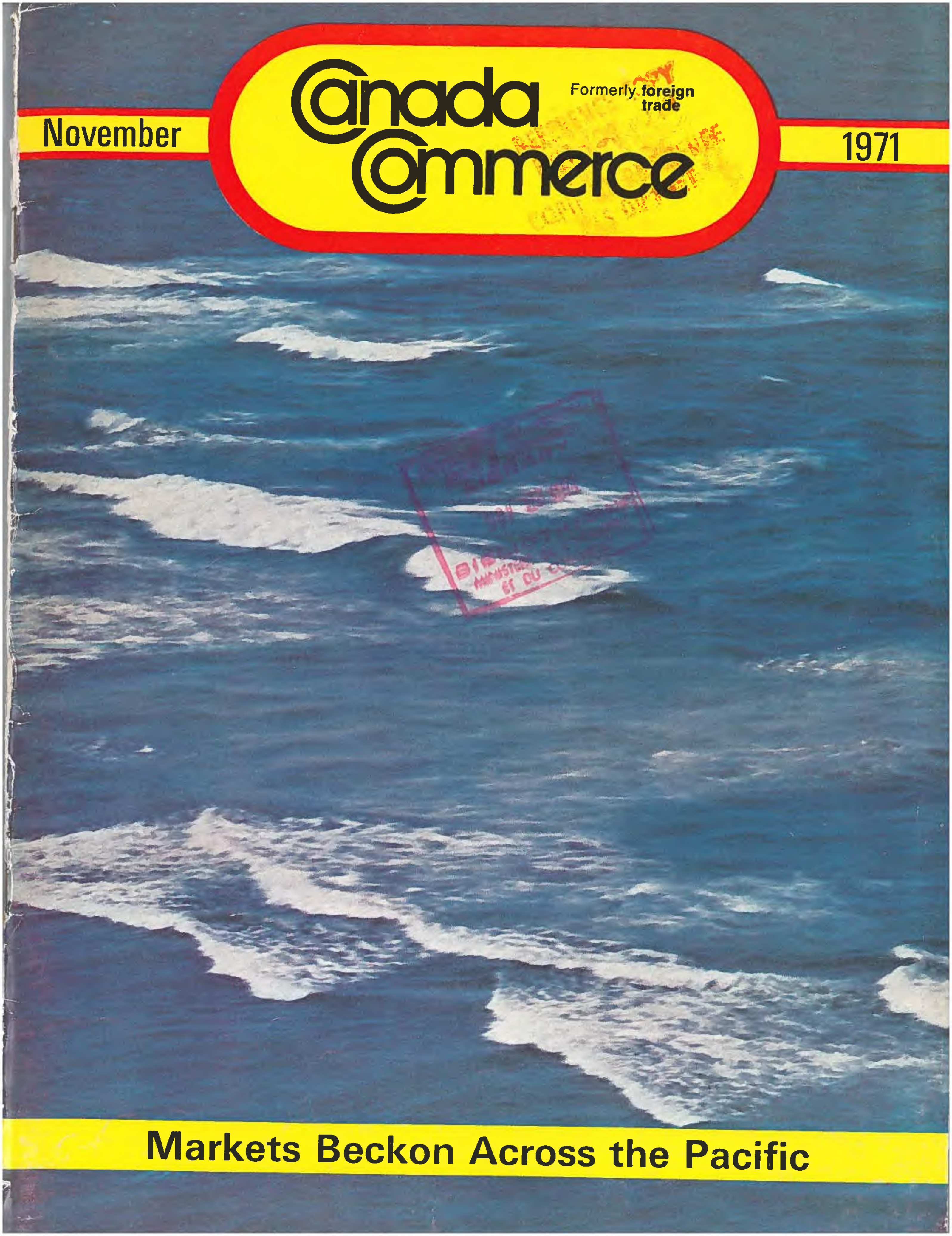
November

Canada Commerce

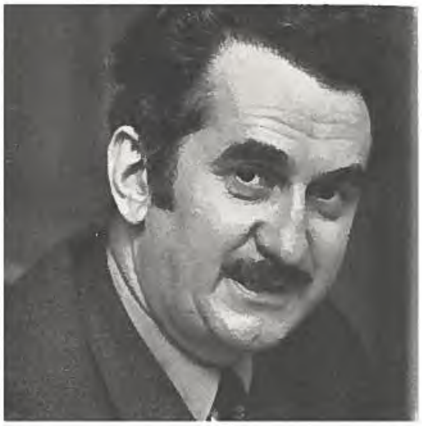
Formerly foreign trade

1971



Markets Beckon Across the Pacific

Now – Canada Commerce



This month I have the privilege of presenting to the Canadian business community an old friend with a new look. The Department's 67-year-old magazine, *Foreign Trade,* has been renamed *Canada Commerce* and its French language counterpart, *Commerce extérieur,* has become *Commerce Canada.* This step was taken because we feel that it more accurately reflects the broad scope of my Department and its services to Canadian industry.

Canada Commerce will of course continue to carry a great deal of information on conditions and trading opportunities in foreign countries, on the techniques of exporting and on gaining access to markets abroad. But it will also cover developments on the domestic front, and bring to the attention of Canadian businessmen the various incentive and other programs that the Department has evolved to help industry achieve greater productivity and efficiency.

Canada Commerce and *Commerce Canada* will be reaching more Canadians than their predecessors. We have adopted a policy of "controlled" circulation, permitting us to send the magazines free to those firms and individuals which can use and profit from the information contained. The current mailing list comprises companies already known to the Department as having a serious interest in industrial production and foreign trade; it will be checked and pruned periodically to ensure that it covers only those who can make good use of the magazines.

Under their new titles, and with their greater scope, I am convinced the two magazines will serve Canadian businessmen even more effectively than they have in the past.

J.L. Pepin

The Honourable Jean-Luc Pepin
Minister of Industry, Trade and Commerce

Canada Commerce

Vol. 135 No. 17 November 1971

In This Issue

This month we come out in new colors, with a new name, to greet many more readers. Those who have been with us before will, we hope, soon recognize their old friend *Foreign Trade* in its new clothes; *Canada Commerce* extends a welcome to those who did not know *Foreign Trade*. Magazines, like businesses and people, must occasionally make changes to avoid the "old-fashioned" label, and this is what we have done with the help of artist Harry Hames of the Department, who designed the new masthead.

This first issue of *Canada Commerce* features the countries in the Pacific Basin, Canada's third largest marketing area and one with every promise of healthy growth, both for manufactured products and for resource material. It is also a part of the world that is very much in the news these days. Shortly before going to press it was announced that the Honourable Jean-Luc Pepin will lead a mission of top-level Canadian businessmen to Japan early next year to discuss the opening up of that country's somewhat restricted markets.

We are not sure how many Western countries have been able to set up their own trade fairs in the People's Republic of China but, as R. G. Godson says in his article on page 11, Canadians may be displaying their products at Peking next fall. The idea of holding trade fairs in each other's country was established this summer by the mission headed by Mr. Pepin. Mr. Godson, who has been Commercial Counsellor in Peking for the last year, reports that the Chinese are anxious to extend their trade with Canada, possibly even to the importing of complete industrial plants.

Many businessmen in Canada already know Jim Grandy, the Department's new Deputy Minister. He is no stranger to the problems facing the export community —but if you want to know more about him, just turn to page 65.

COVER: The photograph of the gently breaking sea is symbolic of our affinity with the countries from which our reports come this time.

Articles

Departments

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The Growing Market on the Pacific

Sophisticated or developing, the Pacific area countries have become a $2.3 billion market for Canadians. Other forms of co-operation are evident as Canada becomes more aware of its role as a Pacific power.

ROBERT G. VINCENT
Pacific Division
Office of Area Relations

During the past decade, the countries of the Pacific Basin have enjoyed substantial growth in terms of international trade and market potential. This geographical "coming of age" has demanded that a new and enlarged frame of reference be applied to Pacific countries by other trading nations. Canada in recent years has become more aware of its Pacific relationships, with a resulting development in trade and communications with its Pacific neighbors. The recent White Paper on foreign policy stated: "Canada's awareness of the Pacific world has been determined by facts of geography and economics, the links of history, and political realities. In Canada's Pacific outlook, distance and remoteness are no longer synonymous."

Postwar prosperity and an extraordinary rate of industrial growth has placed Japan in the forefront of the Pacific area countries. The rise in Japanese industrial status and capacity has brought about new trading relationships within the area and focused the attention of the rest of the world on the Pacific. The markets in Canada's traditional Commonwealth trading partners, Australia and New Zealand, have expanded both in size and sophistication. In addition, the development programs of the smaller Pacific states have begun to produce greater economic activity and this too is resulting in significant opportunities for Canadian exporters.

Shown here is the shipping area of the Fukuyama steel plant of the Nippon Kokan Co., Ltd. This is Japan's most modern steel mill with an annual capacity of 12 million tons of crude steel. The picture indicates just one small aspect of the vast market comprising Canada's Pacific neighbors.

The Pacific area is now Canada's third largest marketing area, reflecting the importance of Japan as a trading partner. Total trade between Canada and this area in 1970 was valued at more than $2.3 billion. The balance of this trade was in Canada's favor, with exports totalling over $1.3 billion and imports more than $1 billion.

Composition of Trade—The diverse nature of our trade with the Pacific area has given Canadians a sense of both success and frustration in their attempt to develop markets for their manufactured products. In 1970 Canadian exports to Australia were valued at approximately $198 million; of this amount, fabricated materials and end products comprised 88 per cent, and exports of food products and crude materials made up only 11 per cent. Of shipments to New Zealand in the same year, fabricated and end products comprised 82 per cent, to Indonesia 71 per cent, and to the Philippines 93 per cent. This mix in export commodities proves that our manufactured goods can compete favorably in the Pacific area, where competition from the United States and Japan is strong. Our exports to these four countries, however, amount to only 22 per cent of our total exports to the Pacific area. The potential for increasing sales of our manufactured goods therefore appears to be promising.

Japan Leads—The major challenge to exporters of Canadian manufactures is in Japan, our third largest market and third largest supplier. Canadian exports to Japan in 1970 totalled nearly $800 million and made up approximately 62 per cent of our total exports to the Pacific area. Food products and crude materials accounted for 65 per cent of these exports, fabricated materials 31.8 per cent, and end products only 2.6 per cent.

Recent developments in international trading relations, particularly the dramatic increase in Japan's trade and foreign exchange balances, have resulted in international pressure on the Japanese to liberalize their import restrictions. The Canadian Government has raised the matter of improved access for Canadian manufactured goods in the Japanese market with the Japanese authorities. Many restrictions have been removed, but progress has been cautious and controls remain. Nevertheless, it appears that this vast market is opening up. This trend, together with the popularity that North American products enjoy in Japan, should create significant market opportunities for Canadian manufacturers in the future. Japan is also expected to remain one of Canada's largest markets for resource materials, because it is dependent on foreign sources of raw materials for its manufacturing sector.

CANADA'S TRADE WITH PACIFIC AREA COUNTRIES

Imports from:	1965	1966	1967	1968	1969	1970
			$ million			
Japan	230.1	253.1	304.8	360.2	495.7	581.7
Taiwan	9.3	13.1	23.6	34.4	42.5	51.9
Philippines	3.6	3.3	3.1	2.8	4.5	4.3
Indonesia	2.4	1.2	1.1	.4	.3	.6
Australia	47.4	59.6	64.5	76.0	96.3	146.1
New Zealand	14.9	15.0	15.3	18.6	41.2	43.1
Fiji	4.8	2.7	3.8	3.6	5.7	6.9
British Oceania	—	—	—	—	—	—
French Oceania	5.1	6.6	6.1	7.5	2.8	2.5
U.S. Oceania	.1	.1	.1	.1	—	.1
South Korea	1.5	1.8	4.6	11.2	12.2	14.6
People's Republic of China	14.4	20.6	25.1	23.4	27.4	19.1
Thailand	.8	2.4	4.9	2.0	1.0	1.1
Vietnam	—	—	—	—	—	—
Cambodia and Laos	—	—	—	—	—	—
Malaysia and	40.3	41.5	22.3	26.0	32.8	34.2
Singapore			11.2	15.1	22.0	20.2
Hong Kong	31.0	38.9	51.0	58.4	72.9	78.5
Total imports	**405.8**	**459.9**	**541.5**	**639.7**	**857.3**	**1,004.5**
Per cent of Canadian world imports	4.7	4.6	4.8	5.1	6.1	7.2
Exports to:						
Japan	316.2	394.2	572.2	606.8	624.8	793.1
Taiwan	6.7	8.4	12.3	16.9	12.6	18.3
Philippines	26.4	18.7	25.5	34.5	32.3	30.2
Indonesia	1.6	.3	2.8	2.4	2.9	16.5
Australia	140.4	117.4	156.2	185.7	163.3	197.8
New Zealand	36.8	41.8	40.7	31.8	37.0	42.7
Fiji	1.1	.8	.9	.9	.9	.9
British Oceania	.3	.3	.2	.2	.1	.2
French Oceania	.5	.6	1.1	1.7	.7	.8
U.S. Oceania	.8	.7	.8	.9	1.7	1.2
South Korea	.8	15.7	7.7	13.2	15.3	18.8
People's Republic of China	105.1	184.9	91.3	163.2	122.4	142.0
Thailand	5.6	6.7	6.9	7.2	8.5	8.0
Vietnam	.8	2.6	1.9	2.2	2.1	3.8
Cambodia and Laos	.1	.1	.1	.1	.2	.7
Malaysia and	9.3	15.4	13.4	10.7	15.5	14.0
Singapore			2.9	3.2	4.8	10.8
Hong Kong	16.7	15.4	17.3	16.6	17.7	20.8
Total exports	**669.2**	**824.0**	**954.2**	**1,098.2**	**1,063.0**	**1,320.4**
Per cent of Canadian world exports	7.8	8.1	8.5	8.3	7.3	8.0

The realization that Canada is also a Pacific nation has caused the Government to seek closer trade relations with other countries in that area, and shipments of agricultural products and resource materials from Western Canada to the Pacific countries, for instance, have nearly doubled in the past five years.

Towards Closer Co-operation—In its White Paper, the Canadian Government welcomed the active co-operation of private interests involved in the Pacific area. The Pacific Basin Economic Council is an example of this co-operation, and provides a useful medium for the exchange of views among the business communities of the Pacific countries, either individually or jointly.

The developing relationship between Canada and the Pacific countries is reflected also in fields other than trade. Canadians have established and staffed schools in the smaller islands and in Southeast Asia and have set up hospitals in the area. Mutual awareness

New Zealand maintains its excellent road system by using graders such as this one, which was made by Dominion Machinery in Goderich, Ontario. There is increasing potential for sales of Canadian manufactured products and end goods to the Pacific nations.

has been furthered by the creation of Asian and Pacific studies programs at McGill University, the University of Toronto, and the University of British Columbia.

Canada has maintained an active membership in the Commonwealth. This association extends Canadian influence significantly into the Pacific area where various Commonwealth ties are evident. The meetings of the Commonwealth Prime Ministers and the Commonwealth Foundation provide forums where ideas and policies are discussed between Canada and Australia, New Zealand, Fiji, the islands of British Oceania, Malaysia, Singapore, and Hong Kong.

Canada's francophone capacity also facilitates an influential approach to the approximately 45 million people of Southeast Asia, New Caledonia, French Polynesia and parts of the New Hebrides who use French as their working language.

The very diversity of the great Pacific area means that it can be a target for almost any type of business interest. The sophisticated markets of Japan, Australia and New Zealand call for an approach very different from that used in the developing areas of Southeast Asia and the smaller islands. The one common characteristic is that, sophisticated or not, the markets of the Pacific are opening up to our exporters, and opportunities for trade expansion continue to develop.

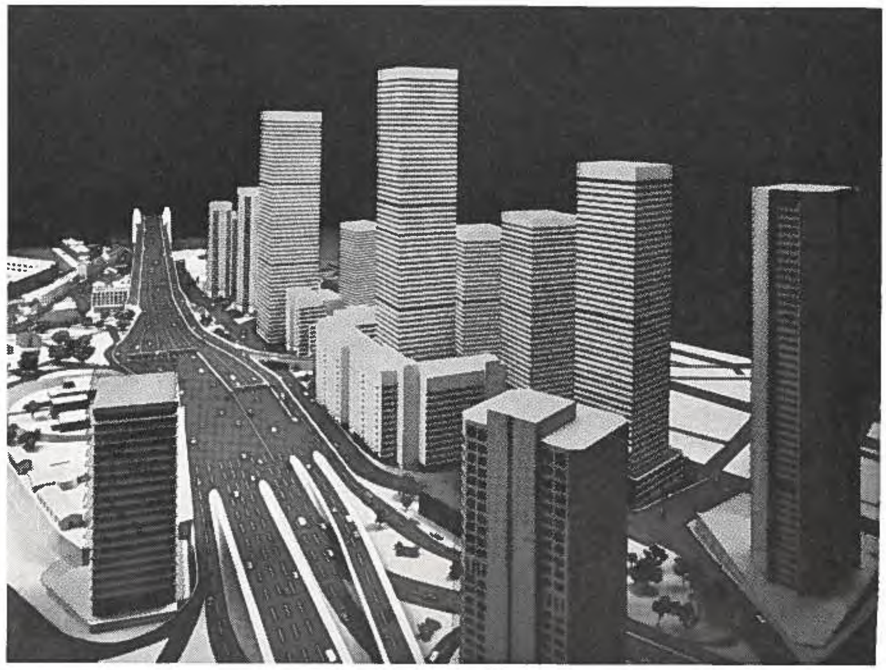
Halfway across the ocean from New Zealand lies the island of Tahiti. This busy dockside scene at Papeete, the island's main port, is in sharp contrast to the sophisticated grader above, and indicates the variety of products Canadians can supply to the markets within the Pacific Basin.

Canadians Can Share in Australian Progress

Australians can't meet the strong demand for mining machinery and equipment, building supplies, etc.; Canadians could fill in the gaps. Sales to Australia at record high last year.

WALTER ZYLA, Commercial Secretary, Sydney

Australian imports from Canada last year reached a record high of $198 million, up some $35 million from the previous year. With sales at mid-point this year nearing $100 million, the chances of another record seem good. But the mixed performance of the Australian economy during 1970/71* could present some additional challenges.



This is the model of the $500 million East Rocks scheme being developed under the control of the Sydney Cove Redevelopment Authority. It is being built alongside the Sydney Harbor Bridge on a 43-acre site. The project will include hotels, office blocks and residential facilities, and is already attracting Canadian firms.

Australia's domestic activity continued at a high level throughout the fiscal year but economic growth was the smallest in some time. An increase of 3.9 per cent in the gross national product was the smallest in four years; preliminary figures for 1970/71, using current prices, show the GNP at A$33,028 million. The rural sector again suffered setbacks, industrial production gained only slightly, at 3 per cent, and it was the output of the mineral industry that continued to expand at a healthy pace.

Long feared in Australia, inflation for the first time played a major part during 1970/71. The 5.4 per cent increase in the consumer price index was the highest in more than a decade. Concurrently, a national wage case settlement awarded wage increases of 6 per cent and pressure is continuing from every sector of labor for further increases. Unemployment, at just over 1 per cent, was lower than for most of the 1960's.

The rise in total spending eased off during the fiscal year and consumer spending rose by only a little over 3 per cent. On the other hand, business investment went up substantially, as did investment in the building industry.

A feature of Australia's balance of payments was the strength of capital inflow—at A$1,380 million in 1970/71 it was the highest ever recorded in a financial year. Both direct and portfolio investment increased strongly; net private capital inflow was about A$1,500 million compared with A$1,000 million in 1969/70. As in the past few years, the major factor contributing to high investment was the continuing mining boom, though the building industry absorbed a large portion of the investment money as well. Exports increased by 6.5 per cent compared with 23 per cent in the previous year and imports by 6 per cent, down from 11 per cent in 1969/70.

Agriculture—For the agricultural sector, it was the second poor year in a row. In 1969/70, because of drought and other difficulties, the agricultural portion of the GNP fell 13 per cent; this year it dropped by another 12. Substantial decreases in the output of wool and wheat, stemming from unfavorable seasonal conditions and restrictions on wheat deliveries, resulted in a sharp decline not only in the volume of rural production but also in the average prices received by farmers. This, combined with unchanged total farm costs, led to a drop of 14 per cent in aggregate farm

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*The fiscal year in Australia begins July 1.

income to A$875 million, one of the lowest figures in the past 20 years.

Rural exports rose in volume and just managed to achieve a record. Large shipments of coarse grains and sugar made up for a considerable decline in wool and, following a dramatic increase in the previous year, meat exports recorded a further small rise in 1970/71. But because export prices decreased, particularly for wool, the value of rural exports went down by some 7 per cent to about A$1,929 million. Proceeds from wool exports were the smallest in more than 20 years. For the first time, non-rural exports about equalled rural exports.

Recurring Australian droughts and the fall in wool prices have been the two main factors in the marked deterioration in recent years in the relationship between aggregate farm income and rural indebtedness. These have also been the important factors behind the Rural Reconstruction Scheme, a joint Commonwealth-State venture to rationalize and aid farm production. Together with the Australian Wool Commission formed in 1970/71, the scheme should play an important role in the Australian agricultural industry.

Industry—The non-rural sector fared much better. Industrial production, which had begun to fall in the second half of 1969/70, continued to decline in the first part of 1970/71 but recovered subsequently to show an increase for the full year of 3 per cent. Although this was somewhat below the increase in other recent years, it maintained confidence in the growing industrial sector. Preliminary statistics seem to indicate that the slower rate of growth in domestic industrial supplies during 1970/71 was mainly due to a smaller rise in output per worker.

Exports of manufactured goods maintained the rate of increase of about 25 per cent recorded in 1969/70; sales of motor vehicles and machinery again rose substantially.

Minerals—But it was once again the mineral industry that headed the list in 1970/71 so far as the rise in production was concerned. With further development of the Bass Strait fields situated between Tasmania and Victoria, there was a spectacular expansion in crude oil and natural gas production. Output of iron ore, nickel and bauxite also gained substantially. The table shows some of the dramatic gains over the preceding year.

MINERAL PRODUCTION IN AUSTRALIA

	Long tons '000 1969-70	1970-71	Per cent increase
Natural gas (million cubic feet)	19,000	55,000	190
Copper	112	134	20
Nickel concentrates	119	235	97
Bauxite	5.9	7.8	32
Iron ore and concentrates	30,000	41,000	37
Crude oil (barrels, '000)	20,000	74,000	270

Source: Australian Bureau of Mineral Resources.

Statistics of Australian ex-mine value of mineral production released on the calendar year basis show the 1970 figure at A$1,425 million. Illustrating the sharp rise in ex-mine value over only two years, the figures for 1968 were A$855 million and from 1969 A$1,142 million.

Although exports of minerals and metals rose by 11 per cent in 1970/71, the rate of increase was less than in other recent years. Japan continued to provide a market for over 85 per cent of Australia's iron ore shipments which, over-all, rose strongly in 1970/71 to A$374 million. The Japanese demand for coal weakened but in other markets it increased and generated exports of A$206 million, 20 per cent over 1969/70. Because of a high domestic demand brought on principally by a building boom, iron and steel exports dropped considerably.

Having become so vital to the Australian economy, the mining industry is doubly concerned about a number of recent mine and mining investment company failures. An announcement in February this year of the failure of a large mining investment firm caused disturbances in financial markets for months. Just as investors regained confidence, it was reported that one of the world's largest uranium prospects in Australia was not nearly as rich as was originally reported. As a result, cautiousness on the part of investors is evident and this will probably continue for some time.

None the less, the two sectors exhibiting the greatest growth and probably with the greatest potential during the next twelve months are mining and building. This not only opens up the possibility of increasing the supply of products and services not normally available from Australian sources but also provides opportunities to supply items which, because of the big increase in demand, cannot be met in full by Australian firms in the time required.

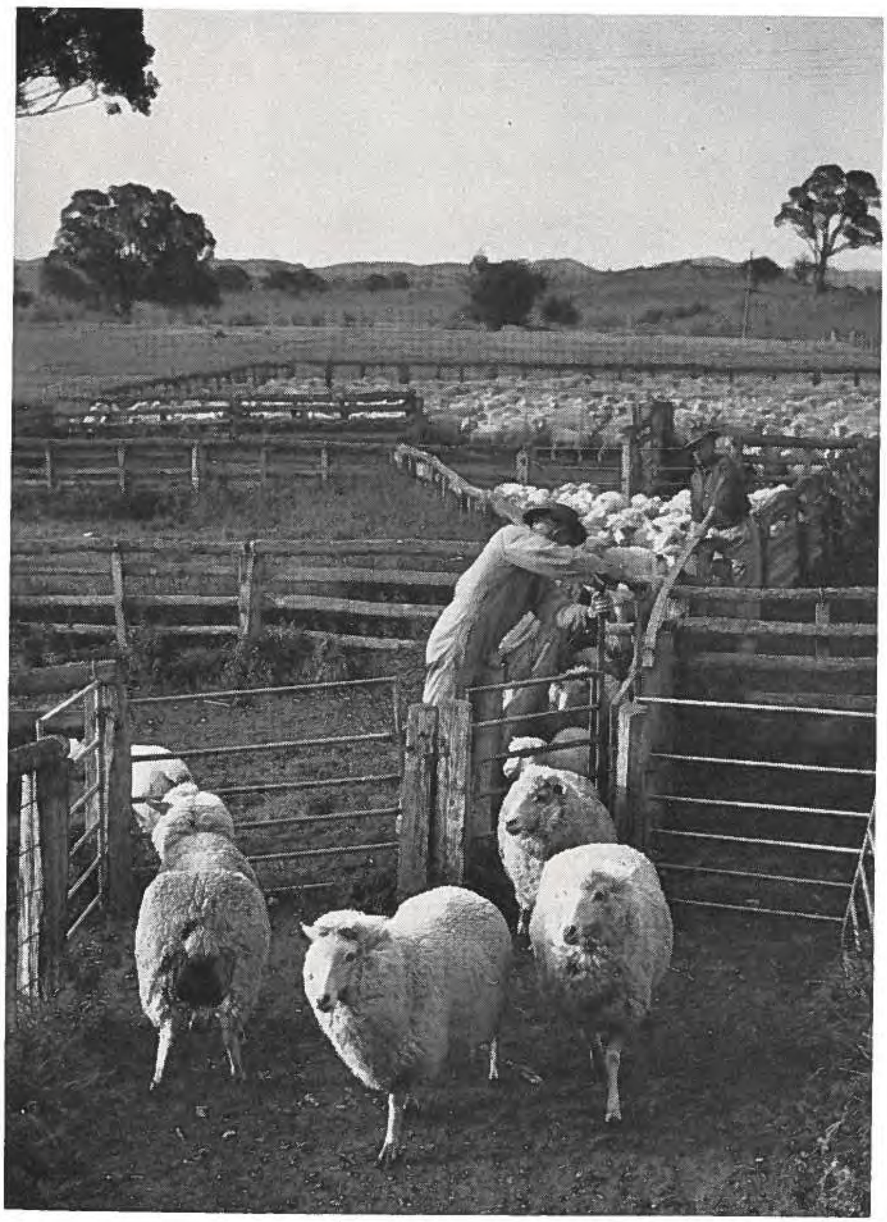
Imports of steel into Australia have gone up by 50 per cent during the past twelve months. This is an area in which there will be increasing opportunities for Canada—certainly until some of the extensions to existing facilities in Australia come into production.

Apart from mining machinery and equipment, the demand for many types of metalworking machines has increased substantially.

In the building industry, commercial buildings are being erected at an unprecedented rate. Perhaps the greatest change in this field is the current trend to developing or redeveloping entire areas rather than constructing individual buildings, hotels, etc. At the present time in Sydney the cost of redeveloping the Sydney Cove and Woolloomooloo areas is expected to exceed A$1,000 million and there are many other projects ranging from $20 to $100 million in value. Large building developments are also going forward in Melbourne and to a lesser degree in the smaller capital cities.

These area developments, apart from giving rise to an increased demand for

This is one way to get the pit faces clean. Water is being pumped at 2,000 to 3,000 gallons a minute at a pressure of 100 pounds per square inch in an effort to remove the unconsolidated material lying over the main pit area at the Panguna site of Bougainville Copper Pty. The material is mostly volcanic ash, or tuff. Australian exports of minerals and metals rose by 11 per cent last year.



Australia and sheep used to be synonymous. As in most other parts of the world, agriculture is now going through a period of doldrums. Drought and a fall in the price of wool led to a decrease of 14 per cent in the country's farm income last year, although rural exports achieved a record in volume.

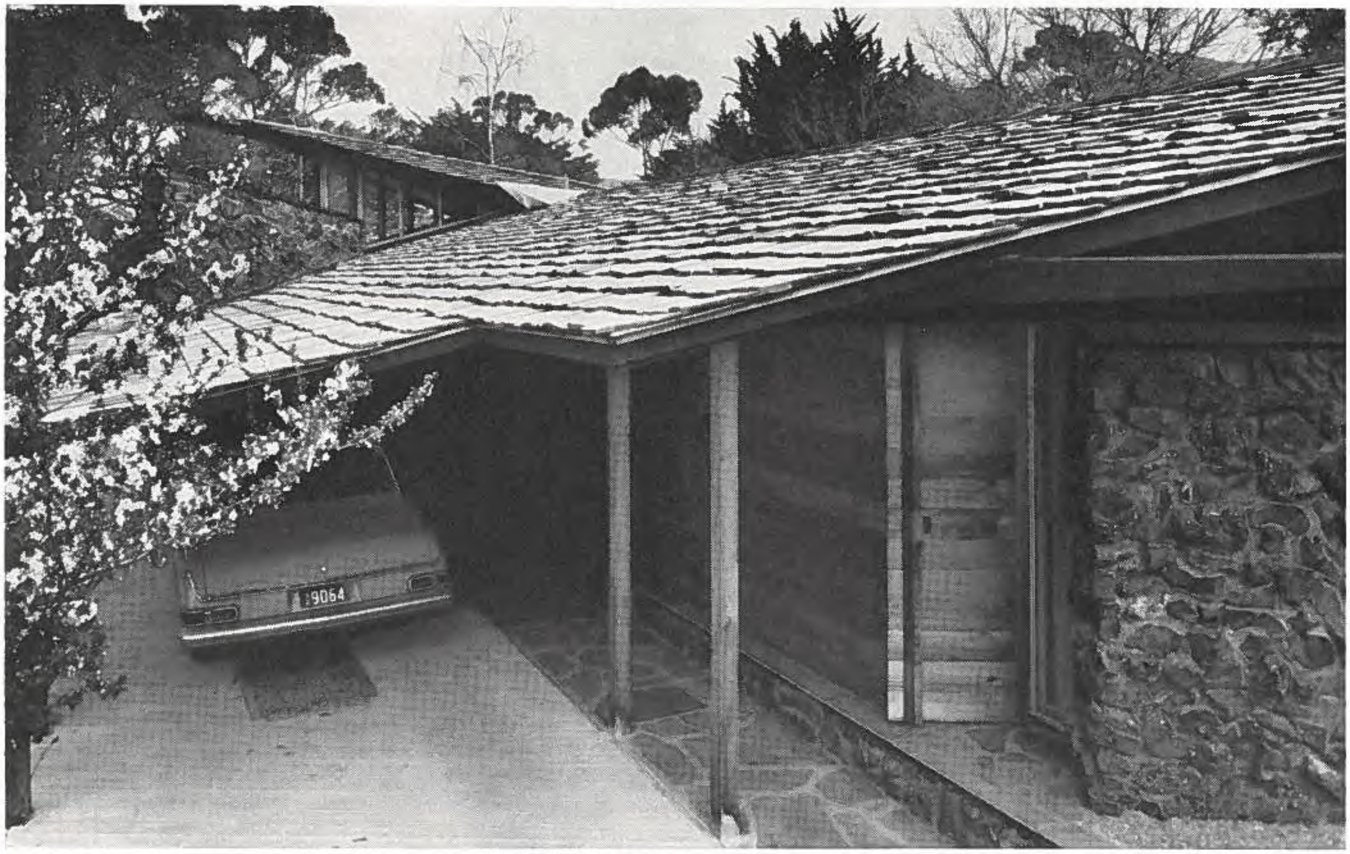
all normal building supplies, office and hotel equipment, also create a need for heating and air-conditioning equipment of greater capacity, probably outside the range currently being manufactured in Australia. Because central heating and cooling plants for area developments are just being introduced here, there is a need for design expertise in this field.

