MARCH 29. 69

FOREIGN TRADE

DEPARTMENT OF INDUSTRY, TRADE AND COMMERCE, OTTAWA

Zambia Reorients Its Trade

We have not featured Zambia in our pages for several years—an omission that the Kenya office has repaired by sending us the leading article in this issue. Our cover shows, appropriately, smoke billowing up from the plant of the Nkana Mine at Kitwe, with the mine shaft in the background—for copper is still the mainstay of the economy. To make clearer how difficult Zambia's transportation problems are, we have also provided a map.

Last spring we featured markets for Canadian forest products in the United States and in September covered several Western European markets. This time, we turn to three Pacific Rim countries—Australia, New Zealand, and Japan. Two of them have proved to be excellent customers for timber products and the third, New Zealand, is beginning to compete with us for customers in other countries, such as Australia.

When you have digested the articles on Pacific markets, you will want to turn to page 32 and find out how the British market for timber and plywood stood up during the past year. Statistical tables support the statements made in the report and there is a cautious forecast about the demand for Canadian timber supplies and plywood this year. A shorter piece on page 36 discusses the trend towards mergers in the British timber trade and lists those that have already taken place.

Next month the Department is staging a three-day exhibit of Canadian processed foods—mainly canned and frozen fruit and vegetables and cheeses—in a Tokyo hotel. The exhibit will then be moved to Osaka, again for a three-day run. The article on page 28 gives the raison d'être for these displays as it points out the demand for imported foods in Japan and also tells how to go about exploiting the potential. There is a useful table showing what foods the Japanese purchase and where.

Our first issue in April will switch the emphasis from commodity markets to the economic changes and the trading techniques used in the Eastern European countries and the Soviet Union. The main articles will emphasize developments and trade possibilities in these countries; shorter ones will deal with the economic reforms, the use of seminars, the possibility of arranging joint ventures, and other pertinent topics.

FOREIGN TRADE

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Zambia Reorients Its Trade

P. J. GOSSELIN, *Assistant Commercial Secretary, Nairobi*

Zambia in Brief

Area: 290,586 square miles; mainly a high plateau with an elevation of 3,500 to 4,500 feet above sea level.

Population: 3,894,300 (1966 estimate); Africans 3,815,000, Europeans 69,000, Asians and others 10,300.

Climate: pleasant all year round.

Language: English is used commercially.

Currency: kwacha; one kwacha equals Cdn.$1.50 (February 1969).

Foreign exchange and import controls: all imports, other than those entering through Dar es Salaam, are subject to import licensing control. Except for goods from Rhodesia, licensing is administered on a liberal basis.

Weights and measures: British and metric; the short ton of 2,000 lb. or 907.18 kg. is used.

Electricity supply: 200 volt single-phase and 380 volt three-phase, 50 cycle A.C.

Capital: Lusaka.

Marketing centers: Kitwe, Ndola, Luanshya and Chingola in the Copperbelt (Zambia's most developed area). Broken Hill is the headquarters of Zambia Railways and the Broken Hill Lead and Zinc Mine.

Political status: formerly Northern Rhodesia. Zambia became an independent republic on October 24, 1964.

Economy: the GNP is Cdn.$1,084.2 million. Gold and foreign exchange reserves amounted to U.S.$110.2 million in July 1968.

Total Zambian imports: 1967—kwachas 306.3 million; 1966—kwachas 246.1 million.

Chief imports: (millions of kwachas) 1967—machinery and transport equipment 126.3; manufactured goods classified chiefly by material 65.5; minerals, fuels, lubricants and related materials 31.2; miscellaneous manufactured articles 28.4.

Chief suppliers: (per ceot) 1967—South Africa 24, Britain 21, Uoited States 11, Rhodesia 10, Japan 6.

Value of imports from Canada: 1968—Cdn.$1.94 million; 1967—Cdn.$4.08 million; 1966—Cdn.$1.38 million.

Chief imports from Canada: (Cdn.$'000) 1968—transportation equipment and parts 624.2, building materials 414.2, sulphur 199.0, lumber 205.3, industrial and mining machinery 183, paper 137.

Total Zambian exports: 1967—kwachas 468.1 million; 1966—kwachas 493.5 million.

Chief exports: (millions of kwachas) 1967—copper 418.4.

Chief markets: (per cent) 1967—Britain 28, Japan 21, West Germany 9, Italy 8, France 7.

Value of Canadian purchases: 1967—Cdn.$21,157; 1966—Cdn.$8,319.

Chief Canadian purchases: (Cdn.$'000) 1967—tobacco, unmanufactured stemmed 15.8.

Prices: quote c.i.f. kwacha or U.S. dollars to the designated port of entry.

Visas: no visa required for Canadians. **Inoculations:** smallpox.

Documentation: a prescribed form of a combined certificate of value and origin is required for exports to Zambia. Copies are available from commercial stationers.

Tariff: single column from all sources. Commonwealth preference abolished in January 1966.

Air services: East African Airways and BOAC offer scheduled flights from London and Zambia Airways from Nairobi.

Shipping services: monthly service from Canadian ports to South and East Africa.

Marking, packaging and labelling: no legal requirements; generally follows closely British practices. Outer packings should provide the strongest protection against climate and extremely rough handling.

Correspondence: airmail; 25 cents per half ounce.

For detailed information on this market write to: Commonwealth Division, Office of Area Relations, Department of Industry, Trade and Commerce, Ottawa, or

Commercial Secretary, Office of the High Commissioner for Canada, P.O. Box 3778, Nairobi, Kenya.

Rhodesia's UDI has posed problems for Zambia but for its Western suppliers it has opened up opportunities.

■ Zambia, a landlocked nation located in Central Africa, is bounded by the Congo, Tanzania, Malawi, Mozambique, Rhodesia, Botswana, Southwest Africa and Angola. The difficulties imposed by its geographic situation were greatly increased by Rhodesia's unilateral declaration of independence, coming barely one year after Zambia gained its independence. These problems come into sharper focus when one remembers that Zambia was once a sister colony to Rhodesia and they were closely integrated economically. Before UDI, Zambia's only major access to the sea was through Rhodesia to the port of Beira in Mozambique. It is therefore no exaggeration to state that Zambia's first few years of independence have been a struggle to build a nation despite the Rhodesian UDI.

Copperbelt Supports Economy

Any discussion of the Zambian economy must revolve around three key factors: the production and export of copper, lead and zinc, the Zambianization of the cash economy, and the reorientation of trade and supply patterns away from Rhodesia and South Africa.

The mainstay of Zambia's economy is a mineral-rich strip of land which lies just south of the Congo Pedicle. This narrow piece of land, 70 miles long and 30 miles wide and known as the Copperbelt, was last year the world's third largest producer of copper metal. Nearly one quarter of the world's known copper reserves, it is estimated, are there. The seven major mines account for almost all of Zambia's exports and provide the largest part of its revenue.

Notwithstanding the transportation and fuel problems imposed by Rhodesia's UDI, in 1967 the Zambian mining industry produced 653,000 long tons of copper valued at Cdn. $670.5 million. It is not only the largest but virtually the only source of foreign exchange because it accounts for approximately 95 per cent of exports worth Cdn.$702.3 million. In addition, it also provides Cdn.$225 million to the Government, or 56 per cent of its total 1967 revenue of Cdn. $402 million. It is Zambia's largest employer of labor and its force of just over 47,000 constitutes 14 per cent of the country's paid workers.

The mines of the Copperbelt are owned and operated by two international groups, Roan Selection Trust and Anglo-American Corporation. The latter, through its Nchanga, Bancroft and Rhokana mines, is responsible for just over 50 per cent of copper production. The remainder of the copper is obtained from RST's Mufulira, Chibuluma and Luanshya mines.

One of the major problems confronting the mining industry as a result of Rhodesia's UDI has been the supply of coal. The Wankie colliery in Rhodesia was the traditional source of supply but because of transportation difficulties arising from the breakup of the Rhodesian Railways, it became necessary to find alternative sources. Zambia has opened a surface coal mine at Nkandabwe in the Zambezi Valley and another is under development at Mamba. The higher ash content of these coals, however, makes it likely that some Wankie coal will continue to be used. The Government has stated that through the use of washing plants and selective mining practices the proportion of Rhodesian coal will be kept at a maximum.

Copper Development Continues

The copper industry has shown considerable development over the last year and this is likely to continue for the foreseeable future. Four new open pits are being exploited by Anglo-American and a large extension is under way at its Nchanga mine. Negotiations have been conducted with two Japanese firms to provide Zambian Anglo-American Corporation with a loan of U.S.$42 million for development purposes. In addition to the loan, there are deferred payment arrangements for a further U.S.$28 million worth of machinery and equipment. As part of the terms of the agreement, the Zambian Anglo-American Corporation will provide Japan with 100,000 tons of copper a year for the next ten years.

Roan Selection Trust is concentrating on its Kolengwa and Baluba projects. Operations are expected to begin this year at Kolengwa, which will produce initially 13,000 long tons of copper. The full potential of Baluba is still to be ascertained. Because of the success of new mining methods, it will be possible to increase the capacity of Mufulira mine by 25,000 long tons of copper a year to a total of 187,000 long tons.

Although the importance of these mines to the Zambian economy is undeniable, the amount of revenue they yield depends entirely on world copper prices. In the past four years, events in Chile, the U.S. and Vietnam have supported high copper prices which in turn helped finance much of Zambia's development needs. Unfortunately the price, which reached a yearly average of U.K.£550 per ton in 1966, dropped to U.K.£361 in April of 1967 and although the backlog of U.S. demand is still supporting a price in the U.K.£440 range, many forecasters expect the price to fall heavily in 1969.

Zambians to Take Control

The dangers of a one-product economy have long been known to the Zambian Government and accordingly it has encouraged the private sector to diversify away from copper as quickly as possible. Only slow progress has been made and in the spring of 1967 the Government embarked on a more positive program. On April 19, 1968, President Kaunda delivered a speech at Mulungushi in which he outlined his Government's plans to Zambianize the economy. The main feature of the reforms was the nationalization of 25 key companies to give the Government control over the building materials and hardware,

brewing, road transport, consumer goods distribution, sawmilling and fishing industries. In addition, controls were imposed on borrowings and remittance of dividends by non-Zambian companies and on the issuance to non-Zambians of trading licences, road transport licences, liquor licences, and building and mineral permits.

The Zambian Government enacted these reforms to obtain a greater degree of control over the commercial sector to ensure that development takes place in accordance with its own priorities. It also feels that Zambian nationals should share more fully in the fruits of their country's development. At present much of this sector is closed to Zambians except at the lowest levels.

Of all the reforms announced at Mulungushi, two stand out as having the greatest potential impact on the Zambian economy: the nationalization of key firms and the control of trading licences.

The development of industry in Zambia since independence has takcn place almost entirely within the confines of the government-owned Industrial Development Corporation (INDECO). Most of the private sector investments have been in the form of expansion of existing resources, either to meet increasing demand or to reduce reliance on Rhodesian sources of supply. On the other hand, by 1970 INDECO will have assisted in bringing into operation the following lines of production not in the country before: grain bag and hessian manufacture, fertilizers, clay pipe manufacture, tires and tubes, textiles, copper fabrication. It will also have greatly expanded cement production, built up a large road-transport company, established an oil pipeline, widened the scope of wholesaling, and put up the country's two international class hotels. It has also helped finance various enterprises, ranging from the manufacture of boiled candy to flashlight batteries.

INDECO Takes Charge

Control of the nationalized firms will rest with INDECO, which in the past has shown itself a capable administrator. In some companies the only physical change resulting from the takeover will be the appointment of INDECO directors, leaving the operational management intact. In others it will involve the expansion and rationalization of the industry. These acquisitions have brought the value of the Corporation's total assets close to those of the country's second biggest organization, the Roan Selection Trust group of copper mines. INDECO's size and government backing may enhance its ability to attract foreign capital into joint ventures.

The object of the trading licence provisions in the Mulungushi declaration is to place retail trading in the hands of Zambian citizens. These measures were to take effect December 31, 1968, and they apply to all non-citizen traders, except those whose shops are in the center of the ten largest towns. It is still too early to evaluate with any precision the effect of these measures. It will without any doubt be great because the majority of retail outlets in the rural areas are owned by non-citizens.

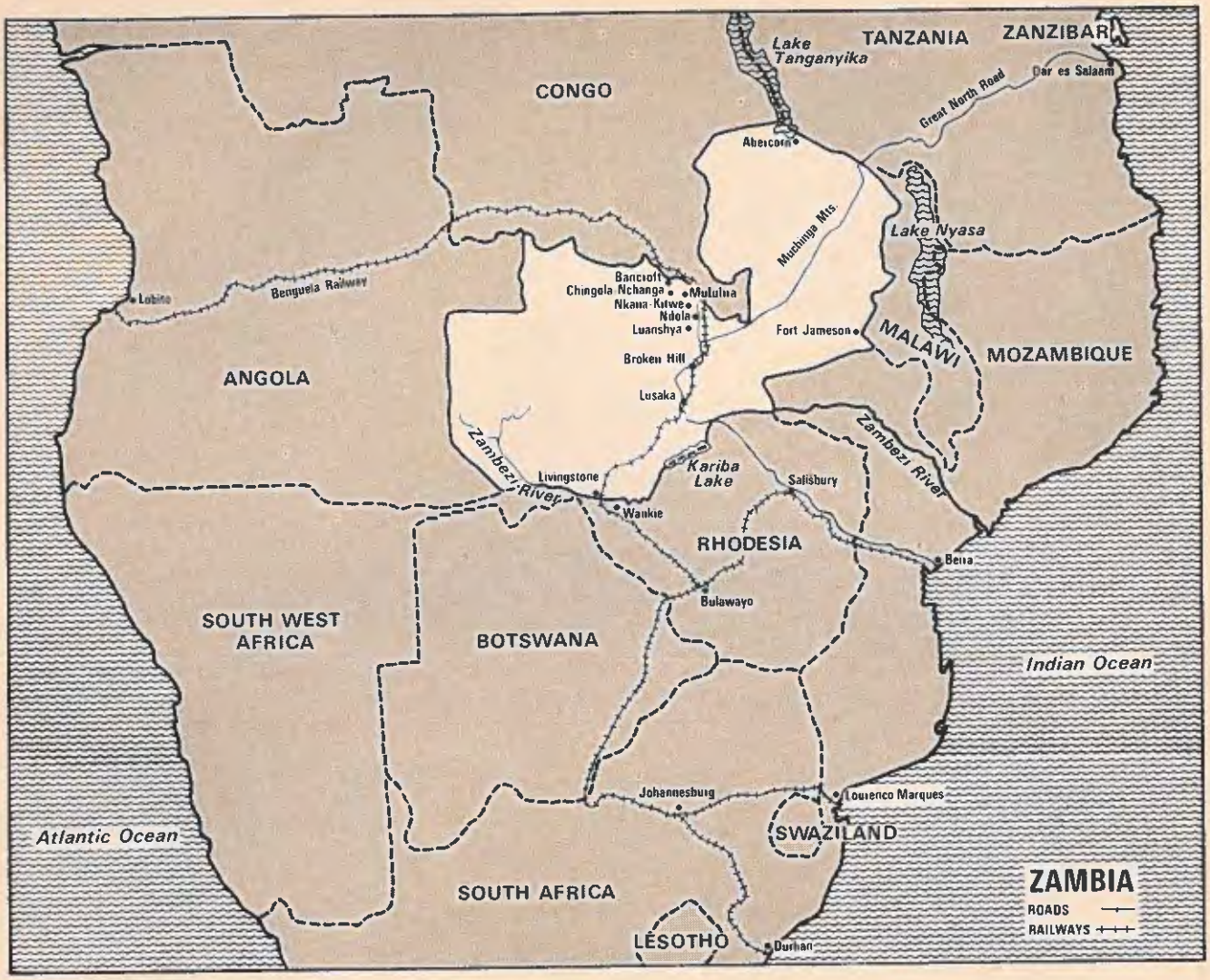
Although these economic reforms will undoubtedly ensure that Zambia's financial resources are available for the development of the country, their severity may make it difficult to attract new foreign capital, at least in the short run.

Transportation a Problem

The reorientation of trade away from Rhodesia, which remains one of the Government's prime objectives, stems from the imposition of trade sanctions resulting from UDI. This reorientation can only be effected as alternative sources of supply and transportation routes are found.

From November 1965 on, Zambia had to take emergency action. In a matter of months and at enormous cost it transformed the Great North Road, which links Ndola on the Copperbelt with Dar es Salaam, from a little-used dirt track to a serviceable gravel highway. In the not too distant future there will be a modern tarred highway bridging the 1,000 miles

This is Dar es Salaam at the seaward end of the Great North Road, built to provide an alternative route for Zambian trade when Rhodesia announced UDI. A pipeline was added later and by 1975 the railway will follow a similar path.



which separates Ndola from Dar es Salaam in Tanzania.

The other major route improvised by the Zambians was the rail link to Lobito Bay in Angola. In 1968 more than 15 per cent of the Copperbelt's metal exports went to world markets via the Benguela Railway, although before 1966 this line carried virtually no Zambian traffic. One hazard of this route has been the tendency of Angola freedom fighters to blow up the line. Fortunately, this hazard seems to have lessened considerably in the past few months.

The third major project undertaken by the Government was the construction of a fuel pipeline from Dar es Salaam to Ndola in the Copperbelt. This project was completed in a record 17 months by an Italian firm at a cost of U.K.£16 million. During this period all of Zambia's petroleum needs had to be trucked over the newly built Great North Road, a distance of approximately 1,000 miles. Because of the primitive conditions of the road, made worse by the heavy volume of traffic, it quickly became known as the "Hell Run".

Notwithstanding these and other major projects, Zambia still depends heavily on the rail route southward to the ports of Durban, Lourenco Marques and Beira. More than half of Zambia's imports still come across the Victoria Falls Bridge linking Zambia with Rhodesia.

This dependence is not likely to end until approximately 1975, when the railway to Dar es Salaam is due to be completed. This railway is to be undertaken by the People's Republic of China. At present at least 300 Chinese experts are making a detailed survey of the route which has been costed at approximately Cdn.$300 million. Until the rail link comes into being, Zambia will import and export increasingly over the Great North Road, the Benguela Railway and via Zambia Air Cargo.

Sources of Supply

Zambia has not only attempted to change its supply routes, but also its sources of supply. In 1965 it obtained 75 per cent of its imports from three countries: Southern Rhodesia, Britain and South Africa. In 1967 the same three countries provided only 55 per cent of imports. This decline was largely at the expense of Rhodesia, since the British-South African percentage of Zambian imports remained essentially constant. Rhodesian exports

to Zambia in 1967 represented only 11 per cent of the total imports versus 39 per cent in 1964. South Africa, Japan and the United States have benefited greatly from the search for new sources of imports.

In 1968 Zambia's import bill rose from Cdn.$369 million to a record Cdn.$459 million; the value of exports fell by Cdn.$37.8 million to Cdn.$702.3 million, principally because of lower world copper prices. The export surplus, a noticeable feature of Zambia's trading pattern since independence, was reduced from Cdn. $370.5 million to Cdn.$242.7 million. In 1969 further substantial growth of imports may further reduce this surplus and may even give Zambia its first trade deficit.

Under the momentum of Zambia's development needs, imports of industrial machinery and transport equipment continued their rapid growth, accounting for Cdn.$43.5 million of the Cdn.$90.2 million import increase. Over 33 per cent of the Zambian import bill, shown in Table I, now consists of these types of capital equipment.

Canadian Opportunities

Canadian sales to Zambia in the first ten months of 1968 totalled Cdn. $1.84 million. The trade figures given in Table II indicate a spectacular increase in exports for 1967. Approximately Cdn.$2.0 million of this increase resulted from the sale of heavy-duty trucks for use on the Great North Road. Even if we disregard this item, the pattern over the three-year period is one of steady growth.

