

foreign trade



Department of Industry, Trade and Commerce, Ottawa **October 11/69**



In This Issue

The figures by themselves are impressive enough. But it wasn't until we talked in the spring with our Minister (Commercial) in Tokyo when he was touring Canada that we realized the increasing depth and extent of our commercial relations with Japan. These result in large measure from the enormous industrial progress in Japan. This is illustrated by our cover, which shows the assembling of automobiles in the Toyota plant and points up the fact that Japan is now the world's second largest motor vehicle producer. The picture was taken by Ted Grant of the National Film Board, who visited the country some months ago. Other aspects of Japanese industrial growth are spelled out in the article on page 5, which also makes plain why raw materials bulk so large in our sales to Japan. But the article also discusses other types of trade opportunities for Canadians—including consumer goods.

The other four Far Eastern countries covered in this issue are important markets too, as the leading article on our trade with the Far East confirms. Next to Japan comes the People's Republic of China, to which we sold \$163 million worth of goods in 1968. The approach to this market lies through Hong Kong, and the office there has produced a useful report that includes advice on prospecting in this market and how to go about it.

A number of letters recently have commented on our "Business Visit" series and have mentioned the specific information in these articles on hotels and hotel rates, on restaurants, on air service, and so on. We think that you will find the latest in this series, "Visiting Hong Kong", a common sense and interesting guide to a fascinating city, which is also a good customer of Canada's. (Coming up

shortly will be an equally good piece on a business visit to the Netherlands.)

Rounding out our Far East presentation are articles about South Korea and the impressive recovery it has made, plus an interpretation of the import restrictions, and a solid piece on the Philippines and the recent Canadian successes there.

We would like to apologize to the large number of golfers who read *Foreign Trade*. In our issue of August 16, we published an article by J.C. Mercer on selling golf clubs in Britain. Illustrating it was a picture of Jack Nicklaus, Dave Rodgers, and Bruce Devlin. Thanks to your letters, we realize that it is *Phil*, not *Dave*, Rodgers, and that we confused Rodgers with Devlin in the caption. As one reader put it, "I can only conclude that you do not allow Mr. J.C. Mercer enough time off to play more "business" golf!"

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Established in 1904. Published fortnightly by the Department of Industry, Trade and Commerce.

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Vol. 132 No. 8

October 11/69

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Subscription

\$5.00 a year in Canada, \$7.00 abroad.
Single copies 25 cents each.
Please forward all orders, with cheque

or money order made out to the
Receiver General of Canada, to the
Queen's Printer, Ottawa, Canada.

Canada's Trade with the Far East

There are good prospects for Canadian sales of many goods to the Far East. Hard work and persistence are needed if these prospects are to be turned into export orders.

CINDY HARCOURT
Asia and Middle East Division

Trade between Canada and the Far East has been rising rapidly in the last few years, from \$731.9 million in 1964 to \$1.3 billion in 1968. In this issue, *Foreign Trade* is concentrating on five of our major markets in that area—Japan, People's Republic of China, South Korea, the Philippines and Hong Kong. Exports to these countries of \$834 million accounted for almost two-thirds of the total trade volume last year, up from \$714 million in 1967 (see Table 1). Sales of wheat and wheat flour continued to dominate our export figures, followed by a number of raw materials—copper, wood pulp, aluminum and lumber, to name only a few. Table 3 provides further details on these and other major items sold in the five countries. Japan continued in 1968 to take the major portion of these exports, followed by China, the Philippines, Hong Kong (although sales to this market declined slightly from the 1967 level), and South Korea.

As Japanese economic expansion continues, Japan's demand for imports of all types of goods, especially industrial raw materials, continues to grow.

Canada has been able to benefit greatly from this development; our exports to that country rose in 1968 to \$606.8 million, from \$572 million in the previous year. In the first half of 1969 these exports totalled \$301.4 million, up from \$290.1 million during the same period in 1968. Shipments to Japan of many Canadian goods went up significantly last year, especially of various raw materials such as copper, logs and lumber, wood pulp, iron ore, potassium chloride, coal, newsprint, molybdenum and silver. Moreover, where 1968 exports did decline in varying degrees from the 1967 levels, this trend has been reversed in the first half of 1969 with sales at higher levels than during the corresponding period of 1968. Items such as aluminum, asbestos, flaxseed, nickel and

liquefied propane gas are included in this category.

Wheat in 1968 continued to make up the major portion of Canadian sales to China under a long-term agreement which came into force on August 1, 1966. A number of other items were exported to China from Canada, including zinc metal valued at over \$4 million, scrap iron and steel \$656,000 and nickel metal \$562,000.

Canadian exports to the Philippines increased more than one third in the past year, from the 1967 level of \$25.5 million to \$34.5 million last year, although from January to June 1969 our sales have been slightly below the level of the same period in 1968. Shipments of a wide range of Canadian goods increased substantially last year—bulk and processed foodstuffs such as wheat and malt, industrial raw materials (especially zinc metal, wood pulp and potassium chloride, muriate), fully manufactured goods such as trucks and chassis, passenger automobiles and chassis, telephone equipment and hoisting machinery.

The South Korean economic boom continued in 1968 and was reflected in much greater demand for imports. Canadian sales to South Korea almost doubled in the past year, with increases in the export of a number of agricultural items—purebred dairy cattle, wheat flour, other milled cereals, flaxseed, rapeseed, whisky and industrial materials such as sulphur, newsprint, potassium chloride, copper ores and concentrates, and zinc metal.

Sales to Hong Kong declined slightly last year to \$16.6 million from the 1967 level of \$17.3 million. However, the first six months of this year saw export levels exceed those reached during the same period in 1968 and this trend should continue during the remainder of the year. Principal ex-

ports include aluminum, newsprint, wheat and wheat flour, polystyrene resins, zinc metal, and crude herbs and plants for medicine.

Canadian imports from the Far East have more than doubled in the past five years (see Table 2), rising from \$214.2 million in 1964 to \$448.8 million last year. From January to June 1969 imports reached \$278 million compared with \$195.3 million during the same period in 1968. Imports last year from South Korea increased almost 2½ times over 1967 levels, and there were substantial increases in purchases from Japan and Hong Kong. Imports from the People's Republic of China and the Philippines declined somewhat in 1968. However, from January to June 1969 imports from all five countries have risen significantly above the levels of the same period in 1968.

In 1968 our imports from the Far East consisted for the most part of a wide variety of tropical raw materials and consumer goods.

From Hong Kong, apparel \$25.2 million, toys, games and dolls \$5.4 million, artificial and ornamental flowers \$1.9 million, textile fabrics \$1.9 million.

From the People's Republic of China, apparel \$4.5 million, green peanuts \$3.6 million, walnuts \$2.3 million, gloves and mittens \$2.1 million.

From South Korea, apparel \$7.4 million, textiles \$1.5 million, footwear \$757,000, plywood \$513,000.

From the Philippines, desiccated coconut \$1.2 million, mahogany lumber, veneer and plywood \$600,000, chrome ores and concentrates \$333,000.

From Japan, a wide range of fully manufactured goods including motor

vehicles and parts \$31.8 million, TV sets, radios, phonographs and parts \$27.7 million, apparel \$24.8 million, rolling mill products \$20.1 million.

In the past few years considerable development has taken place in the Far East. The gross national product is rising steadily in most of the Asian countries including Japan, the Philippines, Korea and Hong Kong. However, chronic problems continue to face those seeking to develop their economies. In recent years many forms of assistance, including those of the various agencies of the United Nations and the Colombo Plan, have been directed towards overcoming these problems. The Mekong Development Program is perhaps the most important UN aid project in the Far East. Canada participates in many of these developments. Much has been achieved but much more remains to be done.

With this in view, the Asian Development Bank, consisting of regional and non-regional members, was set up in December 1966 in Manila. It has as a basic aim the financing of development projects in Asia. Canada is a charter member and, in addition to a \$25 million subscription to the ordinary capital of the Bank, was one of the first two countries (Japan is the other) to contribute to the Bank's loanable Special Fund that will be used to finance productive projects which cannot withstand the interest and repayment terms of conventional loans. Canada's contribution of \$25 million to this fund is being made available over a five-year period. Canada is eligible to share in the management of the Bank and Canadian businessmen should give careful attention to the opportunities to compete for procurement contracts which will arise from its work.

As the Far Eastern countries strive towards economic growth through the diversification of their industries, the development of their transportation and telecommunications systems, and the exploitation of their energy and raw materials resources, they must import many of the goods necessary to implement development projects. Canadians have in the past been competitive suppliers of many of the industrial materials and capital goods that the Asian countries require. Canada

is also an important supplier of many of the bulk foodstuffs needed by most countries in the Far East which do not produce enough food to satisfy their rapidly growing populations, and there are prospects for future sales of Canadian goods to this area. However, if Canadian exporters wish to enlarge their present share of the large potential market that Asia is today they must use every means at hand to promote their sales.

The First Asian International Trade Fair was held in Bangkok, Thailand, in late 1966. Canada was one of the 34 countries represented and 14 Canadian firms entered exhibits. **The Second Asian International Trade Fair is being held in Tehran, Iran, this month and promises to be an important means of promoting Canadian exports throughout Asia.** Canada is a major participant in this year's fair, with 24 Canadian firms exhibiting a wide range of commodities.

In addition to the ever increasing involvement of Canadians in selling to the Far East, **there is growing interest in investing directly in Asian**

countries and thus extending Canadian participation in the economic development of the Far East. Many Far Eastern countries, including the Philippines and South Korea, have enacted special legislation to attract foreign investment. In addition, groups such as PICA, the Private Investment Company of Asia, in which Canadian firms are well represented, provide one medium for exploring the possibilities of investing in the Far East, especially in the natural resources area in which Canadians have already proven their expertise and experience. For example, Canadians are currently participating in the development of copper and nickel resources in the Philippines and in aluminum and lead processing in Japan.

Canada's trade relations with several Far Eastern countries—Japan, Hong Kong and South Korea—are governed by the General Agreement on Tariffs and Trade. A *modus vivendi* signed in 1946 governs Canada's present trading relations with the People's Republic of China. In addition, Canada has bilateral trade agreements with the Republic of Korea and Japan

TABLE 1
CANADIAN EXPORTS TO THE FAR EAST

| | Cdn.\$ million | | | | | January-June | |
|----------------------------|----------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 1964 | 1965 | 1966 | 1967 | 1968 | 1968 | 1969 |
| Japan | 330.2 | 316.2 | 394.2 | 572.2 | 606.8 | 290.1 | 301.4 |
| People's Republic of China | 136.3 | 105.1 | 184.9 | 91.3 | 163.2 | 76.1 | 69.7 |
| South Korea | 1.1 | .8 | 15.7* | 7.7 | 13.2 | 5.5 | 6.6 |
| Philippines | 27.8 | 26.4 | 18.7 | 25.5 | 34.5 | 16.9 | 16.0 |
| Hong Kong | 22.3 | 16.7 | 15.4 | 17.3 | 16.6 | 8.3 | 8.9 |
| Total exports | 517.7 | 465.2 | 628.9 | 714.0 | 834.3 | 396.9 | 402.6 |

*Includes sales of wheat to North Korea valued at over \$12 million.

TABLE 2
CANADIAN IMPORTS FROM THE FAR EAST

| | Cdn.\$ million | | | | | January-June | |
|----------------------------|----------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 1964 | 1965 | 1966 | 1967 | 1968 | 1968 | 1969 |
| Japan | 174.4 | 230.2 | 253.3 | 304.8 | 360.2 | 153.8 | 219.8 |
| People's Republic of China | 9.4 | 14.5 | 20.6 | 25.1 | 23.4 | 10.7 | 16.4 |
| South Korea | .5 | 1.5 | 1.8 | 4.6 | 11.2 | 4.1 | 5.9 |
| Philippines | 3.0 | 3.6 | 3.3 | 3.1 | 2.8 | .8 | 2.2 |
| Hong Kong | 26.9 | 31.2 | 38.9 | 51.0 | 58.4 | 25.9 | 33.4 |
| Total imports | 214.2 | 281.0 | 317.9 | 388.8 | 448.8 | 195.3 | 277.7 |

which provide for the exchange of most-favored-nation treatment. Canada grants MFN treatment to Hong Kong and receives preferential treatment on the small range of products to which preferences apply. Canada and the Philippines provide MFN treatment to each other without any contractual agreement. Imports into Hong Kong are admitted relatively freely. South Korea maintains licensing control on many, but by no means all, imports. In Japan licences are required for all imports and, in addition, quota restrictions are maintained on a substantial group of items including a number of particular interest to Canada. While Philippine import regulations are quite liberal, credit restrictions are extensive and provide an

effective barrier to imports. The People's Republic of China operates under a state trading system.

Import and exchange regulations are summarized on page 33. However, because of frequent changes in import regulations in these countries it is advisable for exporters to make sure that their information is up to date at the time they wish to export. Current details on import regulations and on the economic situation in Far Eastern countries of interest to Canadian businessmen wishing to export to that area are available from the Asia and Middle East Division, Office of Area Relations, Department of Industry, Trade and Commerce, Ottawa. In addition, information on trade pros-

pects and regulations and on the current economic and marketing situation in the various countries in the Far East is available from the Canadian Trade Commissioners in Hong Kong, Manila and Tokyo, who stand ready to assist Canadian exporters in any way possible. The Trade Commissioners also make frequent tours of the areas for which their offices are responsible, including visits to countries other than those in which they are stationed.

As stated earlier, and as the following articles show in some detail, there are good prospects for Canadian sales of many goods to the Far East. But hard work and persistence are needed if these prospects are to be turned into export orders.

TABLE 3
PRINCIPAL CANADIAN EXPORTS TO THE FAR EAST

| Commodities | No. of Markets (in 1968) | Cdn.\$'000 | | January-June | | Commodities | No. of Markets (in 1968) | Cdn.\$'000 | | January-June | |
|--|--------------------------|------------|---------|--------------|---------|---|--------------------------|------------|-------|--------------|-------|
| | | 1967 | 1968 | 1968 | 1969 | | | 1967 | 1968 | 1968 | 1969 |
| Wheat and wheat flour | 5 | 200,106 | 255,720 | 124,046 | 111,009 | Feeds and feeding | 2 | 4,454 | 4,571 | 1,776 | 2,202 |
| Copper | 4 | 98,146 | 119,549 | 57,684 | 59,394 | Brass and bronze scrap | 1 | 7,449 | 4,545 | 2,177 | 1,301 |
| Wood pulp | 3 | 40,056 | 50,936 | 25,770 | 29,744 | Liquified propane and butane gas | 1 | 4,679 | 4,522 | 1,830 | 3,000 |
| Aluminum | 3 | 55,102 | 50,497 | 17,634 | 34,641 | Plastic and synthetic rubber | 3 | 3,851 | 4,387 | 1,297 | 1,218 |
| Lumber | 2 | 36,219 | 42,479 | 21,747 | 24,709 | Fish roe, fresh, frozen, cured | 2 | 2,355 | 4,056 | 33 | 48 |
| Rapeseed | 2 | 25,540 | 24,682 | 12,544 | 10,855 | Rye | 1 | 5,763 | 3,822 | 1,895 | 462 |
| Iron ore | 1 | 17,291 | 19,479 | 10,703 | 9,753 | Tallow | 2 | 1,931 | 3,072 | 1,825 | 1,840 |
| Zinc | 5 | 15,532 | 19,327 | 8,833 | 4,448 | Malt | 3 | 2,082 | 2,945 | 1,499 | 2,507 |
| Newsprint paper | 4 | 12,137 | 18,607 | 4,773 | 13,524 | Pig iron | 1 | 2,056 | 2,842 | 618 | 190 |
| Coal | 1 | 13,333 | 14,768 | 7,240 | 4,452 | Hides and skins, raw | 3 | 3,131 | 2,614 | 991 | 1,965 |
| Nickel | 5 | 15,169 | 14,731 | 6,670 | 9,144 | Chemicals, n.e.s. | 5 | 1,981 | 2,057 | 1,190 | 885 |
| Potassium chloride, muriate | 3 | 10,914 | 14,159 | 7,591 | 8,048 | Plastic and synthetic resins | 1 | 2,000 | 1,885 | 795 | 838 |
| Asbestos | 4 | 14,762 | 13,607 | 5,575 | 8,869 | Transportation equipment, n.e.s. | 3 | 3,390 | 1,878 | 924 | 1,125 |
| Barley | 2 | 16,555 | 13,282 | 12,477 | 44 | Medicinal products | 5 | 1,745 | 1,767 | 952 | 1,547 |
| Flaxseed | 2 | 13,821 | 13,160 | 7,012 | 10,087 | Scrap iron and steel | 2 | 5,117 | 1,762 | 538 | 839 |
| Logs and poles | 2 | 13,008 | 11,507 | 5,862 | 5,283 | Insulated wire and cable | 3 | 2,797 | 1,574 | 139 | 392 |
| Molybdenum | 1 | 8,572 | 10,935 | 7,212 | 3,518 | Scrap, sweepings of precious metals, n.e.s. | 1 | 1,224 | 1,413 | 1,076 | 604 |
| Trucks and chassis | 1 | 3,348 | 8,923 | 4,760 | 1,815 | Ferrosilicon | 2 | 597 | 1,404 | 779 | 4 |
| Silver | 2 | 1,787 | 8,511 | 2,354 | 1,344 | Buckwheat | 1 | 776 | 1,378 | 286 | 799 |
| Card punch sort tab computers, other office machines and parts | 3 | 8,654 | 8,056 | 4,043 | 2,963 | Mustard seed | 1 | 1,047 | 1,332 | 808 | 607 |
| Lead | 4 | 7,662 | 6,447 | 3,864 | 4,065 | Platinum | 2 | 188 | 1,031 | — | 547 |
| Industrial machinery and parts | 4 | 2,934 | 5,383 | 1,878 | 3,425 | | | | | | |
| Sulphur | 2 | 2,737 | 5,361 | 2,907 | 2,401 | | | | | | |
| Telephone apparatus, equipment and parts | 1 | 4,523 | 4,793 | 1,644 | 3,279 | | | | | | |
| Passenger autos and chassis | 3 | 704 | 4,765 | 3,304 | 1,584 | | | | | | |

Japan

Tremendous expansion of Japanese industry has boosted demand for Canadian raw materials, basic foodstuffs. Now opportunities for processed foods, manufactures are appearing, and import quotas are scheduled to be increased or abolished.

S. G. HARRIS

Commercial Secretary, Tokyo

The year 1968 marked the Meiji Centennial in Japan. One hundred years ago the newly restored Meiji emperor set about guiding his previously isolated empire towards the modern era of industrialization and westernization. It was a bold step and the intervening one hundred years have seen many fluctuations in the country's fortune, reaching a low point in 1945. Since then progress has been steadily upwards and swift. At the end of last year this country of 100 million people attained the third largest gross national product in the world, following the United States and the U.S.S.R. If the current growth rate continues (14.4 per cent in real terms in 1968), the Japanese seem destined to become the world's wealthiest people before the turn of the century.

Japan is the first and most successful Asian state to enter the modern age. Next year Expo 70, the first World Exhibition ever to be held in Asia, will take place in Osaka. At this event Japan intends to show to the world its most advanced technological achievements.

In Japan Western methods of business, social customs and languages are not widely understood or appreciated. A Canadian finds himself more at home in, say, India, South-East Asia or even Africa. Japan is very Japanese. It is a fact that only one hundred years ago foreigners were not allowed to visit Japan freely and even today are the object of considerable fascination to the local populace.

