

FEBRUARY 15. 69

FOREIGN TRADE

DEPARTMENT OF TRADE AND COMMERCE, OTTAWA



The German who goes shopping today has plenty of choice; the girls on our cover, for instance, are looking at a few of the 300 different types of candles stocked by the Kaufhof department store in Frankfurt/Main, one of its 54 branches in Germany.

Kaufhof is only one of three big German department store chains. Our Bad Godesberg office, keen to interest Canadians in selling to these large retailers, put together an informative article about them: how they are organized, where they are, and what buying practices they follow. If after reading this report you want to look into opportunities there, any of our three Trade Commissioner offices in Germany can help you.

Turning to Eastern Europe, it surprised us to discover that commercial advertising, once frowned upon, is becoming normal practice there. Potential Western suppliers are also permitted to advertise their products, but this advertising must be channelled through advertising agencies run by the state. The article on page two tells how these agencies work and how they can help the Western businessman spend his advertising dollar.

The report of the recent Ministerial Mission to Latin America, in discussing opportunities for trade, pointed out that the countries it visited "have plans for substantial increases in electrical generating capacity which should provide opportunities for sales of Canadian equipment and services." Pinpointing some of these plans and opportunities in Mexico, Venezuela, and Chile are the reports on pages 12 to 17.

In our next issue we will turn to the department store market in Britain and will also look at selling by mail there and at the demand for premiums and giveaways. And we shall be taking a look at Alaska through the eyes of a recent visitor.

FOREIGN TRADE

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How to Advertise in Eastern Europe

Advertising agencies run by the State in most Eastern European countries can help the Western firm introduce its products to end-users.

C. R. D. KELLY
*Assistant Commercial Secretary
Vienna*

■ It has become almost a cliché to say that a significant development in international trade is the increased participation of the East European countries. These countries have become major recipients of exports from the West; Western Europe, for example, now exports goods worth over U.S.\$2.5 billion per year to this area, more than half consisting of capital equipment. This fact underlines the trade possibilities for Canadian firms in Eastern Europe.

In taking advantage of these possibilities, Western companies, including some from Canada, have usually found an on-the-ground sales promotion program sufficient to meet the competition. Many Western firms, however, are discovering that advertising is also valuable in penetrating these markets. This article, by analyzing the development and present use of advertising in Eastern Europe, may serve to identify specific areas in which advertising might assist Canadian exporters. It does make some generalizations and I recommend that initial approaches by Canadian businessmen to a specific country should be directed towards the Trade Commissioner in whose territory it lies.

When East-West trade was in its infancy, commercial advertising was still considered something to be avoided in the developing socialist economic systems. As the requirements for Western equipment, technology and materials expanded, how-

ever, so did their need to earn foreign exchange and to increase their international marketing capabilities. The value of commercial advertising soon became apparent and its use has increased. Today the East Europeans not only advertise widely abroad and at home, but they invite and indeed assist Western firms to do the same in Eastern Europe. The response from the West has been remarkable, with many West European, Middle Eastern and some Asian firms finding it profitable to undertake selective advertising programs.

State Provides Agencies

Advertising by Western firms is carried out by one or two state organizations in each of the East European countries. These organizations use modern advertising techniques more and more and are capable of providing almost any assistance Western firms need in bringing their products to the attention of the end-users and purchasing organizations. They can arrange seminars and film showings, place advertisements in all publications, assist in participation in fairs and/or individual exhibits, organize film, TV, radio and billboard advertising, arrange press conferences, and do press releases. They can also produce films, supply photographic, linguistic and translation services, and carry out market surveys for their clients. Generally speaking, these services are provided in much the same way and to much the same degree by each of the organizations in the various countries. (A number of them are listed in the accompanying box feature.)

In trading in Eastern Europe one must always keep in mind that there are basically two types of imports. One is those which are pre-planned, pre-defined and included on import lists drawn up in the previous year by the state planning organizations. The other is those which are purchased outside of the lists after new needs have arisen or because a Western firm has been able to interest the appropriate parties in its product.

The import lists referred to above are generally determined by the state planning organizations on the basis of information provided by the relevant sectors of the economy and by the related Ministries, the Ministry of Foreign Trade and the responsible banking organizations. Because the end-users in industry or agriculture and personnel from the Ministries obviously influence the planning groups, it is essential that advertising campaigns be directed towards them not only to kindle their interest but also to incite them to put pressure on the planning organizations. It is essential that such campaigns emphasize technical descriptions and explanations. They must be undertaken at least a year ahead of the proposed selling date so that the goods advertised can be included on the coming year's list. For the second type of imports, those outside the lists, the story is much the same, except that the campaign must first succeed in convincing the end-users and purchasers of the need for the new product. The advertising must then provide sufficient technical information to assist them in obtaining the necessary special authorization to buy.

Assessing the Potential

As mentioned earlier, Canadian companies interested in investigating business opportunities in Eastern Europe should first contact the responsible Trade Commissioners, who can usually give advice quickly on the sales potential for specific products. The advertising agencies offer, however, as one of the first-line services the carrying-out of market surveys for Western firms. If the Trade Commissioners cannot provide information about a product's export potential, they may suggest the use of one of these agencies. These services are not cheap but because these organizations are state-owned and operated and have wide contacts throughout industry and the trading organizations, they are often in an excellent position to carry out this function. In addition, while completing the survey the East European organizations introduce the Western company and its products initially to a fairly wide range of people.

Once a Western company has decided that there is a possible market and that it really wants to trade with Eastern Europe, an advertising campaign is an excellent way not only to influence the appropriate organizations or individuals but to prove the firm's sincerity. (For both new and more experienced exporters to Eastern Europe, proving one's serious intent is vital to doing business there.) The decision on whether or not an advertising program is essential rests primarily on the type of goods, whether or not these are on the import list, whether it means introducing a new product for the first time, what the competition is doing, and finally whether the possible sales warrant the cost of advertising. The input of information for making this decision should be as extensive as possible, including not only that from the prospective exporter, the advertising firm and the Trade Commissioners but, if at all possible, the views of the end-users or Ministerial personnel as well.

Advertising Methods

The following brief review of the variety of services available in Eastern Europe includes the use of advertising in the technical press, for fairs, private exhibits and seminars, on TV

and radio and in cinemas. In addition there are several other methods which are becoming popular, such as the use of billboards, advertising on delivery vehicles, static displays in hotel lobbies, etc. Such advertising usually covers consumer goods or, for static displays, airline or tourist services. The recent appearance of a Pepsi-Cola billboard advertisement on Bucharest's main boulevard reflects the growing flexibility in and use of advertising in Eastern Europe.

Press and Periodicals

Advertisements in East European newspapers and periodicals are widely used by Western firms to bring their products to the attention of prospective end-users and purchasers. Because this medium lend itself to detailed design and pictorial or written descriptions, it has been used almost solely to promote Western capital equipment. Consumer goods advertising through the press and periodicals has been restricted thus far almost entirely to a few major consumer products already being sold in Eastern Europe. The cost of this type of advertising is comparable with Western prices. The East European agencies will either undertake the advertising project entirely or restrict their services to advising on content and format. Western firms usually find that the use of the agencies' translation services is essential.

There are an impressive number of publications in Eastern Europe which accept advertising and apparently every production sector has one or more journals in its specific field. In Hungary, for example, there are well over 100 different publications directed towards technical and scientific, commercial and trade interests. PUBLICOM of Rumania identifies the range of its services by its ability to place Western advertisements in 40 dailies and 500 periodicals reaching Rumanian readers per year.

In addition to the wide audience reached by this method of advertising, prospective Western advertisers have another important factor in their favor. The continuing need of Eastern European industry for Western technology and equipment and the thirst of its engineers and scientists for technical and scientific information ensure that items about Western

Advertising Agencies

Bulgaria

TORGRAFIC
11 a Stamboliiski Blvd.
Sofia, Bulgaria

Rumania

PUBLICOM
Balcescu Blvd. 22
Bucharest, Rumania

Hungary

PRESTO
P.O. Box 44
Budapest 70, Hungary

HUNGAROPRESS

Hold u. 17
Budapest V., Hungary

Trade Commissioner responsible for above three countries:

Commercial Counsellor
Canadian Embassy
P.O. Box 190
1013 Vienna, Austria

Czechoslovakia

MADE IN PUBLICITY
Opletalova 5
Prague 1, Czechoslovakia

RAPID

13 Ulice 28, Rijna
Prague 1, Czechoslovakia

Trade Commissioner responsible for Czechoslovakia:

Commercial Secretary
Canadian Embassy
Mickiewiczova 6
Prague 6, Czechoslovakia

Poland

AGPOL
Sienkiewicza 12
P.O. Box 136
Warsaw 1, Poland

UL

Czackiego 3/5
Warsaw, Poland

Trade Commissioner responsible for Poland:

Commercial Counsellor
Canadian Embassy
Prinsesse Maries Alle 2
Copenhagen V, Denmark

Yugoslavia

Commercial Secretary
Canadian Embassy
Proleterskih Brigada 69
Belgrade, Yugoslavia

products receive wide attention. An appropriate advertisement in any one or more of the publications therefore stands an excellent chance of eliciting wide interest in and appreciation of the Western firm and its products. This introduction is a good base upon which to build further promotion.

Trade Fairs and Exhibits

Participation in trade fairs and technical and industrial exhibitions constitutes one of the best ways of concluding initial sales in Eastern Europe. More important, a successful exhibit can lead to long-term sales. The use of an advertising firm by exhibitors is highly recommended and can be a major factor in ensuring the exhibit's success.

The advertising agencies, in addition to helping potential exhibitors select appropriate goods to show, furnish a complete range of publicity services. These include all types of pre-exhibit advertising, such as a direct mail program followed by billboard and other advertising during the exhibit. In addition they can assist in obtaining space in both international trade fairs and private exhibits; arrange for film or slide showings, lectures, receptions, dinners, etc., and provide translation services and personnel to assist at the stand.

As with exhibits anywhere, one of the best ways to ensure their success in Eastern Europe is through a thorough followup. The East European agencies can once again be invaluable because they are in a position (as a Western firm may not be) to enter into direct correspondence with interested parties. These usually include the end-users, plus employees of the Ministries and foreign trading organizations. Continuing future sales depend upon these people and therefore their interest must be kept high.

Seminars

The seminar with films or slides, often referred to in Eastern Europe as a symposium, is becoming increasingly popular. Through an advertising agency the Western firm can rent suitable space, obtain the necessary equipment, hire translators, arrange for advertising in the technical press and journals and on radio or TV, in movie theaters, on billboards or in the daily press. And the agency can ensure that

all officials for whom the seminar is intended (representatives of industry or other end-user sectors, personnel from the planning authorities, the foreign trade organizations, the relevant Ministries and the press) are invited to attend. These people will ultimately be involved in most decisions on purchases of Western goods and the importance of their presence at such symposia cannot be over-emphasized.

Holding a seminar entails considerable time and money but if the decision has been based on a thorough review of the potential market and if the goods are competitive and well presented, the rewards can easily offset the initial outlay. In addition, the expertise of the advertising agencies means that once they undertake the arrangements for a seminar, it stands an excellent chance of being a success.

TV, Radio and Cinemas

Advertising on TV and radio and in movie theaters is growing rapidly in most East European countries. Because TV and radio advertising by Western firms is oriented primarily toward a technical audience, timing is arranged so as to reach the broadest number of interested people. The need to keep advertising primarily descriptive in a technical sense applies above all to TV and radio advertising. This is not to say, however, that the tools of advertising (such as catchy music, cartoons, caricatures, etc.) should not be used but merely that there should be a minimum of purely commercial content.

The East European advertising firms can also help in this sector. They can obtain time on TV or radio and in cinemas, and also produce films, slides or broadcasts for Western firms. Costs of TV advertising are high, averaging between \$500 and \$700 per minute; radio ranges from \$120 to \$400 per minute. Cinema advertising is also popular but the costs range even more widely—\$4 to \$25 per minute. To date, it has been used primarily for consumer goods. The range of costs for TV, radio and cinema advertising varies from country to country but direct contact and negotiations with the individual organizations in each will give actual costs for a specific program. Although TV and radio reach a larger audience,

cinemas are popular in Eastern Europe and advertising in them can be very useful.

Although it does not approach Madison Avenue standards, advertising in Eastern Europe has achieved a sound growth. The expertise of the various agencies will improve even more as the use of advertising broadens and the firms obtain more experience. The information and advice given in this article should help Canadian firms interested in advertising their products in Eastern Europe but the Trade Commissioner's office covering the specific country should be the first contact for initial advice and introductions.

The generalizations made in this article apply at least to some degree to all the Eastern European countries, with the possible exception of Yugoslavia. As the latter rapidly approaches a market-type economic system, advertising becomes ever more decentralized and today approximates commercial advertising in the West. Canadian firms thus have a much wider choice of commercially-oriented advertising agencies when they approach the Yugoslav market.

IFIA Elects First Canadian President

■ For the first time a Canadian has been chosen to head the International Fence Industry Association. Douglas B. Hester, President of Dominion Fence and Wire Products Limited of Toronto, was elected the first Canadian president of the IFIA at its annual convention and exhibition held in New Orleans, January 9 to 11, 1969.

Mr. Hester, in addressing the delegates, recommended that the United States and Canadian Governments work together through the International Joint Commission to create mutually effective legislation to make safety fences compulsory for all designated danger areas.

Some 75 firms exhibited at this year's convention compared with 48 in 1968; 100 exhibitors are expected next year. Three Canadian firms—General Wire & Cable Co. Ltd., Dominion Fence & Wire Products Ltd. and Capital Fence & Wire Ltd.—displayed products this year and about 20 delegates from Canada attended the convention. The Canadian Consul General in New Orleans gave a reception for them at the Consulate.

French Homebuilders See for Themselves

France needs more housing built more quickly and this has prompted an interest in Canadian timber frame building techniques. Last fall a trade mission composed of eleven French builders came to Canada to examine timber frame construction, the manufacture off-site of major building components, and rapid on-site erection methods. During its three weeks in Canada the mission visited housing sites and industrialized building plants and observed lumbering operations in Montreal, Ottawa, Edmonton, Victoria and Vancouver. The members also spent several days attending technical lectures and discussing building problems in Ottawa with Central Mortgage and Housing Corporation and with the National Research Council, as well as touring building projects. Hopefully, the introduction into France of these construction techniques will increase the demand for Canadian timber, plywood, and other building products.



At the plant of Glulam Products Limited in New Westminster, British Columbia, members of the mission watch closely the production of glued laminated beams that are destined for use in house construction.



Housing units ready for owners or tenants to move in were not forgotten, and the well-equipped kitchens, most of them complete with dishwashers, got plenty of attention.



One example of devices to speed up building is the automatic nailer. A member of the mission tries his hand at using it to secure the plywood underlay to the subfloor.

FEBRUARY 15, 1969

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German Department Stores



Rudolf Karstadt AG, Germany's biggest department store company, has 59 branches, some with a turnover of more than Cdn.\$25 million a year. This one is in Iserlohn.

How to approach this \$3 billion market

R. FRENETTE, *Assistant Commercial Secretary, Bonn*

■ The department store in recent years has steadily gained importance in the German distribution system. Not long ago the German consumer used to buy almost everything from specialty shops, boutiques and small stores. These are still important but shopping habits are changing; the buying public is turning more and more to big department stores which offer a broader range of goods at competitive prices. Total retail sales in Germany have grown substantially and the department stores are also getting a bigger share of the pie. New stores are opening in Germany at the rate of nearly one a month, but even this barely keeps up with the demand. In

1967, the turnover of department stores came to over Cdn.\$3.1 billion.

Germany's department stores do one and a half times the volume of business of the Canadian department stores. The German consumer, in spite of growing affluence, is still price-conscious and somewhat conservative in his buying habits. Canadian products have to be very competitively priced to sell. Designs must be both good and acceptable to European tastes and the exporter must meet all the requirements of the store buyer promptly and accurately. Late delivery, unanswered correspondence, goods not up to sample, reluctance to fill minimum orders or inability to

fill large ones can all spell failure. Even small orders should be filled quickly and efficiently because they may lead to important business. There are many success stories of foreign suppliers who started with a sample order and are doing well today.

Because of his distance from the market, the manufacturer in Canada is not ideally placed to compete with German or European suppliers and he has to make the most of every opportunity. He must make a direct approach to German department stores; sales agents are not acceptable. Offers should be sent to the import department at the head office because they are not dealt with at store level.

It is not advisable to address correspondence to an individual by name nor do German firms expect it. It is essential to include descriptive literature, price lists and delivery schedules. Often the decision to buy will be taken by people with limited knowledge of English or French so try to write at least the first letter in German. This may be inconvenient but it is highly appreciated and undoubtedly helps the buyer to consider your offer favorably. Prices should generally be quoted c.i.f. German ports in Deutsche marks but in a few instances (mentioned later) stores will accept f.o.b. prices. Samples need be sent only when requested.

West Germany has three big department store chains selling goods in the medium-to-high price range, four specializing in the lower price level, and two or three more offering a complete range. The general remarks above apply to every department store but there are also individual differences that could mean success or failure of the initial contact.

Department Store Chains

Rudolf Karstadt AG—This is Germany's biggest department store company with a turnover of Cdn.\$760 million in 1967, or about 25 per cent of all German department store sales. The breakdown of Karstadt's sales was 43.4 per cent textiles, 34.8 per cent hardware, and 21.7 per cent foodstuffs. The company operates 59 stores, six more than in 1966; almost all its stores are in the northern half of the country. Several stores have a turnover of more than Cdn.\$25 million a year.