Opportunities for Canadian exporters lie mainly in the fields of building materials, industrial and mining machinery, and transport equipment. These opportunities arise naturally from the extensive expansion programs of the mining companies, the many large construction programs being undertaken by the Government in accordance with its ambitious development program, and the private sector's efforts to comply with the Government's wishes in establishing import replacement industries. In addition, the increasing reliance on the Great North Road as a major access route to the sea will undoubtedly create new demands for heavy transport equipment. A further area of opportunity for Canadian firms lies in telecommunications. As Zambia continues to pursue its policy of reorientation away from Southern Africa towards East Africa, Europe and America, it will require new communications networks.

Undoubtedly, Zambia's greatest barrier to development is the shortage of skilled manpower. Therefore, success in this market, particularly when dealing with the Government on large projects, often depends on the presentation of comprehensive proposals that include servicing arrangements and, when necessary, provision for the training of local personnel. Financing should also be designed to fit into the local package. Consequently, the supplier who places the least strain on Zambia's scarcest resources by providing the potential purchaser with a complete package will have the best chance of gaining a hearing and ultimately of selling his product or service.

Complete details on the market potential for specific products or services can be obtained by writing to the Commercial Secretary, Office of the High Commissioner for Canada. P.O. Box 3778, Nairobi, Kenya.

TABLE I

WHAT ZAMBIA BUYS

	1965	*1966*	*1967*
	(Cdn.$'000, c.i.f.)		
Food	24,798	29,682	32,097
Beverages and tobacco	4,206	4,539	3,189
Crude materials	5,499	6,885	6,630
Mineral fuels and electricity	29,814	29,400	46,851
Oils and fats	1,941	3,945	3,522
Chemicals	30,228	28,866	31,074
Manufactures, classified by materials	74,625	82,677	98,280
Machinery and transport equipment	104,385	146,904	189,519
Miscellaneous manufactured articles	38,937	35,727	42,564
Miscellaneous transactions	594	549	5,727
Total	**315,027**	**369,174**	**459,453**

TABLE II

WHAT CANADA SELLS TO ZAMBIA

	1966	*1967*	*(10 months) 1968*
	(Cdn.$, f.o.b.)		
Foodstuffs	38,466	45,719	34,638
Raw materials or crude materials	.....	599	199,752
Lumber	372,884	490,074	186,329
Paper	86,742	68,395	102,345
Building materials	141,533	177,693	414,208
Industrial and mining machinery and parts	315,233	317,830	178,132
Transportation equipment and parts	330,584	2,837,099	624,186
Miscellaneous electrical and mechanical equipment and parts	43,151	73,162	71,393
Miscellaneous manufactured articles	54,737	70,994	32,884
Total	**1,389,330**	**4,081,565**	**1,844,767**

International Loans Announced

Education in Guatemala—The World Bank has announced a loan of $6.3 million to Guatemala, covering half the cost of building and equipping a school to train secondary school teachers, fifteen general secondary schools, and an extension to the Technical Institute of Agriculture.

Power in Taiwan—The World Bank is making a loan of $50 million to Taipower to be used for the $89 million Tachien hydroelectric development. Taipower has a $750-million, eight-year expansion program to meet the power needs of the Republic of China (Taiwan).

Pacific Markets for Wood Products

Japan—housing programs provide big market for decorative and construction timber

S. G. HARRIS
Commercial Secretary, Tokyo

■ Our sales to Japan have broken records year after year and now this market ranks third as an outlet for our lumber. Because the increasingly affluent Japanese are expected to pay more attention to housing and other social infrastructure projects in the next ten years, we can look forward confidently to expanding lumber sales.

After World War II Japanese cities were quite literally piles of ashes. In the immediate postwar era, temporary and makeshift programs characterized housing policy while the country's main effort was directed to rebuilding industry and a healthy economy. In 1966, the Ministry of Construction embarked on a five-year program to build 6,700,000 homes with the slogan of "One family for one home". This is the first phase of a twenty-year program to provide one room for every person. Figures for house construction during the last three years point to the 1971 target being reached and plans are being drawn up for the second five-year program.

In 1968, 1,300,000 new housing units were completed. Forty-six per cent of these were single-family wooden dwellings and the remainder multiple dwelling units; multi-storey ferro-concrete apartments account for an increasing share each year. The trend to concrete apartments is not expected to reduce the demand for wood substantially because the interiors are almost entirely finished in wood. Besides, concrete creates a demand for plywood forms.

The influence of Buddhism, with its strong attachment to nature's materials, gives wood and wooden surfaces an almost religious significance in Japan. In no other country is wood used to such good advantage or so much appreciated. So strong is the Japanese fondness for wood that even though a private wooden home is beyond the reach of many Japanese, they want the same atmosphere of wood and warmth in their concrete apartment. This is perhaps just as well in this high earthquake zone because wood gives that little extra protection over masonry needed to survive seventy-odd tremors a day and an average of one substantial shake a month.

All who visit Japan are impressed with the way every available inch of land is used. In the country, rice paddies come within inches of the doorstep; in the cities, houses and other buildings are erected on the most improbably small and awkward plots. With so much pressure on land, every structure is custom-tailored to its plot; the builder is an artisan who fashions buildings to suit the particular needs of each client. As a result, the average builder is a small businessman with limited finances, little more than traditional skills, and a built-in bias against change. He uses the post-and-beam method and makes the skeleton of the building from 4 inch

Technological change comes very easily to the Japanese but in their houses much of the old tradition remains. Wood has a special significance. In modern apartments its warmth helps to recreate the aura of an ancestral home in the country.

× 4 inch timber. On this he puts a roof of Japanese tile or painted galvanized steel sheets and he makes the walls with plaster on lath.

The interiors are finished with great attention to detail. Decorative plywood (or paper on plaster) covers the walls. The floors in the bedrooms and dining room are tatami and elsewhere are polished wood, parquet or veneer. Paint is seldom used either inside or out. A thin coat of clear varnish is occasionally applied to floors but more often a simple polish is used which improves with age and the shuffling of stockinged feet over it produces a beautiful patina.

Delightful as these traditional houses are, change is coming at an ever-quickening pace. The government-backed Japan Public Housing Corporation and numerous local government housing bodies are embarking on large development schemes in suburban and rural areas. Thousands of multi-storey apartments for workers and sleek new Japanese homes for the middle and upper classes are going up. The mass construction techniques of the big developers are taking over from the local builder's time-worn methods.

There has been a large increase in factory-built homes. Prefabricated homes amounted to less than 50,000 units in 1966 but by 1970 some 250,000 units will be built. This business has expanded at the rate of 50 per cent a year for the last three years and the pace will be maintained or even increased. In recent months, three of Japan's largest industrial/financial groups (Mitsui, Mitsubishi and Sumitomo) have announced their intention to enter this field.

Substantial Local Production

Obviously, the Japanese housing program will require large quantities of lumber. Where will it come from? Large areas in Hokkaido and on the steep mountain slopes of the other islands which are unsuitable for agriculture are used for forestry. From them Japan obtained just over half its needs in 1968 (see Table I). Domestic production has remained nearly constant for several years at about 22.5 billion board feet; requirements in excess of this have to be imported.

Table II gives the industry's estimates of supply and demand in the 1967-1969 period. Table III shows timber imports by country of origin, and Table IV gives a breakdown by species of imports from North America.

Japan imports softwood logs from the Soviet Union and North America for its sawmills. The only imports used without further processing are approximately half of the Canadian baby squares (4 inches × 4 inches) and a few of our larger-sized timbers for construction work. All the rest are resawn into a great variety of shapes and sizes for the domestic market.

There are about 25,000 sawmills in Japan, most of them small and many operating on a financial shoestring, with the trading companies and importers as creditors. Because a worker in Japan joins a firm for life he generally cannot be laid off when trade is slack. Coupled with heavy overheads and the high cost of servicing debts, it means that the mills have to keep operating full-time and are liable to incur further indebtedness to the banks and trading companies. This influences market behaviour in times of falling prices, the recent experience.

Present Market Situation

During the second half of 1968, the Japanese lumber market suffered from a severe glut and prices fell, for several reasons. It wasn't because of a major drop in demand, although consumption increased rather more slowly than in 1967. A series of extraneous factors brought on the spate of panic buying by Japanese importers. First, there was the increasing difficulty of obtaining logs from Southeast Asia (the main source) because South Korea and Taiwan were buying more of them. Other countries such as the Philippines and Malaysia imposed export restrictions to encourage domestic industry. Second, the United States Government announced restrictions on the export of logs from West Coast National Forests and it was feared this would deny Japanese industry another major source of supply. As a result, Japanese importers vied with each other for timber supplies all over the world and overcommitted themselves at prices which were higher than normal. The same events led Japan to push through an agreement with the U.S.S.R. to exploit forests in Siberia. Under the five-year agreement signed in July 1968, Japan will lend the Soviet Union $163 million to be spent on machinery and equipment for the forestry development project, to be repaid in logs over the next five years. This contract will result in an additional eight million cubic meters* a year of Russian timber over and above the regular supplies covered under the Japan/U.S.S.R. Trade Agreement.

Russian spruce is the main cause of the present glut in the Japanese market. Ports and storage yards are jammed and the Japanese want to stretch out 1969 deliveries to alleviate the situation.

Canadian timber sales have not been badly hit so far and, as most sales have been on contract, 1968 figures will show an increase over 1967. The glut will probably continue well into the middle of 1969 and contracts coming up for renewal may be somewhat reduced. At present, domestic stocks are equivalent to three to five months' supply compared with the normal cover of a month to six weeks.

Short-term prospects are not too encouraging but the longer term is much brighter. Demand is still strong and the increasing emphasis on housing and other construction is an assurance of a continuing market. The demand for Canadian timber will remain strong, especially when the supply of logs from the U.S. Pacific Northwest is curtailed.

Most Canadian timber exports to Japan are baby squares (4 inches × 4 inches) and medium or Japanese squares (12 inches × 12 inches or 14 inches × 14 inches). About 80 per cent of Canadian exports are hemlock; the remainder is virtually all spruce and cedar. There are occasional shipments of Douglas fir and other species.

Imports from Alaska and the U.S. Pacific Northwest are basically the same species but almost entirely logs in the round. Logs are occasionally shipped from British Columbia but only when there is surplus production in Canada.

*One cubic meter equals approximately .2208 thousand f.b.m.

—continued on page 10.

TABLE I

JAPANESE TIMBER PRODUCTION

	1966	1967
	(million f.b.m.)	
Softwoods	**14,805**	**14,126**
Pine	3,414	3,216
Cedar	5,575	5,235
Cypress	2,299	2,180
Hemlock and fir	615	590
Larch and spruce	2,377	2,420
Others	525	485
Hardwoods	**6,829**	**7,843**
Oak	413	452
Beech	1,021	1,068
Others	5,395	6,324
Total	**21,634**	**21,969**

Source: Japan Lumber Journal

TABLE II

HOW JAPAN SATISFIES ITS TIMBER NEEDS

	1967	1968	1969
	(million f.b.m.)		
Demand	**36,442**	**39,527**	**42,266**
for			
Lumber	23,489	25,578	27,392
Paper and pulp	8,251	9,082	9,816
Plywood	3,169	3,577	3,821
Others	1,568	1,290	1,227
Supply	**36,442**	**39,527**	**42,266**
Indigenous timber	22,362	22,539	23,320
of which:			
Logs	21,969	22,140	22,854
Waste wood at timber land*	393	399	466
Imports	**14,079**	**16,988**	**18,946**
of which:			
Logs	8,588	12,744	13,787
Lumber	1.105	1,457	1,894
Wood chips	589	1,272	1,696
Pulp	1,202	1,451	1,506
Veneer and plywood	24	42	42
Others	28	21	21

Source: Japan Lumber Journal

*Waste wood from indigenous timber at the mill was mainly used for paper and pulp. The figures, not included in the table, are 2,297 million f.b.m. in 1967, 2,528 million in 1968, and an estimated 2,849 million in 1969. Imports for 1967 are actual figures; for 1968 and 1969 estimates are used.

TABLE III

JAPAN'S MAIN OVERSEAS SUPPLIERS

	1968 Jan.-June		1967 Jan.-June		1967 July-Dec.	
Origin	*Quantity ('000 f.b.m.)*	*Value ($'000 c.i.f.)*	*Quantity ('000 f.b.m.)*	*Value ($'000 c.i.f.)*	*Quantity ('000 f.b.m.)*	*Value ($'000 c.i.f.)*
North America	2,271,768	231,072	1,589,010	158,245	1,987,249	202,803
Logs	1,793,063	180,196	1,250,966	122,904	1,614,463	157,029
Lumber	477,997	50,876	338,043	35,341	372,786	40,219
U.S.S.R.	1,236,016	79,501	1,022,005	55,042	1,128,942	64,512
Logs	1,200,008	75,944	1,001,231	53,283	1,100,029	61,822
Lumber	38,128	3,557	20,773	1,758	28,913	2,690
Southeast Asia	2,979,645	200,841	2,267,796	177,480	3,019,066	205,711
Logs	2,775,730	198,105	2,250,220	175,583	2,991,648	202,349
Lumber	21,915	2,736	17,576	1,897	27,418	3,363
New Zealand	280,602	18,374	107,258	6,305	166,231	10,147
Logs	265,911	16,943	107,250	6,304	159,902	9,510
Lumber	14,691	1,431	8	1	6,329	637
Other	357,799	33,929	313,252	29,588	382,817	26,680
Logs	378,880	27,604	298,834	23,644	371,638	22,940
Lumber	21,320	6,325	14,426	5,944	11,171	3,749
Product summary						
Logs	6,413,164	498,792	5,120,492	381,690	6,030,186	455,867
Lumber	571,931	64,924	390,828	44,941	448,977	51,860
Wood chips	486,403	22,789	148,613	7,902	439,339	16,238
Total	**7,471,921**	**586,505**	**5,659,934**	**434,534**	**6,918,489**	**524,009**

Source: Japan Lumber Journal

TABLE IV

WHAT JAPAN IMPORTED FROM NORTH AMERICA, 1967

	British Columbia	Washington	Oregon	California	Alaska	Total
			(thousand f.b.m.)			
Logs	218,249	1,951,241	597,607	90,173	29,611	2,886,881
Hemlock	84,214	1,296,927	387,444	16,187	.....	1,784,772
Douglas fir	11,674	365,510	99,100	8,380	.....	475,665
Spruce	61,154	88,834	14,006	1,771	29,611	195,376
Red cedar	36,324	113,852	4,558	1,868	.....	156,560
Noble fir	774	60,692	35,913	914	.....	98,292
Port Orford cedar	1,597	377	37,527	9,724	.....	49,225
Yellow cedar	20,042	13,002	81	70	.....	23,195
Douglas fir piling	399	4,838	3,090	.....	.....	8,327
Cottonwood	1,537	2,785	142	.....	.....	4,465
Other	576	13,424	15,746	51,259	.....	81,005
Lumber	472,294	17,328	25,242	75	205,447	720,396
Spruce	22,369	152	.....	.....	205,447	227,968
Hemlock baby squares	197,590	2,098	1,503	.....	.....	201,186
Hemlock squares	133,791	1,385	6,764	.....	.....	141,940
Red cedar	39,176	239	50	.....	.....	39,465
Douglas fir squares	15,446	11,088	10,828	.....	.....	37,362
Hemlock	27,624	100	1,880	.....	.....	29,604
Yellow cedar	24,573	311	.....	.....	.....	24,884
Douglas fir	11,233	1,960	4,203	75	.....	17,471
Other	492	.....	25	.....	.....	517
Total	**690,543**	**1,968,569**	**622,859**	**90,248**	**235,058**	**3,607,277**

Source: Japan Lumber Journal. Figures are based on invoices.

Plywood Presents a Challenge

During 1966 and 1967 Canadian exporters sold substantial quantities of Douglas fir plywood to Japan (1.3 million square feet of softwood plywood in 1966, 28.9 million in 1967, and 7.1 million in 11 months of 1968, calculated on a ⅜-inch thickness basis). This was unusual and was due to depressed prices in North America and in traditional markets in Britain and Europe coinciding with a spurt in building activity in Japan. Also, Japanese contractors were beginning to experiment with North American plyform techniques for concrete formwork. Before this, Japanese plywood makers had not shown much interest in the heavier grades of plywood used for concrete formwork. As soon as the Japanese plywood manufacturers became aware of the demand they laid down new capacity capable of producing 1.5 million plyform sheets a month from September 1968. Consequently, imports of Douglas fir plywood are now much smaller.

From a technical standpoint, luan plywood is not as suitable for plyform work as the stronger and more durable Douglas fir. Price seems to be a dominant factor and recently sales of Canadian Douglas fir plyforms have fallen drastically.

There are many problems to overcome if we are to expand Canadian plywood sales in the Japanese market. Apart from price, there is the problem of sizes. Canadian mills are geared to produce 4 foot × 8 foot standard plywood sheets. For other sizes a premium is demanded. However, the Japanese prefer 2 foot × 6 foot and 3 foot × 6 foot sheets. These fit in with other Japanese measures, particularly the size of tatami mats, the modular factor around which Japanese homes are built. Because the Japanese workman is slight in stature, he finds a 4 foot × 8 foot sheet too big to handle conveniently. There is, nevertheless, a rapidly expanding market for plywood for concrete formwork, house construction, containers and packing. During February the Canadian Douglas fir plywood industry had a mission in Japan investigating market prospects. Canadians hope to get a worthwhile share of any new demand for plywood.

Despite some temporary problems, we can look forward to a large and growing market for Canadian lumber. The Japanese have a predilection for natural wooden surfaces. Promoting plywood sales here offers a challenge, particularly in introducing new applications. Perhaps the most exciting new development is the expanded housing program and the prospects of a big increase in production of factory-built houses.

If you would like further information on the Japanese lumber market, please write to the Commercial Division, Canadian Embassy, Akasaka, Tokyo, 107 Japan.

Australia—the market is developing fast; promotion can introduce new species.

A. J. STEWART, *Assistant Commercial Secretary, Sydney*

■ Despite supply problems, exports of Canadian lumber to Australia in 1968 have, it is estimated, exceeded 1967's record 134.8 million board feet. Latest figures place the 11-month total at 129.4 million board feet, valued at just over Cdn.$12.9 million. The principal species are still Douglas fir (Oregon in Australia), Western red cedar and hemlock (known here as Canada pine) shipped from the West Coast of Canada. These three varieties have accounted for over 95 per cent of total lumber sales to Australia in recent years. Much smaller quantities of pine, spruce, maple and basswood also enter Australia and they have remained relatively constant; shipments totalled over 1.2 million board feet in 1968.

Besides lumber for the construction market, Canada supplies hardwood and Douglas fir plywood, increasing amounts of shingles and shakes, and hardwood veneers. Shipments of plywood (mostly Douglas fir) were worth over Cdn.$250,000 in 1968. Despite their high cost, Western red cedar shingles and shakes have grown in popularity. Although imports were worth only Cdn.$15,000 last year, the attractive finish they produce and the way they fit into the Australian landscape have made an impression.

The accompanying box feature gives details of the major lumber products sold in Australia.

Marketing Down Under

The marketing of timber in Australia has been largely influenced by two factors: the tariff structure and the absence of a national building code. Generally speaking, the larger the end section of the flitch, the lower the tariff. Conversely, the highest duties are on cut and dressed timber. For example, the duty on Douglas fir with an end section of greater than 72 square inches is A$9.00 per 1,000 board feet and the duty on sizes less than 72 square inches but over 24 square inches is A$15.00 per 1,000 board feet. This has resulted in business being concentrated in the hands of importers able to purchase these large sizes in quantity. The absence of a national building code means that an architect or builder can and will specify whatever size of timber he is accustomed to using. This has led to a myriad of different sizes.

The importer buys from the Canadian exporter's agent in Australia and sells to the timber merchant who cuts the flitches into the sizes he requires. This setup was necessary because of the large inventory which both had to carry. Over the years, a number of merchants have become large enough to import on their own account. These importer-merchants are only the largest companies and they buy timber at the same price as quoted to the individual importer.

The largest market for imported timber in Australia is the state of New South Wales, followed by South Aus-

tralia and Victoria. South Australia generally imports more than Victoria but total consumption in Victoria is larger because it has supplies of locally grown hardwoods. The other Australian states import substantially less timber from all sources.

