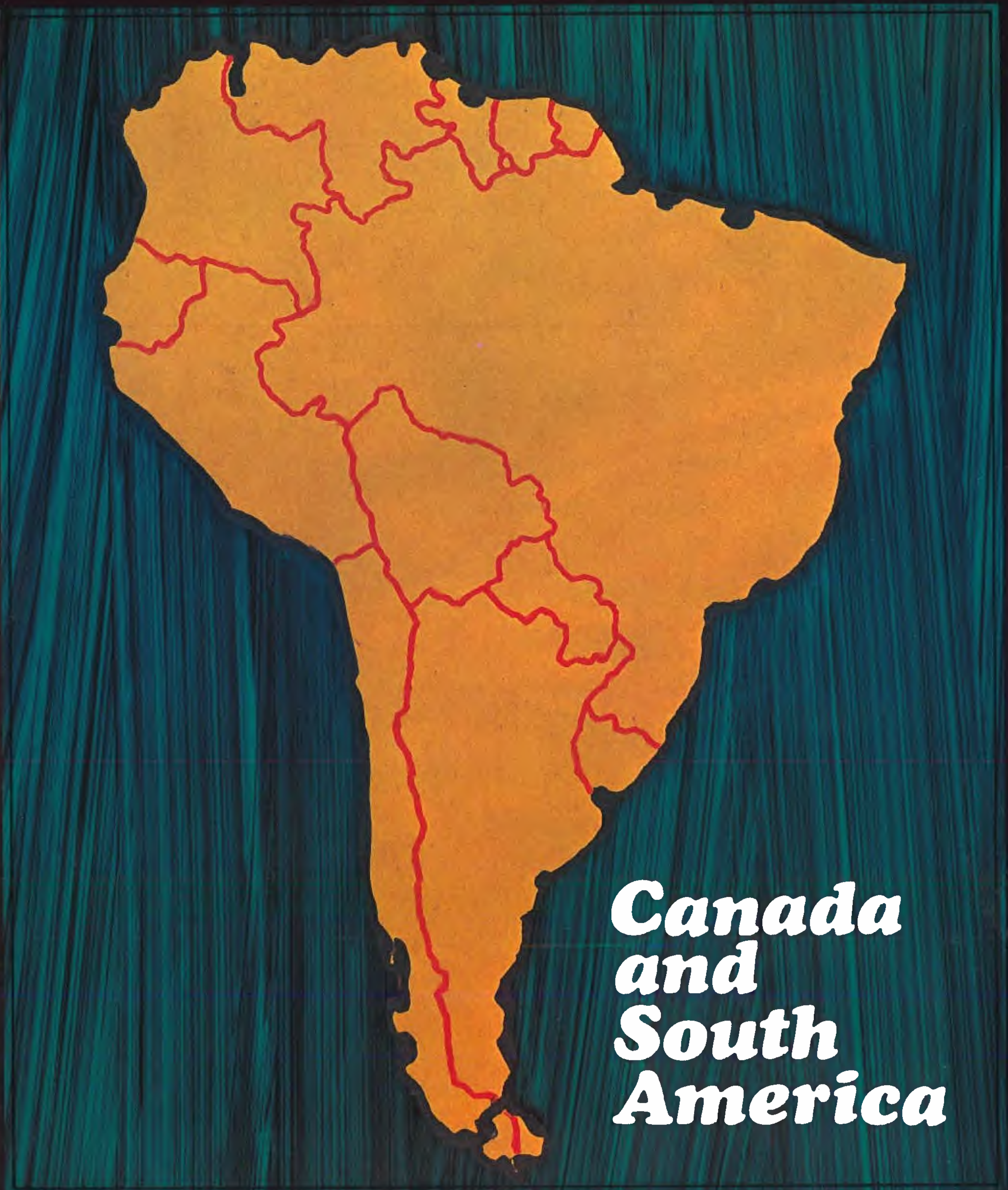
Canada Commerce

July 1973



Canada and South America

A Canadian first in the Philippines

A Uroflometer and recorder set manufactured by Physico-Medical Systems Corporation of Montreal was handed over recently to Dr. Ernesto Palanca, a Manila doctor. Dr. Palanca will conduct tests of this new diagnostic technique for obstructions of the lower urinary tract. Sales of diagnostic equipment often entail a testing period to allow the user to become familiar with the equipment. Indications are that Dr. Palanca is satisfied, opening up possibilities of the Uroflometer being used in Philippine hospitals. The tests were sponsored by Berlimed Philippines, Inc., a local drug firm. Shown here are, left to right, Dr. G. Ksionski and J. Graumann (both of Berlimed), Dr. Palanca, Dr. Maxlen Fernandez (also of Berlimed), W.E. Magee, Canadian Commercial Secretary of Manila, and R.S. Esguerra, local agent of Physico-Medical. Much of the preliminary work introducing the equipment was undertaken by the Trade Commissioners in Manila, and the company says that their efforts made the deal much easier than anticipated.

Canada Commerce

Vol. 137 No. 7 July 1973

In This Issue

The South American market has received a lot of attention in recent months. The mineral reserves alone make the countries in that part of the world of the utmost importance. But it is the potential inherent in the other sectors of the economy that should interest the majority of Canadian manufacturers. The Latin American Free Trade Association, and the Andean Group within that organization, are together creating a market situation along similar lines to the European Community. Our articles this month point out what the opportunities are, how to go after them, and indirectly ask the Canadian businessman why he is letting his foreign competitor beat him so consistently.

It is, of course, impossible to provide within the pages of this one issue complete information on all facets of economic development in the various countries of South America. The Canadian Association for Latin America, however, is an important source of information — and of help — for those who want it. An article on CALA appears on page 29. Another source, obviously, is the Latin America Division of the Western Hemisphere Bureau of the Department of Industry, Trade and Commerce.

There are, of course, problems in selling your goods or services in this part of the world. One of them is language, particularly if you are dealing with the Inter-American Development Bank. The main language used in this institution is Spanish. If you don't speak it, then the article on the inside back page tells you how to get around this obstacle.

Because of the importance of this market, our "Frankly Speaking" column this month is a little different. Bob Cumming, Chief of the Latin America Division, writes a little more forcefully than he usually does about Canadian involvement. He feels strongly about the need for Canadian businessmen to be more aggressive in their approach to this area. Perhaps if you have heard him speak on the subject, you will know what we mean. If you disagree with his views, we would be glad to hear from you. This column is open to any businessman who wants to put his point of view across.

Articles

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Canada and South America

N. R. CUMMING, Chief, Latin America Division, Western Hemisphere Bureau

South America, which makes up the majority of Latin America, is an increasingly fascinating mosaic for economists, sociologists, anthropologists and, not least, for international financiers and businessmen. With its rapidly growing population, industrialization and immense store of natural resources, the continent is fast emerging into an era in which its people are determined to have a new role in world economic and political affairs. There are problems, of course; serious problems which must be overcome, but governments are increasingly aware of the need for vigorous remedial action.

In this special issue, our posts in South America provide their view of the markets from close at hand. As a key part of the Canadian embassy, the Trade Commissioner's office provides an invaluable source of information and assistance that is at the disposal of the Canadian business community. Many businessmen have already discovered this, but for those who may be just entering these dynamic markets, it is suggested that he should be your first business contact on arrival in a country for the first time. The Trade Commissioner and his experienced staff can do much to assist a newcomer over the initial hurdles.

Viewed from the perspective of a desk in Ottawa, there have been many changes in Latin America, some apparent but others more subtle, since the previous review was published in *Foreign Trade* two years ago. The Government White Paper, which was published in 1970 and which dealt with both the bilateral and multilateral fields, came to the conclusion that Canada should "draw closer to individual Latin American countries and to select inter-American institutions". Canadian policies have been carefully designed to move in that direction. Canada has become a full donor member of the Inter-American Development Bank and was one of the first nations to be accredited as a Permanent Observer of the Organization of American States; a Canadian Permanent Observer Mission was opened in Washington under an Ambassador accredited to the OAS. We adopted this distinctive position deliberately in order to emphasize our interest, as part of the Americas, in inter-American affairs and particularly to stress that this interest is not merely an extension of Canada's relations with the U.S.

There is a major review under way by the OAS of its structure and purpose in order to determine how it can better fulfil its role in the economic development of the hemisphere. This ferment is also evident in other inter-American institutions as a clear acceptance of the fact that the political and economic realities are not what they were 10 or 15 years ago.

Since the 1971 special report on South America, major developments have occurred in the Andean Group. This is currently the most dynamic of the regional economic groups and the original five member states were joined early this year by Venezuela. The adoption of the Foreign Investment Code set off an international controversy over the future of foreign investment in the area that is by no means completely settled. Our Ambassador in Lima provides a first-hand report on the Andean Group in his article in this issue.

Conditions east of the Andes have not been static either. Brazil has seen unprecedented growth in a period of relative stability which has been characterized by large inflows of foreign investment, and the international business community is watching with interest to see which direction will be taken by Argentina's new popularly-elected Government which took over formally on May 25.

Finally, no review would be complete without some comment on the growth of interest in Canada toward Latin America. The foreign policy review stated that "there is clearly a need not only to increase exports to Latin America quantitatively but to broaden their range as well". Many of the Government's programs have been designed specifically to assist that effort and increasing numbers of Canadian businessmen are using the facilities of the Export Development Corporation and the Department's Program for Export Market Development. Government co-operation with the Canadian Association for Latin America has included the temporary secondment of a senior official from the Department of Industry, Trade and Commerce and a grant from the Department of External Affairs to assist a series of seminars on Latin America for the Canadian business community. This highly successful initiative resulted in a series of one-day conferences this spring in Halifax, Sherbrooke, London, Winnipeg, Edmonton and Vancouver which were attended by about 500 businessmen interested in new markets in Latin America or in expanding current sales to the area. It is hoped that exporters will take full advantage of this new knowledge to pursue aggressively the opportunities spelled out in this issue of *Canada Commerce*. □

Part of the dam and tailrace at the El Chocon site.

Argentina
Pointers to the future

W.R. VAN, Commercial Counsellor and H.G. FAIRFIELD, Assistant Commercial Secretary, Buenos Aires.

On May 25, 1973, an elected government replaced the military regime which took control in 1966. The Government is formed by a coalition party, FREJULI, which received 50 per cent of the popular vote in recent elections. In preparing Argentina for a return to elected government, the military regime chose to concentrate on extensive deficit financing to fill the gap left by insufficient private investment as a means of avoiding a recession. Because of this and other factors, the growth rate has remained low and inflation reached 39 per cent in 1971, then 58.5 per cent in 1972.

Two other factors had a serious effect on the economy in 1971 and 1972. Beef and grain are Argentina's two principal exports and during these two years the number of cattle for slaughter dropped so much that prices soared and there was much less beef for export, putting intense pressure on the cost of living. And during the 1971/72 crop year there was a severe drought which drastically reduced supplies for export and again increased local prices. These two factors also caused a short-term problem in the balance of payments.

But conditions in the beef and grain industries have now changed. The grain crops (including oilseeds) will reach record levels because of excellent weather conditions. The retention phase of the beef cycle has come to an end and the number of cattle for slaughter is increasing. International prices for both products are at record levels. The Ministry of Commerce somewhat optimistically has forecast export earnings of \$3 billion, compared with \$2 billion last year, and also predicts a favourable trade balance in 1973 of \$1 billion compared with \$28 million last year.

The economic policies of the new Government will not come into focus for some time. However, those parts of the election platform of the FREJULI coalition of more direct concern to our commercial relationship are outlined as follows.

In the field of foreign trade, an organization will be created to promote, direct, execute and control exports. Imports will be centralized for the public sector and controlled for the private sector. External trade on Argentine flag ships will be increased. Public firms will have to exhaust local opportunities before importing, and exchange will be strictly controlled.

In the industrial field, the State will take charge of those activities involving monopoly power or strategic decisions, and shipbuilding capacity will be increased.

The Government will also take a look at the pharmaceutical industry, and how medicinal products are sold and distributed, with a view to stimulating local drug production.

This platform involves some major changes. The problem will be to obtain the economic progress desired and at the same time satisfy the economic demands of the working class who provide the main support for the party. Regardless of the direction taken by the new Government and barring an improbable deterioration of the economy, there is considerable potential for increased commercial relations between Canada and Argentina.

Sales of light manufactured products and luxury goods to Argentina will probably continue to be difficult. The former typically carry duties ranging from 80 per cent to 100 per cent and the latter are temporarily banned. But licensing or joint ventures are often viable alternatives. In addition to the traditional import markets, several projects are under way or being considered which will provide opportunities for Canadian exporters. For instance, the railway system is to be modernized and re-equipped to the tune of $500 million, with help from the World Bank. Estimated cost for civil works for the subway system is $63 million, and 125 cars will be needed plus $16 million worth of rails and other equipment.

There will be a demand for used seagoing and steel-hulled side trawlers of about 90 feet in length so that the country can achieve its aim of doubling the fishing catch by 1975. A high priority has been put on the need for studies and inventories of the country's continental shelf.

It is expected that the international and national airports will be expanded and modernized and that airport systems such as instrument landing aids will be in demand.

Agriculture is to be modernized, particularly the beef, grain and oilseed sectors. Agriculture accounts for 80 per cent of exports and is the backbone of the economy.

There will be a growing demand for mining equipment as the mining code is changed to encourage the exploitation of untapped resources. And as the forest industry develops, there will be increasing demands for sawmill, planting and harvesting equipment. Pulp, paper and newsprint are still needed, but Argentina hopes to be self-sufficient in forestry products by the year 2000.

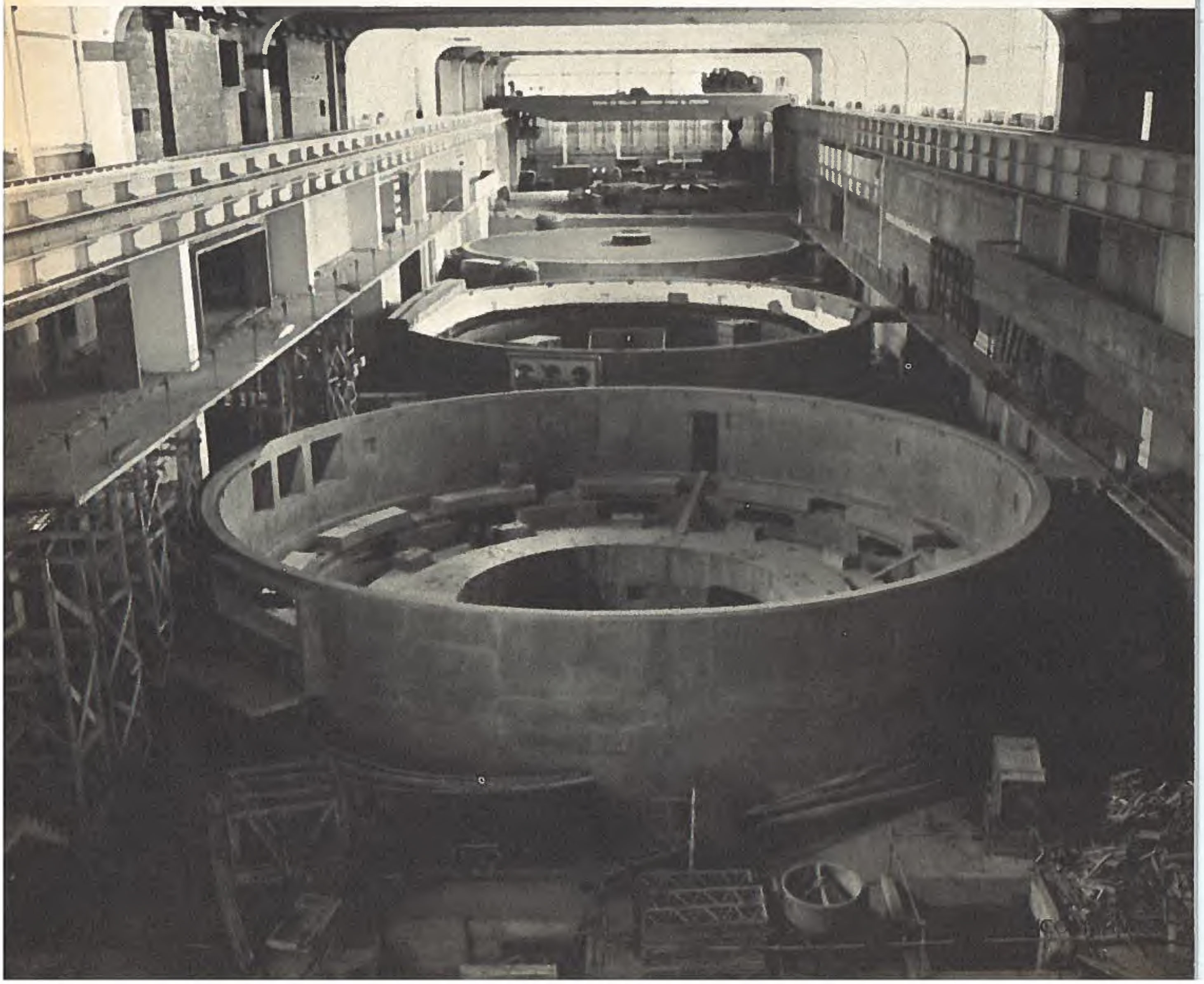
But perhaps the number one priority is the development of power. More domestic oil and gas sources have to be found, and there are several hydroelectric projects either planned or under way.

In most of these areas there will be a demand for engineering services.

Other areas of potential interest to Canadians are industrial chemicals, where sophisticated products are always needed, and electronic and electromedical products.

A good indication of the market potential, apart from Canadian exports to Argentina, which last year amounted to over $57 million, have been the recent awards to Canada of a 600 Mw nuclear plant, worth approximately $300 million, and the construction of a pelletizing plant, worth about $23 million. □

Hydraulic turbine and generator installation at the El Chocon hydroelectric project.



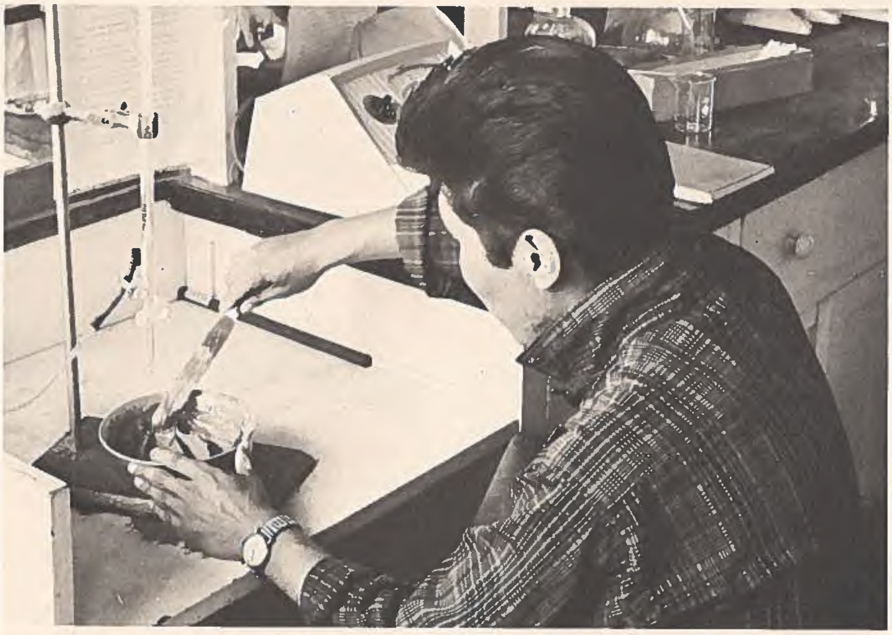
Bolivia

More than meets the eye

E.P. RIGBY, Commercial Secretary, Lima.

Bolivia, as the smallest country in South America, is often ignored by Canadian exporters as a potential customer. In addition to its small size Bolivia is sometimes a difficult country with which to do business. For one thing, shipping to any part of the country is a problem because Bolivia does not have a coast line and all goods must be shipped by inland rail or road. The pace of business, too, is more relaxed than in North America.

Although we cannot say that every Canadian exporter should visit Bolivia on his next trip to Latin America, we do think that more businessmen should consider a stop in La Paz on their way to or from Peru, Chile or Argentina. In addition to business opportunities, La Paz offers interesting ways to spend one or two days. In the first place, it is the highest capital city in the world, approximately 12,000 feet above sea level. Businessmen interested in collecting handicrafts will find some excellent bargains in alpaca, jewellery, and wood work. For those who have additional time, the colonial cities of Sucre and Potosi are among the best preserved in Latin America and the boom town of Santa Cruz, in the semi-tropical eastern part of the country at a much lower altitude, offers an interesting contrast to these centres.



Future agronomists study at Bolivia's Universidad Mayor de San Simon.

Because of Bolivia's relatively small population and its low level of income, it is not a significant market for consumer goods. Unlike most Latin American countries, relatively few items are prohibited entry but high duties limit sales possibilities. The main opportunities for Canadian suppliers are in fields related to the industrial development of the country and the major prospect would be in mining, the traditional base of the Bolivian economy.

Tin has always been the chief mineral export from Bolivia but now the country is developing a broader range of mineral production. Mina Matilde, on the shores of Lake Titicaca, is a significant producer of lead and zinc concentrates. Several other areas of the country present opportunities for lead and zinc development, and copper, bismuth, iron ore and other mineral deposits are being exploited.

The most publicized mining prospect in Bolivia at present is the Mutun iron ore deposit on the eastern frontier. This is a very large deposit which has been known for at least 100 years and now trial shipments are being made from the mine site to steel mills in Argentina. The Bolivian Government has set up a special state company, SIDERSA, to undertake this project, and discussions are being held with the World Bank and other international financing agencies in an effort to obtain some international credit. If these are successful, the Bolivian Government will also be approaching individual countries for credit. At least $100 million will be required.

The World Bank has been studying Bolivia's mining sector for several years and it is reported that it will be providing a series of credits, the first of which will go to medium-sized mining enterprises. These are the mines that were not large enough to be nationalized when the State took over the major ones, but they do employ fairly sophisticated production technology. This is the most dynamic sector of the industry in Bolivia and it is understood that further credits will be made available to COMIBOL, the state mining company which runs the largest mines, and to Banco Minero, which will provide relending facilities for the smaller mines.

Canadian suppliers wishing to participate in sales through World Bank credits should set up representation in Bolivia so that their products will become known to potential customers. Purchasing decisions will be made in La Paz according to rules set out by the Bank. The Commercial Division of the Embassy in Lima maintains contact with a number of Bolivian agency companies and would be pleased to make suggestions.

The oil industry is rapidly becoming an important part of the Bolivian economy. Oil has been produced in Bolivia for some time, with an oil pipeline running from Santa Cruz to the Chilean port of Arica and a gas pipeline running from the Santa Cruz area to Argentina. Additional seismic studies and a small drilling program are being developed by YPFB — the Bolivian State oil company. One of the most significant recent developments in Bolivia was a contract signed between the Government and Union Oil Company of California, under which Union Oil will explore an area of approximately two million acres in northern Bolivia. This should mean that a significant amount of money for exploration will enter Bolivia. It also represents one of the first major foreign investments in Bolivia under the present Government.

Transportation shows potential for Canadian exporters. De Havilland recently signed a contract for the sale of two Twin Otters to YPFB and there are prospects of further sales to the Bolivian state airline. The Government is also involved in a major program to improve the national railroad. This will probably consist mainly of purchase of railway cars, track replacement and maintenance supplies, small shunting locomotives and other small items. It will be followed by a second phase which will mainly involve purchase of larger locomotives.

Santa Cruz is booming as the agriculture and lumber centre of Bolivia. The main crops are cotton and sugar and the forest industry is based on tropical hardwoods. Competition from Brazil and Argentina makes sales of conventional farm equipment from Canada difficult, but forest harvesting equipment should sell in this area. We have also received some enquiries for small, fast amphibious vehicles.

No report on Bolivia would be complete without some reference to the political and economic situation. On the political front, Bolivia now has one of its more stable governments. The army-backed coalition of President Hugo Banzer has been in power since August of 1971 and is the first government for some years to feel strong enough to impose unpopular measures to correct serious economic difficulties.

The most important measure undertaken was devaluation of the Bolivian peso by 66 per cent last year. This devaluation, accompanied by a series of fiscal reforms and an improved planning system, should give the country the best opportunity for rapid economic development that it has had for many years. Although some of the economic benefits have already been eroded through wage increases, it is hoped that enough will remain to help the development of the country.

One of the major efforts of the present Government is to encourage foreign participation in the country's economic development. The Government is prepared to offer generous concessions to foreign companies interested in investing in joint ventures with either state companies or private firms. Opportunities exist for Canadian mining, oil and gas companies and our Embassy in Lima has contact with a number of private and government organizations interested in assisting foreign investors. In spite of the difficulties of doing business in Bolivia, growing numbers of Canadian businessmen have found it worthwhile to pursue opportunities there. Those exporters who can offer equipment to suit the requirements mentioned in this article should make an effort to add their names to the list. □

Brazil

Outstanding economic development

PAUL A. THÉBERGE, Consul and Trade Commissioner, Sao Paulo.

Much has been written about the Brazilian economic "miracle" and 1972 was a year of great economic achievement, with a net estimated increase in the gross national product of 10.4 per cent (GNP now stands at $50 billion). So fulsome has been the praise that President Medici himself had to put things in perspective by declaring that Brazilian economic performance in recent years is simply the result of hard work. In any event, Brazil has been attracting considerable attention as the first developing nation to reach take-off point by applying conventional market principles to development. Sao Paulo has become a centre to which international business leaders have converged to witness the economic phenomenon. The city is a forest of modern skyscrapers with breathtaking pace of business.

