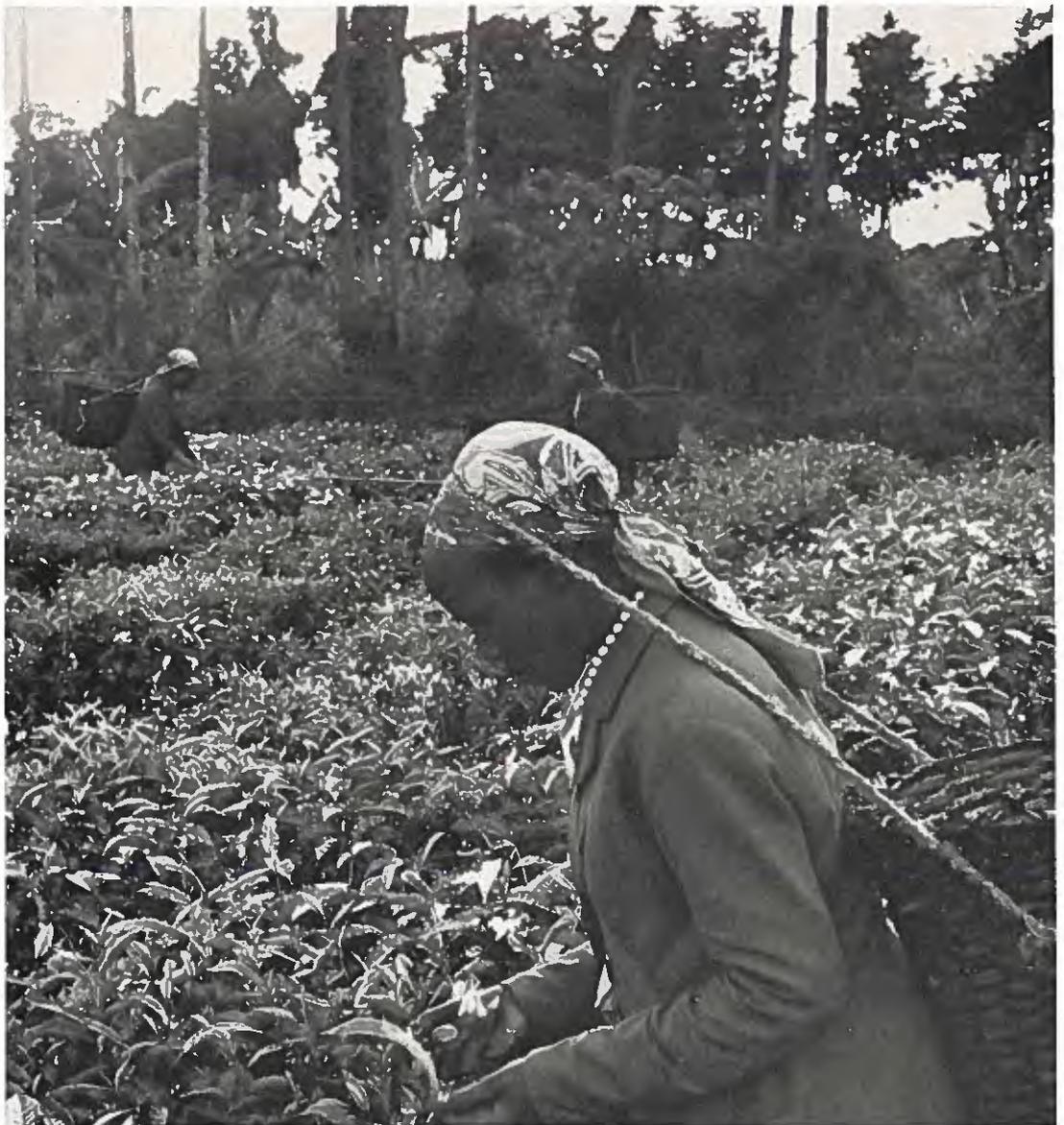


JUNE 8. 68

FOREIGN TRADE

DEPARTMENT OF TRADE AND COMMERCE, OTTAWA



**Export Markets
in East Africa**

FOREIGN TRADE

JUNE 8, 1968

Vol. 129 No. 12

COVER: On a Kenyan tea plantation workers are busy plucking tea and pruning the shrubs. Tea provides a major share of exports from the three East African countries which are reviewed in this issue. The Nairobi office discusses current conditions and some commodities that could be marketed in this area by Canadian companies.

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The East African Markets 2

Last December, the East African Community came into being and many trade barriers between Kenya, Tanzania and Uganda disappeared. Consumer goods industries are expanding to supply the enlarged market. Canadian sales to the area went up in 1967 by Cdn.\$1.5 million and the outlook is promising.

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Canadians have a chance to bid on equipment for modernizing East Africa's railways, airports, telecommunications systems, and power supply if international tenders are called. Forestry and farming equipment is needed too. The market for foods is limited but Canadian apples can sell on quality at a premium price.

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The Atlantic Development Group for Latin America was formed to provide equity capital for private enterprise. Canada is its second largest shareholder. The main operating office is in Lima, and our Assistant Commercial Secretary there describes ADELA's structure and writes about its activities.

Canada Achieves Export Objective 18

The export target for Centennial year was exceeded by a comfortable margin. Most spectacular was the billion-dollar rise in exports of inedible end products. An economist in the External Trade Division of DBS describes the trends which are at work and concludes that the prospects for 1968 are also bright.

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Canada moved back into first place last year, leading the Soviet Union by a short head. Innovations in transport and distribution methods are helping to secure the market and promotion of timber frame construction is now paying off.

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COMING—MARKETS IN SOUTHEAST ASIA, JUNE 22 ISSUE

The East African Markets

KENYA

Area

225,000 square miles.

Population

9.6 million (mid-1966); 9 million Africans, 188,000 Asians, 43,000 Europeans (mainly British).

Currency

East African shilling, subdivided into 100 pennies. Shilling is worth about Cdn. \$0.1526.

Political Status

Republic within the British Commonwealth.

Terrain

Hot, humid coastal belt, rising gradually inland through dry bush country to savannah grasslands and the Highlands, where rain is plentiful. Country is cut through by Great Rift Valley, running from north to south between 2,000 and 3,000 feet below the land on both sides.

Economy

Largely dependent on agriculture, raising mainly tea, coffee, sugar, maize, pyrethrum, wheat, sisal, cattle. Some secondary manufacturing, growing tourist trade.

Capital

Nairobi (population 267,000).

Total Exports

Cdn.\$148.7 million (11 months 1967).

Principal Markets

Britain, West Germany, United States, Canada.

Total Imports

Cdn.\$293.7 million (11 months 1967).

Principal Suppliers

Britain, West Germany, Iran, United States.

Value of Imports from Canada

Cdn.\$2.1 million (1967).

Value of Exports to Canada

Cdn.\$7.4 million (1967).

TANZANIA

Area

362,000 square miles (mainland); Zanzibar (640 square miles); Pemba (380).

Population

10 million (mainland), 300,000 (islands), predominantly African Bantu.

Political Status

United Republic of Tanzania, October 29, 1964.

Capital

Dar es Salaam (population 129,000).

Economy

Chiefly agricultural and pastoral, with some mining of gold, diamonds, tin, mica, salt, silver.

Currency

East African shilling, (see Kenya).

Total Exports

Cdn.\$234 million (1966).

Total Imports

Cdn.\$192 million (1966).

Principal Suppliers

Britain, Italy, United States, West Germany, Indonesia, Communist China.

Value of Imports from Canada

Cdn.\$3.2 million (1967).

Value of Exports to Canada

Cdn.\$6.4 million (1967).

UGANDA

Area

93,981 square miles.

Population

7.8 million (December 1966); 7.7 million Africans, 80,000 Asians, 10,000 Europeans, 2,000 Arabs, 2,500 others.

Currency

East African shilling (see Kenya).

Political Status

Independent republic within the Commonwealth.

Economy

Mainly agricultural, especially growing of coffee and cotton; copper mining, tourist industry.

Capital

Kampala (population 50,000).

Total Exports

£44.2 million (8 months 1967).

Total Imports

£29.3 million (8 months 1967).

Principal Suppliers

Britain (one third), West Germany, United States, Japan, Italy.

Value of Imports from Canada

Cdn.\$364,000 (1967).

Value of Exports to Canada

Cdn.\$9.7 million (1967).



—World Bank photo

Pyrethrum, which yields a natural insecticide, is one of Kenya's important crops. Workers pick the blossoms for processing.

Kenya

- Agriculture is receiving major attention
- Some trading taken over by state
- Capital equipment needed for development



JOHN B. McLAREN,
Commercial Secretary, Nairobi.

■ Kenya lies astride the equator, on the eastern seaboard of Africa. Less than 10 per cent of it gets over 30 inches of rain a year and this small portion of the land supports the bulk of the population. A further 13 per cent gets adequate rainfall for grazing, but some 66 per cent, situated mainly in the northern, southern and coastal areas, is arid and unsuitable at present for normal agriculture. The altitude in Kenya largely governs the climate: the land above 5,000 feet enjoys a temperate climate, with fairly good rainfall.

The economic policy of the Kenya Government, as embodied in the Five Year Development Plan 1966-70, is aimed at increasing the range of agricultural and industrial production, raising living standards, and encouraging greater African participation in commerce and industry. The plan

recognizes Kenya's dependence on agriculture and allocates the largest share of government resources to that sector of the economy, both to improve and diversify existing production and to bring new land into economic use. Promotion of secondary industry is left largely to the private sector, but the Government does assist local producers through tariffs or licensing protection. Kenya is the most industrialized of the three East African countries, processing coffee, tea, sugar, and pyrethrum (a natural insecticide), milling flour, brewing, and manufacturing plastics, cigarettes, foodstuffs, metal products, building materials and paper products.

Two Significant Events

The economy of Kenya will be influenced strongly by two significant events that took place in the closing

weeks of 1967. The first was the devaluation of sterling on November 18, with the East African countries uniting in a decision not to follow suit. The second was the inauguration on December 1 of the East African Community, as formulated in the East African Treaty (see *Foreign Trade* of October 14, 1967). The Treaty requires the removal of nearly all physical barriers to trade between the three East African countries (Kenya, Uganda and Tanzania), although transfer taxes now must be paid on a specific list of manufactured goods. Some industries will be hit more heavily than others as a result of the transfer tax and depending on the relative importance of their sales to Uganda and Tanzania. On balance, there is likely to be some shift in the structure of East African industry as a result, but in the long run Kenya producers will have ready access to 30 million consumers, triple their domestic market. The effects of the devaluation of sterling are more nebulous at this stage, except for a possible lowering of prices on commodities from Britain, the major supplier to this area. Over-all it is expected that export income may be rather lower than before devaluation, because Britain is also Kenya's number one customer.

Agricultural Prices Low

When final figures are in for 1967 it is expected that they will show that agricultural income has risen slightly over 1966. Tea production moved ahead rapidly in the third quarter, but was insufficient to make up the shortfall in the first half because of drought followed by unusually heavy rains. For the year, tea production will be approximately 15 per cent down from 1966. A significantly higher figure is forecast for 1968, but prices have dropped sharply since devaluation of the British pound. Deliveries of coffee in 1967 totalled 8,700 tons less than in the previous year, mainly as a result of the rapid spread of coffee berry disease. It is estimated that 35 to 40 per cent of the Kenya crop will be lost in the current year because of this devastating disease. Prices received for coffee fell in 1967 compared with 1966 and the market tended to weakness throughout the year. On the bright side is the rene-



—World Bank photo

Cattle are important in the Kenya agricultural economy, both for milk and beef and Canadian breeders might well look for opportunities for selling purebreds there.

gotiation under the International Coffee Agreement which gave Kenya a larger quota.

The current maize crop is the largest ever. Deliveries to the Maize and Produce Board from the crop planted in 1967 are expected to exceed 3½ million bags, creating a surplus for export of about two million bags. Export prices are weak and will lead to substantial financial losses for the maize industry. A somewhat similar position prevails in wheat, where the crop from 1967 plantings is also expected to be a record. Sisal prices have continued to move down and devaluation of sterling is likely to enhance the competitive position of synthetic fibers still further, thus accelerating the loss of sisal's traditional markets. The 1967 sisal production of 51,000 tons was lower than for many years, and there is little immediate prospect of recovery. On a more optimistic note, deliveries of cattle for slaughter reached a record in 1967 and production of milk for sale moved to a new high.

Commercial Activity

Wholesale and retail sales were down in the third quarter of 1967 and this trend has not changed. At the

beginning of the decline it was attributed mostly to the Suez Canal closure, but the good experience with alternative routes around the Cape has pretty well negated this argument. One large cloud on the horizon has been the new Immigration Act, effective last December 1, and the trade licensing legislation this spring. As part of the Government's stated Kenyanization policy, a ban was placed on non-citizens trading outside the main urban areas. The void created by the so-called "Asian exodus" will in time be filled by government-sponsored programs to promote African participation in commerce. A good example of this is the recently established National Trading Corporation, which is now the sole distributor of commodities like sugar and used clothing and sole exporter of raw hides. This body will no doubt move into other areas over the next few years and could become an important outlet for selected imports.

Building Industry Buoyant

The most buoyant sector of the Kenya economy over the last twelve months has been the building and construction industry. Activity was up by 100 per cent in the third quarter

of 1967 compared with the previous year. The value of private building plans approved by the Nairobi City Council, for example, at \$26.4 million, was higher in 1967 than in 1964, 1965 and 1966 put together. A large part of the expansion in private building is in non-residential property. On the other hand, a sharp increase in public building is largely supported by a substantial expansion in public residential activity and municipal housing schemes are now moving ahead rapidly. Although building costs have undoubtedly risen, there is some evidence that the constraints that appeared to be limiting expansion some months ago are now less significant.

Trade Deficit Larger

There was a fairly substantial widening in the visible trade gap during 1967. Statistics available for eleven months, up to the end of November, show an external trade deficit of \$145 million, with overseas exports totalling \$148.7 million and accelerated imports \$293.7 million. (The surplus on East African trade of \$37.5 million afforded some relief.) The steep rise in imports resulted largely from

CANADIAN EXPORTS TO KENYA

	1966	1967
	(Cdn.\$'000)	
Total	1,653	2,114
<i>of which</i>		
Aircraft assemblies, eqpt. and parts	273	580
Aircraft	....	371
Aircraft engines and parts	97	323
Newsprint paper	246	189
Zinc blocks, pigs and slabs	....	101
Drilling machinery and parts	27	45
Optical instruments, eqpt. and parts	3	38
Plastic and synthetic rubber	24	30
Commercial communication equipment	170	26
Automobiles and chassis	115	23
Iron and steel pipes and tubes	8	22
Lead pigs, blocks, shot	....	22

greater purchases of capital goods—railway rolling stock, agricultural and industrial machinery, vehicles, and iron and steel raw materials for manufacturing. Imports of consumer goods, particularly foodstuffs, fabrics and clothing, have declined over-all, partly because local industry obtained a larger share of the trade with the assistance of government-imposed import restrictions.

Britain continues as the number one supplier to Kenya, capturing approximately one-third of the market. West Germany and Iran (crude oil) are second and third, sharing over 18 per cent of imports, and the United States is a close fourth. Other major exporters to Kenya, in order of importance up to November 1967, were Japan, France, Italy, India, the Netherlands and Belgium.

Canada has never been a major exporter to this area, but we did increase our exports in 1967 to \$2.11 million compared with \$1.6 million in 1966. We maintained our shipments of newsprint and are making significant gains in aircraft, communications and mechanical equipment. We foresee our best opportunities over the next year in capital equipment, but there is still room for the occasional consumer product, should prices be competitive with those offered by traditional suppliers. As a market, Canada is important to Kenya, ranking fourth after Britain, West Germany and the United States. There is a fund of goodwill available to Canadian businessmen interested in doing business in this growing market.