High-technology machinery, pollution control equipment, consumer products and textiles are also actively sought by Australians and the opportunity for Canada to provide these should not be missed. To seek out the prospects in Australia, the Canadian exporter should simply write to the nearest Regional Office of the Department of Industry, Trade and Commerce, or to the Canadian Government Trade Commissioner in Sydney or Melbourne. A leading country in the Pacific area, Australia holds potential for Canadian exporters that is too great to be overlooked.

Access to the Australian Market

Here is a briefing for Canadian exporters on the Australian tariff and how it applies to Canadian goods, and on other problems of access and how to deal with them.

F. P. WEISER, Commercial Counsellor, Canberra



This Australian house, which won a design award, is built with Western red cedar siding, panelling and shakes. Australia bought nearly $1 million worth of Canada cedar shakes and shingles in 1970.

Last year Canadian exports to Australia reached a record $198 million and Australia became our sixth largest market. Eighty-eight per cent of these exports, by value, consisted of fabricated materials and end products. This is a considerably higher proportion than in Canadian exports to most other markets. Next to the United States, Australia has been our leading market for manufactured goods, running neck and neck with Britain.

What makes this achievement particularly significant is that the Australian market is not really an easy one to develop and, in some instances, not an easy one to retain. Tariffs are the reason.

It is a cornerstone of Australian Government policy to encourage the development of secondary industries and to do so by means of tariffs. Accordingly, tariffs generally are not low in product sectors in which there is domestic production. Moreover, an industry may apply to the authorities for tariff protection at any time. If it can make a case that it is "economic and efficient" by Australian standards, but not competitive against imports, it may well succeed in having its case referred to the Tariff Board to inquire into and report on its need for protection. It usually takes more than a year from the time a reference is made until the Board's recommendations are implemented. Machinery exists, however, through the Special Advisory Authority to provide temporary protection in the intervening time. But to obtain such temporary protection, the industry needs to make a strong case to the authorities. Relatively few industries succeed in this, compared with a considerably larger number of references going to the Tariff Board.

Not all recommendations by the Board are for increased protection. On the contrary, many result either in lower tariffs or in the existing levels being maintained. It is open to Canadian exporters interested in the goods under review to be represented at the hearings either by a company representative from Canada or by its Australian agent or an importer. Both the Tariff Board and the Special Advisory Authority assume formally that if no submission is made for retaining or reducing duties, there is no interest in this. A recent report pertaining to certain goods supplied mainly from Canada stated specifically that Canadian industry was not represented at the inquiry. The result of the inquiry was unfavorable to Canada. This is not to say that being represented will necessarily mean that duties will not be increased. On the other hand, failure to be represented will very likely contribute to a recommendation against Canadian interests.

There is more than one reason why Canadian exports to Australia are expanding despite the difficulties described above. One is that Australia is getting more and more prosperous, mainly as a result of the minerals boom. This benefit, of course, also accrues to our competitors. In addition, Canadian exporters have some advantages in the Australian market which few others share. These are discussed below.

Preferential Tariff—The Australian customs tariff consists of two columns. The lower rates of the preferential tariff, where shown, generally apply to goods of Canadian, British and New Zealand origin and, in some instances, to those from other Commonwealth countries as well. Certain exceptions to this rule result from the New Zealand-Australia Free Trade Agreement and from the Australian system of preferences for developing countries.

Most Canadian goods receive preferential treatment in Australia when they are similar to British goods that also receive preferential treatment. Under the Canada-Australia Trade Agreement of 1960, Canada is assured a minimum margin of preference on certain listed items.

The content requirements to qualify for preferential tariff treatment vary from 25 to 75 per cent Canadian or Australian. Normally, if an item is not dutiable under the preferential tariff, Canadian or Australian content (percentage of Canadian or Australian labor, materials and overhead in factory cost) need only be 25 per cent. Where the preferential column provides a tariff, in most cases Canadian or Australian content must be 75 per cent. In all instances, the last process of manufacture before export must be done in Canada and the shipment must be consigned direct from Canada to Australia.

Concessional Entry under Customs By-Laws—Australia has a system of bylaws whereby goods for which there is no suitably equivalent substitute from Australian sources may receive more favorable treatment than the regular tariff provides. Canadian goods imported under bylaw qualify for duty-free entry if at least 25 per cent of the factory cost is represented by Canadian and/or Australian labor, materials and overhead. Where the product is reasonably available from British production, or where the margin of preference is bound to Canada in the Trade Agreement, the rate under the general tariff is normally 7½ per cent. In other words, Canadian goods enjoy a 7½ per cent margin of preference over goods from countries not entitled to preferential tariff treatment. In other instances, however, goods entering under the General Tariff are also free of duty.

Many goods which qualify for bylaw entry are contained in the Standing By-Law List or in the Supplementary By-Law Advice List, both of which have been published by the Australian Department of Customs and Excise. That Department also issues periodically amendments to these lists. Goods included in these two lists receive the benefit of bylaw entry automatically and no separate application is needed, although for goods in the Supplementary By-Law Advice List, agents or importers are required to indicate in the import entry the chapter and page number of the reference in the list. They should be prepared to supply descriptive material in doubtful cases.

Although the number of products included in these lists has increased considerably, a large proportion of imports under bylaw is still approved on an *ad hoc* basis. (This was discussed in an article published in the October 12, 1968, issue of *Foreign Trade.*) This is an area in which action by businessmen is required and where they may find sales opportunities by taking such action. The Australian importer must apply to the Department of Customs and Excise on a form provided for this purpose. It is incumbent on the importer to prove that "suitably equivalent" goods are not available from Australian production. This has been interpreted to mean that they perform a function additional to or different from goods made in Australia or that they have other distinguishing characteristics which affect their application or use. The Canadian exporter often can help by supplying literature and other information to document that there are no "suitably equivalent" goods made in Australia.

Consultations before Applying Anti-Dumping Duties—Under the Australian Customs Tariff (Dumping and Subsidies) Act, anti-dumping duties may be collected if the export price of imported goods is less than the "normal value" of the goods in the exporting country as defined in the Act, and if the export of those goods is causing or threatening injury to an Australian industry producing like or directly competitive goods.

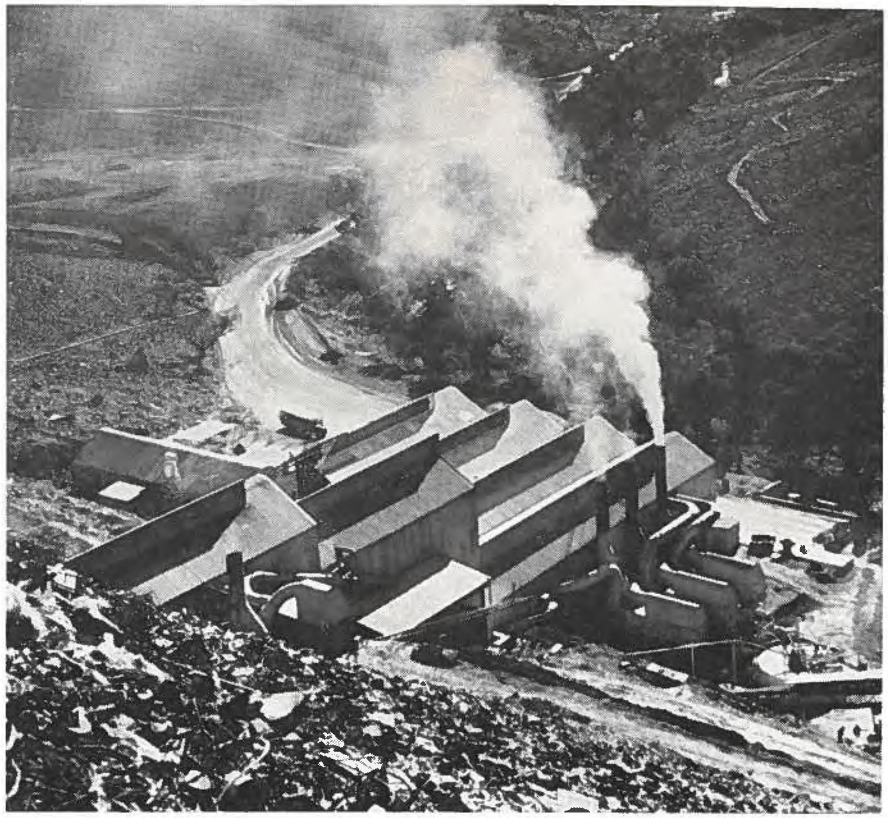
Under Article VI of the Canada-Australia Trade Agreement, however, the two governments are required to consult before taking anti-dumping action against any goods imported from the other country. The purpose of the consultations is to consider measures to prevent further injury. Only if a mutually satisfactory solution does not result within sixty days from the commencement of these consultations can anti-dumping action be taken concerning the product involved.

Consultations on the suspected dumping of Canadian goods in Australia is initiated by a notice presented by officials of the Australian Department of Trade and Industry to an officer of the Commercial Division at the Canadian High Commission in Canberra. It is thus conceivable that a Canadian company may first find that it is suspected of dumping by the Australian authorities when it is approached by officials of the Department of Industry, Trade and Commerce with an offer of help. Because the consultations are government to government, a Canadian company's contribution may well be confined to providing factual information for use in the consultations aimed at resolving its difficulties.

There is in Australia a great deal of goodwill towards Canada—a sentiment which is warmly reciprocated. Australians are shrewd traders and they can be depended upon to buy exactly what they want where they can get it competitively. Where Canadian goods are competing on equal terms, the goodwill for Canada could just possibly swing the deal our way. This is another good reason for paying particular attention to the Australian market.

Last but not least, the Department maintains a Commercial Division at the High Commission in Canberra which has as its principal task maintaining and improving access for Canadian exports to the Australian market. This is distinct from the functions of the Department's offices in Sydney and Melbourne, which are mainly dedicated to promoting exports of Canadian goods. The Canberra office shares these functions in promoting sales to the Australian Government. Within the context of this article, however, Canadian exporters should keep in mind that our officers in Canberra stand ready to assist in solving any access problems that they may encounter in Australia. In some instances, such as the anti-dumping consultations mentioned above, we will probably know about the problem before the exporter does. In many others, we would be glad to hear about it so that we may be of service.

Some of the subjects discussed here are complex. To treat them in an article of this length they had to be condensed and this could possibly affect their accuracy. We suggest that the article be considered a briefing on matters which Canadian exporters should keep in mind. Specific information on particular situations covering access to the Australian market should be requested from the Chief, Pacific Division, Office of Area Relations, Ottawa, or from the Commercial Counsellor, Canadian High Commission, Canberra.

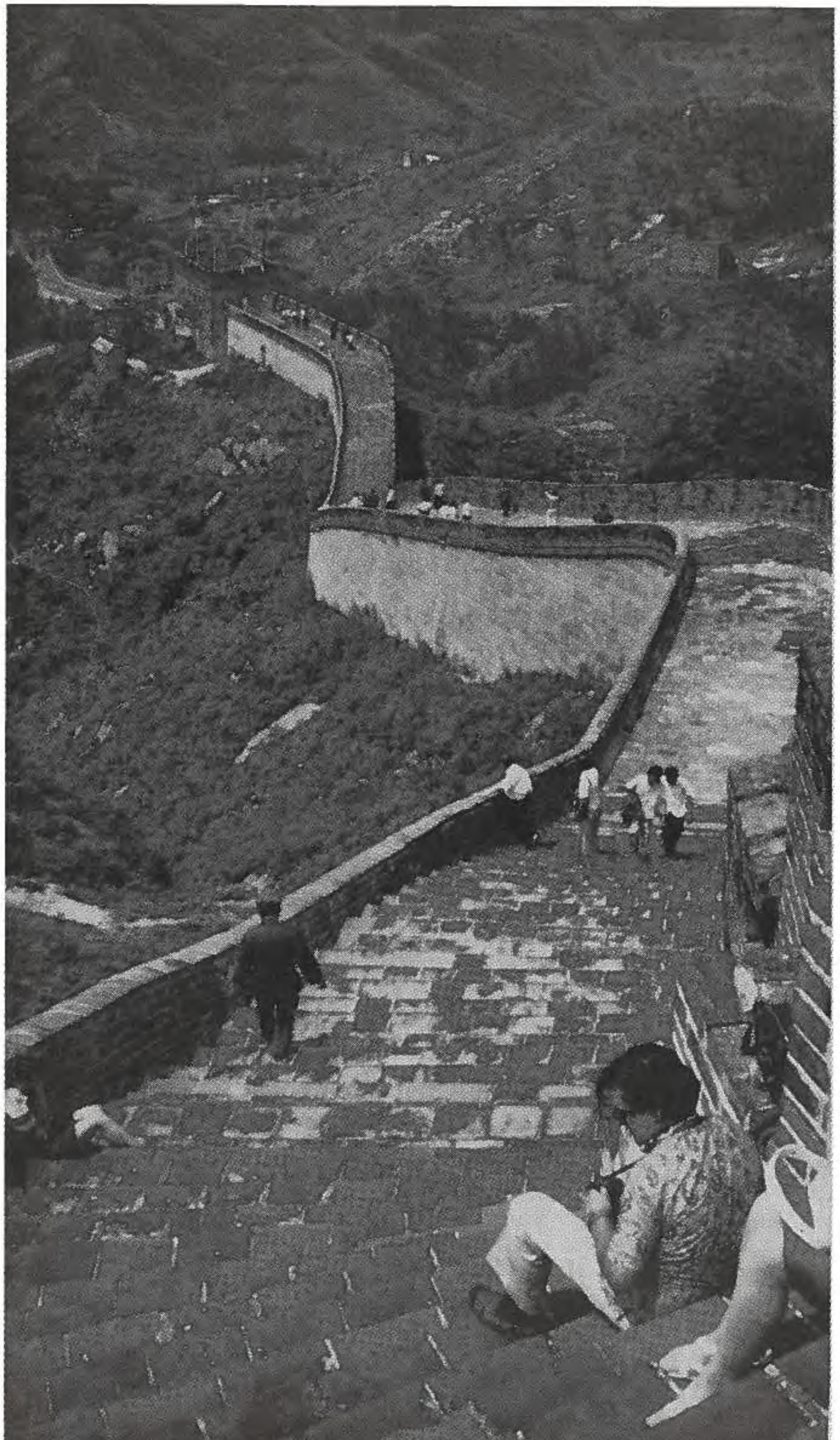


If you build your factory on various levels you can make use of the force of gravity to move the materials forward through the plant. This is just what Australian Blue Asbestos Pty., thought of when it built its mill (top photo) at Wittenoon Gorge in Western Australia. The bottom photo gives a view of Bourke Street, a main shopping area and thoroughfare in Melbourne.

China Trade Winds Are Blowing

Canadian producers of raw materials, chemicals, machinery and equipment, among other products, should be awake to potential created by expanding market in China and Chinese willingness to do business with us.

R. G. GODSON, Commercial Counsellor, Peking



The Chinese economy is developing at a steady and satisfactory rate. The Chinese press has been reporting record production figures in various sectors of the economy and there is no doubt that substantial progress is being made in industry, agriculture, transport, construction and foreign trade.

It is reliably reported that the country's gross industrial output may have increased last year as much as 20 per cent over 1969. The gross national product in 1970 rose by 10 per cent to an estimated U.S.$75 billion.

Impressive advances have been made, particularly at the district and county level, as the Chinese authorities continue their pragmatic approach to the development of industry and agriculture. Small factories and enterprises of all kinds are being built throughout the countryside, primarily industries supporting agriculture, because more than 80 per cent of the 750 million Chinese are directly involved in farming.

At the national level, the central authorities have been concentrating on the coal and steel industries, the development of the extensive mineral resources, and the improvement of the transport system, particularly air, marine and rail capability. Attention has also been focused on the production of petroleum and petroleum products. With a total output of crude oil in the neighborhood of 20 million

The Great Wall of China, 1,500 miles in length, was started in the third century B.C. as part of the unification of the country. It is now a tourist attraction and members of the mission headed by Mr. Pepin that visited China this past summer were taken on a tour of it. The solitary tower seen in front on the hill is one of a line of forward guard posts.

Members of last summer's mission stand in Hong Kong station waiting to board their train to China. Among those seen are Jack Wilder, Department of External Affairs; C. G. Munro, president of the Canadian Federation of Agriculture; C. R. Gallow, Senior Trade Commissioner, Hong Kong (now Commercial Counsellor at Singapore); N. V. German, vice-president of the Canadian Chamber of Commerce; Mrs. Pepin; R. W. Burchill, Regional Co-ordinator, Asia and Oceania Division of the department; E. C. Hill, vice-chairman of the Canadian Export Association; Gerard Filion, president of the Canadian Manufacturers' Association; and Mark Gayne of the "Toronto Star".

tons, the country is now self-sufficient in this commodity.

During a recent interview with the American journalist Edgar Snow, Premier Chou En-lai gave out some production figures for the first time in over a decade. The Premier stated that chemical fertilizer production had reached 14 million tons and that China had become the world's largest producer of cotton cloth, with an output of 8,500 million meters. Grain production for 1970 reached 240 million tons. Agricultural production in 1970 was valued at $30 billion, and industrial production at $90 billion.

China's total foreign trade for 1970 is expected to reach $4.5 billion, a substantial increase over 1969 and 1968. The Chinese usually succeed in balancing their trade because it is their policy to pay for imports from export earnings, thus avoiding the necessity of drawing on the foreign exchange reserves. But the figures for 1970 may reveal a deficit in commodity trading, which would explain their current efforts to make more products available for export and improve design and packaging to meet the challenge of foreign markets. As Table 1 indicates, Japan, Hong Kong and West Germany continue to be China's three largest trading partners.

Chinese trade with socialist countries is conducted on the basis of trade agreements and barter arrangements and, although increasing, accounts for less than 30 per cent of total foreign trade. Commodity exchange proposals, however, are rarely discussed with Western countries as the Chinese prefer to do business in the West on the basis of direct payment, with few requests for credit facilities—even short-term. The People's Republic of China claims to be free of internal and external debt, and this is probably true.

China's economic aid to other countries has now exceeded $1 billion and usually takes the form of long-term interest-free loans with repayment often made through the purchase of Chinese goods and equipment. China's aid is directed primarily to developing countries in Africa, Asia and the Middle East. It has undertaken a number of projects in these countries, such as textiles, machinery, and light industrial plants, agricultural and water-conservation schemes, small dockyards, and hydroelectric power installations. The largest overseas project so far undertaken is the construction of the Tanzam railway at an estimated cost of over $400 million.

The policy of the Chinese Government is to make the country as self-sufficient as possible, but China still has to import large amounts of wheat, chemical fertilizers, iron and steel, base metals, machinery and equipment. During 1970 the Chinese

The Gate of the Heavenly Peace in Peking. This building is the entrance to the Forbidden City, the old Imperial Palace, and is used as a reviewing stand by the chief Party executives on special occasions.

imported 4.5 million tons of wheat, over 7 million tons of nitrogenous chemical fertilizers, and more than 2 million tons of iron and steel.

The development of light industry and the increasing food production have enabled China to meet the needs of the consumer from its own domestic industry and resources. Virtually no consumer goods of any kind are imported. Imports are limited to raw materials, semi-manufactured goods, machinery and equipment.

The fourth of the country's Five Year Plans went into operation this year. Although details are not published, trends can be assessed and it is possible to forecast with some accuracy general import requirements. Purchases of raw materials such as wheat, sugar, rubber, cotton and synthetic fibers, jute, and wool should continue.

Imports of chemicals will include nitrogenous fertilizers (including urea), organic and inorganic chemicals, plastics materials, dyestuffs, pharmaceuticals, and agricultural chemicals such as insecticides, fungicides and disinfectants.

Imports of machinery and transport equipment have been increasing. The main categories in this sector are machine tools, plastics and electrical machinery, heavy-duty and specialty trucks and transport equipment, construction equipment, aircraft and ships.

Purchases of metals and minerals (including aluminum, nickel, copper, zinc, lead, platinum and diamonds), pulp and paperboard, and scientific instruments and apparatus should continue.

TABLE 1

CHINA'S FOREIGN TRADE

	U.S.$ million					
	Imports from		Exports to		Total Trade	
	1969	1970	1969	1970	1969	1970
Japan	391.1	568.9	234.5	253.8	625.6	812.7
Hong Kong	1.1	10.5	327.3	467.1	328.4	477.6
West Germany	150.9	168.6	84.2	85.1	235.1	253.7
Britain	124.6	107.0	90.6	80.5	215.2	187.5
Australia	117.2	146.5	39.5	41.5	156.7	187.0
Canada	113.8	135.8	25.5	18.3	139.3	154.1
Singapore	58.9	22.9	139.8	127.2	198.7	150.1
France	43.2	81.2	69.6	69.9	112.8	131.1
Italy	56.3	57.0	64.1	63.1	120.4	120.1

These commodities indicate the pattern of China's imports, which are likely to remain much the same during the new Five Year Plan. One significant development will be an increased interest in buying complete plants from abroad, in order to gain the advanced technology developed in Western countries. Exchanges of technical personnel should increase considerably in the coming year, probably in the fields of petrochemicals (including chemical fertilizer installations), iron and steel, power generation, and mining and other resource development. The Chinese have not shown an interest so far in engaging consulting engineering services from abroad but this could be developed in time.

China's exports have also been increasing. These consist primarily of

Hand in hand, two solitary children, part of China's immense population of 750 million, stroll towards the Gate of the Heavenly Peace.

TABLE 2

CANADA'S MAIN EXPORTS TO . . .

	$ 1969	$ 1970
Wheat	119,775,768	121,561,892
Nickel anodes, cathodes, ingots, rods	274,762	12,853,001
Aluminum pigs, ingot, shot, slabs	—	2,897,199
Scrap iron and steel	1,985,750	2,041,225
Zinc blocks, pigs and slabs	—	1,127,356
Nickel and alloy fabricated material	—	1,015,018
Tallow	—	356,375
Insulated wire and cable	—	54,482
Laboratory, optical instr., equip. and parts	—	50,507
Radioactive elements and isotopes	48,888	7,466
Nickel and nickel alloy scrap	296,184	6,388
Switchgear and protective equip. and parts	—	5,942
Total, including all others	**122,417,635**	**141,993,770**

. . . AND IMPORTS FROM CHINA

	$ 1969	$ 1970
Textiles, clothing, garments	8,212,092	7,424,279
House furnishings and supplies	3,302,793	2,936,760
Walnuts and nuts, shelled and not shelled	2,590,253	2,569,866
Textile fabricated materials	3,803,053	1,391,786
Furs, skins, feathers, bristles, hair	660,348	772,515
Peanuts, green	4,612,926	557,613
Vegetables and vegetable preparations	797,320	543,032
Kitchen utensils, cutlery and tableware, excl. silverware	505,323	517,362
Chemicals, organic and inorganic	180,986	202,748
Fruits and fruit preparations	146,213	193,886
Toys, games, sporting and recreation equipment	285,831	187,339
Tea and spices	319,427	185,286
Footwear	207,268	176,996
Watches and clocks	153,757	172,058
Miscellaneous household and personal equipment	217,681	166,222
Industrial chemical specialties and explosives	122,235	147,109
Musical instruments	129,931	120,808
Total, including all others	**27,421,482**	**19,027,839**

foodstuffs, rice, soybeans, oilseeds, silk, crude animal materials, herbs, vegetable oils, chemicals, furs, cotton fibers, clothing, hardware, chemicals, minerals (tungsten, manganese, antimony and tin), mercury, and a wide range of light industrial products and consumer goods of all kinds. These items are becoming increasingly available and Canadian importers should consider the possibility of buying from China. The Commercial Section of the new Chinese Embassy in Ottawa can help them to develop their business relations with China. Exporters also should consider the possibility of meeting some of their import requirements from Chinese sources because China's policy is to develop two-way trade on the basis of "equality and mutual benefit."

Canada is China's sixth most important trading partner and our total trade is expected to exceed $200 million during the current year. Table 2 shows the pattern of Canada's trade with China and the commodities exchanged between the two countries.

Canadian exporters of raw materials, semi-finished products, chemicals, machinery and equipment should, therefore, consider China as a potential market. It is recommended that you ask our Commercial Office in Peking for an assessment of whether or not the Chinese are importing or are likely to import your products. During the past year they have expressed interest in a wide variety of items from Canada, such as scientific equipment, medical equipment, specialized machinery, wood pulp, specialty papers, linerboard, industrial chemicals, zinc, aluminum, nickel, copper and brass, scrap metals, synthetic rubber, fibers and yarns, animals for breeding purposes, jade, tallow, transportation equipment, aircraft and many others.

China's foreign trade is small in relation to the size of the country and is an indication of the success of its policy of self-reliance. Competition therefore is intense—and the Chinese are able and skilled negotiators. It takes time and patience to negotiate business with them, and particularly to introduce new products and equipment. Once success is achieved, however, Canadian firms will find the Chinese meticulous in the performance of their contracts and anxious to establish continuing and friendly business relationships.

As the economy continues to expand, opportunities for our exporters and importers will increase. The Canadian Government Mission last June stimulated interest in Canadian products and export capabilities and established closer contacts with Chinese authorities, who have shown a genuine willingness to develop successful business and economic relations with Canada. And Canadians will have a chance to display their products at a Canadian trade exhibition tentatively scheduled to be held in Peking in the autumn of 1972.

Since our office was established in Peking in January this year, we have set up close relations with the head offices of all the trading corporations and with shipping, banking, insurance and other organizations here. We urge interested firms to make themselves known to us as soon as possible, so that we can arrange meetings with Chinese officials and acquaint them with these firms and their products.

Doing Business with China

The Canadian who wants to sell his products in China must first learn how to get in contact with the state trading corporations and how to arrange a face-to-face meeting with officials.

R. F. ANDRIGO, Second Secretary (Commercial) and Consul, Peking

In China's planned economy, responsibility for carrying on foreign trade is delegated to seven trading corporations, each of which deals exclusively with the import and export of a specified range of products.

Each corporation maintains a head office in Peking and has a number of branch offices in industrial centers such as Shanghai, Tientsin, Kwangchow, Dairen, Tsingtao and Foochow. Import procurement is inevitably in line with the explicit requirements of these branch offices, and hence corresponds to the needs of the end users of the products.

Canadian suppliers should acquaint themselves at an early stage with the term "end users." Here it means individual manufacturing enterprises throughout China, for which procurement is carried out by a specific corporation. (The necessity of consulting experts at the production level is often the reason given for delay in replying to specific offers.) But it should not be assumed that definition of import requirements is always a lengthy affair. The trading corporations in Peking continually collate information from the field on import needs and can provide a speedy reply to inquiries, particularly from suppliers with whom they have previously established a business relationship.

In addition to the seven trading corporations, there are three organizations which provide support services to external trade. These are the China National Chartering Corporation, the People's Insurance Company of China, and the Bank of China, which are responsible for shipping, insurance, and banking arrangements respectively. The People's Insurance Company has agents in Canada who process claims and look after other matters relating to insurance. The Bank of China handles all banking arrangements and has offices throughout China and in commercial centers like London and Hong Kong. It also has working arrangements with all of Canada's major banks. This organization is well informed and capable of handling any commercial dealings with Canadian exporters and importers. Foreign traders can of course make their own arrangements.

The Approach—The first step in trading with China is to select the corporation dealing in a particular commodity (see accompanying box for description) and make a proposal to it. Where one is doubtful about the choice, the Canadian Commercial Counsellor in Peking can advise.

Since decisions on import and export procurement, unless specifically delegated to branch offices, are taken by officials of the corporation in Peking, an initiative should be directed to the head office of the corporation. This also applies to the import into Canada of Chinese products; it is the responsibility of the corporation to obtain details, specifications, and samples of the products a Canadian wishes to import and to make them available.

The initial approach should be as detailed as possible and contain full information on the company, its activities and its products in sufficient detail to enable the trading corporation to arrive at a preliminary decision about the potential for business with the firm. Descriptive material on the product is essential and at least ten sets for distribution among several end users and industrial experts should be included. A firm should also express its willingness to provide further details, to answer any questions, and especially to meet with the corporation should it be interested in pursuing negotiations.

These two pedestrians on a Peking Street show their friendliness to foreigners with a smile and a wave.

Keep in mind that China emphasizes the importance of developing trade on the basis of "equality and mutual benefit." This means that if a company also imports, it should consider China as a source of supply and make this part of its approach.

Quotations should not be given until the corporation has expressed interest in the firm and its products.

Follow-up—Bear in mind that, with seven central trading corporations handling all import and export trade with over 100 countries and co-ordinating the import demands and export programs of hundreds of producing units, it takes some time to process and assess inquiries. Replies may not be forthcoming at all in some instances.

Negative replies or long delays in acknowledging an initiative should not depress a firm because these delays may be a means of measuring the extent of its commitment to the China market or, alternatively, only an indication of present requirements or lack of them. Persistence is a virtue and the Canadian company should strive to keep the Chinese informed about its capabilities through periodic resubmissions of sales material.

The Canadian Commercial Office in Peking can often advise about the content of replies received and in all instances the Peking office should be kept informed on the development of the relationship with the trading corporation. Our Commercial Officers meet regularly with officials of the corporations in Peking and in Kwangchow during the Chinese Export Commodities Trade Fair held twice a year and are in a position to hold discussions with them on the firm's behalf.

Negotiations—Once the Chinese show a specific interest in a firm, communications become easier and negotiating begins. Normally, these are conducted by mail with the trading corporation headquarters in Peking, although in some instances procurement and sale of certain commodities are delegated to a branch office. It is at this point that the corporation asks for a price quotation, either in Canadian dollars or pounds sterling.

China has an extensive fleet of charter vessels and a growing domestic fleet and in most instances arranges its own shipping. Therefore, your quotations should be f.o.b. Canadian port. When c.i.f. quotations are requested, Shanghai is usually given as the port of destination.