A main characteristic of Brazilian economic policy in 1972 was a vigorous and imaginative export drive which culminated in Brazil Export 72, a huge samples show to which about 2,000 foreign businessmen, including 30 Canadians, were invited. Unusual measures were taken, such as Decree-Law 1236, which allows duty-free import of complete industrial plants provided the production is essentially for export. Another export promotion device created in 1972 was the trading companies similar to those which spearheaded the Japanese and German economic recoveries. The clear inference is that with trading companies Brazil may well follow the same path to success. The trading companies are essentially export-oriented and import activities are to be minimal, if permitted at all.

Ports are being developed with an eye to exports; in fact, they are being called export corridors. The first phase of the program involves modernization of the ports of Santos, Paranagua and Rio Grande. Industrial developments, such as the new Ford engine plant to be operational in 1975, have been granted substantial tax incentives on the basis of a reported large export commitment on Ford's part.

Other industrial giants such as Massey-Ferguson, Chrysler, General Motors and Volkswagen, have also had to produce export programs to obtain tax concessions and other incentives. Like many countries, Brazil is increasingly dependent on multinational corporations to spark and sustain a significant presence on world markets and the policy of "Brazil first" is being vigorously applied.

Brazil's foreign debt in 1972 rose from an estimated $7 billion to well over $9 billion and it seems this trend will continue. Indeed, foreign bankers and financial institutions have been encour-

A Canadian drill rig being installed in the State of Bahia during a search for uranium.

aging local prospects to borrow large amounts. The Americans, Japanese, French and British are by far the most active and Canadians are making a significant, if belated, appearance. The Toronto Dominion Bank, the Bank of Montreal and the Bank of Nova Scotia are opening or have already established offices, and the Royal Bank of Canada has long been associated with Brazil's economic development.

The inflow of debt capital has been so heavy in recent months that the Government has been forced to curb it somewhat by making a 25 per cent pre-deposit in cruzeiros compulsory, and there are persistent rumours that selective measures are being considered. The pre-deposit requirement under Resolution 236 is a recent measure, but foreign loans are still flowing into Brazil at an unprecedented pace, perhaps because borrowers are expecting stricter measures and are, therefore, anticipating their loan schedules.

The Government itself is the largest borrower of foreign money, and huge projects, such as the Sete Quedas hydro-electric development, can only accelerate the pace. The basic fact will remain that Brazil cannot finance its rapid development from its own internal savings, since capital formation is presently outstripped by current needs. Brazil is reported to be the best customer of the World Bank, Eximbank and IABD.

Meanwhile, foreign reserves have reached a record of an estimated $3.5 billion compared with $2 billion in 1972. Under such boom conditions and with boundless confidence in the future, inflationary pressures remain high and inflow of foreign loans is partly blamed for this. For many years the Brazilians have recognized inflation as a fact of life and that, like sin, it is unlikely to be eradicated from the face of the earth. Rather, they have devised means of neutralizing inflationary effects, internally by monetary correction and salary adjustments, and externally by periodic mini-devaluations of one to two per cent every seven to 12 weeks, depending on circumstances. Therefore, an inflation rate of about 15 per cent this year may have less disturbing internal and external effects than five per cent in other countries. The system is a clever means of enjoying rapid growth while avoiding deflationary measures that cause unemployment and other unwanted side effects. The Brazilians are reluctant to publish statistics and regulations on foreign investment, for example, and prefer considering each case on its own merit.

The 10.4 per cent rate of net growth in 1972 was achieved in spite of laggard performance by the agricultural sector which grew by 4 per cent. Industry continues its rapid pace with a 15 per cent increase and that sector is led by the automobile industry with a 22 per cent improvement. Next were the electrical, communications and mechanical industries with 17 per cent, and chemicals, 11 per cent. The lame member of the industrial family was textiles and clothing with a 1.2 per cent increase.

Agriculture, as mentioned earlier, lagged because of a poor wheat and rice harvest. However, both soybean and corn production have reached record levels. Generous farm credits are being provided to finance the purchase of equipment, fertilizers, pesticides, and other requirements. And the World Bank has granted a loan for rural grain storage facilities which should resolve a perennial problem in the southern part of the country. Coffee in southern Sao Paulo and northern Parana suffered another frost last year and the effects will be felt through 1973/74. Prices have gone up in anticipation although there is no evidence that world supply of coffee will be short. Coffee rust is still rampant in some areas but measures such as spraying appear to be minimizing the effects.

The war on inflation is expected to continue with increasing vigour this year. Delfin Neto, Brazil's popular Minister of Finance, recently announced the economic program for the year, emphasizing that the Government will take every measure to keep the rate of inflation within the limit. The President of the Republic went on radio and TV to say that inflation will be contained at 12 per cent (it was 15 per cent last year) and that Monetary Correction is to be held within that level.

It was also announced that import tariffs will be reduced, if necessary, to make internal prices compatible with the plan.

Imports in 1972 were $4.2 billion with exports of $3.9 billion. The deficit was more than compensated for by a surplus on the capital account, as can be seen by increased reserves.

On the import side, machinery equipment and industrial materials account for the bulk of the $4.2 billion figure for 1972. Although detailed statistics were not available at time of writing, it is quite apparent that Brazilian manufacturers can be expected to continue to support that trend, and since the domestic market for consumer goods is very much their private preserve, they must continue to improve their plants. Import of consumer goods accounted for only about 10 per cent of the total and the Law of National Similars can make life very difficult to local importers.

Rapid economic development also means a growing need to increase infrastructure in terms of production of energy, transportation and communication networks, and production of steel and petrochemicals, among other basic commodities. These are the areas where Canadian exporters can increase participation and, in many instances, the sale of technology or a joint venture can be the most effective means of entering this booming market. This office, together with those in Rio de Janeiro and Brasilia, will continue to try to help your business in every way possible, and you can count on our best support. May we hear from you? □

LEADING CANADIAN EXPORTS TO BRAZIL

Value in dollars

	1970	**1971**	**1972**
Wheat	18,318,493	25,638,763	20,382,570
Newsprint	10,265,702	11,014,151	15,185,756
Aluminum pigs, ingots, shot slabs	3,802,092	6,991,406	5,713,849
Potassium chloride, muriate	–	2,230,383	4,038,583
Sheet & strip steel, n.e.s.	4,224,099	3,109,543	2,599,815
Wood pulp, bleached, kraft hard	46,466	1,485,659	2,114,487
Asbestos fibres 4 & 5	3,138,358	2,701,677	2,081,069
Nickel annodes, cathodes, ingots	1,856,569	1,673,895	2,044,081
Power boilers equip, parts	–	–	1,695,777
Steel blooms, billets, slabs	–	4,299,475	1,668,321
Aluminum & alloy fab. mat.	178,036	2,365	1,368,023
Zinc blocks, pigs, slabs	1,235,794	1,916,975	1,367,146
Sulphur	–	514,342	1,320,968
Switchgear & prot. equip.	–	618,281	1,282,290
Copper refinery shapes	5,343,969	3,429,975	1,225,338
Aircraft engines & parts	622,468	232,824	1,071,351
Wood pulp, bleached, kraft soft	454,444	485,571	1,005,046
Generator parts & access.	18,025	–	939,466
Metallic salts of inorganic acids	359,690	831,449	851,020
Malt	499,151	656,920	726,181
Molybdenum in ores & conc.	616,005	451,189	711,977
Plastic & syn. rubber	411,509	1,153,017	672,810
Aircraft assemblies, equip. parts	521,235	751,275	648,200
Copper & alloy fab. mat.	1,100,000	1,863,400	629,511
Card punch sort tab computers & parts	1,258,710	1,021,812	616,792
Total, including others	**87,386,862**	**92,515,727**	**86,226,664**

Source: Statistics Canada

Chile

Balance of Payments Problems

DAVID G. ADAM, Commercial Secretary, Santiago.

When the Government of President Allende took office in November 1970 it had a number of objectives: nationalization of the large copper mines, major land reforms and gradual absorption into the public sector of many industrial concerns. Much of the program has been accomplished but not without economic difficulties. However, certain hardships have been acceptable to a government intending to create an economy in which the state and the workers, through the state, have a greater share in the industrial organization and management of that economy. To date, the Allende Government has refused to implement rigorous monetary and fiscal measures or to enact an austerity program to slow the rate of inflation.

The large copper mines of the Kennecott, the Anaconda, and the Cerro Corporations were nationalized in 1971 and are being operated by CODELCO (Corporacion del Cobre), a Chilean government company. Total copper production in 1972 from these and other mines reached 725,000 tons of refined copper — a 2 per cent increase over 1971, considerably lower than the expansion programs, begun in 1969, led everyone to expect. The copper mines, which produce 70 per cent of Chile's export earnings, intend to raise production to more than 800,000 tons this year, yet continued labour problems may plague production and prevent achievement of the quota. Kennecott's legal actions in European courts placing embargoes on shipments from its former mine, El Teniente, have interrupted and delayed some shipments but increasing demand for copper from Japan, the United States and China should have a beneficial effect on Chile's foreign exchange earnings, if production problems can be solved.

Most large farms, many of which were controlled by absentee landlords, have been nationalized to be run by government agencies or have been broken up and handed over to peasant farmers. But production has decreased by 12 per cent over-all, with a 23 per cent fall in cultivated products and a 7 per cent decrease in livestock production. The Chilean government agency, CORFO, has a major program under way to raise agricultural production by training peasants in modern farming methods and by importing cattle and farm machinery. Much remains to be done but CORFO expects that, once completed, this program will relieve the need to import vast quantities of food.

Open-pit copper mining near Antofagasta. More than 70 per cent of Chile's export earnings come from the copper mines.

The Government has taken over many of the large private foreign and domestic companies and has paid for these from its budget and from Central Bank issues. This program, among others, increased money supply by 160 per cent in 1972 and contributed significantly to the high inflation which is affecting Chile. The Government expects that those companies now in the public sector will be able, within a year or two, to operate soundly and competitively while providing more financial rewards for their workers.

Industry suffered in 1972 from a shortage of raw materials and spare parts, many of which must be imported, but imports were curtailed as foreign exchange became scarce. The training of competent managers continues to be a major concern, as does the lack of investment incentive in those private industries which still operate.

Chile continues to face severe problems with its foreign exchange account. In 1972, foreign exchange earnings were down to $860 million as copper prices remained low; 1973 earnings should rise considerably as copper prices seem to be improving steadily. In 1972 Chile imported goods worth $1.4 billion, a $230 million increase from 1971 and this created a current account deficit of $540 million, financed primarily from short-term credits of $400 million, and from some longer-term credit. All of this increase in imports was in food products, including wheat, rice, sugar, vegetable oil, meat, and feed grains. Industrial machinery and raw material imports fell considerably due to import restrictions. Chile's capital account reserves are practically exhausted and the Government had to request a moratorium on payment of most of its foreign debt for 1973 and 1974. The major creditors met with the Government in Paris in January to attempt to refinance much of Chile's outstanding debt and to relieve the short-term burden on its reserves. Further discussions are to take place later in the year.

It is difficult to be optimistic about economic projections for the rest of 1973. Some of the economic distortions in the Chilean economy, such as the rate of inflation, are of such a magnitude that it may be impossible to arrive at quantitative estimates for the year. Agricultural production may continue to decline as training programs will take some time to yield results.

The balance of payments situation may not improve greatly: while the value of copper exports is likely to increase, so is the agricultural import bill. The provision of food for the people will continue to be a problem and certain supplies may disappear altogether. If raw materials are not imported some industries will be forced to lay off workers or reduce the productivity. Severe economic restraints seem to be necessary but the Government appears determined to increase its fiscal deficit as it continues to cover losses of public sector companies. Price rises commensurate with increased costs are unacceptable as these would seriously interfere with the Government's income redistribution schemes.

Trade opportunities in Chile are limited by shortage of foreign exchange and private bank credit lines. Canadian companies wishing to export capital equipment are required by Chile to provide financing arrangements for up to 10 years for their products; those exporting food are being asked for 180-day and sometimes 360-day credit. The Central Bank is pressing other exporters to bill on a sight-draft collection basis in order not to tie up those few foreign lines of credit it has. Chilean law requires sight drafts to be paid within 22 days. Some Canadian banks have credit lines with Chile and are confirming letters of credit for 180 days. The Western Hemisphere Bureau of the Department of Industry, Trade and Commerce in Ottawa has up-to-date information about this country and others in South America and Canadian businessmen thinking of doing business there should contact the Bureau.

There are, then, problems involved in exporting to Chile at the moment. But those Canadian manufacturers of mining machinery, food products, and certain raw materials such as sulphur, coal, and fertilizers have a good opportunity to meet Chilean requirements. The Canadian Commercial Corporation has signed a contract with CODELCO to purchase Canadian mining equipment and consumables. Any Canadian manufacturer in this sector should write to G.S. Sheraton, Canadian Commercial Corporation, Ottawa. Sellers of food products, particularly wheat, meat products, vegetable oils, butter, feed grains and raw material producers who do not have an agent in Chile should write to the Commercial Secretary, Canadian Embassy, Santiago.

Our office knows those Chilean government agencies which import food products and raw materials and we can assist any Canadian firm in assessing the market possibilities and in securing a reliable local agent. □

What Chile Bought from Canada

	$'000	
	1971	**1972**
Food products	700	400
Coal	–	1,300
Asbestos	2,000	1,400
Papermakers' felts	400	320
Primary steel products	900	400
Aluminum	850	500
Nickel	630	500
Zinc	400	300
Motor bearings	200	110
Woodland equipment	140	140
Mining equipment	300	160
Electrical	800	275
Safety equipment	–	1,500
Trucks	2,000	–
Total, incl. all others	**13,316**	**10,062**

Colombia Enhanced Trade Prospects

Oil-producing seeds from African palms, planted with I.A.D.B. aid.

JAMES A. ELLIOTT, Commercial Counsellor, Bogota

The most striking change in Colombia in 1972 was the dramatic improvement in the country's balance of payments position. Colombia ended 1972 with net foreign exchange reserves of $400 million, the highest in its history, and the International Monetary Fund has forecast a further increase of $200 million for 1973. Credit for this improvement is due only partly to the current high prices for coffee, still Colombia's main export although its relative importance is declining as non-traditional exports continue to increase rapidly.

The improved foreign exchange position has enabled the Government to relax import controls somewhat. Import licences are still required for most items but are being issued for commercial imports at a rate of $80 million a month compared with $55 million a year ago. About 254 "headings", mainly industrial raw materials and spare parts, were added to the Free List for which an import permit is granted automatically. Additionally, all prior deposits were reduced to a maximum level of 10 per cent from levels ranging up to 100 per cent for cars, some chemicals, and 130 per cent for tobacco. The prior deposit must be paid when applying for an import licence and in practice is not returned until six months after the goods clear Colombian customs (although the law says prior deposits will be returned in 90 days). While making imports cheaper, the real impact of this measure will be to free large amounts of working capital for the importing firms, which should lead to more rapid industrial expansion.

In 1972 the Colombians unveiled their new development strategy calling for priority attention to housing and urban development, expansion of export earnings, increased agricultural production and improved income distribution. The first two showed great success in 1972 — in fact, the housing boom absorbed so much domestic capital, that scarcities of local currency began to hold up development projects and the cut in prior deposits was partially intended to correct this.

In spite of the trend to import liberalization, business opportunities for Canadian suppliers are still pretty strictly limited to capital equipment and engineering services for public and private sector projects, raw materials not available from Latin American and, especially, Andean Group sources, and replacement parts and components. Canadian firms have shown great interest and are generally well informed about public sector projects that are likely to receive international financing — and publicity. Our record with respect to the growing private industrial sector is still not as good as it could be.

Development planning is sophisticated in Colombia, and an annual list of public sector projects requiring external financing is prepared and serves as a guide to market opportunities. The Commercial Division of the Embassy in Bogota keeps this list up to date as financing is arranged and contracts awarded — at least for those projects in which Canadian firms have expressed an interest. Much public purchasing is by international tenders for which a local representative is legally required. A local representative is a practical necessity in all cases, and engineering firms must associate with a local partner firm, except for some aid projects financed by CIDA or other donor agencies.

There is a growing trend on the part of international lending agencies such as the World Bank and the Inter-American Development Bank to finance only the civil works of development projects, particularly in the power field, forcing foreign (including Canadian) equipment suppliers to rely more and more on national government or private financing agencies such as the Export Development Corporation and commercial banks. Adequate financing is still a necessity for public sector business and is increasingly required for the larger private industrial capital equipment sales.

Among the expanding sectors offering attractive market prospects to Canadian companies are forestry, mining, transport, electronic, power, agricultural equipment and defence products, as well as a whole series of new industries, such as leather and textiles, food processing and metal-working.

Canadian sales to the forestry sector so far have been limited to services and log-handling equipment. These should expand and, as the industry matures, aggressive selling should help us to sell sawmill equipment and, later, pulp and paper equipment. The industry has been hit by the shortage of domestic capital and several projects are delayed. They can be expected to go ahead now that money is more readily available, and prospective suppliers should make their contacts now with customers and representatives. Forestry is one of CIDA's areas of concentration for technical assistance in Colombia. Five projects in forestry and forest-related industries have been approved for a total value of $1.6 million. Some of these projects may lead to capital investment and all should help to make the Colombian industry aware of our capabilities.

There are four major mining projects in Colombia. A joint venture between U.S. and Colombian firms has been formed to develop a nickel property at Cerromatoso, and bringing it into production will cost more than $150 million. Another U.S.-Colombian consortium is investigating a large-scale steaming coal deposit at Cerrejon in the Guajira; a Canadian group is working on an asbestos mine, and the Colombians are starting a $1.75 million two-year drilling program to establish the reserves of a newly discovered copper deposit. Full production of this will take eight years and cost $500 million. Although equipment purchases are some time off for all these projects, it is not too early for

Canadian manufacturers to make contact with the eventual customer and, even more important, to establish the necessary level of representation in the market.

Canadian firms have sold aircraft in Colombia but the market is by no means saturated. The railways continue to absorb large amounts of international financing but tend to purchase major items like locomotives under the bilateral barter arrangements Colombia has with Spain, West Germany and many East European countries. River and road transport also offer increasingly important sales opportunities to manufacturers prepared to invest time and effort in developing markets for construction and maintenance equipment as well as the actual cargo-carriers. Here again, securing the right representative, who should have maintenance facilities and stock spare parts, is the key factor in making sales. Most representatives are reluctant to stock demonstration vehicles, but the better ones will do so if the manufacturer co-operates by giving generous credit terms for demonstrators. Financing must be offered for all large sales not financed by an international agency.

Colombia requires electronic equipment for a wide variety of telecommunications projects in municipal and long-distance telephone equipment, an enlarged micro-wave network, and a rapidly expanding telex service. The country's air-safety needs are so acute that much of this equipment must be purchased, probably in several smaller packages, almost immediately.

The Colombian Institute of Electrical Energy (ICEL), has recently published a list of future generation and transmission projects up to 1980. Although the projects for the later years of the period will undoubtedly be subject to substantial modification as a result of a forthcoming national power study, the list serves as a valuable guide for Canadian firms interested in this market. The present plan calls for a virtual doubling of generating capacity (to 14,000 Gwh) by 1975, with both hydro and thermal power increasing at about the same rate.

Agricultural equipment will be required by government agencies carrying out large-scale colonization and land reform projects, but the bulk of the market will be in sales to individual farmers or to co-operatives and farmers' associations. The country is increasing its fertilizer production but demand is rising even more rapidly and imported fertilizers will be required for the sugar and cotton crops for some time, as well as agricultural chemicals such as pesticides, herbicides and seed cleaning chemicals. Both the agriculture and chemical markets require a wider than usual distribution network but existing distributors are willing to take on complimentary lines and some of the farmers' associations are also willing to serve as representatives for foreign suppliers.

Although Colombia's armed forces have never been rich in equipment, they do have continuing requirements for vehicles and vessels, communication equipment, transport aircraft and training aids. Many of these requirements match Canada's supply capabilities.

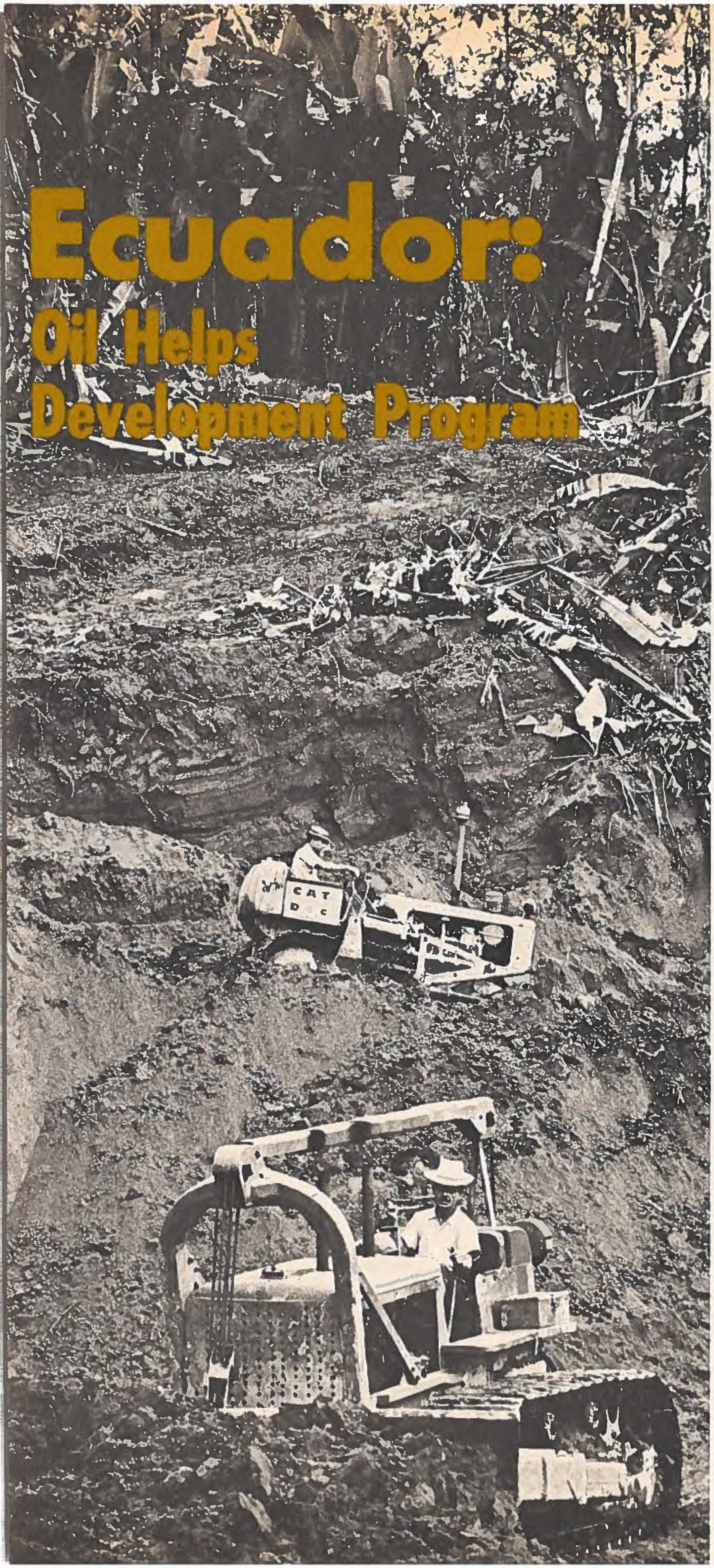
Local Agent Essential — In respect to the vital question "How do we take advantage of these market prospects", there are a few common themes running through all the various market sectors. In the first place you will not sell in Colombia unless you are properly represented there. Agents located in other countries are not usually acceptable and no long-term commitments should be entered into without a personal visit to Colombia — for many items a visit to Bogota alone is not sufficient. The country has 25 cities of over 100,000 population, grouped into four major market areas. For several sectors Bogota is not the major decision-making centre, so you should plan your visit to allow enough time to establish the representation your product deserves, in the right place. An agent on a "one shot" basis is better than none, but exploiting the continuing smaller market openings requires a more permanent relationship.

Financing is still a problem. Large development projects may have partial international financing and, with Canada's accession to the Inter-American Development Bank, we are now eligible for all the new multilateral financing to be offered to Colombia but suppliers' financing remains an important factor, particularly for equipment manufacturers. Canada's Export Development Corporation, which currently regards Colombia as a good credit risk, is an excellent ally for the Canadian businessman. Nevertheless, Canadian exporters and their bankers must still extend their own credit, particularly for smaller purchases, and must grant longer payment terms to agents and customers if they are to keep up with competitors from other countries, many of whom are able to take advantage of lines of credit which have been granted to Colombia by such countries as West Germany and the United States. Administered by Colombian regional or central government agencies, these lines of credit allow the Colombian customer to obtain concessional credit terms even for small-scale purchases. As yet, Canadian exporters do not have this type of service. □

Canada's Major Exports to Colombia, 1972

	$'000
Wood products, incl. pulp & newsprint	8,706
Chemical products	3,716
Asbestos	3,376
Other mineral products	3,306
Electrical distribution & generating equipment	2,666
Agricultural products	1,628
Aircraft and parts	1,425
Machinery	1,365
Electrical & electronics products	639
Fibres, incl. papermakers' felts	532
Other manufactured products	1,032
Total, incl. others	**28,396**

Ecuador: Oil Helps Development Program



JAMES A. ELLIOTT, Commercial Counsellor, Bogota.

Ecuador's military government unveiled the country's first Five Year Plan late in 1972. With expenditures of $2,320 million over the period 1973-77, it provides, for the first time, a series of priorities and guidelines for future public and private investment. Ecuador's new-found oil should double the country's 1971 export earnings ($217 million) by 1973 and provide the money to finance some of the development plan from current earnings.

In 1972, Ecuador's total exports reached $301 million, an increase of 39 per cent, and imports were held to about the 1971 levels. Canada's exports to Ecuador were not affected by this stagnation — they increased by 51 per cent to $5,136,860 and should increase further in 1973 as the improved foreign exchange situation has allowed Ecuador to liberalize imports somewhat and reduce the prior deposits on all "necessary" imports and even eliminate them on some.