In 1967-68, New South Wales imported 149.3 million board feet of softwood lumber, South Australia over 45.8 million and Victoria 44.7 million. South Australia generally takes all grades; Victoria buys our higher grades for dressing and larger sizes for industrial uses. Victoria uses its own hardwoods for framing and also brings in some 65 million board feet from Tasmania (mainly for housing). Our higher-grade timber finds its way into feature walls and fascias; the larger sizes are used for industrial purposes.

New South Wales imported some 99.2 million board feet of Douglas fir, South Australia 38.6 million and Victoria 29.3 million. The same pattern generally holds for hemlock, except that Victoria uses much less of this timber than South Australia. In 1967-68 Victoria imported some 67,000 board feet compared with South Australia's 1.8 million.

Western red cedar is combined with redwood in a single statistical category and so an individual state's imports are difficult to determine. However, the larger part of this category is cedar for which New South Wales is the leading market. Contrary to the pattern for Douglas fir and hemlock, with Western red cedar Victoria replaces South Australia as the second largest importer. No domestic timber competes directly with Western red cedar.

The plywood market in Australia does not follow the general timber pattern. New South Wales, South Australia and Victoria all consume about the same amount, between a million and a million and a half square feet in 1966-67.

Victoria should present greater opportunities for Douglas fir and hemlock. This market is gradually using more softwoods for housing. Builders find that the ease of handling, nailing and working with softwood generally offsets the price differential between local hardwoods and softwoods. There is now a growing demand in Victoria for softwoods which so far has been confined to domestic or New Zealand varieties. The price differential between Canadian and Victoria or New Zealand softwoods (which are duty-free) has been too great for Canadian timber to enter the market. However, with demand increasing this may change. As the differential narrows, Victoria should provide more scope for our exporters.

Major Wood Products Sold In Australia

Douglas fir—For 60 to 70 years this species has been accepted by the trade here as an excellent construction material. It is also used for fascias and joinery work. Because of this long-standing acceptance, the market for fir does not fluctuate much from year to year. Our exports since 1967 have varied by only about 10 per cent, ranging between 90 and 100 million board feet. Last year, shipments to the end of November amounted to 93 million board feet, valued at over Cdn.$9 million.

Because of the tariff structure, the usual size of fir shipped is 6 inches × 12 inches and wider. Most mills in Canada only cut limited amounts of these larger sizes and marketing in Australia as a result is governed more by supply than demand.

Hemlock—This timber was not acceptable until a few years ago. Widespread promotion and the difference in price between fir and hemlock resulted in steadily increased use. The price differential remains and through experience with hemlock as a construction material a preference for it has been built up; there is now a fairly steady demand. Exports of hemlock have risen from 5.4 million board feet in 1962 to 15.7 million in 1967 and 1968 exports equalled or surpassed this.

Western red cedar—Over the past ten years, use of this species has shown a remarkable growth because it is a stable timber and retains its shape extremely well. Australian timber merchants have appreciated the steady supply and have been influenced by the heavy promotion carried out by the British Columbia Lumber Manufacturers through their office in Sydney.

For seven years the use of Western red cedar increased over 20 per cent a year. Our exports to Australia for 11 months of 1968 reached 20.9 million board feet valued at over Cdn.$2,250,000; exports in 1962 were 6.4 million board feet valued at Cdn.$694,000. The average rate of increase was not maintained in 1968 because buoyant world demand meant tbat not as much cedar was available to the Australian market. In Australia, Western red cedar is generally used for panelling, exterior and interior feature walls, and joinery work.

Plywood—The high tariff (now 47½ per cent) means Canada cannot compete in the Australian plywood market except in the larger sizes. We ship ¼-inch thick and larger. The 11-month export figure for last year was 4.7 million square feet on a ¼-inch thickness basis. It was mainly Douglas fir plywood. The 1968 total was down sharply from 1967, but even so was expected to reach Cdn.$300,000.

Because only the thicker sizes are imported, Canadian plywood is generally employed as a construction material, particularly for concrete forms. Neither plywood sheathing nor plywood subflooring is used in Australian building so the market is severely limited. Some plywood is used for decorative purposes, usually the smaller thicknesses in which Canada is not able to compete.

Shingles and shakes—More homes are being designed in Australia incorporating this material but cost limits its use to specialty bouses. For example, a Western red cedar shingle roof is about twice as expensive as tile, the most commonly employed material. Unless prices (of which the tariff constitutes a large proportion) change dramatically, shingles and shakes will be confined to a rather small segment of the housing market.

Competition Brisk

Canada's major competitor is still the United States and competition is mainly in Douglas fir. According to Australian import statistics, in the 1967-68 fiscal year (July 1-June 30), Canada shipped almost 122 million board feet of Douglas fir, hemlock, balsam and Western red cedar. Aus-

tralian imports from the United States amounted to just over 80 million board feet of which over 90 per cent was Douglas fir. Most United States shippers have representatives here and one firm has its own yard in Sydney. This competition seems here to stay.

There is also growing competition from New Zealand and from locally grown timber. New Zealand has traditionally exported to Australia between 25 and 30 million board feet of radiata pine, a young, fast-growing timber which is softer and whiter than our Douglas fir. In 1966-67 and 1967-68, 27 and 26 million board feet were shipped to Australia. Shipments of Douglas fir from New Zealand have increased dramatically in the past few years. In 1965-66 Australia imported almost two million board feet of Douglas fir from New Zealand. This jumped to two and a quarter million in 1966-67 and reached almost nine million in 1967-68. Estimates of 1968-69 imports are between 16 and 19 million board feet. With rough timber from New Zealand now free of duty under the Australia-New Zealand Free Trade Agreement, competition will increase. Australia is likely to take more New Zealand dressed timber as it becomes free of duty under the Agreement.

Further in the future, competition can be expected from locally grown timbers. Despite the major problem of too many mills for efficient production, in the years from 1963 to 1967 Australia cut an average of 1.4 billion board feet of undressed sawn timber, over one billion of it forest hardwoods. Because the soil and climate are suitable and there is an increasing demand for softwoods, Australia has been planting more and more radiata pine. During the 1967-68 season, New South Wales alone planted some 16,200 acres. Thanks to the rapid growth rate here, this will quite soon have an effect on the market.

Another source of competition which is largely untapped is Papua and New Guinea, which is administered by Australia. The major forest export now is pulp logs and the major market is Japan. There are plans to establish mills in Papua and New Guinea and to ship pulp to world markets. New Guinea also sells timber to Australia (4.4 million board feet in 1966-67). The territory has good timber resources and when they are developed Australia is expected to be one of the main markets.

This is the home of Ainslie Roberts, the Australian artist, and was designed by John Andrews of Adelaide. It has Western red cedar siding and interior panelling and hemlock beams. The roof is finished in Western red cedar shakes.

Promotion Carried On

As we have seen, the major timber exports from Canada to Australia are Douglas fir, hemlock and Western red cedar and the main promotion effort is carried on by the British Columbia Lumber Manufacturers' office in Sydney. Its effectiveness is borne out by the increased use of cedar and hemlock. The Department of Industry, Trade and Commerce has provided assistance in many ways; one example is the timber mission which was brought to Canada in 1967. The industry has also been assisted in the production of several brochures and pamphlets pointing out the technical advantages and attractiveness of Canadian timber. The impact of this promotion can be judged from the changes taking place in housing construction here. Before 1960 most homes were constructed of double brick or brick veneer. Architects are gradually changing to designing homes more on North American lines. We now see homes of post-and-beam construction as well as chalet and flat roof designs incorporating timber from Canada. The ordinary home is still brick but there is a dramatic increase in the use of cedar feature walls, windows and window walls. There is a similar increase for hemlock which is now accepted for the same uses as Douglas fir.

Much still remains to be done. Australia is a good market for most timbers and, provided market development is done properly, it will accept new species. Exporters of species which are new to Australia must promote their products if they wish to be successful. Experience here and in other countries has shown that promotion must radiate from a source in the market but the timber merchants here are not prepared to undertake the effort required to launch a new species. Information must be disseminated at both the

technical and consumer level. Technical information stressing the loading and handling characteristics and other properties should be aimed at the architects, engineers and builders. At the same time, literature and advertising should be directed to the end-user in order to stimulate demand and this program has to be co-ordinated in the country itself; it cannot be conducted from Canada.

New Standard Expected

A national grading standard for Douglas fir and hemlock is expected to come into effect in Australia this year. This is Australia's first national grading standard and indicates the increasing sophistication of this market. The new system is largely due to the instigation of lending authorities and results from the meetings of a committee of engineers, architects, lending authorities and timber interests. It is expected that there will be six grades in all, four construction grades (merchantable, select merchantable, engineering and select engineering) and two dressing grades (dressing and select dressing). The four construction grades are based on strength, the lowest being merchantable and the highest select engineering. Strength is not considered in the dressing grades which are based only on appearance. The system will also apply to hemlock but with some minor variations. For hemlock, all grades will be the same as for fir except that in the two engineering grades hemlock was given a lower strength factor. It is not expected that this system will affect our shipments of timber; indeed, to some extent the committee used the Canadian system as a guide.

There will be many advantages—one is that a builder when he places an order will have a better idea of the timber he will receive. At present, a builder ordering timber may find that what he receives is entirely different from what he requires and what he thinks he ordered.

In a Nutshell

Australia presents an expanding market to the Canadian timber exporter. Our exports of timber in 1968 should reach 137 million board feet, possibly 139 million. (The 11-month total for Douglas fir is 93 million board feet which may mean 100 million for the full year.) Western red cedar, despite supply problems, may reach last year's total. Hemlock exports to Australia continue to expand and have certainly reached last year's figure and possibly surpassed it. As we enter 1969, demand for Canadian timber remains high and we look for another good year.

New Zealand—customer and competitor for forest products

R. H. GAYNER
Commercial Counsellor, Wellington

■ When the first European farmer-settlers came to New Zealand they had to clear much of their land just as early settlers in Quebec and Ontario did. In the second half of the 19th century hundreds of thousands of acres of forest land were cleared by destructive means. Then the rapidly increasing population created a demand for wood in many forms and a substantial timber industry grew up, based on the excellent local softwood —kauri especially but also rimu, matau and totara. A ready supply and its suitability for a wide range of uses led to over-exploitation. Today, felling the commercial species of native trees is closely controlled because they are all slow-growing and once they have been cleared there is little hope of regenerating the native forests.

In the 1920's and 1930's thousands of acres of hitherto unforested lands in the North Island were planted to several species of exotic trees, principally pinus radiata and Douglas fir. From these manmade forests has come the raw material for a major forest products industry which promises to become one of New Zealand's principal foreign exchange earners.

Concentrated on Rodiota

Easy access to native forests encouraged a multitude of small logging and sawmill enterprises throughout the country. The development of exotic forests brought larger and better organized logging and sawmilling operations. It was soon recognized that radiata was better adapted to New Zealand growing conditions than Douglas fir. Radiata is more suitable for pulp than timber so the exotic forests became the basis of a thriving pulp and paper industry. Research on forest management and lumber treatment has improved radiata's value as construction lumber and this has enabled a number of mills to stay in business which otherwise would have closed when the native forests were exhausted. The N.Z. Forest Service reported in 1966 that of the mills known to it, 160 were cutting indigenous timber only and producing 185.5 million board feet, 202 were cutting exotic timber only and producing 442.9 million board feet, and 163 were cutting both indigenous and exotic timber and producing 128.6 million board feet.

The pulp and paper industry is dominated by two companies. New Zealand Forest Products Limited started in the early 1930's and sold shares which entitled the owner to a small individual holding on which the company planted pinus radiata. The Tasman Pulp and Paper Co. Limited is owned by a number of substantial shareholders, including the New Zealand Government and several overseas investors. Between them they produce chemical and mechanical pulp, newsprint, kraft paper, fiberboard and paperboard. Both companies cut and sell logs and lumber.

Composition of Imports

New Zealand used to import a broad range of forest products but in the last 25 years this has narrowed down to small amounts of a few speciality pulps; high quality, clear-grained softwoods for joinery work; some hardwoods for furniture and fine

wood application, and various grades of plywood. Canada supplied 11 per cent of this but our exports were well below the three leading suppliers. (Britain 26 per cent, Australia 20 per cent, United States 17 per cent).

Statistics for the year ended June 1968 show imports of forest products worth N.Z.$11.9 million, 20 to 30 per cent lower than tbeir value in 1963. There are three reasons for this: devaluation of the New Zealand currency, the increased range and volume of local production, and a significant downturn in business activity during the year. Canada's principal sales to New Zealand have been Western red cedar and Douglas fir and demand has fallen so low tbat it is difficult to arrange mill schedules and shipping for these small orders. As for plywood, the tariff advantages accorded to Australian producers through the New Zealand/Australian Free Trade Agreement preclude our competing.

Competes with Canada

New Zealand's greatest significance to Canada is as a competitor in third markets. A remarkable jump in New Zealand's exports of logs to Japan took place between 1967 and 1968—to 51 million cubic feet valued at N.Z.$16.5 million from 28 million cubic feet valued at $7.1 million, an increase of 23 million in one year. This seems to have been due to a special situation: a sudden increase in demand coincided with devaluation and the maturing of an unusually large number of trees. A fall-off in planting in the late 1930's and during World War II led to a slightly erratic pattern of maturing but when this has levelled out, the sale of logs and chips to Japan will probably continue to be significant for a number of years. The first chip contract (announced a few months ago) involved the export of about N.Z.$1.5 million worth of chips a year.

Under the New Zealand/Australia Free Trade Agreement, New Zealand enjoys substantial tariff preferences over Canada in the Australian market for planed and dressed timbers and for paper and paperboard other than newsprint. Australia has abolished duties on Douglas fir from New Zealand. Recent reassessment of New Zealand's Douglas fir stands has shown that reserves are somewhat larger than originally estimated and extra log stands have been released to the sawmills; exporters are therefore seeking a larger share of the Australian market. Duties have also been abolished on imports of undressed New Zealand native timber into Australia. The major restriction on this trade used to be New Zealand's export controls but the opening up of new native forests on the west coast of the South Island, together

TABLE I

NEW ZEALAND'S MAJOR SUPPLIERS

	(N.Z. dollars)*
Wood in round or roughly squared	330,428
Poles, posts n.e.s.	251,405
Australia	251,405
Wood, shaped or simply worked	2,316,307
Western red cedar	566,820
Canada	250,776
U.S.	316,044
Tropical hardwoods	494,546
Ghana	277,087
Eucalyptus	475,406
Australia	475,406
Douglas fir	266,235
U.S.	233,749
Redwood	176,349
U.S.	176,349
Pulp and waste paper	1,341,446
Paper and paperboard	6,182,743
Britain	2,610,817
Australia	944,593
Articles of pulp, paper and paperboard	1,192,422
U.S.	459,293

*N.Z.$1.00 = Cdn.$1.20

TABLE II

WHAT CANADA SELLS TO NEW ZEALAND

	1966	*1967*	*(Jan.-Sept.) 1968*
	(Cdn.$'000 f.o.b.)		
Western red cedar lumber	973	701	199
Douglas fir lumber	93	89	11
Douglas fir plywood	6	—	3
Cooperage stock	131	115	45
Box, crate and package shooks	—	—	51
Match splints	72	203	150
Wood fabricating materials n.e.s.	43	32	18
Wood pulp, bleached sulphite, paper grades	80	—	—
Wood pulp, sulphite, unbleached	264	51	—
Newsprint	312	45	55
Groundwood printing paper	77	34	17
Writing and reproduction paper	81	48	33
Coated paper	34	33	9
Building paper	25	14	1
Wallpaper	42	15	—
Converted paper n.e.s.	102	150	86
Total of above	**2,335**	**1,530**	**678**

TABLE III

PRODUCTION TARGETS FOR FOREST INDUSTRIES

Commodity	*Unit*	*Average 1965-67*	*Years ended March 1968*	*1973*	*1979*
Newsprint	tons '000	187.9	195.5	203	340
Industrial papers	tons '000	134.3	166.8	251	345
Printing and writing	tons '000	15.9	21.4	36	51
Sawn timber	mil. bd. ft.	747	675	881	970
Panel products	mil. sq. ft.	144	155	253	330
Export logs	mil. cu. ft.	17.4*	38.4	50	25
Export wood-chips	mil. cu. ft.	—	—	10	17
Export pulp	tons '000	66.2*	85.8*	133	196

*Fiscal year ended June 30

TABLE IV

CAPITAL REQUIREMENTS

Industry	*1968/1979**	*1968/1973**	*1973/1979*
	(N.Z.$ million)		
Sawmilling and processing	60	23	37
Panel products	19	9	10
Pulp, paper and paperboard	172	101	71
Total	**251**	**133**	**188**

*1967/68 prices

with a general downturn in economic activity in that part of the country, caused the Government to modify its policy.

The Australian Government is holding tariff hearings on wood pulp as a result of its announced intention to give New Zealand preferred access. The whole pulp and paper area is receiving much attention in both Australia and New Zealand. The Free Trade Agreement means little to New Zealand if it does not include wood and wood products. On the other side, Australian producers do not favor free competition from New Zealand and Australian publishers and buyers of pulp do not like the idea of having to pay higher customs duties for pulp and paper from other traditional suppliers.

Radiata pine from New Zealand's manmade forests is now exported to Australia.

What of the future? As part of an over-all national development planning conference which is to reach the final stages in May of this year, the New Zealand Government sponsored a Forestry Development Conference in February. The Working Party on Forest Industries set up the production targets given in Table III. It also recommended the adoption of the figures in Table IV as estimates of capital requirements to achieve the production targets.

To achieve these objectives, it was recommended to Government that a target of 52,000 acres of new plantings be set for the next ten years. A further 5,000 acres should, in the estimation of the Conference, be planted each year for soil and moisture conservation. (This relates to the current 1.2 million acres of exotic forests.) There is general agreement that the North Island's total 28.3 million acres of land and the South Island's 37.2 million offer more than sufficient room for such a planting program. The climatic and soil conditions are right and the economies of land use are also favorable. There is little doubt, therefore, that New Zealand will become an even more substantial competitor in Australia, Japan, the South Pacific and South East Asia.

South Pacific Markets

R. H. GAYNER, *Commercial Counsellor, Wellington*

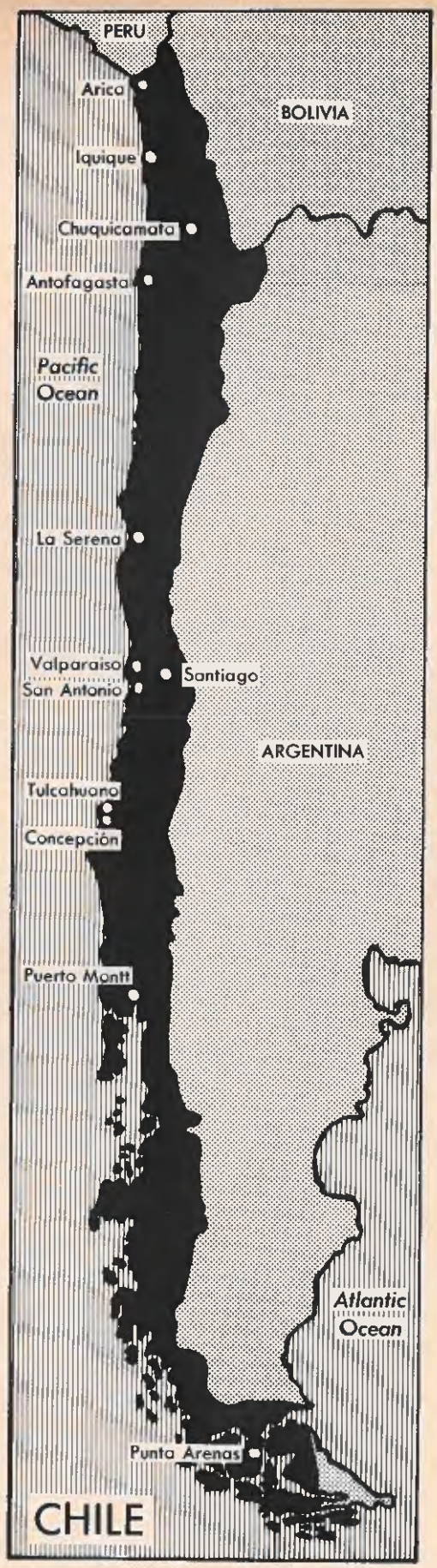
■ At first sight, the islands of the South Pacific seem to be a poor prospect for exporters of forest products. The quantities bought are in many instances small and infrequent shipping services pose problems.

