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FOREIGN TRADE

DEPARTMENT OF TRADE AND COMMERCE, OTTAWA

Development and Trade in the Far East

FOREIGN TRADE

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COVER: High up over the streets of Hong Kong, Chinese workmen erect bamboo scaffolding for another new building. Cheaper than steel, it has the advantage of being flexible in the high winds. Hong Kong is not the only part of the Far East that is developing fast and forging ahead. For confirmation, see the reports that follow in this issue.

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Canada's Trade with the Far East

Canadian sales to these countries reached $660 million last year, with emphasis on foodstuffs, industrial materials, and capital goods. Outlook is for larger exports as economic growth in this region continues.

CINDY HARCOURT, *Asia and Middle East Division.*

TRADE between Canada and the Far East has expanded tremendously in the past few years. It reached new heights last year, rising from $824 million in 1965 to over $1 billion for the first time. This is almost double the $595 million of five years earlier.

Increased Canadian exports to the Far East have accounted for a major share of this growth in trade; they rose from $490 million in 1965 to over $660 million in 1966. This one-third increase is due largely to the expansion of Canadian sales to Communist China and Japan. As Table I shows, however, there has also been a significant—though in dollar terms less spectacular—expansion in Canadian exports to Korea, Malaysia and Singapore, Vietnam, Burma, Taiwan and Thailand. Exports to Hong Kong, Indonesia and the Philippines have declined slightly.

Sales to Japan

The year 1965 in Japan was one of economic recession, with resulting cutbacks in spending both on domestic production and on imports from abroad. Thus Canadian sales to Japan in 1965 fell slightly from the level reached in 1964 (see Table I). Last year, however, brought substantial economic expansion in Japan and with it an increased demand for imports.

Many Canadian exports to Japan benefitted from this development in 1966. Shipments of a wide range of Canadian goods went up significantly —from bulk and processed foodstuffs such as wheat, (our major export item), rye, fish roe and milk powder through industrial materials, (especially copper ores and concentrates, rapeseed, potassium chloride, wood pulp, aluminum, various forest products, and coal) to certain fully manufactured goods such as computers and office machines.

Communist China

Wheat in 1966 continued to make up the major portion of Canadian sales to Communist China. A new long-term agreement concluded by the Canadian Wheat Board came into force on August 1, 1966. It provides the basis for larger wheat exports over a period of three years. But 1966 also saw some diversification in the range of Canadian exports to China; shipments of zinc metal, for example, werc valued at almost $1.5 million.

South Korea

The impressive economic growth in South Korea in 1966 was reflected in the greater demand for imports. Canadian sales to South Korea almost quadrupled in the past year, with large increases in the export of a whole group of industrial materials, especially asbestos, flaxseed, newsprint, sulphur, copper, nickel, and hemlock logs and lumber. By far the largest export from Canada to Korea in 1966, however, was wheat. Shipments of this commodity to North Korea reached a value of about $12 million last year.

Other Eastern Markets

In 1966 sales of Canadian goods to Malaysia and Singapore also rose considerably, especially aircraft, aircraft assemblies and parts, lathes and other metalworking equipment and parts, aluminum and asbestos (the export of which almost doubled from 1965) and optical instruments, equipment and parts.

Canadian exports to Vietnam, Burma, Taiwan and Thailand showed welcome increases in 1966 as well, mainly because of a rise in the sale of products like wheat and wheat flour, various types of industrial materials and machinery, aircraft engines, assemblies and parts, and prefabricated buildings and structures.

TABLE I

CANADIAN EXPORTS TO THE FAR EAST

	1962	1963	1964	1965	1966
			(Can.$'000)		
Burma	1,303	703	736	671	1,195
Cambodia and Laos	2	17	9	128	98
Communist China	147,438	104,738	136,263	105,131	184,879
Hong Kong	14,283	17,490	22,278	16,734	15,385
Indonesia	2,027	1,394	703	1,636	348
Japan	214,535	296,010	330,234	316,187	394,246
Korea	1,492	3,870	1,096	823	15,652
Malaysia and Singapore	5,453	6,355	8,370	9,253	15,375
Philippines	18,545	21,284	27,809	26,354	18,683
Taiwan	4,387	3,759	6,178	6,577	8,410
Thailand	3,472	2,823	3,803	5,621	6,743
Vietnam	298	250	726	804	2,588
Total exports	**413,235**	**458,693**	**538,205**	**489,919**	**663,602**

Members of a Forest Products Machinery Mission, made up of senior officials from government and industry in five Southeast Asian countries, inspect the debarking machinery in a Domtar wood pulp mill at Cornwall, Ontario.

Exports from Canada to several Far Eastern markets, notably the Philippines and Indonesia, did go down in 1966, but there is good reason to be optimistic about the future level of Canadian sales to these countries also.

Imports Into Canada

Canadian imports from the Far East have more than doubled in the past five years, rising from $182 million in 1962 to $376 million in 1966, an increase of over $40 million from the 1965 figure of $334 million. As shown in Table II, imports into Canada from Thailand and Burma almost tripled from the 1965 levels and those from Communist China and Taiwan were up about one-third. There were also substantially larger purchases from Hong Kong and Japan. Imports from only three Far Eastern countries—Indonesia, the Philippines and Vietnam—declined slightly in 1966.

Imports into Canada from the Far East in 1966 consisted, for the most part, of a wide variety of tropieal raw materials and consumer goods—rubber ($16.3 million) and tin ($12.1 million) from Malaysia and Singapore; mahogany plywood ($4.9 million), apparel and footwear from Taiwan; shelled walnuts ($3.2 million), peanuts ($2.3 million), apparel and textiles from Communist China; tin ($1.5 million), lumber and gems from Thailand; desiccated coconut ($983,000), manila fibre ($550,000), coeonut oil and chrome from the Philippines; rubber ($708,000) and tea from Indonesia; exotic species of lumber and logs ($105,000) from Burma; apparel and textiles from South Korea; apparel, toys and footwear from Hong Kong; apparel, steel products, motorcycles, textiles, and a wide range of other consumer products from Japan.

TABLE II

CANADIAN IMPORTS FROM THE FAR EAST

	1962	1963	1964	1965	1966
			(Can.$'000)		
Burma	50	102	276	39	105
Cambodia and Laos	....	....	....	....	....
Communist China	4,521	5,147	9,372	14,477	20,607
Hong Kong	18,889	21,197	26,872	31,194	38,877
Indonesia	173	152	1,393	2,400	1,158
Japan	125,359	130,471	174,381	230,205	253,285
Korea	99	380	473	1,477	1,764
Malaysia and Singapore	27,740	31,634	34,536	40,273	41,452
Philippines	1,447	2,007	2,970	3,583	3,345
Taiwan	2,910	5,875	9,063	9,333	13,089
Thailand	1,031	582	582	899	2,432
Vietnam	7	1	4	2	1
Total imports	**182,226**	**197,548**	**259,922**	**333,882**	**376,115**

Development in Past Years

In the past few years, considerable development has taken place in the Far East. The gross national product is rising steadily in a majority of the Asian countries, including Japan, Taiwan, the Philippines, Korea, Thailand, Vietnam, Hong Kong, Malaysia and Singapore. However, chronic problems continue to face those seeking to develop their economies.

In recent years many forms of assistance, including that of the various agencies of the United Nations and the Colombo Plan, have been directed towards overeoming these problems. The Mekong Development Program is perhaps the most important UN aid project in the Far East. Canada participates in many of these developments. Much has been achieved but much more remains to be done.

With this in view, the Asian Development Bank, a body consisting of both regional and non-regional members, was set up in 1966. It has as a basic aim the financing of development projects in Asia. Canada as a charter member will have an opportunity to share in the management of the Bank and will also be able to eompete for proeurement eontracts which will arise from its work.

Sales Prospects Bright

Moreover, as most of the Far Eastern countries strive towards economic growth through the diversification of

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their industries, the development of their transportation and telecommunications systems, and the exploitation of their energy and raw materials resources, they must import many of the goods necessary to implement development projects. Canadians have in the past been competitive suppliers of many of the industrial materials and capital goods that the Asian countries require. Canada is also an important supplier of many of the bulk foodstuffs needed by most countries in the Far East which do not produce enough food to satisfy their rapidly growing populations. Prospects seem bright for future sales of Canadian goods to this area. If, however, Canadian exporters wish to enlarge their present share of the large potential market that Asia is today, they must use every means at hand to promote sales to that continent.

The Asian International Trade Fair, held for the first time in Bangkok in late 1966, may prove to have been an important means for promoting Canadian exports to Far Eastern markets. Thirty-four countries, including Canada, were represented. Fourteen Canadian firms sent exhibits.

Trade Relations

Canada's trade relations with several Far Eastern countries—Japan, Malaysia, Singapore, Hong Kong, Burma, Cambodia and Indonesia—are governed by the General Agreement on Tariffs and Trade. A modus vivendi signed in 1946 governs Canada's present trading relations with both Communist China and Taiwan. On December 20, 1966, Canada and the Republic of Korea signed a Trade Agreement which provides for the exchange of most-favoured-nation treatment. Canada grants MFN treatment to Hong Kong and receives preferential treatment on the small range of products to which preferences apply. Preferential treatment is extended by Canada to both Malaysia and Singapore; both of these countries accord preferential treatment to Canada on a very limited number of goods only.

Import and exchange regulations are summarized on pages 38 to 41. Readers should note that Communist China, Cambodia and Burma all operate under state trading.

Imports into Hong Kong, the Philippines, Singapore and Thailand are admitted relatively freely. Japan, Malaysia, South Korea and Thailand maintain licensing control on many, but by no means all, imports; in Indonesia, Laos and Vietnam most goods require licences. These regulations change frequently, however, and it is thus advisable for exporters to make sure that their information on these matters is current at the time they wish to export to countries in the area. Inquiries should be addressed to the Office of Trade Relations, Department of Trade and Commerce.

Up-to-date information on trade prospects and regulations, and on the current economic and marketing situation in the various countries in the Far East, is of interest to any Canadian businessmen wishing to export to that area. This information is readily available from the Canadian Trade Commissioners in Hong Kong, Kuala Lumpur, Manila, Singapore and Tokyo, who stand ready to assist Canadian exporters in any way possible. The Trade Commissioners also make frequent tours of the areas for which their offices are responsible, including visits to countries other than those in which they are stationed.

As stated earlier, and as the following articles show in some detail, there are good prospects for Canadian sales of many goods to the Far East. But hard work and persistence are needed if these prospects are to be turned into export orders. ●

TABLE III

PRINCIPAL CANADIAN EXPORTS TO THE FAR EAST

Commodities	No. of Markets	1964	1965	1966
			(Can.$'000)	
Wheat and wheat flour	9	245,406	213,047	308,362
Copper	7	37,575	34,541	54,776
Wood pulp	5	23,980	26,740	35,736
Oilseeds	2	20,292	27,118	35,089
Aluminum	7	16,456	15,053	22,582
Lumber	4	18,327	14,805	19,733
Iron ore	1	18,270	19,734	18,145
Asbestos	9	12,327	11,166	13,176
Fertilizers	3	9,140	11,359	12,474
Coal	1	9,198	10,614	12,289
Newsprint	8	14,268	8,586	10,509
Barley	1	24,165	11,882	9,281
Transportation equipment and parts	10	3,519	3,679	7,925
Hides and skins, raw	4	1,841	3,015	6,076
Computers, office machines and parts	6	5,819	3,639	6,042
Industrial machinery and parts	11	2,960	2,158	5,586
Logs	2	3,988	3,698	5,413
Nickel	6	5,910	5,567	4,942
Zinc	6	6,319	1,470	4,897
Milk powder, skim milk	2	27	7	4,459
Plastic and synthetic rubber	9	3,883	3,745	3,812
Plastic and synthetic resins n.e.s.	7	8,014	4,668	3,220
Communication equipment and parts	11	2,485	5,544	3,166
Lead	1	2,165	1,205	3,075
Brass and bronze scrap	1	2,675	2,556	2,596
Prefabricated buildings, structures and parts	7	918	276	2,153
Chemicals	8	1,613	2,202	1,810
Tallow	1	1,639	2,159	1,667
Medicinal supplies	8	585	985	1,648
Sulphur	5	2,278	3,606	1,642
Scrap iron and steel n.e.s.	1	5,594	679	1,171
Malt	4	1,276	1,092	1,118
Tobacco	2	1,450	844	537
Insulated wire and cable	4	811	1,289	417

Japan's Economy Is on the Move

Leading world trader and a front-rank industrial power, Japan offers an expanding market as it recovers from recession. Canadian sales there last year reached over $400 million.

J. C. BRITTON,
Minister (Commercial), Tokyo.

JAPAN'S economic recovery last year was most impressive, and reminiscent of the buoyant period from 1956-1964. The recession in 1964-1965 necessitated some adjustments in the economy and these adjustments, largely fiscal, played an important part in checking the decline. The economy is again moving forward on a less spectacular but perhaps more solid basis than during the previous boom.

Exports rose 16 per cent over the previous year and imports 14 per cent and the latter are still continuing at a high level. The business recovery over the past fifteen months emphasized, if emphasis is needed, the resilience and flexibility of Japanese industry and business. It also pinpointed the growing importance of Japan both as an expanding market for Canadian exporters and a competitive source of supply for Canadians.

Role of Government

Japan today is an industrial power of the first magnitude and a leading world trader. The recently re-elected Liberal Democratic administration is expected to be guided by its election commitment to stable growth. This implies efforts to confine the real rate of economic expansion to about 8 per cent a year. The Government also attaches great importance to the elimination of the industrial, agricultural and social imbalance associated with the rapid growth policy of 1960 to 1964.

The Five Year Economic Plan, upon its adoption by the Cabinet, is expected to stress the need for an efficient economy and for public investment in social infrastructure. There may therefore be less reliance on private investment in plant and equipment and more on public investment and greater consumer expenditures. In this way, over-all demand would be maintained and, at the same time, large private investment of the type that contributed to the 1964-65 recession would be reduced.

The plan also reflects the Government's belief that Japan's industrial future lies more with large-scale industries, internationally competitive—such as shipbuilding, automobile manufacture, and electronics—rather than with the manufacture of light consumer goods which provided the economic springboard of the early 1950's. The Goverment is concerned with the evolution of larger industrial units and with the improvement of the low equity capital to debt ratio. The use of holding companies is receiving attention and there is a belief that in the future monopoly and combines legislation will be ad-

—Cominco Limited

Lead and zinc rank high among Canada's exports to Japan; they totalled nearly Can. $6 million in the first 11 months of 1966. This shipment, newly arrived from a Canadian supplier, is being unloaded at the warehouse of a Japanese industrial firm.

ministered with less enthusiasm. Mergers to achieve an enhanced competitive position both at home and abroad are expected in electronics, petrochemicals, steel, motor vehicle manufacturing, textiles, and light industry. Probably the earliest mergers will be of those companies which might be adversely affected by the liberalization of investment from abroad. During the past year there has been some evidence of a growing awareness of the benefits to be gained from foreign investment. The Japanese Government has committed itself to the preparation by late spring of guidelines for capital liberalization. Reports suggest that initially Japanese industry will be divided into three sectors, each with a varying degree of freedom to accept foreign investment.

Industrial Output High

The figures on industrial production in 1966 witness to the economic recovery. Mining and manufacturing production increased sharply with output 11.7 per cent, on the average, above 1965, compared with a 4.6 per cent advance in that year. All of the key industries made progress in 1966, with iron and steel output up 15.7 per cent, non-ferrous metals 12.7, machinery 13.0, chemicals 16.3, petroleum and coal products 15.4, paper and pulp 10.9, and textiles 10.7. Producers' shipments, according to Ministry of International Trade and Industry announcements, continued to move briskly with the index rising by 11.9 per cent and thus advanced even more than production. Consequently, inventories of finished goods declined to the lowest level in recent years. This, coupled with a rise of 16 per cent in the rate of factory operation, indicates that there is little or no excess productive capacity in some sectors of industry and accounts for the recent rises in wholesale prices.

Other Economic Indicators

Consumer spending in Japan was higher in 1966 than in the previous year as evidenced by department store turnover, up by 12 per cent. Gross national product in 1966 was at an annual rate of about U.S.$100 billion with per capita income at U.S.$766. The over-all balance of payments (computed on the IMF formula) had a surplus of U.S. $335 million or $69 million below the previous year. Though the current account had a larger surplus than in 1965, this was countered by a bigger net outflow on long-term capital accounts. Merchandise trade showed a surplus of $2,280 million, up $379 million from 1965. Export receipts totalled $9,638 million, up 16 per cent, and import payments rose by 14 per cent to $7,358 million. The long-term capital account had a net outflow of $820 million, roughly twice the figure for 1965. The external position of the exchange banks improved, largely as a result of increased repayments of borrowings from foreign banks and increased holdings of export bills. The exchange reserves decreased by $30 million in the official sector.

TABLE I

JAPAN'S EXPORT TRADE

	1965	1966
	(U.S.$'000, f.o.b.)	
United States	2,479,232	2,969,490
Hong Kong	287,851	369,907
South Korea	n.a.	335,171
Liberia	371,413	322,789
Communist China	245,036	315,149
Thailand	219,270	300,837
Australia	313,275	297,678
Philippines	240,270	278,256
Canada	214,436	255,811
West Germany	215,015	246,557
Republic of China (Taiwan)	217,916	n.a.
Total, including all others	**8,451,742**	**9,776,391**

TABLE II

JAPAN'S IMPORT TRADE

	1965	1966
	(U.S.$'000, c.i.f.)	
United States	2,366,146	2,657,650
Australia	552,061	679,537
Canada	356,753	451,299
Kuwait	305,503	290,314
Malaysia	263,432	307,164
Philippines	253,676	324,975
Iran	246,937	362,151
U.S.S.R.	240,198	300,360
Communist China	224,705	306,236
West Germany	222,776	236,889
Total, including all others	**8,169,019**	**9,522,702**

Agricultural Production

Agricultural production in Japan in 1966 was 4.5 per cent higher than in 1965. The Ministry of Agriculture and Forestry estimates a growth rate of 2.9 per cent per year over the next ten years. Food crop production in 1966 was up 3 per cent, with larger yields of rice, fruits and vegetables. The rice harvest, at 12,745,000 tons, was the fourth largest in history. Wheat and other grain production continued to decline, with the total acreage seeded to wheat down 11 per cent from 1965. Fruits, vegetables and livestock products are becoming increasingly important and some land and labour resources have been shifted from grain to fruit and vegetable growing. The total output of livestock products in 1966 was between 7 and 8 per cent higher than in the previous year, but the Government intends to encourage an even more rapid increase in milk and beef production.

Japanese farm income increased more than 10 per cent last year but it is still substantially below the average income of urban families (about 28 per cent).

Foreign Trade Increased

Japan's over-all foreign trade in 1966 was well above the total for the previous year, at U.S.$19,299 million compared with U.S. $16,620 million in 1965. It should be noted that total imports into Japan are calculated on a c.i.f. basis, (cost, insurance and freight are included). Export trade, on the other hand, is calculated on an f.o.b. basis with no other charges included. The figures, however, do serve to show the sharp rise in Japan's foreign trade last year and they also indicate the predominant position of the United States in the country's export and import trade (see Tables I and II).

Merchandise Trade Up

In comparison with 1965, last year Japan's exports of heavy and chemical industrial goods totalling $6,205 million were up 18.4 per cent, light industrial products 12.0 per cent, foodstuffs 11.3 per cent, and raw materials and fuels by only 1.1 per cent. The popularity and competitiveness of Japanese television sets resulted in exports rising by 72.6 per cent, automobiles 28.9, radios 28.5, and tape recorders 51.9 per cent over the figures for the previous year. Exports of iron and steel products and ships were off slightly in 1966 by 0.2

per cent and 8.1 per cent, but these two remain key Japanese exports. Woollen fabrics and chemical fertilizer exports were off 12.0 and 11.1 per cent but synthetic fibre fabrics and plastics exports went up by 46.4 and 32.9 per cent respectively.

Imports of industrial raw materials, foodstuffs and other consumer goods, and capital goods into Japan in 1966 all increased. By individual commodities petroleum, iron ore, lumber, raw hides, non-ferrous metal ores, kaolin, and fish and shellfish all advanced in 1966. There were, however, decreases in the value of imports of rice, iron and steel, iron-steel scrap and raw cotton.

Canadian Traders Benefit

The increased tempo of business activity in Japan last year is reflected in much larger sales of Canadian products. Statistics for January-November indicate that exports from Canada to Japan for the year should reach a record of over $400 million, an increase of some 27 per cent over 1965 (see Table III). Imports into Canada from Japan also advanced sharply and, again based on figures for eleven months, should reach Can.-$260 million, an increase of about 13 per cent by comparison with 1965 and also a record. The most impressive gains were made by traditional agricultural exports such as wheat and rapeseed; Canadian skim milk powder ($4 million) was shipped to Japan in quantity for the first time. Canadian industrial raw materials such as copper ores and concentrates, lead concentrates, and molybdenum ores also recorded substantial gains. All species of West Coast softwood logs sold better, as did softwood lumber in response to the higher level of construction in Japan; wood pulp, as domestic demand continued to outstrip local capacity; and liquefied petroleum gas as the initial delivery was made under a ten year contract calling for annual shipments of $6 to $7 million (see Table IV).

Buying from Japan

Japanese exports to Canada for the calendar year 1966 reached just over $253 million. There is a continuing trend towards certain steel products (oilfield pipes and tubes, etc.) sophisticated capital goods, and the usual range of consumer goods (motor vehicles, electronic products, photographic equiment, etc.) for which Japanese manufacturers are renowned. Other leading imports from Japan include mandarin oranges, radios, footwear, dolls and toys, textiles and clothing.