Ecuador's government moved somewhat uncertainly in regulating the development of its petroleum industry. At one point the rent on exploration concessions was raised retroactively and three foreign firms abandoned prospecting activity. At the same time a state oil company was formed to enable Ecuador to play a much greater, if not yet fully defined, role in the exploitation of its oil resources.

Bananas still lead petroleum in Ecuador's export statistics, and most of its other exports are also either agricultural (cocoa, coffee, fruit, etc.) or fisheries products (tuna and shrimp). Because of their central importance to the economy, agricultural development and fisheries projects 'receive the largest share of planned development expenditures. Canadian firms have provided engineering services for the largest multi-disciplinary regional development project in the country, the Guayas Basin project, and stand a good chance of securing additional contracts. International financing is also to be provided for a livestock improvement program aimed primarily at beef cattle, but there may also be some openings for dairy cattle.

Ecuador tends to favour countries offering engineering services as part of a single package, including financing, for the eventual construction and equipment of the project. The Japanese have been quite successful in Ecuador because they are prepared to work in this way. Canadian firms might do well to consider adopting this consortium-type approach.

New agricultural land being opened up under an Inter-American Development Bank loan.

Canada has also made funds available on a concessional basis through the Inter-American Development Bank for most of the electrical generating equipment for the Pisayambo hydroelectric project. A number of firms have established representatives for this project and have learned to cope with the rather demanding tendering process. This should put Canadian firms in a better position to secure business in future power projects, especially the upcoming Paute hydro project which is likely to be financed by the Inter-American Development Bank. As members of the Bank, we will be eligible to compete for Bank-financed business on this and other projects.

Ecuador has a large forestry project in the north-west section of the country. The UNDP is financing feasibility studies to be carried out this year. The project, called Cayapas, is expected to begin with a sawmilling operation, with veneer, mouldings, prefabricated housing and eventually pulp and paper facilities to be added later. Canadian firms interested in this project should begin making their contacts now. The Commercial Division of the Embassy in Bogota will be happy to help. Three Canadian firms are among those short-listed for consulting services.

Two years ago, a large copper concession was awarded to a Japanese firm. Last year they decided not to proceed with it. This also might present opportunities to Canadian firms willing to take an equity position in partnership with the Ecuadorian Government and provide equipment and services.

The Government also has ambitious plans for integrated fishing complexes and tourist facilities, as well as projects in other fields. Again, preference will be given to firms willing to invest and to provide equipment and services.

As in the past, Ecuador requires a very wide range of imported equipment and technical services and with its new oil revenues it should now be able to secure financing for its requirements. In fact, foreign lenders such as the IBRD and IADB are already expanding their commitments to Ecuador. In line with their established policies, both international agencies are confining their activities increasingly to sectors such as health, waterworks and sewerage for which supplier's financing is more difficult to obtain. This leaves a growing role for suppliers financing for equipment and some services. Fortunately, the Canadian Government and a number of the Canadian chartered banks are often willing to finance Canadian sales. Firms with sales prospects which require financing should contact their bankers and the Export Development Corporation, outlining the financing requirements for their particular sale.

The Commercial Division of the Canadian Embassy in Bogota would be happy to help interested Canadian firms in their contacts with this small but rapidly expanding market. □

What Canada Sold to Ecuador, 1972

	Value in $
Wood products	1,801,556
Aluminum	434,778
Chemical products	367,095
Aircraft and parts	354,564
Asbestos	346,900
Agricultural products	333,394
Drugs and medicines	120,949
Textiles	118,554
Steel and products	101,778
Copper and wire	76,182
Miscellaneous manufactured products	1,081,110
Total (including all others)	**5,136,860**

Food for thought

Synthetic fuels are the only answer to the immediate energy crisis of the next two decades. We estimate that to close the fuel short-fall projected for 1985, of 6 billion barrels of oil, and 20 trillion cubic feet of gas would require at least 4 to 5 billion tons of coal, or eight times our (U.S.) forecast yearly production.

Chemical and Engineering News

The Chase Manhattan Bank estimates the non-Communist world's petroleum industry will have to spend a trillion dollars between 1970 and 1985 to keep pace with the demand for oil and gas.

Canada alone will require $44-billion in investment funds to meet the needs of its oil and natural gas customers. The figure for the United States is $240-billion more than the entire gross assets of the world's current oil and gas industry.

Globe and Mail

The Royal Dutch-Shell Group is investigating becoming more extensively involved in forms of energy other than oil.

Globe and Mail

The federal government will subsidize Canada's ship construction for two more years to keep shipbuilding employment at a high level and enable the industry to maintain its competitive position in the world market.

Globe and Mail

Canada may soon start carving out a multimillion-dollar industry for itself as a processer — not just supplier — of protein for world food markets.

The Financial Post

PANAMA

Construction is the key

DAVID S. ARMOUR, First Secretary (Commercial), San José.

Panama is a small but interesting market for a variety of Canadian consumer products. Because there is little local manufacturing, market access is seldom difficult, customs duties tend to be lower than elsewhere in Latin America and there are no foreign exchange controls or payments difficulties. Panama's geographical location and status as a key air traffic centre for South American and Caribbean services facilitates regular market coverage and follow-up by readily permitting its inclusion in existing or planned market development programs for those other regions. Shipping services are frequent and the widespread use of English allows some extension of domestic or Caribbean advertising and sales promotion. When planning a marketing strategy for Panama, however, it should be remembered that the market is limited by the small population and that price competition is severe, especially from the U.S., Japan and Western Europe.

Immediate sales opportunities exist in various product categories and especially for the following commodities:

A combine harvester gathers up part of the rice harvest.

textiles, chemicals, pharmaceuticals, low-priced toys and all types of agricultural products. The Commercial Secretary, the Canadian Embassy, Apartado 10303, San José, Costa Rica, can provide you with the names of agents who could act on your behalf.

IHRE, the national electrical agency for the Government, estimates that its normal day-to-day sales will amount to about $2 million a year over the next few years.

Of major interest and of great importance for Canadian sales is the tremendous development in construction throughout the country. This covers many aspects of the economy. As a result, Canada has excellent chances of selling consulting engineering and ancillary equipment to the various government agencies and other organizations in Panama. To give you some idea of the potential, here are some projects which are either under way or about to start:

- Tecumen Airport Project costing $35-40 million, with $20 million of financing being provided by the World Bank. The low bidder has already been selected for earth moving and runway paving. However, the tender for the terminal building construction and ancillary equipment is yet to be called and it will be worth about $20 million.
- The Bayano Electrical Project for which a Canadian company has the construction supervision responsibilities. This project will cost $70 million and should be completed within two years.
- The Fortuna Hydroelectric Project costing $125 million, $25 million of which is for a transmission cable. The construction supervision and engineering designs contract has been awarded to Chase T. Main of Boston who did the feasibility study.
- The Government is going to build a pediatric and maternity hospital costing approximately $7 million. Construction was to start this year but has been delayed until, possibly, the next fiscal year.
- Several road projects are contemplated in the near future. For example, a four-lane super highway from Panama to Colon; the redevelopment of a section of the inter-American highway north of Panama City; and a secondary network from the inter-American highway to the Atlantic coast. The major problem in the progress of these projects is finding financing.
- A $15 million fishing port project is in the making and the feasibility study and some engineering designs are being done. Full engineering design and construction supervision tenders will be called sometime next year.
- There is every possibility that the isthmus of Central America will consolidate its international telecommunications system in Panama. This project is being discussed and opens up excellent possibilities for Canadian communications equipment suppliers.

If you believe your firm can bid on any of the tenders for these projects, we suggest that, first, you should have the name of your company registered with the Inter-American Development Bank. Second, you should have the name of your firm registered with the World Bank (our Embassy in Washington will help you in this). Third, and very important, you should register the name of your company with the Market Development Group, Department of Industry, Trade and Commerce, Ottawa. All information we receive concerning

Panama is submitted to this branch.

Anyone establishing an agency in Panama should do so with great care. Stringent legislation has been introduced by Panama under Cabinet Decree No. 334 of October 31, 1969, to protect agents against the arbitrary termination of contracts by their principals and requiring all agents to register their agency arrangements with the Ministry of Commerce and Industry. Copies of an unofficial translation of this legislation is available from the Latin American Division, Department of Industry, Trade and Commerce, Ottawa. If you wish any individual firms checked out, please contact the Canadian Embassy in San José, Costa Rica.

If you are going to make a visit to Panama, the following information may be of use to you. The Republic of Panama is 28,753 square miles, exclusive of the Canal Zone. Two mountain ranges, with elevations reaching 11,000 feet, run the length of the country. They are flanked by coastal plains, mostly dense jungle. The two ranges enclose fertile valleys and plains.

Panama has an estimated population of 1.5 million, approximately half of which is rural. Roughly 40 per cent of the population lives in the Province of Panama. The urban centres of Panama City (population about 470,000) and Colon (115,000) together account for three fourths of the total urban population. Other centres of importance, but much smaller, are David, Penomomé, Bocas del Torro, Las Tablas and Chitre.

The gross national product per capita is more than $650, one of the highest in Latin America. The Canal and the Canal Zone are key elements in Panama's economy, both as a source of income and employment. Although the rental or lease on the Canal Zone property only amounts to about $2 million a year, it is estimated that the whole country receives between $70 million and $90 million a year through the Canal Zone. The Colon Free Zone was established in 1953 and has attracted more than 600 foreign firms into the area. It is the second largest private employer (after the United Fruit Company) and a major centre of manufacturing, warehousing and distribution activities.

The national language is Spanish, but most of the time you will have no difficulty working in English. The currency used is the U.S. dollar so there will be no difficulties in currency transactions. Panama probably has one of the most modern banking systems in Latin America and it is called the "Switzerland" of this region. There are approximately 50 international banks in Panama. The weather during the dry season (mid-December to mid-April) is extremely hot; the rest of the year it is almost prohibitively hot, with heavy rains. Tropical clothing is a must. It is difficult to obtain hotel accommodation and even a confirmed reservation with payment in advance does not necessarily mean you will have a room waiting for you. The hotels (even the major international hotels) often overbook. The only way around this is to get a confirmed reservation and try to arrive in the morning so that you will not be the last one there.

To enter Panama, you must have a Panamanian visa and a valid smallpox vaccination certificate, but Canadians are most welcome in Panama and you may find it helpful to identify yourself as such. □

Paraguay

Planning for Development

CARLOS HOIC, Commercial Officer, Buenos Aires

Landlocked Paraguay, with a population of about 2.4 million in an area of 157,000 square miles (just a little bit larger than the Province of Newfoundland), has made considerable progress recently in its efforts to stabilize the economy and in starting to build the necessary infrastructure and institutions to support a more intensive development effort. Because of its geographic situation, however, transportation poses serious problems. Surface goods in extra-continental trade must be transshipped at Buenos Aires in Argentina and traverse the 1,000 miles of the Paraguay-Parana-Plate river system. Because of this there has been a tendency to specialize in items that are relatively light in weight and bring in a good profit, or else to rely largely on Argentina as a source and a market.

The country is still basically agricultural and the upturn in world beef prices in 1969 and 1970 led to the emergence of a number of new frozen beef processing plants. This in turn stimulated an already large livestock industry. One of the government goals is to achieve self-sufficiency in wheat production. The wheat program is administered by Paraguay's National Development Bank (BNF), which in effect is the only official financial intermediary and internal source of funds for investment in the commodity sector. About 60 per cent of the BNF's credit facilities during the 1967/69 period went to the farm mechanization program. Under this program, the Ministry of Agriculture is going to instal a system of badly needed regional storage and marketing facilities.

About 60 per cent of the country's total land area is forest. Of this, about 23 per cent, much of it high-grade hardwood, is potentially exploitable. But present harvesting techniques and lack of processing facilities do not allow this potential to be realized and FAO experts predict that resources will be depleted within 20 years if techniques are not modernized.

An intensive development effort directed to the installation of transport, hydroelectric, telecommunications, water and sewage, public health and public housing facilities boosted the direct public sector investment as a percentage of the gross domestic product from the 2.5 per cent during the first half of the sixties to 5.7 per cent during the 1966/69 period. This investment was financed largely by external loans. The imported capital equipment component of these investments, together with increases in imports of finished consumer goods, increased Paraguay's import bill from an average 15.8 per cent of GDP earlier in the decade to 17.7 per cent during this period.

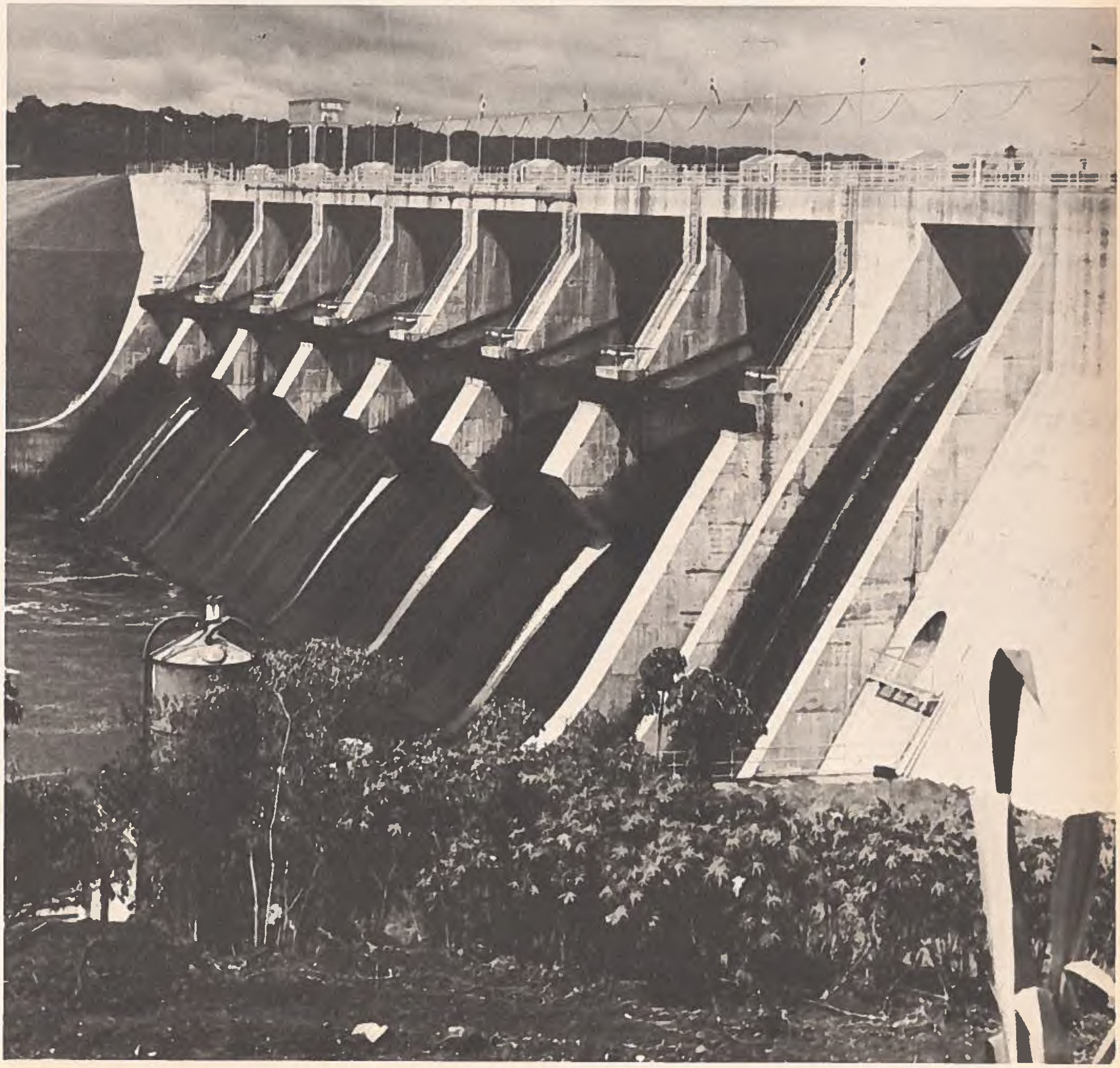
The Government's Economic Council has recently approved a development plan calling for a 6 per cent average annual growth in the GDP over the 1971/75 period, and for a program of annual public investment averaging 7.4 per cent.

Tourism, helped by recently improved road links with Argentina and Brazil, has constituted the only dynamic element in Paraguay's export performance over the past several years.

While the opportunity to move to a more rapid growth path now exists, success will depend in good measure on three major policy areas. These include implementation of an over-all public investment program, the formulation of BNF investment policies in the agro-pastoral, agro-industrial, forest industry and tourism sectors, and the elimination of unnecessary bureaucratic impediments to export expansion.

Canadian trade with Paraguay has not been large. Our imports for the last two years from that country have run around $1.5 million, with canned corned beef and undressed fur skins the biggest items. Our exports in 1971 were worth $361,000 and last year $219,000, with newsprint the biggest item in both years. It appears, however, that there are opportunities for sawmill equipment and in the forest and agro-business industries. It would also be worth investigating possibilities for direct investment in small projects such as construction material plants (bricks and blocks), parquet and furniture making, tanneries, fruit and vegetable processing, agricultural equipment and even packing materials. The Commercial Division of the Canadian Embassy in Buenos Aires would be glad to help those Canadian businessmen interested in pursuing any aspect of the Paraguayan market. ☐

The Rio Acaray hydroelectric plant, financed partly by a World Bank loan.



Vale un Peru

Surrounded by pelicans, a purse seiner hauls in her nets. Peru has few facilities for manufacturing marine equipment or components, another area offering opportunities for Canadians.

C.W. LLOYD, Assistant Commercial Secretary, Lima

Almost from the moment the Inca Atahualpa filled three chambers of his palace with gold in a vain bid to win his freedom from his Spanish captors, the phrase "Vale un Peru" (it's worth a Peru) spread round the world and the name of Peru became linked with mineral wealth. Peru is a fascinating country — a country of fabulous wealth that, because of the terrain, is almost inaccessible.

It is a land of paradox. Peru had the first university in the Americas (1551) and early Peruvians were excellent metallurgists who evolved sophisticated techniques in the refining, casting, laminating and polishing of gold and silver. They produced 99-per-cent-pure copper, discovered bronze and used both metals for weapons and tools. But soon after the Spanish conquest Peru went into a decline from which it began to recover only comparatively recently.

This land, whose area equals that of Spain, France and West Germany combined, has enormous quantities of mainly untapped natural resources and presents a great challenge to its inhabitants. The deserts of the North cover petroleum and phosphate deposits; the jungles of the East, huge deposits of oil, and the Andes are filled with rich veins of copper, silver, gold, zinc, lead, iron and uranium. The vast forests contain more than 2,500 species of trees.

Mining has always been important to the economy of Peru but large-scale mineral exports did not begin until this century. The first major company to operate in Peru was Cerro de Pasco with its copper mines in the mountains north-east of Lima. This was followed by the Marcona Iron Mine in 1953 and Toquepala (copper-molybdenum) in 1960. Investments have risen from \$259.3 million in 1950 to about \$925 million in 1969.

Recently, mining in Peru has changed significantly through state involvement in the industry. The Revolutionary Government created the Ministry of Energy and Mines in 1969 and the following year passed a law which, among other things, set up the Peruvian Mining Company (MINEROPERU), an autonomous company with a capital of \$227.3 million to represent the State in the mining industry. MINEROPERU controls marketing of all mineral products and reserves the right to refine copper and to grant concessions for refining other minerals. Since then there have been several decrees which have reverted important concessions to the Government and these have been passed on to MINEROPERU for exploitation.

The first of these was the Cerro Verde copper concession in southern Peru near Arequipa. Under a contract signed in August 1972, Cerro Verde is being developed for MINEROPERU jointly by Wright Engineers of Vancouver and British Smelters Construction Ltd. of London, England. Engineering is now proceeding and equipment specifications will be prepared soon.

The private sector is also expanding. The largest project is the Cuajone Copper Mine being developed by Southern Peru Copper Co., a subsidiary of ASARCO in New York. The total value of this project is close to $400 million. At the present time a $208 million loan is being negotiated with an international banking consortium and it is hoped a further $15-20 million will be obtained from supplier credits, advanced mineral sales and internally generated funds.

MINEROPERU is also studying a number of other mining concessions both on its own and in co-operation with foreign governments. A Two Year Plan for Mining (1973-74), a draft of which is now in limited circulation, has scaled down the original objectives of the Five Year Plan (1971-75) to more manageable and realistic proportions and gives a clearer idea than before of the Government's priorities for the industry. The basic investment goal of $540 million, of which 55 per cent is expected to come from the private sector (Cuajone and Marcona), is regarded by some mining experts as unlikely to be reached by the end of the period.

But the Plan is a useful indication of what could take place. It implies the need for a faster rate of investment and MINEROPERU is expected to spend $240 million during the Plan period. The corporation's main projects, in addition to Cerro Verde, are:

- Tintaya (copper) — studies and preparation work to be done during the period with expenditures of $32 million by the end of 1974;
- Santa Rosa — studies and preliminary work aimed at bringing the deposit into production by 1976 involving an expenditure of $12 million during 1973-74;
- Bayovar (phosphates) — $1 million to be spent on studies during 1973-74;
- Ilo copper refinery and anodes plant (in production by September 1975) — for which 1973-74 expenditure is estimated at $40 million;
- Lead smelting refinery and zinc refinery near Huacho — $45 million to be spent on studies and the major part of the construction during 1973-74;
- Chalcobamba/Ferrobamba (copper) — 80 per cent of the feasibility studies to be completed and $3 million to be spent during the 1973-74 period;
- Antamina (copper) — feasibility studies are to be finished with GEOMIN of Rumania and expenditure of about $1.8 million;
- Quellaveco (copper) — prefeasibility studies to be started and financing negotiations begun with expenditure of $1 million expected in 1973-74;
- Michiquillay (copper) — technical and economic studies by MINEROPERU and Japanese concerns to be completed along with negotiations for financing, with $1.8 million to be spent during 1973-74.

The Government's policy is to increase state participation in mining activities in order to ensure a balanced development process within the industry, greater incentives to medium- and small-scale mining, and to raise the country from a position of a mere producer of raw materials to a producer of refined products. The second objective is to speed up the process by which unworked concessions are put into operation.

To achieve these aims, a new legal framework has been set up for the industry with five main points: (1) establishment of a time limit for companies to begin operations on concessions they possess and to prepare and comply with a calendar of operations (if work has not been begun by the specified date, the concessions revert to the state); (2) creation of a mining investment fund and tax concessions for medium- and small-scale mining companies to promote their development (these companies are allowed to reinvest up to 40 per cent of their gross profits free of tax); (3) establishment of a fluctuating tax scale related to world market prices and the fineness of ore extracted; (4) guarantees for private investors, both Peruvian and foreign, on the return of their capital and a reasonable margin of profit, and (5) establishment of mixed mining companies in which the State provides at least 25 per cent of the capital and grants special working conditions.

In selling to the Peruvian mining industry, a number of different approaches must be used, dependant on the type of equipment being sold. The smaller products that most mines might buy on a regular basis are normally purchased through local agents and it is essential that the agent appointed has an adequate staff to undertake regular visits to the mine site.

For larger types of equipment, normally purchased only when a new mine is put into operation, more sophisticated marketing techniques are required although a local representative is still very useful for detailed work and local contacts. However, the primary selling effort must be directed towards senior decision-making officials whether they be in Peru or in another country. In the Cerro Verde project, for example, Wright Engineers will be responsible for much of the equipment selection but suppliers must also establish contact through local representatives in Lima with MINEROPERU officials who have a direct involvement in purchasing decisions. In the Cuajone project, all major purchasing decisions will be made by the head office in New York with only minimum involvement of local personnel.

Another approach to selling in Peru is the turnkey or package proposal. There are a number of versions of this approach, but in general they involve putting together a package of equipment from Canada combined with any or all of these elements: engineering, construction services and financing. In general, Canadian suppliers interested in a particular project should contact our Embassy in Lima to find out which marketing approach is most suited to the project.

There is also a significant market in Peru for resource identification and mining engineering services. The prerequisite for doing business as an engineering cómpany is to have a local associate who can provide contacts and identify projects well in advance. Canadian companies will find that when they work with a local associate the Peruvian authorities are much more receptive to their approaches.

In summary, it should be pointed out that Peru has plans to spend approximately $500 million on mining, in the public and private sectors, by 1974 and it should be remembered that all the expansion and development plans currently talked of, and which will require at least $1,900 million to bring to fruition, represent only about 3.2 per cent of the country's real potential. A market this size should offer significant opportunities for Canadian suppliers, provided they are in a position to offer competitive prices and adequate credit facilities. In this regard, several of the projects mentioned earlier have been discussed with the Export Development Corporation.

Should your company wish to become involved in the mining activity now going on in Peru (or in other developing resource areas such as petroleum and forestry), drop us a line giving us an outline of the capabilities of your company, with two or three descriptive brochures, and authorize us to approach local representatives on your behalf. Then come down to Peru to meet us and discuss the situation with prospective agents and officials of the ministries or agencies of the Peruvian Government.

Further advice can be obtained from the Department of Industry, Trade and Commerce in Ottawa. But one point must be kept in mind. We cannot sell your equipment or services for you. Only you can do this. Only you have an intimate knowledge of your company's capabilities. Only you have the necessary technical background to be able to relate the environment here to these capabilities. □

Uruguay

Financial Problems Are Uppermost

PAUL GIBEAU, Assistant Commercial Secretary, Buenos Aires

The year 1972 was for Uruguay a period of chronic inflation, and the Government authorized a salary raise of 40 per cent in private and public sectors. This did not compensate for the loss of 50 per cent in purchasing power of the middle classes.

In January this year the Government again authorized a raise of 35 per cent in salaries but, at the same time, prices were increasing between 5 per cent and 50 per cent for all public services and for several basic consumer goods. It is hoped that for the rest of 1973, with increased government stability in which the military are now included, a firm wage policy will be introduced.