Tanzania

- Nationalization of business proceeding
- Imports and exports rising

JOHN B. McLAREN, *Commercial Secretary, Nairobi.*

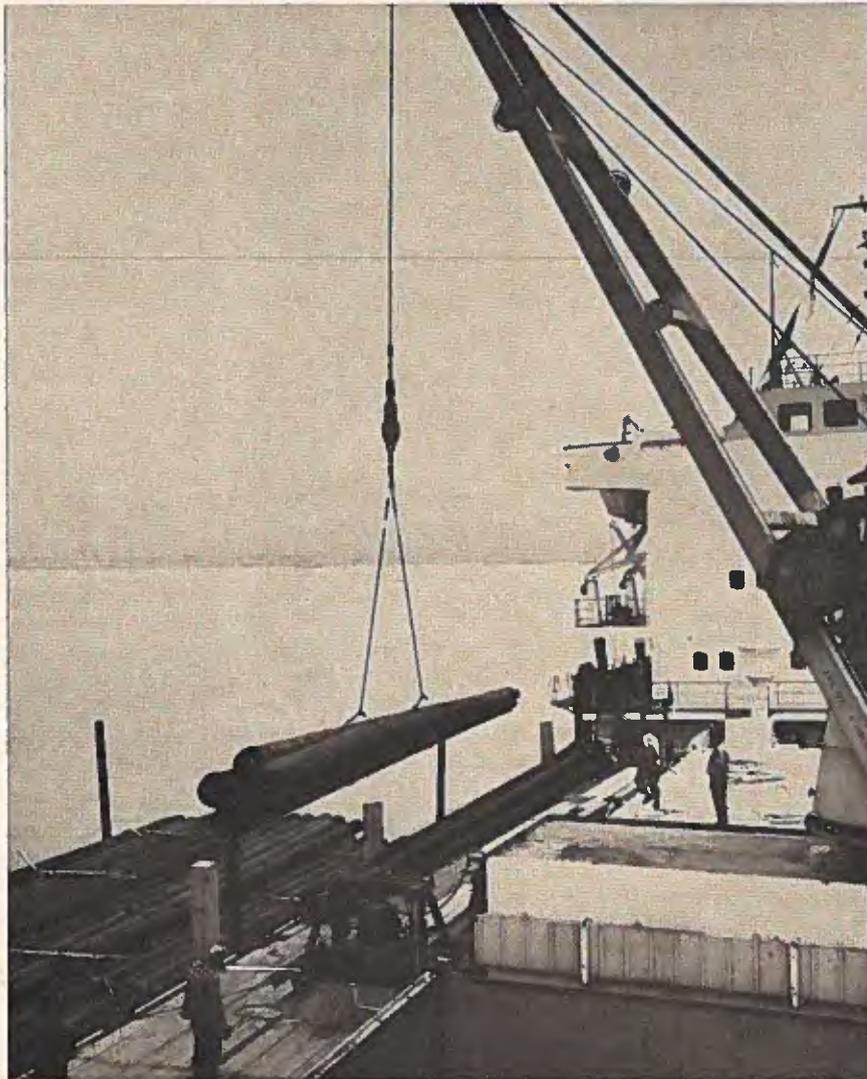
■ The economy of Tanzania is chiefly agricultural and pastoral, with sisal, cotton, coffee and other agricultural products accounting for 80 per cent of total exports. Mining is also important: mineral resources include gold, tin, mica, salt, silver, and diamonds, representing about 15 per cent of exports.

The major event in 1967 was the Arusha Declaration in February, by which banks, mills, import and export houses, seven major industrial companies, insurance corporations and the sisal industry were either completely or partially nationalized. As long ago as 1965 the Government

stated that the main areas of the economy would be brought under public ownership but, despite this advance indication, the actual declaration seems to have caught most of those affected by surprise. Full and fair compensation was promised and negotiations with principals in some cases is still going on. Generally the nationalized businesses have carried on as before.

The inauguration of the East African Economic Community on December 1 was also of great significance to Tanzania. Under the terms of the Treaty, a member state which has a trading deficit with another can im-

pose transfer taxes up to 50 per cent of the level of duty charged on goods originating outside East Africa. Tanzania is in deficit with both Kenya and Uganda and therefore can offer manufacturers a protected market in all three countries. The Government has stepped up its participation in industry through the National Development Corporation and some of the proposed new installations are impressive. Already plans are in hand for building a £10 million paper pulp factory using sisal in Tanga and a steel rolling mill is being studied. The Tanganyika Electric Supply Company (Tanesco), wholly owned by the Government, has been expanding steadily and during the 1966-67 fiscal



—Shawinigan Engineering

Canadian western red cedar poles selected by Shawinigan Engineering Company will carry an overhead transmission line across the Masai Steppe in Tanzania.

year power sales increased by about 20 per cent. New investment is moving in—one example is a proposed bicycle factory, originally talked about for one of the other East African countries.

Mining Makes Big Contribution

Tanzania's mineral resources make a significant contribution to its income. Gross mineral exports and local sales (excluding building materials) were valued at almost \$32.4 million in 1966, an increase of 10 per cent over 1965. Minerals constituted 12 per cent of total exports, with diamonds, valued at \$27 million, accounting for the largest share. According to the

latest figures, diamond exports for the first eleven months of 1967 rose to \$31.64 million, 15 per cent of total exports. Gold, valued at slightly over \$2 million, was Tanzania's next most important mineral export in 1966. Gold production has, however, been declining with the closing of two out of the three mines and exports during the first eleven months of 1967 fell to approximately \$640,000. In 1966, other minerals were valued as follows: silver \$15,000, tin concentrates \$1.4 million, salt \$1.1 million, gemstones \$328,000, and sheet mica \$258,000. With the hoped-for completion of the Tanzania-Zambia railway in a few years, it should be possible to tap the

immense coal and iron deposits in southern Tanzania.

Trade Increasing

In 1966 total domestic exports rose to \$234 million from \$186 million in 1965; imports reached \$192 million, up from \$150 million the year before. Trade remained fairly stable in 1967, with exports at \$210 million during the first eleven months and imports at \$180 million for the same period. The major exports continue to be raw cotton, coffee, sisal, diamonds, meat and preparations, tea, hides and skins, gold, pyrethrum extract and tobacco. The principal imports were machinery, cotton fabrics, transport equipment, rubber tires and tubes, crude petroleum, jute bags and sacks, and metals. Britain continues to be the number one supplier, but it is interesting to note that Communist China has moved into sixth place, after Italy, the United States, West Germany and Indonesia. The Chinese are selling mainly capital goods, including complete factories.

CANADIAN EXPORTS TO TANZANIA

	1966	1967
	(Cdn.\$'000)	
Total	2,039	3,229
<i>of which</i>		
Aircraft	1,534	1,330
Wheat	....	274
Prefabricated buildings	2t	232
Aluminum fabricated materials	....	17t
Transformers and parts	....	169
Aircraft assemblies, eqpt., and parts	92	145
Telegraph and telephone poles	....	140
High tension insulators and fittings	....	11t
Switchgear and protective equipment	....	96
Wrapping paper	32	65
Wiring material, non-current-carrying	....	54
Newsprint paper	51	50

Canadian shipments jumped from \$2 million in 1966 to \$3.2 million in 1967, mainly because of new sales of wheat (\$274,000), aluminum fabricated materials (\$171,000), transformers and parts (\$169,000), telephone and telegraph poles (\$140,000), and several other commodities, some of which were sold under grant aid or loan arrangements. The trend to larger sales should continue in 1968.

Uganda

- Agricultural products, copper exported
- Import licensing imposed recently
- Canadians could sell more in this market

JOHN B. McLAREN, *Commercial Secretary, Nairobi.*

■ In Uganda, over 90 per cent of the population works on the land, generating an average per capita money income of approximately \$75 a year, with perhaps another \$25 coming from subsistence production. The main cash crops, coffee and cotton, are giants that, despite efforts towards diversification, will continue to dominate the economy in the foreseeable future. In 1967 coffee production was maintained at something under three million bags, but because of a severe drought, cotton production dropped to 427,806 bales compared with a record 445,000 the year before. The current crop is estimated at 417,720 bales but could be lower as a result of rain damage.

Other important products are oilseeds, cottonseed, groundnuts, sugar, tea, chillies, tobacco, maize, cassava and bananas. Ranching is developing and there is commercial fishing on the many lakes.

The advance by Uganda's tea growers in recent years was contained in 1967 as a result of the drought. Production, which rose from 5,000 tons in 1961 to 11,000 tons in 1966, merely managed to hold its own rather than rise to a forecast 12,500 tons. Tobacco continued to prosper but was still not up to the forecast. Sugar production reached a record 135,245 tons and, with extensive processing facilities, Uganda is both self-sufficient in and an active exporter of this item.

Copper Shipped to Japan

The copper mine at Kilembe is financed by Kilembe Copper Cobalt Ltd. of Toronto, the Commonwealth Development Corporation and the Uganda Development Corporation. The mine is situated in the foothills

of the 16,000-foot Mountains of the Moon. There the copper ore is concentrated and then railed 260 miles to Jinja, at the source of the Nile, for smelting. Blister copper is then shipped 750 miles to the seaport of Mombasa, Kenya, for export. Under a recently signed agreement, Japan has contracted to take Uganda's entire copper output for the next five years, at ruling London Metal Exchange prices. This contract is expected to be worth £30 million to £40 million. Kilembe's production was down in 1967 but it is now expected to produce 15,000 tons of copper a year and there are enough known reserves to last another ten years. The only other minerals of any significance in Uganda at present are comparatively small amounts of tin, wolfram and beryl.

Commerce and Industry

Commercial activity in Uganda has been largely centered around the export-import trade and lately has been influenced by the diversification of the economy through import substitution. Uganda has considerable hydroelectric power reserves and is actively moving towards industrialization. This program is dominated by the government-owned Uganda Development Corporation Ltd. (UDC), which was formed in 1952. The UDC has interests in subsidiary and associated companies covering widely varied fields such as textiles, banking, agriculture, mining, property, metalware, food processing, steel and building materials, distilleries and ranching. There is a trend towards more active local participation in both commerce and industry and this will be even more noticeable as the economy expands.

Foreign Trade

The rising import bill, the result of economic expansion, is causing concern. Import licences are now required for a long list of items, including the following that might be of interest to Canadian shippers:

automobiles
plywood and veneer sheets
wood boxes
kraft paper and paperboard
chipboard
paper boxes and bags
exercise books
asbestos sheet and pipes
iron and steel rods and bars or sheets or plates
baling hoop and strip
nail wire
iron or steel pipes and tubes
aluminum circles and corrugated sheets
wire nails (from ¼ inch to 7 inches)
enamelled and aluminum domestic ware
insulated wire and cable
radio and television sets
wood and metal furniture
secondhand clothing for resale
paper and plastic labels
plastic sheeting or tubing

The Ministry of Commerce has stated that licences are simply for statistical purposes and will be granted without formality, because Uganda does not apply quantitative restrictions. However, it is interesting to note that motor dealers were recently advised that automobile imports would be pegged at 80 per cent of the 1966 level.

Uganda traditionally has a substantial trade surplus on external account which permits maintenance of an in-

CANADIAN EXPORTS TO UGANDA

	1966	1967
	(Cdn.\$'000)	
Total	521	364
<i>of which</i>		
Asbestos milled fibers	260	86
Aluminum fabricated materials	30	55
Nuts, bolts, screws and washers	2	52
Trucks and chassis	13	28
Plastic and synthetic rubber	17	28
Fire brick	.....	13
Drilling machinery	.....	12
Printed matter	.....	8
Steel castings	.....	8
Books and pamphlets	1	8
Tire and tube repair materials	5	7
Aircraft assemblies, eqpl. and parts	12	6

largely depend upon the financing available. The Kenya Government has decided to await the consultant's report before actively seeking financing and thus there is no information on what method of tendering it will use.

Canadian aircraft manufacturers have been singularly successful in marketing their specialized aircraft in East Africa. To minimize the limitations imposed by the difficult terrain and to take full advantage of the small airstrips scattered throughout the country, the Kenya Air Force and the Uganda Police Wing have opted for Canadian aircraft with STOL capabilities. East African Airways has purchased Canadian aircraft of the STOL type to service outlying areas where traffic volume is light and access by other means unreliable. The Airways is also giving some thought to pro-

viding regular charter service to some of the more inaccessible game parks—and for this the Canadian aircraft would be admirably suited.

Agricultural Equipment Needed

Agriculture continues to be of major importance to the East African economies. The main market crops are coffee, sisal, maize, tea, cotton, sugar and pyrethrum. In addition to field crops, livestock, both purebred stock for sale to neighboring African countries and dressed carcasses and meat products for export to Britain and to Europe, continue to be an important source of foreign exchange.

It is not surprising, therefore, that a significant proportion of the mechanical equipment imported into East Africa is destined for the production and processing of agricultural prod-

ucts. Most of the major North American manufacturers of farm implements are well established in this market, but there is still room for new suppliers of farm implements who can offer advantages in price or delivery. This is especially valid for manufacturers of spare parts and accessories.

In recent years, as a result of the introduction of new hybrid strains, East Africa has begun to harvest surpluses of maize and it is envisaged that, with the continued exploitation and development of new land, it will soon become an exporter of wheat. The advent of surpluses has created a need for more sophisticated methods of collection and storage. Consultants have been retained to study the problems of maize storage and handling and their proposals are now being implemented. It is possible that a similar study will be needed for wheat as surplus capacity develops.

Industry Moving Ahead

Stimulated by governments anxious to conserve limited foreign exchange and by increasing overseas freight costs, the manufacturing sector in East Africa is steadily gaining in importance. At present industrial activity is concentrated on the production of foodstuffs, footwear, textiles, furniture and building materials. Governments are also encouraging more African participation in the sector through the provision of advice, financial assistance and tariff concessions to viable schemes.

By far the most ambitious project in the field of industrial development is the proposed establishment of a pulp and paper mill at Broderick Falls in western Kenya. Discussions about this have been taking place intermittently since 1957 but now appear to be nearing a satisfactory conclusion. The project, which involves participation by the Kenya Government, the International Finance Corporation and Birla (Private) Company, India, is for the establishment of a \$30 million pulp and paper mill designed to manufacture 45,000 tons per year. The plan is that at the outset the plant will use existing forests, to be replaced eventually by plantation stands.

It is hoped that, with the International Finance Corporation's participation in this scheme, the procurement of much of the machinery and equip-

IMPORTS OF MECHANICAL EQUIPMENT INTO EAST AFRICA 1966

	Kenya (K£)	Uganda (U£)	Tanzania (T£)	Total (£)
Power Generating Machinery				
Steam boilers and parts	52,800	83,628	123,047	259,475
Aircraft engines and parts	1,208,149	20,103	118,330	1,346,582
Motor vehicle engines and parts	3,310	6,554	39,334	48,198
Other internal combustion engines and parts	382,962	110,626	499,900	993,488
Agricultural Implements				
Ploughs, harrows, cultivators, drillers, etc.	278,665	109,938	128,357	516,660
Coffee machinery	28,112	81,838	44,236	154,186
Sisal machinery	7,858	.....	15,804	23,671
Binders, combines, mowers, etc.	220,129	54,463	84,175	358,767
Milking machines, separators, etc.	80,741	6,222	2,909	89,872
Tractors, wheeled and crawler	1,343,139	603,971	558,764	2,505,874
Agricultural machines and appliances	50,351	54,070	159,033	263,454
Metalworking Machinery				
Machine tools	396,052	107,174	172,574	675,800
Other	46,877	77,226	54,913	179,016
Textile and Leather Machinery				
Cotton ginning machinery	858,671	313,733	713,642	1,886,046
Tanning machines	56,247	4,730	4,397	65,374
Sewing machines (household)	66,486	85,235	90,337	242,058
Sewing machines (industrial)	33,390	40,855	110,880	185,125
Special Industry Machinery				
Paper manufacturers' converting machinery	82,343	159,774	84,308	326,425
Printing and bookbinding machinery	250,964	86,610	113,170	450,745
Food processing machinery	168,153	894,276	733,050	1,795,479
Construction and sorting machinery	855,300	551,318	926,774	2,333,392
Crushing and sorting machinery	159,543	238,795	86,544	484,882
Transport Equipment				
Railway locomotives and rolling stock	.....	.....	.....	2,090,196
Passenger automobiles	4,144,476	2,303,096	1,673,703	8,121,275
Buses	38,109	97,042	73,325	208,476
Trucks	1,654,585	1,424,525	2,424,594	5,503,704
Aircraft (complete) and parts	8,437,546	69,334	192,272	8,699,152

ment will be effected through international tender; this should give Canadian manufacturers the opportunity to participate. In addition to the actual pulp mill machinery, the Broderick Falls project will create a demand for such ancillary equipment as chain saws, log skidders, off-highway vehicles, etc., for use in the extraction

of the pulpwood. Here again, Canadian manufacturers by virtue of their specialized knowledge will be able to participate.

With the possible exception of aircraft sales, Canadian penetration of the East African market for machinery and equipment has been small. There are, however, substantial opportuni-

ties for manufacturers whose products have demonstrable advantages of price, quality or delivery. Further assistance and information on the market potential for specific products is yours by writing to the Commercial Secretary, Office of the High Commissioner for Canada, P.O. Box 3778, Nairobi, Kenya.

Electrical and Electronic Equipment

Emphasis on improving telecommunications services in the three East African countries and expansion of electric power spell opportunity for Canadian consulting engineers and capital equipment suppliers, if problem of financing these purchases can be overcome.

■ The scope for Canadian electrical and electronic equipment in East Africa lies mainly in selling to utilities and government departments and agencies. These are developing countries and few commercial companies are of the size to require such equipment nor are their financial resources sufficient to justify the purchase of sophisticated systems.