Outlook Is Promising

The demand for many Canadian products in Japan responds sharply and directly to the level of industrial activity. Essentially this results in rising shipments of Canadian industrial raw materials when the requirements of Japan's industries are increasing. Canada has a fine record as a supplier of essential industrial raw materials, based upon the complementary nature of the two economies. The outlook for Canadian export trade in 1967 is good and, in addition, increasing prosperity for the average Japanese means the opening up of a consumer market for the sophisticated output of Canadian industry. ●

TABLE III

CANADA'S TRADE WITH JAPAN

Year	Canadian Exports to Japan	Japanese Exports to Canada	Total
	(Can.$'000)		
1956	127,870	60,826	188,696
1958	104,890	70,215	175,106
1960	178,858	110,382	289,241
1962	214,573	125,359	339,932
1964	330,234	174,381	504,615
1965	316,200	230,200	546,400
1966	394,246	253,051	647,297

TABLE IV

WHAT CANADA SELLS TO JAPAN

	1964	1965	1966 Jan.-Nov.
		(Can.$ '000)	
Skim milk powder	....	....	4,069
Barley	4,581	11,876	8,418
Rye	83	2,155	3,739
Wheat	105,170	90,188	94,694
Feeds and feedings	3,582	4,845	6,286
Hides and skins	1,832	3,003	5,795
Flaxseed	12,244	13,335	13,833
Rapeseed	6,924	12,913	21,380
Iron ores and concentrates	18,270	19,734	16,925
Scrap iron and steel	5,505	678	150
Aluminum (all basic forms)	13,561	13,643	14,639
Copper (all basic forms)	36,472	33,625	46,875
Brass and bronze scrap	2,672	2,556	2,019
Nickel (all basic forms)	5,647	5,313	4,738
Zinc (all basic forms)	5,436	798	2,722
Lead (all basic forms)	2,412	527	3,075
Metal bearing ores and contrates (including molybdenum ore)	521	2,379	5,801
Coal	9,198	10,614	10,537
Asbestos (all forms)	10,628	9,036	5,683
Logs (all species)	3,774	3,963	5,609
Lumber (all species)	18,254	14,715	18,911
Wood pulp (all forms)	23,482	26,417	32,028
Newsprint	8,311	1,329	1,371
Tallow, inedible	1,622	2,159	1,465
Potassium chloride	8,081	9,356	11,168
Plastic and synthetic rubber	3,391	2,977	3,148
Card punch machines, computer parts	5,463	3,218	3,824
Liquefied petroleum gas	....	190	557
Sub-total	317,116	301,542	349,459
Other items	13,118	14,645	16,256
Total	**330,234**	**316,187**	**365,715**

South Korea's Industries Expand

Expanding industry, growing exports topping $250 million, an excellent rice crop—that was South Korea in 1966, promising for Canadian exporters seeking increased sales.

R. A. FOOD, *Assistant Commercial Secretary, Tokyo.*

SOUTH KOREA'S industrial output rose rapidly again last year and all sections of the economy made progress. Prospects for the future are also good. The Koreans are, therefore, anxious to secure export markets for their industrial production and have been negotiating trade agreements with Canada, Mexico and New Zealand.

The Trade Agreement between Canada and the Republic of Korea came into force upon signature on December 20, 1966. Under the agreement, Canada accords to imports from South Korea the rates of the most-favoured-nation tariff and in return, Canadian exports are assured of as favourable tariff treatment by Korea as those from any other country. A separate undertaking deals with the access to the Korean market of goods of export interest to Canada—these include wheat, barley, wheat flour, malt, breeding stock, softwood lumber, wood pulp, newsprint, asbestos, synthetic rubber, primary aluminum, nickel, lead and zinc.

Late in 1966, Korea took part in the inaugural meeting of the Asian Development Bank, an institution concerned with increasing the rate of economic development and improving living standards in 16 Asian nations. Korea's subscription is U.S.$30 million to the Bank's total capital of U.S.-$1 billion. Canada is also a charter member and Canadians are eligible to compete for projects financed by the Bank. (See article in *Foreign Trade* of November 26, 1966.)

Rapid Growth

Bank of Korea statistics show for 1966 a total gross national product at constant (1960) market prices of W860,88 billion (Can.$3.5 billion), an increase of about 12 per cent over 1965. With a population of 29 million, Korea's per capita national income now stands at about Can.$118, an increase of $16 during the year. Production continued to increase at a substantial rate as month-by-month industrial production figures exceeded those for the corresponding 1965 period by 11.8 per cent. Domestic production of products like fertilizer and cement was able to replace imports. Agriculture also enjoyed a good year and the rice crop was equal to 1964's record yield.

TABLE I

KOREA'S LEADING MARKETS

	1965 (U.S.$ million)	1966 (9 months) (U.S.$ million)
United States	62.5	70.5
Japan	47.2	46.1
Vietnam	16.3	10.3
Sweden	5.0	7.6
Hong Kong	11.1	5.6
West Germany	5.3	5.6
Canada	2.8	4.4
Britain	3.6	3.4
Thailand	4.3	3.2
Netherlands	3.9	3.1
Belgium	2.6	2.4
Singapore	2.3	1.8

TABLE II

KOREA'S LEADING SUPPLIERS*

	1966 Jan.-Sept. (U.S.$ million)
Japan	189.0
United States	51.0
Philippines	21.1
West Germany	9.8
Republic of China (Taiwan)	4.1
Canada	1.6
All Asian countries	266.3
All North America	52.6
All Europe	17.9

*Imports under foreign aid not included.

Foreign exchange receipts in 1966 totalled U.S.$477.6 million and payments U.S.$411.7 million, both well above the 1965 figure. Apart from export earnings, major contributions were made by United Nations Forces based in Korea and remittances from abroad by Korean technical and military personnel. Early in 1967, the Ministry of Finance reported record foreign exchange holdings of U.S.-$245 million.

Korean Trade

Exports during 1966 reached U.S.-$255.5 million, 2.2 per cent over the target of U.S.$250 million and 42 per cent ahead of 1965's total. Preliminary statistics reveal that manufactured goods accounted for 63 per cent of exports, fisheries products 14.5 per cent, metals 13 per cent and agricultural products 9.5 per cent. Some of the major commodities exported, with their value in millions of U.S. dollars, were: veneer and plywood 30.5, cotton sheeting 11.5, raw silk yarn 11.4, wigs, human hair, and eyelashes 15.2, sweaters and pullovers 8.8, rubber footwear 4.2, fish, fresh and canned (tuna) 12.9, iron ore 8.1, tungsten 11.

Preliminary statistics indicate that commercial imports in 1966 financed with Korean foreign exchange (KFX) totalled approximately U.S.$331 million. This figure does not include imports (primarily of agricultural surpluses) financed under United States PL480 or Support Assistance programs, nor does it include capital equipment imported under bilateral commercial credit arrangements. About 75 per cent of foreign commercial credits extended to Korea last year were from Japan. In addition, Korea received from Japan about $45 million in grants and soft loans under the terms of the Property Rights, Claims and Economic Co-operation Agreement concluded in 1965. Mainly as a result of this, Japan last year supplanted the United States as Korea's major supplier.

Korea's major suppliers are listed in Table II, which summarizes Korean imports in the first nine months of 1966. (The total of U.S.$348 million includes some commercial imports financed other than with Korean foreign exchange. Total imports, including those made with foreign assistance, amounted to U.S.$459.8 million in January-September 1966.)

Outlook for 1967

The Republic of Korea is now into the first year of its Second Five Year Development Plan. The new plan sets goals of an annual 7 per cent increase in gross national product and an average annual rise of 40 per cent in commodity exports. The plan emphasizes improvement and expansion of rail transport and electricity generation and further industrialization—particularly iron and steel, petroleum and petrochemicals, and machinery manufacturing. Their importance lies mainly in replacing imports but attention is also given to development of export-oriented industries such as textiles, ceramics, plywood and also lumber. A wide variety of labour-intensive small and medium industries are planned for both export and domestic markets.

The Economic Planning Board has drawn up a master budget plan for 1967 aimed at achieving a rate of economic growth of 10.5 per cent (1.4 per cent less than in 1966) while holding inflation at 7 to 10 per cent. Foreign exchange earnings should reach U.S.$612 million, of which U.S.$350 million would come from merchandise exports. The Commodity Plan for 1967 calls for total imports of U.S.$815 million and gives the following breakdown of the foreign funds needed: Korean Foreign Exchange (KFX) U.S.$488.2 million, long-term credits U.S.$169.2 million, imports financed with United States assistance U.S.$95.6 million, property claims settlement funds (Japan) U.S.$25.6 million, relief and miscellaneous U.S.-$33.7 million. As in previous years, Korea is expecting to receive from the United States wheat and cotton under the PL.480 program.

Industrial Development

Industrialization is proceeding rapidly, spurred by Japanese commercial credits under the Korea-Japan agreement of 1965, and by U.S. investment in labour-intensive secondary industries. Korea's industrial output has virtually doubled in the past five years and new factories, including the country's first oil refinery, four cement factories, and numerous fertilizer and textile plants have come on stream.

Although the bilateral settlement with Japan provides for U.S.$300 million in commercial credits, the Korean authorities have given their approval to 133 projects, worth altogether U.S. $624 million. The Japanese authorities meanwhile have accepted 23 of the projects, with a total value of U.S.-$122 million.

United States capital has participated in well over two dozen ventures ranging from oil refining and fertilizers to textiles and electronics parts manufacture. The intelligence and aptitude of Korea's relatively low-paid labour force and new investment regulations which provide for a five-year corporate income tax holiday have encouraged foreign investors.

TABLE III

WHAT CANADA BUYS FROM KOREA

Commodity	1965 12 mos. (Can.$)	1966 10 mos. (Can.$)
Shellfish, fresh or fozen, n.e.s.	25,395	199,751
Tungsten ores & concentrates	....	68,757
Fishery foods & feeds, n.e.s.	65,826	49,522
Wallpaper, printed	4,340	20,313
Duck & allied fabrics, cotton	32,652	42,692
Print cloth & sheeting, cotton, unbleached	559,737	436,267
Flannel napped fabric, cotton, coloured	....	27,938
Cotton corduroys	3,472	29,175
Blanks for table cutlery	....	12,815
Radio receiving sets, transistors, n.e.s.	5,539	18,374
Pants & breeches, men's & boy's, cotton	149,819	66,958
Shirts, cotton, except knitted	163,463	215,130
Shirts, synthetic fibres, except knitted	....	21,540
Shorts, outwear, except knitted	44,882	139,163
Pants, slacks, women's, children's, except knitted	134,620	12,102
Stainless steel flatwear	....	107,863
Miscellaneous end products, n.e.s.	....	12,599
Others	....	84,251
Total	**1,467,630**	**1,565,210**

Source: Dominion Bureau of Statistics.

TABLE IV

WHAT CANADA SELLS TO KOREA

Commodity	1965 12 mos. (Can.$)	1966 10 mos. (Can.$)
Dairy cattle, purebred	....	138,200
Milk powder	11,699	11,236
Malt	....	67,778
Wheat flour, n.e.s.	42,223	91,490
Cattle hide, raw	....	47,287
Flaxseed	77,920	785,931
Softwood logs	....	201,496
Of which hemlock	....	164,093
Asbestos	239,667	134,600
Sulphur	....	196,413
Newsprint	114,075	239,116
Softwood lumber	....	68,684
Copper	10,983	34,820
Nickel anodes, cathodes, ingots	57,663	100,068
Fire bricks & similar shapes	....	16,873
Pulp & paper industry machinery	....	18,955
Other	....	42,680
Total	**822,564**	**2,195,627**

Source: Dominion Bureau of Statistics.

Prospects for Canadians

Canada's trade with South Korea is not large, but it is growing fast and shows considerable promise. Agricultural and forestry products — purebred cattle, malt, milk powder, wheat flour, hides, oilseeds and hemlock logs—make up a substantial part of it. Raw materials such as asbestos and sulphur are important too and smaller quantities of a variety of other products are exported.

There will be opportunities to sell both equipment and raw materials to Korea's new industries. If you want to know whether your product will sell in the Korean market, write to the Minister (Commercial), Embassy of Canada, Akasaka Post Office, Tokyo, Japan. He and his staff will be pleased to help you. ●

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Singapore Looks Southward

Singapore is rapidly building up its industries. With the ending of confrontation, it is once more the gateway to Indonesia's market of a hundred million people. Canadian exporters should find plenty of opportunities for business in this area.

J. H. BAILEY, *Commercial Counsellor, Singapore.*

WHEN SINGAPORE separated from Malaysia on August 9, 1965, many people wondered what the future held in store for the smallest member of the Commonwealth. In the succeeding 18 months, however, Singapore has shown its ability not only to survive but also to improve its economic position. This is borne out by a number of indicators in the commercial, industrial and consumer fields.

Because trade is the mainstay of the island's economy, it is reassuring to find increases of 6.8 per cent for imports and 12.4 per cent for exports. The reason for the steady increase in Singapore's trade is primarily the dynamism of businessmen and government officials in the city and the excellent international trade facilities—port facilities, banking, insurance, warehousing—built up since Sir Stamford Raffles landed in Singapore in 1819. In addition, Singapore's strategic location at the crossroads of the trading routes of the Far East makes it the natural entrepot of Southeast Asia, a role it should continue to play for many years to come.

Canadian exporters have benefitted from the general upward trend of Singapore's imports but have not increased their sales as rapidly as some other industrialized nations, as Table I shows.

Probably the most favourable factor in increasing Canadian trade with this area is the important role that Singapore will now be able to play in re-exporting Canadian goods to Indonesia. (See article on Indonesia on page 14.)

Trade Resumes with Indonesia

Since the resumption of trade last September after confrontation ended, Singapore's trade with Indonesia has risen in a spectacular way to reach U.S.$12 million in the month of December. Family ties and cultural, linguistic and financial connections link Singapore and Indonesia and place Singapore firms in a preferred position to expand their trade. The number of visits by small coasting vessels (averaging 25 tons) in the Indonesian trade has jumped from practically zero to over 3,460 per month. Indonesia is clearly visible from Singapore—the nearest Indonesian islands are less than ten miles away—the businessmen can fly to Djakarta in only 45 minutes. It is natural for them to look upon this huge country as their best potential market.

The revival of trade with Indonesia will probably more than offset any reduction in trade with Malaysia. Even if the recent talks between the Prime Ministers of Singapore and

In Singapore, a crowd gathers to watch a demonstration of Canadian-made diamond-drilling equipment. The two men on the far right are showing how it works; the one facing the camera is F. W. Wink, the president of J. K. Smit & Sons International.

Malaysia lead to closer trading relations, Malaysia's population of seven million does not offer the same long-term market possibilities as Indonesia, with a population of over 100 million.

Industry Expands

Besides helping to expand the entrepot trade, the Government of Singapore is also making every effort, through tax incentives and other assistance, to increase manufacturing capacity. There are already over 2,500 industries in Singapore whose products include cement, lumber, dairy products, bicycles, steel, flour, tires, batteries, asbestos products, automobiles, furniture, textiles, television sets, plywood and aluminum products. There are two large refineries on the island and it is rumoured that a third may be built. Three more companies expect to begin automobile assembly in the next two years as a result of the new tariffs introduced in January 1967.

Investment in new plant is of the utmost importance as 20,000 young persons enter the labour market each year and the Government must also try to find jobs for over 70,000 unemployed (out of the country's total work force of approximately 600,000). This will require the investment of some Can.$30 million per year for an indefinite period to create sufficient new jobs. If the needed investment funds can be found, this will provide a market in Singapore for more Canadian machinery and raw materials.

Prospects Are Excellent

The prospects of increasing Canadian trade with Singapore are excellent. There is a good market for Canadian asbestos, aluminum, food products, chemicals, etc. (see box on this page for listing of major Canadian exports to Singapore and Malaysia) and total Canadian sales to the area are expected to rise substantially during the next few years, in spite of keen competition from Japan, Britain, and the other major suppliers. This can only be done, however, if Canadian businessmen introduce new lines and keep in close personal contact with their agents. Canadian exporters should, in particular, urge their Singapore agents to look for sales opportunities for their products in the huge Indonesian market which lies on Singapore's southern doorstep. ●

TABLE I

MAJOR SOURCES OF SINGAPORE'S IMPORTS

	1964	1965	Per cent
	(U.S.$ million)		change
Japan	121.5	140.4	+ 15.5
Britain	116.6	137.9	+ 18.3
Communist China	65.5	74.8	+ 14.2
United States	64.4	64.3	——
Australia	53.5	55.3	+ 3.4
Thailand	43.4	49.1	+ 13.1
Hong Kong	38.1	36.3	− 4.7
West Germany	30.3	34.8	+ 14.8
India	34.0	19.1	− 43.8
France	10.4	13.0	+ 25.0
Italy	9.2	11.8	+ 28.2
	(Can.$ million)		
Canada	8.4	9.3	+ 10.8

Source: Office of Chief Statistician, Singapore, except figures for Canada which are from DBS. The former excludes imports from Malaysia for re-export; the latter includes shipments to Malaysia as well as to Singapore.

What Canada Sells to Singapore and Malaysia

Agriculture and Fisheries Products
Alcoholic beverages
Apples
Dinners, frozen
Fish, canned
Fish, frozen
Honey
Macaroni
Meats, canned
Milk, powdered
Pickles
Poultry, frozen
Tobacco
Vegetable juices
Wheat and flour

Forest Products
Lumber
Newsprint
Sanitary papers
Writing papers
Wood pulp

Consumer Goods
Adhesives
Automobiles and parts
Clocks
Files and rasps
Floor tiles
Hand tools
Jewellery
Locks and keys
Oilcloth
Pharmaceuticals
Photographic materials
Power tools
Refrigerators
Shirts and skirts
Sleepwear
Sporting goods
Tire repair materials
Tires and tubes
Wearing apparel
Writing materials

Machinery and Equipment
Aircraft and parts
Chain saws
Construction machinery
Conveyors
Cranes
Drilling equipment
Electrical controls
Electric motors
Engines
Excavating equipment
Heating equipment
Industrial furnaces
Laboratory equipment
Locomotives
Measuring equipment
Medical equipment
Metalworking machinery
Office machinery
Pumps
Radar equipment
Shoe machinery
Telephone apparatus
Tobacco machinery
Tractors
Transformers
Welding equipment
Woodworking machinery

Materials for Industry
Aluminum ingot
Asbestos
Copper pipe and tubing
Fire brick
Iron castings
Metallic salts
Narrow fabrics
Nuts, bolts
Nitrogen phosphates
Plastic and synthetic rubber
Sandpaper
Tinplate
Upper leathers

Thailand Provides Promising Market

Canada's display at the Asian International Trade Fair in Bangkok last November introduced a number of Canadian products and suppliers to this market. It is open to greater trade exploration.

D. H. M. BRANION, *Assistant Commercial Secretary, Singapore.*

THAILAND'S ECONOMY has prospered throughout 1966 and the outlook for 1967 is encouraging. Canadian exports to this booming economy in 1966 totalled Can.$6.7 million, compared with $5.6 million in 1965. This same rate of increase should be maintained during 1967.

Last year marked the end of Thailand's first economic development plan (1961-1966); during this period the country experienced a rapid growth. In fact, the Thai economy has demonstrated its capacity to achieve a growth rate of over 7 per cent a year. This has been accompanied by significant structural changes; among these is the increasing share of the GNP provided by the non-agricultural sectors.

Goals for New Plan

The growth rate projected for the second national and economic development plan (1967-1971) has been set at 7 per cent. The GNP is expected to reach U.S.$6.9 billion compared with U.S.$4.6 billion in 1965. Agricultural output is expected to increase at an average rate of 4.3 per cent, manufacturing 10, construction 12, electricity and water supplies 16, and transport and communications 11.

There are excellent opportunities for Canadian exporters to sell both equipment and services to meet the needs of the Second Five Year Development Plan. During the plan, power generating capacity will almost double, over 6,000 kilometres of roads will be built, a further dieselization of the State Railways will be undertaken, 80 new locomotives and 28 new cars will be purchased, and 100,000 telephone lines will be added to the present system. Plans are also under way for a nation-wide communication and television network.

TABLE I

PRINCIPAL CANADIAN EXPORTS TO THAILAND

	1964	1965	1966 8 mos.
	(Can.$'000)		
Wheat and flour	877	608	815
Food products	31	18	10
Asbestos	352	676	506
Newsprint	310	1,080	634
Metals and machinery	538	1,041	762
Aluminum	—	399	654
Motor vehicles	111	234	42
Electrical equipment	27	39	18
Hand tools	148	248	233

Source: D.B.S.

Selling in Thai Market

Canada's major sales to Thailand are shown in Table I. This table reveals that our exports to Thailand consist mainly of primary materials, although our secondary manufacturers also report some successes. In addition to the opportunities arising from Thailand's Second Five Year Plan, a number of other Canadian manufactured products have good potential there. One of the notable successes in the Thai market has been hand tools; approximately $250,000 worth have been shipped there from Canada annually. Other commodities with good potential are building materials; handling equipment such as cranes, excavating and drilling equipment; chain saws; construction machinery; aircraft and parts, and prefabricated buildings and structures.

Thailand's principal exports to Canada consist of primary tin, lumber, jute, kapok, shellac and sago. These six commodities account for approximately 90 per cent of Thailand's exports to Canada.

In November of last year, Canada took part in the First Asian International Trade Fair in Bangkok. Fifteen Canadian companies participated and found that it paid off both in sales and in establishing new agencies. The Canadian booth displayed a variety of equipment, including sophisticated electronics, hand tools, drilling equipment, chain saws, building materials, carpets, and cobalt therapy units. It also advertised consulting engineering

TABLE II

PRINCIPAL IMPORTS INTO THAILAND—1965*

	(Can.$'000)
Iron and steel	57,142
Fabric other than cotton	28,051
Yarn	14,493
Paper and paper products	18,441
Tires and tubes	9,038
Rope and rope products	6,129
Copper	4,519
Glass and glassware	4,415
Arms	13,350
Road machinery, vehicles and equipment	80,207
Industrial and agricultural machinery	70,545
Electrical equipment and appliances	40,779
Power generators	18,077
Locomotives and equipment	10,285
Medical products	21,766
Chemicals	14,129
Plastic materials	11,012
Paint, enamel and dye	8,207
Fertilizers	7,012
Insecticides and fungicides	4,571
Soap (including detergents)	1,870
Fuel oil and lubricants	63,844
Milk and milk products	24,519
Coffee	2,545
Tea	1,506
Wheat flour	2,233
Wheat grain	1,090
Tobacco leaf	8,623

*Thai figures converted to Canadian dollars.

services. The Fair did much to demonstrate not only to the Thais but also to other people in Asia who visited it that in addition to raw materials, Canada is a major producer of manufactured goods and can compete with the United States, Germany and Japan in this field.

Foreign Trade Pattern

Thailand's foreign trade in 1966 rose over the previous year. Exports in 1966 totalled U.S.$750 million compared with U.S.$640 million in 1965. Imports were valued at U.S. $1.15 billion compared with U.S.$765 million in 1965.

The 1966 figures are not yet available, but in 1965, 65 per cent of Thailand's exports went to ECAFE countries and they supplied 45 per cent of imports. Japan, Hong Kong, Malaysia and Singapore were Thailand's main trading partners.