In the public finance sector, the situation is critical. Parallel to the problem of inflation, the budgetary deficit is increasing. Excluding the investments of the "Fondo Nacional de Inversiones" government spending in the public sector has increased by 75 billion Uruguyan pesos, reaching 359 billion pesos (about $36.6 billion) for 1973, but revenues reach only 300 billion pesos, leaving a budgetary deficit of 14.3 per cent. From the 75 billion peso increase in the budget, 40 per cent is allocated to education, 20 per cent to salary increases and expenses in various ministries, 25 per cent to salaries and social benefits favouring civil servants, and the remaining 15 per cent to increases in welfare and pension allowances. With the ever-increasing demand for public funds to maintain and finance the infrastructure, the Government may find it difficult to continue allocating so great a share to salaries for civil servants without increasing taxation.

Repercussions of the monetary situation are also being felt in the external sector of the economy. On January 8, 1973, the Central Bank of Uruguay devalued the peso by 4 per cent in relation to the U.S. dollar on the official market, which was the tenth adjustment of this kind since the introduction of the policy of mini-devaluations in March 1972. On the financial market, where the rate of exchange is determined by supply and demand, the devaluation was more pronounced: parity with the dollar went from 870 pesos on December 19, 1972, to 1,605 in mid-January 1973. The actual monetary situation and the resulting speculative pressures are likely to push devaluation even further. Consequently, other adjustments to the official market rate exchange will be required to diminish the increasing difference between the official and the financial market rate. In fact, if foreign trade does not yield increased returns during the first quarter of 1973, it would be expected that a more significant devaluation of about 15-20 per cent could well take place on the official market.

As for the commercial balance, statistics for the first 11 months of 1972 show a small surplus of U.S.$2.6 million, due mainly to the high level of beef exports — local consumption was banned — and high world prices for all meats. With the end of this ban on home consumption of beef, beef exports will probably go down. Another reason for the surplus was the numerous import restrictions imposed during 1972. Among the items restricted were many essential to industry.

The Government is proposing to stop illicit exports of beef to Brazil, where the price of cattle on the hoof is double what it is in Uruguay, and is trying to stimulate the cattle breeding industry and other sectors of agriculture. However, despite the financial situation, Uruguay will need to again permit the import of certain equipment, machinery and raw materials. Local industry lacks essential requirements.

This is a difficult country for Canadians to sell in, although last year our exports to Uruguay were worth $2.8 million, almost exactly $1 million less than the year before. But there are certain essential requirements the country lacks that will have to be imported. Seed potatoes are our biggest exports and they are still needed. Forage seeds are another possibility.

There may also be possibilities opening up if Uruguay builds a telecommunications microwave network. This is now under consideration by the Government. There is also a project to build a thermal plant in El Cerro.

Among the difficulties Canadians have to contend with is a strong tendency among Uruguayans to buy only from those who buy from them. As our imports from Uruguay amounted to only about $495,000 last year, leaving a surplus of $2.3 million in our favour, this takes a little answering. But the Uruguayans do carry on barter operations, particularly with Spain, Japan and certain Socialist countries. Even projects under international tender often come under barter arrangements.

Products from LAFTA countries enjoy certain privileges such as lower surcharges, and prior deposits are not required. Certain goods shipped under the Uruguayan flag are also subject to lower tariffs, and there are no consular fees for goods from LAFTA members.

If you want more information on this market, do not hesitate to write to the Commercial Division of the Canadian Embassy, Casilla de Correo 3898, Suipacha 1111, Buenos Aires, Argentina. □

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.

Note: The following rates were current at July 11. Because of unsettled market conditions exporters should consult their bankers for up-to-date quotations.

Country and Currency	foreign currency unit in Canadian dollars	Canadian dollar in foreign currency units
Algeria		
Dinar	.2380	4.20
Arab Republic of Egypt		
Pound (official)	2.5525	.39
Argentina		
Peso (financial)	.1001	9.99
(commercial)	.1998	5.01
Australia		
Dollar	1.4183	.71
Austria		
Schilling	.0564	17.73
Bahamas		
Dollar	.9988	1.00
Belgium and Luxembourg		
Franc	.0273	36.63
Bermuda		
Dollar	1.0397	.96
Bolivia		
Peso	.0499	20.04
Brazil		
Cruzeiro (official free)	.1635	6.12
Britain		
Pound	2.5436	.39
British Honduras		
Dollar	.6078	1.64
Burma		
Kyat	.2075	4.82
Chile		
Escudo (bank rate)		
(free)	N.A.[10]	
China, People's Republic of		
Yuan	.4188	2.39
Colombia		
Peso (fixed)	.0425	23.53
Costa Rica		
Colon	.1505	6.64
Cuba		
Peso	N.A.[10]	
Czechoslovakia		
Koruna (fixed basic rate)	N.A.[10]	
Denmark		
Krone	.1780	5.62
Dominican Republic		
Peso	.9988	1.00
Ecuador		
Sucre (official)	.0399	25.06
El Salvador		
Colon	.3995	2.50
Fiji		
Dollar	1.2846	.78
Finland		
Markka	.2670	3.75
France, Monaco, etc.[1]		
Franc	.2410	4.15
French Pacific[2]		
Franc	.0133	75.19
Franco-African Republics[3]		
Franc	.0048	208.33
Germany		
D Mark	.4150	2.41
Ghana		
New Cedi	.8656	1.16
Greece		
Drachma	.0332	30.12
Guatemala		
Quetzal	.9988	1.00
Guyana		
Dollar	.4444	2.25
Haiti		
Gourde	.1998	5.01
Honduras		
Lempira	.4994	2.00
Hong Kong		
Dollar	.1964	5.09
Hungary		
Forint (official)	.0869	11.51
Iceland		
Krona (official)	.0112	89.29
India		
Rupee	.1376	7.27
Indonesia		
Rupiah	.0024	410.00
Iran		
Rial	.0134	74.63
Iraq		
Dinar	3.3737	.30
Ireland		
Pound	2.5436	.39

Country and Currency	foreign currency unit in Canadian dollars	Canadian dollar in foreign currency units	Country and Currency	foreign currency unit in Canadian dollars	Canadian dollar in foreign currency units
Israel Pound	.2378	4.21	**Philippines**[5] Peso (free)	.1488	6.72
Italy Lira	.0017	588.24	**Poland** Zloty (fixed basic rate)	.2577	3.88
Jamaica Dollar	1.0987	.91	**Portugal & Overseas Provinces**[6] Escudo	.0391	25.58
Japan Yen	.0038	263.16	**Saudi Arabia** Riyal	.2273	4.40
Kenya[4] Shilling	.1379	7.25	**Sierra Leone** Leone	1.2371	.81
Korea, Republic of Won	.0027	370.37	**Singapore** Dollar	.3358	2.98
Lebanon Pound (free)	N.A.[10]		**South Africa** Rand	1.4882	.67
Libya Dinar	2.777	.36	**Spain & Dependencies** Peseta	.0172	58.14
Malawi Kwatcha	1.2280	.81	**Sri Lanka**[7] Rupee	.1631	6.13
Malaysia Dollar	.3936	2.54	**Sweden** Krona	.2415	4.14
Mexico Peso	.0799	12.52	**Switzerland** Franc	.3466	2.89
Morocco Dirham	.2381	4.20	**Syria** Pound (free)	.2711	3.69
Netherlands Florin	.3763	2.66	**Thailand** Baht (free)	.0480	20.83
Netherlands Antilles Florin	.5580	1.79	**Trinidad & Tobago**[8] Dollar	.5299	1.89
New Zealand Dollar	1.3262	.75	**Tunisia** Dinar	2.2950	.44
Nicaragua Cordoba	.1427	7.01	**Turkey** Lira	.0713	14.03
Nigeria Naira	1.4700	.68	**United States** Dollar	.9988	1.00
Norway Krone	.1858	5.38	**Uruguay** Peso (free)	.0012	833.33
Pakistan Rupee	.1009	9.91	**Venezuela** Bolivar (official free)	.2344	4.27
Panama Balboa	.9988	1.00	**Yugoslavia** Dinar (official)	N.A.[10]	
Paraguay Guarani (free)	.0080	125.00	**Zaire, Republic of**[9] Zaire	1.961	.51
Peru Sol (free)	N.A.[10]		**Zambia** Kwacha	1.3893	.72

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

2. New Caledonia, New Hebrides, French Polynesia.

3. 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.

4. Rate also applies to Tanzania and Uganda.

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

6. Approximately same for Portuguese territories in Africa.

7. Formerly Ceylon.

8. E. C. dollar, at same rate, used in Barbados and Leeward and Windward Islands.

9. Formerly Congo (Kinshasa).

10. Rates not available at press time.

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.

Chemicals

UNITED STATES — Representation for industrial chemicals, solvents, alkalis, miscellaneous raw materials: Sylvan Chemical Corporation, P.O. Box 998, Englewood Cliffs, New Jersey 07632.

Clothing

BAHAMAS — Lingerie, children's shoes: Sidney Flateau, P.O. Box N 7760, Nassau.

SWITZERLAND — Ladies' and men's wear, leisure wear, leather wear: Neue Toga AG, Rittmeyerstrasse 15, 9014 St. Gal'en.

Woven cotton piecegoods for men's, women's and children's wear — also other piecegoods: Robert Thaler, 37 Lindenstrasse, 8034 Zurich.

Equipment and Machinery

ARGENTINA — Self-propelled fine grains harvesters: Commercial Counsellor, Canadian Embassy, Casilla de Correo 3898, Suipacha 1111, Buenos Aires, attn: C. Hoic.

AUSTRALIA — Machinery for wood chip production: Commercial Counsellor for Canada, Princes Gate East Tower, 17th Floor, 151 Flinders Street, Melbourne 3000.

BRAZIL — Parts or accessories for crawler tractors, road building machinery and similar types manufactured by Caterpillar, Massey Ferguson, Fiat, Allis Chalmers, Komatsu and Warco: A.G. Thomazini, Commercial Manager, DISAUTO Distribuidora Auto Diesel Ltda., Rua Cons. Laurindo, 776, (80.000) Curitiba, Parana.

GREECE — Fresh water generators (evaporator distilling plants): John Aslanis, Technical Division, Karageorgis Lines Corp., Akti Miaouli & Aetolikou St., Piraeus.

Variable speed electric motors — AC three-phase, shunt-wound, variable-speed, drip-proof, 50 cycles with axially-mounted, separate forced ventilation, with thermal cut-out; top-speed capacity from 4.5 kw to 100 kw: Chris Boznos & Son SA, P.O. Box 136, Piraeus.

Grain storage equipment: Commercial Secretary, Canadian Embassy, 4 Ioannou, Ghennadiou Street, Athens 140.

GUATEMALA — All equipment for 55-km, 230-Kv transmission line, including terminal transformers; 15-20 Mw gas turbine electric power plant as turnkey project: Commercial Secretary, Canadian Embassy, Apartado 400, Edificio Etisa, Plazuela Espana, 7a Avenida 12-19, Zone 9 Guatemala City.

Complete equipment for soil-testing laboratories: Commercial Secretary, Guatemala City (see above address).

HONG KONG — Emergency portable power generators: The China Engineers Ltd., Sincere Insurance Building, 18/F, 4 Hennessy Road, attn: Ian E. May, General Manager, Industrial and Technical Equipment Division.

Metal working lathes: see above address.

Garbage truck bodies, preferably with compaction equipment: Industrial Waste Disposals Ltd., Alexandra House, Rm. 133, attn: M.Y. Wong, Director & General Manager.

NIGERIA — Agricultural, forestry and fishing equipment, all types: Nigerian Agricultural Bank Ltd., 18/19 Ahmadu Bello Way, P.M.B 2155 Kaduna, North Central States, attn: Era McKay, General Manager.

THAILAND — Used machine tools, woodworking and metalworking hand and powered tools: P. Boon Thai Import Co. Ltd., 297 Chula Soi 3, Bunthadthong Road, Bangkok 5.

TURKEY — Ministry of Defence has Oct. 15 tender for medical and dental equipment: Commercial Counsellor, Canadian Embassy, Nenehatun Caddesi 75, Gaziosmanpasa, Ankara.

UNITED STATES — Representation for electronic mini-calculators, air conditioners, injection moulds: K. Chelleram & Sons, Inc., 368 Broadway, New York, N.Y. 10013.

Representation for agricultural and road building equipment and spare parts; petroleum equipment and spare parts: Lerner International Inc., 122 East 42nd Street, New York, N.Y.

Representation for automotive, agricultural and dairy equipment: John M.H. Shline Co. Inc., 40 Hector Street, New York, N.Y. 10006.

Representation for earthmoving equipment and parts, motor vehicles and parts, tools, hardware, houseware, electronics, marine equipment and parts: Silo International Inc., 30 East 42nd Street, New York, N.Y. 10017.

WEST GERMANY — Carbide-tipped metalworking tools: Parbs & Co., 2000 Hamburg 50, Ehrenbergstrasse 25, attn: Herr Luning.

Furnaces with exchangeable burners (natural gas or oil): Rolf Langerfeld, 2000 Hamburg 70, Dammweisenstrasse 10.

Foodstuffs

GREECE — Sows and boars: Panhellenic Pork Producers Association, 128 Solonos Street, Athens.

SWITZERLAND — Brewing malt and barley: E. Lanz and Co. AG, Lorrainstrasse 4, 3000 Bern 11, attn: Mr. Ramseyer.

ZAIRE — Canned salmon: Jules Van-Lancker S.A., P.O. Box 199, Kinshasa.

Materials

BAHAMAS — Finished plywood, prefinished wall panelling, reinforcing steel rods: Fred Cadman, Bahamian Lumber and Building Supplies Ltd., P.O. Box N 865, Nassau.

Finished plywood panelling, asphalt shingles, corrugated asbestos roofing, western red cedar shingles: Jack Sands, Kelly's Lumber Yard Ltd., P.O. Box N 351, Nassau.

DOMINICAN REPUBLIC — Grey Portland cement: Fabrica Dominicana de Cemento, Avenida Maximo Gomez, Santo Domingo.

INDONESIA — Copper sheet, tubes and pipe, cigarette paper, newsprint rolls and sheets: P.T. Santi, J.L. Brandjangan 14, Surabaya.

Galvanized steel wire: Yiu Lang-Hsing, General Manager, Ret-Ser Engineering Agency, J.L. Cempaka Putih Tengah 43, Djakarta.

WEST GERMANY — Magnet screen filter paper to filter hydraulic circuits: Firma Josef Bareth, 799 Friedrichshafen/Bodensee, Holderlinstrasse 23.

Recreation

HONG KONG — Above-ground swimming pools and accessories: The China Engineers Ltd., Sincere Insurance Building, 18/F, 4 Hennessy Road.

Miscellaneous

GREECE — Sows and boars, slaughtering and processing equipment for same, veterinary preparations as well as publications on hog raising: Panhellenic Pork Producers Association, 128 Solonos Street, Athens.

NETHERLANDS — Paper consumer disposables (cups, plates, etc.): P.

Lantau, Director, 14 Prof. Lorentzweg, Waalwijk (NB).

Paper and plastic disposables of any type: W. Van der Helm, Manager, King-Cup Nederland BV, P.O. Box 9014, Utrecht.

Medical disposables: Mr. De Scheele, President, Mecomfa NV, 72 Koninginnegracht, The Hague.

UNITED STATES — Industrial, household and disposable surgical gloves: Franz F.P. Schweighofer, Sr. Vice-President, Molenaar Manor Company, Pier 39, Terminal 37, Suite 200, Seattle, Washington 98134.

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 OH5.

Prefabricated building system

Swiss inventor is offering the rights for manufacturing under licence in Canada his universal prefabricated building system which can be used everywhere and in any climate. This system makes it possible to erect both permanent and temporary buildings. The number of storeys is limited to one or two in the case of wood. The exterior and interior wall elements are universal and therefore identically constructed. All have the same load-bearing capacity, thus contributing to the stability of the building in general and to its wind resistance in particular. The windows and doors are prefabricated and can be assembled quickly with the other wall elements. There is a choice of saddle, hip or flat roof. Literature available. **Item 2853.**

Floating jetty

Dutch firm is offering Canadian manufacturing rights to its prefabricated adjustable floating jetties for yacht harbours. The landing platforms are tapered to the shape of a boat and can be adjusted laterally along the central core of the jetty to vary berth sizes. Construction is of wood, polystyrene, and stainless steel. Claimed advantages include improved stability in rough water, greater strength, more berths, and easier docking. Literature available. **Item 2854.**

Bathroom Units

German firm offers under licence the Canadian manufacturing rights covering one piece pre-fabricated bathroom units. These compact sanitary units are fabricated in vacuum-cast acrylic sheet reinforced with glass fibre and polyester resin. Advantages claimed are the easy maintenance and low cost of these units. Literature available. **Item 2855.**

Pump

Belgian firm is seeking a licensing or joint venture arrangement with a Canadian firm for the production of its pump for clearing blocked pipes, lavatories, sinks, wash basins and baths. Made of high resistant materials 100 per cent non-corosive, this pump is manually operated and can remove obstructions up to 30 feet away without difficulty. Literature available. **Item 2856.**

Height adjustable bath

Dutch company offers a Canadian manufacturer the outright sale of its patents to a height adjustable bath. This bath is designed for easy and simple handling of patients. It is claimed to save time and energy of the attendant. The control panel is equipped with a height control valve, a tap for bath, a tap for shower, a hand spray with flexible tube, and a thermostatic mixer. Company is also offering a licence for the production of other hospital equipment such as special beds, stretchers and massage tables. Literature available. **Item 2857.**

Water heater and thermal balancer

Canadian inventor is offering the rights to manufacture under licence in Canada his electric hot water heater and thermal balancer. The unique construction of this heater enables rapid recovery due to the response of the heater to the removal of even one cup of water. The heater delivers usable hot water at 100 per cent of the actual tank capacity without diffusion. It is claimed that this heater will produce more hot water at a lower cost than a much larger conventional heater. The heater may also be equipped with a thermal balancer. This is an accurate device for pre-setting the temperature differential on the controls so that the heater will deliver water continuously at a precise temperature when that is required. Literature available. **Item 2858.**

Packaged sewage treatment plants

American company is seeking a licensing arrangement with a Canadian firm to manufacture its packaged sewage treatment plants and lift stations. Sewage plants are custom designed of precast concrete, with capacities ranging from 15,000 to 1 million or more gallons per day. Applications include restaurants, sub-divisions and modern decentralized municipal systems. The firm is offering pouring forms, equipment and engineering and sales assistance. Literature available. **Item 2859.**

Flex seat ball valve

Canadian inventor offers under licence the Canadian manufacturing rights to his new sharp valve. This valve has particular application to tank truck loading operations. It replaces the conventional electrically operated shut-off valve as a means of stopping the pump which is filling the tank. The device is claimed to be completely effective and safer than electrically operated valves. Literature available. **Item 2860.**

Concrete finishing power trowels

American company is offering the rights for manufacturing in Canada its concrete finishing power trowels for use in the construction industry. Models presently available are 30″ and 40″, 3 blade or 4 blade, gas driven with centrifugal or mechanical clutch. A 50″ full gear reduction model is in prototype stage. Also available is a power screed used in striking fresh poured concrete flat, prior to finishing with trowels. Literature available. **Item 2861.**

Anti-corrosive primer

British firm offers under licence the Canadian manufacturing rights to its anti-corrosive primer. This product is said to have superior adhesion to metal than conventional epoxy based zinc rich primers. It is also claimed to have outstanding cathodic properties, excellent salt spray and chemical resistance, and to be ideal for welding. Test results on the product indicate a life expectancy in excess of 20 years under outdoor urban conditions. Literature available. **Item 2862.**

Pleat-removing roller

French company is offering the rights for manufacturing its pleat-removing roller under licence in Canada. This equipment is designed to remove the pleats from any continuously unwinding material — paper, plastics, fabrics, etc. It consists of a flexible steel tube, either bare or rubber covered, with a perfect parabolic curvature and fitted with an oil-bath lubricating device which prevents premature wear on the roller owing to lack of lubrication (oil change after every 5000 hours of operation). The roller is mounted on two silent-block tightening bearings which prevent any vibration. Literature available. **Item 2863.**

Sausage processing machinery

French firm offers for manufacture under licence in Canada its process and machinery for making salami and other small sausages. Sausage filling is inserted into a cellulose casing permeable to air, gases, and smoke. After the sausage is dried the casing is peeled off. A special machine then slices the sausage, reshapes it to its original form, and vacuum seals it in a continuous operation. Literature available. **Item 2864.**

Vehicle lighting malfunction warning system

Canadian inventors offer under licence the Canadian manufacturing rights for a system which issues a warning whenever the vehicle's rear lighting system has failed or is malfunctioning as a result of impaired wiring or inoperative fuses and bulbs. This device is claimed to be inexpensive, easy to assemble and to install on vehicles having 12 volt electrical systems. Literature available. **Item 2865.**

Air filters

German firm offers under licence the Canadian manufacturing rights to its line of air filters. These automatic and stationary air filters are designed for industrial and sanitary applications as well as for the air conditioning industry. Literature available. **Item 2866.**

Refillable lipstick holder and display stand

American inventor offers under licence the Canadian manufacturing rights for his lipstick display holder and his refillable and retractable lipstick holder. These inventions embody a display stand for multiple cups from which lipsticks of different shades are exposed. The lipstick bearing cups are attached to the display stand by means of an integral spring snap fastener connection. They can be quickly exchanged with one similarly attached to the up and down movable carrier within a lipstick holder. One of the advantages claimed is that the lipstick holders can be refilled instead of discarded. Literature available. **Item 2867.**

Light switch extension

Canadian inventor is offering under licence or for outright sale his patent rights covering a light switch extension. This invention consists of a housing mounted over the switch box or switch plate. The housing contains a mechanism which is placed over the toggle and adapted to slide vertically. A pair of strings is secured to the mechanism so as to pull it upward or downward from a height lower than the toggle itself. Installation is as easy as changing a switch plate. The length of the cords can be adjusted to the height of a child. Literature available. **Item 2868.**

Roof panel

Canadian inventor seeks licensee for his prefabricated self-supporting insulated roof panels. These panels are of sandwich construction, using a variety of materials including steel, wood, reinforced fiberglass and lightweight concrete. The panels are planned to be 3 inches thick, 25 feet long and 5 feet wide. They have an arched-through configuration. Claimed advantages are light weight, easy installation and low costs of erection and maintenance. Literature available. **Item 2869.**

New Canadian patents available for licensing or sale

The Canada Patent Office Record is a weekly publication that describes the newest inventions covered by each patent issued by the Canadian Patent Office during the week. Those patents available for license or sale are indicated. Patents which have expired and are now in the public domain are also shown. Each issue gives information on how to purchase copies of Canadian patents and advice on how to make a patent application. The subscription price is $26.00 per year or $1 per single number. The Canada Patent Office Record is available from Information Canada, Publishing Division, Ottawa, K1A 0S9.

Foreign Tariffs and Trade Regulations

Argentina

On May 10 the Argentine Trade Ministry extended, for another 180 days, the ban on imports of non-essential goods introduced by Decree 7250 of October 20, 1972. The ban on imports of luxury goods announced by Decree 2118 of July 1, 1971 has been extended for an additional year up to May 14, 1974 by Decree 4134 of May 14, 1973.

By Decree No. 4628, issued on May 24, 1973, the Argentine Government has suspended imports of used goods, whether or not reconditioned. Exceptions are made for diplomatic imports, personal luggage and non-commercial private parcels.

Bermuda

The new Combined Customs Tariff and Trade Classification List 1973 for Bermuda, which came into effect on April 1, 1973, has been received. Information regarding rates of duty applicable on specific products may be obtained from the Caribbean Division, Western Hemisphere Bureau, Department of Industry, Trade and Commerce.

Brazil

Resolution 1636 of May 22, 1973 exempts from duty for a period of one year neutral methyl sulphate (dimethyl sulphate) (tariff heading 29.17.04.00) and "Chinizin base" (1 phenyl-methyl-5-pyrazolone) (tariff heading 29.35.99.00).

Resolution 1637 of May 22, 1973 exempts from duty for a period of 180 days, prefabricated assembled panels of aluminum for assembly of warehouse refrigerators (tariff heading 76.03.99.00). Resolution allows ten per cent of the c.i.f. value of equipment, tools, complementary parts and accessories accompanying the panels.

Resolution 1638 reduces the duty from 25 per cent to 10 per cent on specific preparations with a base of nickel hydroxide and preparations with a base of cadmium oxide (tariff heading 38.19.99.00).

Resolution 1639 reduces the duty from 30 per cent to 9 per cent for a period of two years on sealed lamps, projector type, of single or double filament, incandescent, of twelve or more volts, to illuminate with a cold and concentrated light, destined to integrate surgical lamps (tariff heading 85.20.99.00).

Resolution 1640 extends for a further year the duty reduction from 85 per cent to 15 per cent on polycarbonate plates (tariff heading 39.01.04.99).

Resolution 1641 of May 22, 1973 reduces the duty from 105 per cent to 15 per cent on industrial stones duly worked, naural or synthetic, for clocks (tariff heading 91.11.99.00).

Resolution 1644 extends for a further twelve months the duty reduction from 37 per cent to 12 per cent on cellulose acetate without added fillers, colouring matter, plasticizers or other additives (tariff heading 39.03.04.02).

Resolution 1645 extends for a further year the duty reduction from 55 per cent to 10 per cent established by Resolution 1247 on tissue, hemp, manila or similar paper, white, long fibre, porous, not impregnated weighing from 10 to 14 grams per square metre, suitable for duplicating stencils. (tariff headings 48.01.01.07 and 48.15.11.00).

Resolution 1646 extends the exemption from duty for a period of one year on naphtha for use by the fertilizer industry (tariff heading 27.10.99.03).

Resolution 1647 effective June 6, 1973 increases the duty for a period of two years on machinery and appliances of the bank type, for testing the normal or superficial surface hardness in Rockwell, Brinell or Vickers units with a load up to 250 kilograms for pieces of maximum testing height of 220 mm. (tariff heading 90.22.00.00).

