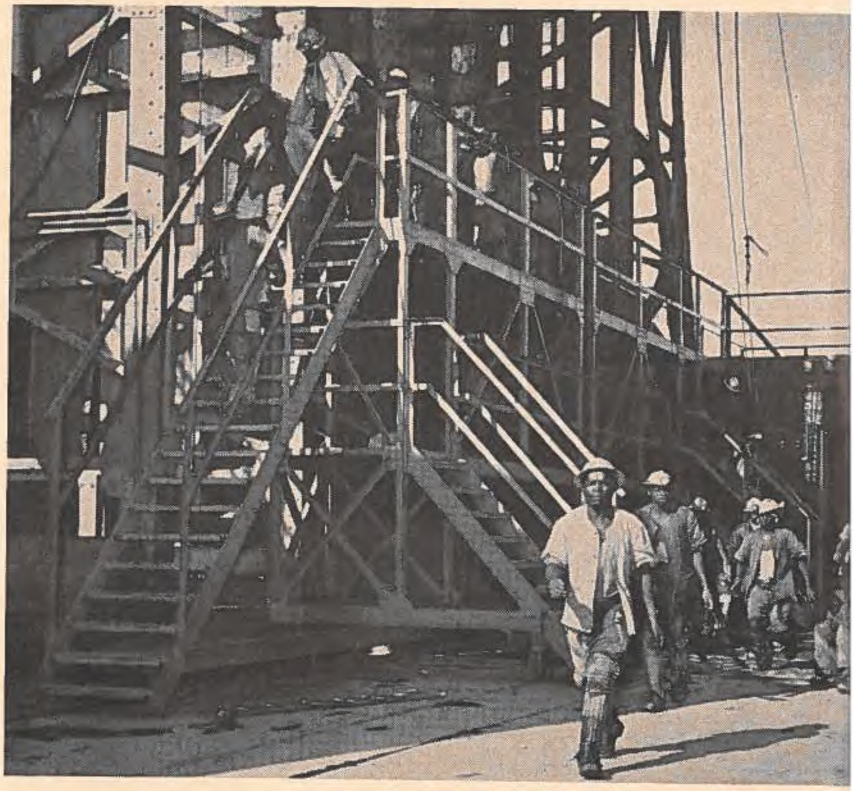
Secondary industry has become prime mover in the economy, wi mining taking second place. This rapid industrial expansion h changed the traditional pattern of country's foreign trade.

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

GOLD AND DIAMONDS were once synonymous with the name South Africa. Although they are still important to the South African economy, they are only two of the many mainstays of the high standard of living.

South Africa's rapid industrial development covers less than a century. Until 1870 secondary industry was virtually unknown; the first industrial community emerged with the discovery of the diamond field about 95 years ago. The national income based on self-sufficient agriculture underwent a further major change with the discovery of gold in 1886. Since then, the expansion of gold mini has been the principal generator economic growth and with it car the introduction of stable money an the credit economy. Within fo years, 505 industrial undertakin —dominated by wagon-builders an bakers—were being set up.

But it was only after the turn the century that South Africa becan a manufacturing country in the re sense of the term. The State Treasu soon found itself able to pay f imports without difficulty. Local pu chasing power increased to form th basis of the industrial era which w



Native miners are shown coming off shift at the No. 4 shaft-head at the Grootvlei mines. The mining of gold and diamonds sparked South African development. It is still important, but manufacturing has superseded it.

Economy Comes of Age

to follow. By 1912 manufacturing industry was contributing 6.7 per cent of the national income. It now contributes 30 per cent of the net domestic product, while mining contributes only 12½ per cent and agriculture less than 10 per cent.

A worker inspects writing paper coming from a machine at the recently expanded plant of S.A. Pulp and Paper Industries, Springs, Transvaal. Manufacturing firms such as this now contribute 30 per cent of South Africa's net domestic income.

Secondary Industry Growing

The most significant change since the 1920's and especially in the years following World War II has been the relative increase in the contribution of secondary industry to the national product. Statistics show that 10,839 secondary industries, employing 431,000 workers earning a total of R170 million, were in existence in 1945/46. In 1961/62 there were 15,714 establishments employing 796,000 workers earning a total of R684 million. This change has brought an increased contribution from this sector to domestic capital formation. If capital formation by public corporations is included, the contribution of secondary industry last year was almost as important as that of the rest of the private economy put together.

Exports of Manufactures

Secondary industry is today the prime mover in the South African economy, with expansion in this sector the main determinant of the rate of economic growth. Industry is also making a significant contribution to exports. Before the war, 70 per cent of South Africa's exports consisted of gold and only 3 per cent consisted of manufactured goods. Exports of goods and services corresponded to 27 per cent of the gross national product in 1964.

The exploitation of export opportunities has been accompanied by a rapidly growing internal market, which in turn has made possible the economic local production of an ever-growing range of manufactures. Despite the increasing diversification of the economy, the ratio of exports to gross national product is not much less than the 30 per cent of the immediate postwar years. During the first nine months of this year, manufactured and industrially processed goods represented no less than 27 per cent of total exports. South Africa may therefore be said to be well on its way to becoming a major industrial country.

The growth of secondary industry and exports has been accompanied by a great diversification of industry, both in structure and in the range and quality of the goods produced. The change is manifest in South Africa's major industries—not only in the older ones such as clothing and footwear, but especially in some of the newer ones, such as textiles and chemicals, and above all in steel and in electronics.

The variety, quality and competitiveness of secondary manufactures are reflected in the rapid increase in exports of manufactured goods, which were 25 per cent higher during the first nine months of 1965. The quality of South Africa's exports is shown by the fact that this country can now export to highly industrialized countries and can compete on their markets. These exports include not only processed agricultural commodities but products that demand a high level of precision and skill in their manufacture, such as chemicals, motor components, clothing, and even land-survey and other scientific instruments.

Branches and Licensing

A major contribution to variety and quality has been the establishment of branches by international firms and their willingness to enter into franchise and licence agreements with local manufacturers. The number of these agreements has increased gradually and now runs to nearly 200 a year. Increased appreciation in this country of the importance of technical innovation as a source of scientific growth has also led in the post-war years to a considerable stepping-up of research, both basic and applied, by the creation of research facilities and especially facilities organized on an industrial basis. North American ideas are usually those most sought after and more Canadian industrial interest in these developments would bring profitable rewards. With the inauguration of the experimental reactor Safari I at Pelindaba outside Pretoria in September 1965, South Africa entered the atomic age.

South Africa's importance in the world economy is as the producer of 70 per cent of the Free World's gold and as the fourteenth largest importing country—after North America, Western Europe and Japan. In 1964 South Africa's gold production was valued at just over $1 billion. It is the world's principal producer of gem diamonds and usually ranks fourth or fifth among world producers of wool.

Economically it is the most advanced country in Africa. With 6 per cent of the continent's population, it produces about 25 per cent of Africa's gross national product, almost 90 per cent of its steel output, and more than two-thirds of its electric power. It also accounts for over 60 per cent of rail freight traffic and almost half of all motor vehicles in Africa.

South Africa has today developed into a relatively sophisticated economy. It produces by far the greatest proportion of its consumer goods and a substantial and growing range of producer goods. Its output in real terms has more than doubled since 1948. The average real rate of growth has been 5 per cent a year and the average real per capita income has increased by 45 per cent. This is indeed proof that the country has progressed from wagon wheels to riches. ●

How South Africa Markets Its Wool

Wool exports earned over $150 million for South Africa last year, with Britain the leading customer. Canada bought only some $535,000 worth because our industry here uses mainly semi-processed wool.

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

WOOL is, next to gold, South Africa's most valuable earner of foreign exchange and this industry, with a capital investment of over R2,500 million, is the most important single agricultural activity, providing a living for 750,000 people.

South Africa ranks fifth among the world's wool producers. In the 1964-65 season it marketed over 290 million pounds of wool worth $150 million. This went to 34 different countries, with Britain the biggest importer, followed by the United States and France.

As Table I shows, Canada takes a relatively small amount of South Africa's exports of wool, because the Canadian industry uses semi-processed wool and South Africa exports primarily the unprocessed type. Consequently there are few Canadian agents dealing in raw wool and this makes it difficult for South African exporters to establish connections.

Ninety per cent of the South African wool clip is Merino and the remainder is made up of Karakul, native wools and inferior Kempy and coloured cross-breds. The South West African wools are principally Karakul; those of Bechuanaland and Basutoland marketed through South Africa are inferior Merinos.

The wool industry is promoted and protected by various organizations, such as the National Wool Growers Association, the South African Wool

TABLE I

SOUTH AFRICAN EXPORTS OF SCOURED AND GREASY WOOL*

		Value	
	Bales	**S.A. Rands**	**Can.$**
Britain	168,708	17,732,569	26,598,853
Germany	144,877	15,421,132	23,131,698
France	143,880	15,522,275	23,283,412
United States	143,533	16,377,232	24,565,848
Japan	118,717	14,437,294	21,655,941
Canada	3,799	356,574	534,861
Total exports	**901,016**	**100,166,073**	**150,249,109**

Source: The Federation of South African Wool and Mohair Buyers Ltd., List of Members, Sales Programme and Statistics. (Page 18.)

*Total shipments from South Africa and South West Africa from July 1, 1964—June 30, 1965.

Auctioneers and buyers are hard at work in the Port Elizabeth Wool Exchange.

Board, and the South African Wool Commission. The latter seeks to stabilize the wool market.

Wools are offered for sale by selling brokers at four points: Durban, East London, Port Elizabeth, and Cape Town. These include both private companies and growers' co-operatives. Sales open early in September and continue until the end of May, with two short breaks at Christmas and Easter and the heaviest offerings in the long wool season from September to February. Buyers from most of the wool-using countries operate in South Africa and in addition, most of the big international wool merchandising houses maintain buying offices in the Republic.

All wool intended for sale must be classed according to certain standards laid down by the Wool Classing, Packing and Marking Regulations. These regulations prescribe the method of classing wool as well as the symbols used on the container to indicate the contents. The South African Wool Commission appraises and values all wool, inclusive of wool offerings for sale at auction, exported direct, or processed before sale or export.

Wool Exchanges

The wool exchanges are centrally situated clearing-houses. They are the responsibility of both brokers and buyers, and funds for their management and maintenance are collected from both sections of the trade in the form of a levy on each bale sold. The exchanges control the offerings on catalogues and the distribution of various statistics and on occasion supply auctioneers at the sale. At each sale they record the price bid and the name of the buyer of each lot for future reference.

Wool Board

The South African Wool Board was established in 1946 to promote the wool industry in the Republic, to undertake research into the production of wool, and to stimulate local consumption of wool and woollen fabrics. It is a partner in the International Wool Secretariat and with the other partners, Australia and New Zealand, has contracted to supply funds for international wool promotion and research. To raise the funds required, the growers have voluntarily taxed themselves on every pound of wool grown. For the 1964/65 season the Wool Board levy amounts to 1.4 cents per pound (South African), and the Karakul levy is .5 cents per pound.

Wool Commission

The South African Wool Commission was established in 1960 for the purpose of stabilizing the wool market in any manner approved by the Minister of Agricultural Economics and Marketing.

Basically the Commission operates a floor price scheme under which the Commission buys in wools which at the auction sale do not reach a predetermined price. Alternatively, it may supplement auction prices to the extent necessary to bring the auction price to the agreed minimum price for such wool. The Commission is financed by a levy imposed on all wool sold in the Republic. Part of this levy pays for the running of the Commission and the remainder has been used to build up the capital funds required for the reserve price scheme.

Growing Local Manufacture

About 20 per cent of the annual South African wool clip is processed locally in more than 170 plants. The local woollen textile industry comprises spinning, weaving, knitting, and the manufacture of cloth, carpets, blankets and felt. South Africa can now provide for most of its own textile needs, and is today exporting some textile products. Canada maintains a favourable over-all balance of trade with South Africa and wool and wool products is one direction in which South Africa is hopeful of expanding its exports to Canada.

South Africans look upon biltong—the meat of the ostrich in dried form—as a delicacy. Now science is taking over. The first plant in the Republic to use infra-red rays to dry the biltong will be in operation soon and will turn out 10,000 pounds of ostrich biltong in 4½ days. Conventional methods do not produce enough to supply the demand.

What's Current in Commodities in South Africa?

Lobster Traps—The Canadian lobster has been meeting competition, both in the United States and Europe, from a South African cousin—the rock lobster or ocean crawfish. But to sell lobsters, you first have to catch them, and new Canadian developments in lobster-trap design could net a sizable pot—pardon the pun.

H. W. RICHARDSON, *Trade Commissioner, and*
D. H. LEAVITT, *Assistant Trade Commissioner, Cape Town.*

FEW THINGS delight the gourmet's palate more than a lobster thermidor. Canada has been the leader in exporting live lobsters (Homarus americanus —the true lobster) to Europe and the United States but recently competition has been looming from South Africa. The South African variety (Jasus lalandii—termed rock lobster) is in reality an ocean crawfish and is sometimes referred to as spiny lobster. The meat of the South African variety is in the tail. Present total production and export of live rock lobsters does not meet the demand and South African exports will probably increase.

At Luderitz, the centre of South West Africa's rock lobster industry, a load of freshly caught lobster is conveyed from the boat to the processing plant. A close look at them will show that they are quite different from lobster caught off Canada's eastern coast.

The export of live rock lobsters by air from South Africa direct to Europe started only a year ago, but already has expanded to 30 to 40 tons per month. The largest market is in France, which buys 400 to 500 tons a year. Other customers are Belgium, Holland, Italy, Switzerland, Germany, Austria and, of late, Britain. The total value of live rock lobsters now exported is Can. $1.2 million.

Exported Fresh and Frozen

At present there are six firms exporting live rock lobster, and a coordinating body in Cape Town for these firms has recently been formed: the Cape Lobster Exporters Association. The initial difficulty in obtaining air freight space has now been largely overcome and as more air freight space becomes available, exports are likely to increase.

Although exports of live rock lobsters have received the lion's share of publicity recently, most of the catch is processed as frozen tails (about 6,500 tons a year). Most of this is sold in export markets, earning approximately Can. $12.5 million in foreign exchange each year. The United States and France are the two largest markets; the United States imports approximately Can. $11.5 million worth and France takes approximately Can. $1.1 million. Rock lobster meal is processed from the parts of the body discarded when the tails are removed for freezing.

Fishing Methods

A large variety of vessels are used for rock lobster fishing, from 12-foot dinghys powered by outboard motors to diesel trawlers up to 75 feet long; the latter frequently act as mother vessels to several dinghys.