Thailand's trade figures indicate a rather large trade deficit, but it should be kept in mind that many of the imports included in the U.S.$1.15 billion total have been provided by various forms of aid and loans. In the six years leading up to 1965, imports have reflected the trend towards economic development. Imports of capital goods have been increasing faster than those of consumer goods and at present account for approximately 45 per cent of Thai imports.

United States aid to Thailand, which was expected to be gradually phased out from 1964, actually increased by about U.S.$10.5 million to a total of U.S.$30.3 million in 1965, apparently because of the political situation in South East Asia. Assistance from the AID program of the U.S. totalled U.S.$15.2 million in 1965 and from certain other sources U.S.$13.0 million.

The Thai currency is one of the most stable in the world and is backed by large holdings of gold and foreign exchange (U.S.$825 million). The Baht (formerly called the Tical) is the medium of exchange and there are approximately 20 Baht to one U.S. dollar. The following is helpful in remembering both the old and new names of the currency as well as the rate of exchange—a Baht is a Tical and a Tical is a nickel (U.S. that is).

The first step in prospecting for sales in Thailand is, of course, to write to the Office of the High Commissioner for Canada, P.O. Box 845, General Post Office, Singapore, giving as much detail as possible on your product, including literature and c.i.f. Bangkok prices. We would be pleased to look into the market and find a suitable agent to represent you.

You may also receive a letter from a Thai company asking whether you are interested in the market and perhaps seeking to represent you. This may or may not offer a good way of selling there. We suggest that you

Visiting Thailand?

- To enter the country you must have a visa; the customary one is valid for 15 days.
- Dress in typical Canadian summer clothing. Normal daytime temperature in Bangkok is 90 degrees F.; in November and December it may drop to 80 degrees F.
- Generally speaking, it is advisable to drink only bottled water and to select the non-Asian dishes that the large hotels provide, unless you enjoy very spicy food.
- Negotiate taxi fares before setting out on a trip, because few drivers use their meters. It costs about 20 Baht to go from one side of the city to the other.
- Save time to visit the floating market and the various temples and palaces. Most of the hotels also have displays of Siamese dancing.
- Enjoy swimming and golf if you wish, but those not used to the climate should restrict themselves to nine holes of golf.

These two young Thai women admire one of the displays in the Canadian section of the First Asian International Trade Fair, held in Bangkok last November. Fifteen Canadian companies participated, with good success.

refer all such inquiries to the Singapore office to check out for you.

The best way to test the market in Thailand—and the most enjoyable—is to visit it. Bangkok, the capital, is a bustling metropolis of over two million people, more than half of whom are Chinese. English is one of the working languages of the country but occasionally in making a business call you may find it necessary to hire an interpreter. Office hours are normally 8 a.m. to 4.30 p.m. and banking hours 8.30 a.m. to 3.30 p.m. Both government offices and banks are closed on Saturday.

The Trade Commissioner in Singapore, whose territory includes Thailand, will be glad to help you enter this market. You will need a good agent in Bangkok or perhaps a branch office, and landed prices are essential. Don't neglect this market of over 30 million people. ●

Indonesia Moves Toward Stability

Now is the time for Canadians to reassess this rich potential market, which is progressing towards a sounder economy.

J. H. BAILEY, *Commercial Counsellor, Singapore.*

IF THE WESTERN TIP of Sumatra were placed on Vancouver, the eastern boundary of Indonesia would reach Montreal. As in Canada, most of the citizens of this huge country live in a narrow belt a few hundred miles wide and are separated from one another by natural barriers of mountains and the sea. Again, like Canada, most of the population and industrial centres are concentrated in the central part of the country (about 65 per cent of the country's 100 million inhabitants live in Java) and the vast hinterland is practically untouched.

Stability Sought

There the similarity ends. Inflation and tight money are resulting in problems for Indonesia, where the cost-of-living index has risen by over 500 per cent during the past year. In addition, because of tight credit conditions, interest rates on business loans are about 14 to 18 per cent per month. Now, however, the Indonesian Government is taking various measures designed to put the economy on a sounder basis. Meantime most business firms—and particularly importers—appear to be marking time until they see how effective the new measures prove to be and what the trend in political stability will be.

The current trading position, as far as Canadian exports to Indonesia are concerned, is not too encouraging. In fact, our sales to this market have totalled less than $2 million during the past three years and even this small volume was restricted to a limited range of products, as Table I shows.

In view of the potentially large market which the population of Indonesia represents, however, we recommend that Canadian businessmen begin investigating this market during 1967 in spite of the problems mentioned above and the dearth of exports to this country during the past three years. It is not too early to start lining up potential agents or re-establishing connections with old ones, so that Canadian exporters will be ready to obtain a share of this market when Indonesia's internal and external financing problems have been further resolved.

This move towards prospecting now certainly is being made by businessmen from the other major exporting countries. During my recent trip to Djakarta it was obvious, from talks with foreign trade officials and from personal observation, that businessmen from the United States, Australia,

TABLE I

PRINCIPAL CANADIAN EXPORTS TO INDONESIA

	1964	1965	1966 9 mos.
		(Can. dollars)	
Automobiles and chassis	99,136	706,062	2,170
Construction maintenance machinery and parts	—	193,912	—
Marine engines and parts	16,151	107,686	4,271
Motor vehicle parts and accessories	47,565	90,021	9,639
Pharmaceuticals	16,654	88,144	—
Iron and steel pipes and tubes	50,421	77,034	—
Card punch, sorting and tabulating computers	4,126	65,492	86,988
Other motor vehicles, motorcycles and parts	—	50,263	—
Sulphur	52,747	44,217	61,855
Trucks and chassis	—	43,784	—
Wheat flour	285,165	34,836	—
Communications equipment	—	29,454	1,690
Total, all exports	**703,243**	**1,635,552**	**202,944**

Japan and most of the countries of Western Europe are pouring into Indonesia to evaluate the market. The initiative of some of these aggressive exporters has been rewarded, in some instances, with immediate orders; in others they have gained a better idea of the long-term prospects for their particular products.

The proof that trade is active in spite of the economic difficulties at the present time is obvious when one arrives in Indonesia by sea. The port is jammed with ships unloading cement, pipes, construction equipment, wire and cable, chemicals, automobiles and parts, food products, office machinery, newsprint and many other items. Visits to businessmen and government officials also confirmed that trade is definitely moving ahead. It is likely, for example, that Indonesian exports for 1966 (excluding petroleum) will amount to more than $460 million and that imports will be between $500 and $600 million.

Although the Canadian share of this market will probably total less than one half million when the final 1966 returns are tabulated, there are definite indications that this figure will be at least trebled during 1967. If more visits were made by Canadian businessmen, and more aggressive promotion work done by agents of Canadian companies in adjacent trading centres to push Canadian products in Indonesia, there is no reason why this figure could not be increased.

Trade through Singapore

Six months ago, the main impediment to foreign trade with Indonesia was the country's shortage of foreign exchange with which to pay for goods. Now more foreign exchange is available (through a complicated system of export bonus certificates and other sources) but importers are extremely short of rupiahs needed to finance their import business. The reason is that, in addition to new taxes and other increases in the local costs of doing business, the importer must now put up in rupiahs the full amount of the letter of credit which he wishes to open. At the same time, he must deposit, in rupiahs, 50 per cent of the duty which will be payable on the goods when they arrive. With interest rates at 14 to 18 per cent per month as mentioned earlier, an importer must turn over his goods as quickly as possible if he hopes to make a profit. Even though various importers indicated that they would like to consider placing orders in Canada, they can scarcely tie up their funds at these high interest rates for the three or four months shipping time required for imports from Canada when, in three or four days or three or four weeks at the most, they can obtain the goods they need from Singapore or some other nearby country.

It therefore seems that, for the present, most Canadian firms will have better opportunities to sell to Indonesia via their agents in Singapore and Hong Kong or even through their representatives in Japan and Australia. In addition to the physical proximity of these agents, they are much better placed to judge the creditworthiness of the ultimate customer in Indonesia.

As an added inducement to Canadian businessmen who may wish to make their own market surveys in Indonesia, it should be noted that it is possible once again to spend a holiday in Bali. A four or five day visit to this exotic island of the South Seas, only a few hours from Djakarta, will be a never-to-be-forgotten and delightful interlude. The island is still a centre of unspoiled beauty and artistic culture and it also has one of the finest and most modern hotels in the world.

Canadian businessmen who wish further specific data on doing business in Indonesia (with or without information about a relaxing holiday in Bali) should write to the Commercial Counsellor, Office of the High Commissioner for Canada in Singapore. Officers at this post, which is only 45 minutes away from Djakarta by air, will be making regular trips to Indonesia during 1967. They will be pleased to assist Canadian exporters in investigating market prospects or carrying out any other assignments in this awakening giant of Southeast Asia. ●

N.S. Firm Finds Market in Japan

FAIREY CANADA LIMITED, of Dartmouth, Nova Scotia, recently completed shipment of a Fairey "Beartrap" helicopter hauldown and rapid securing system for the Japanese Marine Self Defence Force to Mitsubishi Shoji Kaisha Ltd., Yokohama.

Officers of the Japanese Navy, including a Rear Admiral, witnessed demonstrations of the system on board the Royal Canadian Navy's *Assiniboine* in October 1965. The system, now in use by the Royal Canadian Navy, makes it possible to land and secure helicopters of up to 20,000 pounds gross weight on comparatively small ships at sea in adverse weather and a heavy sea.

Early in 1966, negotiations between Fairey Canada Limited and Mitsubishi Shoji Kaisha Ltd. resulted in an agreement whereby the latter company will act as Japanese distributor for the "Beartrap" system. Fairey engineers visited Japan in May 1966 and met with officials of the Japanese Marine Self Defence Force and Mitsubishi Shoji Kaisha.

No unusual problems were encountered in negotiating the contract for supply of one complete hauldown and rapid securing system.

Meanwhile in Canada arrangements had been made between Fairey Canada and Dowty Equipment of Canada, Limited, of Ajax, Ontario, for the supply of certain hydraulic components of the system. Tight delivery schedules called for very close co-operation between the two Canadian firms.

First components of the system, manufactured at Fairey Canada's Eastern Passage, N.S., plant, were shipped by sea from Halifax, consigned to Mitsubishi Shoji Kaisha, Yokohama, on January 31, 1967. The items supplied by Dowty Equipment of Canada were shipped via Vancouver, B.C., on February 24, 1967.

Fairey engineers and technical service representatives will travel to Japan to advise and assist in the installation of the complete system on a vessel of the Japanese Marine Self Defence Force. It is expected that further orders will be forthcoming after the Japanese complete sea trials and an evaluation of the system.

The management of Fairey Canada feels the agreement concluded with Mitsubishi is just the first step in development of an important new export market for Fairey products. ●

The Philippines: Business Climate Improves

Steps taken by government, plans for long-term development, larger exports—these have all contributed to a brighter outlook. Canadian exports declined last year, as some long-term contracts were completed and wheat purchases were smaller.

J. L. MUTTER, *Consul General and Trade Commissioner, Manila.*

THE PRESIDENT of the Philippines, in a statement marking the conclusion of his administration's first year in office, explained that the first six months had been spent in "putting the house in order and charting the course ahead", and the last six in laying the basis for economic development. Certainly 1966 provided a good takeoff for the four year economic development program (1968-1971) of the new administration. A number of changes made in monetary policies were designed essentially to ease credit and this substantially improved the financing situation. Among the most important were the abolition of the special time deposit requirements for import letters of credit and the reduction from 6 to 4¾ per cent of the Bank interest rate.

These and other measures aimed at increasing the lending capacity of the commercial banks constituted the response to the increasing demands for credit of a growing economy. Additionally, the Development Bank of the Philippines in October 1966 launched a massive program of industrial refinancing, involving the flotation of an initial P100 million of ten-year tax-free 7 per cent Progress Bonds. An interesting feature of these is the right of holders to exchange the bonds for preferred shares convertible into stock of selected private companies being refinanced by the Bank. The Government hopes by this means to spread ownership of large manufacturing firms. Virtually the whole issue was sold.

Other factors responsible for the improved tone of Philippine business were the reorganization of the operations of the Bureau of Customs, and the concerted drive of the administration and various law enforcement agencies against smuggling. The success of this has greatly improved the operating position of those domestic industries (especially textiles) which for the past three or four years had been adversely affected.

One element which has helped to create a better business climate is the impetus that the new administration has given to infrastructure projects and the efforts made to reorganize, improve and streamline government administrative machinery and the operations of government corporations. A number of problems undoubtedly remain to be solved. There is ample evidence, however, of the administration's determination that infrastructure and other government projects should be carried forward with greater efficiency and speed and that the still limited financial resources at the Government's command be used to the best possible advantage.

GNP Increased

The National Economic Council, on the basis of data available up to the end of the third quarter of 1966, has calculated that the Philippine GNP at current prices in 1966 reached P21,310 million, 7.9 per cent over 1965. The rapid and relatively broad increase in prices, however, brought real growth in GNP in 1966 down to P14,403 million in terms of 1955 base prices. The growth rate in real terms was therefore only 4.1 per cent. The Philippine population continues to grow at an annual rate of about 3.3 per cent. The impact of this growth rate and its relationship to unemployment (currently estimated at more than 8 per cent of the labour force) is fully recognized.

During the year, all sectors of the economy increased their output except building construction. The growth of manufacturing, which has increased its contribution to the GNP from 17 per cent in 1965 to 20 in 1966, was impressive, at 12 per cent in current prices and 7.2 per cent in constant prices. Agriculture, which contributes roughly one third of the GNP, increased output by 7.3 per cent in current and 3.9 in constant prices.

Balance of Payments

International transactions for the first six months of the year resulted in an over-all surplus of $82 million compared with a surplus of $14 million for the same period in 1965. Foreign exchange receipts from January to June 1966 totalled $874 million and disbursements $792 million, compared with $761 million and $748 million for the period January-June 1965. These favorable changes resulted from a sharp increase in export earnings and invisible receipts, a less-than-expected rise in imports, and a decline in disbursements for invisibles, reflecting both the Government's efforts to curb illicit external trade and confidence in the new official parity rate for the peso. This is P3.90 = $1.00 declared in November 1965.

The larger export earnings have strengthened the foreign exchange position. At the end of 1965, net foreign exchange holdings of commercial banks were in debit by $46 million. By mid-1966 (exclusive of deferred payment obligations) they were in surplus by $7 million. As of October 1965, gross international reserve holdings of the Central Bank totalled $172 million. By mid-August 1966 they rose to $202 million, but more recently they fell to $169 million following substantial payments for rice imported during 1965.

Foreign Economic Relations

Philippine economic relations with the United States were much in the foreground during 1966 on both sides of the Pacific. Disputes over the status of U.S. investors in the Philippines have become relatively more important in recent months. A rather strict interpretation of the Retail Trade Nationalization Act affecting U.S. firms is still *sub judice* and is being vigorously argued.

The basis for much of the controversy that has developed between the United States and the Philippines is the Laurel-Langley Agreement, and currently the major issues in United States-Philippine trade relations revolve around the question of what kind of treaty should replace it in 1974 or earlier. Opinions on this subject vary widely and do not always divide along national lines. Thus, some leading Philippine economists view the upcoming termination of the Agreement with apprehension and argue that the Philippines should take the initiative to prolong and expand the Philippine preferential position in the American market. Other experts, both Philippine and American, appear to take it virtually for granted that it will and should end in 1974.

In any event, its impending termination has focused Philippine attention on the possibilities of expanding trade with other, and especially neighbouring Asian, countries. In August a supplementary trade agreement with Indonesia was signed, reaffirming the basic Philippine-Indonesian trade agreement of 1963 and calling for a $10 million exchange of trade annually between the two countries. The Philippines, with the other members of the Association of Southeast Asia (ASA), took steps towards liberalizing trade among themselves. There are some who appear to favour the ultimate creation of an ASA common market within an expanded association.

Following the President's state visit to Japan, it was announced that the remainder of the war reparations payments from that country would be made within five years rather than ten years in order to assist the Philippines in implementing its four year economic plan. It was also made clear that the private sector in Japan intended to invest substantially in the Philippines.

Long-term economic relationships with Japan are receiving careful study and commercial ties may soon be normalized. An executive order issued in advance of the state visit last September permitted Japanese nationals resident in the Philippines to engage in business in certain selected fields. This will give a measure of official sanction to their activities, pending the ratification by the Philippines (Japan ratified it several years ago) of the Philippine-Japanese Treaty on Trade, Amity and Navigation.

As this report is written, a number of Philippine businessmen and industrialists are taking a lively interest in the possibility of entering into trade relationships with the Soviet Union, Eastern Europe and possibly even Communist China. There is a growing belief that these countries could be worthwhile markets for the major Philippine exports, and there is a considerable interest in closer trade and cultural relations with Japan against the time when preferential treatment for Philippine products in the United States is either ended or substantially reduced. Traditionally, it has been Philippine policy to shun contacts of any kind with Communist countries. This is now being questioned by many. Critics of the policy point to the examples of Britain, Canada, Australia and even the United States, all of which carry on trade with some or all of these countries.

National Economic Planning

Focusing on long-term development, the Marcos Administration has drawn up a four-year program aimed at raising the annual rate of economic growth from the 4.5 per cent for 1962-1965 to 6.3 per cent. The Four Year Fiscal Plan 1968-1971 is to begin on July 1, 1967. Revised several times and still being discussed, it

This is Roxas Boulevard, in Manila, the capital of the Philippines. A city of some one and a half million, it is on the island of Luzon. The office of the Consul General and Trade Commissioner is in the tall building in the background (centre right).

sets out a comprehensive development program, giving priority to an improvement in agricultural output and to increased social capital to support the private sector in furthering industrialization. Prospective annual average growth rates for the various components of GNP are scheduled as follows (in per cent):

Private consumption expenditure	4.1
Government expenditure	7.4
Gross domestic investment	16.8
Export earnings	3.0
Import payments	10.5

National income is required to increase at an annual average rate of 5.7 per cent, with incomes for the various sectors of the economy expanding each year as follows (per cent):

Agriculture	4.0
Mining and manufacturing	8.4
Construction	8.4
Trade	5.8
Transportation & communication	5.8
Services	5.3

Attainment of these objectives envisages a total investment of P20.3 billion during the four years, of which 17 per cent (or P3.4 billion) will come from the public sector. Major investments include 12 per cent for infrastructure projects, 24 per cent for mining and manufacturing, 17 per cent for agriculture, 12 per cent for trade, and 4 per cent for social services.

The Government proposes to spend approximately P3 billion on the following: highway construction and improvement; improvement and completion of waterworks systems in the major urban centers and the development of several thousand artesian wells and springs in the rural areas; the rehabilitation of 59 irrigation systems and the building of as many new ones to provide an additional 280,000 hectares of irrigated land; the completion of two hydroelectric power projects now under construction and the building of four others to add half a million kilowatts; the modernization of the railway system; the construction of some 400 schools; the expansion and improvement of telecommunications systems; construction of new harbors and airports, and the improvement of present facilities.

Total resources to finance the investment required are estimated at P17 billion, leaving a gap of about P3.3 billion (roughly U.S.$851 million). This will have to be filled by internal borrowing and foreign loans and investment.

TABLE I

PRINCIPAL PHILIPPINE EXPORTS

Commodity	1963	1964	1965	1965 Jan.-Aug.	1966 Jan.-Aug.
	(U.S.$ million, f.o.b.)				
Logs and lumber	153	143	161	102	139
Copra	168	156	170	101	120
Sugar (centrifugal)	147	148	132	98	97
Coconut oil	47	60	68	43	49
Copper concentrates	32	30	42	25	44
Plywood	16	23	18	12	13
Abaca	32	30	24	16	12
Desiccated coconut	18	20	20	13	11
Copra meal or cake	11	11	12	7	11
Other	93	110	119	76	83
Total exports	**717**	**731**	**766**	**493**	**579**

Foreign Trade

Preliminary figures place Philippine total trade at U.S.$1,402.4 million for the first ten months of 1966, of which U.S.$710.9 million represents exports and U.S.$691.5 million imports. The favourable merchandise trade balance totalled U.S.$19.4 million. Exports were roughly 10 per cent and imports 1 per cent greater than in the corresponding period of 1965. The United States continues to take 42 per cent of Philippine exports, followed by Japan (30), the Netherlands (8), and West Germany (7).

TABLE II

POSITION SHIFT OF PHILIPPINE PRINCIPAL EXPORTS

	1960-1965	1966
	(per cent of dollar receipts)	
Coconut products	37.67	37.97
Sugar	26.39	31.37
Logs, lumber, plywood	25.56	29.49
Abaca	5.55	2.60
Copper concentrates	4.83	8.12

Central Bank statistics show that the prices received per unit of quantity for the ten leading export commodities (copra, logs and lumber, sugar, coconut oil, abaca, copper concentrates, desiccated coconut, plywood, molasses, and copra meal, in that order) were less than in 1965, except for sugar, lumber and copra meal. The price decline, however, was offset by the increased volume exported, so that the total value of exports of the ten items was greater by about 18 per cent for the eight

TABLE III

PRINCIPAL PHILIPPINE IMPORTS

Commodity Group	1963	1964	1965	1965 Jan.-Aug.	1966 Jan.-Aug.
	(U.S.$ million, f.o.b.)				
Machinery other than electric	113.6	140.0	141.3	94.9	100.1
Transport equipment	66.7	92.0	86.9	56.4	65.2
Mineral, fuels and lubricants	61.8	77.0	76.2	46.8	54.3
Base metals	53.4	74.2	78.0	50.6	52.8
Cereals and cereal preparations	58.9	66.4	94.8	67.4	24.0
Electric machinery, apparatus and appliances	28.7	42.2	47.5	36.2	22.3
Explosives and miscellaneous chemicals	18.9	22.2	24.4	15.7	19.1
Dairy products, eggs, and honey	18.7	23.9	26.0	18.9	18.8
Textile fibers not manufactured into yarns	25.6	23.2	21.7	14.1	18.7
Paper and paperboard manufactures	16.0	23.2	21.9	14.4	15.0
Other imports	155.9	196.0	189.4	120.8	137.2
Total imports	**618.2**	**780.3**	**808.1**	**536.2**	**527.5**

months January-August 1966 than for the same period in 1965. Table I gives this position in greater detail and shows the trend since 1962.

The change that has taken place over the past six years in the relative importance of the principal Philippine exports is shown in Table II.

