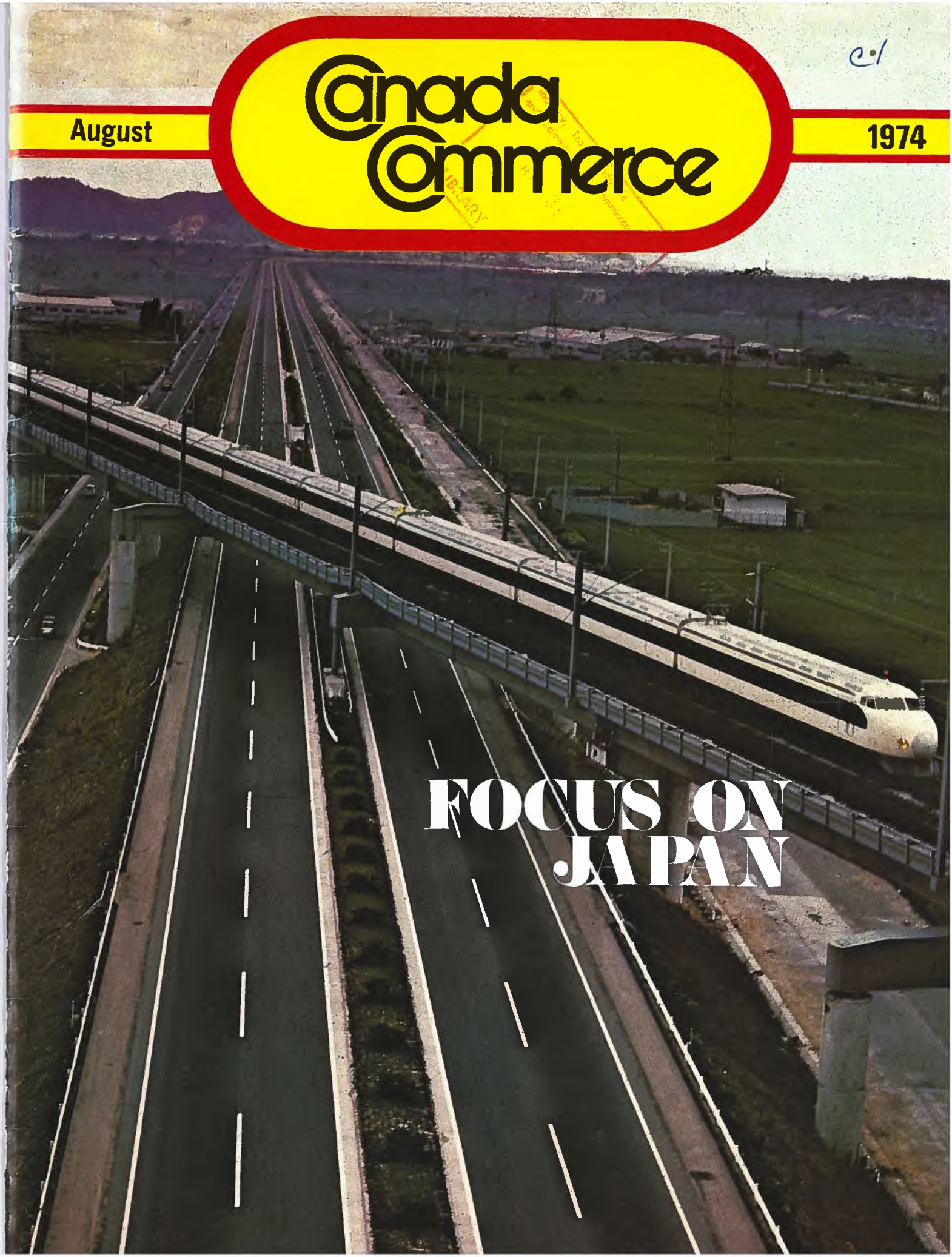
August

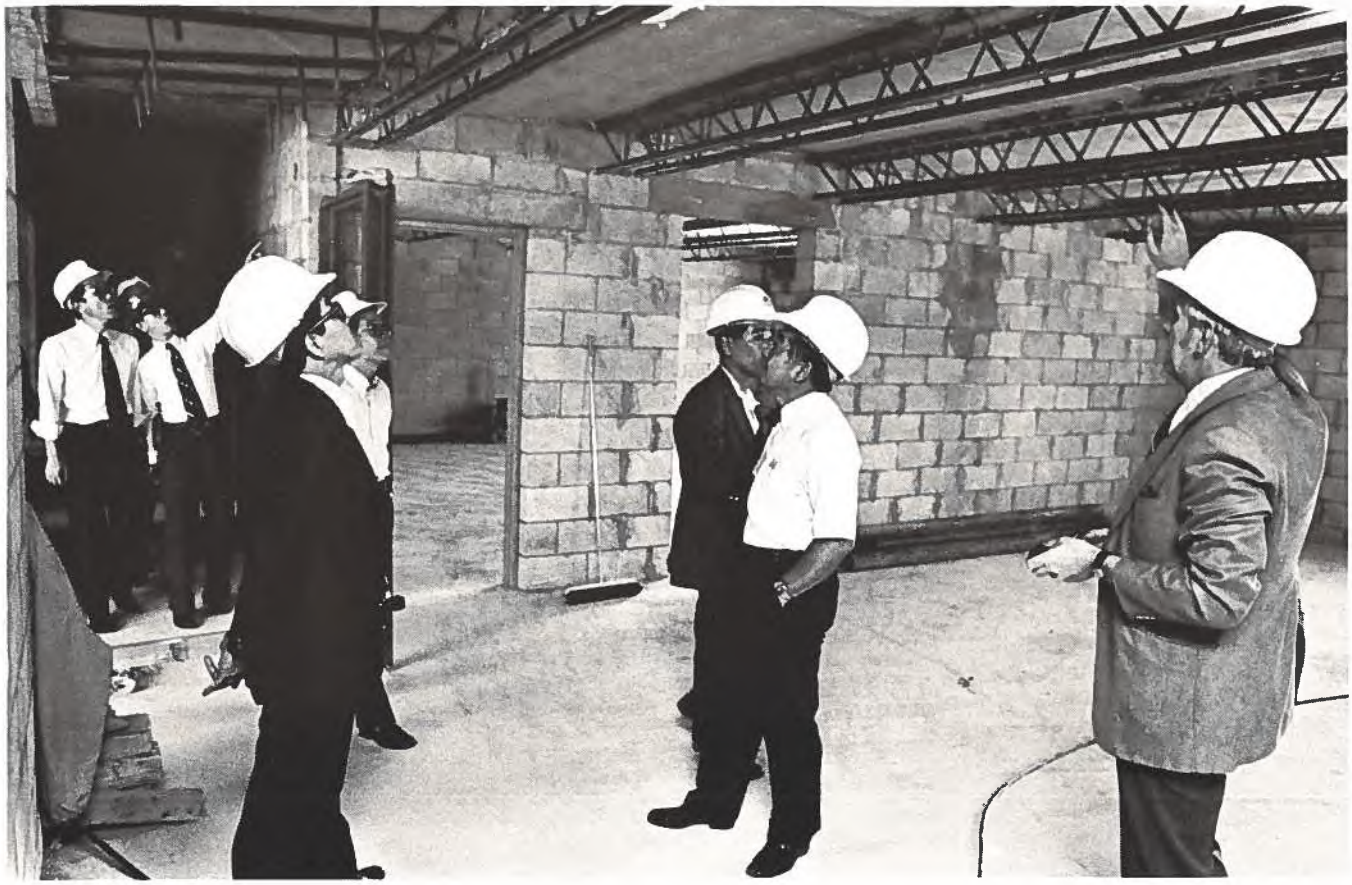
Canada Commerce

1974



FOCUS ON JAPAN

IT WORKS LIKE THIS...



Earlier this summer a group of Japanese businessmen and technicians visited the Ottawa firm of New-Struc Hambro International Limited (formerly New-Struc Systems Limited) to see how the firm installs and uses its patented integral floor system for commercial buildings. The Japanese were members of a delegation from the newest fabricator-licensee of the system, Agrostruct Japan and its associates, Kanematsu-Gosho, Nippon Beatty Scaffold Co., Ltd., and Nitto Boseki Co., Ltd.

New-Struc Hambro International started business in 1971 and already has licensing arrangements for fabrication and sale of its components in Britain, Spain, Portugal and Japan. Products for the North American market are manufactured under licence by Canam Steel Works, Inc. of St. Gedeon, Québec, and sold by sub-licensees in Canada and the United States. It estimates that installation of its D500 Composite Floor System will total about 35 million square feet by the end of this year.

E.O. Butts, president of the company, on the right in this photograph, points out features of the system to some of the delegates. He attributes part of the success the company has had to exhibiting, under the sponsorship of the Department of Industry, Trade and Commerce, at various trade shows. The next one for the company will be KNOW-HOW '74, an international forum for innovation and licensing in Oslo, Norway, in October.

Canada Commerce

Vol. 138 No. 8 August 1974

In This Issue

Traditionally, Britain has been Canada's second largest trading partner, with the United States taking first place. This is no longer true: trade with Japan has increased to the extent that it has overtaken trade with Britain and amounted to close to $3 billion last year with a surplus in Canada's favour of approximately $0.8 billion.

Traditionally, also, the Japanese market has been a hard one to crack for manufactured goods but, largely through the efforts of successive ministerial missions, this tradition is dying and the market is becoming more accessible. Reciprocal trade missions have opened the eyes of both Canadian and Japanese businessmen to the needs of both markets and to the availability of goods within those markets.

But there is still a lot of hard selling to be done by the Canadian businessman if he wants to succeed in Japan. This issue, with nine reports from our Tokyo office outlining the opportunities in various commodity sectors, should help him in his efforts.

Being an oil producer itself, Canada is in a somewhat fortunate position when trying to do business with other oil producers. We are not trying to barter our products for oil supplies, with anxious eyes on the derricks and the activity around them. As our lead article this month points out, the three countries visited earlier this year by the mission led by the Hon. Alastair Gillespie are "poised for a concerted thrust into the modern era." They not only need Canadian products and expertise, but they are anxious to do business with Canada. Until this mission visited them, they were largely unaware of Canadian capabilities. Now that they know better what to expect of Canadians and of Canada, now that they know what we can produce, access to the principal buyers should be easier.

But to delay following up the contacts made may largely wipe out the benefits of the mission. The next move is up to the Canadian businessman himself.

Articles

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Mission opens doors

P. GHATTAS, Pacific, Asia and Africa Bureau

Iran, Iraq, Saudi Arabia — these are countries that seem mysterious and contradictory to Canadians. We have explored them only tentatively and consequently our understanding of them is poor. But that situation could change. In mid-April, the Honourable Alastair Gillespie, Minister of Industry, Trade and Commerce, set out with a group of businessmen and officials to introduce Canada to this little-known part of the world with the hope that better mutual understanding would be a first step towards closer relations.

Every member of the mission was impressed with what they saw and heard. Contrary to expectations, they saw few Cadillacs and no camels at all. What they did see was a group of nations poised for a concerted thrust into the modern era. They were received on every hand by articulate and committed individuals of the highest rank in their countries who, when acquainted with some of Canada's capabilities, showed immediate interest in our offer to participate in their development plans. The magnitude of the development plans being discussed and the apparent willingness of these three countries to do business with Canada created a great deal of excitement in the mission. Those members making their first contact with this part of the world were annoyed and a little embarrassed that they had waited so long.

While the pace of the mission and the distances travelled often resembled an "If it's Tuesday it must be Paris" type tour, the objectives and achievements of the mission were far removed from any a tourist might be concerned with. A few

hours were found to take in the wonders of the ancient and historic city of Isfahan in Iran but the number and the importance of the meetings held left time for little else. Mr. Gillespie and his group met with King Faisal in Saudi Arabia, the Shah in Iran and with about 15 ministers in the three countries visited. The matters discussed ranged from white beans and air conditioners to air navigational equipment and locomotives. These countries are ready to do business with Canada if we move with alacrity. Much will be lost, however, if the Canadian business community fails to follow up on the opportunities that were uncovered.

Though the three countries are different economically and politically, they have in common a strong desire to diversify their economies. In the words of one Saudi Arabian official, they have been and continue to be "prisoners of petroleum", dependent on this resource for the largest part of their income. The greatly increased revenues from petroleum have suddenly made it possible to accelerate development plans. Where the problem of development financing once overshadowed all considerations, a major problem now faced by the oil producing nations is that of mopping up excess liquidity in worthwhile ventures.

SAUDI ARABIA

The first country on the itinerary was Saudi Arabia. Nowhere is the conflict between traditional values and modern development more pronounced. An undeveloped nation with half of its population leading a nomadic existence, Saudi Arabia is faced with the dilemma of how to modernize while still preserving hallowed traditional values. However, the mission came away with little doubt that Saudi Arabia's development problems will be solved. Their leaders are under no illusions about the magnitude of the task facing them and are thoroughly competent to manage them.

The phenomenal increase in oil revenues from $4.9 billion in 1973 to some $20 billion in 1974 will enable Saudi Arabia to exploit the full potential in the non-oil sector of the economy. The first development plan covering the period 1971-1975 sets out the goals and priorities to be attained during the period. The emphasis will continue to be on a free and open economy with emphasis on participation by the private sector.

The specific goals are expanded health, education and general welfare programs; continued improvement in the already fairly well established infrastructure of transportation, communications and serviced land; accelerated development of industry, especially petroleum refining and petrochemicals, fertilizers and the extraction and processing of mineral resources; and expansion of the agricultural industry by modernization to intensify crop yields and by increasing the amount of land under cultivation.

Few restrictions — The Saudi Arabian market is characterized by its openness. There are virtually no restrictions on trade or currencies. Though pork, alcohol and certain other products that are offensive for religious reasons may not be imported at all, no licences are needed for other imports or exports. All currencies, except those of a small number of prohibited countries, are freely convertible. Gold, too, may be held and traded without restriction.

Canada does not yet extend Most Favoured Nation treatment (MFN) to Saudi Arabia, but it was agreed with Saudi ministers that consideration should be given to establishing a trade agreement between our countries which would include MFN treatment.

In 1973 two-way trade between Canada and Saudi Arabia amounted to $73 million. Canadian imports amounted to $60.4 million of which $60.2 million, or 99.6 per cent, was crude petroleum. In 1973, foodstuffs represented our largest group of exports at about $4.2 million, or nearly one third of the total. Wheat and wheat-related products made up the bulk of this group. Next in importance were automobiles and accessories, which amounted to about $2.1 million or 16 per cent. Construction and construction-related items represent roughly $1.5 million to $2 million, or some 15 per cent of Canadian exports to Saudi Arabia.

Mr. Gillespie talks with H.E. Sheik Omar Faqih, Acting Minister of Telecommunications in Saudi Arabia.

The high-level reception accorded the group in Saudi Arabia was ample proof of the seriousness with which the mission was treated. Mr. Gillespie was received by His Majesty King Faisal Ibn Abdul-Aziz and held meetings with four senior ministers and with the governors of the Saudi Arabian Central Bank and Petromin. In every case substantive issues were discussed. It was agreed that a team of Canadian experts, in co-operation with the Saudi Arabian Central Planning Organization, should carry out a study on how best to dovetail Canadian expertise and export capabilities with Saudi Arabia's requirements.

Particular emphasis was put on Canada's capabilities in the areas of consulting engineering, communications, transportation, resource development and agriculture as being suitable to Saudi needs. As Canada and Saudi Arabia share similar problems of distance and a demanding physical environment it was suggested that our experience in coping with these difficulties would be of value to them.

Priorities — The Deputy Governor of the Central Planning Organization advised the mission that the priorities for achieving industrialization were: 1: to build-up the petrochemicals industry; 2: to establish a base in non-petroleum manufacturing and 3: to develop and exploit mineral resources.

In keeping with this outline, opportunities are open to Canadian business in mineral exploration and development of known mineral deposits; all stages of telecommunications; in steel, copper and aluminum smelters; planning and hardware for turnkey electrification projects; and forestry engineering. Also of particular interest to Canada is the Saudi Arabian intention to expand housing, hospital and education facilities with contingent opportunities for engineering, construction, and outfitting.

Agricultural self-sufficiency is one of Saudi Arabia's primary goals, although it will probably not become a reality in the near future. Consequently, there are continuing markets for a wide range of agricultural commodities and there is an active interest on the part of Saudi Arabia in Canadian products, and for agricultural technology.

IRAQ

The next stop was Baghdad, immortalized for the Western world by Ali Baba and his 40 thieves and several generations of actors wearing baggy pants. The flight from Riyadh took the mission over the confluence of the Tigris and Euphrates rivers, the cradle of civilization. All our thoughts were on the ancient character of Iraq, the richness of its history. Imagine our surprise, then, at being caught in a traffic jam on arriving at Baghdad. There is no doubt that the 20th century is alive and well in Iraq.

Iraq has launched an ambitious development program designed to establish a permanent industrial base and a diversified economy. Between 1975 and 1979, it is anticipated that more than $17 billion will be spent for development projects. Many of the projects held in abeyance in the past through lack of funds are being reinstated, and an average rate of growth of 10 per cent a year is expected during the next development plan.

Canadian exports to Iraq have been declining in recent years and totalled only about $1 million in 1973. On the other hand, Canada's 1973 imports from Iraq amounted to $20.5 million. The absence of wheat exports in 1972 and 1973 was the principal cause of the sharp drop in exports ($32 million in 1971).

On the import side only one item besides crude petroleum was of any significance. Dried dates accounted for about 3 per cent of total imports. Fortunately, the growing importance of the Iraqi market is gaining recognition in some sectors of Canadian industry, and our 1974 exports should exceed the $50 million mark. Recently concluded

A view of part of the city of Baghdad and the River Tigris.

contracts with Iraq include some $15 million worth of locomotives, significant sales of lumber and air conditioners, and a long-term wheat deal.

Trade agreement — The official talks held in Iraq were far-ranging and served to underscore the agriculture-industry dichotomy in Iraq's development plans. It was agreed that a trade agreement should be concluded to provide, among other things, for consultations at regular intervals to ensure the needed flexibility in on-going trade relations. Drafts of this agreement are already under preparation.

Though the petroleum sector contributes by far the largest part of both GNP and export earnings, Iraq is essentially an agrarian nation. The agricultural sector accounts for about 16 per cent of GNP and employs more than 50 per cent of the population. The rate of agricultural development, however, has been slower than hoped for. The sector continues to be plagued by the closely interrelated problems of soil salinity, inadequate irrigation, lack of trained personnel and attachment to traditional farming methods. The current five-year plan (1970-74) has, therefore, given priority to agricultural modernization, with over-all industrialization also high on the list. This is expected to carry over into the plan now being made for 1975-79.

Agriculture — A prominent feature of planned changes in agriculture is an acceleration of the trend to large-scale integrated farms. Officials are interested in obtaining the latest technology immediately and price is of only secondary importance. Among other developments, a series of farms each with about 4,000 head of cattle are contemplated.

In the areas of infrastructure and industry many projects are contemplated. An accute shortage of hotel accommodation in Baghdad is a problem receiving a lot of attention, together with general housing conditions. It was suggested that Canada might play a major role in this area. A $1 billion expansion of the Iraqi railway system is planned over the next five years, including several new lines, a large new freight station in Baghdad and about 2,000 new railcars of all kinds. Some 350 trucks are needed immediately by one department and over-all needs continue to grow. In the area of electrification and telecommunications, the domestic systems are being brought up to date very quickly and officials are interested in high-quality products incorporating the latest available technology. A paper factory and an aluminum smelter are under consideration, as are expansions in cement and steel capacity. In addition to the equipping of such large-scale projects, excellent opportunities exist for the supply of many commodities such as agricultural products, steel, pulp and paper, oil and mineral exploration equipment, vehicles and a variety of consulting and engineering services.

The state trading companies are a distinctive feature of trading with Iraq. These agencies are responsible for all imports. Their budgets (and consequently their foreign currency allotments) are established at the beginning of the year according to the purchasing and development priorities that have been established for the year. Purchasing is done as needs dictate throughout the year. The advantage for the Canadian exporter is that he need deal only with a single customer. However, if you fail to meet the high standards required for delivery and quality or your product is not price-competitive there is no second standard — no second buyer. Exclusion from the market can be the result.

IRAN

The mission's first introduction to Iran was through a short stopover in Isfahan, once the capital of the Persian empire. This is the Iran of the history books where "new" is only a few hundred years old. The mosques are overpowering in their beauty and intricacy and the pace of life is still moderate. There, some insight was gained into the conflicting forces of history and change that play constantly on this part of the world.

The blaring of automobile horns and the welter of new buildings which daily change the Tehran skyline soon banished the sense of tranquility found in Isfahan. This vibrant city, the focus of Iranian efforts to modernize, pulses with the new-found confidence and wealth that are Iran's today.

The haste with which the Iranians wish to diversify, and their rapidly rising oil revenues (expected to exceed $16

The Shah of Iran, right, greets James George, Canadian Ambassador. In the middle is the Minister of Industry, Trade and Commerce, the Hon. Alastair Gillespie.

billion in 1974, compared with about $3 billion in 1972) presents the Canadian business community with a most important opportunity for export sales.

Annual requirements — The Iranian treatment of trade and commerce is mixed. Although no import licences are needed, import requirements are established annually and controlled through the allocation of foreign exchange by the Central Bank. In industry, the Government has maintained a control and review function through the licensing of new investment in order to ensure that it falls within prescribed national objectives, and that there is sufficient domestic participation in the way of raw materials, employment and equity. The Government also invests in private industry directly and through the Industrial Credit Bank.

