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FOREIGN TRADE

DEPARTMENT OF TRADE AND COMMERCE, OTTAWA

Good Markets in the Far East

IN THIS ISSUE

VOL. 130 NO. 6

The growing momentum of industrialization in the Far East is opening up markets for new products and swelling the demand for traditional ones. This issue of *Foreign Trade* takes a close look at Japan, South Korea, Taiwan, Hong Kong and Mainland China. This is the third issue this year featuring Asian markets; India, Pakistan and Ceylon were covered in the July 20, 1968, issue and the countries of Southeast Asia in the June 22, 1968, number.

What does Canada sell to Hong Kong? Aluminum ingots, obviously, because our cover shows them proceeding down one of the main streets in Kowloon. Raw materials do make up a good part of our sales to the Far East but there are plenty of other opportunities for doing business— both in Hong Kong and elsewhere.

Canada's exports to Japan went up a mighty 45 per cent last year, topping half a billion dollars. Our sales of lumber there doubled. The expansion of Japan's export industries assures a bright future for raw materials and the closer economic ties between our two countries provide a propitious climate for licensing and joint ventures.

What are the trade prospects in Mainland China? R. G. Godson, a Trade Commissioner in Hong Kong, answers this question with a thoughtful article on trade and the economy. Much of his information he gathered on his visit to the Canton spring fair. Competition for this market is keen indeed but Canadian exporters can do profitable business there— if they practice patience. The box feature on page 20 shows how to set about it.

The voice of experience—D. H. Cheney, for five and a half years Senior Trade Commissioner in Chicago, tells how the Trade Commissioner Service can help the new exporter take the vital first steps in the U.S. market. Seasoned exporters will also be interested in his article on page 28.

Markets for forest products in Europe and selling to UN agencies in Switzerland are the main topics in the next issue of *Foreign Trade.* During October, there will be an issue largely devoted to Australia and New Zealand.

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Good Markets in the Far East

■ In this issue, "Foreign Trade" turns its attention to the Far East and the markets there. We cover only five countries but all of them are included in Canada's fifty best export markets and one, Japan, ranks third among our customers, after the United States and Britain. Trade with the five in 1967 for the first time topped one billion dollars, almost double the $589 million of five years earlier. Of the $1.1 billion of total trade, Canadian exports accounted for $700 million.

Top billing in this area goes to Japan, which bought Canadian products worth $572 million last year compared with $394 million in 1966. This increase stemmed from renewed economic expansion in Japan, following gradual recovery from the slump that began in 1965. Our exports not only rose but the range broadened.

Second to Japan as a Far Eastern market for Canadian goods comes Mainland China. Major element in exports worth $91 million in 1967 was, of course, wheat, sold under a three-year agreement with China signed in August 1966. But we can and do sell other products there: zinc metal, radioactive elements and isotopes, and X-ray and related equipment are a few examples. Included in the report on China comes advice on how to penetrate this promising market.

Our third largest Far Eastern market, Hong Kong, suffered from riots, strikes and other civil disturbances last year but these failed to shake the confidence of its industrialists and investors. Canadian sales, with materials and equipment for industry ranking high, reached $17 million for the year. Equally encouraging were our exports to the Republic of China (Taiwan) at $12 million—up almost $4 million over 1966—and those to South Korea at $7.7 million.

Included in this area are sophisticated trading centers such as Hong Kong and Tokyo where banking, agency, financial and warehouse services are easy to obtain. Import restrictions, summarized on page 23, vary from country to country.

Canadian Exports to the Far East

	1963	1964	1965	1966 (Cdn. $'000)	1967	January-June 1967	January-June 1968
Mainland China	104,738	136,263	105,131	184,879	91,306	70,798	76,058
Hong Kong	17,490	22,278	16,734	15,385	17,349	10,486	8,322
Japan	296,010	330,234	316,187	394,246	572,156	291,479	290,115
Korea	3,870	1,096	823	15,652*	7,671	3,270	5,495
Taiwan	3,759	6,178	6,577	8,410	12,267	6,409	8,078
Total Exports	**425,867**	**496,049**	**445,452**	**618,572**	**700,749**	**382,442**	**388,068**

*This includes sales of wheat to North Korea valued at over $12 million.

Canadian Imports from the Far East

	1963	1964	1965	1966 (Cdn. $'000)	1967	January-June 1967	January-June 1968
Mainland China	5,147	9,372	14,477	20,607	25,074	13,415	10,717
Hong Kong	21,197	26,872	31,194	38,877	51,040	23,384	25,880
Japan	130,471	174,381	230,205	253,285	304,768	140,610	153,755
Korea	380	473	1,477	1,764	4,569	1,050	4,072
Taiwan	5,875	9,063	9,333	13,089	23,569	8,715	13,034
Total Imports	**163,070**	**220,161**	**286,686**	**327,622**	**409,020**	**187,174**	**207,458**

The tables are composed from DBS statistics.

Although wheat, metals and minerals, and certain other raw materials make up a major portion of our shipments to these markets, our sales are not confined to them. In all five countries we also sold medicinal supplies and chemicals last year and in four of them we sold computers and parts, industrial machinery and parts, transportation equipment, and communications equipment and parts.

The general rise in our total exports and the diversification of product mix should encourage more Canadian companies to make a sustained effort to win a share of these Far Eastern markets. The information contained in the following pages may help you plot your campaign.

Canada's Principal Exports to the Far East

Commodities	No. of Markets	1966	1967	January-June 1967	January-June 1968
		(Cdn. $'000)			
Wheat and wheat flour	5	298,989	200,083	137,255	124,305
Copper	4	53,644	97,417	47,389	57,539
Aluminum	3	19,102	54,923	31,462	17,631
Wood pulp	3	35,079	41,319	21,960	26,268
Oilseeds	3	35,998	40,887	21,219	21,326
Lumber	3	19,750	36,219	16,299	21,747
Iron ore	1	18,145	17,291	8,346	10,703
Barley	2	9,281	16,555	5,761	12,477
Zinc	5	4,362	15,423	6,473	8,700
Nickel	5	4,924	15,336	7,866	6,718
Asbestos	4	9,103	14,657	5,207	4,531
Coal	1	11,413	13,333	6,256	7,240
Logs and poles	2	5,869	13,008	6,589	5,862
Potassium chloride, muriate	3	12,467	11,623	6,002	7,868
Molybdenum	1	—	8,572	4,564	7,212
Computers, office machines and parts	4	5,709	8,309	5,263	3,657
Lead	4	3,076	7,702	2,380	3,811
Brass and bronze scrap	2	2,596	7,449	2,582	2,177
Newsprint paper	4	2,992	7,009	1,912	3,846
Sulphur	4	2,579	5,901	1,867	4,670
Rye	1	3,739	5,763	3,644	1,895
Scrap iron and steel n.e.s.	3	1,170	5,128	2,223	538
Liquefied propane gas	1	557	4,679	2,239	1,580
Feeds and feedings	1	5,746	4,454	2,930	1,776
Transportation equipment and parts	4	2,126	4,170	3,245	1,087
Plastic and synthetic rubber	4	3,454	3,733	1,729	1,276
Industrial machinery and parts	4	2,147	3,442	2,730	1,223
Hides and skins, raw	3	6,066	3,122	1,786	970
Fish roe, fresh, frozen, cured	2	1,574	2,355	28	33
Plastic and synthetic resins n.e.s.	3	2,793	2,123	1,309	795
Pig iron	1	—	2,056	595	618
Tallow	1	1,667	1,850	709	1,795
Silver in ores and concentrates	1	984	1,787	668	2,354
Plywood, Douglas fir	1	81	1,723	1,463	261
Medicinal supplies	5	1,257	1,705	859	964
Scrap sweepings of precious metals n.e.s.	2	727	1,412	518	1,076
Chemicals n.e.s.	5	1,568	1,672	935	1,090
Milk powder, skim milk	3	4,372	1,091	384	11
Communications equipment and parts	4	629	1,074	424	126
Mustardseed	1	877	1,047	694	808
Malt	3	416	1,046	898	892
Metal-bearing ores and concentrates	1	6,009	314	239	109
Non-metallic minerals, crude, n.e.s.	4	1,374	14	9	1

Japan, Canada's Third Market

Continued economic expansion, rise in exports means booming market for industrial raw materials and pushes up Canadian sales.

J. A. STILES
Minister (Commercial), Tokyo

A Yokohama shipyard recently completed the world's largest tanker—312,000 dwt.—here pictured on a trial run off Enoshima Island in Sagami Bay. The ship, christened the "Universe Ireland", is being turned over to the Bantry Transportation Co. for long-term charter to Gulf Oil Corporation. It has a maximum draft of 24.1 metres.

■ The Japanese economy continues to exhibit a remarkable ability to sustain a high growth rate despite adverse pressures both at home and abroad. Following a decade of average real growth of over 10 per cent, the economy in fiscal 1967 (ended March 1968) expanded by an unexpectedly high 13.3 per cent. Japan's gross national product in 1967 was valued at U.S.$116 billion (compared with $121 billion for the Federal Republic of Germany). Although some slowing of the growth rate to an estimated 8 per cent is expected this year, many observers are predicting that Japan will by 1969 overtake Germany to become the world's third ranking producer, behind the United States and the Soviet Union.

Industrial Output Up

In 1967 average production of all industries in Japan rose by 19 per cent, highlighted by the increase in steel production which totalled over 62 million tons, some 14 million tons above 1966. Japan continues to hold its position as the world's leading shipbuilder and last year accounted for 47.5 per cent of new world tonnage. Automobile output also rose sharply, with local manufacturers turning out more than three million cars, a 37 per cent increase over 1966, to make the country second only to the United States in car manufacture. Electrical machinery production also rose by 32 per cent and the chemical industry rose 17.5 per cent above the 1966 figure.

A principal factor in this strong industrial growth has been the continuing high level of private investment in equipment. Such investment in 1967 went up by 31.6 per cent over

1966, or a two- to three-fold gain over the 1960 level. Labor productivity, spurred by this investment upsurge, increased by 16.5 per cent in 1967.

Farm Output and Income

Production of rice, still the staple food of Japan, rose to an all-time high of 14.4 million tons in 1967. A decline this year of at least 5 per cent is believed inevitable in view of the increasing conversion of paddies and dry rice fields into industrial or residential areas.

Excluding wheat, barley and rye, the production of which has continued to drop of late, Japanese agricultural output will probably go up each year by approximately 3.8 per cent, according to Ministry of Agriculture and Forestry estimates. Steady future increases are expected in dairy farming and fruit growing. Beef production is also expected to rise because it is planned to slaughter young male calves at a sharply increased rate.

Average farm income in Japan in fiscal 1967 gained 18.7 per cent over 1966 and amounted to $2,800 compared with $2,460 in fiscal 1966. The 1967 figure was for the first time slightly higher than the average of real income in wage-earners' households.

Prices and Labor

Prices are still rising and in fiscal 1967 the Consumer Price Index rose by 4.1 per cent. The Japan Economic Research Center estimates a further increase in the current year of 5.7 per cent. The wholesale price index was more stable, rising by only 1.5 per cent.

Employers are beginning to complain of a shortage of skilled labor and this trend is expected to exercise in the coming year an upward pressure on wages, already approaching the level of those in several Western European countries. There is practically full employment; as at May 1968 there were some 640,000 registered unemployed out of a labor force of more than 51 million.

Foreign Trade Booming

In 1967 Japanese imports and exports both exceeded the $10 billion mark for the first time, but the increased domestic demand based on the economic boom tended to blunt the export effort and to raise imports substantially. Thus, Japanese exports in 1967 increased by only 6.8 per cent to $10,440 million but imports rose by 22.5 per cent to $11,660 million, leaving a trade deficit for the year of $1,220 million. This was the first time since 1961 that the increase in exports was below 10 per cent and the gain in imports exceeded 20 per cent.

TABLE I

JAPAN'S EXPORT TRADE

	1966	*1967*
	(U.S.$'000, f.o.b.)	
United States	2,969,491	3,012,011
South Korea	335,170	406,959
Liberia	322,889	393,314
Philippines	278,256	362,901
Australia	297,678	358,794
Hong Kong	369,907	348,969
Thailand	300,838	340,991
Republic of China (Taiwan)	255,378	328,154
Britain	225,465	295,757
Mainland China	315,150	288,294
Canada	255,812	274,181
Total exports, including all others	**9,776,391**	**10,441,572**

TABLE II

JAPAN'S IMPORT TRADE

	1966	*1967*
	(U.S.$'000, c.i.f.)	
United States	2,657,650	3,212,078
Australia	679,637	792,406
Canada	451,299	633,331
Iran	362,152	528,795
U.S.S.R.	300,361	453,918
Philippines	324,976	374,439
West Germany	236,890	363,872
Malaysia	307,136	334,476
Saudi Arabia	246,967	315,606
Kuwait	290,314	300,639
Mainland China	306,237	269,439
Total imports, including all others	**9,522,702**	**11,663,087**

The United States remained Japan's principal export market in 1967 (see Table I) although sales to the U.S. went up by only 1.6 per cent. On the other hand, exports to developing countries, particularly those in Asia, expanded steadily; they increased 10.8 per cent over 1966. Other notable export gains were made in sales to the Philippines (up 30.5 per cent), Mainland China (up 28.5 per cent) and the Republic of Korea (up 21.4 per cent).

On the import side, the United States last year was again the dominant supplier to Japan, followed by Australia and Canada (see Table II). The U.S.S.R. increased its shipments to Japan (particularly logs and pig iron) in 1967; so did Iran and West Germany.

Industrial raw materials formed 70 per cent of Japan's imports in 1967. There were marked rises in purchases of steelmaking materials—iron scrap (up 114 per cent), pig iron (up 77 per cent), coal (up 32 per cent), and iron ore (up 18 per cent). Crude oil purchases also increased by 21.4 per cent.

Imports of capital equipment centering on machinery went up by 28.6 per cent to reach a total of $988 million in 1967. Consumer goods increased by 8.7 per cent to $2,409 million.

The adverse Japanese trade balance resulted in a deficit in the over-all balance of payments in 1967 of some $570 million. To counter this trend, in September 1967 and again in January 1968 the Bank of Japan's discount rate was raised, bringing it to the current level of 6.2 per cent. During the past ten months the country has followed a tight money policy and this appears to be helping in the desired result of slowing the rate of imports while encouraging exports.

Influences on Export Market

In fact, the improvement in Japan's export trade in the first half of 1968 has been so good (up 21 per cent over the first half of 1967) that the Supreme Export Council recently set an export target of $12,777 million for the 1968 fiscal year. This represents an export growth of 18.5 per cent and compares with an average annual increase in Japan's exports from 1955 through 1967 of 15.1 per cent.

Much depends, of course, on buoyant conditions in Japan's overseas markets, particularly the United States. Plans for defence of the U.S. dollar as well as U.S. trade protection moves have caused considerable apprehension because larger sales to the United States are essential for the achievement of Japan's export goals.

There has also been mounting pressure on Japan to speed up its program of liberalization of capital transactions in the past year. Overseas firms, particularly foreign food and automotive companies, are pressing to obtain a share of the expected expansion in the Japanese market through direct investments.

Numerous mergers in Japanese industry are currently being considered to improve the competitive position both at home and abroad and to accelerate the development of industrial technology.

The swing towards concentration on heavy industry is also affecting the Japanese trading companies. They are tending to merge in order to be in a better position to finance and develop long-term supplies of industrial raw materials from overseas sources.

Canadian-Japanese Trade

The increased demand by Japanese industry in 1967 for larger quantities of imported industrial raw materials was directly responsible for larger shipments from Canada (see Table III). Last year Japanese purchases of copper, nickel, lead, zinc and molybdenum all increased substantially and so did those of aluminum, coal, asbestos, iron and steel scrap and brass and bronze scrap. Sales of Canadian rapeseed also advanced, with those of wood pulp and liquefied petroleum gases. The Japanese construction industry nearly doubled its purchases of Canadian lumber. Thus, total Canadian exports to Japan last year achieved a record of $572 million —an impressive 45 per cent increase over 1966.

TABLE III

WHAT CANADA SELLS TO JAPAN

	1965	*1966*	*1967*
	(Cdn.$'000, f.o.b.)		
Fish roe, n.e.s.	634	1,573	2,352
Skim milk powder	—	4,371	1,054
Barley	11,876	9,281	16,526
Rye	2,155	3,739	5,763
Wheat (including durum)	90,188	103,235	107,518
Feeds and feedings	4,845	5,746	4,454
Fur, hides & skin, raw	3,251	6,214	3,331
Flaxseed	13,335	13,832	13,701
Rapeseed	12,913	21,380	25,506
Iron ores & concentrates	19,734	18,145	17,291
Scrap iron & steel	678	1,170	5,093
Aluminum (all basic forms)	13,653	16,074	51,989
Copper (all basic forms)	33,761	53,281	96,822
Brass & bronze scrap	2,556	2,596	7,303
Nickel (all basic forms)	5,354	4,670	14,989
Zinc (all basic forms)	875	2,777	12,487
Lead (all basic forms)	1,632	3,076	7,612
Silver ores & concentrates	669	984	1,787
Molybdenum & metal-bearing ores & concentrates	2,379	6,009	8,887
Pig iron	—	—	2,056
Coal	10,614	11,413	13,333
Asbestos (all forms)	9,036	8,302	12,254
Logs & poles (all species)	3,963	5,668	12,950
Lumber (all species)	14,715	19,645	36,184
Plywood, Douglas fir	16	81	1,723
Wood pulp (all forms)	26,420	32,591	39,138
Newsprint	1,329	1,914	4,391
Tallow	2,159	1,667	1,850
Potassium chloride	9,356	11,713	10,060
Plastic & synthetic rubber	2,977	3,102	3,585
Liquefied propane gas	190	557	4,679
Card punch machines, computer & parts	3,218	4,653	7,127
Total of above	304,481	379,459	553,795
Total exports, including all others	**316,187**	**393,892**	**572,156**

Source: DBS

In turn, Canadian imports from Japan in 1967 moved ahead, strongly increasing by 20 per cent over 1966 to reach a record $305 million (see Table IV). Principal purchases included textile materials, wearing apparel, rolling mill products, pipes, tubes and fittings, motor vehicles, TV and radio sets, and photographic equipment. In addition, there was a growing tendency towards the purchase of Japanese capital equipment, particularly in the power generation and commercial communication fields. A new element was added to Japan's Canadian sales in April of this year with the purchase of two Japanese YS-11 passenger aircraft.