Philippine imports for the first eight months of 1966 totalled U.S.$527.5 million, compared with U.S.$536.2 million in 1965. Table III indicates the principal commodity groups and compares 1965 and 1966 with the three previous years. Among the principal suppliers of Philippine imports the United States still ranks first, with roughly 35 per cent. Japan was a close second with 30 per cent. Other leading suppliers were West Germany 4.6 per cent, Britain 4.2, Australia 3.6, and Indonesia 2.2.

Trade with Canada

Canadian exports to the Philippines in 1966 fell far short of those for 1965 (and 1964). Dominion Bureau of Statistics figures for 1966 show that our shipments to the Philippines were valued at only Can.$18.7 million compared with $26.3 million in 1965, a decline of $7.6 million.

The two most important export commodities in our trade with this market in 1965 (as in 1964) were wheat and telephone apparatus, equipment and parts. Wheat shipments in 1966 stood at only Can.$3 million, or Can.$7.3 million less than in 1965. Shipments of telephone apparatus, equipment and parts fell from Can.-$4.06 million to Can.$2.2 million. The value of wheat and telephone equipment shipments taken together amounted to only Can.$5.2 million compared with $14.9 million for these products in 1965.

As long ago as mid-1965 the Philippine milling industry began switching its purchases from Manitobas to varieties from the western United States which were about $5.00 per ton less in price. This trend accelerated throughout 1966. Telephone equipment shipped to the Philippines throughout 1965 under the terms of a long-term financing agreement entered into late in the previous year largely offset the value of wheat business lost in 1965. However, only $2 million to $3 million worth of the total $13.5 million worth of equipment involved in the agreement remained to be shipped in 1966.

Canadian exports to this market in Centennial Year will hardly come close to the near Can.$30 million level of 1964 and 1965. It is probable, however, that additional contracts will be placed for the supply of telephone apparatus and equipment from Canada for the second and third phases of the Philippine Long Distance Telephone Company's expansion program and that shipments will begin to move again in good volume. In wheat, however, we shall do well if during 1967 we are able to revive the interest of Philippine millers.

On a more encouraging note, there are first class long-term prospects for the growth of Canadian sales to the Philippines of fertilizer materials and chemicals, industrial minerals, nonferrous metals, general purpose and special industrial equipment and machinery, electrical, electronic and telecommunications equipment. For all of these, the agricultural and industrial expansion contemplated in the Republic's new economic development program should provide excellent opportunities.

There should also be a growing measure of Philippine interest in the services of Canadian consulting and engineering firms, a number of which in the last two or three months have put their names, qualifications and experience on record with the new Asian Development Bank.

In the last two or three years, Filipinos have become increasingly aware of Canada and things Canadian and are more and more knowledgeable about the materials and equipment Canada can offer. Since 1965 some 3,000 have migrated to Canada, and a number of visitors from the Philippines will be in Canada in 1967 to see Expo 67. This traffic is bound to stimulate further the development of Philippine-Canadian trade. ●

Currencies in the Far East

A READER SUGGESTED to us recently that it would be useful to publish a list of the currencies for each country, showing singular and plural forms, the abbreviation, and how it is used. In this issue we cover the Far East; in future issues we plan to cover other areas. The example used throughout would be written in Canada $7,000,000.50 (seven million dollars and fifty cents).

Country	Currency	How Used
Burma	kyat (kyats)	K.7,000,000.50
Cambodia	riel (riels)	Rs. 7,000,000.50
Communist China	jen min piao or yuan (same)	JMP$7,000,000.50
Hong Kong	dollar (dollars)	HK$7,000,000.50
Indonesia	rupiah (rupiahs)	Rp.7,000,000.50
Japan	yen (same)	Yen7,000,000.50
Korea (South)	won (same)	W 7,000,000.50
Laos	kip (kips)	K 7,000,000.50
Macao	pataca (patacas)	Pts$7,000,000.50
Malaysia	dollar (dollars)	$7,000,000.50
Philippines	peso (pesos)	P 7,000,000.50
Singapore	dollar (dollars)	M$7,000,000.50
Taiwan (Republic of China)	dollar (dollars)	NT$7,000,000.50
Thailand	baht (same)	Baht 7,000,000.50
Vietnam (South)	piastre (piastres)	VN$7,000,000.50

Enterprising Exporters in the Far East

Selling Golf Clubs to Japan

GOLF is one of Japan's fastest growing sports today. Where there were only a few golf clubs before World War II, mainly used by foreign residents, now there are nearly 500 new courses spread across the country.

This growing Japanese interest in golf tempted two Canadian golf equipment manufacturers to explore the market, even though it was recognized that local manufacturers produce an extensive quality line, which they export to Canada.

Both Campbell Manufacturing Co. Limited, in Willowdale, Ontario, and Walter B. Dagg Agencies, Vancouver, British Columbia, worked through the Canadian Trade Commissioner in Toyko, seeking contacts with Japanese prospects.

Campbell Manufacturing searched for two years before appointing a suitable agent based in Japan. Walter B. Dagg sent product samples and these were shown by Canadian Trade Commissioners to prospective buyers. Both companies eventually established marketing representation, with gratifying results.

To support its contention that Japan was indeed a potential market for Canadian-made golf equipment, Campbell Manufacturing undertook a wide survey of the game and its development in Japan. The company found that golf in Japan is almost a mania: more than three million Japanese are said to be devotees, although many of these seldom play on a regulation course.

This new sports enthusiasm brought an interesting development in driving ranges. The size and use of these ranges have increased noticeably: Toyko's largest boasts three tiers, with a total of 150 tees.

Although golf in Japan is considered quite expensive, Japanese still flock to regulation courses and driving ranges and many travel several miles. Membership in a private club runs three times the cost of comparable Canadian facilities, and a public course can charge up to $25.00 a day, including the services of a girl caddie.

After three years continued research, Campbell Manufacturing decided to approach the market by advertising in popular golfing publications and printing a special Japanese catalogue of Campbell products. Campbell's agent also visited Canada, where he discussed designs suitable for the Japanese market. As a result, the company redesigned its Canadian-styled clubs, making them shorter and lighter in weight to suit the smaller Japanese golfer. These product changes worked well. The company is now processing orders scheduled over a 12-month period.

Walter B. Dagg also found it necessary to make suitable production changes. Dagg's Canadian-made putters, selling in Canada under the label "Green Master", vied with a similar Japanese-registered product. Dagg shipped these same putters to Japan under the brand name "Green Magic", which gave instant selling success to an already established high-quality Canadian product.

Both companies found that in order to export successfully to Japan, it is necessary to be flexible in export practices (shipping, price, etc.) and be able to adapt products to local requirements.

Prompt delivery is another important selling point. Walter B. Dagg sends sample shipments by air and stock orders by surface, with close follow-up on all firm orders.

In spite of high duty rates on imported clubs, which make them expensive for Japanese golfers, the Japanese still aspire to owning at least one foreign-made club —usually a putter, considered a status symbol. This unique feature gave Campbell Manufacturing several thousand orders of one design.

Both companies agree that the Japanese golfer is not averse to paying premium prices for quality goods. Campbell, well known in Canada for quality golfing equipment, and Walter B. Dagg, as specialists in putters, have found Japan's golfing market demands high quality golfing merchandise—plus first class delivery service. ●

Wallpaper for Hong Kong

TEAMWORK is a key word for export selling: teamwork between the exporter and the various government officers who stand ready to help him. The experience of Waldec of Canada Ltd., a producer of wall coverings, is a good case in point.

Early in 1965 the company contacted the Department of Trade and Commerce in Ottawa to find out the possibilities for exporting wallpaper of various types to markets untouched before. At this point it received an inquiry from Hong Kong. When Waldec (with the help of the Department's officers) checked into the inquiry, it stirred up a good deal of interest and found that it had not one, but "an embarrassing number of prospective agents and distributors" in the Crown colony.

All the interested firms were investigated and eventually one of them, Gibb, Livingston & Company, was chosen to represent Waldec. The Canadian firm then made every effort through technical data and samples to establish the suitability of their products for the Hong Kong market. A sample order was the result and repeat orders have followed.

Competition in Hong Kong was worldwide, especially from European sources. But Waldec had a number of factors in its favour. Its wallpaper in strength and washability was superior to other offerings and prepasted wallpaper is almost uniquely Canadian. The company's lines of vinyl paper are exceptionally good for hotel and commercial use and can undersell most other competitors—at least in Hong Kong. The question of the shelf life of prepasted paper in humid climates was raised but Waldec was able to assure its agents that tests had shown that this was, in fact, no problem.

For the Pacific area the company normally quotes prices f.o.b. East Coast Canadian port. After considerable research it decided to quote this way rather than c.i.f. for Hong Kong. The reason? Waldec felt that the f.o.b. basis was cheaper in the long run for the customer. Naturally, it supplies information on freight rates on request.

Although the Rexdale, Ontario, firm did not send anyone to make an in-person visit specifically to Hong Kong (the market, after all, is relatively small) it may possibly cover the Colony as part of a tour that will include Australia—an exceptionally important market.

Many of the usual problems of breaking into a foreign market are absent in Hong Kong. Language, standards and sizes are all the same as in Canada. Even though almost a year passed between the first contact and the first order, Waldec is confident that this small but important market will expand and become a useful part of export sales. ●

Breeding Stock for Broilers

THE FAR EAST was one of the first areas in the world to incubate eggs artificially, so it seems logical that it should become a market for Canadian breeding stock for the production of poultry meat and eggs.

On-the-spot investigations and negotiations four years ago formed the basis for exports by Interag Foods Exports of Canada Ltd. to the Far East. Initial orders in Hong Kong and Japan have led to continuing business in these countries, and they have acted as the springboard in entering the markets in Communist China and in the Republic of China (Taiwan). Those initial contacts and subsequent ones were facilitated by the Trade Commissioner Service in the various countries. But there is no substitute for face-to-face contact in assessing the market requirements and the best method of selling in the Orient.

To date, the activities of Interag Food Exports in the Eastern Asian market have centered around the poultry industry and the sale of breeding stock for the production of broiler chicks. The baby chicks or hatching eggs are produced in the province of Ontario and shipped by air freight direct from Toronto to Tokyo, Hong Kong or Taipeh.

The principal competition in Eastern Asia comes from local breeders in Japan, Hong Kong and Taiwan, and from many of the U.S.-owned breeding farms in the United States and with Eastern Asian locations. The competition arising from the local native breeds in Hong Kong is interesting. The desired chicken in Hong Kong is a small red bird, based on the Cantonese breed or native chickens. The one with light red feathers is the most desired in the Hong Kong market areas. But the small red Cantonese bird lays about half as many eggs as Canadian breeding stock and is slower to reach the weight that Canadian broiler chickens reach in nine weeks. But it has the characteristic which the Chinese people in Hong Kong want—red feathers. Because most of the chickens consumed in Hong Kong are sold alive, this is important. Nevertheless, there has been a gradual changeover in the Hong Kong market to the more efficient type of Canadian broiler breeding stock.

The same prejudice is found to a lesser degree in Taiwan. However, the Taiwan industry is changing more rapidly to the Canadian type of breeding stock. Communist China also has been striving for more efficient food production and therefore is using larger quantities of Canadian stock as the basis for poultry meat production.

At the present time, Interag Food Exports has active markets in all these countries. Substantial trials are now being conducted in Communist China of hatching eggs shipped directly from Canada to Hong Kong and thence by truck and rail from Hong Kong to their destination.

The principal advantages of a Canadian company selling to Eastern Asia are the general acceptance of Canadians and Canadian products there. The high standards of health which our livestock enjoy in Canada are another advantage and Interag has had no difficulties in meeting the import regulations of these countries.

The main problem in reaching these markets continues to be getting live products there in the best possible condition. The total time lapse from Toronto to Tokyo, Hong Kong or Taipeh is not unduly long, but the handling and transshipping of live cargo continues to be a problem. There is no doubt in the mind of Interag that with improvements in the freight-handling ability of the airlines the market in Eastern Asia could be substantially increased. ●

Milk Powder for Japan

DURING 1960, a Quebec firm, Eastern Townships Produce Ltd., of Sherbrooke, Quebec learned that Japan was developing into a major market for dairy products. The company knew that the Japanese were adopting American foods very rapidly and that the U.S. had been donating milk powder for use in the schools for several years. This was most obvious in the changeover from rice to bread and the rapid increase in the sale of ice cream. Both these foods include substantial quantities of milk powder.

The Canadian company became quite enthusiastic about this market and decided that it wanted to get first-hand information on it. The president therefore went to Tokyo in 1961.

Working with the Canadian Trade Commissioner, he visited many of the major buyers and was given a fine reception everywhere. He found that a small shipment of Canadian milk powder of inferior quality had been received in Japan during 1960. This had given Canadian powder a bad name and the result was that he was unable to do any business whatever on this trip.

In 1962, he returned to Tokyo and was delighted to find that the Government was in the market for 1,000 metric tons of spray skim milk powder packed in 4½-pound packages for relief purposes. Again working with the Trade Commissioner, the firm made every effort to obtain this business by assurance of quality, packing, etc., backed by government certificates. It was encouraged to find that its price was one cent per pound below the U.S. price but it lost the order mainly because of the poor reputation of Canadian powder. Fortunately during this trip the president was able to obtain orders for lactose and whey powder.

From 1962 to 1966 he continued visiting Tokyo once a year, and was able to increase the sales of lactose and whey powder considerably; he also made limited sales of milk powder. There is keen competition for this market from New Zealand, Australia, the Netherlands, Belgium, Germany and France.

In 1966, the world supply of milk powder changed abruptly, mainly because the U.S. production was curtailed drastically. By this time, the company had been able to establish confidence in the quality of Canadian skim milk powder and was able to negotiate a substantial contract.

"We have found the Japanese to be fine business people", says President D. R. Bishop. "It seems that their first requisite is quality, then confidence in the people they are doing business with and, lastly, price. They much prefer to deal with the president of a firm because they feel he has the final authority to make decisions."

Japan Aids Development

JAPAN showed greater interest in 1966 in playing a role in Asian affairs in keeping with its current economic and political status. The Japanese Government, for example, was host at a meeting of Ministers of Southeast Asian countries to consider problems connected with economic development. This conference agreed on the great importance of agricultural development to Asia and laid plans for more Japanese aid to improve agricultural techniques. Apart from the Japanese, this conference was attended by Ministers from Laos, Malaysia, the Philippines, Singapore, South Vietnam, and Thailand; Cambodia and Indonesia sent observers. After the conference ended, the Japanese Government concluded a series of agreements providing for further economic development loans from Japan to a total of nearly $120 million. ●

These girls are preparing mushrooms, grown in Taiwan, for canning. Exports of canned mushrooms and canned pineapple together earn nearly U.S.$50 million each year.

Republic of China Builds up Industry

Taiwan is busily reshaping its economy, encouraging industry and diversifying exports. The island is also beginning to compete with other Asian countries in the electronic assembly industries. Canadians should find rewarding export opportunities.

E. L. BOBINSKI, *Consul and Assistant Trade Commissioner, Manila.*

THE ECONOMY of the Republic of China (Taiwan) slowed down slightly in 1966, but the gain of 7½ per cent still exceeded the 7 per cent target. The recession which some economists predicted would follow the two exceptionally good years 1964 and 1965 did not occur. The forecast for 1967 is an over-all growth in the economy of 7.8 per cent. Sharply increased investment from abroad might raise this to 10 per cent.

The Republic of China looks to international trade to provide foreign exchange and to correct under-employment in the agricultural sector. Trade has, in fact, trebled in the last decade. Exports in 1966 totalled U.S.$562.7 million (15.3 per cent more than in 1965) and imports U.S.$590.2 million (6.3 per cent more). Tables I and II give the details. The deficit of U.S.-$27.5 million in 1966 compares with a deficit of U.S.$67 million in 1965; if imports financed by the U.S. aid program are excluded, there was a favorable balance of U.S.$2.5 million.

The rise in imports resulted from larger purchases of machinery and raw materials. Imports of consumer goods have declined in recent years as Taiwan developed its own industries and this trend is likely to continue in 1967 and beyond. The emphasis on light industry and consumer goods manufacturing means that Taiwan has to buy capital equipment overseas. Resources of raw materials are not sufficient and they too have to be imported. During the period 1961-65 imports totalled U.S.$1,955 million. Of this U.S.$526 million was spent on capital goods, U.S.$1,244 million on raw materials, and U.S.-$185 million on consumer goods. The total planned for 1966-70 is U.S.-$3,660 million, of which U.S.$1,120 million will be for capital goods, U.S.-$2,275 million for raw materials, and U.S.$265 million for consumer goods. Figures for 1967 are U.S.$655 million for the total, U.S.$197 million for capital goods, U.S.$409 million for raw materials and U.S.$49 million for consumer goods.

Taiwan's Progress in 1966

- A boom in construction, particularly in housing and office building (53 per cent more in 1966 than in the previous year).
- Substantial expansion of mining (14 per cent), public utilities (13.5 per cent), manufacturing (12 per cent), and agriculture (3.1 per cent).
- Foreign trade (exports plus imports) last year set a new record of U.S.$1,153 million. This was the second consecutive year that foreign trade passed the billion-dollar mark.
- In 1966, the value of industrial products exceeded that of agricultural and processed agricultural products for the first time.
- Taiwan's agriculture is growing faster than its population so that the island is self-sufficient in food and has an exportable surplus.
- Per capita income in 1966 rose by 4.5 per cent; prices increased less than 4 per cent.
- Foreign investment and investment by Chinese communities abroad in industry totalled about U.S.$35 million last year; this brought the amount invested from abroad since 1961 to nearly U.S.$260 million.

Export Trade Increases

Industrial products now make up more than half of Taiwan's exports

TABLE I

WHAT TAIWAN EXPORTS

	1961	1965	1966 (est.)
	(U.S.$ million)		
Sugar	61.1	68.0	60.0
Textiles and fibres	27.8	65.3	80.0
Bananas	10.7	55.3	57.0
Lumber, timber and products	11.1	44.2	58.0
Rice	10.1	43.0	33.0
Metals and manufactures	12.1	38.5	56.0
Chemicals	15.8	28.8	38.0
Canned mushrooms	1.8	20.8	30.0
Canned pineapple	12.1	19.4	20.0
Cement and building materials	6.9	12.7	22.0
Canned asparagus	....	11.0	7.5
Tea	8.9	9.7	10.0
Vegetables	2.7	7.0	6.5
Citronella oil	3.8	5.3	3.0
Others	29.1	59.0	81.7
Total	**214.0**	**488.0**	**562.7**

and textiles this year overtook sugar as the largest export commodity. The chemical industry and the new industries such as electronics and iron and steel have become important earners of foreign exchange. Sugar and bananas are the biggest agricultural exports. The export of canned foods is growing rapidly—canned mushrooms and canned pineapple earn nearly U.S.$50 million a year—and canning could become Taiwan's largest industry in the next decade.

To increase exports and earn much needed foreign exchange, officials are encouraging and assisting enterprises such as textiles, canned foods, and electronics which are good dollar earners and are labour-intensive. Priority is also being given to medium and large industry. An integrated steel plant involving investment of about U.S.$200 million is planned. The Taiwan Aluminum Corporation plans to increase ingot production to 32,000 tons and build a U.S.$6 million rolling mill with an annual capacity of 15,000 tons which would facilitate domestic manufacture of aluminum products. (Domestic consumption of aluminum is expected to rise to 15,000 tons from the present 8,000.)

TABLE II

WHAT TAIWAN IMPORTS

	1961	1965	1966 (est.)
	(U.S.$ million)		
Ores, metals and products	44.1	90.6	73.0
Machinery and tools	48.8	84.4	145.0
Vessels, vehicles and parts	27.1	40.5	37.0
Raw cotton	29.8	39.4	34.0
Wheat and flour	19.9	36.0	25.0
Crude and fuel oil	14.5	24.9	30.0
Chemicals	10.0	22.3	22.0
Synthetic fibre products	7.6	22.0	21.0
Beans and peas	13.9	18.6	23.0
Forest products	4.9	18.5	20.0
Chemical fertilizers	17.1	16.2	12.0
Pharmaceuticals	12.7	15.8	15.0
Others	73.7	126.1	133.2
Total	**324.1**	**555.3**	**590.2**

The chemical industry is enjoying unprecedented expansion and receiving substantial foreign investment. Three new PVC plants have increased Taiwan's capacity to 70,000 tons. Other plans which have been recently completed or are planned for 1967 are: a naphtha cracking plant; polyethylene, polystyrene, methanol (from local natural gas) and liquid ammonia plants; a natural gas refinery; and a urea and ammonium sulphate plant. Taiwan already has a sizable synthetic fibre industry (two rayon, two nylon and four polyester plants) and it will expand as more raw materials become available from chemical plants based on natural gas.

In the light industrial sector, electronics have expanded greatly and attracted much foreign investment. Labour-intensive electronics assembly is the first highly sophisticated industry in which Taiwan has begun to challenge Japan and Hong Kong—six years ago Taiwan made nothing more complicated than an electric fan. This year 16 electronics plants are in operation, representing an investment of U.S.$40 million, and producing sales of U.S.$100 million a year. Applications to establish another 40 plants are being studied. Many of these electronics firms produce nothing for the local market; they assemble or process imported components and export the whole of their production.

Tax Incentives to Industry

Several Canadian electronics companies have investigated the incentives offered by the Government in Taiwan's first industrial estate built with exports in mind. In this 170-acre area at the mouth of Kaoshiung Harbour, 120 plants employing some 30,000 people and representing a capital of U.S.$18 million are expected to be in operation by June 1967. The incentives include:

- Tax exemptions, including freedom from import duties and a five-year corporate income tax holiday.
- Unlimited repatriation of profits. After the second year, capital may be repatriated at a rate of 15 per cent annually.
- Abundance of labour and low wages (average monthly wage is U.S.$15 for an unskilled woman).

Cheap power and water and service roads are provided and rentals are low.

Facing Problems

Industrialists and businessmen in Taiwan view the shortage of funds for operating and for expansion as the principal difficulty facing them in 1967 (about two thirds of such funds come from loans, mostly at interest rates of 1 per cent per month). There is also a shortage of experienced technical and managerial personnel. Increasing competition in third countries from light industry in other Asian developing nations makes it wise for Taiwan to develop more sophisticated industries requiring heavy capital investment and advanced technology.