The most commonly used gear for rock lobster fishing is the hoop net. To a circular hoop of approximately 2½ feet in diameter (made from ½-inch diameter iron rod) is attached a conical net with stretched mesh of 3½-4 inches. Fish heads are frequently used as bait and are suspended in the centre of the hoop, to which a hauling line and surface float are connected by means of a three-piece bridle. As many as ten of these nets may be carried per dinghy, which usually has a crew of two.

This type of fishing usually takes place in water of up to 25 fathoms, but in deeper waters there is a limited amount of fishing also from large vessels using various types of baited traps. The main fishing grounds are off the Cape of Good Hope and the South West African coast, and also in the Vema under-sea mound which is in the open Atlantic some 400 miles northwest of Cape Town.

Processing factories operate in the immediate vicinity of particularly productive rock lobster grounds and the boats supplying the factories limit themselves mainly to their own area. It is uncertain yet whether in fact the different rock lobster grounds indicate separate colonies of adults.

This industry's growth has opened up a market for new types of lobster traps; Canada is finding promising developments in this field and it is felt that in the near future Canadians may export traps to South Africa. Firms manufacturing this type of equipment and who are interested in exporting or manufacturing under licence should send literature and c.i.f. prices to: The Canadian Government Trade Commissioner, P.O. Box 683, Cape Town, South Africa. ●

Toys—Model and hobby kits seem to be a good bet for Canadians in this $4 million-a-year market. Good quality plus attention to current fads can often overcome a price barrier.

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

"CHILDREN are the fussiest customers," the agent said as he showed me around his well-stocked showroom. "No wonder they are fussy," I thought, looking at the myriad of toys available.

"To sell a toy here it must have plenty of play value," he added. "In other words, it must intrigue the child and hold his interest."

Children are the same the world over, and there are no significant differences in the preferences of Europeans or other races when it comes to toys but because of their greater purchasing power the more expensive kinds in South Africa are sold to Europeans.

South Africans are receptive to new ideas and the country has been swept by the same toy crazes as the rest of the world—the hoola hoop, the skate board and now the super ball. War toys, however, do not have a great appeal.

Local Production

Although local manufacture is increasing, the Republic can never hope to be self-sufficient in all lines. There are over 16 million people in South Africa, of which only about 3 million are Europeans, but all of these are potential customers. South Africa manufactures only the simpler and the more bulky toys such as dolls, prams, pedal cars, tricycles, drums and bow-and-arrow sets.

This local production is valued at over $5 million, but there are no detailed figures on either total output or on individual items. Perhaps the most thriving branch of the industry in South Africa is doll-making. One firm claims that it has the largest range of doll moulds in the world, and toy dolls are nearly all produced locally. Plastic toys are also turned out in large quantities. One factory makes more than 500 different types, ranging from animals and motor cars to construction kits. There is a constant exchange of moulds with overseas countries.

Toys Are Imported

In 1963 Canada sold $2,018 worth of toys to South Africa, and in 1964 sales rose to $19,167, but suppliers could sell more toys to this market, provided that their prices are competitive and they can meet competition from traditional suppliers. (See Table I).

Toys are on the general merchandise list, which means that although a permit is required, it is not difficult to obtain. Duties on toys range generally from 10 per cent to 15 per cent ad valorem (see Table II). The buying season for toys from overseas is generally from January to March.

TABLE I

SOUTH AFRICAN IMPORTS OF TOYS, 1963

	($)
Britain	1,344,759
Japan	1,113,205
Hong Kong	842,922
United States	414,862
Others	539,572
Total	**4,255,320**

TABLE II

SOUTH AFRICAN IMPORT DUTY ON TOYS

	(ad valorem) (per cent)
Made wholly of plastic	25
Made of rubber	15
Made of wood	15
Made of metal	15
Other toys	15
Working models—outdoor	10
Working models—indoor	15
Engines for model aircraft	Free
Gymnastic equipment	15
Checkers, ludo, etc.	25

Model and hobby kits are virtually all imported and Canadian firms manufacturing these lines should certainly investigate this market. Woodburning sets and plastic models from Canada have been introduced here and initial reaction is favourable. Apart from plastic lines, toys for boys are generally imported as well as metal motor cars, battery-operated motor cars and animals, which come mainly from Japan, West Germany and Britain.

Imported plush toys and teddy bears selling at up to R20 have a small but steady sale here at Christmas, showing that high price is not necessarily a barrier.

Canadian firms manufacturing under licence from the United States with export rights for the Commonwealth should determine whether this specifically includes South Africa or not. South Africa is no longer a member of the Commonwealth and too often a Canadian company attempts to sell here only to find that the American licensor is already represented.

In most cases even the large department stores prefer to deal through an agent and our offices maintain personal contact with suitable firms. The toy business is competitive and agents are always on the lookout for new lines.

If you are interested in exporting to this market, the South African trade offices will be pleased to make an initial market survey for you. Send c.i.f. prices South African ports and several copies of your brochure or catalogue and, if possible, samples. We'll carry on from there. Our addresses are: Canadian Government Trade Commissioner, P. O. Box 683, Cape Town, South Africa, and Canadian Government Trade Commissioner, P. O. Box 715, Johannesburg, South Africa. ●

Wines:
South Africa's Vintage Crop

Each year South Africa exports well over $5 million worth of wines, liquors and spirits all over the world. The growers themselves have taken the responsibility for both quality control and good marketing practices—and they have been rewarded.

H. VAN ALPHEN,
Commercial Assistant, Cape Town.

WINES are big business to South Africans. Vineyards cover about 150,000 acres and in them over 230 million vines have been planted by over 4,600 farmers, who receive more than $35 million for their product. The vines are derived from the best Europe could offer and come from Spain, France, Portugal and Germany.

As early as the beginning of the 18th century, Cape wines had earned world-wide popularity and were highly regarded in court circles throughout Europe. Various factors, among them Britain's tariff policy, were responsible for the decline of exports which began in the 19th century and for nearly 100 years the once well-known quality of the Cape wines was forgotten overseas. The industry stagnated until after World War I, when during the postwar boom, wine farmers increased their plantings so much that the wine industry was threatened with over-production.

In an effort to stabilize the industry at the production level, nearly all the wine producers pooled their resources in 1918 and founded the Co-operative Wine Growers' Association, known throughout the world as the KWV. All wine-growers come under the jurisdiction of the KWV, which is a statutory body and carries out its functions in terms of its own constitution and certain statutes. By virtue of its constitution it is empowered to fix the annual minimum price for distilling wine, to declare the surplus —that portion of the vintage which, by estimation, will not be used up in the local market—and to indicate what proportion of a member's crop must be delivered to the KWV as surplus.

Wines made from these South African grapes will travel to some 30-odd countries.

Export Markets Sought

To handle the surplus, the KWV was obliged to seek new markets abroad and had to take into account the preferences of the various countries. This has resulted in establishing firm connections with countries like Canada, an excellent market for South African wines and brandies, the Scandinavian countries for sweet wines and brandies, and New Zealand, Hong Kong, and the Middle East—to mention but a few of the 30-odd countries to which South Africa exports some 130 types of wine and spirits.

It is to the wine industry's credit that it was capable of producing in less than two decades a sherry which finds favour in Britain—the world's most discriminating sherry market. More than a million gallons are exported annually to Britain and to cope with the ever-growing demand for this wine the KWV has embarked on a big expansion of production.

It was difficult to achieve the slow fermentation essential for the production of Rhine-type wines in a country with such a sunny climate as South Africa. Now, by scientific methods, these wines are produced under the same conditions that exist naturally in Germany, the coldest wine-producing country in the world. The wines are delicate to the palate and have a fine bouquet.

Among the other products of the KWV are all types of white and red table wines, sparkling wines (similar to champagne), brandies, vermouth, liqueurs and gin, as well as spirits for industrial and pharmaceutical purposes.

The comparative export figures for 1955 and 1965 offer evidence of the growing demand for Cape wines. Ten years ago, slightly more than 2.8 million gallons of wine were shipped overseas. In 1965, the figure reached almost 5 million gallons, an all-time record. During 1964 local sales totalled over 34 million gallons.

TABLE I

WINE EXPORTS TO ALL COUNTRIES

	Wine Bulk Gallons	Brandy Bulk Gallons	Value Can.$
1938	1,891,728	91,646	920,313
1958	4,214,147	371,614	5,386,458
1961	4,004,772	408,479	6,344,415
1962	3,356,972	477,869	5,892,111
1963	3,878,578	439,333	6,484,156

TABLE II

WINE EXPORTS TO CANADA

	Wine Bulk Gallons	Brandy Bulk Gallons	Value Can.$
1938	45,109	47,541	81,804
1958	200,455	121,962	745,317
1962	232,901	162,932	980,095
1963	191,820	157,475	878,197

Britain Is Leading Buyer

Britain absorbs 60 per cent of all South African wine exports and during the last five years the sale of fortified wines to Britain has increased by 92 per cent, placing South Africa third (after France and Spain) as an exporter of wines to that market.

Canada is at present the biggest customer for KWV brandy and during 1964 bought 186,000 proof gallons. Table wines, sherries and dessert wines from South Africa have also become increasingly popular and during 1964 Canadians consumed more than 250,000 gallons.

Quantitatively South Africa today ranks thirteenth in world wine production but in quality claims to hold its own with the best. The wine industry has become an important factor in the country's economic structure, and each year it contributes a large sum to the state coffers in the form of excise duty. In 1964 this amounted to approximately $75 million.

South West Africa Is Developing

WHATEVER the outcome of the World Court's decision on the territory's political status, Canadian exporters should not overlook trade opportunities in South West Africa. This extensive territory of 320,000 square miles is fast developing in the fields of mining, fishing and agriculture, and the lack of most secondary industry creates a demand for a wide range of consumer goods and for industrial equipment, filled by imports from South Africa and from overseas.

The European population of the territory has increased from 50,000 in 1951 to 75,000 today; there are over a million Africans. This expansion has created a demand for improved services and has resulted in increased government expenditures. The Federal Government's policy of providing ample funds to buy back from European owners a considerable part of the ranch land (usually acquired after the First World War) in order to return certain areas to African tribes has recently provided further stimulus.

Prospecting activity for minerals and oil is continuing actively in South West Africa, with several major corporations currently engaged in surveys.

Diamonds continue to be the focus of interest, and production has been rising steadily in recent years. There is still considerable interest in offshore prospecting for diamonds.

A lead smelter was brought into production at Tsumeb during 1964 and exports of lead concentrates ceased, with refined lead being produced locally. Blister copper has been produced since 1962 and other mineral products include cadmium, zinc, silver and germanium. Before World War II the property was operated by German interests.

Tin, manganese and lithium, as well as a wide variety of semi-precious gem stones, also contribute to the mining output of South West Africa.

The fishing industry has expanded rapidly and now makes a significant contribution to the territory's economic life. This industry is centred in the ports of Luderitz and Walvis Bay. During 1965, 720,000 tons of pelagic fish were landed at these two ports for processing. The rock lobster industry plays an important part in the economy: over 8,800 tons were caught during 1965. About 46,000 seal pelts are also taken each year.

Sparse rainfall in South West Africa tends to limit agriculture to stock raising except in the far northern regions, where small quantities of wheat and maize are harvested. Cattle farming is carried out in the northern regions and karakul raising (Persian lamb) in the south. There is some dairy production, but this has been reduced in favour of more beef stock.

One of the most profitable industries is karakul sheep farming—so profitable in fact that it has been described as the "black diamond industry" of South West Africa. During 1963 Persian lamb pelts worth over $24 million were exported to Europe and North America.

Canada's exports to South West Africa range from lumber to aluminum, canned fish to motor cars, electric fencers to mine hoists. There are opportunities for a wide range of commodities (apart from consumer goods) such as special industrial equipment including lumber and farm machinery, air-conditioning equipment and aircraft.

Canadian firms interested in exporting to South West Africa should write to the Canadian Trade Commissioner at Cape Town, South Africa.

—H. W. RICHARDSON,
Trade Commissioner, Cape Town.

The Market in Mauritius

Canada buys from this Indian Ocean island $14 million worth of sugar a year but sells little there. Why? Are there any worthwhile opportunities for some of our exporters in this market?

Primary products provide the raw materials for most of the island's industry. Sisal is one.

S. B. McDOWALL, *Assistant Commercial Secretary, Johannesburg.*

NEXT TO BRITAIN, Canada is the largest single market for Mauritius. But how much do we sell to them? Answer: only 0.1 per cent of their total imports. Why? The major reason is the lack of direct shipping connections; all goods from Canada must be transhipped. Another is the basic preference in Mauritius for British goods, or for goods purchased within the sterling area, to which Mauritius belongs. But these obstacles should not be considered insurmountable and this market warrants a closer look.

Mauritius is a tiny British island, about one third the size of Prince Edward Island, situated far out in the Indian Ocean. In March 1964 its new constitution came into effect and this was followed early in 1965 by political unrest and, for a brief time, by a state of emergency. Since then, however, steps towards full independence are being taken gradually and peacefully.

The island serves as a classic example of a one-product economy; sugar accounts for 96 per cent of its exports and provides a livelihood for its 740,000 people, two thirds of whom are of Indian extraction. The greatest problem is cyclones, which periodically play havoc with the sugar crop. At the moment, business conditions are reasonably good, with incomes rising. This is a result of the renewal in December 1963 of the Commonwealth Sugar Agreement, in effect until the end of 1973, which increased the quota for Mauritius to 425,000 tons. The downturn in the sugar price in the latter part of 1964 and in 1965, however, had a depressing effect on the economy. The 1965 season brought a record harvest of 750,000 tons of raw sugar.

Industrial Potential Small

Processing of the island's primary products provides most of the industry in the island and much of this is

TABLE I

FOREIGN TRADE OF MAURITIUS

	1962	1963	1964
Imports	(Can. $'000)*		
Rice	8,490	8,700	8,900
Electrical goods	2,730	5,000	4,200
Machinery other than electric	4,140	4,050	6,820
Petroleum products	3,420	3,140	3,780
Wheat flour	2,640	2,750	3,070
Edible oils and fats	2,840	2,620	2,460
Cotton piecegoods	2,830	2,750	3,070
Iron & steel goods	5,180	2,040	3,550
Road motor vehicles and parts	3,140	3,140	4,390
Fertilizers	3,570	3,730	4,420
Total, including all others	73,330	75,700	88,600
Exports			
Sugar	66,150	91,000	78,200
Molasses	2,070	3,070	2,000
Tea	886	1,250	1,000
Rum	3	n.a.	n.a.
Total all exports, including other products	**69,300**	**97,200**	**83,400**

*All figures used in these tables are converted, using the rate 4.4 rupees = one Can. dollar.