However, there are exceptions to this general statement. From time to time, the Government of Fiji calls for tenders on lumber running into several thousand board feet. Canada sold Douglas fir worth Cdn.$237,000 to Fiji in 1967 and worth Cdn.$257,000 in 1968. The authorities in Tahiti also call for tenders and we sold Douglas fir there worth Cdn.$246,000 in 1967 and Cdn.$205,000 in 1968.

The newspapers in Fiji and Tahiti are steady customers for our newsprint and keep a constant lookout for the best prices.

Tahiti, Fiji and Samoa have shown interest in Canadian prefabricated houses. The Canadian Commercial Counsellor in Wellington, New Zealand, also frequently receives invitations to tender on miscellaneous orders for newsprint, stationery, office forms and writing supplies. If you would like to hear about them, write to his Wellington office.

Tahiti is legally part of metropolitan France and therefore in the European Common Market. Duties are levied in the other islands mainly to obtain revenue but goods from Canada receive Commonwealth preference. Australia and more recently New Zealand are strong competitors for business in the islands and they have the advantage of good shipping services.



Markets in Brief

CHILE

Area: 286,000 square miles. Chile is a narrow strip 2,660 miles north to south by 60 to 270 miles east to west between the Andes and the Pacific Ocean.

Population: 9,240,000 (1968 estimate).

Climate: sub-tropical desert in north, Mediterranean-type in center, cool and wet in south, with seasons the reverse of North America. Santiago climatically equivalent to central valley of California north of Sacramento.

Language: Spanish; however, most leading business houses can correspond in English and/or French.

Currency: escudo; one escudo (bank rate) equals Cdn.$0.1336; one escudo (free) equals Cdn.$0.1183 (March 1969). These rates change approximately every two weeks.

Foreign exchange: in extremely short supply and exchange controls are stringent. While remittances are delayed as a matter of regulations, availability of exchange is ensured by regulating imports so that no serious deficit has developed in the last few years.

Import controls: imports must be registered in advance. Entry of many non-essentials and of types of goods produced in Chile is prohibited. Most permitted imports are subject to both a returnable prior deposit of from 1 per cent to 10,000 per cent of the c.i.f. value and to a surcharge of from 1 per cent to 400 per cent of the c.i.f. value, in addition to import duty. However, imports made by some industries and regions are exempt.

Weights and measures: metric system.

Capital: Santiago, in central valley 1,700 feet above sea level.

Chief ports: Valparaiso, San Antonio, Antofagasta, Iquique, Arica, Talcahuano, Punta Arenas.

Marketing centers: Santiago (population) 3.0 million, dominates. Other centers include Valparaiso 500,000, Concepción 360,000, Antofagasta 114,000, Punta Arenas 65,000, Arica 64,000, Iquique 61,000.

Economy: mining, with fairly wide range of manufacturing for local market. Forestry and fishing of growing importance. Copper mining mainstay internationally. Main problems include shortage of internal capital.

Total Chilean imports: 1967—U.S.$726 million; 1966—U.S. $756 million.

Chief imports: (U.S.$ million) 1966—machinery, tools and equipment 199; chemicals 120; agricultural products 88.

Chief suppliers: United States, West Germany, Britain.

Value of imports from Canada: 1968—Cdn.$20.7 million; 1967—Cdn.$17.7 million.

Chief imports from Canada: (Cdn.$ million) 1968—aluminum 1.4, automotive vehicles 10.7, asbestos 1.0.

Total Chilean exports: 1968—U.S.$900 million (approximately); 1967—U.S.$913 million.

Chief exports: (U.S.$ million) 1968—copper 684, iron ore 71, nitrate 14.

Chief markets: United States, Argentina, Japan.

Value of Canadian purchases: 1968—Cdn.$2.0 million; 1967—Cdn.$1.7 million.

Chief Canadian purchases: (Cdn.$'000) 1968—fruits and vegetables 1,346, sodium nitrate 555, fish meal 58.

Prices: preferably quote in U.S. dollars, f.o.b., estimated freight, insurance and other expenses to c.i.f. Valparaiso.

Usual credit terms: 90 to 180 days.

Samples: may be brought in if of no commercial value; otherwise subject to regular import restrictions and charges.

Visas: not required unless stay is longer than 3 months. **Inoculations:** smallpox.

Trade agreements: Chile is in the Latin American Free Trade Association (LAFTA) and exchanges tariff preferences and other concessions with members. Equal tariff treatment of imports from all other countries in addition to trade agreements. Imports from Canada receive most-favored-nation treatment.

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

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

For detailed information on this market write to: Latin American Division, Office of Area Relations, Department of Industry, Trade and Commerce, Ottawa, or

Commercial Counsellor, Canadian Embassy, Casilla 771, Santiago, Chile.

ARGENTINA

Area: 1,079,985 square miles.

Population: 23,246,000 (1967).

Climate: temperate throughout most of the country; subtropical in the north and cold in the extreme south. Seasons are the reverse of those in Canada.

Language: Spanish; sales literature in Spanish is essential.

Currency: peso; one peso equals Cdn.$0.0031 (March 1969).

Foreign exchange and import controls: free exchange market and remittances to and from Argentina may be made without hindrance; import licences are not required but most imports are subject to high customs duties and a prior deposit, for 180 days, equivalent to 40 per cent of the c. & f. value of the shipment; extended credit terms must be arranged for imports of capital goods over the value of U.S.$10,000.

Weights and measures: metric system.

Capital: Buenos Aires.

Chief ports: River Plate—Buenos Aires, Rosario, La Plata, Santa Fe; Atlantic Coast—Mar del Plata, Quequén, Bahía Blanca, Puerto Madryn, Comodoro Rivadavia, Puerto Deseado, Puerto San Julián, Río Gallegos.

Marketing centers: Greater Buenos Aires, including Federal Capital (population) 8,000,000, Rosario 700,000, Córdoba 700,000, Tucumán 350,000, Santa Fe 280,000, Bahía Blanca 260,000, Mendoza 250,000.

Economy: origin of GNP: agriculture 17 per cent, manufacturing 34 per cent, services 43 per cent, and central government 6 per cent.

Total Argentine imports: 1967—U.S.$1,096 million; 1966—U.S.$1,124 million.

Chief imports: (U.S.$ million) 1967—machinery and equipment 216, base metals and related products 203, chemicals 150, mineral products 119.

Chief suppliers: (U.S.$ million) 1967—EEC 270, LAFTA 254, United States 243, Britain 69.

Value of imports from Canada: 1967—Cdn.$33.4 million; 1966—Cdn.$39.5 million.

Chief imports from Canada: (Cdn.$ million) 1967—newsprint paper 6.4; parts and accessories for motor vehicles 6.2; sheet and strip steel 5.1; aluminum 5.1; wood pulp, all types 2.3.

Total Argentine exports: 1967—U.S.$1,465 million; 1966—U.S.$1,593 million.

Chief exports: (U.S.$ million) 1967—livestock and animal products 343, cereals and other vegetable products 175, food products 232, fats and oils 98, textiles and products 116.

Chief markets: (U.S.$ million) 1967—EEC 608, LAFTA 191, Britain 139, United States 119, Spain 94.

Value of Canadian purchases: 1967—Cdn.$5.2 million; 1966—Cdn.$4.9 million.

Chief Canadian purchases: (Cdn.$'000) 1967—canned corned beef 2,963; quebracho extract 373; cheese 212; wool, all types 291.

Prices: U.S. dollars, c. and f. quotations preferred.

Usual credit terms: sight to 180 days; medium and long term credit often essential.

Visas: visa is required by the bearer of a special or diplomatic passport or by a visitor intending to work in Argentina. **Inoculations:** smallpox.

Trade agreements: most-favored-nation treatment accorded to Canada. As a member of LAFTA, Argentina grants preferences on certain items to LAFTA countries.

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

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

For detailed information on this market write to: Latin American Division, Office of Area Relations, Department of Industry, Trade and Commerce, Ottawa, or

Commercial Counsellor, Canadian Embassy, Suipacha 1111, Buenos Aires, Argentina.

Trade Fair Calendar

Canada exhibited at

National Sporting Goods Association Show, Houston, Texas, February 2-6.

Number of visitors: 25,000 (trade only).

Number of exhibitors: 1,100.

Canadian participation: 1957 to 1969; 18 firms this year.

Canadian products shown: hockey, figure and speed skating equipment; fishing bait; outboard motors; toboggans and sleds; tent trailers; water skis; hunting equipment; outdoor knives; sportswear.

Outstanding features: the Canadian Sporting Goods Association co-sponsored the show with the Department of Industry, Trade and Commerce. Canadian exhibitors underwrote a major portion of the direct cost of exhibiting.

For followup, write to: Consul and Trade Commissioner, Canadian Consulate, 2100 Adolphus Tower, 1412 Main Street, Dallas, Texas, 75202.

American Association of School Administrators Annual Convention, Atlantic City, New Jersey, February 15-19.

Number of visitors: some 33,000.

Canadian participation: 1968 and 1969; Canada was the only foreign country that participated in the show this year with 19 firms exhibiting.

Canadian products shown: multiple-response teaching aids, relocatable classrooms, furniture, video switching equipment, educational television receivers, electrical teaching equipment, school lockers, ETV cameras, coin sorting machines, modular walls, lasers and electronic kits, storage wall systems, accounting training systems, revolving chalkboards, language training laboratories.

On-site Canadian sales: $266,600.

Estimated future business: $5.1 million.

Outstanding features: the Canadian exhibit was the largest in the show.

For followup, write to: Deputy Consul General (Commercial), Canadian Consulate General, 680 Fifth Avenue, New York City, New York 10019.

This moveable partitioning system by Porcelain and Metal Products of Orillia was exhibited at the AASA Convention.

Changes in Canada's Trade Fair Program

The following is a list of changes in Canada's Trade Fair Program for 1969 and 1970 (see Foreign Trade, *January 4, 1969).*

Additions

1969

Electronics
Japan Electronics Show (all space booked), Osaka, Japan, October 1-7.

1970

Merchandising
International Exhibition and Conference for Shopfitting and Display Equipment (EUROSHOP), Duesseldorf, West Germany, February 21-25

Deletions

1969

Agriculture
Pan American Livestock Exhibit

Electronics
Third Meeting of the Pan-American Congress of Mechanical and Electrical Engineers and Related Disciplines

Fisheries
American Commercial Fish Exposition

Food
International Exhibition of Fine Foods and Provisions (ANUGA)

Homes, Builders' Materials
London International Building Exhibition

Leather
National Shoe Fair of America

1970

Food
Regional Food Shows (2) (Britain)
In-Store Promotion—Food Products (2) (Scotland)
In-Store Promotion—Food Products (Britain)
In-Store Promotion—Meat Products (Massachusetts)
In-Store Promotion—Cheddar Cheese (Massachusetts)
In-Store Promotion—Cheddar Cheese (California)
Honey Promotion (Britain)

Furs
International Fur Fair

Homes, Builders' Materials
International Building Exhibition (Constructa III)
Special Housing Exhibits

Lumber
Carolina Lumber and Building Material Dealers' Association Convention and Building Products Exposition*
Ohio's 88th Annual Building Products Industry Trade Show*
Mid-America "70" Hardware, Houseware and Building Products Exhibition*
Iowa Retail Lumbermen's Association*

Correction

1969

Food
The Department is staging an exhibit of Canadian processed foods—mainly canned and frozen fruit and vegetables and cheeses—in Tokyo (April 14-16) and Osaka (April 21-23).

*Institutional exhibit only

Head Office Directory

Department of Industry, Trade and Commerce

The legislation integrating the Departments of Industry and of Trade and Commerce was still before Parliament at the time of going to press but was expected to be passed shortly. The new Department currently is organized as outlined below although it is not yet concentrated in one building. Most of the Departmental offices are now in Tower 'B", Place de Ville, 112 Kent Street, Ottawa. A few are still in other locations and the Directory makes this clear. It will be brought up-to-date and republished from time to time.

		Floor	Dial 99 and
Minister	**Tower "B"**	22	
The Honourable Jean-Luc Pepin			6-1880
Executive Assistant: Paul Fortin			6-1880
Special Assistant: A. de Lobe Panet			6-1880
Deputy Minister	**Tower "B"**	22	
J. H. Warren			6-3560
Executive Assistant: A. A. Lomas			6-3560
Senior Assistant Depnty Minister (Industry and Trade Development)	**Tower "B"**	22	
Andrew G. Kniewasser			2-1037
Executive Assistant: Ian Wood			2-7428
Assistant Depnty Minister (Trade and Indnstrial Policy)	**Tower "B"**	19	
Maurice Schwarzmann			2-2649 2-4042
Liaison Officer: R. A. Kilpatrick			2-6980
Assistant Deputy Minister (Operations)	**Tower "B"**	12	
Robson G. Head			5-6277
Assistant Deputy Minister (External Services)	**T and C Bldg.**	2	
D. B. Mundy			2-0581 2-5969
Executive Assistant: T. M. Chell			2-0933
Assistant Depnty Minister (Administration)	**Tower "B"**	22	
A. Senecal			2-8431

TRADE AND INDUSTRIAL POLICY

		Floor	Dial 99 and
Assistant Deputy Minister: Maurice Schwarzmann	**Tower "B"**	19	2-2649 2-4042
OFFICE OF GENERAL RELATIONS	**T and C Bldg.**	4	
General Director: M. G. Clark			2-1035 2-0982
General Relations and Special Projects Division, Director: P. T. Eastham			2-4100
International Organizations Division, Director: B. C. Steers			5-6617
International Commodity Arrangements and Policy Division, Director: W. M. Miner			6-1917
International Financing Division, Acting Director: B. C. Steers			2-6143 6-3995
OFFICE OF AREA RELATIONS	**Tower "B"**	19	
General Director: T. M. Burns			2-4815 2-8850
United States Division, Director: J. H. Stone			2-5176
Europe Division, Director: A. W. A. Lane			2-2250 2-2981
Commonwealth Division, Director: R. B. Nickson			2-2421
Latin America Division, Director: W. G. Brett			2-7641
Asia and Middle East Division, Director: B. F. Armishaw			2-5642

		Floor	Dial 99 and
OFFICE OF INDUSTRIAL POLICY ADVISER	**Tower "B"**	21	
General Director: L. F. Drahotsky (acting)			2-7788
Industrial Policy Division, Director: J. M. Belanger (acting)			6-3070
Programmes Division, Director: B. S. Barewal (acting)			6-1408
OFFICE OF ECONOMICS	**T and C Bldg.**	5	
General Director: V. J. Macklin			2-5658
General Analysis Branch Director: C. Schwartz			2-8900
Canada and United States Division, Acting Chief: D. F. McKinley			2-8900
Overseas Analysis Division, Chief: F. A. Piscopo			2-7667
General Assignments Division, Chief: H. R. Smale			2-5266
Investment Analysis Branch Director: J. H. Latimer			2-3847
Capital Expenditure Division, Chief: A. N. Polianski			2-8288
Foreign Investment Division, Chief: R. J. Loosmore			6-5884
International Companies Division, Chief: T. R. Vout			2-5701

	Floor	Dial 99 and
Market Analysis Branch		
Director: A. M. Coll		2-7408
Co-ordinator, Special Projects: A. C. Kilbank		2-5711
Manufactured Products Division, Chief: W. L. Posthumus		2-5466
Resource Commodities Division, Chief: R. J. Konecny		2-5753
Regional Trade Patterns: H. D. Henderson		2-8780
Productivity Branch	Tower "B" 21	
Director: I. Bernolak		2-7122
Research and Development Division, Chief: J. G. Snaauw		6-5299
Inter-firm Comparisons Division, Chief: G. G. McLeod		6-5144
Consultant, Economics of Technology: I. X. DeSouza		2-1303
Consultant, Economics of Management: L. E. Turner		2-3227

INDUSTRY AND TRADE DEVELOPMENT

Senior Assistant Deputy Minister: Andrew G. Kniewasser	Tower "B" 22	2-1307
OFFICE OF SCIENTIFIC AND TECHNOLOGICAL ADVISER	Tower "B" 22	
General Director: J. L. Orr		2-8836
OFFICE OF DESIGN ADVISER	Tower "B" 20	
General Director: E. P. Weiss		2-0341
Director: J. H. Swann		2-1696
OFFICE OF PROMOTIONAL SERVICES	T and C Bldg. 4	
General Director: L. J. Rodger		2-2262 2-7411
Industry, Trade and Traffic Services Branch	3	
Director: G. M. Schuthe		2-6236
Deputy Director: C. Varkaris		2-7163
Export and Import Permits Division, Chief: S. G. Barkley		2-5670
R. Traversy		2-3640
Industrial Traffic Services Division, Chief: H. A. Hadskis		2-2737
Market Analysis (Import) Division, Chief: J. G. MacKinnon		2-4446
Industrial and Trade Inquiries Division, Acting Chief: K. E. Hacker		2-4441
Directories: J. Y. LaFleche		2-6681
Publicity Branch	2	
Director: J. A. Murphy		2-2479
Assistant Director, International Operations: K. A. Prittie		2-6435
International Operations Division, Chief: K. V. D. Gardner		2-7372
Canada Courier Division, Chief: P. Bomford		2-1295
Graphics Division, Chief: R. Williamson		2-8922
Special Publications Division, Chief: K. Purvis		2-1259
Assistant Director, Canadian Operations: R. H. Tippet		2-3186
Special Assistant: C. Bruyere		6-1537
Program Publicity Division, Chief: J. Struthers		2-1436
Media Relations Division, Chief: J. L. de Lorimier		2-2186
"Foreign Trade"/"Commerce extérieur" Division, Chief: O. M. Hill		2-6588
Administrative Services: D. J. McLewin		2-6897
Production Planning Division, Chief: E. Plummer		2-4098

	Floor	Dial 9 and
Fairs and Missions Branch	3	
Director: D. A. W. Olliver		2-826
Fairs Division, Chief: W. P. Schutte		2-885
Missions Division, Chief: R. C. Montreuil		2-806

OPERATIONS

Assistant Deputy Minister: Robson G. Head	Tower "B" 12	5-627
Chemicals Branch	15	
General Director: J. J. Tennier		2-945 2-576
Director: A. M. Tedford		2-690
Industrial Chemicals Division, Chief: G. E. McCormack		2-107
Plastics and Rubber Division, Chief: A. G. Pinard		2-105
Chemical Specialties Division, Chief: Dr. H. A. Showalter		2-159
Tourist, Hospital and Education Division, Chief: G. W. J. Rahm		2-106
Casework Division, Assistant Director: W. D. Dawson		2-175
Electrical and Electronics Branch	10	
General Director: E. A. Booth		2-816
Director: T. C. Jones		2-224
Assistant Director, Program Management: G. R. Logan		2-836
Marketing Adviser: R. Sangster		2-889
Electronics Division, Chief: C. D. Quarterman		2-109
Electrical Division, Chief: V. E. Tant		2-904
Consumer Products and Components Division, Acting Chief: P. U. Aasgaard		2-908
Special Projects Section, Acting Head: M. L. Nickerson		2-108
Agriculture, Fisheries and Food Products Branch	15	
General Director: A. H. Mathieu		2-128
Director: D. B. Laughton		2-110
Assistant Director: M. J. Heney		2-187
Livestock, Meat and Dairy Products Division, Chief: L. H. McMillan		2-000
Cereals, Bakery and Edible Oils Division, Chief: L. G. Rupert		2-001
Fruit, Vegetables and Special Crops Division, Chief: A. J. Stanton		2-752
International Commodities Division, Chief: J. MacNaught		2-001
Grain Division, Chief: R. M. Esdale		2-564
Casework Division, Chief: W. R. Parkinson		2-001
Fisheries and Fish Products Division, Acting Chief: T. R. Kinsella		2-738
Aerospace, Marine and Rail Branch	9	
General Director: J. C. Rutledge		2-731 6-128
Industry and Trade Development Programs, Director: G. E. Hughes Adams		2-060
Air, Chief: J. L. Harrison		2-100
Marine, Chief: M. J. Colpitts		2-060
Rail and Propulsion, Chief: E. P. Bishop		2-005
Company and Support Programs, Director: H. R. Foottit		6-203
Aircraft, Chief: H. A. Staneland		6 203
Propulsion, Marine and Rail, Chief: H. Roberts		2-003
Ship Subsidies, Chief: H. K. McIntosh		2-783