Kepa—This is a subsidiary of Karstadt. Kepa Kaufhaus GmbH. operates 60 stores with a total 1967 turnover of Cdn.\$140 million. Of this, 29 per cent consisted of textiles, 24.8 per cent of hardware and 46.2 per cent of foodstuffs. Kepa sells lower-priced goods.

Hertie Waren und Kaufhaus GmbH—A family-owned company which does not believe in publicity, it operates 57 stores under its own name and four others under the name of Wertheim. Hertie opens three to five more stores each year. It has buying offices in Osaka, Hong Kong, Milan and Paris. At one time it had one in New York for North America, but this has been closed.

Even though L. F. Kraft, head of the import section, speaks excellent English, he insists that the first letter be written in German because not all the people who have to examine the offer are familiar with foreign languages. Offers should be sent to his office with descriptive literature. It would also be a good idea to ask his permission to send a sample. The firm does not like to receive unrequested samples, except small items.

All the stores are organized into 90 different departments, each with a buyer. At the head office 90 head buyers are each responsible for a particular department in every store. These head buyers collect articles from all over the world and once or twice a year call on from three to twelve experts to make a preselection, eliminating all except the merchandise they consider potentially successful. Then they call in the buyers from every store to choose their requirements from what has been preselected. The head office is then ready to go ahead and place large orders.

The firm prefers to be quoted c. and f. prices, port of Hamburg. As far as possible it likes all measurements to be metric. About 9 per cent of total sales, slightly lower than for Karstadt, consists of imported goods.

Bilka—A subsidiary of Hertie, Bilka operates 24 stores throughout West Germany and usually offers goods in the lower price range.

Kaufhof AG—This group is managed from a head office in Cologne and in 1967 had a turnover of Cdn.\$570 million, 45.7 per cent of it textiles, 29.8 per cent hardware, and

24.8 per cent foodstuffs. In the same year, the number of stores rose to 54.

Mr. Kramer, head of the import department, and Mrs. L. Kramm, his deputy, both speak excellent English. Most foreign business is done through offices in Tokyo, Hong Kong, Milan, Paris, London and Lisbon. Kaufhof also has an office in New York which buys only in the United States; purchases from Canada are handled direct. The company asks for prices c.i.f. Rotterdam but also welcomes f.o.b. prices because it has working arrangements with some shipping companies. About 12 per cent of goods for sale in the group's stores are imported.

Kaufhalle GmbH—Even though a subsidiary of Kaufhof, it does its own buying. Its 63 stores had a total turnover of Cdn.\$170 million in 1967, 38.9 per cent of which consisted of textiles. It sells mainly items in the lower price range.

Helmut Horten GmbH—The group operates 50 stores in Germany under the names of Horten, Merkur or Defaka. The 1967 turnover totalled Cdn.\$470 million, 42.3 per cent of which represented textiles, 33.4 per cent hardware, and 24.3 per cent foodstuffs. Gerd C. Kade is the purchasing manager.

F. W. Woolworth—We have no figures on the turnover of this firm which is 97 per cent owned by its parent in New York. It operates more than 100 stores in West Germany and specializes in low-priced merchandise.

C. A. Brenninkmeyer GmbH—This department store chain specializes in all items of men's, women's and children's wear and has 42 branches. Unlike the others, its buying is decentralized with special buying departments as follows:

Women's coats, children's wear, etc.: C. A. Brenninkmeyer GmbH., Schadowstrasse, 79, 4 Duesseldorf.

Men's clothing: C. A. Brenninkmeyer GmbH., Frohsinnstrasse 11, 875 Aschaffenburg.

Fashion goods: C. A. Brenninkmeyer GmbH., D 1, 4-6, 68 Mannheim.

Gebr. Leffers—The company has 18 stores in northwestern Germany and has grown rapidly. It specializes in household linen and all kinds of women's wear.

German Department Stores

Head Office Addresses

Gebr. Leffers
Faulenstrasse 54-68
28 Bremen

Nearest Trade Commissioner:
Canadian Consulate General,
Esplanade 41-47, 2000 Hamburg 36.

Rudolf Karstadt AG
Auslandsabteilung
Berliner Platz
43 Essen

Kepa Kaufhaus GmbH
Abteilung Einkauf
Schützenbahn 78
43 Essen

Kaufhof AG
Leonard-Tietz-Strasse 1
5 Köln

Kaufhalle GmbH
Import Abteilung
Schildergasse 94-96
5 Köln

Helmut Horten GmbH
Import Abteilung
Am Seestern, 4 Duesseldorf

C. A. Brenninkmeyer GmbH*
Schadowstrasse 54/58
4 Duesseldorf

Kaufring GmbH
Heinrich-Ehrhardt-Strasse 61
4 Duesseldorf

Habit, Handelsagentur für
Bekleidung International
Kettwiger Strasse 6
4 Duesseldorf

Nearest Trade Commissioner:
Canadian Consulate General
Koenigsallee 82, 4 Duesseldorf 1.

Hertie, Waren und Kaufhaus GmbH
Import Abteilung
Zeil 42, 6 Frankfurt/Main

F. W. Woolworth GmbH
Einkaufs-Zentrale
Zeil 94, 6 Frankfurt/Main

Nearest Trade Commissioner:
Canadian Embassy, Kennedy-
Allee 35, Bad Godesberg

*See text for Brenninkmeyer's other purchasing offices.

Other Buying Organizations

Kaufring GmbH—This is a co-operative purchasing organization which buys mainly for the smaller department stores. It has 411 member firms with 594 shops of all sizes. Turnover in 1967 amounted to Cdn. \$460 million.

Habit—A newcomer in this field, it buys women's and children's outer-

wear for a number of well-known stores.

Finally, there is a large number of mail-order houses in Germany; some of them also operate department stores. This is another field where some Canadian suppliers might do business. A report on German mail-order houses is available on request from the Trade Commissioner offices in Germany or the European Division,

Departments of Industry and Trade and Commerce, Ottawa.

Mailing addresses of the principal German department stores are given on page 7. Canadian firms making offers to German department stores are asked to send copies of their letters to the nearest Canadian Trade Commissioner in West Germany. He will be glad to help in every way possible.

Enterprising Exporters

Finding the Right Angle

■ The "Stor/Wal" modular filing system won a Canada-Design '67 award of excellence and is in use in every U.S. state, including Hawaii. But to achieve this took more than a decade of hard work and creative thinking. Here is the story as it was told to *Foreign Trade*.

Back in the 1950's, Steel Equipment Company of Pembroke, Ontario, realized that its sales of four-drawer filing cabinets and traditional office furniture were levelling off. Competitors from the United States were taking away business near the border. An office-building boom was beginning but the company lacked the new products and marketing skills to exploit it. It needed more capital, fresh management blood.

Luckily, help was not far away. Eddy Match, which had plants in the same town, was anxious to diversify its operations. So the two managements got together and Steel Equipment became a division of the Eddy Match Company.

The construction of Place Ville Marie, one of Montreal's finest modern buildings, marked the second major turning point in the firm's history. A young designer, Luc Panier, working with Jacques Guillon et Associés on the contract for the Alcan offices, wanted to use a side-filing idea which he had seen in Europe. He believed that this was the key to real space saving in floor-to-ceiling wall cabinets and storage partitions. The conventional filing cabinet was 28 inches deep when closed and needed a total of 72 inches with the drawer open and a girl working at it. Besides, the last six inches of the drawer were often wasted because they were so hard to reach. Luc calculated that side-filing could increase effective space utilization by about 50 per cent. He needed 600 units but no one in Canada was making them. Steel Equipment was interested and undertook to develop its own system and have the required number of units ready in time.

It wasn't by any means an easy task; much midnight oil was burned before the problems were all solved. But, as so often happens, the new product was significantly better than the original. Recessed pulls replaced projecting

handles (this was one of Luc's suggestions) and the doors slid out of sight when the filing racks were in use.

The biggest change, however, was in Steel Equipment's management philosophy. The company had become oriented to markets instead of production. The new product was not just something to sell—it was an entirely new concept and the foundation for a whole range of interchangeable modular units.

Because they could be imitated, the marketing team and the advertising agency had to create an "identity" for the firm's products and to capitalize on their superiority. They chose the name "Stor/Wal" for the system as a whole; it emphasized space-saving, the main selling point. Advertising and sales literature also stressed flexibility and attractive appearance.

At first Canadian sales were intermittent, mostly large blocks of orders for major high-rise projects. This was a real headache. A steady flow of business and a much bigger total volume were needed to recoup development costs and finance an ambitious marketing effort.

Canadians in those days tended to take their old filing cabinets with them when they moved (they have changed since). South of the border it was different. Any firm that was doing well not only transferred to a better location but also re-equipped with smarter office furniture and fittings. Price competition for the big jobs was keen. But in the medium-sized office sector, early delivery, quality and appearance were as important as price. Steel Equipment decided to look into this more closely. It contacted the Commodity Officers at the Department of Trade and Commerce in Ottawa and Trade Commissioners at posts throughout the United States.

One of the quickest ways to learn about a market is to exhibit there. "Stor/Wal" got a cool reception the first time in New York. Contrary to legend, U.S. customers don't beat their way through the woods in search of better Canadian mousetraps and they expect the same kind of service and delivery as they get from a local manufacturer. So Steel Equipment sharpened its pencils, mastered export

documentation, and did some hard thinking about distribution. The result was that in November 1963, when the firm took part in the Canadian Solo Trade Fair during Philadelphia's Canada Week, it did good business and signed up two distributors on the spot.

Success in the U.S. market gave Canadian sales a boost too. "If it sells against that kind of competition, it must be good," was sound reasoning. The company made it part of the sales pitch and told the advertising agent to list important customers from both sides of the border on product leaflets.

As time went on, export business grew so much that it became necessary to revamp selling arrangements in the United States. Steel Equipment appointed as its sole distributor there J. B. Eppinger Co., a New York office equipment firm with country-wide connections. Because sales are concentrated largely in the New York area, price lists give f.o.b. New York prices, as the local manufacturer does. Prices for spot orders in other parts of the U.S. can be calculated from New York prices, but all large contract business is priced on actual costs, enabling the customer to benefit from production and transportation savings.

Promotion in the United States is handled by the distributor and consists mainly of presentations by his salesmen backed by occasional advertisements in the trade press. Steel Equipment is, of course, also listed in the architect's bible, *Sweet's Guide*. When there is a bigger volume of production to sell, advertising will be stepped up.

A customs broker pays the duty (now 16 per cent) and clears consignments through U.S. Customs promptly. The factory uses extra packing to make sure that export goods arrive in perfect condition—not only is it expensive to have damaged goods returned, the delay in supplying

replacements might well upset the customer's plans for moving in.

Steel Equipment is continuously on the lookout for ways of improving quality and service and of trimming costs. Good production planning and a reliable labor force (one of the benefits of manufacturing in a small town) make it possible to give three to four weeks delivery on office equipment in any of 22 colors. Consolidating shipments keeps freight costs down. Brochures are designed so they can be used in both markets. Records are kept of imported parts (mainly locks and suspension arms) and drawback of Canadian duties claimed when they are exported as part of finished equipment.

We asked Jock Foote and Bill Vanderburgh to sum up what exporting had done for their company. "First there are the tangible benefits of increased turnover and profits. Our U.S. business is growing by leaps and bounds. We have been able to invest in the development of a complete range of accessories—color-keyed self-indexing folders and equipment to convert conventional cabinets to suspended filing. A sophisticated new kind of suspended and shelf lateral filing known by such names as Prodex, Protrac and Profile has been introduced in the domestic market and there are plans to export these new products after they have been fully proved in Canada.

"The labor force at Pembroke has risen as high as 250, up 50 per cent in five years despite increased productivity and this means a lot to a town of 16,000. Then there are the intangible benefits. Success is a wonderful tonic: it stimulates management to aim higher and gives the men and women on the production line a real pride in their work."

—M. A. JOHNSTON
Assistant Editor, "Foreign Trade"



Seventeen Canadian manufacturers of ladies' rainwear invaded New York in January, following up the successful preview held there last November. Again, the reception of U.S. buyers was good. They praised the quality, color and workmanship of the Canadian lines and they placed orders. The show, sponsored by the Departments of Industry and Trade and Commerce, was timed to coincide with "market week" when a large number of buyers from other parts of the U.S., Europe and other foreign countries were in New York. The Canadian rainwear manufacturers (from Vancouver, Winnipeg, Toronto and Montreal) used a wide range of fabrics in their lines—tweeds, wool blends, corduroys, velvets, hrocades—in brilliant colors and prints. In the photograph, Sam Biskin, Rainmaster of Montreal, (center) shows one of his models to Don Minster of Lord and Taylor (left), while Don Russell, Commercial Officer at the Canadian Consulate General in New York, looks on.

Men's Suits in Britain

K. D. TAYLOR

Commercial Secretary, London

■ The Londoner is striding down Piccadilly swinging his rapier-like umbrella. His suit is tailored impeccably and suppressed at the waist—but no longer need it be from Savile Row. It could be from Sweden, Italy or Canada, or one of the volume London readymade tailors. Fashion trends, mass production techniques and forceful marketing are rocking the hitherto conservative world of the men's suit industry in Britain. The changing pattern holds implications for Canadian firms.

From a Canadian viewpoint, one of the most significant new trends is the increasing popularity of lightweight suits. Fabrics in Britain are generally classified as follows: lightweight 5 to 10 ounces, middle-band 10 to 14 ounces, and full-weight 15 to 19 ounces. These categories represent a reduction of 3 to 4 ounces a yard from the types of suiting used twenty years ago, with the light and middle ranges close to Canadian standards.

Some of the retailers in the medium and upper price range are finding that lightweights account for 60 to 65 per cent of their sales during the summer season (March to August). The increase has been spread over the past five years but admittedly the surge in demand has been concentrated in the large cities in the south.

Tailors in Britain sell lightweights reluctantly because of the greater accuracy and special making-up techniques they call for. In fact, many Savile Row establishments ask a premium of \$25 for a lightweight over a standard weight.

As in Canada, varied fabrics are currently used for the lightweights: mohair, wool, terylene, silk and wool, cashmere and wool, and dacron and wool share the market.

Style and Color

Style and color too are changing in the face of new demands. The fall-out from Carnaby Street is reflected

in sharply flared waists, cigarette-straight trousers widened about one inch from the knee to the bottom, canted pockets, and reefer jackets. Suits fit the body closely and emphasize wide lapels. Current styles mirror, with some modifications, the international style recently introduced in Canada. A slight departure from the above style is the two-button suit which only late last year came back in volume. The bodies are long and narrow with the waist slightly less suppressed than the three-button type. Double-breasted models are appearing regularly in shop windows. Six buttons (three fastening), or button one show six are among the varieties of double-breasted available.

Co-ordinates are selling well but jump suits appear to be the next fashion innovation likely to account for volume sales. Designers such as Ruben Torres and Tom Gilbey have promoted jump suits for some time and currently several West End London stores are stocking them.

Brighter blues, lighter browns and greens are currently popular. Cloth patterns have a vertical emphasis whether in stripes or checks, with chalk stripes most in demand. Subdued colors and patterns still dominate in city wear, but no one will deny that a wider range of colors is becoming acceptable.

Trend to Readymade

Another development opening the market up to Canadian suppliers is the recent and growing preference for readymade suits. About half of the suits sold in Britain are made to measure, although readymades are gaining a larger share of the market. The tailormade and the readymade clash in the \$60 to \$120 range. One of the large multiples in Britain featuring readymades recently ran advertisements claiming that its \$60 suit was indistinguishable from a \$120 model from a bespoke tailor.

Price Ranges

To put prices in perspective, only one customer in three pays more than

\$60 for a suit, and the best selling ones range from \$42 to \$54, with the average style at \$45. For an extra \$40 the customer is unlikely to obtain superior material or craftsmanship, but he can get something in the mod London style. Moving up from the tailored suits in the \$50 range and the stylish readymades at \$90, one enters the field labelled by Austin Reed as the "machine-made made-to-measure". Often a Chester Barrie model, the suit averages about \$160 but can go up to \$230 for exotic lightweight material.

Legendary Savile Row presents the next step. Its suits start at \$180 but the prices cluster around \$270. The establishments, about 70 of which remain, are located along Dover Street, Sackville Street, Cork and Savile Row itself in Mayfair. The shop exteriors may be ordinary but the interiors are understated and expensively finished, with hundreds of bolts of cloth lining the walls and often a \$300 cut of cashmere suiting elegantly hung from a display rack. Machines have even come to Savile Row and most of the shops now use some factory methods.

Retail Distribution

Turnover on men's suits in Britain is estimated at \$500 million a year. The giants of the trade—United Drapery Stores (520 stores) and Montague Burton (600 stores)—sell over three million suits a year between them. In figures less liable to boggle the mind, Burton's dresses an average of 45,000 males a week and United Drapery Stores does the same for about 35,000.

The British Monopolies Commission recently recommended against a proposed merger between United Drapery Stores and Montague Burton. The Commission's decision was based on the fear of reduced competition in the trade and a possible increase in the retail price of lower-end suits. Some insight into the distribution system of multiples resulted from the Commission's findings. For tailor-made suits, United Drapery Stores does some 60 per cent of its trade in suits costing less than \$45. Burton's makes 53 per

cent of its suit sales in the \$45 to \$65 range. These prices are low by Canadian standards and in fact have not changed significantly during the past five years. The price of cheaper suits has increased by \$2.75 and the average price of suits by between \$7 and \$9.