Important Japan-Canada trade developments in recent months have included new long-term contracts by Japanese firms for Canadian coking coal, copper concentrates, uranium and forest products. Japanese requirements for Canadian coking coal over the 15-year period beginning in 1970, for which negotiations have already been completed, are valued at over a billion dollars and have resulted in a decision to build a new port at Roberts Bank south of Vancouver. This port is preparing to handle large bulk carriers from Japan and these will probably become a familiar sight in the next few years on the Canadian West Coast.

Japanese firms are becoming increasingly interested in joint ventures in Canada, particularly those involving

TABLE IV

WHAT CANADA BUYS FROM JAPAN

	1965	*1966*	*1967*
	(Cdn.$'000, f.o.b.)		
Fish & shellfish products	5,059	5,532	7,515
Fruit, fresh, dried & canned	3,439	3,311	3,538
Lumber & floorings	1,607	1,221	1,109
Veneers & plywood	5,630	6,972	6,210
Hair, fibers & waste (textile materials)	268	1,979	366
Textile yarn, threads & ropes	2,222	3,615	4,416
Woollen fabrics	6,169	5,595	5,978
Cotton fabrics	9,099	7,852	7,722
Rayon & synthetic fabrics	9,938	9,165	11,998
Textile fabricated materials, n.e.s.	2,383	3,374	5,719
Principal chemicals (including food chemicals)	1,788	2,323	3,279
Plastic materials (including synthetic rubber)	2,328	3,259	4,093
Rolling mill products	24,942	20,579	19,827
Pipes, tubes & fittings	10,065	13,539	18,990
Wire & wire ropes	4,481	4,211	2,821
Hardwares, n.e.s.	4,342	5,146	5,920
Tools & cutlery, n e.s.	2,661	2,869	4,640
Ceramic tiles	3,012	2,585	3,113
General purpose industrial machinery & parts	1,351	2,673	5,716
Special industrial machinery and parts (non farm)	2,891	5,075	6,345
Motor vehicles & parts	16,723	14,114	12,656
Commercial communication equipment, n.e.s.	4,603	6,621	8,733
TV, radio receiving sets, phonographs & parts	10,084	11,667	21,407
Communication equipment components, n.e.s.	3,275	3,505	5,173
Home appliances, n.e.s.	3,697	4,089	5,883
Educational equipment & scientific apparatus	4,290	4,137	5,108
Office machines & equipment	2,331	7,345	4,417
Wearing apparel of all textiles (excluding hats)	16,065	17,278	19,421
Textile home furnishings & supplies, n.e s.	4,286	4,110	5,516
Footwear (all materials)	5,414	6,391	7,055
Rubber products, n.e.s.	1,627	1,671	2,090
Toys & sporting goods	8,859	9,039	10,749
Kitchen & table ware, n.e.s.	5,909	6,060	6,886
Sewing machines & parts, (domestic)	2,531	2,626	4,048
Photographic equipment & supplies	5,659	6,705	9,923
Musical instruments & parts	2,369	2,586	3,992
Prefabricated structures	66	792	4,110
Containers, n.e.s.	1,596	1,640	1,869
Fish nets	1,323	1,503	1,864
Shipments of less than $200 each	1,541	4,669	2,834
Total of above	205,923	227,423	273,049
Total imports, including all others	**230,144**	**253,051**	**304,768**

Source: DBS

arrangements for the long-term supply of industrial raw materials. As such arrangements develop it is possible that they could spread to the supply of some semi-finished and finished goods as, for example, forest products.

New Opportunities Possible

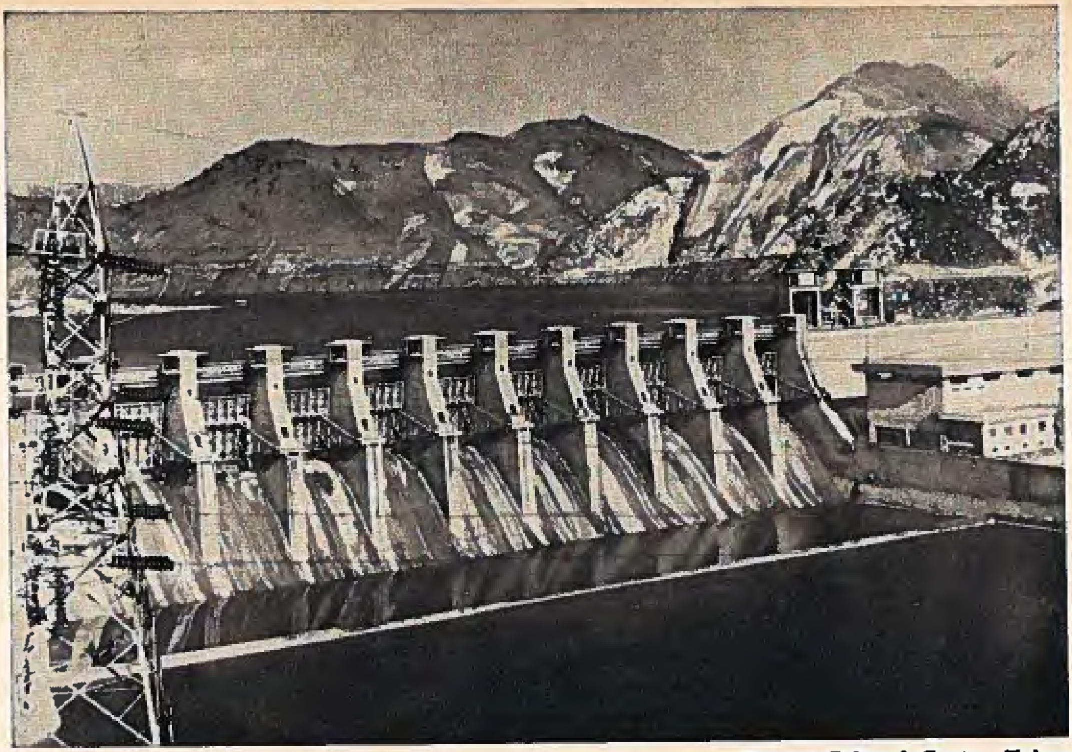
The basic pattern of Canada's exports to Japan is unlikely to alter significantly in the foreseeable future, with foodstuffs and industrial raw materials probably remaining as the principal items. Nevertheless, as a result of concessions granted in the recent Kennedy Round tariff negotiations and the increasingly liberal Japanese trade policies, there should be a growing number of opportunities for the sale of specialized Canadian manufactured goods. These will likely be in such fields as defence and industrial electronics equipment, aircraft, construction materials, and specialized machinery.

Examples of recent sales to Japan of Canadian manufactured goods are aircraft navigation equipment, chain saws, combine reaper-threshers, crop-preparing machinery, packaging machinery, industrial control equipment, antibiotics, pharmaceutical products, industrial knitting needles, isotopes, recreation equipment and dental supplies.

There will also be increasing opportunities in the future for Canadian foodstuffs, including processed and fresh foods. Japanese meat requirements are expected to treble in the next decade as food consumption habits change. Fish products remain in great demand and offer sales opportunities, provided we are competitive in price and quality. More purebred cattle and animal feedstuffs will probably be needed.

To capitalize on sales prospects in this highly industrialized and very different market of more than 100 million people, Canadian firms need to study Japanese trading conditions and requirements carefully, preferably through a personal visit to this country. If this is not practical, exporters should get in touch with the nearest regional office of the Canadian Department of Trade and Commerce or drop a line to the Commercial Division, Canadian Embassy, Akasaka Post Office, Tokyo, 107 Japan, providing details about their products. Or why not discuss prospects with some of the representatives of large Japanese trading companies* resident in Canada? They already handle a good portion of the trade between Canada and Japan and can give excellent help.

* For details on the role of the Japanese trading companies as well as a list of their Canadian branches see *Foreign Trade* of July 10, 1967.



—Korean Cultural Center, Tokyo

The 57,000 kw. Chuncheon power plant was built in 1965. Seventeen other power projects are planned.

South Korea's Factories Are Busy

Second Five Year Plan got off to a flying start. Imports of capital goods and of raw materials have increased dramatically.

J. A. STILES
Minister (Commercial), Tokyo

■ South Korea on the whole experienced another generally good year in 1967, despite the long summer drought which caused a major setback to agriculture and particularly affected crops in the southern region. Agricultural output declined by some 6 per cent but industrial production increased by nearly 21 per cent. The gross national product rose by 8.4 per cent; this compares with 11.9 per cent in 1966 and is approximately the same as the average annual growth between 1962 and 1966.

Second Plan Begun

The year 1967 was the first one of the Second Five Year Plan which aims by 1971 to make South Korea self-sufficient in foodgrains, to bring its international trade up to three times the 1965 level, and to achieve a national growth rate of about 10 per cent a year. During the period, 17 new power plants are to be constructed to provide power to double the present manufacturing capacity. The Plan also includes greatly improved rail and road facilities, an integrated iron and steel mill, the country's first petrochemical complex, three new fertilizer plants and a large cement plant. There are also ambitious plans and incentives to overcome the housing shortage and to increase production of meat and dairy products substantially.

Extensive immunization and TB control programs are planned and being implemented. The educational system will be overhauled and more people will be trained for jobs requiring higher skills. The number of classrooms is being increased, curricula are being revised and vocational training institutions expanded.

Many of the Plan's goals for 1967 were achieved, particularly in secondary industry and in exports, but adverse weather held back the agricultural sector. There is now a serious food shortage which the Ministry of Agriculture and Forestry puts at some 1.6 million tons. Half of the shortfall is expected to be met with grains supplied under the U.S. Food-for-Peace program and the remainder with commercial imports.

Rising prices and South Korea's rapidly increasing money supply are causing concern. The Consumer Price Index rose to 131.3 at the beginning of 1968 compared with 116.1 a year previously (1965 = 100). Wholesale prices for all commodities rose by 6.4 per cent in the same period. By March 1968, the money supply had increased to 131,000 million won compared with

91,617 million some twelve months earlier.

Foreign Investment Encouraging

A bright spot has been the growing confidence that private foreign investors are showing in the country's future, despite the political tensions between North and South Korea. Since 1962, more than U.S.$70 million has been invested in manufacturing facilities in South Korea, mostly by U.S. and Japanese firms but also by German, French, Israeli and Hong Kong companies. The U.S. investors include Gulf Oil, Celanese Corp., Swift, IBM, Motorola and Caltex.

The South Korean Government is offering attractive incentives to encourage investors, including full exemption from corporation and property taxes for five years, followed by a 50 per cent exemption for the next three years. Unlimited remittance abroad of profits is guaranteed and the principal may be repatriated up to 20 per cent per annum after two years from the date the enterprise begins to operate. No limit is imposed on the amount of stock in the company that the foreign investor may own. The Government also protects foreign investors against expropriation of their property.

Imports Soar, Deficit Grows

South Korea's exports made good progress in 1967. Overseas shipments (on a customs clearance basis) reached $320.2 million, an increase of $69.9 million over 1966. Imports amounted to $996.2 million, 39.1 per cent more than in the previous year. As a result, the foreign trade deficit widened to $676 million ($466.1 million in 1966). This was attributed to the brisk demand for imports to sustain the economic growth rate. Some $673.5 million of South Korea's $996.2 million worth of imports in 1967 were purchased with its own foreign exchange; the remainder was covered by loans and aid.

The United States was the principal export market in 1967, followed by Japan, Hong Kong, Sweden and Canada (see Table I). The increase in shipments to the United States last year resulted from larger sales of plywood, woollen fabrics, radio sets, clothing, footwear and wigs.

TABLE I

KOREA'S TOP TEN MARKETS

	1966	*1967*
	(U.S.$ million)	
Total exports	**250.3**	**320.2**
of which		
United States	95.8	137.4
Japan	66.3	84.7
Hong Kong	9.5	15.2
Sweden	9.8	8.0
Canada	5.8	7.9
Britain	5.1	7.9
South Vietnam	13.8	7.3
Thailand	4.8	5.6
West Germany	7.0	5.2
Singapore	2.5	4.1

TABLE II

KOREA'S TOP TEN SUPPLIERS*

	1966	*1967*
	(U.S.$ million)	
Total imports	**716.4**	**996.2**
of which		
Japan	293.8	443.0
United States	253.7	305.2
West Germany	20.3	31.0
Republic of China (Taiwan)	10.8	27.2
Philippines	20.9	21.9
Malaysia	10.1	19.6
France	10.9	16.7
Iran	17.1	12.0
Australia	6.4	8.9
Canada	2.7	8.4

* Includes imports under AID, loans and relief.

TABLE III

WHAT CANADA SELLS TO KOREA

Commodity	*1966*	*1967*
	(Cdn.$'000)	
Dairy cattle, purebred	138.2	....
Baby chicks	....	24.3
Milk powder	12.1	25.8
Barley	....	28.9
Wheat	13.9	15.9
Malt	67.8	51.0
Wheat flour	91.5	28.6
Whisky	5.7	12.8
Hides & skins, raw	47.3	76.4
Flaxseed	785.9	120.5
Softwood logs	201.5	58.4
Scrap iron & steel	....	24.0
Copper scrap	....	179.6
Brass & bronze scrap	....	146.1
Asbestos (all forms)	623.5	2,094.8
Sulphur	196.4	2,419.9
Newsprint, mutilated, beater stock	279.3	36.1
Softwood lumber	68.7	5.3
Wood pulp	0.1	134.5
Newsprint paper	....	528.0
Organic acids	....	43.8
Potassium chloride	....	853.7
Lead pigs, blocks & shot	....	21.2
Nickel anodes, cathodes, ingots, rods	117.3	94.1
Zinc blocks, pigs & slabs	....	48.4
Valves, iron & steel	....	18.2
Firebricks & similar shapes	16.9	37.1
Copper	97.8	43.5
Hoisting machinery & parts	....	196.3
Pulp and paper machinery	19.0	....
Commercial communication equipment	10.2	92.5
Components for communication equipment	3.1	56.0
Aircraft engines & parts	....	40.7
Measuring & testing equipment	16.8	1.2
Card punch machines, computers & parts	....	28.8
Total exports, including all others	**2,849.4**	**7,670.7**

Source: DBS

TABLE IV

WHAT CANADA BUYS FROM KOREA

	1966	*1967*
	(Cdn.$'000)	
Shellfish, fresh or frozen	199.8	54.5
Fisheries foods & feeds, n.e.s.	49.5	138.4
Crude vegetable materials, inedible, n.e.s.	....	15.1
Metal ores, concentrates & scrap	68.8	12.4
Plywood, mahogany	....	46.4
Wallpaper, printed	21.5	9.2
Wool yarn, worsted spun	....	189.9
Broad woven fabrics, silk	1.9	37.1
Woollen & worsted fabrics	4.3	45.6
Cotton woven fabrics	656.9	510.6
Broad woven fabrics, rayon & synthetic fibers (inc. mixture)	12.1	135.0
Wire rope, new	....	47.3
Commercial fishing equipment & parts	11.8	38.2
Blanks for table cutlery	12.8	....
Tires & tubes, for bicycle & motorcycle, n.e.s.	....	24.5
Radio receiving sets, transistor	50.4	16.2
Clothing (underwear, outerwear) except knitted	460.6	1,332.7
Knitted clothing	10.9	1,262.1
Footwear	12.7	248.1
Dolls & toys	....	34.1
Curtains, textiles	1.8	18.9
Towels, cotton	....	37.2
Stainless steel flatwear	123.5	79.6
Art & decorative ware, n.e.s.	2.0	25.1
Artificial & ornamental flowers, etc.	9.0	21.7
Household equipment & parts, n.e.s.	....	24.8
Total imports, including all others	**1,763.8**	**4,567.5**

Source: DBS

South Korea's leading suppliers last year were Japan, the United States, West Germany, Republic of China (Taiwan), the Philippines and Malaysia. Canada was tenth (see Table II). Machinery and transportation equipment, iron and steel, petroleum and chemical products were South Korea's major imports last year.

Trade with Canada

Canadian exports to South Korea reached a record $7.67 million in 1967, up $3.8 million over the previous year (see Table III). Asbestos and sulphur accounted for more than half the total. Potash, wood pulp, flaxseed, copper and bronze scrap were other leading items. For the first time in several years, South Korea bought newsprint paper from Canada.

Most - favored - nation tariff rates granted under the terms of the Trade Agreement between Canada and the Republic of Korea came into force on December 20, 1966. Exports to Canada from South Korea as a result moved up sharply in 1967 to $4.6 million from $1.8 million in 1966. Clothing, particularly knitted sweaters, accounted for much of the increase. Sales of footwear and fisheries products to Canada also increased (see Table IV).

Looking to the Future

The success of the First Five Year Plan (1962-66) and continuing progress have encouraged the South Koreans' belief that they have an excellent chance of achieving economic independence within a few years. Support from outside sources to help develop their economy has been increasing and should continue to do so. At the UNCTAD meeting in New Delhi earlier this year, South Korea was singled out as an example of a developing country which had made very commendable progress in recent years. Independent surveys by the World Bank and the Asian Development Bank have been encouraging.

Much still remains to be done. Housing continues to be a major problem and at least 160,000 new housing units a year will be needed in the next few years. Several proposed power development projects and equipment wanted for railroad modernization could be of interest to Canadian firms. The planned 600,000-ton integrated steel mill offers opportunities for both equipment and raw materials. Various types of machinery will be needed for new manufacturing industries and Canadian companies might be in a position to supply some of it. For larger projects, South Korea requires long-term credits and this factor is likely to be the dominant one in negotiating contracts for power plants and capital equipment. Keen competition can be expected from Japan in practically all cases, not only because it is closer but because the Japanese are more familiar with the Korean market.

There will also be a growing demand for industrial raw materials. As items such as grains and wood pulp come off the aid-financed lists, new sales opportunities will appear. The Government is expected to continue for some years its policy of discouraging imports of luxuries, giving preference to goods from abroad that have a direct bearing on the production of exportable commodities. For more detailed information on the prospects for your product, write to the Minister (Commercial), Embassy of Canada, Akasaka Post Office, Tokyo, Japan.

Enjoying an outdoor lunch on a Japanese hillside with a group of Japanese woodcutters is Jack Salvisburg, vice-president and general manager of Sabre Chain Saw (1963) Limited, of Burlington, Ontario. He has visited Japan four times to tour lumber cutting camps and talk to chain saw operators on the job about proper maintenance of their equipment.