Because of the long isolation from the outside world, the Japanese and the Japanese Government exhibit a certain caution in their dealings with foreign countries, which also manifests itself in their foreign trade policy. Despite Japan's abundant foreign exchange reserves, (these stand at over \$3 billion) the Government continues to keep large sections of import trade under

close control through restrictive quotas and import licensing, and by maintaining tight controls on foreign investment in productive enterprises. Japan is a member of the Organization for Economic Co-operation and Development, the first non-North American, non-European country to join, and is also a signatory to the General Agreement on Tariffs and Trade. In accord with its obligations to these organizations and under continual pressure from the other members, restrictive trade practices are slowly being relaxed. Japan was an active participant in the recent Kennedy Round Tariff negotiations and the tariff concessions that resulted are being progressively put into effect. Further, under international pressure the close scrutiny given by the Government to all foreign investment is being relaxed and **import quotas are scheduled to be increased or abolished on a large variety of items over the next few years.**

These policies will open up an increasing number of market sectors to imports and to foreign investment and joint ventures. In coming years the Japanese Government has promised that almost all commodity trade will be liberalized and that only a very small list of very sensitive items will remain under restriction. This will present new and interesting opportunities to Canadian exporters. Japan is already Canada's number three export market and from all indications will become our number two market (after the United States) in two or three years' time. Canadian exporters should therefore look more closely at the opportunities.

Although the over-all economy of the country has expanded at an impressive rate, important segments of industry have exceeded this over-all growth.

The electric power industry has experienced an average annual increase in

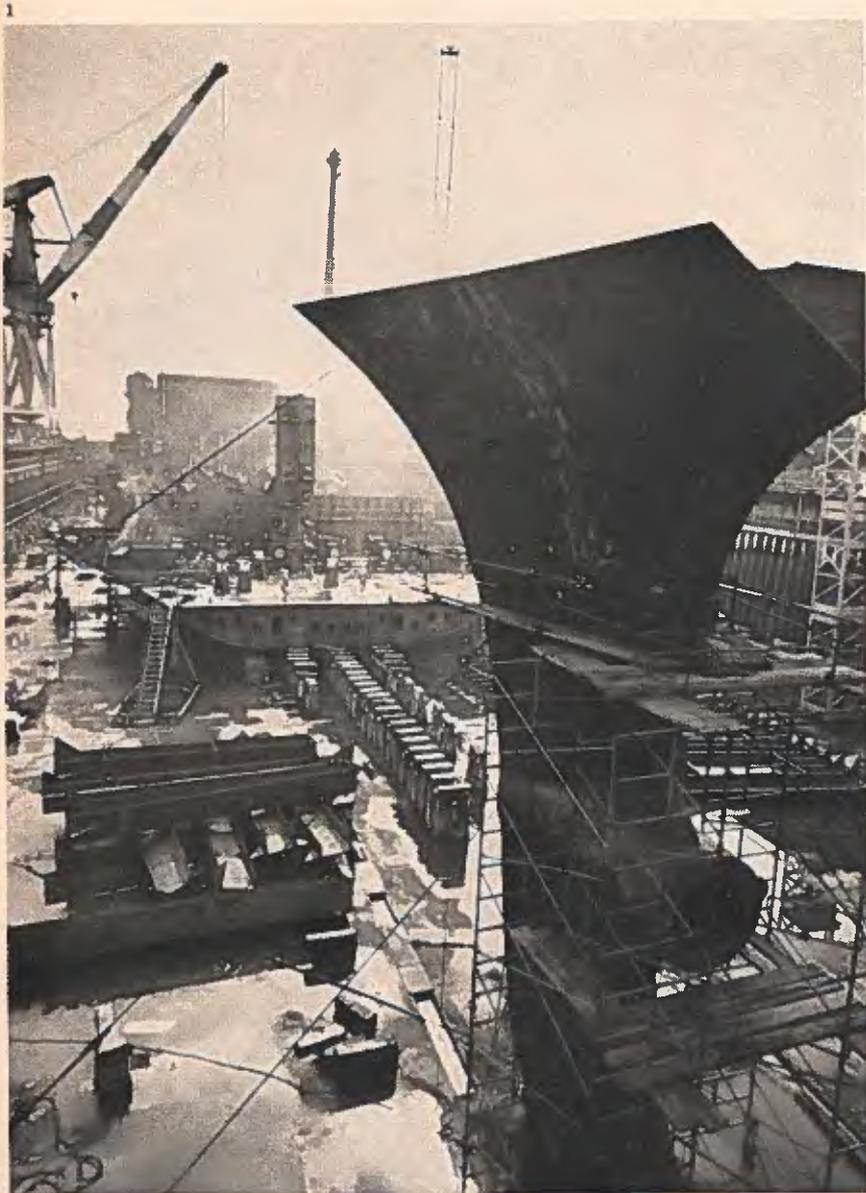
demand of 11.7 per cent over the past ten years and at the present time Japan's electric power capacity is the third largest in the world. According to the Government's power projections, both demand and supply are expected to increase 8.5 per cent a year until 1976.

Japan is the world's third largest iron and steel producer, surpassed only by the United States and the U.S.S.R. In 1968 its crude steel production amounted to 69 million tons. Major investments and expansion of modern plants have enabled Japanese iron and steel to be competitive with that of other industrialized countries and technological innovations have kept the quality high. (See page 11.)

Production of electric appliances and electronic equipment has risen sharply over the past ten years. This has been supported by rising demand at home and by ready acceptance of exported goods abroad. At present 96 per cent of Japanese households own at least one TV set, 72 per cent own an electric washing machine, and 65 per cent own an electric refrigerator. Demand for other appliances is strong, particularly color TV sets, air conditioners and stereo equipment.

The 1968 Japanese automobile production, at over four million units, was exceeded only by that of the United States. Domestic demand is strong and exports are continuing to rise. This is one industry in which foreign investment is expected to be liberalized shortly.

Since 1956 Japan has been the world's largest shipbuilding country. In 1968 Japanese shipbuilders launched more than 50 per cent of world production of new ships. Although there are over 400 shipyards in Japan, six major builders account for 80 per cent of the total volume. Competition has become extremely keen and rising costs and a



1. In 1968, 50 per cent of the world production of new ships came from Japanese shipyards.

2. Canadian sales of purebred dairy cattle, principally Holsteins, have been increasing yearly. Spring Farm Pietje Molly, a bred Holstein heifer was sold to Jun Matsumura (center), of Hokkaido, Japan, for \$1,800 earlier this year by Spring Farms, at the National Holstein sale in Guelph.

3. Eager Japanese schoolchildren. The Japanese people have one vital commodity in abundance—themselves.

4. Japanese rice harvesters are becoming very popular although much rice is still harvested by hand.

shortage of labor are hampering the industry's progress. To offset this, the major shipbuilders have begun to merge into larger units and diversify into other allied industries.

Since 1959 the value of Japanese optical instruments sold in both domestic and foreign markets has more than tripled. Cameras are one of the country's major exports and are known throughout the world. Recently, some camera manufacturers have begun to diversify into the manufacture of computers and office copying machines. Scientific and industrial optical instruments are also being produced with a high standard of technical proficiency.

The Japanese petrochemical industry is only about ten years old but since 1958 total petrochemical production has increased four times, with ethylene the basic product. At the end of December 1968 the annual ethylene production capacity of Japanese plants was nearly two million tons. New plants now planned or under construction will raise capacity to 3.5 million tons. Some 85 per cent of the petrochemicals produced are used to make synthetic textiles, resins and rubber products, many of which are exported.

Japanese plastics production ranks second only to that of the United States. Since 1964, it has more than doubled and the outlook is good.

The value of pharmaceutical production in 1968 was more than four times that of 1958. Although vitamin products constitute the largest single item, production of antibiotics has also gone up markedly. Demand continues to expand in a stable fashion, supported by high quality and new product development.

Since 1955, the production of synthetic fibers in Japan has tripled, with the major portion of the increase in synthetic fibers other than rayon. Since 1964 annual production of synthetic fibers has exceeded the annual production of natural fibers. This industry is now facing keen competition in both national and international fields with the development of new processes and the entry of new companies into the field. A period of adjustment will probably be necessary if the industry is to continue its long-term growth.

As Japanese productive capacity of all kinds has increased, so has the volume of international trade. Exports have increased from U.S.\$3.1 billion in 1958 to U.S.\$14 billion in 1968.

Japan is the world's fourth largest exporter, after the United States, West Germany and Britain, and the strongly rising trend of exports is continuing during the current year.

To maintain its position as an important world producer of manufactured goods, **Japan must import much of the raw materials on which its industries rely.** Almost all cotton, wool, rubber, phosphate rock, bauxite, coal, iron and non-ferrous metal ores, one-half of all timber requirements, and virtually all crude oil are imported as are approximately 20 per cent of the food-grains required for home consumption.

Tables 1 and 2 summarize Canada's import and export trade with Japan. Because of the import control policy in recent years, our exports of raw materials for Japanese industry tend to bulk large. As a matter of policy Japan prefers to import these raw materials in the crudest form possible and as a consequence basic foodstuffs (mostly grains) and unprocessed crude materials (ores, fuels, forest products) have accounted for something like 94 per cent of Canada's exports to Japan. The reverse applies in Japanese exports to Canada.

Despite our expanding trade with Japan there are many new unexplored areas where our exports could be increased.

Breeding Stock—Canadian sales of purebred dairy cattle, principally Holsteins, have been increasing yearly. The Japanese Government's agricultural policy calls for an increase in both dairy and beef husbandry. Canadian exporters have been quick to take advantage of this market opportunity and our exports totalled over \$500,000 last year. We foresee an increasing need for dairy and beef cattle, pigs, sheep and poultry. One Canadian exporter is even selling turkey hatching eggs.

Meat—Japan imported under quota both beef and pork in 1968. In recent years most beef imports have come from Australia, with quality and prices both low. Now more and more interest is being shown in quality beef from North America. The Canadian beef

promotion in Tokyo last October impressed Japanese importers and processors favorably and we hope that import controls on beef will be relaxed in the not too distant future, opening this market to quality beef. Pork sales have been small but are increasing as Japanese buyers and processors have discovered the quality of Canadian pork grades which tend to be a bit more expensive than those of our competitors. We expect this meat trade to expand considerably this year and in succeeding years.

Grain—Despite recent problems in selling wheat and barley, the long-term demand for Canadian grain appears bright. A small but expanding market for other grains and seeds is also apparent. Canadian buckwheat, rye, and mustardseed are all finding a market in Japan.

Oilseeds—Rapeseed is a substantial item in our trade with Japan amounting to about \$25 million a year. A vigorous export promotion program on the part of the Canadian Rapeseed Council has played an important part in our successes in this market. We have hopes that the present Japanese import restrictions and burdensome import duty will soon be removed.

Processed Foodstuffs—Japan is becoming an increasing market for foreign foodstuffs. Japanese tastes are changing as the living standard rises. (See article in *Foreign Trade*, March 29, 1969). The Canadian Processed Food Show in Japan last April indicated a considerable potential for frozen vegetables, honey, pickles, biscuits, and other grocery items.

Fish—The Japanese are the world's largest per capita consumers of fish and are having to look more towards imports to fill the demand. Not only can we expect many traditional items such as salmon, tuna, salmon roe, etc., to find markets here, but there are opportunities for other species also which are not currently being caught or marketed in Canada. There are openings for fish byproducts, roe, whale bellies and even seaweed—items common in the everyday Japanese diet.

Furs—Canada does not rank very high in fur sales to Japan, but the recent Canadian fur mission found the potential of this market well worth at-

TABLE 1
MAJOR CANADIAN EXPORTS TO JAPAN

| | Cdn.\$'000 | | | | Cdn.\$'000 | | |
|---|------------|---------|---------|--|----------------|----------------|----------------|
| | 1966 | 1967 | 1968 | | 1966 | 1967 | 1968 |
| Fish roe, n.e.s. | 1,573 | 2,352 | 4,052 | Molybdenum and metal bearing ores and concentrates | 6,009 | 8,887 | 10,935 |
| Skim milk powder | 4,371 | 1,054 | - | Ferrosilicon | - | 570 | 1,382 |
| Barley | 9,281 | 16,526 | 13,270 | Pig iron | - | 2,056 | 2,842 |
| Rye | 3,739 | 5,763 | 3,822 | Coal | 11,413 | 13,333 | 14,768 |
| Wheat (including durum) | 103,235 | 107,518 | 95,085 | Asbestos (all forms) | 8,302 | 12,254 | 11,685 |
| Malt | 273 | 917 | 1,702 | Logs and poles (all species) | 5,668 | 12,950 | 11,433 |
| Feeds and feedings | 5,746 | 4,454 | 4,561 | Lumber (all species) | 19,645 | 36,184 | 46,011 |
| Fur, hides and skin, raw | 6,214 | 3,331 | 2,808 | Plywood, Douglas fir | 81 | 1,723 | 392 |
| Flaxseed | 13,832 | 13,701 | 13,090 | Wood pulp (all forms) | 32,591 | 39,138 | 49,638 |
| Mustardseed | 877 | 1,047 | 1,332 | Newsprint paper | 1,914 | 4,391 | 11,919 |
| Rapeseed | 21,380 | 25,506 | 24,648 | Tallow | 1,667 | 1,850 | 3,043 |
| Iron ores, concentrated and agglomerated | 18,145 | 17,291 | 19,479 | Potassium chloride | 11,713 | 10,060 | 12,440 |
| Scrap iron and steel | 1,170 | 5,093 | 1,106 | Plastic and synthetic rubber | 3,102 | 3,585 | 2,456 |
| Aluminum (all basic forms) | 16,074 | 51,989 | 46,896 | Liquefied propane and butane gas | 557 | 4,679 | 4,522 |
| Copper (all basic forms) | 53,281 | 96,822 | 118,404 | Card punch machines, computers and parts | 4,653 | 7,127 | 6,208 |
| Brass and bronze scrap | 2,596 | 7,303 | 4,545 | Office machines and parts, n.e.s. | 1,015 | 899 | 1,218 |
| Nickel (all basic forms) | 4,670 | 14,989 | 14,026 | | | | |
| Zinc (all basic forms) | 2,777 | 12,487 | 12,879 | Total exports, including all others | 393,892 | 572,156 | 606,787 |
| Lead (all basic forms) | 3,076 | 7,612 | 6,384 | | | | |
| Silver ores and concentrates | 984 | 1,787 | 8,509 | | | | |
| Scrap, sweepings of precious metals, n.e.s. | 706 | 1,224 | 1,413 | Source: DBS | | | |

TABLE 2
MAJOR CANADIAN IMPORTS FROM JAPAN

| | Cdn.\$'000 f.o.b. | | | | Cdn.\$'000 f.o.b. | | |
|---|-------------------|--------|--------|--|-------------------|----------------|----------------|
| | 1966 | 1967 | 1968 | | 1966 | 1967 | 1968 |
| Fish and shellfish products | 5,532 | 7,515 | 5,832 | Commercial communication equipment, n.e.s. | 6,621 | 8,733 | 14,290 |
| Fruits, fresh, dried and canned | 3,311 | 3,538 | 3,610 | T.V., radio receiving sets and phonographs and parts | 11,667 | 21,407 | 28,016 |
| Lumber and floorings | 1,221 | 1,109 | 1,017 | Communication equipment components, n.e.s. | 3,505 | 5,173 | 8,127 |
| Veneers and plywood | 6,972 | 6,210 | 6,184 | Home appliances, n.e.s. | 4,089 | 5,883 | 10,789 |
| Hair, fibre and waste (textile materials) | 1,979 | 366 | 621 | Educational equipment and scientific apparatus | 4,137 | 5,108 | 5,382 |
| Textile yarn, threads and ropes | 3,615 | 4,416 | 3,880 | Office machines and equipment | 7,345 | 4,417 | 3,787 |
| Woollen fabrics | 5,595 | 5,978 | 6,499 | Wearing apparel of all textiles (excluding hats) | 17,278 | 19,421 | 22,863 |
| Cotton fabrics | 7,852 | 7,722 | 5,659 | Textile home furnishings and supplies, n.e.s. | 4,110 | 5,516 | 5,274 |
| Rayon and synthetic fabrics | 9,165 | 11,998 | 17,392 | Footwear (all materials) | 6,391 | 7,055 | 9,343 |
| Textile fabricated materials, n.e.s. | 3,374 | 5,719 | 7,716 | Rubber products, n.e.s. | 1,671 | 2,090 | 3,057 |
| Principal chemicals (including food chemicals) | 2,323 | 3,279 | 4,101 | Toys and sporting goods | 9,039 | 10,749 | 12,395 |
| Plastic materials (including synthetic rubber) | 3,259 | 4,093 | 4,001 | Kitchen and tableware, n.e.s. | 6,060 | 6,886 | 7,907 |
| Rolling mill products | 20,579 | 19,827 | 17,250 | Sewing machines and parts (domestic) | 2,626 | 4,048 | 3,834 |
| Pipes, tubes and fittings | 13,539 | 18,990 | 15,983 | Photographic equipment and supplies | 6,705 | 9,923 | 10,054 |
| Wire and wire ropes | 4,211 | 2,821 | 3,156 | Musical instruments and parts | 2,586 | 3,992 | 3,819 |
| Hardwares, n.e.s. | 5,146 | 5,920 | 5,963 | Prefabricated structures | 792 | 4,110 | 2,177 |
| Tools and cutlery, n.e.s. | 2,869 | 4,640 | 4,840 | Containers, n.e.s. | 1,640 | 1,869 | 2,049 |
| Ceramic tiles | 2,585 | 3,113 | 3,223 | Fish nets | 1,503 | 1,864 | 1,748 |
| Graphite and carbon basic products | 975 | 1,069 | 1,758 | Shipments of less than \$200 each | 4,669 | 2,834 | 2,835 |
| General purpose industry machinery and parts | 2,673 | 5,716 | 6,529 | | | | |
| Special industrial machinery and parts (non farm) | 5,075 | 6,345 | 7,431 | Total imports including all others | 253,051 | 304,768 | 360,180 |
| Motor vehicles and parts | 14,114 | 12,656 | 31,802 | | | | |
| Aircraft and parts | - | - | 3,771 | Source: DBS | | | |
| Bicycles and parts | 615 | 1,067 | 2,092 | | | | |

tention. Raw furskins are in great demand, and the mission members feel that there is also a market for made-up garments where fine Canadian quality and styling enjoy a considerable advantage over local products. We expect to see exciting new developments in fur sales in coming years. There is even some demand for mink breeding stock for the small but growing domestic ranch industry.

Forest Products—Japan is Canada's third largest market for lumber. Although 1969 will see some falling off in over-all sales because of technical factors in the market, the long-term outlook is good (see article in *Foreign Trade*, March 29, 1969). Japan has embarked on a twenty-year house-building program designed to bring housing standards up to those in Western Europe. With wood remaining a popular housebuilding material with the Japanese, the demand is expected to continue.

With Japan's requirements for forest products continuing to expand, opportunities for Canadian exports of more fully manufactured products should improve—for example, lumber instead of logs; building components instead of lumber; pulp instead of logs and chips; and paper and paper-board instead of pulp.

Hardwood lumber and dimension stock are also in strong demand. Bowling alleys are becoming popular in leisure-bent Japan and supplies of maple for lanes are needed. The problem seems to be one of supply in Canada rather than of demand in Japan.

Wood pulp sales continue to increase year by year and as Western Canadian pulp projects with Japanese investment come into production, we shall see these trade figures go up. Newsprint sales have increased in recent years. Despite the attempts of Japanese mills to catch up with demand, newsprint imports have gone up each year for the past three years and this trend is expected to continue.

Non-Ferrous Metal Ores—The largest single commodity in the Canadian export figures to Japan in 1968 was copper concentrates—a whopping \$118 million. With contracts already signed with such large producers as

Brenda, Lornex and Fox Lake Mines, copper export figures will show increased growth over the next three to four years.