TABLE II

MAURITIUS' MARKETS AND SUPPLIERS

	1962	1963	1964
Exports to	(Can. $'000)		
Canada	5,200	8,600	14,000
Britain	57,100	66,150	62,000
United States	2,090	10,850	1,230
Japan	682	136	50
Total exports, including all other markets	**69,600**	**97,200**	**83,400**
Imports from			
Canada	94	218	94
Britain	20,420	21,400	26,200
Burma	7,840	7,880	6,020
South Africa	7,870	7,000	7,350
Australia	5,000	4,390	6,960
France	3,500	3,910	3,910
West Germany	2,980	2,960	3,120
India	3,180	2,960	3,700
Hong Kong	2,640	2,640	2,800
Total imports including all other suppliers	**73,330**	**75,700**	**88,600**

TABLE III

EXPORTS FROM CANADA TO MAURITIUS

	1962	1963	1964
		(Can. $)	
Oatmeal & rolled oats	6,900	11,900	5,000
Engines marine & parts	11,000	10,500	14,100
Salmon pink canned	6,800	6,300	7,100
Truck & bus tires	7,000	3,200	500
Aluminum fabricating material	....	149,400	21,200
All others	62,800	36,300	48,800
Total	**94,500**	**217,600**	**93,700**

done in government-sponsored factories. There is little scope for major industry but the possibility of giving aid to manufacturing in order to reduce imports is being considered. A new brewery has just come into production and a cement and a fertilizer plant are mentioned for the future. A Japanese company is combining with two Mauritian firms to start a fishing enterprise and there is talk of a hardboard plant to use surplus sugar-cane bagasse.

The growth of small secondary industries is fostered by the Customs Tariff Ordinance which provides concessions and exemption from duty for machinery and raw materials used in local manufacturing.

These concessions resulted from a thorough revision of the customs tariff in 1962, with this objective in mind. Provision was also made for drawback of duty paid on imported goods used in turning out products for export. Recently the tariffs on spirits, beer, petrol and tobacco were increased.

Tea and aloe fibre are grown on the island in addition to sugar cane, and not long ago it was announced that a group embracing nearly all the sugar milling companies would finance the building of three modern tea factories, each with a capacity of one million pounds, during the next five years.

The Trading Picture

Preliminary figures for 1964 show that exports from the island decreased 14 per cent in value in 1964 compared with 1963 and imports increased by 17 per cent. Table I gives the main imports into and exports from Mauritius in the years 1962, 1963, and 1964, and Table II its main markets and sources of supply.

Canada's exports to Mauritius reached $93,700 in 1964; the principal commodities are given in Table III. Our imports from the island, which consist almost entirely of sugar, were valued at $14 million in 1964, 62 per cent above 1963. There are few traditional commodities among our exports to Mauritius and each year sees the commodity pattern change. The forecast for 1965 was that our sales would approximate $230,000, more than double the 1964 figures. Mauritius extends preferential tariff treatment to imports from Canada and other Commonwealth countries.

Selling to Mauritius

Importers on the island must possess a valid import licence before their suppliers may ship the goods ordered. Most goods from Canada, however, with a few exceptions, are exempt from this requirement provided that the importer is a licensed trader. A number of commodities may be imported under Open General Licence; that is, they can be brought into the country without the need for first obtaining a specific import licence.

One copy of the suppliers' invoice is required for Customs purposes and this must follow a prescribed form in claiming a preferential rate of duty.

Although bills of lading are not required for the clearance of goods through Customs (the shipping agents' delivery orders are sufficient) it is advisable to supply them for shipments to Mauritius, because they must be produced to the Customs if the invoices do not contain certain particulars. The correct weight and quantity of the goods, plus the freight charges, should therefore be entered on the bills of lading.

The official language is English and should be used in dealing with English and Indian firms, although the majority of the people speak French and French should be used in correspondence with French firms.

Prices should be quoted in sterling, c.i.f. Port Louis and weights and measures should be in the metric system.

A package tax ranging up to $2.30 is imposed on most imported goods but does not apply to goods imported by air or parcel post.

A Look at Malagasy

The Republic of Malagasy's trade is still closely tied to France and the franc zone, but as development proceeds, some Canadian firms are finding customers—but groundwork comes first.

S. B. McDOWALL, *Assistant Trade Commissioner, Johannesburg.*

IF YOU ARE selling to France, have you ever considered selling to Malagasy also? It could be well worth your while to do so, for the ties between Malagasy and France are still strong and many of the French companies have offices in Malagasy and a knowledge of the market. The ties with France were recently formalized by a co-operation agreement signed at the time Malagasy became an independent Republic within the French Community.

An explanation of the importing system will show how these ties influence trade. Imports from France and the franc zone receive preferential treatment. The French Treasury controls all expenditures outside the French zone through a system of zonal quotas that attempt to give the best value to the Malagasy Republic from the prices that importers submit. The reason for this system is that all foreign earnings of Malagasy are deposited in Paris and the French Treasury provides the funds needed for non-franc-zone imports out of available currencies. After allocations of funds are made twice a year, separate import quotas are set up for France and the other EEC countries on the one hand and for the non-EEC countries (in which Canada is included) on the other. Quotas are set out by product and when these are published, importers apply for a share of the quota by supplying the authorities with a pro forma invoice for the products that they wish to import. At this point, the Import Commission allocates licences to those countries or blocs whose products appear to offer the best value to the Republic. Goods must be shipped from the exporting country within six months from the issue of the licence.

Malagasy's major natural resource is the soil; 90 per cent of its population earn their living on four million acres of cultivated land. They raise mainly subsistence crops, including about 1¼ million tons of rice, of which about 40,000 tons are exported, and 850,000 tons of manioc, used to produce tapioca for export. The most important export is coffee but it is facing hard times; next come sugar and rice. Graphite, mica and uranium are mined and exported, but mineral products constitute only 6 per cent of total exports.

In September 1964, the Malagasy Government and the United Nations Special Fund announced a three-year exploration project costing $1.4 million* to investigate evidences of mica, copper, gold, beryllium and Colombo-tantalite on the Horombe Plateau in Southern Malagasy. Another aim of the survey will be to investigate new sources of water for domestic use and irrigation. There are prospects of an investigation into the timber resources of Malagasy and this may provide opportunities for selling sawmilling equipment.

Industry Is Encouraged

In the industrial sector, the Government is actively pursuing a policy of giving priority to industrial development needs. Secondary manufacturing is still limited and consists mostly of the processing of agricultural products in sugar refineries, rum distilleries, meat-packing plants and a brewery. There is also a mill for weaving cotton and hand cloth. Other factories turn out cigarettes, shoes, distilled water, and some soft drinks. Two companies have begun assembling motor cars and commercial vehicles, and there are also plants producing pharmaceuticals, vitamins, matches, dry batteries, bicycles and transistor radios. Malagasy has signed an agreement with Japan for the creation of a fishing venture to catch and process fish and an oil refinery is scheduled to be completed this year at Tamatave, the island's largest port. The refinery will be half-owned by the Malagasy Government and half by international oil companies, and will have an initial capacity of 350,000 tons a year. There is also talk of a paper and pulp factory. Television came to the island in February.

Business practices in many parts of Malagasy may appear old-fashioned; each village still has its market day or "zoma". Most local firms are small and are run by members of the 72,000 European, Indian and Chinese community. These firms are also versatile and perform many of the sales functions at once, such as importing, wholesaling and retailing. There are also many larger and old established firms with associate or parent French companies.

Imports Are Increasing

The latest figures show that in 1964 Malagasy's imports reached $146 million, a 7 per cent rise over 1963. Exports rose by 12 per cent to $98.5 million and the deficit on foreign trade was thus $48 million. Trade patterns in 1965 have not shown any basic changes and the 1965 figures are expected to be close to those of 1964. Imports of consumer goods continue to increase and food products make up about three quarters of these.

Malagasy obtains about three quarters of its imports from France but sells only about half its exports there; in fact, its sales to France have been declining steadily since the war. Its

*Note: All figures used in this report are expressed in Canadian dollars, using the conversion rate Can.$1.00 equals 230 FMG francs. All 1965 figures are provisional.

next largest suppliers are West Germany and the United States which, however, each only supply about 3 per cent of imports. Its second largest market is the United States, which buys about one sixth of exports, mainly vanilla and coffee. Tables I, II and III give details on Malagasy's foreign trade.

TABLE I

MALAGASY'S FOREIGN TRADE

	1962	1963	1964
	(Can.$ million)		
Imports			
France	97.7	101.2	104.4
Other countries in franc zone	4.7	2.9	4.2
Iran	3.8	3.6	3.9
United States	3.1	4.6	6.6
West Germany	3.9	4.7	5.5
Total, all countries	**130.0**	**137.0**	**146.0**
Exports			
France	54.6	46.0	53.6
Other countries in franc zone	16.7	10.8	12.0
Britain	2.7	2.4	1.8
United States	15.6	15.1	18.1
West Germany	3.3	3.4	3.5
Total, all countries	**101.0**	**88.2**	**98.5**

TABLE II

WHAT MALAGASY BUYS

	1962	1963	1964
	(Can.$ million)		
Machines	8.8	10.8	13.1
Automobiles and parts	10.4	10.5	12.0
Electrical goods	6.0	6.9	9.4
Cotton and cotton goods	13.1	11.2	9.1
Iron and steel products	5.8	7.6	6.8
Petroleum products	6.4	6.5	6.7
Paper and paper products	4.8	4.6	5.0
Total imports, including all others	**130.0**	**137.0**	**146.0**

TABLE III

WHAT MALAGASY SELLS

	1962	1963	1964
	(Can.$ million)		
Coffee	32.3	25.5	26.4
Rice	9.6	5.8	6.4
Vanilla	9.4	4.6	6.9
Sugar	6.9	9.5	10.2
Sisal	4.8	7.9	8.9
Fresh and frozen meat	3.0	1.6	2.9
Raw tobacco	3.4	4.2	4.9
Cloves	3.0	1.7	3.5
Peanuts	2.9	2.3	1.6
Raffia	2.2	2.5	2.8
Essential oils	2.1	2.0	2.1
Graphite	1.8	1.7	1.5
Total exports, including all others	**101.0**	**88.2**	**98.5**

At present the economic development of Malagasy is limited because the per capita income of its six million inhabitants is only about $120 per year and one half of the population is under 15 years of age. There is much need for public development work and technical instruction in agriculture and industry. Development is further hindered by the high cost structure because of the small active population, the rugged terrain, the high transportation cost, lack of communications, and relatively few mineral resources. Most of the capital goods are usually financed by aids and grants by France and the EEC and are usually tied to the donor country, although there are some UN Special Fund and U.S. AID grants. France recently came forward with a $5 million grant for the financing of 27 different economic and social development projects on the island. The tourist trade also brings in some revenue.

Trade with Canada

Canadian trade with the Malagasy Republic today is very small, but there are opportunities for selling vehicles, metalware, chemicals, machinery, textiles and liquid fuels as well as many other products. There is no direct shipping line from Canada to this third largest island in the world and goods generally require transhipment. Prices should be quoted c.i.f. Tamatave in French francs or the Malagasy franc and in the form of a pro forma invoice. Terms should be an irrevocable letter of credit, except for well-established connections. Weights and measures should be metric and all correspondence airmail and in French.

Although the customs tariff generally ranges between 5 to 10 per cent, there is also an import tax of 27 to 38 per cent that applies to all countries. The Malagasy Republic is a member of GATT and exchanges most-favoured-nation tariff treatment with Canada. It is also associated with the EEC under the 1964 Treaty of Yaounde, which provides for preferential tariff treatment by both parties, as well as the extension of financial aid by the EEC to the Malagasy Republic.

Canada's exports to Malagasy will probably reach $115,000 in 1965, a considerable increase over 1964, but small in comparison with our competitors. We sell almost entirely machinery and other engineering equipment and supplies, and buy mainly sisal, (about $700,000 in 1965) and a little coffee.

Prospects

It is unlikely that Malagasy will be a large market for Canadian goods in the near future or as long as the Republic enjoys such close association with France. But as the country develops, the economy prospers and improves, and new projects are undertaken, opportunities will present themselves for Canadian products and services. In the meantime, however, there is much groundwork to be laid.

U.S. Guidelines

ADDRESSING the Canadian Club of Toronto on March 21st, the Minister of Trade and Commerce stated that, "at the recent meeting of the Joint Canada-U.S.A. Ministerial Committee on Trade and Economic Affairs, Canadian Ministers were assured . . . that the United States Government was not requesting United States corporations to induce their Canadian subsidiaries to act in any ways that differed from their normal business practices as regards the repatriation of earnings, purchasing and sales policies, or their other financial and commercial activities. The United States members of the Committee re-emphasized the view that United States subsidiaries abroad should behave as good corporate citizens of the country where they are located."

Mr. Winters illustrated the importance of foreign-affiliated companies to Canada's trading position by the fact that "Canadian subsidiaries of United States companies account for close to one-half of our total merchandise imports from the United States." To hold our external payments gap to manageable proportions, the Minister thought it appropriate "to consider what constitutes good corporate behaviour in the case of foreign-affiliated companies." He said that . . . "special attention and encouragement should be given to help these companies to adhere to the guiding principles of good corporate citizenship."

How to Mark and Label Export Shipments

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

OFFICE OF TRADE RELATIONS.

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

Marks of Origin

Marks of origin regulations are of two broad types. First, there is the regulation requiring that a mark of origin be placed on goods irrespective of any other consideration. This, for convenience, may be referred to as a compulsory mark. Second, there is the regulation which requires a mark of origin only when its absence creates a false impression about the origin of the goods. This is known as a corrective mark.

Compulsory Marks of Origin

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

Under the United States Tariff Act, all imported articles must be marked in a conspicuous place with the name of the country of origin in English in such a manner that the marking will remain on the article until it reaches the ultimate consumer. Certain exceptions are made for articles that cannot be marked, those that cannot be marked without injury, and those that could only be marked at prohibitive cost.

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

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

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

New legislation regarding marking and labelling is being prepared in Britain, but it is understood that the British authorities will give adequate advance notice before putting into effect any changes in present requirements.

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

Corrective Marks of Origin

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

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

Method of Marking

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

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

Labelling

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

Shipping Marks

Marks and numbers put on outside containers should, of course, be large enough and legible enough to ensure that the goods reach their destination safely. They must also permit the containers to be clearly identified with the corresponding shipping documents. Some exporters suggest that in shipping goods that might attract the pilferer, "blind" marks should be used which will not give away what is inside. These blind marks should be changed frequently. In the same way, advertising on the containers sometimes draws unwelcome attention. When secondhand containers are used, the old shipping marks should be carefully removed to avoid confusion.

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

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

The protection and use of trade-marks was covered in the article "Protecting Trade-Marks in Foreign Markets" which appeared in the April 2, 1966, *Foreign Trade*.