The duty-free export processing zone in Kaohsiung offers special facilities to industries locating there. These girls are employed by a plant that turns out electrical components. As of last April, 122 Chinese and foreign firms had contracted for space in the Zone.

Taiwan Expands Industrial Base

Continuing build-up of industry and incentives offered foreign investors heighten demand for industrial and office equipment.

R. A. FAIRWEATHER,
Vice Consul and Assistant Trade Commissioner, Manila.

■ For over a decade, Taiwan's economy has expanded steadily. Annual growth has averaged 7 per cent and industrial output has been going up at a rate of 14 per cent. This steady rise can be attributed to economic planning, to political stability, and to a low wage scale.

In 1953, Taiwan began diversifying its economy with the establishment of light industries such as textiles, appliances, drugs, cement, fertilizers, plastics and electronics. Concurrently, the Government focussed on the development of infrastructure, building highways, railways, and harbors.

In the early 1960's, heavy industries such as aluminum smelting and petroleum refining were set up. At the same time the need of the light industries for semi-fabricated products was escalating rapidly. As industries expanded, there were demands for improved infrastructure and recently the World Bank loaned the Taiwan Railway Administration $17.5 million to improve the railway system. There are plans for a new harbor complex to supplement the over-burdened facilities at Keelung and Kaohsiung and for an international airport to keep pace with modern air developments.

Industrial production in Taiwan has for some time been sufficient to satisfy most of the demands of the domestic market. To maintain efficient and profitable operations, industries have had to export and thus have provided needed foreign exchange. Leaders as foreign exchange earners have been the textile, food, plastic, plywood and metal industries.

The rise in exports was followed inevitably by a corresponding increase in imports. To satisfy its growing industries, Taiwan is now importing large quantities of raw materials and processing machinery. The Government has actively encouraged the modernization of existing plants in order to achieve higher quality and lower costs, and to ensure more saleable products for export. The foreign trade of Taiwan is skyrocketing and many opportunities await Canadian businessmen who show an interest in this market.

Foreign Investors Attracted

Foreign investors have shown tremendous confidence in Taiwan. An increasing number of them have invested in the electronics, chemical, metal products, garment and pharmaceutical industries. RCA, IBM, Philco, Admiral, General Instrument, Philips and Hitachi are among the more than 30 firms which have established plants in the electronics field. The chemical industry has attracted such foreign companies as Mobil Oil, Allied Chemical, Gulf Oil, and Union Carbide. A total of U.S.$220 million of overseas capital has been invested in Taiwan since 1960, when the Government passed legislation to encourage foreign investment.

Taiwan offers many incentives to foreign investors: relatively low labor rates and low plant-construction costs, proximity to the rapidly growing Far East market, a strong local economy in need of industrial machinery and raw materials, and liberal tax treatment and other inducements. There is no restriction on 100 per cent foreign ownership. Foreign firms investing in Taiwan enjoy a five-year corporate income tax exemption, with a maximum tax rate beginning with the sixth year of operation of not more than 18 per cent. Investments of more than U.S. $2.25 million mean entitlement to duty-free import of all machinery and equipment for use in manufacturing plants. Firms investing less than this sum may pay import duties by instalments over 30 months and in some instances even longer.

Full repatriation of invested capital and profits is guaranteed by law for all foreign investors. Investors may repatriate annually 15 per cent of total invested capital, beginning two years after completion of the project. Remittance of profits is unrestricted. The Government of Taiwan also guarantees against expropriation for twenty years all approved foreign investments with at least 51 per cent foreign ownership.

Export Processing Zone

The Government is establishing a number of industrial areas with complete water, power and other facilities. Some of these are already going concerns. In addition, there is a duty-free export processing zone in Kaohsiung on the southern tip of Taiwan, in which, as of April 30, 1968, 122 Chinese and foreign firms have contracted to locate.

The choice of Kaohsiung is based on the premium conditions it provides —huge harbor facilities which handle two-thirds (7.5 million tons) of the island's annual imports and exports, convenient inland transportation, and an airport which is being expanded to become the second international one on Taiwan. Ample electric power, manpower supply and good weather are other significant factors.

There is no status limitation on applicants. Foreign nationals and Overseas Chinese are treated on the same basis as Chinese nationals when applying for permission to establish in the zone. Applicants simply contact the Export Processing Zone Administration and file their applications with this body, which in turn solves any problems the investor may encounter. This body is authorized by law to handle all matters relating to the administration and management of the zone.

The six steps leading to the establishment of an export enterprise in the zone are:

1. application for establishment
2. application for company registration
3. implementation of investment project
4. lease of land or purchase of standard factory
5. construction of factory building
6. application for permit to start production.

All six can be completed by dealing solely with the KEPZ Administration.

Many Incentives Offered

Taxes and surtaxes payable by export enterprises in the zone are light and in some instances non-existent. Export enterprises conforming to the "Criteria of Encouragement" and falling under the categories of "Enterprises Eligible for Encouragement" may apply for a five-year tax holiday on income tax and are entitled to a 10 per cent reduction in the income tax payable as of the sixth year. For those not conforming to the Criteria of Encouragement or not falling under Categories of Enterprises Eligible for Encouragement, the maximum income tax, including all forms of surtaxes, will not exceed 18 per cent of their total annual income. Other taxes payable are stamp tax, house tax and vehicle licence plate tax.

For individuals with income from sources in the Republic of China (Taiwan) including the zone, a consolidated income tax is levied in accordance with the existing income tax law. The rates range from 3 to 52 per cent on a progressive basis.

The land in the zone is owned by the Government and is for lease only. Rental is U.S.$2.83 per 100 square meters per month. Export enterprises may lease land from the administration and construct the factory building themselves, or purchase standard factory buildings in the zone on the instalment plan. Privately-owned buildings in the zone are transferrable only to other export enterprises.

The average construction cost for reinforced concrete buildings in Kaohsiung is NT$3,000 to NT$3,500 (U.S. $75 to U.S.$87.50) per square foot, not including the cost of improvement of soil foundation, which needs reinforcement if multi-story buildings are built. All buildings in the zone must be of fire-resistant materials and must be permanent, with designs approved by the Administration.

Because there are 300,000 unemployed workers in Taiwan, the supply of workers in the zone presents no problem. All are required to join a labor insurance program, with 25 per cent of the premium paid by the workers themselves and the rest by employers. The work week is six days of eight hours per day. Overtime pay is about 1-1½ times the normal wage.

Controls Are Few

There is limited control on foreign exchange and on trade in the zone. Exchange settlements for imports and exports must be made through the designated bank. In other words, foreign exchange derived from exports of finished products must be surrendered to the designated bank and the foreign exchange required for the import of

CANADA'S TRADE WITH TAIWAN 1967

Exports to Taiwan	(Cdn.$'000)	Imports from Taiwan	(Cdn.$'000)
Rapeseed	1,558	Waterproof rubber footwear	1,298
Sulphur, crude or refined	3,367	Shirts, synthetic fibre, except knitted	1,014
Wood pulp, sulphate unbleached, paper grade	1,254	Plywood, mahogany	6,907
Zinc blocks, pigs & slabs	898	Plywood, mahogany, ⅛" or less	2,501
Woodworking machines, equipment and parts	1,101	Mushrooms, canned	1,254
Potassium chloride muriate	709	Pyjamas, sleepwear	926
Wood pulp bleached	791	Sweaters, cardigans, knit syn. fibre	827
Aluminum & aluminum alloy scrap	138	Utility footwear	660
Wheat, except seed	144	Outwear, except knitted	374
Nickel anodes, cathodes, ingots, rods	186	Christmas tree & colored miniature lamps	319
Aircraft engines & parts	528	Lumber, mahogany	412
Polyethylene resins, not shaped	122	Radio receiving sets, transistor	261

machinery, equipment, raw materials and semi-finished products may be settled with this bank. Comparatively speaking, foreign exchange control in the zone has been eased and import and export procedures simplified to a great extent.

In short, the KEPZ provides the most favorable investment climate for entrepreneurs. The abundant supply of inexpensive labor, coupled with the tax holidays, should make products made in the zone highly competitive in international markets. It has proved so successful to date that plans are in hand for the possible construction of a second export processing zone near the present site or at Hualien on the east coast of Taiwan.

Taiwan today offers a dual opportunity to all foreign businessmen—investment in its industries and sales of needed industrial machinery. The investment climate in Taiwan has never been better. Licensing arrangements, joint ventures, and wholly-owned subsidiary operations are all acceptable and desirable as far as both the Government and people of Taiwan are concerned.

Trade with Canada

Last year Canada sold to Taiwan products worth $12.3 million, compared with $8.4 million in 1966. The leading products in that trade and in our purchases from Taiwan are set out in the table.

Because a large part of Taiwan's exports consist of agricultural products, there is a definite need for packaging equipment, food-processing equipment for both frozen and canned foods, temperature and pressure control apparatus. In visits to various manufacturing plants I have noted a serious lack of tool and die-making equipment and of machine shop accessories. Any product for the textile mills will find a ready market; so will pumps, valves and control gauges for the petrochemical industry. As factories expand, so does their office personnel, necessitating more purchases of office equipment and business machines. There is a serious lack of technicians in Taiwan so the Government plans to build many new vocational schools. The teaching aids for these schools will be bought abroad.

With Taiwan's growing population and rising living standards, the gross national product is expected to double —from U.S.$3,500 million to U.S. $7,000 million—by 1978. Industrial installations, supporting utilities and communication facilities are already operating at full capacity so capital investment is vital to Taiwan's growth. The electric power industry alone will require a capitalization of U.S.$1,000 million. The Taiwan Power Corporation is to install generating units rated at 500,000 kw.—more than twice as large as those currently in operation—and one of these installations will be nuclear-powered. The transmission lines to be installed will double (from 15.4 kv. to 34.5 kv.) their capacity. Large sums of money will be spent to improve roads, harbors, airports, rail transportation, housing and educational facilities. Local funds will be needed to finance these projects but in such a way as to avoid inflation.

From all indications, the economy of Taiwan is likely to continue buoyant through the next decade and progress be made at its present fast pace. Canadian businessmen should take full advantage of the opportunity to develop or expand their sales to this attractive market.

Going to the Philippines?

■ The Canadian businessman going to the Far East and intending to stop in the Philippines should be aware of the visa regulations.

A stay of less than 17 days does not require a visa. On arrival at Manila International Airport the traveller receives a permit to enter the country, good for three days only, and this permit may be extended to 17 days at a cost of five pesos. If he does not obtain the extension, his legal stay in the Philippines may not exceed 72 hours. Sbould he attempt to leave after the temporary permit has expired, he must secure an extension from the Bureau of Immigration and is subject to a fine of up to 150 pesos. The resulting delay might mean that he misses an onward air connection and is subject to some embarrassment.

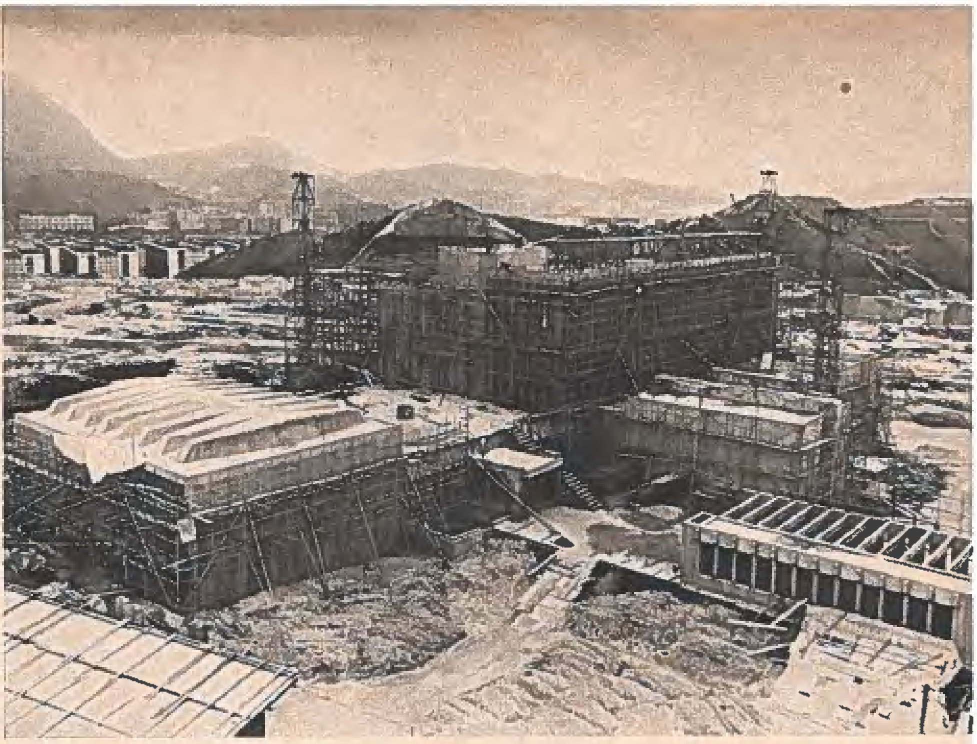
New Sewers for Singapore

■ Singapore, through its Public Works Department, plans to improve and expand its sewerage system. It is expected that when the project is completed in 1985, an additional 25 per cent of tbe population, which has doubled to 1.9 million since 1949, will be provided with this essential service.

The first phase of the program, from 1968 to mid-1972, is estimated to cost $22 million. The World Bank will finance the foreign exchange component througb a $6 million 20-year loan with interest at 6¼ per cent recently granted.

The works will comprise the construction of branch sewers and pumping stations and the enlargement and improvement of treatment plants serving urban renewal areas, housing developments and the Jurong industrial estate.

This is the new building of Radio Hong Kong, now under construction. It was designed by N. J. Pappas & Associates of Montreal, and this firm is also supervising the building of it.



Hong Kong's Trade Is Booming

Confidence in Hong Kong's future continues high; trade set a record last year. Prospects for Canadian exports seem good.

C. R. GALLOW
Senior Trade Commissioner
Hong Kong

■ The measure of Hong Kong's prosperity is mainly its export trade and in 1967 this reached an all-time high, the equivalent of some Cdn.$1,218 million and a fat 17 per cent over the 1966 figure. Re-exports, at Cdn.$378 million, were up 14 per cent and imports, at Cdn.$1,900 million, up 4 per cent. The present forecast calls for new records to be set this year.

Although textiles and clothing continue to be the most important products, they are now less dominant and this indicates some success in the efforts to diversify Hong Kong's exports. The increase was well spread through wigs, electrical machinery and products, electronic parts and equipment, plastic wares, handbags, dolls, toys, artificial flowers, footwear, clothing, textiles, yarns, fabrics, boats and photographic and optical instruments. During 1967 the basic pattern of Hong Kong's markets did not change much. The United States is still the best customer, taking some 37 per cent, Britain is in second place with about 17 per cent, followed by West Germany, about 5 per cent, and with Canada, Australia and Japan (roughly in that order) each absorbing about 3 per cent per year. With the exception of West Germany, all markets bought more last year than in 1966.

Although the Colony's exports are hedged around by restraints, quotas and import duties, local businessmen are actively searching for new markets and expanding existing ones through participation in trade fairs and trade missions sponsored by the Trade Development Council in North America, Europe, Australia and Africa. They are also examining the facilities provided by trade promotion offices in London, Brussels, New York and Sydney with a view to expanding them and opening new ones in centers where the market potential warrants. Hong Kong is now Japan's most serious competitor in the Far East as an exporter of industrial products and the emphasis in its promotion is shifting to high-quality goods, especially in the garment trade.

The re-export trade, in abeyance for some years, improved sharply in 1967, moving up to some 23 per cent of the Colony's total exports, a gain of 10 per cent over 1966, with Indonesia and Japan the main destinations.

Depends on Imports

Hong Kong depends completely on imports to keep its economy running. Included are foodstuffs and manufactured goods to satisfy the growing purchasing power of both residents and tourists and capital goods, raw and semi-processed materials to feed industries. Fortunately a strong flow of these imports persisted over most of the past year. During the summer of 1967 supplies from Mainland China were temporarily reduced, mainly foodstuffs. Imports from all countries other than China were up by 11 per cent. The principal sources of imports were China (22 per cent), Japan (19), United States (14) and Britain (9). The main suppliers of imports by commodity groups are shown in

Table I. Imports of the following commodities increased: foodstuffs, beverages, chemicals, electrical machinery, electrical apparatus, non-electrical machinery, textile machinery and mineral fuels; those of crude materials, manufactured goods (mainly textile yarns and fabrics from China), non-metallic minerals, construction equipment, and transport equipment decreased.

More than half of the Colony's imports are supplied by Asian countries; in 1967 China's share dropped by some 18 per cent and Japan's rose about 8 per cent. Western Europe's share remained at 21 per cent but Britain's share dropped 3 per cent and that of the U.S. rose 29 per cent by value. Canada's sales to Hong Kong rose 11 per cent by value over 1966. The main increases were in paper products, aircraft and parts, zinc, and foodstuffs, offset by declines in polystyrene resins and motor cars. (See Table III.) The Japanese increase was mainly in cameras, watches, scientific instruments, yarns and fabrics, and the United States increases in raw cotton, textile yarn, clothing and electrical machinery. The relative importance of the principal items imported for industry and approximate values during 1967 are shown in Table II. For the first six months of 1968, this buoyant trading position has continued. Exports are up by 21 per cent and imports by 6 per cent compared with the equivalent period of 1967 but re-exports have declined some 12 per cent. The striking drop is in imports from Mainland China for the January-May period, which are down about 20 per cent and about the lowest since 1965.