Since 1948 Iran has been following a series of development plans aimed at broadening and equalizing the distribution of income and generally improving social welfare by greater education and industrialization. Under these plans, Iran has already made substantial gains. Over the period of the Fourth Plan, which ended in early 1973, GNP grew by an average of nearly 12 per cent (over 14 per cent in the last year of the plan) in real terms.

The priorities established for the Fifth Development Plan (1973-1977) provide for extended social welfare with special emphasis on cultural projects; community centres for both cultural and recreational activities to be built throughout the country; a sharp increase in the number of medical facilities and trained personnel to facilitate improved health, nutrition and sanitation standards; expanded and reformed education services; increased housing with the emphasis on houses for lower income groups; extensive employment creation (the expansion and mechanization of agriculture will at least maintain employment levels, while many new urban industrial jobs are to be created; continued expansion of infrastructure through many new roads, port expansion, improved mail and telephone communication, more railroad trackage and improved water supply.

Increased expenditures — Though there is to be no slackening in the pace of industrialization, there has been a marked shift in emphasis in this most recent plan. Projected expenditures in all sectors are up sharply, but in health and education, and in agriculture, are up approximately nine times and four times respectively before allowing for possible increases in funding due to recent increases in revenue. These changes, together with the fourfold increase in government funding of housing and construction, reflect the priority to be given to social welfare and the flagging agriculture sector.

Of the three countries visited, Iran was our biggest trading partner in 1973, with two-way trade amounting to $185.3 million. Canadian imports, though dominated by crude petroleum (98.6 per cent), encompassed a wide variety of products. The principal non-petroleum items were food products, but several manufactured products were also part of our 1973 imports. As the petroleum-spurred diversification of the Iranian economy gains momentum, we look for the manufactured products to show further growth.

On the export side, we experienced a growth rate of 140 per cent between 1972 and 1973. But despite this increase to $53.6 million, our exports accounted for only about 1 per cent of all Iranian imports last year. There is tremendous potential for substantial gains in our share of this market.

Framework for co-operation — Mr. Gillespie held meetings with His Majesty the Shahanshah, Prime Minister Hoveyda, and other senior ministers including those for Planning and Budget, Agriculture and National Resources and the head of the National Iranian Oil Company. One significant result was the decision to formulate a trade agreement between our two countries to establish a framework for economic co-operation and trade development, including a continuing exchange of officials and trade missions to explore specific opportunities.

The Iranians were particularly concerned with securing access to dependable long-term supplies of many commodities which are now in short supply, including agricultural and forest products and industrial raw materials. Iran is estimating what its needs are likely to be as a first step towards the negotiation of long-term contracts. Other areas singled out as those where co-operation could be of mutual benefit were transportation, communication and, significantly, atomic power generation. There is also particular interest in ensuring that the industrial development taking place incorporates adequate environmental protection systems. To oversee and co-ordinate these various co-operative activities, a Joint Commission on Trade, Economic, and Technical Co-operation is to be formed.

Joint ventures — The Iranians repeatedly emphasized a desire for joint ventures in all fields. It was felt that not only will Canadian businessmen be more responsive to Iranian needs if they have an equity participation in a given project, but also that the training of Iranian nationals will be of higher quality. As forestry and pulp and paper are priority industries for Iran and areas of special expertise for Canada, they were mentioned several times as prime candidates for co-operative development in Iran. Discussion in this area also included the possibility of Iranian investment in the Canadian pulp and paper industry as a step towards securing longer-term supplies of paper products. Joint ventures are often supported in a concrete way by a variety of tariff protection, tax concessional and financing arrangements.

Opportunities for both export and investment in Iran cover a wide variety of products and projects. There are immediate needs for cement, grain, livestock, pulp and paper, grain products, eggs, beans, and meat. Development plans include large dairy cattle stations, which would be installed on a turnkey basis (200,000 head of cattle will be needed over the next three or four years), expansion of cement, steel, and aluminum production, continued development of transportation and communications systems (including two satellites), greater irrigation capacity, and an expanded pulp and paper industry. Associated with this scale of development are many opportunities in consulting and engineering services. Also needed will be oil and mineral exploration and development machinery, agricultural equipment, light industrial consumer goods . . . the list seems endless.

Common characteristics — There are several important points not mentioned above and which should be given special emphasis. These are characteristics common to the development and trade policies of all three countries. Together they serve to summarize the attitude of these potential trading partners and an understanding of these points is vital to anyone hoping to penetrate these markets.

In virtually every meeting the question of training for nationals was raised. These countries are desperately short of trained personnel, particularly at the technical and managerial levels. A training program including onsite instruction and student exchanges must be part of any major package offered.

In Iraq they have gone so far as to institute a law requiring that training be included in any project awarded to foreigners. Given the incredible wealth in this area, access to technology is not a problem — learning to use and control it is. A primary focus of the development drive is the wish to be self-sufficient. They do not want to have to depend on foreign managers and technicians to run the newly developing sectors of their economies.

Quality above price — Throughout the visit, mission members were struck by the purchasing priorities their hosts had established. Whether for a single product or a large industrial project, again and again quality and the ability

to deliver were emphasized above price. These countries are in a hurry to develop and now have the means to finance their aims. In many cases, they are interested in having industrial capacity installed on a turnkey basis, again emphasizing that an integral part of any proposal must be training in the use and continued development of the facility. Some concept of the scale of development envisaged was indicated by the Iranian Minister of Economics and Finance when he mentioned that they anticipate investing "some $300 billion" in their economy over the next 15 years.

In addition, our position in these markets is greatly enhanced by the fact that we are not going to them as "oil-beggars". Because we are seeking only normal commercial relations it is felt that our presence and good will will not be dependent solely on the vagaries of oil pricing and alternate supplies.

This article has by no means given an exhaustive outline of the opportunities for Canadian participation in the development of Iran, Iraq and Saudi Arabia. Through various aid programs the non-oil states are also benefitting from the recent changes in oil revenue. Given the magnitude of these revenue changes and the strength of the desire to diversify, the opportunities both short- and long-term are nearly boundless. However, the market exists today and will not wait for the overly cautious. The members of the mission, both government and business, were unanimous in their feeling that immediate and concerted follow-up is essential. In fact, several companies have already initiated trips to pursue openings established by the mission and several mini-missions are planned on both sides.

The initial successes of the mission were the tremendous good will established, and the opportunity to clarify Canadian attitudes and abilities. The long-term success of the mission must now rely on the responsiveness of the Canadian business community. □

Trade Lines

EEC policy affects Argentinian beef exports

Exports of meat and meat products from Argentina declined 50 per cent in volume for the first quarter of this year, compared to the same period last year. Prices were higher but the value of these shipments declined almost 26 per cent. Commercial policies of the European Economic Community are blamed for the decrease. In the past the EEC countries have been the major market for Argentinian meat and meat products. In a joint effort, Argentina, Paraguay and Uruguay are attempting to obtain reductions in applicable EEC customs duties. There is a possibility an attempt will be made to expand exports to the United States and Africa. — Buenos Aires.

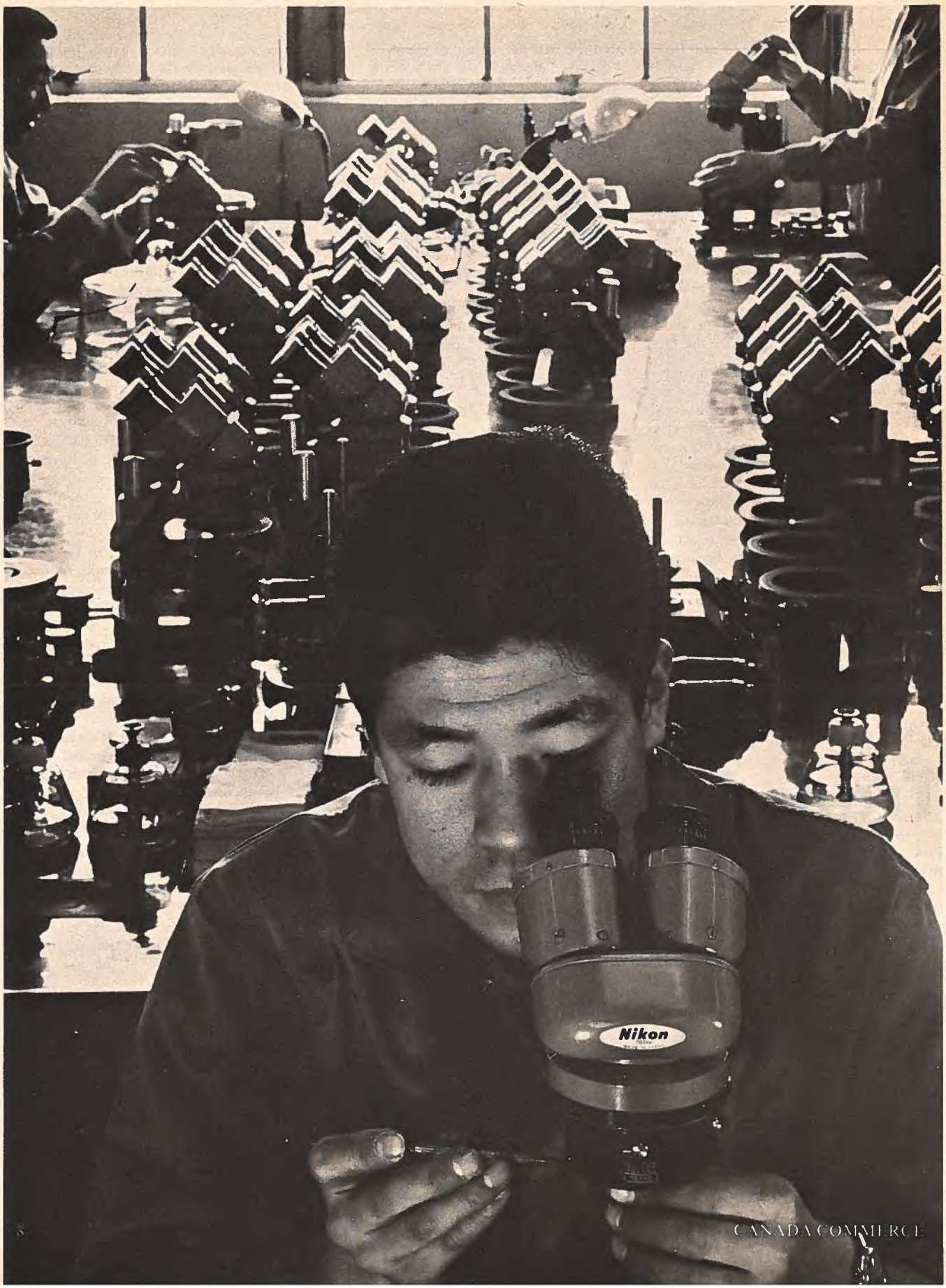
Argentinian petroleum production down again

Petroleum production in Argentina continues to fall off. In the first two months of this year, 3,923,900 cubic metres of crude oil were extracted — 2.4 per cent less than output during the same period last year and 6.9 per cent less than during the same period in 1972. The Government attributes this decline to the reduced productivity of certain oil fields which have been worked for many years and are on the point of drying up. The Government also blames insufficient exploration and development in the past few years.

New copper refinery for Cape area

A new multi-million rand copper refinery is to be built in the Western Cape area in the Eerste Rivier industrial township on the outskirts of Cape Town, South Africa. Construction of the new refinery will begin later this year and is expected to be on stream late in 1976 or early 1977 with a capacity of 120,000 tons of cathode copper annually. This is a joint operation of the Tsumeb Corp. Ltd. and the O'Kiep Copper Co., which are controlled by the Newmont Mining Corporation, New York, and the American Metal Climax Inc. — Cape Town.

Focus on Japan



Promising Trade Prospects

MALDWYN THOMAS, Minister (Commercial), Tokyo

The last eighteen months or so has been a period of considerable change for the Japanese economy. It has also been a period of growth and development for Canada-Japan trade.

In 1972 the Japanese economy, recovering quickly from a recessionary period and from the impact of the international currency disruptions which had resulted in the upward revaluation of the yen by 16.8 per cent, registered a growth in the GNP of more than 11 per cent and a trade surplus of almost $9 billion. As a result, Japanese official foreign exchange reserves rose to over $19 billion and an increasingly favourable trade balance led other countries, particularly the U.S.A., to press Japan to take measures to achieve a better trade and monetary balance. To deal with the situation, the Japanese authorities, in November 1972, undertook a number of economic measures which included further liberalization of the trade regime, including unilateral tariff reductions and other measures to encourage imports and to slow down the growth of exports, the maintenance of expansionary economic policies and the encouragement of Japanese investment overseas. Continuing international currency uncertainties, however, led to a further appreciation of the yen to approximately 265 yen to the U.S. dollar by March 1973.

As a result of these measures and of the yen appreciation, the Japanese foreign trade account, stimulated by strong domestic demand, began to move into balance (imports advanced rapidly and exports continued at normal rates). Outflows of long-term capital increased substantially and a deficit on external current accounts resulted in a reduction in foreign exchange reserves. Inflation, which had already become a problem by the end of 1972, increased drastically in 1973 with a substantial rise in the consumer price index (up by 23 per cent), and in the wholesale price index which had traditionally been stable. Although consumer demand remained strong, capital outlay in the private sector showed little growth and commodity shortages began to appear.

By the second half of the year the economy had begun to slow down noticeably. The international energy crisis has imposed further strains and as a result the growth rate of the Japanese economy (real GNP) for fiscal 1973/74 has been estimated at 6.4 per cent compared with 8.6 per cent forecast earlier.

Checking inflation — The Government has taken steps to check inflation, restrain demand and conserve resources. Government spending has been reduced, credit restrictions have been tightened, and there has been a corresponding slowdown in capital investment in the private sector. Foreign investment policy has become more selective and a number of foreign exchange control measures have been reintroduced to help correct the balance of payments, which is expected to be in deficit in 1974.

Externally, Japan has moved quickly to secure energy and material resource supplies throughout the world, increasingly supported by parallel industrial development projects, and there are signs that industry will step up its export drive to help to meet the increased outlay for imports.

Although the outlook for the next period will remain somewhat uncertain until the ramifications both domestically and internationally of the increased cost of petroleum and other resources are clearer, it is generally agreed that the Japanese economy, which is heavily reliant on imported resources and sensitive to changes in the international economic climate, will slow down in 1974. The official estimate of the increase in the GNP for fiscal 1974 has been set at 2.5 per cent in real terms, although a number of private sources have estimated that it may reach 5 per cent, with some improvement early in 1975.

Trade between Canada and Japan — Trade between the two countries has grown rapidly in recent years, with the turnover increasing from $545 million in 1965 to nearly $3 billion in 1973. Japan has replaced Britain to become Canada's second most important trading partner. During 1973, Canadian exports to Japan rose to $1.8 billion, reflecting the strong demand in Japan for industrial materials in the wake of the rapid recovery of the economy in the first part of the year. Japanese exports to Canada, on the other hand, dropped off slightly to around $1 billion as a result of strong domestic demand and domestic price inflation, coupled with the higher-priced yen.

Emphasis on manufacture — As can be seen from the attached table, Canadian exports to Japan continue to be mainly in the form of primary industrial materials and bulk foodstuffs, whereas Japanese exports to Canada consist almost entirely of fully manufactured goods. While the concentration of Canadian exports to Japan in industrial materials reflects Japan's position as a consumer of these products, the fact that less than 2 per cent of Canadian sales to Japan are in the form of end products does not reflect Canada's role as an industrial power or as an exporter of processed goods. Consequently, the Canadian Government and the Canadian export community have concentrated their efforts in the last two or three years on penetrating the large and affluent Japanese market for manufactured products. The Canadian Government has drawn to the attention of the Japanese authorities its desire to improve the composition of Canadian exports to Japan, and both the Japanese Government and the business community have indicated that they recognize the need for progress in this sector.

During this period the Japanese Government has continued its program of liberalization of imports with the result that the general incidence of the Japanese tariff on manufactured goods is now more or less in line with that of Western countries, and Canadian authorities have continued to press for meaningful access to the Japanese market.

Promotion — In order to take advantage of the opportunities offered by the rapidly expanding Japanese market for manufactured and consumer goods, the Department has undertaken a number of important promotional projects in Japan. The requirements of the market have been studied carefully to match Japanese requirements with Canadian technological capabilities. Important market opportunities have been identified in such diverse areas as aerospace, high-fashion clothing, sporting goods, furniture, specialized electronic equipment, computer peripherals, oceanographic equipment, lumber, paper and paper products, building materials, automotive parts and processed foods.

Various missions to and from Japan

in these sectors have been arranged, and commodity specialists from the Department have visited Japan in order to carry out more detailed market research. Participation in selected Japanese trade fairs has been stepped up. For example, Canada was the major foreign exhibitor in the International Oceanography Exhibition in the fall of 1972, and exhibited officially for the first time at the Japan International Aerospace Show last year. Canada also exhibited officially at the Tokyo Motor Show in November, 1973, and, in the processed food sector, an on-going program of in-store promotions has been undertaken in Tokyo and other centres.

A major program to introduce the Canadian timber frame construction system, including the erection in Tokyo of demonstration townhouse units built to Canadian specifications, using Canadian lumber, has also been launched. (See *Canada Commerce,* November 1973.) Various projects for industrial and technical co-operation in both countries are being explored.

Provincial governments and the private sector have also sponsored a number of trade and economic missions to Japan in the past two or three years, and several of the major Japanese trading companies have sent exploratory missions to Canada to investigate supply capabilities, particularly in the manufactured goods sector. And there have been more and more individual Canadian visitors, many of whom are exploring market opportunities in Japan under the Program for Export Market Development (PEMD).

The results of these Canadian initiatives have been encouraging and Japanese awareness of Canadian capabilities is increasing. Canadian knowledge of the Japanese market and marketing techniques has also improved, and increasing numbers of Canadian exporters have appointed agents to look after their interests in Japan.

Prospects favourable — The outlook for the future development of Canadian/Japanese commercial relations is good. Although the increased cost of energy and other resources will place a burden on the Japanese economy — a problem other industrialized countries also share — Japan's competitive position in the industrialized world should not change too much. The inherent organizational skills, productive capacity and marketing abilities of the Japanese should continue to stand the country in good stead in the years to come.

The Japanese can be expected to accelerate plans to shift the emphasis in industrial production into the so-called knowledge-intensive industries and, in particular, to concentrate less on some of the heavy industries, which are large users of fuel and materials. Efforts will be made to conserve energy and to diversify energy resources, and to secure vital industrial materials and foodstuffs from around the world. Rising wage levels, energy costs, pollution problems and land shortages are already leading Japanese industry to transfer some of its production overseas. At present mainly labour-intensive and heavy energy-consuming industries are being established abroad but a number of secondary-manufacturing facilities are also being

Major Canadian....

Cdn $'000

	1970	1971	1972	1973
Meat and meat preparations	4,493	12,363	29,364	48,509
Fish and fish products	4,493	7,984	25,256	57,089
Skim milk powder	408	1,194	1,934	1,290
Honey	114	1,671	554	3,203
Barley	22,344	29,326	35,654	91,666
Buckwheat	2,821	2,281	2,604	2,453
Rye	3,216	7,809	7,280	10,675
Wheat (including durum)	77,526	81,771	86,715	173,052
Malt	3,329	5,623	6,905	9,774
Feeds and feedings	10,128	10,904	8,403	15,241
Fur, hides and skin, raw	2,266	1,836	4,189	5,359
Flaxseed	15,730	12,620	12,498	23,633
Mustard seed	1,257	1,305	914	1,206
Rapeseed	40,973	55,240	69,540	134,392
Iron ores, concentrates & agglomerates	21,640	27,138	17,930	30,063
Scrap iron and steel	8,081	661	635	2,578
Aluminum (all basic forms)	40,347	42,163	32,466	43,408
Copper (all basic forms)	163,147	151,279	195,653	448,727
Nickel (all basic forms)	33,844	29,934	37,583	62,003
Zinc (all basic forms)	25,292	29,303	27,832	49,644
Lead (all basic forms)	25,318	22,830	21,407	31,028
Silver ores and concentrates	5,878	6,881	5,835	11,435
Molybdenum & metal bearing ores & concentrates	13,120	9,962	9,613	18,614
Pig iron	9,151		724	1,263
Coal	26,445	82,063	103,835	160,046
Asbestos (all forms)	20,673	13,511	13,428	19,383
Non-metallic minerals, crude, n.e.s.	283	809	2,726	4,119
Logs & poles (all species)	17,049	11,080	5,121	5,188
Pulpwood chips	159	3,198	926	
Lumber, flooring & dimension stock	67,972	39,482	56,078	117,501

built in foreign countries. The thrust of Japanese investment activity is in resource-rich countries and frequently is linked to securing supplies. Growing consumer affluence, accompanied by an improvement in the social services (which are an important plank of government policy), should also ensure a continued growth in the Japanese market for imported consumer products and industrial manufactures and services.

Canada as supply base — Japan and Canada are already important trading partners and the importance of this trade should increase. For Japan, Canada represents a stable, reliable source of supply of a variety of industrial materials and bulk agricultural commodities essential to the wellbeing of the Japanese economy, as well as one of the most important markets for the products of Japanese industry. For Canada, Japan has traditionally been an important outlet for primary products.