Likewise lead, zinc, nickel, molybdenum, and uranium sales will probably increase. Japan is very short of non-ferrous metal ores and requires substantial amounts to feed its expanding industry.

Iron Ore and Coking Coal—A number of large long-term contracts for Canadian coking coal have been signed this past year and our trade in this will likely surpass \$200 million a year by 1972, with promise of more in future years. Japan's ever-increasing need for iron ore is evidenced by a recent contract signed to export iron pellets from Labrador to Japan.

Machinery—More and more items of specialized industrial machinery are appearing in Canadian export figures, and we expect these will increase. Japan's increasingly sophisticated industry is seeking out the latest and best equipment and techniques throughout the world. The new market opening up in Japan for sophisticated machinery is exciting.

Electronics—Japan makes some of the best electronic products in the world and also buys the best of those it does not make. Canada participated in the 1968 Japan Electronics Show with considerable success and will do so again in September of this year. By these promotions we hope to ensure increasing Canadian participation in the expanding Japanese market for sophisticated electronic gadgets, (see article in *Foreign Trade*, May 10, 1969).

Defence Products—Japan is re-equipping and expanding its Self Defence Forces. With new-found prosperity and independence, Japan will have to reassess its role in the Far East and over the next few years will require many new items of military hardware. Already Canadian firms have participated in this market and we hope to do better in years to come.

Consumer Lines—As the Japanese market becomes less restrictive, new opportunities are opening up to supply the changing tastes of newly affluent young people. More and more, Western goods are attracting the interest of

modern young Japanese. Wider opportunities are opening up for furniture, some types of appliances, institutional cleaning equipment, jewelry (which has recently been removed from import control), fashion wear for men and women and a host of other items our Tokyo office has not yet had time to investigate in detail.

If you have a line which you think has potential, write us a letter giving full particulars. Perhaps we can surprise you, as we have surprised others, with the opportunities waiting in this far-off, mysterious, but increasingly rich Japanese market.

Selling Abroad

The Exports Committee of the Chambre de Commerce de Montréal is offering a series of eight Monday-night lectures in French on the techniques of export trade beginning October 20, 1969.

le 20 octobre: Services offerts aux exportateurs par le ministère de l'Industrie et du Commerce, donné par Gilles Touchette, directeur régional du ministère; **le 27 octobre et le 3 novembre:** Transport maritime/aérien international donné conjointement par P. Desdemaines-Hugon, directeur des ventes, Denning Freight Forwarders Ltd. et Gaston Dupras, gérant du trafic étranger, Edgar Doucet Limitée; **le 10 novembre:** Financement du commerce extérieur donné par André Pasquin, directeur du service des relations étrangères à la Banque Provinciale; **le 17 novembre:** Assurances maritimes donné par Marc M. Bryan, représentant exécutif, Dupuis, Tremblay, Parizeau, Inc.; **le 24 novembre:** Collection et contrôle des crédits donné par Luc Lesage, assistant-gérant, succursale de Montréal, Société pour l'expansion des exportations (Société d'assurance des crédits à l'exportation); **le 1er décembre:** Étude d'une transaction d'exportation donné par Roger Cyr, directeur des ventes à l'étranger, Noranda Copper Mills Ltd.; **le 8 décembre:** Étude des divers marchés internationaux donné par André Lachance, président, Compagnie Pharmaco-Chimique et président du Comité d'exportation de la Chambre de Commerce de Montréal.

Inquiries about the course should be directed to: La Chambre de Commerce de Montréal, La Maison du Commerce, 1080, côte du Beaver Hall, 6^e étage, Montréal 128 (Québec).

Trade Marks

Doing business in Japan? Protect yourself by registering your trade mark at the start. The procedure and sample costs are set out in this article from the Tokyo office.

M. T. KAWAI
Commercial Officer, Tokyo

The importance of registering your trade mark in Japan cannot be over-emphasized. Your chances of doing business in the rapidly expanding Japanese market may be impeded when you belatedly discover that someone, without your knowledge or consent, has registered your trade mark at the Japanese Patent Office. Once this is done, despite your rightful ownership of the trade mark in your country, you are precluded from using it in Japan.

The Japanese Trade Mark Law stipulates that "the acts of manufacturing, assigning, delivering or importing things indicating the registered trade mark or trade mark similar thereto shall be regarded as infringement of the right of the holder of the registered trade mark". Thus, if you are planning to enter the Japanese market, an application for registration of your trade mark at the Patent Office is essential to avoid future legal entanglements. In recent months, the *Official Trade Mark Gazette* published by the Patent Office has been carrying an increasing number of applications by foreign enterprises.

Limited space does not allow a detailed description of the Japanese Trade Mark Law but some of its essential aspects, including application procedures, are provided below.

The Japanese Trade Mark Law defines the trade mark as "characters, letters, figures, signs, or colors, or any combination of these, which a person who, as a business, produces, processes, certifies or assigns commodities, uses on such commodities".

To register your trade mark, you must submit to the Director-General of the Patent Office an application stating the desire to register it and all the necessary explanations in Japanese. The Patent Office will then rule on its eligibility.

If two or more applications are made on different days for trade mark registration of identical or similar trade marks which are to be used upon identical or similar goods, only the first applicant may register the mark. However, if two or more applications are made on the same day, only one applicant may register a mark; which one will be decided by agreement among the other applicants. If this method fails, the successful applicant will be chosen by lot under the supervision of the Director-General of the Patent Office.

If the examiner of the Patent Office grants his clearance, the application will be printed in the *Official Trade Mark Gazette*, which comes out four to five times a month. The Commercial Division of the Canadian Embassy regularly scans the *Gazette* and alerts Canadian companies to possible trade mark piracy.

When you or your agent discover in the Gazette an application for registration of your trade mark by another party, you must take opposing action within two months following the date of public announcement in the *Gazette*. Should there be no opposition or should your opposing application be considered unsubstantiated, the registration shall be granted in the applicant's name.

A trade mark right shall come into effect by proper registration in the *Trade Mark Register* of the Patent Office after payment of a prescribed fee and shall remain in force for 10 years from the date of registration of its establishment. Renewal shall be for another 10 years except in specific cases. The registered owner of a trade mark may establish a right to exclusive use or may grant another person the right to non-exclusive use.

These rights may be transferred for more than two designated commo-

ditities, provided that 30-day prior public notice of transfer be given in a daily newspaper.

If an application for trade mark registration is refused by the Patent Office's examiner, he is required to provide the applicant with the reasons for refusal. The applicant may submit his written arguments against the refusal and if these are not accepted and the final decision is still unfavorable, he may demand a trial at the Patent Office.

The Patent Office urges foreign enterprises to apply for trade mark registration before beginning business activities in Japan. Foreigners neither domiciled nor resident in Japan are required to apply through an agent or proxy domiciled or resident in Japan.

It is desirable that the application be made in your own name rather than in the name of your trading partner in Japan, because misunderstandings have arisen when foreign firms' trade marks have been registered by and subsequently possessed by their local agent or distributor.

There are hundreds of lawyers and patent attorneys in Japan. Select one by consulting your company lawyer, obtaining advice from your Japanese agent or customers and from the Commercial Division of the Canadian Embassy, Tokyo, and by visiting well-staffed, reputable law firms in Japan which maintain a contingent of well-qualified patent attorneys.

In applying for registration of trade marks and defensive marks the following documents are required: a written application; certificate of nationality or a certificate of a juridical person if this is the case; power of attorney; six copies of trade mark specimens and written explanations, if needed; "documents stating declaration of priority as well as the name of the member,

country of the Union Convention in which the application was first made, and the date of the application”.

The Patent Office also adds that “the document setting forth the date of the application certified by the member country of the Union Convention in which the application was first made and certified trade mark sample and certified written explanation, if ne-

cessary, of the government of such member country must be filed within three months after the filing date; otherwise, the declaration of priority will lose its effect”.

The applicant is required to designate the commodities on which his trade mark is to be used, within the framework of the classifications established by the Patent Office. The principle is one

trade mark for one classification group. A schedule of minimum charges to foreign patent and trade mark agents for Japanese trade mark work has been prepared by the Authorized Association of Japanese Patent Attorneys and is given in the accompanying box feature. In general, costs are nominal for normal application and registration of your trade mark in view of the protection obtained.

Costs of Registration and Application of Trade Marks

| Translation cost | U.S.\$ | | U.S.\$ | | U.S.\$ |
|---|--------|--|----------|--|----------|
| from English into Japanese per 100 words or fraction | 3.00 | Claiming single Convention priority | 15.00 | Suit (against judgment of Patent Office) | |
| from German or French into Japanese per 100 words or fraction | 4.00 | Amendment or argument | 30.00 | a. Suit before Tokyo High Court | 1,200.00 |
| from Japanese into English per 100 words or fraction | 5.00 | Interview | 30.00 | b. Appeal to Supreme Court | 2,300.00 |
| | | Opposition or answer to opposition | 170.00 | | |
| | | Trial against decision for rejection | 200.00 | Registration fee for | |
| | | Trial for invalidation | 360.00 | trade mark | 34.00 |
| Application and registration cost | | Trial for cancellation | 360.00 | defensive mark | 34.00 |
| Application for registration of trade mark | 90.00 | Suit (for infringement, etc., excluding lawyer's charge) | | renewal of registered trade mark | 57.00 |
| Application for registration of defensive mark | 90.00 | a. Suit before District Court | 960.00 | renewal of registered defensive mark | 57.00 |
| Application for renewal of registered trade mark | 85.00 | b. Appeal to High Court | 1,200.00 | | |
| | | c. Appeal to Supreme Court | 2,300.00 | | |

Steel

Japanese steel industry has become world's third largest, after U.S. and U.S.S.R.; provides big market for Canadian coking coal, iron ore and concentrates.

S. G. HARRIS
Commercial Secretary, Tokyo

At the end of the Pacific War, Japanese industry lay in ruins and steel production was a meagre 600,000 tons a year. Out of this chaos a new Japan emerged, founded in large part on the heavy steel industry. By 1950 steel production had been pushed up to a respectable 5 million tons a year; by 1960 it had more than quadrupled to 22 million tons. During the mid sixties, the Japanese industry forged ahead, laying down newer, bigger and more modern steelmaking plants. A few figures will make clear its position in the world steel production league. There are 24 steelworks in the Free World with over 4

million tons of annual production. Eight of these are in the United States and eight are in Japan. Japan ranks first in capacity of oxygen converters, followed by the U.S. and West Germany, and ranks second to the U.S. in strip mill capacity. In over-all production Japan, with 68 million tons in 1968, ranks third after the U.S. (118 million) and the U.S.S.R. (108 million). The European Coal and Steel Community's combined production in 1968 totalled 102 million metric tons. By 1973 the Japanese Ministry of International Trade and Industry expects production to exceed 110 million tons of crude steel.

In 1968 Japan produced 68.99 million metric tons of crude steel. The target for fiscal 1969 is 78 million metric tons, and from all indications this figure will be reached and possibly exceeded.

In 1968 Japan exported 13.2 million metric tons of finished steel (corresponding to about 16.5 million metric tons of crude steel output) to earn U.S.\$1.8 billion in foreign exchange. This compares with \$1.43 billion in 1967. Over and above this, Japan earned an additional \$555 million through exports of steel contained in industrial goods, automobiles, ships, etc. Exports to the U.S. in 1968 totalled

RAW MATERIAL IMPORT PROJECTION FOR JAPAN'S STEEL INDUSTRY

Coking Coal
metric tons '000

| Year | Domestic | Imported | Total |
|------|----------|----------|--------|
| 1960 | 5,634 | 6,169 | 11,246 |
| 1965 | 9,470 | 14,618 | 22,616 |
| 1966 | 9,162 | 17,001 | 25,899 |
| 1967 | 9,932 | 22,102 | 32,060 |
| 1968 | 9,242 | 28,803 | 37,147 |
| 1969 | 9,500 | 35,000* | |
| 1970 | 9,500 | 41,000 | |
| 1971 | 9,500 | 44,990 | |
| 1972 | 9,500 | 48,900 | |
| 1973 | 9,500 | 53,000 | |

Source: Japan Iron and Steel Institute.
*MITI planned projection.

Iron Ore
metric tons '000

| Year | Domestic | Imported | Total** |
|------|----------|----------|---------|
| 1960 | 1,218 | 14,244 | 21,253 |
| 1965 | 1,115 | 36,406 | 45,050 |
| 1966 | 1,093 | 41,546 | 50,267 |
| 1967 | 1,069 | 49,610 | 59,661 |
| 1968 | 1,018 | 57,872 | 68,825 |
| 1969 | 1,000 | 65,000 | |
| 1970 | 1,000 | 71,000 | |
| 1971 | 1,000 | 79,000 | |
| 1972 | 1,000 | 88,000 | |
| 1973 | 1,000 | 96,000 | |

**Includes other iron bearing materials,
i.e., pyrite, sinter, etc.

TABLE 1

**CONTRACTS FOR CANADIAN
COKING COAL EXPORTS TO JAPAN**

| | million tons a year |
|--------------------------------------|------------------------|
| Coleman Collieries Ltd. | 1.0 |
| Canmore Mines Ltd. | .4 |
| Kaiser Steel Corp. (Crows Nest) | 3.1 |
| Kaiser Steel Corp. (Bulmuer Coal) | 3.0 |
| Luscar Coal | 1.0 |
| McIntyre Mines, Smoky River | 2.0 |
| Fording River | 3.0 |
| Total | 13.5 |

Future expansion provides for an additional 1 to 1.5 million tons from Kaiser Steel, 1 million from Luscar, 2 to 3 million from McIntyre Mines, and 2 to 3 million from Fording River.

TABLE 2

**SOURCES OF COKING COAL
IMPORTS INTO JAPAN**

| | metric tons '000 | |
|-------------------------------|------------------|---------------|
| | 1967 | 1968 |
| United States | 10,117 | 14,229 |
| Australia | 8,983 | 11,985 |
| U.S.S.R. | 2,220 | 2,667 |
| Poland | 727 | 996 |
| Canada | 815 | 993 |
| People's Republic of China | 891 | 66 |
| Total | 24,030 | 30,967 |

Source: Trade of Japan

TABLE 3

**IRON ORE AND CONCENTRATES
IMPORTS INTO JAPAN**

| From | metric tons '000 | |
|-------------------|------------------|---------------|
| | 1967 | 1968 |
| Australia | 8,314 | 13,814 |
| India | 10,618 | 12,630 |
| Chile | 8,099 | 8,707 |
| Peru | 6,823 | 7,363 |
| Malaysia | 5,181 | 5,116 |
| United States | 3,608 | 3,545 |
| South Africa | 2,606 | 2,845 |
| Brazil | 2,431 | 2,177 |
| Canada | 1,680 | 1,977 |
| Swaziland | 1,637 | 1,892 |
| Angola | 490 | 1,550 |
| Philippines | 1,450 | 1,536 |
| Liberia | 121 | 881 |
| Republic of Korea | 653 | 819 |
| U.S.S.R. | 462 | 808 |
| Total | 56,356 | 67,918 |

Source: Trade of Japan

6.7 million tons of rolling mill products and 6.9 million tons of other iron and steel industry products, such as ferro-alloys and pig iron, are included. This represented 40.1 per cent of U.S. imports of steel products totalling 17.96 million short tons.

Today there is a worldwide steel shortage and Japan expects to export close to 17 million metric tons during 1969. This is despite the voluntary quota

agreed to by Japan and the ECSC to limit exports to the U.S. to a total of 11.5 million tons, of which Japan's share is 5.2 million metric tons (5.75 million short tons).

To feed this giant industry Japan relies on imports for almost all of its iron ore and coking coal requirements. Canada is becoming a major supplier of both commodities and the future holds out even brighter prospects.

Japanese imports of coking coal in 1968 amounted to nearly 31 million metric tons valued at \$525 million. Of this, about 45 per cent came from the U.S., 30 per cent from Australia, 9 per cent from the U.S.S.R., and significant quantities from the People's Republic of China, Poland, South Africa and Canada. Canada's sales in 1968 amounted to \$16.3 million, or less than 4 per cent of Japan's needs.

The past year has seen a number of major contracts for coking coal signed between Canadian suppliers and Japanese importers. In addition to these, a few additional contracts are pending and there is every indication that some of the recently signed contracts will be expanded in years to come. We may reasonably expect coking coal exports to Japan worth approximately \$210 million by 1973, with the prospect of total exports exceeding \$300 million per year at the end of the 1970's. Given that Japan's steel production will pass the planned 110 million tons by 1973—this will require 53 million tons of coking coal imports—Canada will then be supplying something like

20 to 25 per cent of Japan's import requirements.

Assuming an average f.o.b. price of \$14 per ton would mean approximately \$210 million in exports by 1972/1973, with a reasonable potential for an additional \$150 million or more by the latter part of the 1970's.

Although Canada is relatively a less important supplier of iron ore to Japan, a few mining developments have been undertaken in the B.C. coastal region to supply the Japanese market. These are ore deposits which might not have been developed had it not been for the pressing needs of the Japanese

steel industry. Japan is always seeking to diversify its sources of raw materials and, as the table shows, will go almost anywhere in search of a stable supply of good ore. In recent months Japanese mills have signed a contract for iron pellets from the Labrador / Quebec region in Eastern Canada, which indicates how far afield Japan is prepared to go in search of raw material supplies.

Iron ore, coking coal and almost any other metal ore have a potential market in Japan. As a major supply source we can expect Canadian exports of these commodities to become staple items in our export trade with Japan.

South Korea

Canada's sales to the Republic of Korea have increased from Cdn.\$2.7 million to \$12.5 million in two years. And this is just the beginning, with the industrial buildup continuing.

R. E. PEDERSEN
Assistant Commercial Secretary, Tokyo

The Korean economy has been surprisingly robust in spite of the tension caused by the conflict with the North and the fact that the country has experienced two consecutive years of summer drought, which has severely limited agricultural and electric power production. The gross national product has been maintained at a level of 13.1 per cent in 1968, thanks to a growth in mining and manufacturing of 26.2 per cent. Agricultural output during this period increased only 3 per cent. Had the weather been favorable, a GNP increase of over 15 per cent in real terms would have been realized; it now stands at Won 1,570 billion, with a per capita income of U.S.\$165. Because agricultural production was one of the few areas that fell drastically short of the Five Year Plan goals, this sector will receive much greater emphasis in future. The Government has plans for greater utilization of pesticides and fertilizers and the modernization of farming and land use. The gap between urban



Wigs are a major new Korean export. The country has a relatively stable, low-cost and highly trainable labor force and an increasing degree of self-sufficiency in purchasing imports with free foreign exchange rather than tied aid financing.

and rural incomes, already quite large, will continue unless these positive steps are taken. Pasture estates have been set up to encourage livestock production, rice subsidies have been increased, and an ambitious all-weather farming project sponsored by the UNDP has been started.

The problems faced in the mid-1960's—power shortages, poor transportation, and low exports—have been largely relieved. Power generation capacity has increased 3½ times since 1961 and cement production by seven times. If the trend continues, power generation capacity should reach 4.2 million kilowatts and cement production 10 million tons by the end of the Second Five Year Plan in 1971. Transportation facilities are being modernized in every sector, with the Seoul-Pusan superhighway, financed by the Asian Development Bank, due for completion in 1970. Railroads are being modernized and long-range programs developed. Local truck transport is receiving a thorough overhaul and new equipment is being added.

The inflow of foreign capital totalled U.S.\$357 million in 1968. This figure alone illustrates the remarkable success of the Government in promoting a stable investment climate, because the total flow of investment capital between 1961 and 1966 was only \$347 million. **Total foreign investment in Korea is now \$914 million, with the heaviest concentration of activity in electronics, communications, fertilizer, chemicals, cement and oil.** Seventy-two new projects were initiated in 1968, representing a foreign investment of \$228 million. In total, however, the amount of foreign investment is still small and active promotion by the Korean Government, offering such inducements as a five-year tax holiday, no restriction on local ownership, and technical training assistance, will continue.