This outstanding achievement in trade is all the more remarkable in view of the problems that plagued the Colony for most of 1967. These began with demonstrations in April/May and in June, Communist-organized strikes took place. A rash of bomb incidents over some five months failed to excite the anticipated terrorism and cost the Communist extremists any genuine backing for their campaign. A boycott of Hong Kong's port facilities by Communist stevedores and internal transportation troubles on the mainland disrupted food supplies for a time and pushed up the cost of living. A shortage of water caused by the lack of rain and the inability to

TABLE I

HONG KONG'S CHIEF SUPPLIERS

	(*per cent*)
Foodstuffs	
Mainland China	47
Thailand	13
United States	11
Crude Materials	
United States	14
Mainland China	14
Pakistan	13
Australia	6
Brazil	3
Chemicals	
Japan	21
United States	18
Britain	15
West Germany	13
Machinery & Transport Equipment	
United States	28
Britain	27
Japan	24
West Germany	6
Manufactured Goods	
Japan	32
Mainland China	20
Britain	10
Miscellaneous Manufactured Articles	
Japan	26
Mainland China	22
Switzerland	16
United States	12

TABLE II

HONG KONG INDUSTRY'S MAIN IMPORTS

	1967 (*Cdn.$ million*)
Raw cotton	76
Fabric of rayon, nylon, terylene, dacron or orlon yarn	50
Plastic moulding materials	44
Iron and steel	39
Cotton sheeting, shirting & piecegoods, all kinds	36
Paper & paperboard	33
Chemical elements & compounds	23
Woollen fabrics & mixtures	23
Other base metals	22
Wool and other animal hair	18
Inedible animal & vegetable crude materials	15
Cotton yarn & thread, grey, all counts	13
Clay and refractory construction materials, lime, cements & fabricated building materials except glass	12
Dyeing, tanning & coloring materials	12
Capital Goods	
Electrical machinery	45
Mining, construction & industrial machinery	30
Textile machinery	13
Radio and telegraphic equipment	13
Road motor vehicles and parts other than passenger motor cars	9
Scientific, optical, medical, measuring and controlling instruments & apparatus	7
Office machinery & equipment	5

TABLE III

PRINCIPAL CANADIAN EXPORTS TO HONG KONG

	1966	*1967*	*Jan.-June 1968*
		(*Cdn.$'000*)	
Aluminum pigs, ingots, slabs	2,794	2,637	1,757
Wheat	2,098	2,093	891
Newsprint paper	1,075	2,013	750
Polystyrene resins, not shaped	2,119	1,676	634
Wheat flour	1,093	1,077	—
Crude herbs and plants for medicine	277	363	414
Polyethylene resins, not shaped	614	324	161
Zinc blocks, pigs and slabs	40	322	487
Copper alloys shapes and sections	73	194	—
Sanitary paper	213	182	107
Wrapping paper	153	180	28
Apples and crab apples, fresh	128	155	163
Total exports, including all others	**15,385**	**17,349**	**8,322**

obtain additional supplies from China continued until the water was turned into the pipeline on October first, right on schedule. There were reports of a massive outflow of funds overseas but these proved to be exaggerated and by September the public began to return their money to the banks. New investment, however, was postponed. Towards the end of the year, confidence seemed to be returning as it became clear that the Communists had been largely unsuccessful in their attempts to damage the Colony's economy and that China itself was mainly interested in earning foreign exchange through Hong Kong. In November, the sterling crisis saw the Hong Kong dollar follow the pound with a devaluation of 14.3 per cent. Subsequently the dollar was revalued upwards by 10 per cent because of the special financial conditions here, making an effective 5.7 per cent devaluation.

Undoubtedly the disturbances have caused a lot of rethinking in Hong Kong in many sectors. Labor conditions are crucial and it has been emphasized that solutions must be aligned with the real needs of Hong Kong workers and employers. It is encouraging to see that new initiatives are in evidence in local government, labor legislation and relations, social conditions and education; the principal concern is that they be pushed ahead as fast as is feasible. It is apparent now that the disturbances did little to disrupt most industries and even less to disrupt trade.

Industry Had Good Year

Industrial progress was not spectacular last year but was generally good, although performance varied from sector to sector. The pattern of expanding capacity and investment to keep pace with the growth in exports continued, although it was checked to some extent by the hesitancy induced after May by the disturbances. Events gave new emphasis to the need to improve standards, equipment and techniques, increase spending on capital equipment, improve management, raise labor productivity, and move towards large-scale operations with more benefits for the workers to meet both overseas competition and avoid labor strife.

The textile industry continued to make satisfactory progress and one example in the field of quality is the licensing of three local factories to use the "Woolmark" trademark of the International Wool Secretariat on their knitwear and carpets. The watchmaking industry is also improving and there are now some 350,000 watches assembled every month. Over two million were exported last year. The toy industry too is flourishing and it is estimated that the value of production in 1967 reached approximately $80 million for plastic toys and about $20 million for metal and rubber toys and cloth dolls. Nearly half of these exports go to the U.S. and about 25 per cent to Britain.

Transportation and Building

Progress has been slow in transportation and the disturbances hit the transport services hard. Consultants appointed in 1965 to survey mass transport requirements have recommended a 17-year project with a cost in the neighborhood of $700 million. It would provide for a 40-mile underground rail system to be developed in six stages, with 1974 as the target for the opening of the first section and 1984 for the opening of the last. This report is being considered. The possible establishment of a port to handle containerized cargo is also being discussed and a site has been set aside but this needs thorough study and so far there has been no announcement of getting it under way. For some months the cross-harbor tunnel has been held up on the question of financing, with no clear indication yet whether or how soon it will go ahead.

Through 1967, the construction industry continued in the doldrums with the estimated value of buildings completed down 15 per cent or more and the number of projects submitted for approval off 35 per cent. Estimates also indicate that property values are down as much as 50 per cent from the boom market of the early 60's. Slow recovery now seems to be setting in and contractors are looking forward to some big jobs in the extension of the airport runway, the development of more industrial towns in the New Territories, a network of new roads, possibly the cross-harbor tunnel, and the port terminal for containerization traffic. The future of the shipyards is also uncertain as they do not have and apparently cannot secure adequate facilities to build big bulk carriers. It seems likely that they will have to specialize in coastal ships and repair and maintenance facilities.

Tourists Still Coming

Fortunately, the tourist industry survived the disturbances with relatively little difficulty. It produces a revenue of approximately $200 million a year and in 1967 increased by about 8 per cent over 1966. Present forecasts show a need for 2,500 more hotel rooms by 1971 to add to the current estimate of 6,000. There are plans for three new hotels and one, providing 800 rooms, is scheduled to open in July 1969. Another shot in the arm for the industry will be the face-lift and improvements in terminal facilities at the airport.

For many reasons, Hong Kong is still considered the best industrial investment prospect in Southeast Asia. There are now more than 150 foreign-owned plants established here and U.S., European and Japanese firms are showing renewed interest in joint ventures with Hong Kong firms, particularly in electronics and toys. Canadians have shown interest in licensing arrangements in textiles and toys.

In the summer of 1967 during the disturbances, the Department of Commerce and Industry ran a survey of the large industrial plants alleged at that time to be pulling out to move to other parts of Asia. It found that none had plans for moving out although some had established branches elsewhere or were considering doing so. In all cases, the decision to diversify had been taken well before the disturbances started. Another recent survey by the Federation of Hong Kong Industries disclosed that two dozen major plants here are continuing with their plans for expansion.

Hong Kong's economy is completely dependent on overseas trade and tourism and as such is vulnerable to changes in the commercial policies of and economic conditions in its principal trading partners. A co-ordinated program of sustained effort aimed at expanding existing markets and exploring new ones overseas bodes well for Hong Kong's exports which now seem headed for another record year in 1968. A UN survey predicts an annual growth in the Colony's industrial exports of at least 7.4 per cent through to 1970 with the plastics and electronics industries showing faster growth than light metals, clothing and textiles.

Prospects for Canadians

Import prospects in Hong Kong center on its industries and the day-to-day requirements of its residents and tourist population. As a free port, it offers a market for practically any type of product except equipment and materials for heavy industry and, in particular, for any item that is new. But the competition is keen and the price must be right and the marketing effective. In Table II we have outlined the pattern of imports made by local industry—a useful guide for Canadian exporters. In addition, there is specific interest in:

Paper products—toilet tissue, kraft wrapping, kraft liner board and corrugated medium for boxes, transparent cellulose film.

Leather—for shoes and work gloves and suedes for shoes and handbags.

Metals—zinc, nickel, copper, stainless steel, tinplate waste, steel scrap.

Chemicals—sulphur and potassium.

Educational equipment—TV teaching aids.

Institutional equipment—mainly for hotels and hospitals.

Electrical appliances—household appliances for operation on 200-volt 50-cycle single-phase current.

Pharmaceutical products—antibiotics, vitamins. veterinary medicines, fine chemicals, etc.

Cosmetics for women and toilet preparations for men.

Food products—for retail trade and institutional pack for hotels, airlines and supermarkets.

Clothing—fashion and casual wear for young girls and boys in medium-price range.

The Canadian exporter should keep in mind that the Hong Kong importer is experienced in dealing with overseas suppliers. He should be approached as a man who knows what the competition is offering, who needs to be sold on your product, and who works best when he receives your full support in pricing, deliveries, literature and advertising. When prospects warrant, you should arrange a personal visit.

Offers for investigation and further inquiries will be welcomed by the Canadian Government Trade Commissioner's Office, P.O. Box 126, Hong Kong.

Selecting an Asian Headquarters

■ More and more international companies are faced with the need to set up an Asian headquarters to co-ordinate and direct activities in this region. With their Asian operations growing in size and importance, some Canadian firms are also considering this step. But what Asian location should they choose? The results of a survey undertaken by Business International of New York might be of some help. Eight cities were studied as possible sites and judged on 22 factors, including transportation, communications, financial and legal services, taxes, living conditions and costs, office personnel and space, warehousing facilities and government attitude. The results were then rated on a scale of zero to five. Hong Kong took first place, followed by Singapore, Sydney, Taipei, (Taiwan), Bangkok, Tokyo, Manila and Naha (Okinawa) in that order.

Hong Kong—Hong Kong, the favorite Asian headquarters for international firms, offers the advantages of a central location, good transportation facilities and extensive banking and legal services. It has excellent storage facilities and clearance of goods is handled with a minimum of delay and red tape. Hong Kong has the lowest personal and corporate tax rates of any Asian city. However, the threat of political instability and the sharp competition from other Asian cities have caused many companies to look at alternative sites.

Singapore—Next to Hong Kong, Singapore is the strongest bidder. It is the most centrally located major city in the Asian Pacific region, offers excellent transportation and communications facilities, a well-established financial center, good warehousing facilities and fairly low taxes. Most important, its Government is eager to attract foreign firms.

Tokyo—Tokyo is a popular site for a company whose major business is concentrated in Japan, because it is located on the outskirts of the Asian area. It has excellent air connections with the U.S. and Europe and is a major traffic center for North Asia. Communications facilities are generally well developed also. Tokyo is one of the major banking and financial centers in Asia but unfortunately living costs are high and housing is scarce. Foreign firms sometimes have difficulties in recruiting and keeping office personnel because of the labor shortage and the lack of labor mobility.

Sydney—Sydney is a center oriented to companies mainly doing business in Australia. Sydney is served by 14 international airlines and has good communications facilities. Its banking system is fairly well developed but no new foreign banks have been opened for years. Most living costs in Sydney are low by comparison with the U.S.

Bangkok—Bangkok, although not without some potential problems, is stable politically. It is centrally located and offers the most complete and convenient air transportation in Asia. Communications facilities are available and reliable, though more expensive than in most Asian cities. Storage facilities, particularly bonded warehouses, are in short supply and also expensive and this tends to discourage most companies from importing into Bangkok for re-export. No effort has been made to encourage the establishment of regional headquarters here.

Manila—Over a dozen international airlines link Manila with the U.S., Europe, Australia and the rest of Asia although it is not a major air travel center. Postal service and telephone facilities are being improved but overseas service is excellent. Manila's banking system is less international than that of other major trading centers. As in Bangkok, warehousing facilities are in short supply and expensive. However, the cost of living is considerably lower than in Bangkok. Restrictions on employment of expatriates can be a problem but local office personnel is ranked by some firms as among the most efficient in the Far East.

Taipei—Taipei on Taiwan is an outside candidate as a regional headquarters site although it is central to the east Asian region. This is because air service between Taipei and the rest of Asia is only fair, the banking system is not as well developed as elsewhere, warehousing facilities are scarce near the port, and the supply of good office personnel is dwindling.

Naha—Naha, Okinawa, has also been considered but like Taipei it is poorly located to serve the rest of Asia. Financial and legal services are minimal and adequate housing is in short supply, although inexpensive. However, both Taipei and Naha bear watching as Asian regional headquarters sites.

The individual Canadian company should weigh the advantages and disadvantages of each of these cities, bearing in mind its special needs and priorities. Much depends on the responsibilities to be given to the regional headquarters office and whether it will undertake both sales and distribution.

China established during the 1950's a heavy industrial sector; this is a steel mill in the northeast.

Mainland China as a Market

Selling to China takes patience, knowhow, and the ability to withstand competition—but it can be rewarding. Here is a first-hand review of developments in 1967 and of how and what the Chinese buy.

R. G. GODSON,
Trade Commissioner, Hong Kong.

■ The Proletarian Cultural Revolution continued to dominate the economic life of China during 1967. Political activity on the communes, in the factories, in the mines and particularly in the internal transportation, distribution and communication systems has had an effect on the economic development of the country. During the last quarter of 1967 the situation improved and this trend is continuing—and in some areas gaining momentum—in the current year.

Agricultural production was high in 1967, forming a base which helped absorb disruptions in other sectors of the economy. Because 80 per cent of China's 750 million people are directly involved in agriculture, the successful crop year was a stabilizing factor. With only 11 per cent of the land arable, efforts are being made to increase productivity, to protect against erosion, insects and other plagues, and to develop irrigation. Fertilizers, insecticides, agricultural and irrigation equipment have priority in China's industrial development and in its buying program. Local production of chemical fertilizers is estimated to have reached six million metric tons, and during the first six months of the current year a further six million metric tons were ordered from Japan and Europe.

During 1967 agricultural production was estimated at 86.4 million metric tons of rice, 23.1 million of wheat, 21.0 million of potatoes, 11.0 million of soyabeans, 4.5 million of tobacco and over 4 million of cotton.

The aim of the current agricultural policy is soil conservation and irrigation, plus improved farming techniques with better use of chemical and natural fertilizers. Mechanization is not an immediate aim because of the vast labor force, although greater use of simple tools and small electrical equipment is encouraged. First priority is given to foodgrain production, followed by the production of raw materials for industry (in particular cotton) and of export crops such as oilseeds and rice. Current livestock production consists principally of pigs, which yield a good return in the form of meat, and more important, in manure which is so vitally needed. Canada and Australia continue to be the main suppliers of wheat, still the most valuable single import.

Industrial Production

China has abundant mineral resources, particularly iron ore (40 million tons), manganese (1 million), bauxite (400,000), copper (90,000), tin (28,000), sulphur (250,000), asbestos (130,000), molybdenum, mercury, magnesite and tungsten. The figures shown are estimated production figures for 1966. There are reports of a number of commercial mineral deposits which have been recently discovered and are ready for exploitation. Canadian manufacturers of geological mining, drilling and surveying equipment should consider China as a good potential market.

The country has ample coal (an estimated 320 million tons were mined in 1966) and power potential. Petroleum reserves in the northeast appear to be adequate to meet domestic requirements which are surprisingly small in relation to the size of the country.

During the 1950's China established a heavy industrial sector with iron and steel, machinery, transportation equipment and chemicals as the base. Extensive iron and steel complexes were developed in Manchuria and at Wuhan. This priority has changed in recent years, however, with the realization that agriculture must take precedence. Planning shifted to producing fertilizers, agricultural chemicals, tools, pumping and irrigation equipment.

In 1966 it was estimated that China produced 20 million tons of iron, 16 million of steel, 6 million of fertilizer, 13 million of cement, 115,000 of aluminum and 40,000 of rayon fiber and yarn. With the exception of cement, however, large imports of all these commodities are required to meet domestic requirements. Iron and steel imports, (from Japan and Europe) were large during 1967. This trend is continuing, with orders exceeding U.S.$50 million placed during the first few months of this year.

Trade Deficit in 1967

In 1967 China's foreign trade changed significantly. Table I gives figures of total trade with its ten leading trading partners.

Although figures tend to vary according to source, it has become clear that for the first time since 1962 the country faces a sizeable adverse balance of trade. China's total trade in 1967 is estimated at U.S.$4.2 billion, comprising approximately U.S.$2.0 billion in exports and U.S.$2.2 billion in imports. Over-all trade with its main trading partners totalled U.S.$2.3 billion, much the same as in 1966. During 1967 there was an estimated 10 per cent decrease in exports and a similar percentage increase in imports. This would indicate that the country now has a deficit approaching U.S.$200 million compared with a surplus of some U.S.$170 million in 1965. With remittances from overseas Chinese covering only an estimated U.S.$100 million in 1967, China will have less money to spend abroad this year. Smaller sales to Hong Kong, Japan and the U.S.S.R. account for much of the reduction in exports. The decline in Japanese trade was due primarily to the shift in steel and fertilizer purchases from Japan to Western Europe in early 1967. China's trade earnings from Hong Kong, its largest single source of foreign exchange, decreased by U.S.$87 million.

The transportation and distribution problems have affected the trading corporations' ability to meet overseas demand for the wide range of com-

TABLE I

MAINLAND CHINA'S FOREIGN TRADE

Country	*Total Trade*		*Imports into China from* (*millions of U.S.$*)		*Exports from China to*	
	1966	*1967*	*1966*	*1967*	*1966*	*1967*
Japan	621.4	554.5	315.2	286.6	306.2	267.9
Hong Kong	496.7	409.2	12.1	9.6	484.6	399.6
Germany	221.9	283.2	129.4	206.6	92.5	76.8
Malaysia, Singapore (est.)	212.0	235.0	45.0	35.0	167.0	200.0
Australia	109.9	213.2	83.5	184.0	26.4	28.8
Britain	188.3	188.4	93.6	105.6	94.7	82.8
France	146.4	145.2	92.5	93.6	53.9	51.6
Italy	119.3	131.5	62.8	73.7	56.5	57.8
Canada	205.3	116.3	184.8	91.3	20.5	25.0
U.S.S.R.	318.2	107.3	175.0	57.0	143.0	50.0

TABLE II

CANADA'S CHIEF EXPORTS TO MAINLAND CHINA

	1966	*1967*
	(*Cdn.$'000*)	
Wheat	179,632	89,191
Durum wheat	3,187	—
Zinc blocks, pigs and slabs	1,455	1,759
Radioactive elements and isotopes	72	240
Plastic and synthetic rubber	220	—
X-ray and related equipment and parts	222	49
Electricity measuring instruments and parts	—	14
Medical and related instruments and parts	2	10
Laboratory, optical instruments and parts	8	.2
Total exports, including all others	**184,879**	**91,305**

TABLE III

MAINLAND CHINA'S CHIEF EXPORTS TO CANADA

	1966	*1967*
	(*Cdn.$'000*)	
Textile, clothing, garments	5,113	7,750
Peanuts, green	2,289	4,540
Textiles, cloth, fabric, yarn	3,147	3,988
Walnuts, shelled or roasted	3,159	2,498
Gloves and mittens	2,155	1,744
Footwear	534	643
Oriental rugs	138	278
Rice	255	128
Menthol, natural & synthetic	118	239
Animal bristles and human hair	158	237
Non-ferrous metals	216	135
Spices	134	117
Total exports, including all others	**20,594**	**25,074**

modities normally available. This was a factor in the temporary shortage of many traditional export items apparent during this spring's trade fair in Canton.