There is also too great a dependence on a few export markets—nearly all Taiwan's bananas go to Japan, 90 per cent of plywood goes to the United States, 80 per cent of canned asparagus to West Germany, and 80 per cent of iron and steel manufactures to South Vietnam. The intelligence and resourcefulness with which similar difficulties have been solved before justify optimism. The outlook for the economy is bright.

Opportunities for Business

Canada's share of Taiwan's total imports, though small, is steadily increasing. In 1966, it totalled $8.4 million. Sulphur, pulp, wheat, aircraft engines and parts, fertilizers, nickel, asbestos, and chemicals were our major exports. Because Taiwan's future requirements are larger and more Canadian businessmen are seeking out export opportunities, our exports to Taiwan should increase. Expo 67, in which the Republic of China is participating, will assist in developing commercial contacts because a large number of Taiwanese officials and businessmen are planning to visit Canada.

Canadian businessmen visiting the Republic of China are impressed with the friendly reception which they receive and the opportunities for trade they discover. Goodwill towards Canada is immediately apparent. Two Canadian-designed and built sawmills and a furniture complex, due to go into production this month, will do much to increase the general awareness of Canada as a source of imports. If you have a product which might sell in Taiwan, why not ask the Canadian Trade Commissioner to look over the market for you? (Write to the Canadian Consulate General, P.O. Box 1825, 1414 Roxas Boulevard, Manila, Philippines.) You will also find the Taiwan Buyers' Guide useful. This contains detailed information about Taiwan exporters, importers and manufacturers and can be obtained from China Productivity and Trade Center, 62 Sining South Road, Taipeh, for U.S.$20 surface postpaid. ●

Asian Development Bank Makes Ready

THE Asian Development Bank's headquarters in Manila were officially opened last December by President Marcos of the Philippines. The task of recruiting staff and building up the organization is now going ahead and three departments—Secretariat, Administration and Treasury—are already working with a skeleton staff. Three other departments will be set up as soon as possible: Operations (which will be the most important and will handle the granting of loans), the Economic and Technical Department, and the Legal Counsel Department. For the first year, the staff will number no more than 100 to 150.

The President of the Asian Development Bank, Mr. Takeshi Watanabe, has said that he expects ADB to have between U.S.$65 and $70 million available during the first year of operations. Each loan will conform to the principles of sound banking and he wants to meet the demands of as many member countries as possible. The comparatively high cost of servicing will make small loans uneconomic, but the possibility of lending to existing national development banks is not precluded.

Because the Bank has not completed its organization, it does not yet have competent officials to give full and careful consideration to all submissions and Canadian consulting engineering and other firms should expect some delays. The Bank has no official registration form as yet.

Canada, as a non-regional member, has subscribed $25 million to the ADB's initial capitalization. Its representatives on the Board of Governors are Finance Minister Mitchell Sharp and, as alternate, M. F. Strong, Director General of the External Aid Office. Canada was also honoured by the election to the Board of Directors of W. K. Wardroper of the Department of External Affairs as a non-regional representative. Mr. Wardroper will represent not only Canada but also Britain, Norway, Sweden, Denmark and Finland on the Board for a period of two to two and a half years. (For a full description of the Bank and its functions, see *Foreign Trade* of November 26, 1966.) ●

Hong Kong Predicts a Good Year

Hong Kong's 1967 budget foretells an economic upsurge. Industrial expansion, employment, exports and imports are all up. Canadian exporters should concentrate on processing equipment and materials for industry. New foods and consumer goods are also in demand.

C. R. GALLOW, *Senior Trade Commissioner, Hong Kong.*

HONG KONG'S budget, recently released, reflects the resilience of its economy. Following the strains and stresses resulting from a banking crisis and real estate over-expansion, conditions have improved. The impression now is that the widespread depression, discussed frequently during the past year, had little basis in fact except in particular areas such as real estate.

According to official opinion, 1966 was a remarkably successful year. The original budget deficit, forecast at Can.$35 million, was trimmed considerably and may finally turn into a small surplus.

Hong Kong's total reserves, at Can. $240 million, are stronger than anticipated. As a result, the 1967 budget provides no new or increased taxes. In fact, the abolition or reduction of some small fees has been possible.

Exports and imports increased during 1966 by about the same percentage. Employment spiralled upwards and reports indicate that wages have been rising faster than the cost of living. An improved standard of living has been the result. In general, business confidence seems to have been restored.

Although Hong Kong is unlikely to experience in the near future the rapid growth which characterized the early 1960's, its financial base is now sounder. Economically it should continue to develop at a steady, satisfactory rate.

Measures introduced by the Government in 1965 to stabilize banking procedures through the Banking Ordinance (1964) and the appointment of a Banking Commissioner appear to be working effectively. At the end of 1966 there were 72 incorporated banks with 318 branches operating in the colony. In general, these banks did well. Deposits rose by more than 16 per cent and totalled Can. $1,600 million at the end of the year. Loans and advances to industry and commerce increased by over 5 per cent. Investment from overseas and domestic sources continued to be satisfactory and investment directed into new industries was high. There is a flourishing market for overseas securities here which may indicate a desire for more security in diversification, or possibly a lack of suitable local opportunities. The Hong Kong Stock Exchange has been slack for the past few years. It has ceased to be an indicator of local business activity because it represents only a narrow range of business in the Colony. This reflects the general criticism, frequently voiced, that few of the major domestic industries encourage public investment participation. The Exchange's offering of industrials is therefore restricted.

Shift into Synthetics

Throughout 1966, Hong Kong continued to be an attractive market for overseas Chinese, American and European investors. Present indications are that the pattern is likely to continue in the future and that in over-all growth the textile industry will continue to be dominant.

Reports show that in 1966 the number of textile spindles reached 735,000; 5 per cent of these were devoted to synthetics. There were some 22,000 looms and the majority were highly, automatic/compact new machinery. Estimates made on outturn last year show about 50 per cent of textile finishing is now done in local mills compared with only 30 a few years ago. There is a potential for growth in woollens and synthetic fibres and the upgrading of the cottons now under quota limitations.

The knitting industry is gradually shifting to manmade fibres. This movement to synthetics should be accelerated by the introduction last year of the "permanent press" process in fabric finishing. Current reports show that equipment for this process will soon be installed in many factories, permitting knitwear manufacturers to turn out products to standards of washability and shrink resistance set by the International Wool Secretariat.

The most rapid expansion in the industrial field—more than 600 per cent in the past six years—has been in the electronics industry, which started from the assembly of transistor radios and now produces components for computers. This rapid rate of growth is reflected in the industry's exports, which rose from Can.$9 million in 1960 to Can.$55 million in 1965 and were already over Can.$50 million in the first eight months of 1966. With the exception of the electronics industry, there has been no further indication of diversification into other new industries.

In existing plants, there have been casualties among smaller and less efficient operations, mainly because of primitive procedures and home-made machinery. But such "culling out" can be a healthy procedure.

Power generation has continued to expand and is now in excess of 200 million kwh. per month. The shipbreaking and steel rolling industries are in the doldrums, largely because of present high world prices for old tonnage.

Lives by Exporting

Foreign trade continues to be the prime factor in the Colony's business life. It started slowly in 1966 but after mid-year seemed to have a shot in the arm and leaped ahead. Present indications are that the growth figure is running at 14 per cent compared with 8 per cent for 1965. Provisional figures for last year show domestic exports at

—H. K. Govt. Information Services

A Chinese craftsman inspects alarm clocks on the assembly line in a Hong Kong plant. Production in this factory is expected to rise to 80,000 alarm clocks a month to satisfy the growing demand. Most of them will be sold in Britain, Iran, Korea and Mexico. The same plant turns out electric clocks and friction motors for the toy industry.

Can.$1,090 million were up nearly 15 per cent, imports at Can.$1,925 million up over 12 per cent, and re-exports at Can.$350 million advanced about 22 per cent.

The latest breakdown of available preliminary statistics for 1966 show that the United States is rapidly consolidating its position as number one customer. In 1966 the U.S. took more than one third, by value, of Hong Kong's exports. Britain previously shared this honour, but in 1966 was running slightly below half the U.S. value of purchases and about one sixth of the Colony's total exports.

Outlook for Exports

Increases in exports were also recorded for the following customers: West Germany 12 per cent; Japan 21 per cent; Canada 8 per cent; Netherlands 30 per cent, with decreases to Australia, Singapore, Thailand, and Nigeria. In products, clothing and textiles continue to head the list, accounting for 20 per cent of total exports by value and showing an increase of more than 18 per cent. Items with the fastest growth were plastic toys, electronic equipment and components.

Restraint agreements on cotton textiles have been renegotiated with Britain and the U.S. and on woollen knitwear with West Germany. Britain's agreement extended to 1970 those quotas established during 1962-65 (i.e., 6.3 million pounds of yarn and 185 million yards of piece and made-up goods, with a growth factor of 1 per cent).

The new five-year agreement with the U.S. is complicated. It covers all cotton textiles and provides an overall ceiling of 322.5 million square yards (including yarns in yardage equivalents) in the first year and provides a 5 per cent per year compound growth factor. West Germany's woollen knitwear agreement provides for 875,000 dozen in 1966 and 950,000 dozen in 1967.

Leading Supplier

As a supplier to the Colony's domestic market Communist China heads the list, providing some 27 per cent by value of Hong Kong's imports, mainly foodstuffs and textiles. Japan is next, supplying about 18 per cent of the requirements, mainly textiles, synthetic fibres and fabrics, and electrical and electronic equipment. Britain and the U.S. follow, each with 10 per cent of the market.

Market prospects can improve for all suppliers, particularly Japan, if China's internal problems appreciably affect its ability to export.

Trade with Canada

Projected figures for 1966 and preliminary figures for the first eleven months show Canada's total trade with Hong Kong marginally better than in 1965, entirely because of the Colony's increased exports.

It now appears that Canada's exports to Hong Kong will be down to Can.$15.4 million from $16.7 million in 1965, with expected increases for aluminum, wheat and flour, and newsprint more than counterbalanced by decreases in plastic materials and synthetic fibres. Hong Kong's exports to Canada in 1967 could run 25 per cent over the 1966 figure. Predominate increases could be in clothing and textiles, plastic toys and flowers, and metal products. Indications are that the balance of trade today (approximately two to one) will continue to be in Hong Kong's favour.

Tourist interest has expanded rapidly; it is now the country's second most important foreign exchange earner. In 1966, 505,733 tourists in Hong Kong contributed an estimated Can.$170 million to the economy, an increase of 13 per cent in tourists and 37 per cent in revenue.

Today, tourist promotion through advertising, pamphlets, participation in fairs, etc., is costing the country approximately Can.$2.00 per visitor. Average expenditure per visitor is in the neighbourhood of Can.$275.00. Most tourists are Americans, followed by Japanese, British, Filipinos, Australians, and Malaysians in that order, with the Japanese as the best prospect for a large increase in tourist numbers. Already there are signs that tourist facilities are inadequate, particularly for accommodating visitors who may wish to stay for several weeks. With the real estate market and the construction industry in the doldrums since 1965 and only slight prospect of an early and appreciable revival in commercial building, little increase in tourist accommodation is possible in the near future. Yet forecasts show a potential doubling of the tourist population by 1971 to more than a million a year.

Future Projects

Several projects involving major capital expenditure are forecast for the future. These include:

1. A cross-harbour tunnel, for which cost estimates were recently revised upward by one third to Can.$55 million. This is still moving ahead and prospective contractors are now being invited to participate in the financing.

2. A feasibility study to determine the need for a mass transportation system, based on a traffic density of approximately 160 vehicles per mile of roadway.

3. A new, large and modern telephone exchange to meet the insatiable demand for telephones and a satellite ground station to facilitate international telephone communications.

In the private commercial field, a radio television station is due to begin broadcasting colour programs October 1967 on UHF 625.

Diversification Desirable

The main problem Hong Kong must resolve, and as soon as possible, is diversification—not only of products but also markets. Textiles continue to account for half or more of export earnings, and more and more the Colony seems to be depending on the U.S. as its main customer. Industry here continues to sell fairly basic products, with only a minimum of marketing effort. There are indications, however, that the domestic manufacturing industries' ability to keep increasing supplies to world markets may be levelling out. This may mean that maximum production has been reached, based on present labour resources and the relatively backward state of over-all industrial technology in the Colony. With little unemployment and some industries complaining of a labour shortage, the answer to increased output seems to lie in improved productivity.

One of the outstanding characteristics attributed to Hong Kong's merchants and industrialists over the years has been flexibility and to its labour force a willingness to work. Both adapt readily to changing conditions. Today Hong Kong is faced with problems stemming from cheaper labour in Communist China, Korea, and Taiwan. The domestic industries find that they will have to move into more technically advanced and capital intensive fields and more and more into quality products.

To facilitate these changes both at home and abroad, a number of projects were launched in 1966. An Export Credits Insurance Corporation was set up to encourage exports to new markets; a Trade Development Council was established to co-ordinate and develop local attempts at trade promotion. (This is a co-operative effort by government and business associations, financed by a levy on trade declarations.) The Hong Kong Management Association was formed by business interests and within the next few months the Hong Kong Productivity Council is to be launched to initiate and co-ordinate training programs for the study and application of techniques to improve productivity in industry. Two other prospective ventures are the Industrial and Training Advisory Council and an Industrial Design Committee with a Design Centre.

Hong Kong has left the Year of the Horse (1966), traditionally associated with speed and perseverance, and entered the Year of the Ram (1967), traditionally one of consolidation and stability. Its avowed purpose in the new year is to improve its position as a world trader, and hence the welfare of its residents.

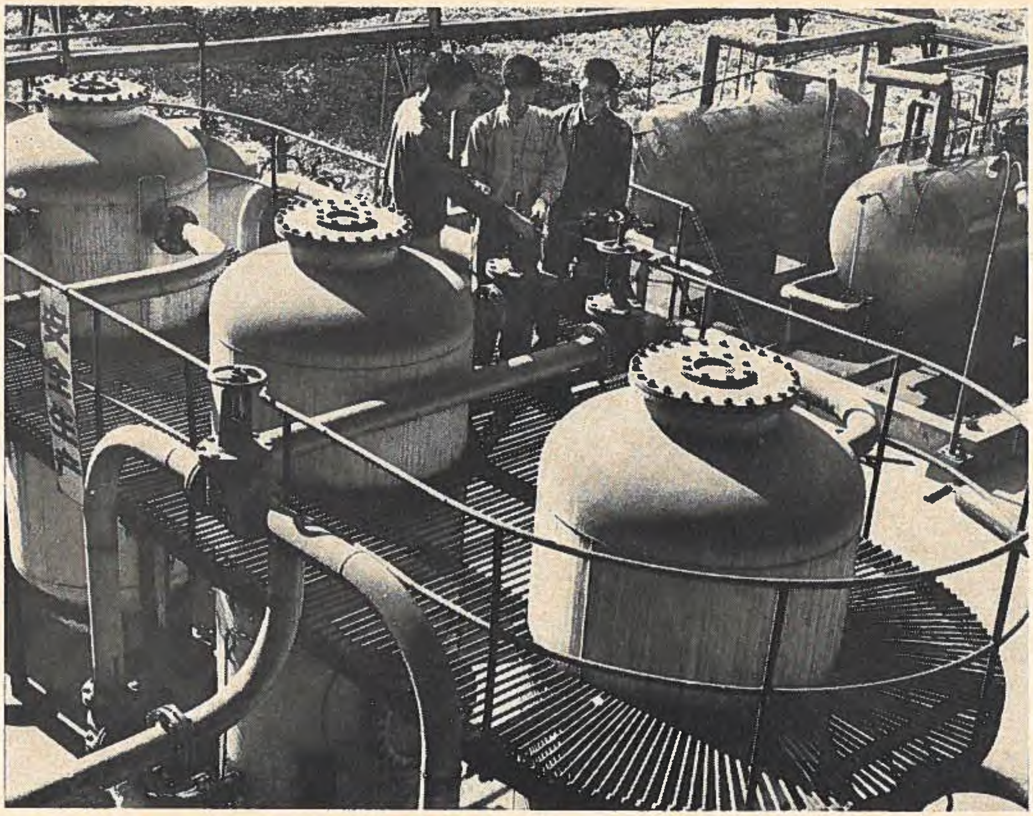
The best prospect for Canadian exports to Hong Kong is participation in the supply of processing equipment and materials for the Colony's industries, such as light metals, plastics, electronics, and construction. Office machinery and data processing equipment also offer opportunities. New and improved techniques and systems are always welcomed and so are new items in foodstuffs and consumer goods. ●

Sweden's Urban Octopus

URBAN SPRAWL is beginning to be a problem for Sweden. Greater Stockholm now has a population of 1.35 million, and is growing so rapidly that a family in the official housing queue must wait 14 years for a flat in the centre or inner suburbs. This in spite of the fact that Sweden can still think of 100,000 persons as the maximum economic size for a city. Why have so many people gathered in this particular patch of Sweden? A recent investigation by the country's leading geographer, Professor William William-Olsson, suggests two reasons why the growth of the city has not come to a natural halt because of overcrowding and loss of time and money in journeys from ever more distant suburbs.

First, the inhabitants are not being made to face the real costs of living in a big city. Transport facilities are subsidized from public funds and the individual's travelling expenses are exempt from income tax. Housing costs are kept artificially low through building loans and rent control.

Second—and even more important—people are attracted to Stockholm because it is the centre of administration and especially of government. Public expenditure equals 30 per cent of Sweden's gross national product—twice the 1938 percentage—and over half of those engaged in "general public administrative work" live in the capital. ●



In this plant, the Chinese are producing synthetic benzene for use in the chemical industry.

Trading with Communist China

The Hong Kong office, which also covers Communist China, pinpoints some of the products that the Chinese buy from the Free World and discusses dealing with state trading corporations.

R. G. WOOLHAM, *Trade Commissioner, Hong Kong.*

THE CHINESE ECONOMY, after a period of difficulty from 1959 to 1962, went through a process of consolidation and recovery until the end of 1965.

This recovery was to have been carried forward, probably with special priorities given to agricultural production, through the Third Five Year Economic Plan which was to be introduced in early 1966. Since that time, however, political events have affected the economy.

The main effect of these events on the Chinese economy has probably been to curb the rate of industrial growth rather than to reduce over-all industrial output. Certain centres have presumably been affected more than others. Although a "business as usual" policy has been emphasized, visits by foreign businessmen to industrial centres other than Canton and the Chinese Export Commodities Fair seem to have been reserved during recent months mainly for established buyers of Chinese merchandise or for well-known foreign suppliers. The annual spring Garment Industries Exhibition, usually held in February in Shanghai, was cancelled this year, but the spring Chinese Export Commodities Fair in Canton was scheduled to be held as usual from April 15 to May 15. A great deal of effort will probably go into holding this semi-annual exhibition in order to give renewed assurance that the "Cultural Revolution" has in no way lessened China's ability to supply nor its interest in developing trade relations with foreign business visitors.

How Trade Is Moving

There are no official Chinese trade statistics, but an analysis of trade statistics of China's various trading partners indicates that in 1965 Chinese imports increased by nearly 20 per cent and exports by about 15 per cent.

Table I lists the value of exports to China of selected countries for 1965 and for the first six months of 1966, and Table II compares by commodity group and value total exports of Free World countries to China in 1964 and 1965.

Product areas in which Chinese purchases from Free World sources have increased in 1965 and which are of particular interest to Canada, in addition to wheat, are chemicals, machinery (including agricultural machinery and tractors, construction, mining and electrical power machinery and switchgear) telecommunications apparatus, and electrical measuring and controlling instruments. Imports of both ferrous and non-ferrous metals increased in 1965 and so did Chinese purchases of professional and scientific instruments.

Preliminary estimates suggest that in 1966 China's foreign trade with Communist states continued to decline moderately, that imports from developed non-Communist countries increased, perhaps substantially, and that over-all imports rose by up to 20 per cent. Total Chinese exports also went up but at a lower rate compared with 1965. This may have had the effect of reducing the size of the favourable trade balance in 1966. Total trade in 1966 was probably very close to the 1959 peak of an estimated U.S.$4.3 billion.

China's leading trade partners in 1966 were Japan, Hong Kong, the U.S.S.R., West Germany, Canada, Australia, France and Britain.

Trade with Canada

A new record in Sino-Canadian trade was reached in 1966 when the total reached $205.5 million. Chinese exports to Canada totalled $20.6 million, an increase of nearly $6 million over 1965. Wheat again accounted for most of Canada's sales to China, which totalled $184.9 million, but a large sale of zinc worth $1.45 million was also made late in the year. Other Canadian exports last year included upper leather, chemical elements, abrasive wheels and stones, medical equipment, laboratory optical instruments, and natural gums and resins. The Chinese also purchased from Canada for the first time in 1966 poultry hatching eggs for breeding purposes.

There are good long-term prospects for Canadian suppliers in the following fields: machinery and equipment for use in the development of Chinese natural resources and transportation facilities; industrial chemicals and certain raw materials in which China is not self-sufficient; fertilizers and insecticides; industrial equipment and scientific instruments. Where similar goods are also available from alternative foreign sources, price competition is likely to be acute.

TABLE I

EXPORTS OF SELECTED COUNTRIES TO COMMUNIST CHINA

	Jan.-Dec. 1965	Jan.-June 1966
	(U.S.$'000)	
Canada	97,503	63,355
France	60,094	45,814
Germany, West	78,955	57,387
Italy	56,423	24,117
Netherlands	18,952	8,114
Sweden	13,694	10,168
Switzerland	18,217	8,617
Britain	72,335	42,986
United Arab Republic (Egypt)	45,128	16,220
Ceylon	36,119	18,762
Japan	245,056	164,094
Pakistan	43,354	16,928
Australia	167,756	44,785
Argentina	83,727	66,939
Cuba	52,600	n.a.

Selling to China

Selling to Communist China is very different from selling to most other markets and many of the proven North American sales techniques are of little value. Considerable patience and a basic understanding of the practices and procedures are needed.

All business dealings covering either imports or exports are handled by one of China's state trading corporations, each of which has exclusive responsibility for foreign trade in a specific group of products and commodities. Each corporation has its head office in Peking, with several branch offices located in other key commercial centres throughout the country.