The rate of investment has risen from 13 per cent in 1961 to almost 25 per cent in 1968. National savings have increased from 4 to 13 per cent in the same period. Prices have risen at an alarming rate for the past six years but in 1968 were held to a liveable 10 per cent.

Certain government measures have already shown signs of succeeding and

may have a continuing positive effect on the economy. The ambitious program to limit the birth rate has resulted in a reduction in population growth from 2.9 to 2.3 per cent in one year. This, coupled with rising employment and a high literacy rate, gives Korea an excellent labor force. Korean economists are predicting growth rates to exceed those of the original Second Five Year Plan and sustain growth of 11-12 per cent a year. Per capita GNP, although low, should continue to increase rapidly and reach \$185 in 1969. **Both imports and exports are expected to climb faster than originally predicted and in 1971 may reach \$1.5 billion and \$1.8 billion.** To reduce the heavy dependence on raw material imports, the Government will stress development of domestic resources for export industries. Many ambitious programs have been announced recently: the most noteworthy is the program to develop a \$160 million one-million-ton capacity integrated steel mill. Financing has been difficult to arrange and the Government is now negotiating with the Japanese Government to finance this project partially from Property and Claims funds.

Notwithstanding the apparent success of the export program, the rising GNP and the larger per capita income, the problems of housing, education, low productivity, and the large trade imbalance are ever present. If a settlement is reached in Vietnam, a large portion of Korean foreign exchange will be lost and this will strain the balance-of-payments position further. Export programs in many instances are still subsidized by high domestic price structures and the duty-free import of raw materials has caused a lag in local resource development.

Various UNDP and Asian Development Bank programs for education, railroads, transportation equipment, highways, fisheries, chemicals, and land development will stimulate the economy and improve Korean prospects in the near future. Foreign exchange holdings are small and with the increasing debt load to be carried over the next few years, new government projects will have to be carefully controlled. But with enthusiasm and efficient management these problems can be met and the economy should remain strong.

TABLE 1
KOREA'S LEADING MARKETS

| | U.S. \$'000, f.o.b. | |
|-----------------------------------|---------------------|----------------|
| | 1967 | 1968 |
| United States | 137,431 | 235,402 |
| Japan | 84,724 | 99,744 |
| Hong Kong | 15,215 | 15,664 |
| Canada | 7,914 | 14,165 |
| Singapore | 4,142 | 10,749 |
| West Germany | 5,233 | 9,632 |
| Britain | 7,883 | 7,026 |
| Netherlands | 3,664 | 6,221 |
| Republic of China (Taiwan) | 3,104 | 5,750 |
| South Vietnam | 7,348 | 5,625 |
| Thailand | 5,641 | 5,540 |
| Sweden | 8,035 | 5,487 |
| Total including all others | 320,229 | 455,401 |

Source: The Bank of Korea

TABLE 2
KOREA'S LEADING SUPPLIERS*

| | U.S. \$'000, c.i.f. | |
|--|---------------------|------------------|
| | 1967 | 1968 |
| Japan | 443,025 | 624,117 |
| United States | 305,160 | 452,500 |
| West Germany | 30,952 | 37,625 |
| Kuwait | 27,120 | 36,374 |
| Philippines | 21,861 | 34,487 |
| Malaysia | 19,609 | 33,744 |
| Iran | 11,991 | 28,354 |
| Italy | 6,355 | 21,571 |
| Republic of China (Taiwan) | 27,223 | 15,946 |
| Britain | 5,264 | 15,559 |
| Hong Kong | 12,022 | 14,733 |
| France | 16,718 | 13,741 |
| India | 1,143 | 13,348 |
| Canada | 8,390 | 12,666 |
| Australia | 8,915 | 11,050 |
| Total imports, including all others | 996,246 | 1,468,167 |

*Includes commercial imports, official aid, foreign loans, and relief.

Source: The Bank of Korea

Last year marked the second one of the new Five Year Plan, which aims to achieve self-sufficiency in foodstuffs, to treble foreign trade and to maintain a growth rate of 10 per cent per year. In many respects these objectives have been achieved. For instance, Table 1 shows the rapid increase in export trade, which totalled U.S.\$455 million in 1968. Enthusiastic government economists are predicting exports worth \$700 million in 1969 and \$1 billion in foreign trade by 1970. The major impetus for this growth has stemmed from the noteworthy increase in the industrial content of exports. Considering that industrial commodities accounted for only 27 per cent of total exports in 1962, the change in content to 77 per cent in 1968 is creditable. The range of export commodities has increased each year and an additional 50 major items have been added in the last two. Since 1962, commodity export items have increased in number from 60 to 600.

Electrical machinery and appliances (particularly electronic products), plywood, and textiles have achieved remarkable results. When fully developed, these new areas should add

significantly to export earnings. The percentage of food and agricultural products is diminishing and will continue to do so. With light manufacturing coming on strong. Korea has a relatively stable, low-cost, and highly trainable labor force that should keep its export program healthy.

The United States continues to be the best customer for Korean products, followed by Japan. Most of the traditional customer countries have bought more the past year (see Table 1), with the exception of Sweden which has dropped \$3 million in one year.

As the export composition changes from primary raw materials and foodstuffs to light manufacture, Korea should be able to sustain its remarkable export program.

Imports, by comparison, have been increasing at an alarming rate. Part of this results from the high import content of such primary export industries as plywood, wigs, clothing, and electronic goods. Imports rose from \$316 million in 1961 to \$1,460 million in 1968. **On the bright side is Korea's increasing degree of self-sufficiency in**

purchasing imports with free foreign exchange rather than tied aid financing. Table 3 shows not only the growing list of imports but also the increasing amount of Korean Foreign Exchange as a method of financing. Imports in 1961 purchased by Korean Foreign Exchange (KFX) accounted for only 33 per cent of the total but this rose to 66 per cent by 1968. The continued reduction in foreign aid and the increasing amount of foreign loans should stabilize this area in years to come. Table 2 outlines imports by country and illustrates that the majority of last year's export increase went to the United States, indicating the growing competitiveness of Korea compared with other developing countries in that sophisticated market.

The greatest increase in imports for 1968 was in machinery and transportation equipment. This was necessary in view of active government promotion of export industries, fisheries, and agricultural programs, all requiring massive amounts of transportation and heavy machinery. The continuing development of power resources and road and railway systems also contributed to this high intake. **Steps are**

TABLE 3

WHAT CANADA SELLS TO KOREA

| | Cdn. \$'000, f.o.b. | | | | Cdn. \$'000, f.o.b. | | |
|-------------------------------------|---------------------|---------|---------|--|---------------------|----------------|-----------------|
| | 1966 | 1967 | 1968 | | 1966 | 1967 | 1968 |
| Dairy cattle, purebred | 138.2 | — | 391.1 | Softwood lumber | 68.7 | 5.3 | — |
| Baby chicks | — | 24.3 | 31.1 | Woodpulp | 0.1 | 134.5 | 320.1 |
| Milk powder | 12.1 | 25.8 | 40.3 | Newsprint paper | — | 528.0 | 1,665.2 |
| Barley | — | 28.9 | 12.5 | Organic acids | — | 43.8 | 37.0 |
| Wheat | 13.9 | 15.9 | — | Potassium chloride | — | 853.7 | 1,412.4 |
| Malt | 67.8 | 51.0 | — | Copper metals | 97.8 | 43.5 | 14.8 |
| Wheat flour | 91.5 | 28.6 | 42.3 | Nickel anodes, cathodes, ingots, rods | 117.3 | 94.1 | 54.3 |
| Cereals, milled, n.e.s. | — | 8.3 | 71.0 | Zinc blocks, pigs, and slabs | — | 48.4 | 296.4 |
| Whisky | 5.7 | 12.8 | 55.0 | Valves, iron and steel | — | 18.2 | 11.6 |
| Hides and skins, raw | 47.3 | 76.4 | 258.9 | Fire bricks and similar shapes | 16.9 | 37.1 | 22.0 |
| Flaxseed | 785.9 | 120.5 | 369.6 | Hoisting machinery and parts | — | 196.3 | — |
| Rapeseed | — | — | 34.0 | Commercial communication equipment | 10.2 | 92.5 | 19.8 |
| Softwood logs | 201.5 | 58.4 | 72.0 | Components for communication equipment | 3.1 | 56.0 | 0.8 |
| Copper ores, concentrates and matte | — | — | 614.2 | Aircraft engines and parts | — | 40.7 | — |
| Copper scrap | — | 179.6 | 58.3 | Total including all others | 2,849.4 | 7,670.7 | 13,203.0 |
| Brass and bronze scrap | — | 146.1 | — | | | | |
| Asbestos (all forms) | 623.5 | 2,094.8 | 1,736.1 | | | | |
| Sulphur | 196.4 | 2,419.9 | 5,301.2 | | | | |
| Newsprint, mutilated, beater stock | 279.3 | 36.1 | 40.8 | | | | |

Source: DBS

being taken to curb the heavy inflow of machinery by developing local industry, but many areas are still open to the Canadian exporter. The main suppliers to Korea have been the United States and Japan. Some of the funding for imports is through U.S. AID funds and Japanese Property and Claims funds, resulting in a high participation rate by both of these countries. Japan has taken the lead as the main supplier to Korea, moving up from 45 per cent in 1967, and the United States dropped from supplying over half of Korean imports to 31 per cent in 1967. This has largely resulted from the normalizing of relations between Japan and Korea in 1965 and the subsequent rapid increase in Japanese loans.

Imports of grains have been higher than normal in the past two years because of the severe drought conditions and trade liberalization. Grain purchases should stabilize this year and

then drop to their former level in years to come if weather conditions improve.

Korea will be a major importer over the next several years. The negative list system designed to reduce imports of luxury and non-essential consumer goods is likely to continue and certain new measures, such as restrictions on certain types of machinery, will slow imports in these sectors. In spite of these moves, imports will diversify as more items are removed from the U.S. AID list, and agricultural, fisheries, and export-oriented industries are encouraged. Greater emphasis will now be placed on domestic resources development, creating new opportunities for technical services and heavy equipment. Primary materials will continue strong and fuels are expected to maintain the rapid increase experienced in 1968. With new emphasis on agricultural production, imports of livestock, dairy animals, food processing equipment,

and agricultural machinery will rise dramatically. Imports of machinery, particularly construction and heavy industrial types, will continue to go up rapidly.

The continued upswing of the Korean economy has been noted and acted on by Italy, Germany and Britain, whose dynamic involvement has increased their share by more than threefold in one year (see Table 2).

Canadian firms have been successful in many areas—as government and industry consultants and as suppliers of dairy cattle, raw materials, and heavy transportation equipment. Several firms have active proposals which should prove profitable in years to come. The Commercial Division welcomes your interest and would be pleased to conduct a survey of the market for your products. The market is there but we need your support.

Korea's Import System

... is designed to permit the import of products needed especially for industry and to encourage domestic production. Limited increase in 1970 imports will be allowed.

F. M. GALBRAITH
Assistant Commercial Secretary, Tokyo

During the last 15 years Korea has experienced phenomenal economic growth. At the time of the signing of the truce in 1953, much of the country was scarred by the fierce fighting. Since then, however, at first because of huge injections of foreign aid, especially from the U.S., and more recently because of their own industriousness and drive, the Koreans have built up a remarkable industrial base. They have become one of that select band of countries which have graduated from being aid recipients to going it alone.

The demand for imports, both of raw materials and manufactured goods, is immense. One of the biggest problems has been designing an import control system which would allow the import of necessary items and at the same time encourage the development of domestic industries. Imports have chronically outpaced exports but the Government has been making a great effort to provide reasonable stability in the balance of payments while at the same time trying to maintain a posture which would not run counter to Korea's membership in GATT nor

to the general international tendency towards greater trade liberalization.

This has resulted in the formulation of an import control policy whose main points are:

1. Total imports, including those under various foreign aid schemes, in 1969 will be limited to a 24 per cent increase over 1968. This means that the import figure of \$1.39 billion in 1968 will be kept within \$1.72 billion in 1969. KFX funded imports (paid for with free foreign exchange)

will be allowed to increase only 14 per cent or from \$952 million in 1968 to \$1.1 billion in 1969.

2. Imports of raw materials for export industries will be increased by, among other things, providing more foreign currency loans. Imports under deferred payment will be strictly regulated by setting annual ceilings, establishing quotas by region, and imposing prior deposit rates.

3. Efforts will be made to maximize the use of domestic raw materials and to limit the demand for imports where possible.

4. Imports of non-essential products will be restricted.

To implement this policy, the Government has developed a semi-annual plan which details, among other things, products the import of which is either banned or restricted. Until 1967 the Government used a positive list system which had a degree of inflexibility. Only those items listed could be imported and modifications of the list were sometimes difficult to obtain. Since 1967, however, it has adopted a negative system, under which all products may be imported freely except those which are on the negative list in either the banned or restricted category. Even items which are on the negative list can be imported under Article 7 of the Foreign Trade Transaction Law, which details certain exceptional measures which can be taken when the Ministry of Commerce and Industry deems that an import of a previously banned item is necessary.

Imports not included on the negative list are broadly classified in two categories: those financed by various aid schemes, (such as U.S. AID, and Japanese PAC, Property and Claims fund—a form of reparation payments) and those financed by free foreign exchange (KFX). In 1968 nearly two-thirds of all imports were KFX-funded, a marked change from the immediate post Korean war period, when nearly all imports were financed with aid funds. U.S. AID-financed imports are shrinking and it is expected that by 1972 the AID program will be terminated. This should mean that the items which now remain on the U.S. AID lists will be purchased with KFX and that consider-

able new potential will appear for Canadian suppliers.

There are three methods of payment commonly used. For the seller the most attractive is sight payment of the full value of the import under irrevocable letter of credit, but Koreans prefer documents on payment or 90-day documents against acceptance terms.

Because the Japanese are geographically close to Korea and therefore have the advantage of shorter delivery times, they have been able to offer D/P or 90-day D/A terms without much difficulty. In 1968 almost 100 per cent of imports from Japan were on a D/P or 90-day D/A basis, but only 10 per cent of U.S. sales were so financed. By using preferred payment



Korean shipyards are busy as government programs for fisheries and transportation are developed. The greatest increase in exports last year was in machinery and transportation equipment; massive amounts were required by export industries.

methods, the Japanese have become by far the most active traders in the Korean market.

Canadians who want a piece of the action should be aware of local payment methods and perhaps weigh the merits of offering such terms. Naturally you must have confidence in your customer before you consider such action.

Importers must cope with a prior deposit system. If the purchase is to be D/A, then the prior deposit is 10 per cent of the c.i.f. value except for shipments from Japan, Taiwan and Hong Kong, which require a 30 per cent prior deposit. This applies no matter what the duty is on all D/A imports.

On imports using D/P or letter of credit, if the tariff is 50 per cent or more, then the prior deposit is 150 per cent, except for imports from Japan, Taiwan and Hong Kong which require 200 per cent. If the duty is 30 to 49 per cent, no prior deposit is required unless the import comes from Japan, Taiwan or Hong Kong, when it is 150 per cent. If the duty is

less than 30 per cent, no prior deposit is required no matter what the source.

Turning to the specific import organizational structure, the Ministries of Finance and Commerce and Industry together with the Economic Planning Board and the Korea Exchange Bank exert considerable power, both officially and unofficially, over all aspects of import trade. **An importer must obtain a licence from the Ministry of Commerce and Industry. He must have paid-up capital of at least \$35,000 and have fulfilled certain other specified financial conditions.** In general, a licensed trader must export a minimum of \$100,000 a year to qualify for the annual renewal of his registration. From the beginning of 1970, the minimum export performance requirement will be increased to \$200,000 per year. There is no obligation on traders to import but only registered exporters can import. As of the beginning of fiscal year 1969 (which is also the calendar year) 812 trading companies were registered with the Ministry. This is down from 897 in 1968 and is expected to be reduced still further as the more stringent export requirements

come into effect at the beginning of 1970.

Canadian companies may receive import inquiries from Koreans who are not registered traders. It is not unusual for a registered trader to act as the importer for a number of commission agents who are not registered. The agents communicate directly with the foreign exporter during the initial stages of negotiations. But from the Korean Government's point of view, and as the paperwork would indicate, the registered trader is the one handling the transaction.

Canadian exporters ought to be prepared to take advantage of the booming Korean market. At the same time they should check carefully to ensure that they are dealing with a bona fide trading firm. Details of any restrictions and payment terms should be scrutinized to avoid any subsequent disappointment or misunderstanding.

For further information about the growing opportunities in Korea, please contact the Minister (Commercial), Canadian Embassy, Tokyo.

How to Sell to OSROK

OSROK, the Office of Supply, Republic of Korea, could be an important customer for your products. Canadian firms have not been active in this market lately, although sales of \$19 million in Canadian goods were made to OSROK in earlier years.

R. E. PEDERSEN
Assistant Commercial Secretary, Tokyo

Never heard of OSROK? Then you may be missing out on a very important method of selling in Korea. Although it may be difficult to become established, knowing what to do may mean a profitable relationship with this government purchasing authority.

OSROK had a buying power of U.S. \$146 million last year and what is more important, almost \$80 million of these purchases were paid for in noncommitted Korean Foreign Exchange (KFX) funds. This means that you, as a Canadian firm, are eligible to participate in the bidding. Table 1

lists the source of funds for OSROK and the wide range of programs this agency handles. The United States and Japan are heavy suppliers to OSROK under their SAC, AID, and PAC (see Table 1) programs, and West Germany last year had over \$4.5 million tied up with its loan program. However, both the \$79.5 million KFX and the Asian Development Bank funding are open for Canadian participation.

OSROK, established in 1961 as a successor to the old Provisional Office of Foreign Supply, consists of three

bureaus, ten specialty sections, seven provincial offices, and five overseas offices (including New York). The agency is set up to standardize specifications, quality control and procurement for all government departments, agencies, or government-supported organizations, except for limited specialized procurement that is done by other departments. Foreign purchases are handled on a different basis than domestic or construction contracts and follow a basic pattern.

The end user (government department) requests authorization from the

TABLE 1
OSROK SOURCE OF FUNDS 1968

| Value in U.S.\$ | |
|--|-----------------------|
| Open funds | |
| KFX (Korean Foreign Exchange) | 76,469,198.08 |
| Asian Development Bank loans | 1,893,004.14 |
| Committed funds | |
| United States | |
| AID (Agency for International Development) | 4,389.22 |
| SAC (Surplus Agricultural Commodities) | 23,258,108.21 |
| AID/SA (Support Assistance) | 3,242,372.41 |
| AEC (Atomic Energy Commission) | 2,900.00 |
| AID/L (Loan) | 3,249,402.01 |
| EXIM/L (Export-Import Bank Loan) | 11,020,000.00 |
| SLC (Special Letter of Credit—Vietnam) | 1,062,736.94 |
| Japan | |
| PAC (Property and Claims) | 14,581,625.32 |
| ECOP (Economic Co-operation) | 7,496,886.76 |
| Germany | |
| Loan | 4,662,008.20 |
| Total | 146,942,631.29 |

Source: OSROK

Minister of Finance and on approval issues a purchase request to OSROK, which in turn prepares an Invitation for Bids, subject to standard provisions. Bid sets are sent to all foreign missions (except those of Communist countries) and also advertised in Korean periodicals. Bidder and supplier are required to post a bond one day before the opening day. The contract is then awarded to the lowest qualified bidder, subject to price, delivery, quality, etc.