Resolution 1648 of May 22, 1973 extends for a further twelve months the duty exemption established by Resolution 1318 on dicalcium orthophosphate with a maximum fluorine content equivalent to 1 part of fluorine per 100 parts of elemental phosphorus, when for use exclusively in animal feeds (tariff heading 28.40.28.00).

Resolution 1651 of May 15, 1973 reduces the duty from 55 per cent to 10 per cent on aluminum paste for use in the manufacture of inks (tariff heading 32.09.02.05).

Resolution 1652 establishes reference prices for pliers (tariff heading 82.03.01.00).

Resolution 1653 reduces the duty from 55 per cent to 10 per cent for a period of one year on continuous filament tow of rayon acetate fibre with a rating per filament of 2.5 to 6 denier and a total rating of tow of 20,000 to 60,000 denier, dyed or undyed in the mass (tariff heading 56.02.02.02).

Resolution 1654 extends the duty exemption for one year on a quota of 300,000 tons of light naphtha for use in the generation of combustible domestic gas (tariff heading 27.10.99.03).

Resolution 1655 reduces the duty from 85 per cent to 15 per cent on extruded polyester terephthalate film of certain characteristics for use in the manufacture of sound recording and reproduction magnetic tape (tariff heading 39.01.04.99).

Resolution 1656 of May 15, 1973 exempts from duty for a period of one year tetrahydrothiophene (tariff heading 29.35.33.00).

Resolution 1658 The duty on asbestos in fibre (tariff heading 25.24.02.00) and asbestos in powder or residues (tariff heading 25.24.03.00) was reduced from 33 per cent to 10 per cent for a period of one year.

Resolution 1659 exempts from duty for one year as of June 5, asbestos fibre of chrysotile without national similar, amocide and crocidolite types provided the importer has purchased national asbestos fibre of the anthophyllite variety in the quantities mentioned in the Resolution (tariff heading 25.24.02.00).

Communicado No. 1 of the Customs Policy Council establishes that the importation of asbestos fibre must be in accordance with the Canadian classification.

Resolution 1660 exempts from duty a quota of 111 tons of hardening preparatins for glue, synthetic resins and similar products (tariff heading 38.19.14.00) and a quota of 189 tons of phenoplasts (phenol formaldehyde base resin). (tariff heading 39.01.02.01).

Resolution 1661 of May 15, 1973 exempts from duty for a period of six months phenol (phenic acid carbolic acid) (tariff heading 29.06.07.00).

Resolution 1663 reduces the duty from 37 per cent to 5 per cent for a period of one year on aluminum waste or scrap (tariff heading 76.01.03.00).

Resolution 1665 reduces the duty from 55 per cent to 10 per cent for a period of six months on tallow including "premier jus" (tariff heading 15.02.02.00).

Colombia

Resolution No. 020 of May 18, 1973 issued by the Colombian Foreign Trade Board transfers a further 400 items from the Prior Licence List to the Free List of imports.

Resolution No. 018 of May 8, 1973 removes all goods falling within Chapters 1 to 21 of the Customs Tariff from the Prohibited List to the Prior Import Licence List. Information on specific products may be obtained from the Latin America Division, Western Hemisphere Bureau.

The Colombian prior deposit system which as recently as six months ago ranged up to 120 per cent of the value of the imports has undergone substantial changes recently.

On May 16th, Resolution 24 of the Junta Monetaria established a 10 per cent down payment for all imports except those of food and some raw materials. A week later this was clarified to remove the 10 per cent down payment requirement from goods financed by multilateral and bilateral aid agencies such as IBRD, IADB and AID. This was in fact a down payment which would be remitted to the suppliers when the import licence was granted.

This system was changed on June 14th, when Resolution 30 of the Junta Monetaria wiped out prior deposits completely but raised the down payment to 10 per cent plus the previous prior deposit, plus in some cases 1 per cent. The previous prior deposit had been either zero, 1 per cent, 5 per cent or 10 per cent. In the case where the prior deposit was 0, the down payment now required is 10 per cent. Where it was 1 per cent, the down payment is now 11 per cent. In the cases where the prior deposit was 5 per cent or 10 per cent, the down payment is now 16 per cent and 21 per cent.

Guyana

The External Trade Bureau (E.T.B.) has informed our Trade Commissioner that it has stopped all credit to local consignees with respect to goods for which the E.T.B. is responsible. Henceforth, it is prepared to deal with all overseas suppliers on a letter of credit basis. The E.T.B. has stated that any supplier abroad who has an agreement with a local purchaser and wishes to extend credit, must write to the E.T.B. absolving it of all responsibility for payment. Otherwise all business must be on a cash basis.

Malaysia

The Government has imposed a temporary import restriction on the following: wood preservatives (tariff items 38.11 410 and 38.11 430), oil filters, air filters and parts thereof (tariff items 84.18 600 and 84.18 990), bulldozers and mechanical shovels, other than new (tariff item 84.23 100).

While restrictions on the wood preservatives, oil and air filters apply throughout Malaysia, the control on bulldozers and shovels applies only to

West Malaysia. The Government also extended the ban on stoppers, crown corks, bottle caps, capsules, bung covers, seals and plombs, case corner protectors and other packing accessories, of base metal (tariff item 83.13 900) to Sabah and Sarawak. The ban effective from March 1, was made under the Malaysian customs (prohibition of imports) (Temporary Protective Measure) Order, 1969.

Peru

Under Law 20019, effective May 15, 1973, importers must insure merchandise with local insurance companies. Transitory arrangements permit foreign insurers to cover shipments loaded up to June 15 or shipments for which confirmed irrevocable letters of credit have been issued.

International Projects

INDONESIA — POWER

• The International Development Association has approved a $46 million credit for a thermal power project in the West Java area, one of the most important centres of economic activity in Indonesia.

The project consists of the construction of the 200-megawatt Muara Karang thermal station, located on the outskirts of Jakarta; a power system development study for the island of Java; and a feasibility study to investigate a potential hydro power site on the Tarum river (Citarum), about 60 miles from Jakarta.

In addition, the project includes a comprehensive plan to improve the ability of Perusahaan Umum Listrik Negara (PLN), the State-owned national electricity authority and beneficiary of the credit, to operate on a sound economic and organizational basis.

Implementing Organization: Perusahaan Umum Listrik Negara (PLN), Jakarta, Indonesia.

Procurement: Goods and services, including civil works contracts, will be procured through international competitive bidding; qualified domestic manufacturers will be granted a 15 per cent preference margin.

Consultants: Consultants will be selected to assist PLN: in the detailed design and construction supervision, including training of plant operational staff, for the Muara Karang station; to carry out the Java System Development Study; and to carry out the Citarum Hydroelectric Feasibility Study.

• The Asian Development Bank has approved a loan of $2.6 million to Indonesia for a power project in Irian Jaya, a large, sparsely-populated province at the eastern end of the Indonesian Archipelago. The project is based on a feasibility study under technical assistance approved by the Bank in May 1971. It involves the installation of two new 2,000 kw diesel generating units in Jayapura, the capital and the administrative and commercial center of Irian Jaya province, and two new 1,000 kw diesel generating units in Biak; the improvement and extension of the distribution network in Jayapura and Biak; and the improvement of communications and maintenance facilities needed for the effective operation of the power facilities.

Consultant services for the implementation of the diesel generation and distribution project in Jayapura and Biak, and an engineering study of the Lake Sentani Hydropower Scheme and maintenance advisory services will also be provided.

Implementing Organization: Perusahaan Umum Listrik Negara (PLN), Kantor Pusat, Jl. Adityawarman, Blok M1 No. 135, Kebayoran Baru, Jakarta, Indonesia.

Procurement: The materials and equipment to be imported for the Project will be procured, in accordance with the Bank's Guidelines for Procurement, from member countries which are contributors to the Bank's Multi-Purpose Special Fund and all developing member countries of the Bank. Except as the Bank agrees otherwise, individual contracts above US$50,000 will be awarded on the basis of international competitive bidding among suppliers from eligible source countries while contracts up to such amount will be awarded on the basis of competition among a reasonable number of suppliers from eligible source countries.

Consultants: The consultants will be selected, in accordance with the Bank's Guidelines on Uses of Consultants, from member countries which are contributors to the Bank's Multi-Purpose Special Fund and all developing member countries of the Bank. Consultants will prepare detailed designs and tender documents, assist in evaluation of bids, supervise construction works, and undertake an engineering study of the Lake Sentani Hydro-power Scheme. Maintenance advisory services will also be provided.

JORDAN — STEAM-ELECTRIC POWER

The International Development Association (IDA) and the Kuwait Fund for Arab Economic Development, will jointly provide $20.4 million for a steam-electric power project in Jordan.

The project will cost an estimated $24.7 million and will add 78 megawatts to Jordan's present generating capacity and help meet rapidly rising demand through 1977. It also will be the first step in changing the country's power supply from diesel to steam generation and provide a more reliable, economic and centralized source of power for future development.

Implementing Organization: Jordan Electricity Authority, P.O. Box 2310, Amman, Jordan.

Procurement: International competitive bidding.

Consultants: Consultants for design and supervision of project, for management studies, tariff structure study — to be selected.

KOREA — EDUCATION

The World Bank and its affiliate, the International Development Association (IDA), are making available $43 million equivalent to help finance a Korean education project. The project will support the first stage of reforms designed to make education more responsive to the manpower needs of a rapidly expanding economy, particularly the agricultural and industrial sectors.

Implementing Organization: The existing Project Unit in the Ministry of Education, Seoul, Korea.

Project Description: Provision of equipment for: 18 technical and 14 agricultural high schools; 10 high schools/junior colleges for industrial, fishery and nursing training; colleges of agriculture, engineering and natural sciences, in nine universities and a merchant marine college, and 10 junior teacher colleges and 12 colleges of education. Specialist services and fellowships for a pre-investment study on health education and a pre-investment study on management education and staff development.

Procurement: International competitive bidding for equipment, with a 15 per cent preference margin for domestic manufacturers.

MEXICO — WATER

The World Bank has approved a $90 million loan to assist a $194 million water supply project for the Mexico City metropolitan area. This is the first Bank-assisted potable water project in Mexico.

The Mexico City metropolitan area's population is growing at almost 6 per cent annually, and should this rate be maintained would rise from the present 9 million to 15 million by 1980. The water requirements of the city for a growing population and expanding economic activity are projected to increase from the current 55 cubic yards per second to 75 in 1977 and 85 in 1981. The project will augment the present supplies with 20 cubic yards of water per second and meet the requirements through 1977.

Implementing Organization: Comision de Aguas del Valle de Mexico, Ayuntamiento 146, Mexico, D.F.

Procurement: Equipment and supplies for wells, pumping stations, transmission mains, service reservoirs, water and waste water treatment plants, chlorination facilities, irrigation systems, salt extraction, roads and buildings. The services to be provided are for civil works and afforestation. All equipment and civil works, with the exception of those related to afforestation, land reclamation and social type of public works, will be procured by international competitive bidding.

Consultants: Most engineering work will be done by the implementing organization. Consulting specialists will be selected during the execution of the project.

PANAMA — LIVESTOCK

The World Bank has approved a $4.7 million loan in support of a livestock development project to be undertaken in Panama. The project will require an estimated total investment of $13.5 million in the next five years.

The Panamanian agricultural sector, including livestock production, provides employment for about half the country's 1.5 million population. It also accounts for about 75 per cent of exports.

Implementing Organization: Banco Nacional de Panama, Ave. 5a. y Calle 33, Panama 1; Apartado 5220, Panama 5. Cable Address: BANCONAL.

Procurement: Goods and vehicles to be procured through existing commercial channels because the diversity, small size of individual purchases, free choice to be left to the individual borrower would make international bidding impractical.

Consultants: A consulting firm will be retained to carry out the feasibility study for livestock development on the Atlantic coast.

ZAMBIA — EDUCATION

The World Bank has approved a loan of $33 million to Zambia for a project which will provide additional training facilities for medical and agricultural personnel, establish a more economical and efficient educational services centre, and complete the installations and equipping needed for the secondary schools and teacher training colleges financed by an earlier Bank loan.

Implementing Organizations: Three project units will be responsible for different parts of the project: An existing unit in the University will construct the School of Agricultural Sciences, University of Zambia, P.O. Box 2379, Lusaka; an existing project unit in the Ministry of Education and Culture, Zambia World Bank Project Unit, P.O. Box 3370, Lusaka, will be responsible for the additional facilities for the 61 secondary schools and four teacher training colleges; and a new unit in the Ministry of Power, Transport and Works, P.O. Box RW65, Lusaka, will be responsible for the remaining items.

Procurement: Civil works contracts and procurement of equipment will be subject to international competitive bidding with the exception of civil works costing less than $156,000 and for furniture and equipment costing less than $31,000 A 15 per cent preference margin will be accorded to local suppliers of furniture and equipment.

Consultants: The following technical services are to be provided under the project: 30 man-years for administration and teaching in medical training institutes; 27 man-years of planning and teaching staff at the University School of Agricultural Sciences; 1½ man-years for the evaluation study of farmer training programs; 56 man-years for the new project unit and the Buildings Branch in the Ministry of Power, Transport and Works.

Market Facts for Decision Makers

Analyses of Canadian imports of a variety of products are available, free, from the Import Analysis Division, Department of Industry, Trade and Commerce, Ottawa K1A 0H5. The following list details those prepared so far this year. If you would like the Branch to prepare an analysis for you, write to its Chief or to the Industry Sector Division that handles the product you are interested in.

Report No.	Class No.	Subject	Period
1-73	919-48	Microfilm equipment	Apr. to June 1972
2-73	706-39	Sphygmomanometers & stethoscopes	Apr. to June 1972
3-73	655-69	Truck refrigeration units	Apr. to June 1972
4-73	339-99) 443-99) 469-69) 469-99) 832-25) 832-26)	Golf club components	Apr. to June 1972
5-73	781-49	Knitted underwear	June to Aug. 1972
6-73	634-35) 634-39)	Sonar, echo sounding devices	Apr. to June 1972
7-73	93-99	Dehydrated vegetables	Apr. to June 1972
8-73	445-13) 445-80) 445-81) 445-83) 445-85) 445-86) 445-87) 445-89)	Stainless steel sheet & plate	Apr. to June 1972
9-73	452-15	Copper pipe & tubing	Apr. to June 1972
10-73	387-09) 387-79)	Coated fabrics	May & June 1972 & Feb. & May 1972
11-73	325-58	Rubber parts for motor vehicles	October 1971
12-73	469-75	Computer & air-frame wire	Apr. to June 1972
13-73	521-35) 521-36)	Front end loaders	Apr. to June 1972
14-73	217-99) 399-99) 423-99)	Seaweed extraction products & guar gum	July to Sept. 1972
15-73	634-75) 634-95)	Video tape & cassette recorders/players	Apr. to June 1972
16-73	639-15	Thermistors & varistors	Apr. to June 1972
17-73	514-12) 514-15) 514-39) 513-99) 519-99)	Materials handling equipment	July to Sept. 1972
18-73	493-29) 493-39)	Hose with or without couplings	January 1972
19-73	383-44) 383-49)	Woven narrow fabrics	Jan. to Mar. 1972
20-73	881-94	Disposable syringes	July to Sept. 1972
21-73	525-15	Refiner plates/discs (pulp processing)	Sept. to Nov. 1972
22-73	639-10	Capacitors	Aug. to Oct. 1972
23-73	509-04) 509-06) 509-09) 509-11) 509-14) 509-19)	Packaging machinery	Apr. to June 1972
24-73	11-01) 11-03) 11-05)	Beef	May & Oct. 1972
25-73	443-99) 468-51) 468-55) 468-59)	Rings & flanges	Sept. to Nov 1972
26-73	509-40	Heat exchangers	Aug. to Oct. 1972
27-73	509-69) 509-99)	Sandblasting machines	Aug. to Oct. 1972

Report No.	Class No.	Subject	Period
28-73	446-10	Wide flange beams	Apr. to June 1972
29-73	661-89	Micro-wave ovens	Aug. to Oct. 1972
30-73	403-99	Sodium phosphates	Oct. to Dec. 1972
31-73	502-09) 502-39) 502-40)	Turbines	July to Dec. 1972
32-73	832-47	Tennis equipment	Aug. to Oct. 1972
33-73	338-79	Softwood, plywood	Mar. Aug. & Oct. 1972
34-73	449-34) 449-39)	Stainless & alloy steel wire	Oct. to Dec. 1972
35-73	502-18) 588-04)	Diesel engines	Oct. to Dec. 1972
36-73	637-69	Radio combination sets	Aug. to Oct. 1972
37-73	832-37) 832-89)	Snow & water skis	Apr. to June 1972
38-73	850-63	Glass tumblers & stemware	Apr. & May 1972
39-73	425-31	Polyurethane foam	Oct. to Dec. 1972
40-73	367-89	Blended yarn	Oct. 1972 & Jan. 1973
41-73	339-99	Fireplace logs	Oct. to Dec. 1972
42-73	439-29	White mineral oil	Apr. to June 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.

Paraguay

W.R. Van, Commercial Counsellor, Buenos Aires, will be in Asuncion August 6-8.

Canada

The following Trade Commissioners will be in Ottawa for temporary duty before re-assignment. They may be contacted through the Trade Commissioner Service:

Name	From	To	In Ottawa
D.C. Butler	Stockholm	Singapore	July 16-24
M.J. Hladik	Wellington	Bonn	July 18-27
G. Woollam	Minneapolis	San Juan	July 19-25
D.J.S. Winfield	Tokyo	Tokyo	July 19-27
W. McQuinn	Nairobi	Hamburg	July 23-27
G. Shortliffe	San Juan	Ottawa	July 30-Aug. 1
P. Duchastel	Paris	Philadelphia	Aug. 1-10
A.T. Eyton	New Delhi	New Delhi	Aug. 13-14
P. Dingledine	Port of Spain	Tel Aviv	Aug. 13-15
E. Bobinski	Vienna	Dallas	Aug. 13-16
J.H. Lang	Kingston	Warsaw	Aug. 13-17
J.H. Bailey	Buffalo	Beirut	Aug. 13-17
R.F. Andrigo	Peking	Rome	Aug. 13-17
A.C. Perron	Algiers	Manila	Aug. 13-24
R. Goulet	Seattle	Paris	Aug. 16-17
J.H. Treleaven	Sao Paulo	Sao Paulo	Aug. 30-31
D.S. Armour	San Jose	New York	Sept. 3-14
W. Jones	Bonn	Bonn	Sept. 12-14
M.B. Blackwood	London	Minneapolis	Sept. 10-20
J.R. Brocklebank	Brasilia	Budapest	Sept. 24-Oct. 5

The Ocean Freight Market

The impetus of the freight rate advance, commencing in mid-1972, continued through the second quarter of this year. However, the rate of acceleration slowed, firmed a number of times during the quarter, and eventually faltered at the end of June when rates fell on several routes, including the trans-Atlantic grain trade. It seems clear that this situation was caused by charterers re-assessing rate levels that were considerably above those prevailing during the 1970 shipping boom. There was brisk activity in time chartering throughout most of the quarter as charterers in their efforts to hedge against further rate increases in voyage charters focussed more on the time charter market. This activity boosted time charter rates. For example, average rates for ships of 11-15,000 tons deadweight time-chartered for 4 to 12 months rose to Cdn. $7.21 per ton during the second quarter from $5.11 in the preceding quarter. A year ago the second quarter average rate was $2.76 per ton.

Despite the faltering in rate levels towards the end of June, cargo volumes (for example, at National Harbours Board ports, foreign outward cargoes during the first quarter rose 24.7 per cent over the preceding year) and rates remained high. In comparison to rate levels last year shippers paid substantially more for freight. One example was iron ore from Sept Iles to the U.S. Atlantic Coast; in May 1972 US$0.80 per ton was paid for a 52,000-ton shipment while on June 25, this year, a 50,000-ton shipment was fixed at $3.00 per ton. Individual fixtures for potash from Vancouver to India commanded a rate of $9.18 in April 1972, $18.25 in February 1973, and $22.50 in May 1973. The following individually fixed rates (volumes between 13,000 and 16,000 tons) for heavy grain from the Great Lakes to Holland illustrate both the upward push in rate levels and the rate hesitation at the end of June: May 1972 – US$7.50 per ton, August 1972 – US$9.00, November – US$10.06, April – US$19.25, May – US$21.00, June 11 – US$18.80 and June 21 – US$17.10.

High rates led to an appreciable reduction in the number of laid-up ships. The British Chamber of Shipping reported 1,047,000 tons deadweight of laid-up dry cargo shipping on May 31, 1971, rising steadily to a peak of 3,467,000 tons on February 29, 1972. The shipping boom cut laid-up shipping to 1,619,000 dwt by the end of 1972, and on May 31, 1973 only 694,000 tons continued inactive with almost 85 per cent of this total consisting of ships constructed before 1955. Expectations of a continuing high shipping demand were behind record ship orders which stood at a phenomenal 99.2 million tons gross at the end of March [1]. The state of the charter market probably was a factor in agreement being reached in April in wage negotiations with Japanese seamen. In 1972, settlement was reached only after a costly 92-day strike.

Tanker demand was sustained throughout the quarter and further increased rates were recorded. To illustrate, crude oil from Venezuela to eastern Canada was transported at an average rate of Cdn.$1.41 per ton in the second quarter of 1972, rising steadily to $3.57 during the first quarter of 1973 and to $3.94 in the second quarter.

(1)*Daily Freight Register*, April 25, 1973, Page 3.

CHARTER RATES — SECOND QUARTER 1973

The rates shown in column A are in sterling or U.S. dollars with the Canadian dollar equivalent in column B calculated at Pounds=2.479 and U.S.$=1.000. For comparison the rates for the previous quarter are shown in column C with the Canadian dollar equivalent in column D calculated at Pounds = 2.397 and U.S.$ = 0.995. The rate schedule does not necessarily represent all charter movements to or from Canadian ports since details of certain fixtures are not published.

TIME CHARTERS—The classes of motor ships indicated have been selected as representative for the purpose of illustrating time charter rates. Average rates per deadweight ton per month for the second quarter of the year were as follows:

	Second Quarter 1973		First Quarter 1973	
	A	B	C	D
	£ or US$	Cdn. $	£ or US$	Cdn. $
General Trading (approximately 4 to 12 months)				
11,000-15,000 dwt. 13-16 knots	7.21	7.21	£2.13	5.11
15,000-20,000 dwt. 13-16 knots	6.29	6.29	5.36	5.33
20-000-30,000 dwt. 13-16 knots	6.44	6.44	4.74	4.72
30,000-40,000 dwt. 13-16 knots	4.92	4.92	4.55	4.53

VOYAGE CHARTERS—Average rates for the second quarter of the year were as follows:

	A	B	C	D
Heavy Grain (Per long ton)				
St. Lawrence to Britain	£5.28	13.09	£4.25	10.19
St. Lawrence to Belgium/Holland/Germany	9.63	9.63	—	—
St. Lawrence to Norway	*11.40	11.40	—	—
St. Lawrence to Ghana	*16.75	16.75	—	—
St. Lawrence to Japan	*21.00	21.00	—	—
St. Lawrence to People's Republic of China	*19.25	19.25	—	—
Great Lakes to Britain	£7.18	17.80	*£6.38	15.29
Completing St. Lawrence	*£4.75	11.78	*£3.88	9.30
Great Lakes to Belgium/Holland/Germany	18.72	18.72	12.31	12.25
Completing St. Lawrence	11.58	11.58	7.06	7.02
Great Lakes to Spain (Atlantic)	*17.90	17.90	—	—
Completing St. Lawrence	*12.90	12.90	—	—

	Second Quarter 1973 A £ or US$	B Cdn. $	First Quarter 1973 C £ or US$	D Cdn. $
Great Lakes to Norway	*19.00	19.00	*14.00	13.93
Completing St. Lawrence	*12.00	12.00	*9.00	8.95
British Columbia/North Pacific to Japan	16.34	16.34	*14.00	13.93
British Columbit to People's Republic of China	£6.33	15.69	£5.75	13.78
British Columbia to Philippines	18.82	18.82	*17.00	16.91
British Columbia to South Korea	15.48	15.48	14.85	14.77
British Columbia to South Vietnam	27.64	27.64	—	—
British Columbia to Indonesia	18.11	18.11	—	—
British Columbia to India	20.05	20.05	17.52	17.43
Coal (per long ton)				
Hampton Roads to Japan	10.26	10.26	7.46	7.42
Petroleum Coke (per long ton)				
California to Japan	*7.50	7.50	*7.50	7.46
St. Lawrence to Romania	*19.35	19.35	—	—
Oilseeds (per long ton)				
British Columbia to Japan	*13.00	13.00	11.91	11.85
British Columbia to India	*23.50	23.50	—	—
Great Lakes to Denmark	*28.50	28.50	—	—
Oilseed meals (per long ton)				
Great Lakes to Britain	*£9.50	23.55	—	—
Sulphur (per long ton)				
British Columbia to Belgium/Holland/Germany	*11.50	11.50	*10.00	9.95
British Columbia to New Zealand	£6.09	15.10	*£5.50	13.18
British Columbia to India	22.50	22.50	—	—
Potash (per long ton)				
British Columbia to Australia	*£5.95	14.75	—	—
British Columbia to India	22.50	22.50	*18.25	18.16
Iron ore (per long ton)				
St. Lawrence to Britain	£2.90	7.19	7.40	7.36
St. Lawrence to Belgium/Holland/Germany	4.73	4.73	*5.00	4.97
St. Lawrence to U.S. Atlantic	2.83	2.83	—	—
St. Lawrence to U.S. Gulf	*4.00	4.00	—	—
St. Lawrence to Japan	10.75	10.75	—	—
Zinc concentrates (per long ton)				
St. Lawrence to Japan	22.38	22.38	—	—
Scrap iron and steel (per long ton)				
St. Lawrence to Japan	*22.00	22.00	—	—
Great Lakes to Britain	24.50	24.50	*20.00	19.90
Great Lakes to Spain	*26.75	26.75	19.75	19.65
U.S. Atlantic to Japan	17.46	17.46	15.70	15.62
Oil black (per long ton)				
Venezuela to East Coast of Canada	3.94	3.94	3.59	3.57
Venezuela to Portland, Maine	3.94	3.94	3.23	3.30
Persian Gulf to Portland, Maine	18.30	18.30	13.14	13.07
Mediterranean to Portland, Maine	6.90	6.90	5.81	5.78

*One fixture reported only.

