MARCH 30. 68

FOREIGN TRADE

DEPARTMENT OF TRADE AND COMMERCE, OTTAWA

The Canadian Businessman and Aid to India

FOREIGN TRADE

MARCH 30, 1968 Vol. 129 No. 7

COVER: The Indian engineer on the left is at work on the site of the Canadian-type nuclear power station being built in Rajasthan State under a $37 million ECIC long-term loan for the first stage. This man spent one year training in Canada before returning to become one of the civil engineers on the project. For an analysis of our total aid to India program, see the article on page 2.

Established in 1904. Published fortnightly by the Department of Trade and Commerce.
The Hon. ROBERT H. WINTERS, Minister.
J. H. WARREN, Deputy Minister.
O. MARY HILL, Editor.
Material appearing in this magazine may be reprinted with credit to "Foreign Trade".
Subscription: $5.00 a year in Canada $7.00 abroad.
Single copies: 25 cents each.
Please forward all orders to: Queen's Printer, Government Printing Bureau, Ottawa.

COMING—THE U.S. MARKET FOR FOREST PRODUCTS, APRIL 13 ISSUE

94310—1

Ever wonder how Canada's large foreign aid program for India is administered and whether your company could supply goods or services for it? This article explains clearly both the process and the possibilities.

A Montreal firm of consulting engineers has designed and is supervising construction of the $125 million Idikki hydroelectric project, financed mainly with grant aid. In foreground (left) is the chief geologist for the Canadian firm, with the geologist for the Kerala State Electricity Board.

The Canadian Businessman and Aid to India

KENNETH G. DeWOLF,
Assistant Commercial Secretary, New Delhi.

AID TODAY is a big and an important business and nowhere is it bigger than in India. This vast and largely undeveloped Republic of 520 million people is by far the world's largest recipient of foreign aid. During the last fiscal year (April 1966 to March 1967) more than one billion dollars was pledged to India by other countries and by various international agencies.

By any yardstick, Canada's aid to India is important. It is the largest single recipient of our aid and we are certainly one of its largest donors. For 1967-68 Canadian aid to India totals $103.8 million (see Table I for details), and this is provided on particularly generous terms. One special feature of our aid program which should be noted, in addition to its size and generous terms, is its responsive nature. The Canadian Government does not on its own initiative earmark aid funds for specific projects or materials. Rather, it makes allocations for broad categories of goods (such as those shown in Table I) and responds to Indian requests for assistance within those categories. Thus, Canada has been notably free from

TABLE I

CANADIAN AID TO INDIA, 1967/68

Category	*Amount (Cdn.$ million)*
Industrial raw materials	$ 10.0
Fertilizers	10.0
Non-project, non-commodity	18.0
Food aid	50.0
Technical assistance and miscellaneous	2.0
Debt relief	1.3
ECIC suppliers' credits	12.5
Total	**$103.8**

accusations of attaching strings to its aid.

Although the raison d'être of the Canadian aid program is to assist Indian development, inevitably when money is available and goods and services are to be purchased, business stands to benefit. Thus, any businessman who wishes to increase his ESP* should be on the lookout for ways in which he can participate in Canadian aid programs.

As mentioned above, our aid program is responsive and individual requests for assistance are generated from India. Let us look for a moment at the manner in which requests arise, how they are dealt with, and some of the ways in which these could be influenced by export-minded businessmen.

Drawing Up the Proposal

On the Canadian side, the vehicle through which the aid program is administered is the External Aid Office in Ottawa. Each spring the External Aid Office (EAO), in close consultation with the Department of Trade and Commerce and other interested Departments, draws up a package proposal on aid to India. It does this bearing in mind a number of factors, such as India's current and expected requirements, its long-term development program, Canadian availabilities and capabilities, and the role which Canada has played in past assistance to India. This package spells out in broad terms the general composition of our aid offer and fixes the amount of funds to be allocated. Generally, however, it does not mention specific equipment or materials to be supplied, except where these are obvious, as with food aid.

The package proposal is submitted to the Government for approval and as soon as this is received, the Indian Government is informed of the offer for the coming year. Funds then become available for disbursement as various agreements are concluded between the two Governments.

The signing of an agreement may be delayed for some time until it is known exactly what is to be procured with the funds furnished. Sometimes, however, an agreement may be signed without an indication of the precise items to be purchased. This was true of this year's $10 million fertilizer agreement, in which the material to be purchased was described simply as "fertilizers and fertilizer components . . . as may be mutually agreed between Canada and India."

Even before our aid program is officially announced, the Indian Government has a pretty good idea of its ultimate composition. It therefore at an early stage begins to formulate plans for its use.

Indian Government Decides

The co-ordinating body for all the aid India receives is the Department of Economic Affairs in the Ministry of Finance. It constantly gets requests from private firms, public sector companies, state governments, and other central government departments for foreign exchange allocations to meet import requirements. All of these requests are screened in the light of Indian development priorities and what is available within the country, and only the most deserving requests are approved for purchase against scarce foreign exchange.

Once an import request has been approved, the Department of Economic Affairs must determine an appropriate source of foreign exchange for the purchase. The alternatives are an allocation from free exchange or from one of the aid credits offered.

Through its contacts with potential importers, agents, and the Canadian Trade Office in New Delhi, the Indian Government can obtain a good idea of the various materials and equipment available from Canada and of those areas in which Canada is most competitive. When the DEA has itself approved an import request for which it considers Canada the most suitable source of supply, it makes a request to the Canadian Government that this import be included under Canadian aid.

All requests for inclusion in Canadian development aid financing are carefully reviewed by the External Aid Office and, in making a decision on whether to accept or refuse an item, it considers a number of factors. The first and so far inviolable rule is that the equipment must have a purely non-military application and no requests for arms or other military equipment are considered for financing under Canadian aid. Second, the material should be of tangible benefit to India's economic development program. To determine this, the External Aid Office may draw on its own background research, Indian Government planning forecasts, World Bank reports, and other sources. Third, the item must be available in Canada and have an acceptable Canadian-manufactured content (generally a minimum of 80 per cent).

Procurement Process

When it has been decided that an Indian request meets all the criteria for aid financing, procurement may proceed—provided, of course, that the relevant agreement has been signed. Procurement is carried out on the basis of import licences issued to the Indian firm, government department, etc., by the licensing authority (the Controller of Imports & Exports). Where government or quasi-government purchases are involved, one of the established government procurement agencies, such as the Department of Supply, the state trading corporation, or the India Supply Mission (Washington), may be used. When detailed specifications are required before an order for equipment can be placed, the Canadian Commercial Corporation or a Canadian consultant may assist the Indian Government in procurement.

The normal method of soliciting offers is by tender, although where the equipment to be purchased is not conducive to tendering, negotiated purchase may be authorized. Tenders must be sent to a representative list of Canadian suppliers, with a copy to the External Aid Office, and firms which quote against the tender are instructed to send a copy of their offer to the EAO. In evaluating the offers, the Indian buyer is obliged to accept the lowest offer which meets the specifications and any deviation from this rule requires EAO's specific approval. When the buyer places the order, a copy is sent to the External Aid Office for its scrutiny and if all procedures have been correctly followed, a confirming purchase order is issued to the Canadian supplier, authorizing him to proceed in filling the order. The External Aid Office generally makes payment to the supplier on

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* Export Selling Power

receipt of proof of shipment, although other payment procedures have been used.

Specialized Forms of Aid

What types of products are likely to be financed under Canadian aid and would therefore be of interest to the export-minded Canadian businessman? Let us review some of the forms which Canadian aid takes in order to uncover some of these export opportunities.

Three types of assistance can be eliminated immediately because they do not present any export opportunities, except in an indirect way. These are food aid, technical assistance and debt relief, all three of which figure in this year's aid program. Food aid has in the past included commodities like flour and milk powder, but by far the major portion of our food aid has been in the form of wheat. The amount of food assistance allocated each year depends to a large extent on estimates of food supplies in India and is a rather special form of aid. Technical assistance funds are used to send Indian trainees to Canada, usually for postgraduate studies at Canadian universities, and to bring Canadian experts to India. The funds are not available for the purchase of any materials or equipment and thus do not present any export opportunities. The item shown in Table I as debt relief relates to the cancellation by Canada of all further repayments due on a wheat loan made to India in 1958.

An ECIC long-term loan to India was used to purchase Canadian capital equipment to expand aluminum production facilities there. Included was machinery for a new aluminum foil rolling and converting plant at Kalwa, in Maharashtra, next to an aluminum powder and paste plant. The picture shows a foil rolling machine there.

Where Opportunities Lie

The remaining forms of aid do present many opportunities for sales to India and we shall look at these in a little more detail.

Over the years, a regular feature of the Canadian aid program in India has been a large allocation for commodities (industrial raw materials) and this year $10 million has been provided for this purpose. Commodities are selected by the Indian Government, in accordance with its requirements, from a list of raw materials which Canada has traditionally supplied. The list includes newsprint, aluminum, copper, lead, zinc, nickel, asbestos, sulphur, wood pulp, and synthetic rubber. Purchasing under the commodity loan is done by tender directly by the actual user against import licences issued by the Government of India. The only exception is newsprint, for which the state trading corporation is the tendering authority.

This year the commodity package was substantially expanded by the signing of a separate $10 million agreement for fertilizers. This marks the first time that fertilizers have been procured from Canada in such large quantities. All fertilizers are purchased through the Central Government's Department of Supply, but if a separate tender is issued for potash, this is usually done by the state trading corporation. A large fertilizer tender which will use up the bulk of the funds was issued by the Department of Supply in December 1967.

The decision on what types of fertilizer are to be purchased from Canada and in what quantities is made by the Ministry of Food and Agriculture which has the responsibility for co-ordinating Indian agricultural policy. Before drawing up its tendering plans, the Ministry first reviews the availability of fertilizers in Canada to ensure that the full quantity tendered for can be offered. Usually this check is made through the offices of the Canadian Government but where Canadian fertilizer suppliers have established agents in India, the latter may also be asked to provide information. By being able to provide up-to-date data, an agent may be able to swing a tendering opportunity in favor of his principal and have a larger proportion of his product included.

Non-Project Non-Commodity Aid

The largest component other than food aid of this year's aid program is $18 million in non-project, non-commodity funds. This allocation should be of great interest to Canadian businessmen because India can buy a wide range of goods under it and Canadian firms have opportunities to sell various types of equipment.

The term "non-project, non-commodity" is rather unwieldy and negative and requires some explanation. "Non-project" means that the allocation is designed to enable India to purchase many types of materials and equipment, not necessarily associated with any one Canadian-assisted project. The "non-commodity" portion means that the funds are not available for the purchase of industrial raw materials because these have been provided for in other agreements. The non-project, non-commodity agreement is therefore a catch-all allocation to enable India to acquire all types of materials and equipment from Canada not provided for under other types of financing.

What types of equipment are likely candidates for financing with non-project, non-commodity funds? In the past few years Canada has shipped to India a variety of equipment, such as industrial and port locomotives, bakery equipment, spare parts for aircraft and locomotives, electrical equipment, and scientific research equipment. Because of the broad coverage of this category, there are many opportunities for Canadian manufacturers to develop sales of their products. An agent who has good contacts with both business and Government in India can be useful in uncovering these areas of opportunity.

In general, the Indian business community is not very well aware of the range of goods which Canada can offer. Indians know, of course, of our competence in those areas in which we have been deeply involved in India in the past, such as raw materials, nuclear science, hydroelectric power generation, locomotives, and consulting engineering services. But in other areas Canadian capabilities may not be as well recognized and it is usually necessary for a manufacturer to get out into the field and make himself known. With an agent, a Canadian firm can maintain direct contact with Indian buyers and can be on the spot when a need develops. In addition, an agent may be able to develop a requirement non-existent before and thus create a demand for a product which his principal could sell under the aid program. Thus, even where sales are restricted to aid, an agent can be useful.

An additional feature of Canadian non-project aid which should not be overlooked is that it may be used to finance the purchase of equipment when a Canadian manufacturer has been successful in an international tender.

EAO Project Allocation

Another type of assistance which is not shown in Table I is the project allocation made available by the External Aid Office. As the name implies, these funds are set aside to purchase equipment and services for the implementation of specific projects. In 1967/68, in response to an Indian request and the Aid India Consortium recommendation, all new aid funds were allocated to maintenance imports and further project allocations were deferred to future years. There are, however, a number of projects under way in India which are being financed out of past years' funds and which present opportunities for Canadian manufacturers. The catalogue of equipment to be bought for these various projects is, of course, too long to list here in any detail. However, a general list of this equipment (which is in various stages of procurement) includes the following:

- Electrical generation and transmission equipment for the Idikki hydroelectric project (for which a $19.5 million agreement was recently signed).

- Consulting engineering services for Idikki (under a $5.5 million allocation).

- Drilling and various other equipment and services for the Geological Survey of India (for which a $9 million agreement was recently signed).

- Construction equipment for the Idikki project and for the Central Water and Power Commission (out of a $3.5 million allocation).

- Transportation and drilling equipment for the Oil and Natural Gas Commission (from a $1.2 million allocation).

Thus, even though no new projects were instituted this year, there is still plenty of money available to purchase equipment for on-going projects.

ECIC Long-Term Financing

The final category of Canadian financing for India involves the Export Credits Insurance Corporation, with which most Canadian exporters are already familiar. Under Section 21A of the Export Credits Insurance Act, ECIC has extended long-term financing at an interest rate of 6 per cent and repayment over 15 to 20 years to the Indian Government or to private Indian firms for the purpose of procuring capital equipment from Canadian manufacturers. As part of Canada's pledge to the Aid India Consortium, as of March 31, 1968, Canada has made available $87.5 million in ECIC financing. Funds have been committed and loan agreements signed to use funds somewhat above the amount pledged.

As I mentioned at the beginning, the reason for a Canadian aid program in

TABLE II

ECIC Section 21A Loans to India

	Amount of Loan (Cdn.$ million)	*Date Loan Signed*
Rana Pratap Sagar hydroelectric project	8.0	Dec. '63
Indian Aluminium Co. foil mill and smelter	1.0	Dec. '63
Mainline locomotives for Indian Railways	7.7	Dec. '63
Rajasthan atomic power plant—stage I	37.0	Apr. '64
Cominco-Binani zinc smelter	1.6	May '64
Indian Aluminium Co. expansion	0.9	June '64
Bangalore trisonic wind tunnel	4.2	July '64
Hindustan steel-alloy steel plant	1.96	Oct. '64
Kota hydroelectric project	8.0	Feb. '65
Rajasthan atomic power plant—stage II	38.5	Feb. '67
Indian Aluminium Co. west coast smelter	5.5	Aug. '67

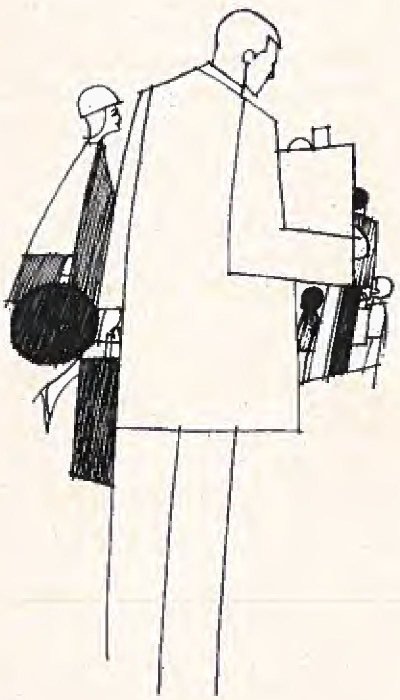
India is and always has been its humanitarian aspect—to assist India through its development program to overcome poverty and hunger. It was never intended to be a method of promoting the export of uncompetitive products. Despite this fact, the existence of a large Canadian aid program in India does present opportunities for Canadian firms to enter a market which might otherwise be closed to them, not because they are uncompetitive, but because without aid or financing, foreign exchange would not be forthcoming to finance the present level of Indian imports. Any businessman who is interested in India as a potential market for his products would therefore do well to keep a close watch on the Canadian external aid program. Up-to-date information on opportunities under aid both in India and in other areas of the world may be obtained from the Department of Trade and Commerce in Ottawa and from the Commercial Division of the Canadian Embassy in recipient countries.

One final word on exports to India. The Canadian aid program is not the only way in which these sales can be made and there are possibilities for normal commercial transactions, although these are necessarily circumscribed by the limited foreign exchange resources. By appointing a good agent in one of the major business centers, a Canadian firm can keep in touch with all opportunities, both for aid and commercial sales, as they arise. The Commercial Division of the Canadian High Commission in New Delhi will always be pleased to help any Canadian firm interested in locating an Indian agent. ●

"Some hae meat and canna eat,
And some wad eat that want it:
But we hae meat and we can eat,
Sae let the Lord be thankit."*

More Scots Eat "Canadian"

A. B. BRODIE, *Trade Commissioner, and*
D. G. NELSON, *Assistant Trade Commissioner, Glasgow.*



BRIGHTLY COLOURED packages of Canadian foods in Scottish stores are a far cry from the wheat and flour sacks of a hundred years ago. Since World War II, Canada's food processors have greatly increased their share of this retail market and the past decade has seen many of our familiar brands become firmly established. Nowadays, the Scottish housewife seldom leaves the shop or supermarket without a Canadian product in her basket.

She may be carrying onions from Ontario and apples from British Columbia or Nova Scotia. Her bread may be made from prairie flour, her husband's whisky from prairie barley. The weekend rib of fine Aberdeen Angus beef and Thursday's plump pork sausages will owe much of their quality to feedstuffs made from Western rapeseed or fish meal from the Maritimes. Sometimes the Canadian origin is not obvious, but the can of Canadian tomato juice or B.C. apple juice is recognized as the best on the Scottish market.

Welcoming guests, the housewife might serve sardines from New Brunswick, Prince Edward Island lobster, and B.C. black cherries flambé for dessert. To round off the meal, everyone would have a slice of mature cheddar from Quebec. Hypothetical? —yes, but all these foods are available in Scotland.

Brand names such as Aylmer, York, Black Diamond, Schwartz, Maple Leaf, Chun King and many others are just as well known in Scotland as in Canada. One could add other success stories to this impressive list. In a few short years, thanks to the co-operation of the Department of Trade and Commerce and the Canadian Honey Producers, our honey has captured a sizable share of the British

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*The Selkirk Grace by Robert Burns.

market. From sweet to sour, two Canadian packers have carved out a major slice of the relish and pickle market. (An experienced Scottish broker attributed this success to good timing.)