Telecommunications

The East African Posts and Telecommunications Administration was formed in 1949 as a self-financing organization charged with the task of providing postal and telecommunications services for Kenya, Uganda and Tanzania. Significant increases in demand for telecommunications services since 1961 have created a need for expansion. This in itself is not easy to achieve in face of shortages of engineers and technicians, difficulty in raising capital, and delays in delivery of some types of equipment.

At present, urban telephone service in the three East African countries is provided through 72 automatic exchanges with a capacity of 43,000 lines and through 170 manual exchanges with 11,990 lines. The toll system is based on the use of VHF radio and on carrier equipment on pole lines. For inland telegraph service, teleprinters are used on the main routes and Morse circuits in areas where traffic is lighter. Radio call

service is available to people in remote areas where there are no normal telecommunications facilities. The equipment for urban service is at present overloaded and the long-distance network is congested, with delays of up to two hours during busy periods.

To alleviate these problems, the Administration has embarked on an expansion program and in February 1967 it was announced that it had been granted a loan by the World Bank of about K£4.5 million. The loan provides for the addition of 30,000 lines in new and existing automatic exchanges located mainly in rural areas and for the expansion of outside plants, including underground cables and overhead lines. The installation of about forty 12-channel carrier systems on pole routes and VHF radio routes is also included, as well as eight new VHF radio routes equipped with 160 telephone carrier channels. Two tropospheric scatter radio systems—one crossing Lake Victoria between Kampala and Mwanza (193 miles) and the other between Mwanza and Dodoma (305 miles)—are also envisaged. The total cost of the five-year program will reach about K£8 million. The World Bank loan will cover about half this and the Administration will provide the remaining funds from its own resources. Equipment financed with Bank funds will be purchased by international tender.

To date, Canadian manufacturers have succeeded in obtaining contracts for four of the few telephone exchanges which have been ordered through international tender. The major portion of the required 30,000 lines is still outstanding and it is expected that tenders for these will be called in the near future.

To further improve the East African Posts and Telecommunications' long-distance telephone capabilities between Kenya, Uganda and Tanzania, the Administration is in the process of preparing specifications for a 300-channel microwave system. The new system will be designed to carry traffic from Kampala to Dar es Salaam via Nairobi, Mombasa and Tanga. The distance covered by the seven phases will total about 900 miles. It is expected that this equipment will be purchased through international tender.

Earth Station Planned

The Presidents of Kenya, Uganda and Tanzania have decided to construct an earth station for satellite communications near Nairobi to serve the three countries and possibly also Ethiopia and Zambia. The administering body for this project will be the East African External Telecommunications Co. Ltd., which is a public company. The majority shareholder is East African Posts and Telecommunications and the minority shareholder is Cable and Wireless Co. Ltd., London.

The earth station will be located approximately 30 miles southwest of Nairobi atop Mount Margaret in the Rift Valley. The station will be equipped initially for message traffic only, but will be designed with the

possibility in mind of further expansion for television traffic at a later date. The station will be equipped with seven carriers, six for operation and one for standby, and will have an initial capacity of 36 main circuits.

Extelco has selected Cable and Wireless Co. Ltd. as its consulting engineer and this company will therefore prepare the specifications, evaluate tenders, discuss tender proposals with suppliers, supervise manufacturing, and be present during acceptance testing. The tender for the earth station was called in February 1968 on the basis of worldwide participation.

Airport Plan Coming

The Directorate of Civil Aviation, which derives its authority from the East African Community, is responsible for the provision of air traffic control services throughout East Africa. To keep pace with the planned expansion of physical facilities at some of the airports under its jurisdiction, it is preparing a five year plan which it hopes to publish in the latter part of 1968.

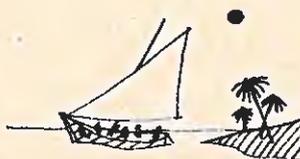
Expanding Power Supply

East Africa has so far failed to produce any fossil fuels. The search for oil in Kenya and Tanzania is being actively pursued, with little success so far. Known coal deposits in Kenya and Tanzania are either not large enough or inconveniently located for commercial exploitation. Under the circumstances the East African countries have concentrated their efforts on developing the latent hydroelectric potential.

Kenya, which currently imports electric power from Uganda, with the completion of the Kindaruma project on the Tana River will be in a position to meet most of its own power requirements. Government estimates reveal that in 1967 the maximum demand for electric power was approximately 87 megawatts. The development of the first stage of the Kindaruma scheme will yield 40 megawatts and the implementation of all four stages of the Tana River scheme will yield 250 megawatts. The phased development will, however, be proceeded with as the demand grows.

There are three associated but separate companies engaged in the electric power industry in Kenya. The

oldest, the East African Power and Lighting Company, is a public company whose prime role is the distribution of electricity to the consumer. It does, however, own and operate several steam and diesel generating plants. The Kenya Power Company was established in 1954 to purchase bulk supplies of electricity from Uganda and transmit them to Nairobi. This company also generates hydroelectric power at its stations on the Upper Tana and Maragua Rivers and sells all its production to East Africa Power and Lighting for distribution. The Tana River Development Company Ltd. was established in 1964 to develop the hydroelectric power potential of the Tana River system. It is a private limited company with ownership equally divided among the Kenya Government, the Commonwealth Development Corporation, the East African Power and Lighting Company, and Power Securities Corporation Limited. The first phase of the project, which is nearing completion, consists of the construction of a dam and powerhouse with an initial installed capacity of 40 megawatts.



Uganda's Power Resources

Uganda is well supplied with hydroelectric power resources. The Nile River rises in Uganda and half of its descent to the Mediterranean is through that country. The generating potential of these resources has been variously estimated at 2 to 3 million kilowatts. The Uganda Electricity Board is the only organization responsible for the generation and distribution of electricity there. Over 99 per cent of the Board's output comes from the Owen Falls power station at Jinja. The power station, inaugurated in 1954, has a maximum design capacity of 150,000 kw. and 135,000 have already been installed.

Apart from further small diesel generators to service isolated communities, the Board is considering building an additional station on the Nile River near Murchison Falls. The

decision to proceed with this project, which would have an initial installed capacity of 60,000 kw., hinges on Uganda's projected demands as well as on the continuance of a market in Kenya for the surplus power.

The government-owned Tanganyika Electric Supply Company Ltd. (Tanesco) holds the electricity licences for generation and distribution in the main population centers. It also has first option on any new demands for the supply of electric power.

Tanzania's Plans

Tanzania as a whole is self-sufficient in electric power supply. At the beginning of 1967 the installed capacity was about 71,820 kw., of which 41,220 kw. were available at hydroelectric plants and 30,600 at diesel electric plants. During the period 1950 to 1965 the maximum demands on the company's facilities rose from 12 to 44 mw. which represents an annual average growth rate of approximately 9 per cent over the 15-year period. This growth in demand, which in recent years has been concentrated in the Dar es Salaam area, resulted from the development of secondary industries and the extension of the supply network into the sisal-growing areas around Morogoro. In the Dar es Salaam/Tanga area, the annual increase in demand is large enough to stimulate the feeling that it will soon be uneconomic to attempt to meet demand with a multiplicity of diesel units. Tanesco has therefore been examining the merits of a number of rival projects to determine which offers the greatest advantages.

The description of these major projects in East Africa will permit Canadian manufacturers to assess the potential in the fields of electrical and electronic equipment. As in all such large projects, the speed with which they are implemented and the purchase of the required machinery and equipment depend to a large extent on the financing available. Most of the projects described will be funded by international agencies and thus Canadian firms will have the opportunity of participating.

For further information and assistance, please get in touch with the Commercial Secretary, Office of the High Commissioner for Canada, P.O. Box 3778, Nairobi, Kenya.

ADELA Aids Latin American Progress

Incorporated four years ago, ADELA's primary objective is to provide private equity capital for Latin America and aid economic development.

ANTHONY T. EYTON, *Assistant Commercial Secretary, Lima.*

CANADIAN businessmen who visit the Canadian Embassy in Lima almost invariably ask about ADELA. What is it, where is it and what does it do? The second question is the easiest to answer—the Adela Investment Company S.A. has its main operating office in Lima, located two floors above the Canadian Embassy in the Edificio Pacifico-Washington. Its head office is in Luxembourg and it maintains a branch office in Zurich, Switzerland. ADELA has resident representatives in Mexico, Guatemala, Colombia, Ecuador, Brazil, Argentina and Panama.

ADELA is a private investment company which limits its investment activities to Latin America. Its authorized capital is U.S. \$50 million, of which almost U.S. \$40 million has now been paid in. Thirty-seven American companies hold the largest block of shares amounting to over U.S. \$15 million. The next largest "national" investor in ADELA is, surprisingly, Canada, and ten Canadian companies, including five of our larger chartered banks, have invested U.S. \$3 million in ADELA shares. There are also shareholders in 14 European countries and Japan.

How It Began

The driving force behind the formation of Adela Investment Company S.A. was Senator Jacob K. Javits of New York, who first espoused the ADELA project in the spring of 1961 when he was chairman of the Economic Committee of the NATO Parliamentarians Conference. Senator Javits enlisted the support of Senator Hubert Humphrey and many other high-ranking Americans and in-

ternational public figures. After a series of meetings and conferences which served to promote enthusiasm for the ADELA project among the international business community, the first ADELA executives were appointed in April 1963. During the next 17 months, subscribers were brought in, the organizational structure was worked out, and the proposed operating framework, concepts and policies were painstakingly evolved. Finally, Adela Investment Company S.A. was incorporated in Luxembourg in September 1964.

Nature of Operations

The major energies and activities of ADELA are directed toward long-term operational investments with equity features. As an investment company, its primary function is to provide equity capital, but it can also provide medium and long-term debt financing in conjunction with its direct investment in shares. The equity investment portfolio now stands at U.S.\$17 million in disbursements, out of U.S.\$40 million in commitments. As a rule, ADELA only participates as a minority shareholder and will normally look forward to selling its participation, preferably to local investors, when it can do so on favorable terms. ADELA neither controls nor manages companies in which it has invested but generally obtains board representation in order to keep itself informed and to provide assistance where necessary. ADELA's investment criteria call for high priority projects with satisfactory and timely returns. The overwhelming majority of its investments are joint ventures with Latin American partners. A great

number of these enterprises have foreign technical knowhow partners as shareholders.

ADELA also purchases readily marketable Latin American commercial and institutional paper, with maturities of up to two and even three years in exceptional cases. ADELA has provided more than U.S. \$85 million of financing under this program since it began operations. Only prime borrowers with prime guarantors are considered in the program. This portfolio now stands at U.S.\$30 million.

ADELA has recently initiated an underwriting program for working capital loans unrelated to equity investments. Terms of up to five years may be considered for prime Latin American borrowers. The first operations under this program have recently been completed.

ADELATEC—or Knowhow

The Adelatec Technical and Management Services Company S.A. a wholly-owned subsidiary of ADELA, is incorporated in Panama but has its main operating base in Lima. The chief function of ADELA is entrepreneurial in nature; ADELATEC, on the other hand, provides the required technical and management knowledge. The functions of the two companies are therefore complementary and they operate jointly to provide co-ordinated entrepreneurship and technical knowhow.

ADELATEC's purpose is to pinpoint, evaluate and develop projects and investment opportunities in Latin America, mobilizing resources both inside and outside of the area and, if necessary, adapting them to local conditions. To complement its own limited manpower resources, ADE-

LATEC works in close collaboration with other consulting companies and also draws on the wealth of experience and expertise available from ADELA's shareholder companies. It must be stressed, however, that ADELATEC maintains a strict policy of seeking the collaboration of outside consulting firms and shareholders only when it is assured that the interests of the client will not be prejudiced.

ADELATEC mobilizes human, technical, organizing, research and commercial resources, as well as the financial resources commanded by ADELA. In mobilizing these, it prefers to act as a project manager helping its clients to locate and evaluate the investment opportunity, to develop the project subsequently through pre-feasibility and feasibility phases, to bring together the sponsors and the technical and financial partners, to supervise the project in its engineering and building phases, and to help the enterprise develop regional and overseas markets.

Projects in South America

ADELA and ADELATEC have between them a full-time staff of 90, including 50 officers and professionals. These officers and professionals have been instrumental or involved in the development of 120 projects over the last two years. ADELA has made 71 investment commitments in 62 companies in 18 Latin American countries. This represents U.S.\$40 million of direct ADELA investment in a program involving more than U.S.\$300 million of new investment. ADELA therefore has a catalytic effect of nearly eight times its own investment.

ADELA co-ordinates its own investment in projects with its shareholder companies, local development agencies or private capitalists and, increasingly, with international finance agencies. For example, ADELA is developing and providing the project management and financial agency services for a U.S.\$72 million integrated paper and sawnwood complex in an undeveloped forest reserve located along the northern coast of Honduras. Negotiations are apparently well advanced with technical know-how partners and it is hoped that a pilot company will be formed soon, jointly with a technical partner and with Central American and foreign

investors. The International Finance Corporation is working with ADELA on this project as co-financial agents. ADELA has committed U.S.\$3.5 million of its own capital for the project.

In September 1966, ADELA signed a U.S.\$10 million, 15 year loan with the Inter-American Development Bank. To date, an amount of U.S.\$1.7 million has been drawn down and used for sub-loans to companies in which ADELA has made equity investments. On several larger projects, parallel loans from IADB are in the process of being studied or negotiated.

ADELA's Shareholders

According to Ernst Keller, the managing director of ADELA, ADELA and ADELATEC are constantly looking for areas of co-operation with ADELA shareholders. ADELA has helped to promote and has entered into a number of joint ventures with its shareholders and local partners. Some of its shareholder banks and finance institutions have extended substantial credit lines. In return, a number of shareholders have been provided with advice and marketing assistance, particularly since ADELATEC began operations and thus made it possible for ADELA to use more fully the unique pool of technical knowledge and experience upon which it can draw. Such services and information include:

- Information on business, monetary and economic conditions in Latin America.
- Identification of markets and investment opportunities.
- Establishment of local contacts and location of potential partners for joint ventures.
- Counselling on long-range development programs to meet the changing requirements of sub-regional and regional markets.
- Indications of business opportunities which may lead to sales, distribution and licensing contacts.

Since incorporation in September 1964, ADELA has had a gross income of U.S. \$6.5 million. As a company investing in the equity of others, ADELA would not normally expect very substantial returns on its equity in the first years of operation because

What Is ADELA?

—The Atlantic Development Group for Latin America (ADELA) is a multinational private investment company incorporated in the Grand Duchy of Luxembourg in September 1964.

—ADELA's authorized capital is U.S.\$50 million and its own capital is complemented by the participation in specific projects of local and international investors and public and private financing institutions.

—ADELA's shareholders comprise more than 120 industrial companies, banks, financial institutions and other financing enterprises, including ten Canadian banks and companies. To encourage each shareholder's active interest and involvement, the minimum stock holding is U.S.\$100,000. To assure that ADELA's shares are broadly held, no shareholder may subscribe to more than U.S.\$500,000.

—The purpose of ADELA is to make and develop capital investment in private enterprises in Latin America. It seeks to obtain a reasonable return on its investment and to encourage active participation of local and foreign private capital.

—Through its operations it endeavors to encourage trends favorable to private capital and assists private enterprise in the Latin American countries to achieve conditions suitable for private investment.

—The operations office of ADELA is at the following address: Edificio El Pacifico, Plaza Washington, Casilla 207, Lima, Peru. Cables: ADELA LIMA. Telex: ADELA WLA 5296, 5297.

—The head office of ADELA is at the following address: 13 boulevard de la Foire, Case Postale Ville 351, Luxembourg. Cables: ADELA LUXEMBOURG. Telex: FINEX 304 FOR ADELA.

new enterprises and existing companies which require ADELA funds often need between two and five years to pay dividends or realize capital gains. None the less, income from long-term operational investment has risen from U.S.\$150,000 in the first full fiscal year to U.S.\$633,000 in the second, and is expected to rise further

to approximately U.S. \$1.4 million in the current year. An additional basis for adding to the profitability of ADELA in the near future was the recent initiation of its program of medium-term debt financing and the rapidly increasing number of companies in ADELA's operating portfolio that have passed the break-even point and are earning money.

ADELA and the Future

ADELA has publicly announced its intention to devote its manpower and financial resources to three selected priority areas.

First, ADELA to an increasing degree is working with private entrepreneurs and various Latin American

governments to discover the most expeditious way to take advantage of the opportunities created by Latin American market integration. The development and establishment of big multinational enterprises based on mass markets created by large regional or continental trading arrangements (such as the Latin American Free Trade Association) and by regional sub-groupings (such as the Andean Bloc) are expected to account for a growing share of ADELA's activities.

Second, in the field of agriculture, integrated programs of production, processing and distribution on a commercial scale will be given more emphasis through greater concentration

of ADELA's financial and human resources. The sponsoring of agrobusiness consortiums in joint ventures between local and international companies will constitute another area of major activity for ADELA in the future.