The relationship between the two countries, however, is changing and will continue to do so as the economic partnership comes to reflect more accurately the capabilities, needs and aspirations of both societies. In the past couple of years Canadian exporters have discovered that there is a market for their technology and consumer goods in Japan. The Japanese Government and business world have become more familiar with Canadian industrial capability and have deepened their already substantial knowledge of Canada's resources base. Recent international economic developments are hastening the expansion of Canada-Japan ties and, as a result, new possibilities for collaboration are being uncovered. For example, Japan's special transportation requirements offer important opportunities to Canada's specialized aerospace industry.

The shortage of domestic fisheries resources is causing the Japanese to look to Canada as a source of supply, in particular of fish which are not exploited in Canada but are consumed in considerable quantities in Japan. The establishment of joint ventures in Canada in the steel sector is being examined because of the difficulty of further expanding this industry within Japan. Canadian dimension lumber may be able to make a major contribution to Japan's housing program. Canada's energy resources are also viewed as a possible sector for industrial co-operation between the two countries.

These are some current examples of areas where closer co-operation between Canada and Japan may be witnessed in the future. There are other sectors and undoubtedly many more will be uncovered. It is, therefore, important for Canadian exporters, and the Canadian business community generally, to pay close attention to developments in Japan so that they can take advantage of the many opportunities the Japanese economy offers. □

.....Exports to Japan

Cdn $'000

	1970	1971	1972	1973
Veneer and plywood	1,150	246	195	439
Wood-pulp (all forms)	70,210	54,209	57,504	97,055
Newsprint paper	11,196	6,392	9,070	6,634
Paper and paper products, n.e.s.	507	707	2,784	12,115
Tallow	5,535	4,954	3,720	5,577
Rapeseed oil	–	–	–	4,601
Basic chemicals	2,266	1,431	3,795	7,742
Potassium chloride	14,030	15,416	15,027	16,028
Plastic & synthetic rubber	2,444	2,251	1,625	2,941
Liquified propane & butane gas	6,323	5,571	6,865	9,279
Special industry machinery & parts (non farm)	3,140	5,195	2,902	3,632
Transportation equipment & crafts	1,538	2,881	2,006	3,014
Commercial communication equipment & components	1,612	553	1,548	2,553
Measuring, testing & scientific equipment & parts	783	2,084	1,117	1,071
Safety razor blades	294	1,307	1,334	2,171
Office machines & parts (including card punch machines)	3,478	3,370	3,499	6,053
Fur goods, apparel	202	114	670	1,731
Sporting, recreation equipment & parts	1,340	3,438	3,753	1,929
Medical & pharmaceutical products	4,168	3,696	3,223	2,556
Others	14,909	14,833	13,912	23,794
Total	**812,622**	**830,869**	**958,151**	**1,793,457**

Source: Statistics Canada

Metals and Minerals

N.M. SWITUCHA, Commercial Secretary, Tokyo

Japan's rapid economic development in recent years has been made possible largely through a sophisticated industrial structure based on utilization of large quantities of mineral resources. The average annual increase in Japan's demand for mineral resources has been the highest in the world, exceeding, in most cases, the average growth rate of the gross national product. With the population representing approximately 3 per cent of the world's total, Japan consumes 10-20 per cent of the world's supply of major minerals. With very few exceptions, however, Japan is largely dependent on overseas sources for the supply of mineral products, with Canada as an important supplier.

Japan also has become Canada's second most important export market, with mineral and energy products accounting for more than half of all Canadian exports to Japan. The long-term ramifications for the Canadian economy of our trade with Japan in this sector can be illustrated by the value of Canadian exports of the major mineral commodities to Japan in 1973 — more than $850 million, or 37 per cent of the total value of Canadian exports of such commodities (excluding fuels).

In the past, Japan's system of mineral procurement was based mainly on direct imports under long-term purchase contracts, but in recent years, two alternative methods have been used; advancement of loans for mine development and for construction of mineral processing plants, and equity participation in overseas resource development projects. Several Canadian mining and mineral processing projects have been developed on the basis of such co-operation, as it provides a higher degree of security to the supplier and to the consumer. From the Japanese viewpoint, participation in mining development is desirable in that it makes the Japanese smelting and refining industry less vulnerable to disruption of supplies due to international events and to competition from major international resource-based firms which have direct access to key mineral resources.

Overseas sites — However, heavy orientation of the Japanese mineral and metallurgical industry on processing functions, such as smelting and refining, led to increasing domestic difficulties in Japan associated with higher costs of primary and secondary energy, growing public opposition to siting of additional smelting and refining facilities, problems in securing plant sites, tighter anti-pollution regulations, and increased labour shortages and costs. There is a tendency now to direct at least some of the required expansion of smelting and refining facilities to overseas locations and this trend could meet some of the major objectives of the Canadian mineral development policies: increased processing of Canadian resources before export and improved access for the Canadian semi-processed and processed mineral products to the Japanese market.

At the same time, several major Canadian non-ferrous metal producers have already brought their interests to bear on the Japanese market by setting up joint ventures in Japan with local smelting and processing interests. Cominco Ltd., for example, has a 45 per cent interest in Mitsubishi-Cominco Smelting Co., which, since 1966, has been operating a major lead smelter in Japan, using concentrates from Cominco's Pine Point Mines Ltd.

Since 1967, the International Nickel Co. of Canada, Ltd. has had a nickel oxide sinter plant in Japan operated by Tokyo Nickel Co. Early this year also INCO announced the formation of a new company, Daido Special Alloys Ltd., to process and market specialty and high nickel alloys in Japan.

Alcan Aluminium Ltd. has a 50 per cent interest in Nippon Light Metal Co. Ltd., Japan's largest aluminum smelting firm, operating several alumina and aluminum reduction plants. After completion of the current reorganization and mergers with affiliated processing and fabrication firms, the Nippon Light Metal group will become the first integrated aluminum producer in Japan with operations ranging from smelting, rolling and extrusion to fabrication of aluminum products. Close co-operation between Alcan and Nippon Light Metal will be further enhanced by the most recent agreement to set up a joint venture company in Canada and to supply increased tonnages of Alcan's ingots to Japan. Canadian exports of aluminum ingots to Japan last year amounted to more than 84,000 metric tons, representing business worth $41.5 million for the Canadian producers.

Copper — Canada is the largest supplier of copper ores and concentrates to Japan, expanding its share from 37.4 per cent in 1972 to 38.7 per cent of Japanese copper ore imports in 1973. Over 1.18 million metric tons of Canadian ores and concentrates were shipped to Japan last year, valued at about $428 million, a 125 per cent value increase over the preceding year.

Japanese companies have expressed interest in participating in the construction and operation of a copper smelter in B.C., as have Canadian copper producers.

Canada is also Japan's largest supplier of lead ores and concentrates, accounting in 1973 for 63 per cent, worth $30.6 million, of the total Japanese imports of 242,750 metric tons.

Rising demand for nickel last year stimulated Canadian exports of nickel ingots to Japan, raising the value to over $15.6 million, compared with $10.3 million in 1972. Canada does not share significantly in the supply of nickel ores and concentrates, and accounted last year for less than 1 per cent of the total Japanese imports of over 3.5 million metric tons, of which by far the largest share comes from New Caledonia.

Growing Japanese requirements for zinc ores and concentrates are reflected in rising imports which last year totalled 1.2 million metric tons, of which more than 415,000 metric tons, or about 34 per cent, came from Canada. The value of Canadian zinc going to Japan in the form of ores and concentrates in 1973 increased substantially to over $49.5 million, or 26 per cent of the total value of Canadian zinc exports, partially reflecting higher market prices. Unfortun-

ately, Japan does not import zinc pigs and slabs from Canada, having concentrated on building up extensive refining plants to supply domestic needs.

Canada's share of Japanese imports of molybdenum in concentrates amounted to 3,254 metric tons in 1973, or 29 per cent of all molybdenum exported from Canada. It was worth more than $15 million.

Increasing Japanese demand for fertilizer stimulated exports of Canadian potash, with an excellent outlook for future additional growth both in tonnage and value. Last year Japan imported over 600,000 metric tons of potash (as potassium chloride) from Canada under a five-year contract negotiated with CANPOTEX. This was 47 per cent of the total Japanese imports of this commodity.

Uranium needs — Canada supplies a substantial proportion of Japan's uranium requirements and our uranium mines have a large forward commitment for further exports for the rest of this decade. Given an accelerated rate of construction of nuclear power generating stations in Japan, requirements for additional tonnage of uranium will grow rapidly in the 1980's and beyond.

Japan also represents a growing market for other Canadian metallic and non-metallic commodities, including tungsten, silver, cobalt, sulphur and asbestos.

Canadian coking coal has emerged in the last few years as an important export resource, with the volume of shipments growing rapidly and reaching approximately 7.5 million metric tons in 1972 and 10.3 million metric tons in 1973, more than 18 per cent of the total Japanese imports. Canada became the third largest supplier (after the U.S. and Australia) of coking coal to the Japanese steel industry, reflecting large-scale development of high-grade coal mines in Alberta and B.C. based on long-term contracts. The value of Canadian coking coal exports, which were worth approximately $160 million in 1973, is expected to increase rapidly, reflecting higher prices and increased quantities under long-term contractual commitments.

As far as iron ore is concerned, Canada is not a major supplier to Japan, accounting for only 2.07 million metric tons in 1972, or 1.8 per cent of the Japanese imports. Last year, however, Canada supplied 3.36 million metric tons ($27 million), or 2.5 per cent of the more than 134.68 million metric tons imported. Prospects for future increases are good, although price competition from closer established supply sources in Australia, India and South America will remain a major problem.

Japan gets by far the largest proportion of its steel scrap requirements from domestic sources, with any scrap deficit in recent years being made up by imports mainly from the U.S. The United States' average share of Japan's total annual scrap imports is about 80 per cent, while Canada supplies less than 2 per cent, although we rank as the fourth largest supplier after the U.S., Australia and the U.S.S.R.

The steel industry recorded a spectacular growth during the 1960's and early 1970's by aggressively harnessing the latest technological developments for actual use and by implementing annual expansion programs on a gigantic scale. Improved ore treatment processes, huge blast furnaces, large-scale conversion from conventional open-hearth furnaces to LD converters, wide-ranging adoption of continuous casting equipment and extensive use of electronic computer technologies — these are only some of the many technological innovations adopted on a large scale by the Japanese iron and steel industry.

Between 1968 and 1972 production increases averaged about seven million metric tons annually. However, in 1973 the industry set new production and export records against a background of mounting world-wide steel shortages. Buoyant business activity in the domestic market and rapidly expanding offshore demand combined to stimulate a major surge in production levels, reaching 119,325,000 metric tons of crude steel, up more than 22,000,000 metric tons from the 1972 level, in spite of substantial curbs on the use of crude oil and electric power in the last quarter of the year. Exports of steel products to Canada in 1973 decreased to 583,000 metric tons from the peak level of 907,000 metric tons recorded in 1971, and consisted mainly of plate, pipe and wire rods.

Siting question — The Japanese steel industry now faces a crucial re-examination of its further growth patterns. New locations for construction and expansion of steel mills have become difficult to find because of rapidly increasing opposition by the local population and tighter pollution controls. This, together with a growing shortage of labour, adoption of a five-day work week, and the rising costs of energy and raw materials imposes limitations on further growth. The industry is reassessing its long-term outlook with the realization that the days of rapid and continuous expansion are coming to an end.

Major emphasis is now placed on the replacement of smaller and older production facilities in established locations with larger, more efficient, highly automated and more productive units. At the same time, the steel industry is turning to offshore locations for major expansions of steelmaking capacity, with Australia, Brazil and Canada offering, from the Japanese point of view, the best combination of available raw materials, secure energy supplies and a stable economic climate.

Several Japanese firms are seriously considering major participation in the expansion of the Canadian steelmaking capacity. This and similar proposals could provide significant opportunities for the upgrading of Canadian steelmaking raw materials before export and for additional downstream benefits that accrue when mineral resources are further processed in the country of origin.

Canada-Japan trade in metals, non-metallic minerals and fuels has become a very important factor in economic relations between the two countries. Escalating consumption rates, both in Japan and in third countries, will place additional pressures on further rational development of Canadian production and supply capabilities, including a greater emphasis on processing and fabrication. This should lead to even closer trade and economic relations between the two countries. □

Market for Forest Products

S.J. KAUFMANN, Commercial Secretary, Tokyo

Japan is a major producer of forest products. Forests cover some 68 per cent of the total area of the country and the annual production of lumber is only slightly less than half of Canada's production. However, the demand for forest products has been increasing with the same dramatic speed as Japan's GNP. Sixty per cent of the 1.8 million housing units built in 1972 were of wooden construction. The Japanese pulp and paper industry is the second largest in the world. Nevertheless, Japanese housing standards and average per capita consumption of paper are still lower than in the United States and Western Europe. Therefore, official and industry forecasts are for continuing growth in demand for forest products. At the same time, the domestic supply of timber will probably decline as a result of pressure from conservationists, shortages of labour and the mixed success of reforestation programs carried out so far. Faced with this situation, Japan either has to greatly increase imports of forest products or suppress demand.

Lumber, plywood and secondary wood products — The demand for wood products is directly related to the level of housing starts but housing is generally too small and of poor quality. This is a major subject of concern to the average Japanese citizen, and the Government has made improvement of the quality of Japanese housing a major policy objective.

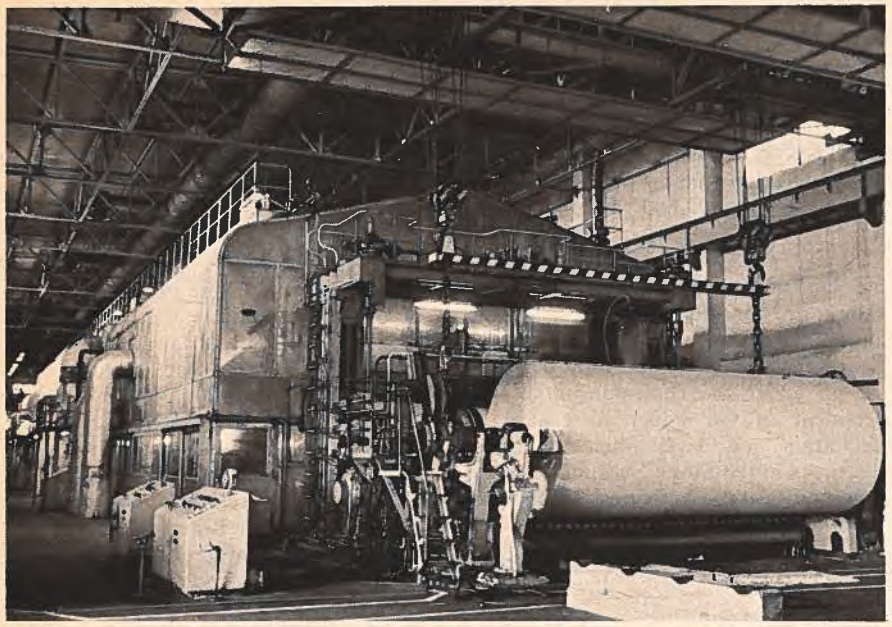
The Ministry of Construction predicts that 30 million homes will be built between 1973 and 1985 and it is reasqnable to expect that average housing starts per year will exceed two million more than during any period in the past. What is more, these houses will be bigger and better built than before.

Probably 1974 will be an abnormally poor year for housing starts as a result of severe credit restrictions imposed by the Government in an attempt to control inflation. The cost of land in major urban areas, the shortage and high prices of major building materials and other inflationary factors have combined to put a new house out of reach of the average home buyer. But the Government has announced the intention of controlling land prices and converting farm land to housing and industrial use. It is expected that the credit restrictions will also slow down inflation.

The long-term problem will be one of supply rather than demand. The traditional Japanese building system is more a cottage industry than a modern construction system. This industry and the distribution network which services it are unable to provide the large volume of better-quality housing required by the market. Skilled carpenters to build the traditional Japanese house are a vanishing species. Consequently, the Ministry of Construction has begun a program to introduce North American timber frame housing construction. The Canadian Department of Industry, Trade and Commerce and Canadian industry have been co-operating closely with the Ministry of Construction on this program. (For a more detailed description of the timber frame housing program see the

Estimated Pulpwood Imports by Country of Origin
(Thousand cubic metres)

		Softwood			Hardwood		
		Logs	Chips	Total	Logs	Chips	Total
1970 (actual)	U.S.S.R.	143	–	143	114	–	114
	North America	1	4,072	4,073	–	18	18
	South Seas (incl. South America)	5	177	182	296	458	754
	Total	**149**	**4,249**	**4,398**	**410**	**476**	**886**
1975	U.S.S.R.	130	487	617	600	263	863
	North America	–	8,495	8,495	–	–	–
	South Seas (incl. South America)	–	547	547	702	4,874	5,576
	Total	**130**	**9,549**	**9,659**	**1,302**	**5,137**	**6,439**
1980	U.S.S.R.	140	715	855	650	385	1,035
	North America	–	7,953	7,953	–	–	–
	South Seas (incl. South America)	–	519	519	718	6,366	7,084
	Total	**140**	**9,187**	**9,327**	**1,368**	**6,751**	**8,119**



A No. 1 kraft linerboard machine in the Kushiro mill of the Honshu Paper Company.

Pulp and paper — In October 1972 the pulp and paper industry, in consultation with the Ministry of International Trade and Industry, made some projections about the outlook for their industry during the 70's. These were contained in a report published under the title, *Paper Section of the Industry Structural Council.* The authors of the report emphasized that the pulp and paper industry would face increasingly severe shortages of pulp wood as conservationists' pressures limited the domestic forest harvest. This would necessitate investing overseas in order to secure supplies of fibre. Pollution control, rising costs of raw materials, energy and labour would limit expansion of new production facilities and usher in an era of more imports of pulp and paper rather than chips. Faced with this situation, the Japanese pulp and paper industry would have to concentrate on higher value-added products and expand production facilities abroad individually or

November and December 1973 issues of *Canada Commerce.*

As with any new system, there has been a fair amount of resistance from some quarters of the traditional building sector and from merchants involved in supplying logs and lumber to this sector. But reaction has been mostly favourable and a number of groups, including small builders, large home-manufacturing companies, lumber wholesalers, large housing-component manufacturers and major trading companies, are building or experimenting with the timber frame system. It is particularly significant that the major private railway companies and real estate companies are establishing connections with the leading Japanese builders of timber frame housing. Of the estimated 25,000 hectares of unused housing land in the three major cities of Tokyo, Osaka, and Nagoya, the private railways control 61.5 per cent and the private real estate companies 14 per cent.

With the spread of timber frame construction in Japan the market for imported sawn lumber will increase, but this is only part of the picture. Imported logs are becoming scarcer and more expensive and the poor economics of sawing in Japan are making it more profitable to import sawn lumber.

Not only is Japan not able to supply domestic demand for basic wood products; demand for sawn lumber as well as secondary wood products, precut and prefabricated houses and related components and technology is going to grow.

Forecast of Japanese Consumption of Paper and Board
(thousand metric tons)

	1972 (actual)	1975		1980	
GNP Increase assumptions		7.5%	10%	7.5%	10%
Paper					
Newsprint	2,089	2,517	2,517	3,369	3,369
Printing papers	2,345	2,925	2,925	4,105	4,104
Thin papers	210	261	300	388	496
Tissue	632	731	731	1,128	1,128
Sackraft)		989	1,076	1,287	1,524
)	1,107				
Other wrapping)		553	596	705	834
Other	979	1,307	1,471	1,911	2,427
Total	**7,362**	**9,283**	**9,616**	**12,893**	**13,882**
Board	3,872	5,024	5,724	6,965	8,939
Container	1,353	1,729	1,889	2,302	2,791
Carton box	701	914	1,038	1,357	1,734
Other	**5,926**	**7,667**	**8,651**	**10,624**	**13,464**
Total					

Source: Industry Structural Council

in co-operation with major overseas paper producers.

The Japanese pulp and paper industry has been expanding overseas, with developments in Brazil, Southeast Asia, the South Pacific and the U.S.S.R. The largest of these projects is the Cellulose Nipo-Brasileira project in Brazil, which calls for the establishment of a 255,000-ton pulp mill to begin production in 1976 and a eucalyptus plantation to cover 400,000 hectares and eventually supply three million cubic metres of chips per year to Japan. The estimated capital cost of the project is between $700 million and $1 billion and the Japanese Government is providing low-cost financing.

Plans are also going forward for construction of up to 10 special 100,000-ton barges to bring these chips to Japan. The Japanese also have a contract with the U.S.S.R., which called for the supply of 200,000 cubic metres of chips in 1973, increasing to 1,100,000 tons from 1976 on.

Marubeni Corporation and a leading Japanese paper manufacturer, Daishowa, are considering setting up a pulp and paper complex in Siberia. A South Seas Afforestation Association has been set up under the chairmanship of the president of Oji Paper to engage in plantation and development of forest resources in the South Seas, notably the Solomon Islands. Activities in Saba and Indonesia are being expanded also. In a major development last year, Jujo Paper Manufacturing Co. and Mitsui and Co. formed a joint venture with Weyerhaeuser of the United States, which provides for a large volume of chips to be imported into Japan and, eventually, a paper mill to be constructed in Longview, Washington, in 1978.

Problems — These overseas projects no doubt will improve the raw material supply position of the Japanese pulp and paper industry. But there are a number of problems. Of the 200,000 cubic metres of chips which the U.S.S.R. had contracted to supply to Japan in 1973, only 16 per cent had been delivered as of December. The reforestation and plantation projects in Brazil and Southeast Asia are based on optimistic predictions of short-growing cycles of seven years for eucalyptus and Caribbean pine. Recent experience with reforestation programs in Japan and Southeast Asia have shown that results have not always been up to expectations.