Devaluation Challenges Exporters

Although the longer-term effects of devaluation are not yet known, price increases would be bound to alter Canada's competitive position. Fortunately, many of our main foreign rivals in the British market are countries which have not devalued—exceptions are Denmark and New Zealand. Pressure, however, is bound to come from the British Government's determination to encourage import substitution; milling wheat and feedgrains are the most likely to be affected. Grocery items will also face greater competition from domestically produced substitutes. On the other hand, food prices in Britain are generally expected to rise by 4 or 5 per cent in 1968, in addition to the normal upward trend of 2.8 per cent a year.

The Canadian exporter has many factors to consider. He must ask himself:

- Could the price increase be absorbed?
- Would the Scottish importer meet me halfway in holding prices down?
- Would a price increase be acceptable to the market?
- Should manufacturing under licence in Scotland be considered?
- Could package size be adjusted to offset part of the price increase?
- Should I consider shipping in bulk and packaging in Britain?

Many Canadian exporters have already made their decision. All are staying in the market; time will prove their policy. The established supplier must fight harder and there is still room for the good newcomer in the $3,900 million British imported food market.

Consumer Preferences

The shopping habits of Scottish housewives are changing. Before long, they will not differ much from the sophisticated approach of their Canadian counterparts. Lack of household refrigerators and lower per capita income have tended to restrict the quantities of foodstuffs bought at one time but oven-ready chickens, prepacked bacon, steaks and chops, and frozen fruits and vegetables are now on housewives' shopping lists. Ten years ago, these foods might not have even tempted average housewives in the larger towns. Canadian suppliers should not assume, however, that dietary patterns are the same throughout the British Isles. The Scots have definite preferences. A recent report by the British Ministry of Agriculture covering ten years showed that the consumption of margarine, dripping, preserves, cakes and biscuits is high in Scotland but that consumption of butter, cooking fats, flour and sugar is below the national average. Scotland grows and produces only about 65 per cent of its food, leaving a net requirement of over $180 million worth of such basic foods as meat ($15 million), cereals ($15 million), sugar ($33 million), milk ($102 million), and eggs ($18 million.)

The average housewife in the larger towns is beginning to purchase most of her food requirements in one store. It may be a supermarket, a co-operative, or one of the small self-service stores which have sprouted up in many parts of the country. Although the small self-service stores are currently popular in Scotland, their importance as a profitable sales outlet in major centers like Edinburgh, Glasgow, Dundee and Aberdeen will decline as supermarkets gain momentum. Moreover, some self-service stores plan to convert to supermarkets with a minimum of 2,000 square feet.

The average Scot now spends close to $4.68 a week on food and this will rise to over $5.00 by the end of 1968. The average household spends 27 cents a week on cheese, 78 cents on fruit, 39 cents on tea, 91 cents on biscuits and cakes, and as much as $2.75 on cigarettes. The amount spent on spirits consumed in bars or at home is still extremely high.

Make Sure of Exposure

The Scottish housewife, traditionally price-conscious and thrifty, is still willing to pay slightly more for quality and a recognized product. The larger supermarkets are putting greater emphasis than ever on "Buy British" or "Buy Scottish". The Canadian supplier must therefore be prepared to reassess the Scottish market so as not to lose customer loyalty to his products. He should begin with these questions:

- Are my products being displayed effectively in supermarkets and self-service stores across Scotland?

There are difficulties in obtaining shelf space in supermarkets. The average supermarket in Scotland displays less than twice the number of brands carried by the small self-service outlet, although it has over three times the display area. For example, a small store carrying 56 brands of biscuits will allocate seven linear inches per brand. The supermarkets, on the other hand, will carry about 95 brands of biscuits and provide 13 linear inches per brand.

- Are my products being packaged economically and realistically?

Housewives in Scotland purchase smaller packages than in England and much smaller than in Canada. Scottish supermarkets and self-service stores are not large by North American standards and there is much less total shelf space. The smaller the package, the better the shelf display. Besides, the customer wants a smaller package because usually she is limited to what she can carry, a situation likely to continue for several years to come.

- Should my products be packaged under more than one brand name?

This practice is not unusual and may be a good way to break into new areas. Supermarkets, for example, may not want a product if the same brand name is being offered to co-operative stores. Special brand names or "house" names must be considered for the voluntary chains, co-operatives and multiples—close consultation with one's agent is important on this point.

- Do my products meet the labelling requirements and pure food regulations?

The Trade Commissioner in Glasgow will be happy to assist a potential supplier on any queries relating to labelling and pure food regulations.

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Retailing Patterns

The corner grocery shop is still the social focal point for many a Scottish housewife. Each morning, she will trek to the shop with her string bag to "do her messages". The trend may be to self-service and supermarkets, but independents still account for about 55 per cent of the total grocery trade. To help you understand the structure more clearly, we will break the trade down into the major food distributing groups (they may be either self-service or personalized shops).

Independents—Voluntary chains and privately-managed shops make up this group, the largest in number of outlets and total sales. Outlets have been decreasing in number but sales are increasing, even in the face of supermarket competition.

This feat has been accomplished by banding together to take advantage of group buying. The Scottish Grocers' Federation has 1,500 members and runs its own importing department. Other voluntary chain members and most unaffiliated retailers rely on the cash-and-carry wholesaler. Independents are making greater use of self-service methods. Group buying and self-service retailing together have made it possible for the independents to hold on to a major share of the grocery market.

Multiples—The second largest marketing group, the multiples, accounts for about 34 per cent of grocery sales. This sector is dominated by Allied Suppliers, Associated British Foods, Safeway and others who are roughly equivalent to our supermarket chains in Canada. (Incidentally, Safeway Stores in Britain are under the direct control of Canada Safeway.) Not all the multiples are supermarkets; some are self-service and some small shops. The multiple, however, is still the most compact unit. To introduce your product to a single chain can often result in substantial sales. Buying is centralized and usually done through the most direct marketing channel. Many products are obtained direct from the manufacturer in Britain or from agent/importers.

Co-operatives—As in Canada, co-operatives have grown out of distressed economic times. In Britain, they are particularly strong in coal-mining areas. Today they account for about 17 per cent of grocery sales in Britain as a whole and perhaps as high as 30 per cent in Scotland.

Co-operatives are generally organized on a regional basis in groups of retail stores. They are encouraged to be loyal to their wholesale organization but some buy through independent and cash-and-carry wholesalers. The over-all co-operative organization includes manufacturing, wholesaling and retailing. The co-operative wholesaler, however, is not bound to buy only from the co-operative manufacturer. Many brand name products are sold through co-operatives, others are sold under "house" names.

One of the important things to remember about the Scottish trade is that there is a high degree of centralized buying within each of the three groups.

Pick Your Agent

Success for a Canadian food supplier depends on a positive approach to the market in the first instance. There are over twelve experienced and responsible food agents in Scotland with sales organizations which can serve efficiently Canadian suppliers not already represented in the Scottish market. Their introductions to supermarkets, self-service stores, co-operatives and wholesalers make them invaluable.

Promotion and shelf space tend to go together as in the bigger outlets. Smaller outlets are generally unsuitable for launching a new product.

If you have not already explored the possibilities of exhibiting your food products at Scottish trade fairs, you should do so. Scotland's Food Exhibition takes place in Glasgow this spring (April 16-27). For the Ideal Home Exhibition in Edinburgh next year (April 24-May 8, 1969) you still have ample time to draw up your plans. In-store promotions can be arranged in some 15 stores of one of the supermarket groups and is another effective way of improving sales. The Canadian Government Trade Commissioner in Glasgow will be pleased to hear from you if you wish to find an outlet for your food products in Scotland. ●

Inside View of Europe

CANADIANS trading with countries in the European Free Trade Area will find it useful to have on their bookshelves the various official publications of the EFTA Information Department. The principal ones are:

EFTA Trade 1959-1966
150 pages; of interest mainly to economists.

Annual Review of Agricultural Trade 1967
50 pages.

Building EFTA
150 pages; describes history, aims, and operation of EFTA.

The Rules of Origin
86 pages; revised 1967, full and well-written account.

Fisheries in EFTA
Surveys production, trade and consumption (English edition out of print; French and German available).

The Stockholm Convention
New edition including Finland-EFTA Agreement (English or bilingual English-French).

EFTA Annual Reports
Reports available for the years 1961 through 1967.

Agricultural Agreements
English out of print; French and German available.

EFTA Bulletin
A regular publication with much to interest Canadian exporters. The February 1968 issue, for example, contains articles on how EFTA tariff reductions have affected the trade in paper and on retailing in EFTA.

All these publications are obtainable in English or French, except as noted above. For free copies, write the EFTA Information Office, Suite 714, 711 Fourteenth Street, N.W., Washington, D.C. 20005.

Dear Sir:

Thank you for your recent inquiry about the German market for your factory-built homes, cottages, and ski chalets.

We are asked this question frequently and as a result we have accumulated a good deal of useful information on the subject. I would like to give you some background to put the problem in perspective and then outline the possibilities and the practical steps necessary to achieve results. Although this market will be a challenge, the long-term prospects are too promising to be ignored.

The market for prefabricated residential buildings has developed in Germany more slowly than in North America. This is the result of factors that continue to be important. Traditionally, a German builds his house to last literally generations; our concept of the one-generation house is just beginning to be accepted. Second, there is a certain reluctance to purchase prefabricated dwellings. This dates back to the devastation of World War II when the Government had to erect thousands of temporary living units to accommodate the masses of homeless persons. Third, German building codes favor masonry construction, even though frame construction is beginning to be accepted at official levels.

There is therefore a selling job to be done but if you find the right German partner, this will not be a barrier. There are opportunities here if you are prepared to adapt to the demands of the market. It seems certain that rising construction costs will accelerate the demand for cheaper building techniques. My colleagues in Britain and Holland have seen this happen already and we feel that it will happen in Germany as well.

Holiday Homes

If your principal interest is in straightforward export sales, your holiday homes and summer cottages probably stand the best chance. Because they are of more simple design and construction, they can be more readily adapted to conform with local building codes. In addition, the fact that they are made from wood is apt to be in their favor since weekend or holiday chalets are traditionally of frame construction.

To sell these, we recommend three specific steps.

1. First, have a consulting architect look over your designs to gauge their acceptability. He may recommend changes which you can incorporate in units destined for this market. This architect can either be independently engaged or he could be on the staff of your agent.

2. Second, obtain a reliable and aggressive agent. The agent could be a construction firm or a large importer of wood products who is well connected in this field. (When you have reached the stage of looking for one, the Trade and Commerce offices in Germany can be a great help and can get in touch with all the likely firms on your behalf.) At this point your agent becomes your overseas arm and he will require your close and continued support. Without doubt, any success will demand that you visit this market personally from time to time to help your agent help you. Such matters as participation in specialized trade fairs like Constructa and Bauma will require close liaison and financial support. It may also be advisable to advertise your homes either in the trade papers or in the consumer press. All of these steps will require detailed consultations.

3. Third, send the details about your houses to the semi-official building research institute. in Hannover. Its opinion is necessary before you can obtain official approval from the building codes authorities of the various state governments. The name and address of this organization is:

Institut fuer Bauforschung e.V.
Wilhelmstrasse 8
3000 Hannover
West Germany

This is a brief look at the potential and the problems in selling simple prefabricated structures. There is a market here which can be developed by any firm with a good product, resources and patience.

Permanent Homes

The prospects for the export of permanent residential homes will depend on your ability to adapt from standard Canadian practice. Canadian designs are unlike traditional German styles and local building codes are more complex and differ considerbly from certain standards in Canada. The effect of these two factors is that specific design changes will be necessary and prefabrication in Canada can only be partial because pipes, electric wires, outlets, kitchen hardware and so forth will have to be purchased, installed and approved locally.

Our detailed investigations and past experience indicate that these built-in obstacles are probably too difficult to allow large-scale exports of complete houses. There is an alternative, however, which we would recommend: a corporate partnership or working arrangement with a German fabricator. This has several advantages. First, you tie in your Canadian company with a German erection and distribution system. Second, some building elements may still be exportable from Canada and if they are not completely finished, you may be able to avoid some of the normal duty on prefabricated structures. This amounts to 11.2 per cent of the c.i.f. value, plus an additional 6 per cent turnover equalization tax on the duty-paid value. (A new system of "added value taxation" has replaced the turnover tax concept but its effect will probably not differ materially from the present one. See *Foreign Trade* of December 9, 1967, page 33.) Lastly, at the very least you can continue to use Canadian materials, even though the bulk of the actual fabrication has to be done locally.

In any event, we would recommend that you study this possibility if you feel you have sufficient capital resources to undertake such a scheme. This appears to be the method by which a Canadian factory-built home manufacturer can participate in this market on a major scale. We believe the experience gained in the British market bears this out. There the increasing use of Canadian fabrication techniques has resulted in larger sales of basic building products.

In fact, the first step towards joint operations was taken last November with the opening of a small housing project in Osterode, a city in Lower Saxony. The project consists of four row houses, built mostly with Canadian materials, using Canadian building techniques. This combination allowed the German contractor to build according to local building codes and at the same time keep the Canadian flavor. The favorable reaction of architects, officials and the public indicates that this is only a beginning.

This is the story in a nutshell. It is not an easy market and new approaches, new methods, and new ideas are required to exploit the possibilities open to us. However, the long-term prospects are good and aggressive firms will be rewarded if they do preparatory work now.

The Department of Trade and Commerce sponsored a mission in May 1965 which brought leading German building authorities to Canada. The mission was composed of prominent officials from state and federal governments and also included private architects. They toured Canada to observe, learn and comment upon Canadian building techniques and materials. The report made by this mission is required reading if you have a serious interest in this market, because it gives detailed information of fundamental importance. You can obtain a copy of this report from the Trade Missions Division of the Department of Trade and Commerce in Ottawa. I would suggest that you write for one before investigating further.

I hope that I have answered your principal questions. If you need any further information, or if we can help you in any way to become established here, please do not hesitate to write.

Yours faithfully,

D. S. McCracken,
Consul, Hamburg.

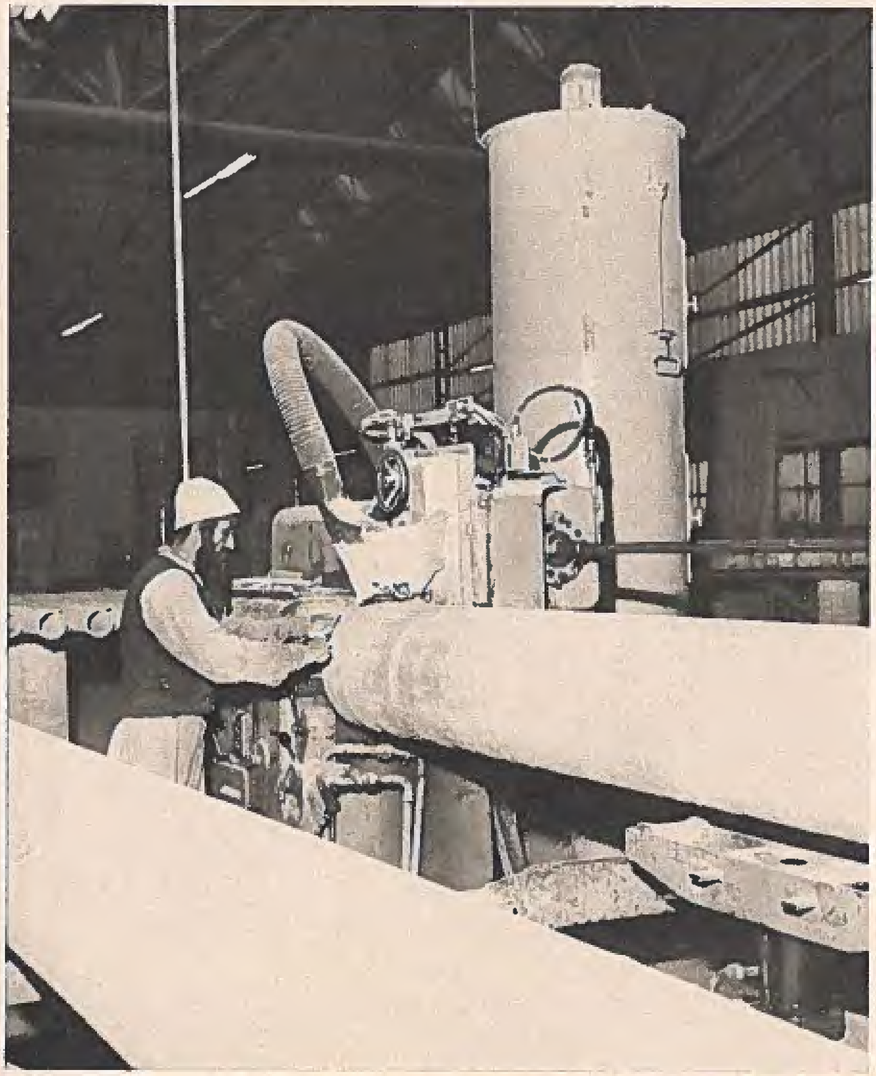
Israel Pushes New Programs

Israel is trying to do more trade with the industrial West, attract foreign investment, and cater to more tourists. These programs mean greater opportunities for alert Canadian exporters.

S. G. HARRIS,
Commercial Secretary, Tel Aviv.

LAST YEAR was eventful in Israel from a political point of view but not spectacular economically. The recession which began in 1966 persisted throughout most of the year and had a dampening effect. In spite of a massive public works program and conscription during May and June and, to a lesser extent, throughout the year, unemployment refused to drop below 6 per cent. Immigration was still only a trickle compared with the fifties and early sixties, but the Government predicts 30,000 immigrants in 1968 and is making great efforts to encourage particularly immigration of skilled people. The increase in the GNP, 1.2 per cent in 1966, is estimated at about 2 per cent for 1967. Prices and wages have remained stable for the past eighteen months.

As a consequence of the Government's policy of economic restraint instituted in the latter half of 1966, the economy began to revive as 1968 came in. Announced plans for expenditure and development programs should mean a return to something approaching the rate of expansion in GNP of the fifties and early sixties (9 per cent per year in real terms). Many major schemes have been brought forward in an effort to boost the economy and now that there are funds, there should be no hesitation in implementing new projects. Furthermore, as the basic infrastructure of the economy is largely completed, new investments should yield bigger returns in increased production.



Imported Canadian asbestos is used in this Israeli plant that turns out asbestos cement pipe. An immigrant from the Yemen is trimming off one end of the pipe.