The first thing to keep in mind is that all offers must be submitted through the trading corporation. It is virtually impossible for the businessman to enter into direct correspondence or sales discussions with the

TABLE II

FREE WORLD EXPORTS TO COMMUNIST CHINA

Commodity Group	1964	1965
	(in dollars)	
Food, beverages and tobacco	450,753	421,671
of which:		
wheat and wheat flour	324,402	332,402
Crude materials, inedible, except mineral fuels	257,709	234,181
of which:		
textile fibres	160,704	177,177
Mineral fuels, lubricants and related materials	488	204
Animal and vegetable oils and fats	8,865	8,626
Chemicals	96,306	188,021
of which:		
nitrogenous fertilizers, manufactured	17,851	59,099
Machinery and transport equipment	61,359	155,047
of which:		
non-electrical machinery	32,247	104,130
electrical machinery and appliances	13,538	33,728
transport equipment	15,574	17,189
Manufactured goods	123,039	227,358
of which:		
base metals and manufactures	70,059	134,913
Other exports, n.e.s.	48,416	32,952
Total	**1,046,935**	**1,268,060**

Data do not include re-exports from Hong Kong.

Source: Extracted from U.S. Department of Commerce Statistics.

actual end-users or consumers, or to have the services of a specialized resident agent to help with sales promotion. Hence business correspondence, especially when describing a product and its uses, must be comprehensive. It should not take for granted that technical terms commonly used within the industry in Canada will be understood by the reader in China.

Submitting Offers

Initial offers need not necessarily be specific about prices. In most instances, in fact, the inclusion of a margin of flexibility is an advantage, particularly when prices are subject to quantities, timing, method of payment and other related commercial considerations.

In theory, the corporation is responsible for referring offers to its end-users for their assessment. This is then referred back to the trading corporation for subsequent reply to the foreign supplier. The process inevitably takes some time. There may also be language difficulties at the end-user level and good graphic illustrations of products are probably more important than verbal descriptions, at least during the initial submission of offers.

The initiative in purchasing a product from a foreign source frequently originates with the end-user, with purchase orders submitted to the corporation for action. In such instances it may be that the corporation will not take any action on a foreign offer unless it already has in hand buying instructions from the end-users. Your best course of action is to submit offers and brochures in several copies, depending on the probable number of end-users. Because of possible staff turnover in the corporation and the complexity of filing the vast inflow of product information, it is probably a good idea to re-offer approximately every six months. The fact that a response received to an initial offer is negative does not necessarily mean that there are no prospects of doing business at a future date.

There is also some possibility that offers submitted to the corporation's head office in Peking are not always referred to branch offices, even though the latter serve regional end-user needs as well. Therefore, offers should also be submitted direct to the branch offices. A good mailing program would be to write to each of the offices of the corporation in turn every two months or so. You may also wish to send a copy of your correspondence to the office of the Canadian Trade Commissioner in Hong Kong, so that the status of your inquiry may be explored on the spot during visits to Peking by Canadian Trade Commissioners. Addresses of the offices of each corporation are available from the Asia and Middle East Division of the Department or from the Canadian Trade Commissioner in Hong Kong.

Arousing Interest in Offers

In order to attract as much interest as possible to your offers, it is well to bear in mind that the Chinese trading corporations are particularly interested in selling the products that they have available for export. Accordingly, you may (where feasible) consider the possibility of advising the corporation of any of your own requirements for raw materials and other goods when you write to the corporation. If the corporation should follow up your import inquiry, this could provide a useful opportunity for developing sales. Particularly in planning first visits, an expressed Chinese interest in exploring the possibility of buying tends to improve opportunities for obtaining a visa.

In their correspondence, officials of the trading corporations refer to their country as "The People's Republic of China" or simply as "China". They are sensitive about this matter of designation. Canadian businessmen would be well advised to bear this sensitivity in mind in their correspondence with the corporations.

Personal Visits Useful

The Chinese expect and prefer to negotiate, to work towards a compromise, and to move slowly towards a detailed contract. For this reason, personal visits to China may be especially helpful once a definite interest has been established. In contract negotiations, almost every word has often been the subject of negotiation. But once agreement is reached, the Canadian can expect the terms of the contract to be carried out to the letter. Initially, the Chinese are usually reluctant to say exactly what they want, the quantities involved, or the prices they might be prepared to pay, unless there is a particularly urgent requirement. Only after they are convinced that the supplier or the buyer has come to a firm position are they likely to put forward specific and detailed proposals. Again patience is required in reconciling the buyer's and the seller's positions. Even if agreement cannot be reached, it is better to consider discussions of this type postponed rather than terminated. If negotiations are successful, a contract for a sale to China can be a very substantial one.

A point to note is that the Chinese are frequently reluctant to acknowledge or respond to direct questions, and therefore personal vsits are particularly useful. It is not advisable to offer personal gifts but it might be useful to present technical literature to the trading corporation.

A word of caution—there is no patent protection in China for foreign suppliers. Similarly, pricing information contained in offers may be of interest to a trading corporation which has similar products to offer to export markets. However, these considerations should not prevent Canadian exporters from exploring sales prospects for their products regularly in the Chinese market. A successful sale is the best means of assuring an opportunity of participating in future requirements. And even a small initial order can be the first step towards securing substantial business later.

Iran Builds Private Industry

THE Industrial and Mining Development Bank of Iran (IMDBI), a privately owned development finance company, has received a $25 million loan from the World Bank. The proceeds of the loan will be used to meet the foreign exchange costs of projects to be financed over the next two years.

Established in 1959 to stimulate the growth of private industry in Iran, IMDBI has made 15 loans totalling $61 million, of which over 40 per cent have been for new enterprises in both primary and secondary industries. The greater part of the loans have gone to the textile, metal products, cement and food processing industries. IMDBI has also extended financial help to the chemicals, transport equipment, electrical appliances, plastics and pharmaceutical industries. ●

Laos Relies on Foreign Aid

This tiny country depends heavily on foreign aid to maintain and expand its economy. Canadians should be able to sell a limited range of those goods imported with free exchange.

ARMAND BLUM, *Assistant Trade Commissioner, Hong Kong.*

LAOS is a relatively small country of 91,000 square miles, landlocked between Vietnam and Cambodia, with a population of about two million. Its main agricultural products are rice, corn, cotton, coffee, tobacco and sugar cane. Local industry is small and is made up of a match factory, a rubber sandal factory, three cigarette factories, a few sawmills and similar small-scale undertakings. Its main products for export are tin concentrates, benzoin (a natural resin used in perfumes), wood and coffee. The main obstacle to Laotian development from the economic point of view is a lack of adequate transport facilities both inland and to the sea.

Laos is a recipient of foreign assistance. This has helped the economy in an important way, and it probably also has made it possible for a larger proportion of the population to share in the money economy, although this proportion is still relatively low. Total receipts from exports of commodities and services in 1965 were estimated at $3.9 million. The import bill, on the other hand, amounted to $37.3 million of which commodity imports (Table I) represented $29.1 million. Thus in 1965 Laos ran a total current account deficit of $33.4 million, made up of a $25.8 million trade deficit and a $7.6 million deficit on invisibles. In addition to this current account deficit, there was a net capital outflow of $6.2 million, giving a total foreign exchange deficit of $39.6 million. This was almost entirely covered by various aid programs totalling $39.2 million for the year. The United States contributed $25.7 million under various forms of assistance in addition to its contribution to the Foreign Exchange Operations Fund (FEOF), the British and other aid programs amounted to $1.8 million and the Foreign Exchange Operations Fund underwrote the remaining $11.7 million deficit. Participating countries in FEOF were the U.S.($7.6 million), Britain ($1.8 million), France ($1.4 million), Japan ($0.5 million) and Australia ($0.4 million).

Export Opportunities

The market of interest to Canadian exporters is for goods which are imported under free market exchange, rather than those supplied under foreign aid by donor countries. In 1965, this market amounted to about $8.1 million and for 1966 was estimated at about $10.7 million. It should increase quite sizably in 1967 as a result of the expected abandonment of a large proportion of commodity aid programs by most donor countries, including the U.S., in exchange for added FEOF support.

Trade between Canada and Laos has been small. Moreover, DBS statistics do not show figures for trade with Laos separately but combine them with those for Cambodia. However, Canadian exporters will find opportunities to sell in Laos a wide variety of goods and services, including flour, powdered and condensed milk, beer, whisky, tobacco, newsprint, printing inks and other printing materials, paints, hardware and plumbing equipment and plastic materials. Although local industries are still at an early

TABLE I

IMPORTS INTO LAOS BY COMMODITY(1), 1964-1965

Commodity	1964 (U.S. $'000)	1965 (U.S. $'000)	1964 (millions of Kips)	1965 (millions of Kips)
Animals and meat	662	n.a.(2)	158.8	258.0
Vegetables	4,181	—	1,003.4	1,138.5
Fats and oil	70	—	16.8	55.3
Industrial food products	2,951	—	708.3	1,094.4
Minerals	4,091	—	981.8	1,268.4
Chemical products	1,656	—	397.5	463.5
Rubber and rubber products	647	—	155.2	172.3
Leather and hides	18	—	4.4	4.6
Wood and wood products	85	—	20.3	56.8
Paper and paper products	663	—	159.2	268.2
Textiles	2,538	—	609.1	727.2
Wearing apparel	135	—	32.3	27.2
Ceramic glass	443	—	106.3	213.4
Precious metals, jewelry	202	—	48.6	5.2
Metal and metal products	1,584	—	380.1	434.3
Machinery	2,157	—	517.7	704.2
Means of transportation	2,981	—	715.4	799.6
Scientific instruments	272	—	65.4	114.9
Weapons	—	—	—	1.5
Others	179	—	43.0	85.7
Total	**25,515**	**29.1**	**6,123.6**	**7,893.2**

Note: (1) Excluding gold.

(2) Published figures are in kips which were calculated according to two rates of exchange depending upon whether imports came under some form of aid (U.S. $1.00=240 kips) or whether they came under the free market exchange (U.S.$1.00=500 kips). Since the commodity breakdown between those two forms of financing is not available, it is impossible to give 1965 figures which would be comparable in U.S. dollar terms with 1964 figures.

Source: Ministère des Finances, Direction des Douanes et Régies, Bureau des Statistiques *Bulletin du Commerce Extérieur.*

stage of development, there is a demand for certain types of machinery, such as sawmill and woodworking equipment, as well as for heavy transport and construction equipment and machinery. There is also a potential demand for general and engineering consulting services both by Laotians and by international organizations operating in Laos. One Canadian engineering firm is currently at work on the $29 million Nam Ngum hydro-electric project.

The import trade in Laos is generally in the hands of small merchant firms, many of them Chinese, with established connections in Bangkok, Singapore and Hong Kong. The Hong Kong office is in contact with a number of potential Laotian representatives and would be pleased to help you get established in the market. You should be prepared to correspond in French, the language mainly used in Laos, and to quote c.i.f. Bangkok.

Exporters interested in selling to Laos should contact the Office of the Canadian Government Trade Commissioner, P.O. Box 126, Hong Kong, where we stand ready to assist you. ●

South Vietnam Steps Up Imports

Imports into this market are rising and exports declining. Canada has chance to compete for Vietnamese-financed business; sold goods worth $2.6 million last year, compared with $804,000 in 1965.

ARMAND BLUM, *Assistant Trade Commissioner, Hong Kong.*

AT PRESENT, the war conditions in Vietnam have serious implications for the functioning of the economy, although production continues in a number of light industries such as food processing, textiles, paper and metal manufacturing. Agricultural output has decreased and Vietnam, which was historically a rice exporter, had to import 128 tons in 1965. Similarly, the production of rubber, the other main cash crop, has declined sharply; rubber exports fell to about $28.0 million* in 1965 from a high of $52.5 million in 1957.

Because of decreases in local production, the demands of the conflict on the economy, and the increasing United States aid to finance them, South Vietnamese imports have risen considerably in the past few years and are expected to keep expanding at even higher rates in the future. The average annual rate of growth for the period 1959-65 was 8.1 per cent; in 1964-65 they increased by 20.0 per cent when they reached $384.1 million.

As a result of the fall in Vietnam's exports coupled with the increase in its imports, the merchandise trade deficit has constantly widened and reached $339.8 million in 1965, or about 88.5 per cent of the value of total imports. This deficit was more than balanced by a surplus of $81.5 million achieved on the balance of invisibles, a net inflow of capital of $12.5 million, and foreign aid and loans amounting to $285.4 million, of which the United States provided $268.2 million.

Financing Imports

A breakdown of Vietnamese imports by major commodity and source of financing for the period 1963-65 is shown in Tables I and II. In 1965, the imports with the greatest increase over the previous year were metal products and manufactures (+73.8 per cent). These totalled $68.3 million and accounted for 17.8 per cent of all imports. Agricultural products increased by 62.6 per cent, mainly because of the import of rice for the first time, and at $69.1 million accounted for 18.0 per cent of total imports. Other large imports were machinery ($51.6 million), mineral and chemical products ($50.3 million), and textiles ($50.3 million). The proportion of total imports financed from Vietnamese resources fell in 1965 to 23.9 per cent from 31.9 in 1964. The share of imports coming in under some type of U.S. financing arrangement increased in 1965 to 69.0 per cent from 56.6 in the previous year.

Of the $265.2 million of imports financed under U.S. aid, $158.8 million was spent on U.S. goods, $104.7 million on goods from developing countries, and only $1.7 million on goods produced in developed countries. From the beginning of the U.S. AID Program in 1955 until the end of 1960, goods coming in under this program could be purchased in any non-Communist country. Since December 1960, however, purchases under AID have been limited to the U.S. and developing countries, to the exclusion of 19 named developed countries, including Canada, unless a waiver is granted by the U.S. authorities. Such a waiver is only granted when there would otherwise be a serious impairment of AID goals.

A large proportion of Vietnamese-financed imports, on the other hand, comes from these 19 named developed countries. In 1965, of $91.8 million of imports financed from Vietnamese resources, $68.2 million was spent in developed countries—mainly Japan ($31.9 million), West Germany ($7.8 million), Italy ($7.6 million) and France ($6.8 million)—$19.8 million was spent in developing countries and only $3.9 million in the United States.

*All values unless otherwise mentioned are in Canadian dollars.

TABLE I

IMPORTS INTO SOUTH VIETNAM BY COMMODITY 1963-1965

Commodity	1963	1964	1965
	(U.S.$ million)		
Milk	12.6	17.4	18.5
Wheat flour	6.3	7.7	8.9
Rice	....	....	22.5
Sugar and preparations	8.9	10.3	6.8
Leaf tobacco	4.2	4.1	7.6
Cement	9.6	9.7	10.1
Petroleum & products	19.4	18.4	22.8
Chemicals	10.3	13.4	13.9
Pharmaceuticals	10.1	10.9	13.0
Fertilizers	21.2	11.3	11.0
Pigments and dyestuffs	2.5	2.7	2.6
Plastic raw materials	3.8	4.6	5.2
Tires and tubes	4.4	5.4	7.1
Pulp, paper and products	6.1	8.7	8.1
Textile raw materials	6.3	11.9	13.4
Yarn and thread	22.0	21.5	27.0
Textile fabrics	6.2	6.6	6.4
Iron and steel mill products	30.4	22.6	45.4
Non-ferrous metals	3.6	5.9	7.4
Metal manufactures	6.9	8.1	10.7
Textile machinery & parts	3.8	2.0	2.9
Other machinery & parts	21.0	26.3	31.1
Electrical equipment	9.6	12.1	14.0
Tractors	1.7	0.4	0.3
Motorcycles, scooters, cycles & parts	3.3	3.6	3.3
Passenger cars	1.9	1.5	1.9
Trucks and buses	3.9	3.2	7.2
Other road vehicles & parts	5.5	6.1	4.4
Other commodities	40.7	41.4	23.8
Total	**286.2**	**297.8**	**357.3**

TABLE II

HOW SOUTH VIETNAM'S IMPORTS ARE FINANCED

	1963	1964	1965
	(U.S.$ million)		
Vietnamese-financed	77.7	95.0	85.4
U.S.-financed	187.8	168.7	246.7
French loans	4.5	3.3	2.7
Japanese reparations	1.5	0.3	0.2
Other finance[1]	9.5	16.8	8.8
Unidentified	5.2	13.7	13.5
Total	**286.2**	**297.8**	**357.3**

[1] Includes barter arrangements and imports without payment of foreign exchange.

Source: United States AID, Vietnam, Joint Economic Division.

Direct Canadian sales to Vietnam must therefore depend largely on Vietnamese-financed imports. Of goods purchased from the developed countries, textiles, machinery, electrical equipment, transport equipment and pharmaceuticals offer the best possibilities. Canadian sales to South Vietnam have been increasing sizably every year since 1963, and reached $2.6 million in 1966. Table III shows their evolution over that period. But it must be pointed out that undoubtedly a large proportion of these exports has been generated through orders placed by U.S. suppliers to Vietnam, rather than through direct sales to the Vietnamese market. Projected figures for 1966, on the basis of available data, suggest that Vietnamese-financed imports will more than double the 1965 figure, with a further increase in the amount of foreign exchange available to South Vietnam expected for 1967. This could easily lead to a $250-$300 million market in which Canadian exporters are free to compete. In addition, the list of imports which can no longer be financed under U.S. AID and which, in consequence, become eligible for Vietnamese import licences is growing, and includes potential opportunities for Canadian exporters in a number of fields. It is expected that a large proportion of this increase in Vietnamese-financed imports will be devoted to consumer goods rather than industrial materials or equipment, in view of the pent-up demand for these goods and the lack of a properly functioning industrial base under the present circumstances.

The Office of the Canadian Government Trade Commissioner, P.O. Box 126, Hong Kong, can discover whether there is a market for your products in Vietnam and advise you how to go about getting into it. ●

TABLE III

CHIEF CANADIAN EXPORTS TO SOUTH VIETNAM, 1963-1966

Product	1963	1964	1965	Jan.-Nov. 1966
		(Can.dollars)		
Grain, flour, meal and cereal preparations	4,546	101,276	233,082	2,136
Beverages	6,051	13,200	46,200	301,428
Chemicals and related products	....	2,883	....	122,421
Structural shapes and sheet piling	....	....	70,089	163,283
Metal fabricated basic products	....	500	143	31,802
Miscellaneous fabricated materials	....	....	6,764	2,876
General purpose industrial machinery	1,305	....	420	48,028
Conveying, elevating and materials handling equipment	....	....	....	159,326
Special industry machinery	1,461	280	8,064	76,452
Wheel tractors new and used	15,995	....	....	....
Road motor vehicles	....	11,975	68,290	8,000
Aircrafts and parts	700	9,345	6,087	....
Communication and related equipment	185,879	8,128	42,367	15,426
Heating, air conditioning and refrigeration equipment	....	15,265	30,537	80,788
Transformers and parts	....	....	6,120	....
Measuring, controlling, laboratory, medical and optical equipment	....	....	312	192,429
Furniture and fixtures	....	....	....	21,628
Household personal equipment	1,637	3,891	3,066	12,007
Medicinal and pharmaceutical products	800	....	3,000	105,171
Bandages, dressings, surgical gauze	....	....	....	83,016
Prefabricated buildings structures and parts	....	542,725	275,100	739,532
Total, including all others	**249,894**	**726,297**	**804,217**	**2,169,122**

Source: DBS, Trade of Canada.

Mainly agricultural and a substantial exporter of rice to Asian neighbours, Cambodia now seeks to broaden its economic base. Bilateral agreements and foreign financing influence the pattern of trade, but Canada could sell more.

ARMAND BLUM, *Assistant Trade Commissioner, Hong Kong.*

Cambodia Diversifies Its Economy

CAMBODIA has probably the best market potential for Canadian goods of the three states of Indo-China. An agricultural country, with almost no natural resources, it lives mainly on its production of rice and rubber, which also furnish most of its foreign exchange earnings. Efforts are being made to industrialize the economy and there are about a dozen factories producing glass, textiles, paper, cement, plywood and beer, refining sugar, processing tin and assembling tractors. Some were built with Cambodian funds but most under aid or long-term financing from Communist China, France and Czechoslovakia. United States economic aid has declined since 1963 to nil in 1965. Work is now proceeding on a petroleum refinery project with a fertilizer plant to be added later, a phosphate plant, and a factory to make jute bags.

The process of industrialization is slow and hampered by the lack of resources (financial, natural and technical), and also to some extent by the smallness of the local market, because the population totals only six million. However, Cambodia is fortunate among its neighbours in being a relatively large producer of rice and other cash crops, and in having the means to sustain a reasonable standard of living. The next step is to develop suitable processing and light industries.

What Cambodia Imports

Cambodian commodity imports were estimated at about U.S.$98 million in 1965 and were expected to decline to some U.S.$89 million in 1966, following an austerity program introduced to counteract internal and foreign exchange deficits. Table I shows imports in 1965 and confirms that 41 per cent consisted of metal products, machinery and appliances, and transportation equipment (mainly automobiles and bicycles). Other large imports included textile fabrics, gasoline and petroleum products, pharmaceutical, chemical, paper and rubber products. Imports have lately been increasingly financed from national foreign exchange resources. In 1963 these covered 80.3 per cent of all imports and in 1965 92.7 per cent. With few exceptions, purchases with Cambodian resources have been made from countries which also supplied other financing and were partners in bilateral trading arrangements. The main suppliers in 1965 were France (20 per cent), Japan (14), Communist China (13), and Singapore and Hong Kong whose sales were mostly re-exports (7 and 6 per cent). Canadian sales consisted mainly of primary asbestos and aluminum in small amounts. Canadian statistics do not list Cambodia separately.

State Trading Organizations

In 1964, the state took over all import, export and some private distribution businesses and created a number of organizations to handle their operations. These are listed below.

- SONEXIM (Société Nationale d'Exportation et d'Importation) handles all import and export transactions. There are still some private import firms operating in Cambodia, but they must

CAMBODIAN IMPORT PLAN FOR 1967

The Cambodian Government has just released its import plan for 1967, which is to bring about a decrease of some 21 per cent from the 1966 import level, in keeping with the austerity program. Nevertheless, imports in 1967 are still expected to total over Can.$70.5 million.