Leading Supplies

The rise in imports during 1967 particularly benefited West Germany, whose total trade increased by 22 per cent. The four main categories—manufactures, foods, machinery and chemicals—accounted for about 29, 19, 18 and 17 per cent respectively of China's total imports from Western countries. The single most important imports continue to be wheat, iron and steel and chemical fertilizers.

Of Britain's total exports to China in recent years at least one third has consisted of machinery. In 1967 this included large contracts for gear-cutting and gear-shaping machinery and a $4 million order for textile machinery. One of the most interesting transactions was the $1.3 million sale of two British computers to be used in economic planning. During 1967 Britain delivered two 15,000 dwt. cargo carriers, $2.8 million worth of nitrogenous fertilizer, and considerable quantities of terylene and nylon yarn.

In 1967 the Japanese supplied 2.12 million tons of ammonium sulphate, a large contract for ball bearings, and well over $2.5 million worth of machinery. The Japanese also supplied nearly 100,000 tons of steel plate, rolled sheet, wire and galvanized steel and an order for 200 trucks. In June of last year West Germany concluded the sale of a $13 million steel tube-making plant. The Germans were also successful in obtaining large orders for stainless steel tubes and considerable quantities of chemicals. The French sold 15 helicopters, some tinplate and chemicals.

How to Sell in Mainland China

The procedure outlined below only seems complicated. Exporters should consider cultivation of the Chinese market as a long-term project, the final results of which can be very worthwhile.

- **Select the foreign trade corporation** which handles your line of products from the list opposite.
- **Write directly** to the Corporation's head office in Peking, introducing your firm and the products you have for export. Refer to the country only as "China" or "People's Republic of China". Any quotations should be in Canadian dollars or pounds sterling. Do not quote in U.S. currency or refer to U. S. standards.
- **Enclose at least four sets of descriptive material,** specifications, samples, literature, etc., for distribution by the Corporation to selected end-users in China.
- **Forward copy of initial approach** to our Trade Commissioner in Hong Kong, for follow-up with the Corporation's authorized representatives in Hong Kong.
- **Send an acknowledgment** with a further request for information. This indicates interest. No reply usually indicates that the Corporation is not interested at the present time. Our Trade Commissioner will obtain information on market potential should you not receive a direct reply.
- **Repeat your initial offer** at regular intervals, perhaps once every four or five months. As well as the head office in Peking, offers can be sent to the Corporation's many branch offices throughout China. These addresses are obtainable from our Trade Commissioner in Hong Kong, or from the Asia and Middle East Division of the Department of Trade and Commerce in Ottawa.
- **Keep our Trade Commissioner in Hong Kong advised**—this will enable him to follow up on your behalf during his periodic visits to China and meetings with the Corporation's representatives in Hong Kong.
- **Try personal negotiation** if the Chinese are interested. Invitations to visit officials of the Corporation either in Peking or at branch offices in Shanghai or other centers, or to meet during the Canton Fair (held twice each year) are readily forthcoming to firms with which China wishes to do business.
- **Hold discussions with trading corporation officials**—these will be thorough and protracted. Any contracts signed will be meticulously honoured.
- **Appoint a firm** which has experience and is negotiating regularly with the Chinese corporations, should you not be in a position to carry on negotiations yourself. Our Trade Commissioner in Hong Kong can make such inquiries on your behalf.

Trade with Eastern Europe

Despite ideological differences with most Eastern European countries, China's trade with them continued in 1967. The exception was the Soviet Union, trade with which decreased dramatically by nearly two-thirds. Under trade agreements signed during the year Poland, in exchange for China's tin, mercury and agricultural products, supplied machine tools, building machines, diesel engines and a power station estimated to be worth well over U.S.$16 million. Under the Sino-Romanian trade agreement the Romanians sold drilling equipment, cargo vessels, trucks and petroleum products. With the substantial decrease in trade with the U.S.S.R., the Eastern European states and the Soviet Union accounted for slightly more than 20 per cent of China's total trade in 1967, compared with 26 per cent in 1966.

During 1968, given its present financial situation, China is increasing its efforts to reduce imports and become as self-sufficient as possible. Except in exceptional circumstances, as with the Soviet Union and the United States, political considerations do not unduly influence its choice of suppliers and it continues to buy from the most competitive source.

Trade with Canada

Canadian sales to China during 1967 were again dominated by wheat. Nevertheless other products such as zinc, radioactive elements and iso-

Foreign Trade Corporations and the Products Each Handles

—Located at
82 Tung An Men Street, Peking

China National Cereals, Oils and Foodstuffs Import & Export Corp.
Cereals, edible vegetable and animal oils and fats, vegetable and animal oils and fats for industrial use, oilseeds, seeds, oilcakes, feedingstuffs, salt, edible livestock and poultry, meat and meat products, egg and egg products, fresh fruits and fruit products, aquatic and marine products, canned goods of various kinds, sugar and sweets, wines, liquors, spirits of various kinds, dairy products, vegetables and condiments, etc.

China National Animal Byproducts Import & Export Corp.
Bristles, horse tails, feathers, down, feathers for decorative use, rabbit hair, wool, cashmere, camel hair, casings, hides, leathers, leather products, leather shoes, fur mattress, fur products, carpets, down products, living animals, etc.

China National Light Industrial Products Import & Export Corp.
Paper, general merchandise, stationery, musical instruments, sporting goods, toys, building materials and electrical appliances, etc.

China National Textiles Import & Export Corp.
Cotton, cotton yarns, raw silk, steam filature, wool tops, rayon fibers, synthetic and man-made fibers, cotton piecegoods, woollen piecegoods, linen, etc.

China National Tea & Native Produce Import & Export Corp.
Tea, coffee, cocoa, tobacco, bast fibre, rosin, feedingstuffs, timber, forest products, spices, essential oils, nuts and dried vegetables, patent medicines and medicinal herbs, as well as other native produce.

China National Garments & Wearing Apparel Import & Export Corp.
Garments and wearing apparel, knitted goods, cotton and woollen manufactured goods, ready-made silk articles, etc.

China National Arts & Crafts Import & Export Corp.
Pottery and porcelain, drawn works, human hair, pearls, precious stones and jewellery, ivory and jade carvings, lacquerware, plaited articles, furniture, artistic handicrafts and other handicrafts for daily use.

—Located at
Erh Li Kou, Hsi Chiao, Peking

China National Chemicals Import & Export Corp.
Rubber, rubber tires and other rubber products, petroleum and petroleum products, chemical fertilizers, insecticides and fungicides, pharmaceuticals, medical apparatus, chemical raw materials, dyestuffs, pigments, etc.

China National Machinery Import & Export Corp.
Machine tools, presses, hammers, shears, forging machines, diesel engines, steam turbines, boilers, mining machinery, metallurgical machinery, compressors and pumps, hoists, winches and cranes, transport machinery (motor vehicles and parts thereof, vessels, etc.), agricultural machinery and implements, printing machines, knitting machines, building machinery, machinery for other light industries, ball and roller bearings, tungsten carbide.

China National Instruments Import & Export Corp.
Electric machinery and equipment, telecommunication equipment, electric and electronic measuring instruments, scientific instruments.

China National Technical Import Corp.
Complete industrial plants, technical knowhow, etc.

China National Metals & Minerals Import & Export Corp.
Steel plates, sheets and pipes, steel sections, steel tubes, special steel, railway materials, metallic products, pig iron, ferro-alloys, non-ferrous metals, precious rare metals, ferrous mineral ores, non-metallic minerals and products thereof, coal, cement, hardware, etc.

topes, and scientific equipment registered gains. Table II lists Canada's main exports to China.

During the Chinese Export Commodities Fair held last spring, officials from the twelve trading corporations expressed interest in a wide range of Canadian products. They invited quotations from Canadian suppliers of wood pulp, industrial chemicals, minerals (including zinc, aluminum and nickel ingot), semifabricated copper and brass products, synthetic fibres and yarns, and a variety of items from live mink to optical equipment, ginseng and deer horns.

China's sales to Canada increased nearly 25 per cent in 1967; Table III lists the main commodities. The majority of the over 25 Canadian businessmen who visited Canton during the most recent fair were traditional customers importing textiles, garments, footwear, gloves, metals, groundnuts, dinnerware and antiques.

There are good long-term prospects for Canadian suppliers in many fields. These include machinery and equipment for use in the development of China's natural resources, light industries and transportation facilities; fertilizers, insecticides and other agricultural chemicals; metals and minerals; industrial chemicals and raw materials in which China is not yet self-sufficient, and particularly scientific instruments of all kinds. There is little doubt that Canadian exporters of these and other commodities face fierce competition. Many European firms who have negotiated with the Chinese for many years will verify that this is a very difficult market to penetrate but once established, sales can be most rewarding.

Selling to China

The accompanying box feature "How to Sell in Mainland China", gives the procedure to be followed in introducing a Canadian firm and its products. We would advise firms interested in exploring sales possibilities to make full use of the facilities offered by our Trade Commissioner's Office in Hong Kong, because the Chinese market, with its system of state trading corporations, uses completely different marketing techniques and business procedures with which most Canadians are not familiar.

These trading corporations have exclusive responsibility for all foreign trade in a specific group of related products and commodities. (See the accompanying list of the corporations and the products which each handles.) Each has its head office in Peking with many branch offices throughout the country.

Direct correspondence or discussions with end-users or consumers are virtually impossible because all negotiation is done with trading corporation officials, who may or may not be conversant with the technical aspects of the products offered.

The Chinese expect and prefer to negotiate all contracts at the bargaining table. It is true that some sales can be made through correspondence or through representative firms in Hong Kong, but most business is conducted on a personal basis. It is for this reason that Canadian businessmen seriously contemplating entering the Chinese market should endeavor to visit the Chinese Export Commodities Fair held twice each year in Canton, only 90 miles north of Hong Kong. The spring version is normally held from April 15 to May 15 and the fall version from October 15 to November 15. The next fair is scheduled to open on October 15, 1968.

Businessmen who have already established contact with the trading corporations can merely write to one or more of them for an invitation. Businessmen who do not have established contacts can write to the fair authorities specifying the commodities in which they are interested and requesting an invitation to the fair. Although this is primarily an export fair, considerable import business is concluded.

At the most recent fair an estimated 6,000 traders from over 70 countries came to buy, to sell and to assess market potential. In general, a friendly and businesslike atmosphere prevails during discussions and negotiations in Canton. Business is normally done on letter of credit.

To attract interest in your offers you should remember that the trading corporations are primarily interested in selling Chinese products. Wherever possible, therefore, consider procuring raw materials or other goods from Chinese sources. This possibility, if it exists, should be mentioned in your initial approach to the Chinese. An interest in developing two-way trade improves both the business relationship and the chances of receiving an invitation.

A market as large as China is becoming increasingly more important, particularly as the country develops economically. Its growing import requirements and the variety of products which it will need in the future make it potentially one of Canada's important trading partners. We already rank ninth among China's trading partners. The key to the future development of trade lies in diversification and the establishment of more and varied products in the Chinese market. Establishing contacts now and becoming known to the trading corporations and through them to the end-users and consumers is an investment in the future.

No, this is not the Laurentians, Banff or Grouse Mountain. This is Aviemore, Scotland, a newly developed ski resort in the Cairngorms. But the rescue toboggan is a Canadian product manufactured by Mid West Boat Works of Winnipeg and sold to Cairngorm Sports Development Ltd. of Aviemore. It's the first of its kind to be exported to Europe. As the picture shows, the toboggan requires only one man to pull an injured skier and does not need a man to control it at the rear to prevent it from swaying. Aviemore could be worth investigating as a market for other Canadian skiing equipment or sports clothing. If your company is interested, contact the Canadian Government Trade Commissioner in Glasgow for further information on this market.

Import and Exchange Regulations in the Far East

Hang Kang

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

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

Japan

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

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

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

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

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

Mainland China

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

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

South Korea

Imports are made under semi-annual trade programs beginning each January 1 and July 1. Within the program, the Ministry of Commerce and Industry issues lists of permissible and prohibited imports. Certain edible oils, fabrics, yarns, looms, spools, needles, cosmetics, lumber and medicinals, as well as incubators, bicycles and parts, electric bulbs, thermometers and alarm clocks are among goods prohibited from import. Merchandise considered directly useful in earning foreign exchange may receive preferential treatment such as exemption from customs duties.

Imports are authorized either under an automatic approval system requiring certification from a foreign exchange bank or under a licensing system requiring a licence issued by the Ministry of Commerce and Industry. Goods imported to be incorporated into export items are not subject to control.

In order to engage in foreign trade, firms or individuals must be registered with the Ministry of Commerce and Industry. An import certificate or licence automatically entitles the holder to purchase the required foreign exchange against tender of foreign exchange certificates. Merchandise arriving without the required import licence is subject to confiscation if not returned to the sender within four months. Imports must be cleared through Customs within four months from the issuing date of the licence or from the opening date of a letter of credit.

Payment for imports may be arranged on a letter of credit or a collection basis. Time drafts are restricted to a maximum of 180 days after sight. Imports effected on a collection basis must be licensed by the Ministry of Commerce and Industry; the licence will specify the terms of payment. Drawees may pay sight drafts or accept time drafts upon receipt of shipping documents.

Republic of China (Taiwan)

All imports require licences and are classified in one of two categories: permissible and controlled. The list of permissible goods, for which licences are freely granted, includes such items as capital equipment, raw materials and essential consumer goods. Goods on the controlled list generally are those competing with local production. There is also a short prohibited list.

Applications for import licences must be submitted to the Foreign Exchange and Trade Control Commission and, if approved, licences are issued by the Bank of Taiwan. Import licences are usually valid for six months. The validity period may be extended for justifiable reasons. Merchandise arriving without a licence is subject to confiscation after three and one half months, during which time the importer may apply for a licence.

Imports from all sources are subject to a temporary tax equal to 20 per cent of the customs duty. Machinery and equipment imported by a concern for its own use is exempt from payment of this tax.

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

Shipping Services from Canada to the Far East

TO:	From Pacific Coast	From Great Lakes	From St. Lawrence and Atlantic
HONG KONG	American Mail Line *(Trans-Pacific Steamship Agencies, Vancouver)*	Federal Pacific Lakes Line *(Shipping Limited, Toronto)*	Federal Pacific Lakes Line *(Federal Commerce and Navigation Company Limited, Montreal)*
	Klaveness Line *(Balfour, Guthrie (Canada) Limited, Vancouver)*	"K" Line *(Kerr Steamships Limited, Toronto)*	"K" Line *(Kerr Steamships Limited, Montreal, Halifax, Saint John)*
	Knutsen Line *(Johnson, Walton Steamships Limited, Vancouver)*	Mitsui O.S.K. Lines *(Montreal Shipping Limited, Toronto)*	Maersk Line *(Robert Reford Company, Limited, Montreal)*
	Maritime Company of the Philippines *(Furness, Withy & Company Limited, Vancouver)*	N.Y.K. Line *(Transworld Shipping Limited, Toronto)*	Mitsui O.S.K. Lines *(Montreal Shipping Limited, Montreal, Halifax, Saint John)*
	Nedlloyd & Hoegh Lines *(Dingwell Cotts & Company Limited, Vancouver)*	Orient Mid-East Line *(Hurum Shipping & Trading Company Limited, Toronto)*	N.Y.K. Line *(Transworld Shipping Limited, (Montreal)*
	Orient Overseas Line *(Western Overseas Shipping Limited, Vancouver)*	Pacific Star Line *(Mills Steamship Agency Limited, Toronto)*	Orient Mid-East Line *(Hurum Shipping & Trading Company Limited, Montreal)*
	P & O Lines *(Furness, Withy & Company Limited, Vancouver)*		Pacific Star Line *(Clarke Agencies, Montreal)*
	Showa Line *(Kingsley Navigation Company Vancouver)*		
	States Line *(Dodwell and Company Limited, Vancouver)*		
JAPAN	American Mail Line	Federal Pacific Lakes Line	Federal Pacific Lakes Line
	"K" Line *(Johnson, Walton Steamship Limited, Vancouver)*	"K" Line	"K" Line
	Japan Line *(Westward Shipping Limited, Vancouver)*	Mitsui O.S.K. Lines	Maersk Line

TO:	From Pacific Coast	From Great Lakes	From St. Lawrence and Atlantic
JAPAN	Maritime Company of the Philippines	N.Y.K. Line	Mitsui O.S.K. Lines
	Mitsui O.S.K. Lines *(C. Gardener Johnson, Vancouver)*	Pacific Star Line	N.Y.K. Line
	N.Y.K. Line *(Greer Shipping Limited. Vancouver)*		Pacific Star Line
	Orient Overseas Line		
	P & O Lines		
	Showa Line		
	States Line		
	States Marine Line *(World Wide Shipping Limited, Vancouver)*		
MAINLAND CHINA	No direct liner service; cargo transshipped at Hong Kong.		
SOUTH KOREA	American Mail Line	Federal Pacific Lakes Line	Federal Pacific Lakes Line
	Orient Overseas Line	"K" Line	"K" Line
	States Line	N.Y.K. Line	N.Y.K. Line
	States Marine Line	Orient Overseas Line	Orient Overseas Line
		Pacific Star Line	Pacific Star Line
TAIWAN	American Mail Line	Federal Pacific Lakes Line	Federal Pacific Lakes Line
	Orient Overseas Line	"K" Line	"K" Line
	States Line	Mitsui O.S.K. Line	Mitsui O.S.K. Line
	States Marine Line	N.Y.K. Line	N.Y.K. Line
		Pacific Star Line	Pacific Star Line

Papua/New Guinea to Update Telecommunications

■ The Territory of Papua and New Guinea will expand and update its telecommunications system in the next four years. The Territory, which is administered by Australia, is characterized by rugged terrain and scattered population centers. This makes physical communication difficult and heightens tbe importance of good telecommunication links. Total cost of the project is estimated at $16 million, of which the World Bank will provide $7 million as a 20-year loan at 6¼ per cent.