Venezuela
Faces New Challenges


Oil derricks on Lake Maracaibo, Venezuela.

J.E.G. GIBSON, Commercial Counsellor, Caracas

Venezuela is, after the United States, Canada's largest export market in the western hemisphere. Our exports to Venezuela in 1972 exceeded $145 million, of which well over 50 per cent was in the form of automobiles and automobile parts. Another major but non-recurring item in our 1972 exports was aircraft. We are now shipping a wide variety of minerals and industrial materials to Venezuela and this market should continue to grow at a reasonable rate. The total list of Canadian products going into Venezuela shows more than 350 items.

There seems to be little doubt that this will be a landmark year for Venezuela. Decisions now being made on a number of economic fronts are bound to have substantial long-term effects on the country's development.

With a per capita income of more than $1,000, Venezuela is one of the richer nations in South America. It has traditionally enjoyed a favourable balance of trade through its petroleum exports which have provided the impetus to Venezuela's development in recent years. Following devaluation of the U.S. dollar, Venezuela's reserves were placed at $1.7 billion, but decreased production of petroleum in 1972 has meant that revenues were less than expected. This situation could persist through 1973 and it is possible, therefore, that the Government will be faced with a deficit financing situation in the near future.

It is also probable that during 1973 a mild inflation will be experienced, putting further pressure on Venezuela's reserves. With an election in the offing in the latter part of the year, it is unlikely that the Government will take any strict measures before that time.

Venezuela followed the U.S. devaluation with an immediate 10 per cent devaluation in terms of gold and, a few days later, a revaluation of the bolivar of approximately 2.3 per cent in terms of the U.S. dollar was announced. The official rate of the bolivar is now 4.30 to U.S.$1. Petroleum export reference prices were subsequently increased to offset the net devaluation effects on income.

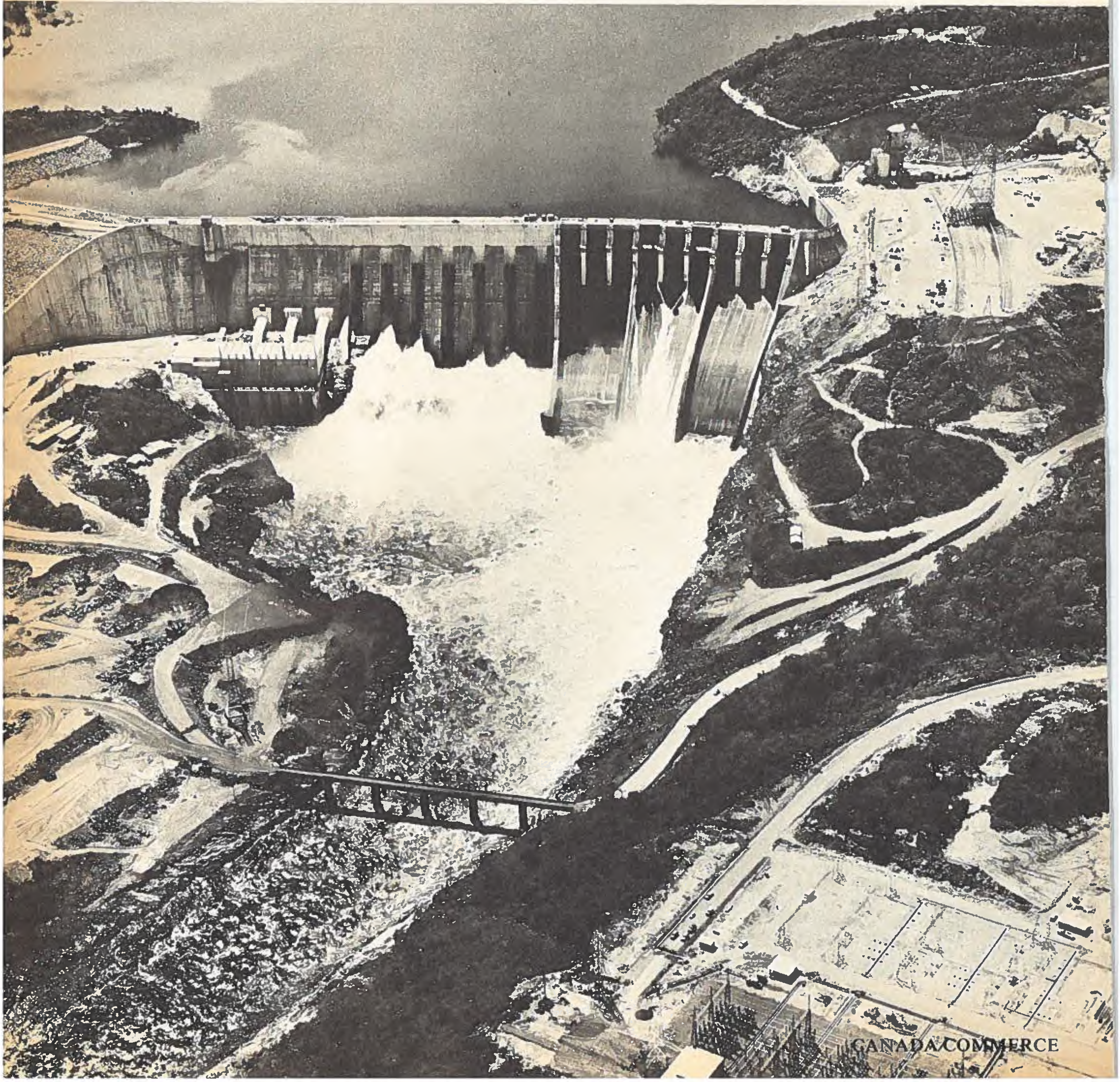
The Government appears to be moving towards development of an industrial strategy based on more diversified export activity. While this strategy has yet to be outlined in detail, it is likely that the export activity will be aimed at the Andean Group countries. The Government has introduced into Congress two new export bills which should become law this year and which will provide further incentives to non-traditional exports from this country.

The first bill, the Export Incentives Law, will provide subsidies of up to 30 per cent of the Venezuelan added-value of non-traditional exports. Precluded from benefits under this law are petroleum and other extracted minerals, as well as coffee and cocoa. Any manufactured items not falling into these categories will be eligible for the subsidies, which have yet to be defined in terms of actual percentages. These will not be paid as cash but rather as negotiable bearer bonds which may be discounted by the exporter or used to pay local taxes.

The second bill, the Export Finance Fund Bill, calls for creation of a fund to provide short-, medium- and long-term credit to Venezuelan exporters. Both commercial and government banks will be involved in the creation of this fund which, in addition to providing normal credits and financing, probably will be available for export studies and other inducements to export. Because petroleum and minerals, as well as coffee and cocoa, now account for well over 90 per cent of Venezuela's exports, these two bills could be useful in helping manufacturers of non-traditional exports into foreign markets. Certainly, with Venezuela's deteriorating petroleum reserves position, the bills should be very welcome.

Although it is the world's fifth largest producer of oil, Venezuela's

View of the Guri hydroelectric dam on the Caroni River.



share of world production has slipped to 7 per cent, a drop of fully 40 per cent over the past five years. At the same time, the country's share of world exports is now 14 per cent, down from 37 per cent in 1958. Oil production in 1972 was estimated at 13.7 billion barrels, meaning that, at current rates of production, only 10 years of proven reserves remain in the ground. It is thought that there are other substantial deposits but exploration activities in recent years have been minimal and not particularly successful.

A major problem facing the oil industry is lack of new investment. This derives principally from uncertainties on the part of oil companies because of several measures taken by the Government in recent years to bring the petroleum industry more under domestic control. These measures include substantial taxation increases, controls on levels of production and exports, and passage of the Law of Reversion which, in effect, says that by 1985 practically all assets of foreign-owned oil producers in Venezuela will revert to the State without compensation. Consequently, existing producers are spending on regular maintenance programs but new investments are minimal.

New Tariff System — Venezuela's tariff will be revised from a system of specific duties to a system of ad valorem duties based on c.i.f. valuations. The Government has also adopted the Brussels Nomenclature, thus aligning Venezuela with most other trading nations. The new system went into effect on May 1 and eliminated most of the import licensing requirements that were formerly the main import controls.

Several alterations have already been made to align these new tariffs more or less in terms of the cost effects of the old ones. But many of the new tariffs, when applied, will result in considerably higher prices to consumers. It should be emphasized, however, that most tariffs are at the present time applied universally so that any Canadian supplier's competitive position should not be affected. This will not be so over the long run, when similar products manufactured within the Latin American Free Trade Association and, more particularly, within the Andean Group will be allowed in at lower rates of duty than those applied to products from outside nations.

But the introduction of the new system should mean a re-examination of the market by exporters, who should also watch the situation carefully as there are bound to be further major changes over the next year or so as Venezuela adjusts to its entry into trading blocs.

Andean Group Accession — Venezuela joined the Andean Group officially in March this year, a move that indicates a fundamental rethinking among the country's planners. Up to now the economy has been almost entirely dependent on the petroleum industry, and joining the Andean Group means that the Government is aware of the necessity to diversify. Venezuela's trade with South America in general, and with the Andean Group countries in particular, is small but is expected to increase three-fold within the next 15 years or so. Most trade within the Group will consist of manufactured items and because of Venezuela's high cost structure compared with other member countries some major adjustments in production methods will be required.

There has been a considerable amount of activity in Venezuela's mining sector which should continue to increase. At the moment these activities are less than they could be because of regulations and tax rates very similar to those applied to the petroleum industry. Therefore, there is little incentive for new developments. But within the next year or two, a mining law is expected to be enforced that should encourage substantial development of known reserves and provide incentives for new development.

There are also signs that within the next year or two Congress will give approval for financing of the construction of the first stage of the Caracas Metro. While this project has been under consideration for approximately nine years, it is becoming clear that some form of rapid transport is very much a necessity in bustling Caracas and once financing is cleared it may be expected that major world suppliers will be running hard for the contract. The total value of this first stage will probably be around $100 million, of which equipment will account for about half.

Tourism is another area likely to receive attention. Venezuela's planners are well aware of the success enjoyed in the Caribbean and feel it should be possible to draw off a share of the business. Together with the World Bank, they have concluded a major study of tourism potential, and within the next year or so plans should be announced for development of new tourist facilities. □

LEADING CANADIAN EXPORTS TO VENEZUELA, 1972

	$
Sedans	22,328,888
Hardtop sedans	20,562,134
Aircraft	19,000,000
Trucks and chassis, commercial	14,294,301
Newsprint	8,204,788
Trucks and chassis, light	7,918,704
Car parts and accessories	6,899,889
Station wagons	4,318,874
Steel sheet and strip	2,889,022
Woodpulp, bleached soft kraft	2,644,931
Plastic and synthetic rubber	2,382,527
Skim milk powder	2,048,634
Engine turbines and parts	1,886,688
Copper bars, rods and shapes	1,539,671
Insulated wire and cable	1,312,271
Woodpulp, unbleached sulphate	1,294,082
Plastic films and sheets	1,174,855
Woodpulp, bleached hard kraft	1,044,825

Source: Statistics Canada

Margarita Island

Venezuela's Free Port

Margarita Island, once famous for its pearl fishing, and now a Free Port Zone.

Margarita, Venezuela's beautiful Caribbean island in the sun, was discovered in 1498 by Christopher Columbus during his third voyage to the Americas. Famous for its pearls and fish, Margarita remained an idyllic tourist retreat until September 1971 when the Venezuelan Government decreed the island a Free Port Zone.

During the short year and a half since the decree, the island has experienced a vigorous transformation and Porlamar, its largest city, has become a dynamic and growing commercial centre. A reflection of this growth has been construction by the government of a maritime terminal and an international airport. When finished towards the end of 1973 these are expected to attract the cruise ship and air charter trade.

Sales in the Free Zone have increased substantially. Licences to establish duty-free stores have been granted to almost 200 concessionaires and approximately 90 are already operating, with others opening daily. However, there is a shortage of adequate commercial sites in Porlamar, a city of only 35,000 inhabitants.

Venezuelans, especially from eastern Venezuela and the Caracas area, are the principal purchasers of duty-free merchandise. Owing to the high prices charged on the mainland for nationally-produced textiles, clothing accounts for 60 per cent of total sales. Alcoholic beverages and cigarettes represent 30 per cent of sales and foodstuffs and miscellaneous items account for the remainder.

The foreign manufactured products most in demand are medium-priced women's, men's and children's apparel, although high-fashion, boutique-style clothing is also sought for Caracas residents. Other products in demand include precious and costume jewellery, sporting goods, games and toys, chocolates and sweets, perfumes and cosmetics, photographic articles, small electronic and electrical appliances, leather goods, liquor and cigarettes.

Although any product generally sold in Free Zones can be found in Margarita, clothing has the most potential for Canadian companies. Almost any lightweight item will sell and Canadian firms currently exporting to shops in Curacao should be particularly interested in Margarita as it provides an alternate shopping area for Venezuelans seeking lower priced textiles.

Until now, most merchandise purchases by concessionaires have been made directly from manufacturers and export agents, but in recent months five licences have been granted to island distributors/wholesalers who can more effectively handle the requirements of the many small retailers. The larger stores with high sales volume will probably continue to procure the bulk of their merchandise directly.

Canadian firms anxious to sell in this market should seriously consider dealing through a commission agent or distributor. A responsible, locally-based representative will not only help to overcome language barriers but can also assure reliable accounts in a market where credit information and collection assistance are difficult to obtain.

The Commercial Department of the Canadian Embassy in Caracas has prepared a short report on Margarita Island listing major agents, distributors and duty-free shops. Firms interested in doing business on the island can obtain the report by writing to the Commercial Counsellor, Canadian Embassy, Apartado 62302, Caracas 106, Venezuela. □

Andean Group Survives Critical Phase

I believe, with Clerk Maxwell, that in history as in physics there are critical points where a relatively small effort or change produces disproportionate effects like the rolling stone that causes the landslide. No quantitative model of development has managed to take into account the will, the unselfish motivation and other nonmeasurable factors, not to mention technological progress. Perhaps this is due to the fact that the deep roots of economic thinking plunge into the determinism of Newton rather than the "uncertain and probable" universe of Einstein and de Broglie. For modern science nature progresses by leaps. At times history does the same. (*Statement by the co-ordinator of the Andean Junta to the Foreign Ministers of the member countries in June 1972*).

PIERRE CHARPENTIER, Canadian Ambassador to Peru and Bolivia and Observer to the Andean Group.

March 22 was a landmark day for the Grupo Andino (GRAN), usually known in North America as the Andean Group, or Ancom. The press reported a number of simultaneous events: the approval by the Latin American Free Trade Association of the accession of Venezuela, which increased the membership of the Group (by treaty a subregion of LAFTA) from five — Bolivia, Chile, Colombia, Ecuador and Peru — to six countries with a combined population of 66 million; ratification by the Congress of Colombia of that country's membership going back to the Cartagena Agreement of May 26, 1969, but disputed in court since that time; and a technical assistance grant of $600,000 by the Canadian International Development Agency to assist the Junta, the Group's technical secretariat, in planning the joint industrial and infrastructural development of the area.

One had the feeling that the Andean Group, nearing its fourth year of existence, was now safely over the critical phase. In retrospect three considerations stand out: the adoption at the end of December 1970 of a Foreign Investment Code which provided the Group with its basic outer shell; approval in August 1972 of the first joint industrial development program, in the metal working sector; and Venezuela's entry. It is now possible to take a more relaxed look at GRAN's rationale and targets.

Following the entry into force of the Cartagena Agreement in the fall of 1969, the first decisions were on locating the headquarters (now in Lima) and installing the two main bodies of the Group, the Commission and the Junta.

The Commission is composed of one plenipotentiary of each member country and meets three times a year to establish policies and to implement objectives. The Commission can also meet in extraordinary sessions and, during the formative period, this has been more the rule than the exception.

The Junta, or Board, consists of three members elected by the Commission and is charged with carrying out the daily work and preparing proposals for consideration by the Commission. It has an international technical staff of about 30 professionals headed by an executive director. For all the tasks at hand this staff seems small but the intention is to keep it that way and draw on experts from outside, such as those recruited under an agreement with Canada.

Joint industrial development will play an important role

Trade liberalization, although not a distinctive feature of the Agreement, aims at doing away with duties and all types of obstacles affecting commerce between the member countries. For this purpose rigid timetables have been set. The first step was to remove all non-tariff restrictions to intra-regional trade and to establish a uniform initial tariff level for commerce within the area. Starting January 1, 1972, tariffs are being reduced by 10 per cent a year to zero by the end of 1980.

Bolivia and Ecuador, as the weaker members of the Group, will be able to export to other member countries under an accelerated reduction of tariff barriers. Accordingly, a 40 per cent reduction took effect on January 1, 1972; a 30 per cent reduction on January 1, 1973, and tariffs on these countries' exports to the other members will be completely removed by 1974.

For the Group as a whole, automatic duty cuts apply in principle to 3,400 tariff items out of a total of 5,900. However, the Agreement allows each member country to exclude temporarily a given number of products from the list. About 1,200 products were presented for such exemptions (and the entry of Venezuela will increase this list) but tariffs on these must be terminated by 1985.

The residual tariff items fall into two main groups: products which were included in LAFTA's common list, as well as 350 items not presently produced in the Andean Group (tariffs on such items were completely removed during the first part of 1971); and 1,980 products reserved for the joint industrial development programs and for which special rules will be evolved in each sector. In any event, these programs are to provide for elimination of all tariffs by 1980.

The Andean countries are also adjusting to a common set of tariffs applicable to imports from outside the region. As the first step toward a common external tariff (CET), a provisional arrangement known as a common 'minimum' external tariff went into effect at the end of 1971. Existing national tariff rates that are below the agreed provisional level must be increased in five annual steps of 20 per cent to bring them up to the minimum rate by the end of a five-year period (excepted again are products reserved for the joint industrial development programs). The Junta is now drawing up a CET system for adoption by the end of 1975 and implementation on a gradual basis to the end of 1980.

Linked with the CET, in order to simplify regional dealings, a new customs nomenclature has been introduced under the name of NABANDINA. It is derived both from the Brussels nomenclature and the NABALALS system which it will replace fully by 1976.

Intra-regional trade to date has not been significant when compared with the total trade flows of the five (and now six) member countries. But in absolute terms the increase amounted over the first three years to $100 million, a jump of 170 per cent. More important has been the new awareness among member countries of a market, particularly for manufactured items, they had tended to ignore, a protected regional market that will become a reality as joint industrial development makes progress. Indeed, and this is where the Andean Group goes much further than other integration schemes elsewhere, a free trade area and customs union are conceived not so much as leading to, but rather as resulting from economic integration.

Within this economic integration, joint industrial development will play an important role. It consists of creating within GRAN, in certain dynamic industrial sectors, a new and integrated manufacturing capacity tied to the region's resources with specific lines of production assigned exclusively to one or two member countries who would have a temporary market monopoly.

The leading sectors for assignment include various branches of petrochemistry, steel and metallurgy, automotive, electrical machinery and equipment, electronics, metal working, paper and cellulose, glass and precision equipment. Included are existing production facilities representing 30 per cent of the current output of manufactures in the area and new facilities geared to a rapidly expanding demand and a fast-evolving technology.

The first program was approved last August for the metal working industry and it includes almost 200 products. Member countries were assigned a time limit to present economic and technical feasibility studies for the construction of plants and a further time limit, expiring in 1978, for construction of the plants. If a country fails to meet either of these deadlines then it will lose its right to a protected tariff-free market for that particular product. There is nothing, of course, to stop any factory from continuing to manufacture a product it already produces, even if this product has been assigned to another country, but it would be prevented from selling to any of the other member countries and would have to compete at home with the product from the country of assignment, marketed under privileged conditions.

Total demand by 1980 for all products of the metal working industry was estimated at around $794 million a year

An estimate was made of the probable demand for each product in the Andean Group up to 1980. For example, total demand by 1980 for all the products of the metal working industry was estimated at around $794 million a year, of which the Andean Group should then be in a position to supply 36 per cent, but these calculations will have to be revised now that Venezuela has joined the Group. Venezuela is expected to bid for some lines of production already assigned, offering concessions in some of the other lines coming up for allocation such as the automotive sector now under consideration.

In this endeavour, the Junta has few world precedents to go by and, together with the experts and consultants on whose services it calls, must make some educated guesses and pragmatic decisions. This is a snowballing process and it is interesting to see to what extent the breakthrough in the metal working sector has caught the attention of both government planners and private industry in the member countries who are now jockeying for position before the next industrial sectors come up for assignment. A willingness to take calculated risks and to scrap hitherto sacrosanct items of national planning will be increasingly required when joint programming moves to more controversial sectors involving large industrial complexes. GRAN's financial arm, the Corporacion Andina de Fomento (CAF), based in Caracas, will have an increasingly active role to play in ordering feasibility studies and attracting international starter funds for the most promising ventures, especially in Bolivia and Ecuador.

A complementary and parallel progression is taking place at the Group level in harmonizing policies. Here the Junta started at the periphery with its proposal for a Common Code for Treatment of Foreign Investment, which became the Commission's Decision 24 of December 31, 1970, and established the rules of the game for foreign capital investment in the region. These rules were based on existing laws of the member countries, and the common general attitude to foreign investment has, to many circles abroad, become the hallmark of Andean membership.

In a nutshell, foreign industrial, trade and financial concerns in the Andean region are required to give majority control to nationals within, generally, 15 to 20 years, according to the countries in which these concerns are located. Public utilities, banking, insurance, other financial institutions and the mass media are closed to new foreign investment. Takeovers are prohibited, except in rare cases. New foreign investment will be authorized only when it serves the development priorities of the host country. Contracts for the use of foreign technology and patents must be registered and will be closely scrutinized.

In return, the foreign investor is conceded the right to transfer net profits up to 14 per cent annually. Profit transfers may exceed this rate in mining and petroleum. From the investor's point of view, having a clear set of rules may help in dealing with the national authorities. The main enticement to new investment, however, will be the prospect of exclusive access to a protected market of considerable size as the joint industrial development programs of the Group make headway. For this reason, the Junta foresees that, in the medium term, the Foreign Investment Code will be viewed with less and less alarm by investors. At this time, Massey Ferguson's recent deal with the Peruvian Government to set up, with 49 per cent participation, a tractor plant has caused considerable interest among both supporters and opponents of the Code.

Inasmuch as these rules impose on members of GRAN a rigid etiquette governing trade relations with outsiders, the Junta is devising guidelines for such things as double taxation, industrial incentives and trade practices. But economic integration calls for a deeper harmony. As the closest equivalent, the EEC, through its regional office in Santiago, will be in the best position to advise the Junta on the next steps to be taken.

For the longer term, the Junta has published a three-volume document modestly entitled *General Bases for a Sub-Regional Development Strategy*. It takes little reading between the lines to realize that the member countries, which have their distinct national approaches to socio-economic development, will eventually have to agree on a general policy. Underlying the strategy is the proposition that regional economic integration cannot produce the growth it should unless each member country achieves its own national integration.

More urgently, economic union calls for physical integration. In the first phase, the Andean concept has stimulated border integration schemes and contributed to bi-national projects and submissions to international agencies for the joint development of regions which in the past had been bones of contention. The second phase, now opening, derives its impetus from the Brazilian example of opening, in difficult terrain, trans-Amazonian roads which will soon lead to various links with the Andean region.

A rigid etiquette governing trade relations with outsiders

Chapter XI of the Cartagena Agreement and the Development Strategy spoke in rather conservative terms about the need to improve the infrastructure in support of a better flow of trade. But GRAN and the Junta will soon find themselves immersed in questions of road, air, sea and river transportation to a degree they had not anticipated.

At the core of the Junta's planning stands a deep concern with the role of technology. As already mentioned, the Foreign Investment Code contains specific provisions to initiate a process of rationalization of technological imports into the region. The development strategy outlined a technology policy based on the alternative technologies available in specific industrial sectors. Some of the main features of this policy include a requirement that bids on investment packages should contain a quotation on the technological input separate to the main quotation, and that Andean governments give preference to products that will use local technology; foreign consulting firms should always work with local associates in order to develop experienced personnel within the region, and that research and development centres should be set up and supported by appropriate tax incentives. Again, assignments under the metal working program were given by groups of products rather than single items in order to develop or strengthen clusters of technological ability in each country. The technology division of the Junta is pursuing its pioneering work in this topic in relation to social and economic development imperatives. It is being assisted in this endeavour by Canada through the International Development Research Centre.

For more information about the Andean Group's activities, write to Junta del Acuerdo de Cartagena, Unidad de Communicaciones, Casilla 3237, Lima, Peru. □

LAFTA Fosters Regional Integration

W.R. VAN, Commercial Counsellor, Buenos Aires

The Treaty of Montevideo, signed on February 18, 1960, instituted the Latin American Free Trade Association — LAFTA. The purpose was to promote the gradual elimination of customs barriers and the adoption of additional measures for increasing the trade among member countries.

Up to now, 11 countries have signed the treaty — Argentina, Bolivia, Brazil, Colombia, Chile, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela. These countries comprise an area of more than 7.5 million square miles and together have a population of more than 240 million. This represents 86 per cent of the total Latin American population.

Originally the agreement called for complete freedom on essentially all of the area trade within a 12 year period. This initial goal has not yet been accomplished. Under present conditions it appears unlikely that it will be met for quite some time. The LAFTA Agreement has on the whole, however, proved a useful tool for encouraging trade amongst the member nations.