Bid bond provisions are contained on OSROK Standard Form V and also on each bid set. Basically the procedure involved is simply to deposit 2 per cent of the total bid value with the Bank of Korea and have the bid set endorsed by the nearest Korean Mission or a Chamber of Commerce in Canada. If a Korean agent is bidding for you, he may deposit 1 per cent and the Canadian firm in turn

TABLE 2
OSROK PURCHASES BY COMMODITY 1968

| | Value U.S.\$ c.i.f. |
|----------------------|------------------------|
| Fertilizer | 14,718,707 |
| Lumber | 902,815 |
| Machinery and others | 80,631,857 |
| Grains* | |
| Rice, wheat, soy | 50,689,252 |
| Total | 146,942,631 |

Source: OSROK

*Includes purchases under KFX and SAC.

TABLE 3
OSROK PURCHASES BY SOURCE 1968

| | Value U.S.\$ c.i.f. |
|-----------------------|------------------------|
| United States | 74,562,340.04 |
| Japan | 54,502,544.31 |
| West Germany | 6,933,561.18 |
| India | 6,634,792.00 |
| Italy | 1,642,820.97 |
| Turkey | 903,701.20 |
| Others (14 countries) | 2,666,122.59 |
| Total | 146,942,631.29 |

Source: OSROK

deposit the remaining 1 per cent. The bid bond is released to unsuccessful bidders within ten days of the bid opening.

All prospective bidders are required to register their firms with OSROK. The procedure is straightforward and merely involves supplying basic information on your firm according to a standard OSROK format. If you wish to become registered, write to the Director of Foreign Procurement, Office of Supply, Seoul, Korea, for the necessary forms. Bids may also be awarded without registration; if you are in receipt of a bid set, follow the procedure and the listing can be completed at a later date.

There are two main problems with OSROK bid sets: the lead times are usually three weeks or less, and if you are not familiar with the procedure you may encounter delays in submit-

ting bids. Both problems can be rectified by appointing a Korean agent. He will ensure that your bid is placed in time and may well give you advance warning of a bid while it is still in the planning stage.

Table 2 outlines the commodities purchased by OSROK and Table 3 lists the supplying countries. Articles purchased by OSROK can range from locomotives to ammeters, from steel bars to feed grain, or trucks to laboratory mice. Canada had a large stake in OSROK in earlier years, selling \$19 million in goods between 1950 and 1963. Except for \$5,000 in 1964 and \$47,000 in 1966, Canadian firms have not been active in this market lately. We believe there are opportunities for selling many types of commodities to OSROK, and we regularly forward bid sets to the Department's commodity divisions in Ottawa and to individual firms. Why not try for some of the action?

International Loan Announced

The Philippines wants to achieve self-sufficiency in foodgrains by using high-yielding varieties of seeds, fertilizer and irrigation. A World Bank loan of \$34 million will assist in the construction of irrigation facilities to serve 190,000 acres of fertile land suitable for growing rice, in the upper Pampanga river area in Central Luzon, about 50 miles north of Manila. The project includes the construction of an earth and rockfill dam and reservoir at Pantabangan, rehabilitation of the existing irrigation systems serving 114,000 acres, construction of new irrigation systems to serve 77,000 acres, building feeder roads, consultants' services and a study of possible power development at the dam. Total cost of the project, to be carried out by the National Irrigation Administration, is estimated at \$67.5 million. Contracts will be awarded through international competition. At full development after 13 years, the project will provide sufficient water to permit the growing of two crops of rice instead of one. As a result, rice production in the area is expected to increase fourfold to 570,000 metric tons a year. The Philippines will be able to save \$36.5 million in foreign exchange each year on imports of foodgrains.

Hong Kong

Colony's total trade reached \$4 billion last year; Canada's share was \$72.7 million. Our exports broadening, with emphasis on educational and hotel equipment, foods.

C. R. GALLOW

Senior Trade Commissioner, Hong Kong

Overseas trade continues to be the barometer of Hong Kong prosperity and the figures now available for 1968 and 1969 reflect boom conditions.

For 1968 trade totalled over \$4,000 million*, the highest annual increase in the past ten years. The visible adverse balance of some \$350 million represents only 15 per cent of total imports compared with about 33 per cent five years ago.

With no domestic production of raw materials, the Colony's imports must rise as industrial activity rises and population increases. The past year's increase in imports of nearly 18 per cent included mainly cotton yarn, textile fibers and wastes, fabrics, plastic materials and electrical components and apparatus. The trend in cereals and cereal preparations was down slightly. **Japan has emerged as principal supplier mainly of raw and semi-finished materials for industry and finished products for the tourist trade.** Trade with Japan increased about 28 per cent over 1967. By the end of last year the People's Republic of China was getting back to its old level as the pattern of foodstuff supplies returned to normal, but it had not regained the record of 1966. Imports from the United States increased about 25 per cent, and this was well spread across commodity groups but with emphasis on raw cotton and electrical goods. Sharp increases for Taiwan and Pakistan comprised mainly raw cotton and yarn from Pakistan and textile fabrics from both. Despite devaluation, shipments from Britain showed only a modest increase of 7 per cent.

Sales to traditional markets expanded by 26 per cent on an ever widening commodity base which reflects in part the aggressive promotion efforts of both businessmen and government. The U.S. continues to be the biggest buyer,

*All values in Canadian dollars unless otherwise stated.

taking about 40 per cent of Hong Kong's exports; last year its purchases rose some 30 per cent. This increasing dependence on the U.S. market could produce problems for the future but the Colony still only provides a small portion of U.S. requirements. Nearly three quarters of total sales go to seven markets which (in addition to the U.S.) have all been running encouraging increases: West Germany 35 per cent, Canada and Singapore 30, and Britain, Australia and Japan 20 per cent.

By the turn of the year it became apparent that one encouraging side effect of the 1967 crisis was a significant shakeup in several areas of the economy. The 1968 export boom was generated by increased productivity rather than any substantial inflow of capital or large increase in labor; this in turn sparked increased activity throughout the rest of the economy. The crisis also showed that there is an innate resilience and vitality in the industrial community that enabled it not merely to survive a serious political crisis but to bounce back almost at once. Steady progress has been made in identifying and solving some of the basic problems in industrial and commercial relations and in welfare, training and education. Much more needs to be done.

Hong Kong's dependence on overseas trade makes its economy vulnerable to changes in the international exchange market and the stability of the main trading currencies—the dollar, the pound, and the franc. Sudden changes in values and consequently in import regulations can be serious. During 1968 severe pressure on international currencies led to the temporary suspension of operations in international exchange markets, with Hong Kong following suit, plus short-term import restrictions in France and import deposit requirements in Britain. In regional economic activities Hong Kong is endeavouring to play an active part and recently became a member of the

Asian Development Bank and applied for membership in the International Chamber of Commerce.

During 1968 the banking sector not only recovered the ground lost during 1967, when deposits fell because of political disturbances, but set new records. There was a 25 per cent increase in deposits over the year and loans rose at only about half the rate of deposits. The result was excess liquidity and banks found it difficult to employ their funds profitably. **Today the HK dollar is among the strongest currencies** because of the guarantee arrangements now in effect with Britain to protect Hong Kong's reserves in the event of further change in the value of sterling, and also because of the active trading and relatively quiet conditions in the Colony.

Greater sophistication and higher quality products are becoming the outstanding features of the Colony's industrial progress. Textiles are still the kingpin but the importance of other products is constantly increasing, notably the swing to the production of polyester/cotton and viscose yarn for fabrics. Exports of madeup garments are running 22 per cent above a year ago and yarns and fabrics are up about 11 per cent. There is some concern about the future because of the restrictions being introduced or increased by importing countries to protect their domestic producers. There are also signs that producers are experiencing some difficulty in expanding in keeping with foreign demand.

Plastic products continue to hold second place in terms of both employment and exports, with toys showing a remarkable increase of 43 per cent and sales of flowers continuing to expand, but less rapidly.

Wigs experienced a sensational rise followed by a setback and now, hopefully, have levelled off, with U.S. de-

1. Making flashlights is one of many Hong Kong manufacturing activities that uses Canadian aluminum. In 1968, Hong Kong imports of non-ferrous metals from Canada totalled \$4.3 million compared with \$2.8 in 1967.

2. Chinese girls are assembling electric fans in a factory in Kowloon. Although Hong Kong purchases much wheat and flour from Canada, raw and semi-finished materials are imported to feed its light industries.

3. Clothing is Hong Kong's most important export. Exports of madeup garments are running 22 per cent above a year ago, but Hong Kong is concerned as restrictions are being introduced or increased by importing countries.

4. The production of electronic components and transistor radios—as seen here—in Hong Kong is based largely on overseas investment. They now account for about 10 per cent of exports.



mand probably at a peak but that in Europe still increasing. There is a tendency to move into synthetic hair and the need is evident to combine the small family production team into large units for efficiency in operation.

In the electronics field, largely based on overseas investment, there is a steady increase in the production of silicon transistors, computer components and transistor radios and components; they now account for almost 10 per cent of Hong Kong's total exports. Over the past year exports have been increasing at better than 30 per cent.

Printers are also earning fame for the quality of their work and high class art books are now being produced locally for European and Australian publishers.

Industry still suffers from a shortage of technical staff and skilled labor but has benefitted considerably from foreign investment, particularly when this has been accompanied by the introduction of new techniques, new managerial methods and an introduction to new markets.

To cope with the anticipated surge in passenger traffic in 1970 as a result of the introduction of the Boeing 747 and the continued increase in air cargo shipments an **extensive program of modifications is under way at Kai Tak airport.** Civil international passenger aircraft movements went up 12 per cent last year and the volume of air freight was up by some 38 per cent; more than three quarters of this was goods manufactured locally. It is estimated that, by value, some 10 per cent of imports and 16 per cent of exports move by air.

Last year saw a large increase in shipments by sea to the Americas and those to the U. S. were up by approximately 20 per cent. There are on the average two sailings per day for North America, an indication of the growth of both the trade and competition. The increase in shipments to Europe has been moderate, and to Australia and to regional destinations there has been little change. **Existing facilities in the port are capable of handling several hundred containers a week and can be extended as required.** A study is also being made of facilities for a special container terminal.

Total trade between Canada and Hong Kong in 1968 amounted to Cdn.\$72.7 million. Canada's exports to Hong Kong reached Cdn.\$17.82 million, or 18 per cent over 1967. Hong Kong's imports from Canada continue to be dominated by wheat and flour and by raw or semi-finished materials to feed its light industries.

The past year saw promising increases in a number of other Canadian exports, both raw materials and manufactured goods: this reflected a broadening of the Colony's interest in Canadian products generally. Among these are meat and meat products, transport equipment, furs and leather, tobacco, medicinal and pharmaceutical products, iron and steel, manufactured metal products, and miscellaneous manufactured goods. This trend should continue, because Hong Kong is a free port and as such offers an open market for virtually any Canadian products except those associated with heavy industry.

For the present year and into 1970 the main thrust of the promotion efforts of the Hong Kong office is being directed to educational equipment; hotel, institutional, restaurant and tourism projects in general, and foodstuffs.

Educational equipment—The Hong Kong Government's goal in education is to provide a subsidized primary school place for every child who seeks one by September 1970. This ambitious undertaking, combined with recently announced plans to build five new technical schools and thirteen new secondary schools, creates excellent opportunities for Canadian manufacturers of educational aids and equip-

ment. Hong Kong's student population has increased by 242 per cent since 1957 and expansion of facilities is just reaching a peak. Some 5,000 new places will be provided for technical education and in the primary schools 12,000.

At the post-secondary level, interest has been shown in closed circuit TV as an instruction aid. The new Chinese University of Hong Kong, located in the New Territories, has plans to build seven colleges over the next five years and will require a whole spectrum of educational equipment, including CCTV systems.

Tourist projects—Second to textiles in importance to the economy of Hong Kong is the tourist industry. It established new records in 1968 with over 600,000 visitors, 17 per cent over the previous year, and so far in 1969 the number is running some 20 per cent higher than last year. The mix of customers is mainly Japanese, American, British and Commonwealth, in that order. The Philippines and Australia racked up the biggest gains, however—30 per cent and 24 per cent respectively. According to estimates by the Tourist Association, the average stay was four days and expenditure about \$300 per capita, making the Colony's income from tourists during 1968 just less than \$200 million. (Transit passengers and service personnel are not included in these figures.) Service personnel on rest and recreation are estimated at some 200,000 with an average stay of five days and expenditure of approximately \$400 per person. This contributes an additional \$100 million to the Colony—about one third of Hong Kong's total earnings from tourism.

The tourist traffic has placed a staggering load on tourist facilities in the Colony, particularly the hotels. Only one hotel has been built in the past three years and it will be ready for occupancy within a matter of weeks. This will only partially relieve the serious hotel-room shortage. There are strong indications that three major hotel projects will be started within six months in the Colony. Hong Kong developers have also announced plans to build four other hotels in surrounding South East Asian countries.

Tourism also stimulates the growth of restaurants, the retail trade (Canada

MAJOR PURCHASES FROM CANADA

| | (Cdn. \$'000) | |
|--|---------------|-------|
| | 1967 | 1968 |
| Non-ferrous metals | 2,856 | 4,369 |
| Paper, paper board, and paper products | 2,529 | 3,558 |
| Wheat, flour and cereals | 3,742 | 3,251 |
| Plastic materials, regenerated cellulose and artificial resins | 3,040 | 2,443 |
| Crude animal and vegetable material | 246 | 593 |

sells gold jewellery to Hong Kong), transportation, airport development, and virtually every facet of the Hong Kong environment. Canadian businessmen who would like to explore the opportunities provided by hotel and tourism projects should direct their inquiries to the Chief, Tourist, Hospital and Education Division, Chemicals Branch, Department of Industry, Trade and Commerce, Ottawa. Inquiries would also be welcomed by the Department's Hong Kong office.

Foodstuffs—The Colony does not come close to supplying the food needs of its four million population and relies

heavily on imported products obtained the world over. Hong Kong is a gourmet's paradise and restaurants feature the cuisine of many countries. **There is a market in Hong Kong for virtually any food product but Canadian suppliers must bear in mind that price is a critical factor.** Competition is exceptionally keen in the free port, and heavy imports of low-cost foodstuffs from the People's Republic of China (only 25 miles from the city) make it difficult for some items to enter the market. Rapidly increasing incomes combined with the burgeoning tourist trade do, however, provide an excellent market for western-style foods, particularly

those which present a minimum of shipping and storage problems.

Hong Kong is a free port with no tariffs except those on liquor, tobacco and petroleum products. Motor vehicles are subject to a 10 per cent tax on the c.i.f. value, with an additional 15 per cent for those of non-Commonwealth origin. Samples may be sent in freely. Quotations should preferably be c.i.f., in Canadian or U.S. dollars. For further information, exporters should contact the Canadian Government Trade Commission, P.O. Box 126, Hong Kong.

Visiting Hong Kong

One of the world's most fascinating cities is also an excellent marketplace. Calculate your c.i.f. prices and plan a business visit now, with the help of the Hong Kong office.

J. L. SWANSON
Trade Commissioner, Hong Kong

Hong Kong rightly deserves its familiar title the "Pearl of the Orient". The rugged beauty of Hong Kong Island, the pastoral tranquillity of the New Territories, the commercial frenzy of Kowloon, and the panorama of the Colony's magnificent deepwater harbor all combine to make this British Crown Colony the most fascinating commercial center in the world for a Canadian businessman to visit.

Located on the southeast coast of China, the Colony lies just inside the tropics and has a land area of 398 square miles. Its population is estimated at approximately 3.9 million, of whom 98 per cent are Chinese. Hong Kong's *raison d'être*, of course, was its unexcelled harbor but the past decade has seen it emerge as a major manufacturing center no longer dependent on its role as a trading port. Although it now relies on manufacturing for a livelihood, the importance of the harbor has not dimin-

ished because virtually all raw materials are imported and the majority of the finished products are shipped abroad.

Hong Kong is experiencing a boom and has bounced back from setbacks caused by the 1967 political crisis to break all trade records. Domestic exports rose in 1968 by 25 per cent to Cdn.\$1.5 billion, with re-exports up 2 per cent to Cdn.\$381 million. Imports showed a healthy 18 per cent gain to Cdn.\$2.25 billion. Total trade between Canada and Hong Kong in 1968 reached Cdn.\$74.9 million, with Canadian exports to the Colony rising 18 per cent in the past year to Cdn.\$16.6 million, according to DBS.

Hong Kong is a free port which offers the prospective exporter a minimum of import restrictions and levies duties only on liquor, tobacco and petroleum products. There is a substantial market in Hong Kong for virtually all manufactured products and many raw or

semi-finished materials. **Booming industrial expansion, combined with a staggering increase in tourists, make Hong Kong a choice target for Canadian businessmen** who are looking to the Pacific rim. There is one thing to keep in mind: as a free port, Hong Kong is an intensely competitive market.

To obtain maximum benefit from a relatively brief business visit, it is best to contact our Hong Kong office, advising us of the details of your trip. The Hong Kong importer is often deluged with offerings from abroad and it is helpful to supply your Trade Commissioner with full details of your product, c.i.f. prices, packing and other information well in advance of your visit. Samples are very important, and should be sent ahead if possible. We will then be in a position to save you valuable time by canvassing the market to assess interest and by making firm appointments with those who see an opportunity for your product in



1. Hong Kong Island, as seen from Kowloon, is one of the most fascinating commercial centers in the world for a Canadian businessman to visit. But book in advance. Hong Kong is experiencing an influx of tourists which its hotels can scarcely handle.

2. The Canadian visitor will enjoy scenery such as this in the pastoral tranquillity of Hong Kong's New Territories.

3. A couple takes advantage of Hong Kong's unbeatable shopping facilities. The Colony is a choice target for Canadian businessmen who are looking to the Pacific rim. There is one thing to keep in mind: as a free port, Hong Kong is an intensely competitive market.

4. Here's part of the business district of Victoria City.

the Colony. We will be pleased to send you the results of our assessment and this will help you to decide the length of your stay.

Hong Kong is a particularly interesting subject for preparatory reading you may wish to do. A few good titles readily available are: *Hong Kong: Through the Looking Glass* by John Davis (Kelly and Walsh); *Tai Pan* by James Clavell (Dell); *Foreign Mud* by Maurice Collis (Faber); *Hong Kong: Borrowed Place, Borrowed Time* by Richard Hughes (Andre Deutsch).

There are a number of factors to consider in planning your trip and some are listed below.

Climate—Early planning can make your stay in Hong Kong an enjoyable one. For maximum comfort, October to December is the best time to come when the weather is generally dry and sunny, with the mean daily temperature about 72 degrees F. The climate is dominated by the monsoons and although the Colony lies within the tropics, it enjoys a variety of weather from season to season. From May to September it is hot (75°F to 94°F) and humid (usually above 80 per cent) and there may be periods of extremely heavy rains, with the ever-present likelihood of typhoons or tropical storms. If you do make a summer visit, lightweight suits are essential. Winter and spring are quite cool and fall suits are in order.

Entry requirements—Visitors from Canada do not require a visa and only need bring a valid passport. Travelers to Hong Kong frequently stop off in other Asian countries, however, and should be sure to investigate visa requirements in those areas. Vaccination certificates for cholera, TABT and smallpox are mandatory. Plague vaccinations are also required if the traveller arrives from a plague area.

Currency—The unit of currency is the Hong Kong dollar, with paper denominations of \$5.00, \$10.00, \$50.00, \$100.00 and \$500.00. There is an open money market in the Colony and any currency may be bought or sold freely. The current official exchange rate is one dollar Canadian = H.K. \$5.60. Currency is easily exchanged on your arrival at Kai Tak Airport or at one of the banks, hotels or money changers.

Customs—Because it is a free port, Hong Kong's customs procedures are minimal. Samples may be brought in or sent in advance freely.