Other marks which an exporter may have to use include hallmarks for precious metals, marks relating to quality and standard, date marks on perishable products, special marks for explosives and other dangerous materials, and so on. Any trade description attached to a product should, of course, be accurate. The use of national symbols such as coats of arms, flags and the like is frequently restricted. The use of Red Cross (name or symbol) is prohibited by international convention.●

New Zealand Plans Steel Mill

As plans for a steel mill in New Zealand progress, Canadian manufacturers might well study the possibility of supplying machinery or materials. Canadians have already assisted in preliminary studies.

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

NEW ZEALAND, traditionally known for its excellent farm produce, has now begun work on an industry described locally as "the biggest single step in industrialization this country has taken"—a steel mill.

This steel mill, due to begin operations in 1967, comes as a culmination of efforts dating back over 100 years. Economic feasibility only now seems assured, following extensive investigations by groups sponsored by the New Zealand Government. In the course of their studies, these groups called on consultants and had tests carried out in many countries, including Canada, Norway, Britain, the United States, and West Germany.

The method finally decided upon is the magnetic separation of ironsands, followed by the Stelco-Lurgi pre-reduction process, developed jointly by Canada and West Germany. Electric furnaces are then to be employed before continuous casting to the steel billet stage.

Initial production is expected to reach over 100,000 tons by the late 1960's and 500,000 tons by the early 1980's.

Process to Be Used

New Zealand Steel Limited is to be established at Glenbrook, approximately 40 miles from Auckland, the largest city and market for steel, and only nine miles from the ironsand deposits. The plan is to use the Waikato North Head ironsands (titanomagnetite) with estimated reserves of 150 million tons. This ironsand can be readily mined by an inexpensive surface operation in which scrapers pick up the sand and transport it to a concentration plant. There it will pass through magnetic separators before being taken to the steelworks at Glenbrook.

The ironsands will then be combined with a bentonitic clay as a binding agent in a machine with rotating discs to ball the concentrate into marble-size pellets. These pellets will be fed into a fired, slowly rotating kiln, with coal and limestone.

As this material moves along the slightly inclined kiln, the iron in the pellets becomes deoxidized to form sponge iron. The reduced pellets look much the same at the discharge end of the kiln but they then have a porous structure with a low sulphur content known as sponge iron.

The sponge iron is then charged into electric arc furnaces in conjunction with scrap steel and further reduced by removal of any remaining titanium and carbon content to those specifications required for steel. Successful steelmaking trials have already been carried out with New Zealand sponge iron produced by the Stelco-Lurgi process, both in England and at the Edmonton, Alberta, plant of the Steel Company of Canada.

The molten steel is then charged directly into a continuous casting machine considered particularly suited to a plant of this size. The end product of this continuous casting process is a long continuous billet which is cut to size before further processing.

Raw Materials Needed

● **Ironsands**—There are extensive deposits of ironsands on the west coast of both the North and South Islands in both titanomagnetite and ilmenite form. It has been found that the titanomagnetite type is suitable for use in the kind of operation envisaged for New Zealand. Fortunately, there are good deposits of this form of ironsand on the Waikato North Heads only 50 miles from Auckland. Magnetic concentrates of the titano-magnetite type are reported to average between 56.8 and 59.9 per cent Fe and to contain approximately 7.8 per cent TiO_2 (titanium dioxide) and 0.63 per cent V_2O_3 (vanadium trioxide). Proven reserves of 150 million tons have been reported in this area, only nine miles from the site of the steel mill.

• **Coal**—Adequate coal for this steel mill is found within 50 miles of the mill and ironsand deposits. Transport to the mill will present few problems. The coal is sub-bituminous, low in sulphur, low in ash and high in volatile material. It is highly re-active and is particularly well suited to the direct reduction process.

• **Limestone**—This is also found in quantity a few miles from the site and the quality is perfectly suited to this operation.

TABLE I

NEW ZEALAND STEEL LIMITED PROJECTED PRODUCTION

Stage I

a. Galvanized sheet (flat and corrugated) from imported cold-rolled coil—1967.

b. Billets and wire rod from New Zealand ironsands—1968.

Stage II

a. Pipes from imported strip—1972.

b. Cold-rolled flat products from imported hot-rolled coil in place of cold-rolled coil—1973.

Stage III

Hot-rolled coil (previously imported). Tinplate—1976.

• **Power**—Adequate electric power will be available and a price of 0.5d (0.625 cents) per kwh. has been assured. This is somewhat less than the average electricity prices throughout the country but is in line with the Government's policy of supplying low-cost bulk electric power to specific industries.

• **Other Raw Materials**—Low-temperature refractories, bentonite and dolomite are available locally but high-temperature refractories will have to be imported, as will ferro-alloys and electrodes.

Development Program Planned

A program for development has been worked out, taking into account the best working arrangement with the existing steel product manufacturers, Pacific Steels Limited and GKN (N.Z.) Limited.

Pacific Steels Ltd., at present New Zealand's only steel producer, was founded in 1961 as a joint British and New Zealand venture. In its operation, scrap is melted in a 40-ton capacity electric arc furnace to produce approximately 50,000 tons of merchant bar products per year on a one shift basis. This production can be increased to approximately 120,000 tons per year on a three shift basis but by 1970 the demand for products that can be turned out by Pacific will almost reach this total. The new steel mill can then supply any extra requirement for billets.

GKN (N.Z.) Ltd. is a wire-drawing mill which by 1970 will require an estimated 74,400 tons of steel. The market for wire products will be preserved by GKN and the new steel mill will supply the feed.

The product range of the new mill is expected to start with galvanized sheet from imported cold-rolled coil steel in 1967 and is to be increased by stages, as shown in Table I.

The estimated output in long tons of the various products at the dates given is shown in Table II.

It is proposed that, in addition to the products listed above, the operating company produce pig iron at a fairly early stage.

Cost and Financing

The cost of building this steel mill is forecast at about $168 million up to the end of Stage III, in 1976. This figure has been criticized by some as too low, in view of the current construction and expansion programs at other mills throughout the world. Stage I is estimated to cost $52.5 million, Stage II $32.7 million, and Stage III $82.8 million.

Of the $52.5 million of initial capital, roughly 60 per cent will be borrowed; the other 40 per cent (or $19.5 million) will be equity capital raised in New Zealand through selling shares. At least 25 per cent of the equity capital will be subscribed by the Government and there will be safeguards to ensure that at least 80 per cent of the share capital and the control remain in New Zealand. In addition, the Government will guarantee loans from overseas and will provide an internal loan.

All estimates for optimum production of specific products have taken into account local consumption only and exports have not been considered, although they are always a possibility. Nor is there any thought of supplanting imports completely. (In the 12 months ended June 1965, these totalled 455,000 tons.) But New Zealand naturally hopes to supply everything that it can economically.

Advertisements for a general manager, a works manager and a chief engineer for New Zealand Steel Limited have already been circulated; so have requests for applications from New Zealand engineering firms interested in and capable of undertaking preparation of foundation and building erection.

W. S. Aitkens and Partners, consultants to New Zealand Steel Ltd., have work on the specifications for plant and machinery well advanced and tenders for equipment will probably be issued in the near future. •

TABLE II

ESTIMATED OUTPUT OF NEW ZEALAND STEEL LIMITED

Product	Stage I 1970	Stage II 1975	Stage III 1978	Stage IV 1983
		(in long tons)		
Billets	51,300	61,500	78,400	95,400
Wire rod	53,500	81,800	95,500	109,400
Hot-rolled strip	....	....	28,700	40,300
Cold-rolled strip	....	60,600	111,000	141,900
Galvanized sheet	64,300	72,700	86,800	100,800
Welded pipe	....	22,200	23,200	24,200
Tinplate	....	....	13,300	16,700
Sections and rails	....	....	....	70,000
Total	**189,100**	**298,800**	**436,900**	**598,700**

Experience acquired in Canada and the Bahamas helped a Toronto firm—Project Planning Associates Limited—to win against stiff competition the contract for redesigning the waterfront of Kuwait City, plus other assignments in Somalia and Scotland.

PPAL Wins Planning Contracts Abroad

T. W. G. POGSON.

IN 1952 a number of men interested in community planning and development worked on the New Town of Don Mills in Ontario. While they were engaged on this project, they conceived the idea of creating under one roof a complete team capable of producing comprehensive planning applicable to any situation. They have since turned this principle to good advantage both in Canada and abroad.

As the Don Mills project phased out, they decided to remain together as full-time consultants. The services they offered covered industrial, residential and commercial services, financial and sociological planning, architectural design and general engineering. The company, named Project Planning Associates, (or PPAL) was formed in 1956 and the original partners remain the hard core of a worldwide integrated concern of planning consultants. PPAL now maintains offices in Toronto, Halifax, Montreal, London, England, and Kuwait, and its contracts take personnel into Somalia, the Gulf countries, the British Isles, the Caribbean, and the United States.

First Foreign Contract

In 1956, the year in which the firm was established, it was invited by Canadian industrialist E. P. Taylor to undertake the planning of a project in the Bahamas. Mr. Taylor had purchased several thousand acres of land on New Providence Island, near Nassau. PPAL produced a master plan which detailed the layout of a large vacation-resort community now internationally known as Lyford Cay. It will eventually accommodate the balanced requirements of a dredged yacht-basin, beach club facilities, efficiency units, and upper and middle-income sites for resort homes. It also includes marina channels and a championship golf course.

Lyford Cay was the first project of its type in the Caribbean and the site in 1962 of the meeting between the late President Kennedy and former Prime Ministers MacMillan and Diefenbaker.

Introduction to Kuwait

In 1961 the Government of Kuwait, the tiny oil-rich Gulf country, invited PPAL and 14 other companies to submit proposals for the undertaking of planning and engineering services on the proposed development of the Kuwait City waterfront. The Kuwaitis chose five plans and PPAL found itself in competition with four British companies. The competition amounted to undertaking the feasibility studies for the waterfront, with each company paid adequately for its services.

PPAL was awarded the design contract and was subsequently requested by the Government of Kuwait to refine the proposal and detail the work to fit budgeting requirements. The estimated cost of the construction contract is more than $40 million and its award to a Canadian company was important, for several reasons:

- Kuwait is the wealthiest and one of the most progressive states in the Middle East.
- It has an excellent reputation in the field of town planning.
- Its Government had long expressed the intention of making the City of Kuwait a showpiece not only within the Arab world but internationally.
- The Canadian design neatly complemented the over-all plans for the new Kuwait City.

The Canadian breakthrough shattered a traditional pattern of trading and services in Kuwait. Until 1961 Kuwait was a British protectorate and the major oil company was Anglo-American. Because of this historical background and development, its trade was carried on primarily with the United States and Britain. Its large oil royalties were spent mainly within the Western world, chiefly in Britain and the United States, and it invested heavily in Anglo-American industrial and other gilt-edged stocks and securities.

In the mid-1950's, however, as Kuwait neared independence, its pat-

Here is a model of the redesigned Kuwait City waterfront, to cost some $40 million. It will stretch for six miles altogether, from the dock area in the foreground to the tip of the Bay in the background, the current site of the British Embassy.

tern of spending and investment altered. Companies from West Germany, Japan, the Netherlands, France and Italy obtained lucrative contracts there in construction, marine engineering and oil exploration. Kuwaiti citizens became world travellers, and students went overseas to study; many came to North America. When they returned to Kuwait, they were well aware of Canada's ability to supply first-class goods and services. It was inevitable that Canada's reputation in urban renewal and engineering should catch the eye of Kuwait's progressive planners.

From the outset, the company was aware of the importance of the Kuwait contract and gave it the concise planning of a military operation. Files on Middle East affairs had been prepared over a period of months. Information about similar waterfront schemes was compiled and collated. Many sites were visited and designers interviewed. The Foreign Trade Service of the Canadian Government was consulted for its advice, based upon years of experience throughout the Middle East. Company personnel made several visits to Kuwait and established liaison with everyone upon whom they would have to rely in the years ahead. Anyone known to the company's principals who had up-to-date experience of Kuwait, anyone who knew anything about its background and customs, trading and commercial activities, sociology or aspirations, was interviewed and his opinions carefully tabulated.

During the past four years the company's staff has travelled extensively on their contract in Kuwait. In 1965 one of its marine engineers flew over 120,000 air miles, mainly on work connected with the Kuwait project. In the Toronto offices, fed by a continual stream of information from site engineers, the work has taken increasingly more of the staff's time. As the project passed through various engineering stages, other branches of the company overseas became involved in it. Personnel from the London office travelled to Kuwait and others working in East Africa paid several visits to the site.

Interesting Aspects

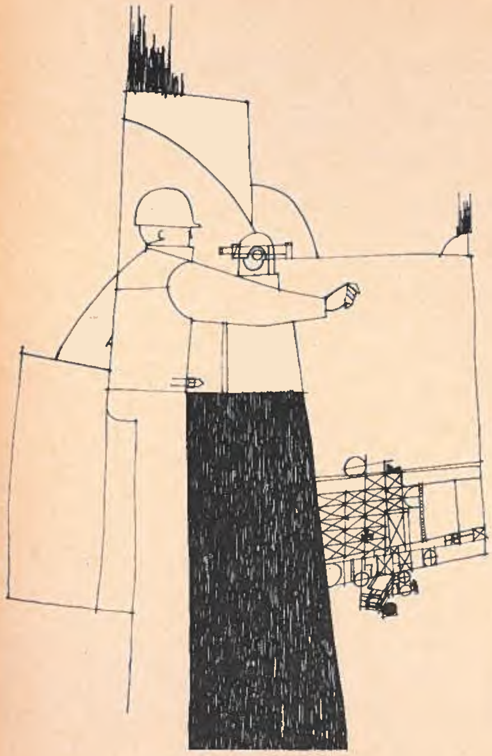
Kuwait is a planner's dream. For centuries it remained virtually static, relying on sponge and pearl fishing, dhow building and entrepreneur trading. While the countries around it —Saudi Arabia, Iraq and Iran—were undergoing rapid change, Kuwait remained a quiet seaport until 1946. Then oil began to be produced in a virtual flood. Today annual production exceeds 106.7 million metric tons of crude; its royalties in 1965 topped $700 million and are expected to reach $1 billion by the end of this decade.

The Government of Kuwait is therefore a wealthy client but it has always been wise in the disposition of its oil royalties. PPAL's design was the second most expensive of the five finally considered. In 1962 the Kuwait Government commissioned PPAL to produce the final plans for the following:

Series of man-made islands in Kuwait Bay

Six-mile waterfront expressway

Series of retaining sea-walls within areas to be filled hydraulically by dredging



Numerous sites for recreation beaches

Hotel and restaurant facilities

New small-boat harbour, a large marina and a yachting basin.