Visits to China for the purpose of pursuing negotiations take place at the initiative of the trading corporation and are focused on the twice yearly Kwangchow Trade Fair, at which an estimated 40 per cent or more of China's foreign trade is negotiated. Buyers and sellers may also be invited by the trading corporation to visit China to discuss problems arising from negotiations apart from the Fair. These visits are usually to

China's Foreign Trade Corporations

Their Principal Exports and Imports

China National Cereals, Oils and Foodstuffs Import and Export Corporation

82 Tung An Men Street, Peking

Cable: CEROILFOOD PEKING

Cereals, edible vegetable and animal oils and fats, vegetable and animal oils and fats for industrial use, oil seeds, seeds, oil cakes, feedingstuffs, salt, edible livestock and poultry, meat and meat products, eggs and egg products, fresh fruits and fruit products, aquatic and marine products, canned goods of various kinds, sugar and sweets, wines, liquors, spirits of various kinds, dairy products, vegetables and condiments, bean flour noodles, grain products, canned goods, nuts and dried vegetables, etc.

China National Native Produce and Animal By-Products Import and Export Corporation

82 Tung An Men Street, Peking

Cable: CHINATUHSU PEKING

Tea, coffee, cocoa, tobacco, bast fiber, rosin, feedingstuffs, timber, forest products, spices, essential oils, patent medicines and medicinal herbs, as well as other native produce, bristles, horse tails, feathers, down, feathers for decorative use, rabbit hair, wool, cashmere, camel hair, casings, hides, leathers, fur mattress, fur products, carpets, down products, living animals, etc.

China National Light Industrial Products Import and Export Corporation

82 Tung An Men Street, Peking

Cable: INDUSTRY PEKING

Paper, general merchandise, stationery, musical instruments, sporting goods, toys, building materials and electrical appliances, fish nets, net yarns, leather shoes, leather products, pottery and porcelain, human hair, pearls, precious stones and jewellery, ivory and jade carvings, lacquerware, plaited articles, furniture, artistic handicrafts and other handicrafts for daily use, etc.

China National Textiles Import and Export Corporation

82 Tung An Men Street, Peking

Cable: CHINATEX PEKING

Cotton, cotton yarns, raw silk, steam filature, wool tops, rayon fibers, synthetic and man-made fibers, cotton piecegoods, woollen piecegoods, linen, garments and wearing apparel, knitted goods, cotton and woollen manufactured goods, ready-made silk articles, drawn work, etc.

China National Chemicals Import and Export Corporation

Erh Li Kou, Hsi Chiao, Peking

Cable: SINOCHEM PEKING

Rubber, rubber tires and other rubber products, petroleum and petroleum products, chemical fertilizers, insecticides and fungicides, pharmaceuticals, medical apparatus, chemical raw materials, dyestuffs, pigments, etc.

China-National Machinery Import and Export Corporation

Erh Li Kou, Hsi Chiao, Peking

Cable: MACHIMPEX PEKING

Machine tools, presses, hammers, shears, forging machines, diesel engines, gasoline engines, steam turbines, boilers, mining machinery, metallurgical machinery, compressors and pumps, hoists, winches and cranes, transport machinery (motor vehicles) and parts thereof, vessels, etc., agricultural machinery and implements, printing machines, knitting machines, building machinery, machinery for other light industries, ball and roller bearings, tungsten carbide, electric machinery and equipment, telecommunication equipment, electric and electronic measuring instruments, scientific instruments, complete industrial plants, technical knowhow, etc.

China National Metals and Minerals Import and Export Corporation

Erh Li Kou, Hsi Chiao, Peking

Cable: MINMETALS PEKING

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

Mission members last summer stayed in this hotel in Changsha, which is close to Mao Tse-Tung's birthplace. Walking towards the camera are two of the Canadian journalists, Gerald Clarke and Mark Gayne, who covered the mission activities.

Peking but sometimes encompass trips to regional offices and even plants. But remember that the initiative for a trip to China devolves upon the trading organization.

Acceptance of invitations issued by private business concerns to a corporation to send a team of negotiators abroad are generally contingent on the importance of the deal and are usually gratefully declined. The Chinese prefer to do business by mail or in their own country, though this is expected to change as foreign trade expands. What is expected to persist is the Chinese ability to drive a hard bargain and to extract the best possible terms.

Contracts and Payments—Contracts are important in trade with China and the terms are generally designed to provide maximum protection to the trading corporations. But in both import and export contracts these terms generally conform to normal business practice and are acceptable to most Western traders. The addition of new terms or the deletion or alteration of existing ones can usually be negotiated.

Payment for exports to China is made by irrevocable letter of credit opened by the buyers or their principals through the Bank of China in favor of the seller, advised through a Canadian bank and payable on presentation of documents at the issuing bank (the Bank of China). Normally, it is not possible to obtain a confirmed letter of credit for exports to China. Documents are usually negotiated in China by the exporter's Canadian bank. The Bank of China, however, is scrupulous in honoring its commitments.

For imports from China, the terms generally specify payment by confirmed irrevocable letter of credit without recourse. The letter of credit may be negotiated through the Bank of China in China against presentation of documents. In some instances, the Chinese trading corporation will accept payment by confirmed letter of credit through the Bank of China in London or Hong Kong.

The Chinese reputation for meeting financial obligations is among the highest in the world. It claims to be the only country free of external and internal public debt and while the officials have expressed willingness to consider the use of credit, they have to date not negotiated any long-term credit arrangements. Contracts are normally negotiated in Chinese currency (Renminbi). Four Canadian banks have made arrangements with the Bank of China to handle Renminbi accounts.

If claims arise, the Chinese prefer arbitration to be entrusted to the Foreign Trade Arbitration Committee, an organization sponsored by the China Council for the Promotion of International Trade. Under certain conditions the corporations will accept arbitration in the country of the defendant or in a third country. Past experience indicates that the Chinese are fair about claims and while most take time, they can usually be negotiated successfully.

Kwangchow (Canton) Trade Fair—The twice-yearly Kwangchow Trade Fair occupies a central role in China's foreign trade. Held in the southern Chinese city of Kwangchow (known to foreigners as Canton) from April 15 to May 15 and from October 15 to November 15, it accounts for upwards of 40 per cent of all foreign trade negotiated by the Chinese.

Ostensibly a place to display Chinese agricultural and industrial capabilities

Bicyclists in Peking apparently do not have to bother much about the hazards of being run down by cars. This scene is on one of the main streets.

and to negotiate export contracts, it in fact serves as an international marketplace, bringing together buyers and sellers from all corners of the world who vie for Chinese favors. As such, it offers a unique opportunity to meet with representatives of the trading corporations and engage in business discussions.

Every year the Chinese Export Commodities Fair attracts thousands of foreign businessmen, including representatives of some of the major industrial and commercial firms from more than 60 countries and an increasing number of Canadians.

Attendance at the Chinese Export Commodities Fair is contingent upon an invitation issued by one of the Chinese trading corporations. These corporations normally issue these only to firms with which they feel there is a possibility of successful negotiations.

The Canadian businessman who wishes to attend the Kwangchow Trade Fair should so inform the trading corporation by letter. As the Chinese prefer to deal with firms known to them, Canadians who have had no previous contacts with China are advised to begin by making a routine approach to the appropriate Chinese trading corporation. They may then follow up with a request for an invitation to the Fair. Prospective visitors should be warned that to date the trading corporations have rarely issued invitations earlier than one month before the opening of the Fair. Even where a firm has had no prior contacts with the Chinese, it may obtain an invitation, particularly if the product offered is of interest to the Chinese, by writing directly to the Chinese Export Commodities Fair, Pearl River Square, Kwangchow, China. To engage the interest of the Fair authorities that information about proposed discussions in Kwangchow should be as descriptive as possible.

When an invitation has been received, the prospective visitor must request the necessary application forms for entry and exit visas and send these, together with his passport, three passport photographs and a copy of the invitation to the Fair, directly to the Embassy of the People's Republic of China in Ottawa. (See notice on page 53 of the October issue of *Foreign Trade.*)

Most Fair visitors go to Hong Kong, and from Hong Kong to Kwangchow by train. Arrangements for the Hong Kong-Kwangchow segment of the journey are normally made in Hong Kong through China Travel Service. On arrival in Kwangchow, foreign businessmen are met by a representative of CTS and taken to their hotel—for Canadian visitors, normally the Tung Fang Hotel.

At the fair, Canadians can get assistance in arranging for appointments with appropriate officials of the corporations they wish to contact from one of the Trade Commissioners from Peking, who usually attends.

At business negotiations, the Chinese corporation is represented by one or more officials who may have come to Kwangchow from different branches in China. An interpreter is always present and the general atmosphere is informal. Because the corporation people are extremely busy, it is advisable for businessmen to be well briefed. Copies of previous correspondence should be brought along.

Competition among the various foreign exporters is generally keen and with experienced delegations from leading West European and Japanese companies present, bargaining skill is required to sign a contract.

An increasing number of Canadian businessmen are attending this biannual Fair—140 in the spring of 1971 as against 70 in the fall of 1970. Hopefully, Canada's share in the growing Chinese market will soon reflect this interest.

EDC Loans Help Exports

The Export Development Corporation has recently signed two agreements to help the sale of Canadian services and equipment abroad. The first, a loan of $10.3 million, covers services and equipment for a kraft pulp mill and newsprint machine project in New Zealand. It is estimated that this project will provide 170,000 man-hours of direct labor for the Vancouver exporting firm and 700,000 man-hours of employment for Canadian equipment suppliers.

The second agreement is for the construction of a new pulp mill and expansion of an existing one in Argentina. The loan, $12 million, represents 85 per cent of the total Canadian sale.

These two agreements brought the total amount of EDC loans in support of Canadian capital goods and services to $339 million up to the middle of September 1971.

Canadians in Australian Project

Canadians are playing a prominent part in the construction of the underground rail loop in Melbourne, Australia, designed to relieve the heavy congestion on the city's suburban rail network. Hatch Associates, Ltd., a Toronto firm of consulting engineers, in a joint venture with John Connell and Associates of Melbourne, Mott Hay and Anderson of England, and Jacobs Associates Inc., of San Francisco, has been appointed over-all consultant for the project.

The joint venture will be responsible for the design and supervision of all construction, including underground railway stations, and will provide management services for the entire project, including associated work to be done by the Victorian Railways.

Preliminary estimates prepared in 1968 indicated that the cost of the project would be about A$81 million. It is expected to take at least six years to completion.

The Victorian Railways and Railway Construction Board are responsible for providing access to the tunnels and for the realignment of tracks and alterations to signalling necessary to integrate the underground loop into the existing railway system. Work on the ramps and underpasses has already started.

Hong Kong—the Boom Continues

Problems in the social and economic sectors, however, are becoming apparent. Canadian suppliers of foodstuffs, building and construction equipment and textiles can still find good opportunities in this market.

J. L. SWANSON, Trade Commissioner, Hong Kong

The manufacture of vacuum flasks is one of Hong Kong's oldest industries. Workers are seen polishing and assembling the various components, all of which are made locally. In recent years, the industry has diversified to meet changing tastes.

Normally known for its more exotic sounds, Hong Kong these days is filled with the clang of the piledriver. In virtually every corner of the Colony, high-rise commercial hotel, factory and residential buildings are being rushed to completion to overcome the critical shortage—millions of square feet—in all sectors. This building boom that began in 1970 is the visible sign of the Colony's spectacular success as a manufacturer, world trader and tourist mecca.

A glance at Hong Kong's 1970 statistics shows that the Colony had its best year ever. Total exports rose to $2.54 billion (up 17 per cent over 1969), ranking this tiny 400-square-mile enclave on the China coast among the world's top 23 trading territories. Imports in 1970 rose 18 per cent over the previous year to $2.93 billion. Re-exports, up 8 per cent over 1969, were worth $482 million. Trade with all major partners increased, despite protectionist trends and increasing competition from other developing countries.

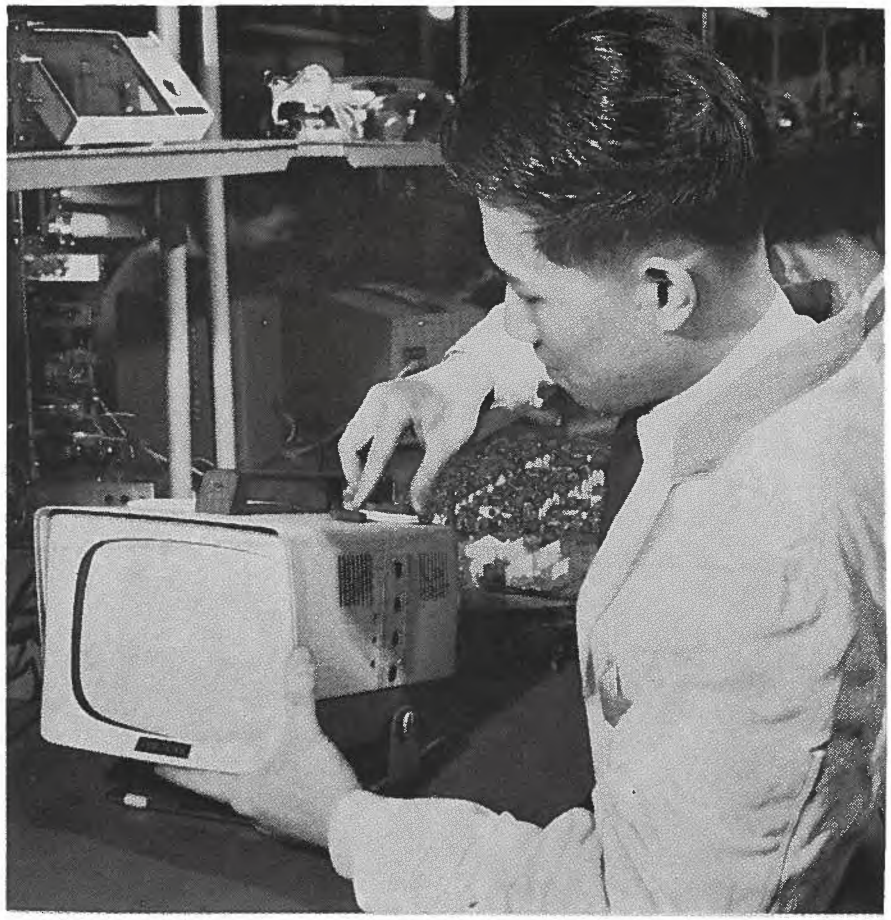
The 73 banks represented here reported deposits worth $2.5 billion in 1970, with loans and advances running at $1.6 billion. High liquidity, low interest rates, and the buoyancy of the banking system have caused the Hong Kong currency to be viewed as among the world's strongest. Wages have risen 63 per cent since 1964 but price increases for the same period were held to only 23 per cent. Local stock prices are soaring and trading recently topped $17 million in one day. Over the past 10 years the Government has shown a surplus, which last year amounted to $84 million.

Industry—More than 80 per cent of Hong Kong's production is exported. The textile and clothing industries account for 40 per cent of the labor force and are the most important part of the manufacturing sector. Increasing world demand for synthetic garments left Hong Kong producers behind early in 1970 but, despite a softness of the market generally, the export value of garments rose by 13 per cent in 1970 to $723 million.

Exports of plastics, Hong Kong's second largest industry, were worth $233 million in 1970, an increase of 15 per cent over 1969. Toys and artificial flowers predominated.

By far the largest single export dollar-earner has been hair wigs, with sales of $157 million in 1970. But exports of this highly labor-intensive industry declined sharply in the latter part of the year. Neighboring countries are now producing wigs of similar quality at far less cost and prices have fallen sharply.

The electronics industry is growing rapidly and exports rose 22 per cent over 1969. Total production in 1970 was worth $215 million.



The production of television sets is one example of the switch to slightly more sophisticated manufacturing necessitated by Hong Kong's changing economy, which is moving away from its former dependence on labor-intensive ventures.

Agriculture—Hong Kong's land area of 400 square miles is largely mountainous, with a generally rugged topography. Only 30,000 acres are farmed, mostly in the alluvial valley deposits, and agricultural production was valued at $49 million in 1970. Formerly a rice-producing culture, farming is changing rapidly to intensive vegetable production to meet local needs. Principal crops are vegetables, rice, flowers, fruit and some field forage crops. Crop production is valued at $27 million annually, of which 74 per cent comes from vegetables. Over 90 per cent of the Colony's foodstuffs requirements are imported, with China supplying 50 per cent.

Because there is insufficient land for grazing, animal husbandry is restricted primarily to pigs and poultry. Only 16 per cent of the pork eaten is raised locally; the majority comes from China. But the poultry industry is developing rapidly. Chicken, pigeon, duck and quail production is worth $29 million a year.

Tourism—In 1970 Hong Kong received 927,256 visitors, and the figure should easily pass the million mark this year. Each tourist spent an average of $335 in an average stay of 3.8 days. Direct revenues from tourism amounted to roughly $350 million, making it the Colony's third largest industry. The majority of tourists come from the United States, Japan and Europe.

For most of the year, Hong Kong's 53 hotels and 15,000 beds in 9,000 rooms are fully booked. About 1,000 new hotel rooms are needed every year over the next 10 years to handle the projected increase in visitors, forecast to reach two million by 1980. Immediate problems such as airport facilities, transportation and reception of visitors are already being tackled.

HONG KONG'S PRINCIPAL EXPORTS, 1970

Commodity	% of Total	Millions $	Increase %
Clothing	35	723	13
Miscellaneous manufactures (wigs, toys, artificial flowers, etc.)	25	523	26
Electrical machinery	10	215	22
Textiles	10	213	13
Metal manufactures	3	57	18
Footwear	2	50	2

Transport—Hong Kong's chronic transport problems received a shot in the arm in 1970 with the decisions to extend the Kai Tak Airport runway to receive jumbo jets and to develop container facilities on Kowloon Peninsula. A new container terminal at Kwai Chung costing $85 million should help the Colony to keep abreast of ocean freight trends.

The cross-harbor tunnel, scheduled for completion by 1972, will cost $54 million and is on schedule. When completed it will be one mile long, with four traffic lanes. Although it will reduce many of the transport problems, it will increase traffic congestion on Hong Kong Island and a road network is being built to alleviate this.

The Government has completed a feasibility study for the construction of an underground mass urban transit system to link the central districts with two new industrial towns, Kuntong and Tsuen Wan. No decision to proceed has been reached, because of the heavy cost involved—$250 million—but the existing transportation system is stretched to capacity. Traffic congestion is reaching a critical stage.

Trade—Hong Kong's external trade broke previous records in all major commodity areas, with domestic exports and imports up 17 per cent and 18 per cent respectively.

Imports—Japan, the People's Republic of China, the United States, Britain and Taiwan, in that order, are Hong Kong's main suppliers. Total imports for 1970 were worth $2.93 billion, of which Japan supplied $698 million, or 24 per cent. Japan's exports to Hong Kong increased by over 20 per cent in 1970 while China, a traditional supplier, increased its share by only 4.8 per cent. These two countries together supplied more than 40 per cent of the market.

Shipments from the United States increased in 1970 by 16 per cent to $386 million, with the greatest advances in machinery and textiles. The United States supplies 13 per cent of Hong Kong's import market. Britain's share last year was 9 per cent, valued at $253 million, an increase of 26 per cent over 1969. Non-electric machinery and transport equipment made the greatest gains. Imports from Taiwan, worth $136 million, showed an increase of 63 per cent over 1969, with textiles and electrical machinery showing the largest gains.

Imports of foodstuffs last year were worth $508.5 million, or 17 per cent of total imports. Manufactured goods represented 33 per cent, with yarns, fabrics and made-up goods worth $502 million. Machinery and transport equipment ($483 million), miscellaneous manufactured articles ($352 million), chemicals ($237 million) and crude materials ($221 million) followed in importance.

Hong Kong's domestic exports (see accompanying table) in 1970 were worth $2.06 billion, an increase of 15 per cent over 1969. This was 10 per cent less than the increases shown for both the two previous years but still a good performance. The United States was the principal market, taking 42 per cent ($865 million) of total exports, an increase of 17 per cent over 1969. Canada took 3 per cent ($78 million), an increase of 10 per cent. Principal commodities in our imports from Hong Kong were clothing ($29.6 million), miscellaneous manufactured goods ($23.6 million), and textiles ($3.5 million). Canadian exports to Hong Kong increased by nearly 19 per cent over 1969 to approximately $21 million. Chief commodities were non-ferrous metals ($6 million), newsprint and paper products ($5.4 million), wheat and wheat flour ($2.4 million), plastics materials ($1.8 million), meat and meat preparations ($750,000), and crude materials ($600,000).

But despite this creditable performance in 1970, it is apparent that the Colony's trade boom, which has lasted for 15 years, peaked in 1968 and 1969 when exports increased by 25 per cent and 26 per cent respectively. The 1970 increase was 18 per cent and many people fear that this levelling-off may be symptomatic of difficulties ahead. Ninety per cent of Hong Kong's total production is exported and its social and political stability depend to a great extent on its success as a world trader.

There are a number of serious problems facing the Colony at the moment. One of these is providing an adequate social and economic infrastructure to keep pace with the economic growth. The flattening trade boom is only partly the result of the United States economic recession of 1970. Hong Kong is facing increasing competition from other Asian countries with lower wage rates. If it is to maintain export growth, it must restructure its industry to produce a higher quality and a broader spectrum of goods. Notable soft spots are enamelware and wigs, which have recently had difficulty in finding export markets.

Hong Kong has traditionally been a "seller of production" and has relied on its adaptable labor force to produce items developed abroad and to export them cheaply and in large volume. But times have changed. Trade officials in the Hong Kong administration have warned local manufacturers that they must move away from labor-intensive industrial ventures and concern themselves more with the marketing of higher-value goods. During 1970 there were signs of less reliance on the garment sector and half of the increase in export value came in two other product sectors, toys and electronics. To make up for the softening of the garment market, extensive efforts have been made to stimulate the production and marketing of higher value fashions, emphasizing quality rather than price. Better design and higher quality are being dictated by competition from lower-cost suppliers, chiefly South Korea and Taiwan.

Whether or not Hong Kong can make the transfer to more sophisticated production is still an open question. Because of its reliance on overseas technology, it has not developed its own sufficiently to stimulate the desire for training. Cultural factors among the 98 per cent of the population that is Chinese still promote the idea of education for white-collar jobs. There is a surfeit of B.A.'s on the labor market, and electronic technologists, die-makers, etc. are virtually impossible to recruit, even though salaries for these occupations are soaring. Specialized training in particular industries is not developed, and government thinking that the individual industries should bear the responsibility for this training persists. As Hong Kong industry is largely made up of small firms, few meaningful schemes have evolved, and to date it has proved more practical to recruit specialized labor abroad.

A polytechnical school with a capacity of 4,000 day students has been planned for completion by 1974 but the need for skilled technologists is urgent now. Present technical train-

With only 400 square miles of hilly land, about the only place to build in Hong Kong is up, as this view of Victoria shows. Victoria faces its twin city of Kowloon, on the mainland across the heung gong, "fragrant harbor".

ing facilities are not adequate to meet current requirements and are overcrowded with inadequate equipment and a lack of qualified instructors. There is also a low level of management development. Trade associates are making valiant efforts to raise the quality of business leadership but, because so many firms are very small, modern methods are difficult to disseminate.

Soaring land costs are another critical problem. The manufacturing boom of the past few years stimulated intense land development, with particular pressure on choice urban locations. In June 1970 a 53,000-square-foot site brought $43 million at public auction. Properties which were let at the turn of the century for 75 years at the then market value of, say, $480 are now facing an adjusted Crown rent on new leases at upwards of $480,000 a year. The effect of this is a rapid increase in the cost of manufacturing. Hong Kong has always depended on foreign investment for much of its new industry (and new technology) but astronomical land costs are discouraging new enterprises. Of the Colony's 161 foreign-owned factories, only six were established in 1970, compared with 15 in 1969, 16 in 1965 and 19 in 1963. What is equally disturbing is that a number of smaller factories are being forced out of business because of soaring overhead.

Hong Kong has survived by its wits and prospered because of hungry overseas markets, ideal transportation facilities and, above all, a superbly adaptable work force. The problems outlined above must be dealt with quickly, but there is little doubt that this Colony will remain a dynamic and important trader for years to come.

Hong Kong is a duty-free area with virtually no restrictions on imports. Although it is a keenly competitive market, the Colony represents a promising outlet for Canadian exporters of foodstuffs, building equipment and construction materials, wire and cable, apparel and textiles and consumer goods. Any new item is of particular interest here at all times. The Canadian Government Trade Commission, P.O. Box 126, Hong Kong, welcomes inquiries from Canadian businessmen and will do its utmost to help.

Japan: the Pace Is Slower

The hectic economic advance of the last few years has slowed down; effect of recent actions by the U.S. not yet clear. Liberalization of investment and import policy proceeding; Canadians are working towards selling more manufactured goods.

MALDWYN THOMAS, Minister (Commercial), Tokyo

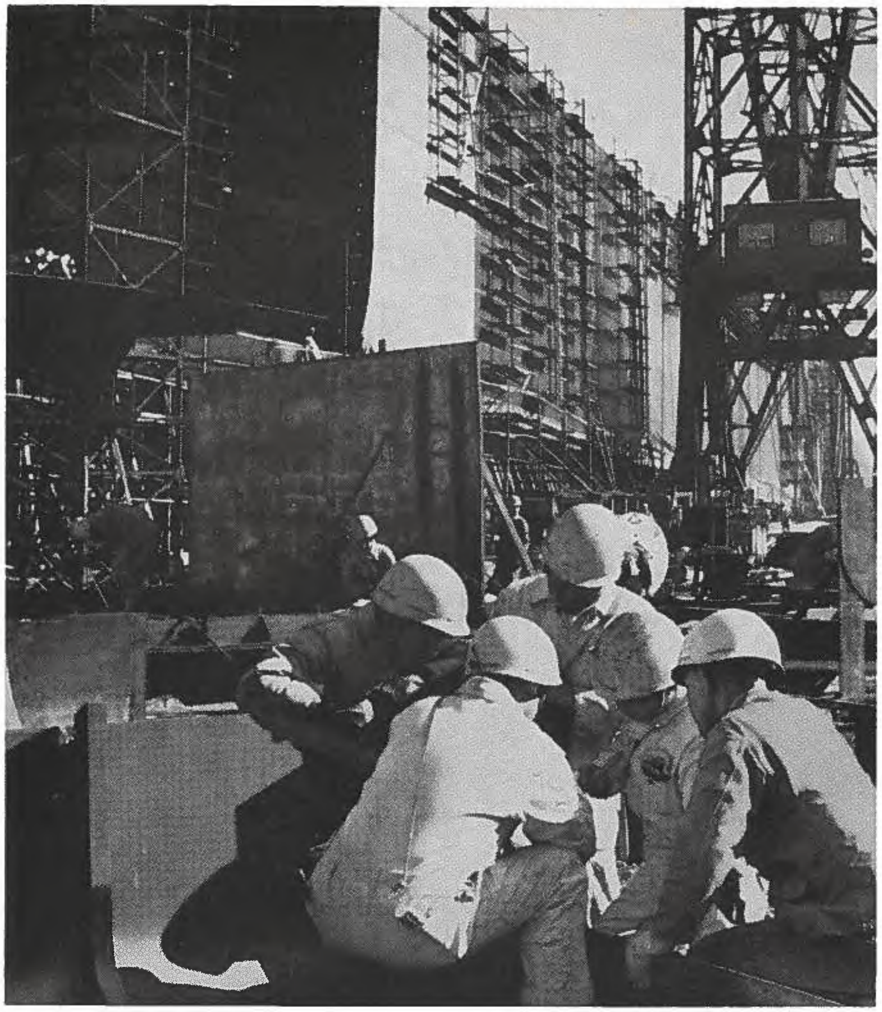
The cyclical decline in Japan's unparalleled economic boom, which began in 1970, has continued into 1971. Although the economists have predicted that the Japanese economy will continue to expand at a substantial rate during the 1970's, the short-term outlook is somewhat uncertain, particularly in the wake of the recent economic measures taken by the United States.

The real growth of the Japanese GNP declined to 9.9 per cent in 1970, down from the 12 per cent average of the previous five years. Nevertheless, the development of the economy remained impressive by international standards and Japan's share of world industrial production and world trade with Japan continued to expand. Canadian trade with Japan developed at a good rate during 1970, increasing by 22.7 per cent over 1969 to reach \$1.37 billion (Canadian exports \$793.1 million; Canadian imports \$581.7 million).

Before the U.S. economic measures were announced, it had been expected that the slowdown in the Japanese economy would continue until about the end of the year and that the 1971 growth rate would be approximately 8.5 per cent in real terms. As a result of the export difficulties and uncertainties that have arisen from the imposition of the American surtax and the revaluation of the Japanese yen, the pace of economic activity is expected to be slower for some time to come, and growth forecasts for 1971 are being revised downwards. The final picture will depend upon international market conditions, still felt to be in a state of flux.

Approximately 31 per cent of Japan's total exports of \$19.4 billion went to the United States in 1970. Most of these were manufactured goods and will be subject to the American import surcharge. Consequently, the Japanese expect a considerable reduction in their sales to that market. The actual loss will vary from sector to sector, depending on a number of factors. These include elasticity of demand in the United States market, the competitive position of Japanese industry, and the strength of individual firms in the Japanese economy itself. Smaller industries (particularly

Minerals, metals and forest products accounted for the bulk of Canadian exports to Japan last year, together with bulk agricultural products. Some of our exports may be lying here, in the raw materials storage yard of the Nippon Kokan's Fukuyama plant.



Japan's maritime tradition has made its shipbuilding industry one of the most efficient in the world, but emphasis in the coming decade may shift away from heavy industry toward those industries calling for the development and application of advanced technology. These shipbuilding engineers, however, are more concerned with the immediate future, as they pore over the blueprints of the giant ship behind them.

sundry goods and textile manufacturers) with a high reliance on the United States market are expected to be the hardest hit, and the feeling is that the larger manufacturers of automobiles, industrial equipment, etc., who account for a substantial share of Japanese exports, will fare better. The Japanese authorities are at present studying various measures to assist Japanese companies to overcome the effects of the new international economic situation.

Exchange Reserves Rise—Despite the slowdown in the growth of the economy, which in 1971 has been accompanied by a reduction of imports as the domestic demand for industrial materials has levelled off, Japanese exports have continued to soar. They rose by 24.5 per cent during the first six months of this year, compared with the corresponding period in 1970, reflecting a continued strong overseas demand for Japanese products, particularly automobiles, steel and ships. Foreign investment in Japan increased during the first half of 1971, encouraged by capital liberalization measures and this, combined with the bigger surplus on the trade account, resulted in a substantial increase in the foreign exchange reserves. These rose from \$4.4 billion at the beginning of 1971 to over \$7.9 billion at the end of July. A further substantial expansion in reserves came in August, following President Nixon's announcement, and by the beginning of September they had reached \$12.5 billion.

Provided current uncertainties in the foreign trade sector can be overcome, many of the factors that have favored the rapid growth of the Japanese economy in the past should still be operative during the next decade. As the economy continues to mature, however, some shifts in priorities are expected and more attention will probably be paid to social factors, such as public transportation, housing, welfare, pollution, etc. The form that future industrialization in Japan should take is also the subject of careful study and it has been predicted that during the 1970's, emphasis will be shifted increasingly away from heavy industry into the so-called "brain industries" involving the development and application of advanced technology.