Next to Burton's and the United Drapery Stores comes the Great Universal Stores (GUS) with 411 tailoring shops. GUS is strong in mail order and the other tailoring multiples are attempting to catch up. Hepworth's follows GUS with 279 outlets and there are four other chains with just under 200 shops. The total number of men's outerwear shops is 4,107 and there are 9,953 "other men's wear" shops.

Hepworth's gained a step on the multiple competition by engaging Hardy Amies as a consultant-designer in 1961. The move proved so successful that in 1964 it obtained exclusive use of his name indefinitely for tailored merchandise.

To counter Hepworth's, the Neville Reed and John Temple group of Great Universal Stores engaged Pierre Cardin to design for them in April 1965. Whereas Amies-designed clothes are slim and classically elegant, Pierre Cardin features the long and flared look. At prices as low as \$50 the consumer now can choose from pro-

gressively styled tailored made-to-measure suits that are distributed throughout Britain.

In another price bracket, over \$200 a suit, another fashion designer has stepped in. Norman Hartnell is now designing suits for Reid and Taylor, the high quality woollen and worsted manufacturer.

Determining Import Duty

It is ironic that with the British suit market growing in a manner advantageous to Canadian manufacturers, a serious obstacle to Canadian exporters of men's suits should arise. This is the notice by H. M. Customs and Excise of the change from a value to a weight basis for determining the rate of import duty chargeable on textile garments and other madeup textile goods containing silk and/or manmade fibres. Before July 1, 1968, the rates for these goods varied according to the percentage value of the silk and manmade fiber components. Now the rates vary according to the percentage weight of such components, in line with the procedure used for textile yarns and fabrics.

The new tariff heading is set out in the accompanying box. Formerly a variety of suits from Canada entered under (c) free of duty, but it is likely that many will now enter under (b) because of the manmade content of

the lining. Until January 1, 1969, a company had the option of having the garment assessed under the old or new method. Note that EFTA countries benefit from duty-free entry, thus giving an edge to exporters from Sweden and Finland.

Another obstacle, at least in the short term, was the introduction at the end of November 1968 of the prior import deposit scheme. This requires importers to make a deposit of 50 per cent of the value for duty purposes of certain goods, including garments. This deposit British Customs holds, interest free, for six months.

A less tangible problem is the reluctance of the British consumer to purchase a suit with a foreign label. An imported car may carry considerable prestige, but the British have instinctively viewed an imported suit as a poor second to one made in Britain. But this attitude is rapidly disappearing and imported garments are becoming marketable on their merits rather than on their origin.

Distribution and Promotion

There are various sales channels open to a Canadian suit exporter. The most clear-cut is for a sales executive from the Canadian company to visit Britain regularly during the buying season and sell directly to retailers. The executive should be prepared to stay for several weeks and convince the retailers that service and delivery are so good that a local representative is not needed.

Another approach is for the Canadian company to agree to sell exclusively to one retail organization. The retailer may have a number of outlets and agree to take a certain minimum number if the suits are cut to particular styles and test marketing has been successful.

The classic approach is to appoint a manufacturers' representative. Several suit exporters from Europe have appointed agents to act exclusively for them. Because the volume of suit sales may be too low initially to cover overheads, the agent often handles clothing accessories from the same country. A representative expects about 10 per cent commission.

The International Men's and Boys' Wear Exhibition (IMBEX) held each year at Earls Court is the largest

Articles of Apparel and Clothing Accessories, other than Knitted or Crocheted Goods

| Tariff Heading | Rate of Import Duty (if any) | |
|--|--|----------------------------------|
| | Full | Commonwealth (C) E.F.T.A. (E) |
| 61.01 Men's and boys' outer garments: | | |
| (A) Containing more than 20 per cent, by weight of silk, of man-made fibres, or of both together: | | |
| (1) Containing more than 5 per cent, by weight of silk | 11s. per lb. or 28%, whichever is the greater | C 90% of the full rate E free |
| (2) Other | 6s. 6d. per lb. or 23%, whichever is the greater | C 90% of the full rate E free |
| (B) Containing more than 5 per cent, but not more than 20 per cent, by weight of silk, of man-made fibres, or of both together | 21½ % | C 19% E free |
| (C) Other | 20% | — |

What's the market for . . .

clothing trade fair in Britain. Canada last had a national stand there in 1966. The Men's Wear Association Exhibition held at Harrogate or Brighton every other year is the other key exhibition for apparel. The 1968 IMBEX was notable for its strong international section. Germany, Sweden, Austria and Yugoslavia all featured men's suits.

Trade press advertising is extensively used, particularly by the Scandinavian exporters. There is little

consumer-level advertising. Special supplements in the trade press are used to publicize the "fashion weeks" which are currently the vogue in London. The fashion shows generally feature women's apparel, but men's wear is shown as an aside.

Canadian exporters may be interested in using the showroom at MacDonald House to promote their products (see *Foreign Trade*, December 9, 1967, for full information on the showroom). A show could be

used either to introduce a line or to supplement the promotion efforts of a new agent.

The structure of the British suit market is changing in response to new and demanding consumer tastes. Although price and unfamiliarity in Britain with Canadian suits may stymie exports from some firms, now is the time to review the market. Our office welcomes inquiries from companies wishing to pursue sales opportunities.

Electric Power Equipment in Mexico



Tecult Engineering Limited, Montreal, won the engineering contract for the just-completed Nachi-Cocom thermal electric plant in Merida. These are the steam units; plant's steam generating capacity is 18,740 kw., internal combustion output 6,200 kw.

A. T. GJERNES

*Assistant Commercial Secretary
Mexico City*

■ High on the Mexican Government's list of priorities is the increased generation and improved distribution of electric power. The added power will not only open up opportunities for the development of industrial centers throughout Mexico but also introduce electricity to hundreds of rural communities. As a result of the Government's program of electrification which began in 1960 with the nationalization of the electric power system, the generation of electricity has increased 7 to 10 per cent a year. In 1967 the installed capacity reached 5.9 million kw. and production 21 billion kwh. These figures represent substantial increases over 1960's 3 million kw. capacity and 10.6 billion kwh. production. By 1970, the installed capacity is expected to reach 7.7 million kw.

Eighty-eight per cent of the installed generating capacity comes under the control of the Government's Comisión Federal de Electricidad (CFE) or one of its agencies. Together they produce about 84 per cent of all electricity generated in Mexico. The rest of the power originates from small privately-owned plants in remote areas and a few large industrial complexes. As part of CFE's first ten-year expansion program, which began eight years ago, the Comisión invested over \$104 million in the 1966-67 fiscal year. This money was spent on the completion or construction of 22 new hydro-

electric and thermal electric power plants, plus 70 new substations with a total capacity of 2.2 million kva. Under the rural electrification program, the CFE spent \$14 million between 1964 and 1968. An additional \$14 million will be spent on this extremely valuable rural program over the next four years. More important in terms of dollar expenditures is the over-all plan to increase the amount of electricity available to industries and urban areas.

Besides working on a number of conventional-type dams and hydro-electric projects, the CFE plans to build a power and desalinization plant near the Baja California port of Ensenada. This plant will have the capacity to convert 28 million liters of seawater daily. Also in Baja California, the Comisión expects to complete within three years a 150,000 kw. geothermic generating plant which will use natural steam deposits as the power source. If this type of plant succeeds, others will be built in Mexico. A feasibility study for installing a nuclear-powered electric energy and desalinization complex in northwestern Mexico has been completed and approved by the International Atomic Energy Agency. The project calls for a generating capacity of 2 million kw. of electricity and the processing and desalting of 3.78 billion liters of water a day. Uranium for this and other proposed atomic power generating plants is now being mined in the State of Chihuahua.

Frequency Conversion

One of the biggest projects facing CFE is the conversion of frequency and voltage in Mexico City and the surrounding valley. At present there are two main systems in the country. The Valley of Mexico, which includes Mexico City, is supplied with 50-cycle, 125-volt power; the rest of the Republic is serviced with 60-cycle, 110-volt electricity. The 50-cycle system accounts for 60 per cent of the industrial and household market. Because of this unique situation, the Government recently decreed that all electrical equipment produced in Mexico or imported must be able to operate on 60 cycles or on both 50 and 60 cycles. This flexibility means added costs for the machinery used in the industry. To get away from the dual

system, the Government expects to spend close to half a billion dollars on a conversion project which should take over three years. As yet, the CFE has not announced a starting date for this project.

Purchase of Equipment

To equip the many projects undertaken by the CFE, a wide range of electrical apparatus is procured from local manufacturers. These domestic orders are usually for small transformers, control panels, small horsepower motors, switchgear, ignition switches and wiring and lighting material. Transmission towers also are available locally. However, the industry imports the heavier and more specialized equipment used in the generation and distribution of electricity. Although the Mexican Government prefers to use domestic goods and imposes import controls or high tariffs on the above-mentioned products, the CFE and similar agencies are able to import, duty free, equipment which local manufacturers cannot supply. The accompanying list indicates the type of foreign equipment that the CFE is currently purchasing abroad.

It is through these international purchases that Canadian electrical equipment manufacturers can enter the Mexican market. So far, Canadians have not been as successful as their U.S., German, French, Italian and Japanese competitors. In 1967 Mexico imported \$13.9 million worth of machinery for producing electricity and \$19.5 million worth of electrical parts. Approximately one million dollars worth of this equipment came from Canada.

The CFE also employs foreign consulting engineering firms. Numerous engineering companies have submitted proposals for the design of dams, power stations, transmission lines and substations. One example of a Canadian firm making a name for itself in Mexico is Tecult International Ltd. of Montreal which recently participated in the design of the 25,000 kw. Nachi Cocom thermal plant, Yucatán.

Financing Development

To finance the millions of dollars worth of imports or engineering projects, the CFE and its agencies have been turning to foreign credits. In

List of Products for International Bidding on CFE Projects (June 1968 to November 1968)

- Low pressure pipes, accessories and valves
(Project not mentioned in invitation to bid)
- Two 250 pph steam generators
(Nachi Cocom II thermal-electric generating plant)
- Current voltage transformers, compact measuring equipment and phase transformers
(Project not mentioned in invitation to bid)
- Condensing and feed-heating plant
(Salamanca and Valle de Mexico thermal-electric plants)
- Central controls
(Salamanca and Valle de Mexico thermal-electric plants)
- Support bar insulators
(Valle de Mexico substation)
- Three diesel plants 250 mva., three diesel plants 150 mva.
(Salamanca and Valle de Mexico thermal-electric plants)
- Oil-immersed circuit breakers
(Project not mentioned in invitation to bid)
- Telecommunication equipment
(Salamanca and Valle de Mexico thermal-electric plants)
- Metallic structures
(Monterrey thermal-electric plant)
- 37 rotary frequency converters
(Project not mentioned in invitation to bid)
- Four travelling 10 T. cranes, one portal 140 T. crane, one portal 90 T. crane
(Project not mentioned in invitation to bid)
- Two power transformers 94,000 kva., 13.2 kv. and 115 kv.
(Monterrey thermal plant)
- Two 70 T. travelling cranes, two 150 T. travelling cranes
(La Villita station)
- Disconnecting switches, isolated phase bus, breakers, transformers, motor control centers
(Nachi Cocom II thermal electric plant)

What's the market for . . .

1965 the CFE received a \$110 million loan from the World Bank. Since then, it has also obtained \$40 million in development financing bonds in Western Europe, and \$40 million in financing from banks in the United States, France and Switzerland. Canada's ECIC set aside \$5.4 million of credit exclusively for CFE purchases of Canadian machinery and engineering services. The World Bank earmarked another \$10.8 million for purchases of Canadian equipment, thus making \$16.2 million available to finance imports of Canadian goods and services. So far, a fraction of this fund has been used.

Selling to CFE

CFE makes almost all international purchases by tender. To be able to sell to it, manufacturers and consultants must first register their firms with the procurement department of the agency. This can be done by sending a letter to the Comisión introducing the company's product line and giving specifications and prices c.i.f. Mexican port. Brochures and other

information about the company also are helpful. Once registered, the foreign company receives copies of tenders for equipment or engineering services to be purchased on the international market. The Commercial Section of the Canadian Embassy in Mexico will be pleased to assist with the registration of Canadian companies with the Comisión Federal de Electricidad.

To improve the chances of obtaining contracts with the CFE, Canadian manufacturers and engineers should use local agents to represent them in Mexico. These agents usually have advance knowledge of upcoming tenders and can inform their Canadian principals of proposed projects. In many instances, Canadians find that they do not receive notice of the CFE tenders early enough to allow them to bid. With a local representative, the engineer or manufacturer not only will have ample lead time but also will have assistance in translating CFE specifications and Canadian quotations. The agent also knows the local procedure for presenting the

principal's proposal to the appropriate authorities. In most instances, the agent works on commission although some equipment dealers import smaller items on their own account. However, with more import licence controls and higher tariffs this latter procedure is becoming less common. For assistance in locating suitable local agents, get in touch with the Commercial Section of the Canadian Embassy in Mexico City.

The opportunities are here. The electrical power program calls for a rapid expansion of Mexico's generating capacity, and equipment and engineering services will be purchased on the international market. The CFE has available a line of credit for Canadian goods and services. What is needed now is a sustained, aggressive export program which includes finding a Mexican agent familiar with the market and a personal visit to the area. Be sure to advise the Commercial Section of the Canadian Embassy well in advance of the proposed trip so that appointments with trade and government people can be made.

Electric Power Equipment in Venezuela

J. D. BLACKWOOD

Commercial Counsellor, Caracas

■ Venezuela boasts the largest electric power consumption per capita in Latin America—1,010 kwh., according to an IADB study of 1968 statistics. The industry already serves more than five million out of a population of over nine million and every town of more than 2,500 has a power supply. And it is expanding its output rapidly.

The power industry consists of three major elements: privately owned companies operating mainly in the major urban centers such as Caracas, Maracaibo and Barquisimeto; municipally owned systems in 14 cities, and systems operated by the two major government agencies, EDELCA and CADAFE.

The largest private system, La Electricidad de Caracas and its wholly owned subsidiary, Luz Electrica de

Venezuela, serve the capital, Caracas, from gas-fired steam plants with a capacity of approximately 500 mw. situated on the coast near La Guaira (some 15 miles away) and 100 mw. gas turbine capacity located in or near Caracas, 60 mw. of which are currently being installed. (The peak load of Caracas is about 400 mw.) Energia Electrica de Venezuela, formerly a Canadian-owned company, serves Maracaibo and Barquisimeto from gas-fired steam plants. A smaller Canadian company operates at Anaco in eastern Venezuela.

EDELCA'S Role

EDELCA, a wholly-owned subsidiary of Corporation Venezolana de Guayana (CVG), an autonomous government agency, owns and operates the Macagua hydroelectric plant—capacity 360 mw., peak load over 320 mw.—on the Caroni River near its confluence with the Orinoco. The

bulk of EDELCA's production is consumed within the developing industrial complex of Santo Tome de Guayana. EDELCA is currently constructing the Guri hydroelectric project about 50 miles upstream of Macagua on the Caroni and its first unit, rated 175 mw., began producing power on November 8, 1968. The second and third stages, to be completed by 1978, will have three times the output of the widely publicized Aswan High Dam in Egypt. These developments will involve raising the level of the dam and adding 16 larger units in adjacent powerhouses. The ultimate capacity will be six million kilowatts.

EDELCA's activities during the next year will be focused upon completion of the Guri project and the associated 400 kv. extra-high-voltage transmission line spanning the 360 miles between Guri and Caracas. EDELCA will supply bulk power to La Electricidad de Caracas and

CADAFE (in central and eastern Venezuela) and to major industrial users in the Guayana region.

CADAFE Is Expanding

CADAFE, the major government-owned electric utility with installed capacity of approximately 500 mw., operates a conglomeration of former municipal, private and state power systems. Generation is provided by several gas-fired steam plants and a large number of small isolated diesel, gas turbine and minor hydroelectric installations. These CADAFE systems are in the process of being interconnected and currently serve most of the small centers.

In 1964 the World Bank made its second loan for power in Venezuela to CADAFE (\$14 million) to assist in financing the construction of a 375-mile double-circuit 230 kv. transmission system, now completed, linking the Macagua plant with Ciudad Bolivar, Puerto La Cruz and Caracas. This line represents the first major physical step in what will be CADAFE's principal activity during the next several years—physical interconnection and integrated operation of its many scat-

tered properties. CADAFE plans to continue the extension of 230 kv. and 115 kv. facilities so that by the early 1970's the system will be continuously interconnected from Merida in the Andes to Santo Tome de Guayana. CADAFE's investment program for 1969 is almost \$35 million.

While CADAFE is steadily ordering diesels for isolated villages, studies have demonstrated the desirability of developing a medium-sized hydroelectric installation. Recently the Inter-American Development Bank approved two loans totalling U.S.\$16 million to finance the building of a dam, hydroelectric plant, and transmission facilities on the Santo Domingo River. The plant will have an eventual capacity of 240,000 kw. produced by four 60,000 kw. generators, half of which will be installed in the current phase. Swiss consultants are working for CADAFE and contractors have been advised to prequalify. Another hydro development on the Uribante River, also in the Andean region, is under study. This project is under the sponsorship of CORPOANDES—a regional government corporation for the Andes region.

The importance of privately-owned power production is not expected to increase but these systems are growing so there will be continued expansion of substation and consumer distribution facilities. Automation of systems can be expected.