	Floor	Dial 99 and
Wood Products Branch	14	
General Director: K. O. Roos		2-1116
Director: T. C. Arnold		2-1493
Deputy Director: P. L. MacDougall		2-7128
Pulp and Paper Division, Chief: G. C. Campbell		2-0065
Lumber, Plywood and Panel Products Division, Chief: W. E. Cuff		2-0068
Furniture and Secondary Wood Products Division, Chief: M. N. Murphy		2-1545
Printing and Publishing Division, Chief:		2-0093
Machinery Branch	11	
General Director: J. J. McKennirey		2-7181 2-1129
Director: J. C. Stavert		2-4737
Director (MEAB): W. H. Chandler		2-5800
Mechanical Products Division, Chief: J. H. O'Connell		2-0324
Mechanical Equipment Division, Chief: A. Chiperzak		2-0321
Industry Machines and Engineering Services Division, Chief: R. C. Wallace		2-4082
Machinery Program Analysis Division, Chief: S. A. Radley		2-1359
Specialist Staff Division, Chief: F. K. Gardner		2-0347
Materials Branch	12	
General Director: R. D. Hindson		2-1113
Director: H. R. Pinault		2-5672
Iron and Steel Division, Chief: E. J. Davis		2-0025
Non-Ferrous Metals Division, Chief: S. H. Rochester		2-0088
Industrial Materials Division, Chief: R. J. Jones		2-1581
International Commodities and Special Projects Division, Chief: Dr. H. W. Pfeffer		6-3796
Construction Division, Chief: D. G. Laplante		2-0028
Apparel and Textiles Branch	14	
General Director: A. M. Guerin		2-4078
Director:		2-1207
Casework Division, Assistant Director: A. C. Fairweather		2-6197
Clothing Division, Chief: H. Sherman		2-1048
Textiles Division, Chief: P. A. Barker		2-1045
Leather and Footwear Division, Acting Chief: P. A. Barker		2-1045
Mechanical Transport Branch	13	
General Director: E. A. McIntyre		6-4122
Director: L. C. Howey		5-6627
Agricultural and Coostruction Equipment Division and Special Products Division, Acting Chief: K. R. Burgess		2-1027
Technical Assistance Division, Acting Chief: J. W. Harrison		2-1024
Motor Vehicles Division, Chief: J. A. McMillan		2-4478
Adjustment Assistance Board, Chief: G. F. Lafferty		2-0021
OFFICE OF TOURISM **150 Kent Street**		
General Director: T. R. G. Fletcher	9	6-5651
Travel Industry Branch	9	
Director: F. B. Clark		6-5651
Canadian Government Travel Bureau	2	
Director: Dan Wallace		2-3166
Deputy Director: Roland Boire		2-5256
Offices Ahroad, Assistant Director: A. R. Peers		2-1384
Support Services, Assistant Director: J. E. Thorpe		2-1680
Marketing, Assistant Director: D. C. Bythell		2-2944
Operations, Manager: M. E. Campeau		2-7355
Publicity Services, Manager: J. A. Carman		2-6373
Group Travel, Manager: R. B. deGrosbois		2-2077
Administration, Manager: D. J. Molloy		2-1491
Travel Information Services, Acting Manager: R. Dunse		2-3334

EXTERNAL SERVICES — T and C Bldg.

Assistant Deputy Minister: D. B. Mundy	2	2-0581 2-5969
Trade Commissioner Service	2	
General Director: R. K. Thomson		2-8286
Personnel and Finance, Director: H. M. Maddick		2-6835
Assistant Director (Personnel): 1. R. Smyth		2-6800
Assistant Director (Finance): W. J. Collett		2-5669
Operations and Development, Director: H. S. Hay		2-5456
Assistant Director (Operations): M. Rowan		2-1366
International Defence Programs Branch **Gillin Bldg,**	9	
General Director: D. H. Gilchrist		2-4864
Director: D. J. Janigan		2-8584
Market Research and Analysis Division, Chief: O. W. Bennett		6-2543
Project Marketing Division, Chief: F. Dugal		2-1679
U.S. Market Development Division, Chief: W. E. Grant		2-3456
Overseas Market Development Division, Chief:		

ADMINISTRATION

Assistant Deputy Minister: A. Senecal	22	2-8431
Personnel Branch	16	
General Director: E. J. Fitzpatrick		6-1530
Financial Services Branch	16	
General Director: W. R. Teschke		6-1530
Professional and Administrative Services Branch	17	
General Director: V. J. Walton		6-4010

REGIONAL OFFICES IN CANADA

	Telex	Phone
St. John's, Newfoundland, Room 601, Sir Humphrey Gilbert Building, Duckworth Street Regional Manager: B. E. Baker	0164582	722-6074
Halifax, Nova Scotia, Sir John Thomson Building, 1256 Barrington Street Regional Manager: D. J. Packman	014-422829	422-8491
Montreal 128, Quehec, Floor 17, Commerce House, 1080 Beaver Hall Hill Regional Manager: J. G. Touchette	0120280	879-6254
Toronto 1, Ontario, Suite 3001, P.O. Box 114, Toronto-Dominion Centre Regional Manager: R. Campbell Smith	0221691	369-3711
Winnipeg 1, Manitoha, Room 521, 269 Main Street Regional Manager: G. A. Gillespie	035287	943-7396
Edmonton 15, Alherta, 802 Chancery Hall, 3 Sir Winston Churchill Square Regional Manager: W. Mackenzie Hall	0372762	422-7178
Vancouver 1, British Columhia, 2003 Board of Trade Tower, 1177 West Hastings Street Regional Manager: J. F. Murray	045391	681-7161

Ocean Shipping 1968
A Period of Transition

The year 1968 witnessed numerous changes in ocean transportation. Two of the most important were the increase in the size of vessels in the world merchant fleet and the construction of an increasing number of container ships. The following analysis examines changes in the size, age, speed and draft of the world merchant fleet during 1968. It also considers the development of container services in Canadian overseas trade and gives a summary of Canadian port developments to meet the container challenge.

TRANSPORTATION DIVISION

■ The continuous growth of international trade has exerted increasing pressure upon ocean transportation to become more efficient in order to ensure access to world markets at economical costs of transportation. Economies of scale have led to the development of larger and faster tankers and bulk carriers. These changes are of considerable importance to Canadian importers and exporters, major users of international ocean shipping services.

Growth of Merchant Fleet

The world merchant fleet, excluding steamships and motorships under 100 gross tons, increased from 182 million to 194 million gross tons in 1968, or 6½ per cent, the same percentage increase as in 1967. The annual growth of the fleet between 1962 and 1968 (inclusive) averaged over 5½ per cent per year. The number of vessels in the world merchant fleet increased by about 3,000 in 1968. The growth of the fleet in recent years is shown in Table I below. (Tables II, III, IV and V are on pages 24 and 25).

The world tanker fleet expanded from 64 million gross tons in 1967 to 69 million in 1968, an increase of 8 per cent. The ratio of tanker tonnage to total fleet tonnage remained constant at 35 per cent during the twelve-month period.

Table I

Growth of World Merchant Fleet[a] 1962-1968

Year	*No. of vessels*	*Gross tons (million)*	*Percentage increase over previous year*
1962	38,661	139.9	—
1963	39,571	145.8	4.2
1964	40,859	152.9	4.9
1965	41,865	160.3	4.8
1966	43,014	171.1	6.7
1967	44,375	182.1	6.4
1968	47,444	194.2	6.6
Percentage increase 1962–1968	—	—	38.8

[a]Steamships and motorships of 100 gross tons and over, including United States and Canadian Great Lakes fleets and United States reserve fleet.

Source: *Lloyd's Register of Shipping Stotisticol Tobles, 1962-1968.*

The world dry cargo fleet in 1968 expanded from 118 to 125 million gross tons, representing a rise of 5½ per cent. As a proportion of total world tonnage, dry cargo tonnage remained the same at 64 per cent.

Table II shows the growth of the different types of vessels in the world merchant fleet over the period 1962 to 1968 and divides the dry cargo fleet into two groups: one, ore and bulk carriers, and two, passenger and general cargo vessels. In 1968, the ore and bulk carrier fleet had a growth rate of 19.9 per cent but the passenger and general cargo fleet only 1.4 per cent. As a proportion of total world tonnage, ore and bulk carrier tonnage increased from 16 to 18 per cent during the same period, and passenger and general cargo tonnage declined from 48.8 to 46.3 per cent. In fact, the rate of increase of the ore and bulk carrier fleet was considerably greater than that of both the dry cargo fleet as a whole and the world merchant fleet as a whole, a trend which has persisted since 1964.

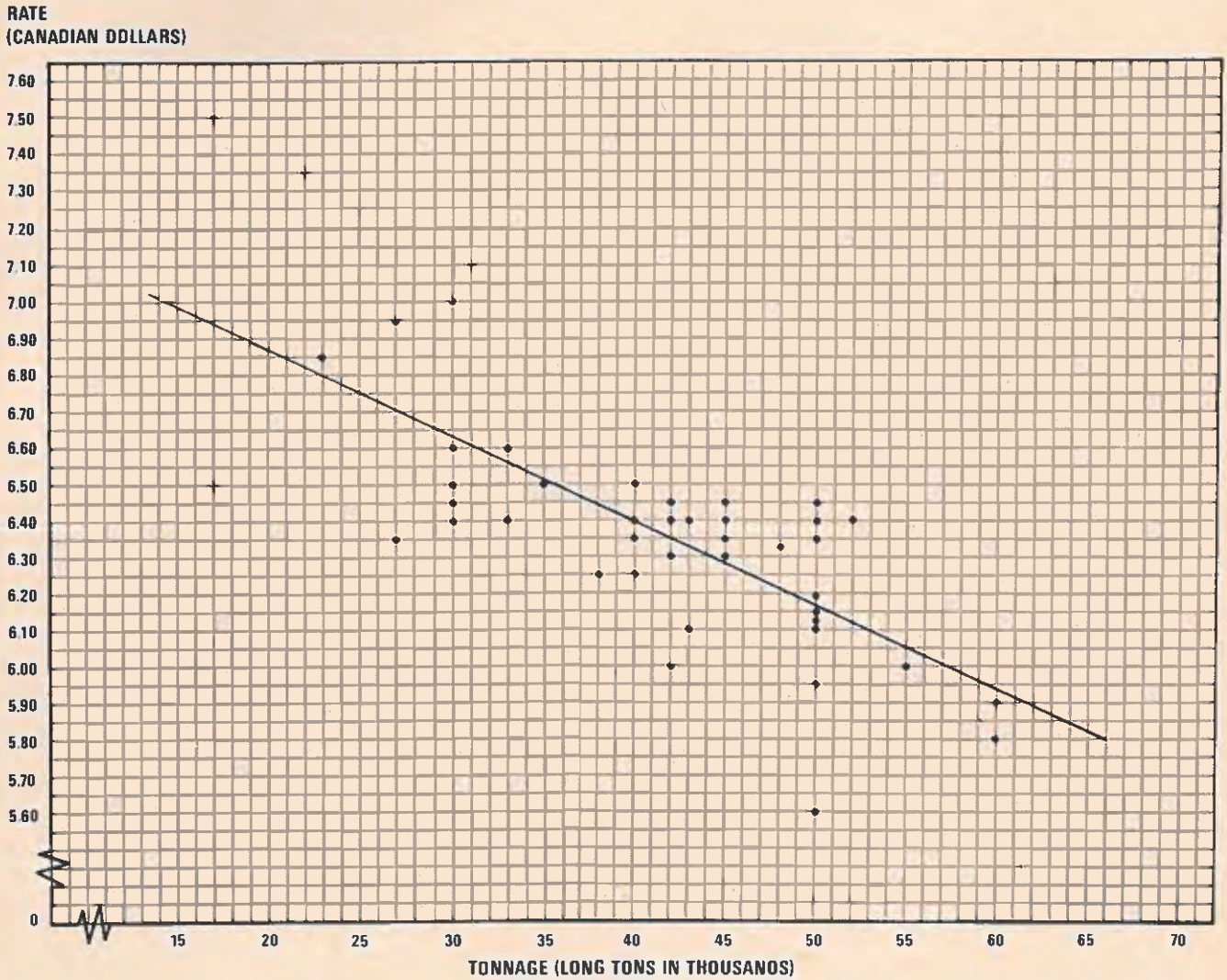
Size Characteristics

Most of the tonnage increase in the world merchant fleet has occurred in the larger-size groups, particularly those above 40,000 gross tons. In the world merchant fleet as a whole, the percentage increase of tonnage during 1968 became greater as the size group increased. The size distribution of the world merchant fleet in 1967 and 1968 is shown in Table III.

Oil tankers and ore and bulk carriers have been mainly responsible for the increase in the size of vessels in the world merchant fleet. The bulk of the increase in world tanker tonnage during 1968 took place in the size groups above 40,000 gross tons. Most of the increase in ore and bulk carrier tonnage occurred in the size groups above 20,000 gross tons. Passenger and general cargo vessels recorded very small tonnage increases in the larger-size groups.

A notable feature of the world freight market during 1968 was the increasing availability and use of large bulk carriers, ranging in capacity from 40,000 to 80,000 deadweight tons. This development was clearly evident in the coal trade from Hampton Roads to Japan, where many of the vessels employed were chartered for consecutive voyages under long-term contracts. These factors

Correlation between ocean charter freight rates and cargo tonnages for coal from Hampton Roads to Japan, fourth quarter, 1968



The chart shows the degree of inverse correlation between ocean charter freight rates and cargo tonnages for coal from Hampton Roads to Japan during the last three months of 1968. The cargo tonnage has been plotted on the horizontal or X axis as the independent variable. The freight rate per ton of cargo has been plotted on the vertical or Y axis as the dependent variable, i.e., as a function of the cargo tonnage. (Source: U.K. Publications Ltd. Daily Freight Register, **Nos. 21,76-21,799, October 1-December 31, 1968.)**

have exerted considerable downward pressure on charter freight rates in this trade throughout the year under review.

The operation of economies in ship size can be observed in the accompanying chart, which shows the degree of inverse correlation between ocean charter freight rates and cargo tonnages for coal from Hampton Roads to Japan during the last three months of 1968. The negative or downward slope of the line drawn through the various points indicates a significant degree of inverse or indirect correlation between rates and tonnages. In other words, the freight rate generally tends to fall as the size of the cargo tonnage rises. The same conclusion was reached in last year's analysis of the world merchant fleet, where an inverse correlation between ocean charter freight rates and tonnages for black oil from the Caribbean to the Northern Range of United States Atlantic ports during the first three months of 1967 was observed.

Age Characteristics

The improved quality of the world merchant fleet is reflected in its age distribution. Table IV shows this dis-

.... *continued on page 26 following tables.*

Table II

Growth of World Merchant Fleet[a] 1962-1968 by Type of Vessel

Year	Oil Tankers				Ore and Bulk Carriers[b]				Passenger and General Cargo[b]			
	No. of vessels	*Gross tons (million)*	*Percentage increase over previous year*	*% of total fleet*	*No. of vessels*	*Gross tons (million)*	*Percentage increase over previous year*	*% of total fleet*	*No. of vessels*	*Gross tons (million)*	*Percentage increase over previous year*	*% of total fleet*
1962	4,922	45.3	—	32.4	—	—	—	—	—	—	—	—
1963	4,984	47.1	4.0	32.3	—	—	—	—	—	—	—	—
1964	5,130	50.6	7.4	33.1	1,304	16.7	—	10.9	34,425	85.8	—	56.0
1965	5,307	55.0	8.7	34.3	1,403	18.8	12.6	11.7	35,155	86.6	0.9	54.0
1966	5,453	60.2	9.5	35.2	1,619	23.2	23.4	13.6	35,942	87.7	1.3	51.2
1967	5,527	64.1	6.5	35.2	1,849	29.1	25.4	16.0	36,999	88.8	1.3	48.8
1968	5,644	69.2	8.0	35.7	2,067	34.9	19.9	18.0	39,733	90.0	1.4	46.3

[a]Steamships and motorships of 100 gross tons and over, including United States and Canadian Great Lakes fleets and United States reserve fleet.
[b]Data not available for 1962 and 1963.
Source: *Lloyd's Register of Shipping Statistical Tables, 1962-1968.*

Table III

Size Analysis of World Merchant Fleet[a] 1967-1968

Division of size	Year	All Types		Oil Tankers			Ore and Bulk Carriers			Passenger and General Cargo		
		Gross tons (million)	*Percentage change over previous year*	*Gross tons (million)*	*Percentage change over previous year*	*% of total fleet*	*Gross tons (million)*	*Percentage change over previous year*	*% of total fleet*	*Gross tons (million)*	*Percentage change over previous year*	*% of total fleet*
6,000–10,000	1967	47.3	1.9	2.5	7.4	5.3	3.7	5.7	7.8	41.1	2.1	86.9
	1968	45.6	−3.6	2.4	−4.0	5.3	3.7	—	8.1	39.5	−3.9	86.6
10,000–15,000	1967	30.9	3.7	13.8	2.1	44.8	7.6	5.6	24.6	9.4	10.6	30.6
	1968	32.2	4.2	13.5	2.2	41.9	8.2	7.9	25.5	10.5	11.7	32.6
15,000–20,000	1967	13.4	8.1	5.8	1.7	43.3	6.4	18.5	47.8	1.2	9.1	8.9
	1968	14.5	8.2	5.9	1.7	34.5	7.2	12.5	49.7	2.3	9.2	15.8
20,000–25,000	1967	13.7	3.0	8.9	3.3	65.0	3.8	22.6	27.7	0.9	—	7.3
	1968	14.3	4.4	8.7	2.2	60.6	4.6	21.1	32.2	1.0	11.1	7.2
25,000–30,000	1967	9.2	8.2	6.5	1.6	71.7	1.9	46.2	20.7	0.7	—	7.6
	1968	10.2	10.9	6.6	1.5	64.8	2.9	52.6	28.4	0.7	—	6.8
30,000–40,000	1967	14.6	15.9	11.3	8.7	77.4	2.8	55.6	19.2	0.5	25.0	3.4
	1968	15.8	8.2	11.7	3.5	74.1	3.7	32.2	23.4	0.4	20.0	2.5
40,000–50,000	1967	9.4	46.9	6.8	28.3	73.4	2.3	155.6	24.5	0.2	—	2.1
	1968	11.8	25.5	8.2	20.6	69.5	3.4	47.8	28.8	0.2	—	1.7
50,000 and over	1967	7.0	66.7	6.2	59.0	88.6	0.5	—	7.1	0.3	—	4.3
	1968	12.0	71.4	9.9	59.7	82.5	1.3	160.0	10.8	0.8	166.7	6.7

[a]Steamships and motorships of 100 gross tons and over, including United States and Canadian Great Lakes fleets and United States reserve fleet.
Source: *Lloyd's Register of Shipping Statistical Tables, 1967-1968.*

Table IV

Age Analysis of World Merchant Fleet[a] 1967-1968

Divisions of age	Year	All Types		Oil Tankers			Ore and Bulk Carriers			Passenger and General Cargo		
		Gross tons (million)	Percentage change over previous year	Gross tons (million)	Percentage change over previous year	% of total fleet	Gross tons (million)	Percentage change over previous year	% of total fleet	Gross tons (million)	Percentage change over previous year	% of total fleet
0–4	1967	54.6	11.9	22.9	7.5	41.9	15.8	30.6	28.9	15.9	3.2	29.2
	1968	60.8	11.4	24.8	8.3	40.8	19.2	21.5	31.6	16.8	5.7	27.6
5–9	1967	43.5	1.4	19.1	− 1.5	43.9	7.0	27.3	16.1	17.4	− 3.9	40.0
	1968	44.0	1.1	18.6	− 2.6	42.3	8.5	21.4	19.3	16.9	− 2.9	38.4
10–14	1967	29.4	14.4	13.2	13.8	44.9	2.0	5.3	6.8	14.2	16.4	48.3
	1968	33.9	15.3	15.1	14.4	44.5	2.7	35.0	8.0	16.1	13.4	47.5
15–19	1967	15.5	15.7	4.8	33.3	31.0	0.9	80.0	5.8	9.7	4.3	63.2
	1968	18.0	16.1	6.7	39.6	37.2	1.3	44.4	7.2	10.0	3.1	55.6
20–24	1967	26.1	−10.3	3.2	− 8.6	12.3	1.6	− 5.9	6.1	21.3	−10.9	81.6
	1968	19.1	−26.8	2.4	−25.0	12.6	1.1	−31.2	5.8	15.6	−26.3	81.7
25 and over	1967	12.9	15.2	0.9	0.0	7.0	1.6	14.3	12.4	10.4	15.7	80.6
	1968	18.3	41.9	1.6	77.8	8.7	2.1	31.3	11.5	14.6	40.4	79.8

[a]Steamships and motorships of 100 gross tons and over, including United States and Canadian Great Lakes fleets and United States reserve fleet.
Source: *Lloyd's Register of Shipping Stotistical Tobles 1967-1968.*

Table V

Average Speed[a] and Draft[b] of World Merchant Fleet[c] 1958-1966 by Type of Vessel

Year	All Types		Combination Passenger and Cargo		Freighters		Bulk Carriers		Tankers	
	Speed	Droft	Speed	Draft	Speed	Droft	Speed	Droft	Speed	Droft
1958	12.4	24.9	15.1	23.1	12.0	24.2	11.2	23.1	13.4	28.5
1960	12.8	25.1	15.3	23.1	12.3	24.2	11.9	24.7	13.8	29.1
1962	13.1	25.2	15.5	22.7	12.6	24.2	12.5	25.7	14.0	29.4
1964	13.3	25.5	15.7	22.4	12.9	24.2	12.8	26.6	14.2	30.1
1966	14.0	28.0	16.0	22.0	13.0	24.0	13.0	28.0	14.0	31.0

[a]Expressed in knots (one knot = 6,080.27 feet per hour).
[b]Full load draft indicated in feet (draft = vertical distance between waterline and keel).
[c]Oceangoing vessels of 1,000 gross tons and over.
Source: U.S. Department of Commerce, Maritime Administration, *A Stotisticol Analysis of the World's Merchont Fleets*, 1962, 1964, and 1966, Washington, G.P.O., December 1962, December 1965 and December 1967.

tribution for the years 1967 and 1968. In both these years, total world tonnage in absolute terms was highest in the age group 0-4 years and declined generally with an increase in the age of vessels.