	(Can.$ '000)		(Can.$ '000)
Leaf tobacco	30.7	Electrical equipment and appliances	1,535.7
Pharmaceuticals	7,371.4	Industrial machinery	4,300.0
Chemical products	4,607.1	Machine tools	307.1
Fertilizers, insecticides and pesticides	2,457.1	Scientific equipment	307.1
Vegetable fibres and products	3,685.7	Construction and mining equipment	153.6
Textiles	5,835.7	Tractors, agricultural and road-building equipment	5,835.7
Pulp and paper	1,075.0	Rubber products	921.4
School books	614.3	Motor and special vehicles	2,150.0
Petroleum and petroleum products	8,907.1	Bicycle parts	153.6
Non-metallic minerals	2,457.1	Sundries	890.7
Iron and steel products	7,064.3	Products coming under special rates of exchange	6,046.9
Metal manufactures	1,535.7	**Total**	**70,546.6**
Non-ferrous products	767.9		
Generators, motors and turbines	1,535.7		

TABLE I

CAMBODIAN IMPORTS BY COMMODITIES, 1965

	Quantity (tons)	Value ('000 riels)*		Quantity (tons)	Value ('000 riels)*
Agricultural products	20,744	194,325	**Metals and their products**	82,744	1,476,132
Of which:			Of which:		
Dairy products	3,701	63,242	Metals	42,890	254,788
Fruits and vegetables	756	3,744	Metal products	25,523	290,277
Wheat flour	6,807	25,776	Machinery and appliances	4,653	338,853
Canned foods	730	26,539	Electrical machinery and appliances	4,420	264,853
Sugar	6,191	29,349	Automobiles and parts	3,028	193,599
Beer, wine and beverages	2,316	37,677	Bicycles and parts	1,494	95,099
Tobacco and cigarettes	243	7,998	**Other products**		
Mineral products	330,547	349,312	Pharmaceutical products	941	222,675
Of which:			Chemical products	68,307	210,259
Gasoline and petroleum products	185,896	244,467	Rubber products	2,257	126,184
Cement	116,395	87,472	Paper, cardboard and products	8,202	126,874
Textiles	14,277	556,753	**Total**	557,741	3,602,858
Of which:					
Fabrics	4,268	370,656			
Jute bags and canvas	8,449	109,665			

*The value of Cambodian imports in dollar terms is difficult to estimate because of the use of several exchange rates. The official rate is 35 riels to the U.S. dollar.

Source: Bulletin de Statistique des Echanges commerciaux de la Direction des Douanes et Régies.

use Sonexim as their buying agent. All purchases made by Sonexim, including the ones on behalf of private importers, are made through tenders—worldwide in the case of some nationally-financed imports, or restricted to a country (or group of countries) in the case of foreign financing or a particular foreign exchange arrangement.

- SONAPRIM is responsible for a part of the internal distribution system and handles over half the imports brought into the country, as well as all products manufactured by local industries. Sonaprim draws up specifications for imported textiles, iron and steel products, non-metallic minerals, nonferrous metals, paper and rubber products, which are incorporated in tenders issued by Sonexim.

- The MAGASIN D'ETAT distributes through its stores flour, powdered milk, dairy and other food products. It is also responsible for the specifications and quantities of these products bought abroad.

- OROC (Office Royal des Coopératives) distributes rice as well as goods needed in agriculture, such as fertilizers, insecticides, pesticides and agricultural machinery. It decides the specifications and quantities to be imported.

Opportunities for Canadians

There are good opportunities for Canadian exporters in Cambodia in a wide range of products. Cambodia has shown an interest in our agricultural products (flour, powdered milk and tobacco), semi-processed industrial materials (wood pulp, paper and aluminum), chemicals (fertilizers, insecticides and pesticides), construction, telecommunication and transport equipment, and agricultural, woodworking and printing machinery. Exporters should be prepared to correspond in French and should quote c.i.f. Sihanoukville (which should not be difficult now that this port is served by more international carriers).

The Office of the Canadian Government Trade Commissioner, P.O. Box 126, Hong Kong, can advise you whom to contact in Cambodia and tell you about the procedures used in tendering for sales to this worthwhile market. ●

Canada's Export Opportunities in Burma Are Limited

Burma's state trading agency (MEIC) acts for all individual foreign exporters. Canadian firms desiring to export to Burma must therefore go through MEIC. Canadian exporters of commodities in demand may be able to increase sales.

P. STUCHEN, *Commercial Counsellor, Kuala Lumpur.*

MAINTAINING THE OBJECTIVE of its own "Burmese Way to Socialism" under the current Four-Year Plan (ending in 1970), Burma pursues a neutral course in international relations. This extends into the economic and business fields. There is a notable variety of imported goods coming in from all parts of the world: from Australia, the United States, Czechoslovakia, Communist China, France, Italy and Israel—to mention only a few.

Canadian trade with Burma has never reached large proportions. With less than $1 million worth of Canadian exports annually over the past few years, the emphasis has been on Colombo Plan aid contributions in the form of wheat and/or flour and the materials required to erect a $3.6 million bascule bridge over the tidal Pazundaung Creek in Rangoon. (About $2 million was paid in Canadian funds and the balance in counterpart funds realized from the sale of Canadian wheat, except for the last contribution in 1965/66, when the contribution made was in the form of flour.) Other Colombo Plan contributions have included cobalt therapy units, a hospital clinic in Rangoon to house and treat cancer patients (still under construction), and Canadian experts supplied to Burma and Burmese technicians trained in Canada. Burma's chief exports—rice and teak logs—are reflected in the small amounts of each or both shipped to Canada, not exceeding much more than a quarter of a million dollars in any recent year.

Canadian Assistance

Undoubtedly, Canada has earned a conspicuous place following the completion of the Thaketa Bridge which was officially opened on February 8, 1967. Previously, too, Canadian assistance in the form of cobalt therapy units and the clinic had been duly acknowledged in official, medical and public circles. But Canadian exports have not played a conspicuous part to date for perhaps several reasons.

In the first instance, all imports into Burma have been nationalized and are made by state trading authorities on the basis of tenders, but forwarding such tender notices to Ottawa for distribution to potentially interested firms takes time.

In addition, as a result of nationalization, there no longer are Burmese firms which could act as agencies or representatives for Canadian firms or products. Importers are obliged to deal through and register with the Agency Division of the Myanna Export and Import Corporation (MEIC)—the state trading agency. It acts for all individual importers on the basis of a fee or commission varying from 5 to 20 per cent, depending on the items and the amount of the tender. Eventually the amount of commission is to be deducted from the tender price if the tender is successful and is therefore a *pro forma* arrangement.

Actually, an agreement in a prescribed form is entered into between the Agency Division and the prospective exporter. (A copy of the agreement form is available from the Trade Commissioner in Kuala Lumpur or from the Chief, Asia and Middle East Division, Department of Trade and Commerce, Ottawa.) A convenience currently offered to potential exporters is an indication of willingness to abide by the agreement between such firms and MEIC. In other words, it would be necessary for any Canadian firm intending to do business in Burma either to sign the agreement with MEIC or to offer some equivalent acceptance of MEIC as that firm's representative. At the same time, it should be noted that a firm tendering for a contract will not be disqualified on the grounds of no previously signed agreement or equivalent acceptance of representation. This, however, would have to be arranged for eventually if the firm were awarded the tender.

Getting a Visa

Businessmen have been finding it difficult to obtain permission and the necessary visa for entry into Burma for long periods of time. Business visits of 24 hours' duration have been authorized in most cases but stopovers of a few days or longer are more difficult to arrange. Visas for Burma can best be obtained through the Burmese Embassy in Ottawa rather than that country's Embassies located in countries on the Canadian visitor's itiner-

TABLE I

MAIN EXPORTS FROM CANADA TO BURMA

	1964	1965	1966
		(Can. dollars)	
Wheat, except seed n.e.s.	....	325,138	....
Wheat flour n.e.s.	353,634	....	329,498
Medicinal & pharmaceutical products n.e.s.	61,203	87,955	240
Chemical, pharmaceutical production machinery & parts	....	85,000	110,329
Asbestos	115,950	81,870	75,808
Metal fabricated basic products n.e.s.	....	16,410	....
Files & rasps	5,341	16,369	2,594
Structural shapes & sheet piling	....	2,874	50,521
Power boilers, equipment & parts	....	....	45,571
Shipping containers, metal & parts	....	....	21,880
Total	**537,128**	**615,616**	**636,865**
Other products	199,036	58,551	40,044
Total, all commodities	**736,164**	**674,167**	**676,909**

Source: DBS

TABLE II

MAIN IMPORTS INTO CANADA FROM BURMA

	1964	1965	1966
		(Can. dollars)	
Rice, cleaned	241,938	—	—
Lumber and logs	26,810	38,493	105,000
Flooring, hardwood	6,078	—	2,000
Total	**274,826**	**38,493**	**107,000**
Other imports	191	408	—
Total, all commodities	**275,017**	**38,901**	**107,000**

Source: DBS

TABLE III

BURMESE FOREIGN TRADE

Fiscal Year (Oct.–Sept.)	Exports	Imports
	(in millions of kyats)[1]	
1955–56	1,173.6	872.4
1956–57	1,182.7	1,322.5
1957–58	894.5	1,108.5
1958–59	1,002.0	956.6
1959–60	1,178.9	1,259.2
1960–61	1,001.6	1,080.4
1961–62	1,266.8	1,043.6
1962–63	1,263.7	1,097.7
1963–64	1,137.7[4]	1,086.0
1964–65	1,081.1[4]	1,413.1[3]
1965–66[2]	914.5	803.3

Source: Central Statistical and Economics Department—September and October 1966 Economic Indicators.

[1] 4.76 Kyats=1 Canadian dollar

[2] Provisional figures.

[3] Includes K.6 million of imports released under special orders during the previous years and the bills finalized during 1964–65.

[4] Revised.

ary. Requests for such visas should be made well in advance of the contemplated visit to Burma. Such visits in practically all cases need not extend beyond Rangoon. Here, most adequate hotel accommodation is available either at the Inya Lake Hotel (a few miles out of Rangoon) or at the old Strand Hotel (in the heart of the city).

Import Needs

Looking to the future, certain favourable omens on the horizon offer some encouragement for increased and closer relations between Canada and Burma. As already mentioned, the completion of the Thaketa Bridge created an appreciation of Canadian materials and skills as well as considerable excitement on the occasion of its opening.

Of special significance is the fact that Burma is participating in Expo 67. This could result in a closer contact with Burma by exporters of goods for which there is a demand in that country. These include: pharmaceutical and chemical goods, hospital and medical equipment, aircraft, airport navigational aids and equipment, heavy earth-moving machinery, and telecommunications equipment. In turn, as a result of export promotion in Canada, Burmese commodities such as rice, logs and timber, semi-precious stones, and handicrafts might find greater sale and outlets in this country. ●

Japan's Electric Machinery Industry

Japanese manufacturers of electric machinery are prepared for rapid expansion again, based largely on rising export sales. In the twelve months ending March 1967, Toshiba, Hitachi and Mitsubishi Heavy Industries expect to have made sales abroad of over U.S.$200 million, 50 per cent more than in the previous year. Toshiba alone expects exports of its light and heavy electric machinery to exceed U.S.$50 million in the first quarter of 1967 and is planning to double sales volume by 1971. The Japanese electric machinery industry has expanded markets in Australia and Southeast Asia, generally at the expense of the European firms—Tokyo.

Import and Exchange Regulations in the Far East

As a service to Canadian exporters, the import and foreign exchange controls currently in effect in Far Eastern countries are summarized below.

Asia and Middle East Division

Brunei

This protectorate has a short tariff schedule which covers only 20 items. Most items may be shipped under Open General Licence. Certain commodities such as air conditioning equipment, motor vehicles, heavy mechanical equipment, and certain types of machinery require specific import licences. There are no restrictions on foreign exchange transactions.

Burma

All import trade is in the hands of the Government and government agencies. Imports under loan and aid agreements are made by the government agencies concerned with such agreements. All other imports are made by the Trade Council which was established in October 1965, replacing the People's Stores Corporation. Domestic trade operations are now also carried on under the Trade Council. To improve the distribution system the Trade Council has organized 22 trade corporations distinguished according to the types of goods they handle. However, all export and import transactions are centralized in the Myanna Export-Import Corporation which negotiates and signs contracts with foreign exporters on behalf of other Government trade corporations. The Myanna Export-Import Corporation imports goods under global bulk licences. Suppliers are selected on the basis of worldwide tenders and on the normal commercial considerations of quality, price of goods, availability of spare parts, and delivery terms. All prices for imports have to be confirmed with the Trade Council. The banks automatically provide exchange to pay for authorized imports. Payments to Canada may be made in sterling through an external account, in any non-sterling currency, or by crediting kyats to the account of a resident of a country outside the sterling area.

Cambodia

Cambodia's import and export trade is nationalized and is carried out by a state-controlled trading agency, Société Nationale d'Exportation et d'Importation (SONEXIM). SONEXIM conducts all import operations for the account of government agencies, private enterprises or merchants, in conformity with a National Import Plan established by the Ministry of Economy for the calendar year.

Licences required for all imports are valid for three months for goods imported from Asian countries, and for six months for goods imported from African, European and American countries. Extensions are possible and shipments should be effected before expiration date. The import of some items, including certain foodstuffs and other consumer goods, is prohibited from all countries. Import licences embody the right to purchase foreign exchange.

The National Exchange Office maintains control over export and import exchange operations through the commercial banks, and in exceptional cases through the National Bank of Cambodia. Rates vary according to the essentiality of the merchandise being imported. Payments for imports must be arranged on a letter-of-credit basis.

Communist China

Foreign trade is a monopoly of the State and is conducted through 13 state trading corporations. These are known as the China National Import and Export Corporations and each corporation is completely responsible for foreign trade, both import and export, in a specified group of related commodities. These corporations neither act as agents for overseas suppliers nor import for stock on their own account. They purchase on behalf of end-users throughout the country, state-owned factories, trading companies, and production ministries and place orders abroad only at the request of these end-users.

Import licences are required for all goods but because all trading is carried on by the state trading corporations, licences are issued automatically for all orders which they place. The issuance of the import licence normally guarantees availability of exchange. Terms of payment vary but are usually irrevocable letter of credit.

Hong Kong

Four classes of goods require import licences: dutiable, dangerous and undesirable goods, restricted goods, and strategic goods. Dutiable goods include tobacco products, alcoholic liquors, hydrocarbon oils, methyl alcohol and table waters. Dangerous and undesirable goods comprise such items and groups as arms and ammunition, explosives, poisons, dangerous drugs, slot machines, juke boxes and celluloid film scrap. Restricted goods include the following: rice, sugar, diamonds, silver (including bullion and coin more than 90 per cent pure by weight) and gold. Imports of strategic goods for local consumption require an essential supplies certificate which must be obtained in advance of a request for an import licence. An essential supplies certificate entitles the holder to the necessary import and exchange licence.

Exchange control has been in effect since 1939. All foreign exchange transactions in currencies other than sterling and currencies linked with sterling are restricted. Official exchange must be purchased from an authorized bank. However, there is an extensive free market for trading dollars and most imports from Canada are paid for with dollars bought on that market.

Indonesia

Foreign exchange and imports are controlled by the Foreign Exchange Bureau and the Bank of Indonesia. Exporters receive a varying percentage of the foreign exchange value of their exports as an incentive as follows: bonuses of 50 per cent for the major export items, 75 per cent for most other exports and 90 per cent for a limited group of goods not ordinarily produced for export. The bonus certificates may be used by exporters or sold to importers to pay for imports.

General or specific permits issued by the Foreign Exchange Bureau are required to import goods, except imports financed with automatic foreign exchange allocations or with privately held foreign exchange abroad. Import licences, when granted, are issued only for the c. and f. value of the imports; insurance must be covered in Indonesia except for imports required for large projects. After the import licence is obtained, the importer must conclude an exchange contract with a foreign exchange bank, which then opens a letter of credit. Importers are subject to a 100 per cent cash cover requirement against the letter of credit, except for incidental imports of essential goods and raw materials imported by industries for their own use.

State trading companies are responsible for maintaining the required imports of specified commodities and nearly all of them are engaged in exporting Indonesia's major export commodities. Although the state trading enterprises account for approximately 60 per cent of total imports, imports of certain commodities—including raw cotton, yarns and threads, wheat flour, newsprint, and concrete reinforcing bars—are not confined to state enterprises.

Payments for imports are made only after evidence has been received that the shipment described in the related letter of credit or import licence has been made. Payments may be made with officially allocated foreign exchange or with bonus certificates for financing essential imports or with complimentary foreign exchange occurring from exchange obtained from exports in excess of the Government's export check price. Such exchange may be purchased through the banking system and used to import less essential commodities.

Japan

For the import of most goods, a licence issued by an authorized foreign exchange bank is required. The licence is usually valid for six months.

Import licences embody the right to purchase foreign exchange. Foreign exchange transactions are conducted through foreign exchange banks, subject to the supervision of the Minister of Finance. Drawees customarily pay upon receipt of documents.

For imports which are liberalized, the banks may issue licences automatically upon application and without quantitative restrictions. For certain specified goods which are practically liberalized, importers must apply to the Ministry of International Trade and Industry (MITI) for an import quota. This is automatically granted in the form of an import quota certificate, specifying the quantity of the goods and other special conditions. The banks issue licences on the strength of these certificates. Foreign exchange in payment of imports under these two categories may be remitted abroad by somebody other than the licence holder. The holder of a certificate for imports under the latter procedure may assign it to a third party.

Certain other specified goods, including foodstuffs, certain raw materials and manufactured goods, are on the Negative List. The importer of such goods must apply to MITI for an import quota. If granted, the importer receives an import quota certificate which specifies the quantity and other special conditions. The holder of the certificate for such imports may not assign it to anybody else. Foreign exchange in payment of these imports may be remitted abroad by the licence holder only.

When applying for his licence, an importer must deposit with an authorized foreign exchange bank 1 or 5 per cent of the import value, depending upon the category of the goods. The deposit is returned to the importer after 80 per cent or more of the shipment is cleared through Customs. Exempt from the deposit requirement are government imports, designated raw materials and commodities destined for atomic research, national defence, social and medical purposes or for incorporation into export goods.

Laos

There are two types of import financing in Laos: (1) imports financed by foreign aid from Australia, Britain, and the United States, and (2) all other imports for which the importer supplies his own foreign exchange. Import licences and exchange permits are required for the first category and the import licence guarantees the exchange permit. No import or exchange permit is required for the second category.

The National Exchange Office of the Ministry of Finance, jointly with the Department of Customs, authorizes imports under the foreign assistance import program. All traders must pay an annual registration fee to the Government. Commodities are divided into 15 different categories, and a trader may pay for the right to trade in one or several of these categories. The registration fee entitles the importer or exporter to import/export the commodities in that category for a period of 12 months.

Importers apply to the National Exchange Office for licences, and are required to make a covering payment of 100 per cent at the time they acquire the import licence. After clearance by the Customs authorities, the exchange licences automatically become import licences and the importer opens a letter of credit with an authorized bank.

The National Bank does not make foreign exchange available for imports at the official rate except to meet government requirements. Importers are free to obtain exchange through the official free market for any amount of imports.

Malaysia

Preferential rates are extended to a limited number of commodities. Import licences are required for a wide range of items and certain goods are subject to quantitative restrictions—that is, import licences are issued on a quota basis. There are no foreign exchange restrictions.

Philippines

Effective from March 29, 1966, no import licences or exchange permits are required. Imports are no longer divided into categories and special time deposits on letters of credit are no longer required. Imports must be covered by letters of credit, except for small transactions involving not more than $100.00. Imports by producers may be financed by means of documents against payment or documents against acceptance not exceeding 120 days; imports by importers under the same arrangements are allowed only for periods not exceeding 90 days. Imports of raw materials required by local industries may be financed under an open account arrangement payable by demand draft, telegraphic transfer, or mail transfer within 120 days after the issuance of the release certificate by the authorized agent bank concerned.

All transactions in foreign exchange must be conducted through authorized agent banks, designated by the Central Bank of the Philippines. Authorized banks may sell foreign exchange at the current market rate without prior approval of the Central Bank. Drawees generally make payment only upon arrival of the merchandise.

Republic of China (Taiwan)

All imports except those the value of which does not exceed U.S.$25 require licences and are classified in one of two categories: permissible and controlled. The list of permissible goods, for which licences are freely granted includes such items as capital equipment, raw materials and essential consumer goods. Goods on the controlled list generally are those competing with local production. Applications for import licences must be submitted to the Foreign Exchange and Trade Control Commission and if approved, licences are issued by the Bank of Taiwan. Import licences are usually valid for six months. The validity period may be extended for justifiable reasons. Merchandise arriving without a licence is subject to confiscation after three and one half months, during which time the importer may apply for a licence.

The issue of an import licence guarantees the right to purchase foreign exchange from an authorized bank. Payment is usually made on presentation of documents.

Singapore

A wide range of commodities are now subject to import duty. Preferential rates are extended to a very limited number of goods, including alcoholic beverages, tobacco and tobacco products, leather and leather products, tires and tubes, condensed milk, molasses and syrups.

Import licences are required for a wide range of goods, and are issued on a quota basis. There are no foreign exchange restrictions.

South Korea

Imports are made under semi-annual trade programs beginning each January 1 and July 1. Within the program, the Ministry of Commerce and Industry issues lists of permissible and prohibited imports. Imports are authorized either under an automatic approval system requiring certification from a foreign exchange bank or under a licensing system requiring a licence issued by the appropriate ministry. Goods generally classified as luxuries are prohibited. Goods imported to be incorporated into export items are not subject to control.

In order to engage in foreign trade, firms or individuals must be registered. An import certificate or licence automatically entitles the holder to purchase the required foreign exchange. Merchandise arriving without the required import licence is subject to confiscation. Imports must be cleared through Customs within four months from the issuing date of the licence or from the opening date of a letter of credit.

Payment for imports may be arranged on a letter of credit or a collection basis. Time drafts are restricted to a maximum of 180 days after sight. Imports effected on a collection basis must be licensed by The Ministry of Commerce and Industry; the licence will specify the terms of payment. Drawees customarily await the arrival of merchandise before paying sight drafts or accepting time drafts.

Thailand

Import licences are required for only about 35 items which are of a kind produced in Thailand. All other goods, with the exception of a few which are prohibited, may be imported without a licence. When required, licences are granted by the Ministry of Economic Affairs, they are usually valid for six months and extensions are permissible. As a rule, they are issued to the extent that local production is insufficient to meet demand. When an import licence is necessary, merchandise arriving in Thailand without the cover of an import licence is subject to confiscation. The granting of an import licence implies that foreign exchange will be made available to pay for the goods.

Exchange control is administered by the Bank of Thailand and all transactions must be effected through authorized banks. A permit from an authorized bank is required to make any payment for imports but its issuance is automatic for a legitimate commercial transaction. Permits are valid for 30 days for sight drafts and until 15 days after due date for time drafts. Authorized banks may grant an extension of one month but the Bank of Thailand must approve further extensions. Exchange control approval is required for advance payments.