Under the direction of the Posts and Telegraphs Department of the Territory, the existing long distance toll and telegraph network will be replaced by a microwave backbone route on the main island. This will have a basic capacity of 300 channels linking the principal towns, with spur links to other centers and the offshore islands. The local telephone exchanges will add 10,000 lines of automatic exchange equipment at 35 locations, plus necessary increases in associated subscriber equipment, telephones, and radio outstations.

AUSTRIA

Area: 32,374 square miles.

Population: 7,290,400.

Climate: moderate.

Topography: mostly mountainous.

Language: German; sales literature in German desirable, but not absolutely necessary.

Currency: schilling; one schilling = Cdn.$0.0416 (August 1968).

Foreign exchange and import controls: Austrian schilling is fully convertible; very few commodities (mostly agricultural and food products) remain subject to import controls.

Weights and measures: metric system.

Capital: Vienna.

Chief ports: none; Canadian exports to Austria are usually routed through Hamburg, Bremen or Rotterdam; bulky items come via Trieste.

Marketing centres: Vienna (population) 1,627,566; Graz 237,080; Linz 195,978; Salzburg 108,114; Innsbruck 100,695 (1961 census).

Economy: well-developed primary and secondary industries; natural resources consist chiefly of lumber, hydro-electric power, iron ore, magnesite and oil; tourist trade very important.

Total Austrian imports: 1967—Cdn.$2.51 billion.

Chief imports: (per cent) 1967—machinery 17.3; chemicals 9.8; motor vehicles 6.3; fuels 5.9; iron and steel 3.1.

Chief suppliers: (per cent) 1967—West Germany 41.7, Italy 7.9, Switzerland 7.3, Britain 6.0, France 4.0, United States 3.5.

Value of imports from Canada: 1967—Cdn.$7.8 million; 1966—Cdn.$11.6 million.

Chief imports from Canada: (per cent) 1967—wheat 24.4, barley 21.7, asbestos 17.1, wood pulp 8.4, motor vehicles and parts 3.3, canned salmon 1.4.

Total Austrian exports: 1967—Cdn.$1.97 billion.

Chief exports: (per cent) 1967—machinery 16.2; iron and steel 12.5; lumber 6.5; chemicals 5.9; garments 3.8.

Chief markets: (per cent) 1967—West Germany 22.2, Italy 11.9, Switzerland 8.7, Britain 5.6; United States 4.3, Sweden 3.6.

Value of Canadian purchases: 1967—Cdn.$19.7 million.

Chief Canadian purchases: (per cent) 1967—motor vehicle engines 35.2; skis 4.6; steel bars and rods 3.5; embroidered fabric 3.1; footwear 2.7.

Prices: quote in Canadian dollars, preferably c.i.f. Nortb European port.

Usual terms of payment: sight to several months depending on commodity.

Samples: dutiable if of commercial value; travellers' samples admitted under bond.

Visas: not required for visits of less than three months. Inoculations: none.

Trade agreements: as a signatory of GATT, Canada enjoys most-favored-nation tariff treatment. Austria, a charter member of EFTA, allows duty-free entry of industrial goods from other members of EFTA.

Import controls, documentation, customs tariffs, marking and labelling: consult the Office of Trade Relations, Department of Trade and Commerce, Ottawa.

Correspondence: airmail only; letters 15 cents per half ounce.

For detailed information on this market write to:

European Division
Office of Trade Relations
Department of Trade and Commerce
Ottawa

or

Minister-Counsellor (Commercial)
Canadian Embassy
P.O. Box 190
1020 Vienna 2, Austria

BELGIUM AND LUXEMBOURG

Area: Belgium, 11,775 square miles; Luxembourg, 1,000 square miles.

Population: Belgium 9,605,600; Luxembourg 335,000.

Climate: temperate.

Language: Belgium—French and Flemish (Dutch) with German in one small area. Advertising should be in Flemish or English for the Flemish provinces (West Flanders, East Flanders, Antwerp, Limburg and the northern half of Brabant), and in French for the French-speaking provinces (southern half of Brabant, Liège, Hainaut, Namur and the Belgian province of Luxembourg). For Brussels, French or Flemish.

Luxembourg—French is the official language. A Luxembourg dialect is often used in conversation and German is generally understood. Advertising should be in French or German.

Currency: Belgium—franc. One Belgian franc = Cdn.\$0.0215 (Aug. 1968). Luxembourg—franc; one Luxembourg franc equals one Belgian franc.

Foreign exchange and import regulations: foreign exchange is freely available. Import licences are required for a relatively small number of products.

Weights and measures: metric system.

Capital: Belgium—Brussels; Luxembourg—City of Luxembourg.

Chief ports: Belgium—Antwerp, Zeebrugge, Ostend, Ghent. Luxembourg—none.

Marketing centers: Belgium—Brussels (population) 1.8 million, Antwerp 914,000, Liège 625,000, Ghent 472,000, Charleroi 466,000.

Total BLEU imports: 1967—U.S.\$7,165 million; 1966—U.S. \$7,174 million.

Chief imports: (U.S.\$ million) 1967—machinery and appliances 996, base metals 984, mineral products 932, transport equipment 678, textile fibers and manufactures 677, vegetable products 492, chemical products 424.

Chief suppliers: (U.S.\$ million) 1967—West Germany 1,518, Netherlands 1,082, France 1,062, Italy 322, (total EEC 3,984), United States 590, Britain 502.

Value of imports from Canada: 1967—Cdn.\$100.8 million; 1966—Cdn.\$117.5 million.

Chief imports from Canada: (Cdn.\$ million) 1967—wheat 24.6; zinc 22.7; lumber, pulp, paper 7.7; asbestos 6.1; aluminum 5.5; fish 4.1; lead 4.0.

Total BLEU exports: 1967—U.S.\$7,038 million; 1966—U.S. \$6,830 million.

Chief exports: (U.S.\$ million) 1967—base metals and articles thereof 2,008; textiles 920; transport material 684; machinery and appliances 676; chemical products 492.

Chief markets: (U.S.\$ million) 1967—Netherlands 1,510, West Germany 1,394, France 1,246, Italy 282 (total EEC 4,432), United States 588. Britain 322.

Value of Canadian purchases: 1967—Cdn.\$64.6 million; 1966—Cdn.\$61.6 million.

Chief Canadian purchases: (Cdn.\$ million) 1967—rolling mill products 20.3; gem and industrial diamonds 8.6; glass and glass products 7.3; industrial machinery 3.7; photographic film and paper 3.4; carpets, matting 1.0.

Prices: quote in Canadian dollars or Belgian francs, preferably c.i.f. Belgian port. Metric system should be used.

Usual credit terms: the majority are sight bills. The remainder are mainly between 30 and 90 days and with specific due dates indicated.

Samples: admitted duty-free if of no commercial value or made unfit for commercial purposes. Samples of commercial value may be admitted on payment of a deposit in lieu of duties.

Visas: no visa required if stay does not exceed three months.

Inoculations: none.

Trade agreements: most-favored-nation agreement with Canada. As of July 1, 1968, most agricultural products from EEC countries and associated territories entering Belgium and Luxembourg receive preferential tariff treatment and industrial goods from EEC countries and associated territories enter duty-free.

Import controls, documentation, customs tariffs, marking and labelling: consult the Office of Trade Relations, Department of Trade and Commerce, Ottawa.

Correspondence: airmail recommended; letters 15 cents per half ounce.

For detailed information on this market write to:

European Division,
Office of Trade Relations,
Department of Trade and Commerce,
Ottawa.

or

Commercial Counsellor,
Canadian Embassy,
35, rue de la Science,
Brussels 4, Belgium.

How the Trade Commissioner Helps the Small Exporter

Hesitating about getting into the U.S. market because yours is a small company? The Trade Commissioner will act as your pilot.

D. H. CHENEY, *Consul and Senior Trade Commissioner, Chicago.*

■ There are a great many small or medium-sized firms in Canada producing an excellent product with great export potential, if only their management knew to whom they could turn for assistance. Almost every week we Trade Commissioners in Chicago, for example, are making contact with such companies. More often than not, the appreciation which they express for what we consider normal or routine assistance is almost embarrassing. But it does point up the continuing need for our services and the importance of making them better known, particularly among the new, developing companies which cannot afford their own marketing personnel.

Our contacts with small exporters develop in many different ways, for we are only one of a wide variety of government and private services anxious to help them grow and prosper. We are, however, the only one located in the foreign market itself. Often we make contact with potential exporters directly when seeking out new sources of supply in response to local market demand. Many firms are directed to us by one of the seven regional offices* of the Department of Trade and Commerce across Canada. Many are referred to us by one of a large group of commodity specialists at the Department's headquarters in Ottawa. Others find us through the courtesy of the Canadian Manufacturers' Association, the Canadian Export Association, their chamber of commerce, industry association, provincial trade department, or the industrial commissioner of their city or town. Some are advised to contact us by business acquaintances who have used our services.

Now that you have found us through the pages of *Foreign Trade*, here are some of the things we can do to help you.

Basically our activities are concentrated in five main areas:

1. commercial intelligence reporting
2. export trade promotion (commercial and defence products)
3. industrial promotion and licensing arrangements
4. commercial information services
5. direct representation.

1. Commercial Intelligence Reporting—A constant stream of information on a large number of subjects flows into our headquarters in Ottawa from our posts in the United States. These include:

New techniques in the transportation and handling of commodities.

The development of new products for which Canada might become a source of raw materials or components.

The establishment of local production which will compete with Canadian shipments to the market.

Changes in industrial and consumer demand for specific products, style or design.

Regulations affecting the access for Canadian goods and services.

Important local projects for which Canadian firms could become suppliers.

New merchandising techniques.

Market conditions and economic trends designed to gauge the temperature for Canadian businesses interested in operating in our territory.

All are grist for the mill. This information is assembled in Ottawa and made available to you by the Department of Trade and Commerce through trade and industry associations, press releases and special reports. Many of these reports are reproduced in *Foreign Trade*.

2. Export Trade Promotion—This is the area where the Trade Commissioner becomes your marketing assistant and adviser. You may contact us for advice about the market potential of your product in our territory and the most suitable methods of pricing, distributing, and merchandising it. You may want to contact reputable agents, brokers, distributors, store buyers or industrial purchasing officers in our market. You will want to know about competing products or services, whether your prices are in line, rates of commission, the credit-worthiness of those outlets to which you wish to sell, seasonal purchasing practices, discounts and payment

* Edmonton, Halifax, Montreal, St. John's, Toronto, Vancouver, Winnipeg.

terms. You may require help in getting the necessary safety approval if your product is an appliance using electricity or gas. Then there are the local, state and federal health regulations. Very important—do you have a binding ruling from the U.S. Bureau of Customs about the import duty applicable to your product on entry to the United States?

Although we can give you the answers to most of these questions fairly readily, we can also draw on our many local contacts and upon our support services in Ottawa for the rest. We aren't often stumped for very long.

We can also warn you about some of the pitfalls of selling in this extremely competitive but highly receptive market—the do's and dont's of trade in our territory. For example, although your product may be extremely attractive, the production volume that you have for export may mean that you should avoid the huge city markets like Chicago and the merchandising giants like Sears. There are many equally lucrative markets in the smaller cities in which you can learn and grow. We might advise you to select just one U.S. marketing region as a starter, help you make this decision, and pass you along to the Trade Commissioner office responsible for the area you have selected.

When we have established communication with you and have familiarized ourselves with your product and your needs, we may suggest that you plan a visit to the market, starting with a call at our office. With reasonable advance notice of your plans, we can reserve our Canadian business visitors' office in the Consulate for you. Here you will have a home away from home with a desk and telephone, plus access to any one of the Trade Commissioners on our staff and to our commercial library. You may receive local businessmen in "your" office at a prestige address in complete privacy. Should you wish to display samples, we can also reserve our beautifully appointed Maple Leaf Room for your use and will set up appointments for you with local agents or buyers. From your base with us you can also branch out to make calls in the city and the surrounding area. And, given reasonable notice, we can arrange an itinerary for you, including business appointments in any part of our territory.

The Department of Trade and Commerce each year sponsors participation in a large number of industry shows in the United States. Many of these shows we investigate personally before recommending them for inclusion in the program. We might well pass your firm's name to our Trade Fairs and Missions Branch as a potential exhibitor and one of our commodity specialists from Ottawa would follow this up. We make many of the on-site arrangements at these shows, in co-ordination with several other branches of the department in Ottawa. We prepare briefing material for each exhibitor for study before his arrival and frequently we organize a briefing session at our offices for all participants on their arrival in the city. We keep in touch with you during the course of the show and will ask for your assessment of its immediate and potential value to you before your departure. We can follow up on contacts you have made with agents and distributors and secure information on them for you.

We offer similar field services for the department's trade mission program, assisting in the selection of mission members, co-ordinating local arrangements, appointments, transportation, briefings and follow-up. We also participate in the selection and dispatch of small groups or individual representatives of local business and industry who are interested in visiting Canada under our incoming trade missions program. Your company could be selected as one of those to be visited.

We also function as a field office for the Department of Defence Production, assisting Canadian suppliers in contacting United States firms engaged in the manufacture of military

Bob Daniels of R. H. Lewis & Co., Toronto, sales representative for Josef Manufacturing Ltd. of Montreal, shows a dress line to Mrs. B. Feber, dress buyer for Marshall Field & Co. of Chicago. The Chicago office invites Canadian exporters to use its attractive Maple Leaf showroom; basic display equipment is provided.

equipment, hardware and supplies. One of our officers spends a large part of his time communicating with such firms to make them aware of the advantages of purchasing in Canada under the Canada-U.S. Defence Production Sharing Agreement. So if you have capacity in the defence products field, we can offer you the same services as we provide for the exporter of commercial products.

3. Industrial Promotion and Licensing Arrangements—In this area we co-operate closely with Ottawa officers engaged in this work, primarily by assisting with their special promotions and channelling local inquiries to Ottawa for processing. However, should you have a product or rights to a product made in Canada which you would prefer to offer to a U.S. firm for manufacture in this country under a licensing arrangement, we are in a position to help you in your selection.

4. Commercial Information Services—Our Commercial Division in Chicago provides a great deal of general information about Canadian business and industry in response to a heavy volume of local inquiries from American businessmen. Very often what begins as a rather routine request for general information turns out to be a "live one"—and another customer for Canadian goods or services ends up in our net. Your Trade Commissioner knows his way around his territory and can often advise you on the best way to reach out-of-the-way places and find accommodation. He talks to hundreds of exporters and importers every year and can give you advice, based on this experience, on such subjects as shipping services, advertising and promotion, merchandising aids, and preparation of sales literature. In his files and in the commercial library are market reports, surveys and statistical information which he will be glad to make available to you. He can also advise you about specialized trade directories and journals, reference books, mailing houses, trade shows and market weeks.

5. Direct Representation—Each year we entertain more than a thousand United States businessmen as a part of our continuing campaign to broaden our personal contacts with local businessmen, to make them more aware of Canada as a supplier of quality products, and to educate ourselves on trends and developments in our market. With the same purpose in mind, we attend many meetings and seminars put on by commercial organizations in our territory.

These are some of the services we can offer to the new or smaller exporter. However, the list is by no means exhaustive and we look forward to receiving your specific inquiries. To round out the picture of the Trade Commissioner at work, I have also tried to give you a brief insight into the other services we perform in order to create a receptive atmosphere for Canadian goods and services in our territory. The same facilities are offered by the Trade Commissioners in eleven other posts in the United States.* They too are waiting to hear from you.

"When You Travel Ask Us"

■ One of the largest U.S. petroleum companies which does extensive advertising throughout the American Midwest uses the slogan *When you travel ask us.* When Canadian producers are planning a selling campaign in any of the large centres in the Midwest, including Chicago, St. Louis, Milwaukee and others, we hope that they will think of Trade and Commerce and *ask us.* Here, for example, are some of the things we advise potential exporters to this area to do once they have decided which market they wish to penetrate and are thinking about surveying it in person or making on-the-spot sales.

1. Work out prices in U.S. dollars, both f.o.b. factory and c.i.f. U.S. distribution point.

2. If possible, obtain a firm U.S. Customs ruling on your product so that you will know what customs duty and taxes will apply.

3. Prepare an outline of the commissions and discounts you are ready to offer to distributors and manufacturers' representatives.

4. Know the cost of shipping your product to the distribution point.

5. Have good sales literature on hand that will influence the buyers or representatives whom you will be meeting. This should include not only information about your products and prices but should tell something about your company: its manufacturing facilities and equipment, management, capitalization, number of years in business, its ranking in the Canadian market (if this is a factor) and some important users of its products. Comments from these users are also helpful.

6. Bring with you a selection of samples, if this is practicable.

7. Be prepared to discuss co-operative advertising and know whether or not your price can allow for the cost of this service.

8. Don't expect immediate results. It sometimes takes months or even years to become a trusted and qualified supplier to large companies. They already have suppliers with whom you must compete by offering something equal or better in terms of quality, price, delivery and service.

This is particularly true in selling to OEM accounts. Major U.S. manufacturers will undertake exhaustive investigations of you, your company and your product before they will even permit you to quote on their requirements.

Wherever and whatever you want to sell, remember that you are new in the market and must become known as a serious contender for the business. Remember also that Trade and Commerce is at your service. Before you travel, ask us. ●

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*Washington, New York, Boston, Cleveland, Dallas, Detroit, Los Angeles, New Orleans, Philadelphia, San Francisco, Seattle.

Food Promotions Pay Off

. . . for Canadian companies in Scotland, if they are well organized and followed through.

A. B. BRODIE, *Trade Commissioner, Glasgow.*

■ The results achieved at two separate food promotion schemes sponsored by the Department of Trade and Commerce in Glasgow last spring have exceeded all expectations. In fact, the actual sales made many of the Canadian food suppliers realize that the Scottish market has good potential if it is approached in an energetic and businesslike manner. The Canadian Government promotions included an attractive Canadian pavilion at Scotland's Food Exhibition at Kelvin Hall, Glasgow (April 16-27) and a well planned In-Store Food Promotion at sixteen of Galbraiths supermarkets from May 6 to 11.