Because of the distance, **the greatest expense in a trip to Hong Kong from Canada is air transportation.** The fare from Toronto to Hong Kong return, for example, is approximately Cdn. \$1,200.00, and most businessmen plan stops in other centers such as Tokyo, Bangkok, Singapore, Manila and Kuala Lumpur. Hong Kong is served by a number of airlines, including Canadian Pacific.

Hong Kong's hotels are among the world's finest. Among them are (rates in Canadian dollars):

Hong Kong Hilton
Single \$14.00, \$18.50, \$25.00
Double \$17.25, \$24.00, \$30.00

Hong Kong Hotel
Single \$10.75, \$12.50, \$18.00, \$21.00
Double \$16.00, \$18.00, \$27.00

Mandarin Hotel
Single \$14.00 to \$28.00
Double \$20.00 to \$34.00

Miramar Hotel
Single \$12.00 to \$14.50
Double \$14.50 to \$28.00

Peninsula Hotel
Single \$19.00 to \$30.00
Double \$24.00 to \$34.00

Book in advance! Hong Kong is experiencing an influx of tourists which its hotels can scarcely handle. Our office would be pleased to make accommodation arrangements for you. Most of the larger business offices are on the island and many find it more convenient to use hotels on the island, where our office also is situated. All hotels operate transportation services and our office can arrange to have the hotel car pick you up at Kai Tak Airport if you advise us of your ETA and flight number.

Dining is a bargain in Hong Kong where quite an adequate meal costs as little as the equivalent of a Canadian dollar. Restaurants offering cuisine from all parts of the world abound in the Colony, and table d'hôte meals even in the best can cost only four dollars. Drinks are also reasonable.

Transportation is a bargain, with taxi charges on the island at 25 cents Canadian for the first mile and five cents for each succeeding quarter-mile. Kowloon taxi charges are even less. The famous Star Ferry between Kowloon and Hong Kong is perhaps the best transportation buy in the world at less than two cents Canadian to cross the harbor. For the more adventuresome, the ubiquitous rickshaws abound but nowadays they are used primarily by tourists. Even the longest bus ride costs only 20 cents Canadian. You will find it easy to find your way about Hong Kong, particularly in the concentrated business district.

Tipping is customary; 10 per cent is the usual amount. Many restaurants and hotels add a 10 per cent service charge directly to the bill.

Hong Kong businessmen are energetic and enthusiastic and their courtesy and hospitality are incomparable. They are experienced in dealing with overseas suppliers and visitors should be prepared for firm trading. Price is of optimum importance, although you will find a willingness to accept new or unique products which have a North American appeal. Business visits are easily arranged and Hong Kong businessmen will go out of their way to accommodate you. If you like Chinese food, you will particularly enjoy the custom of entertaining business guests at Chinese luncheons or dinners. Local businessmen are unlikely to give you the opportunity to reciprocate hospitality during your visit.

Language will be no problem because most Hong Kong business people speak English and are accustomed to working with exporters in that language. As in most parts of Asia, business cards are a must and are part of normal business courtesies.

You will find it a definite advantage to work closely with our office during your stay. Although your contacts will speak English, other details must be arranged and these are best done using the Chinese-speaking resources of the office. If you are seeking an agent, our close relationship with the rather concentrated business community will be helpful to you in selecting the most appropriate one to handle your affairs in Hong Kong.

Calls are best scheduled after 10.00 a.m., particularly with Chinese businessmen, who begin work later in the day and often continue into the early evening. Most firms work a six-day week and business can be conducted on Saturday. Appointment times are firm and every effort should be made to be punctual because Hong Kong executives have very tight schedules. To make the most efficient use of your time, you should be armed with prevailing market prices in Hong Kong of products comparable to your own, which we can supply before your visit. Price competition is exceptionally keen, and you should be in a position to offer those items which you feel, on the basis of your market survey, stand the best chance of acceptance. **In most cases f.o.b. prices are not acceptable and quotations should be c.i.f.** The usual terms of payment vary with the type of business relationship you develop. Letters of credit are customary but documents on payment is acceptable following satisfactory experience. A request for up to 90 days' credit is not considered unusual by Hong Kong importers.

Hong Kong has become the tourists' mecca and its principal attraction is

probably the free-port prices for the endless variety of goods available in its thousands of shops. Hong Kong's bargains (and bargaining) have become legend.

Although the Colony has a small land area, it presents a unique opportunity to see a way of life essentially Chinese in character, particularly in the New Territories. The twin cities of Hong Kong and Kowloon are a photographer's bonanza. A large number of tours are available through the hotels and include bus and junk trips tailored to meet any traveller's interest. These are generally quite inexpensive.

For a change of atmosphere, you can take a hydrofoil trip to Macau, the Portuguese Colony situated across the mouth of the Pearl River about 30 miles from Hong Kong. The trip takes about 1½ hours and there is a regular daily service.

It would be easy to run out of superlatives in describing Hong Kong's opportunities for your leisure hours. Be sure to plan your visit so that you will have time to enjoy what this fascinating city has to offer.

Can You Sell Electronics to Eastern Europe?

Every year, Charles Fortier of the Department's Electrical and Electronics Branch makes a detailed study of an overseas market. This time it was the turn of Austria and Eastern Europe. The Canadian electronics industry does relatively little business in that part of the world.

Although Mr. Fortier was mainly concerned with the opportunities for telecommunications and broadcasting equipment, he took careful note of possibilities in other fields too, including navigation, geophysical, and control and supervisory equipment. On his return, he got in touch with a number of Canadian companies capable of supplying products for which there was an immediate requirement in Eastern Europe. Later, he sent a comprehensive 50-page survey of the market to 200 firms in the electronics industry.

European and U.S. manufacturers have been busy generating sales in Eastern Europe. There is no reason why Canadian manufacturers should not also go after a share of the market. While systems sales are generally the best proposition, there is good potential for equipment and components. On export permit requirements, exporters may obtain full information and guidance from the Department.

Mr. Fortier met with government and state trading company officials in all the countries he visited and was able to learn about future expansion plans at first hand. In many places he talked with possible agents for Canadian products. Throughout his journey, he relied heavily on the services of the Canadian Trade Commissioners in Vienna, Prague and Belgrade. They set up interviews for him, provided background information, and advised on travel and accommodation—services which, incidentally, they offer to any Canadian exporter visiting Eastern Europe. C. R. D. Kelly, the Assistant Commercial Secretary in Vienna who makes regular visits to these countries, accompanied him in Bulgaria, Hungary and Romania where language presented a particular problem.

Mr. Fortier's report on the market for telecommunication and electronic equipment in Austria, Yugoslavia, Bulgaria, Romania, Hungary and Czechoslovakia is now available to interested Canadian companies. Write for it to the Electrical and Electronics Branch, Department of Industry, Trade and Commerce, Ottawa. We also suggest a second look at *Foreign Trade's* April 12, 1969, issue which dealt with some of the broader aspects of selling to Eastern Europe.

Hong Kong Public Holidays 1969

| | |
|---|---|
| January 1 First weekday in January* | June 19 Tuen Ng Festival |
| February 17 Chinese New Year's day* | July 1 First weekday in July* |
| February 18 Second day of Chinese New Year* | August 4 First Monday in August |
| February 19 Third day of Chinese New Year* | August 25 Last Monday in August, which shall be Liberation Day |
| March 31 General Holiday in lieu of that for the Ching Ming Festival | September 27 Day following the Chinese Mid-Autum Festival Day |
| April 4 Good Friday* | October 20 Day following Chung Yeung Festival* |
| April 5 Day following Good Friday (Ching Ming Festival) | December 25 Christmas Day* |
| April 7 Easter Monday* | December 26 First weekday after Christmas Day* |
| April 21 Birthday of Her Majesty the Queen | |

*Observed by the Office of the Canadian Government Trade Commissioner, Hong Kong.

Philippines

The Philippines is plagued by balance of payments and foreign exchange problems. Despite these difficulties, Canadian exports continue to stand up well.

J. L. MUTTER

Consul General and Trade Commissioner, Manila

The advent of the 1970's finds the Philippine economy confronted by two urgent problems: the public sector's lack of sufficient financial resources for investment and a potentially dangerous balance of payments situation arising from disappointing export growth coupled with low foreign exchange reserves. Some progress has been made in coping with the first of these problems. The second continues to cause concern, although recent efforts to negotiate with United States banks the conversion into longer-term debts of part of the \$187 million short- and medium-term obligations of the Central Bank of the Philippines, falling due in 1969, have met with some success.

National government revenues, as a percentage of GNP, have risen from 9.4 per cent in 1965/66 to 11.3 per cent in 1968/69, reversing the trend which persisted throughout the three previous years. While this improvement has permitted a respectable increase in infrastructure investments, government resources are still less than adequate. The Administration is well aware of this and throughout the last session of the Sixth Congress maintained steady pressure upon that body for additional tax legislation.

Economic growth accelerated at a gratifying, if unspectacular, rate during 1967 and 1968 as a result, mainly, of a production breakthrough in the agricultural sector, notably in rice production. The annual average increase through 1962-67 was only 1.7 per cent, but in 1968 production rose by 11.4 per cent. Such success suggests that Philippine self-sufficiency in rice is now within the realm of practical possibility. This achievement, however, will depend upon the substantial expansion of drying, milling, and storage facilities and the formulation of a co-ordinated water policy to ensure the completion of necessary irrigation programs (see International Loan Announced, page 19).



Philippine self-sufficiency in rice hinges partly on the formulation of a co-ordinated water policy to ensure completion of necessary irrigation programs.

In the area of foreign trade, the country's performance is disappointing. While total foreign trade has expanded significantly throughout the last decade, from U.S.\$740 million in 1960 to U.S.\$1.6 billion in 1965 to U.S.\$2 billion at the end of 1968, each year throughout this period the failure of exports to increase to the same extent as imports has brought accumulated deficits in its wake. (From 1960 to 1968 inclusive, foreign trade deficits aggregated U.S.\$450 million.) Exports in 1968, up by 11.69 per cent over 1967 to U.S.\$862 million, were substantially lower than imports which reached the record level of U.S.\$1,041 million, nearly U.S.\$91 million more than in the previous year. Compounding these trade deficits is the almost complete reliance of the national economy on

its 10 principal exports, all of them raw materials. These include coconut products, sugar, lumber, natural fibres, and minerals. Conversely, the bulk of Philippine imports consists of finished products and consumer goods. It does not appear that any expansion of export trade, in its present pattern, can be considered particularly advantageous. The problem is rather that of re-structuring the economy which is based almost wholly on agriculture to one which is increasingly industrial.

The threat to foreign currency reserves imposed by rising imports and sluggish exports, with a concurrent widening gap between receipts and disbursements for invisibles, caused serious concern as long ago as mid-1967. At that time, the Philippine Monetary Board announced the first in a long series of measures aimed at restricting the availability of credit for imports and re-directing it to agricultural development and export production. The initial measure required importers, before opening letters of credit, to deposit with their banks cash margins ranging from 25 per cent of the value of the letter of credit when dealing in essential producer and consumer goods, to 150 per cent on imports of non-essential consumer goods and luxuries. At the time they were announced, these measures were intended to remain in force for a period of six months at most. However, during the year the situation failed to improve to a point which would permit any relaxation. By mid-1968, the Central Bank of the Philippines announced across the board increases in the cash margins, or STD's (Special Time Deposits), as they were subsequently termed. Thus, the STD requirement on essential producer and consumer goods imports was increased from 25 per cent to 50 per cent, and that on non-essential consumer goods and unclassified items was upped from 150 per cent to 175 per cent. Moreover, whereas the measure of mid-1967 merely required that

the cash deposits should be held and remain sterilized pending liquidation of the corresponding import bill, the mid-1968 announcement required that such deposits should be held for a period of 120 days.

In March of this year, the Central Bank extended the restrictions imposed in June 1968, to June 30, 1969, but once again the extension was ineffective in stemming the outflow of foreign exchange. As a consequence, at the close of business on June 6 the Bankers Association of the Philippines, in what was reported as a voluntary act, announced the temporary suspension of the opening of new letters of credit in order to give the monetary authorities time to review further proposed restrictions on the import of non-essential items. The suspension was lifted some 10 days later, but considerable confusion prevailed for some time after as the publication of lists identifying essential and non-essential goods was delayed. A month later, at the request of the Central Bank, the commercial banks undertook to limit the letters of credit opened by them for the import of essential items to 70 per cent of the average monthly total issued during the base period of October 1, 1968, to March 31, 1969.

The latest restriction of this type came into force on July 22 when, in accordance with an understanding with the Central Bank, effective until December 31, 1969, the commercial banks agreed that all letters of credit for the import of machinery, equipment, or other capital goods, the unit value of which exceeded U.S.\$20,000 or its equivalent, would be opened only on a deferred payment basis, i.e., 20 per cent payable on shipment and the balance payable in equal installments over a period of not less than three years from date of shipment. For all practical purposes this device has stopped the import of all machinery, equipment, and capital goods since, in fact, none of the commercial banks is prepared to open letters of credit on a deferred basis.

Other concurrent and continuing efforts to shore up the dwindling dollar reserve position (only \$150 million on September 3, or somewhat less than sufficient to cover two months' imports which averaged \$96 million a month through January-June this year) include: (a) measures to repa-

triate through official channels the dollar earnings of Filipinos working abroad in such areas as Guam, Okinawa and South Vietnam, (b) drastic limitations upon the amounts in U.S. currency or dollar traveller cheques which Filipinos going abroad on business or pleasure may take out of the country, and (c) appeals to the Philippine subsidiaries of foreign companies to limit or postpone the repatriation of profits and dividends.

Exacerbating the whole situation is the very natural reluctance of the Administration, in an election year, to press controls to a point which the electorate could find intolerable and to which it would react predictably on election day. This reluctance, in turn, has generated a considerable amount of comment and adverse criticism by some of the country's leading economists who argue that the imposition of monetary restrictions in a half-hearted manner has created a highly speculative atmosphere, resulting in an irresistible temptation on the part of those holding dollars to channel them into the black market.

This, it is maintained, is responsible for much of the drain on the dollar reserves and for rumours of impending devaluation of the peso. The unofficial rate fell to as low as P5.50 to U.S.\$1 during August. (The official rate is P3.90 to U.S.\$1.) Despite such developments, however, the Secretary of Finance and the Central Bank Governor reiterate, almost weekly, their assurance that the currency of the country is basically sound and that no devaluation of the peso is contemplated.

Against the uneasy and difficult background sketched in the foregoing paragraphs, **Canada's performance in the Philippine import market throughout the last year and a half has been extraordinarily good.** In part, this can be attributed to the fact that few, if any, of the leading commodities or products we sell here fall within the non-essential, or even less essential, import categories. Total Canadian sales in 1968 reached \$34.5 million,* a new record. Through the first six months of 1969, the figure was \$16 million, and at this rate the total for the year should be very close to that of the previous year.

*All values in Canadian dollars.

Capital equipment (especially telecommunications equipment), motor vehicles and parts, construction, mining and forestry machinery and equipment, raw and semi-processed materials for industry, such as aluminum, zinc, copper tubing, chemicals, synthetic rubber, insulated wire and cable, newsprint, wood pulp and brewer's malt continue to be our leading export items. Canada ranks high among the Philippines' top 10 or 12 trading partners. As in the past, however, the United States and Japan are the biggest suppliers of Philippine requirements by a large margin and the principal markets for the Republic's agricultural and mineral exports. There is evidence that Japan is rapidly overhauling the United States in importance as a trading partner. Undoubtedly the upcoming (1974) expiry of the Laurel-Langley Agreement which currently governs commercial relationships between the United States and the Philippines, and the type of agreement which will succeed it, will have a significant bearing upon the future direction of Philippine foreign trade.

A few amplifying comments regarding leading Canadian markets to the Philippines and upon present and possible future activity in the commodity and service areas in which our most promising prospects appear to lie, may be of interest.

Agricultural, Fisheries, and Food Products—For the first seven years of the current decade, wheat represented on average nearly 42 per cent by value of total annual exports from Canada to the Philippines. Unfortunately since 1966, despite the recognition by the Philippine flour milling industry of the superior qualities of Canadian wheat, the price spread between the Canadian product and the principal competing wheats has been such that Canada has been virtually excluded from a market whose annual requirement of hard wheat is of the order of 400,000 tons. Consequently it is gratifying to report that shortly before this article went to press, following a most timely visit to the Philippines by a high-level Canadian wheat mission, Canada has secured an undertaking from the Philippine flour milling industry covering the supply during 1970 of a minimum quantity of 150,000 tons. This quantity could well be exceeded and there is good

reason to believe, that, provided our wheat remains competitive in price and in protein content, Canada can look forward to supplying an important portion of annual Philippine requirements of hard wheat.

For many years, the Philippines has been one of Canada's best markets for brewer's malt. Sales of this product in 1968 were valued at \$1.18 million and so long as Philippine beer continues to enjoy its current high popularity, there is no reason to anticipate any slackening in this valuable trade. Canadian sales of other agricultural, fisheries and food products are negligible in comparison with wheat and flour. However, there has been in recent months an interesting increase in the sale of raw cattle hides, fresh apples, and whisky.

Chemicals—Canada enjoys a growing share of the Philippine import market for products in this class. Sales for 1968 totalled slightly over \$1 million; the principal items were potash, \$307,000; metallic salts and inorganic acids, \$228,000; plastic film and sheet, \$203,000; organic acids, anhydrides and derivatives, \$125,000; sulphur, \$60,000.

Electrical and Electronic Products—The void in our total exports to this market, created by the temporary disappearance of Canadian wheat from trade statistics, has been filled to a considerable extent by mounting exports to the Philippines of Canadian telecommunications equipment. In 1968, for example, the value of shipments was telephone apparatus, equipment and parts, \$4.8 million; insulated wire and cable \$1.5 million; commercial communication equipment, \$317,000. Most of this merchandise has been sold as a result of three separate financing agreements entered into between the Export Credits Insurance Corporation—as of October 1, 1969, Export Development Corporation—and the respective Philippine customers for purchases of Canadian equipment totalling \$27.2 million. A fourth financing agreement, covering the supply to the Philippine Long Distance Telephone Company of equipment valued at \$14.6 million for the second phase of the company's expansion program, was executed on July 23; shipments under this contract can be expected to continue well into 1970.

Machinery—Total Canadian exports to the Philippines aggregated approximately \$1.2 million and included, in addition to the main items, hoisting machinery and parts \$528,000; excavating, dredging equipment and parts \$360,000; mining, quarrying machinery and parts, \$181,000, and such lesser (but important in aggregate) items as packaging machinery and parts; rock drilling equipment; chain saws, parts and accessories; rubber working machinery; harvesting and related machinery; textile machinery, and food and beverage machinery and parts.

Materials—Raw and semi-processed materials for industry which figure regularly in Canada's trade with this market include (with figures for 1968) the following: newsprint \$3.15 million; zinc blocks, pigs and slabs \$1.18 million; wood pulp \$1 million; copper pipe and tubing \$379,000; asbestos fibers \$165,000; aluminum pigs, ingots slabs \$147,000. Light industry in the Philippines is developing steadily and the market for industrial materials generally should continue to grow. Newsprint has always been a leading Canadian export to the Philippines and the fact that 1969 is an election year in the Republic should result in a demand somewhat greater than in normal years.

Mechanical Transport—The presence in the Philippines of subsidiaries of General Motors, Ford, and International Harvester is reflected in the almost explosive growth of Philippine imports from Canadian sources of motor vehicles, chassis and parts. Canadian exports of passenger automobiles and chassis leapt from \$455,000 in 1967 to \$4.5 million in 1968; exports of trucks and chassis rose from \$3.2 million in 1967 to \$8.6 million last year. Concurrently, there was an interesting expansion in the sale of Canadian parts and accessories for motor vehicles from \$134,000 in 1967 to \$320,000 in 1968.