Vietnam

All imports are subject to licensing. Importers who import merchandise for their own use are required to form groups or pools importing the same category of goods. For import purposes, merchandise is classified into 18 categories and importers may apply for licences in not more than three of these categories. Licences for imports other than those financed by United States AID are issued by the Directorate of External Commerce and approved by the National Exchange Office. An import licence entitles the importer to purchase the necessary exchange from authorized banks. Import licences are valid from four to eight months from the date of issue, depending upon the type of goods to be imported. Without this authorization, merchandise is subject to seizure or reshipment.

Foreign exchange is available through authorized banks from the National Exchange Office. Imports are generally financed under letters of credit, for opening of which the presentation of an import licence is required. Letters of credit must be opened within 15 or 30 days after issuance of the licence; the exact time is specified in the import licence. ●

Shipping Services from Canada to the Far East

TO:	From Pacific Coast	From Great Lakes	From St. Lawrence and Atlantic
BURMA	American Mail Line (*Canadian Blue Star Line, Vancouver*)	No direct liner service; cargo transshipped at Calcutta.	
CAMBODIA	No direct liner service; cargo transshipped at Saigon.		
COMMUNIST CHINA	No direct liner service; cargo transshipped at Hong Kong.		
HONG KONG	American Mail Line Nedlloyd & Hoegh Lines (*Dingwall Cotts & Co. Ltd., Vancouver*) Klaveness Line (*Balfour Guthrie Limited, Vancouver*) Knutsen Line (*Johnson Walton Steamships Ltd., Vancouver*) P & O Orient Lines (*Furness Withy & Co. Ltd., Vancouver*) Showa Line (*Kingsley Navigation Co., Vancouver*) States Line (*Dodwell & Company Ltd., Vancouver*) States Marine Lines (*World Wide Shipping Ltd., Vancouver*) United Philippines Lines (*Empire Shipping Co. Ltd., Vancouver*) Orient Overseas Line (*Western Overseas Shipping Ltd., Vancouver*)	"K" Line (*Kerr Steamships Ltd., Toronto*) Mitsui O.S.K. Lines (*Montreal Shipping Co. Ltd., Toronto*) Orient Mid-East Line (*Hurum Shipping and Trading Company Ltd., Toronto*) Pacific Star Line (*Mills Steamship Agency Ltd., Toronto*) N.Y.K. Line (*Transworld Shipping Ltd., Toronto*)	"K" Line (*Kerr Steamships Ltd., Montreal, Halifax, Saint John*) Mitsui O.S.K. Lines (*Montreal Shipping Co. Ltd., Montreal, Saint John and Halifax*) Orient Mid-East Line (*Hurum Shipping and Trading Company Ltd., Montreal*) Pacific Star Line (*Clarke Agencies, Montreal*) Maersk Line (*The Robert Redford Co. Ltd., Montreal, Toronto*) N.Y.K. Line (*Transworld Shipping Ltd., Montreal*)

TO:	From Pacific Coast	From Great Lakes	From St. Lawrence and Atlantic
HONG KONG (Contd.)	Maritime Company of the Philippines (*Furness Withy & Co. Ltd., Vancouver*)		
INDONESIA	American Mail Line Klaveness Line Knutsen Line	Orient Mid-East Line	Orient Mid-East Line Maersk Line Isthmian Lines (*Amalgamated Exporters (Canada) Ltd., Toronto, Montreal*)
JAPAN	American Mail Line N.Y.K. Line (*Greer-Tidewater Shipping Ltd., Vancouver*) Showa Line Japan Line (*Westward Shipping Ltd., Vancouver*) Mitsui O.S.K. Line (*C. Gardner Johnson Ltd., Vancouver*) Orient Overseas Line P & O Orient Lines States Marine Lines Maritime Company of the Philippines United Philippines Lines States Line Yamashita-Shinnihon Line (*North Pacific Shipping Co., Inc., Vancouver*)	"K" Line Mitsui O.S.K. Lines N.Y.K. Line Pacific Star Line Federal Pacific Lakes Line (*Shipping Ltd., Toronto*)	"K" Line Mitsui O.S.K Lines N.Y.K. Line Pacific Star Line Maersk Line Federal Pacific Lakes Line (*Federal Commerce and Navigation Co. Ltd., Montreal*)
LAOS	No direct liner service; cargo transshipped at Saigon.		
MALAYSIA	Nedlloyd & Hoegh Lines American Mail Line Klaveness Line Knutsen Line Showa Line	"K" Line Orient Mid-East Line Nedlloyd Lines (*Montreal Shipping Co. Ltd., Toronto*)	"K"' Line Orient Mid-East Line Nedlloyd Lines (*Montreal Shipping Co. Ltd., Montreal*) Maersk Line Isthmian Line
OKINAWA	American Mail Line Maritime Company of the Philippines States Line States Marine Lines	"K" Line Orient Mid-East Line	"K" Line Orient Mid-East Line Maersk Line

TO:	From Pacific Coast	From Great Lakes	From St. Lawrence and Atlantic
PHILIPPINES	American Mail Line Nedlloyd & Hoegh Lines Klaveness Line Knutsen Line Maritime Company of the Philippines P & O Orient Lines States Line United Philippines Lines Orient Overseas Line Philippine President Lines, Inc. (*Balfour Guthrie* (*Canada*) *Ltd., Vancouver*)	"K" Line Orient Mid-East Line Pacific Star Line	"K" Line Orient Mid-East Line Pacific Star Line Maersk Line Isthmian Line
SINGAPORE	American Mail Line Nedlloyd & Hoegh Lines Klaveness Line Knutsen Line P & O Orient Lines Showa Line	"K" Line Nedlloyd Line Orient Mid-East Line	"K" Line Nedlloyd Line Orient Mid-East Line Maersk Line
SOUTH KOREA	American Mail Line States Marine Lines States Line	"K" Line Mitsui O.S.K. Line Orient Mid-East Line Pacific Star Line Federal Pacific Lakes Line	"K" Line Maersk Line Mitsui O.S.K. Lines Orient Mid-East Line Pacific Star Line Federal Pacific Lakes Line
SOUTH VIETNAM	American Mail Line States Line	"K" Line Orient Mid-East Line	"K" Line Orient Mid-East Line Maersk Line
TAIWAN	Orient Overseas Line Philippine President Lines Inc.	"K" Line Pacific Star Line Federal Pacific Lakes Line	Pacific Star Line "K" Line Maersk Line Federal Pacific Lakes Line "K" Line
THAILAND	States Line Orient Overseas Line	"K" Line Orient Mid-East Line	Orient-Mid-East Line Maersk Line Isthmian Line

trade lines

Angola tobacco crops larger

Angola tobacco production rose from 2,000 metric tons in 1963 to 7,000 in 1966. Recent Portuguese buyers took up 500 metric tons of Benguela tobacco from the present crop's leaf tobacco and contracted for 500 tons from the next two crops. They also purchased 800 metric tons from Quilengues and Lola tobacco-growers —Lisbon.

New French tire plant in Spain

France's leading tire producer is investing $50 million in a plant in Aranda de Duero (Province of Burgos). The new plant will initially produce 25,000 metric tons of tires, worth $33 million. Eventually investment will reach $83 million and capacity 45,000 tons—Madrid.

Germany's small tool market mixed

Do-it-yourself tool sales are on the rise, but higher-priced items (such as those for the building trades) are declining. The trend towards recession has acted as a price damper, and there were few price increases, well balanced by a number of price reductions. The practice of paying wholesalers' bills on receipt of goods has now ended and retailers pay within 60 to 120 days—Hamburg.

Yugoslavia opens cellulose plant and paper mill

At Drvar in Bosnia-Hercegovina, a new cellulose factory and paper mill have started operations. Annual capacity is said to be 25,000 tons of cellulose and 22,000 tons of paper—Vienna.

Rumania expanding tourist facilities

The present five year plan which ends in 1970 calls for investment in tourist facilities of $500 million. Many hotel, motel and cottage complexes will be constructed, particularly along the country's Black Sea coast. Another area slated for intensive development is along the Danube, where the Iron Gates hydroelectric scheme will create a large artificial lake—Vienna.

Bulgaria plans textile expansion

Large capital expenditures are slated for the textile industry in the next two years, especially in manmade fibres. Plans call for several extensions to existing weaving and knitting mills in addition to new cotton, silk and linen spinning and weaving mills—Vienna.

Bulgarian metal products rise

A recent extension to a non-ferrous metal plant at Plovdiv is now complete. The annual output of the new addition is 4,500 tons of lithopone and 8,000 tons of barium sulphide—Vienna.

Yugoslavia sets higher target for zinc

The target for 1967 is 56,640 tons, 10 per cent higher than last year. Domestic consumption will take 18,950 tons of zinc and the rest will be exported. Other targets are 2,830 tons of antimony, 120 of silver, 95 of bismuth and 200 of cadmium—Vienna.

Australia may produce more potash

A potash industry costing $16 million may be established near Carnarvon, Western Australia. The potash discovery was made by a Canadian company, Texada Mines Ltd., which has the right to carry out experiments for another two years. If the tests are successful, an industry with an annual production rate of 200,000 tons will be established—Melbourne.

Rotterdam to have world's largest refinery

The Shell refinery of Rotterdam has announced that through the construction of a fifth crude oil distillation unit with a capacity of 7.5 million tons, the total processing capacity of its refinery near the Dutch port will be increased to over 25 million tons a year. This capacity will make it the largest in the world. Approximately 120 million guilders will be spent on the new unit—The Hague.

Waxes and paraffins in Germany

German production of paraffins and waxes increased slightly in 1966, but a shortage still resulted because of declining supplies from Indonesia and the U.S. Hard microwax (high melting point) is available from Communist China at attractive prices but continuity of supply is not guaranteed—Hamburg.

Brazil builds new fish-freezing plant

A freezing and processing plant is being built at Itajaí, Santa Catarina, by Gelopesca S.A. at a cost of NCR$1 million. It includes an ice-flake plant with a daily output of 30 tons, storage for 180 tons of fish meal and oil, three 200-ton units for storing frozen fish, and equipment for filleting, salting and processing. The plant is being built without foreign aid—São Paulo.

Germany produces more milk and meat

West German milk production totalled 21.4 million metric tons in 1966, an increase of 0.8 per cent over the previous year. Meat and fat from commercial slaughterings was 3 million metric tons in 1966. Beef production showed a 6.4 per cent increase to 1.05 million metric tons; on the other hand, pork production fell by 1.4 per cent to 1.86 million metric tons—Bad Godesberg.

Electricity consumption doubles in Northern Ireland

The consumption of electricity in Northern Ireland was 2,393 million units in 1965, almost double the 1960 figure and ten times the 1937 figure. Generating plants are coal- or oil-fired and, according to the recent White Paper, conventional power plants still have the advantage. Nevertheless, a nuclear plant may be built in Northern Ireland by 1976—Glasgow.

Angola plans tin can factory

Empresa de Embalagens de Angola plans to build a tin can factory, with a capacity of 25,000 tins per eight-hour shift in the Benguela district of Angola. Because the largest canners of fish, fruit and vegetables in Angola are in Benguela the company expects good results from this plant—Lisbon.

Singapore expands harbour

The Port of Singapore Authority has announced plans to expand its harbour facilities. Construction of a U.S. $23.3 million four-berth wharf, handling containerised cargo vessels, will include such ancillary services as: container terminals, special loading and unoading depots, and lorry parks. Two of the berths are expected to be completed by 1969, the other two one year later. The World Bank has agreed to finance part of the project—Singapore.

Chile buys buses from Spain

Chile will import 170 buses from Spain to relieve transportation problems in Concepcion, Valparaiso, and Antofagasta. The total sale, U.S. $.5 million, is repayable over an eight-year period—Santiago.

Foreign Tariffs and Trade Regulations

Finland

PAYMENT FOR IMPORTS—On April 20, 1967, a Bank of Finland announcement extended the list of goods requiring payment to be made before goods pass through customs or are stored in free-port or customs warehouses. The new measure is expected to check imports considerably. Items covered by the announcement include:

textiles and clothing
footwear
household utensils
furniture
office machines
tractors

Venezuela

CODFISH TARIFF INCREASE—Early in March the Venezuelan duty on codfish in all forms, fresh, dried, and canned, was raised from 2 bolivars to 6 bolivars per gross kilogram.

Trade Commissioners on Tour

In Territory

Barbados—D. H. Clemons, Assistant Commercial Secretary in Port-of-Spain, Trinidad, will visit Barbados May 14-20.

Communist China—A. Blum, Assistant Trade Commissioner in Hong Kong, will visit the Canton Fair May 9-16.

Costa Rica—D. J. Browne, Assistant Commercial Secretary in Guatemala, will visit San José June 22-25.

El Salvador—D. J. Browne, Assistant Commercial Secretary in Guatemala, will visit San Salvador June 7-12.

Honduras—D. J. Browne, Assistant Commercial Secretary in Guatemala, will visit San Pedro Sula June 13-15 and Tegucigalpa June 16-18.

Nicaragua—D. J. Browne, Assistant Commercial Secretary in Guatemala, will visit Managua June 19-21.

Panama—D. J. Browne, Assistant Commercial Secretary in Guatemala, will visit Panama City June 26-29.

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

Foreign Exchange Rates

These nominal quotations may help exporters in checking prices, but they should consult their banks before making any firm commitments. When more than one rate is shown, the one to be used 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.

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

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

For conversion of column one to the U.S. dollar equivalent, *multiply* by .93 To convert column two, *divide* by .93.

Country and Currency	Value of Foreign currency unit in Canadian dollars at April 28	Value of Canadian dollar in foreign currency units at April 28
Algeria		
Dinar	.2194	4.56
Argentina		
Peso (free)	.0031	322.58
Australia		
Dollar	1.21	.8333
Austria		
Schilling	.0419	23.98
Bahamas		
Dollar	1.060	.9470
Belgium and Luxembourg		
Franc	.0218	46.25
Bermuda		
Pound	3.030	.33
Bolivia		
Peso	.0913	10.98
Brazil		
Cruzeiro (official free)	.4006	2.50
Britain		
Pound	3.030	.33
British Honduras		
Dollar	.7578	1.32
Burma		
Kyat	.2273	4.41
Ceylon		
Rupee	.2372	4.40
Chile		
Escudo (bank rate)	.2316	4.32
(free)	.2010	4.97
Colombia		
Peso (intermediate)	.080	12.50
Congo, Republic of[1]		
Franc	.0072	139.50
Costa Rica		
Colon	.1634	6.14
Cuba[2]		
Peso	....	....
Czechoslovakia		
Koruna	.1503	6.67
Denmark		
Krone	.1566	6.39
Dominican Republic		
Peso	1.083	.93
Ecuador		
Sucre (official)	.0601	16.67
(free)	.0547	18.35
El Salvador		
Colon	.4330	2.31
Fiji		
Pound	2.729	.37
Finland		
Markka	.3383	2.96
France, Monaco, etc.[3]		
Franc	.2194	4.56
Franco-African Republics[4]		
Franc	.0044	227.79
French Pacific[5]		
Franc	.0121	82.64
Germany		
D Mark	.2724	3.68
Ghana		
New Cedi	1.516	.60
Greece		
Drachma	.0361	27.86
Guatemala		
Quetzal	1.083	.93
Guyana		
Dollar	.6311	1.58
Haiti		
Gourde	.2165	4.63
Honduras		
Lempira	.5413	1.84
Hong Kong		
Dollar	.1893	5.30
Hungary		
Forint (official)	.0921	10.86
Iceland		
Krona (official)	.0252	40.00
India		
Rupee	.1440	6.87
Indonesia[6]		
Rupiah	....	....

Country and Currency	Value of Foreign currency unit in Canadian dollars at April 28	Value of Canadian dollar in foreign currency units at April 28
Iran		
Rial	.0143	69.93
Iraq		
Dinar	3.031	.33
Ireland		
Pound	3.029	.33
Israel		
Pound	.3608	2.78
Italy		
Lira	.0017	581.86
Japan		
Yen	.0030	335.37
Kenya		
Shilling	.1402	7.13
Lebanon		
Pound (free)	.3507	2.85
Malaysia		
Dollar	.3536	2.83
Mexico		
Peso	.0866	11.61
Morocco		
Dirham	.2165	4.62
Netherlands		
Florin	.3001	3.33
Netherlands Antilles		
Florin	.5740	1.75
New Zealand		
Pound	3.019	.33
Nicaragua		
Cordoba	.1546	6.49
Nigeria		
Pound	3.031	.33
Norway		
Krone	.1515	6.63
Pakistan		
Rupee	.2273	4.41
Panama		
Balboa	1.083	.92
Paraguay		
Guarani (free)	.0087	116.27
Peru		
Sol (free)	.0404	24.94
Philippines		
Peso (free)	.2766	3.61
Poland		
Zloty (fixed basic rate)	.2706	3.69
Portugal & Colonies[7]		
Escudo	.0377	26.66
Saudi Arabia		
Ryal	.2066	4.84
Sierra Leone		
Leone	1.515	.66
South Africa		
Rand	1.515	.66
Spain & Dependencies		
Peseta	.0181	55.55
Sweden		
Krona	.2099	4.76
Switzerland		
Franc	.2508	3.99
Syria		
Pound (free)	.2832	3.52
Taiwan		
New Taiwan Dollar (official)	.0233	42.92
Thailand[1]		
Baht (free)	.0526	19.25
Tunisia		
Dinar	2.073	.48
Turkey		
Lira	.1203	8.35
United Arab Republic		
Pound (official)	2.490	.40
United States		
Dollar	1.083	.93
Uruguay		
Peso (free)	.0126	79.36
Venezuela		
Bolivar (official free)	.2410	4.16
West Indies		
Dollar[8]	.6311	1.58
Pound[9]	3.029	.33
Yugoslavia		
Dinar (official)	.0866	11.63

1. Additional rates are in effect.
2. There is no trading in Cuban pesos in U.S. or Canadian banks at present.
3. Franc is also used in French Guiana, Guadeloupe and Martinique.
4. 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.
5. New Caledonia, New Hebrides, French Polynesia.
6. Because of the complexity of the Indonesian exchange rate system, it is impractical to quote a single representative rate for the rupiah.
7. Approximately same rate for Portuguese territories in Africa.
8. Barbados, Trinidad and Tobago, Leeward and Windward Islands.
9. Jamaica.

Marketing Data Sheet

FRANCE

Area

212,700 square miles

Climate

Paris ranges from a low of —8° to —12°C to a maximum of 32° to 37°C. Centigrade scale is used. Humidity average range is 66 to 86 per cent.

Population

The 1965 total population was 48.7 million. Males 23.8 million, females 24.9 million.

65 and over	5,833,000
25 to 34	6,257,000
15 to 24	7,218,000

Households

13,847,540

Income

National income fr.325,408 billion in 1964; GNP fr.431,870 billion; per capita income gross fr.8,290, net fr.6,714. Average hourly wage for metal workers in Paris area fr.4.35.

Motor Vehicles

Passenger vehicles in 1964 7,830,000; commercial vehicles 1,955,000; motorcycles 4,900,000.

Telephones

In 1964, 115 per 1,000 persons.

Radio and Television

In 1964, 9,567,000 households had radio, and 5,414,300 had television (channel one, 819 lines per picture; channel two, 625 lines per picture). Radio and TV facilities are publicly owned and controlled by Office de Radio-Diffusion-Télévision Française, which does not accept publicity. However, private commercial radio and TV do exist; peripheric transmitters are located in Luxembourg, the Saar, Monaco and Andorra.

Water Supply

Water in France is safe to drink. Average pressure 3 kilogrammes at ground level. Mineral content and hardness are high, at least in larger cities.

Electric Power

50 cycles a.c. domestic 110/220 volts, industrial 380 volts and in larger plants 15,000 and 63,000 volts. Mostly three-phase but single-phase still found in parts of Paris. A grounding conductor is required for washing machines and high-power heating appliances. The distribution system has a ground wire depending on the voltage. National capacity in 1964, 93,779 million kws. For domestic users a gradual switch will be made from 110/115 volts to 220/230 volts.

Coal

Mostly ground coal but some anthracite. Production in 1964, 55.2 million metric tons, consumption 55.2 million metric tons.

Gas

Manufactured and natural gas available, also butane and propane bottled. Chemical analysis varies according to distribution areas. Sales in 1966, natural gas 48.8 per cent, manufactured 51.2 per cent (total 28.6 billion thermies). Reserves (natural) 152 billion cubic metres of desulphurized gas.

Thermal content: manufactured 4,200/4,700 millithermies per cubic meter
natural (Lacq) 9,600 millithermies per cubic meter

Operating pressures: manufactured gas 20 millibars
natural gas 20 millibars

Distribution system is by pipenets, either cast-iron or steel. Number of users in 1964: domestic 6,548,532; commercial 154,000; industrial 21,000. Cost average fr. .0581 per thermie in 1965. Consumption is increasing.

Petroleum Products

All grades are available. Production in 1964, 48,268,500 million metric tons of refined products. Domestic production of crude petroleum in 1965, 2,938,000 million tons.

Weights and Measures

Metric system

Screw Thread

Metric, right-hand

Standards

These are not mandatory, but are recommended for gas, electrical or other fuel appliances.

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The Queen's Printer, Ottawa, Canada

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One Canadian Manufacturer's remarkable export success story.

André Lachance, President of Chemico Pharmaceutical Company, Montreal, started in business in 1957, manufacturing Nilodor—a chemical that absorbs room odors with remarkable effect.

In 1961 Chemico took part in the Department's Regional Samples Show in Montreal. The first sale in a foreign market—to an Ohio chain of stores—totalled $30.00. The sale convinced Mr. Lachance that his product had *Export Sales Potential. He got in touch with our senior Trade Commissioner in New York to check likely buyers in that area and found several were interested. He also wrote Trade Commissioners in a dozen countries.

Shortly after, a story about Nilodor appeared in the Department's export newspaper, "Canada Courier", which is circulated to over 80,000 businessmen throughout the world. From that one article, Mr. Lachance received 800 inquiries from potential distributors in 23 countries. Trade Commissioners abroad reported on those who seemed most likely to be suitable and Mr. Lachance soon had a dozen foreign representatives.

Today, Chemico Pharmaceutical has agents in 26 countries and Nilodor sales are in six figures—80% of this revenue coming from export markets.

Trade and Commerce officers at home and Trade Commissioners abroad worked with Mr. Lachance to develop Chemico's *Export Sales Potential into *Export Selling Power. The Company and the Department have formed an *Effective Sales Partnership.

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Department of Trade and Commerce
Government of Canada, Ottawa