Exhibit at Glasgow

Scotland's Food Exhibition at Kelvin Hall, Glasgow—which takes place every second year in Glasgow—is the most important Food Fair in Scotland and attracts over 200,000 visitors. It is held under the auspices of the Scottish Grocers' Federation and is sponsored by the Scottish *Daily Express*. Canada's pavilion this year was a modular constructed stand occupying an area of 2,800 square feet, which allowed ample space for some one dozen Canadian food firms to exhibit and sell their products at their individual stands. The pavilion was colorful and, without detracting from its appearance, it succeeded in emphasizing the brand images of the various Canadian products on display.

In contrast to the other foreign stands at the Exhibition, the Canadian pavilion achieved its objective as a "hard sell" commercial type of stand. The products varied from honey, pickles and corn to cat food. The Canadian stands—and indeed the Information Office, which was staffed by officers from the Department of Trade and Commerce—had a busy 11 days. When it was all over, two things were evident: most of the stands had sold out stocks completely and over $21,000 of across-the-counter sales to individuals had been made. Moreover, 179 serious trade inquiries were received during the Exhibition and these included valuable interviews with catering and wholesale firms. The latter represented further business and, in most instances, new contacts for Canadian firms in Scotland.

In-Store Promotion

In-store food promotions are relatively new to Scotland and a few of the leading multiples still require a good deal of guidance on how to launch a successful one. The 16 selected Galbraith Supermarkets, which promoted products from eleven Canadian producers at the Canadian Food Show in Glasgow between May 6 and 11, were spread over an area of 35 miles from the center of the city. Unlike Canadian supermarkets, these stores were small. Only one had an area approaching 20,000 square feet and most of them fell into the 10,000 to 13,000 square-foot range. The size of the stores had a bearing on our promotion program and the type of material which could be used to best advantage. For example, the Canadian-type "shelf talkers" were too elaborate for some of the stores at which we were exhibiting and the window banners promoting Canadian Food Week were too large for many of the windows. The overall success of the promotion was encouraging and, with 70 per cent of the sales made in most of the selected stores during the last three days of the week, the final sales figure of over 2,100 cases of Canadian foodstuffs was a great achievement for the Galbraith organization.

What did we learn from our experiences this past spring which might be helpful to Canadian food producers not already selling in this market and even to those who are currently represented in Scotland? The following observations may be helpful.

Good Representation—To sell in the Scottish market, it is essential to be represented by a first class energetic agent/distributor who is already well introduced to the multiples, smaller stores and co-operatives. Supermarkets in Scotland are, in most instances, only prepared to deal through agents/distributors. House brand names are used sparingly thus far by the multiples in Scotland, though this could change over the next few years. (This excludes renowned brand names.) The Scottish Co-operative Wholesale Society (SCWS), however, favors using its own label on food items whenever feasible, but a wide range of nationally advertised products will of course continue to be sold under their normal brand names. Some Canadian packers not already in this market may wish to explore the possibility of supplying their products in Scotland to the multiples and co-operatives under their own labels. The list could include tomato juice, peaches, pears, pie fillings, apple juice, applesauce, etc.

Brand Loyalty—Apart from some well-known brand names—and it is interesting to note that the list includes a handful of Canadian suppliers—Scotland is a market where brand loyalty tends to be low and sales are made on price and quality alone. The shopping is done primarily by the Scottish housewife but husbands are now beginning to take more interest in helping their wives with the shopping. The children too play a minor role in selecting products in the supermarkets. This means that, in future, the thrifty and shrewd Scottish housewife's shopping habits will come under pressure from other members of the family, forcing her to buy certain new food products—even at a higher price —which she was not tempted to purchase in the past.

Point-of-Sale Merchandising—With emphasis on price, the multiples in most instances prefer point-of-sale merchandising rather than products with expensive television advertising. One multiple summed up the company's sales policy by saying "we are always interested in launching a new product if the point-of-sale approach is made at the outset. The supplier must be able to present his product in eye-catching pack designs, extend special introductory price offers, participate in the company's newspaper advertisements, and furnish certain advertising material. The marked-down introductory prices will be clearly shown in the windows of the stores and prominently displayed within the supermarkets over the shelves where the products are being introduced. This type of promotion pleases the store manager and makes him feel that he is part of the team. Moreover, it encourages him to sell the product, because he realizes that the higher the turnover, the better will be his return on profits from the store's operations."

Promotions and Mark-Downs—In-store promotions or price-marked-down feature specials can boost sales by as much as ten times in some of Scotland's supermarkets. Supermarket markups on the delivered wholesale price vary according to the type of products. For example, on soups (a fast-moving line) it can be between 12 and 15 per cent; biscuits—also a fast mover in Scotland—between 10 and 12 per cent; on honey, mark-ups can go as high as 25 per cent and on canned corn between 17 and 25 per cent. The success of any in-store promotion scheme—or a price-marked-down feature special—depends entirely on how much time and effort the agent/distributor is prepared to put into it. There must be close co-ordination between himself and the senior merchandising officers of the supermarket itself and with the store managers. He must be prepared to offer attractive prices and to provide advertising material and, in some cases, recipe booklets and handouts (balloons, shopping bags and the like). Good deliveries some ten days before the promotion is launched are essential. Without the desired initiative from the agent/distributor, such a project can be a complete failure and lead to a loss of confidence on the part of the supermarket. Needless to say, the Canadian supplier plays an important role in helping to direct operations and ensuring that everything possible is being done to assist his overseas agent.

Disturbing Factors—Any well planned in-store promotion effort can be disturbed at the last moment by local crop conditions and outside competition. Recently, for example, the Scottish market has been saturated with fresh potatoes, imported as well as locally grown varieties, and this has seriously affected the sale of Canadian canned potatoes. Apart from the abundance of fresh potatoes, British firms like Smedleys, Chivers, and Wilsons of Ayrshire are packing canned potatoes at attractive prices. Canned Canadian chickens, which have enjoyed a great reputation in Scotland, must now compete with low-priced homegrown fresh and frozen chickens. To meet this new obstacle, Canadian suppliers may have to change their pack from a 4½-pound to a 3¼-pound container, thereby reducing the retail price to the client. Additionally, labels may have to be revised to attract the attention of the housewife and to convince her that she is buying a quality product. Canadian cheddar cheese is another product which may meet stiff sales resistance because of high cheddar stocks in the country—both imported and local production—at attractive prices, as well as the recent request from the British Government to the producing countries to cut back their exports by 10 per cent. Canadian pie fillings, a traditional food item in Scotland, is meeting local competition from Robertsons and other producers. As the market increases as it is bound to do and the high quality of Canadian fillings is fully appreciated, the tide will again turn in favor of the Canadian product.

Sales of Canadian apples, of course, depend on the vagaries of the weather and the British crop, not to mention dollar allocations and European competition (particularly from the French Golden Delicious which reach the market four to six weeks before the first Canadian shipment of apples arrives). These examples show that there are always danger signals in the food trade. An active supplier can never afford to be complacent about the future nor to ignore comments passed on from his agent.

Timing the Promotion—The timing of your food promotion is important. Your agent is well placed to advise you. Avoid carrying out any promotion in Scottish supermarkets during the Christmas season, when the store managers are far too busy to assist you. Besides, this is the time of year in Scotland when jams and soups are moving well in the stores. If your product is honey, the end of January and February are good promotion months; so is November. Most multiple managers are not averse to working out a promotion program with your agent which will meet your shipping arrangements from Canada. Allow ample time to move your stocks.

Encourage the Agent—Keep your agent on his toes! Make him a keen member of your team. Encourage him to do some clever merchandising by cutting cartons for the smaller stores in order to introduce your products for the first time. Have him use your promotion material for magazine articles or the local trade journal (for example, the *Scottish Grocer*). Any details on the nutritive value of your products which you can pass on to him may add substance to your agent's articles.

These suggestions may provide food for thought. *Foreign Trade* of March 30, 1968, gave some useful background data on the grocery business in Scotland. The Trade Commissioner in Glasgow will be happy to give you more specific information.

Manufacturing in the EEC

- - a substitute for direct sales?

Canadian companies often find it difficult to export their manufactured products directly to the EEC countries because of transportation costs, tariffs, and other factors. There may be solutions to this problem, as this article shows.

J. H. STONE,
Commercial Counsellor, Rome.

■ Canadian companies prefer to make their complete product at home, shipping fully manufactured goods to Europe for distribution and sale. Plant utilization, employment for Canadians, and profit normally make this the preferred arrangement. Nevertheless, an increasing number of Canadian firms have to face the hard fact that the protection of an established market or the introduction of new products can only be achieved if some degree of processing is carried out within the final sales area. They are consequently adopting a variety of arrangements to achieve local manufacture or content; these range from the wholly-owned subsidiary through to the complete sale of design and patent rights. Most firms, however, find that some intermediate arrangement is best for their particular financial and product position.

As the EEC moves closer to full economic union, the competition from substitute or similar goods produced within the Common Market becomes harder, in many instances, for the "foreign" manufacturer to meet. At the same time, the needs of the EEC for a continuing flow of new techniques, modern products and capital grow with the continuing industrialization of the member countries. The consumer—who may be a manufacturer buying equipment or supplies—is more and more conditioned to accepting, and indeed looking for, the most modern answers to his requirement problems. These factors combine to produce a ready acceptance in Europe of some form of local manufacture, adapted of course to the requirements of the particular country or area.

Inducements Offered

For many years larger Canadian manufacturers have been establishing branch plants, subsidiary or associated companies within the area which is now the EEC. This trend has accelerated in the past five years in response to more competitive market conditions, and to the increase in the size of the average manufacturing entity in every country.

Most European governments, central, provincial or municipal, offer inducements to new industries and these can make a significant contribution to the capital investment required for a branch plant and consequently to the eventual profit. Belgium, Italy, and the Netherlands, for example, have established special institutes or investment services to attract new industry, to administer grants and loans, to undertake market studies, and generally to assist the newcomer to establish himself. In some areas, usually underdeveloped parts of a country, up to 80 per cent of the investment required may be forthcoming by grant or loan through these institutes. Obviously, the areas which offer such facilities have their own needs firmly in mind and the advantages they offer must be weighed against any expected local difficulties such as remote location, transportation or labor deficiencies, and other problems expected in a rural or backward region.

Canadian companies considering the economics of setting up a plant in Europe would be wise to determine the assistance offered by industrial development institutes, services and bureaus in each area.

Ventures for Local Production

Where the capital requirements of a full branch or subsidiary are beyond the Canadian manufacturer's budget, an investment in an existing local firm or a partnership with a local company or group to produce the Canadian product may be the solution. The arrangement, usually involving a substantial financial investment, is favored when materials, components or key technical staff are to be supplied from Canada. The advantages are numerous: the partner provides local knowledge of laws and customs, expertise in dealing with foreign labor and, because he usually undertakes distribution, a readymade, experienced sales force. Obviously the Canadian manufacturer should investigate the local firm thoroughly before undertaking any firm commitment.

Licensing Arrangement

Licensing, which requires a limited investment in time and effort, suits the smaller Canadian company which does not wish to commit capital funds to a foreign undertaking. The rewards, although they are potentially smaller than a fixed investment abroad, can be significant. Often a substantial initial payment is forthcoming for design rights and continuing royalties over the years may make a positive contribution both to the balance sheet of the licensor and to the company's world marketing position. Where the Canadian firm manufactures a wide range of products, it is sometimes profitable to have part of the line manufactured under licence, filling out the range by exporting from the Canadian plant. Style goods are especially suitable for this type of minimum arrangement.

In making a licensing deal, it is prudent to provide for a possible future development of the arrangement into a joint manufacturing venture if the product is fully successful in the market.

Making the Choice

Many factors will influence the decision of the Canadian manufacturer who must either produce within the market or lose his sales prospects there. The solutions outlined are only three of a large number of possible arrangements. Often a licensing agreement is indicated for a new product until the sales volume warrants the Canadian company's considering a direct investment. For established products enjoying a large market, however, this type of agreement does not offer the desirable degree of control over sales under present conditions of market change. There is also the difficulty of protecting the design or manufacturing process from unauthorized duplication or modification, if the Canadian firm does not maintain some direct participation in the production and distribution of its product.

The initial factors to be investigated for each area under consideration before making any firm commitment include:

- Expected size and "center of gravity" of the EEC market for the product or range
- Patent, trademark or other protection available
- Availability of suitable potential licensees, partners or associated companies and of adequate distribution and sales facilities
- Taxes and other charges applicable to local manufacturing, including double taxation
- Freedom to transmit profits, dividends and royalties, and to withdraw the initial investment if desired
- Facilities available, including grants, soft loans, tax holidays, subsidized plant and equipment, duty-free facilities and any other inducements
- Status of Canadian managers or technicians if posted to the area.

Our trade offices can supply published material answering many of the questions arising from the foregoing list. When a tentative decision has been made to proceed with a manufacturing or licensing arrangement, a detailed study should be undertaken on the spot by senior Canadian executives working with potential associates, local authorities, banks and preferably professional research companies. Our trade offices are not equipped to undertake the studies which will provide the basis for profitable manufacturing operations within the EEC but will be glad to establish suitable contacts, provide introductions, and suggest lines of investigation for the Canadian manufacturer.

Germany Is a Market for Non-Ferrous Metals

■ The production of primary non-ferrous metals in the European Economic Community has never been sufficient to satisfy its needs. West Germany is the largest user of these metals and accounts for approximately 45 per cent of total EEC consumption. It is also a very substantial importer: it obtained 37.5 per cent of its requirements abroad in 1965.

Aluminum—Germany's most important firm is the government-owned Vereinigte Aluminiumwerke AG, producing about 200,000 tons of primary aluminum a year at four locations. The other producer is Aluminiumhutte Rheinfelden GmbH with an output of 50,000 tons.

Vereinigte Aluminiumwerke AG, in co-operation with Alcan, is building Europe's largest aluminum rolling mill at Norf, near Duesseldorf. When ready, this plant will be able to turn out 200,000 tons of rolled sheet aluminum, half for use in Germany and half for export. The total output of semi-finished aluminum products from Vereinigte's subsidiaries was 365,000 tons in 1966.

Copper—In 1966, Germany imported 412,000 tons of copper. Price fluctuations have caused users to look for substitutes. The power transmission system which once used only copper for cross-country power lines is now using nearly 80 per cent aluminum. The production of diecast and semi-finished products declined from 867,000 tons in 1965 to 762,000 tons in 1966.

Lead and zinc—Germany is the largest producer and consumer of lead and zinc in the EEC. It has closed down fourteen uneconomic mines and produces 166,000 tons a year from the remaining seven. Seven lead and six zinc smelters produce some 225,000 tons of lead and 180,000 tons of zinc. Imports of lead in 1966 totalled 49,100 tons and of zinc 120,300 tons, mostly high-grade zinc imported from Canada, Belgium, the U.S.S.R., the Netherlands, Norway and Peru.

Germany's exports of semi-finished lead products were 3,400 tons in 1965 and 5,100 tons in 1966. Imports are rising steadily and reached 1,500 tons in 1965 and 2,000 tons in 1966.

Exports of zinc and zinc alloys have fallen from the 1955 peak of 9,100 tons. In 1965 they amounted to 5,100 tons and in 1966 to 6,100. Imports have risen from 4,900 tons in 1955 to 15,000 tons in 1965 and 14,400 tons in 1966.

Canada's market in Germany—West Germany imported Cdn.$17 million worth of copper and copper products in 1967 (Cdn.$8 million in 1965 and Cdn. $2 million in 1966). Aluminum imports from Canada fell sharply to Cdn.$1 million in 1967 (Cdn.$12 million in 1965 and Cdn.$8 million in 1966). Lead has remained fairly steady in recent years and Germany bought Cdn.$3 million worth in 1967. Zinc imports from Canada, however, fell from Cdn.$7 million in 1965 to Cdn.$2 million in 1966, but they recovered to Cdn.$3 million last year.

Lead ore from Canada amounted to Cdn.$5 million last year (Cdn.$3 million in 1965 and Cdn.$4 million in 1966). Zinc ore imports rose from Cdn.$2 million in 1965 to Cdn.$4 million in 1966, but fell back to Cdn.$3 million last year. We sold Germany Cdn.$3 million worth of copper ore in 1967.

—H. MAHNCKE, *Commercial Officer, Duesseldorf*

trade lines

Norway exports furs

The Norwegian Fur Breeders Association, in its 1967 annual report, reported that the average price for mink skins in 1967 declined to 78 Norwegian crowns compared with 106 in 1966, and the price of foxskins went down to 126 crowns in 1967 from 227 in 1966. Exports of skins were valued at 200.3 million crowns in 1967, a decline of about 12 million since 1966 because of lower prices on the world market. However, a much greater number of skins were exported in 1967 than in 1966; mink skins exported totalled 2,257,000 in 1967 as against 1,798,000 in 1966 and blue fox skins 129,700 in 1967, 71,800 in 1966—Oslo.

Italian breakthrough into Soviet market

Italy's trade with the Soviet Union rose 43.3 per cent in 1967 to total $400 million. Exports to the U.S.S.R. in 1967 rose 39 per cent to $125 million and imports (principally crude oil) rose 43.4 per cent to $275 million. Italy is hoping to sell its domestic appliances, of which two thirds are exported, in the Soviet market —Milan.

West Pakistan plans heavy electrical complex

West Pakistan Industrial Development Corp. and the U.S.S.R. have agreed to prepare the project report and working drawings for the Cdn.$30.2 million heavy electrical complex planned at Taxila, West Pakistan. The Soviet Union will provide technical and financial assistance. The complex will produce transformers, switch-gear, capacitors, motors, generators and control gears and will meet practically all the Pakistani requirements for heavy electrical goods—Islamabad.

Parana to increase power output

The Parana Government will spend about Cdn.$42.4 million in 1968 to increase electric power output and extend power distribution to a further 31 municipalities. Electric power consumption in Parana rose to 1.8 billion kwh. in 1967, 8 per cent over 1966, but the 1968 figure is expected to be 14 per cent above 1967 —Sao Paulo.

Saudi Arabia experiences cement crisis

Demand for cement far exceeded supply in 1967 because of the construction boom, according to the annual report of the Yamama Cement Company. Daily capacity of the Yamama plant will be increased by 800 tons to 250,000 tons a year on a recommendation of a consulting firm assigned to study the expansion scheme—Beirut.