Lastly, the accomplishment of the two preceding targets will require the liberalization of capital flows between countries and the development of mechanisms for accelerating capital accumulation and the investment process. The establishment and strengthening of capital markets and of private financing institutions is a vital part of the integration movement and will continue to be a major focus for ADELA's activities. ●

Pulp and Paper in South Africa

... is there a market for Canada?

A. C. W. DAVIS, *Assistant Trade Commissioner, Johannesburg.*

■ Scientists believe that in the 14th century dense forests covered considerable areas in eastern and southern South Africa. Apparently these were destroyed by African tribes seeking firewood, by two centuries of thoughtless European pioneers clearing land for settlement, and by fires that raged for years at a time. The first attempt at regeneration and protection of existing stands began in 1880 and during the next 40 years about 1,800 acres were reforested each year.

After World War I, the scarcity of timber stimulated the Government to introduce a conservation program that has resulted in over 7,000 timber plantations of 25 acres or more, amounting in all to approximately 2.2 million acres.* This foresight enabled South Africa to develop its own pulp and paper industry and achieve astounding results. The most

rapid growth has occurred in the last 20 years. South Africa's production of paper and paperboard has shot up from 28,000 tons in 1946 to 491,000 tons in 1966 and imports have dropped from 80 per cent to 26 per cent of the country's consumption.

In 1920, Premier Paper Mills Limited established the first paper mill in South Africa at Klip River, near Johannesburg. Its initial capacity was 1,000 tons of wrapping paper a year and the raw material was imported pulp and local waste. It was not until 1938 that the next mill was built. In that year, South African Board Mills Limited set up an 11,000-ton paperboard mill at Umgeni, near Durban, and South African Pulp and Paper Industries Limited (SAPPI)

* See article on forestry equipment in South Africa in December 23, 1967 issue of *Foreign Trade*, page 28.

put into operation its 15,000-ton writing and printing paper and cardboard plant at Enstra, just outside Johannesburg. These mills, although important, were mere harbingers of what was to come. After World War II, the Government's protective policies and encouragement to develop a self-sufficient industry resulted in the expansion or construction of 26 mills in 20 years (see table for details of the most important).

South Africa's desire to have a totally independent pulp and paper industry will continue to stimulate local investment. This can be seen from announcements of plans for expansion and construction during the next few years. Among these are:

Bleach plant—South African Pulp and Paper Industries Limited plans an addition to its unbleached kraft pulp mill at Tugela to provide semi-bleached kraft pulp for newsprint and fully bleached kraft for fine

papers at the Tugela and S.A. Adamas mills. Even with this expansion, SAPPI will probably continue to import about 10,000 tons of bleached kraft from overseas to achieve better quality.

Unbleached kraft mill—SAPPI plans to double the capacity of its Ngodwana mill to 170,000 tons a year and to add a kraft paper machine.

Kraft pulp mill—Hulett Sugar Company is planning a mill in the western part of Cape Province, using wheat straw as a raw material.

Coated and uncoated fine paper—S.A. Adamas Fibreboard and Paper Mill (Pty.) Limited will be adding a 110-inch wide paper machine at its Port Elizabeth mill. The machine, which is equipped with a size press and coating equipment, will produce the first coated papers ever made in South Africa. The initial volume will be 5,000 tons of coated papers and 10,000 tons of uncoated fine papers.

Pulp mill—South African Board Mills plans a 20,000-ton-a-year pulp mill in Durban to produce groundwood as a substitute for waste paper which tends to be in short supply.

Integrated pulp and fine paper mill—Anglo-American Corporation is considering an integrated fine paper mill in Durban, with the pulp mill located elsewhere in Natal Province. This would be in direct competition with SAPPI which now has a virtual monopoly of the production of fine papers.

Paper Consumption Grows

In 1967 the South African per capita consumption of paper and paperboard was estimated at 76 pounds a year, based on a population of 18.3 million. This figure compares favorably with ten pounds per capita in Rhodesia, but is only one-seventh of the 530 pounds in the United States and less than a quarter of the 339 pounds in Canada. However, projections based on the rising standard of living, increased education and a packaging revolution point to a per capita consumption of 173 pounds by the year 2,000. With an annual increase of 2.5 per cent, the present South African population of 18 million should rise to 42 million by

Principal South African Mills

Crown Carlton Paper Mills Ltd.
Johannesburg

product: tissue
capacity: 12,000 long tons
startup: 1966

Kimberly-Clark SA (Pty.) Ltd.
Enstra

product: tissue
capacity: 20,000 long tons
startup: 1949

Southern Paper Industries (Pty.) Ltd.
Bellville

product: tissue
capacity: 5,000 long tons
startup: 1958

Ngoye Paper Mills (Pty.) Ltd.
Felixton

product: bagasse fluting medium
capacity: 28,000 long tons
startup: 1953

Piet Retief Paper Mills Ltd.
Piet Retief

products: semi-chemical fluting medium and linerboard
capacity: 48,000 long tons
startup: 1963

Premier Paper Mills Ltd.
Klip River

products: wrapping and industrial papers
capacity: 13,000 long tons
startup: 1920

South African Board Mills Limited
Umgeni, Springs, and Bellville

products: folding and rigid boxboard, test liner, roofing and flooring felts
capacity: Umgeni 44,000 long tons; Springs 15,000 long tons; Bellville 15,000 long tons
startup: Umgeni 1938, Springs 1954, Bellville 1963

South African Industrial Cellulose Corp.
Unkomaas

product: dissolving pulp for export
capacity: 125,000 long tons
startup: 1956

South African Pulp and Paper Industries Ltd.
Enstra

products: writing papers, printing papers, cardboard and newsprint
capacity: 105,000 long tons
startup: 1938

South African Pulp and Paper Industries Ltd.
Tugela

products: linerboard, fluting, bag, wrapping, and newsprint
capacity: 225,000 long tons
startup: 1954

South African Pulp and Paper Industries Ltd.
SA Adamas

Port Elizabeth
products: fiberboard and vulcanized fiber kraft and fine papers
capacity: 12,000 long tons
startup: 1952

South African Pulp and Paper Industries Ltd.
Ngodwana

product: unbleached kraft pulp
capacity: 85,000 long tons
startup: 1956

Trans African Paper Producers (Pty.) Ltd.
Benoni

products: binding and suitcase board
capacity: 1,200 long tons
startup: 1949

The total production capacity of the above mills is 753,200 long tons a year.

the end of the century. This would mean an increase in paper and paperboard consumption from the present 630,000 tons a year to 3.5 million.

Growth of over 50 per cent in domestic production in five years explains the decline in imports and the increase in South African exports. It has been estimated that, with future

increases in tissue and newsprint capacity, imports of these types of paper will decrease even further. Concomitant with the paper industry is the production of wood pulp to supply the new paper mills (see table).

How successful has South Africa been in rebuilding its forest reserves? The FAO World Forest Inventory

SOUTH AFRICAN PAPER PRODUCTION, IMPORTS AND EXPORTS

Product	Production	Imports	Exports (long tons)	Apparent Consumption
Paper and Paperboard				
1962 Newsprint & mechanical printing	36,000	51,000	—	87,000
Printing & writing	38,000	31,500	3,500	66,000
Tissues	7,000	11,000	—	18,000
Paperboard	157,000	63,000	9,000	211,000
Other papers	4,500	6,000	—	10,500
Total	242,500	162,500	12,500	392,500
1965 Newsprint & mechanical printing	54,000	49,500	—	103,500
Printing & writing	55,000	24,000	4,500	74,500
Tissues	12,500	9,000	—	21,500
Paperboard	226,000	54,000	18,000	262,000
Other papers	5,500	6,500	—	12,000
Total	353,000	143,000	22,500	473,500
1966 Newsprint & mechanical printing	91,000	55,500	—	146,500
Printing & writing	51,500	42,500	4,000	90,000
Tissues	13,500	8,000	500	21,000
Paperboard	330,000	49,000	25,500	353,500
Other papers	5,500	6,500	—	12,000
Total	491,500	161,500	30,000	623,000
Pulp				
1962 Dissolving	109,000	100	110,000	(900)
Bleached sulphite	—	4,100	—	4,100
Unbleached sulphite	—	1,200	—	1,200
Bleached kraft	38,500	5,300	200	43,600
Unbleached kraft	101,000	1,600	18,000	84,600
Groundwood	34,000	700	—	34,700
Defibrated, exploded	84,500	—	—	84,500
Total	367,000	13,000	128,200	251,800
1965 Dissolving	143,000	200	133,100	10,100
Bleached sulphite	—	4,200	—	4,200
Unbleached sulphite	—	2,600	—	2,600
Bleached kraft	38,500	13,200	100	51,600
Unbleached kraft	225,000	300	37,600	187,700
Groundwood	51,000	500	—	51,500
Defibrated, exploded	98,000	—	—	98,000
Total	555,500	21,000	170,800	405,700
1966 Dissolving	156,500	100	155,000	1,600
Bleached sulphite	—	3,700	—	3,700
Unbleached sulphite	—	3,600	100	3,500
Bleached kraft	40,500	25,900	400	66,100
Unbleached kraft	184,000	1,200	85,200	100,000
Groundwood	80,000	800	400	80,400
Defibrated, exploded	104,000	—	—	104,000
Total	565,000	35,300	241,100	359,300

estimated in 1963 that the total productive forest land in South Africa was only 2.5 million acres, of which one-third was coniferous. This figure represents one per cent of the total land area of South Africa. In 1967 it was estimated that plantations covered 2.2 million acres. This means that South Africa cannot expand its tim-

ber areas much without bringing into use less productive forest lands. As the number of mills expand and consumption of paper increases, the point will eventually come when South Africa cannot supply all its pulp requirements. In the short run, however, with 2.1 billion cubic feet of growing stock, 370 million cubic feet of an-

nual growth, and 231 million cubic feet of annual cut, South Africa is quite capable of meeting the demand.

South Africa is virtually self-sufficient in wood pulp and is, in fact, a net exporter. No sulphite pulp is produced locally and the small amounts the industry uses are imported, principally from Canada and Scandinavia. Dissolving pulp is produced by South African Industrial Cellulose Corporation which is jointly owned by Courtaulds Limited and the Industrial Development Corporation. The entire output is exported, most of it to Courtauld's textile mills in Britain, the United States, Canada and France.

Although the Government has encouraged the pulp and paper industry to become self-sufficient, the size of the market and the demands of sophisticated consumers for a wide variety of products make it difficult to supply South Africa's needs efficiently. Production runs are shorter than normally desirable and recently a shortage of skilled labor has made it increasingly difficult to hold onto skilled tradesmen. Another problem stems from the size of South Africa. Although "at stump" pulpwood is generally less expensive than in other countries, transportation makes the delivered cost higher than for most overseas mills. SAPPi must bring its pulp 870 miles from the Northern Transvaal to its Tugela mill in Durban. There are no canals or large rivers to provide a cheap means of transport.

What Can Canadians Sell?

Is there a market for Canadian paper manufacturers? Yes. Even with the expansion plans outlined earlier, South Africa will still need to import coated papers, magazine papers and a number of low-volume specialty papers and paperboards. Because of the rapid growth in consumption, Canadian producers should watch carefully the market for printing and writing paper, kraft and board, and certain types of pulp—the demand for which may outrun local supply. Canadian firms should also take advantage of opportunities to sell knowhow and technical knowledge as more and more mills are built in South Africa.



Canada Achieves Export Objective

Exports rose to \$11.41 billion last year, thus exceeding the \$11.25 billion target set. Figuring largely in this increase were fully finished goods, supported by shipments of traditional export products. Outlook for 1968: a continued advance.

JOHN SKEGGS, *External Trade Division, Dominion Bureau of Statistics.*

■ The year 1967 was a very successful one for Canada's trade, marking five consecutive years of sustained and rapid expansion. Many commodities registered gratifying increases in sales and many countries purchased more Canadian goods than ever before. The continuing prosperity of the domestic economy, however, induced a buoyant demand for imports. The result was that once more the trade of Canada reached a record high last year. Total exports in 1967 rose by 10½ per cent to \$11.41 billion, comfortably exceeding the target of \$11.25 billion set for Canada's Centennial year by the Minister of Trade and Commerce. Imports rose by 8 per cent to \$10,877 million, and total trade rose 9.3 per cent to \$22,288 million. With the growth of exports outpacing that of imports, the surplus on the commodity trade account widened from \$253 million in 1966 to \$534 million last year.

Preliminary data available for 1968 also give grounds for optimism. Total exports rose by 14.9 per cent in the first three months of 1968 to \$3,016 million, keeping well ahead of imports, which rose 12 per cent to \$2,792 million. This resulted in a favorable trade balance of \$225 million compared with \$133 million in the first three months of 1967. On the basis of these figures, and barring any unforeseen developments, the chances are good that this year's export target of \$12.3 billion will be reached, even though this involves an average export performance of better than a billion dollars per month.

The International Background

The striking successes for Canadian trade are all the more noteworthy when set into place against developments in international trade as a whole. Last year was in many ways a good year for world trade. Perhaps the most significant feature was the successful conclusion of the Kennedy Round of tariff negotiations in Geneva last summer. However, the benefits of the agreement are for years to come rather than for the immediate past. In terms of broad trade totals, however, the rate of growth slowed down considerably last year. A new record of U.S. \$214 billion was set,* compared with

\$204 billion in 1966, but this represents a gain of only 5 per cent for world trade compared with an increase of over 9 per cent in 1966. Taking a longer perspective, between 1960 and 1966 the average annual growth rate for world exports was 8 per cent; in this context, last year's gain was perhaps less than satisfactory.

The slowdown in exports in world trade in 1967 was fairly widespread. For the countries of the European Economic Community, exports expanded by 7 per cent last year, compared with 10 per cent in 1966. Comparable figures for the European Free Trade Association were 2 per cent, versus 7 per cent in 1966; for the United States 4 per cent against 10 per cent, and for Japan 7 per cent

* All data in this section are in U.S. dollars.

TABLE I
CANADA'S LEADING TRADING PARTNERS

Domestic Exports			Country	Imports		
1965	1966	1967		1965	1966	1967
(Cdn. \$ million)				(Cdn. \$ million)		
4,840.5	6,027.7	7,079.4	United States	6,044.8	7,204.4	7,956.7
1,174.3	1,122.6	1,169.1	Britain	619.1	672.6	648.8
316.2	393.9	572.2	Japan	230.1	253.1	304.8
189.5	176.8	178.0	West Germany	209.5	235.2	256.9
127.8	143.1	176.4	Netherlands	56.3	60.5	64.8
140.4	117.4	156.2	Australia	47.4	59.6	64.5
93.2	114.8	141.4	Italy	80.3	86.7	110.3
58.5	107.7	140.6	India	43.4	40.1	42.8
197.4	320.6	128.7	Soviet Union	9.9	11.7	23.0
128.0	117.5	100.8	Belgium-Luxembourg	72.0	61.6	64.6
105.1	184.9	91.3	Communist China	14.4	20.6	25.1
82.5	107.0	87.4	Norway	33.6	33.8	33.8
73.0	76.0	82.0	Venezuela	254.7	215.1	276.3
87.3	84.5	80.6	France	96.1	106.7	130.1
76.2	74.4	77.7	South Africa	27.1	27.6	37.1

against 16 per cent. On the import side the fall in the rate of growth was by 11 per cent in 1966 but by only 5 per cent in 1967.

This easing in world trade last year had a particularly strong impact on the fortunes of the many developing countries of the world. The value of the exports of this group taken together rose only about 1 per cent in 1967, but their imports rose by some 3 per cent. As a result this group's trade deficit rose from \$1.9 billion in 1966 to some \$2.7 billion last year, and if we were to exclude petroleum trade from the analysis, then the developing world actually suffered a fall in exports last year of some 2 per cent.