Liberalization Policy—The growing strength of the Japanese economy and increased pressures from Japan's trading partners have prompted the Japanese Government during the past year to expand and accelerate its program to liberalize imports and capital investment. Significant measures taken by the Japanese authorities so far in 1971 include the opening of most industries to foreign investment (up to 50 per cent foreign participation, and in some cases up to 100 per cent), liberalization of outward capital investment, the reduction of import duties on a number of products, and the elimination of import quotas on 40 commodities (20 items liberalized in July and 20 more in September). A preferential tariff for imports from developing countries has also been inaugurated.

In June the Japanese Government announced an eight-point program of trade and financial liberalization, including the measures described above but calling also for the abolition of preferential export financing, the removal of non-tariff barriers as far as possible, and the expansion of foreign aid. Following the U.S. economic measures, the Japanese Government has reaffirmed its intention to carry out the eight-point program. However there is a possibility that some of its features may be modified and the implementation of others may be delayed. Further liberalization measures that had been suggested this year included removal of additional import quotas, enlargement of existing quotas, and the reduction of selected Japanese tariffs.

Trade with Canada—Japanese-Canadian trade reached new heights in 1970. Canadian exports to Japan increased to $793 million, up 26.9 per cent from the previous year, and Canadian imports from Japan reached $581.7 million, up 17.4 per cent from 1969. During 1971, however, Canadian sales showed signs of declining, apparently because of a lessening demand in Japan for industrial materials. Imports from Japan, on the other hand, continued to grow rapidly. As of July 1971 Canadian exports to Japan totalled $447 million, down somewhat from $479 million for the same period in 1970, and Canadian imports during the first seven months of the year reached $399 million, 23 per cent over the same period in 1969.

Industrial materials, especially minerals, metals and forest products and bulk agricultural commodities, accounted for approximately 94 per cent of Canadian exports to Japan in 1970. Most of these are shipped in their primary form. Manufactured goods make up only a small portion of Canadian sales, and consist principally of communications and office equipment, special industry machinery, and some processed foods and consumer goods.

Despite access problems that foreign exports have encountered in Japan in the past, the import market has grown rapidly, and has diversified as the economy has expanded and the standard of living has risen. Japanese imports of industrial materials and bulk agricultural commodities increased from $13.7 to $16.1 billion between the years 1969 and 1970. Imports of machinery and equipment reached $2.2 billion in 1970, an increase of more than 200 per cent over 1965, and imports of consumer goods and processed foods reached $351.7 million, a growth of almost 300 per cent in the same period.

Canadian exporters, with the support of the Canadian Government, are now attempting to diversify their sales to the Japanese market and, in particular, to introduce more processed goods into the mix. In the process, of course, the traditional import markets in the industrial materials and agricultural sectors are not being overlooked. In the agricultural field, for example, new products are being added to the time-honored wheat and grain export pattern. A large market has recently been developed for Canadian rapeseed, and Canadian pork and beef are being shipped to Japan.

Programs have been designed by the Department of Industry, Trade and Commerce to assist Canadian producers of manufactured products in identifying and developing new opportunities in the Japanese market. For example, a campaign is under way to promote Canadian sales to the growing Japanese market for imported foods. This program includes market surveys, the organization of food fairs in Tokyo and other cities, the inviting of Japanese specialists to Canada to assess the Canadian industry and, of course, the all-important and continu-

Automobiles are a leading component of Japanese exports and here row upon row of Toyotas wait to be loaded on company ships at the dock at Nagoya. This port can handle 30,000-ton cargo boats capable of carrying about 2,000 cars each. The Toyota Motor Company is Japan's largest automobile manufacturer and produces about 140,000 cars a year. Notice the ramp where cars are driven on to the boat.

The blend of ancient and modern as typified by these buildings can be seen all over Japan. Not so apparent, at least to Western eyes, is the modern aspect in the ancient kimono. This traditional dress of both men and women has not escaped the eye of the clothes designer and is now streamlined to catch the fancy of the modern miss.

ing task of assisting Canadian exporters in their negotiations with Japanese agents and customers.

The wooden housing market is another example of a sector that offers potential to Canada. Japan has a program to build approximately one million new wooden houses a year over the next ten years, and Canadian exporters are being encouraged to take advantage of opportunities developing in this area. Efforts are also being made to identify opportunities for Canadian equipment manufacturers in the large and sophisticated Japanese machinery market. A start has been made on selling Canadian fashion goods, including fur garments, and a study of the Japanese consumer goods market is under way to determine how Canadian exporters can introduce their products in this multi-product sector as well.

The growth of domestic industry and the accumulation of large foreign exchange reserves have made it feasible for Japanese companies to carry out overseas investment. Up until now, the bulk of Japanese investment abroad has been in resource industries. In future, however, there may be opportunities to encourage Japanese industries to participate in the production of secondary manufactures in foreign countries in the form of investment or licensing arrangements. Discussions of possibilities in this sector have already begun between some Canadian interests and their Japanese counterparts.

This past decade has seen Japan emerge as one of the world's foremost economic powers and a leading foreign trade nation. It has also become Canada's third most important trading partner. A number of observers have predicted that the Japanese position in the world economy will, if anything, become even more important in the 1970's. In their efforts to expand and diversify their sales abroad, Canadian exporters would do well to examine closely the opportunities offered in this, one of the world's richest and most sophisticated markets.

Korean Market Grows...

... with greater prosperity and stability. Now aware of Canadian capabilities, Koreans can be good customers for machinery, consulting services, and agricultural products.

F. M. GALBRAITH, Assistant Commercial Secretary, Tokyo

Korean exports in 1970 are estimated to have increased by almost 35 per cent to approximately $900 million. Imports were up by only 8.8 per cent to $1,984 million. Another 35 per cent increase in exports is predicted for 1971 and the country hopes to attain a trade balance by 1976.

On the export side two difficulties persist: the heavy dependence on the U.S. (43.9 per cent) and Japanese (26.4 per cent) markets and the narrow range of products being sold abroad—mainly textiles, hair products and plywood. Great efforts are being made to diversify export markets, with emphasis on Southeast Asia and Latin America. Diversification of export industries is a top priority and it may be that toy manufacturing, for example, will figure more significantly in future export programs. Japan (40.3 per cent last year) and the United States (28.3 per cent) continue to be Korea's largest suppliers. Canada was 12th, with 1.2 per cent of the total.

During the past 12 months, the four most significant developments with economic overtones were perhaps the presidential election, the national assembly election, the announcement of the Third Five Year Plan, and the devaluation or adjustment of the official exchange rate.

In a nation-wide election this spring, President Park Chung Hee was elected for a third four-year term. His election surprised no one but gave some reassurance to local and foreign businessmen. Most believe that much of Korea's rapid development flows directly from the President's policies, and particularly his emphasis on industrial development.

President Park's Democratic Republican Party continues to hold a majority of the seats in the National Assembly—elections were held in the spring—but the opposition party showed unexpected strength. This may mean that the Government will have to pay more attention to criticism than it has in the past. Most observers, however, feel there will be no substantial change in the Government's economic policies.

The Koreans have shown their ability to set goals and attain them. Indeed, although 1970 was only the fourth year of the Second Five Year Plan, some of the ultimate goals were met. Earlier this year, the Government announced its Third Five Year Plan. It alters slightly the emphasis on various sectors of the economy and aims at "growth, stability, and harmony," "development of a self-sustaining economy," and "the over-all development of national land resources" to attain a more balanced regional development. New priority will be given to developing agriculture, to the continued expansion of exports, and to the establishment of heavy industries. Among the major specific targets are: self-sufficiency in major food staples; increased farm and fisheries incomes; acceleration of paddy rearrangement and mechanized farming; improvement of public housing, health and cultural facilities; further electrification programs, and better road networks.

The Koreans hope for a continued annual 35 per cent increase in exports through aggressive marketing and developing new products to meet international needs. There will be new undertakings in the petrochemical, iron and steel, and other heavy industry sectors. Manpower development through emphasis on science and technology and the expansion of educational facilities will also contribute to more uniform growth. Regional

Korea is placing great emphasis on diversification of its exports, and industries such as wig-making, though comparatively new, may not figure so prominently. Its exports, however, depend heavily on imports of raw material.

imbalances will be reduced by an accelerated plan to improve agricultural and industrial development. Throughout the period of the Third Five Year Plan the growth rate is expected to be 8.6 per cent, rather modest by past Korean standards. This would represent a 182.3 per cent increase in the GNP between 1969 and 1976.

The Government devalued, or adjusted, the exchange rate by approximately 13 per cent in June. The object was to promote exports, curb imports, encourage import substitution, boost net foreign currency earnings, and restrict the tendency of local private enterprises to borrow from abroad. The devaluation came in part as a response to recommendations by the International Monetary Fund. It should be noted, however, that the advantage to exporters which normally comes from a devaluation may not be as dramatic in Korea's case because its export industries rely heavily on imported raw materials which, of course, have become more expensive. Some feel that the steps taken by the Government may halt inflation only briefly, and that further domestic price increases can be expected. But one problem that worries many is the huge increase—at least $200 million—in the cost of repaying foreign loans. Finance Ministry officials and government planners are confident, however, that the increased costs of raw materials and foreign debt repayment will be more than offset by larger exports and a greater degree of import substitution. The Government has also developed a plan to assist companies whose foreign loan repayment obligations have jumped because of devaluation.

Despite problems, however, 1970 was a year of achievement. Most of the goals set by the Economic Planning Bureau for the fourth year of the Second Five Year Plan were attained and, even more important, the Korean Government demonstrated that it was capable of using fiscal and monetary policies effectively to control what some people thought was too rapid an economic growth rate. By introducing an enlightened stabilization program, the Government was able to keep the GNP growth rate down to 8.6 per cent (hardly a recession by North American or European standards) and at the same time boost exports.

TABLE 1
CANADIAN EXPORTS TO KOREA

	1968	$'000 1969	1970
Dairy cattle, purebred	391.1	1,459.1	808.0
Baby chicks	31.1	101.0	173.4
Milk powder	40.3	19.2	9.3
Wheat (including durum)	—	—	2,496.1
Malt	—	—	50.3
Wheat flour	42.3	17.6	—
Cereals, milled, n.e.s.	71.0	16.6	49.9
Whisky	55.0	36.3	5.5
Hides and skins, raw	258.9	439.4	920.6
Flaxseed	396.6	340.1	1,035.7
Rapeseed	34.0	—	—
Softwood logs	72.0	—	—
Copper ores, concentrates and matte	614.2	—	—
Scrap iron and steel, n.e.s.	—	—	771.9
Copper scrap	58.3	127.5	110.8
Asbestos (all forms)	1,736.1	3,010.5	3,571.9
Sulphur	5,301.2	4,623.4	1,744.4
Newsprint, beater stock, rejects	40.8	—	231.0
Wood pulp (all materials)	320.1	1,489.2	1,627.9
Newsprint paper	1,665.2	450.2	923.5
Nitrogen-phosphate fertilizers, n.e.s.	1.8	—	366.3
Potassium chloride	1,412.4	1,825.5	1,410.5
Pig iron	—	135.9	801.5
Copper metals	14.8	14.8	50.1
Nickel anodes, cathodes, ingots, rods	54.3	48.0	147.0
Zinc blocks, pigs and slabs	296.4	315.0	682.1
Fire brick and similar shapes	22.0	108.6	154.8
Hoists and hoisting machinery	—	32.5	40.4
Commercial communication equipment and components	20.6	90.2	5.4
Aircraft engines and parts	—	92.4	132.9
Biological products for humans	41.0	133.9	176.9
Others	238.5	403.9	308.2
Total, including all others	**13,203.0**	**15,330.8**	**18,806.3**

Source: Statistics Canada

Canadian-Korean Trade—This trade constitutes only a small portion of Korea's entire foreign trade, but is healthy and has grown respectably over the past few years. The bulk of it continues to be in raw materials (see Table 1), and may continue this way for some time, although there are prospects of adding to the list of products sold. The agricultural sector looks particularly bright. There are continuing sales of Canadian dairy cattle and Koreans are very pleased with them. (A World Bank loan of $7 million has been made available for the purchase of 5,100 dairy cattle and some milk processing and handling equipment.) There may eventually be a good market for Canadian wheat. For some years now the United States Government has been supplying wheat under United States P.L.480, but there may be a shift towards supplying more of the wheat on a commercial basis and less through grants or long-term loans. It is hoped that Canada will be able to capture a part of the resulting market.

The market for oilseeds is much less predictable. Korea produces some of its own rapeseed but has a very irregular production pattern and imports it from Canada only when it is short of supplies. However, it may be that officials will view Canadian

TABLE 2

SELECTED CANADIAN IMPORTS FROM KOREA

	$'000 1968	1969	1970
Fish and shellfish products	156.5	26.8	75.9
Tungsten ores and concentrates	68.7	285.1	—
Plywood, hardwood	513.8	618.0	592.0
Woollen and worsted fabrics	259.8	104.6	31.9
Cotton woven fabrics	348.0	663.5	537.3
Broad woven fabrics, rayon and synthetic fibers (including mixtures)	385.6	437.7	766.6
Tricot and knitted fabrics	293.6	137.6	435.2
Lace and embroidered fabrics	2.4	18.3	70.2
Wire and wire rope	16.9	119.6	460.6
Wiping rags	—	166.1	387.5
Radio receiving sets, transistor	152.3	198.1	326.5
Christmas tree and colored miniature lamps	14.0	100.4	83.8
Clothing (underwear, outerwear) excluding knitted	2,757.3	2,108.1	2,370.2
Knitted clothing	4,596.4	4,091.0	4,084.4
Apparel accessories, n.e.s.	18.8	58.4	92.3
Footwear (all materials)	758.0	1,526.2	1,779.4
Sporting goods, games, dolls and toys	25.7	44.6	131.7
Stainless steel flatwear	53.3	71.0	133.0
Wigs, hairfalls and similar hair products, n.e.s.	—	—	1,658.0
Total imports, including all others	**11,240.8**	**12,192.1**	**14,569.1**

Source: Statistics Canada

TABLE 3

KOREA'S LEADING SUPPLIERS

	U.S.$'000 1968	1969	1970
Japan	624,117	753,817	809,283
United States	452,500	530,179	584,793
West Germany	37,625	78,871	67,204
Malaysia	33,744	47,714	57,790
France	13,741	36,423	52,242
Philippines	34,487	37,377	41,683
Iran	28,354	26,189	39,489
Taiwan	15,946	23,195	33,998
Britain	15,559	32,037	32,799
Kuwait	36,374	48,834	30,677
Netherlands	7,553	17,994	23,255
Canada	12,666	22,320	23,165
Total (including all others)	**1,468,167**	**1,823,612**	**1,983,974**

rapeseed as an alternative to American soybeans, which are being imported in increasing quantities.

A market for Canadian feed grains is also a possibility, but it will take a great deal of work by Canadian exporters before this materializes. Nearly all of Korea's imported feed is United States corn, again supplied under P.L.480, and is used for poultry rations rather than for other livestock. Canadian technicians visited Korea last fall to explore the possibility of using barley instead, but Korean officials are not yet convinced that barley would be acceptable.

Opportunities for machinery exporters are best if the equipment being sold is compatible with the Korean Government's over-all industrial development policies. In other words, if industrial equipment will lead to expansion of exports or reduction of imports through import substitution, or will fill gaps in the infrastructure, then it will be easier to sell. This past year Canada made sales of communications (microwave) equipment and wave-soldering machinery for the Korean electronics industry. These sales are typical of the opportunities that exist in Korea. The sale of microwave equipment totalled $6.4 million and is a good example of manufacturers identifying infrastructure gaps and preparing, in co-operation with the Export Development Corporation, a package of equipment and financing that was highly attractive to the Koreans. The other sale represented legwork, personal selling, and ability to compete with other suppliers, particularly the Japanese and the Americans.

Machinery sales can also be made to the agencies and companies which have obtained funds from various international financing programs under the World Bank and the Asian Development Bank. Engineering services too are often needed. The Koreans use whatever assistance they receive effectively and are consequently highly regarded by World Bank and Asian Development Bank officials. The post in Tokyo forwards invitations to bid on internationally-funded programs to Commodity Officers of the Department of Industry, Trade and Commerce in Ottawa and interested companies should make a point of contacting these officers regularly to obtain the most recent information on Korean requirements.

Korea has become relatively prosperous and it attracts some foreign investors interested in establishing manufacturing facilities. The Koreans are particularly interested in obtaining capital investment that could lead to larger export sales.

The growing number of business and government visitors from Canada has generated a great deal of interest in Korea about our country and its products. From this point of view, the highlight of the year was the Vancouver Board of Trade's Mission to Seoul in April. They were royally treated by the Government, the Korean Trade Promotion Corporation, the Federation of Korean Industries, the Korean Traders Association, and the Korean Chamber of Commerce and Industry. Both sides were delighted with the meetings and contacts were further reinforced by the visit of a Korean delegation to the Pacific Basin Economic Co-operation Council meetings in Vancouver in May. Because Canada is one of Korea's key export markets and source of raw materials, development assistance, and potential investment capital, there should be great opportunities for expanding trade in the years ahead.

For further information, write to: Minister (Commercial), Canadian Embassy, Akasaka, Tokyo, 107 Japan.

A partial view of the capital of Seoul. Hidden in the trees in the foreground is the Duksoo Palace, maintaining the atmosphere of old Korea within the center of a rapidly changing and expanding city.

International Loans

IADB loan for Brazilian roads

The Inter-American Development Bank has approved two loans equivalent to U.S.$47 million to help to build or improve nearly 400 miles of roads linking Brazil and Uruguay in Brazil's Rio Grande do Sul State. The total cost of the program is estimated at $83,450,000.

The four highway projects include:

BR-116 between Pelotas and Jaguarao. The project calls for the grading and paving of the last 89 miles of this major coastal highway which runs some 2,700 miles from Fortaleza in Northern Brazil to the Uruguayan border town of Rio Branco.

BR-153 between Jeriba, Bage and Acegua. This highway—most of which is still in the planning stage—will be another major longitudinal route through Brazil, running approximately 2,300 miles from the State of Para to the Uruguayan border. The Bank project provides for the construction of the last 132 miles of the road, starting near Jeriba.

BR-158 between Rosario do Sul and Livramento. The project involves paving approximately 62 miles of dirt roads.

BR-392 between Sao Sepe and Cangucu. The project will replace the existing dirt road between these cities with a first-class paved highway 106 miles long.

Brazil's highway maintenance program will also benefit from $5 million from the loan, which will be used to provide some of the equipment necessary to assure that the highways built in the program and others which interconnect with them will be adequately maintained.

The two loans include $17 million from the Bank's Ordinary Capital Resources, which is open to procurement from other countries, and $30 million from the Fund for Special Operations.

Large Mexican tourist project

The Inter-American Development Bank has approved a loan equivalent to U.S.$21.5 million to develop tourist facilities on Cancun Island off Mexico's Yucatan Peninsula. The loan was extended to Nacional Financiera, S.A., Mexico's public credit agency, which will channel it to the project through the Fondo de Promocion de Infraestructura Turistica (INFRATUR), a trust fund established by the Bank of Mexico to foster tourist development. Other government agencies participating in the program are the Secretariat of Public Works and the Secretariat of Hydraulic Resources. Total cost of the program is estimated at $47.1 million.

The project calls for the construction of hotels, condominiums and residential zones, a golf course, clubhouse and convention center. Some 670 housing units for an initial 4,000 project employees will also be included in the construction. An important part of the project is the building of an international airport approximately 11 miles from the hotel site, to service day and night flights of all types of commercial passenger carriers, and be capable of handling up to 350 passengers in a 15-minute period.

The Bank's loan will also partially finance the construction of a bridge linking Cancun Island with the mainland and the construction of a road network on the island and in the area adjacent to it. A water supply and sanitary sewage system designed to meet the needs of an estimated population of 40,000 is also contemplated. Electrification works and the installation of a telephone exchange will complement both the hotel facilities and the employee housing. The project also calls for the restoration of the Mayan ruins at Tulum and the creation of parks, gardens and plazas throughout the area.

The loan was extended from the Bank's Ordinary Capital Resources for a term of 18 years at an interest rate of 8 per cent annually, and is open to procurement from other countries.

New Zealand Adjusts Trade Policy

Import licensing is being relaxed but policy favors local manufacturers; non-agricultural exports are being stressed. Trade with Canada reached a record last year.

S. V. ALLEN, Commercial Counsellor, Wellington

This 100-ton turbine is en route to a New Zealand power station. The trailer, made in New Zealand, is being drawn by a Canadian Kenworth truck made in Vancouver. These trucks are bought by New Zealand for highway and logging work.

"New Zealand lives on grass." Thus began New Zealand's dramatic printed presentation to the British public last April of its case for special arrangements to permit continued access for butter, cheese and lamb to an enlarged EEC. Trade affected amounted to over NZ$275 million. For several months, no other economic issue dominated New Zealand life so much as the British negotiations progressed, in sequence to a ten-year dialogue.

Although the outcome, according to a recent public opinion survey, has been accepted by most New Zealanders as "as good as could be expected," the arrangements guaranteeing 71 per cent of the country's chief dairy exports to Britain (worth NZ$130 million) during the five-year transition period will still mean looking for alternative markets and a major restructuring of the economy, especially agriculture. These needs were foreseen by the National Development Council in 1968/69* and its recommendations and ten-year targets today affect planning by Government and industry.

Non-agricultural exports and new markets are being cultivated successfully. Although Britain is still New Zealand's chief market and leading source of imports (see Table 1), the proportion of trade with Britain has declined appreciably since World War II. In 1938 Britain took 84 per cent of New Zealand exports and supplied 47 per cent of its imports. By 1970 these percentages had declined to 34 and 28. Over the same period, New Zealand increased and diversified its trade with Australia, Japan, the United States, the present EEC, and

*Foreign Trade, October 25, 1969

many smaller countries. Exports to Australia and Japan have gone up spectacularly, in part due to investment in New Zealand by those countries, but also, for Australia, as a result of the Australia-New Zealand Free Trade Agreement of 1965. Canada's share of the New Zealand import market over the years has declined from 8.8 per cent in 1938 to about 4 per cent in the past three years; our share of New Zealand's export market, 2 per cent in 1938, has risen to 3 per cent.

New Zealand's balance-of-payments position has improved steadily since the devaluation crisis of 1967. Overseas exchange reserves reached a healthy NZ$502 million in August 1968 compared with NZ$234 million in March. Rising exports, increased private capital inflow and borrowings from abroad, expanding income from tourists, and carefully controlled imports contributed to the improvement. The *New Zealand Economist* recently forecast continued short-term improvement in the foreign exchange situation, and imports this year to meet growing industrial capacity will probably exceed those of recent years.

Import Licensing—In its June budget, the Government undertook to expedite Tariff and Development Board reviews of all products still under import control. This action will be industry-wide, rather than commodity-by-commodity as hitherto. Referrals to the Board in order of priority will consist of: materials, components and machinery common to a cross section of industry; materials and components up to and including final products used by other industries; other goods of importance to reasonably large segments of particular industries.

The first referral list will appear in October. The work of an enlarged Tariff and Development Board with simpler procedures is expected to enable the Government to dispense with most import licensing within five years. Delicensing to two-thirds of the present value of imports has gradually taken place selectively. For the most part, those products essential to industrial and agricultural needs and not made in New Zealand are now exempt from import control.

Because the Government is committed to a policy of adequate tariff protection for goods made in New Zealand, relaxation of licensing will not necessarily favor certain Canadian products (especially consumer goods), that were sold in New Zealand before the industrial growth of recent years took place. In establishing what customs duties may replace import licensing, however, the Government will be influenced by reviews of the Tariff and Development Board, in which the long-term interest of consumers and foreign competition will be important factors. In the opinion of the Monetary and Economic Council, however, import restrictions for too long have led to wasteful use of resources and to spiralling internal costs.

These fast-growing Radiata pines, shown growing in 80- to 100-acre plots, form part of the basis for New Zealand's expanding forest products industry. Canadian logging trucks, skidders and chain saws are widely used for harvesting.

TABLE 1

NEW ZEALAND'S TRADE WITH MAJOR TRADING PARTNERS 1970*

	Exports to	Imports from
	NZ$'000	
Britain	371,281	291,201
United States	186,151	139,762
Japan	107,478	99,557
Australia	94,395	224,256
Canada	36,831	40,483
France	26,452	9,096
Germany	25,841	44,886
Other countries	233,054	189,051
Total trade	**1,081,483**	**1,038,292**

*Provisional figures. Exports are declared f.o.b. values; imports c.i.f.

Economy Better Balanced—New Zealand's economy is in better balance following a period of adjustment characterized by inflation and labor unrest. In his June budget, the Minister of Finance described the long-term forecast as one of "cautious optimism," but warned that the present situation still requires "restraint by all sections of the community."

Selective government price controls and wage and salary guidelines established in late 1970 seem to have partially checked upward price movements. The current outlook is for some short-term contraction of the economy and this may affect imports. Trends in consumer expenditure, investment spending and building are already slightly downward.

Work stoppages (323) and time lost (277,348 days) in 1970 were about double the previous all-time high in 1969. Serious shipping delays affect-

TABLE 2

WHAT CANADA SELLS TO NEW ZEALAND

	$'000	
	1969	**1970**
Products Group		
Fish products	811	1,827
Wood and wood products	843	997
Pulp and paper products	775	1,043
Asbestos and asbestos products	1,218	1,401
Aluminum and aluminum products	7,079	9,158
Copper and copper products	1,734	2,718
Pipes and tubes (steel)	827	149
Steel and steel products, other	1,230	4,660
Sulphur	5,353	3,349
Potassium chloride muriate	1,902	2,132
Chemical products	1,001	805
Plastic and synthetic rubber	2,334	2,236
Fabrics, yarns and textile items	1,011	1,218
Miscellaneous heavy and light machinery and parts	4,714	4,311
Aircraft, parts and assemblies	2,007	69
All other items	4,137	6,618
Total exports to New Zealand	**36,976**	**42,691**

A typical winter scene in the southern part of the North Island. A temperature climate and good rainfall give a growing season in excess of ten months in many parts of New Zealand, which allows for efficient and large-scale farming.

ing New Zealand's important trade in the South Pacific and farther afield resulted from waterfront and seamen's strikes. The annual average wage increase in October 1970 was 14.7 per cent, more than twice the highest previous figure (6.1 per cent in 1968) in a decade. The country still faces a serious shortage of skilled labor. Registered unemployed in July totalled only 4,136 out of a 1,075,600 work force. Labor turnover in many industries is high and contributes to pressure on the cost structure.

Some 28 per cent of the labor force is now engaged in manufacturing, the fastest growing sector of the economy. With a prospering small domestic market and limited labor resources, industrial expansion has not been achieved easily, but New Zealand progress has been impressive. Diversification in manufacturing, with emphasis on domestic needs, import replacement and rising exports, is proceeding rapidly.

Agriculture Still Vital—Agriculture is still the country's major concern by far, however, and expanding exports of agricultural products will be essential for some time to come. The Agricultural Production Council's 1971 report on New Zealand's basic industry, farming, describes it as having "lost momentum" compared with expansion in the 1960's. Output for the year ended March 31, 1971, was at last season's level but approximately one per cent lower than the 1968-69 record. A decline in the production of grains, field crops and horticultural products was largely offset by an expansion in beef production. Wool output remained nearly constant. Gross farm income for the 1970-71 production season ended May 31, however, increased by about NZ$37 million over the previous year's NZ$961 million. This growth continues the trend over the past nine seasons, to which higher receipts of beef and dairy products have recently contributed. Net farm income, however, has been affected by serious cost escalation.

Maintenance of the living standard, improved productivity, and reversal of the past adverse trend in the terms of foreign trade are important priority problems facing New Zealand.

The Pacific Area—New Zealand has long had intimate trade, financial and ethnic ties with the islands of the South Pacific. They offer natural and nearby markets and welcome opportunities for closer trading relations with New Zealand, which has the advantages of valuable banking, investment and shipping connections with the area. Over 6 per cent of New Zealand's exports in 1970 (about NZ$65 million) went to emerging Pacific countries and other islands and to Asiatic countries on the western rim. New Zealand expertise and aid, including training of nationals of many Pacific countries, is and will become increasingly important factors in their progress. Together in 1970 the larger countries—Australia, Japan, the United States and Canada—accounted for 36 per cent of New Zealand's exports, valued at NZ$425 million. Thus over 42 per cent of its trade is carried on with countries bordering the Pacific, but its trade targets also include increased exchanges with Latin American countries. Substantial trade in dairy products with Chile is in prospect. Tourism too, as part of the expanding South Pacific tourist trade, has become a more important source of foreign exchange. Over 190,000 'long-stay' visitors spent over NZ$31 million here last year. This represents a 50 per cent increase in two years and predictions are for growth at the same rate to continue.

Trade with Canada—In 1970, Canada's trade with New Zealand was the highest ever recorded. Canada ranked as New Zealand's sixth overseas supplier and its fifth market. For many years—in fact, until 1969—our sales to New Zealand were triple or double our imports from that country. In the past two years, meat sales to Canada have altered the traditional imbalance. Figures for the first six months of 1971, though so far appreciably lower than for January-June 1970, indicate that the two-way trade again will be nearly in balance.

Canadian sales to New Zealand change appreciably from year to year in commodity composition, as Table 2 shows. "All other items" covers a remarkable and growing variety of manufactured products, including a limited new or renewed trade in consumer goods. Last year was an inventory-building period in New Zealand and this is reflected in figures for some major basic items from Canada. Short-term market and supply factors account for decreases in other instances. Other changes resulted from the removal of items from import licensing. Future returns should reflect appreciable sales of sophisticated electronic plant control and other equipment, now in production in Canada for New Zealand's expanding industrial needs. They should also reflect further progress in the easing of import controls.

Trade opportunities—For perspective, it must be noted that this country offers a market no larger in population than a big Canadian metropolitan area. Nevertheless, traditional Canadian bulk exports of raw materials for industrial and agricultural use, and components and capital equipment for New Zealand's expanding economy will hold up. Short term, the outlook for increased sales, especially of consumer goods, beyond present levels is not encouraging. Although some important consumer products, such as outboard motors and canned salmon, have been freed from import licensing in recent years and restricted token licences for new consumer goods are being issued, New Zealand's present import policy favors local manufacturers. The main criterion for delicensing, or more liberal *ad hoc* treatment of controlled items including capital equipment, is whether New Zealand sources are capable of supplying these in whole or in part.

As indicated above, marked progress towards total abolition of import licensing has been made, and the Government's intention is to complete the process gradually within five years. Liberalization of restrictions should provide trade opportunities, but the product areas cannot be pinpointed or forecast.

Meanwhile, though under licence in many instances, components or parts and materials for use by New Zealand industry, and sophisticated plant equipment and machinery offer the best prospects. Many face no local competition and New Zealanders do seek alternative competitive sources overseas. Canadian firms have an appreciable advantage in the tariff preferences that apply to most lines and benefit from a good performance record.

Canadian technical expertise of a unique character may be saleable occasionally to New Zealand interests, but New Zealand partners are usually necessary. There are no opportunities for consortium projects, and investment in local industry or licensing of manufacture (done on a large scale) should also involve local participation.

New Zealand government agencies regularly buy capital equipment from abroad. We advise the Industry Sector Branches of the Department of Industry, Trade and Commerce when tenders are invited for specific official requirements. Copies of the tenders can be obtained from the New Zealand Trade Commissioner in Montreal. The variety and extent of this business will be the subject of a report in *Canada Commerce* later this year.