Even if these plans are successful and the supply of chips to Japan is increased, it is unlikely that Japanese paper production will be able to meet the anticipated growth in demand. To a large extent, additional overseas supplies of chips will merely replace the decreasing supply of domestic chips. At present, chip imports account for 30 per cent of pulpwood consumed by Japanese industry. The Forestry Agency announced in 1973 that the forest harvest on nationally owned forests (40 per cent of total forests) would be reduced 20 per cent in five years. Furthermore, increasing prices for lumber mean that more and more of the timber is going into construction lumber.

The shortage of loggers is another serious constraint on the supply of domestic pulpwood. It is, therefore, anticipated that the dependence of the Japanese industry on imported chips will increase to 50 per cent of total supply of pulpwood within a few years. The Japan Pulp and Paper Association has already decided that no new pulp or paper machines can be installed before supplies of imported chips have been secured.

Production costs rising — There is one further overriding factor that will limit the expansion of production — the cost of production. Pollution control regulations are becoming more severe; the cost of energy, especially electricity, is going to increase dramatically in the next few years as a result of the increase

Estimated Supply and Demand of Logs
(thousand cubic metres)

	N	NC	Total of N	L	LC	Total of L
1975						
Supply						
Domestic	2,500	6,000	8,500	4,000	12,000	16,000
Import	130	9,530	9,660	1,300	5,140	6,440
Total	2,630	15,530	18,160	5,300	17,140	22,440
Demand			19,400			22,300
Balance			-1,240			140
1980						
Supply						
Domestic	2,000	7,500	9,500	4,000	12,500	16,500
Import	140	9,190	9,330	1,370	6,750	8,120
Total	2,140	16,690	18,830	5,370	19,250	24,620
Demand			25,900			32,700
Balance			-7,070			-8,080

(Source: Industry Structural Council)

(NOTE: N denotes softwood and NC denotes softwood chips.
L denotes hardwood and LC denotes hardwood chips.)

in oil prices and because of consistent opposition by local citizens to construction of new electric generating stations; the cost of raw materials is going up, aggravated by the increased cost of shipping; labour charges are rising more quickly in Japan than anywhere else; shortages and high prices of chemicals are seriously limiting production, and there is a strong likelihood that the water shortage which affected the output of paper last summer will be a factor again this year. These cost factors as well as resistance on the part of local governments and private citizens to new pulp and paper installations suggest that by 1980, when these new quantities of chips are supposed to start flowing into Japan, it may be economically and socially inadvisable to process them there. Therefore, producers and end users alike will have to accept increased imports of finished paper products.

The Industry Structural Council's report clearly indicates that this projected short-fall in domestic production will have to be met by importing some of the basic paper grades, such as newsprint, sackraft, and linerboard. However, the tradition of self-sufficiency in the Japanese paper industry is still very strong and any changes will be gradual. The major newspaper publishers, Mainichi Shimbun, Asahi Shimbun, Yomiuri Shimbun and Nihon Keizai Shimbun (total circulation roughly 20 million), which buy more than 60 per cent of newsprint production, are reluctant to upset their relationship with the major newsprint manufacturers.

Falling demand — At the same time, the manufacturers are trying to keep their price increases down, despite rising costs, and seem willing to continue to break even or to lose money on newsprint, while making money on other commodities. There are economic and social reasons for this but the situation cannot continue for ever. The paper companies will have to stop expanding in less profitable bulk commodities and specialize in the higher value-added items.

The recent prolonged shortage of basic paper products, aggravated by the oil crisis and shortages of chemicals, water, and other basic materials, is reducing demand over the short term. Daily newspapers have cut back their number of pages from 40 to 28 a day. The official forecast of GNP growth for 1974 is 2.5 per cent (although some economists feel it may reach 5 per cent). This will lead to slackening demand for all basic industrial papers as well as newsprint, at least for the next year or so.

The Government is also promoting paper conservation, hoping to cut down the use of wrapping paper and trying to limit advertising. The Government predicted in January that the demand for paper in 1974 would be 6 or 7 per cent less than in 1973. But the Japan Pulp and Paper Institute estimates that production also will be reduced and, therefore, shortages will continue.

The important question which this period of shortages brings up is whether the original projections of demand growth in newsprint and other papers, as reported in the Industry Structural Council's report, are still valid. While there is a general awareness of the need to correct some of the excesses of wastefulness typical of the "throw away" economy, most people in the trade seem to feel that if the paper is available, the demand will grow to meet the supply. Because there are shortages of all grades of paper, real opportunities exist for Canadian manufacturers to establish a long-term position in this promising market. □

Seller's market for foods and related products

W. K. ROBERTSON, Commercial Secretary, Tokyo

The worldwide shortage of food products has created a seller's market for food exporting countries and Canada's performance in the Japanese market reflects this situation. In 1973 Canada exported $600 million worth of agriculture, fisheries and food products, up from $322,487,000 in 1972. The shortage has drawn attention to the problem Japan faces in securing adequate food supplies in the future and a basic change in attitude has occurred that may eventually stabilize the agricultural trade between Japan and its major suppliers.

In previous years of abundant supplies of agricultural products, Japan felt secure in its position as one of the world's most affluent cash buyers. It was not until midsummer of 1973, when major producing countries placed export controls on protein materials, that Japan

began to realize the extent of its vulnerability to supply shortages. For this reason, many large companies are now intensifying their efforts to become involved in joint agricultural production ventures outside Japan. Australia, Brazil and many other countries, including Canada, are benefitting from the increased investment by Japanese companies in agricultural projects. The Japanese government is also becoming more involved in assistance to developing countries where agricultural production can be increased.

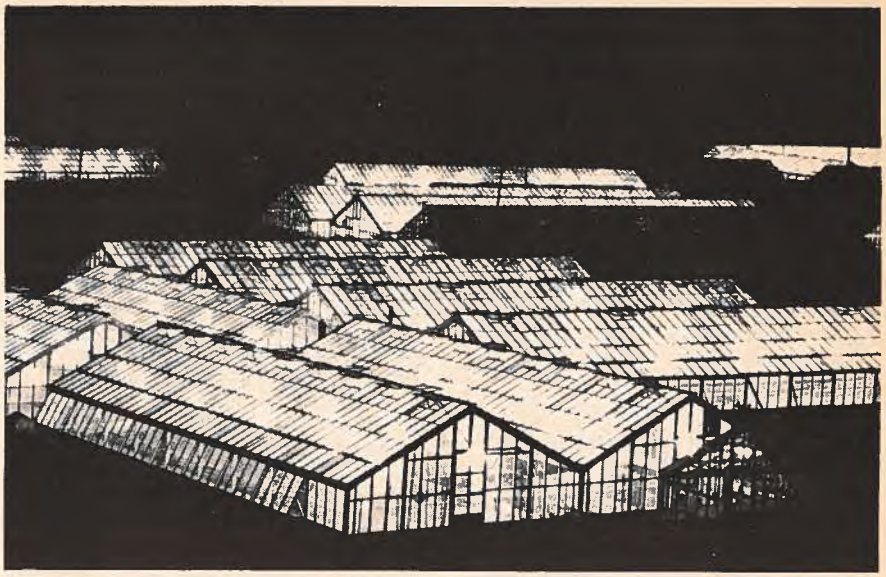
Although long-term production contracts may be risky and, because of fluctuating world prices, difficult to arrange, it can be expected that every effort will be made by the Japanese to secure food supplies from abroad on a steady and reliable basis.

Increased self-sufficiency — The alternative open to Japan is to increase domestic production. The rate of self-sufficiency has been declining steadily and the Ministry of Agriculture and Forestry (MOAF) has indicated that there must be strenuous efforts to reverse this trend in certain product areas. Japan is about 75 per cent self-sufficient in food production but if feed grain imports are considered, the percentage declines to about 55 per cent.

Japan imports almost all of its rapeseed and soybean requirements, 92 per cent of its wheat, 40 per cent of its beef and 29 per cent of its pork. But domestic production of poultry, vegetables and rice equals or exceeds demand. Production incentives have been proposed for wheat, soybeans and feed crops in designated areas of Japan.

While these programs are ambitious and extremely costly, it is doubtful that the current agricultural trend can be reversed. Farm population continues to decline and off-farm jobs are attractive and well paid. Soaring land costs and the pressures for increased industrial sites and residential housing make expansion of farming almost impossible.

To compound the problem, the producer price of rice was raised by 16.1 per cent in August 1973 and it is expected that there will be a significant increase in production. Rice production in 1973 was an estimated 12.15 million metric tons and could reach 13.5 million metric tons this year. This is about 1½ million tons in excess of demand and desired carryover. Despite the current tight situation in world grain and rice reserves, Japanese rice, because it is heavily subsidized, is too costly to be used in aid programs. The Government intends to continue incentive payments to producers to divert acreage from rice to other crops, but this is not expected to correct the imbalance.



Artificial light is used to force flowers in these greenhouses. (Ie No Hikari Association photo.)

Another feature of the Ministry's program to upgrade domestic production will be effected by the establishment of a Farmland Development Public Corporation. Funds will be provided to assist farmers and prefectural governments in farm rationalization in specific areas of Japan. The estimated budget for this program in the first year of operation will be more than $130 million.

Another basic concern of the Japanese agricultural industry is the age and composition of the farm labour force. Off-farm employment has been attractive to younger people and farm work has been left primarily to older persons, in particular to the older women. The majority of the farms belong to part-time farmers who are not responsive to government programs to intensify and diversify production. Farm size rationalization is almost impossible as land prices are skyrocketing with most landowners holding on to land for speculative purposes. The average farm in Japan is only one hectare (about 2.4 acres).

Meat and Livestock — Japanese imports of meat continue to rise although beef is still under import quota restrictions. For fiscal year 1973-74 the quota was 160,000 metric tons, an increase from 60,000 metric tons in 1972-73. A temporary beef quota freeze of 40,000 metric tons was announced in February but is expected to be lifted by this fall. Beef production is estimated at about 225,000 tons.

Pork production in 1973 was approximately 840,000 metric tons with an additional 126,000 metric tons imported. Japan is basically self-sufficient in poultry production.

Many of the general problems that beset the agricultural sector also affect the livestock industry. Of particular concern are the current high prices of feed and fuel. The Government sets the price of milk each year and is hesitant to allow producer prices of dairy products to rise, due to the inflationary impact. However, unless some relief is made available, production this year will decrease.

Swine producers are facing a similar situation of rapidly rising production costs and low prices for their products.

Fisheries — Fish and fisheries products are still the major source of protein in the Japanese diet. Traditionally, Japan had been an exporter of these products but in 1971 the position was reversed. Declining fish catches, due to pollution of coastal waters, plus the rapidly rising cost of maintaining a deep water fishing fleet are the principal reasons for the change. Imports of fish and fish products in 1973 were expected to reach a million metric tons and to increase in the future.

Exports of salmon, salmon roe and herring roe from Canada will continue to expand and it is expected that harvesting of species not used in Canada will increase.

Japanese imports of agricultural, fisheries and food products will expand

as incomes and population increase. As Canada is considered to be a reliable and stable source of supply, exports of these products from Canada will continue to account for a large portion of total Canada-Japan trade. □

Traditional methods are still used in rice planting. (Ie No Hikari Association photo.)

Consumers look for imports

D.J.S. WINFIELD and R.H.J. BOWER, Commercial Secretaries, Tokyo

Canadian, European, and American exporters are filling Japanese department stores and specialty shops with furs, fashions, furniture, works of art, sporting goods and a broad range of quality consumer goods. The Japanese are buying them and are looking for more. Traditional tastes and purchasing patterns are changing and with this change come increased opportunities for foreign suppliers.

Rapid economic growth since the end of the war, particularly over the last 10 years, has given Japan, with a population of 108 million, an annual per capita income of $3,020, which is increasing by well over 10 per cent per year. Naturally, this has resulted in a substantial boost to personal disposable income. With Japan's "economic miracle" has come a surge in foreign trade resulting in a consistently surplus position in the country's balance of payments — with the exception of this past year. This has enabled a broadening of imports from just basic, essential goods to include a greater proportion of luxury products.

An ever-shortening work week permits the Japanese to enjoy to a greater extent than ever before the fruits of their labour. An appreciation for Western-style fashions and fads and a desire for greater variety in consumer items are developing, brought about in part by increasing overseas travel and exposure to American and European movies, magazines, television, and other media. Domestic and foreign consumer products are increasingly in demand, particularly by the "under thirty" generation. Moreover, the Japanese are brand conscious and, despite higher prices, imported goods are being sold in ever-increasing quantities.

Already a number of Canadian companies have been successful in exporting to the affluent Japanese market. Fashion accessories, furniture and sporting goods are among the items which have been shipped to Japan from Canada, and the most notable success to date has been that of Canadian furs.

Fur garments — Canadian fur garments entered Japan in quantities for the first time in 1971 just as the market was ready to take off. Japanese domestic sales increased six-fold in the next two years to $9 million in 1973, while Canadian exports rocketed 11 times to $1.7 million in the same year. Consequently, Canada now holds second place as a supplier, with 13 per cent of the market, after Hong Kong which has about 26 per cent. Other major competitors are France, Denmark, Spain, U.S.A, and Korea.

With a co-operative advertising program worked out by the Department of Industry, Trade and Commerce, sales of Canadian furs moved briskly in 1972 and again in 1973, and most retailers sold out their lines early in the season. The buoyancy of 1973 sales has generated considerable optimism for 1974 and beyond, despite some hedging in the light of current economic uncertainties.

The Japanese fur community consists of numerous small companies, many of which are new to the business with little importing experience and limited financing. As a result, a large proportion of imports is brought in by major trading companies which provide both necessary importing and distribution expertise and financial backing. From the importer, fur garments find their way into the elaborate and complex distribution network and eventually end up on the racks of department stores, boutiques and specialty fur shops, primarily in Tokyo and Osaka.

Because the importing system and

distribution networks are so complicated, Canadian shippers are advised to appoint a local agent who is experienced in the trade and can steer the goods through the proper channels into the hands of good retail outlets. The Commercial Division of the Canadian Embassy in Tokyo would be pleased to recommend names of suitable agents and importers to Canadian firms.

Fashions and accessories — The Japanese mass market has recently become very fashion conscious, particularly the younger generation. Fashion in Japan means Paris, Rome or New York, and big name designers sell exceptionally well. Canada is not yet on Japan's fashion map and Canadian exporters still have to work hard to establish themselves.

But steps are being taken to overcome this. In 1973, the Department of Industry, Trade and Commerce brought fashion editors from two leading Japanese journals to view fashion shows in Montreal and visit designers and clothing manufacturers across the country. A considerable number of articles in the Japanese press resulted from the visit, and awareness of Canadian capabilities and an interest in importing Canadian fashion wear is growing. In addition, the Canadian Embassy is encouraging buyers from department and specialty stores to visit Canada on their regular trips to Europe and the U.S.A.

Some successes have already been recorded. A Montreal clothing firm has its popular line of sportswear manufactured under license in Japan and the maple leaf emblem is widely seen on golf courses and ski slopes throughout the country. Other Canadian manufacturers are exporting a variety of clothing lines, and sales are growing. In addition, Canadian handbags and jewellery are making an appearance in Japanese stores and the interest shown in these products is encouraging.

Furniture — The increasing popularity of larger, more comfortable Western-type housing and the consumer preference for imported goods explains the recent surge in furniture imports, which have quadrupled over the past two years to more than $40 million in 1973.

The distribution system has improved considerably as a result of increased competition. Major trading companies and importers specializing in furniture import substantial volumes of furniture. Most is retailed at the department store level, and furniture departments have been expanding continuously to meet the demand.

The Scandinavian countries and West Germany account for 40 per cent of imports; Taiwan, Hong Kong, Singapore, the People's Republic of China and South Korea, 50 per cent; U.S.A., 9 per cent and others 1 per cent. Canadian manufacturers have only recently started to explore this market and our exports to Japan in 1973 were worth approximately $100,000. Prospects for sharply increasing this figure this year seem good as several Canadian manufacturers will be exhibiting their products in Japan. More Japanese buyers are intending to visit

(continued on page 29)

Canadian furs on display at a recent show at the Imperial Hotel in Tokyo.

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 International Bureaux, 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 26. 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)	2.4927	.40
Argentina		
Peso (financial)	.0977	10.24
(commercial)	.1951	5.13
Australia		
Dollar	1.4472	.69
Austria		
Schilling	.0539	18.55
Bahamas		
Dollar	.9754	1.03
Belgium and Luxembourg		
Franc	.0256	39.06
Bermuda		
Dollar	1.0397	.96
Bolivia		
Peso	.0482	20.75
Brazil		
Cruzeiro (official free)	.1424	7.02
Britain		
Pound	2.3338	.43
British Honduras		
Dollar	.6078	1.64
Burma		
Kyat	.2026	4.94
Chile		
Escudo (commercial)	.0012	833.33
(financial)	.0011	909.09
China, People's Republic of		
Yuan	.4188	2.39
Colombia		
Peso (fixed)	.0380	26.32
Costa Rica		
Colon	.1470	6.80
Cuba		
Peso		N.A.[10]
Czechoslovakia		
Koruna (fixed basic rate)		N.A.[10]
Denmark		
Krone	.1650	6.06
Dominican Republic		
Peso	.9754	1.03
Ecuador		
Sucre (official)	.0390	25.64
El Salvador		
Colon	.3902	2.56
Fiji		
Dollar	1.2193	.82
Finland		
Markka	.2641	3.79
France, Monaco, etc.[1]		
Franc	.2085	4.80
French Pacific[2]		
Franc	.0110	90.90
Franco-African Republics[3]		
Franc	.0042	238.10
Germany		
D Mark	.3802	2.63
Ghana		
New Cedi	.8453	1.18
Greece		
Drachma	.0333	30.03
Guatemala		
Quetzal	.9754	1.03
Guyana		
Dollar	.4444	2.25
Haiti		
Gourde	.1951	5.13
Honduras		
Lempira	.4877	2.05
Hong Kong		
Dollar	.1918	5.21
Hungary		
Forint (official)	.0869	11.51
Iceland		
Krona (official)	.0098	102.04
India		
Rupee	.1244	8.04
Indonesia		
Rupiah	.0024	410.00
Iran		
Rial	.0134	74.63
Iraq		
Dinar	3.2947	.30
Ireland		
Pound	2.3338	.43

Country and Currency	foreign currency unit in Canadian dollars	Canadian dollar in foreign currency units
Israel		
Pound	.2322	4.30
Italy		
Lira	.0015	666.66
Jamaica		
Dollar	1.0729	.93
Japan		
Yen	.0033	303.03
Kenya[4]		
Shilling	.1379	7.25
Korea, Republic of		
Won	.0024	404.38
Lebanon		
Pound (free)	N.A.[10]	
Libya		
Dinar	2.777	.36
Malawi		
Kwatcha	1.2280	.81
Malaysia		
Dollar	.4063	2.46
Mexico		
Peso	.0780	12.82
Morocco		
Dirham	.2325	4.30
Netherlands		
Florin	.3724	2.69
Netherlands Antilles		
Florin	.5449	1.84
New Zealand		
Dollar	1.4192	.70
Nicaragua		
Cordoba	.1393	7.18
Nigeria		
Naira	1.4700	.68
Norway		
Krone	.1809	5.53
Pakistan		
Rupee	.0985	10.15
Panama		
Balboa	.9754	1.03
Paraguay		
Guarani (free)	.0078	128.21
Peru		
Sol (free)	.0225	44.44
Philippines[5]		
Peso (free)	.1461	6.84
Poland		
Zloty (fixed basic rate)	.2577	3.88
Portugal & Overseas Provinces[6]		
Escudo	.0392	25.51
Saudi Arabia		
Riyal	.2850	3.50
Sierra Leone		
Leone	1.2371	.81
Singapore		
Dollar	.3358	2.98
South Africa		
Rand	1.4631	.68
Spain & Dependencies		
Peseta	.0172	58.14
Sri Lanka[7]		
Rupee	.1489	6.71
Sweden		
Krona	.2235	4.47
Switzerland		
Franc	.3308	3.02
Syria		
Pound (free)	.2711	3.69
Thailand		
Baht (free)	.0482	20.75
Trinidad & Tobago[8]		
Dollar	.4862	2.02
Tunisia		
Dinar	2.2413	.45
Turkey		
Lira	.0697	14.35
United States		
Dollar	.9754	1.03
Uruguay		
Peso (free)	.0007	1,428.57
Venezuela		
Bolivar (official free)	.2273	4.40
Yugoslavia		
Dinar (official)	N.A.[10]	
Zaire, Republic of[9]		
Zaire	1.961	.51
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 Leeward and Windward Islands.

9. Formerly Congo (Kinshasa).

10. Rates not available at press time.

The Ocean Freight Market

In the dry cargo charter market, the high rates paid during May declined appreciably in June as charterers' resistance grew, reflecting the usual summer slakening in demand. Rates were further depressed as tankers and combination carriers (OBO's) entered the dry cargo trades. One shipping consultant estimated that more than 33 per cent of the world's active combination fleet was engaged in dry cargo trading at the end of May compared to 23 per cent at the beginning of the year. The presence of this tonnage on the dry cargo market more than offset the increased fixing by the People's Republic of China to move large grain imports from both Canada and the United States.