Changes since 1963

A longer view of Canada's trade is provided by the chart on this page, which traces on a quarterly basis its development since 1963. As the chart

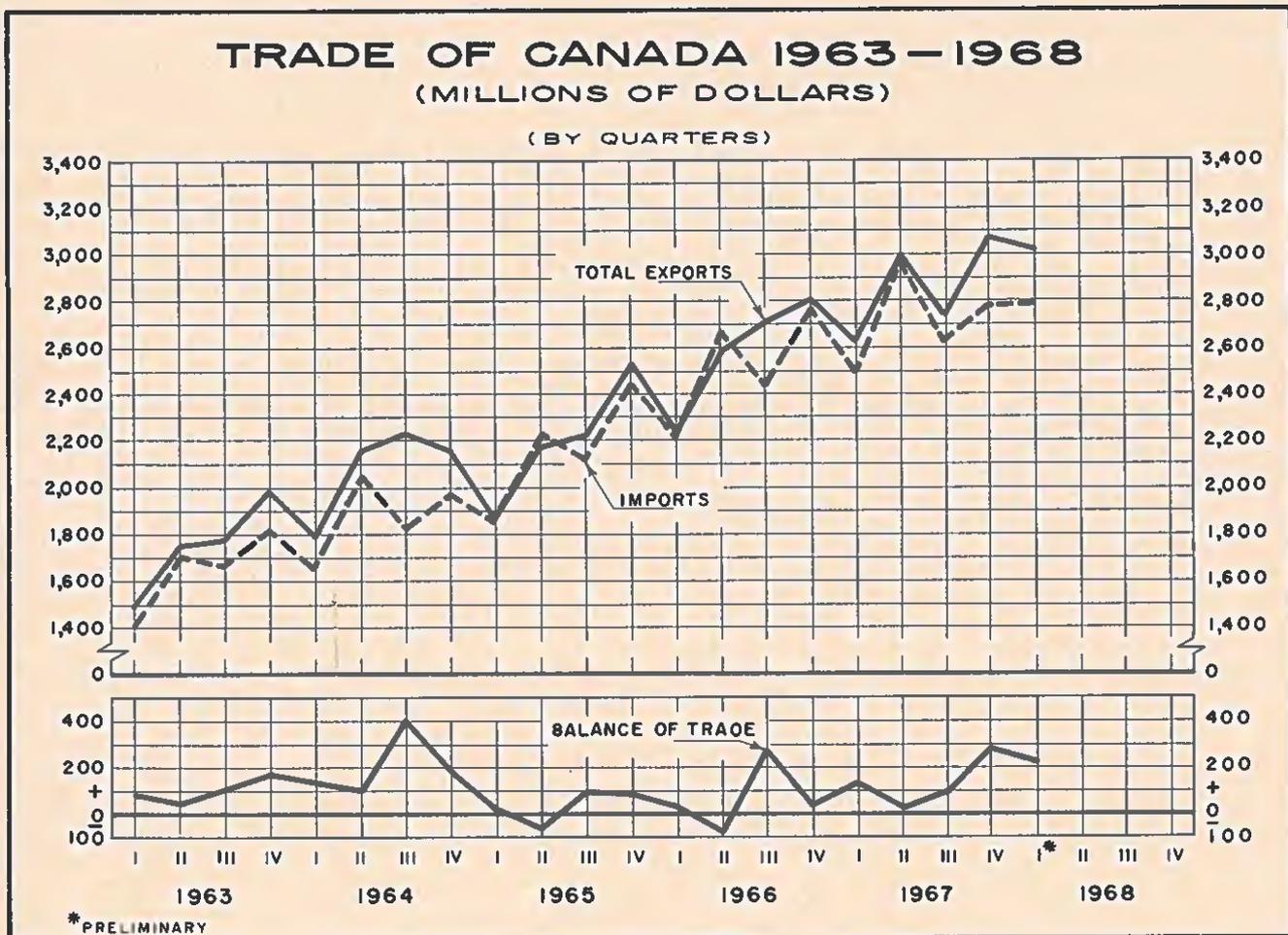
reveals, both exports and imports have climbed steadily and rapidly during the period, in line with the economic prosperity enjoyed both here in Canada and by the majority of the countries with which we trade. The level of our exports in the final two quarters shown on the chart, at more than \$3,000 million, is more than double that for the first quarter shown in 1963. Furthermore, despite wide fluctuations from one quarter to the next, the balance of trade has remained in Canada's favor almost constantly, as the lower section of the chart indicates. Indeed, there was an annual trade surplus not only in every year shown but from 1961 onward.

Canada continued in 1967 to derive some benefit from more favorable terms of trade. This trend, which began in 1965 and accelerated strongly during 1966 when export prices rose by more than 4 per cent, moderated

considerably last year. Preliminary indications are that export prices rose in 1967 by 2.1 per cent and import prices by 1 per cent. Although the increases in export prices were fairly broadly based, covering a wide range of commodities, those in imports tended to be concentrated on manufactured goods.

Direction of Trade

Turning to an analysis of Canada's trade on a country basis, Table I shows the value of Canada's trade with its leading trading partners during the past three years. The importance of the United States as our leading customer and supplier is clear: it took 64 per cent of our domestic exports and provided 73 per cent of our imports last year. These percentages are greatly in excess of those of even a few years ago. It should, of course, not be forgotten that Canada



is also the leading trading partner of the United States and that our share of the U.S. import market has also been increasing rapidly, amounting now to more than one quarter of the total. Since our exports south of the border rose by more than a billion dollars last year and our imports rose by only three quarters of that amount, our trading deficit with the United States fell considerably—from \$970 million in '66 to \$634 million in '67.

Canada's trade with Britain, on the other hand, was little changed last year. Exports showed no sign of improvement for the third year in a row, reflecting the unsettled British economic situation. Imports failed to hold the gain achieved in 1966. Sales to many of the Western European markets were mostly slower last year, again the result of less buoyant business conditions in the area. Only those to the Netherlands and Italy registered strong gains. Imports from Western Europe, on the other hand, were mainly higher last year than in 1966, sharply so in the case of Italy and France. Among the largest increase in exports last year was that to Japan, where they rose by 45 per cent to \$572 million. Imports from Japan also went up sharply, by some 25 per cent.

Exports to Eastern Europe were more than 50 per cent lower in 1967 than in 1966, falling to \$184 million from \$398 million. Shipments to this area consist mainly of wheat and wheat flour and their destination is mainly the Soviet Union. The improved agricultural situation in that country is a primary reason for the considerable reduction in its imports from Canada. Imports from Eastern Europe, on the other hand—which consist mainly of raw materials like cotton, various minerals, and simple manufactured goods—were higher last year from every country in the area.

Exports to Commonwealth and Preferential countries other than Britain rose sharply last year, from \$547 million to \$638 million. The increases were widespread and notable in the case of Australia, Pakistan and India. Imports were also higher. Exports to Latin America and the West Indies were down slightly last year at \$479 million and imports rose quite sharply to \$582 million. A large part of this latter increase resulted from larger imports of petroleum and products

<i>Section and Commodity</i>	<i>1965</i>	<i>1966</i>	<i>1967</i>
	<i>(Cdn. \$ million)</i>		
Live Animals	79.1	78.0	42.3
Food, Feed, Beverages and Tobacco	1,629.8	1,888.3	1,602.3
Fish and fish products	196.6	201.8	216.2
Barley	43.7	45.0	72.6
Wheat and wheat flour	906.5	1,143.5	795.4
Whisky	117.0	127.5	141.5
Tobacco	35.4	50.0	49.9
Crude Materials, Inedible	1,763.7	1,947.6	2,108.3
Flaxseed and rapeseed	82.6	99.3	85.4
Iron ores and concentrates	360.8	369.0	383.1
Copper in ores, concentrates and scrap	77.8	130.9	157.5
Nickel in ores, concentrates and scrap	189.3	186.7	204.0
Zinc in ores, concentrates and scrap	69.8	77.7	94.1
Crude petroleum	279.9	321.7	397.9
Natural gas	104.3	108.7	123.7
Asbestos, unmanufactured	158.7	182.5	172.4
Sulphur	27.5	34.6	59.8
Fabricated Materials, Inedible	3,728.8	4,012.1	4,229.6
Lumber, softwood	458.0	439.6	474.8
Veneer and plywood	69.1	73.3	77.7
Wood pulp and similar pulp	493.5	520.1	543.4
Newsprint paper	869.6	968.2	955.3
Fertilizers and fertilizer materials	111.8	139.6	154.6
Iron and steel, primary and fabricated	229.8	244.1	251.6
Aluminum, including alloys	361.0	372.3	398.9
Copper and alloys	194.8	266.1	336.7
Nickel and alloys	207.9	212.4	229.3
Zinc and alloys	71.6	67.8	72.9
End Products, Inedible	1,300.1	2,119.3	3,106.8
Industrial machinery and parts	160.5	209.7	243.6
Agricultural machinery and parts	161.9	182.5	194.3
Motor vehicles	183.2	602.9	1,206.1
Motor vehicle parts	172.8	390.7	524.0
Aircraft and parts	207.0	210.2	313.6
Communication and related equipment	70.8	100.5	122.1
Navigation equipment and parts	49.9	63.3	58.9
Office machines and equipment	32.3	37.9	52.3
Special Transactions—Trade	23.5	25.3	22.5
Total Domestic Exports	8,525.1	10,070.6	11,111.8

from Venezuela and the Netherlands Antilles.

Canadian Sales

Table II gives a breakdown of Canada's domestic exports by sections for the years 1965 to 1967, with some detail of the principal commodities and groups of commodities within every section. One conclusion is inescapable. It is certain that some of the increases in sales of certain commodities have been somewhat larger than normal. Examples are the very large shipments of wheat and wheat flour

to the Socialist countries in recent years, the sharp rise in exports of copper in various forms to the United States and elsewhere (the result of a strike in that country at a time of rapidly rising demand) and the increase in hydrocarbon exports, the indirect result of the Middle East war last June. By far the largest part of the export growth, however, can be attributed to a developing industrial base and a growing industrial competitiveness.

Table II lends support to this view. It is apparent that sales of such tradi-

TABLE III
CANADA'S IMPORTS BY SECTIONS AND SELECTED COMMODITIES

<i>Section and Commodity</i>	1965	1966	1967
	<i>(Cdn. \$ million)</i>		
Live Animals	10.8	12.9	21.9
Food, Feed, Beverages and Tobacco	758.9	791.7	861.6
Meat and meat preparations	41.7	58.4	66.8
Fruit and fruit preparations	197.2	200.1	210.1
Vegetables and vegetable preparations	90.8	99.4	107.1
Tea, coffee, cocoa and chocolate	124.3	114.8	124.9
Crude Materials, Inedible	1,006.3	1,023.2	1,062.8
Textile fibers	134.8	114.6	120.5
Aluminum ores, concentrates and scrap	69.9	76.6	74.6
Coal	126.2	141.0	145.5
Crude petroleum	312.3	299.0	355.9
Fabricated Materials, Inedible	2,114.4	2,233.1	2,310.2
Paper and paperboard	58.3	62.0	64.5
Broad woven fabrics	183.8	195.0	196.9
Inorganic chemicals	71.5	64.8	64.8
Organic chemicals	106.6	106.6	116.0
Petroleum and coal products	177.5	176.7	198.3
Primary iron and steel and alloys	397.6	347.0	345.9
Non-ferrous metals and alloys	180.6	234.0	203.9
Basic metal hardware	172.1	205.1	234.0
End Products, Inedible	4,476.3	5,483.4	6,555.4
General purpose industrial machinery	306.9	363.7	383.5
Tractors	200.2	231.0	233.5
Other agricultural machinery and equipment	154.2	182.6	184.9
Motor vehicles	306.0	532.1	939.7
Motor vehicle parts	818.7	1,048.6	1,234.1
Aircraft and parts	206.3	227.2	361.1
Communication and related equipment	180.0	258.1	288.2
Office machines and equipment	109.7	172.2	204.9
Clothing and footwear	118.3	134.0	165.2
Printed matter	151.6	161.1	189.5
Photographic goods	88.7	102.1	133.2
Special Transactions—Trade	266.5	322.0	269.3
Total Imports	8,633.1	9,866.4	11,081.2

tional export products as wood pulp, whisky and nickel have all increased this year. The most striking gains, however, have been in fully finished goods. Exports of inedible end products rose by almost a billion dollars in 1967, with the result that this section, which made up 15 per cent of Canada's domestic exports in 1965, had risen to 30 per cent last year. A major part of this increase in sales of manufactures is, of course, the result of the operation of the agreement between Canada and the United States on trade in automotive products. Exports of these goods totalled \$1,730 million last year, which, as the table shows, is a big increase from previous years. The United States was naturally the principal destination for automotive products, but significant

amounts were also dispatched to Venezuela, Australia and South Africa, among others.

Increases in sales of other manufactured goods, though less spectacular, have been widespread, in terms of both the range of commodities and variety of destinations. The aircraft industry stepped up its exports by almost 50 per cent last year to \$314 million. This total consisted mainly of assemblies of various kinds with the United States the principal market, but included also \$36 million of complete aircraft. Sales of agricultural machinery continued to increase steadily, with important overseas sales to Western Europe, the Far East and Australia.

Significant gains were made in sales of communications equipment, a

broad category that includes television and radio sets, phonographs, telephone apparatus and radar equipment. These products also went largely to the United States, but there was a growing penetration of some Western European markets too. The same may be said for navigation equipment and also for many kinds of office machinery. This fast-growing industry has been successful in selling its products all over the world, including Britain, Japan, France and the United States. Exports of other manufactured goods, ranging from pharmaceuticals to industrial machinery, also made encouraging progress. And among the natural-resource export industries, potash and sulphur and fruit and vegetable products made important advances.

Canadian Purchases

Table III presents a similar analysis of Canada's imports,* over the past three years. The continuing prosperity of this country has led to a growing demand for imported goods of all kinds, as the table confirms. Imports rose in all sections but, as in exports, the largest rise (with the exception, of course, of the small live animals section) was in inedible end products which increased at a rate of almost 20 per cent last year to \$6,555 million. This rate was more than twice that for imports as a whole.

Imports of all major categories of finished goods have been expanding over the past three years. Of special note is the massive growth in imports of automotive products, as in exports the result of the Canada-U.S. trade agreement in this industry. Imports of vehicles increased threefold between 1965 and 1967 to \$939.7 million. Passenger vehicles accounted for the greater part of this increase, although in percentage terms there was an even larger rise in imports of trucks. Naturally, the overwhelming share of the total of imported cars came from the United States, but other countries such as France, Sweden and Japan achieved

* It should be noted that delays in the receipt of import entries from a major customs port during nine months of 1966 and seven months of 1967 required a subsequent revision of import value totals. The revised figures are used in this report where possible, with the exception of this section, which necessarily is based on the unrevised data.

small but notable gains last year. Imports of motor vehicle parts rose steadily by more than 50 per cent over the three-year period.

There was also a great upsurge in Canadian purchases of aircraft and parts in 1967, heavily concentrated in the latter months of last year. Imports of complete aircraft more than doubled between 1966 and 1967 to \$147.5 million. Of this, aircraft with three engines or more accounted for almost \$50 million. However, since this is a class of goods mainly relating to large commercial jet transports where one aircraft may easily cost in excess of \$8 million, the scheduling of deliveries may clearly have a big impact on the trade statistics.

Imports of most other manufactured goods rose at a more steady rate during the period, more or less in line with the growth of purchasing power in the domestic economy. One notable exception to this rule shown in the table is the category of office machines and equipment where imports have come close to doubling in the three years, reaching \$205 million in 1967. A number of the necessities of modern office life are covered here, including adding machines and calculators, typewriters and duplicators of various kinds. The major item by far, however, is electronic computers and the various ancillary items that go with them. Imports of this class of goods forged ahead spectacularly—from \$50.5 million in 1965 to \$115.9 million last year.

Looking Ahead

In sum, then, 1967 may rightly be termed a vigorous and on the whole most successful year for Canada's trade. Despite the easing of demand in a number of important markets, the target of a billion-dollar increase in exports was reached and surpassed. The present year has started off well and as we move into the period of implementation of the gains achieved in the Kennedy Round negotiations last year, prospects are good for this success to continue during the remaining months of 1968. We may reasonably expect the advance in our export trade to continue, with a continued diversification of products and markets.



Assistant Trade Commissioners Posted



Denis J. V. Bachand

Born: North Hatley, Quebec.

Educated: University of Sherbrooke, M.Comm. 1967.

Posting: New York, as Vice Consul and Assistant Trade Commissioner.



Allan T. Gjernes

Born: Ottawa, Ontario.

Educated: University of British Columbia, B. Comm. 1967.

Posting: Mexico City, as Assistant Commercial Secretary.



Robert C. Lee

Born: Toronto, Ontario.

Educated: Bishop's University, B.A. (Honours History) 1965, University of Guelph, M.A. 1967.

Posting: Dallas, as Vice Consul and Assistant Trade Commissioner.

Postings have been announced for an additional nine of the 1967-68 group of Assistant Trade Commissioners in training. These officers will leave Canada in the autumn.

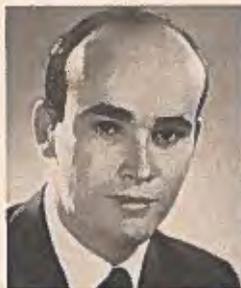


André Dallaire

Boro: Noranda, Quebec.

Educated: Université Laval, B.A. 1964, B.A. sp. Scieoces Politiques (Relations Internationales) 1967.

Posting: Chicago, as Vice Consul and Assistant Trade Commissioner.



Michael Galhraith

Born: Red Deer, Alberta.

Educated: University of Alberta, B.A. 1962, University of Toronto, LL.B. 1966.