The Kuwait waterfront will stretch for six miles along the shores of Kuwait Bay. It will join the deep-water commercial dock area at the most easterly point to the tip of the Bay now occupied by the British Embassy. Various modifications to the original plans have now been agreed upon and in consequence, between June 1964 and December 1965 PPAL has satisfactorily performed the following work at the site:

(1) Obtained all the base information (aerial photography, mapping, surveying of base traverse) and completed hydrographic and geophysical investigations, including soil testing.

(2) Carried out a limited traffic study in the City of Kuwait to determine anticipated future traffic volume along the planned Corniche (the term 'Corniche' is commonly used in the Middle East to describe a scenic waterfront driveway; there is a famous one at Alexandria in Egypt).

(3) Completed the preliminary design drawings and submitted these to the Kuwait Government, with a detailed technical report and revised estimates of cost.

Late this year an hydraulic model will be tested at Chatou, a suburb of Paris, France. Following these tests, possible revisions to the last set of drawings will be tendered for acceptance, with final soil testing.

The following will then remain to be done: production of final working drawings, preparation of bills of quantity, and the placing of the contract to international tender. After the receipt of the bids and the award of the contract by the Kuwait Government, PPAL's resident engineers will supervise the entire project from start to finish. If everything goes well, the Kuwait City waterfront could be completed by 1972.

Into Africa

During 1965 PPAL extended its foreign work to Africa. In consort with L. G. Grimble and Associates of Calgary, Alberta, transportation experts, the company started work on a project backed by the UN Special Fund. This is a two-part engineering study. The first part is a preliminary study of two new main roads in northern Somalia. The second is a comprehensive transportation study of the entire country of Somalia—over 250,000 square miles—to determine the various uses of land (crop and livestock raising, mining, commercial, industrial and residential). Arising from the report, a workable system of roads, airways, shipping, etc., will be recommended, and through the UN the priorities for Somalia—a country which relies heavily upon foregin aid—will be established.

The British Isles

Two years ago PPAL opened offices in London, England. Britain, with its special problems in the field of urban design (a lack of space, rather than a surfeit as in Canada) had long intrigued the Canadian company. After a number of visits by head office personnal, the potential of the market was assessed. PPAL considered locating in Britain, a logical extension of its North American experience and a bridgehead for the booming European Common Market.

One large project has occupied the British staff for the past two years. They have produced a two-volume study for the City and Royal Burgh of Aberdeen which is basically a town centre renewal plan. This scheme is designed to meet the demands of this century without spoiling the considerable beauty of the heart of Aberdeen, its old buildings and famous fish quay.

Despite fluctuating economic conditions in the British Isles, which invariably affect urban development, PPAL hopes to become one of the leading town planning and consultant firms in the British Isles. The London office has also taken part of the workloads in Halifax, Nova Scotia, and Newfoundland—and more recently in Kuwait—off the shoulders of the parent company.

Basis of Success

The fact that Project Planning Associates is now an international organization is due, in part, to the multi-national composition of its staff. It is difficult to name any part of the world with which the staff is not acquainted.

As Canadian expertise in this field becomes more widely known abroad, prospects for companies such as PPAL are virtually limitless. As other countries aspire to improved living conditions, better accommodation and more beautiful communities, many of them will turn to countries like Canada, which understand the problems of planning.

If experience can be tempered with adaptability and understanding, it matters little where the road leads —Kuwait, Somalia, Britain, the Bahamas. PPAL thus far has been able to couple its awareness of problems with sound advice. It is only one of many Canadian firms which in recent years have reached out beyond our borders and met challenges with imagination and hard work.

businessman's bookshelf

Columbia Journal of World Business

Columbia University, Graduate School of Business Quarterly. $10.00 per year.

THE COLUMBIA University Graduate School of Business has launched a new quarterly with the timely objective of providing a means of communication for members of the global business community and university scholars. The *Journal* will attempt to keep executives and students of business abreast of important advances in business thinking throughout the world by providing a platform from which authorities can speak freely on business and related issues of our time.

Edited by Courtney C. Brown, Dean of the Columbia Business School, the inaugural issue (fall 1965) draws on well known national and international authorities for an array of readable articles, ranging from comments on changing British trade patterns by Norman Kipping and an appraisal of foreign aid by Eugene R. Black to reflections on self-expression in a large organization by Clarence B. Randall.

Although this *Journal* is edited with the U.S. reader in mind, Canadian businessmen should also find it of interest if the first issue is any indication.

Order from: Pergamon Press Inc., 122 East 55th St., New York, N.Y. 10022.

International Marketing

J. Fayerweather. 120 pages. $1.90

THIS is one of a series on the *Foundations of Marketing* which the editor describes as: "a series of authoritative and concise books prepared to serve the need for teaching materials incorporating the results of recent research and developments in the study and practice of marketing. Individual books are self-contained, reasonably complete treatments of the fundamental changes taking place in their areas."

This study starts with broad considerations on marketing for the global enterprise and on international marketing. It then goes on to discuss how marketing is affected by economic, cultural and political factors, the influences on consumer buying, distribution, and promotion. It concludes, after an examination of various phases of marketing abroad, with a discussion of the total marketing program and the influences on it. This program is of course influenced by the peculiar aspects of each society and the similarity of marketing problems in all countries, and by the forces of international economies moulding over-all trade patterns and the distortion caused by nationalistic policies.

Order from: Prentice-Hall of Canada Ltd., 520 Ellesmere, Scarborough, Ontario.

Living Abroad

Eleanor B. Price. 831 pages. U.S.$4.95.

THIS BOOK answers a multitude of questions and discusses the day-to-day problems one encounters when establishing a home away from home. The extensive introduction covers many aspects of extended stays abroad, such as documents for residence, taking your dog, clothing sizes, temperatures, gas and electric oven temperatures, weights and measures, and even auto-tire pressures. International road signs and an interesting section on "incidental information" (from agar-agar and baby foods to taxes and yeast) are also included.

Ninety countries are covered and the format is consistent throughout. Among the twenty-one topics in each are entry regulations, wardrobes, health, housing, schools, pets, servants, taxes and transportation and so on. For example, the traveller is advised to: buy 6-ply tires for the rough roads in Turkey, take along batteries for his hearing aid in Ghana, bring lots of shoes for the unpaved streets in Honduras, and rent a house with a telephone already installed in India because the waiting period might be as long as a year and installation costs $225.

The customs and practices in all these countries are treated succinctly. For instance, pedestrians deserve congratulations when they successfully cross a main thoroughfare in Belgium; all pharmaceutical items in Sweden need a prescription—even rubbing alcohol; don't show the sole of your shoe in Thailand because it's rude; brakes are a necessity in Jamaica but a horn is more important because everybody drives in the middle of the road.

More and more Canadians are living abroad every year—consulting engineers, foreign service officers, teachers or experts in many fields, members of the armed forces, and so on. This book tells them what to expect and how to cope with some of the difficulties in unfamiliar countries. There is also helpful advice on including in your 66-pound aircraft baggage limit essential personal and household items that you will need before your furniture and effects arrive.

Order from: Manager, Publications, Pan-American Airways, Pan Am Building, New York, N.Y. 10017.

West African Directory 1965-66

Thomas Skinner & Co. Ltd. 672 pages. $7.00.

THIS FOURTH edition of the *West African Directory* devotes more than 500 pages to facts and figures on the 16 countries and three offshore islands of West Africa. Anyone who has business dealings with or is contemplating a business venture in West Africa will find this book an excellent source of information.

The countries are reviewed individually under the following headings: geographical situation and brief historical background; government, (national and local including an outline of the judicial system); finance; public and social services; transportation; natural resources; industries; trade and commerce, and travel and tourist information. Each review concludes with a classified business directory.

Three other sections contribute to making this *Directory* a useful reference. One lists the shipping lines and their agents and the principal ports with the shipping lines serving them. A second gives the airlines and their agents, plus the airports and their operators. There is also an extensive classified list of firms exporting to Africa's West Coast. A coloured map, specially prepared for the users of the *Directory,* is included with each copy.

Order from: Thomas Skinner & Co. (Publishers) Ltd., 75 Sparks Street, Ottawa 4, Ontario.

Commercial Information

D. E. Davinson. 164 pages. U.S.$3.95.

THIS BOOK is intended to provide businessmen, particularly in Commonwealth countries, with a guide to information sources and services on all aspects of business, including export trade. The author believes that "the businessman is not usually concerned about where he obtains his information or how he obtains it so long as he has it quickly and accurately."

The first four chapters deal with basic sources of information, such as research in business studies, types of libraries, guides to library resources, reference books for the businessman, and government and international organizations and their publications.

The remaining chapters cover specific fields, such as information for exporters and importers, advertising and market research, and technical information. The one on information for exporters and importers draws attention to some of the advisory services available, including government and non-government services, plus books and periodicals and other reference sources.

Some of the information is, of course, useful mainly to the British reader, but might be helpful to Canadian exporters, especially those oriented towards European markets.

Order from: Pergamon Press, Inc., 122 East 55th St., New York, N.Y. 10022.

Trade Directories

The Diplomatic Press and Publishing Co.

THESE directories are each divided into two sections. The first gives a general review of the country in question. It lists the members of the cabinet, describes the constitution, and give the details of any current development plans. It then goes on to describe various industries, details imports and exports, and lists commercial, industrial and trade associations and financial and communication facilities. Section I concludes with a list of the country's diplomatic missions abroad and foreign representation and consulates accredited to it. Section II consists of a list of the firms in the country classified by product or activity. The four countries for which directories have been issued are:

- *Trade Directory of Malta* 1965. 87 pages. £1.0.0 post paid.

- *Trade Directory of the Empire of Ethiopia* 1965. 63 pages. 15 s. post paid.

- *Trade Directory of the Federal Republic of Nigeria* 1965-1966. 180 pages. £2.0.0 post paid.

- *Trade Directory of the Republic of the Sudan* 1965. 119 pages. £1.0.0 post paid.

Order from: The Diplomatic Press and Publishing Co., 13 Cotswold Gardens, London, N.W.2, England.

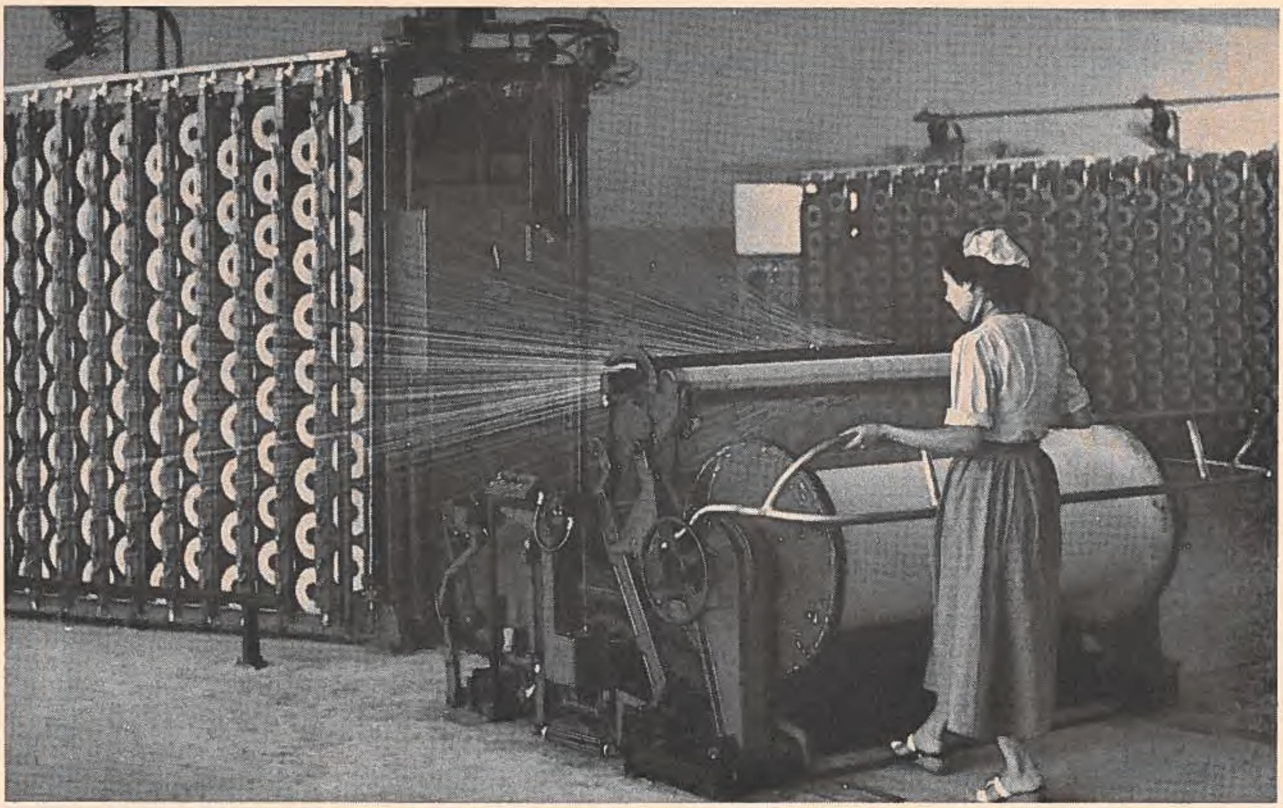
Egypt Expands Industry Improves Agriculture

Lack of foreign exchange hampers advance but U.A.R. has made good progress in last five years. Canadians sales recovered in 1965 after setback in 1964; import controls limit our exports largely to machinery and equipment, and to industrial raw materials.

M. KARKEGI,
Commercial Assistant, Cairo.

EGYPT'S first Five-Year Plan, which ended in June 1965, achieved almost 96 per cent of its ambitious target of 40 per cent growth in five years. This figure, however, reflects substantial over-achievement of service and under-achievement of industrial and agricultural goals. During the five years, national income rose from £E. 1,258 million to £E. 1,762 million, production from £E. 2,548 million to £E. 3,474 million, and employment from 6 million to 7.5 million.

These impressive achievements resulted in certain strains on the economy, which continued to be plagued by lack of foreign exchange to meet its requirements. Consequent shortages of essential supplies, spare parts and raw materials for industry caused considerable delays in factories and utilities. Lack of co-ordination in projects also resulted in lower production in certain sectors. These problems if not solved will become more difficult in the future because the population grows by 800,000 a year. Even after land reclamation projects based on the High Dam are implemented, the per capita share of land will be one-fifth of an acre, less than the figure for this year.



Industrial drive in Egypt covers both the modernization of old plants, such as cotton spinners, and building of new ones.

Want to Visit the U.A.R.?