The Commercial Counsellor's Office, Canadian High Commission, Wellington, will be pleased to advise Canadian firms on any of the above matters and on specific problems concerning trade with New Zealand.

Canadian Loan Helps Malaysian Power Project

The Canadian International Development Agency will provide $46.5 million to help expand the West Malaysian hydroelectric power system. The expansion program is based on a hydroelectric power dam to be located at Temengor on the upper Perak River, at an estimated total cost of $70,000,000. (See *Foreign Trade*, April 10, 1971.)

The Temengor dam, Malaysia's largest, will include three generating units giving a total capacity of 260 megawatts. Together with associated expansion of power facilities, the project is expected to meet the demand for electricity up to 1985. It will also create a major storage reservoir, regulate river flows, and help to provide large-scale irrigation, agricultural and flood control benefits to the population.

Canadian consultants are already in the field. Shawinigan Engineering Co. of Canada Ltd. is providing the design, engineering and construction supervisory services for the project at an estimated cost of $3,500,000.

The loan completes the pledge made by Prime Minister Trudeau, during his May 1970 visit to Asia, to provide up to $50 million in support of the foreign exchange costs of equipment, materials and services supplied by Canadian firms for the Temengor project. The exact amount of the $50,000,000 actually used will be determined as the project progresses. Contracts will be awarded until 1975 by the Government of Malaysia on the basis of international competition, and the loan funds will be drawn upon only to the extent that Canadian firms are successful in bidding for the work.

Indonesia: Confidence Returns

Impressive progress made since 1966, a rational Five Year Development Plan, and rising exports augur well for the future. Canada is extending a commodity aid loan; sales under it, and of development goods, offer best prospects.

YVON JAURON, Commercial Secretary, Djakarta and

R. G. SANDOR, Pacific Division, Office of Area Relations

Prime Minister Trudeau's visit to Indonesia last January drew the attention of Canadians to the fifth largest country in the world, with over 120 million people and huge natural resources. Its full potential has still to be realized and, as a developing country, it has to meet and solve some difficult problems. At the moment, it offers a substantial market for certain Canadian exports and new opportunities will open up as development progresses.

Five years ago, when the "new order" Government of President Suharto came to power, it began a determined effort to institute basic reforms—an effort that has had a large measure of success. The annual rate of inflation has been reduced from 639 per cent in 1966 to less than 10 per cent in 1970; a substantial inflow of official and private capital has been resumed; U.S.$1.7 billion in debts has been rescheduled, reducing required annual payments from U.S.$200 million in 1970 to U.S.$35 million in 1978, and significant progress has been made towards exchange rate stabilization. The result is that, with the beginning of long-term economic reconstruction and development, it is possible to be confident again about Indonesia's economic future.

The country is now entering on the third year of its current Development Plan. Emphasis is on the development of the agricultural sector to lessen the burden of food imports. In 1970, for example, production of rice, the main staple food of the Indonesian, reached 11.4 million metric tons and official circles believe that the target of 15.4 million by 1974 will be realized. Agriculture is receiving 35 per cent of the development funds and much of the money to be spent in the manufacturing sector will go toward industries producing things essential for agriculture, such as fertilizers, insecticides, and farm implements, and to those processing agricultural products. The objective is to supply 95 per cent of the local demand for fertilizers by 1973/74 from domestic production (urea, double superphosphate, and ammonium phosphate). Production of finished textiles is to rise from 316 million metres in 1968 to 900 million in 1974. This will call for the modernization and expansion of spinning and finishing plants and the building of new integrated mills.

The Plan also calls for improvements to the road, rail and civil aviation systems, the updating of port facilities, and improvements to the telecommunications network. Twenty-two per cent of the development budget has been assigned to the transportation and communications sectors, 12 per cent to industry and mining, 10 per cent to the development of electric power, and 3 per cent to education. (The 35 per cent assigned to agriculture has already been mentioned.)

Last year, over-all exports rose by 17 per cent to $1,160 million; exports of petroleum products alone, the most important foreign exchange earner, went up by 17 per cent to $426 million. Future prospects for petroleum shipments appear even brighter, with the almost daily announcements of the discovery of new oil wells. Exports of timber rose in value by 70 per cent to reach $110 million, or three times the export target for 1970. Given the support of the Government for the export sector of the economy in its over-all development strategy, last year brought remarkable success in the foreign trade field. On the other hand, imports of a broad range of products, particularly machinery and equipment needed for economic development, reached high levels, and projections are that total non-oil imports will increase by 14 per cent in 1971/72 to U.S.$1,235 million. Imports of investment goods associated with project aid, direct foreign investment, and the medium-term credit program are expected to rise by 28 per cent to $340 million. Other non-oil sector imports are expected to increase by $191 million or 10 per cent. Demand for industrial raw materials will rise and these, and capital goods, will take a larger share of imports.

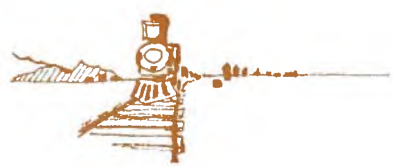
These graceful Indonesian women are modelling sarongs in three batik designs. The design of the one on the right was once reserved exclusively for the use of sultans and their families. With inflation now under control, there should soon be more money available for such luxuries.

The tremendous potential of Indonesia and the achievements of the past two years should not mask the fact that the commercial environment is not always conducive to business and that doing business can be at times a frustrating process. In addition, there are a number of obstacles that at the moment limit opportunities for Canadian manufacturers of certain commodities. These difficulties and obstacles are discussed below.

Foreign Exchange Shortage—Together with the low purchasing power of the population, this is undoubtedly the most serious obstacle to an expansion of Canadian sales to Indonesia. At the moment, a sizable proportion of most imports into the country is aid-financed. In 1971, for example, as much as 40 per cent of Canadian sales to Indonesia was expected to come under our aid program. Foreign exchange available for imports in 1971 (proceeds from Indonesia's exports and aid) will still amount to only $1.7 billion.

Import System—Although the Indonesian economy is now open to market forces, the rupiah is fully convertible and there is no import licensing, the Canadian exporter has to deal with a complex import system which, liberal in appearance, often in practice restricts imports.

Under current import procedures, there are two kinds of foreign exchange: Devisa Umum (DU) or general foreign exchange, and Devisa Kredit (DK) or credit foreign exchange. The first, (DU), is derived from the proceeds of Indonesia's exports (amounting to approximately $1.1 billion in 1970) or generated from other sources. This foreign exchange can be used without restriction and is freely available to importers. Devisa Kredit (DK) is derived from loans or grants (aid) made to Indonesia by foreign countries, including Canada, to finance essential imports such as foodstuffs, clothing, pharmaceuticals, machinery and equipment, spare parts, etc. The use of DK is restricted to imports from each donor country, as specified in the individual loan agreements. Canada has signed with Indonesia a Commodity Loan Agreement for $4 million for 1970/72. The loan is made available to Indonesia for the purchase in Canada of commodities essential to development, such as fertilizers, newsprint, telecommunications equipment, etc. Since December 1970 there has been only one free single rate of exchange for both DU and DK. On August 23, 1971, a middle rate of 415 rupiahs to the U.S. dollar was established for both DU and DK imports.



As mentioned earlier, there is no licensing of imports, but imports are divided into four categories, according to essentiality. The very essential products (List A) and essential products (List B) can be imported with Devisa Kredit exchange. List C covers semi-luxury products, and List D, luxury products. Devisa Kredit cannot be used to import products on Lists C and D.

All imports into Indonesia must be covered by a letter of credit with 100 per cent margin (a deposit of 100 per cent of the rupiah equivalent of the value of the letter of credit is required at the time of the application for it). Generally no credit is available from state banks to importers using Devisa Umum exchange; it may be possible to finance imports from private banks or lenders at rates of 3 to 40 per cent per month.

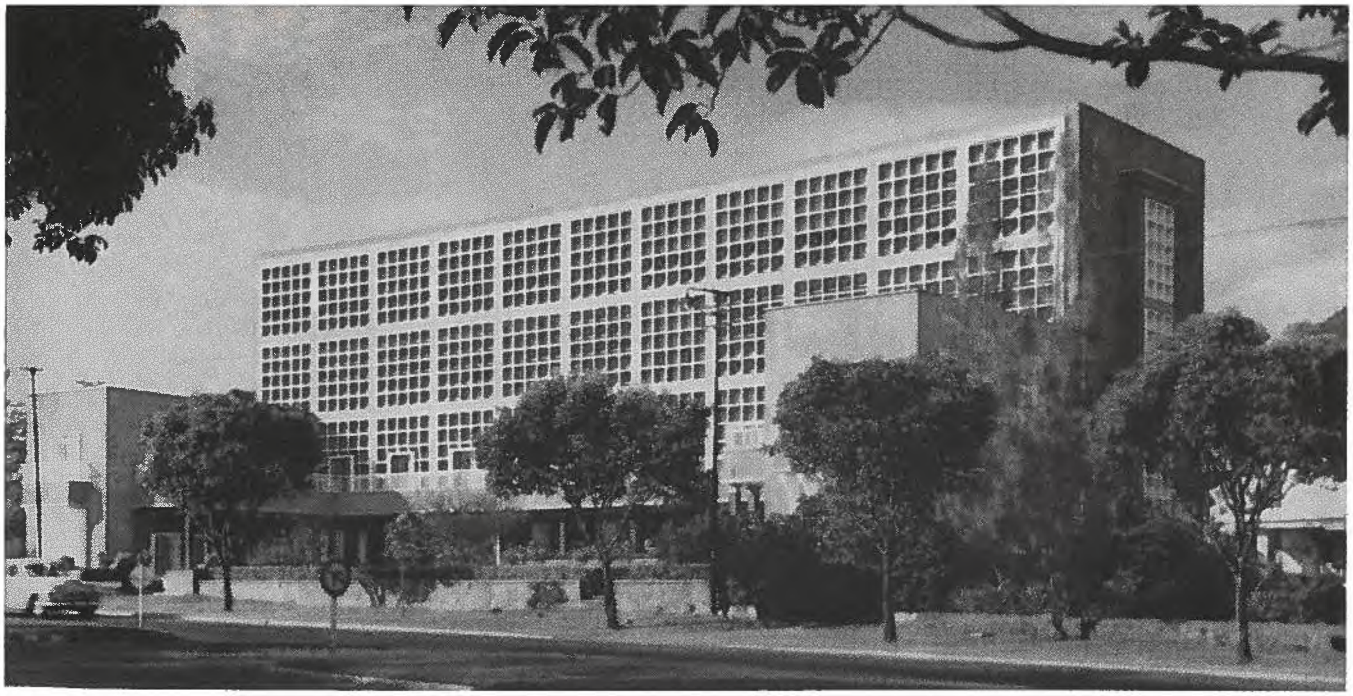
In the past, Indonesian importers using Devisa Kredit to finance imports from Canada and most other countries could defer payment until the goods arrived. Now, under the new measures announced by the Indonesian Government in August, they must cover the full amount at the outset when purchasing foreign exchange. From August 23, however, importers using Devisa Kredit will obtain compensation of 60 rupiahs per U.S. dollar on arrival of goods shipped from Canada or the United States, and smaller amounts for goods shipped from Western Europe and Asia. These compensation scales reflect the fact that the importer of, say, Canadian goods must pay more interest on his loans because of the longer shipping time. Since importers of Canadian products will not suffer financially in comparison with importers of goods from countries closer to Indonesia, the new system should ensure that the full amount of the Canadian credit is used. The incentive compensation system does not apply to importers using Devisa Umum, or ordinary foreign exchange.

Finally, permission to import is restricted to "registered" national importers holding a valid fiscal certificate attesting that they have no tax payments outstanding.

Import Surcharges—Importers may use various facilities for paying import duties on essential goods required under the Five Year Development Plan. But extremely high duties and surtaxes—sometimes collected in advance—are placed on foreign goods similar to those produced domestically in sufficient quantities to satisfy local demand, or if the authorities decide to discourage import of certain commodities, particularly luxury goods.

Locating a Representative—It is difficult to find financially sound and competent agents with adequate distribution systems throughout the country who are not already committed to major foreign manufacturers. A Canadian firm, in certain instances, may have to provide its agent with managerial advice and assistance in setting up after-sales service. It may even have to be prepared—if it is satisfied with the commercial standing of its agent—to make short-term equipment loans. Incidentally, Canadian firms often ask for credit information on Indonesian companies but, at the moment, it is difficult if not impossible to obtain reliable credit ratings on them.

This list of obstacles is certainly not given with the objective of discouraging potential Canadian importers but with the intention of making them aware of difficulties not to be underestimated. However, they should also not overlook the long-term opportunities, keeping in mind that some of these problems will gradually diminish as economic progress continues. In fact, recent experience suggests that a much wider range of machinery



Wide tree-lined streets and modern buildings greet the visitor to Djakarta. This is the Central Office for Agriculture.

and equipment could be sold to Indonesia, despite longer delivery times, if Canadian exporters cultivated this market with patience and perseverance, and were supported by an agressive agent.

Canada and Indonesia—Canadian-Indonesian economic relations have become closer in the last year. (The two countries have exchanged most-favored-nation treatment since March 1, 1948, under the GATT.) The first sign was the designation in the Government White Paper, *Foreign Policy for Canadians,* of Indonesia as a country in which the Government intended to concentrate greater development aid. The second was the Canadian decision in December 1970 to become a member of the Intergovernmental Group on Indonesia. The third was the visit of Prime Minister Trudeau last January when he signed a Memorandum of Understanding covering a commodity loan agreement (soft-term) for $4 million.

Until recently trade between Canada and Indonesia had not been important to either country. In 1965 it totalled $4 million and in 1969 only $3.2 million, with a trade surplus of $1.6 million in Canada's favor. Our share of the total Indonesian import market of close to $1 billion in 1969 was only 0.3 per cent. In 1970, however, our exports to Indonesia reached $16.5 million, due primarily to the export of trucks (nearly $8 million) and sedans ($1.8 million). Other principal exports included wheat flour (under food-aid grants), newsprint, radio transmitting and receiving equipment, and hoisting machinery and parts.

Canadian imports from Indonesia declined steadily prior to 1969, and stood at only $284,000 in that year, mainly because of uncompetitiveness of Indonesian commodities in world markets. With the Indonesian economic rehabilitation program, however, and with the beginning of determined export promotion efforts, the quality and competitiveness of Indonesian products have increased. In 1970, Canadian imports from Indonesia, consisting mainly of crude natural rubber, bauxite ore, pepper, spices and black tea, were worth more than $500,000.

Indonesia has vast resources but needs help in developing them. There are opportunities here for suppliers of machinery and equipment for the oil and mining industries, and for suppliers of logging and sawmilling equipment. Consulting services are required, although these will have to be financed from outside the country. But there is a limited amount of free foreign exchange, about U.S.$500 million, in the country and competition is strong. It is not an easy market for Canadians because of the long shipping distances but it can be a rewarding one.

To take advantage of trade opportunities as they open up, it is important for Canadian manufacturers to investigate the Indonesian market now. The best way to do this is to make a personal visit to Indonesia. Manufacturers of consumer goods or luxury products should perhaps hold off, because their visits are not likely to bring satisfactory results. However, manufacturers of machinery and equipment required for development (forestry, mining, petroleum exploitation, all of which are growth sectors with large export potential) and consultants on development programs financed by multilateral agencies would do well to plan a visit to Djakarta at the earliest opportunity. Next time you visit Southeast Asia, why not include Djakarta? Major international airlines fly to Djakarta and visas are easily obtained from the Indonesian Embassy (85 Range Road, Ottawa, Ontario).

The Commercial Section of the Embassy (Djalan Budi Kemuliaan 6, Djakarta, Indonesia) would be pleased to arrange appointments with potential distributors, purchasing agencies of state enterprises, or government officials. Because these appointments are difficult to arrange on short notice, do advise us at least three weeks in advance of a visit—and remember that letters airmailed from Canada may take up to two weeks to arrive.

The Philippines Finds Its Feet Again

Exports have risen, imports have been kept in check, debt payments have been rescheduled. Result: an economy that is again moving forward and a market that offers opportunities—now.

C. R. MANN, Vice Consul and Assistant Trade Commissioner, Manila

As a Canadian exporter, you have probably heard that the Philippines has experienced severe financial difficulties over the past two years. This is correct. You have probably heard too that some restrictions have been placed on imports. This is correct. Because of these adverse conditions, you may have concluded that the Philippines is not a market worth investigating. That is incorrect. The present outlook is encouraging for the country and consequently for Canadian exporters. This is a complete change from the situation two years ago.

A chronic imbalance of trade, dwindling reserves, and heavy short-term repayments on foreign loans led the Philippines to float its peso in February 1970. At the same time various currency, credit and import restrictions were imposed. All this resulted in a 70 per cent devaluation of the currency, a 25 per cent inflation in prices, and a general economic recession in the following year. Business was tough in the Philippines.

Now, however, the balance of trade has greatly improved. The Philippine Government, taking advantage of more competitively priced products, launched an export drive resulting in a 22 per cent increase in foreign sales. The deficit in the balance of trade was reduced from U.S.$276.9 million in 1969 to U.S.$28 million at the end of 1970. In the first quarter of 1971 the deficit was virtually eliminated.

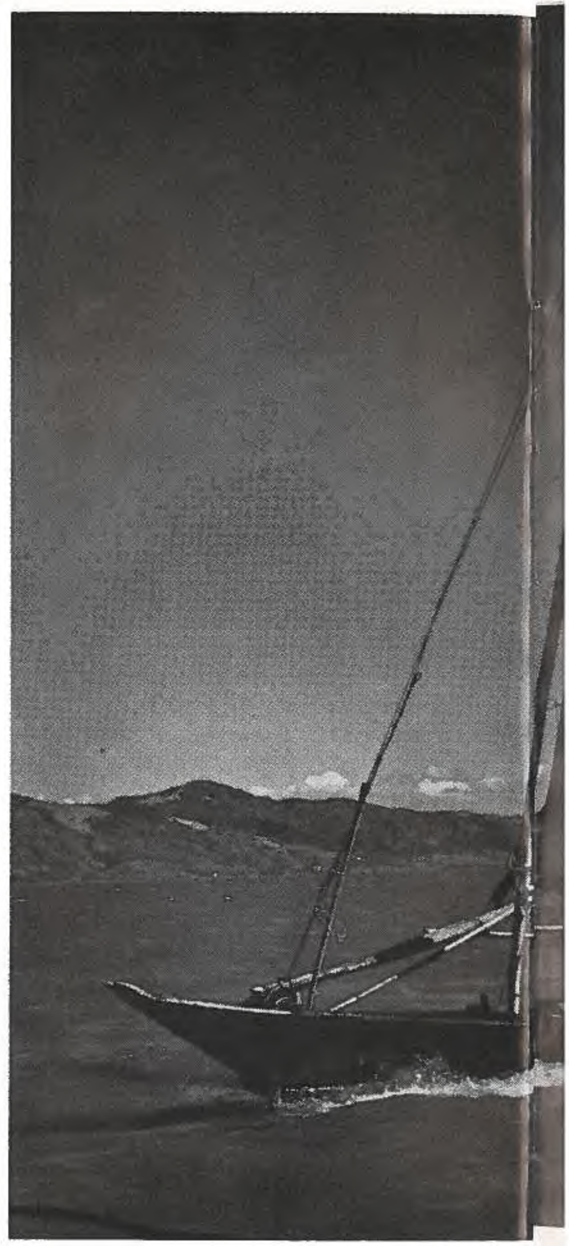
This improvement was achieved primarily by increasing exports. Imports were curtailed and the greatest drop occurred in consumer products, where imports fell by $35 million to $74 million in 1970.

In addition, the hump in international repayments was smoothed out by rescheduling debts over the next ten years. Strong management by the Central Bank, with strong support from the administration and guidance from the International Monetary Fund, has re-established the Philippine credit-worthiness and financial reputation.

The principal factors responsible for the 1969/70 crisis appear to have been corrected. The economy is now progressing in a steady, though unspectacular, fashion. The Philippines will be looking for more suppliers in the future and Canadian exporters should be offering their products for sale in this market right now.

Canadian business and official circles have tended to assume that the Philippines is the private preserve of United States businessmen. If this is your impression, you should take note of the imminent demise of the special relationship that existed between these two countries. The Laurel-Langley Agreement, which embodied this relationship, expires in 1974 and some of its provisions—for example, the reduced tariff rates on U.S. products—have already ceased to have any significant effect. Other countries (such as Japan and West Germany) have not been deterred and Canadians too should recognize that the ground rules are now essentially the same for everyone.

Import Policy Liberalized—The Central Bank evidently agrees with this



optimistic outlook because recent directives have liberalized the policy towards importers. Some of these changes are summarized below. As was the case last year, all imports must be covered by a letter of credit except for those entering through well-established channels that have been using documents against acceptance or open account terms.

The opening of letters of credit is now relatively free from restrictions, except that an importer must deposit a 50 per cent margin (or more if his private bank requires it) for each one. Export-oriented firms, as determined by local regulations, may open letters of credit without difficulty, provided that payment takes place within one

The native fishing vinta is a common sight along the coastlines of the 7,000 islands of the Philippines. The country's territorial marine waters are about six times greater in area than the land and consequently only the coastal and inshore waters are exploited by the Filipinos. Under such conditions fish do not figure in import statistics, although agricultural products such as cereals, eggs and dairy products bought from abroad were valued at about $65 million last year.

year. Firms not involved in export must, if they wish to purchase machinery or spare parts worth $50,000 or more, provide proof that the industry is not overcrowded. Therefore, if a firm's credit with its local bank is good, letters of credit may take some time but they can be opened.

The previous comments all refer to purchases on short-term payment. If the payment period is to be more than one year, however, the following guidelines on the interest rate and the payback period that must be observed are shown in Table 1.

Export-oriented firms may use credit of $500,000 or more with a minimum of eight years' repayment, including a three-year grace period. For all of the above, the interest rate must not be more than 2 per cent above the prime rate in the lending country.

Canada-Philippine Trade—Canada is the Philippine's fifth largest world supplier, with total sales of $30.2 million in 1970, down slightly from $32.3 million in 1969. Canadian exports to this market increased, however, to $19.9 million as of January-June 1971, compared with $17.3 million for the same period last year. We thus have approximately a 2.5 per cent share of the total $1.2 billion that the Philippines pays for imports each year. Our primary competitors are Japan, the United States, West Germany, Britain and Australia.

The top Philippine imports for 1970 are shown in Table 2. There are buyers who want to talk to you about these and many other products needed in this developing country.

Some of the areas in which there are good opportunities are discussed in the following paragraphs:

Agriculture—The Philippines imports much of its food. From October 1970 to September 1971, it bought $14.2 million of Canadian wheat. There are similar opportunities for milk powder, cheese curd and other dairy products. The competition from Australia is stiff, but Denmark gets a share of the market—why not Canadians?

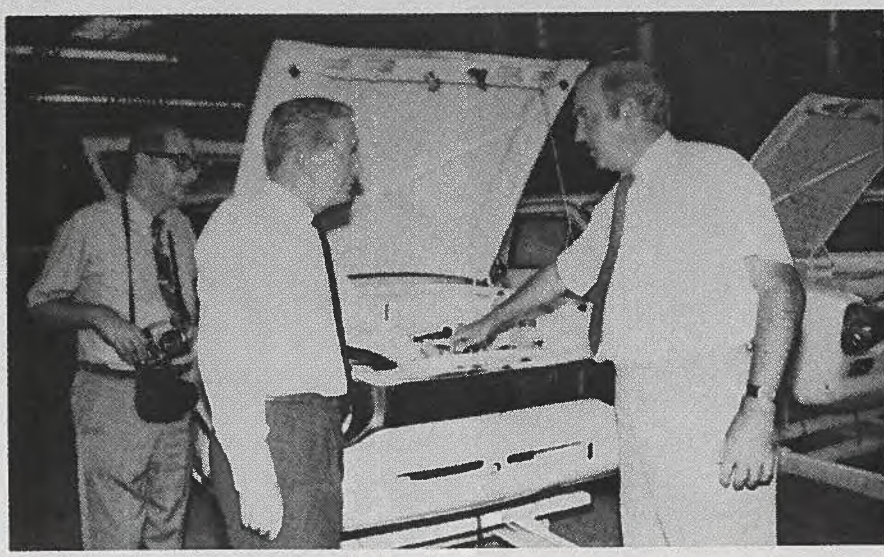
Meat offals and by-products are also in demand here. Unlike Canadians, however, the Filipinos want a high percentage of fat to suit their taste and pocketbooks.

The Philippines is hoping to receive a $15 million World Bank loan within the next year to improve the cattle industry. We believe Canadian dairy and beef cattle should be highly competitive and look forward to sales after the loan is approved.

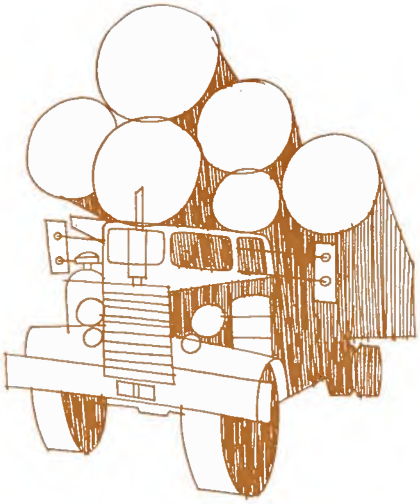
Forestry—The sale of logs and plywood provides the Philippines with its greatest source of export receipts, $255 million in 1970. Therefore, the forest harvesting equipment and machinery market is also large. Canadian

Filipino lumberjacks prepare to fell a red lauan tree measuring 120 inches in diameter. Logs and plywood make up the bulk of exports from the Philippines, and forestry, therefore, should be a prime target for Canadians.

The market for automobiles and accessories, particularly accessories, is expanding. It represents one of our main exports to this country and was worth $2.2 million last year. Shown here in the Ford plant in Manila are A. Foran (right), president of Ford Philippines, who is explaining a point to Frank Clark, Canadian Consul General and Senior Trade Commissioner in Manila. On the left is David Van, Toronto Globe and Mail.



With more cars and trucks on the roads the need is greater to improve roads and bridges. This is a typical bridge structure in a rural area of the country. The fact that the Asian Development Bank has its headquarters in Manila may prove beneficial and Canadian consultants should make a point of keeping in contact so that they will know of upcoming projects.



log skidders have overcome all competition here and large logging trucks are also selling well. The forests are hardwood and the logs are enormous. What harvesting or processing equipment can you sell to make a logger's business more efficient and more profitable? Investigate this active area and the results may surprise you.

Mining—Canadians are already heavily involved in mining here, with a major and profitable investment in exploiting an island of copper and with a management contract for a low-grade nickel ore refinery, now being built. Mining is primarily open pit and this means opportunities for large ore trucks able to carry 75 tons or more in one trip. In addition, there is a need for crushing mills, separators and all the other equipment needed to remove metals from the earth. Let us know what products you make for the Canadian mining industry because it may fit a need in the Philippines.

Transportation—One of Canada's larger exports to the Philippines is trucks, with a value of $2.2 million as of June 1971. North American-style passenger cars are also here in force. This situation has led to a substantial market for accessories and replacement parts—a market that is growing because of the increasing cost of new models. Our exports of replacement parts to maintain the cars and trucks now on the road have jumped from $87,872 as of June 1970 to $346,277 for the same period of 1971 and we believe the market will continue to expand. If you are producing these products in Canada please let us know because many of the cars and trucks in use here are the same, in almost every detail, as those now using your parts and accessories in North America.

Machinery—As the statistics show, the Philippines buys more general machinery outside the country than any other classification of goods. The manufacturing industry is broad-based compared with that in other developing countries and it requires almost every kind of small- to medium-sized equipment. One area in which there is current interest is packaging machinery for processes ranging from vacuum packing to bagging.

Pharmaceuticals—The country bought $16.5 million of medicinal and pharmaceutical products in 1970, much of which was packaged in final form locally. Of this amount only $70,975 came from Canada. We believe that this market share can be increased but it will require a good promotion campaign and a willingness to meet local conditions. This office knows resident agents waiting to hear from you and we know that Canadian prices can be competitive.

Services—The Asian Development Bank (ADB) is located in Manila and in 1970 provided loans totalling over $200 million to all countries in Southeast Asia. For virtually all of the projects financed by these loans, a feasibility report was prepared by consultants chosen by the Bank's staff from its files. This office is in continuous contact with the ADB. If you have not investigated the opportunities offered by this growing financial institution, do so now.*

In addition to the ADB, there are opportunities for providing many technical services in the Philippines. The boom in mining, for example, means a need for exploration and geophysical survey work. Canada has a world-wide reputation in this field that we should be able to put to good use.

The above cross-section of opportunities is not exhaustive. Rather it is simply an indication of the broad market waiting for you in the Philippines. Remember that this country buys more Canadian products than any other in the Orient, with the exception of Japan and the People's Republic of China. Now that the economic difficulties have in large measure been overcome, the market will again expand.

We invite you to begin your marketing plan by writing to Frank B. Clark, Consul General, Canadian Consulate General, P.O. Box 1825, Manila, Philippines.

TABLE 1

LONG-TERM CREDIT ARRANGEMENTS

Amount U.S.$	Minimum repayment term in equal annual instalments
250,000 or less	5 years
250,000-500,000	8 years
Over 500,000	12 years

TABLE 2

PRINCIPAL PHILIPPINE IMPORTS 1970

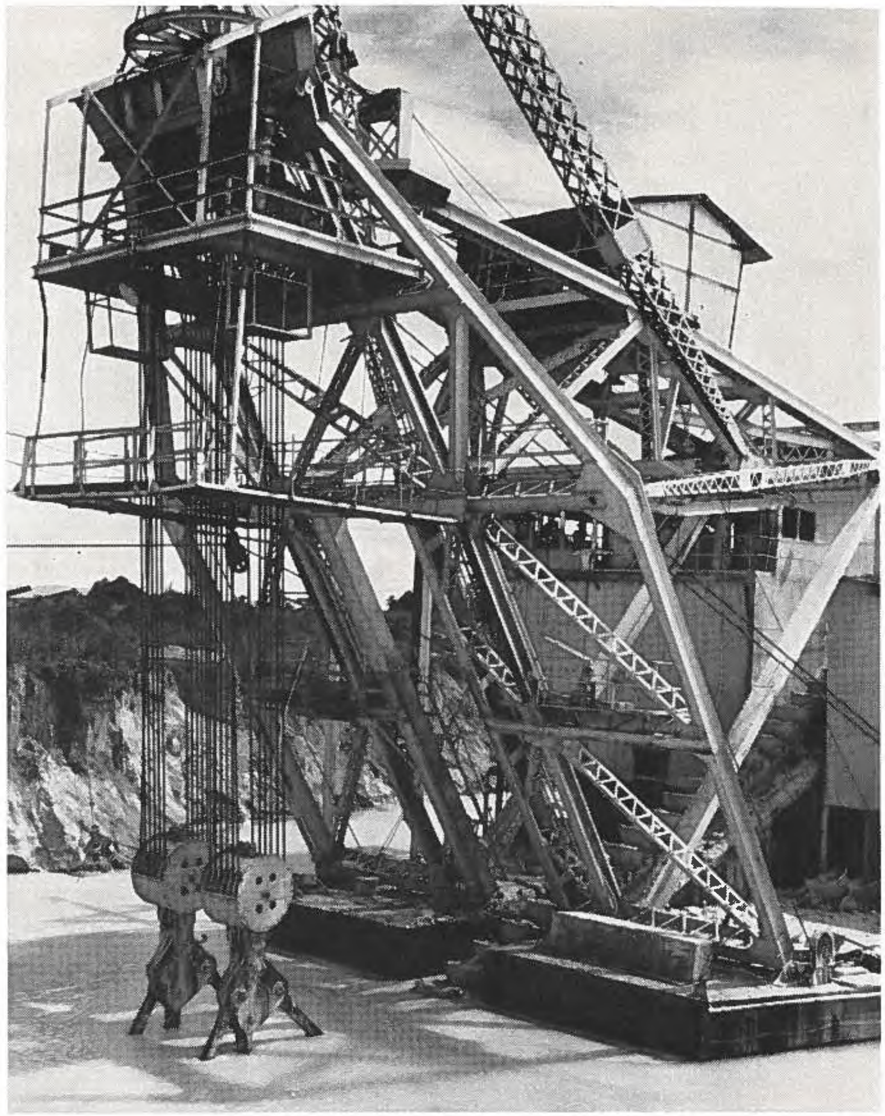
	U.S.$ million
Non-electric machinery	235.2
Base metals	144.4
Mineral fuels, lubricants	118.9
Transport equipment	106.1
Electric machinery, apparatus and appliances	59.2
Explosives, miscellaneous chemical products	49.8
Textile fibres	40.2
Chemical elements and compounds	36.7
Cereals	32.5
Dairy products, eggs and honey	32.4

*See the October 1971 issue of *Foreign Trade*.