From the start, the huge economic differences between the subscribing countries, together with their inexperience in handling the highly complicated trade procedures, has proved a serious handicap in achieving the goal of regional integration. One of the main criticisms points out that the percentage of imports between member countries compared with the total imports into the area had decreased from 12.3 per cent in 1969 to 11.2 per cent in 1970 and to 10.7 per cent in 1971. This criticism, however, appears to be an over-simplification of the problem and underestimates the formidable task in bringing these countries together. The drop in regional trade could be attributed to the widening of the technological gap separating Latin American countries with varying degrees of development.

The fact is that the Treaty of Montevideo did lead to intensification and diversification of reciprocal trade between the member countries. The figure for imports plus exports for the whole area grew from $1,076 million in 1961 up to $2,871 million in 1971.

The diversification in exports is an important achievement. Before the agreement, the regional exports were mainly primary products, whereas today all member countries export manufactured goods, within the limits of their own development.

With LAFTA the Latin American countries concerned have acquired a valuable set of rules and trading tools which did not exist before 1960. The most significant measures in this respect were the adoption of the Brussels Tariff Nomenclature and the joint fixing of ad valorem duties, together with other important administrative measures.

Another important LAFTA accomplishment was the creation and successful operation of the Multilateral Reciprocal Credit Mechanism. This was based on periodical multilateral compensation of outstanding debts. In 1971, 81 per cent of the transactions were carried out through this system of compensation.

Of all the methods envisioned in the Treaty of Montevideo for the freedom of trade, the one that to date has achieved the best result has been the establishment of Complementation Agreements. These agreements, although voluntary and open to all member countries, offer the possibility of setting up planned regional markets in selected sectors, especially in capital goods industries, which require strong investments and large markets. Eighteen agreements of this type have been reached covering a wide range of products. These include computer components, electronic devices, household appliances, chemical products, glass, and power generation and distribution equipment. Through these agreements an effort has been made to further specialize certain industrial sectors.

On the whole, LAFTA may not have measured up in many instances to expected achievements; nevertheless, with whatever limitations may exist, the treaty has constituted an important step on the path to regional integration. □

First Canadian Furniture Show in Puerto Rico

In early March four companies mounted the first showing of Canadian furniture in Puerto Rico. They were assisted by the Program for Export Market Development of the Department of Industry, Trade and Commerce. The companies were: Jaymar Furniture Co. Ltd., of Montreal, Quebec; Southshore Industries Ltd., of Ste. Croix, Quebec; Treco Limited, of Ste. Romauld, Quebec; and Victoriaville Furniture Ltd., of Victoriaville, Quebec.

The show was designed to identify the potential in Puerto Rico for Canadian-made furniture as well as to increase Puerto Rican awareness of Canadian capabilities in the field.

The participants regarded the show as a considerable success. More than $110,000 worth of on-site business was reported and it was estimated follow-up sales would amount to at least $500,000 during the balance of the year.

Puerto Rico imports about $40 million worth (wholesale) of furniture a year. Canadian penetration of this market has increased in recent years and sales in 1972 totalled about $750,000. Recent experience shows that Canadian furniture is competitive in pricing and styling with volume sales best achieved through low- to medium-priced lines.

Further information is available from the Canadian Consulate, 1606 Pan Am Building, Hato Rey, Puerto Rico 00917.

CALA
Bringing Canada and Latin America together

MICHAEL LUBBOCK, Executive Director, CALA.

The Canadian Association for Latin America (CALA) was founded in 1969 because a group of Canadian business leaders were deeply concerned at the lack of Canadian interest in Latin America and felt that this could only be overcome by establishing some institution to be specifically the stimulator of interest and knowledge about Latin America, a centre of expert information, and a catalyst to bring Latin Americans and Canadians together. It now has 72 corporate members and some individual members. But there are many others who should be members, either because they are already engaged in Latin American business and have much to contribute in experience and expertise, or because they have a product or a service which could be suitably and profitably offered in the Latin American markets.

The conception of CALA and its functions embraces all aspects of the relationship between Canada and Latin America, through limited resources and staff, and the natural interests of its corporate members, have made it concentrate so far on the development of business. The early years had largely to be devoted to making CALA widely known and establishing the contacts through which to work.

From the beginning valuable help has been received from the Organization of American States (OAS) and the Inter-American Development Bank (IDB), particularly in helping to establish in CALA's office an outstanding Information Centre. This covers current economic, financial and political events, special reports on every aspect of Latin American development, and statistics, and in its field is unparalleled in Canada. Constant contact is kept with senior officials of OAS and IDB, particularly in connection with CALA's annual conferences. Two seminars were held in Montreal and Toronto at the beginning of 1972 at which senior officials of the two institutions spoke to groups of CALA members about their policies, structure and operations. This was followed by CALA being invited to take a delegation of members to Washington later in the year to hear about all aspects of IDB and OAS from the most senior executives, in greater detail than had been possible at the Canada seminars. The calibre of speakers who devoted time to these meetings, and the reception offered by the President of IDB, underlined the importance that the Bank and OAS attach to Canadians knowing more about them, following Canada's taking the two historic steps of becoming a full member of the IDB and being granted Permanent Observer status to the OAS.

CALA has increasingly constructive relations with departments of the Government of Canada, particularly through periodic meetings between its executive committee and senior officials of the Department of Industry, Trade and Commerce, the Department of External Affairs, CIDA and others, at which developments and problems which concern both the public and private sector are discussed. Similarly, CALA keeps close to other important Canadian associations such as the Canadian Manufacturers' Association, the Canadian Export Association, the Canadian Importers Association, the Canadian Chamber of Commerce and the Canadian Association for Latin American Studies, all of whom have been invited to send representatives to the meetings of CALA's executive committee. This emphasizes one of CALA's principles, which is to avoid duplicating what others are already doing efficiently and rather be their specialist collaborator in Latin American affairs and keep to the fore the Latin American aspects of matters under discussion.

Perhaps the most significant activities have been the three annual conferences. CALA I in 1970 was a general introduction to Latin America's current developments and future prospects, described by five distinguished Latin Americans including the then President of IDB. CALA II concentrated more specifically on the role of the businessman in development, with another team of eminent speakers which included the Secretary General of the OAS. CALA III last year took an important step in bringing to the Conference 30 leading Latin Americans from both the private and public sectors to create for the first time a direct dialogue with a large number of Canadian businessmen, government officials, academics and others. The fact that there were nearly 50 per cent more Canadians at CALA III than at CALA II may be partly attributed to the growing prestige of CALA's conferences, but was due mostly to the presence of the Latin Americans. One of the striking results of the Conference was that several of the Latin American guests, who had not previously known

. . . specialist collaborator in Latin American affairs

Canada or CALA directly, were impressed with what was, to them, the unexpected extent of Canadian interest in Latin America. They spoke of returning to their countries to try to assemble groups of businessmen who could work directly with CALA on bilateral economic and business committees. CALA already has one such committee with Mexico that is increasingly showing its value; and the intention is to form similar committees with Brazil, Argentina, Venezuela, Colombia and Peru, and possibly with the Central American Common Market.

This aspect of CALA's basic task — to bring Canadians and Latin Americans together — will be further developed at CALA IV, to be held in Toronto in June 1974. The first three conferences have concentrated principally on telling Canadians about Latin America. CALA IV will reverse the process and be an occasion for telling Latin Americans about Canadian skills and products, and what Canada can best offer to Latin American development through a true partnership. Therefore we will be inviting between 50 and 60 leading business leaders, heads of state enterprises and senior officials of planning institutions who are in a position to influence the acquisition of Canadian goods, services and investment. The two-day meeting will be followed by visits to Canadian natural resources, industries and consulting engineers, according to the special interests of each Latin American guest. This is a much more ambitious project than the previous conferences, and it is being planned in close collaboration with government departments whose support will be so necessary.

In these four years of CALA's existence much has been done to bring Latin America to the attention of Canadian businessmen. One-day conferences were organized in March and April in Halifax, Sherbrooke, London, Winnipeg, Edmonton and Vancouver, at which the audiences were largely firms who did not

. . . utmost goodwill towards Canada throughout Latin America

yet know much about Latin America but were anxious to learn. The speakers, from both the government and the private sector, were men who had had direct experience of Latin American countries. A single day allows only a broad review of the Latin American economies and development plans, conditions for doing business there, and the opportunities for Canadian companies; it is hoped therefore that it may be possible to arrange a follow-up series in the latter part of this year which can go into more practical details of how to develop business with Latin America and the many forms of assistance available to Canadian companies from the federal and provincial governments and CALA itself.

There are so many reasons why CALA's work is important. There is the utmost goodwill towards Canada throughout Latin America and the wish to be more closely associated in business, despite a general lack of knowledge of Canadian skills and products. These can be of especial use to Latin America in its present stage of development because Canada has had to face so many of the same problems and has successfully solved them — in mining, forestry, fisheries, hydroelectric power, agriculture, telecommunications and many other sectors. Moreover, Canada's development experience is more recent than that of the other industrialized countries and more appropriate to Latin America's present needs. Latin Americans are also aware that Canada too has to deal with massive foreign investment and feel that it will therefore be more sympathetic to their own concern and their current efforts to bring foreign investment into harmony with their own aspirations and development plans. But it must not be forgotten that there is also much that Canadians can learn from Latin Americans who, with their adventurous, innovative spirit, are working in many cases towards novel solutions of problems which affect the whole world.

CALA's task is to help each side to understand the other's different temperament, points of view and way of life. Many of the apparent obstacles to business prove to be not so formidable once there is an intimate knowledge and deep understanding; and as CALA's membership and resources grow, so it will be able more adequately to fulfil its essential catalytic function. □

How Canada Helps South American Development

JOHN de BONDT, Information Division, Canadian International Development Agency

Canada's bilateral development co-operation with South America consists almost exclusively of technical assistance — supplying advisers and teachers, providing training and conducting feasibility studies. The entire Latin America program is financed from grant funds rather than loans.

From 1964 to 1972 Canada also extended assistance to South America through a special Canadian fund administered on CIDA's behalf by the Inter-American Development Bank. However, Canada's entry as a full member of the IDB in May 1972 virtually marked the end of this arrangement. No new contributions will be made to the fund and, as part of the membership agreement, repayments on loans from it will revert to the bank rather than to Canada. Canada's membership in the IDB gives Canadian businessmen the right to bid on IDB contracts, not just to the extent of Canada's contributions ($100 million for the first three years), but for procurement of goods and services worth more than $600 million a year.

The bilateral program of technical assistance for Latin America (which takes in both South and Central America as well as some islands in the Caribbean) was launched in 1971 with a first-year allocation of $9.5 million in grant funds. As Canada had limited experience in operating development programs in Latin America, it was decided to concentrate assistance in three sectors: agriculture (defined to include forestry and fisheries), education and community development.

By the end of the 1972/73 fiscal year the program represented commitments totalling $28.5 million. A total of 64 technical assistance projects were in operation, of which 17 were in the agricultural sector, 14 in education, nine in fisheries, seven in forestry, two in community development and 15 in other sectors. In terms of dollars, agriculture was the main sector, representing $9 million or 32 per cent of total allocations. It was followed by education with $6.9 million or 24 per cent, fisheries with $6.3 million or 22 per cent, forestry with $2 million or 7 per cent, and community development with $400,000 or 2 per cent. Other sectors took up $39 million or 13 per cent.

As technical assistance consists mainly of teaching, advice and studies, very little equipment is supplied under the Latin America Program. The largest CIDA project in South America is a contribution of $3.25 million spread over five years to the International Centre for Tropical Agriculture (CIAT) at Cali, Colombia, in support of its research into increasing the yield and protein value of cassava. No capital goods are supplied under this grant.

More than 70 per cent of CIDA projects in Latin America are under $300,000

Another large project is a program to expand the engineering faculty at the Polytechnical School of Paraiba in northeast Brazil. Aided by a CIDA grant of $2.8 million over five years, the school is to enter into a twinning arrangement with a Canadian university and Canada will provide instructors and advisers in hydraulic, transportation and power systems engineering, telecommunications and computer science. The immediate goal of the program is to increase the quality of construction and the number of instructors at the 10 engineering schools in northeastern Brazil. This project, too, consists entirely of the provision of services instead of material.

Where technical assistance projects do call for the provision of equipment, this usually covers only a small portion of the total cost. For instance, a $1.7 million program to help the Government of Peru to establish fishing co-operatives includes $140,000 for a mobile workshop, some vehicles and other equipment.

In smaller projects — and more than 70 per cent of the projects under CIDA's Latin America program are under $300,000 — the capital cost is proportionately smaller. For instance, CIDA agreed to assist the Colombian Institute of Renewable Natural Resources (INDERENA) in developing regional forestry policies and programs with a contribution of $710,000 over two years. Of this amount, $680,000 was earmarked for providing experts and training, and $30,000 for supplying two cars, an aircraft, three outboard motor boats and some miscellaneous equipment, including radio-telephones.

The project with the largest amount reserved for capital goods in South America under the same program is also in Colombia. Canada is providing advisers and training fellowships to the Colombian National Apprenticeship Service fisheries training centre at Buenaventura. The total appropriation of $810,000 includes $300,000 for the conversion of a used Canadian fishing boat for the centre's use, and for other equipment.

The only country in South America receiving assistance from CIDA under a program other than the one for Latin America is Guyana. Although situated on the South American continent, Guyana is, of course, not a Latin American country. It is served under CIDA's Commonwealth Caribbean program, which includes both loans and grants.

Canadian assistance to Guyana dates back to 1958, when the Commonwealth Technical Assistance Program was introduced. Total Canadian aid allocations to Guyana up to the end of March 1973 amounted to over $52 million, of which nearly half — about $24 million — was in the form of grants, the rest in soft loans.

Guyana places much of its hope for long-term development in the potential of its interior. In keeping with this emphasis, Canada has not only financed several surveys but has been giving substantial assistance to Guyanese aviation. Two de Havilland Caribou STOL aircraft and one Twin Otter were purchased for the government-owned Guyana Airways Corporation under CIDA loans of $2.9 million. Another Twin Otter was provided through grant funds. A $500,000 hangar, interior radio communication equipment and advisory management and technical personnel have also been provided to the GAC. Approximately $1 million is being devoted to improving Guyana's air navigation system, air traffic control, airport and meteorological equipment.

A $2.3 million CIDA loan is financing the construction of a water system at the industrial community of Linden, and a $4 million loan will finance the purchase and shipment of Canadian electrical equipment.

The latter loan comprises Canada's participation in parallel financing with Britain and the World Bank of a $23 million Guyana Electricity Corporation project for diesel power generation, frequency conversion and transmission. The project will see the interconnection of Guyana's major power systems, conversion from 50 to 60 cycles, and the addition of 36 Mw of diesel generating capacity by 1976.

Probable purchases in Canada include transmission lines, ancillary equipment, and frequency conversion equipment.

The main educational CIDA project in Guyana has been the construction, equipping and staffing of a technical institute in New Amsterdam. Recently, in liaison with the Guyana Ministry of Education, a list was drawn up from which some $400,000 worth of secondary school equipment is expected to be bought in Canada.

The way goods are purchased for CIDA projects depends on whether they are financed by a grant or a loan. In the case of a loan it is the foreign government that does the shopping, from a list of suppliers approved by the Canadian Government and with the assistance of CIDA. In most cases recipient governments use the services of the Canadian Commercial Corporation.

The CCC uses the facilities — management and staff — of the Department of Supply and Services, which keeps extensive records of manufacturers and bona fide sales agents. Firms that wish to be listed with the department should apply to the Secretary, Supply Administration, Department of Supply and Services, Ottawa K1A 0S5.

Where development assistance is financed by a CIDA grant (instead of a loan) CIDA rather than the recipient government does the purchasing, often through the CCC. For most CIDA purchases, tenders are called. Invitations to tender are sent to suppliers listed with the Department of Industry, Trade and Commerce and may also be advertised in newspapers and trade journals. Interested suppliers are, therefore, advised to make sure they are registered with CIDA, with the appropriate commodity branch of the Department of Industry, Trade and Commerce, and, of course, with the CCC. □

Europort— Harbour for the Marine Industry

The Europort Exhibition is a world-renowned marine exhibition held every year at Amsterdam. It is probably the largest of its kind and appears to have become a byword as the marketplace for the world's maritime industry. Europort '73, to be held again this year November 13 to 17, no doubt will be as successful as previous Euroports have been. Its emphasis will be on marine engines, although all other aspects of marine equipment and products will be on display.

Canadian industry participated in this exhibition for the first time last year. Three Canadian companies exhibited: J. Kobelt Manufacturing Co. Ltd., Swann Winches Ltd., and Wagner Engineering Ltd., all of Vancouver. The literature of more than 20 other Canadian marine manufacturers and shipyards were distributed from the Canadian Government information stand. Approximately 1,200 companies from over 30 different countries exhibited at Europort '72. The exhibits covered ships, marine and oceanological equipment, the dredging industry, port equipment, ship repair and maintenance, offshore drilling activities, and others. National government exhibits included Japan, the German Democratic Republic, Czechoslovakia, Poland, and Yugoslavia.

A number of government and non-government national exhibitors will be at this year's exhibition, including West Germany, Britain and Denmark. The Department of Industry, Trade and Commerce plans to have an information booth there. The three firms that exhibited at Europort '72 were very pleased with the interest displayed in their products and the sales prospects that resulted from the exhibition.

All Canadian manufacturing firms interested in the marine field and wanting to promote export sales, particularly to the European Common Market countries, should plan to exhibit their products at Europort '73. For further information, companies should contact the Marine Division, Aerospace, Marine and Rail Branch, Department of Industry, Trade and Commerce, Ottawa. Qualified firms will be eligible for assistance under section C of the Department's Program for Export Market Development, but the Government will not be sponsoring the industry as a whole at the exhibition. □

BID, the Inter-American Development Bank

HUBERT RECHNITZER, International Financing Branch

The 14th Annual Meeting last May in Kingston, Jamaica, of the BID Board of Governors marked Canada's first year as a full member of the Inter-American Development Bank. During this year, the Bank reached a new plateau of $807 million in loans approved. This compares with an average of slightly more than $600 million in the preceding three years. In its annual report for 1972, the BID refers to this as a "broad advance toward the Bank's objective of achieving a lending plateau of about $1 billion yearly over the next few years". Nearly 55 per cent of the loans in 1972 were from Ordinary Capital Resources (OCR) and 42 per cent from the concessional Fund for Special Operations (FSO), a big swing from the pattern of the past 12 years of 40 per cent for ordinary loans and 60 per cent for soft loans. This shift is partially attributed to the delay in the $1.5 billion replenishment of the FSO until December 20, 1972, and is not expected to recur.

Substantial progress has been made in expanding the Bank's resources. Ordinary Capital Resources were increased by $2 billion ($400 million paid-in and $1.6 billion callable) at the end of 1971 to a total of $5.15 billion and the Fund for Special Operations was increased in December 1972 by $1.5 million to a total of $3.9 billion (pre-devaluation). Particular attention has been paid in recent years to attracting funds from non-member countries, mainly by borrowing in their capital markets. Last year BID raised $141 million from this source, bringing borrowings from non-members to $612 million out of a total of $1,137 million.

Canadian Presence

Canada was represented at the annual meeting by the Hon. Robert Stanbury, Minister of National Revenue. Mr. Stanbury, in his statement at the opening of proceedings, said: "It is understandable that the first year [of Canadian full membership] has not been without some difficulty as both we and the Bank adjusted to this new relationship. As we now assume a more active role, we will also seek to ensure that Canada is able to make its maximum contribution, through full participation in the various Bank programs and through strengthening of the Bank's loan and contracting procedures.

"Our participation involves not only my Government, which has of necessity taken the lead in establishing this new relationship, but the substantial interest and goodwill of the Canadian public, and in particular the Canadian business community. The presence at this meeting of a large and representative group of Canadian business and financial representatives demonstrably confirms this interest.

"Our trade relations are also showing particular dynamism. Canada's EDC has financed or insured loans in excess of $1 billion in the area. Although in 1972 the rate of commitment increased by 50 per cent over that of the previous year, and is indicative of the growing interest of Canadian industry in the countries of this region, this trade is far from having reached its full potential. Moreover, the recent approval by Parliament of Canada's participation in the general preference scheme will, we hope, result in an increased flow of exports to Canada from developing countries. It is important, we believe, for the countries of the region to seize the opportunities which the rapid expansion of our economies is creating for increasing the mutual benefits of two-way trade."

With effect from January 1, 1973, Canadian firms have been eligible to compete under new FSO loans (with the exception of five specified loans which were later approved out of old U.S. funds). Thus, Canadian eligibility in this important sector is established. Interested firms should check with the International Financing Branch of the Department of Industry, Trade and Commerce in Ottawa when in doubt as to their eligibility or whether a particular FSO loan was issued after January 1, 1973.

It should be noted that discussions are continuing with 12 European governments and with Japan for their entry into the BID. Negotiations will probably be completed this year and these countries could become members of the Bank by early 1974. This will entitle their suppliers to compete for FSO projects on the same terms as present members. Canadian firms should take every advantage of the intervening period to establish a lead in respect of new FSO projects. At the present rate of lending, projects likely to be of interest to Canadian firms this year could well amount to over $150 million.

BID Operations — The Bank makes loans to its member countries or any of their political subdivisions, agencies and private enterprises for the acquisition of capital assets and technical services. (See *Canada Commerce*, July 1972.) Only those projects in which the borrower makes a substantial investment from its own resources are considered.

Firms should take every advantage . . . to establish a lead in respect of new FSO projects

The procurement guidelines stipulate that the borrowers seek competitive public bids. In the case of OCR loans, member countries and non-members (i.e. all other IMF countries and Switzerland) are eligible for procurement, non-members being eligible only up to the amount of resources they make available to the Bank. The FSO procurement is limited to suppliers in member countries. For the latter the Bank has rules for determining the country of origin for both goods and services. The various trust funds, administered by the Bank on behalf of donors, are usually tied to sourcing in the donor country. The Bank issues news releases on all loans it authorizes. (If you want to get on the mailing list, write to the Division of Information, Inter-American Development Bank, 808 17th Street, North West, Washington, D.C. 20577.)

Since 1968, the BID has allowed a margin of preference for local goods purchased with Bank funds. This applies to all loans. In comparing local and foreign bids, a borrowing country is allowed to add 15 per cent or the actual import duty, whichever is lesser, to the c.i.f. price of the foreign offers. A higher margin may be authorized by the BID Board. Goods are considered of local origin if the local manufacturing cost

BID Loans by Sector

	1972	1961-1972	1961-1972
	U.S. $ million		percentage distribution
Agriculture	130	1,283	23
Transportation and Communication	124	951	17
Electric Power	233	937	18
Industry and Mining	160	813	15
Water Supply and Sewage Systems	61	596	11
Urban Development and Housing	44	402	7
Education	29	197	4
Pre-investment	9	100	2
Export Financing	16	91	2
Tourism	1	35	1
Total	**807**	**5,941**	**100**

Note: Figures are rounded.

BID Lending by Country and Source, 1961-1972

	Ordinary Capital Resources	Fund for Special Operations	Other Resources*	Total
		U.S.$ millions		
Argentina	472.6	230.7	44.2	747.5
Barbados	–	3.8	–	3.8
Bolivia	21.0	111.0	24.9	156.9
Brazil	635.8	517.0	81.8	1,235.2
Chile	105.0	163.2	43.8	312.0
Colombia	212.7	225.3	67.7	505.6
Costa Rica	15.2	46.3	11.7	73.4
Dominican Republic	6.2	74.2	15.8	96.2
Ecuador	24.0	109.1	40.3	173.4
El Salvador	7.0	62.6	27.1	96.7
Guatemala	10.8	52.8	14.3	77.9
Haiti	–	23.4	–	23.4
Honduras	0.5	77.5	7.6	85.6
Jamaica	2.1	17.9	–	20.0
Mexico	360.4	318.1	35.5	713.9
Nicaragua	18.4	58.8	13.0	90.2
Panama	1.5	67.3	12.9	81.6
Paraguay	6.1	122.6	14.4	143.0
Peru	45.0	157.9	46.6	249.5
Trinidad and Tobago	1.3	28.3	–	29.6
Uruguay	58.9	39.2	11.6	109.7
Venezuela	138.7	119.5	72.9	331.0
Regional	18.5	60.1	5.7	84.3
Total	**2,161.8**	**2,687.1**	**591.7**	**5,440.6**

Note: Figures are rounded.

* "Other Resources" include the Social Progress Trust Fund established by the U.S. in 1961 and administered by the Bank on behalf of the U.S. Government. By 1971 all these funds had been disbursed. This column also includes funds that the Bank administers on behalf of several governments, including those made available by Canada before its accession to the Bank.

is at least 40 per cent of the item's total cost.

Infrastructure and Industry — Since the Inter-American Development Bank's inception in 1961, more than $2.7 billion has been channelled into the infrastructure and industrial sectors. These areas are considered extremely important in the individual development of each country within the region and in the over-all plans for integration. Of the $807 million loaned by the Bank in 1972, about $520 million, or 63 per cent, was channelled into these sectors. As the resources of the Bank increase, greater emphasis will probably be placed on these areas.

Transportation and Communications — Between 1961 and 1972, approximately $950 million has been allocated to development projects in transportation and communications. Recently, specific attention has been given to land transportation projects, and more than $400 million has been loaned for highway construction. Priority attention will be given now to construction and servicing of feeder roads. The Bank is also fairly heavily involved in the construction of gas lines, ports, and telecommunications systems.

Electric Power — The Bank has channelled $973 million into electric power development over the past 12 years and is now emphasizing the development of hydro power, although financing has also been provided for thermal plants, gas turbine generators, transmission lines and rural electrification.

Industry and Mining — Considerable backing has been given to the industrial and mining sector so that new industries can be developed and plants modernized to meet domestic needs and to reduce imports, especially of semi-finished and capital goods.

The Bank's activities also include social development projects such as education, science and technology, water supply and sewage systems, and urban development and housing.