The high rates paid in grain chartering between March and May declined significantly during June and July. For example, although an all-time record of U.S. $22 per ton was set in March for the U.S. Gulf/Holland grain trade, by the first week of July this rate dropped to U.S. $10. Similar declines, and the presence of OBO's, were evident in Canadian grain trades. June rates for grain between St. Lawrence River ports and Belgium-Holland-Germany ranged between Cdn. $8.21 and $11.11 per ton compared to $8.66 and $16.36 in May. In the first week of July, a 75,000 tonner to Rotterdam was fixed at $6.28.

Spot charter rates for iron ore also were declining through June. A January fixture for 70,000 tons from the St. Lawrence to Britain was arranged at Cdn. $7.14 per ton, and a February fixture was made for 64,000 tons at $7.57. But an early June rate was Cdn. $6.28 for a 70,000 tonner, and the general rate softening further eroded the rate at month-end to $5.56 on a 50,000 ton shipment. The early June rate of Cnd. $7.25 per ton on ore between the St. Lawrence and West Italy represented a decline of $2.15 per ton compared to March. While these rates have declined appreciably, they remain high relative to the past year. To illustrate, an August 1973 fixture on ore between the St. Lawrence and Italy was contracted at Cdn. $5.26 per ton.

June inquiry was firm in the dry cargo time charter market particularly due to Japanese activity. There were many charters exceeding two years as charterers hedged against possible rate increases and shipowners assured themselves of a relatively high return. While only six charters of more than two year duration were reported in April, there were 15 in May and 22 in June.

Rates in the tanker market, despite some optimism derived from relatively steady inquiry and fixing, nonetheless continued at a low level during June. In the crude oil trade, Persian Gulf/Western options, early June rates were arranged at Worldscale 85 for tankers exceeding 150,000 tons. This rate was gradually reduced through the month to as low as Worldscale 55, and subsequently dropped abruptly in the first week of July to as low as Worldscale 45. Fixtures for crude oil between Nigeria and the U.S. Northern Range (including Portland, the Montreal pipeline's U.S. terminus) dipped to Cdn. $6 and $6.84 in June compared to $6.70 and $7.18 in May.

CHARTER RATES FOR REPRESENTATIVE CANADIAN AND WORLD TRADES

Trading	Month		Rate (Cnd. $ per long ton)	Fixture Tonnage
Voyage Charters				
I. Heavy Grain				
St. Lawrence River Ports to Belgium/Holland/Germany:				
	June	1974	8.21 to 11.11	38,000 to 80,000
	May	1974	8.66 to 16.36	27,335 to 87,000
	April	1974	8.71 to 11.61	25,000 to 70,000
	June	1973	9.50 and 10.75	13,500 and 38,000
II. Coal				
Hampton Roads Virginia, to Japan:				
	June	1974	11.11 to 23.68	23,000 to 55,000
	May	1974	13.23 to 27.42	23,000 to 58,000
	April	1974	16.93 to 20.31	37,500 to 50,000
	June	1973	11.25 and 12.00	30,000 and 50,000
III. Potash				
British Columbia to India:				
	June	1974	48.32 and 48.66	13,750 and 11,800
	May	1974	49.33 to 50.30	13,500 to 15,000
	April	1974	50.98	18,000
	June	1973	22.50	15,500
IV. Iron ore				
St. Lawrence River Ports to Italy:				
	June	1974	7.25	60,000
	March	1974	9.47	60,000
	Jan.	1974	9.35 and 9.45	85,000 and 95,000
	Aug.	1973	5.25	65,000
V. Crude Petroleum				
A. West Africa to U.S. Northern Range(1):				
	June	1974	6.00 and 6.84	50,000 and 52,000
	May	1974	6.70 and 7.18	47,000 and 56,000
	April	1974	6.97	50,000
	June	1973	11.96	37,000
B. Caribbean Sea to East Coast of Canada:				
	June	1974	3.02 to 3.08	36,000 to 56,000
	May	1974	2.63 and 3.07	28,000 and 30,000
	April	1974	3.09	32,000
	June	1973	4.52 and 4.86	32,000 and 52,000
Time Charters				
1. Dry cargo ships of 15,000 to 20,000 tons deadweight for approximately 12 mos. chartering:				
	June	1974	8.99 and 9.47	2 fixtures
	March	1974	8.11 to 11.58	6 fixtures
	Dec.	1973	7.49	1 fixture
	Sept.	1973	6.67 to 8.42	4 fixtures
	June	1973	5.52 and 7.23	2 fixtures

(1) *Terminus of the Montreal — Portland Pipeline*

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.

Sterilization centrifuge

Austrian firm seeks to licence a Canadian company to manufacture its sterilization centrifuge for liquids such as milk and fruit and vegetable juices. The sterilization process requires no heating or chemical additives since the neutralization of bacteria is achieved through mechanical means. The company claims that the processed liquids retain their original taste, aroma, biological characteristics, and volume. In the case of milk, homogenization is accomplished during the same operation. The processed milk can be stored and transported without cooling. Literature available. **Item 3049**

Automatic spray booth

American company is offering the rights to manufacture under licence in Canada its spray booth designed to effectively and economically trap overspray of all types of coating products with the exception of powder. The booth is designed in modules approximately 6' wide and is easily erected and relocated. Specially formulated rolls of disposable filter media, which can absorb three quarts per square yard of primer type paint, prevent any passing through of paint particles. Fresh filter media can be rolled down either automatically or manually. Since this equipment prevents residue from accumulating in the plenum and stack the threat of fire from this source is eliminated. The sale of replacement filter rolls is attractive as a repetitive income to licensee. Literature available. **Item 3050**

Simulated thatch roofing

British firm is offering the rights to manufacture under licence in Canada its glass reinforced polyester roofing material which simulates the elegant appearance of thatch. Produced in moulded sheets or panels of varying shapes and sizes it can be used for roofing many types of buildings, both new and old, and for interior decoration purposes. The material is claimed to be fire-retardent and virtually maintenance free; the panels to be easy to transport and to install. Literature available. **Item 3051**

Peat pulp process

Liechtenstein agency seeks a licencing arrangement with a Canadian firm for the production of paper using a Swedish peat pulp process. The product is a cellulose pulp obtained by an acidic, neutral or basic pulping technique using peat as a raw material. The chemical process is based on defibering the peat material by treatment with one or more of the following: chlorine, chlorine dioxide, other chlorine compounds, and sodium hypochlorite. The pulp is intended for use in the manufacture of various types of paper. The ratio of peat pulp to unbleached sulphate varies depending on the product to be manufactured. Literature available. **Item 3052**

Wire cutting and straightening machine

British inventor seeks a Canadian company to manufacture his fully automatic machine designed for decoiling, straightening and cutting coiled wire and rod in sizes ranging between 7mm to 20mm (.276 in. to .787 in.) diameter. The machine can also be used to make rings and helical coils for the same diameter range. It is claimed to be simple to manufacture since it employs standard hydraulic components. The complete machine is a compact unit weighing 3½ tons. It can be loaded, unloaded and transported by truck trailer, or in local situations, by fork lift truck. Literature available. **Item 3053**

Portable dust collector

Swedish company offers under licence the Canadian manufacturing rights to its dust collector attachment for portable grinding tools. This device consists of a steel or aluminum suction housing fixed to the grinding tool and connected to a high vacuum pressure system by a flexible hose. A flexible plastic cup is attached to the machine shaft and rotates with the same speed as the grinding wheel. Dust created during the grinding operation is carried away through the fixed suction housing and the flexible hose by a vacuum system consisting of a dust separator and a high pressure vacuum pump. The plastic cup is designed to be worn down and discarded simultaneously with the grinding wheel. Literature available. **Item 3054**

Pool cover

Swedish company is offering the rights to manufacture under licence in Canada its automatic swimming pool cover system. This equipment can be fitted to all rectangular swimming pools, either at the time of initial installation or at a later date. The system consists of a high strength cover which runs from one end of the pool to the other on two aluminum channels. It is powered by an hydraulic mechanism connected to the pool's existing water purification system and utilizes the pool's own water as the driving force. The pool cover can bear the weight of several adults at the same time, is easily opened and closed by turning a single handle on a 3-way valve, and covers a pool 8 metres long in 30 seconds. It prevents leaves and dust from entering the pool and reduces heat loss. Literature available. **Item 3055**

Luggage carrier

American company is offering the rights to manufacture under licence in Canada its dolly which enables individuals to easily transport their own luggage. Constructed of heavy duty anodized aluminum for maximum strength, it can carry up to 80 pounds, yet weighs less than two pounds. When not in use, the carrier is stored in a vinyl case. When required it is quick and easy to assemble. Literature available. **Item 3056**

Vibration damping table

Dutch company is offering the rights to manufacture under licence in Canada its vibration damping table for use in situations where there is an extreme requirement for the isolation of vibrations, such as in laboratories or research institutes where highly precise measurements are required. The table top is attached to a concrete block weighing approximately 300 pounds. This mass is supported by four springs and four adjustable dampers which are incorporated into the table frame. The vibration preventing properties of this specially designed table are claimed to be extremely good in the range of 7-50Hz. Literature available. **Item 3057**

Agricultural foam

Austrian company seeks to licence a Canadian firm to manufacture its agricultural foam bedding products which incorporate plant food and a peaty substance. The foam bedding material is produced by coating polyurethane soft foam flakes and certain additives with a foamable binding agent. The resulting mixture is moulded under pressure into various shapes. In one shape, foam mats in cubed form are used for the propagation of plants from seeds and cuttings. Other mats have foamed-in seeds and are used for making grass for lawns. Formed into tubes the agricultural foam is used in greenhouses for the continuous production of plants, particularly vegetables. Literature available. **Item 3058**

Weedless seed growing

British inventor offers under licence the Canadian manufacturing rights to his weedless seed growing system. Seeds are enclosed in tissue paper with a wider strip of impervious paper on either side. Using this method, the seedlings grow well-spaced and weeds are eliminated to the width of the strip. It is claimed that the seeds grow well since they do not have to compete with weeds for water, light and air. Literature available. **Item 3059**

Connecting device for modular constructions

Canadian inventor offers under licence the Canadian manufacturing rights to his patented connecting device for the erection of modular constructions. It consists of one basic extruded section serving as a universal connector to join interchangeable housing units or containers in a great variety of assemblies and in all desired directions on a three-dimensional scale. The housing units are self-contained and, depending upon the application, can be open-ended or closed chambers with cubical, rectangular, or even tubular cross-sections. The system requires no fastening hardware or tools to assemble. While almost impossible to disjoin by force, assemblies can be readily dismantled if desired. Additional applications envisaged include construction toys, modular furniture, storage grids, display systems, etc. Literature available. **Item 3060.**

Safety socket insert

American inventor seeks a Canadian company to manufacture his safety insert for light and fuse sockets. This device can be inserted into any light or fuse socket or can be incorporated as an integral part of a socket assembly. The inventor claims the insert will reduce fire hazard and prevent shock on any open fuse or light socket assembly. It is constructed primarily of a dielectric material, and moulded of thermosetting or thermoplastic material. Literature available. **Item 3061**

Oil slick remover

Italian inventor offers under licence the Canadian manufacturing rights to his oil slick remover. This equipment is designed to remove by mechanical means all kinds of polluting oil slicks from the surface of water thereby solving the problem of sea pollution due to spilled oil. It is claimed to be simple to use and inexpensive to build, and to operate effectively in harbours or on the open sea and on small and large slicks. This device has not yet been commercially produced. Literature available. **Item 3062**

Export Opportunities

The inquiries listed below come from several sources, including various Branches of the Department in Ottawa and from the Trade Commissioner Service posts abroad. More information on these items can be had by contacting the post at the address shown under each item.

Chemicals

BELGIUM — Chemical products for the construction industry, under a licensing arrangement and/or exclusive distribution for Belgium: Commercial Counsellor, Canadian Embassy, rue Loxum 6, B-1000 Brussels, Belgium.

GREECE — Titanium dioxide pigment: Commercial Secretary, Canadian Embassy, 4 Ioannou, Ghennadiou Street, Athens 140, Greece.

Electrical and Electronics

CZECHOSLOVAKIA — Linear integrated circuits: Commercial Secretary, Canadian Embassy, Chancery, Mickiewiczova 6, Prague 6, Czechoslovakia.

NETHERLANDS — Wirebrass and insulating components made of porcelain or steatite (used in the manufacture of fuses and fuse casings): Commercial Counsellor, Canadian Embassy, Sophialaan 7, The Hague, Netherlands.

NETHERLANDS — Alternators: Commercial Counsellor, Canadian Embassy, Sophialaan 7, The Hague, Netherlands.

POLAND — Three auto transformers with a 500 MVA rating, 400KV/220KV voltage (pri/sec) required in 1975; and twenty general transformers with 420 MVA rating, 22KV/220KV or 22KV/230 KV voltage (pri/sec) required between 1975 to 1980: Commercial Secretary, Canadian Embassy, Matejki 1/5, Srodmiescie, Warsaw, Poland.

SRI LANKA — Tender for the supply of dry cell batteries: Canadian High Commission, P.O. Box 1006, 6 Gregory's Road, Cinnamon Gardens, Colombo, Sri Lanka.

SRI LANKA — Photographic flash bulbs: Canadian High Commission, P.O. Box 1006, 6 Gregory's Road, Cinnamon Gardens, Colombo, Sri Lanka.

SWITZERLAND — Integrated circuits: Commercial Counsellor, Canadian Embassy, Kirchenfeldstrasse 88, 3000 Berne, Switzerland.

Engineering and Construction

ALGERIA — Tenders for study and implementation of three detergent complexes with plants capable of producing powder detergent in the amount of 60,000 tons a year, liquid detergent at 12,000 tons a year and semi-finished products at 14,000 tons a year: Commercial Secretary, Canadian Embassy, Boite Postale 225, Grande Poste, Algiers, Algeria.

ALGERIA — Tenders for the study and construction of two paint complexes with an annual capacity in each factory of 40,000 tons each of house, industrial, automobile, marine and anti-rust paints: Commercial Secretary, Canadian Embassy, Boite Postale 225, Grande Poste, Algiers, Algeria.

URUGUAY — Reconditioning and maintenance of the National Road Network covering reconditioning and signalization of 600 kms (375 miles) of roads and 3,185 (10.500 ft) of bridges and the purchase of raod maintenance equipment: Commercial Counsellor, Canadian Embassy, Casilla de Correo 3898, Suipacha 1111, Buenos Aires, Argentina.

Equipment and Machinery

PUERTO RICO — Small tractor units for road lawn mower attachments: Consul and Trade Commissioner, Canadian Consulate, 1606 Pan American Building, Hato Rey, Puerto Rico 00917.

SOUTH AFRICA — Pulp box making machinery for producing egg boxes and wine bottle protective packages from pulp, and also equipment used in the graphic arts field, particularly in lithography: Canadian Government Senior Trade Commissioner, P.O. Box 61619, Marshalltown, Johannesburg, 2107 South Africa.

SOUTH AFRICA — Supply of the following types of cleaning equipment: machines designed for cleaning windows, floors and walls of buildings; equipment for collecting litter on roads, parking areas, etc.; any other type of equipment which has the prime function of cleaning: Trade Commissioner, P.O. Box 683, African Eagle Centre, 13th Floor, St. George's Street, 8001 Cape Town, South Africa.

SPAIN — A firm, dealing mainly in packing and packaging machinery and

equipment, is interested in representing a Canadian manufacturer of machinery for packing small containers, e.g. bottle of pills. The machine should be capable of opening a flat, folded cardboard box, inserting a small object and then closing and sealing the box: Commercial Counsellor, Canadian Embassy, Apartado 117, 35, Nunez de Balboa, Madrid, Spain.

SRI LANKA — Tender for the supply of machinery and equipment for a refractories plant: Canadian High Commission, P.O. Box 1006, 6 Gregory's Road, Cinnamon Gardens, Colombo, Sri Lanka.

SRI LANKA — Tender for the supply of physiotherapy equipment: Canadian High Commission, P.O. Box 1006, 6 Gregory's Road, Cinnamon Gardens, Colombo, Sri Lanka.

Marine

SINGAPORE — Copper boat nails and stainless steel shafting for a steel and wooden boat building company: Commercial Counsellor, Canadian High Commission, P.O. Box 845, Faber House, 7 & 8 floors, 230/236 Orchard Road, Singapore 9, Singapore.

SINGAPORE — Stud link chains for anchors; stockless anchors; mild steel plates, shipbuilding quality; copper ingots and sheets; mild steel and stainless steel shafting: Commercial Counsellor, Canadian High Commission, P.O. Box 845, Faber House, 7 & 8 floors, 230/236 Orchard Road, Singapore 9, Singapore.

SRI LANKA — Tender for the supply of stern trawlers: Canadian High Commission, P.O. Box 1006, 6 Gregory's Road, Cinnamon Gardens, Colombo, Sri Lanka.

Materials

BRITAIN — Asbestos cloth suitable for work gloves: Canadian Government Trade Commissioner, Ashley House, 195 West George Street, Glasgow G22HS, Scotland.

GREECE — Laminated fabric sheets (1-70 mm thickness) and laminated paper sheets (0.5-30 mm thickness) made of phenoplasts and to be used for electrical insulation of motors. Annual requirements are about 50 tons: Commercial Secretary, Canadian Embassy, 4 Ioannou, Ghennadiou Street, Athens 140, Greece.

IVORY COAST — Pineapple cannery is seeking supplier of 1,000 metric tons of electrolytic tin for making cans. Grade required is T4 MR-tinplating E 4/2 Euronorm bright, marking-rich face. To be delivered between December 1974 and March 1975: Commercial Secretary, Canadian Embassy, P.O. Box 21194, Le General Building, Cor. Avenue du Commerce et Bottreau-Roussel Plateau, Abidjan, Ivory Coast.

MALAYSIA — Unlined boxboard in the amount of approximately 4 rolls per month. Specifications per roll are 1 roll = 1020 mm dia x 1270 mm wide x 410 gsm (40" dia x 50" wide x .025" thick) and the case diameter is 80 mm (3" dia): Commercial Secretary, Canadian High Commission, P.O. Box 990, A.I.A. Building, Ampang Road, Kuala Lumpur, Malaysia.

PARAGUAY — Tender for the supply of: 500,000 brown Kraft paper bags, 4-ply 70 gr/m², with valve for automatic filling, gummed end and reinforcement flaps, size: 625 x 490 x 90 mm; 500,000 brown Kraft paper bags, 3-ply (two 80 gr/m² sheets and one 90 gr/m²) with valve for automatic filling, gummed end, reinforcement flaps, printed and size: 625 x 490 x 90 mm and 100 tons of Kraft paper in rolls of the following size: weight 70/80 gr/m², width 109 cm, tube 7.5 cm: Commercial Counsellor, Canadian Embassy, Casilla de Correo 3898, Suipacha 1111, Buenos Aires, Argentina.

Metals

MALAYSIA — Three metric tons of solid brass rod of one-eighth inch in diameter and length of three feet: Commercial Secretary, Canadian High Commission, P.O. Box 990, A.I.A. Building, Ampang Road, Kuala Lumpur, Malaysia.

SINGAPORE — Seamless steel API line pipe 5L GR. B in length of 20 feet; ERW black steel welded pipe plain ends in length of 20 feet; also steel section, steel plate, steel sheets, steel channels, steel round bars, steel square bars, steel tee bars, steel rails, steel flat, and other steel shapes, etc.: Commercial Counsellor, Canadian High Commission, P.O. Box 845, Faber House, 7 & 8 floors, 230/236 Orchard Road, Singapore 9, Singapore.

SPAIN — Two sizes of copper tubing for heating and plumbing systems: Commercial Counsellor, Canadian Embassy, Apartado 117, 35, Nunez de Balboa, Madrid, Spain.

Textiles

BELGIUM — Textiles for both men's and ladies' garments.

Fake furs and leather imitations for clothes; plain dyed and printed fabrics for ladies' outerwear, dresses, blouses, lingerie; plain dyed and printed fabrics for furniture: Commercial Counsellor, Canadian Embassy, rue Loxum 6, B-1000 Brussels, Belgium.

Miscellaneous

MALAYSIA — A trading company is seeking the agency for logging hooks and shackles and nuts and bolts for tractor use: Commercial Secretary, Canadian High Commission, P.O. Box 990, A.I.A. Building, Ampang Road, Kuala Lumpur, Malaysia.

MEXICO — A locomotive parts manufacturer wants to make ball bearings for diesel motors 500 hp and over under license: Commercial Counsellor, Canadian Embassy, Apartado Postal 5-364, Melchor Ocampo 463, 7th Floor, Mexico 5, D.F., Mexico.

PARAGUAY — Tender for the supply of 5,000 metres of underground aluminum three-faced cable, 23 KV; 108 internal terminal boxes; and 26 joint boxes: Commercial Counsellor, Canadian Embassy, Casilla de Correo 3898, Suipacha 1111, Buenos Aires, Argentina.

PUERTO RICO — Plastic pipes and optical products for preventive and therapy, disposable except lenses: Consul and Trade Commissioner, Canadian Consulate, 1606 Pan American Building, Hato Rey, Puerto Rico 00917.

SWITZERLAND — Live bait for freshwater fishing.

Canadian whiskey shipped in containers of about 20,000 litres each.

Sporting goods, food specialities, articles for interior decorating.

Exhaustpipe apparatus: Commercial Counsellor, Canadian Embassy, Kirchenfeldstrasse 88, 3000 Berne, Switzerland.

UNITED STATES — Garden supply firm requires source for wooden handles for garden tools in various lengths.

A manufacturer of potentiometers requires source of supply of phenolic strips.