Frequency Unification

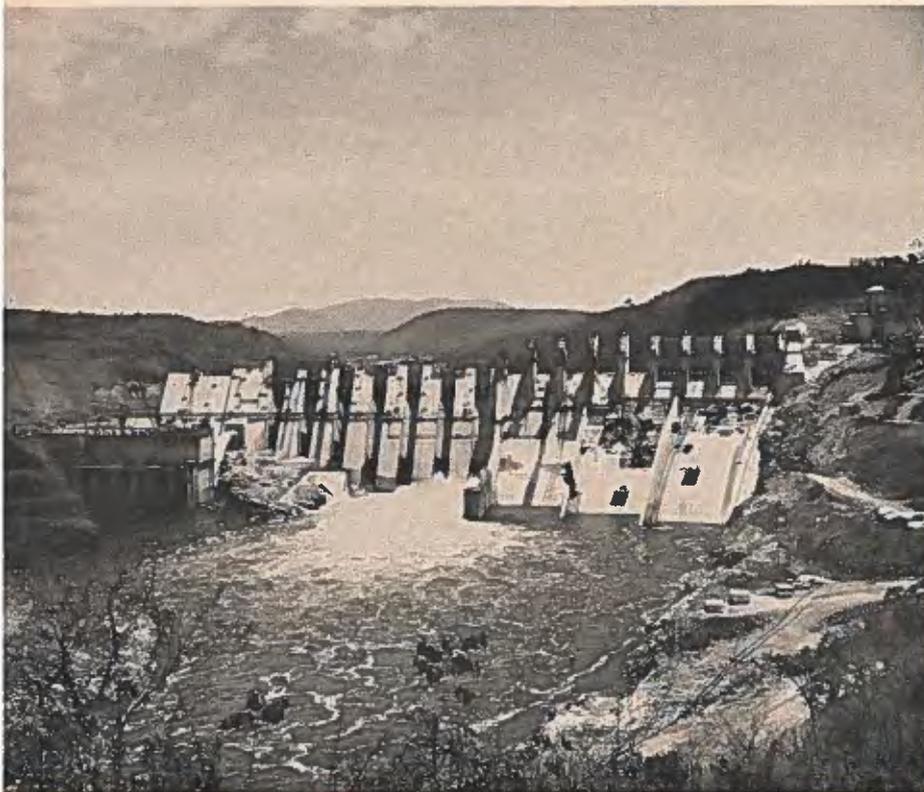
The effective interconnection of systems to make optimum use of power resources has in the past been prevented by the existence of two different power supply frequencies. La Electricidad's system operates at 50 cycles but the rest of the country (excluding a portion of Valencia) is served at 60 cycles. Because Caracas is a potentially large long-term market for Guri power, a joint corporation called CAFRECA has been formed, with Bechtel as its consultant, to carry out the frequency conversion program which is expected to finish by 1972. The cost of frequency unification is estimated at about bolivares 180 million, most of which will be borne by the Government. The Caracas, EDELCA and CADAFE systems (in central and eastern Venezuela) are now interconnected and will be operated on a pool basis when Guri power is available.

Current and Future Development

The main objectives of the current \$33 million 1965-1968 power program are the completion of the Guri project, its connection with the Caracas metropolitan area—including the necessary frequency conversion—and the continued expansion and interconnection of the CADAFE systems.

The investment made by the two agencies can be partly financed through surpluses from current operations. In major part, however, financing will come from Central Government transfers and external borrowing.

This giant dam on the Caroni River in the Guayana district is part of EDELCA'S Guri hydroelectric project. The first unit, rated 175 mw., began producing power last November 8. Completion of the second and third stages (by 1978) will provide a power potential of six million kw.



What's the market for . . .

Most of the external borrowings are loans already contracted with the World Bank for the construction of the Guri Dam (\$85 million), the 400 kv. line (\$15 million) and for the CADAFE transmission system (\$14 million). Loans may also be contracted for additional units at the Guri plant.

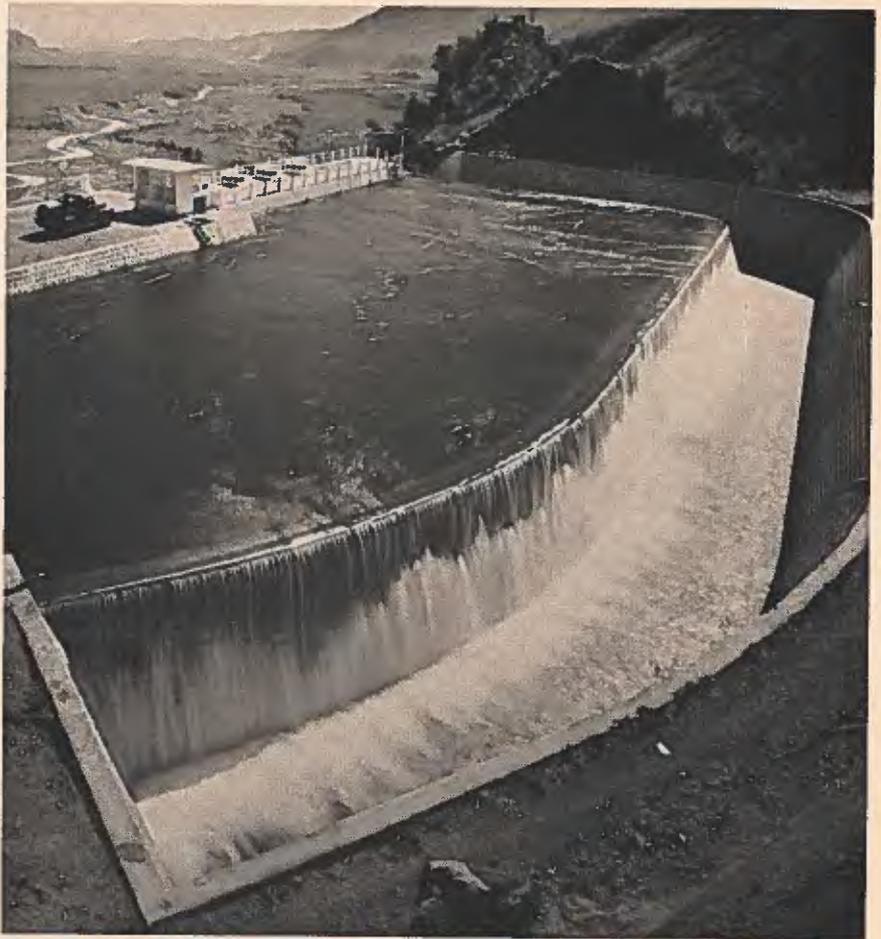
Major future developments will include the addition of new turbines and generators at Guri, CADAFE's new hydro development in southwestern Venezuela, and the interconnection and expansion of its distribution systems.

Opportunities for Imports

Unfortunately, Venezuela's statistics do not allow meaningful breakdowns of imports of the various types of equipment. Basically Venezuela is a wide open market for all products not made domestically. Local cable plants ensure near self-sufficiency in this field. Some standard pole line hardware items are manufactured in Venezuela, as are distribution transformers of up to 5 kv. Steel towers are also made in Venezuela (although for very large projects production is not sufficient).

There are no hard-and-fast purchasing procedures in Venezuela, although generally it is essential to engage a local agent. In some instances, a foreign company should be registered as a supplier. CADAFE, the government-owned agency, purchases by public or private tender. Public tenders are open to all on the initial round of bidding and the private ones are on the basis of selection of eligible suppliers. Generating equipment is usually specified on a turnkey basis, with the principal supplier the prime contractor. The specifications are very detailed and rigid. To be listed under the appropriate headings, all companies which have not yet set up representation in Venezuela should indicate their specialty in a letter (accompanied by company literature) to the Director of Purchasing of CADAFE. This information can be forwarded through the Canadian Embassy in Caracas. The best procedure is to engage the services of a local representative who will ensure the Canadian company's name is always brought to the attention of the proper individual at the appropriate time.

Electric Power Equipment in Chile



One of the installations in Chile's steadily expanding electric power program. The National Electricity Corporation has a World Bank \$60 million loan to work with.

GARY E. MULLINS, *Assistant Commercial Secretary, Santiago*

■ If finding financing is proving difficult, place your next bid for electric power equipment with ENDESA, Chile's National Electricity Corporation. Chile is financing its present expansion program with an untied World Bank loan of U.S.\$60 million.

This loan was negotiated in the mid-1960's to finance ENDESA's expansion program until 1975. To this date, only about U.S.\$15 million has been committed, with some bids already placed for the remaining U.S. \$45 million. Most of this balance is available for new tenders which are coming out every month.

ENDESA is the largest supplier of electricity in Chile, serving the large central zone including the Santiago

metropolis. Some industries, particularly isolated copper mines, mills, and refineries, generate their own electricity but they are increasingly turning to ENDESA for their power supply. In remoter areas, ENDESA or other small utilities generate power in isolated stations, but the small station expansion plans are not as attractive for Canadian suppliers as those of the national grid.

ENDESA was organized as Chile's major power producer in 1939. Since that time it has amassed a qualified engineering staff of 200 and a technical staff of 400 to take care of all aspects of its continuous expansion program. The company is therefore capable of providing all its normal

engineering services and calls on international consultants only when it encounters specific problems. Recent problems for which ENDESA has hired foreign consultants include the design and layout of an underground power station, the design of air blast circuit breakers to be used as earthquake protection devices, and small contracts in tunnel design, geology and geophysical surveys.

Specific Program Developed

Canadian consultants were used in 1968 to assist ENDESA's engineers in translating completed technical data into documents suitable for international tender. ENDESA completed the design and technical specifications itself but wished to ensure that successful bidders under the World Bank loan would complete their contracts to ENDESA's fullest satisfaction.

Within ENDESA's interconnected grid, load is forecast at 9.26 million mwh. for 1970, 12.6 million for 1975 and 17 million for 1980, compared with 6.67 million in 1966. To meet these needs ENDESA has developed a specific program for the years 1969 to 1975 which includes 1,035 mw. of new capacity to be added to the existing capacity of 1,046.

The Rapel system, located less than 100 miles from Santiago, is the major project now approaching completion. Two 70 mw. units were installed in 1968, with two more scheduled for this year and the final unit for 1970. In separate tenders, Japanese firms supplied the lowest bids for turbines, generators and station transformers. Steel transmission towers for this project were manufactured locally of Chilean steel and the conductors were made by Chilean firms with aluminum rods imported from the United States.

El Toro Project

The El Toro project will be the next hydroelectric complex to be developed. Four 100 mw. units will be installed in 1972 near the upper reaches of the Laja River, 350 miles south of Santiago. The power plant will be supplied by a tunnel with water from Laja Lake, which will eventually provide an average annual rate of 60 cubic meters per second. In addition to the four El Toro units, there will be the 300 mw. Antuco plant located downstream from El

Toro which will generate baseload power and regulate the river flow for irrigation in the central valley.

Transmission towers for the El Toro project will be fabricated in Chile to a special joint design of a Canadian engineer and the ENDESA Transmission Department. The towers will initially carry two circuits energized at 220 kv. With load growth, they will be converted to a single circuit 400-kv. line by pairing conductors and insulators. Because Chilean conductor fabricating facilities are now strained to capacity because of the vigorous copper industry, ENDESA will import complete aluminum conductors instead of aluminum rods.

The only major thermal power station to be put on line before 1975 is the Bocamina station, with a 125 mw. generating unit. This unit is scheduled for operation in 1970, hopefully in time to meet the peak load demands which occur in the fall and winter months from April to September.

There are no firm plans for nuclear power plants, but discussions within ENDESA are centered around the possibility of a combined water desalination and electric power plant. The plant would have an electric power capacity in the 70 mw. range, with an unspecified fresh water volume, to be used in the Antofagasta area of northern Chile. After 1975, a nuclear power plant in the 500-mw. range for Chile's central valley is becoming increasingly attractive—provided of course that favorable long-term credit can be obtained.

Earthquakes a Problem

All equipment for ENDESA must be designed so that it can withstand severe earthquakes. ENDESA's own experience in designing facilities to withstand these shocks is recognized around the world. Turbines and generators are made with oversize bearings. Pole line hardware, circuit breakers, transformers and other equipment are protected by flexible couplings and other devices which minimize the risk of damage.

In compliance with Chilean import regulations, ENDESA purchases nationally-made equipment whenever possible. Most distribution system equipment is made in Chile, but high voltage pole line hardware, aluminum

conductors, high voltage transformers, turbines, generators, automatic switchgear and telecontrol installations must be acquired abroad.

All ENDESA tenders are called under World Bank conditions. When notice is received of forthcoming tenders, the Commercial Section of the Canadian Embassy in Santiago notifies the Department by telex of the basic details of the equipment needed. If the Commodity Officers find an interested Canadian supplier, the Embassy purchases the documents on behalf of the supplier and immediately air-mails these to him. If the firm has no representative in Chile, the Embassy can arrange representation for that bid to comply with ENDESA's regulations.

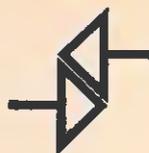
International Loans Announced

Freeway in Taiwan—The Asian Development Bank will finance the foreign exchange cost of a feasibility study for a 400-kilometer freeway from the port of Keelung in the north to Kaohsiung in the south of Taiwan. This will include, if appropriate, the detailed project preparation of the northern section between Erhchung and Chungli. The Bank will provide a grant of \$100,000 and a loan of \$400,000 to the Republic of China (Taiwan) and, if it eventually decides to make a construction loan for the northern section, the present loan may be consolidated with the future one.

Air Transport in Nepal—The Asian Development Bank is commissioning a team of experts to draw up a three-year investment plan for the development of air transport in Nepal. The International Civil Aviation Organization (ICAO) is acting as consultant to the Bank. Work will begin early in 1969 and the feasibility report will take about five months to produce.

Ports in Tunisia—The World Bank has loaned \$8.5 million for the improvement of three of Tunisia's main ports—La Goulette, Bizerte and Sfax. The project includes dredging operations, the provision of dredging equipment for maintenance, cargo-handling equipment, restoration of the breakwater at Bizerte, and construction of a new bulk-grain berth and storage installation at La Goulette, part of the port complex serving Tunis. The project will take four years to complete and the total cost will be \$10.7 million.

businessman's bookshelf



Economic and Political Development a theoretical approach and a Brazilian case study

Helio Jaguaribe 193 pages \$5.75

This book is in two parts: the first offers a general theory of political models and delineates the problems of planning national development in Latin America; the second examines the specific case of Brazil.

Mr. Jaguaribe discusses Latin America's political evolution in the past and what is happening today. He makes judicious use of tables to present key economic data. Each Latin American country is classified according to the extent of its economic development. This part of the book also provides a new insight into why particular types of political systems are to be found in developing countries.

In the second part, the author traces the economic and political history of Brazil from the country's discovery in 1500 to the present time and discusses it in relation to the theories advanced in the first part. In doing this, he gives a good deal of information on the development programs of recent years and on the present economic and political system. He then goes on to predict the probable course of development in the future. The Canadian businessman with an interest in Brazil would find this part of the book especially worth reading.

Order from: Saunders of Toronto Limited, 1885 Leslie St., Toronto, Ontario.

Directory of Directors 1968

Thomas Skinner & Co. (Publishers) Limited 1160 pages
U.S.\$14.00

"Britain may lack mobility of labour but it is clear that there is no lack of mobility of directors," said the editor in the preface to a recent edition of the *Directory of Directors*. He did not reveal exactly how many had changed their jobs in the twelve months but it was "surprisingly large."

The Directory lists some 38,000 British directors of public companies and of private companies with paid-up capital of over £50,000. Multiple appointments bring the total of companies represented to over 150,000. The information consists of a list of directors with the various boards they sit on; there is no cross-referencing. To find out the names of the directors of a particular company you have to go to the Stock Exchange Official Year-Book for quoted companies,

and for private companies you may have to enlist the help of your bank or credit agency.

Book research alone will not solve the really important problems. A person may be a director of many companies because he represents large financial interests (at one time, insurance companies' nominees took little or no part in decisions on operating policy). Or again, multiple directorships may simply reflect the prestige which a title has on a prospectus. The trick is to find the real opinion leader—convince him and you have an entree to the entire industry.

Order from: Illife NTP Incorporated, 300 East 42nd Street, New York, N.Y. 10017.

Ten Years of European Integration

Papers presented at a colloquy in Montreal (bilingual)
237 pages \$3.00

The Centre d'Etudes et de Documentation Européennes invited a number of eminent authorities to discuss the progress of European integration at a two-day colloquy last spring. The papers have now been published in both official languages as the first volume in the Centre's *Annals*.

Monsieur L. Duquesne de la Vinelle, Special Counsellor of the Commission of the European Communities, gave the keynote speech and later addressed the gathering on monetary policy, common economic policies, and regional development within the Common Market. Monsieur P. Leleux, Juridical Counsellor, Commission of the European Communities, dealt with the reconciliation of legislation in general and the law affecting the establishment of foreign subsidiaries. Monsieur P. Nasini, Director, Fiscal Problems Division of the European Communities, discussed the harmonization of fiscal policy and the management of the added value tax. Monsieur E. Gauthier, Director with the General Directorate of Internal Markets, showed how U.S. investment had affected the structure of industry in different member countries. Britain's relations with EEC were outlined by Monsieur M. Dupuy, Deputy Head of the Canadian Mission to the European Communities.

The businessman will find the papers written in refreshingly straightforward language and well seasoned with case histories and examples—the colloquy's purpose was to review the history of the EEC from a practical standpoint, not to theorize. After each presentation a short question period served to bring out

aspects of special interest to the Canadian audience. The Europeans then joined in a round table discussion with Professeur B. Bonin (Ecole des Hautes Etudes Commerciales, Montreal), Monsieur M. Heroux (Department of Intergovernmental Affairs, Government of the Province of Quebec), Mr. R. Matthews (Private Planning Association of Canada), and Mr. M. Schwarzmann (Assistant Deputy Minister, Department of Trade and Commerce).