Foreign Trade Improves

Israel's trade balance improved considerably in 1967. For the first time in six years the gap between imports and exports showed not only a percentage but an absolute decrease. Between 1964 and 1967 exports rose by nearly 50 per cent but imports increased only slightly. During this period, the Government made great efforts to foster larger exports by offering a variety of incentives, ranging from low-interest loans to direct export subsidies. With the help of the recession at home and the devaluation of the currency in November, this policy is now beginning to pay off.

Although it is still a member of the developing countries group in world councils, Israel is currently endeavouring to increase its formal ties with the industrial Western countries, particularly in Europe, to which the bulk of its trade goes (see box). Israel currently has a trade agreement with the EEC; this, however, excludes such products as oranges, plywood, rubber tires, and eggs.

Israel's application for associate membership in the EEC has been pending before the council for over a year without any action so far but it is pinning its hopes on some form of association with Europe, where the Israelis want to obtain outlets for their expanding new industries.

In its efforts to find closer associations with Europe, Israel has not neglected other areas and its exports to Africa, Asia, North and South America are showing steady gains year by year. A big factor in this development is the expansion of Israeli shipping on the international ocean routes. Africa is an area which shows particular promise and one where Israeli trade is growing rapidly. With ports on both the Mediterranean and the Red Sea, Israeli ships keep a constant shuttle service around the African continent, exporting textiles and manufactured goods and bringing back raw materials for industry—timber, hides and skins, rough diamonds, etc. Increasingly, Israel is taking an interest in trade with the developing countries of Africa and Asia, where its manufactured products find a ready market. Its foreign aid program provides an additional means of introducing its methods and products into these new markets.

Tourist Trade Expanding

By far the most important foreign exchange earner in Israel is tourism and the months since the June conflict have seen the biggest tourist boom ever. In terms of overseas arrivals, the last six months of 1967 were the busiest in the country's twenty-year history. Total 1967 tourist figures were only slightly below the 300,000 all-time record of 1965, and the predictions for next season's tourist traffic are optimistic. Winter cruise ships are now spending several days in Haifa, and the Israeli Government is easing its restrictions on charter flights from Europe, so that one can look forward to much larger numbers of non-Jewish visitors during 1968.

Development Program

Taking advantage of the renewed interest shown by the international Jewish community in the aftermath of the war, the Government has brought forward new programs for assisting Israel's economy. These seek to encourage large-scale investment in Israel by the Jewish community overseas, primarily in North America. An important move in this direction was the holding of the now famous "Millionaires Club" conference in Tel Aviv last August, at which some 80 of the most prominent and influential overseas Jewish businessmen gathered. This was only a prelude to a much larger conference to be held in April 1968, in which 500 or 600 overseas Jewish businessmen are expected to participate. The object is to encourage investment in productive enterprises within Israel, to complement previous appeals for funds and bond sales, and to get undertakings from merchant firms and retailing organizations overseas to market products of Israeli industries in their home countries.

The preliminary conference in August was notable for the frank discussions between the overseas guests and representatives of the Government who did not see eye to eye on a number of aspects of investing in Israel. Despite this, one cannot underestimate the effect that this program is likely to have in encouraging increased flows of capital into this country, in giving a fillip to the industrial development program, and in ultimately solving many of the economic problems.

It is the Government's aim to establish in Israel industries that can produce the majority of goods needed for personal consumption. Through subsidies, tariffs and tax rebates, the Government has made it attractive to set up industries producing a wide range of consumer goods, processed foodstuffs, and as far as possible, necessary industrial products, component parts, and capital goods. The country is not completely self-sufficient and needs to import some foodstuffs, feedgrains and frozen meats. With the exception of agricultural products, potash and phosphate rock are the only raw material resources, and all manner of metals, minerals and forest products must be imported.

One can foresee a large expansion in industry because it is Israel's avowed policy to turn itself into a Middle Eastern workshop processing imported raw materials and exporting highly processed manufactured goods to world markets. A further trend in recent years is the emphasis on the development of science-based industries with a high technical and knowhow content. This effort has so far yielded only a few results, but could produce some major achievements in the next decade. Israel has already made a success of importing rough diamonds and exporting finished stones; of im-

ISRAEL'S FOREIGN TRADE

	1966	*9 months 1966*	*9 months 1967*
		(U.S.$ million)	
Total imports	825.5	704	609
of which			
Oilseeds	33.7	—	—
Cereals & products	64	—	—
Petroleum & products	58.9	—	—
Chemicals	45.8	—	—
Yarns & fabric textiles	21.2	—	—
Diamonds (rough)	138.9	—	—
Iron & steel	45.9	—	—
Machinery non-electrical	78.6	—	—
Machinery electricat	45.4	—	—
Wood	23.6	—	—
Total exports	476.8	399.8	415
of which			
Mining products	19.1	15.5	12
Tires, tubes	9.6	7.9	7.3
Chemicals	24.9	20.3	26.3
Foodstuffs	34.7	30.0	30.7
Textiles & clothing	44.9	36.4	40.5
Diamonds (gross)	189.5	155.8	161.7
Citrus fruits	74.4	68.9	76.3

What Israel Is Planning

TO GIVE some idea of what is happening in Israel, we have gathered together information on a number of major developments which might present opportunities for the Canadian exporter, especially of manufactured goods. We hope that our readers will help to broaden the range of our exports to Israel by investigating any of the following in which they are interested.

Aircraft Industry (see *Foreign Trade* December 23, page 12)—During the past year, Israel has moved into the production of aircraft for world markets in two ways. First, it has designed its own STOL 20 passenger freighter aircraft called the Aravah, which is due to fly in late 1968. Second, Israel Aircraft Industries has purchased the Standard Rockwell Co. of the United States and proposes to transfer the entire manufacturing plant to Israel. This firm produces the successful Jet-Commander executive aircraft, which has a proven international market. A few Canadian firms have already contracted to supply aircraft component parts to Israel and others might like to investigate this possibility.

Chemical Plant—As detailed in the article on page 36, Israel is making rapid strides in heavy chemicals. The Dead Sea Salt Works is planning to double its capacity. Nearby at Arad a new chemical combine will be set up to combine hydrochloric acid extracted from the Dead Sea with phosphate rock to manufacture a complete range of phosphate fertilizers. Construction is expected to start this year and proceed in several stages through to 1975.

Oil Refinery—Israel's present refinery at Haifa is reaching full capacity and because consumption in the country is rising rapidly, a new refinery is to be built, probably near the port of Ashod. A consortium of local and U.S. independent oil firms will erect the new refinery and market the products.

Oil Exploration—Israel produces domestically a mere 8 per cent of its oil requirements but indications suggest that major oil resources lie hidden in the sands of the Negev and in offshore areas. Several private companies, with government encouragement, are drilling in an effort to locate new producing wells. Near the Dead Sea a recent drill-hole located a substantial reservoir of natural gas and further exploration is continuing. Last year, a Canadian aerial survey team did a geomagnometer survey of the country. There could be opportunities for further technical services and equipment from Canada.

Oil Pipeline—Israel is building a 42-inch pipeline from Eilat on the Red Sea to Ashkalon on the Mediterranean. This will have an eventual capacity of 50 million tons of crude oil and will allow the new supertankers to unload at the top end of the Red Sea and convey their cargo to the Mediterranean by pipeline. The pipeline will be competitive with the ocean journey around Africa. Steel for the pipe has already been purchased in Germany and Italy, but ancillary equipment, pumps, valves, storage tanks and docking facilities will be required.

Airports—Lod International Airport is to be rebuilt with new runways, new terminal facilities and ancillary apparatus, and at least two national airports will be extended. This means opportunities for Canadian suppliers of airport equipment of all kinds.

Hotels and Tourism—As mentioned in a previous article, tourism will boom in Israel during 1968 and present facilities will be overtaxed. Because hotels are classed as an investment enterprise, capital equipment for hotels receives preferential tariff treatment and is exempt from local purchase taxes. This offers an opportunity for manufacturers of hotel and catering equipment to avoid the onerous tariffs and taxes which are normally applied on consumer items.

Many of these projects are financed from abroad, particularly North America, and in some instances Canadian money is being invested. Canadian suppliers can therefore make approaches right at home without incurring the expense of on-the-spot investigation.

Television—Israel's first commercial television station began telecasting four hours a day in the fall of 1967. New studios are being erected in Jerusalem and transmitter equipment is being located throughout the country to service the entire area. There are opportunities for television sets, production and broadcast equipment, and some Canadian firms are already looking closely at the market potential. So far, two foreign companies have set up assembly facilities in Israel and others are expected to follow suit in the near future.

Electronics—In its effort to use the talents of its people, Israel has embarked on a program of encouraging the establishment of an electronics industry. Canadian firms might like to consider the possibility of supplying components and sub-assemblies. In the field of telecommunications also, domestic production is more and more meeting local requirements, but large quantities of components are needed and sophisticated equipment must still be imported. In 1964, under Export Credits Insurance financing, one Canadian company obtained a contract for over $2 million of telephone equipment. We can compete in the international market and in particular in nearby Mediterranean countries.

Mining—King Solomon's original copper mine is still producing profitably in the southern Negev and plans a major expansion with the sinking of its first underground shaft and further underground development. Canadian firms in the mining equipment field should investigate this project further. Israel also mines phosphate rock by open pit methods and other mineral deposits in the Negev may be developed in the near future. Prospects in mining equipment, in which Canada excels, look promising.

Food-Processing Equipment—Israel's expanding agricultural production is providing the basis for a bigger food-processing industry and already its products are beginning to appear on world markets. This is an area bound to expand in the next few years and much of the equipment for new plants will need to be imported. Canadian experience in this field should be useful and there are opportunities for all manner of food-processing and packaging machinery.

Scientific and Medical Equipment—Hospital and health services are available under a government-sponsored scheme. Much of the equipment is imported and opportunities abound. The recent concentration on the development of science and science-based industries has created a market for laboratory and scientific apparatus of all kinds. Canadian firms might find it profitable to investigate.

porting mahogany logs from Africa and exporting plywood and furniture, and to a lesser extent, of developing scientific and electronic instruments. There is every likelihood that it can achieve similar results in other fields.

Import Controls Reviewed

High tariffs and quotas have traditionally been used to protect the domestic market and stimulate investment. In 1962, however, the Government embarked on a review of import controls to allow imports to compete more freely with locally manufactured goods. The object was twofold: first, to persuade inefficient industries into becoming more productive, and second, to lower domestic prices and reduce the cost of living. An impressive list of products was drawn up for which import licences would be freely granted and to which newly established tariff rates applied; these would be subject to successive reductions over a period of years. In practice, however, this policy of trade liberalization has not been without its faults. Originally, the new tariff rates which replaced quotas were set too high so that imports of liberalized items have shown almost no increase over the past five years. There has been only one general tariff reduction of from 5 to 10 per cent which came into effect on November 1, 1966. Furthermore, a procedure which allows domestic producers to appeal to the Government against excessive import competition has resulted in tariff increases and even the reimposition of quotas on a number of products—some of interest to Canada. Nevertheless, the program does offer hope for the future and the tariff reductions agreed to in the recent Kennedy Round should speed up the process.

Markets for Canadian Exporters

Israel is not a market for non-essential consumer goods, as these are virtually denied entry by the high tariffs which protect domestic industry and by keen European competition for the small demand which does exist.

Canada traditionally supplies Israel with grains, metals and minerals. At present, these categories comprise 80 per cent of our exports and we can look forward to maintaining our place as a supplier of these items in future years. Aside from industrial raw materials and basic foodstuffs, most of Israel's imports consist of capital and industrial goods, industrial processing machinery, and specialized electrical and electronic apparatus and their components. We sell very little of this type of equipment and it is in this area of specialized industrial products and investment goods that our best prospects for trade expansion lie.

There are a number of new developments coming forward in 1968 and an article on page 13 gives details of some of them. We should watch these new projects and developments closely —and in particular any which may originate in Canada—to see what we can supply.

A number of factors are currently in our favor. First, a considerable change has been taking place in traditional suppliers to this market since the June war last year. Then there are the more stringent terms on which financing is now being offered to Israel by the United States, West Germany, Britain, etc. In fact, with the recent influx of funds in the wake of the June war, financing is not as important as it was previously. Finally, as a result of the preponderance of United States aid during the past twenty years, North American specifications are often set for new equipment. This should give Canadians a slight edge over their European competitors.

The biggest problem is that Canadian exporters for a number of reasons have shown little interest in the Israeli market for a long time and now must strive to sell where they are almost unknown. But conditions are changing and Canadian exporters are in a better position today to enter this market than ever before. We now have competitive means of financing exports and Expo 67 and Canada's Centennial celebrations have brought our country to the notice of Israel's businessmen as a source of sophisticated products.

Israel is, next to Japan, the most advanced industrial country in Asia and its standard of living is equal to that of Western Europe. It is developing economically, technically and industrially and Canadian exporters should now make a concentrated effort to establish themselves as suppliers of manufactured goods to Israel. The Commercial Division of the Canadian Embassy in Tel Aviv stands ready to assist anyone interested in investigating opportunities further. We look forward to hearing from you. ●

CHIEF CANADIAN EXPORTS TO ISRAEL

	1966	*(Jan.-Oct.) 1966*	*(Jan.-Oct.) 1967*
		(Cdn.$ million)	
Total	10,703	9,933	5,956
Barley	5,873	5,873	2,515
Aluminum	1,079	830	406
Asbestos	954	669	512
Wheat except seed	850	850	—
Lumber (except wood pulp)	244	244	160
Sulphur	235	235	175
Flaxseed	225	225	71
Wheat flour	—	—	1,164
Converted paper	162	158	188

CHIEF CANADIAN IMPORTS FROM ISRAEL

	1966	*(Jan.-Oct.) 1966*	*(Jan.-Oct.) 1967*
		(Cdn.$'000)	
Total	6,758	5,755	7,101
Gem diamonds	2,505	2,097	2,420
Cotton yarns	1,557	1,316	1,542
Oranges, mandarines, tangerines, fresh	1,043	1,043	807
Apparel	352	305	387
Wine, brandy, liqueurs, etc.	112	85	133
Chocolate, confectionery and sugar products	97	70	107
Broad-woven fabrics	89	66	94
Synthetic fiber yarn	87	81	267
Chemicals	116	89	212
Orange and other fruit juices	45	45	176

Among the projects being pushed in Cyprus is port development, both at the main harbors of Famagusta, Limassol, and Larnaca, and also at smaller ones like Paphos, from which St. Paul once set sail for Asia Minor following his visit to the island.

Cyprus: Active Mediterranean Market

Agriculture and industry have made good progress, despite political problems. Electrical appliances, processed foods sell well though suppliers must expect stiff competition.

M. A. BRAULT, *Assistant Commercial Secretary, Tel Aviv.*

CYPRUS, the third largest island in the Mediterranean, has an area of 3,600 square miles, a jagged, rocky coastline, beautiful sandy beaches, and broad fertile plains nestled between the northern and southern mountain ranges.

The economy of this developing country is healthy; from independence in 1960 up to 1966, overseas receipts exceeded payments. During this period, the Cypriots have lived well within their income from abroad and have added considerably to their substantial reserves. At mid-1967, foreign exchange reserves stood at $179 million, enough to pay for 13 months of imports.

Four Economic Bases

The economic growth achieved in the last five years is impressive, despite the outbreak of civil strife in December 1963 and a continuing inter-communal confrontation that has required the presence of a United Nations peacekeeping force with a current strength of 4,600 men, including a Canadian contingent of about 875. The gross domestic product in real terms increased by 37 per cent during this period and the per capita income in 1966 was U.S.$795. All sectors of the economy, except mining, experienced a considerable expansion. The most spectacular progress was achieved in agriculture, where output went up by 80 per cent but manufacturing also made progress. In the last five years, 90 manufacturing plants have been established and a number of existing ones extended. Industrial output was raised by 27 per cent.

The economy of Cyprus rests on four pillars—mining, agriculture, tourism and light industry, with emphasis on the adjective "light".

Mining—Mining, which accounts for 40 per cent of exports, is not expected to expand much in future years. Mining of copper dates back to pre-history and most of the more promising ore bodies have been worked out. But world demand for copper, sulphur (from pyrites), asbestos, chromite and gypsum remains strong and the mines prosper, though the future continues to be uncertain. All these minerals are exported in their basic forms and are not used by any island industry.

Agriculture—Agriculture is comparatively advanced and earns considerable foreign exchange through exports of citrus, grapes and wines, and early maturing spring fruits and vegetables which are sent to the British and Northern European markets. In the just completed Five Year Plan great emphasis was placed on the reorganization of rural land holdings and the development of animal husbandry. Several large poultry farms have been established with foreign assistance, and Cyprus is now a net exporter of eggs and poultry products. A similar program is in progress to develop pig farms and later, it is hoped, beef and dairy herds as well. During the dry summer season feedgrains, particularly barley, grow abundantly in the plains region. These, with carobs (a peculiar tree-borne seed), make excellent fodder and it is hoped to use them for livestock on the island rather than export them as at present. The program would also help to increase rural incomes.

Agriculture is bedevilled by one major problem: water. At present the ample rains of the winter months flow in rushing torrents to the sea and are lost to agriculture. During the dry summer, water must be pumped from deep wells to irrigate the crops. As more and more water is taken from the wells, the water table falls and the degree of salt in the wells rises to a point where large agricultural areas are in danger of being ruined. A UNDP team is investigating this problem and is expected to suggest a series of small dams on mountain streams to store the winter rains. This would raise the water table in the lowlands and halt the increase in salinity of underground water supplies during the summer.

Tourism—Cyprus presents great opportunities for the tourist trade. This lovely island has warm sunny beaches, cool mountain resorts, and historical attractions in its old churches and ruined Greek, Roman and Crusader cities. As a member of the Commonwealth, Cyprus is not affected by the British limitation on travel to non-sterling areas and this, coupled with its other British ways and connections, makes the island a sought-after haven from Britain's long winters. Though tourism is booming, it would increase even more if peace and stability could be assured.

Industry—Industry is in the early stages of development. There is no heavy industry and none is planned. The manufacture of clothing from imported cloth is expanding and a textile industry has just been started. Production of wine and liqueurs is progressing well and a beginning has been made in processing and canning some agricultural products. Aside from this, industry is confined to the wholesale packaging of bulk imports and the converting of paper products, etc. Where necessary, the Government can use tariffs to protect new industries but so far has done this sparingly.

Cyprus and the EEC

The Cyprus economy is bound up with that of Britain. Until recently, some 80 per cent of imports came from and over 50 per cent of exports went to Britain. This process is gradually changing, but Britain remains its major trading partner. When Britain originally announced its intention to join the Common Market some five years ago, Cyprus made application for associate status. With the breakdown of negotiations in 1963, however, nothing further was done.