Cast iron kitchen sinks, standard sizes, with or without porcelain for local building supply wholesaler and retailer: Canadian Consulate General, 500 Boylston Street, Boston, Massachusetts 02116.

Foreign Tariffs and Trade Regulations

BRAZIL

The following tariff changes have been announced by the Customs Policy Council:

Resolution 2119 of April 17, 1974 extends for one year the reduction in duty from 30% to 5% established by Resolution 1802 on zinc alloys, zamac type (tariff heading 79.01.03.00).

Resolution 2120 of April 26, 1974 exempts from duty for six months ethylbenzene (phenylethane) (tariff heading 29.01.36.00).

Resolution 2123 of May 15, 1974 extends for six months the exemption from duty on titanium dioxide (tariff heading 28.25.01.00) and colouring matter of the rutile and anatase types (tariff headings 32.07.03.02 and 32.07.03.03)

Resolution 2125 of May 15, 1974 reduces the duty from 45% to 5% for six months on glass frit (tariff heading 32.08.03.02).

Resolution 2126 establishes a reference price of US$108.00 c.i.f. on manual typewriters "Standard", non-portable or semi-portable (tariff heading 84.51.01-.99).

Resolution 2127 of May 15, 1974 reduces the duty from 20% to 15% for one year on inorganic luminophore pigments (tariff heading 32.07.09.00).

Resolution 2128 of May 15, 1974 reduces the duty from 70% to 25% on tubular containers for packing tablets and on demijohns of tempered glass, 15 to 20 litres capacity, colourless or slightly blue, transparent (tariff headings 70.10.01.00 and 70.10.02.00).

Resolution 2129 exempts from duty manual portable harvesting machines (tiracolo) with self-contained gasoline motor (tariff heading 84.25.05.00) and and wood debarking machines driven by tractor power (tariff heading 84.47.01-.00).

Resolution 2130 of May 15, 1974 reduces the duty from 30% to 5% for one year on methylethyl ketone (butanone) (tariff heading 29.13.25.00).

Resolution 2131 of May 15, 1974 extends for twelve months the reduction in duty from 55% to 15% on electronic microcircuits (tariff heading 85.21.14.00).

Resolution 2132 reduces the duty from 30% to 5% until December 31, 1974 on potassium chlorate (tariff heading 28.32.-.07.00).

Resolution 2134 of May 15, 1974 exempts from duty for one year ships for breaking up to be used as scrap (tariff heading 89.04.00.00).

Resolution 2135 of May 15, 1974 exempts from duty for one year printing and writing paper, without water marks, rough (buffon), smooth (satinlike or not) couche (machine or brush), with offset finish or not, for the printing of newspapers, magazines and books (tariff heading 48.01.02.02). Upon issuing import document specifically for this purpose, CACEX will take account of the import requirement for the importation.

Resolution 2136 of May 15, 1974 extends for one year the duty exemption established by Resolution 1619 on vaccine for use against Marek's disease, with or without the specific dilutant (tariff heading 30.02.01.06).

Resolution 2153 of May 10, 1974 exempts from duty until December 31, 1974 a quota of 35,040 tons of asbestos of the crisotile variety, with fibre lengths between 4D and 5R of the Canadian classification. The Customs Policy Council will determine the quantities and the recipients of the quota (tariff heading 25.24.02.00).

Resolution 2154 of May 10, 1974 extends for one year the duty reduction from 33% to 10% established by Resolution 1658 on asbestos in fibre form and in powder or waste (tariff headings 25.24.02.00 and 25.24.03.00).

BRITAIN

The British Government recently announced economic measures which include a reduction in Value Added Tax from 10 per cent to 8 per cent. The reduction became effective on July 29, 1974.

NEW ZEALAND

The New Zealand Import Licensing Schedule for the 1974-75 fiscal year has been published. Basic licence allocations for the year beginning July 1, 1974 have been set at 120 per cent of the 1973/74 levels.

A change which will affect Canadian exports is the removal of "copper tube, pipe and blanks not exceeding three inches in inside diameter" from the basic allocation schedule and placing the same under Schedule "C".

Aside from changes in administration procedures which involved the elimination of the token import licence scheme and the "D" category (both of which were converted to either basic allocations or "C" category), the only other major variation is the introduction of a three year licensing scheme. This assures importers of continual access for a reasonable period of time by the provision of licences for three consecutive years for quantities of goods at least equal to the basic licence issued in the first of the three-year period.

SINGAPORE

Delicensed goods

To reduce documentation, subject to paragraphs 4 and 5, the following goods which are under safety, health and other control requirements, will no longer require import licences. It is emphasised that though the goods are delicensed, the existing controls on these goods will be continued under a new Order, The Control of Imports, Exports and Transshipments (Endoresement) Order, 1974:

a) Alkyl benzenes to be used in the manufacture of surface-active agents and preparations.

b) Anionic surface-active agents and preparations.

c) Apparatus based on the use of X-rays or of the radiations from radioactive substances (including radiography and radio-therapy apparatus) and ancilliary equipment including X-rays generators, tubes, screens, high-tension generators, control panels and desks and spcialised examination or treatment tables, chairs and the like.

d) Bullet-proof vests, steel helmets and other articles of clothing intended as protection against attack.

e) Coin or disc-operated amusement machines including pin-tables, fruit machines, jackpot machines, shooting galleries and similar machines, record players, juke boxes and coin or disc-operated cinematograph machines, and components and spare parts thereof.

f) Crash helmets.

g) Cyclamatics, sodium and calcium, and preparations containing any proportion or either or both substances.

h) Franking machines.

i) Hair spray.

j) Helmets, nets, belts, harnesses, lines, industrial safety.

k) Live oral poliomyelitis vaccine (sabin & other types).

l) Mosquito coils.

m) Motor vehicles, other than new, for the transport of persons.

n) Multi-tone horns, hooters, and sirens for motor vehicles.

o) Parenteral contraceptive preparation — medroxyprogesterne acetate.

p) Radio-active chemical elements and radio-active isotopes, and compounds, inorganic or organic of such elements or isotopes, whether or not chemically defined.

q) Straight-through silencers for motor vehicles.

r) Toy guns.

Metrication

In furtherance of the policy of metrication, the import of the following instruments will be permitted only if they are calibrated in the metric units shown:

Instruments	Calibration	Classification Code SITC	BTN
Barometers	mm of mercury (mm Hg) millibars	861 960	90.23 000
Calipers	millimetres (mm) centimetres (cm)	861 939	90.16 900
Flow meters	litres per second (l/s) cubic centimetres per second (cm^3/s)	861 970	90.24 000
Micrometers	millimetres (mm) micrometres (um) centimetres (cm)	861 939	90.16 900
Mileometers (or odometers)	kilometres (km) nautical miles	861 820	90.27 000
Pressure gauges	kilonewtons per square metre (kN/m^2) kilopascal (KPa) megapascal (MPa) pascal (Pa)	861 970	90.24 000
Rulers	millimetres (mm) centimetres (cm) metres (m)	861 939	90.16 900
Speed indicators including magnetic speed indicators	kilometres per hour (km/h) nautical miles per hour (n mile/h) knots (kn)	861 820	90.27 000
Surveying instruments	millimetres (mm) centimetres (cm) metres (m) kilometres (km) grad degrees radians	861 910	90.14 000
Thermometers, pyrometers	degree Celsius (°C) kelvin (K)	861 960	90.23 000
Weighbridges	grams (g)	719 633	84.20 200
Weighing machines weights of all kinds	kilograms (kg)	719 634	84.20 910
Weighing machines, others	tonnes(t)	719 639	84.20 800
Weighing machinery	milligrams (mg)	719 631	84.20 190

Inward declarations for these instruments should include the following phrase to indicate the units in which the instruments are calibrated:

"The instrument(s) is/are calibrated in . . ."

Instruments which are calibrated in non-metric units or in both metric and non-metric units will require to be re-exported. Such instruments will have to be kept at the Free Trade Zone pending re-export. The Weights and Measures Office of the Department of Trade will verify and stamp only metre rules. Yard rules will not be verified and stamped by it.

Report of Electrical Power Mission to China

Some copies of the final report of the Canadian Electrical Power Mission to the People's Republic of China still are available from the Fairs and Missions Branch of the Department of Industry, Trade and Commerce. Copies have been distributed already within the Canadian business community.

The mission was sponsored by the Department and led by Claude T. Charland, Assistant Deputy Minister, Export Development, and travelled extensively in China. Members of the mission reported that they gained unprecedented insights into the manufacturing and power generation capabilities of the Chinese economy. They concluded that there are substantial opportunities for the sale of Canadian expertise and electrical apparatus in China.

The Department is using the final report as the basis of its discussion with Canadian industry to plan future marketing efforts in the People's Republic of China. In addition, the Department has invited two Chinese missions to come to Canada during the fall to discuss hydro generation and long-distance, high-voltage power transmission.

Trade Commissioners on Tour

Beginning September 18 the senior Trade Commissioners from the Department's North Africa and Middle East posts will be participating in a cross-Canada tour. The object of this tour will be two-fold: to promote the trade opportunities that exist for Canadians in each of their areas and to field any questions that business people may have about taking advantage of these opportunities. The five members of the group will be Pierre Gosselin, Commercial Secretary, Algiers; Wayne McKenzie, Commercial Secretary, Cairo; Jack Bailey, Commercial Counsellor, Beirut; Paul Dingledine, Asst. Commercial Secretary, Tel Aviv; Claude Saint Pierre, Commercial Counsellor, Tehran. Their itinerary in Canada will be as follows:

Sept. 19 & 20	– Vancouver, B.C.
Sept. 23 & 24	– Edmonton, Alta.
Sept. 25	– Regina, Sask.
Sept. 27	– Winnipeg, Man.
Sept. 30 & Oct. 1	– Toronto, Ont.
Oct. 2 & 3	– Montreal, P.Q.
Oct. 4	– Halifax, N.S.
Oct. 7	– St. John, N.B.

In each city to be visited the program will allow for a general briefing in which each Trade Commissioner will talk about his area, followed by a general question and answer period. Following this personal interviews will be arranged for those wishing to pursue more specific inquiries. This will be a good opportunity to meet and talk with the Trade Commissioners who serve you in the Middle East and North Africa. Anyone wishing to participate should contact their Regional Office of the Department of Industry, Trade and Commerce.

International Projects

CAMEROON — RAILWAY

The World Bank has approved a loan of $16 million to assist in financing mainly track and telecommunications improvements on Cameroon's Douala-Yaoundé railway line, and an increase in rolling stock. The project will be carried out by Régie Nationale des Chemins de Fer du Cameroun (REGIFERCAM) during the next three years.

The track and telecommunications improvements will ensure better traffic flow on the critical Douala-Yaoundé line, and additional rolling stock will allow REGIFERCAM to meet increasing freight demand for the next years, particularly with respect to timber traffic east and north of Yaoundé. The project includes construction of a new bridge at Japoma; purchase of 225 freight, box and flat-cars, four main-line and three shunting locomotives; track renewal over 42 km; installation of a radio-link system and 50 single turn-outs.

Implementing Organization: The project will be carried out by Régie Nationale des Chemins de Fer du Cameroun (REGIFERCAM), B.P. 04, Douala, Cameroun.

Procurement: All Bank financed items, except spare diesel generator (to be manufactured by the locomotive supplier) will be procured through international competitive bidding. Domestic or regional preferences are not applicable as no local tender has been received for the bridge construction and other items are not produced locally.

Consultants: Consultants will be retained to advise on railway operations, commercial and management activities and to study capacity restraints on the Douala-Yaoundé corridor.

ECUADOR — WATER SUPPLY

The World Bank has approved a loan of $23.2 million to help finance a project to improve the water supply system in Guayaquil — Ecuador's largest city and major commercial and industrial center — and several towns in Guayas province, including the Santa Elena Peninsula.

The $38.3 million project, when completed in 1977, will provide adequate water supply to 960,000 inhabitants in Guayaquil, or 80 per cent of the city's population. At present only 500,000 in the city have access to the municipal water supply. In addition, the project will bring water service, for the first time, to 76,000 people living in the Santa Elena Peninsula. Most of these people have very low incomes.

The project includes the design and construction of treatment plants, transmission lines, distribution networks and metered house connections. The project will also provide funds for studies to prepare a master plan for the supply of water to Guayaquil and the neighboring areas up to the year 2,000.

Implementing Organization: Empresa de Agua Potable de Guayaquil, Guayaquil, Ecuador.

Procurement: All items will be procured through international competitive bidding. Domestic manufacturers will be given a preferential margin of 15 per cent of the c.i.f. price of competing imports or the rate of customs duty applicable, whichever is lower.

ETHIOPIA — RELIEF

The Provinces of Tigre and Wollo — hardest hit by the serious drought and famine in Ethiopia — will be assisted by a credit of $10 million from the International Development Association (IDA), an affiliate of the World Bank. The comprehensive drought rehabilitation project is geared to both the immediate problem of the resumption of cultivation and the long-term rehabilitation of the drought areas within the two Provinces which have a combined population of 4.2 million. Of these some 2 million live in the drought areas.

The Government's overall program, in addition to the distribution of food and medical supplies, resumption of agricultural production and improvement of basic services in the drought-stricken areas, includes a program to modernize agricultural production in the areas and thus prepare them to withstand possible future droughts. Within the overall program the present project will complement and co-ordinate bilateral assistance already being provided for medium-term programs, and help to plan programs for long-term economic development in the areas.

The project includes the following components: assistance for project preparation and implementation; construction of rural roads, provision of rural water supplies; execution of a comprehensive pilot settlement project; data and information collection activities for future projects; implementation of an agricultural research program; implementation of a cottage industry program for widows and others who cannot be employed in agriculture; construction of health facilities; construction of motorable roads, water supply facilities, and simple irrigation works in the north-east rangelands.

Implementing Organization: Office of the Chief Commissioner for Drought Relief and Rehabilitation (OCDRR), c/o Ministry of Finance, P.O. Box 1905, Addis Ababa, Ethiopia.

Procurement: Procurement of equipment for the road construction units and the water drilling program and orders costing more than $30,000 will be by international competitive bidding; items costing less than $30,000 will be purchased under Government's procurement procedures.

GHANA — WATER SUPPLY

Canada, the African Development Bank (AfDB) and the International Development Association (IDA) are participating in Ghana's plans to provide a constant supply of water to the greater part of the population by the end of the decade.

IDA, a World Bank affiliate, has approved a credit of $10.4 million to help finance the project, which is designed to increase and improve the water supply for the Accra-Tema metropolitan area and adjacent rural areas. Under collaborative financing arrangements, the Canadian International Development Agency (CIDA) is contributing about $7.5 million, and AfDB is lending $4.8 million directly to the Ghana Water and Sewerage Corporation (GWSC).

The Accra-Tema metropolitan area has a population of about 900,000 and water shortages occur in the dry season. Without the project this situation would deteriorate further, particularly with the pace of population growth, and increasing demands from commerce and industry.

In addition to improving the supply for the metropolitan areas, the project will provide a safe supply of water for about 200,000 people in the rural areas. Many of these people rely on polluted ponds, streams and wells. It will also help to prevent the progressive decline in health conditions in the metropolitan areas and improve health conditions in the rural areas.

Implementing Organization: The Accra/Tema Metropolitan Area Division (ATMA), the largest of the district management centers of GWSC, P.O. Box M194, Accra, Ghana, will be responsible for project implementation.

Procurement: International competitive bidding, in accordance with IDA guidelines, will be used for all procurement contracts for major project items financed by IDA. Some minor items will be procured from selected suppliers to maintain standardization with existing equipment. Procurement under AfDB and CIDA-assisted project components will be in accordance with their respective guidelines.

Consultants: For IDA-financed consultants, arrangements will be made in accordance with procedures acceptable to IDA.

INDONESIA — FISHERIES

Indonesia's overall plans for agriculture and rural development will be assisted by a $6.5 million IDA credit which will help to finance a fisheries credit project. This project will increase fisheries output for both domestic consumption and export and provide increased employment opportunities and incomes for fishermen and their families.

The project consists in part of the improvement and expansion of the facilities and operations of the State Fisheries Enterprise, Maluku (PNM) and in part, of a lending program to be undertaken by the Bank Rakyat Indonesia (BRI). PNM will purchase and operate about 10 pole-and-line skipjack tuna fishing boats, two carrier vessels and ice-making, cold storage and other shore facilities for tuna fishing and export. BRI will extend financial assistance to fishermen and co-operatives to purchase about 10 tuna fishing boats and a number of bait-fishing nets; BRI will also extend financial assistance to small fish pond operators to help increase production of fish and shrimp from about 15,000 hectares of brackish water ponds and to private entrepreneurs and co-operatives to establish nine small ice-plants to improve project fish and shrimp preservation and marketing; BRI will also make sub-loans to fishermen for the purchase and utilization of about 25 gross-ton trawlers for fish and shrimp catching in the Java sea.

Implementing Organization: The project will be carried out in part by the State Fisheries enterprise, Maluku (PNM) and in part through a lending program to be undertaken by the Bank Rakyat Indonesia (BRI) with the assistance of the Directorate General of Fisheries, (DGF), Rear Admiral Nizam Zachman, Jl. Salemba Raya, 16 Jakarta, Indonesia.

Procurement: Contracts for vessel hulls will be awarded after local competitive bidding. Vessel engines, fishing gear and other equipment will be ordered by PNM, and by sub-borrowers through BRI, from suppliers prequalified after international advertisement. Shore facilities at Ambon for the ice-making, freezer, and cold storage complex, jetties and repair facilities will be procured under a single contract to be awarded after international competitive bidding. The nine small ice plants also will be procured through international competitive bidding.

Consultants: Three pond fishery experts will be recruited to assist DGF to implement the pond improvement component. DGF will also employ a management specialist, electrical/mechanical engineer, civil engineer or engineering firm and naval architect/master boat builder.

INDONESIA — RAILWAYS

The World Bank will lend $48 million to help finance the rehabilitation and modernization of Indonesia's 7,000 kilometer railway network. The Indonesian State Railways (PJKA) is the largest railway system in Southeast Asia. It is an important mode of transport in the country, handling annually about 4.6 million tons of freight traffic and 40 million passengers.

For a number of years, maintenance, repair and new investment in the railways have been inadequate and traffic declined as the service deteriorated. To remedy this situation, the Government and PJKA have prepared a detailed Railway Investment Plan for the next five years (1974-79) which is designed to enable PJKA to regain its financial viability.

The $158 million project being assisted by the Bank loan will finance the first three years of the Railway Investment Plan. The project consists of investments in the rehabilitation of track and signalling equipment on the main lines, the rehabilitation and procurement of locomotives, passenger cars, and freight cars. The project also includes technical assistance for training in all fields of railway operation and in the implementation of the project.

Implementing Organization: Indonesian State Railways (Perusahaan Jawatan Kereta Api), Indonesia.

Procurement: All items financed under the loan will be procured under international competitive bidding, except for certain components and spare parts required for equipment already in service (estimated to cost $6.5 million). For these items, procurement will be negotiated, mainly with original suppliers, after consultation with the Bank.

INDONESIA — TOURISM

The International Development Association has approved a credit of $16 million to assist the development of tourism in Bali.

Bali has considerable tourist potential and its main assets are the cultural and scenic attractions of the island. Until recently, the development of tourism in the island proceeded without central planning and with little regard for the natural and human environment.

The project to be financed by the IDA credit will alleviate this situation. It will minimize the adverse effects of increased tourism on Balinese society by concentrating future hotel development at Nusa Dua, on the sparsely populated Bukit peninsula at the southern tip of Bali.

Implementing Organization: Bali Tourism Development Corporation.

Procurement: Through international competitive bidding except for the following categories: Small and scattered civil works and furniture contracts of less than $100,000 to be awarded after local competitive bidding; and equipment for the telecommunication facility at Nusa Dua will be procured through a negotiated contract with an existing supplier. Whenever international competitive bidding is required, qualified local manufacturers will receive a preference of the lesser of 15 per cent or the level of customs duties. Qualified local civil works contractors will receive a preference of 7.5 per cent. Retroactive financing of about $350,000 is recommended to cover costs incurred for exploratory drilling, detailed engineering and technical assistance for BTDC.

IRAN — ELECTRICITY

The World Bank has approved a loan of $58 million to assist in financing a $112 million transmission and gas turbine project. It will help Iran to meet the needs of the fast growing consumption of electricity, its extension to a larger portion of the rural population, and to Iran's industrialization policy.

Implementing Organization: Iran Power and Transmission Company (TAVANIR).

Procurement: All contracts under the loan will be awarded on the basis of international competitive bidding in accordance with the Bank's Guidelines, except for some minor items.

Consultants: TAVANIR will retain engineering consultants for project design, procurement, administration and construction supervision.

IRAN — INDUSTRY

Iran's efforts to step up the growth of small and medium-scale industry will be assisted by a World Bank loan of $25 million. The loan will provide part of the resources required by the Industrial Credit Bank (ICB) — a development finance company — for investment in industry.

IRAN — PORT

A World Bank loan of $65 million will help to finance the expansion of the port of Bandar Shahpur, at the head of the Persian Gulf. The $160 million project aims at serving traffic more efficiently and will have an overall economic return in excess of 30 per cent.

Implementing Organization: Ports and Shipping Organization (PSO).

Procurement: Contracts for Bank-financed civil works will be procured in accordance with Bank Guidelines using international competitive bidding, except for various small buildings and services which are unsuitable for international competitive bidding and which will be procured under competitive bidding, limited to local contractors under PSO's regulations.