Engineering Services—A forthcoming issue of *Foreign Trade* will carry a detailed report on the opportunities for Canadian engineering consultants created by the expanding activities of the Asian Development Bank, with headquarters in Manila. Canada has an important stake in this institution which has now successfully passed through its organizational stage. The energies of the Bank, its directors

and staff are now focused on the needs and plans of the developing countries of Asia. The possibilities which the granting of loans by the Bank and the undertaking of technical assistance projects and feasibility studies present to engineering consultants the world over are substantial. Canadian consultants have from the outset shown keen interest in offering their services to the Bank and its borrowers, and there has been an increase in recent months in the number of Canadian consultants who have registered their names and recorded their capabilities with the Bank. Many are visiting Manila and calling personally on those officials of the Bank whose opinions and decisions carry weight in selecting engineering consultant services.

These then are the principal areas in which short- and medium-term prospects for Canadian goods and services appear most promising. But there are others worth cultivating: the results of a survey recently conducted by the Consulate General are interesting. Roughly 100 leading Philippine importers, distributors and agents were sent a detailed questionnaire which asked them to indicate which of a fairly long list of articles in which Canada is fully competitive interested them. The response was good. Naturally, it was influenced by such factors as the extent of domestic production if any, and current import and exchange restrictions. Twenty-three per cent of the firms sought contacts with Canadian sources for steel plates, sheets and strips; pipes and tubes, including fittings and couplings; safety equipment; ball and roller bearings and parts; generators; welding machinery and equipment; refrigeration equipment and parts; and valves and parts. This mirrors the requirements of the growing industrial sector. Again, reflecting the intense activity in the local logging and lumbering industry, 23 per cent of firms expressed interest in Canadian logging machinery and equipment. Indicative of the rapid rise in housing requirements was the 26 per cent which wish to establish contact with Canadian manufacturers of builders and furniture-makers hardware, and plumbing fixtures and bathroom/toilet accessories. Finally, for application in all segments of industry was the group—28 per cent of all firms approached—interested in electric and manual tools.

People's Republic of China

China should be viewed as a long-term market with good potential. Economic and business conditions are improving; now is the time to make an approach.

R. G. GODSON

Trade Commissioner, Hong Kong

During 1968 the active phase of the Proletarian Cultural Revolution came to an end. Although political activity is still very much in evidence, the economy began to improve in the latter part of last year and the trend has continued this year.

The expansion of industry is being emphasized and one can see new construction in various parts of the country. Attention is being focused on those industries which support agriculture because over 75 per cent of China's 750 million people are directly involved in farming. The latest directives from Peking stress the need for economic reconstruction; the most quoted is "grasp revolution and promote production".

There are indications that China will be purchasing more plant and equipment than during the past three years and may again be looking abroad for capital projects. It should be remembered that the current policy is to make the country as self-sufficient as possible. The Chinese import virtually no consumer goods, limiting their purchases to raw materials.

The main imports continue to be wheat, chemical fertilizer and iron and steel. Despite the fact that China is one of the world's leading producers of all three of these commodities, it is still necessary to import them in very large quantities. By mid-1969 China had contracted for over 4 million tons of wheat, 3.5 million tons of fertilizer, and nearly one million tons of iron and steel.

Estimates of China's total foreign trade for 1968 vary, primarily because the Chinese do not publish statistical information. **It is estimated that total trade for 1968 reached U.S.\$3.6 billion, some \$200 million less than in 1967.** Trade is nearly balanced because it is the country's policy to pay for imports from export earnings. As

Table 1 shows, Japan, Hong Kong and West Germany retained their leading positions as China's first, second and third largest trading partners. Canada moved from ninth place to fifth, primarily because of increased sales of wheat.

It is expected that towards the end of this year and in 1970 the downward trend in foreign trade during the last three years will be reversed. As more commodities become available for export, import requirements should rise.

Tables 2 and 3 outline the pattern of Canada's trade with China and the commodities exchanged between the two countries.

Canadian exporters of raw materials and machinery for industry should consider China as a potential market.

During the past year the Chinese have expressed interest in a wide variety of items which could be purchased from Canada, such as animals for breeding purposes, scientific equipment, medical equipment, wood pulp, industrial chemicals, minerals (particularly zinc, aluminum and nickel), copper and brass products, synthetic fibres and yarns, optical equipment and many others.

A brief review of the pattern of Chinese purchases from Western countries may be helpful in understanding its import requirements. The following figures are approximate only, are in U.S. dollars, and are for 1967.

In foodstuffs of all kinds, total imports were U.S.\$350 million, of which wheat was 259 million, sugar 74 million, corn 7.6 million, rice 4.2 million, and vegetable oils and fats 3 million.

In raw materials, China imported crude rubber U.S.\$65.1 million, synthetic rubber 2.7 million and wood pulp 21.2 million. In textiles, imports

of cotton totalled 51 million, synthetic fibres 20.1 million, jute 19 million and wool 18.8 million.

Chemical purchases totalled U.S.\$225 million and consisted primarily of nitrogenous fertilizers (including urea) 112.9 million, organic chemicals 44 million, inorganic chemicals 17 million, plastics materials 15.1 million, insecticides 10.7 million, dyestuffs 5 million and pharmaceuticals 3 million. The remainder were mainly agricultural chemicals of various kinds.

China imported U.S.\$130 million worth of machinery and transport equipment. The main items in this sector were machine tools 35.1 million, metal-working machinery 16.6 million, diesel engines 5.2 million, irrigation equipment 8 million, handling equipment 8.4 million, bearings 8.4 million, electric measuring and controlling instruments 9 million, electric power machinery 6.6 million, trucks 16.2 million and ships 20.7 million.

Purchases of manufactured goods totalled U.S.\$440 million, and the major items were paper and paper-board 7.6 million, cotton yarn 7 million, manmade synthetic fiber fabrics 9.4 million, iron and steel in various forms 342.7 million, platinum 10.2 million, copper 37.4 million, nickel 8.5 million, aluminum 14.9 million and scientific instruments and apparatus 20.3 million.

The methods of approaching the Chinese differ greatly from those with which most Canadian firms are familiar, because all trade is conducted by the Government through the twelve trading corporations*. Contracts entered into with them are invariably honored

*A list of these and the products each handles was published in *Foreign Trade* on May 24, 1969.



1. This is the Canton Trade Fair Exhibition Hall. The methods of approaching the Chinese differ greatly from those with which Canadian firms are familiar. All trade is conducted by the Government through 12 trading corporations.

2. The People's Liberation Armymen help the farmers in Yenshish County harvest the wheat crop. China is one of the world's leading producers of wheat, as well as chemical fertilizer and iron and steel, but still finds it necessary to import these in very large quantities.

3. On the train to Canton, a Chinese coach attendant interprets Mao's thoughts to a Dutch businessman en route to the Trade Fair. The latest directives from Peking stress the need for economic reconstruction: the most quoted is "grasp revolution and promote production".

4. This 15,000-ton oil tanker, the Taching No. 7, was designed by the Chinese and built with Chinese-made steel. China imported U.S. \$130 million worth of machinery and transport equipment in 1968.



but the preliminary negotiations are usually thorough and protracted.

The first step is to select the trading corporation which handles your range of products and make a full proposal to it, introducing your company and your product. Your proposal should include as much detail and technical information as possible including samples (if appropriate) and specifications. The trading corporation will then pass your material on to selected end-users for comment. The country should be referred to only as "China" or the "People's Republic of China". Give quotations in Canadian dollars or pounds sterling, without reference to U.S. currency or standards.

We suggest that you send a copy of your approach to our office in Hong Kong for followup with the corporation's authorized agents in Hong Kong. Because Hong Kong is China's main source of foreign exchange and largest market, all the corporations (with the exception of China National Technical Import Corporation) are represented in the Colony.

The trading corporation may or may not acknowledge your proposal. If not, it is advisable to continue sending further information to them at regular intervals to keep your interests before them. When they do have a requirement for your type of product, they will know your firm and be in a position to ask you to submit quotations. Any request for further information is usually a sign that their end-users are interested.

It is also advisable to ask our Trade Commissioner in Hong Kong for his assessment on whether or not the Chinese are importing or likely to import your product. He is in a position to make this initial survey.

The Chinese prefer to negotiate personally with representatives from the firms with which they are doing business. Invitations to visit officials of the corporation, either in Peking or at branch offices in Shanghai or other centers, or to meet them during the Canton Fair are readily forthcoming to firms with which China wishes to negotiate.

It may be that you do not have the time to cultivate this market. If so,

you might consider appointing a firm which is experienced in negotiating with the Chinese. There are many such firms in Hong Kong and our office can make inquiries of them on your behalf.

In the spring of 1969 an estimated 6,000 businessmen from around the world visited Canton to meet with representatives from the export and import divisions of the trading corporations, to buy, to sell, and to assess market potential. A considerable

percentage of the country's foreign trade is conducted at this fair, which is open twice each year. Officially called the Chinese Export Commodities Fair, it is held from April 15 to May 15 and from October 15 to November 15 of each year. The next fair is scheduled to open on October 15, 1969. Canton is situated approximately 90 miles north of Hong Kong and can be reached by train from Hong Kong or by air with Pakistan International Airways or Air France via Shanghai.

TABLE 1
FOREIGN TRADE OF PEOPLE'S REPUBLIC OF CHINA

| Country | U.S.\$million Total Trade | | Imports into China | | Exports from China | |
|--------------|------------------------------|-------|-----------------------|-------|-----------------------|-------|
| | 1967 | 1968 | 1967 | 1968 | 1967 | 1968 |
| Japan | 554.5 | 549.6 | 286.6 | 325.4 | 267.9 | 224.2 |
| Hong Kong | 409.2 | 311.6 | 9.6 | 1.4 | 399.6 | 310.2 |
| West Germany | 283.2 | 249.3 | 206.6 | 167.2 | 76.8 | 82.1 |
| Singapore | 235.0 | 178.6 | 35.0 | 26.8 | 200.0 | 151.8 |
| Canada | 116.3 | 172.9 | 91.3 | 151.2 | 25.0 | 21.7 |
| Britain | 188.4 | 150.6 | 105.6 | 68.3 | 82.8 | 82.3 |
| France | 145.2 | 139.2 | 93.6 | 86.4 | 51.6 | 52.8 |
| Australia | 213.2 | 120.1 | 184.0 | 89.5 | 28.8 | 30.6 |
| Italy | 131.5 | 109.1 | 73.7 | 61.1 | 57.8 | 48.0 |

TABLE 2
CANADA'S CHIEF EXPORTS TO CHINA

| | (Cdn.\$'000) | |
|---|---------------|----------------|
| | 1967 | 1968 |
| Wheat | 89,191 | 157,745 |
| Zinc blocks, pigs and slabs | 1,759 | 4,059 |
| Scrap iron and steel | — | 656 |
| Nickel anodes cathodes ingots rods | 33 | 561 |
| Laboratory optical instruments equipment and parts | 0.2 | 65 |
| Radioactive elements and isotopes | 240 | 48 |
| X-ray and related equipment and parts | 49 | 42 |
| Lead pigs, blocks and shot | — | 33 |
| Electrical measuring instruments and parts | 14 | 8 |
| Medicinal and pharmaceutical products | 0.9 | 6.3 |
| Lace and embroidered fabrics | — | 3.4 |
| Buttons, needles, pins, notions and parts | 0.7 | 1.2 |
| Medical and related instruments equipment and parts | 10 | 0.7 |
| Total exports, including all others | 91,305 | 163,242 |

TABLE 3
CHINA'S CHIEF EXPORTS TO CANADA

| | (Cdn.\$'000) | |
|--|---------------|---------------|
| | 1967 | 1968 |
| Textiles, cloth, fabric, yarn | 3,988 | 6,107 |
| Textiles, clothing, garments | 7,750 | 4,775 |
| Peanuts, green | 4,540 | 3,557 |
| Walnuts, shelled or roasted | 2,498 | 2,311 |
| Gloves and mittens | 1,744 | 2,245 |
| Fur skins, kolinsky and mink | 181 | 331 |
| Footwear | 643 | 297 |
| Prefab and ready-cut buildings and parts | — | 292 |
| Spices | 117 | 193 |
| House furnishings and supplies | 49.7 | 160 |
| Rice | 128 | 155 |
| Oriental rugs | 278 | 150 |
| Animal bristles and human hair | 237 | 143 |
| Menthol, natural and synthetic | 239 | 133 |
| Alarm clocks | 180 | 133 |
| Toys and parts | 38 | 115 |
| Non-ferrous metals | 135 | 113 |
| Total exports, including all others | 25,074 | 23,438 |

All business visitors must have written invitations. Businessmen who have already established contact with the trading corporations can merely write to one or more of them for an invitation. Businessmen who do not have established contacts can write to the fair authorities specifying the commodities in which they are interested and requesting an invitation to the fair. Although this is primarily an export fair, considerable import business is concluded. In general, a cordial and businesslike atmosphere prevails during discussions and negotiations in Canton. Business is normally done on letter of credit.

To attract interest in your offers, it should be remembered that the trading corporations are primarily interested in selling Chinese products. This possibility, if it exists, should be mentioned in an initial approach. An interest in developing two-way trade improves both the business relationship and the chances of receiving invitations.

Should you be in a position to meet with the Chinese during a business tour in this area, our office in Hong Kong can provide you with the detailed procedures involved in obtaining a visa and making the necessary

arrangements. Should you arrive in Hong Kong when the fair is not open, appointments can be made and meetings held with the representatives of the trading corporations who are located in Hong Kong.

Developing trade relations with China takes time and patience and a working knowledge of their trading techniques. Interested Canadian firms, either importers or exporters, who would like to consider prospects further are invited to write to our Trade Commissioner in Hong Kong.

Import and Exchange Regulations in the Far East

Hong Kong

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

Exchange control has been in effect since 1939. All foreign exchange transactions that are in currencies other than sterling and currencies linked with sterling are restricted. Official exchange must be purchased from an authorized bank. However,

there is an extensive free market for trading dollars and most imports from Canada are paid for with dollars bought on that market.

Japan

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

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

For imports which are liberalized, the banks may issue licences automatically upon application and without quantitative restrictions. For certain specified goods which are practically liberalized, importers must apply to the Ministry of International Trade and Industry (MITI) for an import quota. This is automatically granted in the form of an import quota certificate, specifying the quantity of the goods and other special conditions. The banks issue licences on the strength of these certi-

ificates. Foreign exchange in payment of imports under these two categories may be remitted abroad by somebody other than the licence holder. The holder of a certificate for imports under the latter procedure may assign it to a third party.

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

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

for atomic research, national defence, social and medical purposes or for incorporation into export goods.

People's Republic of China

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

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

Philippines

Import licences are not required but a release certificate issued by an agent on behalf of the Central Bank is required before goods can be cleared through Customs. Rates of duty are assessed on the c.i.f. import value, and imports of machinery, spare parts and equipment from all countries for basic industries are exempted from the payment of duty. Import restrictions are maintained only on a very few items, including tobacco, used clothing and textile remnants.

An advance sales tax of from 7 to 100 per cent is levied, depending on the nature of the imported item. It is calculated on the duty-paid value of the item, as increased by 25, 50 or even 100 per cent, according to its essentiality.

Imports are classified into seven categories. When opening a letter of credit the importer must make a cash marginal deposit which varies from 25 per cent for essential producer

goods to 175 per cent for luxury items. These deposits must be held in non-interest-bearing peso accounts for 120 days, in the case of the two least essential categories of imports, and for 90 days for the other five categories. Most imports over \$100 must be financed by letter of credit that must be opened on or before the actual date of shipment. Partial shipments may be allowed against a letter of credit.

Exempt from the deposit requirement and letter of credit financing are imports of machinery and equipment by some nine industries designated "export oriented". These industries are: (a) logs and lumber, (b) sugar, (c) copra, copra meal or cake, (d) copper concentrates, (e) coconut oil, desiccated coconut, (f) abaca, (g) plywood and veneer, (h) pineapple, canned, (i) other agricultural, forestry, marine, and base metal products. Also exempt from the deposit and letter of credit financing requirement remain imports of some 80 essential producer and essential consumer goods and raw materials in the "essential producer goods" category when imported by specified industries.

Exempted imports may be financed by means of documents against payment or documents against acceptance for a period not exceeding 180 days in the case of producers. Imports by importers under the same arrangements are allowed only for periods not exceeding 90 days. Imports of raw materials required by local industries also exempted from the prior deposits may be financed under an open account arrangement payable within 180 days after the issuance of the release certificate by the authorized agent bank.

No exchange licences are needed. However, all transactions in foreign exchange must be conducted through authorized agent banks, designated by the Central Bank of the Philippines, which may sell foreign exchange at the current market rate.

A number of new controls have been instituted, both by the Government and by the Philippine commercial banks (on a 'voluntary' basis), which have the effect of suspending, or making very difficult, the issuance of

letters of credit for many non-essential imports. Because these regulations are changing frequently, it is wise for exporters to check with their bank, the Department of Industry, Trade and Commerce, Ottawa, or the Canadian Trade Commissioner in Manila for the latest information. Drawees generally make payment only upon arrival of the merchandise, although payment in advance is permitted for shipments covered by letters of credit. The article on the Philippines on page 27 contains greater details.

Goods must be cleared through Customs within 15 days, although a 15-day extension may be granted. After 30 days have elapsed, uncleared shipments become liable to sale at public auction. There is neither a free port nor a free zone in the Philippines.

South Korea

Imports are made under semi-annual trade programs beginning each January and July. Within the programs, the Ministry of Commerce and Industry issues a "negative" list of all items, whose import is either prohibited or restricted. Items not on this list may be imported freely. Customs duty is levied on all imported goods, with the exception of imports for government use and certain types of capital goods. A commodity tax, levied on the duty-paid value, is payable on a wide range of goods. In addition, prior deposits of varying magnitudes are required for many imports.

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

For information on methods of payment and other details on import regulations, Canadian exporters will be interested in the articles on Korean imports on pages 16 and 18.

Export Development Corporation

The Export Development Corporation succeeded the Export Credits Insurance Corporation on October 1, 1969. Under the new Act, EDC retains ECIC's functions, assets and liabilities of the past 25 years and gets new independence, wider powers and greater financial resources to promote the expansion of our export trade.

MICHAEL S. WEXLER

Executive Vice-President, James Fisher Limited

All trade, whether domestic or foreign, involves taking risks, but this is especially true of export trade, where it is more difficult to know the buyers well or to be familiar with trading conditions and customs abroad. More and more frequently an exporter must meet intensified competition in world markets by offering credit terms. There is, moreover, constant pressure in the buyer's market that exists today towards lengthening credit terms, and the risks an exporter must take are increasing. **It is the purpose of the Export Development Corporation to ensure that Canadian exporters can offer the going credit terms of their trade without fear of loss, and also have at their disposal adequate sources for export financing.**

Most of Canada's export trade falls into three broad categories. First there is the consumer goods or general commodities trade, including services and other "invisible" exports normally sold for cash or on short credit terms. Second there is the capital goods trade consisting of isolated transactions involving the export of capital goods such as locomotives, aircraft or heavy machinery, sold on medium credit terms, usually of one to five years. The third category involves capital projects, usually the export of goods and construction, technical or installation services, for which terms extending beyond five years are necessary and justifiable. Transactions involving credit periods of up to five years are insurable. However, when the credit period exceeds five years, commercial sources of export financing are not generally available, and the need is not for insurance, but for the direct financing of the buyer. EDC operates complementary services to cover both fields: export credits insurance and export financing.