Cyprus's main concern about Britain's entry into the EEC is the prospect of losing its preferred position in the British market for wines, citrus and vegetable products. Generally speaking, Cyprus's exports fall into two main categories—minerals, which account for approximately 40 per cent of shipments, and agricultural products, which account for most of the remainder. Mineral exports are not expected to be affected very much and interest is concentrated on the effect

FOREIGN TRADE OF CYPRUS

		January-September	
	1966	*1966*	*1967*
		*(Cdn.$'000)**	
Imports into Cyprus (except NAAFI)	166,104	122,589	132,882
of which			
Consumer goods	63,990	46,434	49,884
Raw materials	59,133	40,539	43,536
Capital goods	29,067	21,717	25,065
Fuel and lubricants	11,007	8,535	8,874
Unclassified	2,907	2,235	2,511
Exports from Cyprus	87,714	67,440	68,832
of which			
Food products	33,831	27,546	33,674
Beverages and tobacco	7,407	5,685	5,712
Minerals	36,678	26,718	20,451
Re-exports	6,162	4,914	5,718
Canadian Exports to Cyprus	327	222	204
of which			
Food and agricultural	73	55	65.1
Raw materials (aluminum)	49	4	2.4
Capital goods	11	6	5.6
Consumer goods	185	161	124
Canadian Imports from Cyprus	108	53	....
of which			
Food and agricultural	92	46	....

*Figures on Cyprus exports and imports converted from sterling at the pre-devaluation figure.

What Cyprus Is Planning

THERE ARE a number of new developments taking place in Cyprus of which Canadian firms should be aware. The following is a thumbnail sketch only. Further information is available from our office.

Tourism—The tourist industry is one of the mainstays of the island's economy; 80,000 visited Cyprus in 1967 and the authorities are expecting 300,000 in four years' time. Hotels and tourist facilities must be greatly expanded because there are only 2,000 to 2,500 beds of reasonable standard. Four regions have been chosen as suitable for tourist development and in each a tourist village is to be built. Each region (for which an investor will be responsible) is divided into four areas, each to be developed in a schedule of from two to three years, starting with a hotel, then a playground, park, chalet-type villages, etc., and facilities. One region has already been contracted for by a foreign investor; discussions are under way for the allocation of another one to Cypriot investors. Most of the investment will be foreign, with possible joint ventures with Cypriot groups.

Oil Refinery—The Cyprus Government has finally approved the construction of an oil refinery at Larnaca. A consortium has been formed for this purpose, consisting of Shell Oil, British Petroleum, Petrolina of Cyprus, and the Government of Cyprus. The refinery is still in the planning stages but is expected to progress rapidly.

Harbour—Port facilities in Cyprus need to be improved. The port of Famagusta, the principal one, was completed three years ago under a technical assistance agreement by a Polish construction firm. Work on the ports of Limassol and Larnaca has been provided for in the 1967 development estimates, but nothing appears to have actually been done. A technical-economic study proposed a £5 million harbour in Limassol and a £1.5 million harbour in Larnaca, excluding port installations. Plans for the Larnaca port have been approved by the Planning Bureau and sent to the Ministry of Works for execution. The construction at Limassol is still being discussed. Building of yacht harbours and marinas is also being considered.

Slaughterhouses and Pig-Processing Plant—This is a joint project between the Ministry of Agriculture and the Ministry of Commerce and Industry, undertaken as part of the over-all agricultural improvement program. A World Health Organization expert has reported on its feasibility and has recommended that all slaughterhouse facilities be centralized. The co-operative of Limassol would, however, be interested in building its own pig-processing plant, and the city of Nicosia would prefer to see all pigs processed in Nicosia. This project will probably be carried out by the Government of Cyprus, with a possibility that the Limassol Co-operative will go ahead with some project of its own.

Higher Technical Institute—The purpose of the Institute would be to train technicians for industry and technical teachers for vocational and technical secondary schools. Workshop, laboratory, library and audio-visual equipment will also be supplied. The UN Special Fund is assisting in this development.

Free Port or Zones—For a long time Cypriots have been discussing the possibility of Cyprus becoming a free port. The Government still holds all the land around the ports of Famagusta and Limassol, which could be used as free zones. Cypriots are talking of building grain silos and warehouses for finished products, at present to supply the island but also with the thought of becoming a regional distribution point for the Middle East. If the Government decides to carry out this proposal, Cyprus would certainly be an area that Canadian firms must think about, both for the development of storage facilities and reorganization of regional marketing.

Water Supply—Cyprus does not get too much rain and therefore drinking water outside of the few major cities is always a problem during the middle of the summer. There has been talk of a desalination plant, possibly coupled with a power unit. However, a decision on this project is not likely in the near future.

Electric Power—The Cyprus Electricity Authority has just completed a major expansion in generating capacity with the assistance of a World Bank loan. A further investment of £6 million is planned for the next five years to improve the transmission and distribution system and to add a further 200 villages to the existing network.

Fertilizer Plant—Cyprus is an important agricultural country and consumption of fertilizer is expanding rapidly. The erection of a plant on the island for the home and export markets is being studied. The proposal envisages the use of sulphur extracted from local pyrites to produce sulphuric acid as a basis for the manufacture of phosphate fertilizers, using phosphate rock imported from nearby Middle East countries.

Irrigation and Water Supply—A UN team is surveying the water supply and irrigation system of the island. At present, the ample rain and snowfall during winter rushes in torrents to the sea and is lost, while during the hot dry summer, pump wells are used extensively for irrigation. Year by year the saline content in water from pump wells is increasing to the point where large areas of citrus cultivation are in danger of being ruined. A system of small dams is proposed to hold the winter water in the hills, thereby raising the water table in the plain and reversing the process of increasing salinity. Coupled with this will be a new system of piping and concrete-lined ditches to replace the present earthen ditches which comprise the bulk of the irrigation system. This subject is of vital concern to the whole island and will form the backbone of future agricultural development.

Telephone and Telecommunications—The telephone system on the island is being expanded and a number of small exchanges will be purchased in the near future. Following this, a short telecommunications microwave system will be set up to connect the major centers across the island with the tropospheric scatter installation which connects the island to Greece. A number of Canadian firms are interested in these developments.

Sewerage and Sewage Disposal—There are no such systems in Cyprus and the City of Nicosia, with the help of the Government, undertook this project. A Canadian firm was chosen for the design and engineering.

If any of these projects are of interest, please do not hesitate to let us know and we will gladly promote your business interests.

of British entry on Cyprus's agricultural sector. The British market takes something like 70 per cent of all agricultural exports from Cyprus and these enjoy preferential tariff rates of 10 to 15 per cent.

The Cypriot Market

The three major cities—Nicosia (the capital), Famagusta (the chief port), and Limassol (the chief industrial town) account for a third of the population of approximately 600,000 and between them comprise a market for imports of approximately $150 million a year. There are few trade barriers and tariffs are almost uniformly low; this makes price and quality the two decisive factors in import competition. Commonwealth countries such as Canada enjoy a tariff preference averaging 8 per cent, but this does not prevent the Italians, Germans and Japanese from penetrating the market successfully. Cypriots often sacrifice quality for low prices and because demand is limited, merchants can easily find their requirements in supplies from end-of-season sales, clearance of surplus stocks, etc.

In textiles, for example, an importer goes to Europe and purchases second quality material. Back in Cyprus he may sell it as it is or divide the pieces in order to remove the defects. Traditionally, the Cypriot consumer still prefers to pay a lower price for a "good" second. In other instances, foreign manufacturers prefer to offload a surplus at a lower price in a small out-of-the-way market like Cyprus or they may liquidate old stock of an outdated line. Cypriot merchants follow these sales closely.

In other lines, Cypriot merchants are guided by brand name and quality and protect themselves by rigid agency contracts; refrigerators, stoves, and other electric appliances are in this group. This situation is also evident in many consumer goods, paints and construction chemicals, where each dealer handles one brand and is bound by contract not to sell similar or substitute products.

The Canadian exporter may feel that this market is too small and too distant to warrant his attention. However, our statistics show that Canadian exporters are now selling to Cyprus refrigerators, washing machines, cars and parts, tires, baby chicks, razor blades and a wide range of processed foodstuffs, including Canadian "Chinese" food. Canadian foodstuffs are well regarded and a few Canadian food firms are selling their products successfully here. Yet we find it difficult to attract other Canadian firms.

Canned meat, fish, fruit and vegetables, jams, pickles and sauces have good potential, as do packaged groceries or convenience foods. Electrical appliances of every kind are imported hut here Canadian exporters face fierce competition from Italian, other European and Japanese suppliers. Nevertheless, the special and the unusual always have sales potential. Novel kitchen gadgets, non-electrical household appliances and toys are much easier to sell.

If you deal in raw materials, agricultural products or consumer goods in bulk, you may be interested in plans to establish free trade zones in Cyprus which the Government seems to he considering seriously. A study has heen done on the economic advantages of free ports and the project may possibly be instituted within the next five years.

A few companies have already studied imports into Cyprus and nearby countries to see if the regional market is large enough to justify the building of warehouse facilities in Cyprus from which to serve the whole Eastern Mediterranean area.

Many Canadian products are not selling in the Middle East because of the high shipping rates. Many countries in this area are buyers of raw materials, grains, etc., hut purchase only in small quantities insufficient to justify the chartering of a ship. This makes it difficult for Canadian suppliers to compete. If the Cyprus Government does establish free zones, Canadian exporters might benefit from storage facilities for grain, paper, whisky, lumber, metal, etc.

Goods exported from Canada to Cyprus must be transshipped in a Mediterranean or European port. Nevertheless, our study of the Cypriot market suggests that Canadian companies who have been selling successfully in the West Indies or other markets could sell equally well in Cyprus. In the article on page 17 we list a few major projects which will be undertaken in Cyprus in the next few years. If you think that there are prospects for your products in any of these or if you make any commodity mentioned above, do not hesitate to communicate with the Commercial Division of the Canadian Embassy, P.O. Box 20140, Tel Aviv, Israel. We are always ready to help you. ●

The feature, Trade with Middle East Countries, continues on page 23. For a review of trade with Arab Middle East countries, see Feb. 17, '68 issue of "Foreign Trade."

Automotive Filters for Iran

THE quickening pace of economic development means more trucks, tractors and cars in Iran, and all of them use filters. These are imported hy agents in Tehran who distribute them to suhdealers in the provinces. The common types are metal filters for all new engines from 10 to 25 cm.; paper filters 2 cm. and over; cotton filters 2 cm. and over; honeycomb filters from 5 to 30 cm., and air filters 5 cm. and over.

West Germany dominated the Iranian filter market until recently. Britain and the United States hold ahout 25 per cent hetween them now and Canada has won a significant share. The market is extremely competitive. British and U.S. exporters insist on letter of credit terms, although British confirming houses are offering short-term credit. German exporters give credit of up to six months from arrival of goods at the Iranian port.

There is some local production but so far it is limited to paper and cotton types made from imported materials. These filters are mainly sold in the provinces and are said to he below the quality of imported products. The screw-on type is not yet made in Iran hut this may come and could provide an opportunity for partnership with local firms.

Strong salesmanship is the key to success in the filter market. The judicious use of advertising and giveaways also helps.

The Commercial Division of the Canadian Emhassy in Tehran is ready to assist Canadian exporters interested in selling to Iran.

—A. F. WYETT, *Commercial Officer, Tehran*

Sixteenth century El Morro in old San Juan, one of the three fortifications built by the Spaniards.

Your Business Visit to Puerto Rico

WITH a minimum of advance planning, your business visit to sunny Puerto Rico will be profitable and certainly one of the most pleasant you could ask for.

Profits there are. In spite of its tiny size and sub-tropical climate, this Caribbean dependency of the United States has achieved a gross annual production of more than U.S.$3.3 billion. Its people now have an average income of more than $1,000 a year, and expanding industry demands more and more materials and goods.

Pleasures abound. Endowed with year-round sunshine and a balmy temperature running on the average from a high of 85 degrees to a low of about 71, the island offers a variety of natural playgrounds, from expanses of beach to a rain forest A well-developed hotel complex, complete with casinos, ensures that the sport is looked after as well as the sportsman.

Let us know when you're coming.

W. ADAIR STEWART,
Commercial Secretary, Santo Domingo, Dominican Republic.

¿Como va la vida?

What's it like? About three million people live on Puer
Rico's 3,500 square miles and at rush hour it seems as
they are all driving in the streets of San Juan. Exaspe
ating for the commuters but proof of the roaring boom o
one of the most spectacular industrial revolutions in mo
ern times.

The sugar cane fields, palm trees and arid farmland
that were features of the island three decades ago wi
still be there when you arrive. Most other similarities, how
ever, are purely coincidental. Like the roar of the traffi

¿Qué venden los Canadienses?

What do Canadians sell in Puerto Rico? Tradition is involved: dry salt codfish is still an important item in the Puerto Rican's staple diet. Of more consequence for the future, however, is Canada's capability to sell competitively the widening range of industrial goods and consumer products that Puerto Rico requires. As our trade grows, the base broadens. Last year, Puerto Rico's imports from Canada rose by $2 million to more than $20 million, and we made important sales of lumber $5.75 million, fish $3.30 million, newsprint $2.01 million, potatoes $950,000, barley and malts $434,000, pet food $253,000, wood pulp $222,000, hides $201,000, oats $145,000, whisky $124,000, and tires $122,000. That is only a partial list, but it shows you the areas in which there is large-scale export business.

If you have a product that doesn't seem to fit in but that you think should sell, we have two suggestions. First, find out whether it can overcome the obstacles of U.S. customs duties. (This is particularly important if it will face competition from similar items from the mainland U.S.) Second, if it can, write to us for an opinion on whether it will sell.

Quite possibly, our records and experience will enable us to give you a fast answer. Certainly, if that does not seem enough, we will sound out the trade on your behalf. Once you've established the compatibility of what you are selling and what Puerto Ricans are buying, the rest is easy.

¿Transporte y alojamientos?

What about *transportation and hotel reservations*? Puerto Rico has stepped up tourist promotion and most travel agents will have complete information. Should you wish to supplement it, particularly with information on business and industry in Puerto Rico, write to the Field Office, Puerto Rico Development Administration, Fidelity Building, 34 King Street E., Toronto.

It is vitally important for your comfort and convenience that your agent do two things for you—

1. He should ensure that you have sufficient time to go through the official United States Government formalities and still catch your departing plane.

2. He should secure a hotel reservation in San Juan that is confirmed beyond question. Some of the half million tourists who visit Puerto Rico each year have problems on this score.

Transportation is no problem. Forty-one shipping lines and twelve airlines serve the island, making it one of the most accessible to passengers and freight. At this point, most of those services won't interest you. So let's just say that there are numerous and regular direct flights from New York and Miami. If you can spare the time, enjoy one of the steamship cruises that also leave from those ports. There are plenty of connections from Canada to the same departure points and you can arrange things either through the carrier or a travel agent.

Naturally you will have other preparations to make before you use your reservations but an early check to see what is available in flight and room space, especially in winter, is advisable.

No other special preparation is necessary for your trip here any more than for a sales trip to another small American city, except when you're packing your bag. Tropical-weight, dark suits are good for both day and nightwear. Other clothing should be light too. But don't worry: any essentials you lack can be purchased in San Juan stores.

Knowledge of a few words of Spanish is useful but not essential. A small pocket dictionary is handy and can easily be picked up here if you forget to bring one.

An all-Canadian day at the Commercial Wharf in San Juan where bags of potatoes, bundles of Christmas trees and boxes of dry salted codfish are being unloaded from a Saguenay ship.

the towering new buildings, the construction noises and the business bustle will keep you in touch with the 20th century.

Although residents of the island were granted United States citizenship in 1917, they are Puerto Ricans first and Americans second, particularly in terms of their trade ties with other countries. For decades Canada has been an important trading partner and the friendly sentiment toward our country is strong.

As a Canadian businessman with something to sell you will find the atmosphere encouraging.

¿Cuando?

When? Except that hotels are cheaper in the summertime, it doesn't really matter when you come, and the moderate extra cost of a midwinter break has obvious returns.

Documentos

Strictly speaking you do not need a *passport*, a *vaccination certificate*, or other special documents to enter Puerto Rico. However, both a passport and a vaccination certificate are always useful when travelling and you may wish to take a side trip where you would need them. If you have them, bring them along.

Dinero

Money you will need. There are no currency restrictions and credit facilities can easily be arranged through either of the two Canadian banks operating there: the Bank of Nova Scotia and the Royal Bank of Canada. Credit cards are widely used.

¿Cuanto cuesta?

How much? In estimating your costs, the length of your stay will, of course, be basic. We would recommend no less than a full week for business calls alone, with additional spare time added for pleasure and possible side trips to nearby islands.

In general, a return air ticket will cost about $300.

Among the 24 tourist class and 13 commercial class hotels listed in greater San Juan, rates vary widely and it is safe only to say that they run from more than $50 to less than $20 a night, single, during the December 15-April 30 winter season. Allocating $25 a night should be realistic.

Food is excellent and expensive and the best guides to what meals will cost are your tastes and your entertainment plans.

An aerial view of San Juan, capital city of Puerto Rico.

¡Saludos!

Greetings! You've arrived and you probably have a sensation of other-worldliness, especially if you're new to the tropics. Locating your baggage and going through Customs and Immigration will bring you home again. The scenery is different, but for practical purposes it's business as usual.

Unfortunately, since our office is in Santo Domingo, Dominican Republic, we can't invite you to call on us when you first arrive. Let us hope that our advance help has given you enough basic information and guidance so that your program is sketched out and your objectives are coming into focus. As we mentioned, there are two Canadian banks in San Juan and both will welcome you. A call at their main branches would be a good way to start.

Costumbres de commercio

Business customs in Puerto Rico are similar to those in North America and the nine-to-five job description is as well known here as anywhere.

Allot at least an hour to each of your calls. Depending on the mutual interest aroused, some may take less time, others considerably more.

On some of the main thoroughfares there is public bus transport, but it is confusing and time-wasting for most strangers. So taxicabs, which are metered and dependable, will be your best bet.

Entertaining over lunch is a common practice and you may well be asked to join a new acquaintance on the spur of the moment. If it seems appropriate, you are free to makc the same offer. Formality is not carried to extremes here. The luncheon itself will likely be in the Spanish tradition, relaxed and unhurried. Dinner engagements tend to be less spontaneous.

¿Tiempo libre?