Canadian businessmen visiting the U.A.R. are always made welcome, both by government officials or by the heads of state trading companies and factories. Most of these Egyptians speak fluent English and sometimes French.

Accommodations at luxury and first class hotels are always available provided reservations are made well in advance, especially during the winter season.

Appointments with appropriate officials can be arranged through the Commercial Division of the Canadian Embassy, Cairo, (Telephone 23110) —usually not too far in advance.

Fridays, not Sundays, are holidays here. The other holidays are:

*Ramadan Bairam—January 21 to 24

Unity Day—February 22

* Courban Bairam—March 30 to April 3

*Cham el Nessim—April 11

Moslem New Year—April 22

Evacuation Day—June 18

Revolution Day—July 23

Victory Day—December 23

Holidays marked * vary because they are fixed by the Moslem calendar. They come approximately 11 days earlier each year.

The Canadian Embassy working hours are from 8.00 a.m. to 2 p.m. Monday through Friday and from 8 a.m. to 12 noon on Saturday. Sunday is the weekly holiday. There is a permanent guard always on duty at the Embassy who can take messages and give the home telephone numbers of officials in cases of urgency.

Prices of some goods increased in 1965 and in general were higher than in 1964. The cost of living is said to have risen nearly 15 per cent in 1965 and appears to be still increasing. The present Prime Minister has focussed his attention on the domestic situation and has started the application of the austerity measures ordered by President Nasser in recent months to counteract inflationary pressures caused by rapid industrialization, a fast growing population, and more consumer spending. Foreign exchange allocations and imports are strictly controlled. Measures to increase production and exports, encourage savings, and hold down consumption are receiving top-level support. Effects are slight so far but over the long term, benefits should be greater.

Earnings Rise

The downward trend of last fall seems to have been arrested, at least temporarily, partly because of revenue from cotton exports 18 per cent above the previous season. Eastern countries (including Yugoslavia) took about 64 per cent compared with 15 per cent in 1963/64. Next year's crop is expected to be a good one because of the successful measures taken against insects.

Suez Canal earnings in the fiscal year ended June 30, 1965, exceeded £E. 80 million for the first time. The canal toll rate was raised 1 per cent across the board on July 1, 1965.

The tourist trade is growing year by year. Its earnings of approximately $100 million in 1965 are likely to reach $130 million this year, according to figures recently released. In 1962 the figure was $40 million, in 1963 $60 million, and in 1964 $85 million. A 25 per cent discount is now being given to tourists who pay hotel and some other bills in foreign exchange. This, plus moderately-priced tours, will help to draw visitors to the U.A.R. Nineteen new hotels have been opened in the past three years and most of them are booked many months in advance. The Second Five Year Plan has allocated £E. 50 million for building additional ones.

Financing and Loans

In June, the United States resumed shipment of the $37 million of surplus agricultural commodities needed to complete the PL 480 agreement of October 1962 which ended on June 30, 1965. Several Western and Eastern countries, including Japan and Kuwait, have concluded agreements with the U.A.R. for loans and credits. Some of these are for financing specific projects; others, of a general nature, have been used for agricultural and industrial programs.

Many countries and international financing organizations have expressed their readiness to participate in financing projects outlined in the Second Five Year Plan. It began on July 1, 1965, is now being revised by the new government, and will be put into action as soon as approved by the National Assembly.

The Central Bank on July 1, 1965, reported foreign exchange reserves, apart from gold cover, of £E. 11.8 million. They rose to £E. 14 million on September 30, 1965. Gold cover was maintained at £E. 60.5 million at the current exchange rate of $2.30 to one Egyptian pound.

The State Budget for 1965/66 approved by the National Assembly showed net expenditures of £E.1,205 million compared with £E.1,184 million in the previous fiscal year. Foreign currency earnings were estimated at over £E. 450 million, with visible exports estimated at £E. 295 million. This latter figure includes agricultural commodities valued at £E. 202.5 million—£E. 70.7 million in foreign currency and £E. 131. 8 million representing the value of bilateral agreements. Invisible earnings were estimated at £E. 156.6 million, including £E. 85 million in Suez Canal revenues and receipts from tourists, insurance and shipping.

Industry and Mining

Industrial production in 1964/65 was valued at £E. 1,620.3 million compared with £E. 1,105.1 million at the beginning of the First Five Year Plan. Industry and electric power together contributed to the national income in 1964/65 £E. 411 million, or 35.8 per cent.

Spinning and weaving, sugar and cement are the long-established industries; all of them have been modernized and expanded. Production of nitrate and other fertilizers is well organized and expanding. The industrial base has been broadened to include iron and steel, plus semi-heavy and a range of light engineering products. An increasing variety of goods is already appearing, including railway cars, vehicles and motor tires, refrigerators, batteries, steel furniture, radio and TV sets, etc. Some of these new industries are not working at full capacity because spare parts and raw materials are lacking.

A large proportion of industry has been nationalized and reorganized. Individual factories financed by private capital until 1957 are now financed by the Government and responsible to the State Organizations charged with the supervision of different sectors. All new industrial development now needs prior government approval.

The Second Five Year Plan has given due thought to industry. Large projects have been outlined and special attention paid to heavy and basic industries to provide the country's requirements of machines and tools in order to save the foreign exchange now being spent on imports.

Considerable deposits of iron ore, phosphates, manganese, ilmenite and coal are being exploited, and more oil produced and refined. The recent offshore oil discovery in the Suez Gulf promises to aid the U.A.R. economy. Crude oil production is expected to rise from the current 6.3 million tons to 20 million in 1970, and Egypt may soon become a net exporter of oil.

Agriculture Being Modernized

Agricultural development has been able to keep pace with the rapid industrialization. Production in 1964/65 was valued at £E. 760.2 million, compared with £E. 581.6 million in 1959/60 and only £E. 396.4 million in 1952.

Cotton, Egypt's major crop, was estimated in the 1964/65 season at over 10 million metric cantars (one metric cantar=50 kilos) a record figure, and its export earnings amounted to £E. 116.5 million. Thirty-six per cent was sold to Western countries for foreign currency.

Wheat is the principal winter crop, but the 1.6 million tons produced are not sufficient for local consumption of approximately 3 million tons a year. The remainder has to be imported in grain and flour, mainly from the U.S. under a PL 480 agreement and from France, Italy, Germany, Spain and Australia on a commercial basis.

Output of other crops such as rice, onions, potatoes, vegetables and fruits also rose and exports increased accordingly. Production of livestock and poultry is developing fast and becoming important. Imported types are now being raised in large numbers on government experimental farms as foundation stock.

Irrigation and drainage are being improved and mechanization is expanding year after year. Greater use of chemical fertilizers, seed selection, crop rotation and pest control have accounted for much of the increased output.

Completion of the High Dam will provide water to irrigate two million more acres (six million at present) thereby increasing production of additional crops for local consumption and export.

Trade Deficit Large

At the end of 1964 the deficit on the U.A.R.'s foreign trade totalled £E. 180 million, the largest ever recorded. Exports, at £E. 234 million, were 4 per cent higher than in the previous year because of larger sales of agricultural products. Imports totalled £E. 414 million, an increase of 4 per cent, largely because of increases in foodstuffs, raw materials and capital goods. Imports of consumer goods, on the other hand, declined substantially. (See Table I.)

The balance of payments has been influenced, as in the last few years, by the large-scale imports of capital goods and raw materials needed for development purposes, as well as imports of essential basic supplies to cope with the needs of a growing population. As a result, the balance of payments has shown a persistent deficit on current account, offset to a large extent by a net capital inflow representing foreign loans and credits, U.S. counterpart funds, and loans granted therefrom in local currency.

The geographical distribution of foreign trade in 1964 followed the pattern of earlier years, with Western European countries and the U.S. constituting the U.A.R.'s chief suppliers and Eastern European countries its major markets. The United States was the major supplier, followed by West Germany, the U.S.S.R., Britain, and

TABLE I

UNITED ARAB REPUBLIC FOREIGN TRADE

	1963		1964	
	Imports	Exports	Imports	Exports
	(£E. '000)			
Living animals	8,101	1,394	6,528	1,210
Vegetable products	84,956	34,699	91,455	45,006
Fats, oils, and grease	13,492	261	13,880	181
Prepared foodstuffs, beverages, tobacco	14,036	3,584	15,432	5,958
Mineral products	40,388	24,317	42,727	24,899
Chemicals, pharmaceuticals, fertilizers	46,007	1,496	39,569	2,131
Artificial resins, plastics, rubber	5,626	711	5,269	685
Raw hides and skins	973	612	1,017	485
Wood and cork	10,448	165	14,795	165
Paper and board	11,689	1,632	10,202	1,805
Textiles and cotton	13,330	153,854	14,419	148,436
Footwear and parts	5	224	12	329
Articles of cement, asbestos and glass	3,536	640	2,660	195
Pearls, jewellery, coins	1,325	203	1,244	201
Base metals and products	37,962	780	41,671	718
Machinery and mechanical appliances	65,815	198	73,882	193
Vehicles, aircraft and parts	33,434	242	34,542	137
Optical and surgical instruments, watches	5,888	69	3,905	74
Arms, ammunition and parts	80	8	44	....
Miscellaneous manufactured articles	1,263	1,672	1,143	1,537
Works of art	2	38	19	32
Total	**398,356**	**226,799**	**414,415**	**234,377**

Italy. The U.S.S.R. was the largest market, followed by Czechoslovakia, Italy and India. The rest of the world played only a minor role in Egypt's external trade.

TABLE II

CANADA'S TRADE WITH THE U.A.R.

	1963 (£E.)	1964 (£E.)
Imports from Canada		
Asbestos	356,000	61,000
Plastic and synthetic rubber	33,000	....
Pulp and paper	124,000	42,000
Aluminum	13,000	22,000
Machinery for milling industry	33,000	....
Aircraft, parts	....	16,000
Other commodities	18,000	25,000
Total	**577,000**	**166,000**
Exports to Canada		
Fresh onions	9,000	9,000
Dehydrated onions	7,000	2,000
Peanuts	22,000	
Leather articles	2,000	3,000
Cotton yarns	10,000	25,000
Copper articles	1,000	
Wool articles	....	1,000
Other commodities	6,000	4,000
Total	**57,000**	**44,000**

Trade with Canada

Canadian exports to the U.A.R. fell from £E. 577,000 in 1963 to £E. 166,000 in 1964, according to Egyptian statistics. (Canadian figures include a variety of products forwarded to the Gaza Strip for the Canadian contingent in the UNEF.) Exports increased, however, during the first ten months of 1965 to $3.4 million, or £E. 1.3 million. Among the products sold were asbestos fibres, newsprint, aluminum ingots, electronic tubes and parts, communications equipment, plastic and synthetic rubber, copper sheets and shapes, iron and steel pipes and tubes, and milk powder. The export figures should rise further next year, when the telecommunications equipment bought by the state-owned Television Engineering Organization from a Montreal company is shipped.

With imports controlled by the Government and restricted to industrial machinery and equipment, raw materials for industry, and essential foods, Canadian shipments are largely confined to the first two categories. Prominent among them are aluminum and asbestos, which cannot be supplied from other sources. Demand for these is expected to rise. One of the few consumer products we sold to Egypt was 50 tons of milk powder valued at $15,700.

Importing is done mainly by tenders issued by state-owned companies and forwarded directly to foreign manufacturers, rather than through intermediaries. Offers are subject to the final approval of a committee headed by the Prime Minister. Because of the acute shortage of foreign exchange, priority is given to countries with which the U.A.R. has trade and payments agreements providing for payment in local currency or under clearing accounts. Good credit facilities too have a bearing on the placing of contracts.

There are opportunities for selling Canadian products here but prices are not always competitive, partly because of high ocean freights, and most Canadian exporters cannot offer the credit terms required. Short-term credit for consumer goods and raw materials runs from six to 18 months, medium-term for industrial equipment and semi-heavy goods from three to five years, and long-term for big industrial projects, on a government-to-government basis, from five to ten years. These are all covered by irrevocable confirmed letters of credit at 5 to 6 per cent interest. Canadians who wish to compete here will find this problem of credit the biggest hurdle.

Despite the strain on the economy because of the huge industrialization program, the U.A.R.'s position is sound. Further proof of this is the fact that both the IMF and the IBRD, whose representatives have recently studied this situation on the spot, have expressed their readiness to contribute to the financing of projects outlined in the second Five Year Plan now under review. Canadians should bear this in mind in assessing market prospects in Egypt.

Monkfish Tails for Italy?

THE ugly, rejected monkfish (species Lophius Piscotorious) now being discarded by Maritime fishermen could find an interesting market in Italy. Demand is increasing as monkfish tails become more acceptable to Italian consumers.

Italy now consumes between 1,200 and 1,500 tons of monkfish tails per year, 20 per cent of which are delivered frozen. Monkfish tails are considered a luxury in the better Milan restaurants and have been praised for their excellent flavour and texture.

Monkfish are found on both sides of the Atlantic but Italian fishermen do not catch them. The main suppliers are Scotland and Denmark. Fresh deliveries are seasonal, starting in April and going through September each year. Recently Scottish and Danish landings have not been sufficient to satisfy Italian demand and other sources, such as Iceland, have been sought.

Italians buy only skinless tails, either frozen or fresh, individually wrapped in cellophane packs. Frozen blocks of tails are no longer acceptable. The tails must be fully dressed and graded to size, and the skin must be peeled off showing only the white flesh of the tail. Tail fins may be left on in larger sizes, but must be removed in the smaller.

Italians will purchase tails weighing from 10 to 20 kilograms. However, they prefer the 10-kilogram package and the smaller sizes from 10 to 16 kilograms command higher prices.

The price of fresh monkfish tails fluctuates considerably, depending on landings in Scotland and Denmark. The average 1965 price, c.i.f. Chaisso on the Italian-Swiss frontier, was U.S.$487 per metric ton. Prices for similar goods delivered to European ports such as Rotterdam, Hamburg and Antwerp were less by about U.S.$45 per ton.

Little additional effort is necessary to catch monkfish—they are caught with other groundfish by the same vessels and nets. Canadian fishermen may find the additional handling worthwhile in view of interest shown by the Italian market. Sales, it is estimated, could reach 200 tons per year, provided size and presentation conform to Italian requirements.

—W. H. SKOUSE,
Commercial Assistant, Milan.

Peru Builds—in 1966

EVERY SECTOR of the Peruvian economy is growing. Infant industries, encouraged by the Industrial Promotion Law and protected by a high tariff wall, are springing up in many centres. Foreign capital from private and official sources is flowing into the country at an increasing rate. The gross national product rose by 6 per cent in 1965, reaching a new high of approximately U.S. $2.9 billion.