Consultants: The project is based on the Iran Master Ports Plan Interim Report, prepared by Adibi-Harris (Iran/USA), and the feasibility studies by Iran-Kempsax Consultants (Iran/Denmark), who also prepared the design of the first project (Loan 855-IRN). The latter consultants have been engaged for completion of the detailed engineering, preparation of tender documents and supervision of construction work.

NIGERIA — COCOA

Nigeria's plans to rehabilitate its cocoa industry will be assisted by a loan of $20 million from the World Bank. Some 27,000 cocoa farmers in the Western and Mid-Western States of Nigeria — the world's second largest producer of cocoa — will benefit.

The agriculture sector is an important part of the Nigerian economy, employing about 70 per cent of the labour force, and agricultural exports account for about 13 per cent in the country's foreign trade. Earnings from cocoa exports in 1972 amounted to about $153 million.

Implementing Organization: For Western State — The Cocoa Development Unit (CDU) Cocoa House, P.M.B. 5347, Ibadan, Nigeria. For Mid-Western State — The Tree Crop Unit (TCU), c/o Ministry of Agriculture and Natural Resources, Benin City, Nigeria.

Procurement: Procurement of vehicles, tractors, road making equipment, sprayers, tools, fertilizers and insecticides valued at $6.1 million will be through international competitive bidding, with domestically manufactured items being allowed 15 per cent preference in bid comparison. Contracts for civil works, valued at $3.8 million, not large enough to attract foreign interest; however, foreign firms would not be precluded from bidding. Domestic civil works contractors to be given 7.5 per cent preference. Remainder of project expenditures are for hired labour, staff salaries, planting material and operating expenses.

TURKEY — MINES AND POWER

The World Bank recently approved the largest loan it has ever made for a development project. The $148 million loan will help finance a $1.2 billion joint lignite mine development and electric power generation scheme in Elbistan, Turkey. The Bank loan is part of an organized financing arrangement to cover the project's estimated $685 million foreign exchange requirements. Other major lenders include the European Investment Bank (EIB), the Federal Republic of Germany, France, Italy, and Belgium which are providing together approximately $266 million; additional aid has been requested from these and other bilateral lenders amounting to about $153 million. The Turkish authorities will cover the balance of $118 million in foreign exchange capital costs, plus about $130 million in interest during construction and about $321 million in local expenditures.

The project will be a significant part of Turkey's power expansion program over the next ten years; when completed the project's 1,200 megawatts of power will add about 20 per cent to Turkey's capacity at the time of completion.

Implementing Organization: The Turkish Electricity Authority (ETK), Turkiye Elektrik Kurumu, Necatibey Cad. No. 36, Ankara, Turkey; and the Turkish Coal Authority (TKI), Turkiye Komur Isletmeleri Kurumu, P.O. Box 604, Ankara, Turkey.

Procurement: Contracts for all items for the mine, power plant and transmission lines to be financed by the Bank loan will be awarded on the basis of international competitive bidding. Bids for part of the equipment for the power station and the mine have already been obtained; bid invitation for remaining items will be issued over the next two years.

Consultants: Consultants for procurement, construction, equipping, and start-up already appointed.

YUGOSLAVIA — RAILWAYS

The World Bank has approved a $93 million loan to help finance a fourth railway project, in which The Yugoslavia Republics and Railway enterprises will invest the equivalent of $1,139 million in the next three years.

The project is part of a comprehensive development plan being carried out by five Railway Transport Enterprises (RTEs) in 1973-77. Each RTE is a separate and independent organization. Four of them each serve a Yugoslav Republic and are named after its capital city: Zagreb, Ljubljana, Sarajevo and Skopje. The fifth RTE, Belgrade, serves the Republics of Serbia and Montenegro and the provinces of Vojvodina and Kosovo. The five RTEs co-ordinate their planning, research, and marketing activities through the Community of Yugoslav Railways (CYR), the borrower of the Bank loan.

The loan will help complete the task, started in 1964, of modernizing Yugoslavia's main railway lines. The Bank supported the initiation of the modernization program with a $70 million loan in 1964. The railways are an important part of Yugoslavia's transport infrastructure.

Implementing Organization: Five Railway Transport Enterprises (RTEs) grouped in the Community of Yugoslav Railways, Zajednica Jugoslovenskih Zeleznica (CYR), Nemanjina 6, 11000 Belgrade, Yugoslavia.

Procurement: New contracts to be awarded on the basis of international competitive bidding with a 15 per cent margin of preference or the custom duty, whichever is lower, accorded to domestic bidders. Completion of existing contracts for the 1964 modernization program placed under procedures agreed for a previous Bank loan will be eligible for Bank financing; because of standardization with existing equipment and the need for integration with existing operations, a few contracts of the 1964 program will be excluded from international competitive bidding.

Consultants: Yet to be determined.

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◀ **The arrow beside an office address or territory listing indicates that there has been a change since the directory was last published.**

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Canadian manufacturers, and many Japanese are inquiring about Canadian furniture.

Leisure industries — With growing affluence and spread of the five-day working week, plus the concept of summer holidays, Japan's "leisure industries" have been experiencing phenomenal growth. Early in 1973, the Leisure Development Centre, a government-affiliated "think tank" devoted to the study of leisure time problems, predicted that leisure expenditures would triple during the seventies to account for 60 per cent of personal expenditures and 28 per cent of GNP by 1980. These figures may be high, but the trend is unmistakeable.

The term "leisure industries" covers a broad range of entertainment, travel and sports. With the coming of the five-day working week here, leisure activities have been gaining popularity. More and more hotels, resort and sports complexes are being built, and athletic clubs, swimming clubs and game parlors are being established all over the country. The bowling boom of a few years ago, whereby Japan attained the highest number of bowling lanes per capita in the world, has given way to other leisure activities. As a result, some bowling alley owners are converting their premises at a profit to shooting galleries and squash courts and other leisure activities.

Now that there is more leisure time, the demand for sports and leisure-time goods and equipment has sharply accelerated. Deliveries of all manner of sports equipment — baseball, skiing, golf, tennis, squash, cycling, boating and sailing, hiking, to name a few — are projected to exceed $1.5 billion annually by 1980, with golf accounting for about one third. Fishing is also gaining in popularity with sales of equipment expected to top $1.2 billion in 1980. Ice hockey is not yet as popular as it is in North America or Europe but Canadian manufacturers of ice hockey equipment — CCM and Cooper-Week, for instance — enjoy a substantial share of the market.

Retail stores — One way for Canadian companies to break into the Japanese market is to team up with a major retailer, as many U.S., and British firms have done. Indeed, the retail business is in the midst of major structural transformation: supermarkets are booming, the number of big retailers is decreasing but their market-share is expanding at the expense of the small retailers. Foreign firms are entering the market in anticipation of the May 1975 opening of the retail business to foreign investment.

Sales growth in the past two years of big supermarkets and department stores has been outstanding — with supermarket sales up 52 per cent and department store sales up 35 per cent. Sears, Roebuck and Co. has started catalogue sales in co-operation with Seibu; Montgomery Ward & Co. established a wholly-owned subsidiary in 1972 and is preparing to launch retail operations with Japanese distribution interests; J.C. Penny is actively seeking industrial partners; Southerland Corp. and United States Convenience Store have entered into a co-operative relationship with Ito-Yokado Co.; Joseph Magnin Co. has formed a partnership with Dai-Ei Inc., a leading Japanese retailer, and C. Itoh; Mother Case, a British retailer specializing in baby products, has formed a team with Nagasakiya Co., a supermarket chain, and C. Itoh. The possibility of such partnerships should be examined seriously by Canadians as another way into the market.

The Japanese market for consumer products is really many different markets with different ways of doing business. There is considerable untapped potential for imported products, and Canadian manufacturers should come to Japan to explore opportunities first hand and decide on the correct approach for their products. The Commercial section of the Canadian Embassy will be pleased to receive inquiries from Canadian exporters of consumer goods and help them in their marketing efforts. □

Canadian Processed Foods and Beverages in Japan

W. K. ROBERTSON, Commercial Secretary, Tokyo

The market in Japan for imported processed foods has expanded as incomes have risen and consumers have become more familiar with quality products from abroad. This general trend is expected to continue despite possible fluctuations of short duration caused by the volatile global food supply/demand relationship, currency adjustments, the price of non-food staples and the effect of these factors on prices.

The use by the Japanese of imported foods for mid-year and end-of-year gift-giving remains a major factor in the pattern of foreign food purchasing. At the same time, there is a constant increase in the consumption of imported products by Japanese families, and an additional impetus is the continuous marketing efforts of many foreign governments, industry associations and private firms. Advertising and frequent in-store promotions in major department stores and supermarkets feature foods and beverages from many European countries, Australia, New Zealand, the United States and other major food exporting nations. In co-operation with aggressive agents who plan sales development and who motivate distributors and wholesalers within the multi-level Japanese distribution system, processed-food exporters have expanded

the sale and distribution of their products dramatically over the past several years.

But their accomplishments are the result of painstaking efforts over a considerable period as there are few instant successes in Japan. The process involves not only offering alternative brands but also conducting an educational campaign in an attempt to alter traditional eating habits while competing with strong local producers and other foreign suppliers. In order to complete the cycle, other changes must occur consecutively. These include the introduction of western-style ovens, large freezers and other kitchen appliances that will permit homemakers to store, prepare and serve more efficiently these new western-type food products.

Strict food sanitation laws, and regulations governing ingredients, additives, labelling and documentation, in addition to import quotas which still apply to a number of items such as beef and processed cheese, limit the range of food products that can be sold in Japan. High tariffs on items such as candy and chocolate further restrict the introduction of Canadian foods. However, these barriers have been gradually lowered over the past few years and it is hoped that they will be reduced further in the future. But conscientious exporters with products that comply with Japanese regulations and are competitively priced and attractively packaged can achieve a degree of success in the marketplace, providing they have an effective agent.

The Canadian effort to expand sales of processed foods and beverages in Japan began in 1969 with a series of solo exhibitions and missions to and from Canada designed to acquaint the Japanese food trade with the broad range and high quality of Canadian processed foods and beverages and to assist Canadian suppliers in their efforts to secure representation arrangements with local agents. Through this program, as well as the personal initiatives of many suppliers, more than 60 companies have established business relationships with Japanese agents, representatives and importers.

To follow these initial efforts, a series of promotions at point-of-sale were organized to fill the product pipeline, excite the trade, acquaint Japanese shoppers with Canadian products and to strengthen the product and brand image of Canadian foods. These promotions, co-ordinated jointly by the Department of Industry, Trade and Commerce, Ottawa, and the Canadian Embassy in Tokyo, have assisted Canadian companies in their efforts to increase penetration of the Japanese market. The promotions extended from late October 1973 to mid-March 1974 and involved 16 major outlets of five department store and supermarket chains in Tokyo and Osaka.

The use of various types of stores in the two centres focused consumer attention on a broad range of products over a sufficiently long period of time to measure the acceptability of Canadian foods. It is apparent even at this time that the largest volume by far of imported foods for consumption by the shopper's family is still sold in outlets catering to foreigners in Japan and to the higher-income Japanese who expect higher prices and willingly pay more for prestige products.

Although bulk foods for further processing in Japan or for sale at the institutional level still account for the largest volume of Canadian food exports to Japan, it is encouraging to note the increasing consumer acceptance of Canadian brands of processed meats, frozen and canned fish and fish products, candies, chocolates and other confectionery products, biscuits, cookies, pickles and relishes, jams and jellies, honey and syrups, dry dessert mixes, soups, pasta products, sauces, frozen vegetables and beverages, including Canadian whisky, beer, wine and cider.

It is also encouraging to note that Hankyu Department Stores, Ikari Supermarkets, Olympia Foodliner, Mitsukoshi Department Stores and Isetan Department Stores sold Canadian grocery products valued at between $650 thousand and $750 thousand during their respective promotions between October 1973 and March 1974. The Embassy in Tokyo and the Department of Industry, Trade and Commerce in Ottawa are completing plans for the next series of promotions. It is expected that they, too, will be successful and that the Canadian processed food presence in Japan will continue to grow in the major market areas.

Canadian firms interested in introducing their products to the Japanese market should contact the Agriculture, Fisheries and Food Products Branch of Department of Industry, Trade and Commerce in Ottawa, the Department's Regional Offices in Canada or the Minister (Commercial), Embassy of Canada, Tokyo 107, Japan. □

Japanese computers and electronics market — spectacular growth.

Y. PARENT, Commercial Secretary, Tokyo

The Japanese market for computers, both terminal and peripheral equipment, has grown spectacularly over the last five years and is expected to expand at an even higher rate in the future. There will be great opportunities for foreign manufacturers to provide equipment and manufacturing processes. At the same time, the shift in emphasis by Japanese industry, with the support of government programs, in the direction of higher technology and greater attention to improving social conditions is creating new specialized markets for advanced equipment and machinery for avionics, science, oceanography, medicine, pollution control, information dissemination and other fields.

The chronic shortage of labour in Japan has stimulated a particularly rapid growth in the market for computers and numerical control machine tools, which should continue in the years ahead. Increasing domestic production costs should enhance the competitiveness of foreign equipment in this sector.

Since the National Electro-Technical Laboratory completed its ETL-Mark III computer in 1956, the Japanese computer industry has developed rapidly. In September 1972 there were 14,806 electronic computers in Japan, valued at just over $4 billion (excluding mini computers and special purpose computers), which ranks Japan after the United States in terms of the number of computers in operation. Barring any major economic disruptions, it is estimated that there will be nearly 39,000 general-purpose computers in Japan by the end of the fiscal year 1976, for a conservative value of $15 billion.

Outside pressures — In the absence of a military industrial complex or a sizeable aerospace industry, the electrical and communication companies, which are the major manufacturers of computers and peripheral equipment in Japan (computers and other related equipment accounted for 14 per cent of Japan's electronic industry in 1972), originally developed their technological capability through licensing arrangements, technical tie-ups and purchases of expertise, and have been heavily dependent on demand from the domestic market, especially banking and commerce. Government-sponsored electrical and electronic organizations accounted for 44.6 per cent of general-purpose computer systems in operation at the end of 1972. As a result of outside pressures to open the market for foreign investment in computer and integrated circuit manufacturing, the Japanese computer industry has been restructuring its operations to increase its competitiveness. It has been successful in lessening, to a large extent, its dependence on foreign technology.

But to further strengthen technical capability in preparation for the easing of restrictions on foreign investment in the computer sector and to broaden and diversify its operations, the Japanese have been seeking opportunities for co-operation with foreign countries in specific sectors where it is felt that joint development, production and marketing would be preferable to strictly Japanese research and development.

Domestic firms increase share — As in many countries, the large U.S. computer manufacturers, primarily I.B.M., supply through their local subsidiaries a significant portion of Japanese computer requirements. But Japanese-owned computer manufacturers have been increasing their share of the domestic market. As of December 1973, the market share (by value) in Japan of Japanese-owned and foreign-owned computer manufacturers was, respectively, 41.5 per cent and 58.5 per cent for large computers, 70.5 per cent and 29.5 per cent for medium-sized, 71 per cent and 30 per cent for small, and 50.5 per cent and 49.5 per cent for mini computers. Of the total market, Japanese-made computers had 54.2 per cent and foreign-built equipment, 45.8 per cent. According to a survey conducted by the Ministry of International Trade and Industry (MITI) in 1971, 81.9 per cent of the computers used by private firms were general-purpose computers, used mainly for data processing.

The use of computer facilities for R&D and operation control is developing rapidly in Japan. Data processing will continue to be an important application but it is expected that there will be a dramatic increase in the use of special-purpose computers, mainly as a result of domestic labour shortages.

There has been also a spectacular growth in the use of peripheral and terminal equipment, and it is expected that this sector will develop even more rapidly over the next few years. According to a survey conducted by MITI at the end of March 1973, financial activities, transport communications, press and government-affiliated bodies accounted for more than half the terminal equipment used in on-line systems. According to *Monthly Report on Japanese Foreign Trade,* imports of computer accessories in 1971 were worth about $150 million and, because it is not expected that Japanese companies will be able to satisfy domestic demand for new types of peripheral equipment, it is likely that Japanese imports of specialized peripheral equipment will increase over the next few years.

Peripheral equipment — Because domestic production has been unable to satisfy demand and because of the high quality of American and European equipment, foreign manufacturers have been successful in carving for themselves a substantial share of the market for peripheral equipment. However, in response to the increasing demand for more efficient and cheaper products, Japanese peripheral equipment manufacturers (about 60 of them) have been very active in strengthening and diversifying their productivity and R&D capabilities. Medical and measuring equipment, engineering design, educational equipment, as well as peripheral on-line equipment for household use, appear to be among the target sectors to have been selected by Japanese manufacturers as offering the best market prospects. Some have been successful already in developing such equipment, according to some reports.

Imported computer equipment has been marketed in Japan through large trading companies, such as Mitsui and Mitsubishi, or through smaller, specialized firms which, in some cases, were established with the express purpose of marketing software services and accompanying peripheral equipment. In most cases, agents for foreign companies have had little difficulty in establishing distribution networks, although there have been reports of serious problems relating to installation and maintenance as a result of a shortage of engineers and technicians qualified in such work. This situation has also created problems in the sale of imported LSI (large-scale integration).

Government programs, designed to promote and stimulate the development of knowledge-intensive industries and the diversification of Japanese economic activities with emphasis on the marketing of mass-production of consumer related equipment, will continue to be a factor in the development of more extensive requirements for computer peripheral and associated equipment.

Some Canadian firms have already established markets in Japan for their computer components and recently a Canadian manufacturer won a substantial order for peripheral equipment from a leading Japanese computer company. In the present circumstances, there would appear to be growing opportunities for Canadian firms with specialized expertise and capabilities in the sectors with long-term potential. These firms should examine the possibilities for co-operation with their Japanese counterparts as a means of entering both the Japanese market and third country markets in which Japanese industry is interested. Canadian manufacturers interested in learning more about opportunities in this important market sector should write the Electrical and Electronics Branch of the Department of Industry, Trade and Commerce, Ottawa, or to the Commercial Division of the Canadian Embassy, Tokyo, Japan.

Japan in mood to buy Canadian auto parts

D.J.S. WINFIELD and R.H.J. BOWER, Commercial Secretaries, Tokyo

Prince Takamatsu visited the Canadian booths at the 20th Tokyo Motor Show held last fall. He is shown here being escorted round the stands by the Canadian ambassador, Ross Campbell.

Canadian producers of automotive parts and service equipment should be thinking of Japan as a potential new market for their products. The automotive industry is a mainstay of Japan's industrial structure and a major contributor to the nation's gross national product. As one of the country's leading export industries, the automotive sector accounts for about 10 per cent of total overseas sales and consequently makes a significant contribution to Japan's vital foreign exchange earnings. Plagued by rapidly increasing domestic costs, the industry is looking for ways to economize in an effort to retain its international competitive position.

Recognizing a growing interest by the Japanese in overseas sources of automotive parts and service equipment, the Department of Industry, Trade and Commerce and the Canadian Embassy in Tokyo have undertaken a program of participation in Japanese trade fairs and sponsorship of technical and buying missions in an effort to promote our automotive products in Japan. This campaign, of course, forms part of a general drive to stimulate sales of Canadian manufactured goods in Japan.

An initial step in this program was Canadian government-sponsored participation by 11 leading Canadian manufacturers of auto parts and service equipment in the prestigious 20th Tokyo Motor Show in November 1973. The positive response from a large number of Japanese firms was beyond expectation. Furthermore, this exhibit served as an excellent means to show, for the first time in Japan, a representative selection of the automotive products that Canada exports world-wide. The warm reception accorded the Canadian participants was evidence of Japanese interest.

What led to the decision to undertake a promotional program of this scope? An examination of Japan's automotive industry shows a growth rate of more than 20 per cent a year up to 1965, when it levelled off. Employing 155,000 people, the 11 car, truck and bus manufacturers turned out a combined total of more than seven million vehicles in 1973, of which 29 per cent were for export and 4.5 million were passenger cars. Moreover, the four motorcycle firms produced 3.7 million units in 1973, of which 68 per cent were for export. At the end of 1973, 25.2 million four-wheeled vehicles were registered in Japan, a figure expected to grow by about 10 per cent every year.

Traditionally, Japanese automotive companies have purchased parts for their production from about 400 domestic parts manufacturers. In some cases these parts producers have been set up by the companies themselves or have received financing, tooling and other assistance from their customers. Standards are high, quality control strict and relationships between the two levels of manufacturers close-knit, and there are continuing efforts to improve parts quality and production efficiency. In all cases there is a regular exchange of technical information, drawings, specifications and production of automotive parts, at least for the O.E.M. and original after-market replacements, all closely co-ordinated with the main automotive producers.

As might be expected, the industry as a whole is conscious of the importance of research and development and considerable work is being done to improve safety standards, emission control and fuel consumption. In addition, the major auto manufacturers are working on experimental safety vehicles and battery-run vehicles, while industry and government together are involved in extensive studies to achieve cheaper and more efficient transportation systems such as the computer-controlled vehicle system, which is still in the development stage.

Market conditions — The oil crisis has had a dampening effect on domestic sales, but demand has continued at a relatively high level, particularly for small and medium-sized cars. At the same time, there is evidence of some decline in exports, although shipments of passenger cars continue at a brisk pace and it is expected that for 1974 they could be slightly higher than the two million vehicles (worth $3,983 million) exported in 1973. Prospects appear good for increased exports, with the Japanese industry continuing to concentrate on development of automobiles that are competitive in price, meet increasingly more stringent emission control standards and are economical to run.