Another type of export transaction which is of growing importance is foreign investment—a means of opening new markets to Canadian businessmen by bringing the manufacture or assembly of goods nearer potential markets.

Adequate and competitive financing facilities are essential to successful export performance. If Canadian exporters are to be able to compete in world markets, Canada must provide financial and other related export-supporting services equal to those available to foreign competitors. Such services are offered to Canadian exporters by the Export Development Corporation. **Unlike its predecessor, EDC is a financial institution in its own right.** Most of its requirements for funds are met by borrowing, initially from the Government. EDC may also borrow from the private capital world with the approval of the Minister of Finance. The Act provides that when opportunities for an otherwise attractive sale would, in the opinion of EDC's Board of Directors, impose too great a liability on its resources, the Government may direct the Corporation to administer additional financial facilities on its behalf. In other words, the Act ensures that an exporter who has a competitive product in terms of price, quality and delivery will not be prevented by uncertainties of the availability of credit from pursuing sales opportunities abroad.

Under the new law, the maximum financial liability EDC is empowered to undertake in respect of insurance, guarantees, and loans in support of Canadian exports is:

Export Credits Insurance
\$1,000 million (\$500 million of which requires Cabinet approval)

Long Term Export Financing
\$800 million (\$200 million of which requires Cabinet approval)

Foreign Investment Insurance
\$50 million (all of which requires Cabinet approval).

To ensure co-ordination of effort in export development between the public and private sectors, direction of EDC business is vested in a Board of Directors made up of a Chairman and a maximum of seven other senior members of the public service of Canada, and up to four members appointed from outside the public service. All matters dealing with insurance, guarantees or loans, except when carried out at the direction of the Government, are the responsibility of EDC's Board of Directors. An Executive Committee of the Board, with authority delegated by the Board, ensures that EDC can act quickly and effectively in response to the ever-changing needs of the exporter. Two divisions within EDC, one specializing in the insurance operation, the other in financing, result in administrative simplicity and, especially important from the exporters' point of view, prompt response to competitive situations when fast decisions are imperative.

While EDC, because of the provisions of the Act, is fundamentally a new institution, it offers the basic facilities provided by its predecessor. There are, however, a number of important differences which can be noted. EDC continues to provide export credits insurance against non-payment by foreign buyers due to commercial credit risks (the buyer's failure to pay through default, insolvency, bankruptcy, or other causes outside the control of the exporter or the buyer) and political risks (such as exchange



A nuclear steam generator made by MLW-Worthington Limited, being loaded on a ship by a floating crane in Montreal. It forms part of the Rajasthan Atomic Power Project, slated for completion in 1970, and made possible by a \$43.5 million loan agreement signed between ECIC and the Government of India in 1964.

transfer difficulties, war, revolution, cancellation of export or import permits, and other acts of a government which prevent the exporter from receiving payment). However, the definition of an export transaction is broad and includes the sale or licensing of any right in a patent, trade mark or copyright and the rendering of managerial and computer services, advertising programs and the like to foreign customers. **The important point is that the Act is permissive rather than restrictive.** EDC will look at any proposed transaction between a Canadian exporter and his foreign customer. The determining factor in the consideration of eligibility for EDC support in respect of proposed business is whether or not the proposal does, in fact, constitute an export transaction.

Guarantees, which were previously restricted to the Canadian chartered banks in connection with non-recourse financing of insured sales of capital goods, are now available for other financial institutions. EDC also offers new forms of guarantees as a means of encouraging greater participation

by Canadian banks or other lenders in the financing of exports. For instance, guarantees may be given in respect of bank or other loans to foreign buyers of Canadian goods or services.

Perhaps the most significant single difference between the former and the new Corporation is the autonomy granted the latter. The Board of Directors of EDC now has full authority over EDC's operations including most of the decisions—formerly reserved to the Cabinet—on lending to foreign importers. Further, it will undertake, when appropriate, the mobilization of private financial resources to relieve Canadian capital goods producers of this responsibility and to enable them to take fuller advantage of opportunities available. There will be new facilities too in the field of long-term loans. For instance, engineering and other technical services (but not feasibility studies) may be financed, even when not related to the export of goods. In addition, when international competition requires it, EDC will not be prevented by legislation from financing a proportion of local costs to win a capital goods export order.

Foreign investment insurance—a new facility provided for the first time in Canada—is limited to investment in less developed countries. EDC, when authorized by the Cabinet, provides insurance for private Canadian firms investing abroad against loss due to non-commercial risks such as expropriation or confiscation, war or revolution, or the inability to repatriate capital or earnings. **Often, Canadian exports are restricted because of trade barriers such as import regulations or price disadvantage due to transportation costs.** By establishing on-the-spot manufacturing, assembling or distribution facilities in these otherwise inaccessible markets, Canadian firms not only participate in the opening up of new foreign markets to Canadian businessmen, but they also contribute to the industrialization of lesser developed nations.

EDC, like its predecessor, observes the principles of insurance universally accepted by credit insurers. One is that of co-insurance. EDC will carry a maximum of 90 per cent of the risk of the invoice value of goods or services exported. It also seeks a broad spread of risk, though the Board will consider exclusion of specific markets when this is not inimical to the Corporation's interests. Insurance policies are issued to cover short- and medium-term export credit sales, and the proceeds of any loss under a policy may be assigned to an exporter's bank as an aid to financing.

In sum, while EDC is the recipient of its predecessor's 25 years of operating experience, it has wide powers and new facilities to undertake increased business and more substantial transactions. Many details of EDC's operation can be worked out only when appropriate transactions are presented or in relation to specific proposals by exporters. **An exhaustive treatment of the facilities offered is not possible at this stage. Specific inquiries as to the eligibility of export transactions for consideration by EDC should be sent directly to the Corporation.** Besides its Head Office in Ottawa, EDC has branch offices in Montreal, Toronto and Vancouver and is represented in St. John's, Halifax, Winnipeg, Regina and Edmonton by Regional Offices of the Department of Industry, Trade and Commerce.

Trade Lines

Massey-Ferguson de Mexico, S.A., Mexico's largest manufacturer of tractors, has acquired Implementos Agrícolas Mexicanos, S.A., a local producer of farm equipment and implements. Under terms of the purchase, IAMSA will manufacture both its own Ransomes and M-F reversible and fixed disc plows, cultivators, harrows and tool carriers—Mexico City.

The British Honduran Government has granted eight development concessions totalling \$13.6 million since the beginning of 1969 for brewery, plywood, forest products, steel, fishing, hotel and food crops projects. Belizan nationals and foreign companies are participating in the development. More concessions are being processed or negotiated—Kingston.

Mexico's largest paper producer plans to invest 78 million pesos this year and next in expanding its operations, in order to boost both pulp and paper production. The company's paper capacity will be increased to approximately 130,000 metric tons per year. Financing will come from internal resources and some foreign credits—Mexico City.

Spain has received a \$25 million World Bank loan for a livestock improvement program estimated at \$52 million. The Spanish Government will contribute 38 per cent of the cost of the program and the farmers 14 per cent. One thousand Spanish ranchers—780 beef cattle breeders and 220 dairy farmers—will receive credits and technical assistance to improve pasture land and cultivate forage crops—Madrid.

A new kraft pulp and paper complex for Mexico, slated for completion in 1972, will have an annual production capacity of 36,000 metric tons of paper. A West German industrial group has been awarded a contract for design and engineering of the complex in the state of Michoacan. The mill will be operated by Papelera del Occidente S.A., part of the Maldonado Paper Group of Monterrey—Mexico City.

Guatemala's National Electrification Institute has awarded a contract to Ingenieros Civiles Asociados (ICA), a Mexican engineering and construction company, for the joint construction with a Guatemalan company of the Guacalate thermoelectric complex, the basis for a vast rural electrification program in Guatemala. This is the third major public works contract ICA has received in Central America over the last 15 months. The other two were for roadbuilding projects in Nicaragua and Honduras—Mexico City.

A Jamaican £1.5 million housing scheme will use Eastern white cedar shingles on the roofs of houses for the high income group. This innovation was stressed in the local press where the product was described "as one of the most resistant to decay". It could signal the beginning of a brisk market for Eastern white cedar shingles in the Caribbean—Kingston.

A Mexican firm is selling phosphoric acid valued at some 125 million pesos per year, over a ten-year period, to a major Australian fertilizer producer. Shipments to Austral Pacific Fertilizer are expected to begin early in 1970. Fertilizantes Fosfatados Mexicanos, S.A., already has signed phosphoric acid export agreements with India and the Philippines, and plans to begin shipments within two months—Mexico City.

SACOR, the largest Portuguese refinery and distributor of liquid fuels and the only oil refinery in Metropolitan Portugal, is expected shortly to complete its new two-million-ton refinery in the north of the country. The refinery terminal will be able to take tankers up to 100,000 tons—Lisbon.

In India, five state-owned companies manufacturing various power equipment have organized a consortium to undertake all business connected with electric power projects and ancillary services. The new company, Indian Consortium of Power Projects Private Ltd., will seek business both within India and abroad—New Delhi.

A joint Mexican-Central American iron and steel company has been established in Honduras with a capitalization of U.S.\$37.5 million and using Mexican technical assistance. The company will receive 59 per cent of its capital from Honduran banks, 20 per cent from the Central American Bank for Economic Integration, 20 per cent from Altos Hornos de Mexico, the government-owned steel company, and 1 per cent from private investors. Mexico's contribution will be primarily in the form of technical assistance—Mexico City.

Mexico's exports of manufactured goods totalled 2,300 million pesos for the first six months of the year—a new high, according to preliminary estimates released by the Ministry of Industry and Commerce. This represents an increase of 32.4 per cent over the same period last year. The Ministry also reported that in the first six months of 1969, total exports were 18.2 per cent higher, at 8,600 million pesos, than for the similar period in 1968—Mexico City.

Foreign Exchange Rates

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

Relations, Department of Industry, Trade and Commerce, Ottawa.

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

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

For conversion of column one to the U.S. dollar equivalent, multiply by .92.

To convert column two, divide by .92.

| Country and Currency | Value of | | Country and Currency | Value of | |
|---|---|---|---|---|---|
| | foreign currency unit in Canadian dollars at September 26 | Canadian dollar in foreign currency units | | foreign currency unit in Canadian dollars at September 26 | Canadian dollar in foreign currency units |
| Algeria Dinar | .1939 | 5.15 | Denmark Krone | .1433 | 6.98 |
| Argentina Peso (free) | .0030 | 333.33 | Dominican Republic Peso | 1.078 | .93 |
| Australia Dollar | 1.198 | .8344 | Ecuador Sucre (official) (free) | .0599 .0536 | 16.72 18.65 |
| Austria Schilling | .0417 | 23.98 | El Salvador Colon | .4314 | 2.31 |
| Bahamas Dollar | 1.056 | .94 | Fiji Pound | 1.232 | .80 |
| Belgium and Luxembourg Franc | .0214 | 46.72 | Finland Markka | .2568 | 3.89 |
| Bermuda Pound | 2.567 | .38 | France, Monaco, etc. ² Franc | .1939 | 5.15 |
| Bolivia Peso | .0906 | 11.06 | Franco-African Republics ³ Franc | .0038 | 263.15 |
| Brazil Cruzeiro (official free) | .2606 | 3.80 | French Pacific ⁴ Franc | .0106 | 94.3 |
| Britain Pound | 2.569 | .39 | Germany D Mark | .2715 | 3.72 |
| British Honduras Dollar | .6430 | 1.55 | Ghana New Cedi | 1.056 | .94 |
| Burma Kyat | .2266 | 4.42 | Greece Drachma | .0359 | 27.93 |
| Ceylon Rupee | .1813 | 5.53 | Guatemala Quetzal | 1.079 | .93 |
| Chile Escudo (bank rate) (free) | .1120 .0992 | 8.92 10.07 | Guyana Dollar | .5395 | 1.85 |
| China, Republic of New Taiwan Dollar (official) | .027 | 37.04 | Haiti Gourde | .2157 | 4.63 |
| Colombia Peso (fixed) | .062 | 15.87 | Honduras Lempira | .5392 | 1.85 |
| Congo (Kinshasa) Zaire | 2.154 | .4651 | Hong Kong Dollar | .1779 | 5.62 |
| Costa Rica Colon | .1628 | 6.14 | Hungary Forint (official) | .0921 | 10.85 |
| Cuba ¹ Peso | | | Iceland Krona (official) | .0123 | 81.96 |
| Czechoslovakia Koruna | .1498 | 6.68 | India Rupee | .1421 | 7.03 |
| | | | Indonesia ⁵ Rupiah | | |

| Country and Currency | Value of | | Country and Currency | Value of | |
|--------------------------------|---|---|--|---|---|
| | foreign currency unit in Canadian dollars at September 26 | Canadian dollar in foreign currency units | | foreign currency unit in Canadian dollars at September 26 | Canadian dollar in foreign currency units |
| Iran Rial | .0142 | 70.42 | Peru Sol (free) | .0248 | 40.65 |
| Iraq Dinar | 3.019 | .33 | Philippines Peso (free) | .2756 | 3.63 |
| Ireland Pound | 2.569 | .38 | Poland Zloty (fixed basic rate) | .2700 | 3.71 |
| Israel Pound | .3081 | 3.24 | Portugal & Colonies ⁶ Escudo | .0375 | 26.66 |
| Italy Lira | .0017 | 588.23 | Saudi Arabia Riyal | .2066 | 4.84 |
| Jamaica Dollar | 1.284 | .77 | Sierra Leone Leone | 1.502 | .66 |
| Japan Yen | .0030 | 333.33 | Singapore Dollar | .3525 | 2.85 |
| Kenya Shilling | .1526 | 6.55 | South Africa Rand | 1.500 | .66 |
| Lebanon Pound (free) | .3343 | 2.99 | Spain & Dependencies Peseta | .0155 | 64.93 |
| Malaysia Dollar | .3525 | 2.85 | Sweden Krona | .2086 | 4.79 |
| Mexico Peso | .0863 | 11.60 | Switzerland Franc | .2509 | 3.99 |
| Morocco Dirham | .2164 | 4.62 | Syria Pound (free) | .2819 | 3.55 |
| Netherlands Florin | .2988 | 3.36 | Thailand Baht (free) | .0523 | 19.15 |
| Netherlands Antilles Florin | .5719 | 1.75 | Trinidad & Tobago ⁷ Dollar | .5392 | 1.85 |
| New Zealand Dollar | 1.204 | .82 | Tunisia Dinar | 2.055 | .48 |
| Nicaragua Cordoba | .1542 | 6.50 | Turkey Lira | .1198 | 8.34 |
| Nigeria Pound | 3.003 | .33 | United Arab Republic Pound (official) | 2.480 | .40 |
| Norway Krone | .1509 | 6.63 | United States Dollar | 1.079 | .92 |
| Pakistan Rupee | .2266 | 4.42 | Uruguay Peso (free) | .0043 | 232.56 |
| Panama Balboa | 1.079 | .92 | Venezuela Bolivar (official free) | .2403 | 4.17 |
| Paraguay Guarani (free) | .0086 | 116.28 | Yugoslavia Dinar (official) | .0863 | 11.61 |

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 rupiah.

6. Approximately same rate for Portuguese territories in Africa.

7. Also used in Barbados, Leeward and Windward Islands.

Trade Commissioners on Tour

In Canada

If you wish to meet the officers whose itineraries are listed below, get in touch with—

In Ottawa—

Department of Industry, Trade and Commerce

In St. John's, Halifax, Montreal, Winnipeg, Regina, Edmonton, Vancouver—

Regional Office, Department of Industry, Trade and Commerce

In Toronto—

Canadian Manufacturers Association

In Windsor, Ontario—

Greater Windsor Industrial Commission

In Fredericton, New Brunswick—

Department of Industry

In all other centers—

Board of Trade or Chamber of Commerce

Australia

Leon B. Stryker, Commercial Officer in Melbourne:

Edmonton: October 15-16

Calgary: October 17

Vancouver: October 20-24

Italy

W. H. Skouse, Commercial Officer in Milan:

Montreal: October 16-18

Temporary Duty in Ottawa

Trade Commissioners on temporary duty in Ottawa may be contacted through the Trade Commissioner Service, phone 995-9930 (area code 613).

G.E. Blackstock

Commercial Secretary
London, England
October 6-17

D. H. Clemons

Consul
Hamburg, Germany
October 20-21

In Territory

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

Barbados and Leeward Islands

J.M.C. Lavoie, Assistant Commercial Secretary in Port-of-Spain, Trinidad, with visit Barbados, Dominica and Antigua November 10-14.

Bulgaria, Hungary, Romania

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

Cyprus

An officer from the Tel Aviv, Israel, office will visit Cyprus every month for at least three days, usually in the second half of the month.

Spain Modernizes Its Ports

Spanish ports now handle up to 126.7 million tons of merchandise a year compared with 20 million tons in 1940. Under its present port modernization program, Spain plans to expand several large sea-ports and equip them to handle container traffic and the new giant oil tankers being brought into use. Here are some of the port projects to be undertaken.

Gijon—Port capacity will be doubled and new handling equipment purchased.

Santander—A new container station and passenger-ship harbor is planned. The hope is to channel fruit exports from the Levant area through Santander to major European ports.

Tarragona—Harbor facilities will be built to handle imports of crude petroleum for the new oil refinery planned at Tarragona.

Barcelona—A new dry or floating dock is planned.

Valencia—Construction valued at some \$14.2 million will be undertaken.

Murcia—Some 2,500 to 3,000 containers will be purchased at a cost of over \$8.5 million for a new container station.

Guyana

K. G. Ramsay, Commercial Counsellor in Port-of-Spain, Trinidad, will visit Guyana October 20-25.

Pakistan

H. W. Guy, Assistant Commercial Secretary in Islamabad, will visit Lahore October 28-31.

J.E.G. Gibson, Commercial Secretary in Islamabad, will visit East Pakistan November 3-8.

M.H. Jafri, Commercial Officer in Islamabad, will visit Karachi December 15-19.

Surinam, French Guiana

K. G. Ramsay, Commercial Counsellor in Port-of-Spain, Trinidad, will visit Surinam and French Guiana October 20-25.

Taiwan

An officer from the Manila, Philippines, office will visit Taipei October 20-24.

United States

J.D.R. Roy, Vice Consul and Assistant Trade Commissioner in San Francisco, will visit Denver, Colorado, October 20-24.

Bermeo—A new port costing \$7.1 million is to be established.

Santa Cruz de Tenerife (Canary Islands)—Some \$10 million has been granted for an inner harbor.

Bilbao—Construction, valued at \$57.1 million, will be undertaken. When completed, Bilbao will become Spain's chief gateway to Western Europe and the EEC and one of the main bases in Europe for oil tankers. It will be able to handle super oil tankers of up to 500,000 tons and provide storage capacity. Imported crude petroleum will be refined at a nearby refinery, to be built by Gulf Oil, and then reshipped in smaller tankers through Bilbao to Europe. Gulf Oil has granted a \$25-\$50 million loan to the Spanish Government for this project. Tenders are expected to be called this fall.

Iberport—A deepwater port to handle super oil tankers and to act as a distribution center for crude petroleum imports is planned.



So what's new about asphalt shingles? That's the reaction of the average Canadian when he looks at the picture above. They are used on the kind of houses that millions of Canadians live in.

It's different in Europe. Traditionally, houses there are built of heavy masonry and are topped off with roofs of heavyweight expensive tiles. They take much longer to build. But today things are changing. The picture shows a workman painstakingly applying asphalt shingles to the roof of a German house. Because this type of roofing is still rather rare in Western Europe, German workmen apply the shingles at roughly half the rate of their Canadian counterparts. As building costs in Europe increase, the application of asphalt shingles will rise.

Canada's roofing industry achieved export sales of over a million dollars last year and shipments of its products went to every continent.

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