The Centre d'Etudes et de Documentation Européennes is to be congratulated both on the organization of the colloquy itself and on this excellent account of its proceedings.

Order from: Centre d'Etudes et de Documentation Européennes, Ecole des Hautes Etudes Commerciales, 535 avenue Viger, Montreal 24, P.Q.

Jeune Afrique

Weekly *FF 150* *by airmail*

If you are selling consumer goods to the French-speaking African market and want to find out what the young intellectuals there are thinking, *Jeune Afrique* will interest you. It covers a wide span of topics, from politics to literature and sport. Snappily written and resembling an American newsmagazine in appearance, it provides a vehicle for advertising automobiles, whisky, American cigarettes, refrigerators—the things the go-ahead African wants to have. It also shows what our image looks like from outside.

Order from: Presse Africaine Associée, 51 avenue des Ternes, Paris 17, France.

British Shipping and Australia 1920-1939

Kevin Burley *367 pages* *\$13.50*

Australia, like Canada, has depended very largely upon the merchant fleets of overseas ship-owners to provide cheap ocean transport for its external trade. There have been common elements in our attitude towards the adequacy and cost of ocean-shippping service. However, particularly in recent years, we have followed substantially different courses in influencing the development of cheap and efficient sea transport. In Canada, the aim is to remove undesirable restraints on free competition; in Australia, it is to regulate shipping capacity and freight rates.

Professor Burley's book is an important addition to the contemporary literature on shipping. It is especially useful to the student of shipping policy and its appearance here is timely in view of the current resurgence of Canadian interest in this field. Although it deals primarily with the inter-war period, the underlying

theme is just as valid today as it was then: cheap freights depend upon operating conditions that offer the ship-owner the prospect of running ships profitably.

Professor Burley now resides in Canada and is on the faculty of the University of Western Ontario.

Order from: The Macmillan Company of Canada Limited, 70 Bond Street, Toronto 2, Ontario.

The New Africans

Jean Morrison and Leo Rampen *63 pages* *\$1.75*

The CBC television program "Take Tbirty" sent a film crew to West Africa as a Centennial project. After the show, the script was made into a book and illustrated with stills from the film. If you are preparing a business trip to West Africa or thinking about markets there, you will find *The New Africans* very helpful; it puts you on the right wave-length.

The variety is enormous. There are so many tribes and cultures that only a well-developed foreign language could possibly provide an adequate means of communication—sometimes this is English, sometimes French, and sometimes the choice is still in the balance. Most of the children even today come from "pre-scientific" homes where there are no old alarm clocks to take to pieces or junior chemistry sets to play with. But in the cities the better-off families have the same kind of preoccupations as we do here: teenagers who always want the car, working wives, credit.

Jean Morrison has a special interest in education. She was struck by the incongruity of texts in a completely alien social idiom used with audio-visual aids that depend on responsive participation. The educational systems have not only to be extended but they must be Africanized and made to fit a society taking over a new technology.

Order from: CBC Publications, Box 500, Terminal A, Toronto 1, Ontario.

ABC Europ Production 1968

Europ Export Edition GmbH *3,264 pages* *U.S.\$25*

This directory concentrates on Europe and gives fuller coverage of industry there than is generally to be found in world directories. It is indexed in five languages and contains close on half a million items. The advertising material is informative too. Canadian exporters dealing with any country in Europe, not just EEC and EFTA, will find it a useful reference and will like the Germanic thoroughness of its presentation.

Order from: ABC Verlagshaus, 61 Darmstadt, West Germany, Postfach 4034.



This is one of the 14 fertilizer service centers set up by the Ultrafertil group in Brazil's Sao Paulo and Parana states.

Brazil Needs Fertilizers

. . . both finished products and materials for this growing industry.

H. H. E. KOCK

Commercial Assistant, Sao Paulo

■ A sales opportunity in Brazil which is attracting the attention of many countries and should appeal to Canadian exporters is fertilizers. It did not come into focus earlier because Brazilian consumption of mineral and chemical fertilizers used to be low. This was due to a number of factors: insufficient research, lack of an adequate agricultural extension service, the high cost of domestic and imported fertilizers, expensive inland transportation (almost entirely by truck), and dependence on imports which tended to be erratic. Increased agricultural output came from expanding the cultivated area rather than by improving yields. In Rio Grande do Sul, for instance, one of Brazil's best farming areas, cultivated land increased 180 per cent in 40 years but productivity fell by over 50 per cent.

But things are changing today. Greater official interest in agriculture,

consistent policies, easier farm credit, more minimum prices for farm products, the special consideration given imports destined for agriculture, and the realization that more fertilizers must be used to increase productivity have all helped. The consumption of fertilizers is rising and so are both local production and imports.

In 1967, consumption was 9.1 per cent higher in North Brazil than in the preceding year, 71.8 per cent higher in Central Brazil, and 19.1 per cent higher in South Brazil. According to one source, 45 per cent more nitrogen, 81 per cent more phosphate, and 47 per cent more potash fertilizers were used.

Brazil imports 25 per cent of its phosphate and 89 per cent of its nitrogen; it depends entirely on imports for potash. Consumption has risen from approximately 66,000 metric tons of K_2O in 1958 to 133,000 in 1965 and is expected to climb to 206,000 in 1970. The corresponding figures for nitrogen are 41,000, 185,000 and 286,000, and for phosphate

135,000, 272,000 and 428,000 metric tons.

The only fertilizer Canada has sold to Brazil in quantity is muriate of potash. Our exports amounted to Cdn. \$395,000 in 1964, Cdn. \$554,000 in 1965, Cdn. \$365,000 in 1966, and Cdn. \$215,000 in 1967. The Canadian share of the potash market expanded in 1968; we should be able to sell still more potash and other fertilizer materials as well. Brazil imported 1,015,367 metric tons of fertilizers in 1967, 58 per cent more than in 1966 (see table opposite), about 93 per cent in bulk and 7 per cent in bags.

Brazil has obtained fertilizer supplies from abroad at favorable prices in recent years. Quotations for nitrogen, soluble phosphate and potash have shown a downward trend; rock phosphate prices went up in 1966, then returned to their previous level. The reason for low prices was largely the increase in world fertilizer capacity. It certainly helped Brazil at a time when the wider use of fertilizers was being officially promoted and the

campaign was beginning to show results.

Foreign suppliers realize that this is a promising market and there has been keen competition to get the business. Two things worth mentioning are that the sudden rise in muriate of potash imports from Israel in 1967 was due to special circumstances, and imported soluble phosphates enjoyed a relative advantage over the local product when sulphur and rock phosphate prices were high.

Selling fertilizers to Brazil and within the country requires an aggressive policy. Regular shipments of bulk fertilizers are best handled through large Brazilian organizations. Using a buyer's or agent's chartered vessel keeps down the cost. A few Brazilian companies which can organize charter shipments import for their own account and use and try to get business from other importers who either cannot handle whole shiploads or do not want to get involved in chartering.

There are also occasional imports of bagged fertilizers, usually in smaller quantities, and shipped "free-out" or on liner terms through the

PRINCIPAL BRAZILIAN FERTILIZER IMPORTS IN 1967

| What they were | (tons) |
|------------------------|------------------|
| Ammonium sulphate | 303,358 |
| Rock phosphate | 225,444 |
| Muriate of potash | 221,504 |
| Triple superphosphate | 83,105 |
| Diammonium phosphate | 65,031 |
| Urea | 35,659 |
| Sodium nitrate | 27,161 |
| Single superphosphate | 18,514 |
| Ammonium sulphonitrate | 10,767 |
| Potassium nitrate | 9,715 |
| Others | 15,127 |
| Total | 1,015,367 |

| Where they came from | (U.S. dollars) |
|----------------------|-------------------|
| United States | 16,441,000 |
| West Germany | 6,676,000 |
| Italy | 3,158,000 |
| Netherlands | 3,053,000 |
| Belgium | 2,532,000 |
| Chile | 2,220,000 |
| France | 1,596,000 |
| Israel | 1,483,000 |
| East Germany | 1,050,000 |
| Others | 3,454,000 |
| Total | 41,663,000 |

Source: Service de Estatística Economica e Financeira do Ministerio da Fazenda.

regular shipping companies. Local consumer-importers often try to consolidate their requirements so they can save expense by buying in larger quantities.

The Agent to Choose

The Canadian supplier would be wise to employ an agent. The vast territory to be covered and the highly competitive nature of the trade warrant it. A good agent will keep his principal abreast of market developments and what the competition is doing, co-ordinate sales and shipments, and secure an increasing share of the business.

Experience has shown that the best Brazilian agent is one who is also a potential consumer. A consumer is interested in guaranteed regular supplies at a competitive price. Charter shipment cuts costs but means taking full cargoes; the agent who uses substantial tonnages himself therefore has a vested interest in getting indent business to fill a bigger ship. However, if you are thinking of joining forces with a trading company which does not itself consume large quantities of fertilizer, be sure to make careful inquiries. Find out if the firm is well-known in the fertilizer trade, if it has a good reputation among importers and capable management and sales staff, really goes after business, and is prepared to send people to all parts of the country.

Since 1964 a great effort has been made to stimulate domestic production of fertilizers. Manufacturers of fertilizer materials benefit from accelerated rates of depreciation. The National Treasury and public credit institutions may guarantee loans and foreign financing used in developing industry based on the country's abundant mineral phosphate resources. Foreign firms are also being invited to invest in the field. A special fund created by the Federal Government (FUNFERTIL) provides incentives for farmers to use fertilizers and helps them get credit from the banks by providing an indemnity.

Local Production Expanding

Some 89 per cent of the nitrogen fertilizer consumed in Brazil is imported. Domestic production in 1966 reached 12,000 metric tons of ammonium sulphate and 19,000 of am-

monium nitrate. Projects in the planning and construction stages should boost output to some 140,000 tons by 1970, which is still less than half the expected demand. Among these projects is Ultrafertil, a joint venture of Brazil's Ultragas and U.S. Phillips Petroleum. With World Bank and other foreign financial assistance, Ultrafertil is building Latin America's largest fertilizer complex at Piacaguera, Sao Paulo State. Its planned daily output is 500 short tons of anhydrous ammonia, 625 of nitric acid, 750 of ammonium nitrate solution, 690 of ammonium nitrate prills, 250 of phosphoric acid, and 535 of diammonium phosphate. Another plant will be set up in Bahia State by Petrobras, the government-controlled petroleum company, to produce ammonia and urea. Companies already making nitrate fertilizer, such as Siderurgica Nacional (Rio de Janeiro), Usiminas (Minas Gerais), and Cosipa (Sao Paulo), plan to expand.

The natural phosphate output in 1966 was 66,665 metric tons, dicalcium phosphate 2,642 tons, and superphosphate 316,483 tons. Superphosphate production was expected to be higher in 1967. The known mineral phosphate reserves are in Pernambuco, Sao Paulo, and Minas Gerais States; the main producers are respectively Fosforita Olinda, Serana and Camig. There are at present a dozen superphosphate manufacturers, headed by Quimbrasil and Superfosfatos and Elekeiroz in Sao Paulo, Rio-grandense de Adubos in Rio Grande do Sul, and Profertil in Pernambuco.

All potash fertilizer is imported—nearly a quarter of a million tons in 1967—and this figure will rise as fertilizer consumption grows. Canadian suppliers should try to get a bigger slice of the market.

To find out more about opportunities in Brazil, Canadian manufacturers and exporters should get in touch with the Chemicals Branch of the Departments of Industry and Trade and Commerce or write to the Trade Commissioners in Brazil. The addresses of the two offices in the country are: Consul and Trade Commissioner, Canadian Consulate, Caixa Postal 6034, Sao Paulo, SP-Brazil; and Commercial Counsellor, Canadian Embassy, Caixa Postal 2164-ZC-00, Rio de Janeiro, Gb-Brazil.

Trading with the Indonesians

Under what rules is trading conducted in Indonesia?

This article explains them—and points to economic improvement that is now going forward there.

M. B. BLACKWOOD
Commercial Counsellor, Singapore

■ Indonesia has been beset with financial problems for many years but the political and economic climate today is improving. There is foreign exchange to pay for essential purchases and imports from all sources in 1968 are expected to exceed U.S.\$600 million. Canada's sales to the Indonesian Archipelago during the last decade have been low but some increase may soon be possible.

Because Indonesia's import regulations are extremely complex, it is perhaps timely to review them. At present imports are financed from current export earnings, aid, and funds held outside the country. To utilize foreign exchange in the first two categories, a procedure known as the B.E. System applies. The letters B.E. stand for "Bonus Export" but this term no longer has any significance, although the system retains this name.

The B.E. System

The major portion (up to 90 per cent) of foreign exchange income from exports can be used for certain imports under the B.E. System. These funds are known as "Commercial B.E." Imports under the B.E. System are divided into three groups: very essential, essential and less essential. The very essential group comprises such items as basic foodstuffs, raw materials for food production, clothing and pharmaceuticals. Low rates of duty apply. The essential group includes spare parts for the food, textile, and other production industries as well as goods for increasing employment opportunities. Relatively low import duties apply. The less essential group covers products already being made in Indonesia and high rates of duty are levied.

Aid funds for Indonesia from countries such as the United States, Japan, West Germany, France, India and

Australia are also channelled into the B.E. System and are known as Credit B.E.'s. Credit B.E.'s may, however, only be used to import items in the very essential or essential categories, and only from the donor country.

Permission to import under the B.E. System is only granted to approved National Importers—that is, Indonesian importers who hold a valid fiscal certificate from the taxation department confirming that they have no tax payments outstanding. Firms which are not National Importers—for example, foreign firms which have branches in Indonesia—must work through National Importers.

A National Importer who wishes to use the B.E. System must first request a registered foreign exchange bank to make an application to the bourse operated by the Bank Negara Indonesia Unit I (the Central Bank) for B.E. funds which are sold on the bourse at a fluctuating rate. The application must specify the type of goods, the country from which they will be imported, and the exact price, and must be accompanied by a valid fiscal certificate. All customs duties (import duties, surcharges, extra levies, etc.) must be paid in advance when the application is filed. At the same time, 100 per cent of the local currency equivalent of the letter of credit must be deposited with a registered foreign exchange bank. The Central Bank then decides whether Commercial B.E.'s or Credit B.E.'s will be allocated. If Credit B.E.'s are available from the supplying country they will be allocated before Commercial B.E.'s are released. Once B.E. funds have been approved, an irrevocable letter of credit must be established within ten days, otherwise the B.E. will expire and must be sold on the bourse at a rate which is always lower than the purchase rate.

Other Import Methods

Luxury or non-essential goods are not included in the B.E. list. However, they may be imported by the use of private foreign exchange holdings outside Indonesia which have been duly registered. Such holdings are known as D.P. Funds. These D.P. Funds may be supplemented by price premiums on export transactions—that is, the difference between government-established export prices and those actually



This is Glodok, one section of Djakarta, capital city of Indonesia.

obtained by exporters. Another source is commissions granted to Indonesian importers which are regarded as discounts.

The import of certain items is prohibited. Included are automobiles with an f.o.b. value of U.S.\$2,000 or more, TV sets with screens of 21 inches and up, console radio/record players, textiles with batik designs, cigars and cigarettes. Used secondhand, reconditioned or rebuilt equipment may not be imported under the B.E. System. The only method of importing such goods is with D.P. funds but this is not encouraged.

Although Indonesia does not have a formal import licensing system, other controls add up to the same thing. As mentioned earlier, under the B.E. System an importer must apply for either Commercial or Credit B.E.'s and the import of certain luxury goods is prohibited. The advance collection of income tax on imports is also a deterrent to indiscriminate importing. Customs duties vary from 0 to 100 per cent depending on the category of the goods: very essential, essential, less essential or luxury. Changes in rates of duty are made rather frequently and goods which may be imported under the B.E. System appear on the B.E. list. It is amended from time to time.

Interest and Exchange

Interest rates in Indonesia are extremely high, varying from 15 to 20 per cent *per month* on money borrowed from private financiers or private banks. Therefore, once an importer has tied up funds in a letter of credit, the earliest possible delivery of goods is critical to the profitability of the transaction. In addition to these high interest rates, importers are obliged to pay an import tax or company tax in advance, based on the value of their imports. The rate is 1 per cent of the foreign currency value of the goods listed in the Customs entry certificate. The purpose of this regulation is to increase the immediate cost of importing and to obtain for the Government "pay as you import" taxes.

The Indonesian currency unit is the rupiah and a system of multiple exchange rates is maintained. Exchange rates for Commercial and Credit B.E.'s are established daily on the bourse. Hotels have separate exchange rates (usually higher) for guests' accounts which must be paid with hard currency. Business visitors and tourists may use official money changers to purchase rupiahs to cover miscellaneous expenses other than their hotel bills.

Carrying on Trade

The most common terms of trading are based on Indonesian sight draft letters of credit, allowing for sight drawings. These letters of credit are irrevocable but unconfirmed, in line with the Indonesian Government's long-standing policy of not confirming letters of credit. But because, under the Indonesian Government's financial regulations, the full amount of the foreign exchange required to meet a letter of credit must be purchased in advance and held by an Indonesian foreign exchange bank, the consensus is that these unconfirmed letters of credit are sound.

The trading picture in Indonesia has become so confused during recent years that there are now few importers who specialize in any particular field. For example, a firm which traditionally imported pharmaceuticals now may be importing heavy equipment as well. If an import firm is aggressive and has good contacts it could be worthwhile to pursue sales, even though the product being offered is not the importer's usual line of trade.