Posting: Tokyo, as Assistant Commercial Secretary.



Harmen A. Heyo

Born: Geringswalde, Germany.

Educated: University of Windsor, B.A. (Honours) 1966.

Posting: Wellington, as Assistant Commercial Secretary.



Steveo J. Kaufmann

Born: Stockholm, Swedeo.

Educated: McGill University and Diplôme de l'Institut d'Etudes Politiques de Paris 1967.

Posting: Hong Kong, as Assistant Trade Commissioner.



Douglas W. R. McTaggart

Born: Calgary, Alberta.

Educated: University of British Columbia, B. Comm. (Honours) 1967.

Posting: New Delhi, as Assistant Commercial Secretary.



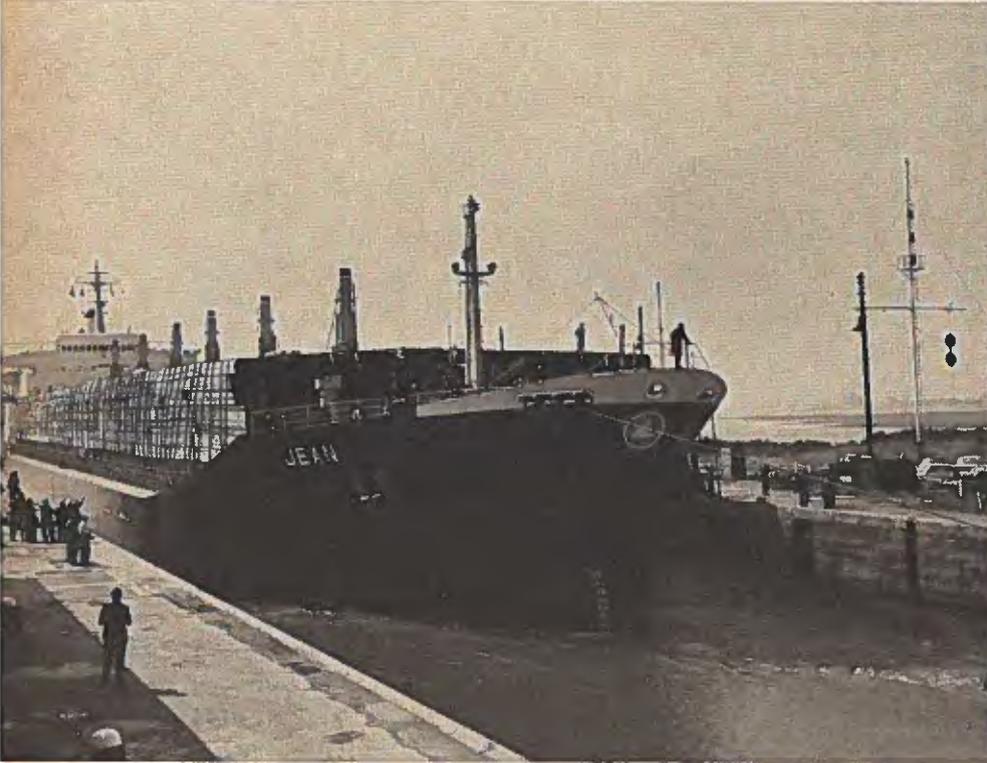
J. Christopher Poole

Born: Ottawa, Ontario.

Educated: University of British Columbia, B.A. Honours 1966, The Fletcher School of Law and Diplomacy, Boston, M.A. 1967.

Posting: Brussels, as Assistaot Commercial Secretary.

In Britain, Canadian Timber Sets the Pace



—Photo by British Transport Docks Board, Cardiff Docks.

In Centennial year, Canada recaptured the position of number one supplier to Britain. The single shipment of West Coast lumber and plywood above represented 57 per cent of total imports of lumber into Newport, Monmouthshire, alongside whose docks the *Jean* was photographed. Canadian initiatives did much to reshape the pattern of timber distribution in Britain. Prospects are good, but competition gets tougher, especially from the Soviet Union.

O. HICKIE, *Commercial Secretary (Timber), London.*

■ Despite Britain's economic difficulties, 1967 turned out much better for the timber trade than it had expected. Without a doubt, the main reason for this was the high rate of construction throughout the year. The Government was already committed to building more homes so this sector escaped most of the restrictive measures. In fact, 1967 was a record year for housebuilders. The number of starts was somewhat inflated early in the year with token starts by private home builders designed to beat the land betterment levy which came into effect in April. But even then it was clear that the industry was busy. By the year-end, starts reached 459,729 and completions 415,455 units, both new records. These were 18 and 5 per cent up on 1966 figures and were almost evenly split between the public and private sectors (see Table I).

Softwood Lumber—Softwood lumber consumption in Britain reached no less than 1,869,087 standards in 1967. This was about 6 per cent more than in 1966 and the second highest figure in postwar years. Softwood timber imports (including box boards) from all sources amounted to 1,805,851 standards—116,270 standards, or 6.9 per cent, over the previous year. Landed stocks fell almost 10 per cent—from 681,000 standards in 1966 to 617,000 standards at the end of 1967.

As a Centennial year achievement, Canada regained its position as Britain's leading timber supplier, shipping nearly 411,000 standards valued at over Cdn. \$100 million. This was nearly 9.5 per cent more than in 1966 and represented 23.1 per cent of the market. Close on our heels came the U.S.S.R. with 408,000 standards (22.9 per cent of the market). Sweden with 377,000 standards took third place from Finland, which dropped to fourth position with 353,000 standards (see Table II). These four countries together accounted for over 86

TABLE I
RESIDENTIAL HOUSE CONSTRUCTION IN BRITAIN

Year	Public Sector		Private Sector	
	Starts	Completions	Starts	Completions
1963	174,520	129,927	202,536	177,787
1964	184,653	161,928	251,200	221,264
1965	188,742	174,072	214,466	217,162
1966	192,622	187,362	197,241	208,647
1967	222,462	211,247	237,267	204,208

Source: Minister of Housing and Local Government, Housing Statistics, 1967

TABLE II
BRITISH IMPORTS OF SOFTWOOD LUMBER

Country	1963		1964		1965		1966		1967	
	thousand standards	per cent								
Canada	332.4	19.9	466.5	23.3	501.2	26.4	375.8	22.4	410.9	23.1
U.S.S.R.	449.1	26.9	499.6	24.9	488.4	25.7	426.1	25.4	407.7	22.9
Sweden	263.0	15.7	311.8	15.6	265.6	14.0	259.4	15.4	377.5	21.2
Finland	407.4	24.4	432.0	21.6	374.3	19.7	364.8	21.7	353.3	19.9
Poland	93.1	5.6	125.7	6.3	117.7	6.2	105.0	6.3	103.9	5.9
Brazil	40.3	2.4	49.4	2.5	44.7	2.4	52.7	3.1	42.7	2.4
Czechoslovakia	41.0	2.4	49.1	2.4	43.4	2.3	39.5	2.4	40.8	2.3
Others	45.2	2.7	68.3	3.4	62.7	3.3	55.7	3.3	40.7	2.3
Total	1,671.5	100.0	2,002.4	100.0	1,898.0	100.0	1,679.0	100.0	1,777.6	100.0

Source: Board of Trade, *Overseas Trade Accounts of the United Kingdom, 1964-67*

TABLE III
CANADIAN SOFTWOOD LUMBER EXPORTS TO BRITAIN

Year	British Columbia		Rest of Canada		Total
	thousand standards	per cent	thousand standards	per cent	thousand standards
1963	268.9	80.9	63.5	19.1	332.4
1964	368.9	79.1	97.6	20.9	466.5
1965	411.2	82.0	90.0	18.0	501.2
1966	302.5	80.5	73.3	19.5	375.8
1967	362.6	88.2	48.3	11.8	410.9

Source: Estimates published by the Timber Trade Federation of the United Kingdom, based on softwood importers' returns.

TABLE IV
BRITAIN'S PLYWOOD IMPORTS

Exporting Country	1963	1964	1965	1966	1967
	(thousands of cubic meters)				
Canada	142.0	217.3	220.4	211.7	284.9
Finland	114.5	133.0	128.0	110.2	141.2
U.S.S.R.	103.4	125.5	125.7	105.9	112.7
Israel	23.9	30.6	33.6	28.8	40.6
Japan	28.0	38.9	37.5	26.4	27.9
Romania	13.8	21.6	26.0	21.1	27.1
France	20.1	21.4	20.1	17.9	22.4
Gabon	17.1	14.2	17.2	11.7	15.0
United States	3.1	1.2	1.5	2.4	13.7
Others	62.7	77.5	70.4	68.2	93.8
Total	528.6	681.2	680.4	604.3	779.3

Source: Timber Trade Federation of the United Kingdom Plywood Statistics based on information supplied by HM Customs and Excise.

per cent of Britain's softwood lumber imports in 1967.

Perhaps the most significant development in the British timber market last year was the spectacular 45 per cent increase in imports from Sweden, mainly at the expense of Finland. This trend first became apparent during the closing months of 1966. With the deterioration of economic conditions in West Germany, housebuilding fell sharply. German forests at the same time suffered severe storm damage; the urgent need to salvage and make use of this timber further reduced demand for imported softwoods. South Swedish mills in particular, finding a substantial portion of their traditional German market gone, were forced to concentrate on the British market to place their surplus export volume. They have been offering whitewood timber at prices that competing Canadian spruce suppliers, particularly in Eastern Canada, find unattractive or hard to match. The volume shipped from Eastern Canada has gradually fallen from 90,000 standards in 1965 to 73,000 in 1966 and 48,000 last year (see Table III).

Hardwood Lumber—Canadian hardwood lumber sales to Britain increased last year by over 7 per cent, rising to 1,356,000 cubic feet from 1,263,000 in 1966. However, we cannot hope to regain the dominant position we enjoyed in the British hardwood market during the early part of the century. Immediately before World War II, Canada was the second largest hardwood shipper. Then, with the rapid development of tropical hardwood resources in Africa and Southeast Asia during the war and in early postwar years, we gradually fell behind. We now rank eleventh, with only 4.5 per cent of the British hardwood market.

Plywood—The British plywood market showed exceptional strength last year, reflecting the buoyant conditions in the housebuilding industry and the rapid acceptance of this versatile product for a wide variety of industrial and other end uses. If blockboard is included, the total volume imported from all sources last year just exceeded the magic figure of one million cubic meters for the first time.

Nearly 780,000 cubic meters of this was plywood, an increase of 29 per cent and 175,000 cubic meters more than imports in 1966. Canada

again ranked first among the supplying countries by a wide margin, capturing 36.5 per cent of the market—our sales totalled nearly Cdn. \$40 million and the volume of 285,000 cubic meters was just over double that of Finland, our nearest rival, which shipped 141,000 cubic meters. It was also a spectacular 35 per cent increase over what we sold to Britain in 1966. The U.S.S.R. remained in third place with nearly 113,000 cubic meters, followed at a distance by Israel, Japan, Romania and France in that order (see Table IV).

Timber's Quick Revolution

It is generally acknowledged in the British timber trade that 1967 was Canada's year. The impact we made was not due solely to the quantities sold. Canadian shippers also led the way by introducing fundamental changes into the established pattern of handling and marketing timber, innovations which have affected the entire structure of the British timber trade. This was no small achievement. The remarkable thing was that these revolutionary changes appear to have been accepted almost as inevitable and caused little more than a ripple of dissent from the trade.

It all began with the formation of a joint Anglo-Canadian organization, MacMillan, Bloedel, Meyer Ltd. This company was established to take over functions formerly provided by timber agents and was keyed to the use of large bulk carriers and timber terminals. The aim was to provide economic and efficient handling of all-packaged timber and storage for vast quantities of landed stock which would be sold through accredited timber importers on a through-delivery basis. The firm became fully operational at mid-year with the completion of the terminals at Tilbury and Newport in the south of Wales and reports indicate that business is going smoothly and successfully.

This galvanized other shippers into action and triggered off a rapid succession of moves to set up competing arrangements along similar lines. Seaboard Lumber Sales soon followed suit with a new British subsidiary, Seaboard International (Timber & Plywood) Ltd., which became operational at the beginning of 1968. Seaboard has also leased a terminal at Tilbury, which is now under con-

struction and will be ready by the end of the year.

East Asiatic and Commonwealth Pacific Lumber Sales got together to form a new company, EACOM Ltd. Some of the British timber agents who had formerly served MacMillan, Bloedel and Seaboard merged to form a giant agency, Price, Hallam & Foy Ltd., which now represents EACOM and other Canadian shippers in this market. The latest Canadian shipper to set up a British sales organization is Northwood Mills Ltd. of Vancouver.

Swedish shippers too were quick to follow Canada's lead by modernizing their methods of moving timber to the British market. Svenska Cellulosa was first off the mark and leased terminal facilities at Tilbury. Instead of using bulk carriers, most Swedish suppliers have developed the "roll-on, roll-off" method of shipping on trailers, using the regular ferry service. This method has become very popular and has worked quite successfully. But the main problem now is finding sufficient space in vessels on these routes.

Agreement on Timber Sizes

An important development last year, which will affect not only the British but all other European softwood timber markets as well, was international agreement to reduce the number of timber sizes. There is such a proliferation of dimensions that producers find it increasingly difficult to service them all economically. After three years of meetings and discussions, agreement was finally reached at Brussels in January 1967 on two schedules of timber sizes which will reduce the total substantially. Metric measures for the new size schedules were also agreed upon. They have been forwarded to the International Standards Organization in Moscow as the collective recommendations of the European timber trade.

This development has particular significance for the British building industry's program for conversion to the metric system. Preparations, now well under way, cover every aspect of construction and all the building materials involved. It is expected that architects and engineers will begin to use metric measures for all designs by the beginning of 1969. At the start of 1970, the building industry as a

whole will gradually change over to metric. The transition should be complete by the end of 1972.

Promoting Timber Frame Homes

Canada in 1967 also led the way in Britain with a number of major timber and plywood promotions. The most important of these has been the 173-unit timber frame housing project being built for the Harlow Development Corporation by a British contractor. The scheme was designed by the Central Mortgage and Housing Corporation, the appointed architects, whose representatives are also supervising construction. Thousands of technical visitors have taken the opportunity to examine and assess the merits of this form of construction and to seek technical advice and guidance.

There have been other efforts to gain wider acceptance for timber frame construction. Last June, a housing study mission made up of 32 members from a wide cross-section of the building industry in Britain and Ireland travelled across Canada for three weeks. They examined and discussed housebuilding techniques and practices with their Canadian counterparts and visited building sites, factories, housing projects and professional organizations. They returned much impressed and made a favorable report.

The Canadian Government also participated in the International Building Exhibition in London in November with an impressive display which highlighted the use of Canadian timber and plywood in housing. This attracted many thousands of visitors seeking a wide range of information on these products. We were also successful in persuading *Woman's Journal* to use a Canadian-style timber frame house for its nationally publicized "House of the Year." It was supplied by Engineered Homes, a Canadian-owned company based in Wales, and it received a great deal of favorable publicity.

In all these campaigns we were ably assisted by two London-based Canadian industry associations, the B.C. Lumber Manufacturers and the Plywood Manufacturers Association of B.C. Both of them also carried out a number of independent advertising and promotion campaigns.

These mainly took the form of seminars, lectures and film shows across the country for professional groups from the building industry. Their free technical advisory service too was in great demand throughout the country. These efforts made a very important contribution to the total effectiveness of Canada's promotion campaigns in Britain.

And in 1968?

The question frequently heard is whether last year's excellent performance can be repeated in 1968. There is growing evidence that, in spite of what is happening on the economic front, timber importers expect, at the least, to do nearly as well and they are reacting to a rising market.

The British housing program is still the most important factor in the demand for timber. Although the target of 500,000 houses a year by 1970 has now been officially abandoned, construction in 1968 is expected to attain at least the level of last year and will almost certainly be higher. The amount of work left in the pipeline at the year-end alone would maintain a high level of demand for timber for most of this year. Hospital and school building programs are expected to go ahead without serious cutbacks.

The total volume of British timber imports may not decrease by more than 2 or 3 per cent (if it decreases at all) but Canada's share of the market may be down substantially unless our suppliers' performance improves. The Soviet Union, by coming in with the first two stock-notes of the year at prices below the full extent of devaluation, has so far dominated the market and appears to be almost certain of selling 500,000 standards this year if it wants to.

By contrast, one member of the timber trade forecasts that Canadian shipments will not go much beyond 350,000 standards, a decrease in volume of about 15 per cent from last year. This is probably unduly pessimistic, but it is a fact that Canadian shippers have so far put very little pressure on the market and seem to be preoccupied with the more buoyant and attractive markets in the United States and Japan. We can expect to fall back again to about the 1966 sales level in Britain unless there is a sub-

stantial upsurge in the latter part of the year. If it is any consolation, Swedish and Finnish sales are also expected to drop significantly if they continue to insist on prices which take into account the full extent of devaluation.