In 1968 almost all of the tonnage increases in the world merchant fleet occurred in the age groups 0-4, 10-19 and over 24 years. This indicates that although the average age of the fleet is decreasing, certain of the older age groups are still experiencing increases in tonnage. A similar trend can be discerned in the tonnage increase of oil tankers and ore and bulk carriers last year, except that ore and bulk carriers had a sizable increase in the age group 5-9 years and a relatively small increase in the age group 10-14 years. The tonnage increase in passenger and general cargo vessels was greatest in the age groups 10-14 and over 24 years.

Speed and Draft

Between 1964 and 1966, the speed of the world merchant fleet increased from 13.3 to 14.0 knots and the draft increased from 25.5 to 28.0 feet. During the same two-year period, the speed of combination passenger and cargo vessels, freighters and bulk carriers went up slightly, but tanker speed dropped slightly. The draft of combination passenger and cargo vessels and freighters decreased to a small extent; bulk carriers and tankers experienced a noticeable increase in draft. Table V shows the average speed and draft of the different types of vessels in the world merchant fleet for alternate years between 1958 and 1966.

Canadian Container Services

The development of new techniques for handling cargo by the use of containers is having a considerable impact on some North Atlantic and North Pacific general cargo trades. Immediate container development potential appears in trade between North America and Europe, including Britain. Trade between North America and Japan has also potential container possibilities.

A survey* of over 80 containership owners during the summer of 1968 indicated that 22 containerships with a tonnage of 200,000 dwt. were in operation and that approximately 105 new containerships were on order with a tonnage in excess of 1.6 million dwt. There were also 25 containership conversions on order with an approximate tonnage of 300,000 dwt. It may then be roughly estimated that the aggregate containership tonnage operating or on order during the summer of 1968 was over 2 million dwt.

Impact on Canadian Ports

The year 1968 was one of significant progress in the development of intermodal containerization in Canada. During previous years, the development of containers and container techniques was largely restricted to each mode of transport. Tractor trailers have been used on the highways for many years to provide a door-to-door freight service. The railways developed techniques for carrying vans on flat cars (piggy-back services). Air transport companies encouraged the development and use of containers by offering special rebates to shippers using them. Steamship companies have experimented with on- and off-loading of containers using ships of conventional design.

In the year 1968, the first full container service between Britain and Canada was inaugurated from Montreal by the Manchester Liners. Other shipping lines planning individually or in consortium have made decisions to operate container services from certain ports in Canada. These plans have reached various stages of development.

Halifax

Clarke Traffic Services Limited of Montreal has joined a North Atlantic container consortium witb the Bristol City Line and the Compagnie Maritime Belges to operate three new cellular ships from Halifax to Britain and Continent. This consortium will operate the new container line under the name Dart Container Lines Limited. Container terminal facilities, including two gantry cranes, will be leased on a long-term basis from the National Harbours Board. An interim container service will begin this year and it is expected that year-round full service with the new ships will commence in mid-1970.

Quebec

A specially constructed crane has been ordered for installation at Pier 53 or 54. This crane is designed for loading and unloading containers, wood pulp and newsprint (12 rolls per sling load) and for bulk loading of loose materials. The special crane will be owned by a private group of companies. Piers 53 and 54 are serviced by the Canadian National Railways.

A separate installation for handling containers is planned by the Canadian Pacific Railway Company at Wolfe's Cove. Negotiations are under way between the railway company and the National Harbours Board for the construction and operation of a container gantry crane. The CPR will provide an interim container service from Quebec to Britain with chartered tonnage commencing in April 1969 until the new containerships are built. It is planned to operate three 14,000 dwt. containerships from Quebec City to London and Rotterdam in 1970. The ships will be capable of carrying 700 20-foot containers.

Montreal

The Manchester Liners began operating a full container service between Montreal and Manchester, England, in November 1968. Facilities include a container gantry crane owned by Manchester Liners. This shipping company expects to have three 12,000 dwt. cellular containerships in operation between Montreal and Britain by April of this year. A fourth containership with a similar capacity is planned for construction within the next year. The ships are ice-strengthened for year-round navigation of the St. Lawrence River. Each ship has a capacity of 500 20-foot containers. Manchester Liners has an agreement with the CNR to operate unit trains between Montreal and Toronto. These trains come from Toronto to the Manchester Liners' container port directly, without switching.

*Survey carried out by A/S Shipping Consultants, Oslo, Norway. September 1968.

The Federal Commerce and Navigation Company Limited operates two 32,000-ton mixed bulk and container ships during the St. Lawrence navigation season. These ships operate between Antwerp and Bremen on the European side of the Atlantic and Montreal, Toronto and U.S. Lake ports. Each ship has a capacity of 396 containers carried in three specially constructed container hatches. The Montreal facilities consist of a mobile crane and a 25-ton forklift truck.

Mobile cranes are used on piers other than the Manchester Liners' site to facilitate the movement of containers on and off conventional ships.

Toronto

The Port of Toronto has announced plans to construct a freight consolidation terminal and container storage area, scheduled to open this summer. The Hamburg American Line and the North German Lloyd Line will introduce three combination container-conventional ships to operate between European ports and Toronto and Hamilton this year.

Vancouver

A container gantry crane is on order for the National Harbours Board and will be installed during 1969 at Vancouver's Centennial Pier. The installation of the container cargo-handling equipment in Vancouver will complete tbe facilities in Canada for possible "land bridge" cargoes moving between Europe and Japan. Discussions are now under way between the Vancouver port authorities and Japanese shipping companies on the development of a container service through the Port of Vancouver.

trade lines

Container consortium includes Canadian firm

A consortium made up of two Belgian firms (Compagnie Maritime Belge and Agence Maritime Internationale S.A.), the Bristol City Line of Bristol, England, and Clarke Traffic Services of Montreal has set up a joint container service to operate between ports in Europe, Britain and the eastern seaboard of North America. Halifax will be the main terminal in Canada. The service will use 23-knot containerships with a capacity of 1,500 twenty-foot containers. Various types of containers and the necessary road equipment will be available to users in Europe, Britain, Canada and the U.S. The Cockerill Yards of Hoboken, Belgium, is building one of these vessels for the Compagnie Maritime Belge, which is now using 3,400 twenty-foot containers. The Agence Maritime Internationale S.A. will represent the consortium in Europe —Brussels.

Rhine container service organized

Thirteen inland shipping companies from the Netherlands, Belgium, Switzerland, West Germany and France have set up a combined service on the Rhine which will be known as the Rhine Container Line. The new company will transport containers between Amsterdam, Antwerp and Rotterdam and river ports —The Hague.

Spain plans container port near Cadiz

The Spanish Government has recently granted a concession to Compania Maritima de Exportacion S.A. and Transocean Gateway Corp. to build a container port near Cadiz at an estimated cost of $10 million. A Spanish company will be formed with foreign capital participation of up to 50 per cent. The new port, which will have an area of some 1.2 million square meters, is to be built in two stages and the entire project completed within 44 months of the granting of the concession. It will handle 8 million tons a year. Some cargo will be transferred to smaller vessels for re-export, some will be sent on by rail or road to its destination—Madrid.

Chile studies Hovercraft for Bio-Bio River

Cidere Bio-Bio (Corporacion Industrial de Desarrollo Regional) is looking to private enterprise to develop a Hovercraft service on the Bio-Bio River which conventional craft cannot navigate. The plan is for a passenger run with 100-passenger vessels between Concepcion and Nacimiento and 25-passenger vessels beyond Nacimiento up to Santa Barbara. Some cargo might also be carried—Santiago.

British firm supplies Brazil with marine deck equipment

Clark Chapman & Co., a British firm, will supply U.S.$2.4 million worth of marine deck equipment to the Brazilian Merchant Marine which is building 24 fast cargo vessels. The British firm will discuss further contracts valued at some U.S.$1.5 million in the near future. The Brazilian contracts will eventually cover equipment for 35 ships and are being financed by a £15.9 million loan negotiated by N. M. Rothschild, five clearing banks, and the Brazilian Government. Brazil placed orders for similar deck equipment worth £700,000 last June—Rio de Janeiro.

Reaching the Japanese Food Buyer

Food processors, are you thinking of selling in Japan? Read this article for suggestions on how to go about it.

G. M. WANSBROUGH and F. M. GALBRAITH,
Assistant Commercial Secretaries, Tokyo

■ Japan is a nation of hearty and enthusiastic eaters. In the off-Ginza noodle shops of Tokyo, in the sophisticated and expensive Geisha restaurants of Kyoto, and in the tiny kitchens of industrial workers' flats in Osaka, Japanese are sitting down to meals of ever-increasing variety and quality. The dramatic increase in Japan's standard of living in recent years has enabled the average consumer to choose between the traditional Japanese foods and thousands of imported foods from around the world. As in the Western world, the trend in Japan is towards more leisure and thus Japanese housewives are looking for convenience foods to reduce the time spent in the kitchen. Japan's processed food imports for 1967 are listed in Table I, page 30.

The diversification of Japan's food consumption pattern is exemplified by the change in rice consumption. In 1966, consumption of rice in urban households averaged 75 kilograms per person, 24 per cent below the 1960 level. In contrast, the consumption of meat, milk, eggs, vegetables and fruit has increased (see Table II, page 31). The pattern change is particularly noticeable among younger people.

Points to Ponder

Canadian food processors can look to Japan as a rapidly expanding market, for a number of reasons.

- There are 100 million people in Japan comprising 22.96 million households.
- Food imports are rising at an average annual rate of 15 per cent.
- Per capita food expenditure averages $152 per year.
- The demand for processed foods increased by 30 per cent in the five years from 1960 to 1965.
- Japan has a "self-sufficiency rate" of 81 per cent; this means 19 per cent of Japan's food must be imported. The Japanese Government forecasts a decrease in the self-sufficiency rate to 75 per cent by 1977.
- Refrigerators are used in 66.3 per cent of all Japanese households, but stoves with ovens appear in only 2.5 per cent of Japan's kitchens (in the Tokyo area).

In past years, the Japanese diet included a relatively low intake of perishable foods; the emphasis was on easily preserved cereals, beans, peas and salted foods, such as pickles and dried fish. Refrigeration facilities and a rapidly improving food distribution system now permit wide consumption of perishable animal proteins, vegetables and fruit. As a result, protein intake from these products rose from 34.1 per cent in 1949 to 49.7 in 1963.

Food Distribution

The food distribution system in Japan, particularly for imported foods, is somewhat more complex than in North America. Virtually all food products are imported by a small number of trading companies. The trading company in turn distributes its products through primary, secondary and often tertiary wholesalers to the retail outlets.

The number of hands through which products pass depends on the product and the companies involved. For example, several large trading companies have wholesaler/distributor subsidiaries and eliminate one or two wholesale levels. A number of department stores and multi-store grocery chains have also established subsidiary trading companies through which imported products are channelled.

Trade markups in the processed food industry vary considerably, but the following percentages are considered average: trading company (importer) 8 per cent; first, second and third wholesaler 20 per cent; retailer 20 per cent.

The high markup at the wholesale level has encouraged large retailers and grocery chains to short-cut the system and gain cost advantages by eliminating the wholesale levels. The trend toward shorter lines of distribution will doubtless continue.

Quotas and Tariffs

Japan's domestic food industry is characterized by high costs because of low agricultural productivity. But because farming supports 20 per cent of the population at present, the Government is anxious to protect Japan's agriculture until the size and efficiency of the average Japanese farming unit have increased. Thus imported food products face both quota restrictions and fairly high customs duties.

There are three categories of quota restrictions:

1. I.Q. (Import Quota)—products under this classification are subject to global quantitative restrictions.

2. A.I.Q. (Automatic Import Quota—products in this category require an import licence from the Japanese Ministry of International Trade and Industry. As a rule, licences are readily obtainable.

3. A.A. (Automatic Approval)—imports of goods in this category are unrestricted.

Because of the Government's efforts to protect the Japanese agricultural industry, 69 agricultural products fall into the I.Q. category. Japan is moving toward liberalizing restrictions on some agricultural products, however, and Canadian food processors can look forward to freer access in the future.

Customs duties on most processed foods range between 10 and 35 per cent. Valuation for duty is on a c.i.f. basis.

Trading Company is Key

An interested and enthusiastic trading company is the key to successful sales in Japan. The establishment of suitable channels of distribution is completely in the hands of the trading company and thus selection of a firm with the correct combination of skills required to market your product is crucial.

The trading companies grew out of the problem of communications between Japanese firms and foreign companies. Over the years, the trading companies have evolved from the functions of interpreter and customs broker to a multi-functional operation including financing, importing and exporting, warehousing, promotion, distribution and sales. Several of Japan's largest firms began operations as trading companies and are now interested in such diverse activities as manufacturing and shipbuilding as well as the traditional tasks of importing and exporting. (See "Your Business Visit to Japan" *Foreign Trade* of June 10, 1967, for a list of the 15 leading trading companies.) Trading companies vary in size from the giants employing thousands of people and dealing in a wide variety of items to small specialized firms with only a few employees.

The large trading company is well endowed with working capital, storage and refrigeration facilities, and a well-developed distribution system. It is generally divided into departments based on product classification. One of them, the food department, is in turn broken down into sections specializing in frozen foods, canned goods, fresh produce, etc. A food section may handle several hundred items. In this situation, fast moving, highly profitable products usually gain the lion's share of attention. The small specialized trading company may deal only in a limited number of food products and thus is frequently able to devote considerable attention to individual products.

Whatever size of company you choose as agent, the ability to communicate is a factor that should not be overlooked. Many a promising agency agreement has failed to develop satisfactorily because of the language barrier. Japanese translators are available and the best trading companies have a number of staff members capable of communicating in English, French, and several other languages as well.

Labelling and Packaging

Japanese customs laws require that the contents of cans, jars or packages be shown in metric weights on the wrapper or label. If the weight appears in pounds or fluid ounces, the importer is required to black out that part of the label by hand. If the black-out procedure must be done by hand in Japan, it is expensive and time-consuming.

Many companies print labels to include both imperial and metric weights for use in export markets. Though the blackout procedure is still required in Japan, the metric weight appears in bold print on the package.

The importing company must also attach a small sticker to each imported item. This sticker, in Japanese, describes the product and lists the metric weight, the date of import and the name of the importing company. The import date has considerable influence on sales of products that may deteriorate with age.

Japanese consumers like to see what they buy and thus see-through packages (particularly for frozen vegetables and sweet biscuits) have proved successful in attracting customers.

Promotion

When your product is first introduced to the market, trading companies frequently expect financial assistance to launch an adequate sales campaign. In your discussions with a

continued on page 32, following table.

(Left) Yes, the Japanese buy Canadian pickles, as the sign shows. (Right) These checkout counters at Kinokuniya could be in a Canadian supermarket, but the clerks also receive instruction each week in the Japanese tea ceremony.

TABLE I

JAPAN'S IMPORTS OF PROCESSED FOODS—1967

(Yen 333 = Cdn. $1.00; 1 kg. = 2.2 lb.)

Customs Duty	Import Position	Product	Imports		Major Foreign Suppliers
			Quantity	Value (Y'000)	
25%	I.Q.[1]	Meat and meat offal, prepared or preserved in airtight containers (luncheon meat)	**467,117 kg.**	**142,899**	
			2,978	866	Canada
			198,798	41,988	China (People's Republic of)
			63,664	20,992	Argentina
			50,072	17,318	U.S.
			47,659	17,352	Denmark
45%	I.Q.	Processed cheese	**115,715 kg.**	**56,354**	
			95,626	49,838	U.S.
			13,894	4,493	Australia
			4,600	1,168	Netherlands
35%	I.Q. (cheddar) A.A.[2] (natural)	Cheese and curd, n.e.s. (incl. cheddar cheese)	**23,938,657 kg.**	**5,650,000**	
			7,828,851	1,786,193	Australia
			5,370,819	1,159,596	Norway
			4,182,988	941,221	New Zealand
25–40%	A.I.Q.[3]	Jams	**5,152,739 kg.**	**662,679**	
			2,691,274	334,773	Bulgaria
			203,310	53,358	Britain
			776,699	82,148	China (People's Republic of)
25–40%	A.I.Q.	Marmalades and fruit jellies	**193,898 kg.**	**40,872**	
			114,445	23,462	Britain
			30,713	10,104	U.S.
			21,779	2,115	China (People's Republic of)
20%	A.A.	Frozen fruits, sugared	**116,308 kg.**	**20,053**	
			56,125	10,690	Philippines
			14,909	3,401	U.S.
			40,074	4,525	Ryukyus
¥12/kg.	A.I.Q.	Peas	**21,381 m.t.**	**1,083,545**	
			846	28,672	Canada
			13,278	557,246	U.S.
			4,711	372,892	Netherlands
10%	A.A.	Vegetables, frozen	**916,189 kg.**	**111,656**	
			398,065	55,717	Australia
			266,822	19,997	China (People's Republic of)
			138,526	11,224	China (Taiwan)
15–25%	A.A.	Vegetables, preserved by vinegar or acetic acid, not sugared	**86,084 kg.**	**15,595**	
			2,169	401	Canada
			40,000	3,145	China (People's Republic of)
			15,996	4,007	U.S.
			15,982	1,253	Bulgaria
20–25%	A.A.	Vegetables, canned	**1,005,199 kg.**	**199,778**	
			59,108	35,387	South Korea
			47,205	21,525	U.S.
			731,507	62,496	China (People's Republic of)
			64,673	25,972	China (Taiwan)
			50,010	25,497	Switzerland
30%	A.A.	Natural honey	**14,356,042 kg.**	**1,500,486**	
			127,463	36,480	Canada
			7,987,379	709,753	China (People's Republic of)
			666,580	93,597	Rumania
			1,228,094	173,955	Hungary
			3,404,724	349,336	Argentina
35%	I.Q.	Chocolate confectionery	**1,146,049 kg.**	**646,634**	
			3,415	1,538	Canada
			476,796	269,931	Britain
			296,110	146,154	U.S.
			229,501	127,202	Netherlands
Nil	I.Q. (canned) A.A. (dry)	Pet foods	**3,859 m.t.**	**414,331**	
			2	423	Canada
			3,796	380,014	U.S.
			45	4,234	Australia
			13	28,513	EEC

(Yen 333 = Cdn. $1.00; 1 kg. = 2.2 lb.)