Free time? The large hotels have night clubs with first-class American and Spanish entertainers, casinos which are open until four o'clock in the morning, and fine dining rooms, so the possibilities for after-hours enjoyment are limited only by your imagination and the imminence of tomorrow's first appointment.

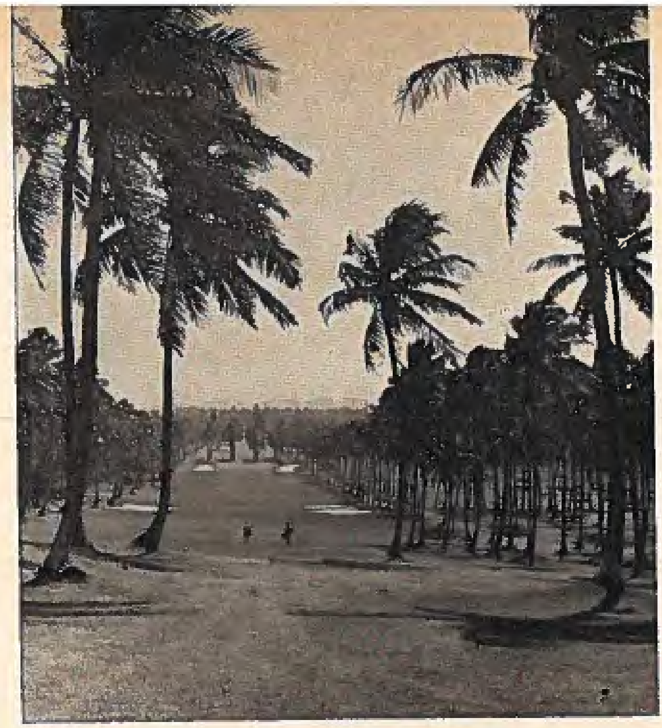
Even during the workaday round of calls, especially in the old city (Old San Juan), you can take a relaxing moment to browse in the enthralling shops where santos, the traditional carvings of religious figures, are displayed. They say there are 400 stores in the old city, and the range of local and imported giftware is truly impressive.

Exploration of the old city, which Columbus discovered in 1493 and Ponce de Leon settled fifteen years later, is a diversion worth anyone's time and, with its dozen museums, offers the history-minded a unique opportunity.

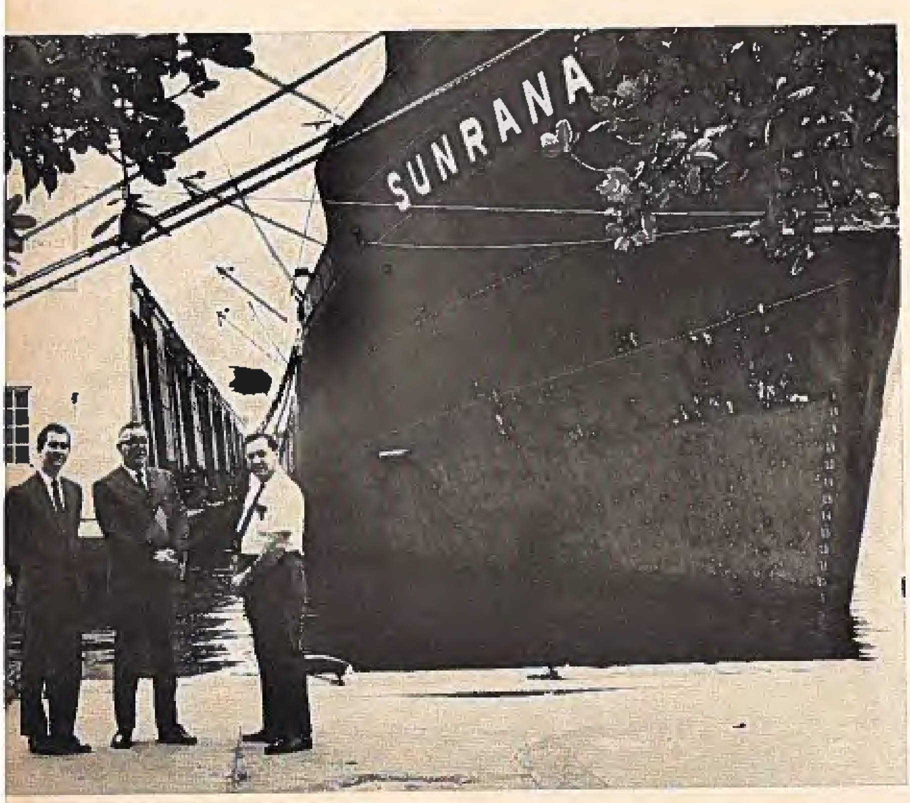
On days off you can try almost any summer sport from lying on the beach, surfing, water-skiing, deepsea fishing, snorkeling and skin-diving to a leisurely round of golf or a game of tennis.

Unless you plan to spend a good deal of time in Puerto Rico, your activities probably will be confined largely to the San Juan area. Most of the island's business is conducted in this city and learning to know it well takes time.

A trip "out on the island", as the local vernacular puts it, can be made by bus tour but is perhaps preferable by private automobile. Rentals begin at about $5 a day for a small European car (plus 5 cents a mile, plus gas and oil) and go as high as $35 a day for a chauffered limousine from nine to five.



Palm trees are a hazard for duffers but their beauty makes up for that at this seaside golf course, 20 miles from San Juan.



¡A sus ordenes!

We are *at your service!* Write to:

W. A. Stewart
Commercial Secretary
Canadian Embassy
Apartado 1393
Edificio Copello 408
Calle El Conde
Santo Domingo, Dominican Republic

Cable: CANADIAN   Phone: 2-8138

Telex: 3460140 (DOMCAN 3460140)

During a regular visit to Puerto Rico, Adair Stewart (center) chats with Carl E. Wheeler (right) area representative of Newfoundland Associated Fish Exporters Ltd., and Luis Lizarribar, vice-president, International Shipping Agency Inc., beside Saguenay Shipping Limited's Sunrana.

Turkey Offers Trading Opportunities

Many of these opportunities are listed in this article. Potential Canadian suppliers of goods or services need to offer low prices, have excellent Turkish agents, and in certain fields, be willing to enter into joint ventures with Turkish firms.

M. B. BURSEY,
Commercial Counsellor,
Athens.

WITH an estimated growth rate of 6.2 per cent, 1967 was another good year for the Turkish economy, which is still predominantly rural. Cotton, tobacco and sultana yields were better than average, and the wheat crop set a record. Provisional estimates indicate that industrial output in 1967 has surpassed the previous year's 9.9 per cent increase.

Turkey's First Five Year Economic Development Plan ended in 1967. Over the five years the average annual increase in the gross national product has been estimated at 6.4 per cent. During the life of the Plan living standards improved, with more money in circulation and a growing demand for consumer goods. A Second Five Year Plan (1968-72) calls for an annual rise of 7 per cent in the gross national product. It provides for a doubling of the level of investment scheduled for the First Plan, and the largest share (22.4 per cent) is earmarked for the industrial sector, followed by 17.9 per cent for housing, 16.1 per cent for transportation and communications, 15.2 per cent for agriculture, and 8 per cent for energy production. The remaining investment has been allocated to mining and tourism. Many of the projects slated for the Second Plan, like those undertaken during the first, will provide excellent opportunities for enterprising Canadian engineers and equipment suppliers.

Turkey in 1967

Population—31,391,000 in 1965 and 32,174,000 in 1966.

Gross national product—1965—(U.S.$ million) 8,125; 1966—8,839; 1967—9,455 (provisional).

National income—(TL million) 1965—69,828; 1966—75,997.

Per capita income—1961—U.S.$163; 1967—U.S.$286 (provisional).

Industrial production—(TL million, at 1965 prices) 1965—11,491; 1966—12,628; 1967—13,900 (provisional).

Agricultural production—(TL million, at 1965 prices) 1965—25,053; 1966—25,036; 1967—25,300 (provisional).

Unemployment—no figures published but considerable amount of seasonal unemployment and general under-employment, particularly in rural areas.

Working force—1965—1.33 million, of which 668,000 in agriculture, 325,000 in industry, 112,000 in services; 1966—1.5 million, of which 738,000 in agriculture, 361,000 in industry, and 131,000 in services.

Foreign aid—an average of U.S.$300 million a year over the past five years. U.S.$1.6 billion estimated requirement for 1968-1972. Chief sources: OECD Aid Consortium (mainly U.S., West Germany, Britain, France), international financing organizations, and the U.S.S.R.

Foreign exchange reserves—between U.S.$25 million and U.S.$38 million in 1967.

Balance of payments—current account balance, deficit of U.S.$164 million in 1965 and of U.S.$77 million in 1966; capital account, surplus of U.S.$166 million in 1965 and of U.S.$122 million in 1966.

Total Turkish exports—(U.S.$ million) 1965—464; 1966—490; 1967—524 (provisional).

Canadian imports from Turkey—(Cdn.$ million) 1965—1.1; 1966—.98.

Total Turkish imports—(U.S.$ million) 1965—572; 1966—718; 1967 (10 months) 568.

Canadian exports to Turkey—(Cdn.$ million) 1965—3.4; 1966—4.7.

WHAT CANADA SELLS TO TURKEY

	1965	1966	10 months 1967
	(Cdn.$'000)		
Aircraft assemblies, equipment and parts	21	6	1,309
Aluminum pigs, ingots, etc.	888	1,165	1,314
Zinc ingot	—	—	78
Prefabricated buildings and parts n.e.s.	—	281	4
Trucks and chassis, commercial n.e.s.	31	556	—
Motor vehicle engines and parts	33	236	9
Other motor vehicles, motorcycles, parts	—	—	201
Motor vehicle parts and accessories n.e.s.	39	102	92
Asbestos milled fibers	42	282	167
Construction maintenance machinery and parts	—	143	18
Organic acids, anhydrides and derivatives	92	224	87
Chemical elements n.e.s.	204	56	53
Insecticides and rodenticides	—	—	72
Combine reapers and threshers	368	171	157
Textile industry machinery and parts	54	169	32
Files and rasps	49	53	—
Navigation instruments, apparatus and parts	—	—	113
Laboratory, optical instruments, equipment and parts	88	55	50
Whisky	133	33	72
White winter wheat	—	690	—

Canadian Exports Rising

Canadian exports to Turkey for the first ten months of 1967 reached Cdn.$4.24 million, an encouraging 50 per cent increase over the same period of 1966. There is every possibility that results for the full year will exceed the figure for 1966 of Cdn. $4.78 million—the best since 1954. The 1964 total was $1.58 million and the 1965 one $3.46 million.

This notable improvement in our sales in recent years resulted partly from the introduction of new products, including prefabricated structures and parts, among other commodities, ($281,390 in 1966), and aircraft assemblies, equipment and parts ($1.31 million in 1967). Larger shipments of aluminum ingot, our main traditional export to Turkey ($1.16 million in 1966 and an estimated $2.4 million in 1967) also made a significant contribution. Harvester combines, shipped knocked down for simple local assembly, have also remained important, with 24 units valued at $156,952 sold during the first ten months of 1967. Other products making gains are listed in the accompanying box feature. In addition, the table gives some of the Canadian materials and equipment that have found a market in Turkey in recent years and for which prospects continue favorable.

Our imports from Turkey have fluctuated at about $1 million a year over the past decade, reaching Cdn. $1.05 million in 1965 and $978,621 in 1966. Turkish products of continuing interest to the Canadian market are filberts, cotton linters, dried figs and tobacco; occasionally we buy walnuts, chrome and manganese ores, and mercury. Dried and preserved vegetables and industrial diamonds have also appeared among our imports from Turkey since 1966.

Prospects Analyzed

Canadian aluminum ingot and billet sales should continue to hold up well for the next few years, although long-term prospects are somewhat clouded by the projected aluminum smelter to be built with Soviet equipment. The Turkish asbestos cement industry is expanding its production facilities and this should mean sales prospects for competitively priced Canadian asbestos fiber. The emphasis on industrial expansion, particularly in the field of petrochemicals, could adversely affect future Canadian sales of plastic and synthetic rubber and plastic raw materials.

Conversely, Turkey's growing industrial base should offer a wider market for a number of industrial chemicals, including vinyl acetate monomer, pentaerythritol, phthalic anhydride and various acids. Despite planned expansion in the domestic chemical fertilizer industry, substantial imports of nitrogenous, phosphatic, potash, and composite fertilizers will be needed for some time. This trade offers excellent opportunities for Canadian producers able to quote competitively on fertilizers required.

The important $24.5 million contract signed in 1967 between the Northern Electric Co. of Montreal and the Turkish Posts, Telegraphs and Telephones Administration, covering the supply and manufacture in Turkey of telephone equipment and materials, will certainly boost our over-all Turkish sales for the next few years.

Doing Business with Turkey

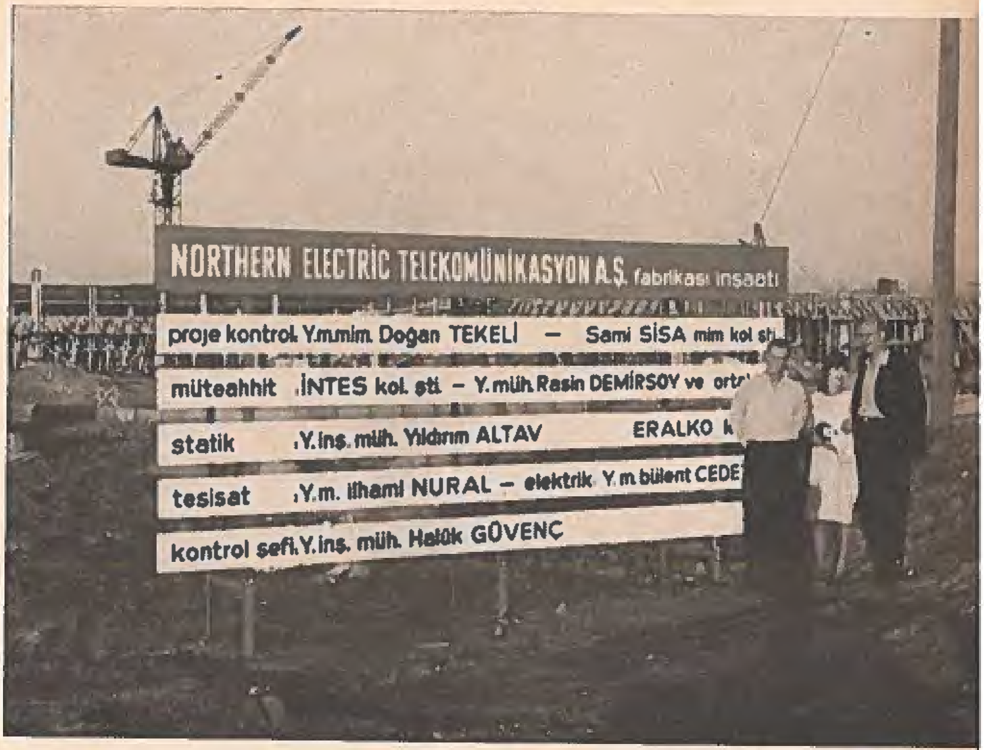
Higher prices, expensive freight charges and a tight supply situation have kept many Canadian products out of Turkey in recent years. None the less, though many Canadian suppliers find it an extremely price-conscious and at times frustrating market, business can be and is being done by Canadian exporters who are prepared to pursue opportunities through regular visits to the market, by using the services of a good agent, by trimming prices, by offering in accordance with market requirements and, for tender business with the State, by adhering strictly to the detailed technical specifications and administrative conditions.

A tight supply situation either precluded or restricted Canadian sales of the following products to Turkey during 1967: nickel ingot and powder, zinc ingot, titanium dioxide, vinyl acetate monomer, phthalic anhydride, and kraft sack paper. (Canadian quotations for the last named have been too high to interest the Turkish buyer.)

Funds made available to Turkey through the aid programs of the U.S. and other countries for the financing of an important share of the requirements for raw materials, equipment and parts have also closed the Turkish market to a number of Canadian products in recent years. These include synthetic rubber, cattle hides, kraft paper, most plastic raw materials, certain chemical products,

—continued on page 26.

This is the site of a plant to manufacture telephone equipment and materials, being put up as a joint venture with the Turkish PTT Administration by the Northern Electric Co. of Montreal. Standing by the sign are (left to right) Keith Pitcher, plant manager, and Ken Eadie, managing director of Northern Electric Telekomunikasyon A.S., with his wife. The sign lists the various Turkish subcontractors.



What to Sell in Turkey

These Canadian products have recently made gains in the Turkish market:

asbestos milled fibers
zinc ingot
chemical elements
organic acids and anhydrides and derivatives
biological products for humans
insecticides and rodenticides
whisky
rock drilling and related equipment and parts
bearings and parts
parts and accessories for motor vehicles
navigation instruments, apparatus and parts
commercial communications equipment, n.e.s.

Private Turkish enterprises are interested in offers from Canada for . . .

sulphite pulp, newsprint, kraft paper
imitation kraft paper
corrugated carton
cigarette paper, cigarette filters
aluminum foil
wire rope, conductor cable
galvanized wire
zinc ingot
ferro-alloys
nickel for steel alloy
nickel cathodes
magnesium rods
graphite electrodes
asbestos fiber
titanium dioxide
acetone, butyl acetate
textile industry chemicals
carbon black
sodium carbonate, caustic soda
phthalic anhydride
chemical fertilizers
polyethylene and polypropylene pellets
polyacetate
synthetic staple and yarns
hides
electronic equipment and components
soldering irons
air compressors
industrial meters and controls
shoemaking and brushmaking equipment
plastic, rubber and paint industry equipment
marine equipment
surgical, hospital and laboratory equipment and instruments
tractor parts, auto parts
beermaking filters, hops

Canadian producers may find these difficult to sell in Turkey because of non-competitive c.i.f. prices, often caused by high freight charges:

nitrogenous and phosphatic fertilizers
nylon, acetate and polypropylene yarn
polypropylene staple fiber
polio vaccine
hydrogen peroxide
caustic soda
zinc oxide
propellant powder
pitprops
pulpwood, wood pulp and newsprint
cellulose film
mining tools and accessories
aluminum pellet
steel rails
insulated wire and cable, wire rope
line pipe, casings and tubing
certain types of military telecommunication equipment

artificial and synthetic yarns and staple fibers above 20 denier. Over the past two years, however, this restriction has been lifted from kraft paper, cattle hides and caustic soda, and free exchange is being made available to buy synthetic rubber from the beginning of 1968.