All quotations should be in U.S. dollars f.o.b., with freight specified separately. Insurance must be arranged in Indonesia by the importer.

Unit of sale must be clearly set out; for example, "per ton" must specify whether long, short or metric. Pro forma invoices should be provided. Commissions are usually between 5 and 10 per cent.

Packing must receive special attention. Because of rough handling and pilferage at Indonesian ports, cardboard cartons are inadequate and many importers are willing to pay a higher price for steel-strapped wooden cases. Port and clearing charges are assessed on a per package basis and it is therefore economical to put a number of cardboard cartons together in a strapped wooden case. Reusable containers such as wooden cases or drums have a definite market value because of the shortage of these materials and Indonesians therefore prefer them to more modern or cheaper packaging such as plastic bags. It is important to note that the number of the letter of credit must be clearly marked on all packages comprising a shipment.

Visiting Indonesia

Canadian businessmen planning to visit Indonesia may obtain visas from the Indonesian Embassy, Ottawa, or en route from the Indonesian Embassy in Singapore. Business visitors to Djakarta, the capital and main business center, should not expect to accomplish in one day as much as they would elsewhere and should allow extra time. The most generally recommended hotel in Djakarta is the Hotel Indonesia operated by Intercontinental Hotels. It is usually heavily booked and reservations should be made well in advance. The only satisfactory mode of transport is by taxi and it is best to hire one by the hour or by the day.

Although Canada has an Embassy in Djakarta, there is no resident Trade Commissioner. Our Singapore office is responsible for Indonesia and officers make visits at least every three months to that country. Canadian exporters interested in the Indonesian market should therefore write to us in Singapore. We also suggest that they contact us if they are passing through Singapore en route to Indonesia.



Soviet Potash Industry

R. F. TURCOTTE
Commercial Secretary, Moscow

■ Soviet potash production, most of which goes to the domestic fertilizer industry, will be greatly expanded under a crash program to increase total fertilizer output from 40 to about 90 million tons* annually by 1972.

The U.S.S.R. is the only other country besides Canada which has almost unlimited reserves of high-

*Metric tons are used throughout.

grade potash. Canada is expected to lead world production in 1969 with 5.4 million tons of potash (murial 63.2 per cent K₂O), followed closely by the U.S.S.R. with 4.4 million tons.

The Soviet need for potash and other fertilizers over the coming years will be so great that increased production will hardly keep up with anticipated demand. At present, only a quarter of the land used for grain receives fertilizers and often dressing contains minimal amounts. The U.S.S.R. proposes to increase its grain production through improved farming

TABLE I
SOVIET PRODUCTION OF MINERAL FERTILIZER

| | 1960 | 1963 | 1965 | 1966 | 1967 | |
|------------------|-----------------------------|---------------|---------------|---------------|---------------|---------------|
| | (thousand tons of nutrient) | | | | | |
| Total | 3,281 | 4,647 | 7,389 | 8,460 | 9,400 | |
| <i>of which</i> | | | | | | |
| Nitrogen | 1,003 | 1,759 | 2,712 | | not available | |
| Phosphate | 912 | 1,096 | 1,599 | | not available | |
| Potash | 1,084 | 1,400 | 2,368 | | not available | |
| Phosphorite meal | 280 | 379 | 701 | | not available | |
| | (thousand tons of product) | | | | | |
| Total | 13,867 | 19,935 | 31,253 | 35,800 | 40,100 | 42,800 |
| <i>of which</i> | | | | | | |
| Nitrogen | 4,892 | 8,575 | 13,217 | | not available | |
| Phosphate | 4,878 | 5,860 | 8,550 | | not available | |
| Potash | 2,606 | 3,365 | 5,691 | | not available | |
| Phosphorite meal | 1,473 | 1,997 | 3,690 | | not available | |

Expressed in conventional units—ammonium sulphate for nitrogen, phosphate 18.7 per cent P₂O₅, potash 41.6 per cent K₂O, and phosphorite meal 19 per cent P₂O₅. The 1968 total is based on nine-month results.

TABLE II
SOVIET POTASH PRODUCTION, CONSUMPTION, EXPORTS

| | 1960 | 1962 | 1963 | 1964 | 1965 | 1966 | 1967 |
|-----------------------------------|-----------------------------|-------|-------|-------|-------|--------|--------|
| | (thousand tons of product*) | | | | | | |
| Production | 2,606 | 3,198 | 3,365 | 4,553 | 5,691 | 6,000* | 7,000* |
| Consumption | 1,842 | 1,985 | 2,166 | 3,416 | 4,547 | 4,573 | 5,136 |
| Exports | 829 | 878 | 992 | 754 | 826 | 1,089 | 1,365 |
| Exports as per cent of production | 31.8 | 27.5 | 29.5 | 16.5 | 14.5 | 18.2 | 19.5 |

*41.6 per cent K₂O. Production figures for 1966 and 1967 are rough estimates.

. huge expansion planned for domestic use

methods, particularly by using more fertilizers and irrigation, from the current three-year average of 147 million tons to between 190 and 200 million tons a year. This means that the bulk of the extra potash output will be required at home.

Potash production is running about level with nitrogen in terms of nutrient content. It seems likely to maintain or even improve this position (see Table I opposite).

Exports in the early 1960's absorbed about 30 per cent of potash production; they have now dropped sharply

and absorbed only 15 per cent in 1964 and 1965, and 18 to 20 per cent in 1966 and 1967 (see Table II on the opposite page).

Because of the need to increase fertilizer output at home, the proportion of potash production exported may change. However, the authorities, in allocating future production, will be torn between the demands of Soviet agriculture and the temptation of hard currency earnings. Soviet potash exports to hard convertible currency areas earned Cdn.\$13.6 million in 1967.

There are four major potash deposits in the Soviet Union: Solikamsk-Berezhniki, North Urals (North Kama basin); Kalush, Western Ukraine; Stebnikov, Western Ukraine, and Soligorsk, Byelorussia.

The North Urals deposit was discovered in 1926 and was thought to cover an area of about three square miles. It has now been defined in its entirety by drillholes and extends for 20 miles from east to west and 90 miles from north to south. The recently discovered parts of this deposit have also proved to be of considerably

TABLE III
ESTIMATE OF PROBABLE SOVIET POTASH OUTPUT CAPABILITIES

This survey is based on isolated references in the Soviet press. It gives some indication of plans for development of the industry. Readers should bear in mind the qualifications made in the notes.

| Mines | Millions of tons of product 41.6% K ₂ O | |
|---|--|----------------|
| | 1968 | Planned (1972) |
| North Urals total | 3.37 | 20 or 26 |
| <i>Both 20 and 26 million tons have been used in the press. Pravda of August 29, 1968, gives "currently 3.37, in 1970 8.5, and eventually (1972?) 26 million tons."</i> | | |
| Solikamsk area | 1 | 6 or 12 |
| Solikamsk #1 | 1 | 2.5 |
| Novosolikamsk | — | 3.5 |
| Solikamsk #2 | — | 6 (?) |
| <i>It is not clear whether Solikamsk #2 and Novosolikamsk are separate entities. The figure of 6 million tons could be the sum of Solikamsk #1 and Novosolikamsk; on the other hand, it would fit in well with 26 million tons for the whole North Urals.</i> | | |
| Berezhniki area | 2.5 | 15 |
| Berezhniki #1 | 2.5 | 2.5 |
| <i>In May 1968, it was stated that "since the beginning of the present five-year period, the Berezhniki combine has made 5 million tons of fertilizers." We assume production to be about 2.5 million tons.</i> | | |
| Berezhniki #2 | — | 3.6 |
| Berezhniki #3 | — | 3.5 |
| Berezhniki #4 | — | 7 |
| Berezhniki #5 | — | 1 |
| <i>According to the press, "tanks for cleansing salt solutions are now being installed" so we assume that Berezhniki #2 will start production in 1969. "Shafts will reach a depth of 500 meters; to protect against groundwater, wells around the location of future shafts will be fed by a special refrigeration preparation to set up a zone of frost." We assume production will begin in 1970 at Berezhniki #3, and in 1972 at Berezhniki #4 and possibly Berezhniki #5.</i> | | |
| Byelorussia | 3 to 3.5 | 6 to 8 |
| <i>Based on the assumption that total Soviet production in 1968 was 7 million tons. Stated that "by the end of present five-year period, Byelorussia will account for 10 per cent of U.S.S.R. production of fertilizers and 42 per cent of potassium fertilizers."</i> | | |
| Ukraine | 0.2 | 0.2 |
| U.S.S.R. total | 7 | 26 to 34 |
| <i>We assume that potash will retain its present 30 per cent share of U.S.S.R. fertilizer output.</i> | | |

higher quality than the original find. A ton of potassium chloride concentrate can now be produced from less than three tons of mineral compared with three-and-a-half or four tons from the original mines. Soviet data suggest that this deposit produces the cheapest potash in the country; even in the Ukraine and Byelorussia it is cheaper than the local product.

The Ukraine deposits are near the Carpathian Mountains (in former Galicia) and were exploited long before World War II. The Byelorussian deposit at Soligorsk is a recent find and only came into production during 1963-64. Reasonably close to the Baltic Sea, it offers good export possibilities.

Foreign press reports last year suggested that Japanese interests were being encouraged to participate in de-

velopment of the Solikamsk-Berezhniki deposit; this does not appear to have materialized. However, it seems certain that Poland will participate directly in developing a potash mine and fertilizer plant in the Soviet Union under the aegis of Comecon mutual co-operation and assistance.

It is extremely difficult to obtain reliable figures on potash reserves or current and projected production by mine or ore body. This rough survey of planned mine capacity, which is based on *ad hoc* references in the Soviet press, may give some indication of future plans for the Soviet potash industry (see Table III on page 25).

Soviet Potash Exports

By far the biggest export customer for Soviet potash is Japan, which in

1967 took 291,000 tons (more than 20 per cent of Soviet potash exports) worth over 5 million roubles, and in some past years purchased even more. Next in order are Yugoslavia, Italy, Belgium, Poland, Hungary, Czechoslovakia and Finland. These eight countries together account for over 60 per cent of total sales abroad. Approximately 54.5 per cent of Soviet potash exports in 1966 went to industrialized Western countries, including Japan, 43.5 per cent went to Communist Bloc countries, and only 2 per cent to non-Communist developing countries (see Table IV on this page). The Soviet Union does not import potash.



TABLE IV
SOVIET POTASH EXPORTS BY COUNTRY

| | 1961 | 1962 | 1963 | 1964 | 1965 | 1966 | 1967 (tons '000) | 1967 (roubles '000) | 1967 (average price roubles/ton) |
|--|------------------------|--------------|--------------|--------------|--------------|----------------|---------------------|------------------------|--|
| | (thousand metric tons) | | | | | | | | |
| Communist Bloc: | | | | | | | | | |
| Yugoslavia | 37.8 | 118.4 | 129.5 | nil | 135.1 | 139.2 | 130.8 | 2,763 | 21.10 |
| Cuba | 74.1 | 65.5 | 58.2 | 54.3 | 59.2 | 101.4 | 91.7 | 1,957 | 21.30 |
| Czechoslovakia | nil | * | nil | 164.0 | nil | 78.3 | 92.8 | 1,914 | 20.60 |
| Hungary | nil | 26.4 | 24.6 | 67.6 | 75.8 | 75.1 | 96.1 | 1,997 | 20.70 |
| Bulgaria | * | * | * | * | * | * | 36.4 | 836 | 22.90 |
| Poland | * | * | * | * | * | * | 98.4 | 2,044 | 20.80 |
| Other | * | * | * | * | * | 21.5 | * | * | * |
| Western industrialized countries: | | | | | | | | | |
| Italy | 43.3 | 14.0 | 48.9 | nil | 22.8 | 42.0 | 119.3 | 1,710 | 14.30 |
| Britain | 52.8 | 51.1 | 58.2 | 31.0 | 56.6 | 53.2 | 36.3 | 633 | 17.45 |
| Belgium | 39.5 | 59.4 | 34.3 | 34.0 | 47.0 | 38.9 | 115.0 | 1,786 | 15.50 |
| Austria | 8.5 | 13.4 | 40.0 | 25.8 | 28.8 | 49.4 | 47.3 | 929 | 19.65 |
| Netherlands | 41.9 | 31.2 | 36.4 | 37.5 | 22.8 | 32.2 | 22.6 | 342 | 15.10 |
| Finland | 81.7 | 80.5 | 64.1 | 85.3 | 94.8 | 96.3 | 85.0 | 1,949 | 22.90 |
| Sweden | 20.5 | 19.6 | 22.5 | 9.5 | 11.5 | 19.0 | 11.7 | 254 | 21.70 |
| Denmark | 14.3 | 36.3 | 16.3 | 4.1 | 7.4 | 16.3 | 21.1 | 249 | 20.60 |
| Norway | 1.0 | 7.2 | 10.2 | 1.9 | 11.7 | 15.8 | 11.2 | 210 | 18.75 |
| Canada | 15.7 | 17.7 | 17.3 | nil | nil | nil | * | * | * |
| United States | 18.1 | 11.0 | nil | * | * | * | * | * | * |
| Japan | 309.4 | 286.0 | 322.6 | 238.9 | 247.1 | 230.4 | 291.0 | 5,238 | 17.95 |
| Other countries: | | | | | | | | | |
| Brazil | nil | 33.2 | 50.4 | nil | * | 21.6 | 42.1 | 394 | 9.25** |
| India | * | * | * | * | * | nil | 25.2 | 572 | 22.70 |
| Republic of Guinea | 2.2 | 1.7 | nil | * | * | * | * | * | * |
| Unaccounted for | 0.8 | 5.1 | 58.7 | 0.3 | 4.9 | 0.0 | 0.3 | 5 | n.a. |
| Total | 761.6 | 877.7 | 992.2 | 754.2 | 825.5 | 1,089.2 | 1,365.3 | 25,782 | 18.85 |

*Country not listed in potash export statistics for the year.

**Doubtful figure.

How Malaysia Finances Industrial Development

Assistance given pioneer industries; joint ventures encouraged

PHILIP STUCHEN, *Commercial Counsellor, Kuala Lumpur*

■ A milestone in the short history of MIDF, Malaysian Industrial Development Finance Ltd., Malaysia's equivalent of an industrial bank, was reached last September with the official opening by the Deputy Prime Minister of Banguan MIDF, the company's new office building in Jalan Ampang, Kuala Lumpur. The same day saw the official opening of the latest group of factory premises, the Kawasan MIEL, at Batu Tiga about 14 miles from Kuala Lumpur, erected by Malaysian Industrial Estates Berhad, a wholly-owned subsidiary of MIDF.

MIDF, already recognized as Malaysia's national development finance institution, stands on the threshold of a new phase of business expansion and internal growth under local management. Set up in 1960 with the support of the Malaysian Government to provide long-term financing for manufacturing industries in Malaysia, MIDF was reorganized in 1963 to provide for majority local ownership. The present shareholders include the Bank Negara (Central Bank of Malaysia), the International Finance Corporation, and a number of local commercial banks and other financial institutions. MIDF has long-term loan facilities for foreign exchange requirements in the form of a credit line from the World Bank.

Small Industries Aided

MIDF's principal function is the provision of medium and long-term loans for industrial development projects. Despite the well-developed financial system in Malaysia, capital for industrial investment comes mainly from private savings which are insufficient for the investment required for land, buildings and industrial machinery. Well-established enterprises

with a good credit rating are able to obtain their capital needs quite readily. The problem arises in Malaysian-owned industries, especially those established on a small family basis, which cannot finance expansion because profit margins are small and credit standing weak. Commercial banks are reluctant to meet their needs. In the first place, the business is unfamiliar, the risks involved are greater, and the repayment period longer compared with the quick returns and general liquidity of traditional short-term lending. The more promising industries can borrow but usually at rates of interest higher than the risks involved would seem to call for.

An institution capable of providing capital at reasonable interest rates over a wider sphere of industrial development was obviously needed and MIDF was designed to play this role. Its job is to develop the personnel and expertise required to appraise the potential of sound industrial ventures and provide financial backing for part of the cost of fixed assets such as land, buildings, machinery and equipment. The period of repayment varies from five to fifteen years according to the ability of the project to meet loan repayments comfortably from earnings. A factory mortgage scheme is available so that manufacturers can buy modern factory premises at a reasonable interest rate; under this scheme up to 80 per cent of the cost of land and building may be borrowed, with easy repayments.

Standard Factory Units

For the very small entrepreneur, a range of well-designed standard factory units on fully serviced industrial sites can be bought outright or on credit through the Malaysian Indus-

trial Estates Berhad, a wholly owned subsidiary of MIDF established in 1964. These industrial estates (or industrial areas as they are known in Canada) have been established in Mak Mandin (Penang), Kamunting, (Taiping), Petaling Jaya and Batu Tiga (Kuala Lumpur). Similar estates are planned for other states, including East Malaysia. Because financing institutions are reluctant to finance industrial machinery and equipment, a hire-purchase scheme has been devised so that major items of industrial equipment may be obtained on an instalment basis. All these facilities have the common objective of making finance available for new ventures and for modernizing and expanding existing ones.

MIDF has participated in the equity of enterprises to encourage confidence among investors. Its reputation as a prudent investor and lender has created the feeling in banking and business circles that companies in which MIDF is involved are basically sound. It is MIDF's policy to dispose of equity holdings as soon as appropriate, thereby encouraging wider public participation in sound industrial enterprises.