Customs Duty	Import Position	Product	Imports: Quantity	Imports: Value (Y'000)	Major Foreign Suppliers
35%	I.Q.	Margarine	**71,835 kg.**	**11,931**	
			18,436	4,243	Canada
			48,636	6,658	Norway
			4,763	1,030	U.S.
30%	A.A.	Soups, n.e.s. and broths	**372,752 kg.**	**109,215**	
			463	150	Canada
			332,702	89,554	U.S.
			33,200	16,200	Switzerland
			2,903	1,069	Denmark
Y550/ litre	I.Q.	Whiskey	**1,075,276 l.**	**788,419**	
			34,750	23,118	Canada
			1,036,735	762,358	Britain
			898	475	France
			1,966	1,903	U.S.
35% or Y27/kg.	I.Q.	Syrups, flavored or colored sugar	**35,929 kg.**	**13,556**	U.S.
40%	I.Q.	Biscuits, sugared		**83,000**	
				64,000	Britain
				5,000	Netherlands
				1,000	Belgium
				2,000	France
				8,000	U.S.
40%	I.Q.	Cookies, sugared		**80,000**	
				19,000	Denmark
				23,000	Britain
				1,000	Netherlands
				2,000	France
				33,000	U.S.
35%	I.Q.	Biscuits and cookies not sugared		**8,000**	
				3,000	Britain
				2,000	Netherlands
				1,000	U.S.

(1) Import quota.
(2) Automatic Approval.
(3) Automatic Import Quota.

TABLE II

AVERAGE MONTHLY FOOD EXPENDITURES BY URBAN JAPANESE HOUSEHOLDS

	Fiscal Years (April-March) 1963	1965	1967
	(in Japanese Yen)		
Living expenditure	45,106	53,032	63,063
Expenditure for foods	16,297	19,123	21,796
Engels' coefficient*	36.1%	36.1%	36.1%
Food expenditure represented by:			
Cereals	3,739	4,169	4,167
of which			
Rice	2,946	3,204	3,194
Other grains	20	21	24
Bread	397	461	463
Others	372	483	490
Fresh & frozen fish & shellfish	1,061	1,293	1,497
Salted & dried fish & shellfish	408	486	606
Fresh & frozen meat	1,435	1,788	2,193
Milk & eggs	1,411	1,722	1,969
Fresh vegetables	1,250	1,503	1,797
Seaweeds	297	338	375
Processed foods†	1,337	1,586	1,749
Seasonings	1,024	1,083	1,136
Confectionery	1,004	1,144	1,291
Fresh fruit	842	1,062	1,281
Liquors	734	846	1,022
Other beverages	485	617	840
Eating out	1,270	1,486	1,873

*Engels' law states that the percentage of money income spent on food is a way of measuring the standard of living. The lower the income, the greater the percentage spent on food. Japanese households, on the average, spend 36.1 per cent of their money income on food.

†Includes canned fruits, vegetables and meats, and ham and sausages.

(Y333=Cdn.$1.00)

potential trading partner, be prepared to answer this question. An offer to supply promotion aids for point-of-sale advertising, etc., will doubtless be well received. Promotion material in English is frequently used, often overprinted with Japanese characters. In fact, a foreign language can be a status symbol in Japan.

Protect Your Trademark

It pays to register your trademark in Japan. A number of companies have experienced difficulties because their trademark was registered by another individual or firm. Registration must be made in the name of a resident of Japan and costs approximately $100. It is recommended that you name an attorney as your proxy and have the trademark filed in his name. This will eliminate any difficulties over ownership.

Joint Ventures and Technical Agreements

The possibility of a joint venture or technical tie-up with a Japanese company should be considered if your product lends itself to local manufacture, or if you can gain an economic advantage by bulk shipment with packaging locally. At the moment, Japan is going through a period of gradual relaxation of restrictions on the import of foreign capital and technical knowhow. Many categories of industry are still heavily protected, particularly in the food manufacturing sector, but this situation is expected to change gradually.

There are several existing joint ventures with foreign firms; some of the more prominent are: Japan General Foods Ltd.—instant coffee, instant curry; Honen-Lever (Unilever)—margarine; Knorr-Aji (Knorr Foods)—mayonnaise, soups; Nippon-Kellogg (Kellogg's)—breakfast cereals; Morinaga-General Mills—cake mixes and breakfast cereals.

An Australian cheese manufacturer has had outstanding success exporting cheese in bulk to a Japanese partner who blends the cheese to suit the Japanese taste.

Canadian exporters interested in the Japanese processed food market should write to the Minister (Commercial), Canadian Embassy, Akasaka, Tokyo, 107 Japan, for assistance in determining the potential for their products.

British Timber an

With more houses built than ever before, demand continued to be brisk. Canadian sales of lumber were down, but our plywood sales rose two per cent. Prospects for this year are uncertain.

This cargo of Canadian timber aboard the "Chapel River" arrived in Hull February from the Canadian West Coast. Our softwood lumber sales to Brit declined last year, largely because Canadian prices were higher than European.

Plywood Markets 1968

O. HICKIE
Commercial Secretary (Timber), London

■ The British timber trade has every reason to look back on 1968 with satisfaction and a sense of accomplishment. It was another boom year on almost all fronts, but with an important difference. Not only were several new postwar records established for physical volume handled, but it was perhaps the most profitable year for some time.

All this was achieved in spite of the most difficult and troublesome economic conditions Britain has faced in more than a decade. The year began shortly after the devaluation of sterling, with its attendant uncertainties and problems. As it progressed, the British Government introduced further stringent economic measures in a determined effort to make devaluation work, finally topping everything with the import deposit scheme that became effective last November.

As it turned out, devaluation had a "golden lining" which the timber trade, aided by a few lucky breaks, was able to turn to its advantage to reap an unexpected windfall. The first stroke of good fortune was the healthy stock and outstanding contract balances position at the time of devaluation. This naturally resulted in rising stock values which carried through a large part of the year.

Soviet Action Affects Prices

Then the Russians came out with their first large stock offering, containing a revised schedule of timber prices significantly below the 16.7 per cent price increase required to offset fully the effect of devaluation. This was followed two months later by a further sizable stock offering which again contained only minor price rises. Needless to say, these rather unexpected competitive offers created a stir and both were heavily oversubscribed.

With the new timber price structure thus established, other major European suppliers had little option but to follow suit. As a result, the early part of the year was characterized by a strongly rising market to which the trade responded vigorously. In fact, a record volume of contracts covering nearly two-thirds of the total 1968 timber requirements were placed by the end of the first quarter.

The other important factor in the trade's favor was the continued high level of construction activities throughout most of 1968. Once again, a record number of housing units was completed—nearly 414,000 compared with some 404,000 in 1967, an increase of 2.3 per cent, again almost equally divided between the public and private sectors. But a certain loss of momentum developed in the building industry as the year wore on. Housing starts fell by over 53,000 units, or nearly 10 per cent, and the number of units under construction at the end of the year was down to about 455,000 compared with nearly 477,000 in 1967 (Table I, page 34).

Softwood Lumber

The rate of construction had an important bearing on the high softwood lumber consumption in Britain last year. Preliminary figures show apparent 1968 consumption at 1,915,-324 standards, the second highest postwar figure and only 33,000 below the 1964 peak.

Total imports rose from 1,806,000 standards in 1967 to nearly 1,962,000 in 1968, an increase of 8.6 per cent (the second highest postwar figure). Year-end stocks (661,733 standards) and contract balances (655,156) were 7 and 17 per cent higher than for the previous year. Of the unshipped balances, European shippers accounted for all but 12 per cent, which represented outstanding Canadian contracts.

Canada's year in the British softwood market was 1967; in 1968 European suppliers really came into their own. Sweden burst onto the scene as the leading shipper with a total of over 496,000 standards, nearly 31 per cent above 1967, taking 25.3 per cent of the total market. What made this remarkable was that it followed a significant 45 per cent expansion in exports during 1967.

Although the U.S.S.R. had set the pace early in the year and sold substantial volumes, it finished in second place with 23.8 per cent of the market because of shipping difficulties. Even so, the 467,500 standards delivered represented a healthy increase of nearly 60,000 standards, or some 15 per cent. Finland accounted for nearly 21 per cent of the market and increased sales by 15 per cent—from 353,600 to nearly 409,000 standards. Even the less important suppliers like Poland, Brazil and Czechoslovakia all managed to increase their volume of softwood sales to Britain last year.

Canadian Sales Down

By contrast, though Canadian softwood shippers generally enjoyed a satisfactory year over-all, they lost a considerable amount of ground in the British market. This was largely because the exceptionally heavy demand from the U.S., Japanese and domestic markets in the last two years tightened the supply position so that Canadian timber prices, particularly for the construction grades, rose sharply and have become completely out of line with those for comparable European stock. It is therefore hardly surprising that Canadian softwood lumber shipments last year dropped to 294,600 standards from 411,500, the lowest sales in ten years. Canada also lost its position as leading supplier in 1967 and finished in fourth place with only 15 per cent of the market (see Table II, page 34).

Because our traditional and strongest whitewood competitor, Sweden, dominated the scene, it is perhaps not surprising that Eastern Canadian lumber suppliers were hardly in the market at all last year. Estimated shipments of only 20,600 standards must represent an all-time low for a region of the country which has been a traditional British supplier (see Table III).

Hardwood Lumber

The British hardwood trade was also extremely busy during 1968. Imports of sawn hardwoods increased from 28.4 to 32.5 million cubic feet and logs rose from 8.8 to 10.2 million cubic feet. Almost all of this wood is normally purchased from countries in West Africa, Southeast Asia and Europe. Canada last year shipped only 1.09 million cubic feet

compared with 1.35 million the year before. Most of this was in the form of low-grade birch and maple pallet stock, some hardwood flooring, the better grades of birch and maple lumber, and dimension stock for special end uses. Demand for higher grades of maple remained steady in spite of increased prices, but interest in similar birch grades was almost negligible.

Plywood Market Exponds

It seems that even in adversity the British plywood market expands year by year. Following devaluation, there was some uncertainty and pessimism in trade circles which gradually dissipated as the year wore on. It soon became apparent that in spite of a full upward price adjustment and even with further increases in price during the year, demand remained strong and sales were well maintained. Preliminary 1968 figures for plywood imports (including blockboard) show that at 1,075,000 cubic meters the magic million mark had been exceeded for the second consecutive year.

Even if blockboard is excluded, plywood imports set a new record, with a total of 853,300 cubic meters, or 10 per cent more than in 1967. In this sector, Canada easily maintained its position as leading British supplier, well out in front of its two nearest competitors. Total Canadian plywood sales rose by 2 per cent, from 285,000 cubic meters in 1967 to over 290,000 and accounted for about 34 per cent of the market. Finland with 18.2 per cent and the U.S.S.R. with nearly 16 per cent of the market each

TABLE I

RESIDENTIAL HOUSE CONSTRUCTION IN BRITAIN 1964-1968

Year	*Public Sector*		*Private Sector*		*Total*	
	Starts	*Completions*	*Starts*	*Completions*	*Starts*	*Completions*
	(thousands of units)					
1964	178.6	155.6	247.5	218.1	426.1	373.7
1965	181.4	168.5	211.1	213.8	392.5	382.3
1966	185.9	180.1	193.4	205.4	379.3	385.5
1967	213.9	203.9	233.7	200.5	447.6	404.4
1968	194.3	191.7	200.1	222.0	394.4	413.7

Source: Ministry of Housing and Local Government, Housing Statistics, 1968

TABLE III

CANADIAN SOFTWOOD LUMBER EXPORTS TO BRITAIN 1964-68

Year	*British Columbia*		*Rest of Canada*		*Total*	
	('000 standards)	*(per cent)*	*('000 standards)*	*(per cent)*	*('000 standards)*	*(per cent)*
1964	368.9	78.7	99.6	21.3	468.5	100.0
1965	411.2	82.0	90.5	18.0	501.7	100.0
1966	302.6	80.4	73.7	19.6	376.3	100.0
1967	362.6	88.1	48.9	11.9	411.5	100.0
1968	274.0	93.0	20.6	7.0	294.6	100.0

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

TABLE IV

BRITISH PLYWOOD IMPORTS, 1964-1968

Exporting Country	*1964*	*1965*	*1966*	*1967*	*1968*
	(cubic meters '000)				
Canada	217.4	220.4	211.7	284.9	290.4
Finland	133.0	128.0	110.2	141.2	154.9
U.S.S.R.	125.5	125.7	105.9	112.7	135.9
Israel	30.6	33.6	28.8	40.6	37.2
Japan	38.9	37.5	26.4	27.9	29.3
Rumania	21.6	26.0	21.1	27.1	32.0
France	21.4	20.1	17.9	22.4	15.0
Gabon	14.2	17.2	11.7	15.0	22.3
Malaysia	.....	.....	3.3	13.5	22.7
Singapore	.....	.....	.....	7.9	18.8
Ghana	12.2	10.8	11.2	10.7	15.0
Spain	.....	.....	2.2	3.4	13.8
Nigeria	14.1	15.4	14.0	13.0	11.3
Others	52.3	45.7	39.9	59.0	54.7
Total	**681.2**	**680.4**	**604.3**	**779.3**	**853.3**

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

TABLE II

BRITISH IMPORTS OF SOFTWOOD LUMBER 1964-68

Country	*1964*		*1965*		*1966*		*1967*		*1968*	
	'000 standards	*per cent*	*'000 standards*	*per cent*	*'000 standards*	*per cent*	*'000 standards*	*per cent*	*'000 standards*	*per cent*
Canada	468.5	23.0	501.7	26.2	376.3	22.3	411.5	22.8	294.6	15.0
U.S.S.R.	500.2	24.6	488.3	25.5	428.1	25.3	407.7	22.6	467.5	23.8
Sweden	316.7	15.6	268.4	14.0	261.6	15.4	379.6	21.0	496.3	25.3
Finland	433.3	21.3	375.0	19.6	364.7	21.6	353.6	19.6	408.9	20.9
Poland	125.7	6.2	117.7	6.1	105.1	6.2	104.2	5.8	109.6	5.6
Brazil	49.4	2.4	44.8	2.3	52.7	3.1	42.7	2.4	61.7	3.1
Czechoslovakia	48.9	2.4	43.4	2.2	40.3	2.4	40.9	2.2	47.1	2.4
Others	91.7	4.5	78.4	4.1	61.4	3.6	65.7	3.6	75.8	3.9
Total	**2,034.4**	**100.0**	**1,917.7**	**100.0**	**1,690.2**	**100.0**	**1,805.9**	**100.0**	**1,961.5**	**100.0**
Percentage change	**+21.7**		**−5.7**		**−11.9**		**+7.0**		**+8.6**	

Source: Board of Trade, *Overseas Trade Accounts of the United Kingdom*, 1965-68

chalked up notable gains. Among the other supplying countries much farther down the scale, Malaysia, Singapore and Spain have been making rapid advances in the market over the past two years. Starting almost from scratch in 1966, they last year shipped 22,700, 18,800 and 13,800 cubic meters respectively (see Table IV).

Outlook for 1969

At the European Softwood Importers/Exporters Conference held in London last October, the British delegation predicted that both the apparent softwood lumber consumption and total imports would probably decline during 1969. This was based on the expectation that the impending changeover to the use of metrically-sized timber by the British construction industry early in 1970 would cause importers, merchants and consumers to allow their stocks of timber in imperial sizes to run down. Based on this assumption, their forecast was that imports would probably not exceed 1,754,000 standards and apparent consumption about 1,830,000 standards, decreases of some 10 and 5 per cent respectively.

Some European suppliers doubted that metrication in itself would affect the market adversely to that extent because they intended to offer timber in metric sizes later this year to prevent this situation from developing. Certainly the market so far has remained remarkably strong. The first Soviet stocknote offering for 1969 shipment was again very heavily oversubscribed even though prices had increased between £5 and £7 per standard. It is estimated that contracts placed for Russian timber already total about 425,000 standards and that the Soviet Union should have no trouble in selling well over 500,000 standards if it chooses to do so. In the past five months, Sweden and Finland have also been selling heavily for shipment this year.

There may be some slowing down in sales now that the initial flurry is nearly over and the prediction of the British delegation may well prove fairly accurate for another reason. Although the construction industry had an active year in 1968, there are signs that farther back in the pipeline the trend in housing starts and units under construction is clearly turning downward. Consequently, though the level of building will probably remain fairly high this year, a slight over-all decline is expected. And since construction is the most important factor influencing the demand for lumber, it is reasonable to expect some decrease in the volume of softwood imports during 1969, perhaps even of the predicted size.

Though prospects in the British softwood market on the whole are quite favorable, those for an improvement in Canada's performance during 1969 are not encouraging at this particular time. Many of the popular species continue to be either in tight supply and/or priced so high that they are of little or no interest to the trade in Britain. Year-end figures indicate that even our outstanding balances at 79,500 standards are down by nearly 35 per cent from the year before, which means that the orders in the pipeline are well below normal. Unless something unforeseen happens to make Canadian lumber more attractive and available in greater quantities, 1969 sales to the British market could decline farther by 10 per cent or more.

The British import deposit scheme has also been a serious blow to Canadian sales of CLS lumber, important in our timber frame promotion schemes. It is encouraging to record, however, that in spite of the higher CLS prices and present supply difficulties, many British timber frame house-builders have continued loyally to specify and use it. If Canadian shippers do not soon take steps to make ample supplies available at more competitive prices, many of these loyal supporters may have no alternative but to switch to Scandinavian material.

The British plywood trade was also hard hit by the import deposit scheme introduced last November. Numerous organizations, including the Canadian Government, made official representations to the Board of Trade to obtain exemption for both plywood and dressed timber but without success. Yet the plywood market has continued to rise strongly and seems well on its way to establishing another import record. After the initial shock, most of the trade has apparently found the necessary financing to cover anticipated deposits and is taking an optimistic attitude. The result is that sales are still advancing. Outstanding contracts for Canadian plywood stood at 157,000 cubic meters at the beginning of the year compared with 109,000 the year before, an increase of 44 per cent. With building and civil engineering construction active, new Canadian sales continue to mount and, with some luck, may even reach 300,000 cubic meters by the end of the year.

Trade Commissioners on Tour

In Territory

Bulgaria, Hungary, Rumania—Trade Commissioners in the Vienna, Austria, office make frequent visits to these countries, but often there is not time to publisb tbeir itineraries in advance. Therefore, Canadian businessmen wbo would like the Trade Commissioners to undertake assignments for them in tbese East Eurnpean countries are advised to write to the Vienna office immediately.

Cyprus—an officer from the Tel Aviv, Israel, office will visit Cyprus every month for at least three days, usually in the second balf of the montb.

Guyana—D. Hobson-Garcia, Commercial Officer in Port-of-Spain, Trinidad, will visit Georgetown April 15-17.

Tobago—D. J. McJanet, Assistant Commercial Secretary in Port-of-Spain, Trinidad, will visit Tobago April 15.

Trinidad—J. A. Ahow, Commercial Officer in Port-of-Spain, will visit South Trinidad April 30.

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

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

Britain's Timber Trade Mergers

W. D. WARDLE, *Assistant Commercial Secretary (Timber), London*

■ The year 1968 was one of momentous and far-reaching developments in company mergers and takeovers in the British timber trade.

The last two years have brought many warnings that the 831 member firms of the Timber Trades Federation would in future find their numbers reduced substantially. Taking the predictions a step farther, it has been said that very few importing firms would be of national consequence and current guessing in the trade is that there will be between six and twelve. The table lists the 17 major mergers of 1968 (two of them between agency companies).