The present Peruvian government has adopted the slogan "El Peru Construye" or "Peru Builds". The author discusses the plans it has made for economic advance, how these are progressing, and what the implications are for Canadian exporters.

A. Y. EYTON, *Assistant Commercial Secretary, Lima.*

There are some developments that must be balanced against this optimistic report. Imports in 1965 far exceeded exports, leaving a trade deficit of more than $60 million. If this trend continues in 1966, balance-of-payments problems will probably develop, aggravating existing inflationary pressures. In addition, the Government budget for 1966 forecasts another substantial deficit which is to be financed by a $100 million internal bond issue. Thus, while the over-all outlook is good there are a few problems to be considered when examining the Peruvian economy.

GNP Is Rising

It is estimated that over-all GNP reached 76,900 million sales in 1965. In the last six years, it has increased at an average annual rate of a little over 7 per cent (in real terms).

Business conditions as of the date of writing this report are excellent. Instalment sales were up 20 per cent in 1965 over the previous year; cement sales increased by 30 per cent, electric power consumption by 6 per cent, and gasoline sales by 8 per cent. The problem of declining world cotton and sugar prices, however, and the uncertain future of the anchovy fisheries will in time affect the economy.

A brief review of each of the more important sectors of Peru's economy might be useful.

Power and Petroleum

The biggest news currently is the Government's decision to rescind the Mantaro contract with the Anglo-German consortium in favour of the Italian group GIE-Impreglio. When the first phase is completed in six years, Peru's installed capacity will rise by some 660,000 kw. Eventual estimated capacity of this project is 2.6 million kw., or about two and a half times the present installed capacity of 1.1 million kw. The power to be produced in the first phase of the Mantaro project will satisfy projected needs in the central and coastal regions for at least six years.

The Government of Peru and the International Petroleum Company are engaged in a prolonged series of negotiations which may result in IPC's being nationalized. For the present, IPC has halted reinvestment in its facilities in northern Peru and deterioration of physical assets will result if action is not soon taken one way or the other.

Agriculture, Forestry, Fishing

Agriculture, a key sector, is in urgent need of rapid development. Fertilizer production and distribution and farmer education programs will hopefully lead to a more elastic supply picture to balance the ever-increasing demand for food products. The President of Peru is pushing irrigation development and large loans and aid funds are being spent on various projects in the coastal region. The Agrarian Reform Law is an integral part of this over-all program and in time should encourage the development of small mixed farming in Peru.

Cotton and sugar cane estates, protected under the Agrarian Reform Law because of their foreign exchange earning power, are not as profitable now as they once were.

Competition from synthetic fibres and low world cotton prices have cut deeply into the profits of cotton estate owners; 1966 holds little promise of improvement. And sugar cane is in over-supply on world markets; Peru depends upon U.S. sugar quotas as an outlet for its crops. There is a distinct possibility that the cotton and sugar estates may switch to more profitable endeavours—perhaps beef and dairy cattle.

Forestry is just beginning to develop. Currently, handcut logs are trucked to Lima for further processing but wood remains the unknown construction material, and cement, stone and tile are preferred. In an effort to promote the economic use of lumber, the Agricultural University has recently set up a modern forestry faculty and two pilot plant sawmills are to begin production in 1966. One of these (a Canadian venture resulting from a visit to Peru of an alert and imaginative representative) is privately owned, the other public.

Peru earns much of its foreign exchange from exports of fishmeal. Recent variations in anchovy stock in the Humboldt Current have caused concern in the industry and have resulted in a recent Supreme Decree which limits the total anchovy catch for the period October 1, 1965, to June 30, 1966, to seven million tons. Anchovy fishing will be prohibited in July, August and September 1966. These conservation measures are intended to build up anchovy reserves which have dwindled to an estimated 13 million tons from a one-time high of 25 million.

Transportation, Communications

The President of the Republic is devoting a great deal of attention to this sector. Currently, much interest is being focussed on the Marginal Highway of the Selva—slated to run the whole length of the Eastern Andes, opening up the rich jungle areas of Ecuador, Peru and Bolivia. The higher priority portions of this highway will be built over the next few years.

Also to be completed within three years' time are four major east-west roads connecting the coast with the Sierra and Selva hinterlands. Calls for tender on the construction of specific sections of these highways are issued periodically by the Department of Public Works. Although the procedure for becoming eligible to bid on these calls to tender is rather involved, it is time and money well spent. Interested Canadian construction companies should advise the Embassy here in Lima of their interest in participating in Peru's highway program.

The two main railway lines, the 350 km. Central (Lima-La Oroya-Huancayo) and the 800 km. Southern (Arequipa-Puno-Cuzco), are privately owned. Although reasonably profitable, they have suffered over the years from truck competition. Truck owners in Peru do not pay income or special "road-user" taxes and so are able to offer the railroads stiff competition. None the less, the Peruvian Corporation, owner of the two railways, claims that freight revenues are increasing substantially and they are going to bring in new rolling stock.

In late November 1965, the Government authorized a rise in telephone rates. This action has removed the most important bottleneck in expansion of Lima telephone lines and it is hoped that the International Telephone and Telegraph Company will soon install some 145,000 new telephones (as agreed earlier) urgently needed in Lima.

Mining Attracts Investment

A great deal of investment is being undertaken in this sector. Because the companies involved are large, many of the needed engineering studies are carried out by their own engineering staffs. Nevertheless, calls for specific engineering studies and calls for tender on the construction of special projects are often issued by these companies. Examples of current announced projects are Cerro de Pasco, to spend $5 million on sulphuric acid plant and copper sheet mill; Marcona Mining constructing $23 million pelletizing plant at San Juan Bay. Southern Peru Copper spent $16 million in 1965 on a concentration plant and hydroelectric plant expansion; Minera Bayovar (40 per cent owned by Midepsa Mines, a Canada-based company) will spend $25 million over the next 10 years in the development of huge phosphate deposits located in the Sechura Desert. Much of this investment is being undertaken under the incentive provisions of the new Mining Code, copies of which may be obtained from the Embassy in Lima. Government participation in mining so far has been confined to providing credit through the Mining Bank—mainly working capital loans to small mines.

Industrial Progress Quickens

Spurred on by the Industrial Development Law passed in 1960, Peru has now entered a period of feverish industrial expansion. The share of manufacturing in gross domestic product has increased steadily since 1960; in 1965 it exceeded 20 per cent of GNP, ranking a close second to agriculture. The construction industry has also been stimulated as a result of the recent manufacturing boom—new factories and office buildings are springing up all over Lima. In the past year, many factories for the assembly of cars, television sets, refrigerators, and stoves have been established. In 1966, factories will begin production of agricultural implements, car windows, plastic laminations, dye tints, tinplate, toolmaking machines, air compressors, fire extinguishers, mine batteries, chrome-plated tubing, pharmaceuticals, cigarettes, and many other products.

Most of this industry is domestically oriented, and because Peru offers only a small market for any particular commodity, the individual companies are generally small and production costs are high. Under the provisions of the Industrial Development Law, a new company can apply for tariff protection on articles it plans to produce. It is therefore assured of a captive market and can expect large profits for many years.

Heavy industry presents a mixed picture. Privately-owned basic metal plants are relatively efficient; textile companies are using the latest techniques; the beer industry is well organized. On the other hand, the government-owned SOGESA steel mill produces steel products at prices exceeding those of any other world steel producer; imports of potentially competitive products are faced with a 150 per cent (c.i.f. value) tariff barrier.

Small industries will continue to be set up in Peru in the years ahead; they will produce products on an uneconomic scale to displace current imports. Manufacturing as a percentage of GNP will probably increase slowly.

Large inflows of official and private capital were needed in 1965 to balance the current account deficit. It should be pointed out that the large import deficit was a direct consequence of Peru's rapid development and industrialization; most of these imports were capital goods—road-building machinery, heavy machines for paper and mining industries, equipment needed in auto assembly factories, and so on.

On the other hand, inflationary pressures are threatening the long-term stability of the Peruvian Sol (26.80 Soles=U.S.$1.00 since 1959). In 1965 the cost of living rose by 15 per cent. In an effort to stifle "demand" inflationary factors, the Central Bank in November introduced a requirement that 100 per cent of all deposits above a defined norm must be placed on deposit with the Central Bank (no interest) or with one of the government-controlled development banks (at 3 per cent). None the less, total credit expanded by 3.5 per cent in December over November. The commercial banks at the close of 1965 had increased their loans in the year by 21 per cent, almost double the 11 per cent increase of 1964.

Foreign capital, both official and private, will continue to flow into Peru for the foreseeable future. Private capital will come in answer to the Government's strong industrial development program; official capital, in response to the well-formulated development programs (irrigation, transportation, hydroelectricity) being submitted to various international lending agencies by the Ministries concerned. An interesting form of private credit to the Government (based on a law published in 1960) is becoming popular. In December 1965, the Caterpillar Tractor Company agreed to extend a loan in the form of machinery and equipment for U.S.$2.8 million and cash of U.S.$1.2 million to the Government. The loan will be amortized over 11 years and carries interest of 8.5 per cent on outstanding balances. It will be used for highway construction and improvement and is similar to a deal negotiated by Allis Chalmers Manufacturing and Joy Manufacturing with the Government in November 1965.

Trading with Canada

Imports increased by U.S.$209 million in 1965 over 1964. Most of this increase was in the capital goods sector, although the exact breakdown of imports for 1965 will not be known before October of this year. Summarized in Table I are Peruvian imports by major categories for the years 1960, 1962 and 1964. Canadian exports to Peru for these years are shown separately in the three right-hand columns.

In 1964 Canada supplied less than 2 per cent of total Peruvian imports. However, according to the latest DBS statistics, in 1965 our sales reached about Can.$21.9 million (a 100 per cent increase over 1964) and consisted of a varied assortment of goods. This improvement in export performance resulted from first, larger imports of automobiles and trucks, which in the first 11 months of 1965 reached over $6.1 million. Second, over $1.5 million worth of newsprint was sold to this market in 1965. Other important imports from Canada were wheat ($1.5 million) and wood pulp ($1 million). Although $7 million of this 1965 increase represents sales of automobiles and trucks this still leaves $14 million worth of exports of other goods. Moreover, the improvement in export figures has been broadly based and new commodities have been successfully introduced into this market over the last year. In 1966 and 1967, emphasis will gradually switch to imports of machinery and parts. Canadian manufacturers in this field should examine the lucrative opportunities which will develop in Peru.

TABLE I

PERUVIAN IMPORTS BY MAJOR CATEGORIES*

	Imports from World			Imports from Canada		
	1960	1962	1964	1960	1962	1964
	(millions of Can. $)					
Consumption goods	91.8	124.1	159.7	4.4	2.3	3.6
1. Non-durable	(58.4)	(77.7)	(93.9)	(3.8)	(1.5)	(2.6)
2. Durable	(33.4)	(46.4)	(65.8)	(0.6)	(0.8)	(1.0)
Petroleum products	18.2	17.3	19.4	....	....	....
Raw materials	129.9	161.9	180.4	1.3	2.0	2.0
Capital goods	161.9	270.0	254.6	2.9	3.8	5.2
1. Construction materials	(18.2)	(34.6)	(30.1)	(1.1)	(1.2)	(1.7)
2. Machinery and equipment						
(a) Agricultural	(11.9)	(15.1)	(16.2)	(0.1)	....	....
(b) Industrial & mining	(85.4)	(152.2)	(140.2)	(1.5)	(2.3)	(2.3)
(c) Transport & commerce	(46.4)	(68.1)	(68.1)	(0.2)	(0.3)	(1.2)
Other	1.1	2.4	3.6	0.3	....	....
Total	**402.9**	**575.7**	**617.7**	**8.9**	**8.1**	**10.8**

Sources: 1. National Planning Institute
2. DBS Statistics—Canadian Exports by Country
*At U.S.$1.00 equals Can.$1.08.

Study Market Now

The political situation is stable, the economic picture is generally healthy, and export opportunities are numerous. It is expected that the soberly managed Central Bank will continue to clamp down on any inflationary tendency. There is money to be made in Peru—either in selective export sales or in joint-venture local operations. Long-term prospects compel the potential exporter to explore seriously both possibilities. The catch phrase of the present government administration is *El Peru Construye*, or in English, *Peru Builds*. The various programs being initiated under this call to action spell lucrative opportunities for Canadian exporters, consultants, construction firms and investors. Business will go to those who take quick action. ●

Trade Commissioners on Tour

In Canada

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

Britain—H. M. Maddick, Commercial Counsellor in London:

Toronto—April 25-29
New Brunswick—May 2-6
Montreal—May 9-13

M. R. Bell, Assistant Commercial Secretary in London:

Winnipeg, Toronto and Montreal—July 9-26

Colombia—J. C. Bradford, Assistant Commercial Secretary in Bogota, who will be posted to Cleveland, Ohio, as Vice Consul and Assistant Trade Commissioner:

Quebec City, Montreal, Toronto and Southwestern Ontario—June 22-July 8.

Guatemala—P. D. Donohue, Assistant Commercial Secretary in Guatemala City:

Montreal—June 4-10
Toronto—June 10-17
Winnipeg—June 17-21
Vancouver—June 21-24

Hong Kong—R. K. Thomson, Senior Trade Commissioner in Hong Kong, who will be transferred to Duesseldorf, West Germany, as Consul:

Vancouver—June 27 and 28
Winnipeg—June 29
Montreal—September 6-7

Italy—W. J. Jenkins, Commercial Secretary in Rome, who will be posted to Karachi, Pakistan, as Commercial Counsellor:

Montreal—May 30-June 4
Toronto—June 6-10

Jamaica—L. D. Burke, Commercial Secretary in Kingston, Jamaica:

Montreal—September 10-13
Toronto—September 14-16
Winnipeg—September 18-20
Vancouver—September 21-23

Lebanon—V. G. Lotto, Assistant Commercial Secretary in Beirut, who will be posted to San Francisco, California, as Vice Consul and Assistant Trade Commissioner:

Toronto—June 27-30

Pakistan—R. D. Sirrs, Commercial Secretary in Karachi, who will be posted to Wellington, New Zealand, as Commercial Secretary:

Montreal—June 24-30
Toronto—July 1-8
Winnipeg—August 11-12
Calgary—August 15
Vancouver—August 17-19

United States—G. E. Blackstock, Consul and Trade Commissioner in New Orleans, who will be posted to Berne, Switzerland, as Commercial Secretary:

Montreal—April 18-22

N. W. Boyd, Commercial Secretary in Washington, who will be posted to Johannesburg, South Africa, as Trade Commissioner:

Winnipeg—May 23-24
Montreal—May 25-26

M. R. M. Dale, Consul and Senior Trade Commissioner in Boston:

Toronto—April 30-May 6 and May 24-25
Regina, Saskatoon, Winnipeg—May 9-13
Southern Ontario—April 25-29
Maritimes—May 26-28

A. W. Evans, Consul and Senior Trade Commissioner in Cleveland:

Toronto—May 1-7
Montreal—May 8-13

K. D. Taylor, Consul and Assistant Trade Commissioner in Detroit, who will be posted to Karachi as Acting Commercial Secretary.