The underwriting of public share or debenture issues is also an important feature of MIDF's activities. It was the first institution to provide this service in Malaysia back in 1961 when the securities market was just developing and no large underwriting service was available. At that time, ownership of industrial enterprises was confined to small groups of investors; this limited the opportunities for entrepreneurs to raise new share capital. There was also less confidence in industrial shares because few people were familiar with them. Since then, equity participation and underwriting

have become two important functions of MIDF in a developing capital market—since 1961, it has floated or underwritten over M\$94 million in shares.

Special Concessions

Canadian companies considering investing abroad and particularly in Malaysia will find the provisions of the Pioneer Industries (Relief from Income Tax) Ordinance of interest. Under this Act, the Government of Malaysia provides incentives for new business ventures in the form of income tax exemption in the initial years of operation, special capital cost allowances, and numerous other benefits. With its stable political climate

and substantial natural resources, Malaysia is a most attractive area for foreign investors seeking a foothold in South East Asia. Malaysia has great potential in agriculture, forestry, mining and fishing, and it must also develop industries to reduce its dependence on imported manufactured and processed goods.

Increasing industrialization tends to mean a reduction in direct imports. One way to offset this is by investing in Malaysia either directly or through joint ventures. Canada's only joint venture so far under MIDF's auspices is the Alcan Malayan Aluminum Company Limited which has been in operation since 1963, doing local business and exporting from its plant in

Petaling Jaya on the outskirts of Kuala Lumpur.

Companies interested in the investment potential of Malaysia can be assured of assistance from MIDF and from FIDA, the recently established Federal Industrial Development Authority of the Malaysian Government, whose chief function is to identify opportunities and make economic studies. The Commercial Division of the High Commission in Kuala Lumpur maintains close liaison with MIDF, FIDA and other government departments and stands ready to provide information and make contacts on behalf of Canadian companies interested in exploring Malaysia's investment possibilities.

Trade Commissioners on Tour

In Territory

Afghanistan—B. Northgrave, Assistant Commercial Secretary in Islamabad, Pakistan, will visit Kabul March 16-21.

Barbados—will be visited March 5-7 by J. A. Ahow, Commercial Officer, and during the week of March 24 by K. G. Ramsay, Commercial Counsellor, from the Port-of-Spain, Trinidad, office.

Bulgaria, Hungary, Rumania—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.

Burma—D. P. Lindores, Acting Commercial Secretary in Kuala Lumpur, Malaysia, will visit Burma March 24-28.

Ceylon—D. W. R. McTaggart, Assistant Commercial Secretary in New Delhi, will visit Ceylon February 21-27.

Chile—G. E. Mullins, Assistant Commercial Secretary in Santiago, will visit Arica, Iquique, Maria Elena, Antofagasta, and La Serena February 24-28.

Finland—E. C. H. Shelly, Assistant Commercial Secretary in Stockholm, Sweden, will visit Finland February 23-28.

French West Indies—K. G. Ramsay, Commercial Counsellor in Port-of-Spain, Trinidad, will visit Martinique and Guadeloupe March 22-28.

Guyana—D. J. McJanet, Assistant Commercial Secretary in Port-of-Spain, Trinidad, will visit Georgetown March 19-21.

Leewards—J. M. C. Lavoie, Assistant Commercial Secretary in Port-of-Spain, Trinidad, will visit Antigua, Montserrat, St. Kitts, St. Martin, St. Eustacius and Dominica March 9-18.

Libya—C. Renaud and C. D. Miller, Assistant Commercial Secretaries in Rome, Italy, will visit Tripoli and Benghazi February 16-27.

Norway—D. B. Browne, Acting Commercial Secretary in Oslo, will visit Stavanger and Bergen March 3-7.

Pakistan—M. Y. Farooqi, Commercial Officer in Islamabad, will visit Karachi March 10-14.

Poland—J. M. Hill, Vice Consul and Acting Commercial Secretary in Copenhagen, Denmark, will visit Warsaw March 3.

Tobago—J. A. Ahow, Commercial Officer in Port-of-Spain, Trinidad, will visit Tobago February 24-25.

Trinidad—D. Hobson-Garcia, Commercial Officer in Port-of-Spain, Trinidad, will visit South Trinidad March 4.

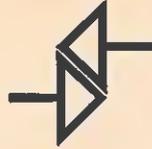
Turkey—Trade Commissioners in the Athens, Greece, office visit Istanbul and Ankara approximately every six weeks.

United States—J. D. R. Roy, Vice Consul and Assistant Trade Commissioner in San Francisco, will visit Denver, Colorado, February 24-25.

Windwards—D. Hobson-Garcia, Commercial Officer in Port-of-Spain, Trinidad, will visit St. Vincent, St. Lucia and Grenada March 24-28.

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

trade lines



French nickel mine in New Caledonia

Le Nickel is to develop a new mining center at Nepoui in New Caledonia which will bring that country's output up to 65,500 tons a year by 1972. It is reported that the project will be financed in co-operation with Kaiser Aluminum and the Société Néo-Calédonienne du Nickel and will involve an investment of Fr.602 million—Paris.

Kuwait huys equipment from the U.S.S.R.

According to Soviet sources, exports from the U.S.S.R. to Kuwait in 1967 totalled £3.2 million and included generators, excavators, drilling rigs, cargo vessels, trawlers, steel strip, building materials, vehicles, and consumer goods. Exports to Kuwait in 1968 will reach £5.1 million.

British sell locomotives to Sudan

English Electric recently won an order for ten 1,850 h.p. diesel-electric locomotives for Sudan Railways. Sudan already has 55 of this type in operation and with the new ones they will constitute 85 per cent of the country's locomotives. The ten will be used to haul freight between Port Sudan and the interior.

J. C. Penney teams up with Belgian store

The Belgian department store chain Sarma S.A. has recently signed a partnership agreement with J. C. Penney Inc. The U.S. company is reported to have acquired an interest of over 20 per cent in Sarma and its affiliates—Brussels.

French electronics group forms association

One byproduct of the recent Salon des Composants in Paris (Components Show) was the formation of an association of French producers and dealers handling printed circuits and materials for making them—Paris.

Venezuela steps up industrialization

The Ministry of Development says that 72 new industrial projects are being registered in Venezuela and some existing industries are being expanded. Since the Ministry generally gives increased protection to new industries, the going on stream of these projects may adversely affect some Canadian exports. On the other

hand, new industries mean a need for raw materials, components and production machinery; Canadian exporters should look for these opportunities—Caracas.

Chile reports good anchovy catch

In the first nine months of 1968, the anchovy catch at 869,300 metric tons was up 61 per cent over the same period of 1967 but was running 15 per cent below the 1966 record. Fishmeal production was 173,700 tons compared with 100,300 tons in the first nine months of 1967—Santiago.

Norwegian trawlers supplied to Faroes firm

The first of four 202-foot trawlers worth in total \$1.5 million has been delivered to a Faroes fishing company. The *Stella Kristina* has equipment to fillet 36 tons a day and freezing rooms with a capacity of 700 tons. She will carry a crew of 47. Two more ships will be ready in 1969; no date has been set for the delivery of the fourth—Oslo.

Exporting the easy way

The British Travel Association will try to encourage people from Europe to go to London now and again for a weekend shopping spree. This would make every shopkeeper a potential exporter—London.

Singapore handles more and more cargo

The port of Singapore handled 30.3 million tons of cargo in 1967 of which 23.0 million tons were mineral oil. Total cargo increased 92 per cent over 1958 when 15.8 million tons were handled. Over 28,000 ships entered and cleared the port in 1967—Singapore.

Norway exports more pulp and paper to West Germany

West Germany's economic growth has benefitted the Norwegian pulp and paper industry. In the January to June period of 1968, Norwegian newsprint exports increased by 43 per cent and other paper exports by 80 per cent compared with the same period of 1967—Oslo.

Australia increases exports of manganese ore

Groote Eylandt Mining Company Pty. Limited, a subsidiary of Broken Hill Pty. Limited, will invest some \$20 million to improve its facilities on Groote Eylandt, an island in the Northern Territory of Australia. This

will raise the plant's annual capacity from 400,000 to 700,000 tons of manganese ore by 1971 and to one million tons by 1974. Shipments of manganese ore in 1967-68 totalled about 355,000 tons of which two-thirds was exported; the increased output will all go to export markets—Sydney.

British manmade fibers achieve export record

British exports of manmade fibers reached a record of £32.5 million in October 1968. At present some 30 per cent of fiber production is exported (40 per cent of staple fibers)—London.

Air transport engineering association formed in Belgium

Seven Belgian design offices and study organizations have formed a new association, known as Air Transport Engineering, which will undertake surveys and research into the creation, development, organization and operation of airports and airlines. The Belgian airline, Sabena, will provide technical assistance—Brussels.

British grain terminal increases capacity

The Port of London Authority recently put into operation a £5 million grain terminal at Tilbury. It will accommodate 20,000-ton bulk carrier vessels. During February, facilities for handling 40,000- to 60,000-ton vessels will be completed—London.

France will turn out containers

Assembly of large aluminum alloy containers is about to begin in France. CEGEDUR, a manufacturer of metal sheets and sections, will make two sizes: 20 by 8 by 8 feet for French and German users and 40 feet long for U.S. customers. They will be used for both domestic and transatlantic trade and probably will carry general cargo—Paris.

French hotelkeepers receive bonus

French hotelkeepers who expand their present facilities or build a new hotel will receive a special bonus amounting to one tenth of their investment if they invest a minimum of fr.700,000, provide at least 20 rooms (200 beds in a resort village), create a minimum of ten permanent jobs, and complete their project within three years—Paris.

Singapore develops new tourist and residential center

Singapore plans to develop some 1,000 acres of land along its southern coastline as a tourist and residential area. The new town, Telok Blangah, will accommodate 100,000 people and will act as a buffer between the commercial center of Singapore and Jurong, the manu-

facturing center. Land is now being cleared and the project will be under way in 1970—Singapore.

Australia insures more exports

Some 726 Australian exporters and investors held policies worth A\$726 million as of June 30, 1968, according to the 1968 annual report of the Australian Export Payments Insurance Corporation. The Corporation's commercial account, which covered all but 34 of these exporters, increased by A\$33 million in 1968. Government account business increased to some A\$14 million, of which A\$12 million was overseas investment insurance—Sydney.

Ford's Belgian plant operates new wheel factory

The Ford plant at Genk, Belgium, is now operating a new factory which has two automatic production lines to turn out seven different types of wheels for Ford's European models. Daily production capacity is estimated at approximately 15,000 wheels—Brussels.

Greek firm specializes in refrigerators

Isola S.A., one of the leading and oldest electrical household appliance manufacturers in Greece, plans to streamline its production and specialize in refrigerators because of increased Greek imports (estimated to reach 80,000 units in 1968), and forthcoming stiffer foreign competition, especially from the EEC countries. The company will move to a new plant near Thebes and produce 45,000 units a year, later increasing this to 90,000. Part of Isola's production will be for Philips Co.—Athens.

Foreign Tariffs and Trade Regulations

Brazil

DUTY INCREASES—With effect from December 30, 1968, until December 31, 1971, Brazilian Decree-Law No. 398 increases the rates of duty on certain non-essential imports by 100 percentage points ad valorem (e.g., goods previously dutiable at 20 per cent are now dutiable at 120 per cent). Among the items covered by the Decree are: certain cheeses, canned fish, alcoholic beverages, fur apparel, knitted goods, woven fabrics and clothing, furniture.

Further details are available from the Office of Area Relations, Departments of Industry and Trade and Commerce, Ottawa.

Prospecting for Railway Business

■ Last November Buenos Aires played host to the Pan American Railway Congress, which meets once every five years in various cities. Twelve businessmen from Canada active in the field of railway and subway equipment and E. A. Boys of the Departments of Industry and Trade and Commerce attended as observers.

Latin America and Canada each have extensive railway systems and therefore understand each other's railway problems. Moreover, the proven high level of railway technology in this country and our success in keeping up-to-date in operations and maintenance help in presenting our equipment to the Latin Americans. We would like to see Latin America further improve and modernize its railways rather than duplicate existing systems with expensive highways. This modernization would mean a big market for railway equipment and rolling stock there for many years to come. Naturally, local industry will take a large slice of the business but what remains is a rich prize that will be keenly contested by suppliers in Europe, North America and Japan.

Before the businessmen left Canada Trade and Commerce produced a special Spanish edition of *Canada Courier* to

publicize our achievements in railways and subways and sent a copy to every delegate to the Congress and to railway officials throughout Latin America. As a result of this careful preparation, the Canadians found a great deal of interest in the equipment they had to offer and a high regard for their technical ability. Two film and slide presentations on Canadian-built equipment were made to the Congress. A film show, lecture and reception put on at the Canadian Embassy attracted a capacity audience of 60 including General Juan Carlos de Marchi, President of the Organizing Committee of the Congress, and many other senior officials.

Intercity travel is not the only problem in Latin America's transportation setup. Communications within cities are becoming more difficult too. Here again, Canada has a great deal of expertise. The Toronto and Montreal subway systems are among the most advanced in the world and have attracted the attention of urban planners in many countries. The Canadians made a point of meeting the people responsible for the extensions being made to the Buenos Aires subway and travelled to Sao Paulo and Rio de Janeiro to put the case for using Canadian subway expertise in the subways

which will be built there. Our Embassies in Buenos Aires and Rio de Janeiro and the Consulate in Sao Paulo laid the groundwork for these presentations to those concerned with subway projects.

Railway equipment is not bought in a hurry, but when the sale is made, it is usually substantial and leads to continuing business. The lead time for subway systems is also long and selling expertise and equipment for them calls for continued promotion efforts. The twelve who travelled to the Pan American Railway Congress are, however, well satisfied with the results. To one of them, the journey may mean starting to manufacture a new product; to another, it has opened up a big market for a piece of equipment recently developed and undergoing final tests.

In Trade and Commerce language, this was an "informal" mission. Each of the members paid his own way and is entitled to keep for himself all the business opportunities be discovered. The Department provided a mission secretary to smooth the way and to co-ordinate the work of the participants.

Mission Members

C. Dathan, Manager, Transportation Division, MLW-Worthington Limited, Montreal

F. Guibert, President, Bédard Girard Limitée, Montreal

J. E. Pontbriand, Vice-President, Marine Industries, Montreal

A. Ronn, Manager Export Sales, Sydney Steel Corporation, Montreal

M. Murzynski, Director, Project Development and Special Projects, Hawker Siddeley Canada Limited, Montreal

N. Hedervary-Konth, Locomotive Sales Engineer, Fairbanks Morse (Canada) Ltd., Kingston

M. P. Komar, Sales Manager, Spaulding Fibre of Canada Ltd., Toronto

J. L. Harmsen, Consultant, Spaulding Fibre of Canada Ltd., Toronto

J. K. Stewart, General Manager, Canron Limited, Montreal

J. F. Girvan, Assistant General Manager, Canron Limited, Montreal

N. Rose, Canron Limited, Montreal

J. N. Baird, Vice-President Sales, National Steel Car Corporation, Montreal

Mission Secretary: E. A. Boys, Departments of Industry and Trade and Commerce, Ottawa



The picture shows members of the informal mission to the Pan American Railway Congress at a reception in Buenos Aires. They are (left to right) A. Ronn, M. P. Komar, F. Guibert, J. L. Harmsen, E. A. Boys, J. N. Baird, N. Hedervary-Konth, and D. Cormick of Dan Cormick S.R.L., who joined them in Buenos Aires.

Markets in Brief

JAPAN

Area: 142,726 square miles.

Population: 100,428,000 (December 1967).

Climate: moderate, high humidity in summer season.

Topography: comprises four major islands, mostly covered by mountains and forest; cultivated land is only 16 per cent of total.

Language: Japanese; correspondence and sales literature in English understood by most firms.

Currency: yen; one yen equals Cdn.\$0.0030 (January 1969).

Foreign exchange and import controls: import licence necessary. Some commodities require an allocation certificate issued by Ministry of International Trade and Industry. For other items, import licence automatically issued by foreign exchange banks carries right to foreign exchange.

Weights and measures: metric system.

Capital: Tokyo.

Chief ports: Yokohama, Kobe, Osaka, Nagoya, Shimizu.

Marketing centers: population (millions) Metropolitan Tokyo 10.8, Osaka area 7.0, Nagoya 5.0, Yokohama area 4.8, Kyoto area 2.1, Kobe area 4.4, Kita-Kyushu area 4.1.

Economy: heavily industrialized, with recent emphasis on basic industries and on external trade in manufactured products.

Total Japanese imports: 1967—U.S.\$11,663 million; 1966—U.S.\$9,523 million (c.i.f.).

Chief imports: oil, machinery and equipment, iron ore, lumber, chemicals, non-ferrous metals and ores, raw cotton, coal, iron and steel products, wool, wheat, iron and steel scrap.

Chief suppliers: United States, Australia, Canada, Iran, U.S.S.R., Philippines, West Germany, Malaysia, Saudi Arabia, Kuwait, People's Republic of China.

Value of imports from Canada: 1967—Cdn.\$572.2 million; 1966—Cdn.\$393.9 million (f.o.b.).