During 1972 the World Bank Group also approved loans totalling $956 million to countries in Latin America and the Caribbean. The BID and the World Bank Group operate in close liaison in order to ensure the most effective use of their respective resources but the World Bank and IDA loans have, over the last four years, tended heavily on the side of major projects in transportation and telecommunications, followed by the power sector and industrial development. □

Frankly Speaking...

N.R. CUMMING, Chief, Latin American Division, Western Hemisphere Bureau.

Many of us tend to think of Latin America as a world of sun, Samba and steaming jungles; but how many Canadians think seriously of the countries of South America as potential markets? Not nearly enough! In fact, we are being outpaced at almost every turn by our international competitors, who are anything but shy about showing their wares or promoting their expertise.

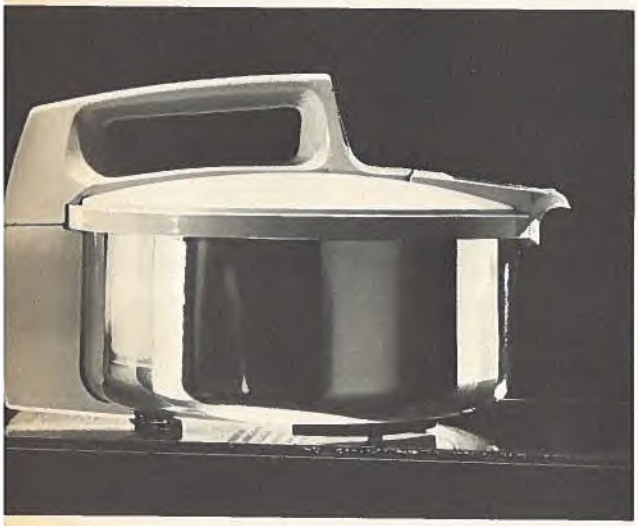
Economic development in the area is surging ahead, and Canadian businessmen are missing ripe opportunities to get in on the ground floor in a decade which will see dramatic changes in the role of some Latin American countries in world trade. Several are already well on the way to becoming important exporters of manufactured goods, and the total import bill for the area is now more than $17 billion a year. Only 3 per cent of our international trade is with Latin American countries and a large part of that has been in traditional items such as raw materials and wheat. We have begun to do better in manufactures but there are substantial opportunities in more highly sophisticated technology which is needed for the current drive toward diversified industrialization.

When one looks at the industrial sectors marked out for development over the next five years in Latin America, it is obvious that market requirements and Canadian expertise will frequently complement each other. The resource based industries (mining, forestry and fisheries) will undergo major developments, as will other areas such as communications, transportation and the social sector (health and education).

The increasing economic nationalism there can work in our favor because Latin Americans are aware that Canada understands their drive for greater independence from the world powers.

It is probably the most challenging trading area in the world today, but we have to get out there and chase the opportunities. They will not come to us. We have a lot going for us in Latin America, and Latin Americans are willing to do business with us. Are you ready to do business with them?

Opinions expressed in "Frankly Speaking . . ." are not necessarily those of the Department of Industry, Trade and Commerce. Comments on this article, or on any other in the magazine, are welcome.



Industrial design

Who needs it

DAVID MAGEE, Assistant Editor

A toilet is a toilet is a toilet. Maybe, but some people might say industrial designer C. Bruce Hewson raised the portable toilet to the level of a work of art. In which case, a toilet could be something more than a toilet.

Well, okay, it's fun to play around with words — but what's the point? It's this — to demonstrate that good design is essential to the success of virtually any product and to show how one government organization is helping Canadian companies use industrial design more effectively.

You would think that the importance of design would be obvious to most manufacturers. But this isn't always the case. For example, it is all very well to have, from an engineering point of view, the world's greatest drinking fountain. However, if people have to get down on their knees to use the thing, it is not going to be one of your big sellers. Any good industrial designer would ensure that people could refresh themselves without risking physical harm.

Although the example of the drinking fountain is purely hypothetical, it is possible to cite cases where Canadian companies had an excellent concept but over-all design was so poor the final product was not competitive. The trouble is that many people think only of appearance when they think of design — and appearance is usually an important aspect — but industrial designers have other things to worry about too. And that brings us back to the man we left dangling in the first paragraph — C. Bruce Hewson.

One of Mr. Hewson's projects provides an excellent example of how industrial designers help manufacturers to realize their maximum potential. Mr. Hewson was called in by Sanitation Equipment Ltd., of Rexdale, Ontario, after that company had tried unsuccessfully to come up with a portable toilet that would recapture markets it was losing to American competitors. In the early sixties Sanitation Equipment Ltd. had enjoyed great success with a china-bowl flushamatic-type toilet for cottages and recreational vehicles but by the late sixties, plastic versions from the United States were dominating the market.

Sanitation Equipment Ltd. had developed a new product, based entirely on engineering principles, but it was unsatisfactory for several reasons — and that's when the company decided to hire Mr. Hewson.

From the beginning he was able to contribute new ideas about materials, particularly plastics, and to ask some fundamental questions about the whole concept. Why, for instance, was the traditional bowl shape still necessary? Just because no one could conceive of a toilet looking any other way?

The key feature of a portable toilet, Mr. Hewson saw, was the capacity and efficiency of the self-contained holding tank. With that consideration, a square shape made the most sense. He devised a two-compartment polyethylene unit that might, at first glance, be mistaken for a large picnic cooler. It weighed only about seven pounds and solved the basic problems of portability, capacity and appearance.

Then Mr. Hewson started on the inner workings. First, he designed a manual cantilever clapper system that simplified the operation of the trap separating the reception part on top from the holding tank below. Next, he tackled what he considered the real challenge — a fool-proof recycling system. The result, after several experiments, was a cartridge pump assembly complete with filter. It flushes up to 50 times before the holding tank must be emptied. Chemicals added to the initial water charge control bacteria and odour. When the unit is attached to a permanent fresh-water supply, the pump assembly can be removed easily and a valve mechanism inserted to prevent back-flow and to break the vacuum.

Another design problem involved the moulding of the unit. Thanks to Mr. Hewson's familiarity with new techniques, Sanitation Equipment Ltd. was able to take advantage of a process that welds the upper and lower compartments together for greater strength. It was the first time this process had been used on a toilet unit in Canada.

Out of this prototype, which, incidentally, was called the Potpourri, it was possible to develop several other models. These days, Sanitation Equipment Ltd. is well on the way to recovering the ground lost to its competitors and is making ready to invade the European market.

This is the kind of success story that gladdens the hearts of the people in the Office of Design at the Department of Industry, Trade and Commerce in Ottawa. So what do you care if the hearts of a bunch of civil servants are gladdened?

Well, the truth is that Canadian manufacturers are not yet as heavily committed to sound industrial design policies as are those in other countries. But they ought to be. Part of the Office of Design's job is to try to hasten the process.

Success like that experienced by Sanitation Equipment Ltd. certainly helps when it comes to spreading the gospel.

V.O. Marquez, Chairman of the Board of Northern Electric Company, Limited, pinpointed the concerns of the Office of Design when he addressed a federal-provincial design liaison meeting in Ottawa last fall. He said: "The Canadian practice in design has been to follow rather than to lead, to borrow or otherwise acquire designs created by others, instead of creating their own." But, said Mr. Marquez, the increasingly competitive nature of world markets is forcing Canada to drop its role of follower, a seriously limiting role, and to increase its ability to create original or improved designs.

Canada has design talent — that classic example, the paint roller, was a Canadian development — but the problem is to develop it as fully as possible and put it to maximum use.

The 'Design Canada' programs of the Office of Design tackle the problem in several different ways. It is difficult to say which of the programs is the most important, but perhaps the best known is IDAP, the Industrial Design Assistance Program. The idea behind IDAP is to encourage improvement of design quality and employment of Canadian designers (see *Canada Commerce*, July 1972).

IDAP offers direct financial assistance to manufacturers by paying up to 50 per cent of the amount for salaries, consultants' fees and operating and administrative costs related to design of specific products. But you don't just get on the bus and go to Ottawa to collect the money. There are stipulations.

The company seeking help must be getting involved in industrial design for the first time, or at least be expanding its efforts. Market studies must show a need for the new or improved product and there must be indications of a good return on investment. The applicant must be capable of carrying through production, marketing and servicing of the product and the objectives must be achieved within agreed time and cost limits. Not only that, but the applicant should be willing to employ industrial design services for all new products, right from the idea stage.

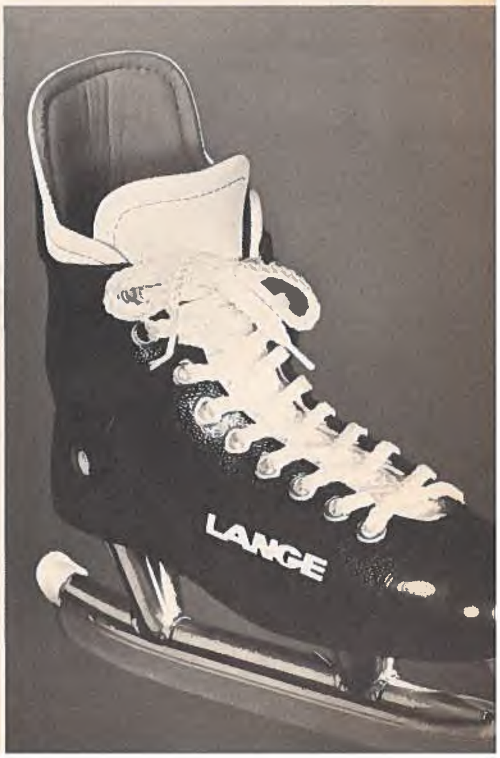
Since IDAP was initiated in August 1970, there have been more than 200 applications for funds and 65 have been approved. Of these, the average grant has been $23,000. Fourteen completed projects are being evaluated and 20 others are still in the development stage. Progress reports on the remaining projects are pending, except for six which were discontinued because they proved to be impractical.

Design is a team effort and should concern everyone in a company from the president on down. Like any other tool, it must be effectively applied and competently managed. Design management means managing the design process. It does not mean the physical act of designing, of making a sketch, a layout or a model. It means determining which design activity or group of activities should be pursued to best achieve the immediate and long-range objectives of an organization. It means knowing when a designer is needed and why, and what kind of designer is needed, since no designer is an expert in all areas. Design management means co-ordinating all design efforts to achieve the goals of the organization.

To help Canadian executives understand how, why, where and when design can be used effectively in their own organizations and to help them achieve their goals, the Office of Design has developed 'Design Canada' management courses which have been successfully introduced at the University of Manitoba in Winnipeg and at the Ecole des Hautes Etudes Commerciales in Montreal. Another course is projected for the Toronto area before the end of the year and it will be of nine days, in segments of three days a month for three consecutive months.

The Toronto course will call for active participation by the executives in the group. In other words, the technique will be learn-by-doing. There is no intention to make designers of the executives but it is hoped that the course will help them to see problems and solutions through a designer's eyes and to realize that actually drawing the product is one of the last stages of the design process.

But the design management courses are only a part of the over-all effort to improve Canadian design standards. 'Design Canada' scholarships have been available for the past 10 years and so far about 150 of them have been awarded



to design students, instructors and practising designers from such sectors as textiles, pre-fab building components, furniture and consumer goods.

Financial assistance is also provided for design research. This is intended to help in developing new products for which there is proven demand and to encourage research into design innovation. Research results are passed on to manufacturers, businessmen, designers and architects.

Next to money, there is nothing like a pat on the back to encourage someone to make greater effort and so 'Design Canada' awards are given to honour achievements in design. Awards have been presented for excellence in design of products and buildings and for innovative use of industrial materials. There is also the National Design Council Chairman's Award for Design Management, which is exactly what it sounds like — an award to companies which employ design management principles to achieve outstanding results.

For some time, the Office of Design has maintained what is known as the Record of Designers, in which about 325 design consultants from every part of the country are registered. They come from many areas of design: packaging, graphics, interiors, furniture, toys, exhibitions — even corporate image.

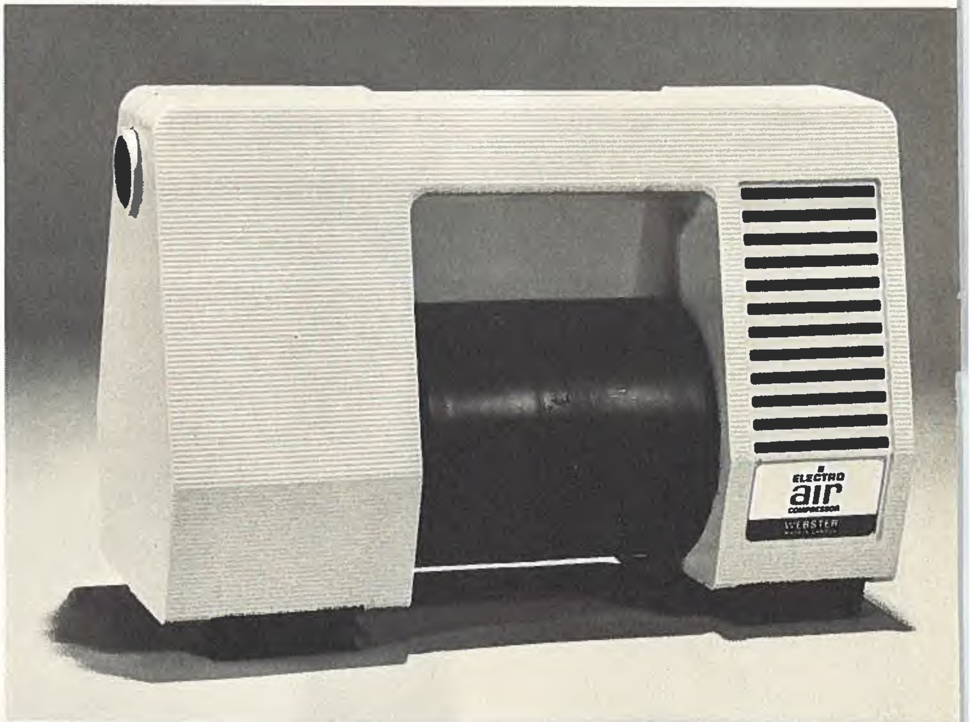
The Record, which is confidential, is an invaluable reference source. The Office of Design can recommend, from the Record, a short list of designers whose skills are best suited to a particular need and each recommendation contains the names of at least three designers with the pertinent experience.

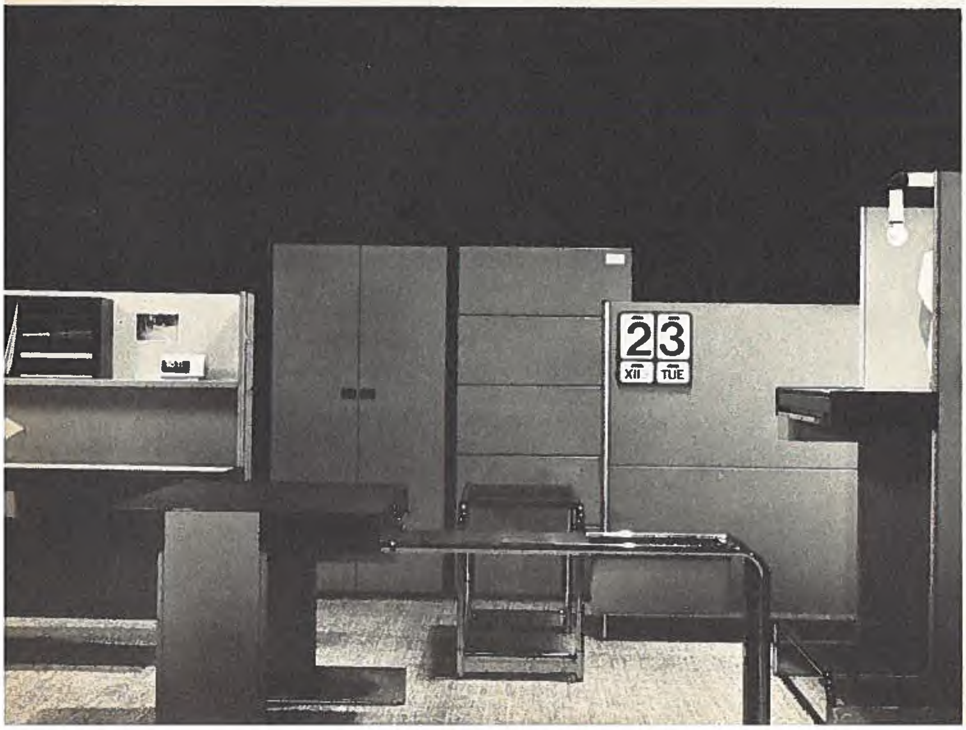
In the past 18 months, around 120 written recommendations have been made, in addition to many passed on verbally. The Record is doubly beneficial because it brings industry into contact with designers as efficiently as possible, while allowing designers the opportunity to gain valuable experience.

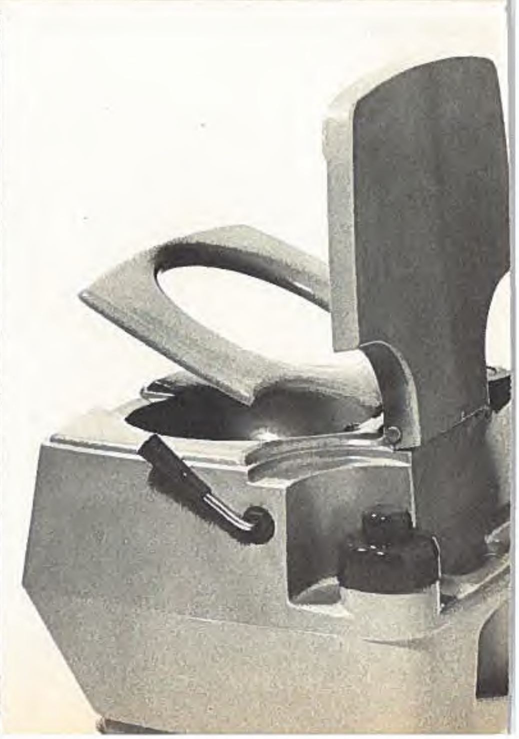
The Office of Design also offers other services, including information about industrial design through films, literature, lectures, workshops and seminars. Perhaps it can help you.

As Jim Young, editor of *Design Engineering* recently wrote: " . . . you can call the Department of Industry, Trade and Commerce. They have the money to spend and are probably the least bureaucratic of all government departments. They can put you in touch with the industrial designers most qualified for your job, and all of them on the Record are very well qualified. And don't think that your product must be consumer-oriented. Maybe the gear-box that isn't selling so well as it was five years ago could do with a re-design job. Or the electrical relay with slipping sales that takes up too much space, besides looking like the pig's breakfast after the pig has finished with it, needs a new approach. Or maybe you think your company is too small to get government help. Well, it just so happens that the new Minister of Industry, Trade and Commerce has announced that the Government is now out to help small companies . . ."

For more information, write to: 'Design Canada', Department of Industry, Trade and Commerce, Ottawa K1A 0H5, Canada. Telephone (613) 992-5004. □







Aboriginal stockmen yard a mob of cattle at a station not far from Arnhem Land in the Northern Territory.

Australians Take to the Airways

And part of the $50 million spent annually on fleet maintenance could find its way to Canadian suppliers.

ROBERT DERY, Assistant Commercial Secretary, Melbourne

"No country owes more to civil aviation than Australia — no country depends on it more. From the days when outback distances were cut down by ancient biplanes to today, the nation has been not only air-minded but built economically and socially on the base of air services."

This statement, made by C.K. Jones, Federal Minister for Transport and Civil Aviation, serves better than any article could to show the importance of air transport in the economic development of Australia.

In 1971/72, seven million passengers were carried by Australian airlines and the airlines expect to carry 12 million in 1975. Theoretically, this means that each Australian will fly at least once a year. Air transportation in Australia is provided by commuter services and national and regional carriers. The two national carriers are Ansett Airlines of Australia (private) and the government-owned Trans-Australia Airlines (TAA). Each State is served by a regional carrier, many of them subsidiaries of Ansett. These two airlines (Ansett and TAA) are responsible for inter-state travel; the regional airlines look after intra-state journeys.

The national carriers operate under what is known as the Two-Airline Policy which states that only two national airlines will operate in Australia and for inter-state travel will compete where the traffic justifies such competition, to give better quality service to the public.

The two airlines in 1971/72 each carried around 2.8 million people and 50,000 tons of freight. The Two-Airline Policy also regulates the quantity of equipment to be used and this is set out in the "Airline Equipment Act — 1958". The type and number of aircraft to be used are determined by the amount of traffic. Because TAA and Ansett have to operate within the regulations of the two acts (Two-Airline Policy and Airline Equipment Act) they try to provide services using the same type of aircraft.

Both are operating a fleet of 18 pure jets and 12 turbo-prop aircraft: both have an order for other pure jets with high density cabins and they are planning to introduce, by 1977, wide-bodied aircraft on high density traffic routes.

After depreciation, both airlines have on their books aircraft worth $55 million and ground equipment worth $6 million. Both are spending almost $25 million a year on maintenance and overhaul of flying equipment.

As previously mentioned, each State has its own regional carrier, using mainly large and small turbo-prop aircraft. In Western Australia, however, MacRobertson Miller Airlines (MMA) uses small 50-passenger pure jets because of the distances to be covered (the capital city, Perth, to the northwest mining operations is between 1,500 and 1,800 miles).

In 1971/72 regional airlines carried 1.2 million passengers. They provide continuous essential services to the people living in the outback and assist economic development in these regions. Air services provided ensure easy movement between the outback and major population centres without which much of the present activity in these areas would be impossible. Tourist development in the outback also depends heavily on air services provided by the regional carriers as air transport is often the only means of reaching isolated parts.

The two national airlines are introducing cheap fares to encourage tourists to visit the outback and the Barrier Reef Islands. Once tourists arrive at these destinations, regional airlines will have to provide fast transport facilities to points of interest located short distances from major tourist centres (e.g. Alice Springs — Ayers Rock, McKay-Brampton Island, Cairns-Green and Dunk Islands).

To meet future needs, regional airlines will have to buy new equipment capable of operating in small air fields with minimum facilities. In the outback and on Barrier Reef Islands, costs of building sophisticated airports and maintaining their operations are prohibitive.

Where neither national nor regional airlines provide scheduled air services, air transportation is available through commuter operators, who use small aircraft carrying less than 15 passengers. These operators are essential and complementary to the national airlines.

Canadian equipment has played a part in regional airline operations here. Eight Twin Otters are being used in various centres throughout the country and are appreciated because they can operate on any improvised airfield, keeping basic structure costs to a minimum. Two are being used in the Kimberleys (Western Australia) by MMA and six in Queensland by TAA around Mackay, Mount Isa and Townsville. The TAA Queensland operation provides essential services to small communities, mainly sheep and cattle stations in isolated regions. The backyard of the local hotel or general store often serves as an airstrip. Altogether 25 Twin Otters are being operated in Australia — 14 by scheduled airlines (eight in Australia and six in Papua New Guinea) and the remainder by commuter carriers.

A typical outback station, where the radio is the main contact with the world.

Part of the $50 million spent annually in Australia by airlines to maintain their fleets goes on instruments, avionics and other electronic equipment and Canada has capabilities in these fields.

TAA and Ansett are shopping around for the right type of wide-bodied aircraft, to be introduced into Australia in the late 70's. Three designs are being considered and these are the European A300B, the Douglas DC10 and the proposed Boeing 7X7 twin. Canadian manufacturers should try to have Canadian electronic avionic equipment specified by the two Australian national airlines in their orders. However many planes are to be introduced, at least one flight simulator will be required. Increasing traffic for regional airlines will force them to replace their Twin Otters for aircraft with bigger passenger capacities.

The DHC7, when available on the market, will be the only aircraft suitable for operators wishing to keep infrastructure costs to a minimum or where it is impossible to have bigger airfields because of geographic limitations — Brampton Island, for instance, has a strip 2,500 feet long which can be extended only into the sea at a prohibitive cost. New holiday package trips and decentralization programs introduced by the Government will accelerate the timing for introduction of bigger STOL aircraft.

Through discussions with airline officials we have already identified a need for at least four DHC7's in 1976. A market also exists for airport electronic and navigational equipment. There are 688 airports in operation in this country and $32.7 million was spent in 1969/70 for new equipment, part of it in the electronic sector.

Based on the information provided, the air transport industry in Australia offers an opportunity to Canadian manufacturers having the capabilities to compete in this sophisticated field. □

¿Habla usted Espanol?

By joining the Inter-American Development Bank, Canada has become broadly eligible as a supplier of goods and services for projects and other forms of economic development work for which the Bank provides financing. Substantial commercial possibilities have been opened to our exporters, but they may come across language problems.

The Bank uses four official languages in its operations: English, French, Portuguese and Spanish, the last of these being the most commonly used in, for example, documentation and as an internal working language of the Bank. The Bank's working arrangements provide that bidding procedures be acceptable to the borrowing country as well as to the Bank, and a borrower generally requires the use of his own language for a good part of the project work — specifications, invitations to tender, and contracts. Often the language of the borrowing country will prevail when clarifying misunderstandings or differing viewpoints, even if English versions of the documents have been prepared to facilitate the work.

It is therefore clear that prospective suppliers to the Bank will find themselves working with these languages to an increasing degree, and that to maintain their competitive position they will have to acquire or develop a capability to transact business in these languages, with Spanish predominating. Many suppliers in countries which compete with Canada for Bank business have already taken appropriate measures, so that the challenge to Canadian exporters is one of timeliness as well as of language. At least one Canadian association already provides a translation service for its membership, and it may be that others will also find a shared facility useful. However, for direct contact with Latin-American buyers and businessmen in the field, there can be no substitute as effective as the ability to speak your customer's language, and, while local agents or representatives can do much to overcome difficulties, the ability of Canadian businessmen to express themselves directly will prove to be invaluable.

The Department of Industry, Trade and Commerce is prepared to assist Canadian exporters by sharing certain costs of translation. For information on this program, firms should phone or write: Market Planning (External Services), Department of Industry, Trade and Commerce, Ottawa, K1A 0H5; tel: (613) 992-0192.

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