Malaysia Plans for the Future

Government plans to lessen dependence on rubber and tin, diversify agriculture, build up industry. Inflow of foreign capital, build-up of industry will ease unemployment, provide openings for foreign suppliers.

HOWARD CUMMER
Assistant Commercial Secretary
Kuala Lumpur



Tin is still one of the mainsprings of the Malaysian economy and some of it is exported to Canada. Much of it is mined using floating dredges similar to this one.

The Malaysian economy is still dominated by the traditional agriculture and mining but the Government attaches a high priority to its policy of economic growth (particularly in manufacturing) and diversification, leading it away from a heavy dependence on rubber and tin towards an increase in oil palm and other crops.

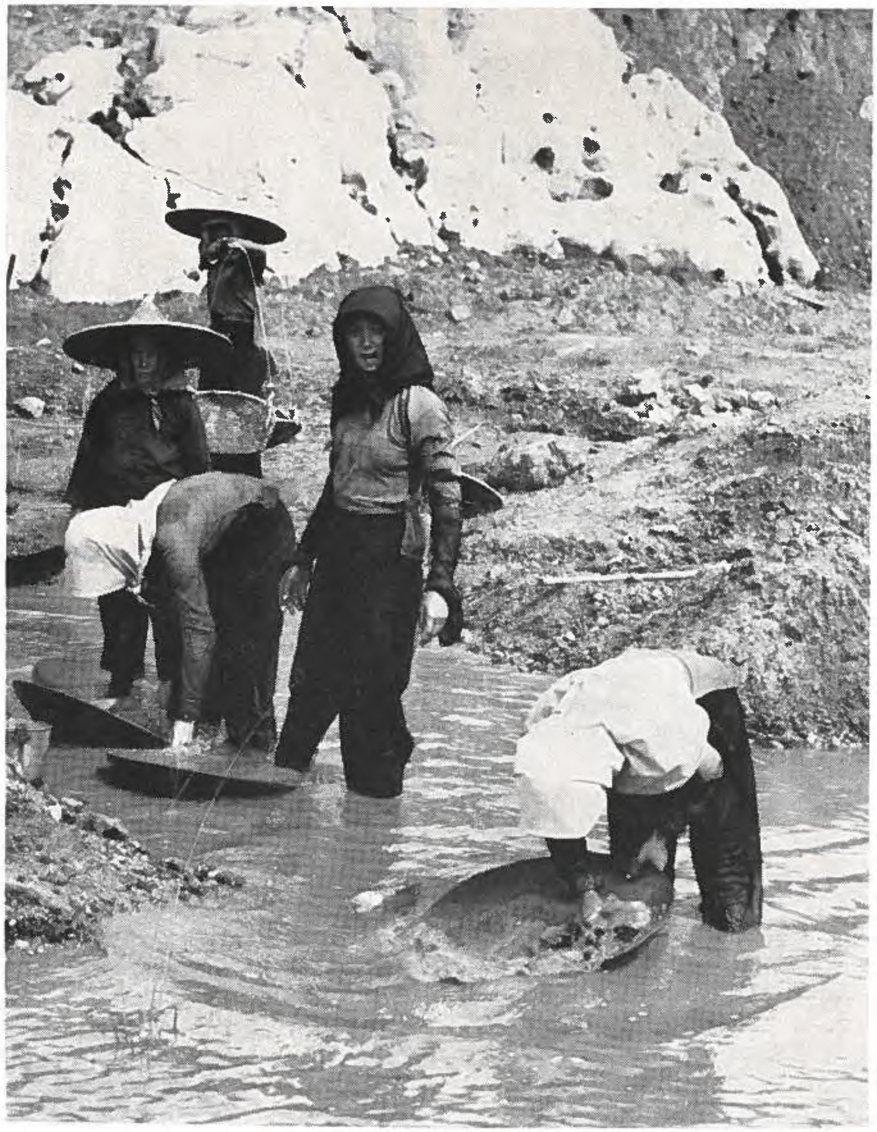
For the moment, however, agriculture, including forestry, continues to provide the foundation of the economy. In 1970, production of agricultural products increased by 3.6 per cent, compared with 11.7 per cent in 1969. The major factor in this lower rate of growth was the failure of rubber output in 1970 to rise above the 1.25 million tons produced in 1969. This stagnation reflected the continued decline in rubber prices. Output of sawlogs rose 3.3 per cent, sawn timber 8.6 per cent, palm oil 22.3 per cent, and palm kernel 17.2 per cent. With the introduction of more double-cropping, production of milled rice rose by 5.3 per cent in 1970. These increases just slightly more than offset the effect of static rubber production.

Mining also showed little growth, although the 0.8 per cent increase in over-all output masked large adjustments in the composition of mineral production. Iron ore production fell by 14 per cent, but this reduction was just offset by a slight increase in the output of tin concentrates, a 6 per cent rise in bauxite production, and a near doubling in crude oil production to 6.6 million United States barrels.

The recent performance of the manufacturing sector, and certainly the outlook for it, seems better than for the primary sectors. Manufacturing output in terms of factor cost rose by 7 per cent in 1970 (10.5 in 1969) and accounted for 12 per cent of gross domestic product—the same proportion as in 1969.

Investment Increasing—Investor confidence in Malaysia appears to have returned. In 1970, some 173 companies, with a total called-up capital of $317.4 million*, were granted "pioneer status." This provides for tax concessions and in some instances tariff protection for new companies which broaden the manufacturing

*All figures are in Malaysian dollars unless otherwise specified. Cdn.$1.00-M$3.00



In sharp contrast to the picture opposite is this one of women panning for tin. The pans, or dulangs, are made of a special type of hardwood found in Malaysia.

base and/or produce products suitable for export. This growth is substantially greater than the 120 firms (capital $227 million) granted pioneer status in 1969. Of the 173 companies approved, 32 will be engaged in the production of timber and wood products, 15 food and beverages, 15 non-metallic mineral products, 15 electrical machinery and apparatus, 14 textiles, and the rest are part of various other industries.

In addition, 31 companies with a total called-up capital of $54.4 million were awarded some investment tax credit in 1970, compared with four such companies in 1969. These companies may deduct from their taxable income between 25 and 40 per cent of their capital expenditure on plant and machinery, depending on conditions specified in the Investment Incentives Act, 1968.

Approval to manufacture (but without any special incentives) was given during the year to 127 companies with a total capital of $80 million. Of these, 26 will be engaged in the production of food and beverages, 26 metal products, 19 chemicals and chemical products, 14 textiles and the rest in various industries.

As these companies reach full-scale production, the manufacturing sector should achieve a rate of growth sufficient to counter the uneven expansion of the primary sectors. At present there are 188 "pioneer" companies operating in the Federation: 161 in West Malaysia and 27 in East Malaysia. In West Malaysia they are concentrated in the industrial estates of Petaling Jaya and Batu Tiga near Kuala Lumpur and in Butterworth, near Penang. On the basis of 1970 investment approvals, the number of pioneer companies manufacturing in Malaysia will have nearly doubled and investment—on the basis of called-up capital—will have increased by over 60 per cent when the firms are in operation.

Foreign Trade—Malaysia's balance of payments is being influenced by the smaller receipts from the sale of primary products and the substantial expansion in import demand resulting from the build-up in manufacturing. Gross exports for 1970, at $5.14 billion, were just 1.7 per cent above 1969. This poor showing resulted mainly from the decline in export receipts from the sale of rubber (due to lower prices), which was only slightly more than offset by increases in the volume and prices of tin and palm oil exports.

On the other side of the ledger, imports in 1970 rose by 18 per cent to $4.25 billion, reflecting the increasing investment in capital equipment. This upswing compares with a 1.5 per cent increase in import expenditures in 1969 when investment plans were being postponed. Imports of all commodities rose in 1970 but the largest increases occurred in offshore purchases of machinery, chemicals, manufactured goods (principally iron and steel products, metal manufactures and paper products) and motor vehicles. Imports of machinery and transport equipment remained high throughout the year.

Rising imports and stagnating export receipts reduced the 1970 trade surplus to $886 million compared with $1,450 million in 1969. When the deficit on services and transfers is taken into consideration, the current account showed a $217 million surplus. This preliminary estimate is much lower than the $687 million surplus recorded in 1969.

As a result of less government borrowing, the net inflow of capital amounted to $172 million compared with $313 million in 1969. After adjustments for short-term capital movements, Malaysia's over-all balance of payments had a surplus of $60 million compared with $530 million in the 1969 export boom year. When IMF drawing rights of $64 million are added to the $60 million payments surplus, the increase in Malaysia's external reserves for the year was $124 million, bringing the total net reserves to nearly $2.6 billion at the end of 1970. This is sufficient to finance eight months of retained imports, at the 1970 rate.

Malaysia's National Monument, which cost M$1.5 million, stands on a commanding hill near Parliament House in Kuala Lumpur's Lake Gardens. It expresses Malaysia's stand for democracy and freedom.

Performance in 1971—In the first half of 1971, the growth of the economy continued to be held back by poor export receipts. Rubber output increased by 7.4 per cent in the first five months of the year but lower prices resulted in a 17.6 per cent decline in receipts. Widespread floods in January and February cut the output of sawlogs by 4 per cent over the first five months. Export receipts, however, were up 7.8 per cent for sawlogs and 15.6 per cent for sawn timber, compared with the first five months of 1970. As a result of greater production and better prices, palm oil export receipts rose 59.5 per cent during the period January to May 1971.

There was a 5 per cent increase in sales, by volume, of the main export commodities, but because of the decline in the prices of tin and rubber, gross export receipts declined by 2.8 per cent to $2,043 million at the end of May.

LEADING CANADIAN EXPORTS TO MALAYSIA, 1970

	$'000
Newsprint	4,600
Asbestos	2,300
Zinc	1,200
Aluminum	1,100
Log-handling equipment	1,050
Wheat	655
Aircraft assemblies	559
Logging trucks	333
Sawmill equipment	300
Files and rasps	135
Commercial semi-trailers	135
Evaporated milk	130
Chain saw accessories	116
Wrapping paper	105
Total exports, including all others	**14,000**

Gross imports, on the other hand, rose by only 1.5 per cent over the period, compared with a 25 per cent increase in January to May 1970. This was due mainly to smaller purchases of rice, iron and steel products and manufactured products. Imports of machinery, chemicals, and mineral fuels, reflecting the demands of expanding capital investment, continued to be high. Machinery imports, for example, rose at an annual rate of 40.8 per cent for the five months. This sustained inflow of capital goods is an encouraging sign of continued investment activity.

The 1971 trade surplus, January to May, amounted to $305 million compared with $401 million in the corresponding five months of 1970. Foreign loans to the Federal Government and a second allocation of IMF drawing rights resulted in an increase in Malaysia's foreign exchange reserves to over $2,553 million at the end of June 1971.

The Malaysian economy, then, despite some dislocations, is prosperous and expanding. Per capita income, at M$1,080, is among the highest in Asia. Prices are remarkably stable. The retail price index for West Malaysia, on the basis of 1959=100, averaged 110.6 for the first five months of this year.

The main economic-social problem is the continuing high unemployment. From 1966 to 1970, the period of the first Malaysian Five Year Plan, the labor force grew by nearly 3 per cent but job opportunities increased by about 2.5 per cent, resulting in increasing unemployment, which in West Malaysia rose from 6 per cent to 8 per cent of the labor force by 1970. This is basically a West Malaysian problem, for in East Malaysia (Sabah and Sarawak) there is a shortage of labor, particularly skilled workers.

Second Development Plan—One of the Government's top priorities as set out in the second Malaysian Five Year Plan is to encourage investment in labor-intensive industries to overcome the unemployment problem. The Plan calls for expenditure of $1,956 million on agricultural and rural development projects—an 80 per cent increase over the first plan. Of this amount, some 4 per cent of the total will be spent on land development.

Land development is being emphasized because of its capacity to absorb labor. The target is 150,000 acres a year for West Malaysia and 30,500 acres and 31,500 acres respectively for Sarawak and Sabah. The production of higher-yielding rubber, palm oil and palm kernels is expected to grow rapidly. Padi and pineapple are projected to expand less rapidly than at present, but at considerably higher rates than in the previous Plan. Timber, on the other hand, will develop more slowly in West Malaysia. The potential for rapid growth in this area is shifting to East Malaysia, where timber resource surveys are being completed.

Substantial funds are being allocated under the Plan for the further development of infrastructure. Road and bridge building will receive $681 million, ports and marine development $230 million, civil aviation construction and improvement $109 million, railways $94 million, telecommunications $298 million, and electricity $563 million. Commerce and industry have been allocated $483 million to develop manufacturing further.

Trade with Canada—What does all this mean to a Canadian exporter interested in the Malaysian market? Despite setbacks in the output and prices of the products that are the mainsprings of Malaysian prosperity —tin and rubber—the economy is showing remarkable resiliency and adaptability in building up its earnings from palm oil and forest products to balance out the uncertain foreign-exchange-earning potential of tin and rubber. Further diversification into manufacturing is now beginning to help in reducing the vulnerability of the economy to price fluctuations on world commodity markets. The present strength of the economy bodes well for the eventual success of the Second Malaysian Plan. The Plan will require large imports of capital equipment and the extensive use of foreign engineering and consulting services, as well as many opportunities for joint ventures in such areas as wood processing (e.g. mouldings) and electronics assembly, which should interest Canadian firms.

Canada's exports to Malaysia totalled $14 million in 1970. The major items are set out in the accompanying table. It is significant that nearly $2 million worth was accounted for by sales to the forestry sector—an area of the Malaysian economy just beginning to be exploited on a large scale and one with a large potential for further growth.

Canada's largest single export to Malaysia, newsprint, may well be in some danger of eventual competition from a domestic industry. A feasibility study has been undertaken by a Canadian consulting firm (on behalf of joint Japanese and Malaysian interests) for a pulp and paper operation using the local species of tropical hardwoods as a source of chips. If this project is realized, some degree of tariff protection for the "pioneer" industry is a virtual certainty and could eventually close this market to foreign-produced paper of certain grades. Whether or not the plant under consideration will be able to produce a substantial volume of newsprint remains to be seen, but if it does, Canada's stake in this market will be adversely affected.

Canadian firms in chemicals, aluminum, and footwear have been very successful in establishing manufacturing operations in Malaysia. Canadian consultants in forestry, land development and transportation (airports) are applying their expertise here.

There are excellent opportunities here for Canadian firms in the right fields. If you want to share in one of the fastest growing markets in Southeast Asia and want some help in establishing your initial contacts, write to the Commercial Secretary, Canadian High Commission, P.O. Box 990, Kuala Lumpur, Malaysia.

Malaysia Offers Investment Incentives

A comprehensive range of investment incentives designed to grant relief from taxation is being offered by the Government of Malaysia to investors establishing companies in Malaysia.

Companies which intend to produce goods that are not yet manufactured on a scale suitable to the economic requirements of the country, or whose establishment is considered vital to the national interest, can apply for pioneer status. Companies intending to manufacture products wholly for export can also apply.

Depending on the size of its capital investment, a pioneer industry in Malaysia is exempted from income tax, development tax and payroll tax up to five years from the day it starts commercial production. The tax holiday period is two years for fixed capital investment of less than $250,000; three years for fixed capital investments of more than $250,000; four years if fixed capital investments are more than $250,000; four years if fixed capital investments are more than $500,000, and five years if they are more than $1 million. An additional year of tax exemption is granted to companies sited in a designated development area, to companies producing a declared priority product and to companies using a specified percentage of local content. Thus pioneer companies can be granted up to 8 years of tax relief.

Investment tax credit can be granted to approved companies not qualifying for pioneer status. Companies granted investment tax credit may deduct from their taxable income a sum not less than 25 per cent of capital expenditures incurred on factory, plant or machinery for an approved project. This capital expenditure must be incurred within five years from the beginning of the basis period in which the project is approved.

An additional 5 per cent deduction is allowed to companies that fulfill each of the following conditions: if they are sited in a "development area," produce a "priority product," or use a specified percentage of local content.

This tax credit may be carried forward in case of loss or insufficiency of income until fully utilized against subsequent profits.

Four types of export incentive are also available. These include an export allowance, payroll tax relief, accelerated depreciation allowance, and deductions for export promotional expenses.

Singapore Makes Great Strides

The island city is attracting new industries, foreign investors, and more tourists, and the port is bustling. Trade with Canada is expanding, with demand brisk for more sophisticated goods and services.

W. L. CLARKE, Commercial Secretary, Singapore

One word sums up present-day Singapore—booming. Magnificent new hotels, high-rise office towers and large apartment complexes are sprouting up everywhere. Unemployment is negligible, foreign trade and manufacturing production are expanding rapidly, and Singapore has become the banking and financial center of Southeast Asia. As the world's fourth largest port, it enjoyed another record year as cargo discharged and loaded passed the 45-million-ton mark. More Canadians could take advantage of the opportunities here and in the neighboring area. The following paragraphs give the highlights of the past year and discuss the potential for enterprising Canadian businessmen.

The gross national product rose by 19.5 per cent in 1970 over the 1969 figure to $1.4 billion. This is sharply up on the previous five-year average of 11.9 per cent and all indications point to another sizable increase in 1971. Per capita income was $875 in 1970, 17.6 per cent higher than in 1969; Singapore now has the highest standard of living in Asia, with the exception of Japan. The latest trade statistics—July 1970 to June 1971—indicate total trade of $4.43 billion, an increase of 12.5 per cent over the previous twelve months. Another encouraging statistic is that only 532 man-days were lost by work stoppages during the 1970/71 fiscal year. Bank deposits increased 16.4 per cent and the foreign exchange reserves rose from U.S.$975 million to U.S.$1,185 million by the end of 1970. Inflation was well contained as the consumer price index rose by only a meager 0.4 per cent during the past year. The closing of the British military bases will be completed by the end of October and almost 17,000 civilian employees will be displaced, together with a loss of $100 million in British military expenditures. However, the Singapore authorities are confident that they can meet this problem by increasing industrialization and accelerating construction in the public sector.

The Singapore Government is working hard at developing production of high-technology goods for export. These girls, for example, are helping to assemble electronic products that will be shipped out to many parts of the world.

Industry—Foreign investment again rose rapidly during the past year and several new projects were announced: Plessey of Britain, Philips of the Netherlands, Rollei Werke of West Germany, North American Rockwell of the United States, and Mitsubishi Shipyards of Japan all plan new factories to produce high-technology, export-oriented goods. This is in line with the Singapore Government's policy of promoting investment in sophisticated products and services aimed at offshore markets. Singapore has been so successful in attracting new investment and jobs for its workers that it can now afford to be more selective in vetting foreign investment. The Jurong Industrial Park has more than 300 factories and over 60,000 workers in an area that ten years ago was only a mangrove swamp. More than ten new industrial parks have been established and they

TABLE 1

CANADA'S PRINCIPAL EXPORTS TO SINGAPORE, 1970

	$
Aircraft and parts	2,814,340
Newsprint	1,906,913
Zinc	973,017
Log-handling equipment and parts	788,359
Potash	701,334
Wheat	646.900
Asbestos	478,763
Aluminum ingots	207,158
Files and rasps	189,783
Salmon, frozen and smoked	116,418
Copper pipe and tubing	111,033
Cranes and derricks	109,938
Milk, powdered	106,082
Apples	90,316
Typewriters and office machines and parts	89,194
Motor vehicle parts and accessories	75,180
Chain saws, parts and accessories	68,781
Wood pulp	65,730
Tobacco	51,933
Total of listed items	9,591,172
Total exports, including all others	10,797,282

Source: Statistics Canada, Ottawa.

TABLE 2

CANADA'S PRINCIPAL IMPORTS FROM SINGAPORE, 1970

	$
Rubber, crude natural	12,396,480
Pineapple, canned	3,013,624
Textiles, made-up garments	1,701,526
Lumber, mahogany and exotic species	406,963
Wigs	405,997
Textiles, fabrics	360,938
Plywood, mahogany and other hardwoods	279,580
Integrated circuits	218,548
Radio sets (transistors)	191,638
Coffee, green	189,771
Towels, cotton	156,773
Pepper	132,105
Feathers	99,265
Rags, wiping	82,300
Fish, tropical aquarium	78,268
Pleasure sport craft, self-propelled	65,087
Total of listed items	19,832,863
Total imports, including all others	20,210,832

Source: Statistics Canada, Ottawa.

are filling up as space in the tiny Republic is almost at a premium. Textiles and garments, refining and petrochemicals, wood and paper, shipbuilding and ship repairing, packaged foods, beverages, and electronics have led the way in industrialization. Singapore is now concentrating on attracting new establishments in such areas as metals engineering, advanced electronics, computer, aerospace, optical and science-based industries.

Banking—The Government has taken active steps to develop Singapore as a major financial center for Southeast Asia. Regulations on the establishment of financial institutions are being liberalized and six foreign banks have just been given the green light to set up banking operations in the Republic. The stock market and merchant banking are also important activities. There are now 32 foreign operating banks and 22 foreign banks with representative offices in Singapore. This rapid growth of banking can be largely attributed to the following factors:

1. The large number of multinational corporations which have set up regional offices here to service their Southeast Asian operations.

2. The growing affluence of a steadily expanding middle class.

3. The sharp rise in manufacturing output.

4. A stable Government, a strong currency, and a well-developed banking system able to handle international financial transactions efficiently.

It is also the center of the Asian Dollar market, an off-shoot of the Euro Dollar market; trading recently passed the U.S.$500 million mark. The gold market, established in 1969, was estimated at more than $50 million during the past year, indicating considerable interest in this field too. Although there are so far no Canadian banks with offices in Singapore, it may only be a matter of time before they become more directly involved.

Tourist Trade—The Singapore Government has made an all-out effort to tap the lucrative tourist market. In 1970 some 521,654 foreign visitors (including 8,000 Canadians, 60 per cent more than in 1969) came to Singapore, an increase of 27.6 per cent over 1969, and they contributed an estimated $91 million to the local

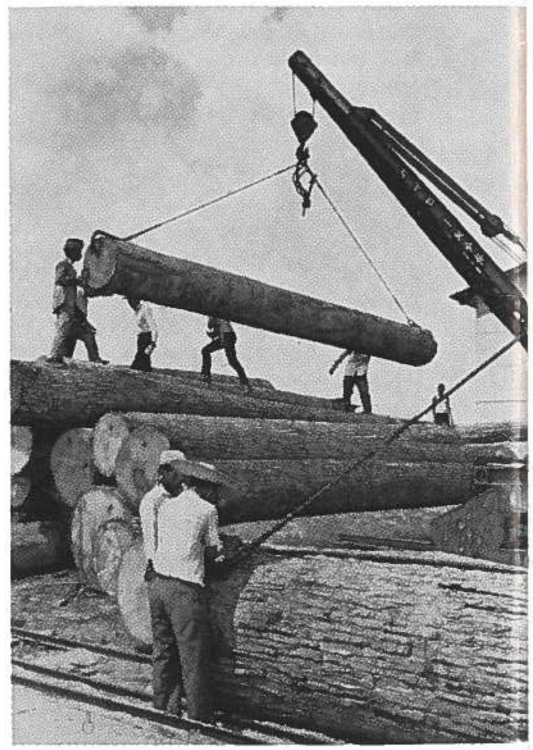
In a crowded outdoor market in the heart of Singapore, fish, vegetables, fruit and many other types of goods attract the peripatetic shopper. With a population of about 2.1 million the city has both crowded old-style bazaars like this and up-to-date industrial estates, with modern plants turning out sophisticated goods and providing badly needed employment for thousands.

economy. The Government has embarked on a major publicity campaign abroad and is establishing tourist promotion offices around the world. The island of Sentosa, just off the coast, is being developed as a tourist attraction to include an 18-hole golf course, a swimming/boating lagoon, public parks, a planetarium, and a cable car connecting the island with the mainland. More than twenty first-class hotels are either under construction or have recently been opened and more than 10,000 beds are now available. Singapore has been widely projected as a convention and conference center, especially since the Commonwealth Prime Ministers' Conference held here last January went off so smoothly. The international airport has been renovated and expanded to accommodate the jumbo jets that began arriving in July. An Asian Development Bank loan of U.S.$20.5 million was recently granted for a new airport complex. The authorities are in the process of selecting a foreign consultant for this large project and one Canadian firm has been shortlisted for it.

Trade with Canada—Trade between Canada and Singapore reached a record in 1970 of over $31 million compared with $26.8 million in 1969 and only $18.3 million in 1968. Canadian sales in 1970 to the Republic totalled $10.8 million and our imports from Singapore $20.2 million. (Tables 1 and 2 give a breakdown of the major items in this trade.) However, these figures are still rather low in comparison with the over-all imports of the two countries and there are many opportunities for increasing and diversifying the trade. Prospects are excellent for Canadian suppliers of electrical and electronic equipment, high-quality packaged food products, thermal power equipment, forest harvesting and woodworking machinery, non-ferrous minerals and metals, packaging and materials handling machinery, oil exploration equipment, and specialty consumer goods.

Canada introduced several new items to this market last year: frozen beef for the hotel trade, conveyor belt vulcanizers, Twin Otter airplanes, industrial safety equipment, animal vaccines, welding equipment, lighting panels, and office maintenance chemicals and equipment. One of the largest Canadian engineering firms recently won a contract against international competition for consulting and management services for the first stage of a new two-million-kilowatt thermal power station in the Republic. This is the largest engineering contract ever won by a Canadian firm in Singapore and is further proof of the acceptance of Canadian expertise in this field.

There is plenty of scope for Canadian exporters and investors in Singapore and the Commercial Division of the Canadian High Commission in Singapore will be pleased to assist in developing connections. We believe that Singapore is a must on any businessman's itinerary in Asia.



Singapore does not have a big wood supply of its own, but it does have a large sawmilling industry, based on timber bought from Indonesia and East and West Malaysia. This is processed here into lumber and into plywood and plywood products.

This low-cost housing estate is one answer that the Government is making to Singapore's housing needs. Over two million people are packed into an area of just over 225 square miles, and providing suitable living quarters for them is a perennial problem. To the left of the picture and also in the right foreground, one can see factories, either completed or being built. It is part of the policy to locate plants that can use a great deal of labor in close proximity to the housing estates.

Thailand Makes Economic Adjustments

Trade deficit in 1969, reduced demand for rice, loss of United States military expenditures, and fewer tourists have brought problems that the Government is combatting, with some success.

DAVID RYAN
Assistant Commercial Secretary and Vice Consul, Bangkok

The year 1971 has so far been a difficult one for Thailand. The economic problems which had been accumulating for the past two years came to a head as plans were being made for the forthcoming Third Five Year Economic and Social Development Plan. An air of confidence still prevails in political and business circles, however, and hopefully the problems are on their way to a solution.

Rice, grown in paddies like this, used to rank as Thailand's biggest export and biggest earner of foreign exchange. It has now dropped significantly in value and has yielded first place among exports to maize, sold for higher prices.

The first signs of serious trade and fiscal difficulties appeared in 1969 and the Thais realized that these would have to be remedied without affecting the ambitious development plan, the favorable investment climate, and the defence and security plans. The economy made rapid growth over the last decade, generated primarily by an export boom in the early sixties and sustained by increasing United States military expenditures, foreign investment and tourism. This surge created economic stresses and strains that are having their effect on the economy.

For the first time Thailand had a trade deficit in 1969, and this increased to $178 million in 1970, despite a rise in import duties. It was particularly marked with Japan, Thailand's dominant trading partner, and the Government is interested in finding alternative foreign suppliers. The rate of economic growth last year was only 6 per cent in real terms, 2 per cent lower than anticipated. Government officials are concerned, but they are approaching Thailand's economic problems cautiously by cutting back the budget and deliberately avoiding moves that will have a direct effect on the public, in order to avoid a large-scale recession. They are succeeding admirably.

Agriculture is the king-pin of the economy and Thailand's success in exporting agricultural produce, especially rice, has a significant effect on the trade figures. Eighty per cent of Thailand's 35 million people derive their income directly or indirectly from agriculture and last year this sector contributed 28.8 per cent to the GDP. Despite the importance of agriculture, the rapid economic growth of the past decade led to a complacent attitude and a concentration on the industrial and service sectors. As a result, Thailand's exports are now undergoing a considerable change.

Rice, which has been Thailand's largest export and foreign exchange earner for some fifty years, has dropped significantly in value and traditional markets are becoming saturated. The so-called "green revolution" is assisting many countries that were formerly rice importers to satisfy the domestic demand and, in some cases, produce sufficient for export. Production and exports of rice have increased but income from it decreased some $11 million for the first half of this year compared with the similar period last year.

Maize has risen to a position of primary importance for the first time. A come-from-behind winner, it has surpassed expectations and production has increased 10 per cent over last year with a corresponding increase in exports. Good market prices have made it the largest foreign exchange earner for 1971. If production continues to rise at the same level, however, much greater marketing efforts will have to be made and this could lead to difficulties in the future.

Rubber is the third largest agricultural export and the fourth largest foreign exchange earner, but it too has run into difficulties. World markets for rubber are soft and prices are at their lowest in five years. Problems of production have been aggravated by terrorist activities in the growing areas.

For most of the agricultural crops, and for other products such as fluorite, Thailand now must search for new markets to avoid complete dependence on a few countries and volatile market conditions. Eastern Europe appears to be the new frontier. A recent trade mission to these countries has already turned up some attractive prospects involving the barter of machinery for agricultural products, and investment loans with repayment in commodities.

This is not the only solution to Thailand's agricultural problems, however, and the Government has made definite provision in the upcoming Five Year Development Plan to diversify crops and assist farmers by making it easier to get government loans and by encouraging co-operatives.