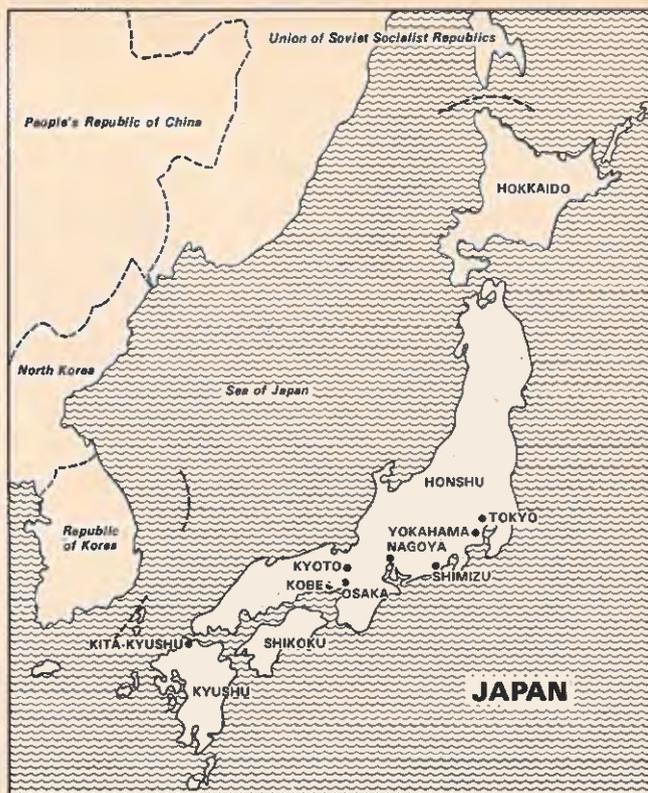
Chief imports from Canada: (Cdn.\$ million) 1967—wheat 107.5, copper 96.8, aluminum 51.9, oilseeds 40.2, wood pulp 39.1, lumber of all species 36.1.

Total Japanese exports: 1967—U.S.\$10,441 million; 1966—U.S.\$9,776 million (f.o.b.).

Chief exports: machinery and equipment, textiles, iron and steel products, vessels, chemicals, motor vehicles, metal products, foodstuffs, radio receivers.

Chief markets: United States, Hong Kong, South Korea, Liberia, People's Republic of China, Thailand, Australia, Philippines, Canada, Republic of China (Taiwan).

Value of Canadian purchases: 1967—Cdn.\$304.8 million; 1966—Cdn.\$253.1 million.



Chief Canadian purchases: (Cdn.\$ million) 1967—audio and visual equipment 21.4; rolling mill products 19.8; wearing apparel 19.4; pipes, tubes and fittings 18.9; motor vehicles 12.6; rayon and synthetic fabrics 11.9; toys and sporting goods 10.7; photographic equipment 9.9; commercial communications equipment 8.7; cotton fabrics 7.7.

Prices: quote in Canadian or U.S. dollars, preferably c.i.f.

Usual credit terms: sight to 180 days.

Samples: dutiable only if of commercial value; drawback paid for travellers' samples on re-export.

Visas: visa is not required for visits under three months by Canadian visitors.

Inoculations: smallpox.

Trade agreements: with Canada signed in 1954; Japan became a member of GATT in 1955.

Correspondence: airmail; 25 cents per half ounce.

Documentation, customs tariffs, marking and labelling: consult the Office of Area Relations, Departments of Industry and Trade and Commerce, Ottawa.

For detailed information on this market write to: Asia and Middle East Division, Office of Area Relations, Departments of Industry and Trade and Commerce, Ottawa, or, Minister (Commercial), Canadian Embassy, c/o Akasaka P.O., Tokyo, 107 Japan.

REPUBLIC OF KOREA

Area: 38,000 square miles.

Population: 29.2 million (1966).

Climate: moderate, high temperatures and humidity in summer, normally dry September to May, with majority of precipitation June to August.

Topography: basically mountainous with narrow valleys; about 23 per cent of land is arable.

Language: Korean; correspondence and sales literature in English generally understood.

Currency: won; Cdn.\$1.00 equals 260 won (January 1969).

Foreign exchange and import controls: import licence necessary. Negative list system, published every six months giving approved and prohibited items and quantitative limitations. Items not listed are automatically importable.

Weights and measures: metric system.

Capital: Seoul.

Chief ports: Inchon, Pusan.

Marketing centers: population (million 1966) Seoul 3.8, Pusan 1.4, Taegu .85, Inchon .5, Kwangju .4, Taejon .3.

Economy: GNP equals Cdn.\$4.8 billion (\$3.81 billion at 1965 constant market prices). Largely agricultural but manufacturing represents 20 per cent of GNP. Heavy emphasis on developing export industries.

Total Korean imports: 1967—U.S.\$996.2 million; 1966—U.S.\$716.4 million.

Chief imports: machinery, transportation equipment, textile yarns and fabrics, petroleum products, electrical equipment, fertilizer, cotton, barley, wood and lumber, crude oil.

Chief suppliers: (per cent) Japan 45, United States 30, West Germany 3, Republic of China (Taiwan), Australia.

Value of imports from Canada: 1967—Cdn.\$7.7 million; 1966—Cdn.\$2.8 million.

Chief imports from Canada: (Cdn.\$'000) 1967—sulphur 2,420, asbestos 2,095, potash 854, newsprint 528, hoisting machines and parts 196, flaxseed 121, nickel anodes 94, raw hides and skins 76.

Total Korean exports: 1967—U.S.\$358.6 million; 1966—U.S.\$280.0 million.

Chief exports: plywood, clothing, human hair, raw silk, footwear, tungsten ore, cotton fabrics.

Chief markets: United States, Japan, South Vietnam, Hong Kong.

Value of Canadian purchases: 1967—Cdn.\$4.6 million; 1966—Cdn.\$1.8 million.

Chief Canadian purchases: (Cdn.\$'000) 1967—clothing except knitted 1,333, knitted clothing 1,262, cotton woven fabrics 511, footwear 248, wool yarn 190, broad woven fabrics (rayon and synthetic) 135, fish and shellfish 193.



Prices: quote in U.S. dollars preferably, or Canadian dollars c.i.f.

Usual credit terms: irrevocable letter of credit, or documentary drafts, for 180 days or less, depending on commodity.

Samples: duty-free if re-exported within 6 months.

Visas: required.

Inoculations: smallpox required; cholera recommended.

Trade agreements: with Canada signed in 1966; Korea became GATT member in 1967.

Correspondence: airmail; 25 cents per half ounce.

Documentation, customs tariffs, marking and labelling: consult the Office of Area Relations, Departments of Industry and of Trade and Commerce, Ottawa.

For detailed information on this market write to: Asia and Middle East Division, Office of Area Relations, Departments of Industry and Trade and Commerce, Ottawa, or, Minister (Commercial), Canadian Embassy, c/o Akasaka P.O., Tokyo, 107 Japan.

Foreign Exchange Rates

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

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

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

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

| Country and Currency | Value of | | Country and Currency | Value of | |
|---|---|---|--|---|---|
| | Foreign currency unit in Canadian dollars | Canadian dollar in foreign currency units | | Foreign currency unit in Canadian dollars | Canadian dollar in foreign currency units |
| | at January 31 | | | at January 31 | |
| Algeria Dinar | .2166 | 4.61 | Denmark Krone | .1427 | 6.98 |
| Argentina Peso (free) | .0031 | 322.58 | Dominican Republic Peso | 1.073 | .93 |
| Australia Dollar | 1.197 | .8340 | Ecuador Sucre (official) (free) | .0596 .0534 | 16.50 18.45 |
| Austria Schilling | .0415 | 23.98 | El Salvador Colon | .4291 | 2.35 |
| Bahamas Dollar | 1.051 | .9506 | Fiji Pound | 2.464 | .41 |
| Belgium and Luxembourg Franc | .0214 | 46.25 | Finland Markka | .2554 | 3.91 |
| Bermuda Pound | 2.567 | .39 | France, Monaco, etc.² Franc | .2166 | 4.61 |
| Bolivia Peso | .0901 | 10.97 | Franco-African Republics³ Franc | .0043 | 235 |
| Brazil Cruzeiro (official free) | .2810 | 3.56 | French Pacific⁴ Franc | .0119 | 84.24 |
| Britain Pound | 2.564 | .39 | Germany D Mark | .2676 | 3.71 |
| British Honduras Dollar | .6400 | 1.56 | Ghana New Cedi | 1.051 | .95 |
| Burma Kyat | .2253 | 4.43 | Greece Drachma | .0358 | 27.93 |
| Ceylon Rupee | .1802 | 5.54 | Guatemala Quetzal | 1.073 | .93 |
| Chile Escudo (bank rate) (free) | .1377 .1215 | 7.24 8.19 | Guyana Dollar | .5364 | 1.85 |
| China, Republic of New Taiwan Dollar (official) | .027 | 37.04 | Haiti Gourde | .2146 | 4.65 |
| Colombia Peso (fixed) | .063 | 14.95 | Honduras Lempira | .5364 | 1.86 |
| Congo (Kinshasa) Zaire | 2.145 | .4653 | Hong Kong Dollar | .1770 | 5.64 |
| Costa Rica Colon | .1619 | 6.12 | Hungary Forint (official) | .0921 | 10.86 |
| Cuba¹ Peso | | | Iceland Krona (official) | .0122 | 81.96 |
| Czechoslovakia Koruna | .1490 | 6.70 | India Rupee | .1416 | 7.02 |

| Country and Currency | Value of | | Country and Currency | Value of | |
|----------------------------------|---|---|--|---|---|
| | Foreign currency unit in Canadian dollars | Canadian dollar in foreign currency units | | Foreign currency unit in Canadian dollars | Canadian dollar in foreign currency units |
| | at January 31 | | | at January 31 | |
| Indonesia ⁵ Rupiah | | | Paraguay Guarani (free) | .0085 | 116.28 |
| Iran Rial | .0142 | 70.42 | Peru Sol (free) | .0246 | 41.66 |
| Iraq Dinar | 3.004 | .33 | Philippines Peso (free) | .2749 | 3.63 |
| Ireland Pound | 2.564 | .39 | Poland Zloty (fixed basic rate) | .2685 | 3.72 |
| Israel Pound | .3065 | 3.23 | Portugal & Colonies ⁶ Escudo | .0373 | 26.80 |
| Italy Lira | .0017 | 581.86 | Saudi Arabia Riyal | .2066 | 4.84 |
| Jamaica Pound | 2.564 | .39 | Sierra Leone Leone | 1.502 | .66 |
| Japan Yen | .0030 | 333.33 | Singapore Dollar | .3505 | 2.85 |
| Kenya Shilling | .1526 | 6.55 | South Africa Rand | 1.502 | .66 |
| Lebanon Pound (free) | .3326 | 3.00 | Spain & Dependencies Peseta | .0154 | 64.25 |
| Malaysia Dollar | 3505 | 2.85 | Sweden Krona | .2075 | 4.81 |
| Mexico Peso | .0858 | 11.64 | Switzerland Franc | .2480 | 4.02 |
| Morocco Dirham | .2120 | 4.72 | Syria Pound (free) | .2812 | 3.55 |
| Netherlands Florin | .2961 | 3.37 | Thailand Baht (free) | .0520 | 19.19 |
| Netherlands Antilles Florin | .5689 | 1.76 | Trinidad & Tobago ⁷ Dollar | .5392 | 1.85 |
| New Zealand Dollar | 1.200 | .83 | Tunisia Dinar | 2.044 | .48 |
| Nicaragua Cordoba | .1533 | 6.51 | Turkey Lira | .1192 | 8.38 |
| Nigeria Pound | 2.990 | .33 | United Arab Republic Pound (official) | 2.468 | .40 |
| Norway Krone | .1501 | 6.64 | United States Dollar | 1.073 | .93 |
| Pakistan Rupee | .2253 | 4.43 | Uruguay Peso (free) | .0043 | 232.55 |
| Panama Balboa | 1.073 | .93 | Venezuela Bolivar (official free) | .2390 | 4.18 |
| | | | Yugoslavia Dinar (official) | .0858 | 11.64 |

1. There is no trading in Cuban pesos in U.S. or Canadian banks at present.
2. Franc is also used in French Guiana, Guadeloupe and Martinique.
3. Chad, Central African Republic, Congo (Brazzaville), Dahomey, Gabon, Ivory Coast, Islamic Republic of Mauritania, Niger, Senegal, Upper Volta, Camerouns, Togoland, and Malagasy. Also Reunion, Comoro Islands, St. Pierre and Miquelon.
4. New Caledonia, New Hebrides, French Polynesia.
5. Because of the complexity of the Indonesian exchange rate system, it is impractical to quote a single representative rate for the rupiah.
6. Approximately same rate for Portuguese territories in Africa.
7. Also used in Barbados, Leeward and Windward Islands.

The Containerization Movement

Marseilles bids for more of North Atlantic trade

J. A. ELLIOTT

Commercial Secretary, Paris

■ Marseilles is the second largest city in France and the country's most important port. In 1966 it handled 62.4 million tons, predominantly crude oil and petroleum products. (Marseilles is the terminus of the Southern European pipeline which serves Switzerland and South Germany as well as the South of France.) The total also includes 7.5 million tons of dry cargo, 4.8 million tons of it general cargo.

The port's remarkable growth has not been without interruption. At the end of World War II, it hadn't a single crane in working order. When France's North African possessions became independent, they promptly began to diversify their foreign trade at the expense of France and the port of Marseilles.

Marseilles chose to turn these adversities to its advantage and to modernize its port in tune with the times. Its eight basins now total 250 hectares (approximately 625 acres) and include such facilities as a 920-foot floating dock and nine drydocks, of which the largest is 1,050 feet and is capable of handling tankers of 130,000 tons. The largest of the 172 wharf cranes is capable of lifting 450 tons. The process of expansion and modernization continues: among recent projects is the development of a new petroleum port to handle tankers up to 130,000 tons.

Containerization is one of the keystones of the Port of Marseilles' plans for future development. Although container services are currently quite limited, some experts predict that 80 per cent of the North Atlantic general

cargo traffic will be containerized by the mid-1970's. This would require substantial investment in three areas: the ships themselves, dockyard facilities, and transportation facilities linking the port with its hinterland. The shipping companies are building the container ships. The dockyard facilities and inland transportation come under the control of the port authorities and higher levels of government.

Marseilles is already well supplied with road, rail, canal and pipeline connections with central France and south-central Europe but considerable investment is being devoted to improving them. In 1966, of Marseilles' traffic one million tons were forwarded via the Rhone, 6.5 million tons by rail, 9 million by road and 31 million by pipeline.

The Autoroute du Sud, when completed in 1970, will provide a super-highway linking Marseilles-Lyons-Paris. Later on, the canalization of the Rhone will enable barges of 3,000 tons to reach Lyons in the mid-70's, and an eventual link-up with the Rhine is planned for the more distant future. The railway services from Marseilles northwards are already excellent; most of the present railway speed records were made on portions of the Paris-Marseilles line.

Port facilities for container traffic are also receiving top priority in the development plans for the Marseilles region. The new terminals are planned for the port of Fos, slightly west of the main port of Marseilles. Fos Terminal No. 1 will have a 600-yard quay to accommodate ships drawing up to 49 feet, three travelling cranes (two of 20 tons and one of 45) and 25 acres of storage space for con-

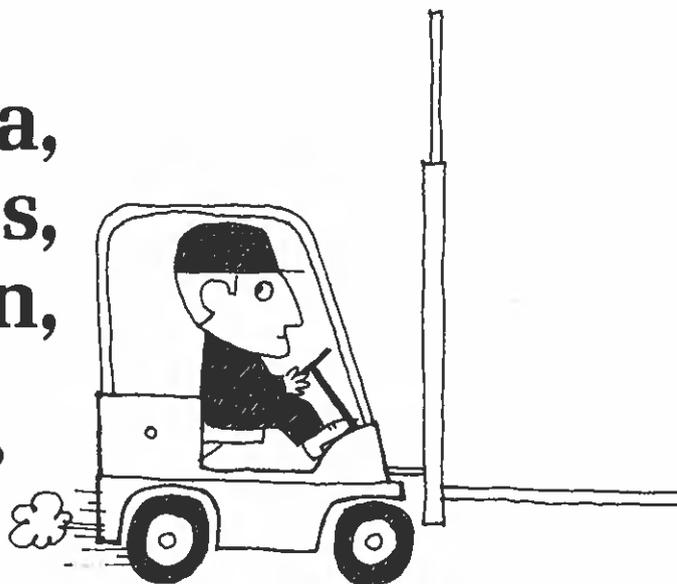
tainers. More than half of this facility is already in service and the rest should be ready in 1969.

Fos Terminal No. 2 will have five berths each of 820 feet and with a depth of 39 feet. The shore facilities include sheds for filling and emptying the containers and will cover 499 acres. Unlike Fos No. 1, which handles some ore-carriers, Fos No. 2 will be reserved for container ships exclusively and should serve as a breaking point for the smaller Mediterranean ports which are not equipped to handle containers.

Although the bulk of Marseilles' trade will remain with its traditional Mediterranean and Asiatic partners, the new facilities will help it compete for North Atlantic traffic. Competition will come not only from French ports such as Le Havre and Dunkirk (which also have development plans under way) but from other Common Market ports such as Rotterdam and particularly Antwerp, which handles a lot of French traffic. Some 2.9 million tons of French imports and exports passed through Antwerp in 1966 and 1.9 million tons through Rotterdam. This competition will undoubtedly be intensified with containerization. In 1966, Antwerp handled 481,000 tons of containerized cargo, Marseilles 90,000 and Le Havre 58,000.

There is as yet no direct container service from Canada to Marseilles but shipping circles are watching the development of the services operating from U.S. ports. Once their profitability is proved, services from Canada can be expected which will take advantage of the facilities being developed in Canada and at Marseilles.

What do: Venezuela, Guyana, United States, St. Pierre-Miquelon, Britain, have in common?



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