Public Sector Purchasing

Substantial purchases of a wide range of products, equipment and raw materials for which foreign exchange is available are made continually by the various Turkish Government departments and state enterprises. Details of these public calls for tenders are reported to the Department of Trade and Commerce, Ottawa, for the information and attention of Canadian exporters. Experience has shown that Canadian suppliers interested in this state business should use the services of an experienced Turkish agency firm, preferably one with its head office in Ankara. Such a firm can assist a Canadian exporter in many ways, including sending advance notice of upcoming tenders. The office of the Canadian Commercial Counsellor in Athens can help interested Canadian exporters select first class representatives who can be valuable in this difficult and very competitive market.

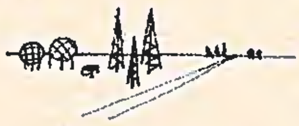
Second Five Year Plan

The Second Five Year Plan offers many important and worthwhile opportunities for suppliers of engineering services and equipment. A recent visit to Ankara, the seat of government, and to the many state enterprises (which account for all public utility services and an important share of heavy industry) revealed an immediate need for feasibility studies, design engineering and/or construction supervision covering electric power and irrigation, natural gas and crude oil transportation, mining and communications. Other engineering requirements will undoubtedly materialize in later stages of the Second Five Year Plan.

Turkey expects to be able to pay for these services from its own resources, but it will be necessary for successful foreign firms to provide adequate financing and to co-operate with Turkish engineers in order to limit the foreign exchange outlay on every contract.

Plant machinery and materials for the following state investment projects to be undertaken between now and 1972 will probably require financing with concessionary term credits:

- Crude oil, refined products and natural gas pipelines, oil refinery.
- Thermal, hydro and possibly nuclear power plants, power transmission lines.
- Pulp and paper mills, chemical fertilizer plants.
- Compost from refuse plants, cement plants.
- Plant to manufacture diesel electric locomotives.
- Modernization of rolling stock, extension to existing and building of new rail links, Bosphorus crossing, runway extension at Istanbul airport.
- Television transmitting studios for Ankara and Istanbul; four new radio broadcasting stations.
- Petrochemical plants for the production of PVC, polyethylene, polystyrene, caustic soda, carbon black, synthetic rubber, nylon 6, and ammonium sulphate.
- Synthetic fiber plants.
- Gearbox plant.
- Marine diesel engine plant.
- Electrolytic copper smelting/refining plant.
- Mining development.



Interested Canadian firms which have not yet made contact, preferably by personal visits, with the main Turkish state sector services, are urged to do so as soon as possible. A visit to Turkey will offer opportunities for discussions with officials responsible for planning and purchasing, and with Turkish engineering and trading firms looking toward future liaison and representation. It is absolutely essential for Canadian engineers and equipment suppliers to use the services of highly experienced and well-connected local firms. The Athens office can recommend a number of these to interested Canadian companies.

Joint Ventures

The dual objective of the Turkish authorities is to encourage the expansion of domestic industry and preserve scarce foreign exchange. Every encouragement is given to Turkish and foreign entrepreneurs to set up new industries to turn out products to replace those now being imported, or to manufacture for export. Once a new manufacturing or assembly industry is able to meet estimated domestic demand, imports of similar products are usually excluded from the next import program.

The Athens office has received inquiries from Turkish firms wishing to interest Canadian manufacturers and/or entrepreneurs in forming joint ventures for the manufacturing and assembly operations in a number of fields; the Athens office can supply details. There is also strong Turkish interest in joining forces with Canadian groups for the development of tourism and mining, for organizing a cold storage chain for the preservation and export to Europe of fresh vegetables and fruits, and the setting-up of an oil refinery.

Other investment opportunities in the private sector include plants to produce nuts, bolts, and rivets; hand tools, machine knives and cutters; contractors' plant; machine tools; internal combustion engines, transmissions and gears; fiberglass, synthetic fiber and yarns; cement, paper, plastic raw materials, beer; power generation and distribution equipment; measuring instruments and electronic equipment.

The Turkish Government's Foreign Investment Encouragement Law provides incentives and guarantees on the import of raw material requirements and the transfer of profits and royalties. Canadian manufacturers who wish to maintain or improve their present sales to Turkey or to establish a foothold in this highly protected import market of 32 million potential consumers (increasing by one million a year) might well consider joint ventures. ●

Development is going ahead strongly in Iran, with Canadian consultants playing an important part and with many opportunities arising. Our commodity exports, however, have been declining.

Iran Has More to Offer

A. F. WYETT,
Commercial Officer, Tehran.

AT PRESENT, Iran is in the midst of a rapid economic expansion which has been based on sharply increased investment activity in both the public and private sectors. Oil exports, Iran's principal source of foreign exchange, have continued to rise. By October 1967, production for the year had already reached an all-time high of 133 million tons (795 million barrels) as against 130 million tons (780 million barrels) for the whole of 1966.

During 1967, important agreements were signed for the establishment of a steel complex at Isphahan; the production of Romanian tractors; the laying of a 42-inch pipeline to carry gas from the south of Iran to the U.S.S.R. border, and for machine tool plants to be built with Eastern Bloc aid. These projects will involve building a dam at Isphahan to supply power and water to the steel mill, increased production from the coal mines at Kerman, and a 540-kilometer extension of the railway from Kashan to Kerman to carry the coal.

Important achievements under the Third Five Year Plan which ends in March this year include completing a ten-year master plan for electrification; asphalting most major highways; expanding, building and repairing deepwater ports in the south and ports on the Caspian Sea; completing high dams and related hydro facilities; planning a radio and microwave communication network for the country, and building domestic airports.

Competition Grows Keener

The volume of trade between Canada and Iran reached $39.3 million in 1966, an increase of $4.3 million over the previous year. In 1966, Canadian exports rose to $3.8 million. However, from January to October 1967, our exports totalled $1.9 million, a decrease of about $1 million compared with the same period in 1966. This decline, although due in some degree to the closing of the Suez Canal, took place primarily because of increased competition.

The table indicates the kinds of Canadian products most in demand in Iran. Other products that Canada can sell if prices are competitive include wire and cable; pumps; fractional horsepower motors; art, writing and packaging paper; hand tools; timber; dairy products, cheese, powdered milk; poultry (especially day old chicks), and industrial chemicals.

Canadian Consultants Esteemed

Consulting services play a major role in development work and Canadian consultants are recognized in Iran as being second to none. They are already helping to design microwave systems and power switching and dispatching centers, and they could play an increasing part. It is wrong to assume that projects are simply handed out—they have to be competed for. Consulting is one of the most difficult fields to enter but the work is challenging and profitable. The Fourth Five Year Plan is due to begin in March and consulting

CANADIAN EXPORTS TO IRAN

	1966	*(Jan.-Oct.) 1967*
	(Cdn.$'000)	
Asbestos	878	498
Synthetic fibers	260	230
Primary aluminum	253	—
Communication equipment	243	211
Iron and steel pipes and tubes	196	—
Nuts, bolts, screws and washers	193	68
Yarn and thread of one synthetic fiber	162	76
Antibiotics	124	107
Industrial chemical specialties and explosives	118	22
Passenger autos, chassis, engines and parts	116	30
Tallow	116	43
Writing and reproduction paper	102	14
Steel sheet and strip	83	19
Copper pipe and tubing	81	76

services will be required for water, power, mining, and airport projects.

A visit by an official of the firm is essential to obtain consulting work. He should be prepared to stay in Tehran for several days, possibly weeks. The first move is to find a good associate. There are a number of good Iranian consulting firms familiar with the local scene and it is advisable for the Canadian firm to form an association with one of them. The next move is to call on the Plan Organization (the over-all controlling body for development) and then to call on the Ministries and other authorities. Once the Canadian firm is satisfied that business can be obtained and has worked out local arrangements with its Iranian associate, the firm should be registered with the Plan Organization, Avenue Daneshkadeh, Tehran.

More Locol Production

Iran's import bill is just over Cdn.$1 billion a year but the country is busy building, and in many cases has already built, its own industry. It is self-supporting in manufactured footwear, clothing, tinned foods, biscuits, sweets, and chocolates. Production of other goods is increasing rapidly, particularly plastic, wooden and metal household products and building hardware, including piping, sanitary fittings and related materials, paints, wire and electrical fittings. Canadian industry wishing to maintain or improve its position in this market will have to consider seriously licensing or manufacturing in partnership with a local firm. Naturally, there will always be a demand for raw materials and for component parts. The Iranian paper converting industry is wide open but extremely compctitive. Domestic products such as coolers, heaters, stoves, gas stoves, and lighting equipment all require components. It may not be too long before sophisticated electronic and communication equipment will be manufactured or at least partly assembled locally.

Exporters should not overlook the Regional Co-operation for Development Pact (RCD) between Iran, Turkey, and Pakistan for co-operation and regional development in all fields, including the oil industry, communications, industrial and social services. The ultimate object is that the three countries should become a self-supporting unit. If a Canadian firm were to have a manufacturing plant in one of the three, markets would open up in the other two.

Many benefits could follow investing in Iranian industry, from tax exemptions to good profit margins. Full information can be obtained by writing to the Central Bank of Iran, Attraction and Protection of Foreign Investments in Iran, Avenue Ferdowsi, Tehran. The Iranian Government stipulates that 51 per cent of the industrial shares remain in Iranian hands and that the foreign firm take proper steps to train Iranians to replace foreign experts.

Well Worth Exploring

Iran is a market that has not been fully explored by Canadian businessmen. The Canadian who visits the country today will find a dynamic, developing society and a stable and sound economy. Business is not always easy and competition may be fierce but there are many products which Canada could sell to Iran. Why not give thought to including this market in your next business trip? The Commercial Division of the Canadian Embassy in Tehran is always pleased to help you. If you give us notice of the date of your arrival, we will be ready to assist you. ●

An attractive square and mosque at Meshed, one of the cities in northern Iran, population 200,000.

Import and Exchange Regulations in the non-Arab Middle East

The following paragraphs summarize import and exchange regulations affecting shipments to the non-Arab Middle East, but do not include information on the documents which must accompany all imports. Canadian exporters who require detailed information on these regulations should address their inquiries to the Asia and Middle East Division, Office of Trade Relations, Department of Trade and Commerce.

Asia and Middle East Division.

Cyprus

SINCE GAINING independence in August 1960, Cyprus has consistently pursued a policy of liberalizing import restrictions and, as far as possible, abolishing discrimination as between sources of supply. During 1961 restrictions were lifted on a large number of imports from the dollar area. In the summer of 1962 there was a further liberalization and today dollar exchange is available for a wide range of products under Open General Licence. Licences and dollar exchange for products not covered by Open General Licence are subject to ministerial approval.

Recently the Government of Cyprus introduced an amendment to the Customs Tariff Laws which will reduce duties on certain goods, retroactive to November 22, 1967. Goods affected include canned meats, cheese, vegetable oils, sausage and prepared or preserved meats, sugar and syrups, baby foods, crude petroleum oils, motor and aviation gasoline, hydrocarbons, finished lumber, plywood, fiberboard, reconstituted wood, woven synthetic and cotton fabrics, washing preparations.

Iran

IMPORT LICENCES are issued by the Customs authorities only for the purpose of clearing merchandise through Customs, and are issued without a specific validity period on receipt of documents indicating that payment has been arranged through an Iranian commercial bank.

The Ministry of Commerce issues new import schedules each Iranian year (March 21 to March 20) which include both a prohibited list and classification of merchandise by essentiality. Certain designated commodities, such as silkworm eggs, railway equipment, arms, ammunition and explosives, tobacco, and cigarette paper, normally imported by state monopolies, require special authorization in order to be imported by private interests. With a few exceptions, all imports must be of new merchandise.

All import orders must be registered with the central bank. The commercial banks are required to collect from importers 1.50 Rials per U.S. dollar or equivalent in other currencies on each import order for deposit with the central bank at the time of registration. This deposit will not be returned to the importer until the goods have cleared Customs.

Shipments and shipping documents should be marked "Persian Gulf", not "Arabian Gulf". Documents and merchandise incorrectly marked will be returned. Insurance on shipments to Iran must be covered by authorized insurance companies in Iran. Shipments therefore must be either f.o.b. or c. & f.

Payment for most imports must be made through documentary letters of credit, with deposits of either 75 Rials per U.S. dollar, or 30 Rials per U.S. dollar. Other goods may be imported either against collection bills (no deposit other than 1.50 Rials per U.S. dollar at time of registration), or against letters of credit, with a deposit of 10 Rials per U.S. dollar.

The validity of a letter of credit is limited to four months, although this may be extended for three months without referral to the central bank. Letters of credit may not be confirmed by foreign banks under normal circumstances. Importers usually make payment after arrival of the goods.

Advance payments require special permission of the central bank. Normally a condition of such permission is that the exporter must obtain a bank guarantee providing that the foreign exchange will be refunded if the goods covered are not shipped in time.

Goods still uncleared eight months after arrival are subject to sale at auction. This period may be extended up to 20 months if the Customs authorities agree and if storage charges are paid.

Israel

IN ORDER TO IMPORT, a merchant must obtain from the Israeli Government an "Approved Importer's Certificate", which must be renewed annually. Import licences are required for all goods not on the official free list. Imports requiring licences include goods comparable to those produced in Israel or capable or being produced in Israel, for which licences are normally granted automatically. Goods considered to be a luxury or non-essential are on a restricted list, for which licences are granted infrequently, upon special submission. The validity of import licences ranges from six to twelve months with the possibility of extensions. Import licences usually show the unit price and the c.i.f. value; however, they may be issued on a c. & f. or f.o.b. price basis if desired. The arrival of merchandise without a required licence may result in a confiscation or the imposition of fines unless special permission for its return is obtained.

Operations in foreign exchange are governed by the Ministry of Finance and are conducted through authorized banks. Exchange for merchandise on the free list is granted automatically. Otherwise import licences provide for the allocation of and right to purchase foreign exchange. When a letter of credit is opened, the bank usually requires a full or partial deposit, which varies according to both customer relationship and the percentage of foreign exchange the import licence calls for.

Drawees normally make payment only after arrival of merchandise. To avoid high storage costs, shipments should be cleared through Customs within seven days of arrival. Goods are transferred to bonded warehouses if they are not cleared after 30 days. After one year they become subject to sale at public auction or to confiscation.

Turkey

IMPORTS MAY BE MADE only by holders of an importer's certificate issued by a Turkish Chamber of Commerce and Industry. A licence from the central bank valid for six months is required for every import except those made by a government agency, an exporter, a mine operator, a shipowner, a building contractor, a tourist establishment, or a manufacturer, solely for the use of the importer in every case. Regulations affecting imports are issued at the beginning of each licensing period, January to June and July to December.

Imports are divided into two main groups: those on the free list and goods subject to quota. All other goods either may only be imported from designated countries or are prohibited import. The free list includes two schedules of liberalized goods subject to prior deposits of cash or by bond of 70 and 100 per cent, respectively, of the Turkish lira equivalent value of the goods. The quota list applies to goods for which an allocation has been made for a six-month period on a global basis. Prior deposits are also required for quota goods: 30 per cent for importers and 10 per cent for industrialists.

Quota list import applications must be made within one month of publication of the new licensing program. Individual applications may be made for a maximum of 20 per cent of any one quota. Licences are valid for imports of goods specified thereon for a period of six months from the date of issue. For goods requiring a supplementary time limit beyond the ordinary validity period, a permit must be obtained from a Turkish Chamber of Commerce and Industry.

There is no provision in the Turkish import regulations for private barter deals. Imports of old, used or reconditioned goods, with the exception of rotary printing presses, are not permitted. Transit operations, involving no outlay of Turkish foreign exchange, and in accordance with international commercial practice, may be authorized.

The granting of a licence guarantees the necessary foreign exchange. Payments for trade with countries with which Turkey has no bilateral payments agreements (including Canada) are made in U.S. dollars for the dollar currency area and in U.S. dollars or convertible currency for other areas. Free list imports must be paid for by letter of credit, but quota list items may, in addition, be paid for by cash against documents (c.a.d.) or cash against goods (c.a.g.).●

trade lines

Scotland may build giant ore terminal

Test borings being carried out by Soil Mechanics Ltd. of London could mark the beginning of a new ore-handling terminal at Ardmore Point on the Clyde. The project includes facilities to take ore carriers of 80,000 tons and over, an iron ore storage area and possibly a steel plant later. The complex would serve the Scottish and North-Western Group of steel companies and permit transshipment of ore up the river to the General Terminus Quay at Glasgow (which cannot handle carriers over 25,000 tons) and to steelworks beyond the Clyde estuary. Scotland's steel capacity is reported to be 3.5 million tons; this could be increased to 4 million, according to the industry. The whole program would cost $300 million and it will be presented over the next four years to the National Steel Corporation for consideration—Glasgow.

Singapore plans airport expansion

A sum of Cdn.$2.23 million has been earmarked to improve Singapore's International Airport in 1968. Plans call for the installation of an instrument landing system costing Cdn.$221,099; purchase and installation of radar training simulator estimated at Cdn.-$211,524; high capacity foam tender for airport fire services estimated at Cdn.$56,738; resurfacing of runway at a cost of Cdn.$248,298; redevelopment of hangar estimated at Cdn.$319,140; air-conditioning of the passenger terminal building, and a third bar approach light for the runway. The purpose of this project is to prepare Singapore for the role of air cargo container center of Southeast Asia—Singapore.

Tenders for Australian satellite earth station

The Postmaster-General of Australia has announced that the Overseas Telecommunications Commission (Australia) will call for tenders within a few weeks for the third earth station, to be built near Ceduna, South Australia—Melbourne.

Austrian company builds Canadian-designed bridge

Waagner-Biro A.G., Vienna, according to press reports, recently received a contract for the delivery and assembly of a highway bridge at Abu Dhabi on the Persian Gulf. The bridge was designed by Cansult, a Canadian engineering consulting firm. It is to be 426 meters long, 17.5 meters wide and will weigh 1,400 tons—Vienna.

Zambia switches to decimal currency

On January 16, Zambia went over from the British monetary system to a decimal currency based on the "kwacha" and "ngwee". Two kwacha are the equivalent of the old pound sterling and there are 100 ngwee to the kwacha. One kwacha 35 ngwee is written K1.35.

Issue of the old currency stopped on January 16 but it will remain in circulation indefinitely because no deadline has been set for its final withdrawal—Nairobi.