Unfortunately, Thailand's economic problems are not only related to agriculture. The foreign exchange reserves have been affected by the withdrawal of United States troops. Military investment by the United States at the height of the Vietnam war was significant, generating jobs and stimulating the economy. With the gradual de-escalation, half the United States troops have been withdrawn and expenditures have dropped radically. As a result tourism, which relied heavily on troops coming on R and R leave, has dropped, with a loss of some 200 million G.I. dollars. The economic slowdown in the United States has added to tourism problems, and luxury hotels are now only 25 to 40 per cent booked. The United States withdrawal also has had a significant effect on the economy. The Thai Government must now stress its own defence program and government funds are being diverted from social and economic to military programs.

WHAT THAILAND IMPORTS* (1969)

	$ million
Foods	
Dairy products	34.1
Cereals and cereal products	8.3
Coffee, tea, cocoa, spices	6.9
Other, n.e.s.	16.0
Beverages and tobacco	
Beverages	1.0
Tobacco and products	23.4
Crude materials inedible	
Pulp and waste paper	5.1
Textile fibers	14.5
Crude fertilizers and minerals	6.7
Metal ores and scrap	8.8
Other, n.e.s.	5.7
Minerals, fuels and lubricants	90.1
Animal and vegetable oils and fats	
Non-essential oils and fats	2.9
Chemicals	
Chemical elements and compounds	24.1
Dyes and coloring materials	17.1
Medical and pharmaceutical products	33.1
Essential oils, perfumes, etc.	12.3
Fertilizers, manufactured	19.7
Explosives and miscellaneous chemicals	57.2
Manufactured goods classified chiefly by material	
Rubber manufactures, n.e.s.	16.3
Paper, paperboard and products	30.6
Textile fabrics and articles	74.6
Non-metallic manufactures, n.e.s.	18.7
Iron and steel	85.3
Copper	5.2
Nickel	0.8
Aluminum	7.6
Zinc	5.5
Other, n.e.s.	66.4
Machinery and transport equipment	
Power generating (excluding electric)	35.2
Agricultural machinery and implements	1.6
Tractors	22.4
Office machines	5.3
Metalworking machinery	13.7
Mining, construction and other industry machinery	122.0
Electrical machinery, apparatus and appliances	112.8
Railway vehicles	8.0
Road motor vehicles	126.9
Road vehicles other than motor vehicles	3.7
Aircraft	3.6
Ships and boats	9.1
Miscellaneous manufactured articles	
Clothing	6.6
Professional/scientific instruments	12.8
Photographic and supplies	3.2
Printed matter	10.6
Miscellaneous, n.e.s.	95.3
Miscellaneous transactions and commodities	32.9
Total	**1,324.6**

. . . AND FROM WHERE

Country	$ million	Per cent of Imports
Japan	468.7	35.4
United States	238.8	18.0
West Germany	116.0	8.8
Britain	100.2	7.6
Australia	36.9	2.8
Taiwan	30.4	2.3
Italy	29.4	2.2
Netherlands	28.7	2.2
France	24.3	1.8
Switzerland	24.2	1.8
Canada	8.5	0.6
Others	218.5	16.5
Total	**1,324.6**	**100**

*Excluding military purchases

Source: Thai Department of Customs

Only recently were the changes in the Thai economy brought home to the general public so that decreased export earnings and United States military expenditures were not balanced by smaller imports. As a result, balance-of-trade and foreign exchange problems became more serious and the Government was forced into raising import duties on some 200 luxury items. Although this measure has met with considerable success and imports have decreased significantly, it has had some undesirable side effects. The cash flow slowed down and many business establishments had great difficulty meeting their payments. Capital investments came to a virtual standstill and bankruptcies increased. This was primarily an initial reaction, however, and the signs are that things are getting back to normal.

On the fiscal side, Thailand's economy is still facing difficulties. Economic and social development plans, increased defence and security demands, and the accumulation of large foreign debts have put pressure on government finances. There have been rumors of further duty increases on automobiles or tax adjustments to raise more government revenue. But it now appears that the Minister of Finance will submit a deficit budget and will rely on foreign assistance for additional funds.

The future is not as bleak as it sounds and indications are that the country will soon pull itself up and continue a rate of progress comparable to that in other countries of the region. The Royal Thai Government has not ignored, nor has it been ignorant of, the fundamental economic changes needed. For the past few years the Board of Investment has been emphasizing import substitution industries and it is now striving to encourage export-oriented industries to establish in the country. The duty increases of last year have succeeded in virtually halving unnecessary imports and creating a demand for locally made products. There are moves afoot to ease the burdensome red tape involved in exporting and, for the first time, the Ministry of Economic Affairs has a plan to coordinate the efforts of government and private industry in boosting exports of manufactured goods.

Many types of crisp-looking vegetables are on sale in an outdoor market in the city of Bangkok. They are raised domestically, but some other foods, especially dairy products have to be imported; duties on imports were increased in 1970.

The foreign exchange reserves are substantial enough to provide some cushion for adjustment to the changes in the Thai economy and the development plans should not be hindered as a result.

The development plans in themselves indicate that a great deal of thought has gone into the structure of the Thai economy and that remedies for present ills are about to be implemented. Thailand has all the necessary ingredients for economic development: plentiful and rich land, an abundance of labor with quality improving, good credit standing, an active and stable government, a strong currency, and little domestic inflation.

The plan, which will begin in 1972, will attempt to implement the agricultural reforms neglected over the last decade. In an effort to boost agriculture, maize, soybeans, sorghum, rubber and cattle raising will receive special attention for export purposes.

Exports of other natural resources will also be stressed and one can expect shipments of minerals such as fluorite to increase appreciably and mining development to be undertaken in an organized manner. There is considerable hope of a possible discovery of oil in the Gulf of Siam. Six oil companies have expressed their intention to drill and one has begun.

It is the social sector, however, that will benefit most from the Third Five Year Plan. Education alone will receive 40 per cent of development funds in a massive effort to educate the population and to supply the trained personnel required for the growing industrial sector.

Thai economists also point to another good prospect for economic incentives. After much discussion, the long-awaited tariff preferences for exports from less developed countries are gradually being offered by the larger industrialized European nations. This is not likely to increase Thai exports considerably, but the hope is to create and to assist in the development of more manufacturing industries.

The current economic situation is not unusual for a country undergoing adjustment. In fact, it may even be a blessing in disguise because the economic adjustments are coming sooner rather than later. Thai bankers and government officials are confident that the lull will be followed by another surge forward—not as great as the last perhaps, but on a sounder basis.

Tackling the Thai Market

Do it with construction, forestry and logging equipment, mining and other processing machinery, educational aids, and with commmunications and resource development equipment. The results could be profitable.

C. E. RUFELDS, Commercial Secretary, Bangkok

Thailand spends considerable foreign exchange on a wide range and variety of imports—not all of which are available from, or of interest to, Canadian exporters. For some items the distance from the market and high freight cost factors make them non-starters; for others, such as consumer goods, it is unlikely we can ever compete with the Japanese.

It is another story when it comes to specialized construction, forestry and logging equipment; materials handling equipment; mining, industrial and agricultural processing machinery; educational aids and equipment; and Canadian knowhow—particularly in communications and resource development. Canadian products in these areas are becoming increasingly well known and accepted in Thailand, and are, in fact, competitive with anything that other countries can offer.

The major reason for the small total Canadian trade with Thailand (approximately $8.1 million in 1970) seems to be a lack of interest by the Canadian manufacturer. There are two excellent local publications to which a Canadian supplier can subscribe that will bring him—and keep him—up to date on just what he is missing. These are the *Investor*—a monthly publication in the style of *Business Week*—and *Business in Thailand*—a monthly marketing periodical. The Chartered Bank of London also makes available free a handy businessman's guide entitled *Trading with Thailand.* In addition to giving general data, it covers the requirements for establishing a business organization (including the setting up of branches of foreign corporations, business registration requirements, etc.); outlines the taxes (the Thai taxation system is similar to that in other countries but rates are lower); discusses exchange controls (which are liberal, with few restrictions); explains the import licensing policy (liberal, with only 25 items subject to prior approval, principally those competing with local industries) and import documentation; sets out investment opportunities (exciting prospects and many attractive incentives —especially for export-oriented industries); gives rules about capital repatriation (easy, with few formalities); and explains sources of finance (there is no shortage of local capital). This office can tell you where to get any of these publications regularly. But there is one thing these journals don't provide—advice on how you can get your share of the market. Hopefully, the next few paragraphs will fill this gap.

The principal buyer in Thailand is the Government, which, by law, must put all requirements for goods and services out to tender or competition. Regrettably, there is no centralized government procurement or co-ordinating office, and each Ministry, Department, Agency, and Crown corporation, and every branch of the armed forces, maintains its own purchasing/tendering division. Price is important but is not necessarily the overriding consideration; government procurement agencies are becoming increasingly aware of quality. The private sector, although not as large a customer, does handle a broader range of items and services. Marketing methods have changed little over the years and are still person-to-person, much more akin to merchant trading than in the sophisticated North American and European markets. The proliferation, diversification and intimacy of Thai procurement and marketing means that a Canadian supplier wishing to sell here should forget about manufacturer to end-user and recognize that a local representative, importer or agent is a must.

Local Representatives — There are other valid reasons for appointing a local representative and heeding his advice. Some of the more obvious ones are:

1. The agent's ability to communicate with potential and actual customers.

2. Awareness of the different social traditions and structure and acceptable ways of approaching and influencing potential buyers—including the discreet and effective use of the 'facility' payment.

3. Advance information on forthcoming private and government requirements and purchases.

4. Having someone on the spot able to create a requirement where one did not exist and to influence the drafting of the specifications, payment and delivery terms.

5. The opportunity to participate in all government tenders, the majority of which call for submissions a short ten days to two weeks after their publication.

6. Preparation of offers and submission in the proper format.

7. The facility of having, except for very large projects or orders, the mandatory 'bid bond' opened and placed locally by the representative.

8. The necessary follow-up on an offer —and sometimes the ability to arrange

a critically required postponement or extension of a bid deadline.

9. Someone able to guide a transaction to a successful conclusion through the local bureaucracy and red tape, including the expediting of payment formalities.

10. A continuing feedback of commercial intelligence, competitors' policies and practices, and other marketing data essential to the Canadian principal in establishing, maintaining and expanding sales to this highly competitive market.

Carl Rufelds, until recently the Canadian Commercial Secretary in Bangkok, (center, with arm stretched out) goes through the "Tam Kwan" ceremony in a small Thai village, Nakhon Phanom. During this, a string is tied to the wrists to bring good luck. Later he tried out his skill at Siamese dancing during a luncheon given by the District Governor in the compound of a Buddhist temple. Mr. Rufelds made this visit mainly to inspect some engineering projects going forward in the vicinity on the Mekong River, in northeast Thailand. Seen with him in the picture above is Murray Faulkner, a Canadian adviser to the Y.M.C.A. in Thailand.

Three Groups—A Canadian supplier looking for a local representative will find that potential importers, agents and other marketing firms in Thailand fall into three groups. The first is composed of about ten large, financially sound, usually long-established and often foreign-owned companies. Their large turnover, market knowledge, marketing expertise, awareness and application of modern promotion techniques, coupled with their ability to invest considerable time and resources for an anticipated return in the medium and long term are decided advantages. But there are disadvantages. Their lines now tend to be complete and they are often unable or unwilling to take on a new product. Even if they do, the new line may not receive its full share of attention.

The second group is made up of innumerable smaller, often family, importing houses, which generally confine their full marketing efforts to one sector or one line of products. Contacts are their strong point and many firms in this group are unexcelled in their ability to deal effectively with government procurement officials or specific industries. A representative of this type is particularly useful for a Canadian company interested in government tender business (or as the local eyes and ears of a Canadian consulting group) where the agent's personal contacts and connections can be fully used. Exporters of machinery or equipment that requires installation and maintenance should avoid them, however, because usually these firms are middlemen/importers, offering little after-sales service.

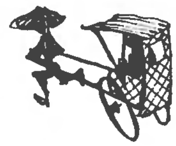
The third group comprises a large and increasing number of companies whose resources and methods of operation fall somewhere between the other two. Because they possess most of the advantages of the other groups and few of the disadvantages, they are of particular interest to a Canadian exporter going into this market for the first time.

Our records contain the names of a variety of potential representatives in the foregoing groups and we would be delighted to give their names to you and help you to select the most reliable, technically qualified and suitable representative.

To ease and speed up the task, you should:

1. Send a detailed letter to the post providing as much information as possible on the type of representation desired, lines the potential representative might already be handling and customers he might be in contact with (which may dovetail well with your company's products). These data, or at least an indication of the usual major buyers or end-users of your commodity or service, will help us to select a number of suitable representatives from whom you may choose one.

2. Send three copies (by airmail, please) of brochures or catalogues and detailed specifications. This latter point is important: government business is done by tender based on specifications, and a prospective representative is unable to assess the market potential for a product accurately unless he is able to compare specifications. The representative must also do a cost, or competitive, evaluation, so provide a price c.i.f. Bangkok in United States dollars. Although the British system of weights and measures is acceptable, it is advisable to quote in metric terms (the most commonly used) and thus avoid any future misunderstandings.



3. Let us know the type of agency agreement or contract you want, including the sales territory to be covered. Because of the time and effort necessary to establish a new product, exclusive representation is desirable and a two-year trial period (renewable yearly thereafter unless cancelled by either party by giving six months' notice) is normal. These terms, however, are flexible and depend to a great extent on the aggressiveness of the importer and saleability of the product. Thailand must be covered by a representative based in Bangkok and it is not essential—except for distributorships—to appoint up-country representatives. Many Thai trading firms, though, also maintain sales and distribution offices in Laos and some even in Singapore and Malaysia. If you want representation for these territories, we can narrow our selection to firms offering this coverage.

4. Be sure to consign any trade samples directly to this office. Customs clearance formalities, even for goods of no commercial value, are involved, but our office can facilitate clearance. And by having the samples we can show them to several local firms and note their interest.

Keeping an Agent Productive—Once you have been provided with a list of potential representatives and are in direct contact with the Thai company, you would be wise to follow these procedures as closely as possible:

1. Correspond in English and reply quickly by airmail, telex or telegram. This market is halfway round the world from Canada and communications are slow at the best. Unless the principal deals promptly with his representative, the local importer will have little faith that orders and shipments will receive any better attention.

2. Clarify and settle the payment terms. Most import/export business here is conducted by confirmed letter of credit or cash against documents. But for some items better terms are necessary to meet established competitive practices. These terms you should resolve at an early date.

3. Prepare and forward the representative a pro forma invoice before the first shipment. Import documentation requirements are not onerous but must be adhered to or there will be costly delays in moving the goods through Customs and to the customer. The importer is well aware of and will alert you to what is required, but the best way to ensure that nothing has been overlooked is to prepare a pro forma.

4. Discuss and resolve the type, form and amount of promotion support that you are able or willing to provide to your representative. Broad advertising coverage is possible through radio, TV, press, movie shorts, and selected publications such as the *Investor* and *Business in Thailand*, mentioned earlier. Advertising is being used more and more but for some products it may be necessary to provide only a supply of complete catalogues that the representative can distribute to various purchasers. You should always clarify the degree of support the representative can expect.

Above all, keep this office informed of your negotiations and dealings so that we can help you to find a representative, correct any request that seems unreasonable, and aid the representative in his initial marketing efforts.

All you need supply are copies of initial correspondence with the local importer—and a little initiative, aggressiveness and co-operation. Given these essential ingredients, you can penetrate the Thai market profitably.

Export Opportunities

The inquiries listed below come from several sources, including various Branches of the Department in Ottawa and the Trade Commissioner Service posts abroad. Exporters should correspond directly with the companies or agencies mentioned, using the addresses given, and should send copies of the correspondence to the Trade Commissioner for follow-up. The Department of Industry, Trade and Commerce cannot assume any responsibility for trade negotiations that exporters may enter into with these firms, nor can it vouch for their commercial standing.

Asbestos fiber

ITALY—One of Italy's major importers and distributors of raw materials wants to locate Canadian suppliers of asbestos fiber not already committed in Italy. Contact: Henry Coe and Clerici, Via Martin Piaggio 15, 16122 Genoa, attention Mr. Nicolini.

Building supplies, hardware

CAYMAN ISLANDS—Local firm wants Canadian supplies of aluminum windows, ladders and steps, readymade wooden doors, formica, zinc sheets, steel reinforcing rods in 20-foot lengths by ¼ inch to 1 inch thick, ⅛ inch hardboard and ceiling board, and general hardware lines. Contact: Kirkconnell Bros., P.O. Box 72, Georgetown.

Canned vegetables

CAYMAN ISLANDS—Graham Thompson and Associates, P.O. Box 7, Georgetown, needs supplies of canned vegetables. Quotes should be c.i.f. Tampa, Florida.

Fish specialties

SPAIN—Madrid company wants offers of fresh frozen shrimps (small North Atlantic type), fresh frozen and smoked salmon, and other specialties such as salmon roes. Contact Peter Carpelan, Scandus S.A., Diego de Leon 16, Madrid 6.

Furniture machinery

SWITZERLAND—Basel firm wants special machinery for the furniture industry. Contact: Commercial Counsellor, Canadian Embassy, Kirchenfeldstrasse 88, 3000 Berne, Switzerland.

Galvanized nails, fish nets

CAYMAN ISLANDS—Local firm wants Canadian supplies of galvanized nails and inexpensive fishing filaments of 15-215 pounds test strength. Contact, with samples and quotes c.i.f. Miami: Al Thompson Building Supplies, P.O. Box 292, Georgetown.

Hospital turnkey contracts

SPAIN—Firm specializing in turnkey contracts for planning, erecting, furnishing and equipping hospitals and clinics wishes to contact similar firms in Canada that can offer these facilities plus financing. Contact: Acondisa, Calle General Yague 13, Madrid 20.

Magnetic Tape

SWITZERLAND—Friedrich/Schaitt, Via Industria 1, 6900 Lugano, wants Canadian pre-recorded magnetic tape (cassettes).

Label paper

JAMAICA—Printing firm wants supplies of Canadian self-adhesive paper and heat-sealing paper. Contact: L. Harrison, Labels Jamaica, 2 West Avenue, Kingston Gardens, Kingston 4.

Office furniture

CAYMAN ISLANDS—General Traders, P.O. Box 64, Georgetown, wants knocked-down metal office furniture and supplies of bond paper for Xerox machines.

Outboard motors

FINLAND—Importer wants to locate Canadian manufacturers of outboard motors for boats. Contact: Nils Elfving, Managing Director, H. A. Elfving Oy, Kumpulantie 3 C, 7th floor, Helsinki.

Paper hand-towels

SWITZERLAND—Novomat AG, Pfeffingerstrasse 104, 4002 Basel, wants supplies of Canadian paper hand-towels.

Shingles, plywood, etc.

CAYMAN ISLANDS—Crewe Road Tile and Building Materials, P.O. Box 497, Georgetown, has requirements for red cedar shingles, plywood sheets ¼ to ¾ inch, asphalt roofing material and shingles, and builders' hardware.

Sod machinery

FINLAND—Helsinki firm wants to locate Canadian supplier of packaging machinery for sod. Contact: Arnold Gerbaulet, Assistant Manager, Oy Dynos Ab, P.O. Box 10089, Helsinki 10.

Steel, commercial

FINLAND—Importer wants to locate suitable Canadian sources of commercial steel of all kinds. Contact: Thor Finckenberg, Vice-President, Oy Telko Ab, Aleksanterinkatu 13, Helsinki 10.

Textiles

SWITZERLAND—Polytextil Handes AG, Burgunderstrasse 42, 4000 Basel, wants Canadian supplies of synthetic fibers, tops and yarns, staple fibers of viscose, viscose tops, endless yarns, monothread, and multithread.

Tungsten, cobalt

FINLAND—Importer and commission agent dealing in precious metals and jewellery wants to find a Canadian supplier for 100 long tons of tungsten powder, 99.2 per cent to 99.5 per cent, with the following specifications: quality 1, granular size 1-2 microns; quality 2, granular size 4-6 microns. The firm also needs 100 long tons of cobalt 99.5 per cent, size 1-2 microns "superfine." Quotes should be c.i.f. Finland and be accompanied by information and samples. Contact: J. E. Backstrom, International Industrial Planning, P. Rautatiek 15A, Helsinki 10.

Agencies Wanted

Aircraft freight containers, crash wagons

FINLAND—Commission agent seeks Canadian suppliers of aircraft freight containers and handling equipment, and crash wagons for airports. Contact: Oy Tele-Air Limited, Mikonkatu 1B, Helsinki 10.

Bicycle accessories

FINLAND—Oy Feckler and Co., Ab, Mannerheimvagen 16A, Helsinki, wishes to represent Canadian suppliers of all kinds of bicycle accessories, such as bells, pumps, pedals, handlebars, saddles. Contact: L. J. Nordgren, president of the company, at above address.

Building materials

SWEDEN—Importer and commission agent wants to locate Canadian manufacturers of building materials such as corner beads, wallpaper tapes and joint cement for wallboard. The company also wants metal studs and metallized polyester for welding for the building industry. Contact: Bertil Hogdahl, Vice-President, Investa Erik Hogdahl Ab, Fack, S-182 02 Danderyd, Sweden.

Canned salmon

JAMAICA—Kingston firm wants agency for canned salmon in consumer packs of 4-, 8- and 16-ounce sizes. Contact, with c.i.f. Kingston prices and product information: J. Levy, Director, Adolph Levy and Bros. Ltd., 59A Harbour Street, Kingston.

Chain saws

BRAZIL—Two Brazilian companies want to represent Canadian manufacturers of chain saws. They are: (1) Montgomery-CISA, Maquinas e Motores S.A., Caixa Postal 42.476—Setor 11, Sao Paulo, SP., and (2) Cocito Irmaos Tecnica S.A., Rua Capistrano de Abreu 205, Caixa Postal 275, Sao Paulo, SP.

Crash tenders

FINLAND—Oy Norimex Ab, Glogatan 3 A 46, Helsinki, wants to locate a Canadian supplier of large crash tenders for airfields. The gross weight of such tenders should be a minimum of 14 tons, with both foam and water tanks.

Crockery and glassware

SIERRA LEONE—A company of importers and distributors is looking for a competitive supplier who can offer a complete range of good quality crockery, glassware, dishware, etc. Contact: T. Chothram and Sons Limited, 5 Rawdon Street, P.O. Box 25, Freetown, Sierra Leone, attention Mr. Aswani.

Mobile cranes

FINLAND—Importer and manufacturer of construction elements and implements wants to locate Canadian suppliers of all kinds of mobile cranes for the building industry. Contact: Lauri Jamsa, Managing Director, A-Elementti Oy Rakennusmies, Heikkilantie 8, Lauttasaari, Helsinki.

Pharmaceuticals

UNITED STATES—A firm of manufacturers' representatives covering the United States would like to represent Canadian suppliers of pharmaceutical raw materials and natural items for the pharmaceutical and health food industries. Contact: G. E. Steinheim, president, Samrak Chemical Corp., P.O. Box 510, Mount Vernon, New York, 10551.

Pork and other meat, canned, cured and fresh

UNITED STATES—H. H. Greenbaum, export agents specializing in sales to the Middle East and the Caribbean, wishes to represent Canadian producers of pork and other meat, canned, cured, and fresh. Contact: G. Greenbaum, H. H. Greenbaum Inc., 165 Chambers St., New York, N.Y. 10004.

Prefabricated building materials

SWEDEN—Firm selling to industry and retailers wants Canadian supplies of prefabricated building materials such as doors for indoor and outdoor use and window frames. Contact: C. Lundahl, President, Hus och Byggnadsartikler, Fogdegatan 10, S-414 74 Gothenburg.

Ribbons and trimmings

UNITED STATES—Export agent selling to South and East Asia seeks to represent Canadian manufacturers of ribbons and trimmings. Contact: A. Heckler, 1328 Broadway, New York, N.Y. 10001.

Sporting goods

THAILAND—Thai Sport Company, Ltd., 1196-1200 Charoen-Phot Circle, Rama 1 Road, Bangkok, wants to locate Canadian manufacturers of track, field and gymnastic equipment. Contact the manager of the company at above address.

Tape blanks, pre-recorded tapes

UNITED STATES—Export agents specializing in Europe, Africa, the Middle East and the Far East want to represent Canadian manufacturers of tape blanks and prerecorded tapes. Contact: M. Sluis, president, M. Sluis Co., Inc., 15 Park Row, New York, N.Y. 10038.

Textiles

UNITED STATES—Export agents wish to represent Canadian manufacturers of textile piecegoods, printed cottons and rayons. The firm specializes in sales to Singapore, Hong Kong, Japan and Europe. Contact: F. W. Kan, president, Robert Textiles Inc., 312 Fifth Avenue, New York, N.Y. 10001.

Textile fabrics, specialty foods

VENEZUELA—Firm wishes to establish contact with Canadian manufacturers of textile fabrics, linens, tablecloths, clothing, and specialty food products such as chocolates, candies and cheese. Canadian products now selling in Netherlands Antilles would have greatest attraction. Contact, with c.i.f. La Guaira prices and literature preferably airmailed: Carlos A. Morales, Director Gerente, Graciliano Como V. C.A., Calle Guevara, Porlamar, Isla Margarita, Venezuela.

Textile yarns

UNITED STATES—Export agents specializing in sales to Europe, Africa and the Caribbean want to represent Canadian manufacturers of textile yarns. Contact: E. F. Leveen, president, E. F. Leveen and Co., Inc., 358 Fifth Avenue, New York, N.Y. 10001.

Tires for forest machinery

FINLAND—Importer and commission agent wants contacts with Canadian suppliers of steel reinforced tires for forest machinery and equipment. Contact: Lars Andersin, President, Oy Sigma Ab, Kaivoksela, Helsinki 44.

Wall partition systems

FINLAND—Importer and manufacturer wants Canadian supplies of wall partition systems in very light material. Contact: Lauri Jamsa, Managing Director, A-Elementti Oy Rakennusmies, Heikkilantie 8, Lauttasaari, Helsinki.

Wood-working equipment

BRAZIL—Comissao Coordenadora da Exportacao de Madeiras, Caixa Postal 118, 89200 Joinville, Santa Catarina, wishes to represent manufacturers of wood-working equipment for broom handles, mouldings, etc.

Wanted: Manufacturers

This information is intended to promote additional manufacturing in Canada. Further material on items listed is for prospective Canadian manufacturers only. No responsibility is assumed for claims or statements made. Address inquiries, quoting item numbers, to: Industrial and Trade Enquiries Division, Department of Industry, Trade and Commerce, Ottawa, K1A 0H5 Canada.

Audio-visual filmstrip projector

Swedish firm offers under licence the Canadian production and marketing rights to its audio-visual filmstrip projector consisting of a 16 mm still-picture projector with built-in screen and cassette tape recorder. Its most interesting feature is that the user can prepare his own filmstrips from ordinary 35 mm film reduced to 16 mm filmstrip in a special copying machine. Tones from the tape control the change of pictures and programstop. Areas of application include schools, sales promotion, and internal training in companies and organizations. Literature available. **Item 2477**

Car-top carrier

Canadian inventors offer under licence the Canadian manufacturing and marketing rights to a new type of car-top carrier. It is equipped with special hinged rails which can be aligned with the normal stationary rails to provide a track for the carrier box to be moved on rollers down an inclined plane, thus permitting loading and unloading at street level. In folded position the hinged rails lock the box securely in place. The device can be used for carrying a tent trailer arrangement and has numerous other applications. Literature available. **Item 2478**

Pontoon boat kits

American inventor offers under licence the Canadian production and marketing rights to his pontoon boat kits, designed to be assembled with lumber and steel drums obtained locally. No welding, brazing or knowledge of boat building is required. The kits come complete with all hardware, drill bits, nuts, bolts, permatite joining rings, and a list of lumber and barrels needed. Modifications and custom designs can be devised from the basic kit. Literature available. **Item 2479**

Activated carbon

Japanese company offers under licence the Canadian manufacturing and marketing rights to its method of producing activated carbon. The activated carbon is manufactured by a self-carbonization process from sawdust and lumber chips. The fields of application for the finished product, in granular or powder form, include decolorization, deodorization and/or refining of pharmaceuticals, chemicals, water, foods, etc. Literature available. **Item 2480**

Do-it-yourself furniture system

German agent offers on behalf of a Swiss client the Canadian production and marketing rights to a do-it-yourself furniture system. The system, which has been in production for three years in Switzerland, consists of a variety of standardized and interchangeable case-good furniture components packaged in knock-down condition, together with fittings and assembly instructions. The system provides a wide range of variations in the finished furniture which can be assembled at home using only a screwdriver, hammer and set square. Literature available. **Item 2481**

Multilayer pressure vessels

Japanese company seeks a licensing arrangement with a Canadian firm to manufacture and market in Canada its special multilayer pipe pressure vessels. These vessels are made by winding a number of thin steel sheets into a cylindrical coil. Fields of application: reactors, separators, heat exchangers, converters and other high pressure vessels used in hydrocracking plants, ammonia and petrochemical plants, etc. The claimed advantages are economy, strength and safety. Literature available. **Item 2482**

Water-pollution indicator

American company is seeking a licensing arrangement with a Canadian company to manufacture and market its water-pollution indicator. This device can quickly detect certain pathogens in water that are indicators of the water having been used by human beings. Present methods using E. coli require 24 hours for a presumptive indication of pollution. The new method uses an organism called candida albicans and is claimed to reduce the time for a test to less than one hour. Literature available. **Item 2483**

Anti-pollution device for automobiles

Portuguese inventor wishes to appoint a Canadian licensee to manufacture and market his anti-pollution device for automobiles. This new system for internal combustion engines incorporates a compact device for improving fuel economy and for reducing exhaust emissions. Gasoline economies of 10-30 per cent are claimed, as well as reductions of 50-80 per cent in carbon monoxide emissions. Literature available. **Item 2484**

System for controlling the transfer of materials

American company seeks a licensing arrangement with a Canadian firm to manufacture and market its system for controlling the transfer of gases, liquids or particulate solids into or out of a reservoir. The system uses a switch device arranged to interrupt an established circuit and provide a signal when the amount of material extends beyond predetermined maximum and/or minimum limits. The equipment is applicable to tankers for carrying all types of cargoes, particularly inflammable materials or materials in which electrostatic charges tend to build up, e.g. petroleum, flour and sugar. Literature available. **Item 2485**

Pressure filter with automatic discharge

Italian inventor offers under licence the Canadian rights to his patented pressure filter with automatic discharge and timing regulator. According to the inventor, this apparatus for filtering under pressure is completely new in design and offers the following advantages: entirely automatic operation due to a regulator which is set beforehand according to the product to be filtered; use of full filtering surface during filtering operation; nearly static operation of machine. Consisting of 14 groups of elements, the filter is made to work under a maximum pressure of up to 10 atmospheres. This filter has not yet been commercially produced. Literature available. **Item 2486**

Color creation from white light

American company offers to a Canadian

manufacturer the production and marketing rights for its process for combining physical color and subjective color. This is claimed to be a new process in which limited color is created by the flashing of white light in a particular manner. The sequence of flashes can be varied to determine the shade of color created. It is claimed that this process can be used by TV stations to cause the viewer to see flashing color on a black-and-white set. No modification is required on the set or at the station, only the addition of a color translator to the TV camera. Literature available. **Item 2487**

Low-friction bearings

American company offers under licence the Canadian production rights and international marketing rights to its method of manufacturing low-friction bearings with improved wear properties. The long-lasting antifriction bearing surface is comprised of high molecular weight polyethylene sulfide resin combined with other solid substances. In addition to their long life, the bearings are claimed to have good chemical and solvent resistance. Literature available **Item 2488**

Multipoint temperature controller

British firm is seeking a licensing arrangement with a Canadian company to manufacture and market its multipoint temperature controller. The device, through a scanning system, enables an operator to control 24 or 48 heaters from an equal number of thermocouple probes. An indicator is built in as standard equipment and shows the temperature of each point during the two seconds available for control. Possible uses: vulcanization of rubber, press platens, furnaces, control of heated or cooled fluids, stoving or baking units, etc. Literature available. **Item 2489**

Export and Import Permit Regulations

Cotton Textile Yarns under Import Control

Effective October 1, 1971, the following cotton textile yarns, which have been placed on the Import Control List under the Export and Import Permits Act, are subject to import control in accordance with the government measures announced on June 22, 1971, designed to prevent serious injury to Canadian producers of cotton yarns:

Yarns and rovings, including threads, cords and twines, wholly of cotton, other than those:

(a) for use in the manufacture of cotton sewing thread or Schiffli embroidery thread;

(b) for use in the manufacture of crochet, knitting, darning, or embroidery cottons to be packaged for sale at retail for household use;

(c) of count 70 or finer, imported by manufacturers for use in the manufacture of levers' lace;

(d) that are mercerized yarns of count 75 and finer, or

(e) that are two ply, with pearl twist, for use in the manufacture of torchon lace.