British plywood imports in 1968 are expected to reach about the same level as last year; with luck, they may even be slightly higher. A fairly large proportion of British requirements has already been purchased and business generally looks extremely good. Most of the continuing success of plywood in recent years has been due to the rapidly growing use of sheet material in building construction and in a wide variety of industrial and general uses.

Kennedy Round Changes

Generally speaking, the full rate of duty, which is applicable to timber of non-Commonwealth and non-EFTA origin, ranges between 10 and 20 per cent at present and will be halved by the British concessions in the Kennedy Round. A notable exception is the eight shillings per standard full rate on rough timber and veneer sheets of coniferous species which will be removed by the Kennedy Round tariff cuts.

Canadian timber which fulfills the requirements for Commonwealth preferential tariff treatment enters Britain free of customs duty. The conditions necessary for entry under Commonwealth preference are that the goods have been manufactured in Canada, consigned direct to Britain, and have a Commonwealth content of at least 25 per cent of the factory or works cost.

There is some apprehension that the loss of preference as a result of the Kennedy Round will pave the way for increased competition from U.S. fir plywood. Canadian plywood sales, however, are expected to reach the same level in 1968 as last year and may even hit 300,000 cubic meters for the first time.



The author recently returned from a visit to Libya, where he found officials taking a sober second look at the national objectives. In the light of this, he re-examines trading opportunities.

Libya Reappraises Its Programs

C. D. MILLER, *Assistant Commercial Secretary, Rome.*

THE VISITOR to Libya in 1968 feels that the country is taking another look at the whole concept of national development. From 1960 to 1965, with oil revenues climbing sharply, attention was perhaps over-concentrated on five year plans with ambitious programs for roads, power, harbors and city development. The ambition remains and the planning continues. But now there is greater recognition that the riches oil leaves in its wake are not in themselves the means of achieving desirable economic goals. These growing resources, to make a significant impact, must be applied to attainable projects by trained and dedicated people. This means, in effect, that one now hears more about what is being done than about what is being planned and there is more determination that the plans shall be realistic.

This shift in emphasis was to be expected in a developing country such as Libya and it was hastened by the repercussions of the Middle East conflict. The trading community was disrupted by the departure of some of the more active commission agents and importers. In addition, the Bank of Libya imposed rigid foreign exchange controls on commercial banks and the ensuing backlog of payments may still be a problem for some creditors.

The heart of the Libyan economy is underground and it is beating oil through its arteries to the coast. The

pulse is quickening. The first major petroleum discovery came in September 1959 and initial exports of crude oil were made two years later. Today Libya is the world's fifth largest petroleum producer, shipping over 2 million barrels a day, and a new 36-inch pipeline put into operation in March will boost shipments considerably. Libya's 1967 petroleum exports were worth approximately \$1.5 billion, a 15 per cent rise over the previous year. Petroleum provides virtually 100 per cent of total exports.

The dependence upon oil is shown by comparing the 1966 GNP of \$1.3 billion with petroleum exports for the same year of over \$1 billion. Government revenue from oil production in 1968 should reach about \$500 million, rising to more than \$600 million in 1969. The revenue comes from a 12.5 per cent royalty on the total value of oil output, plus a 50 per cent tax on oil company profits.

Despite this large and growing government income of \$500 million plus, Libya's officials point out that there are three primary economic shortages to be overcome: capital, labor and technical skills. Libya is thirsty for private capital. Bankers point out that domestic savings are small and foreign investors are nervous about long-term commitments because of Middle East tensions. The industrial base is not much wider than petroleum and its byproducts. Any broad injection of capital would be

welcome to allow the establishment of factories to produce industrial materials and consumer goods, both of which are almost all imported.

Skilled Labor Needed

The short supply of skilled labor is a serious problem, which is being gradually remedied. To begin with, the population of the country is only 1.6 million and many of these people are migrants scattered over the huge desert. The new-found oil wealth, most evident in Tripoli and Benghazi, is tending to polarize the bulk of the people in these two cities. Libyans are drifting off the farms and out of the desert into the major towns. Because only a handful are skilled in any trade, the Government has established training schools to improve the situation. New arrivals in Tripoli or Benghazi are more inclined to work for the Government than for commercial or industrial firms, because the Government offers a generous housing allowance unmatched by industry. Because housing is short and consequently very expensive, this allowance gives the Government an important advantage. The result is that it has a labor surplus and industry urgently needs more hands.

In a country as young as Libya (independence was achieved only 16 years ago), one cannot expect to find many national technical experts. For this reason, the Libyan Government has called upon the services of foreign consultants in such varied fields as city development, mineral resources and airport expansion. And this demand for foreign technology will grow, because Libya has money to be put to good use in development projects.

Government Officials Resolute

Probably the best evidence that the Libyan Government feels a need for some reassessment is the recent postponement of the next five year plan. It was to have come into effect in April but has been postponed until

April 1969, to allow the Government time to finish important projects begun under the first plan. To cite two examples: the Idris Housing Scheme, calling for the erection of 100,000 units, has just been started, with work under way on the initial lot of 10,000 units, and the reconstruction of the main coastal road linking Benghazi with Tripoli has just begun.

But there is no lack of imagination and determination about new projects. A huge sports center is being built in Benghazi, the host city for the 1969 Pan-Arab Games. An Eastern European firm has just finished the first stage, and the complete scheme includes an Olympic-size swimming pool and diving area, soccer fields, tennis courts and an indoor sports arena.

Another major contract under consideration for some time and which should go to tender in mid-1968 is the construction of new airport terminals at Tripoli and Benghazi. The total contract will be worth about \$30 million. Consultants to the Government on this project are Sir Alexander Gibb and Partners of London, England.

The announcement of the winning bidder on the University of Libya near Benghazi should be made shortly. It is rumored that a Yugoslavian firm has won the contract, worth \$60 million. There is still time for Canadian firms to offer laboratory equipment and teaching aids.

At Tripoli and Benghazi the harbors will be enlarged soon. The problem is acute at Benghazi, where the port is neither deep enough nor large enough to allow for ocean-going vessels. Benghazi's import business is booming, especially in building materials, cars and furniture.

Another example of the realism in government circles is the scaled-down TV network. The original plans called for an expenditure of \$90 million on a complex and far-flung system. They have now been replaced by a modest scheme of small stations in Tripoli and Benghazi at a total cost of \$8 million, which should be operational within a year.

Agriculture Gets Attention

The need for rejuvenating agriculture has received a good deal of official attention. The oil boom has

Exporting?

Don't forget that your firm is eligible for a "drawback" of 99 per cent of the customs duty and taxes paid on imported materials or parts that go into a product that you later export, or on imported goods that you later sell abroad in the same form, without using them in Canada. These drawback regulations help you to offer your products for sale abroad at competitive prices. For more information on drawbacks and the regulations governing them, consult the nearest Drawbacks Office of the Department of National Revenue.

pulled many small farmers off the land, with a consequent drop in agricultural production. This exodus and inflation have raised food costs by 40 per cent in the last three years. Fresh fruit is 2½ times as expensive as it was in 1965 and the price of vegetables has quadrupled. In fact, imported fruit and vegetables are often cheaper than local produce. The Green Mountain area of Cyrenaica (near Benghazi), one of the most fertile in North Africa, is obviously not producing at the maximum.

The Ministry of Agriculture is moving to remedy the situation. A land reclamation program has been started with an annual objective of 15,000 acres. Further programs include development of water resources and soil preservation. Financial subsidies, support prices and farm-equipment purchase incentives will give direct aid to farmers.

The National Agricultural Settlement Authority (NASA) has a program which should interest Canadian dairy cattle breeders. It is administering a livestock improvement project and recently imported 50 dairy cattle from the Netherlands.

Demand for Imports Growing

Libya's limited manufacturing capabilities, coupled with rapidly rising oil

revenues, make for a growing market in imported goods. Over the last five years, imports of manufactured products, machinery and transport equipment, and foodstuffs have trebled. In 1966 (latest full-year statistics) foodstuffs and live animal imports reached \$60 million, manufactured goods \$150 million, and machinery and transport equipment \$165 million.

But Canadian exporters must approach the Libyan market with determination, because it is not an easy one to enter. The two most important factors for the Libyan importer are delivery time and price. On both counts Canadians must fight an uphill battle against European producers, who benefit from quicker and cheaper shipping. At present, 30 per cent of Libya's total imports come from Italy, with Britain supplying a further 15 per cent.

The consumer durables market is a good example of how the Libyan outlook is gradually moving away from price. Until recently most household appliances sold on price alone, but now there are more people looking for not a TV set or a washing machine but greater durability or options, and they are prepared to pay more to get such features. Thus there is a small but increasing market for consumer durables of good quality.

Canadian firms desiring complete coverage in Libya should consider appointing agents in both Benghazi and Tripoli. Not only are these two cities 700 miles apart but their different history has led to economic and political rivalry, with the result that few Libyan firms operate in both areas effectively. Moreover, since Libya is a relatively young trading country, there are not many experienced large agents and importers. Most of the companies which have proved themselves capable have all the accounts they can handle and each firm is limited by law to ten foreign agencies. Two trade officers from the Canadian Embassy in Rome recently visited Benghazi and Tripoli and found a number of younger, thoroughly responsible firms who are eager to receive offers from Canadian producers. Any offers, with catalogues and price lists (c.i.f. please) sent to Rome will be relayed promptly to these promising business contacts. ●

trade lines



Sweden looks for Baltic oil

The Swedish Government is considering a plan for a consortium with an initial capital of Cdn. \$30 million to prospect for oil in the Baltic, the southern province of Skane, and the Island of Gotland. The consortium would be composed of two domestic oil distributors and two government companies—the state iron ore mining company and the state power board. Foreign experts will probably be used. There are no legal obstacles in the way of foreign capital investment but no applications have so far been received—Stockholm.

New mining policy for Thailand?

A recent seminar on mining in Bangkok recommended setting up an organization with private shareholders and government support to assist in the financing of mining projects in Thailand. It also recommended that mining by private enterprise should be encouraged and that more use should be made of Thailand's mineral ores—Singapore.

U.S.S.R. and Singapore in joint venture

The formation of the Singapore Soviet Shipping Agency has been announced recently. Acting as sole agent for all Soviet ships of the Far Eastern Steamship Company (FESCO), it will increase the scope of services from Nakhodka in the Soviet Union to Japan, Hong Kong, Singapore, West Malaysia and India. The new joint venture reflects Soviet confidence in the future of Singapore—Singapore.

Brazil will use pyrites for sulphur and acid

Siderurgica de Santa Catarina S.A. (SIDESC) and the Lumus Company of New York plan to invest U.S. \$27 million in an industrial project in Santa Catarina. Local iron pyrites will be used to make sulphur, sulphuric acid and fertilizers—São Paulo.

German knowhow trebles Thailand's catch

New equipment and techniques have been used by West Germans working under the Federal Development Aid program to lift production from 220,000 tons of fish in 1960 to 615,000 tons in 1967. Thailand's neighbours have only increased their catch by

35 per cent on average. The Germans have exploited the rich bottom fish resources of the Gulf of Thailand for the first time—Singapore.

São Paulo heads Brazil's exports of manufactured goods

Almost U.S.\$73 million worth of manufactured goods of São Paulo origin (50 per cent of the total from all Brazil) were exported in 1967, compared with U.S.\$59 million in 1966. The United States, the U.S.S.R., India, Sweden, and Uruguay were the major customers for such items as ethyl alcohol, wood fiber, typewriters, power lathes, firearms, electronic components, and electrical household appliances—São Paulo.

Norwegians making herring meal for humans

A/S Nimrod has begun production of herring meal for human consumption at Egersund, on Norway's southwest coast. The firm is able to manufacture a product with up to 88 per cent protein. The plant has a capacity of two tons an hour, 15,000 tons a year—Oslo.

Tungsten carbide development in Sweden

Fagersta Bruks AB is investing \$13 million in tungsten carbide development. Two thirds is being spent on research, development, and manufacture of Seco carbide products in a new plant at Fagersta. The rest will be used to extend the Seco factory at Arboga and to acquire Uddeholm's carbide production—Stockholm.

Potash to be developed in Australia

A large potash operation is to be developed near Carnarvon, Western Australia, by Texada Mines, an affiliate of Canadian Mining Co., at a cost of Cdn.\$15.8 million. The potash and salt will be exported. Annual potash production by 1973 should reach 200,000 tons—Melbourne.

Cheese to please the Japanese

New Zealand has developed at Taranaki a new cheese to suit the Japanese taste. It is now being shipped in commercial quantities. New Zealand's exports of unprocessed cheese to Japan have doubled in each of the last two years—Wellington.

businessman's bookshelf



Financing Foreign Trade

The Royal Bank of Canada. 143 pages. Free.

FINANCING FOREIGN TRADE was first compiled by Graham Towers and published in 1921; it has since been revised three times. The latest revision, in 1967, has retained the original aim of the booklet—to give a brief outline of the methods of financing foreign trade and to acquaint the reader with foreign exchange operations generally. It does not pretend to analyze these subjects in detail but instead presents clearly and concisely, with examples, the practical information required for dealing in foreign markets. Bills of exchange, shipping documents, commercial credits, the operation of the money market, foreign exchange, customs and practice for commercial documentary credits, and American foreign trade definitions are presented and discussed. Specimens of typical documents used in foreign exchange transactions are included and a list of books for further reading is appended.

Prepared originally for the use of the Bank staff, this booklet contains essential practical information for the exporter as well as the student of international trade.

Order from: The Royal Bank of Canada.

The Less Developed Countries in World Trade

Michael Zammit Cutazar and Alison Franks.
209 pages £1 10s 0d

THE FACT THAT the United Nations Conference on Trade and Development has recently taken place in New Delhi lends added interest to this study sponsored by The Overseas Development Institute Ltd. (ODI).

This is the ODI's first venture into the field of trade; previously it has been more concerned with government aid to and private investment in developing countries. It has now come to the conclusion that these countries could benefit enormously if they were able to participate more fully in world trade.

The study first describes the composition and flow of world trade under three main headings: developed industrial, less developed, and centrally planned economies, with further breakdown by countries.

It then points out the importance of primary commodities in the trade of less developed countries

(LDC's) and the role of international commodity agreements.

Each major commodity (petroleum, copper, tin, lead and zinc, rubber, cotton, vegetable oils, sugar, coffee, cocoa and tea) is analyzed in terms of production, imports and exports by countries, with added comments on the over-all market by volume, price and trends.

A complete analysis of exports of manufactured products by the LDC's follows, with emphasis on the restrictions on these goods through present tariff structures and non-tariff barriers.

More specific studies of the trade policies of Britain, the EEC and the United States toward the LDC's serve to illustrate the need for a revised approach to world trade.

The authors end by describing the role of GATT and of UNCTAD in the development of trade among LDC's and the comparative importance of each as a means to attain this.

Order from: The Overseas Development Institute Ltd., 160 Piccadilly, London W.1, England.

One Continent—Two Voices

S. R. Tupper and D. L. Bailey. 190 pages. \$6.50.

THIS STUDY of Canada-United States relations deserves to be read carefully. It puts before us an array of pertinent facts, including some which we have forgotten or would prefer to ignore. The reader is compelled to look again at the big assumptions of coexistence on this continent and to marvel that the border between Canada and the United States is undefended when almost every other frontier in the world bristles with guns.

The first chapters of the book are somewhat heavy going. Canadians do not readily subscribe to the theories advanced to justify the military actions of their neighbor, preferring an empirical approach to talk of the responsibilities of free-world leadership. It is interesting to notice how much the authors lean on the authority of others in this section.

The businessman will find food for thought in the chapters on the two economies, the politics of water supply, continental institutions and migration (in both directions). He will be agreeably surprised at the sympathy the authors show for the Canadian interest and point of view. The sting, however, is in the tail—the closing chapter on the appalling ignorance of

children on each side of the border will shatter many comfortable illusions.

Reviewers can usually be counted upon to turn up some oddity. Although the book was published in 1967, no mention is made of the probable impact of Expo 67 on the people of the United States. This is particularly strange because Stanley Tupper was personally chosen by the President as the Commissioner General for United States participation. Perhaps we shall see a postscript.

Published by: Clarke, Irwin and Company Limited, 791 St. Clair Avenue West, Toronto 10, Ontario.

Businessman's London

Patricia Millard. 158 pages. 10s 6d

WHETHER you want to set up a new company, find a dentist in the middle of the night, hire a complete train, or get someone to take your wife shopping, Patricia Millard's little book has lots of suggestions to offer. She scampers breathlessly through the whole gamut of business activities from choosing professional advisers and organizing mammoth conventions down to the indispensable coffee-break.