New service to Canada from Scandinavia

A new Scan Lake Line will run nine vessels of 6,000-8,000 d.w. tons between Scandinavia and Great Lakes ports when the St. Lawrence Seaway opens this spring. The line is a joint company formed by the Swedish Atlantic Line, the Swedish Chicago Line, and the Fjell/Fjord Lines, which have had vessels on this route independently for many years. A regular timetable will be followed, with one liner weekly in each direction. Swedish Atlantic Line in Montreal is the regional agency for the line in Canada. Canadian Overseas Shipping Ltd. is a sub-agent in Toronto—Stockholm.

Italy turns out more paper products

Italy's production of paper products, manufactured mainly from imported raw materials, was 14.6 per cent higher, at 16,945 tons, in January-July 1967 than in the same period last year. In 1966, Canada exported over Cdn. $11.5 million worth of wood pulp to Italy plus Cdn. $3¼ million worth of liner board. Exports of wood pulp to Italy during the first six months of 1967 totalled over Cdn. $8½ million—Milan.

Afghanistan buys Twin Otters

Two Canadian *Twin Otters* will bring the outside world to remote communities in Afghanistan. Bahkter Afghan Airlines, owned by the Government of Afghanistan, has bought them to launch its feeder airline service which will complement domestic flights of the Afghan airline, Afghan Ariana. One aircraft has already been delivered and the other will arrive in April—Rawalpindi.

Canadian Pacific closes two branch offices in Britain

Canadian Pacific has announced the closing of branch offices in Manchester and Belfast as part of a reorganization of its steamship and rail activities in Britain. The country is now divided into marketing areas run from London, Glasgow, Liverpool, and Birmingham —Liverpool.

Sweden lowers lumber prices

Prices in Northern Sweden for pine sawlogs and spruce sawlogs will be reduced 6 per cent and 13 per cent compared with last year. This announcement followed the completion of negotiations over the timber prices for 1968—Stockholm.

U.S. uses more pallets

The January 1968 issue of the *Forest Products Journal* of Madison, Wisconsin, quotes W. C. Baldwin, National Wooden Pallet and Container Association, as reporting that 103,782,000 pallets were produced and sold in the United States during 1966, requiring 2,586,550 board feet of lumber. He estimated the pallet industry used 20 per cent of all hardwood lumber and 3 per cent of all softwood lumber produced in the U.S. This sizable pallet industry, which is increasing annually, is an excellent potential end-user of Canadian lumber—Chicago.

Germany becomes Common Market's powerhouse

West Germany produced 178,300 million kwh. of electric power in 1966, 42.1 per cent of the total generated in the EEC. This made it the fifth largest producer of electricity in the world—Duesseldorf.

Mexico expands its electrical output

The Federal Electricity Commission of Mexico has announced that Ps$2,912 million (about U.S.$233 million) will be invested in electrification works this year. Of this figure, the Central Light and Power Company, which supplies electric power to Mexico City, will invest Ps$484 million (about U.S.$39 million). Part of the total will come from foreign loans now being negotiated through the Ministry of Finance. In 1968 the CFE will open new plants with a combined generating capacity of 613,000 kilowatts and will start tryouts in other plants with a total of 360,000 kilowatts. This will mean a 16 per cent increase in current generating capacity—Mexico City.

Clyde shipyards merge

Five famous shipyards on the Clyde in Scotland have received government permission to merge. The British Government will have a 17½ per cent interest in the consortium. The yards are John Brown & Co., Charles Connell & Co., Fairfields, Alexander Stephen & Sons, and Yarrow & Co. The group has orders worth over £90 million and a government loan of £5.5 million to modernize the yards. The merger is expected to make Scottish shipbuilding competitive in world markets—Glasgow.

New pulp and paper association formed in Sweden

The Swedish Cellulose Association, Pulp Association and Paper Mill Association have combined to form the Svenska Cellulosa och Pappersbrukforeningen. The chairman of the board is Wilhelm Haglund, former chairman of Sandvik Steel Works; Sverker Kastrup, deputy managing director (sales) of Swedish Cellulose Co., is first deputy chairman; the second deputy chairman is Ewart Landberg, former head of the Paper Mill Association, and the managing director is Lars Sjunnesson, former head of the Swedish Chemical Pulp Association and the Swedish Mechanical Pulp Association. The new organization took over on January 1, 1968—Stockholm.

Belgium selects German PAL system for color TV

The Belgian Government has decided to adopt the German system PAL for Belgian television services in color. Belgium thus joins other West European countries, such as Britain and Switzerland, which have adopted this system—Brussels.

Nickel refinery to be built in Australia

A $45 million nickel refinery will be built by Western Mining Corporation at Kwinana near Perth, Western Australia, following an agreement with the Western Australian Government. The plant will use the Sherritt Gordon process and will produce 15,000 tons of refined nickel a year—Melbourne.

Computer congress planned for Scotland

The fourth congress of the International Federation for Information Processing (IFIP) will take place in Edinburgh, Scotland, from August 5-10, 1968. Some 4,000 delegates from all parts of the world will attend. There will be 35 invited speakers including Thomas E. Hull, Professor of Computing Science at the University of Toronto, who will speak on the numerical integration of ordinary differential equations. Three Soviet experts will also deliver technical papers. Leading manufacturers from more than six countries will be exhibiting their products during the congress—Glasgow.

Thailand increases power output

The Cabinet in Thailand has approved the Yanhee Electricity Authority's project to install two 15-megawatt gas turbine power generators at Bangkok-noi in Thon Buri and at Bangkapi in Bangkok to supplement the YEA plant at Tak Province. The two new generators will produce additional power for the needs of the public and industry. A 200-megawatt steam-driven power plant and a 15-megawatt gas turbine generator were approved early in May 1967 for installation in the south of Bangkok. Bids for the construction of the plant will be opened next month—Singapore.

Spain opens first food irradiation plant

A food irradiation plant is to be set up in Granada, the first of its kind in this country and one of the first in Western Europe. Irradiation will be by radioactive isotopes and operations will be under the supervision of the Nuclear Energy Commission and the Ministry of Industry. It is hoped that the construction of this plant will lead to the establishment of auxiliary food industries in the area, one of the most underdeveloped parts of the country—Madrid.

Edinburgh's airport improved

The British Airports Authority is planning a £7 million face lift for Edinburgh's Turnhouse Airport. This development follows closely Glasgow's successful city airport opened in 1966. The project will include two runways, a new terminal complex, and the latest in radar and landing aids. All planning and purchasing for the airport is directed by the BAA, the government body which controls Prestwick and London's three airports—Glasgow.

Britain offers instant french fries

A British firm is now offering the restaurant, catering and institutional trade a system for making instant french fried potatoes. It consists of a machine that presses and extrudes a potato powder, made by mixing powder and water, through plastic perforated discs that give varied sizes. The product has a consistent quality, is always crisp, saves peeling, and eliminates storage of bulky sacks of potatoes. The potato powder will have a stable year-round cost—Liverpool.

Mr. Tartan Goes to Philadelphia

He went well prepared to try out the market for women's coats and suits. The Consulate staff was briefed and ready to help him. Together they put on a show for buyers. It worked.

S. A. COHAN,
Commercial Officer, Philadelphia.

"FLIGHT 625, service to Buffalo, Philadelphia, Washington and Atlanta, departing at 12:45, now loading at gate 20," wailed the voice over the P.A. system at Toronto's International Airport.

"Let's see now, I've cleared Customs, my sister's cousin has made reservations at a Philadelphia hotel for me, I've got our Canadian prices, f.o.b. Toronto, and my samples have been checked on the plane. If the staff at the Consulate in Philadelphia is half as sharp as they say, I'll be back in Toronto on Wednesday with a briefcase full of orders. I guess I should have given the Consulate some warning of my arrival. But Mike Tartan* over at Modern Fashions was pretty successful last month. I'm sure they can arrange enough good appointments to keep me busy Monday and Tuesday. So I'll relax and enjoy my trip to Philadelphia."

Plan Ahead

It goes without saying that the Consulate staff will make every effort to see that this man's trip is a success. But luck will play an unnecessarily important part in the success or failure of his first venture into the American market. His name, incidentally, is Fuller Hope* and he is the sales manager of Northern Styles Limited.

* Imaginary, of course.

Rather than listing the obvious mistakes that Mr. Hope made, let's compare his haphazard approach to exporting with the efficient and businesslike manner in which his friend Mike Tartan formulated his plans to sell in the American market.

Modern Fashions is a medium-sized women's coat and suit manufacturer located in the garment industry district of Toronto. Mr. Tartan, the sales manager, after long deliberation decided to enter the export field. At a Board of Trade dinner he learned from fellow manufacturers of the assistance offered by the federal Department of Trade and Commerce to firms interested in exporting and of the success some of his friends had had in working with the Consulate in Philadelphia. Impressed by what he had heard, early the next morning he dictated a letter to the Trade Commissioner in Philadelphia asking for guidance. His inquiry, on arrival in Philadelphia, was assigned to the officer responsible for women's apparel. By the end of the following day the latter had organized a program designed to enhance Modern Fashion's chances of penetrating the Philadelphia market. The plan of campaign was airmailed to Toronto.

Will the Product Sell?

First and foremost, it was suggested to Mr. Tartan that he lose no time in supplying us with printed matter giving details of his products, samples and laid-down prices. The Consulate has long followed the practice, when given enough time, of taking samples and literature to buyers representing a cross-section of Philadelphia stores to ask their opinion of the saleability of a product. Factors considered are styling, workmanship, price, delivery time and timing—that is, the ability to make a presentation to the buyer to coincide with his buying period. These meetings provide many constructive suggestions and these in turn we pass on to the manufacturers. Sometimes the information gathered has not proved encouraging, but we have always made it a point to submit a candid report, stating the facts as we found them.

Working Out Prices

One of the important factors in evaluating a product is price. In dealing with a firm that has had no experience with exporting, we usually give some advice on this in our initial correspondence. Because purchasers in the United States usually expect to know the laid-down cost in U.S. dollars at some major market point in this country, a Canadian firm should be prepared to quote delivered, duty-paid prices. But it should also give a customer the option to purchase at f.o.b. plant prices. The reason is that the U.S. Customs has indicated that where the purchaser has the option of buying at f.o.b. plant prices, freight charges would not under normal circumstances be regarded as a dutiable charge. The Canadian firm should also show the amounts for duty, freight, insurance and brokerage separately on the sales invoice. For help in establishing the duty that will apply, we suggest that firms contact the U.S. Division, Office of Trade Relations, at the Department in Ottawa.

To get back to Mr. Tartan, he duly supplied us with the samples and information we requested, we contacted buyers, and their opinion that the product would sell in Philadelphia was relayed to him. Encouraged by our findings, he telegraphed us that he wanted to go a step farther.

Consulate Has Showroom

This brings us to phase two. When we had determined when the buying season would begin, we suggested that Mr. Tartan select a representative cross-section of his line and plan to come to Philadelphia to make his presentation to the buyers. At the same time, we suggested that he enlist the aid of a reputable forwarder who would facilitate the entry of his samples into the U.S. by prepaying the duties at the border so that they would arrive in Philadelphia out of bond.

In addition, we pointed out that we have excellent showroom facilities within the Consulate which he could use at no cost. The offer was gladly accepted. Mr. Tartan felt that his coats and suits could be shown to best advantage by using models and we told him that there would be no difficulty in engaging the services of two competent girls through a reliable local agency.

Philadelphia is unique in that every Tuesday the local buyers depart en masse to spend the day in the New York market, by long-established custom. Bearing this in mind, we suggested that Mr. Tartan plan to have his showing in the Consulate from Wednesday through Friday. Fortunately he was able to arrange a schedule that allowed him to be in Philadelphia on these days in the first part of the buying season. With adequate lead time, we were able to set up appointments for the merchandise managers and buyers from eight of Philadelphia's finest stores to come to the Consulate and see the merchandise.

Armed with a room reservation made by our receptionist, Mr. Tartan arrived in Philadelphia on the appointed Tuesday afternoon. After checking in at the hotel, he went on to the Consulate for a meeting with the Trade Commissioner. Afterwards, using racks supplied by the Consulate and assisted by a staff member, he proceeded to prepare his display. Although they were a bit hectic, the next three days proved very rewarding. Mr. Tartan returned to Toronto with an $8,000 order and an exclusive sales agreement with one of Philadelphia's leading department stores. Before departing he assured us that he would follow up his initial success by maintaining an open line of communication with his new customer. He proved as good as his word and found that it worked to their mutual advantage. Recently his initial business expanded to the point where Modern Fashions felt sufficiently confident to enter the highly competitive New York market and from the response thus far received, it appears that the firm will succeed there as well.

As you have probably surmised, this particular story is fictitious. But it is real too because we have many case histories in our files that bear out our contention that by collaborating closely with Ottawa and the Consulate in the field, other Canadian apparel firms can duplicate the success story of the mythical Modern Fashions. ●

Furskins for the Israeli Industry

AMONG the thousands of immigrants to Israel was a substantial group of highly skilled furriers—men trained in Europe and expert in the processing, dyeing, handling and making up of furs into garments which are the envy of women everywhere.

To encourage and exploit this reserve of talent to its fullest, the Israeli Government is now encouraging the development of a fur industry through grants, loans and subsidies. The results are already impressive and the future exciting.

The fur industry has developed very rapidly. There are, at present, 65 furriers in Israel (50 in the Tel Aviv area) and four fur-dyeing plants; the industry employs some 500 workers. There are, furthermore, several hundred furriers in the country who are either part-time workers or not engaged in the trade at all. Israel's furriers are capable of processing almost all types of furs, but four main types account for 90 per cent of the output. In order of importance, these are broadtail, Persian lamb, Indian lambskin, and mink. There is only a limited degree of specialization.

Turnover of the industry in 1967 reached U.S.$3 million, of which U.S.$2 million represented direct exports (a 130 per cent increase over 1964) and some U.S.$1 million sales to tourists visiting Israel. The local population accounted for only a tiny proportion of sales. Although some 20 furriers are exporting directly, six of them, each exporting over $100,000 worth of furs annually, together account for 85 per cent of all exports. It is expected that by 1970 exports of furs will reach $5 million a year.

Furriers generally prefer to export fur bodies on which the tariff in foreign countries is generally lower than on the finished product. A coat can then be made up to the customer's choice.

The chief markets for furs are Germany, Switzerland and Italy, with the United States, Scandinavia and lately Japan some distance bebind. Organization for export is one of the industry's main problems. Exports are based mainly on personal contacts. Sales to Germany, for instance, take place during the annual fair in Frankfurt, which is attended by six to eight local furriers who send some 300 to 400 fur bodies. About 70 per cent of these are sold at the fair and the rest remain in a bonded warehouse to be sold later by agents. Exports to Italy are made via Switzerland. In addition to these channels, furriers sell their stock through agents, generally on consignment, or direct to wholesalers and retailers.

Imports of furs for local processing increased from U.S.$990,000 in 1963 to $1.9 million in 1966—or by 100 per cent. At the present time, the largest volume of furs being processed are broadtail and Persian lamb, but mink imports rank fourth and will probably expand as the industry develops and diversifies.

Israel played host to the most prominent furriers in the world recently at the International Congress of Furriers held March 10-19 in Tel Aviv, at the invitation of the Israel Fur Trade Association, which is celebrating its 25th anniversary this year. The Congress was co-sponsored by the London-based International Fur Trade Federation and applied itself to basic issues currently confronting the fur trade.

Canadian companies or individuals who would like further information on the market for furskins in Israel or who would like to contact the local fur trade, should write to the Commercial Division of the Canadian Embassy, P.O. Box 20140, Tel Aviv, Israel.

—S. G. HARRIS, *Commercial Secretary, Tel Aviv.*

Chemicals

Australia—Domestic industry is thriving but demand for imports remains strong. Canada's exports growing; we could sell more.

WILLIAM G. ROBERTS, *Assistant Commercial Secretary, Sydney.*

EXPANSION in the chemicals industry in Australia has been one of the most impressive features of the Australian economy in the last few years. The industry has had a growth rate more than double that of manufacturing as a whole and has been encouraged by use of bounties and protective tariffs. Dynamic as this may appear, expansion in the petrochemicals sector has been even greater and in view of recent discoveries in Australia of oil and natural gas, petrochemicals may acquire special significance in future.

The Australian chemicals industry does, however, have its problems. Manufacturers face high unit costs because of the high costs of electricity and transportation within Australia, the relatively small domestic demand, and the fact that markets are scattered and confined largely to the capital cities of the states, with Sydney and Melbourne the main consumption centers. These problems and others were recently studied in a complete review of the industry by the Tariff Board. Subsequently in its April 1966 report on *Industrial Chemicals and Resins*, the Tariff Board recommended to government that continuing assistance be given to the chemicals industry through the use of bounties and protective tariffs. Despite this assistance, there is a substantial continuing market in Australia for imported chemicals. Canadian manufacturers in this field would be well advised to pay greater attention to this market in the hope of securing a larger share of it. Currently Australian imports of chemicals amount to some $300 million a year.

Domestic Industry Analyzed

The 562 Australian factories producing a wide variety of chemicals (including explosives), drugs and medicines employ over 26,000 people. Approximately 45 of the factories account for 50 per cent of the employment and over 280 of the smaller ones account for only 5 per cent. The actual number of chemical producers is estimated at 60, because many of the smaller firms are processors only. The value at the factory of goods produced in 1965/66 by all these plants totalled A$520.1 million and in the same year Australian exports of chemicals, drugs, medicines, etc., were valued at $40.3 million, f.o.b. port of shipment.

The value of chemicals that Australia imported rose from A$184.7 million in 1964/65 to A$265.8 million in 1965/66. Britain was the leading supplier and increased its share from 29 to 33 per cent of the market. The United States, West Germany, Japan, Switzerland and Canada were the next leading suppliers, in that order. Actual values of chemicals imported from the leading suppliers are shown in Table I, but in studying these figures it should be borne in mind that many major Australian chemicals manufacturers are affiliates of large international firms and the pattern of trade is to a large extent predetermined by intra-company relationships. Imperial Chemical Industries of Australia and New Zealand Ltd. (ICIANZ) is the largest manufacturer. Other major producers are Altona Petrochemical Co. Pty. Ltd.