Historically there are four levels in the timber trade—the shipper, the agent, the importer and the merchant. They sell and buy timber products which fall into five categories: softwood, hardwood, panel products, veneers and wood-based manufactures. This pattern has been broken with the development of the company which acts as shipper/agent, agent/importer, importer/merchant, and/or deals in timber products in more than the usual two categories. These developments indicate a desire to diversify in order to achieve a greater measure of stability (the softwood business is notoriously unstable), and have led to the formation of the shipper/agent and agent/importer.

MacMillan Bloedel Ltd. of Vancouver established an Anglo-Canadian company with Montague L. Meyer Ltd. to facilitate landing unsold stocks of Canadian timber in Britain. Seaboard Lumber Sales Ltd. of Vancouver established a subsidiary agency company in London to handle sales of member mills. These two moves may have had a catalytic effect on the tendency towards mergers and takeovers in the British trade today, although the need to rationalize the channels of distribution has been generally recognized for some time.

The objective of merging with or taking over another company is obviously to increase profits and this has happened in several of the mergers and takeovers listed in the table. The gains are economies in stockholding and administration, the acquisition of distribution outlets and of managerial talent, and the spreading of risk over several operations. Of these gains, the acquisition of managerial talent is particularly important. The cream of available administrative talent has not been attracted to the timber trade because of the small average size of the companies and the lack of glamor. With increasingly large public companies as opposed to the traditional family businesses, it is expected that managerial talent will become available as more firms move into the three growth areas: panel products, veneers and sophisticated manufacturing. Company size will offer greater scope and challenge.

Reviewing the mergers in 1968/69, it is possible to see the rationalization that is taking place. Price Hallam & Foy Ltd. is probably the largest timber agent in the world; Montague L. Meyer, the largest British softwood importer, increased its captive distributive outlets in the southeast. J. Gliksten & Son, the largest name in hardwoods, became even larger by merging with John Ashworth (Timber) Ltd. and Graham & Wylie Ltd., and threatens to move deeply into the softwood business with a February 1969 bid for Denny Mott & Dickson. Horsley Smith & Co. Ltd. strengthened its position in the northeastern softwood trade through buying Jewson & Son Ltd., and in the western Midlands, Southerns Ltd. will now operate the 17 softwood outlets of Wm. Evans. The best example of "conglomerization" may well be the result of the recent bid by AVP Industries for Thames Plywood, because the former has substantial interests in domestic furniture, timber and veneered wood, as well as property and investment, engineering and shopfitting, and the latter is probably Britain's largest plywood manufacturer.

The trade will of course continue to hear of new takeover bids, amalgamations and mergers within itself as the process of rationalization continues to result in either vertical or horizontal integration. In the past the debate has been over whether such expansions could be accepted, particularly the vertical integration, but now the trade will be giving thought to whether it will be substantially controlled by groups with only a minor interest in timber trading.

MAJOR MERGERS IN BRITISH TIMBER TRADE

1968	Buyer	Seller
Jan.-Feb.	Price & Pierce Ltd.—Hallam Ramsey & Co. Ltd. Group*	Foy Morgan & Co.*
	Gabriel Wade & English	Dolton, Bournes & Dolton Ltd.
March	Montague L. Meyer Ltd.	Gabriel Wade & English
	J. Gliksten & Son	John Ashworth & Co. (Timber) Ltd.
	Bambergers Ltd.	John Webb (Swindon) Ltd.
May	Hollis Bros. Ltd.	Educational Supply Association Ltd.
July	Horsley Smith & Co. Ltd.	The Nottingham Mills Co. Ltd.
	Southerns Ltd.	Joseph Margrave & Co. Ltd.
	J. Gliksten & Son	Graham & Wylie Ltd.
	United City Merchants*	Scantlebury & Hemingway Ltd.*
	Southerns Ltd.	Wm. Evans (Manchester) Ltd.
Aug.-Sept.	Horsley Smith & Co. Ltd.	Jewson & Son Ltd.
	Sabah Timber Co. Ltd.	Beves & Co. Ltd.
October	Burt Boulton & Haywood Ltd.	Goldthorpe Timber Co.
	Boulton & Paul Ltd.	John Sadd & Sons Ltd.
1969		
February	J. Gliksten & Son	Denny, Mott & Dickson
	AVP Industries	Thames Plywood Manufacturers Ltd.

*Agency firms.

foreign tariffs and trade regulations

Republic of China (Taiwan)

CUSTOMS SURTAX

1. The enforcement rules prescribed herein are formulated in accordance with the provisions of Article 57 of the Customs Law of the Republic of China (Taiwan).

2. Duty-free machinery and equipment, as provided for by paragraph 2 of Article 23 of the Statute for Encouragement of Investment, shall be exempted from the surtax, provided, however, that a surtax shall be imposed at 26 per cent of the customs duty when import duties are reimposed by law.

3. The import duty shall be lifted, as provided by paragraph 2, Article 27 of the Customs Law, from imported machinery and equipment that will be re-exported abroad within a period of five years from the date of import, and from their final products exported abroad pursuant to the established regulations: provided, however, that a surtax shall be imposed at 26 per cent of the customs duty when an import duty is reimposed by law.

4. The surtax rate of the machinery and equipment not covered by Articles 2 and 3 of these rules shall be 26 per cent of the customs duty.

5. The surtax for imported raw materials for use in the manufacture of products for export shall be 20 per cent of the customs duty, which is refundable after export of the finished goods. However, a surtax shall be imposed upon these at 30 per cent of the customs duty when the products are sold domestically. If the said raw materials sold domestically are wheat, soybeans or corn, the surtax shall be imposed in accordance with the provisions as prescribed by article 6 of these rules.

6. The surtax rate for wheat, soybeans and corn shall be at 26 per cent of the customs duty.

7. The surtax for medical, optical, surgical and dental instruments or apparatus (import classification No. 748) shall be 26 per cent of the customs duty.

8. The imported goods which are not covered by Articles 2 to 7 of these rules shall be assessed surtax of 26 per cent of the customs duty.

9. These rules are effective from February 20, 1968.

Guyana

DEFENCE LEVY—The Government of Guyana has introduced a Bill (No. 4, 1969) which seeks to authorize the imposition and collection of a levy (to be known as the "Defence Levy"). This levy, which will be deemed to have come into effect February 28, 1969, will be levied at the rate of 3 per cent on the value of all goods imported into Guyana. This levy shall not apply to the importation of goods which are exempt from import duties by virtue of the provisions of the Customs Ordinance, or of any other law providing for goods to be so exempt.

DUTY INCREASES—With effect from February 28, 1969, increases in the rates of duty were announced on:

Fish products and preparations, n.e.s.

Pickles and vegetables preserved in vinegar

Sauces and other condiments

Roasted chicory and other coffee substitutes

Bed linen, table linen, toilet linen, kitchen linen of all materials

Curtains, draperies and made-up household articles of textile materials

Precious and semi-precious stones (including natural and cultured pearls)

Jewellery of all kinds (precious and imitation)

Goldsmiths' and silversmiths' wares

Radio gramophones (radio-grams)

Portable electric tools and appliances

Small household electro-mechanical appliances (e.g., vacuum cleaners, sweepers, polishing brooms etc.)

Domestic refrigerators, electric or non-electric, having a capacity of not less than 7 cubic feet

Further details may be obtained from the Commonwealth Division, Office of Area Relations, Department of Industry, Trade and Commerce, Ottawa.

Foreign Exchange Rates

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

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

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

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

Country and Currency	Value of Foreign currency unit in Canadian dollars	Value of Canadian dollar in foreign currency units
	March 13	
Algeria		
Dinar	.2171	4.59
Argentina		
Peso (free)	.0031	322.58
Australia		
Dollar	1.200	.8340
Austrla		
Schilling	.0416	23.98
Bahamas		
Dollar	1.055	.9506
Belgium and Luxembourg		
Franc	.0214	46.25
Bermuda		
Pound	2.567	.39
Bolivia		
Peso	.0904	10.97
Brazil		
Cruzeiro (official free)	.2750	3.64
Britain		
Pound	2.572	.39
British Honduras		
Dollar	.6430	1.59
Burma		
Kyat	.2261	4.43
Ceylon		
Rupee	.1809	5.54
Chile		
Escudo (bank rate)	.1318	7.48
(free)	.1169	8.46
China, Republic of		
New Taiwan Dollar (official)	.027	37.04
Colombia		
Peso (fixed)	.063	14.95
Congo (Kinsbasa)		
Zaire	2.150	.4653
Costa Rica		
Colon	.1625	6.12
Cuba[1]		
Peso	.....	.....
Czechoslovakia		
Koruna	.1495	6.70
Denmark		
Krone	.1435	6.98
Dominican Republic		
Peso	1.077	.93
Ecuador		
Sucre (official)	0598	16.50
(free)	.0536	18.45
El Salvador		
Colon	.4306	2.35
Fiji		
Pound	1.236	.81
Finland		
Markka	.2563	3.91
France, Monaco, etc.[2]		
Franc	.2171	4.59
Franco-African Republics[3]		
Franc	.0043	235
French Pacific[4]		
Franc	.0119	84.24
Germany		
D Mark	.2682	3.71
Ghana		
New Cedi	1.055	.95
Greece		
Drachma	.0359	27.93
Guatemala		
Quetzal	1.077	.93
Guyana		
Dollar	.5383	1.85
Haiti		
Gourde	.2153	4.65
Honduras		
Lempira	.5383	1.86
Hong Kong		
Dollar	.1776	5.64
Hungary		
Forint (official)	.0921	10.86
Iceland		
Krona (official)	.0122	81.96
India		
Rupee	.1426	7.02

Country and Currency	Value of Foreign currency unit in Canadian dollars	Value of Canadian dollar in foreign currency units
	March 13	
Indonesia[5]		
Rupiah	.....	.....
Iran		
Rial	.0142	70.42
Iraq		
Dinar	3.014	.33
Ireland		
Pound	2.572	.39
Israel		
Pound	.3076	3.23
Italy		
Lira	.0017	581.86
Jamaica		
Pound	2.572	.39
Japan		
Yen	.0030	333.33
Kenya		
Shilling	.1526	6.55
Lebanon		
Pound (free)	.3337	3.00
Malaysia		
Dollar	.3517	2.85
Mexico		
Peso	.0861	11.64
Morocco		
Dirham	.2127	4.72
Netherlands		
Florin	.2969	3.37
Netherlands Antilles		
Florin	.5709	1.76
New Zealand		
Dollar	1.204	.83
Nicaragua		
Cordoba	.1538	6.51
Nigeria		
Pound	2.998	.33
Norway		
Krone	.1508	6.64
Pakistan		
Rupee	.2261	4.43
Panama		
Balboa	1.077	.93
Paraguay		
Guarani (free)	.0086	116.28
Peru		
Sol (free)	.0246	41.66
Philippines		
Peso (free)	.2748	3.63
Poland		
Zloty (fixed basic rate)	.2690	3.72
Portugal & Colonies[6]		
Escudo	.0374	26.80
Saudi Arabia		
Riyal	.2066	4.84
Sierra Leone		
Leone	1.502	.66
Singapore		
Dollar	.3517	2.85
South Africa		
Rand	1.502	.66
Spain & Dependencies		
Peseta	.0154	64.25
Sweden		
Krona	.2081	4.81
Switzerland		
Franc	.2506	4.02
Syria		
Pound (free)	.2812	3.55
Thailand		
Baht (free)	.0522	19.19
Trinidad & Tobago[7]		
Dollar	.5392	1.85
Tunisia		
Dinar	2.050	.48
Turkey		
Lira	.1196	8.38
United Arab Republic		
Pound (official)	2.476	.40
United States		
Dollar	1.076	.93
Uruguay		
Peso (free)	.0043	232.55
Venezuela		
Bolivar (official free)	.2396	4.18
Yugoslavia		
Dinar (official)	.0861	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, Cameroons, 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 rupiab.
6. Approximately same rate for Portuguese territories in Africa.
7. Also used in Barbados, Leeward and Windward Islands.

What's the market for . . .

Raw Hides in South Africa

H. W. RICHARDSON
Trade Commissioner, Cape Town

■ The manufacture of leather goods is one of the oldest industries in South Africa. Soon after the first settlement by the Dutch at the Cape, tanning and the manufacture of boots and shoes began. After a long period of slow and chequered growth, they became firmly established, but only after obtaining government protection from overseas competitors.

Following the mineral discoveries of the 1870's and 1880's, a growing South African domestic market began to develop and this encouraged the expansion of the leather industries. By then good-quality sole leather was produced locally but for high-quality footwear it was necessary to import superior upper leathers, mainly from Australia but later from Canada. Tanning agents also had to be imported initially and these too came mainly from Australia. Expansion of the tanning industry took place in the ports, particularly Port Elizabeth, the nearest one for the Australian trade.

Tanning materials were relatively cheap and good leather was produced. These opportunities attracted skilled craftsmen from England and during the latter part of the nineteenth century a boot and shoe industry producing high quality footwear was established in the Cape Province.

After the birth of the Union of South Africa in 1910, the footwear industry expanded. Further expansion occurred during the First World War when the restrictions on imports gave the industry a new measure of protection and the demand for army boots created a large market. An increasing output of tanbark from the wattle plantations established in Natal and the production of tannin extract after 1916 aided the tanning industry, which not only improved the quality of the sole leather produced but began to turn out upper leathers as well. However, because of the conditions under which cattle are reared, South African hides are seldom free from tick marks, branding marks, and damage from barbed wire and from the effects of hard draught work. As a result they are usually unsuitable for high-grade upper leathers and for this purpose hides have to be imported. To aid shoewear manufacturers, these hides have been allowed in duty-free until recently.

Tanning Industry Stimulated

The greatly increased market for leather in the Second World War and the restrictions on the import of finished leathers stimulated the tanning industry and this growth was maintained in postwar years. The latest expansion in the tanning industry has occurred mainly in the Durban area because of the proximity of Natal wattle extract and of chrome salts from the southern Transvaal. South Africa affords many opportunities for the further development of the tanning industry and with rapid improvement in the living standards of the large native population, the future of the tanneries now looks assured. Apart from being a large producer of hides and skins, South Africa leads the world in the production of tanning-grade chrome and of wattle bark and extract. Hitherto these products had been largely exported.

Until 1966 Canada, Australia and Western Europe supplied the shoe industry with the better grades of leather and the South African tanning industry concentrated on supplying sole leather and the cheaper grades of upper leathers tanned from local hides. To stimulate the tanning industry further a duty increase on imported leathers in the higher price ranges was put into effect in 1966 and this helped local tanneries to produce the better grades and led to imported leathers being largely priced out of the market. Local tanneries soon found, however, that they could not meet the demands of the expanding shoe industry for the better grades of leather and more and more raw hides have had to be imported.

Canadian Hides Accepted

The exacting veterinary restrictions in force in South Africa meant that imports of hides were confined to those from Australia and New Zealand. Hides from South and North America were refused entry into the country. After representations made by Canadian Trade Commissioners in South Africa, the South African veterinary authorities agreed to the entry of Canadian hides, with the proviso that these be accompanied by an inspector's certificate issued by the Canadian veterinary field service of the Department of Agriculture stating that:

1. The hides originate from a country free from foot-and-mouth disease.
2. Pre- and post-mortem government inspection has been carried out.
3. The hides come from animals slaughtered in government-approved and inspected abattoirs.
4. The hides are destined to one plant on the list of 25 tanneries approved by the South African Government.

Most of the raw hides currently being imported are the lightweight higher-grade wet and wet-salted cattle hides of 30 to 48 pounds. During 1967, South Africa imported 184,700 hides of which Canada for the first time supplied 7,002 to the value of $47,724. During 1968 hide shipments from Canada increased to an average of almost 1,000 per month. Bearing these figures in mind, Canadian exporters of hides will note that there are still excellent opportunities for them to increase their share of this expanding market.

Packing Is Important

However, special packing problems have had to be overcome in order to get the hides to the South African tanneries in fresh and soft condition after crossing the Equator and often after lying in the blazing sun on South African docks. Usually it is necessary to protect the bales with plastic on the outside. Prior arrival by airmail of the Canadian veterinary and shipping documents at South African tanneries is particularly important because of the perishable nature of hides. These documents are essential to permit prompt veterinary examination at dockside before the bales can be moved into the Customs shed for clearance.

Interested exporters are invited to write to the Canadian Government Trade Commissioners at Cape Town and Johannesburg for further details.

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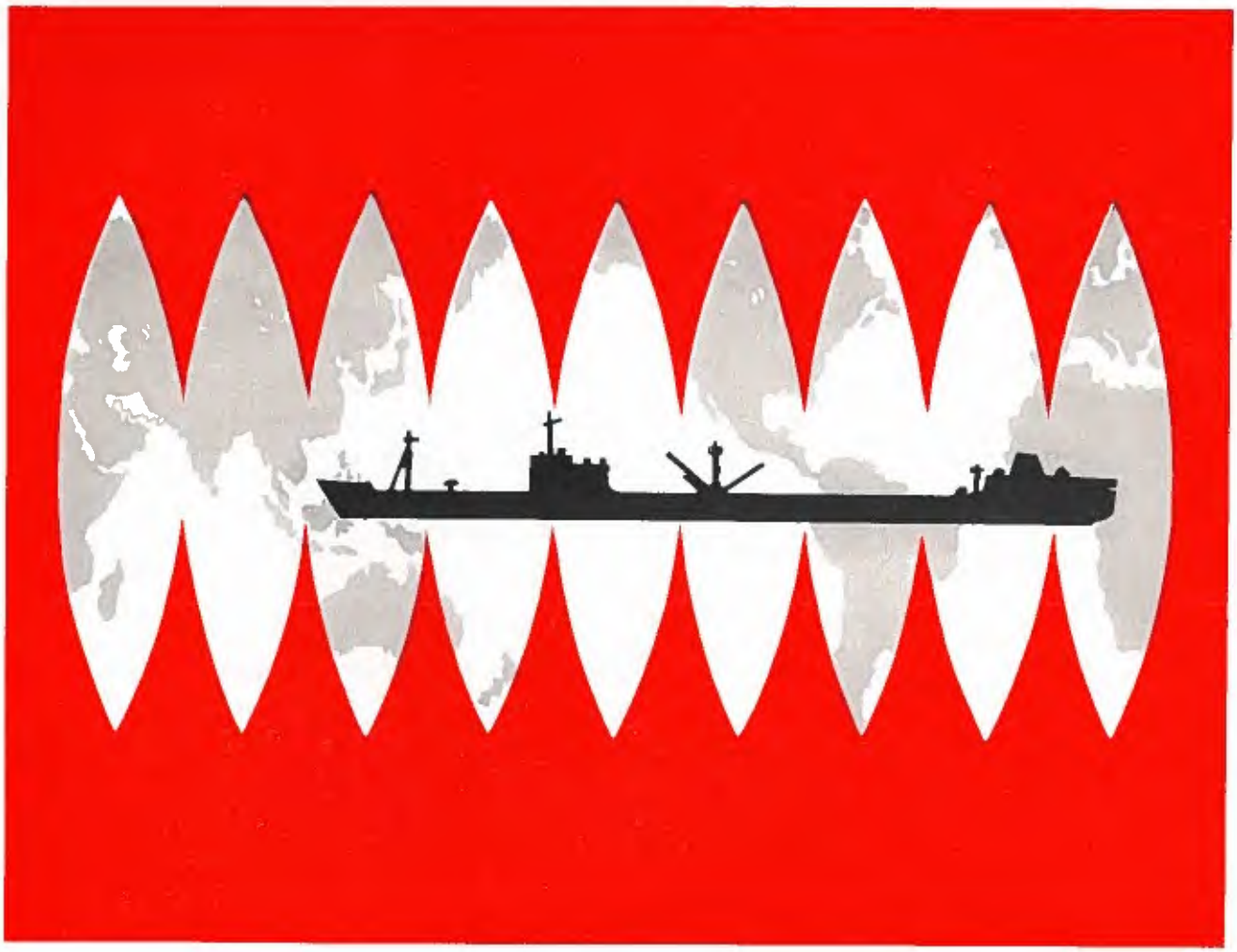

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