Maximum levels—Arrangements have been concluded with a number of suppliers concerning the maximum level of their exports of the above cotton yarns to Canada from September 1, 1971. Imports from these sources, as well as from countries whose exports have not been found to be disruptive, may be brought into Canada under the authority of a General Import Permit, without making application for individual import permits. The General Import Permit will authorize imports from: Australia, Austria, Belgium, Brazil, Britain, China (People's Republic of), Colombia, Denmark, France, Germany (Federal Republic of), Greece, Hong Kong, India, Ireland, Israel, Italy, Korea (Republic of), Luxembourg, Mexico, the Netherlands, Portugal, Spain, Switzerland, Taiwan, Arab Republic of Egypt, and the United States.

Imports from sources not included in the above list will require individual import permits. These permits will be allocated up to an amount not exceeding a quota level of 200,000 pounds for the 12-month period from October 1, 1971, to September 30, 1972.

Any person who wishes to import the restricted yarns from sources not included on the above list will have to submit an application for an import permit on the prescribed form to: Chief, Export and Import Permits Division, Department of Industry, Trade and Commerce, Ottawa, Ontario, K1A 0H5.

Import permit application forms may be obtained from the above office, from any Customs Office in Canada, or from Regional Offices of the Department of Industry, Trade and Commerce in Vancouver, Edmonton, Regina, Winnipeg, Toronto, Montreal, Fredericton and Halifax.

The following procedures will apply to the allocation of individual import permits:

(a) Applications for permits for import shipments during the first half of the quota year (October 1, 1971, to March 31, 1972) had to be received before September 15, 1971, to qualify for the initial allocation. These permits will expire March 31, 1972, and will be issued to a total of about 100,000 pounds. Initial allocation of permits covering the remainder of the annual quota (about 100,000 pounds) will be made on the basis of applications received before February 29, 1972, and will be valid for import shipments during the last six months of the quota year (April 1, 1972, to September 30, 1972).

(b) Permits will be issued for shipments arriving in Canada after September 30, 1971, that were in transit on or before August 31, 1971, but will be counted as part of the initial allocation for the period ending March 31, 1972. Applications to cover these shipments had to be received by September 15, 1971, under the regulations.

(c) Should total applications exceed the available quota in any application period, the date of receipt of applications may be considered and a maximum amount per application of 10,000 pounds may be applied in the allocation of permits.

(d) Import permits are not transferable.

(e) At the end of the first half of the quota year (March 31, 1972) any unused quantities will be carried forward for distribution during the last six months of the quota year (April 1, 1972, to September 30, 1972).

Trade Commissioners on Tour

In Territory

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

Barbados

Officers of the Port-of-Spain, Trinidad, office will visit as follows:

P. S. Dingledine, Assistant Commercial Secretary, November 8-12.

D. Hobson-Garcia, Commercial Officer, December 6-10.

Bolivia

Trade Commissioners from the Lima, Peru, office visit Bolivia approximately every two months.

Bulgaria, Hungary, Romania

Trade Commissioners in the Vienna, Austria, office make frequent visits to these countries.

Cyprus

An officer from the Tel Aviv, Israel, office visits Cyprus approximately every two months.

Dominican Republic, Haiti, Virgin Islands

Trade Commissioners from San Juan regularly visit the Dominican Republic, Haiti and the Virgin Islands.

Finland

A Trade Commissioner from the Stockholm, Sweden, office visits Helsinki once a month for about a week, except during July and August.

French West Indies

J. G. Tardif, Assistant Commercial Secretary in Port-of-Spain, Trinidad, will visit Guadeloupe and Martinique November 15-19.

Guyana

Officers of the Port-of-Spain, Trinidad, office will visit as follows:

J. A. Ahow, Commercial Officer, November 29-December 2.

G. H. Musgrove, Commercial Secretary, February 14-17.

Libya, Sudan

The Trade Commissioner in Cairo, the Arab Republic of Egypt, visits Libya approximately every two months, and the Sudan every six months.

South Korea

Trade Commissioners from the Tokyo, Japan, office visit the Republic of Korea (South Korea) approximately every two months for a week.

Surinam

Officers of the Port-of-Spain, Trinidad, office will visit as follows:

J. A. Ahow, Commercial Officer, November 29-December 2.

G. H. Musgrove, Commercial Secretary, February 14-17.

Turkey

Trade Commissioners in Ankara visit Istanbul frequently.

Windward Islands

Officers of the Port-of-Spain, Trinidad, office will visit as follows:

Dominica—J. G. Tardif, Assistant Commercial Secretary, November 15-19.

St. Lucia—P. S. Dingledine, Assistant Commercial Secretary, November 8-12.

St. Vincent—D. Hobson Garcia, Commercial Officer, December 6-10.

Foreign Tariffs and Trade Regulations

Colombia

The Colombian Government, by Decree No. 410, March 27, 1971, has introduced new patent and trademark regulations to become effective January 1, 1972. Patent protection under the new law is limited to twelve years. There will be an initial grant of eight years with a four-year extension if exploited in Colombia. Under the existing law, patents can be granted for a maximum of twenty years.

The new law specifically protects marks used for products, marks used to distinguish services, and collective marks used by associations or groups of firms to identify common characteristics relative to products sold or services rendered. Trademarks are registered for ten years from date of grant and are renewable for five-year periods indefinitely, as in the old law.

Jamaica

Some Canadian exporters have encountered difficulty in obtaining a preferential rate of duty on the increasing number of goods being transported overland to Florida and Gulf ports for shipment to Jamaica. A through bill of lading is not available on such shipments and the Canada-Miami bill of lading, plus the United States Customs form (Certificate of Continued Customs Custody) which is sometimes difficult to obtain, is being accepted.

However, the Collector General advises that these difficulties may be overcome by including with the other documents a through consignment note (stamped by Canadian Customs at port of exit) to the Jamaican port of entry—Kingston

Jordan

Effective August 15, 1971, all imports into Jordan not routed via Aqaba will be subject to a fine of 30 per cent of the consignment value. This regulation includes goods shipped overland via Beirut and all other ports. The only exemption allowed is for goods shipped via other ports from the country of origin before August 15. Goods sent by air or wholly overland are not affected by the restrictions—Beirut

Mexico

We have been informed that, because the fixing of values on various foreign currencies is unstable at present as a result of economic measures taken recently by the United States, all commercial documentation presented to Mexican Consulates for certification should quote values in the equivalent of U.S. currency which the Mexican Government has fixed at the rate of Mex. $12.50 pesos for U.S.$1.00.

This does not mean that foreign exports will not be paid for in Canadian dollars or other monetary units, for which a separate commercial invoice should be submitted to the Mexican buyer. However, for the sake of uniformity it is recommended that all official commercial documentation destined for Mexico should be quoted in the equivalent of U.S. funds, at least during the present international monetary crisis.

Nigeria

On September 28, 1971, the High Commission for the Federal Republic of Nigeria advised that:

1. The Federal Military Government of Nigeria has, effective immediately, approved the start of arrangements for the change-over to the metric system in Nigeria. All persons or firms bringing new equipment into Nigeria should therefore ensure that such equipment is calibrated in metric units.

2. Manufacturers are also expected to mark or label the guaranteed net contents of all prepacked merchandise in metric units. Such labels must indicate the metric unit. However, it would also be useful to show in brackets the corresponding imperial unit value for ease of clearance at Nigerian Customs.

Trade Lines

Iraq starts to produce sulphur

Test runs at the $28-million sulphur recovery plant at Kirkuk (Iraq) have proved successful. The plant will start regular production with a daily capacity of 200 tons within two months. Designed by the Italian firm TECHINT, it was built by the Anglo-American combine of Parsons Power Gas in 1968, and uses gas from the Kirkuk field for the recovery of up to 400 tons of sulphur per day. The desulphurized dry gas and LPG fractions are to be piped to Baghdad for local consumption via an already completed 16-inch and 8-inch pipeline network—Beirut

U.S. helps Japanese housing problem

A Tacoma, Washington, firm has begun selling pre-cut wooden houses in Japan and expects a market for up to 100 units a year. It is said that five units of one design have already been sold, and that six other designs now have the approval of the Ministry of Housing. It appears that only the pre-cut lumber is being supplied from the United States and that the Japanese distributor provides doors, windows, hardware, etc., and supervises construction—Seattle

Antwerp handles more containers

Containerized merchandise handled at the Port of Antwerp increased by 85 per cent last year over 1969—to 2.2 million tons from 1.2 million the year before—Brussels

Philips invests in Singapore

Philips Industries of the Netherlands will be investing $23.3 million in four new factories on a 66-acre site in Singapore's Jurong industrial estate. The first phase of the construction will consist of two main buildings for the machine factory and one for the manufacture of private telephone exchanges for the entire Southeast Asian market. The machine factory will make sophisticated mechanical parts and machines such as semiconductors, computer parts, all types of color TV picture tubes, and others that demand highly skilled technical knowhow. Initially it will make these parts for its parent and overseas plants—Singapore

New Zealand to produce peat wax

Karangi Minerals Australia reports that operations at its peat wax deposit on the Chatham Islands will reach full scale by May 1973. This announcement follows the completion of a feasibility study which confirmed that the wax—which has similar properties to montan wax—can be extracted economically in crude form at current prices of between $450 and $750 per long ton. Established reserves of this deposit are reported at over five million tons. The initial world market is expected to total 20,000 long tons a year—Wellington

Validity dates for Trinidad contracts

The Trinidad and Tobago Electricity Commission, Port-of-Spain, Trinidad, has warned recently that Paragraph 6 of the General Conditions of Contract stipulated in its tender invitation letter to prospective bidders will in future be strictly adhered to.

Paragraph 6, one of the conditions required for the operation of the World Bank loan to the Commission, states: "A validity period of 90 days from the date given for the opening of bids must be stated on the tender form."

Even though a supplier may be able to effect delivery immediately or in seven days, for example, the price(s) quoted in his bid must hold good for 90 days from the date on which the tender is opened. This must be stated on the tender form, otherwise the bid may not be considered—Port-of-Spain

Brazil plans nuclear power plant

Brazil's first nuclear power plant is to be built by Westinghouse of the United States, which won the tender over German and British consortia and another United States firm. The plant is to use enriched uranium and pressurized water to generate 600 megawatts of power for the rapidly growing demand for power in the Rio de Janeiro-São Paulo region.

The Westinghouse proposal quoted a price, exclusive of civil construction, of U.S.$106 million for offshore purchases, plus 100 million cruzeiros for services to be supplied by Emprêsa Brasileira de Engenharia and Promon Engenharia. Financing for the offshore purchases is reported to be coming from the American Export-Import Bank. When completed in 1976, the plant is expected to supply about 5 per cent of the electrical power needs of Brazil's industrialized southwest—Rio de Janeiro

New Zealand Government to assist steel company

The New Zealand Government has agreed to provide financial assistance to New Zealand Steel Ltd. to help the company over present problems, caused mainly by difficulties associated with its iron-making plant. Up to March 31, 1973, the Government will subscribe to a minimum of four million and a maximum of five million one dollar, 5 per cent cumulative preference shares in the company. These shares will carry an additional entitlement to one half the percentage dividend payment on ordinary shares in excess of 5 per cent—Wellington

China makes loan to Iraq

The People's Republic of China and Iraq have recently concluded an Economic and Technical Co-operation Agreement whereby China will grant Iraq an interest-free loan totalling RMB 100 million (approximately U.S.$39 million). The loan will cover costs of Chinese plant, machinery, equipment and services and will be paid off in Iraqi commodities over ten years, beginning in 1984—Beirut

Oman opens another motel

An Australian firm, Kurth Bros. Pty. Ltd. of Melbourne, has recently built a complete motel for the Sultanate of Oman and shipped it in 131 crates. It is a modular building of 40 rooms, 13 of which are self-contained modern motel units. The remainder include manager's and servants' quarters, kitchens, bathrooms, lounges and a reception area. This is the third motel to be built in this State—Beirut

Japan to supply Argentine microwave network

The Empresa Nacional de Telecomunicaciones (Argentine State Telephone Company) has signed a contract with MARUBENI of Japan and ELINA (Electro-industria Argentina) to supply and install a microwave network at a cost of approximately U.S.$10 million. The project will take about two years to complete and will link various important provincial systems—Buenos Aires

Nigeria sets up bulk purchasing organization

The Nigerian Government has announced that a national bulk purchasing organization will be formed to handle all government imports. To be known as the National Supply Corporation, it will operate as part of the Ministry of Trade. In addition to purchases for Federal and State Governments, the corporation will also become involved from time to time in bulk purchases of essential items in short supply in Nigeria. Officials are already exploring sources of supply for flour, foodstuffs, building materials and fertilizers—Lagos

Mexico exports metallurgy knowhow

The third largest steel producer in Mexico, Hojalata y Lamina, S.A., has agreed to sell its patented sponge iron process for iron ore reduction to the Corporación Minera de Bolivia, S.A. The latter will use the process in its projected steel complex—Mexico, D.F.

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 .99. **To convert column two, *divide* by .99.**

Country and Currency	Value of foreign currency unit in Canadian dollars at October 14	Value of Canadian dollar in foreign currency units
Algeria Dinar	.2093	4.78
Arab Republic of Egypt Pound (official)	2.3101	.43
Argentina Peso (free)	.2011	4.97
Australia Dollar	1.1667	.86
Austria Schilling	.0415	24.10
Bahamas Dollar	1.0044	.99
Belgium and Luxembourg Franc	.0214	46.73
Bermuda Dollar	1.0397	.96
Bolivia Peso	.0402	24.88
Brazil Cruzeiro (official free)	.1830	5.46
Britain Pound	2.5002	.40
British Honduras Dollar	.6078	1.64
Burma Kyat	.2109	4.74
Ceylon Rupee	.1687	5.93
Chile Escudo (bank rate)	.0822	12.17
(free)	.0358	27.93
China, People's Republic of Renminbi	.4188	2.39
Colombia Peso (fixed)	.0490	20.41
Congo (Kinshasa) Zaire	2.054	49
Costa Rica Colon	.1274	7.85
Czechoslovakia Koruna	.1395	7.17
Denmark Krone	.1383	7.23
Dominican Republic Peso	1.0044	.99
Ecuador Sucre (official)	.0402	24.88
El Salvador Colon	.4018	2.49
Fiji Dollar	1.1595	.86
Finland Markka	.2391	4.18
France, Monaco, etc.[1] Franc	.1813	5.52
Franco-African Republics[2] Franc	.0036	277.77
French Pacific[3] Franc	.0099	101.01
Germany D Mark	.3011	3.32
Ghana New Cedi	.9843	1.02
Greece Drachma	.0335	29.85
Guatemala Quetzal	1.0044	.99
Guyana Dollar	.5136	1.95
Haiti Gourde	.2009	4.98
Honduras Lempira	.5022	1.99
Hong Kong Dollar	.1657	6.04
Hungary Forint (official)	.0921	10.85
Iceland Krona (official)	.0114	87.72
India Rupee	.1351	7.40
Indonesia[4] Rupiah	.0024	410.00
Iran Rial	.0134	74.63

Country and Currency	Value of foreign currency unit in Canadian dollars at October 14	Value of Canadian dollar in foreign currency units	Country and Currency	Value of foreign currency unit in Canadian dollars at October 14	Value of Canadian dollar in foreign currency units
Iraq Dinar	2.8123	.36	**Paraguay** Guarani (free)	.0080	125.00
Ireland Pound	2.5002	.40	**Peru** Sol (free)	.0231	43.29
Israel Pound	.2391	4.18	**Philippines**[6] Peso (free)	.1564	6.39
Italy Lira	.0016	625.00	**Poland** Zloty (fixed basic rate)	.2577	3.88
Jamaica Dollar	1.2501	.80	**Portugal & Colonies**[7] Escudo	.0349	28.65
Japan Yen	.0030	333.33	**Saudi Arabia** Riyal	.2273	4.40
Kenya[5] Shilling	.1441	6.94	**Sierra Leone** Leone	1.2371	.81
Korea, Republic of Won	.0027	370.37	**Singapore** Dollar	.3358	2.98
Lebanon Pound (free)	.3184	3.14	**South Africa** Rand	1.4604	.68
Libya Dinar	2.9467	.34	**Spain & Dependencies** Peseta	.0145	68.97
Malawi Kwatcha	1.2494	.80	**Sweden** Krona	.1996	5.01
Malaysia Dollar	.3281	3.05	**Switzerland** Franc	.2522	3.97
Mexico Peso	.0804	12.44	**Syria** Pound (free)	.2711	3.69
Morocco Dirham	.2017	4.96	**Thailand** Baht (free)	.0483	20.70
Netherlands Florin	.2988	3.35	**Trinidad & Tobago**[8] Dollar	.5022	1.99
Netherlands Antilles Florin	.5326	1.88	**Tunisia** Dinar	1.9131	.52
New Zealand Dollar	1.1701	.85	**Turkey** Lira	.0670	14.93
Nicaragua Cordoba	.1435	6.97	**United States** Dollar	1.0044	.99
Nigeria Pound	2.8835	.35	**Uruguay** Peso (free)	.0027	370.37
Norway Krone	.1468	6.81	**Venezuela** Bolivar (official free)	.2235	4.47
Pakistan Rupee	.2109	4.74	**Yugoslavia** Dinar (official)	.0670	14.93
Panama Balboa	1.0044	.99	**Zambia** Kwacha	1.4576	.69

1. Franc is also used in French Guiana, Guadeloupe and Martinique.

2. Chad, Central African Republic, Congo (Brazzaville), Dahomey, Gabon, Ivory Coast, Islamic Republic of Mauretania, Niger, Senegal, Upper Volta, Cameroon, Togoland, and Malagasy. Also Reunion, Comoro Islands, St. Pierre and Miquelon.

3. New Caledonia, New Hebrides, French Polynesia.

4. Exchange rate at August 1971.

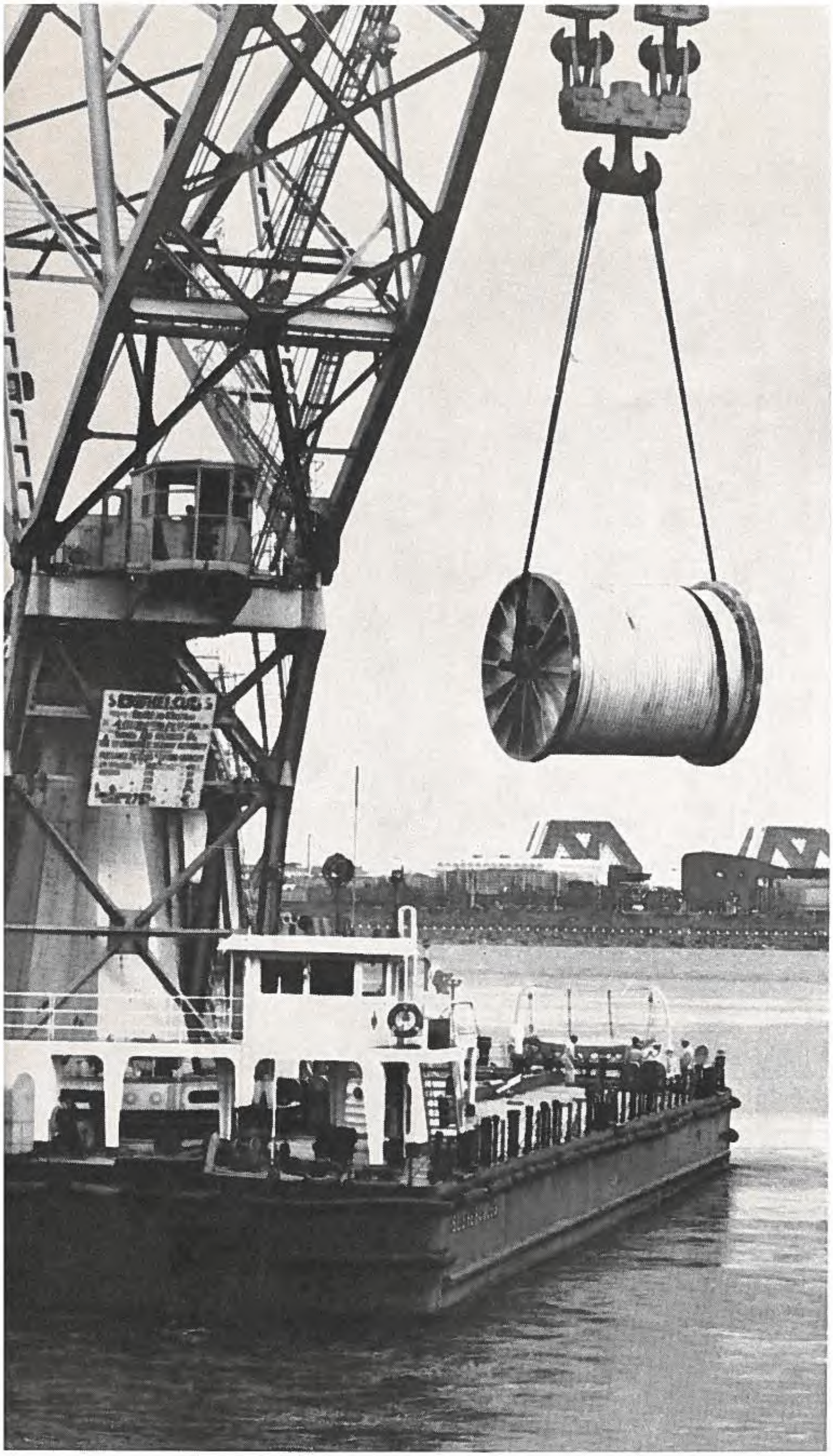
5. Rate also applies to Tanzania and Uganda.

6. Exchange rate in Philippines on floating basis with daily quotations by banks.

7. Approximately same rate for Portuguese territories in Africa.

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

Canadian Cable for Turkish Telephones



This submarine telecommunications cable being loaded at the Port of Montreal is 11,300 feet long, weighs 75 tons, is paper-insulated, and covered with lead. Made by Northern Electric Company Limited, it is on its way to Izmir, Turkey, where it will be sunk in the Bay of Izmir as part of the further development of the Turkish telephone system in which Northern Electric has been engaged for some years. It contains 610 pairs of conductors protected by 65 tons of lead, jute, steel and tar, and will carry both local and long-distance calls.

The cable order forms part of a five-year, $24.5 million contract that covers not only cable but also telephone and switching equipment. Incidentally, it's also the longest and heaviest single length of cable that Northern has ever made.

I T and C Welcomes New Deputy Minister

James Frederick Grandy, who on October first succeeded J. H. Warren as Deputy Minister of the Department of Industry, Trade and Commerce, has spent 23 years in the public service, travelling the road from Foreign Service Officer Grade 1 to Deputy Minister. He has had experience in five different Departments, has served both at home and abroad, and has, he says, "never been bored", thanks to the wide variety of problems and issues with which he has had to deal.

When his service in World War II ended, he was one of five Rhodes Scholars selected from the armed forces. He spent the next two years at Oxford, studying economics and earning a B. Phil. degree to add to the B.A. acquired earlier at the University of Western Ontario. He then joined the Department of External Affairs, serving his apprenticeship with the Economic Division and on the United States desk. His first overseas assignment took him to London, where he followed Jake Warren as Second Secretary at the Canadian High Commission. There he met and worked with many members of our Foreign Trade Service, which he believes is the best in the world.

In 1957, after a home posting with External, Mr. Grandy transferred to the Department of Finance, which promptly sent him back to London and Canada House as Counsellor (Finance). Later, as director of the International Economic Relations Branch of Finance (1959-63), he extended his grasp of economic problems, and also co-operated closely with several of the officials of Trade and Commerce, two of whom are now Assistant Deputy Ministers with his new Department.

Two other assignments added further to his experience and brought him into close contact with both politicians and the business world. One was the year he spent with the Privy Council Office as an Assistant Secretary to the Cabinet. The other was his three years (1964-67) as Assistant Deputy Minister of Finance. There his sphere of operations included the Canadian tariff, trade problems, and domestic industrial policy. These were the Kennedy Round years and he spent most of the last two months of the KR negotiations in Geneva, when decisions had to be reached on big issues still unsettled. This was also the time that Canada was working out with Japan and other countries a system of voluntary export restraints.

Late in 1967, following the passing of a government reorganization bill, Mr. Grandy became Deputy Registrar General—in effect, Deputy Minister of the new Department of the Registrar General. Before the year ended, the nucleus of a consumer affairs program had been formed and the Department changed its name to Consumer and Corporate Affairs.

In contrast to his earlier assignments, he remarks, much of his time in Consumer Affairs has been spent organizing, administering, and building up a smoothly functioning department. In the process, he has increased his contacts with the business community and his awareness of their problems.

How does he interpret the attitude of business toward government in these strenuous days? Among businessmen in general he feels that there is "an improved recognition of the need to be efficient and competitive; fewer people today look to the Government to protect them against competition." Government can assist them best, he believes, by stimulating and encouraging technological advance and by helping firms to take advantage of opportunities to serve the Canadian market or to find customers abroad.

What is his view of the role of Industry, Trade and Commerce as he takes over as Deputy Minister? "In the short term," he says, "its role should be to use ingenuity and intelligence to try to mitigate the effect on Canadian business and industry of the recent

U.S. measures to improve the balance of payments. In the longer term, its main thrust should be towards developing a strategy of economic development that will take into account the external environment in which we shall have to operate. The shape of this environment is not yet clear, but it will be moulded mainly by the direction that United States trade policy takes, by Japanese actions, and by developments within the EEC. These are the crucial factors."

Looking back over his career in the public service, he notes that progress was more rapid and responsibility came sooner for those who, like him, came into the Government when it was smaller and when, as he puts it, "the unconscious selection process started working very early." Today, when a Deputy seldom knows all his officers, it is necessary to evolve a conscious and formal method of identifying promising young men and women and of furthering their development. He has no regrets about his own choice: to him public service is "one of the most interesting careers that one could hope for."

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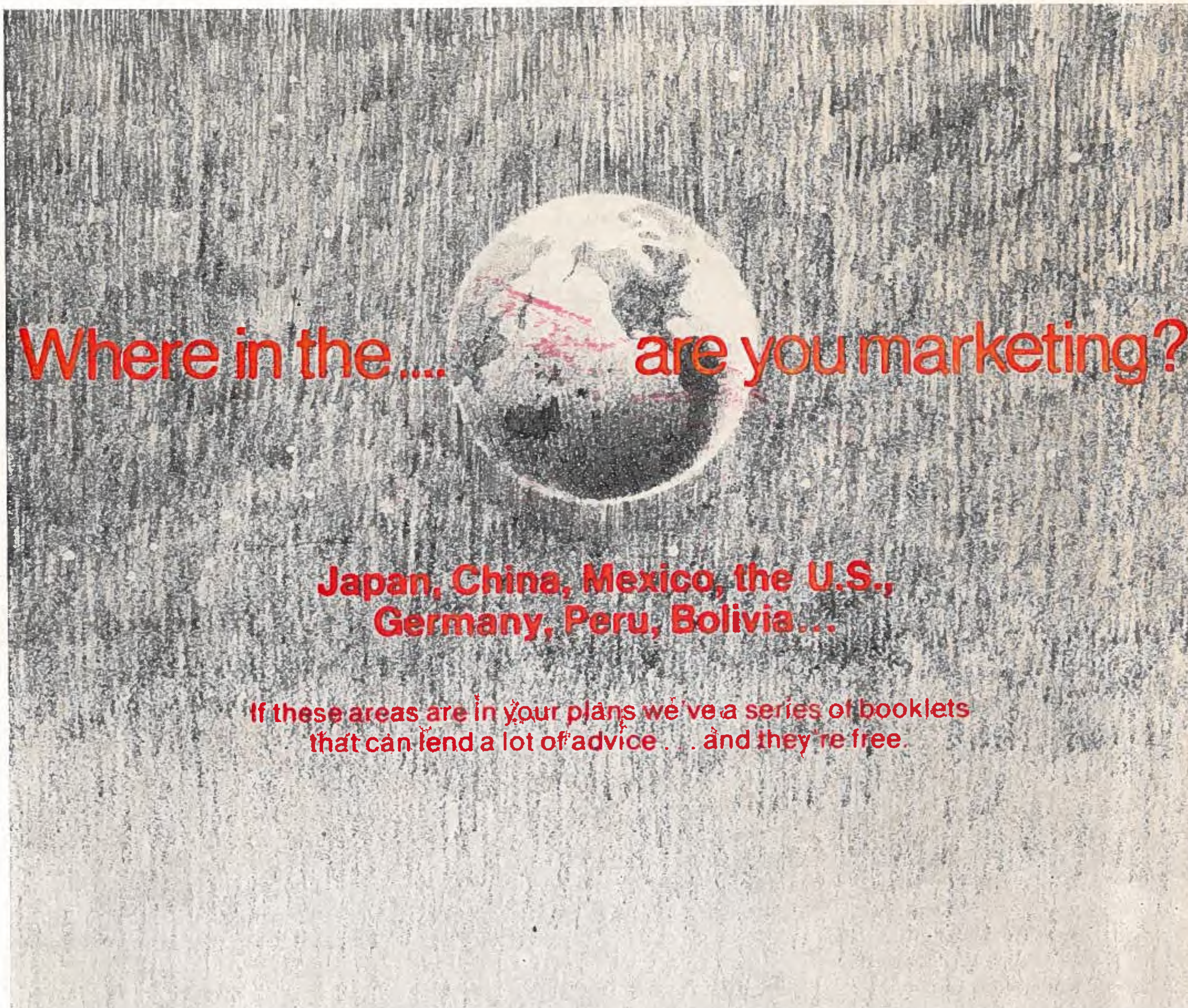

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