TABLE I

AUSTRALIA'S LEADING CHEMICALS SUPPLIERS

	1964/65	*1965/66*
	(A$'000)	
Total imports	184,720	265,756
of which		
Britain	53,093	88,279
United States	56,494	76,971
West Germany	16,753	29,881
Japan	7,749	19,290
Switzerland	9,912	13,418
Canada	4,945	8,546

TABLE II

AUSTRALIAN CHEMICAL IMPORTS 1965/66

Division	*Description*	*Value of Chemicals Imported from All Sources*	*Canada*
		(A$'000)	
51	Organic & inorganic chemicals	87,340	3,275
52	Mineral tar & crude chemicals from coal, petroleum & natural gas	3,291	—
53	Dyeing, tanning & coloring materials	15,039	107
54	Medicinal & pharmaceutical products	35,962	231
55	Essential oils & perfume materials; toilet, polishing & cleansing preparations	11,903	383
56	Fertilizers, manufactured	7,680	1,035
57	Explosives & pyrotechnic products	4,827	103
58	Plastic materials, regenerated cellulose & artificial resins	67,546	3,079
59	Chemical materials & products, n.e.s.	32,170	333
	Total	**265,758**	**8,546**

TABLE III

MILLION-DOLLAR CHEMICALS MARKETS IN AUSTRALIA 1965/66

	Total Imports	*From Canada*
	(A$'000)	
Aluminum oxide	3,442	—
Potassium chloride	2,580	164
Calcium carbide	1,750	743
Ammonium sulphate	1,658	871
Tetracycline	1,469	—
Pentasodium triphosphate	1,431	109
Di-isocyanatotoluene	1,166	—
2 ethylhexanol, iso-octyl alcohol, nonyl alcohol	1,045	—
Methyl methacrylate	826	—
Ammonia, anhydrous or in aqueous solution	812	—
Carbon black, etc.	807	—
Mercury	751	—
Pentaerythritol	736	665

(Esso and Mobil), C.S.R. Chemicals Pty. Ltd., C.S.R.C.-Dow Pty. Ltd., Monsanto Chemicals (Australia) Ltd., Shell Chemical (Australia) Pty. Ltd., and Union Carbide Australia Ltd.

Canada's Share

More than 60 different products for a wide variety of uses were exported to Australia by an estimated 30 Canadian chemical manufacturers during 1965/66. A complete analysis of these Canadian chemical exports is beyond the scope of this article but Table II indicates broadly the major categories of Australian chemical imports. Table III lists a few of the chemical products with imports into Australia worth over a million dollars. Organic and inorganic chemicals, plastic materials, regenerated cellulose and artificial resins, and medicinal and pharmaceutical products head the list of those imported from all sources.

Canada has shared in the increased demand for fertilizers. In the period 1964/65 to 1966/67 the average Australian farmer increased his consumption of superphosphate, potash and nitrogenous fertilizers from 15 to 22 tons per year.

Even with the rapid expansion of the Australian chemicals industry, it is evident that Australia will continue to import many chemicals, drugs and medicines. Canadian manufacturers who are interested in selling here should write to the Chemicals Division of the Department in Ottawa or to the Trade Commissioner Service offices in Australia for further information. ●

Israel—Plans to expand and integrate various chemical plants may give Canada a chance to sell needed chemicals and equipment.

M. A. BRAULT, *Assistant Commercial Secretary, Tel Aviv.*

ISRAEL may be said to possess only two natural resources of consequence: the salt of the Dead Sea and the phosphate rock of the Negev. On the basis of these two raw materials and on the byproducts of imported oil, Israel is building an important heavy chemicals industry aimed at world export markets. The present chemical industry consists of a hodgepodge of only slightly related firms which are now to be regrouped, reorganized and expanded to form a larger integrated industry with rationalized product lines to offer to the world.

In September 1967, the Government created a new holding company, Israel Chemical Industries, to combine within a single entity the Dead Sea Works, Chemicals and Phosphates, Haifa Oil Refineries, Israel Petrochemicals, and the yet-to-be-constructed Haifa Chemicals, and what is described as the Arad Complex which will produce phosphoric acid and ultimately superphosphate fertilizers. The new company has plans to invest over U.S.$300 million from now to 1975. By that time, it is hoped, production will have an annual value of U.S.$500 million. This is a trade of substantial proportions.

The Dead Sea Works

The passage of time has made the Dead Sea a repository of vast quantities of chemical salts. The water of the Dead Sea itself is 25 per cent salt by weight versus about 8 per cent for normal sea water, and is comprised of magnesium chloride 51 per cent, sodium chloride 27 per cent, calcium chloride 13 per cent, potassium chloride (potash) 5 per cent and magnesium bromide 2 per cent, with other miscellaneous salts in small quantities.

The dry, intensely hot climate of the Dead Sea region (1,280 feet below sea level) makes it possible to extract the salts by natural evaporation processes. The burning sun is intense during the long summer, air pressure is especially high, and rain is almost unknown, making ideal evaporation conditions. Potash, the main product at the present time, is produced in the form of the double chloride of potassium and magnesium known as carnallite, through a process of fractional crystallization from the brine. Evaporation pans have been built over an extensive area at the south end of the Dead Sea to form a series of shallow pools where the evaporation process takes place, increasing the salt concentration in the water until the salts finally crystallize out as solids on the bottom of the shallow pans from which they are harvested by dredges.

The Dead Sea Works Ltd. was started in 1952 with a combination of government capital and private shareholders. After a monumental construction job and the successful boring of wells for fresh water, the company began production in 1955. The following year a small bromine plant was added to the potash works. In 1962, a further U.S.$72 million was invested to expand the present works to the capacity of 600,000 metric tons of potash in 1966. Nothing stands still in Israel and a further expansion is now under way to bring capacity to a million metric tons in early 1970 and bromine production to nearly 10,000 tons per year. Production reached nearly 600,000 tons in 1966, of which a scant 11,000 tons were consumed in Israel. Some 257,000 tons were exported to Europe, 80,000 to Asia, 15,000 to Africa, and 5,000 to Australia. The export earnings from potash and bromine salts during 1966 totalled U.S.$17.8 million.

Chemicals and Phosphates

Only a few miles from the Dead Sea, at Oron in the Negev Desert, Chemicals and Phosphates Ltd. mines phosphate rock and processes it in a giant kiln to make a product with 36 per cent P_2O_5 for sale on world markets. At a second plant near Haifa this company, using byproducts from the Haifa refineries, began to manufacture ammonia and urea fertilizers. In 1966 it produced U.S.$20 million worth of fertilizers and exports amounted to U.S. $6 million.

The Arad Complex

Arad is a development town (soon to be a development city) situated between Oron and the Dead Sea, where it is proposed to set up a new heavy chemical complex. The vast quantities of magnesium chloride which can be easily obtained from the Dead Sea will be electrolyzed to produce magnesium metal and hydrochloric acid.

ISRAEL'S CHEMICAL IMPORTS

Value of Main Groups	(U.S.$'000)
Inorganic chemicals	6,101
Organic chemicals	15,581
Pharmaceutical products	4,085
Miscellaneous chemical products	5,611
Artificial resins and plastic	9,744
Synthetic rubber	4,700
Total	**48,822**

. . . of special interest to Canada

Styrene
Methanol
Phenol
Acetic acid
Mono-, di- or triethanolamine
Urea
Zinc oxide
Iron oxide and hydroxides
Titanium oxides
Radioactive elements and isotopes
Hydrogen peroxide
Calcium carbide

The hydrochloric acid will be used in a new Israel development process invented by Dr. Amman to produce phosphoric acid in combination with the phosphate rock of Oron. Initially this material will be exported in the form of acid but ultimately it will form the base raw material for the production of superphosphate fertilizers on a very large scale for export to Europe, Africa and Asia. The remarkable feature of this project is that it will not require the use of sulphur, which is in scarce supply all over the world. It will be the first time that phosphoric acid will have been manufactured on a large scale through the hydrochloric process. The production of magnesium metal, which is really a byproduct, will, of course, have an important bearing on future markets for Canadian metal.

Production is expected to reach 160,000 tons per year for a value of U.S.$19 million by 1970. A contract for 50,000 tons a year has already been signed with an Italian company. Further development foresees the production of feed additives for livestock and possibly polyvinyl chloride from the chlorine which will be produced. Investment in this project will total approximately U.S.$50 million.

Petrochemical Industry

The Israel petrochemical industry came into being in 1959. At that time, it was decided to concentrate on three major products which are basic to the whole industry:

1. Ethylene gas produced from surplus gases and liquids of the refineries.

2. Polyethylene, a plastic material produced from ethylene by a process of polymerization. Polyethylene is much used in the manufacture of transparent sheet for packaging and protective winter coverings for agricultural products. This material is further used in the manufacture of irrigation pipes and for many moulded plastic products.

3. Carbon black, a substance which, like ethylene gas, is also made from the surpluses of the refineries. It is used as one of the raw materials for the tire industry and in other rubber industries.

The size of the various units was initially determined to accord with an annual production of 13,500 tons of ethylene, 7,000 tons of polyethylene and 9,000 tons of carbon. The overall investment amounts to U.S.$15 million. Up to March 1965, during the time when each of the installations came into operation separately and at different dates, production figures were as follows: ethylene, some 5,500 tons; polyethylene, over 3,000 tons, and carbon, some 3,300 tons.

Ethylene gas, by its very nature, cannot be exported and is marketed entirely in Israel. One quarter of the polyethylene and half of the carbon were exported and marketed in centers where a trade was established with the opening of the plant.

The value of production of the three installations in this period totalled some U.S.$2.3 million and exports totalled some U.S.$500,000. The first year of really continuous and full production began in April 1965. In 1966, production came close to achieving the maximum planned for each installation. The polyethylene installation was used to the maximum and utilization of the other two was 80 per cent. The local market for polyethylene can currently absorb some 4,000 tons a year. According to calculations, this demand should grow to 6,000 tons in 1967 to 8,000 by 1970, and to some 10,000 tons by 1972.

For carbon black, the expected expansion of the tire industry should raise the demand to 6,000 tons by 1970 and to 7,500 in 1972. After discussions centered around the extension and expansion of the Haifa installations, it was decided at the end of 1966 to expand the ethylene plant to cope with an output of 24,000 tons per year, to expand the polyethylene plant to a production capacity of 17,000 tons, and the carbon plant to 10,500 tons. Investment needed for the expansion totals U.S.$5 million, bringing the over-all investment in the plant to some U.S.$20 million.

Another company, Electro Chemical Industries Ltd., is dependent on supplies of ethylene from the petrochemicals enterprise for the production of polyvinyl chloride. With an investment of U.S.$17 million, this plant has now an output of 72,000 tons of polyvinyl chloride a year. This company also manufactures industrial chemicals such as caustic soda, hydrochloric acid, sodium hypochlorite, hydrogen, trichloroethylene, perchloroethylene, chloroparaffin, chlorine, essences and concentrates for the food industry. Sales of Electro Chemical Industries amounted to more than U.S.$5 million in 1966.

Potential Market

Israel imported in 1966 chemicals valued at some U.S.$48.3 million, and Canadian chemical producers supplied only 0.2 per cent of this total figure. With this major expansion program, opportunities will be created for increased imports, to which prospective Canadian suppliers should give their attention. The Commercial Secretary's office in Tel Aviv will be glad to undertake any market survey and report on the export sales potential of any chemicals or machinery. ●

Foreign Exchange Rates

These nominal quotations may help exporters in checking prices, but they should consult their banks before making any firm commitments. When more than one rate is shown, the one to be used depends on the commodity traded. Information on the rate for any specific commodity may be obtained from the Office of Trade Relations, Department of Trade and Commerce, Ottawa.

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

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

For conversion of column one to the U.S. dollar equivalent, *multiply* by .92. To convert column two, *divide* by .92.

Country and Currency	Value of Foreign currency unit in Canadian dollars at March 16	Value of Canadian dollar in foreign currency units at March 16
Algeria Dinar	.2204	4.53
Argentina Peso (free)	.0031	322.58
Australia Dollar	1.216	.8196
Austria Schilling	.0420	23.98
Bahamas Dollar	1.063	.9364
Belgium and Luxembourg Franc	.0218	46.25
Bermuda Pound	2.606	.36
Bolivia Peso	.0911	10.97
Brazil Cruzeiro (official free)	.3384	2.95
Britain Pound	2.606	.36
British Honduras Dollar	.6515	1.68
Burma Kyat	.2278	4.20
Ceylon Rupee	.1822	5.47
Chile Escudo (bank rate)	.1726	5.79
(free)	.1484	6.73
China, Republic of New Taiwan Dollar (official)	.027	37.04
Colombia Peso (fixed)	.068	14.95
Congo, Republic of[1] Franc	.0072	139.50
Costa Rica Colon	.1637	6.10
Cuba[2] Peso	....	....
Czechoslovakia Koruna	.1506	6.64
Denmark Krone	.1456	6.81
Dominican Republic Peso	1.085	.92
Ecuador Sucre (official)	.0602	16.50
(free)	.0540	18.45
El Salvador Colon	.4339	2.30
Fiji Pound	2.491	.40
Finland Markka	.2583	3.86
France, Monaco, etc.[3] Franc	.2204	4.53
Franco-African Republics[4] Franc	.0044	227.79
French Pacific[5] Franc	.0121	82.64
Germany D Mark	.2720	3.68
Ghana New Cedi	1.063	.94
Greece Drachma	.0362	27.86
Guatemala Quetzal	1.085	.92
Guyana Dollar	.5438	1.84
Haiti Gourde	.2169	4.60
Honduras Lempira	.5423	1.84
Hong Kong Dollar	.1790	5.56
Hungary Forint (official)	.0921	10.86
Iceland Krona (official)	.0190	52.91
India Rupee	.1446	6.90

Country and Currency	Value of Foreign currency unit in Canadian dollars at March 16	Value of Canadian dollar in foreign currency units at March 16
Indonesia[6]		
Rupiah	....	....
Iran		
Rial	.0143	70.42
Iraq		
Dinar	3.037	.33
Ireland		
Pound	2.606	.36
Israel		
Pound	.3099	3.22
Italy		
Lira	.0017	581.86
Japan		
Yen	.0030	333.33
Kenya		
Shilling	.1526	6.55
Lebanon		
Pound (free)	.3363	2.97
Malaysia		
Dollar	.3543	2.81
Mexico		
Peso	.0867	11.47
Morocco		
Dirham	.2143	4.65
Netherlands		
Florin	.3012	3.32
Netherlands Antilles		
Florin	.5752	1.77
New Zealand		
Dollar	1.219	.82
Nicaragua		
Cordoba	.1550	6.42
Nigeria		
Pound	3.051	.33
Norway		
Krone	.1520	6.57
Pakistan		
Rupee	.2278	4.38
Panama		
Balboa	1.084	.93
Paraguay		
Guarani (free)	.0087	116.28
Peru		
Sol (free)	.0263	38.02
Philippines		
Peso (free)	.2769	3.61
Poland		
Zloty (fixed basic rate)	.2711	3.68
Portugal & Colonies[7]		
Escudo	.0377	26.33
Saudi Arabia		
Riyal	.2066	4.84
Sierra Leone		
Leone	1.518	.66
South Africa		
Rand	1.518	.66
Spain & Dependencies		
Peseta	.0156	64.25
Sweden		
Krona	.2096	4.77
Switzerland		
Franc	.2504	4.00
Syria		
Pound (free)	.2847	3.51
Thailand		
Baht (free)	.0526	18.90
Tunisia		
Dinar	2.066	.48
Turkey		
Lira	.1205	8.28
United Arab Republic		
Pound (official)	2.494	.40
United States		
Dollar	1.085	.92
Uruguay		
Peso (free)	.0055	185.18
Venezuela		
Bolivar (official free)	.2417	4.12
West Indies		
Dollar[8]	.5423	1.84
Pound[9]	2.606	.36
Yugoslavia		
Dinar (official)	.0867	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. Barbados, Trinidad and Tobago, Leeward and Windward Islands.
9. Jamaica.

Marketing Data Sheet

PHILIPPINES

Area

115,600 square miles, including 7,000 islands (11 islands comprise 96 per cent of total land area).

Climate

Mean temperature 80.6°F. with temperature fluctuations of 12°F. Mean humidity varies from 69 per cent in April to 86 per cent in September. Fahrenheit scale is used.

Population

In 1967, estimated total population was 34 million, of which 17.2 million were males and 16.8 million females. The population is increasing at the rate of approximately one million per year.

	Males	*Females*
40 and over	2,873,607	2,773,700
30 to 39	1,842,018	1,904,568
20 to 29	2,694,283	2,843,880

Households

There are 5.3 million family groups.

Banks

In 1966, there were 41 commercial banks with a total of 447 branches all over the country.

Income

National income was U.S.$4,454 million in 1966; per capita income was U.S.$131. The average hourly wage was 1.13 pesos (approximately U.S.$0.29) in Manila and suburbs.

Motor Vehicles

In 1966, there were 174,394 passenger cars, 142,877 trucks and trailers, and 41,010 motorcycles and scooters.

Telephones

4.8 telephones per thousand persons in 1966.

Radio and Television

In 1966, 534,000 households had radios and 82,000 had television receivers (525 lines per picture). Radio and television broadcasting stations are privately owned.

Water Supply

Safe to drink. The pressure varies throughout the country; the water is generally soft.

Electric Power

Sixty-cycle a.c. 115/230 volts in Manila, elsewhere usually 110/220 volts, one- and three-phase. National capacity in 1966 was 1.2 million kw., made up of 575,000 kw. in privately owned plants under the jurisdiction of the Public Service Commission and 630,000 kw. in the National Power Corporation's plants. The largest of the privately-owned utilities is the Meralco with 458,000 kw. capacity. Meralco serves 412,000 residential, 47,000 commercial and 1,235 industrial customers. It operates in an area covering 915 square miles on the island of Luzon, including Greater Manila. In 1966, the company undertook a major program to increase the capacity of existing transmission lines.

Coal

Soft bituminous coal is mined locally. Production was 96,134 metric tons in 1964 but fell off to 88,949 metric tons the following year.

In 1965, the Philippines imported 64.5 metric tons of coal and 20,700 metric tons of coke made from lignite and coal. Locally produced coal is used in making cement and for power generation.

Gas

Manufactured gas and LPG are available. Bottled LPG costs approximately Cdn.$2.77 per 30-pound cylinder. LPG is growing in popularity at the expense of electricity.

Petroleum Products

Gasoline is refined locally. All other petroleum products are imported. There are four refineries with a total refining capacity of 85,000 barrels a day.

Weights and Measures

Metric.

Screw Thread

Right hand, metric and North American S.A.E., predominate.

Standards

All foreign standards (such as BSA, CSA, UL and the Japan Industrial Standards Association) for electrical appliances, oil and gas stoves, furnaces and general machinery are acceptable, provided they are compatible with United States standards.

The radio approval organization is: Radio Control Board, Bureau of Public Works and Communications, Bureau of Posts Building, Manila.

If undelivered return to:
The Queen's Printer, Ottawa, Canada

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