Toronto and Hamilton and area—May 24-June 3
Peterborough—July 18-19
Montreal—August 4-5

Temporary Duty in Ottawa

M. R. Bell, Assistant Commercial Secretary, London, June 27-July 8. Contact Commonwealth Division, phone: 992-2421.

G. E. Blackstock, Consul and Trade Commissioner in New Orleans, April 25-May 6. Contact United States Division, phone: 992-5176.

M. B. Blackwood, Commercial Counsellor in Mexico City, September 6-20. Contact Latin American Division, phone: 992-7641.

N. W. Boyd, Commercial Secretary in Washington, May 2-20. Contact United States Division, phone: 992-5176.

J. C. Bradford, Assistant Commercial Secretary in Bogota, Colombia, June 8-21. Contact Latin American Division, phone: 992-7641.

L. D. Burke, Commercial Secretary in Kingston, Jamaica, September 5-9. Contact Commonwealth Division, phone: 992-2421.

M. R. M. Dale, Consul and Senior Trade Commissioner in Boston, May 16-20. Contact United States Division, phone: 992-5176.

P. D. Donohue, Assistant Commercial Secretary in Guatemala City, May 24-June 3. Contact Latin American Division, phone: 992-7641.

A. W. Evans, Consul and Senior Trade Commissioner in Cleveland, May 14-17. Contact United States Division, phone: 992-5176.

W. J. Jenkins, Commercial Secretary in Rome, Italy, June 13-24. Contact European Division, phone: 992-8727.

V. G. Lotto, Assistant Commercial Secretary in Beirut, Lebanon, July 4-15. Contact Asia and Middle East Division, phone: 992-5642.

H. M. Maddick, Commercial Counsellor in London, England, April 12-22. Contact Commonwealth Division, phone: 992-2421.

R. D. Sirrs, Commercial Secretary in Karachi, Pakistan, June 6-17. Contact Commonwealth Division, phone 992-2421.

W. A. Stewart, Consul and Trade Commissioner in Boston, Massachusetts, June 8-17. Contact United States Division, phone: 992-5176.

K. D. Taylor, Consul and Assistant Trade Commissioner in Detroit, July 20-August 3. Contact United States Division, phone: 992-5176.

R. K. Thomson, Senior Trade Commissioner in Hong Kong, September 6-7. Contact Commonwealth Division, phone: 992-2421.

In Territory

Afghanistan—R. D. Lee, Assistant Commercial Secretary in Karachi, Pakistan, will visit Kabul May 1-4.

Britain—K. R. Higham, Assistant Trade Commissioner in Liverpool, will visit Sheffield April 25-27 and Birmingham May 3-6.

W. R. Van, Trade Commissioner in Liverpool, will visit Manchester May 9-11.

Communist China—A. Blum, Assistant Trade Commissioner in Hong Kong, will visit the Canton Spring Export Commodities Fair May 11-15.

Costa Rica—J. H. Nelson, Commercial Secretary in Guatemala City, will visit San José April 23-27.

Gulf States—I. V. Macdonald, Commercial Counsellor in Beirut, Lebanon, will visit Kuwait, Abu Dhabi, Dubai, Bahrain, Dahran, Dammam, Al-Khobar and Riyadh, April 18-30.

Honduras—J. H. Nelson, Commercial Secretary in Guatemala City, will visit San Pedro Sula and Tegucigalpa April 20-22.

Iraq—R. H. M. Cathcart, Assistant Commercial Secretary in Beirut, Lebanon, will visit Iraq April 25-29.

Jordan—R. H. M. Cathcart Assistant Commercial Secretary in Beirut, Lebanon, will visit Jordan April 30-May 4.

Michigan—H. S. Hay, Consul and Trade Commissioner in Detroit, will visit the entire northern peninsula of the State and the northern part of the southern peninsula June 24-30.

Nicaragua—J. H. Nelson, Commercial Secretary in Guatemala City, will visit Managua April 22-23.

Panama—J. H. Nelson, Commercial Secretary in Guatemala City, will visit Panama City April 27-29.

Puerto Rico—J. E. Kepper, Acting Commercial Secretary in Santo Domingo, Dominican Republic, will visit San Juan during the week of April 25-29.

South Africa—S. B. McDowall, Assistant Trade Commissioner in Johannesburg, will visit Durban, Natal and area May 9-14.

Spain—L. A. Campeau, Commercial Counsellor in Madrid, will visit Barcelona April 25-29.

Texas—P. A. Savard, Consul and Trade Commissioner, New Orleans, will visit Houston April 27-28.

Turkey—E. E. Price, Assistant Commercial Secretary in Athens, will visit Ankara April 18-30.

U.S. Virgin Islands—J. E. Kepper, Acting Commercial Secretary in Santo Domingo, Dominican Republic, will visit St. Thomas during the week of April 25-29.

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

British Guiana

IMPORT RESTRICTIONS—The British Guiana Government has announced that, as a result of the establishment of a local detergent factory, import quotas have been established for the import of soapless detergents (powder and flakes) during the first quarter of this year at 50 per cent of one quarter's imports during 1965. During 1965, quotas were issued at 100 per cent of the average imports for 1963 and 1964.

It is understood that these quota restrictions are temporary and will be revised as soon as a decision is taken on the level of protection to be given the local industry.

New Zealand

NEW IMPORT LICENSING SCHEDULE—On March 30, the New Zealand import licensing schedule for the year July 1, 1966, to June 30, 1967, was released. The allocations in the new schedule reflect New Zealand's worsening balance of payments situation. In the current licensing period, the deficit is an estimated Can.$150 million. The sharp fall in butter prices and a slowdown in livestock slaughterings have curtailed export receipts.

The new schedule provides for a $75 million cut back in imports from this year's record level of $1,095 million. The list of items which have been exempt from import licensing in the current licensing period remains virtually intact. This group accounts for about 35 per cent of New Zealand's imports. However the 1966-67 allocation for raw materials will be about 85 per cent of the current level, for motor cars it will be 80 per cent, for consumer goods 75 or 80 per cent, depending upon the product. Imports of machinery which, according to the New Zealand announcement, have been at a high level in recent years will be reduced.

For further details, contact the Commonwealth Division.

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 .9281

Foreign Exchange Rates

Country	Unit	Type of Exchange	Can. dollar equivalent April 5	Units per Canadian dollar	Notes (see below)
Algeria	Dinar		.2199	4.55	
Argentina	Peso	Free	.005731	174.49	
Australia	Dollar		1.2041	.8305	
Austria	Schilling		.04170	23.98	
Bahamas	Pound		3.0103	.3322	
Belgium and Luxembourg	Franc		.02162	46.25	
Bermuda	Pound		3.0103	.3322	
Bolivia	Peso		.09159	10.92	
Brazil	Cruzeiro	Official Free	.0004876	2,050.86†	
Britain	Pound		3.0103	.3322	
British Guiana	Dollar		.6271	1.59	
British Honduras	Dollar		.7526	1.33	
Burma	Kyat		.2263	4.42	
Ceylon	Rupee		.2258	4.43	
Chile	Escudo	Bank rate	.2908	3.44	
		Free	.2427	4.12	
Colombia	Peso	Free	.06020	16.61	
		Certificate	.1197	8.35	
Congo, Republic of	Franc		.007183	139.21	(1)
Costa Rica	Colon		.1626	6.15	
Cuba	Peso		‡	‡	
Czechoslovakia	Koruna		.1496	6.68	
Denmark	Krone		.1562	6.40	
Dominican Republic	Peso		1.0775	.9281	
Ecuador	Sucre	Official	.05986	16.71	
		Free	.05819	17.18	
El Salvador	Colon		.4310	2.32	
Fiji	Pound		2.712	.369	
Finland	Markka		.3367	2.97	
France, Monaco, etc.	Franc		.2199	4.55	(2)
Franco-African Republics, etc.	Franc		.004398	227.38	(3)
French Pacific	Franc		.01209	82.71	(4)
Germany	D Mark		.2684	3.73	
Ghana	Cedi		1.2543	.7973	
Greece	Drachma		.03591	27.85	
Guatemala	Quetzal		1.0775	.9281	
Haiti	Gourde		.2155	4.64	
Honduras	Lempira		.5388	1.86	
Hong Kong	Dollar	Free	.1872	5.34	*March 25
		Official	.1881	5.31	

†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.

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

*Latest available date.

Country	Unit	Type of Exchange	Can. dollar equivalent April 5	Units per Canadian dollar	Notes (see below)
Iceland	Krona	Official	.02506	39.90	(1)
India	Rupee		.2258	4.43	
Indonesia	Rupiah		*	*	
Iran	Rial		.01422	70.30	
Iraq	Dinar		3.0170	.3315	
Ireland	Pound		3.0103	.3322	
Israel	Pound		.3592	2.78	
Italy	Lira		.001724	581.06	
Japan	Yen		.002975	336.13	
Lebanon	Pound	Free	.3480	2.87	
Malaysia	Dollar		.3520	2.84	
Mexico	Peso		.08620	11.60	
Morocco	Dirham		.2155	4.64	
Netherlands	Florin		.2971	3.37	
Netherlands Antilles	Florin		.5714	1.75	
New Zealand	Pound		2.9994	.3334	
Nicaragua	Cordoba		.1539	6.50	
Nigeria	Pound		3.0103	.3322	
Norway	Krone		.1506	6.64	
Pakistan	Rupee		.2258	4.43	
Panama	Balboa		1.0775	.9281	
Paraguay	Guarani	Free	.009159	109.18	
Peru	Sol	Free	.04017	24.89	
Philippines	Peso	Free	.2765	3.62	
Poland	Zloty	Fixed-basic rate	.04490	22.27	
Portugal & Colonies	Escudo		.03748	26.68	(5)
Sierra Leone	Leones		1.5085	.6629	
South Africa	Rand		1.5052	.6644	
Spain and Dependencies	Peseta		.01800	55.55	
Sweden	Krona		.2089	4.79	
Switzerland	Franc		.2483	4.03	
Syria	Pound	Controlled rate	.2817	3.55	
Thailand	Baht	Free	.05253	19.04	(1)
Tunisia	Dinar		2.0634	.4846	
Turkey	Lira		.1197	8.35	(1)
United Arab Republic	Pound	Official	2.4783	.4035	
United States	Dollar		1.0775	.9281	
Uruguay	Peso	Free	.01649	60.64	
Venezuela	Bolivar	Official Free	.2399	4.17	
West Indies	Dollar		.6271	1.59	(6)
	Pound		3.0103	.3322	(7)
Yugoslavia	Dinar	Official	.08620	11.60	

*As Indonesia is no longer a member of the International Monetary Fund, a realistic exchange rate is not available.

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.

Selling Foods in Michigan

Have you a food product to sell in Michigan? If so then a food broker may be the key to success. They handle approximately 60 per cent of all food manufacturers' sales in the United States.

K. D. TAYLOR, *Consul and Assistant Trade Commissioner, Detroit.*

CANADIAN MANUFACTURERS with food products likely to sell in the lucrative Michigan market might well consider using a Detroit food broker. Retail food outlets in this state feature a delectable array of imported foods and usually depend upon a broker to bring new products to their attention. Currently, about 60 per cent of all food manufacturers' sales in the United States are made through brokers.

Advantages of Using One

Food brokers are agents who negotiate sales on a continuing basis for a brokerage fee paid by their principals. The broker's raison d'être is his ability to undertake certain functions more efficiently than manufacturers can themselves. Because he lives in the locality, he can establish and sustain close personal selling relationships with wholesalers, chains, institutional users and other buyers. He can handle special sales promotions with ease. The limited number of lines he takes on enables him to adapt his efforts on different accounts according to the unique needs and sales opportunities of his principals. For the Canadian exporter, a broker will probably prove the best marketing channel in relation to the cost and effectiveness of alternative means.

Selecting a Broker

There are about 70 food brokerage firms in Detroit and among them they handle over 1,600 lines. Careful and intelligent selection of the right one for your product is imperative. As a preliminary step, our office can provide you with lists of brokers and some background information about each. Before your visit we can make appointments for you with firms handling complementary lines.

The broker chosen must be willing to represent the manufacturer aggressively and devote sufficient time to the line. His organization should be oriented toward selling the principal's products to the right segment of the trade. He must be able to establish and maintain a good relationship with the buyers. In assessing a potential representative, the food manufacturer should make a subjective evaluation of the broker's expressed interest, willingness, intentions and reputation.

Because of the demands on his time, the broker must also appraise the principal's product before undertaking representation. The line must fit into his existing sales structure without conflicting with products already handled. Moreover, the broker must gauge the fluctuating demands of his present lines, the staff available and his company's area of specialization. He will also evaluate the growth potential of the product, advertising support, and the principal's reputation.

If an agreement between broker and principal is reached, the two parties should discuss sales forecasts and establish the principal's marketing objectives in the territory. Next, the task of achieving the objectives should be outlined and on this basis a decision made about the manpower and resources required. The costs of the merchandising program to the broker and the potential sales can then be estimated and a fair brokerage fee agreed upon.

Commission Rates

According to a survey made by the University of Delaware, most commissions for brokers in the United States range from 2.5 to 6 per cent. They vary according to sales volume, uniqueness of products, size of the city, number of other brokers in the area, broker's length of time in business, and amount of sales made to various types of customers. In Michigan, fees average from 5 to 7 per cent. Cash discounts and other gross costs to the seller of doing business are not deducted before the broker's compensation is computed. However, freight charges on f.o.b. shipments are not usually included in the calculation of brokerage fees.

Broker-Principal Relationship

Once the relationship develops, the manufacturer should keep the broker posted on developments within the firm. Because the buyer relies upon the broker for product information, the latter should be informed of production problems, new product developments, crop conditions, reasons for price changes, and future prospects. Nevertheless, the broker should not request nor be flooded with more promotion material than he can use. Some promotion material effective in Ontario or British Columbia may not be pertinent in Michigan and the broker's opinion on local acceptance should be considered.

Ideally, the principal can also expect from his broker comments on the market. Information on competitive activity, price changes, buying patterns, market shares and new products is vital for the development of the manufacturer's general marketing plans.

The Consulate in Detroit has a steady stream of requests from local brokers for new Canadian food lines and encourages Canadian firms not already selling in Michigan to investigate these. With the economy booming as never before, now is the ideal time to test the market if you have production capacity and a competitive line. ●

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