She has the gift of putting complicated technical matters into a few simple words for the young man sent to open up an office in London and not yet familiar with the jargon. She tells you where you can get computer time; comprehensive accounting services; secretaries, salesmen and switchboard operators by the day; an accommodation address in the West End or a confidential mail-forwarding service; advertising space on buses, trains and taxicabs, and even old-fashioned sandwichmen. If all else fails, she can refer you to Universal Aunts and Impossibles. It's all quite fascinating.

Published by: Kenneth Mason Publications Limited, 13-14 Homewell, Havant, Hants, England.

Electric Current Abroad

U.S. Dept. of Commerce. 81 pages. U.S. 30 cents.

THE EXPORTER of appliances and the firm planning to use electrical equipment abroad both need to know the characteristics of the local power supply. Normally it is wisest for them to find out directly from people in the country concerned; electricity generated for a mill or a mine and used in the company town may be different from the local utility's power, for example. A good general picture can, however, be obtained from this booklet; most of the information in it was gathered in the early part of 1967.

The characteristics listed are type and frequency, number of phases, nominal voltage, number of wires, and the frequency stability, which is defined as whether the current is stable enough for electric clocks. The types of electric plugs are illustrated and there is a table showing which is used in each country.

The footnotes are of particular interest. In them we are told such important facts as that the voltage is unstable in Argentina and voltage boosters are common in some cities; Brazil is shifting to standard 60-cycle current; electric ranges in Mozambique must not exceed 11 kw.; the power system in Caracas is being changed from 50 to 60 cycles, and Kalgoorlie in Australia is gradually changing from d.c. to a.c. Footnotes also indicate where the neutral wire of the secondary distribution system is grounded and where a grounding conductor is required in the electrical cord attached to appliances.

Order from: Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Hayes Directory of Physician and Hospital Supply Houses, 1967-68 Edition

59 pages. \$15.00.

Hayes Directory of Dental Supply Houses, 1967-68 Edition

31 pages. \$12.50.

TRADITIONALLY in the United States, sales to replace worn-out equipment in established hospitals have been made direct or through a manufacturers' representative. However, a third agent, the hospital supply house, is beginning to handle this type of order. In addition, hospital supply houses in the U.S. are now capturing a substantial portion of the market for free-standing equipment, both technical and non-technical, and for short-term supplies.

In a similar manner, dental supply houses in the U.S. have established themselves as chief suppliers of all forms of dental equipment and supplies.

These two directories, published by E. N. Hayes, give complete listings of all physician and hospital supply houses and dental supply houses in the United States. Both directories are initially broken down by states, then sub-divided into major cities in each state. The city listing gives all supply houses, complete with street and mailing address, estimated commercial strength, and credit rating of each. Producers of medical, hospital and dental equipment will find these two directories valuable.

Order from: Edward N. Hayes, 4229 Birch Street, Newport Beach, California 92660.

Trade Commissioners on Tour

In Canada

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

Britain—G. E. Woollam, Commercial Counsellor (Agriculture) in London:

Toronto—June 4-12
Winnipeg—June 13-14
Montreal—June 16-19

Halifax, Hantsport, Berwick,
Kentville—June 20-25

Guatemala—D. J. Browne, Assistant Commercial Secretary in Guatemala City:

Toronto—June 12-16
Montreal—June 17-23

Jamaica—D. I. Ditto, Assistant Commercial Secretary in Kingston:

Toronto—June 20-25
Montreal—June 26-July 3

Quebec City—July 4 and 5

New Zealand—R. H. Gayner, Commercial Secretary in Wellington:

Toronto—June 12-16
Montreal—June 17-26
Malton, Cooksville, Port
Credit, Sheridan Park—
June 27
Hamilton—June 28
St. Catharines, Welland,
Brantford—July 2

Kitchener, Guelph, Water-
loo, Galt—July 3
London, St. Thomas, Sarnia
July 5
Edmonton—July 15
Calgary—July 16
Kelowna—July 17
Vancouver—July 18-23

South Africa—W. M. Jones, Trade Commissioner in Johannesburg:

Toronto—June 8-22
Winnipeg—June 22-25

Vancouver—June 26-28

Temporary Duty in Ottawa

The following will be on temporary duty in Ottawa and may be contacted through the Trade Commissioner Service, phone 992-9930 (area code 613).

R. J. L. Berlet, Assistant Commercial Secretary in Vienna, June 3-14.

D. J. Browne, Assistant Commercial Secretary in Guatemala City, June 24-28.

D. I. Ditto, Assistant Commercial Secretary in Kingston, Jamaica, June 4-19.

W. G. Roberts, Assistant Commercial Secretary in Sydney, Australia, June 10-14.

J. H. Suggitt, Consul and Assistant Trade Commissioner in Los Angeles, July 3-13.

J. D. Tennant, Assistant Commercial Secretary in Port-of-Spain, Trinidad, June 5-14.

J. M. T. Thomas, Commercial Counsellor to Vienna, Austria, June 10-14.

G. E. Woollam, Commercial Counsellor (Agriculture) in London, England, June 26-28.

In Territory

Australia—W. A. McKenzie, Assistant Commercial Secretary in Melbourne, will visit the Kimberley and Pilbara mining districts and Perth and Kalgoorlie June 8-26.

Brazil—J. E. P. Lancaster, Commercial Counsellor in Rio de Janeiro, Brazil, will visit Recife during the second week of June.

Britain—J. H. Nelson, Trade Commissioner, K. R. Higham, Assistant Trade Commissioner, and W. H. G. Metcalfe, Commercial Assistant, in Liverpool, will visit the following cities on the dates shown.

Nottingham—June 11-13
Birmingham—June 18
and 19
Manchester—June 20
and July 11

Leeds and Bradford—
July 3-4
Harrogate—July 17
Coventry—July 17-18

Bulgaria, Czechoslovakia, Hungary, Romania—Trade Commissioners in the Vienna, Austria, office make frequent visits to these countries, but often there is not time to publish their itineraries in advance. Therefore, Canadian businessmen who would like the Trade Commissioners to undertake assignments for them in these East European countries are advised to write to the Vienna office immediately.

Central America—R. D. Sirrs, Commercial Counsellor in Guatemala City, will visit Honduras, Costa Rica and Panama June 16-22.

Gibraltar—F. M. Mulkern, Assistant Commercial Secretary in Madrid, Spain, will visit Gibraltar June 24-26.

Thailand—A Trade Commissioner from Singapore will be making a monthly visit to Thailand throughout 1968. Correspondence should normally be addressed to the Singapore office although contact can also be made through the Canadian Embassy in Bangkok, P.O. Box 2090 (telex: 2277; cable: DOMCAN, Bangkok; phone: 32-956).

Tunisia—D. T. Johnston, Assistant Commercial Secretary in Berne, Switzerland, will visit Tunisia June 17-28.

Businessmen who would like the above to undertake assignments for them should write to the post as soon as possible.

Foreign Exchange Rates

These nominal quotations may help exporters in checking prices, but they should consult their bank before making any firm commitments. When more than one rate is shown, the one to be used depend on the commodity traded. Information on the rate for any specific commodity may be obtained from the Office of the 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 bank 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 .92.

To convert column two, divide by .92.

Country and Currency	Value of		Country and Currency	Value of	
	Foreign currency unit in Canadian dollars	Canadian dollar in foreign currency units at May 24		Foreign currency unit in Canadian dollars	Canadian dollar in foreign currency units at May 24
Algeria			Denmark		
Dinar	.2171	4.60	Krone	.1445	6.81
Argentina			Dominican Republic		
Peso (free)	.0031	322.58	Peso	1.078	.92
Australia			Ecuador		
Dollar	1.199	.8257	Sucre (official)	.0599	16.50
Austrla			(free)	.0536	18.45
Schilling	.0417	23.98	El Salvador		
Bahamas			Colon	.4311	2.31
Dollar	1.056	.9364	Fiji		
Beilum and Luxembourg			Pound	2.475	.40
Franc	.0217	46.25	Finland		
Bermuda			Markka	.2566	3.88
Pound	2.570	.39	France, Monaco, etc.³		
Bolivia			Franc	.2171	4.60
Peso	.0905	10.97	Franco-African Republics⁴		
Brazil			Franc	.0043	227.79
Cruzeiro (official free)	.3863	2.98	French Pacific⁵		
Britain			Franc	.0119	82.64
Pound	2.570	.39	Germany		
British Honduras			D Mark	.2710	3.68
Dollar	.6425	1.55	Ghana		
Burma			New Cedi	1.056	.94
Kyat	.2263	4.20	Greece		
Ceylon			Drachma	.0359	27.86
Rupee	.1811	5.47	Guatemala		
Chile			Quetzal	1.078	.92
Escudo (bank rate)	.1621	6.16	Guayana		
(free)	.1402	7.13	Dollar	.5389	1.85
China, Republic of			Haiti		
New Taiwan Dollar (official)	.027	37.04	Gourde	.2156	4.60
Colombia			Honduras		
Peso (fixed)	.066	14.95	Lempira	.5389	1.85
Congo, Repuhlic of¹			Hong Kong		
Franc	.0072	139.50	Dollar	.1778	5.56
Costa Rica			Hungary		
Colon	.1627	6.10	Forint (official)	.0921	10.86
Cuba²			Iceland		
Peso	.....	.....	Krona (official)	.0189	52.91
Czechoslovakia			India		
Koruna	.1497	6.64	Rupee	.1430	6.90

Country and currency	Value of		Country and Currency	Value of	
	Foreign currency unit in Canadian dollars	Canadian dollar in foreign currency units		Foreign currency unit in Canadian dollars	Canadian dollar in foreign currency units
	at May 24			at May 24	
Indonesia⁶ Rupiah			Paraguay Guarani (free)	.0086	116.28
Iran Rial	.0143	70.42	Peru Sol (free)	.0247	40.48
Iraq Dinar	3.018	.33	Philippines Peso (free)	.2754	3.61
Ireland Pound	2.570	.39	Poland Zloty (fixed basic rate)	.2695	3.68
Israel Pound	.3079	3.23	Portugal & Colonies⁷ Escudo	.0375	26.33
Italy Lira	.0017	581.86	Saudi Arabia Riyal	.2066	4.84
Jamaica Pound	2.570	.39	Sierra Leone Leone	1.509	.66
Japan Yen	.0030	333.33	Singapore Dollar	.3521	2.82
Kenya Shilling	.1526	6.55	South Africa Rand	1.509	.66
Lebanon Pound (free)	.3341	2.98	Spain & Dependencies Peseta	.0155	64.25
Malaysia Dollar	.3521	2.82	Sweden Krona	.2088	4.77
Mexico Peso	.0862	11.47	Switzerland Franc	.2496	4.01
Morocco Dirham	.2130	4.65	Syria Pound (free)	.2821	3.51
Netherlands Florin	.2980	3.34	Thailand Baht (free)	.0523	18.90
Netherlands Antilles Florin	.5715	1.74	Trinidad & Tobago⁸ Dollar	.5392	1.85
New Zealand Dollar	1.203	.82	Tunisia Dinar	2.053	.48
Nicaragua Cordoba	.1540	6.42	Turkey Lira	.1198	8.28
Nigeria Pound	3.051	.33	United Arab Republic Pound (official)	2.479	.40
Norway Krone	.1509	6.57	United States Dollar	1.078	.92
Pakistan Rupee	.2263	4.38	Uruguay Peso (free)	.0043	232.55
Panama Balboa	1.078	.93	Venezuela Bolivar (official free)	.2397	4.17
			Yugoslavia Dinar (official)	.0862	11.47

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. Also used in Barbados, Leeward and Windward Islands.

Up in the Air and on the Ground

■ The 125 people who gathered recently in Montreal's Queen Elizabeth Hotel for a one-day seminar on international air freight concentrated on trends both in the air and on the ground. The seminar, sponsored by the Canadian Export Association, following a similar one in Toronto, featured speakers and panelists drawn both from CEA member airlines and from industry. Together they presented the case for greater use of air freight and looked ahead to new developments that would make it even more useful in serving foreign markets.

The first speaker, Dr. F. R. Denham of Stevenson and Kellogg Ltd., focussed on the whole logistical problem of which air freight is a part. He explained the "total distribution concept" and the inter-related functions included in the physical distribution of goods—from freight and transportation to packaging, warehousing, inventory management, customer service, and so on. He pointed out how this concept should be used in evaluation of the various methods of transporting goods. The traffic manager of the International Division, Honeywell Inc., of Minneapolis, who followed him on the program, described how Honeywell had employed the "total cost concept" in making an economic evaluation of air freight. He illustrated the company's formula with slides. As a result of these studies, Honeywell had elected to use air freight exclusively for its shipments to Europe.

Hugh Johnston, director of cargo sales for Air Canada, gave concrete examples of how shipment by air had helped to increase export sales. He cited case histories of how it had enabled exporters to meet unpredictable demands in foreign markets, to introduce greater sophistication into inventory control, and to reduce losses from theft in transit, among other things.

Many of the subsequent speakers and much of the discussion concentrated on current or imminent changes in handling air cargo. In these discussions two words emerged often—computers and containers.

Computers will be used more and more, the airline representatives explained, to make air cargo reservations, to operate and administer cargo capacity, for handling systems within air terminals, and for providing immediate data about a shipment at any point during its movement from the supplier's plant

to its destination. According to V. J. Horasan, cargo sales development manager for Air France, "It's expected that the computer will soon make most air freight paperwork—if not all—obsolete." It will also help to set rates and to plan the most economic routings.

The computer can also help with documentation. One of the achievements of the International Air Transport Association has been the working out of an international Air Waybill, which has been accepted by over 100 airlines and is the only document needed to cover carriage over any distance by as many airlines as necessary. Now the time is approaching when IATA will be able to put into use a transmittable Air Waybill that can be received at destination by electronic teletype in advance of an air shipment's arrival. This means that the shipment can be cleared quickly. Better still, arrangements can be made for forwarding it by another airline or by surface transportation before the plane touches down. This service will probably be available first over the North Atlantic.

The word "container" was also heard frequently. IATA's director of cargo traffic services, A. D. Groenewege, spent some time describing the IATA Container Program which "approves and registers containers and pallets owned by member airlines, shippers, and container manufacturers." The emphasis is on standardization of sizes and quality control. From October 1, 1967, IATA has been registering only containers of the 17 standard sizes on which it has agreed—although a transition period of two years has been allowed for the phasing out of non-standard containers. A new incentive system will also be introduced to encourage the greater use of containers. The minimum design criteria and the quality control tests that will apply were adopted at IATA's Cargo Traffic Conference in Puerto Rico last October.

Under the container program, the consolidation of small shipments into larger container units will be practised. The need for this was illustrated by the statement that a Boeing 747 freighter can carry 160 tons of cargo and must be loaded and unloaded in less than an hour. Consolidation brings in the air freight forwarder/consolidator and he was represented at the seminar by A. R. Booth, president of the Canadian International Freight Forwarders Assoc. Inc.

Mr. Booth explained in detail the services that freight forwarders offer, including consolidation. "The consolidator", he said, "publishes his own groupage tariff to selected destinations, offering quite substantial savings as compared with airline rates, especially on your smaller shipments." He also sees each shipment through to its final destination.

One of the speakers stressed the need for proper packaging of air cargo, because false economy may mean large damage claims. Shippers should remember that their products usually must move by truck as well as by air. They must be protected against shifting within the package and even light cargo such as wearing apparel needs packages strong enough to stand up when stacked one on top of another. Heavy pieces should be mounted on skids. It was recommended that exporters keep an eye on new packing developments, such as the use of strengthened aluminum alloys. Markings on packages should be large and bold so that they can be identified easily but should not give away what the contents are. That is an invitation to the pilferer.

Already the subsonic jets like the 747F and larger capacity aircraft are on the horizon. What difference will these giants make in air cargo rates? This question was discussed by H. B. Main, assistant vice-president, sales and traffic and industry affairs, for Canadian Pacific Airlines. He foresaw a decrease in direct operating costs with the big planes but not necessarily a corresponding decrease in indirect operating costs—such as selling of space, allocation of space, cargo handling, and the carrying cost for new equipment. He did predict, however, that "the Atlantic should see about 5 per cent per annum reduction between now and 1970 and 3 per cent per annum 1971-75. On the Orient route it is anticipated that 1970 should witness a 10 per cent lowering and in 1972 another 10 per cent." He also looked ahead to the time when the airlines might offer door-to-door service.

All the airline representatives agreed that coming soon would be better trained, more highly qualified cargo sales staff, able to work with exporters on their distribution and development problems, much as an advertising account executive does with his clients.

Statistics presented to the seminar showed that air freight traffic, eastbound and westbound, over the North Atlantic alone increased 271 per cent between 1960 and 1967. The potential for growth and for more efficient service to exporters is still great and the airlines, conscious of this, will continue to streamline both their equipment and their techniques.

—O. MARY HILL
Editor, "Foreign Trade"

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