Israel's science-based industries attract U.S. firms

Israel's small but progressive science-based industries might solve the balance-of-payments problem. Several firms producing computers, scientific instruments and specialized chemical compounds have competent scientists and engineers, but they are removed from major markets, which creates difficulties in technological forecasting and marketing. These industries are beginning to attract American partnerships and some kind of alliance with foreign firms can provide these needed skills—Tel Aviv.

Thailand's IFC assists new industries

The Industrial Finance Corporation of Thailand granted loans totalling Cdn.$1.3 million to eight new industrial companies in June. These funds will be mainly used to buy machinery and equipment for the manufacture of carpets, bricks, textiles, kraft paper and sundry food products—Singapore.

More supermarkets planned for Israel

The Consumer Co-operative (tsorchaniot) Society plans to build nine more supermarkets in the Tel Aviv region by 1970 with a total floor space of 6,000 square metres. The stores, which will cost I£15 million, will increase the Society's annual turnover to I£80 million and its staff from 800 to 1,000. Between 1965 and 1967 the Society built eight supermarkets at a cost of I£15 million—Tel Aviv.

Steel output expands in the Netherlands

The Royal Netherlands Blast Furnaces and Steelworks, Ymuiden, has announced a $225 million expansion to raise its annual steel output to 5.25 million tons by 1973. Plans include a seventh blast furnace to produce a further 1.5 million tons of crude iron a year, a new pickling line, a third cold band rolling mill (width about 80 inches) for thin automobile plate, and a galvanizing plant. The capacity for cold-rolled products will gradually be raised to over two million tons a year and the capacity of the galvanizing plant to about

150,000 tons of galvanized sheets and strips. Ultimately, a steel capacity of seven million tons a year is planned—The Hague.

Swiss diesels speed world's ships

In recent years, a quarter of the world's new ocean-going vessels on average have been fitted with diesels from Sulzer Bros. of Winterthur, Switzerland. The proportion was 35 per cent in 1966, with a total of 2½ million hp. in 200 ships—Berne.

Italy manufactures appliances for Denmark

Triplex of Milan, a producer of domestic appliances, has signed a $40 million long-term contract with Haka of Denmark to supply 100,000 washing machines a year to Denmark plus gas and electric stoves, dishwashers, dry cleaning units, hot water heaters and other domestic and industrial equipment.

Haka, the largest domestic appliance producer in Scandinavia, will stop manufacture of washing machines, which it has been turning out since 1949, and will handle only the Triplex models. The Milan factory has started production of three models formerly built by the Danish firm as well as three of its regular models for the Scandinavian market—Milan.

Nuclear research tool set up in Glasgow

Britain's most advanced and most powerful electron linear accelerator has recently gone into operation in the Kelvin Laboratory of Glasgow University. Designed by the radiation division of Vickers Ltd., it will use high-energy electrons to explore nuclear structure. The accelerator is enclosed in a 124-foot concrete-lined vault, 12 feet below ground level, and more than 7,000 tons of concrete provide a shield against radiation. It will be used for work on ultra-violet spectroscopy, activation analysis, neutron scattering, and radiation damage studies—Glasgow.

Twin Otters in the Norwegian North

The Norwegian Ministry of Civil Aviation has been using Canadian Twin Otter aircraft to test approaches to possible sites for small airfields and the Oslo aviation company, Wideroe Flyveselskap A/S, has bought a Twin Otter for its northern routes—Oslo.

Genoa improves cargo handling

The Rivalta Scrivia cargo-handling complex, established in Genoa a year ago, proved successful in handling over 40,000 tons of bulk cargo and 26,000 tons of packaged cargo in its first year. The Rivalta complex, located in the port's hinterland, permits goods to be unloaded at dockside and carried directly by special trains to the large transshipping area, bypassing the jammed port. Cargo intended for shipment is held in warehouses until embarkation and brought directly to the vessel for loading by the same special rail link. A longshoremen gang is able to handle between 15 to 30 tons of cargo per hour, compared with the usual Genoa loading rate of between 6 to 10 tons per hour —Milan.

Argentina gets toll bridge

The tender for the construction of the Zarate-Brazo complex over the lower Parana River is now being called. This is the first bridge in Argentina to be awarded in outright concession to private enterprise where the builders will be able to charge tolls as repayment for investment—Buenos Aires.

Saudi Arabia plans two international airports

Plans for two international airports at Jeddah and Riyadh, which will cost approximately $150 million, are being drawn up by Airways Engineering Services Corp., a U.S. firm. Jeddah airport will have two 3,300-meter runways, two kilometers (1.2 miles) apart to accommodate the main yard, hangars and technical equipment. Capacity will be 40 Boeing jets a day, rising eventually to 120. Deadline for bids is expected to be October 1968—Beirut.

Thailand ends shipping bottleneck

Thailand recently acquired a U.S.$43 million deep-water port at Sattahip. The United States built the port primarily for U.S. military shipments initially, but it has affected commercial shipments into Thailand as well. The port reduces the former unloading delay in Bangkok from three weeks to only three days—Singapore.

Turkey builds Mercedes-Benz buses

The Turkish Oto Marsan bus assembly-manufacturing plant opened in Istanbul in June. Initial annual capacity will be 300 Mercedes-Benz "0302" buses. The West German Daimler-Benz Company holds a 36 per cent equity in the new company—Athens.

United Air Lines expands San Francisco base

United Air Lines will have a fleet of 618 jet aircraft in 1980 and will be able to maintain them all at San Francisco. To do this means spending $160 million on new facilities there. The first stage will cost $100 million and is to be completed by 1971. United Air Lines maintenance base at San Francisco is already one of the largest of its kind in the world and represents a $44 million investment—San Francisco.

West Pakistan studies pig iron plant

The West Pakistan Industrial Development Corporation is examining the feasibility of a pig iron plant based on high-grade ores recently discovered in thc Chilghazi area of West Pakistan. The plant would have an annual production capacity of 100,000 tons and would cost an estimated Rs.30 million (Cdn.$7 million)—Islamabad.

Indonesia opens an artificial rice factory

An artificial rice factory, thought to be the first in the world, has been opened in Bandocng. It has a monthly capacity of 50 tons of synthetic rice (a blend of cassava, beans and corn) and has the same nutritive properties as natural rice. Called Tekad rice, it is 20 per cent cheaper than ordinary rice. Hopefully it will supplement the meagre rice diet of most households in Java, where 70 per cent of the family budget is spent on this food—Singapore.

Chicago to build prefab homes

Chicago will build some 2,000 prefabricated homes annually for its ghetto areas. The houses range in price from $11,500 to $14,500 and are designed to be erected in one day or less. Six leading building trades will contribute one-third of the $2 million cost of a factory to produce these units—Chicago.

Soviet newsprint is marketed in Singapore

The U.S.S.R. is shipping newsprint to Singapore in an effort to gain a larger share of the Singapore market. It was reported that Soviet manufacturers have supplied ten tons free to one of the leading newspapers for testing purposes. The c.i.f. price is reported to be approximately 25 per cent below North American newsprint and terms are said to be 90 days—Singapore.

Trend to large poultry farms in Hungary

Large-scale poultry farms produced 35 per cent of Hungary's poultry meat and 19 per cent of its eggs in 1967, compared with 7 and 3 per cent in 1960. In the same period, the total output of eggs increased from 1.8 to 2.6 billion. Poultry raising has become the most important branch of animal husbandry—Vienna.

Hong Kong builds new schools

Construction during the past five years has increased the number of government and aided day primary and secondary places from 402,000 to 681,000. The rate at which new school places at all levels are completed has during the same period averaged roughly 1,000 per month. At present, the Education Department plans to provide school places at primary level for another 100,000 children within the next three years—Hong Kong.

U.S.S.R. emphasizes building materials industry

The Soviet Government is emphasizing the development of the building materials industry over the 1968-70 period, the last two years of the current Five Year Plan. Although output of these materials has increased considerably in recent years, the manufacture of walling, roofing, finishing construction materials and plumbing and sanitation equipment is lagging behind current requirements. Instructions have been given to improve building materials equipment and to set up rationalized transfer lines, producing units and equipment for manufacturing building materials—Moscow.

Transmission lines needed in Brazil

Brazilian Government approval and IADB financing of a project for an additional 1,100 miles of transmission lines in Santa Catarina to connect local lines with other States, especially Parana, have been urgently requcsted by Centrais Electricas de Santa Catarina S.A. (CELESC), of Florianopolis, Santa Catarina. Total elcctric power in the state is 1,100 mw. but demand is expected to reach 2,500 mw. by 1975—Sao Paulo.

Australia will step up mineral exports

Australian mineral exports will reach nearly a A$1 billion (Cdn.$1.2 billion) by the year 1972-73, according to a recent government forecast. This is based on expected large increases in exports of iron ore, coal, aluminum, copper and lead. It does not include nickel which, following recent discoveries in Western Australia, could also become a significant export—Melbourne.

Foreign Tariffs and Trade Regulations

Portugal

DRAWBACK OF DUTY—Portuguese Order-in-Council No. 23539 of August 19, 1968, authorizes the establishment of a drawback regime for duty paid on imports of polyethylene and polypropylene raw material (Tariff Item 39.02.04) used in the manufacture of yarns, sheeting, cords, nets, mats and bags for export.

Foreign Exchange Rates

These nominal quotations may help exporters in checking prices, but they should consult their ban before making any firm commitments. When more than one rate is shown, the one to be used depen on the commodity traded. Information on the rate for any specific commodity may be obtained fro 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 buyi rate is that at which banks purchase exchange from exporters; the selling rate is that at which ban sell exchange to importers.

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

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

Country and Currency	Value of Foreign currency nnit in Canadian dollars at August 30	Value of Canadian dollar in foreign currency units at August 30
Algeria		
Dinar	.2157	4.63
Argentina		
Peso (free)	.0030	322.58
Australia		
Dollar	1.193	.8340
Austrla		
Schilling	.0415	23.98
Babamas		
Dollar	1.051	.9506
Belgium and Luxembourg		
Franc	.0214	46.25
Bermuda		
Pound	2.565	.39
Bolivia		
Peso	.0901	10.97
Brazil		
Cruzeiro (official free)	.2947	3.39
Britain		
Pound	2.557	.39
Britisb Honduras		
Dollar	.6392	1.55
Burma		
Kyat	.2253	4.43
Ccylon		
Rupee	.1802	5.54
Chile		
Escudo (bank rate)	.1525	6.55
(free)	.1331	7.51
China, Republic of		
New Taiwan Dollar (official)	.027	37.04
Colombia		
Peso (fixed)	.065	14.95
Congo, Republic of[1]		
France	2.149	.4653
Costa Rica		
Colon	.1619	6.12
Cuba[2]		
Peso	....	....
Czecboslovakia		
Koruna	.1490	6.70

Country and Currency	Value of Foreign currency unit in Canadian dollars at August 30	Value of Canadian dolla in foreign currency units at August 30
Denmark		
Krone	.1427	6.98
Dominican Republic		
Peso	1.073	.93
Ecuador		
Sucre (official)	.0596	16.50
(free)	.0534	18.45
El Salvador		
Colon	.4291	2.35
Fiji		
Pound	2.464	.41
Finland		
Markka	.2554	3.91
France, Monaco, etc.[3]		
Franc	.2157	4.63
Franco-African Republics[4]		
Franc	.0043	235
Frencb Paclfic[5]		
Franc	.0119	84.24
Germany		
D Mark	.2702	3.70
Ghana		
New Cedi	1.051	.95
Greece		
Drachma	.0358	27.93
Guatemala		
Quetzal	1.073	.93
Guyana		
Dollar	.5364	1.85
Haiti		
Gourde	.2146	4.65
Honduras		
Lempira	.5369	1.86
Hong Kong		
Dollar	.1770	5.64
Hungary		
Forint (official)	.0921	10.86
Iceland		
Krona (official)	.0188	52.91
India		
Rupee	.1421	7.02

Country and Currency	Value of Foreign currency unit in Canadian dollars at August 30	Value of Canadian dollar in foreign currency units at August 30
Indonesia[6]		
Rupiah	....	....
Iran		
Rial	.0142	70.42
Iraq		
Dinar	3.004	.33
Ireland		
Pound	2.557	.39
Israel		
Pound	.3065	3.23
Italy		
Lira	.0017	581.86
Jamaica		
Pound	2.557	.39
Japan		
Yen	.0030	333.33
Kenya		
Shilling	.1526	6.55
Lebanon		
Pound (free)	.3326	3.00
Malaysia		
Dollar	.3505	2.85
Mexico		
Peso	.0858	11.64
Morocco		
Dirbam	.2120	4.72
Netberlands		
Florin	.2956	3.35
Netberlands Antilles		
Florin	.5689	1.76
New Zealand		
Dollar	1.197	.83
Nicaragua		
Cordoha	.1533	6.51
Nigeria		
Pound	2.995	.33
Norway		
Krone	.1502	6.64
Pakistan		
Rupee	.2253	4.43
Panama		
Balboa	1.073	.93
Paraguay		
Guarani (free)	.0086	116.28
Peru		
Sol (free)	.0247	41.66
Pbilippines		
Peso (free)	.2749	3.63
Poland		
Zloty (fixed basic rate)	.2685	3.72
Portugal & Colonies[7]		
Escudo	.0373	26.80
Saudi Arabia		
Riyal	.2066	4.84
Sierra Leone		
Leone	1.502	.66
Singapore		
Dollar	.3505	2.85
Soutb Africa		
Rand	1.502	.66
Spain & Dependencies		
Peseta	.0154	64.25
Sweden		
Krona	.2078	4.81
Switzerland		
Franc	.2497	4.00
Syria		
Pound (free)	.2812	3.55
Thailand		
Baht (free)	.0520	19.19
Trinidad & Tobago[8]		
Dollar	.5392	1.85
Tunisia		
Dinar	2.043	.48
Turkey		
Lira	.1192	8.38
United Arab Republic		
Pound (official)	2.468	.40
United States		
Dollar	1.073	.93
Uruguay		
Peso (free)	.0043	232.55
Venezuela		
Bolivar (official free)	.2390	4.18
Yugoslavia		
Dinar (official)	.0858	11.64

1. Additional rates are in effect.
2. There is no trading io Cuhan pesos io U.S. or Caoadian banks at present.
3. Franc is also used in French Guiana, Guadeloupe and Martinique.
4. Chad, Ceotral Africao Repuhlic, Coogo, Dahomey, Gabon, Ivory Coast, Islamic Republic of Mauritania, Niger, Senegal, Upper Volta, Cameroons, Togoland, and Malagasy. Also Reunion, Comoro Islands. St. Pierre aod Miquelon.
5. New Caledonia, New Hehrides, French Polynesia.
6. Because of the complexity of the Iodonesian exchange rate system, it is impractical to quote a single represeotative rate for the rupiah.
7. Approximately same rate for Portuguese territories io Africa.
8. Also used in Barbados, Leeward and Wiodward Islands.

Trade Commissioners on Tour

In Canada

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

Brazil—W. G. Huxtable, Consul and Trade Commissioner in Sao Paulo:

Vancouver—September 23-26
Winnipeg—September 27
Fort William—September 30
Windsor—October 2
Sarnia—October 3
Brantford, Galt—October 4
Port Perry—October 7
Peterborough—October 8
Toronto—October 9-15
Montreal—October 20-25

Britain—J. H. Nelson, Trade Commissioner in Liverpool:

Montreal—September 18-22
Cornwall—September 30
Kingston, Gananoque, Napanee, Brockville and area—October 1
Belleville, Trenton, Picton and area—October 2
Toronto—October 3-6
Barrie—October 7
Hamilton—October 8
Brantford—October 9
Kitchener—October 10
London—October 11

Spain—L. A. Campeau, Commercial Counsellor in Madrid:

Toronto—September 16-24
Hamilton—September 25
Vancouver—September 27-October 2
Edmonton—October 3
Winnipeg—October 4
Montreal—October 6-11

United States, Washington—S. G. Tregaskes, Commercial Counsellor in Washington:

Montreal—September 16-20
Toronto—September 21-27

Temporary Duty in Ottawa

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

J. D. Blackwood, Commercial Counsellor in Caracas, Venezuela, October 7-11.

C. D. Caldwell, Assistant Commercial Secretary (Agriculture) in Wellington, New Zealand, September 13-18.

K. G. DeWolf, Assistant Commercial Secretary in New Delhi, India, September 16-20.

W. G. Huxtable, Consul and Trade Commissioner in Sao Paulo, Brazil, September 16-22 and October 16-18.

D. A. B. Marshall, Commercial Counsellor in The Hague, Netherlands, October 7-11.

C. D. Miller, Assistant Commercial Secretary in Rome, Italy, October 7-11.

J. H. Nelson, Trade Commissioner in Liverpool, England, September 23-29, and October 15-18.

N. Parsons, Commercial Officer in Stockholm, Sweden, October 21-25.

C. E. Rufelds, Consul and Assistant Trade Commissioner in Milan, Italy, October 28-November 1.

W. Schumacher, Commercial Officer in Hamburg, Germany, September 30-October 7.

R. D. Sirrs, Commercial Counsellor in Guatemala City, October 7-11.

In Territory

Alaska—E. E. Price, Consul and Trade Commissioner in Seattle, will visit Fairbanks, Anchorage and Juneau October 2-12.

Angola—R. W. Burchill, Assistant Trade Commissioner in Johannesburg, South Africa, will visit Angola September 18-28.

Britain—The officers at Liverpool—J. H. Nelson, Trade Commissioner, K. R. Higham, Assistant Trade Commissioner, and G. Metcalfe, Commercial Officer—will visit the following cities on the dates shown:

Leicester—September 20
Leeds—October 2
Birmingham—October 8 and 9
Manchester—October 10 and 31
Merseyside—October 22

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

Guyana—D. Hobson-Garcia, Commercial Officer in Port-of-Spain, Trinidad, will visit Georgetown October 8-10.

Norway—B. G. R. Barton, Commercial Officer in Oslo, will visit Bergen October 7-11.

Switzerland—D. T. Johnston, Assistant Commercial Secretary in Berne, will visit the food industry in Zurich, Basle, Lausanne and Geneva during October.

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

Trinidad—J. M. C. Lavoie, Assistant Commercial Secretary in Port-of-Spain, will visit South Trinidad October 29-30.

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

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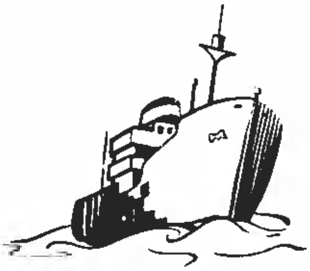

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