It should be noted, however, that the oil crisis has not been the only problem confronting the Japanese automotive industry. Production had slowed down in September 1973, prior to the crisis. Shortages developed in a variety of basic materials such as plastics, steel and rubber, which in turn affected availability of radiators, dashboards, wiring harnesses, shock absorbers, tires and a host of other items. Also, prices for some parts and accessories increased by as much as 60 per cent and this trend continues as a result of pressures brought on by the oil situation.

Combined with these factors, advancing wages are forcing manufacturers to contend with increasing overhead and declining profits, with the result that they are looking for as many ways to save money as possible. Importing auto parts offers one possible answer and provides a unique opportunity for Canadian suppliers, who sold about $300,000 of automotive products to Japan in 1973.

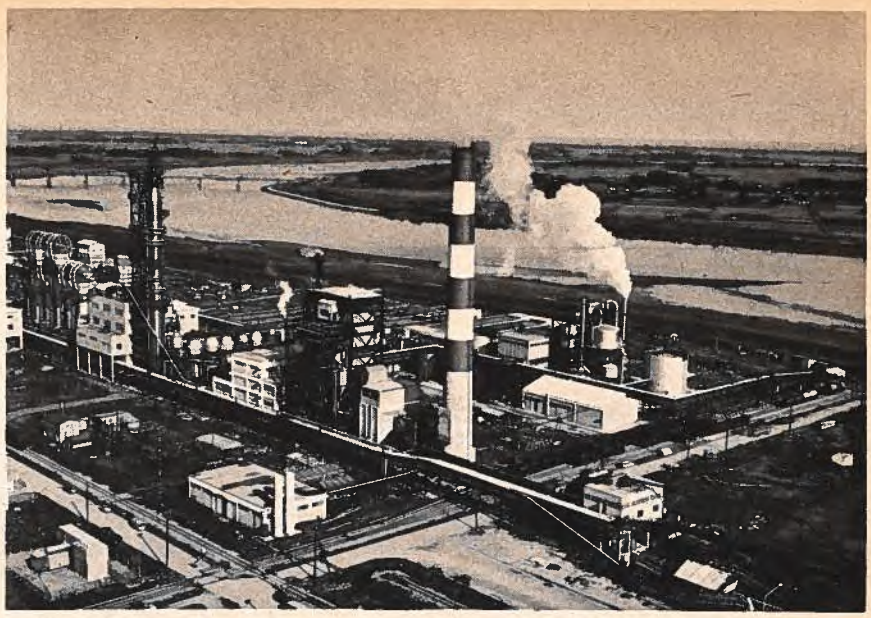
Potential for Canadian manufacturers — But this is not to say that success will come easily. On the one hand, preliminary indications show that Canadian service equipment could find ready acceptance — especially the more compact, heavy-duty products which are particularly suited to the small Japanese service stations. On the other hand, considerably more effort will be required to capitalize on the substantial opportunities in Japan. For one thing, the Japanese impose vigorous technical standards for this type of equipment. Furthermore, the original equipment market offers potential for higher volume sales but will be even more difficult because Japanese quality-control is strict and the big manufacturers prefer to remain with their traditional domestic suppliers. However, if Canadian manufacturers are able to provide selected quality parts at a competitive price, entrance to both the aftermarket and original equipment markets will be easier.

Findings by the recent Japanese automotive mission to Canada sponsored by the Department of IT&C support this analysis. The mission visited the Montreal Automotive Industry Association Exhibition in late April and called on major Canadian auto parts and service equipment manufacturers. Mission members were obviously impressed by the potential of Canadian industry but in their report they emphasized that communications have to be established, especially at the technical level, between Japanese and Canadian companies to ensure a regular flow of information. They also warned that exports will not develop quickly, particularly in view of the effects of the oil crisis and inflation, but with a regular exchange of ideas and information they were confident that substantial benefit could result for both sides.

As a further step in the program to familiarize the Japanese auto industry with Canadian capabilities and to demonstrate our interest, 12 Canadian firms exhibited their products at the Japan Auto Service Show held in Tokyo in June this year. We are convinced that continuing dialogue between the Canadian and Japanese business communities will produce substantial sales of both automotive parts and service equipment. Japanese industry has given a clear indication of its desire to know more about Canadian industrial potential. Canadian parts manufacturers are encouraged to visit Japan to gain a first-hand impression of market possibilities and to meet with prospective importers and potential agents. If you wish to know how your company can benefit, contact the Chief, Pacific Division of the Pacific, Asia and Africa Bureau of this Department, the Chief of the Automotive Parts Division, or the Commercial Division of the Canadian Embassy in Tokyo. □

How to do business in Japan

S. J. KAUFMANN, Commercial Secretary, Tokyo



A typical pulp mill in the northern part of Honshu.

With the third largest gross national product in the world and one of the fastest-growing economies, Japan is a market and a business partner that cannot be ignored. It is also a country with a unique culture and a uniformly high standard of education. Canadians generally are not as well informed about business conditions and practices in Japan as the Japanese are about Canada, and the following are some suggestions which, hopefully, will be useful guidance.

The most important thing to bear in mind is the need to establish sound relationships with Japanese companies and businessmen based on mutual confidence and trust. This does not mean that the Canadian businessman should come to Japan and try to make friends with Japanese by oozing charm and being some kind of jolly giant from across the seas. Nor does it mean that he must be conciliatory in negotiations. Rather, the Canadian businessman, by maintaining a somewhat reserved and dignified attitude, should strive to convince his interlocutors of his good business sense, seriousness, sincerity, and of his interest in and commitment to the Japanese market. This is most easily achieved by visiting Japan frequently, by being well prepared and well informed, by demonstrating patience, by listening more than talking, and by meeting face-to-face with the Japanese businessman as often as possible. With care, interest and in time, a strong, lasting relationship can be cultivated which will stand the test of disagreements and misunderstandings as they may arise.

The Japanese business world is an intricate network of relationships, and Japanese businessmen rarely move outside these established connections. Calling "cold" on someone and presenting a sales pitch is practically unheard of in this country. A Japanese businessman will always seek an introduction to a new potential client through a common acquaintance, and the Canadian Embassy can provide a valuable service in making introductions for Canadian businessmen. Some Japanese firms will buy only from suppliers with whom they have established relationships. In some cases, a relationship is maintained even after it ceases to be profitable for one or other party involved because it provides a sense of confidence and security and because there is felt to be an obligation to the past.

Given the importance of relationships, it is not surprising that exaggerated claims are sometimes made by Japanese firms about the nature of their relationship with certain large end-users. The Canadian businessman should, therefore, verify any vague reference of affiliation or special relationship with important Japanese companies which his counterpart may claim.

Within the context of these relationships, rank is extremely important. The ranks of positions within Japanese firms are fairly standard and are given in the accompanying box. Often, the smallest company will have a full complement of these various positions, though the number of subordinate staff may be limited. Companies themselves are also ranked in their sectors and are generally recognized as "first-class", "second-class' or "third-class", depending on size and the length of time the company has been in business. These differences in rank are reflected in attitudes, manners, and forms of speech. (One of the most important reasons for exchanging calling cards in Japan is to establish the rank of the person being introduced.)

This rank-consciousness is also present in Japanese international dealings. A Japanese company will always want to know the capitalization of a foreign firm, not so much to establish its credit-worthiness but to gauge the importance of the company. Much of what passes for negotiations or business discussions in Japan is really a process of sizing up and appraising one's counterpart while trying to establish a favourable impression for one's own company. This process can involve some sophisticated gamesmanship and the Canadian businessman should be aware of it and practise it himself. Name dropping, for example, can be quite effective, if practised subtly.

Therefore, it is essential that the Canadian company establish itself as a first-class company in the eyes of the Japanese. This is achieved by ensuring that all arrangements by the Canadian company are flawless and professional: this covers brochures, meetings, receptions — even gifts or "presentos" for your Japanese counterparts. It means that senior executives should call from time to time on executives of Japanese companies, letting middle-management carry the ball on day-to-day business dealings.

Against this background, let's consider the validity of some common observations about doing business in Japan.

The Japanese market is difficult to penetrate because of protectionist legislation and the Japanese tendency to buy domestic products.

This statement has had validity in the past, but is becoming less and less true

today. Tariff rates now applicable to goods entering Japan are comparable to those of other industrialized nations. Obvious non-tariff barriers are also not out of line, although there are occasional examples of excesses of bureaucratic red tape. The Japanese have been noted to favour domestic products out of a spirit of patriotism, yet it is equally true that for certain manufactured or consumer items expensive imported products are often favoured over less expensive domestic products.

The importance of established relationships is often a more important factor in limiting imports than economic patriotism. In other words, a Japanese company will continue to buy from an established source if a long-standing relationship exists. In order to penetrate the Japanese market, a foreign company must establish a friendly relationship. In addition to being price competitive, the foreign firm must also satisfy the end-user of his commitment to the Japanese market, his ability to be a regular trustworthy supplier, and his ability to provide after-service.

In many cases, a Japanese supplier will spoil his customer with favours and terms that many Western suppliers are not accustomed to providing. The Japanese manufacturer of newsprint, for example, rather than the newspaper publisher, maintains newsprint stocks. And in sophisticated electronics, Japanese manufacturers regularly provide continued technical assistance and servicing over and above what is specified in the contract.

Because of differences in language, culture and business practices, some foreign firms have been slow to inspire in the end-user the same degree of confidence that the domestic supplier can provide. Although more and more foreign products are finding a market in Japan because of their outstanding qualities or price features, the importance of cultivating strong relationships with buyers and end-users cannot be over-emphasized.

Through administrative guidance, the Japanese Ministry of International Trade and Industry controls imports.

Administrative guidance is a fact of life here. It is a way of achieving government policy without passing new regulations, and is used frequently in many sectors of the economy, of which foreign trade is only a part. The Japanese Government is committed officially to liberalizing trade and improving access to the market for foreign products. If Canadian exporters encounter administrative problems in promoting the sale of their goods in Japan, they should tell the Commercial Division of the Canadian Embassy in Tokyo.

Japan is one big monolithic organization.

It is curious how often Japanese companies are criticized for excessive collusion and excessive competition, but the apparent contradiction can be explained if the organization of the Japanese business world is understood. Employees are loyal to their own company and usually will work for it until they retire. A small company often owes allegiance to a larger company, which in turn may be part of a group or "zaibatsu"-type conglomerate. Above this there is the larger realm of the Japanese nation. At all levels, companies and groups compete amongst each other, but when there is a common advantage in co-operating towards a specific goal, internal rivalries are often submerged and a united approach adopted.

As one example, some major overseas resource-related development projects now being considered by Japanese industry will probably be handled as national projects. Again, long-term coal purchases are co-ordinated for the steel industry through an industry-appointed co-ordinator or negotiator. However, sometimes competition for resource procurement can be quite genuine and intense. The Canadian businessman should not assume that he is dealing with "Japan Inc." at every turn but should be prepared to encounter both intense rivalries and behind-the-scene co-operation on the part of Japanese companies he is dealing with.

Japanese firms often do not answer correspondence.

The Japanese place greater emphasis on personal and immediate communication. Face-to-face meetings, telephone and even telegram or telex are the preferred media for conducting business. The tradition of regular and prompt correspondence by letter is not as well established here as it is in the Western world. For one thing, the majority of Japanese businessmen have difficulty expressing themselves correctly in English. This is not to say that Japanese firms are not prepared or equipped to exchange correspondence with foreign firms. In fact, most firms in international trade retain the services of secretaries and people with English-language writing ability (and even train some of their people overseas). English-language correspondence is not very easy or natural, but most firms do make the effort.

As pointed out earlier, established relationships are an important part of doing business in Japan. Once a Canadian firm has visited Japan and established a good relationship with a Japanese firm, the regularity of correspondence will undoubtedly improve. Canadian firms approaching Japanese firms for the first time by letter, however, may find that a reply will be late, unenthusiastic, or simply not forthcoming. This should not be a signal to give up: rather, if the Embassy suggests that a potential market exists, make a personal visit.

It is very difficult to obtain information on Japan.

The opposite is the case. Japan abounds in statistical and market information of all kinds, some of which would be considered confidential in Canada. This information is published in periodicals, books, and directories, by industry associations, research institutes, trade papers, and the many agencies of government. A significant amount of this material is published in English. Some of these publications are listed in the JETRO booklet, "Publications on the Japanese Market", No. 3 in the JETRO Marketing series. In addition to published information, Japanese businessmen and officials are reasonably free and open with opinions and information.

The best way to sell in Japan is to work through a trading company because the trading companies control the distribution system.

This is an extremely complex issue and it is impossible to generalize for all products. The top 14 trading companies in Japan handle about 60 per cent of imports. The typical trading company is divided into different commodity and functional sectors, each of which is well informed on market conditions in its area of competence. Because of the financing, trading and organization function they perform, the major trading companies have important spheres of influence and special relationships with specific companies in the distribution system. They also have, through the "zaibatsu" or conglomerate groups to which they belong, direct contacts with many end-users.

The strength of trading companies varies from product to product, or from section to section. For some products the trading company acts primarily as a commission agent, leaving the actual promotion and sales of the imported product up to various distributors. For these reasons, the trading companies often prefer to handle large-volume bulk commodities as opposed to some of the smaller volume finished products that Canadians are increasingly selling to Japan.

The Canadian exporter should always try to ascertain whether the trading

company he is dealing with has relationships with the major end-users for his product, understands it technically and, above all, is genuinely interested in promoting the product and prepared to assign capable and enthusiastic people for this purpose.

There are other ways to sell in Japan. Very often, smaller specialized trading companies have the technical competence, the necessary sales force and maybe are a little more eager to promote a product which, although relatively unimportant to a major trading company, would represent a significant source of income for a smaller firm.

Increasingly, large wholesalers, retail outlets and manufacturers are starting to deal directly with overseas suppliers. Representatives of these firms are travelling overseas and establishing personal contact with foreign businessmen. Although many of these firms may, in the end, prefer to let a trading company handle import procedures, they are becoming increasingly interested in establishing direct contact with overseas firms. Therefore, regardless of whether you deal through a large trading company, small trading company, wholesaler or end-user, it is essential to establish direct contact with the end user. This means frequent trips to Japan and ideally, when volume justifies it, a liaison office in Japan. Only in this way can you keep an eye on the promotion of your product, convince all those involved of the seriousness and sincerity of your interest and commitment to the market, obtain information on the market, and establish the close relationships that are so important.

The Japanese seem to take a long time to make up their minds and it's hard to tell what they think and who makes the decisions.

Basically, this statement has some truth in it. Decisions are made on the basis of consensus. The junior man carrying the ball on a particular project, his section manager, other section managers, and other more senior executives may all have a say in whether a project is to go ahead. It is by no means clear that senior executives can or do force decisions if junior staff are opposed, even though senior officers will often give the impression at meetings of wielding considerable power and authority. The Canadian company must, therefore, develop good personal relationships with the working level staff and, at the same time, have its senior executives call regularly and at key times on senior executives of important Japanese companies in the course of any negotiation.

Discussions or negotiations with Japanese counterparts may sometimes seem indirect and repetitive.

If this is so, it is because these meetings are opportunities for the Japanese company to size up its foreign counterpart and to give all those within the company who may have a say in the decision-making a chance to be exposed to the project.

Sometimes, language problems are a source of confusion and misunderstanding. Don't over-estimate the level of English comprehension of your Japanese counterparts. It is advisable to have as much information available in graphic and written (preferably Japanese) form. It is also polite, considerate, and good practice to be accompanied by an interpreter when calling on Japanese firms. Once a decision is reached by a Japanese company, the execution can be swift indeed, and the Canadian company should be ready to move at that point.

It is difficult to cover all situations, and the above advice may not be valid in every case. Hopefully, it will serve as a guide to those approaching the Japanese market for the first time and enable them to derive profit and personal satisfaction from their dealings in Japan. For further details, we suggest you refer to the booklet "Japan" in a series *Markets for Canadian Exporters* published by the Department of Industry, Trade and Commerce, Ottawa, and also the JETRO Marketing series, published by the Japan External Trade Organization which has offices in Toronto, Edmonton, Montreal, and Vancouver. You are also invited to contact the Pacific, Asia and Africa Bureau, Department of Industry, Trade and Commerce, Ottawa, the various ITC Regional Offices across Canada, or the Minister (Commercial), Canadian Embassy, Tokyo. □

Titles in Japanese Companies

Chairman	— kaicho
President	— shacho
Senior Managing Director	— semmu torishimariyaku
Managing Director	— jomu torishimariyaku
General Manager	— bucho
Manager	— kacho
Section Chief	— kakaricho

A guide to direct investment in France

J. P. BELL, Commercial Counsellor, Paris

A small but increasing number of Canadian firms are thinking of establishing a manufacturing, distribution or other business in France. The reasoning is usually related to the extension of their existing marketing programs in France and the other countries of the EEC so as to overcome the Common External Tariff (CET), transportation problems and other difficulties in doing business over great distance. It also reflects their objectives of achieving greater long-term penetration of the expanding European market. Firms that establish in France normally have greater potential to increase their sales because they can make themselves better known, have easier access to customers and offer better aftersales service — especially in selling to French government agencies.

The favourable economic situation in France, the present dollar/franc exchange rate and the French program of regional incentives available to foreign firms prepared to set up in areas where economic growth has been slow are some reasons why France is presently receiving more attention from foreign investors.

French policy is, on the whole, favourable to foreign direct investment which usefully contributes to the French economy, and opportunities for such investments are numerous. The following comments outline some of the principal points to be considered by the would-be Canadian investor.

In the early 1960s the French Government tended towards a restrictive policy on foreign direct investment, but when foreign firms began establishing in neighbouring EEC countries and selling their products into France duty-free, this policy was altered. Since then a determined effort has been made to entice foreign investment that brings economic benefits to France. Under a 1967 government decree, all direct foreign investments where foreign control would be involved must be approved by the Ministry of Economy and Finance.

The procedure requires that applications for foreign investment through the purchase of a French incorporated firm or the establishment of a new firm should be directed to the Ministry of Economy and Finance (Treasury Section), although applications for the take-over of French real estate are to be directed to the Bank of France. For purposes of this procedure, a participation of less than 20 per cent in the capital of a company quoted on the French stock market does not constitute a direct investment whereas in privately-owned companies a participation of less than 20 per cent may be considered to constitute control.

Applications properly submitted in the required number of copies are distributed to the various interested ministries and agencies and later ruled upon by the Interministerial Committee on Foreign Investment, with a reply normally forthcoming within two months. This Interministerial Committee, which meets twice a month, is chaired by the Ministry of Economy and Finance and consists of about 20 interested ministries and agencies. It seeks to ensure that new foreign investment will have positive effects on employment, especially in slow growth areas, the development of technology, and increasing exports. Additionally, the proposed financing plan is closely scrutinized to ensure that it meets French foreign exchange requirements.

During the summer of 1973 when the effects of dollar devaluation were significant, foreign investors were urged to raise funds on the French capital market; after the energy crisis and the softening of the French franc, this policy has been reversed and investors are now required to finance at least 50 per cent of any investment with foreign currency. The vast majority of applications receive approval, but in some cases where a proposed investment touches a sector considered sensitive, a "French solution" is sought by the government. In addition, applications for the take-over of fully operational French firms are likely to receive closer attention than proposals for completely new ventures. A "French solution" has never been explicitly defined but is generally thought to mean that a firm in a sector considered sensitive would be taken over by another French firm, thereby keeping control in French hands, rather than letting it pass to a foreigner. However, it could in certain cases mean that French interests might be less than 50 per cent.

The Délégation à l'Aménagement du Territoire et à l'Action Régionale (DATAR), the French regional planning agency somewhat similar to the Canadian Department of Regional Economic Expansion, plays a positive role in assisting foreign firms to locate sites and establish in France, provided it is in an area where the Government is actively promoting industrial development. DATAR assists in the undertaking of feasibility studies and contacting ministries and local authorities, and has a program of regional incentives whereby foreign firms establishing in designated regions are eligible for industrial development premiums (in some cases this is up to the lesser of 25 per cent of the investment of 13,000 francs for each new job), industrial adaptation premiums, localization premiums and tax reductions.

The procedures to be followed, then, to obtain French government approval for the purchase or setting up of a company in France tend to be rather involved. Any potential investor is strongly advised to seek out a lawyer with experience in this work, and to work closely with local banks and DATAR. The Commercial Section at your Embassy in Paris will be able to recommend contacts in these fields and provide general guidance in dealing with the French Government and in the French business environment.

Canadian direct investment in France, estimated at around $100 million, includes subsidiaries of the Canadian multinationals (synthetic rubber, aluminum products and tractors), transportation companies and hotels, Canadian banks, lawyers' offices and advertising agencies. Recently there has been a tendency for medium-size Canadian firms to examine the alternative of direct investment with the result that an automotive accessory manufacturer and a foundry operation have just established in France and the establishment of a food processing firm is pending. In addition, a major Canadian forest

products firm has obtained an important participation in a French pulp and paper group.

In relative terms, direct Canadian investment in France is modest; an estimated 0.1 per cent of the French work force is employed by Canadian controlled firms (an estimated 10.7 per cent of the French work force is employed by all foreign-controlled companies).

There are, of course, several different ways of increasing sales in France and in the other countries of the EEC and the selection of one will depend upon the product line, the firm's experience and contacts in European markets and other factors. In choosing a course of action, the long-term advantages and benefits of direct investment should not be overlooked.

Table delineates — The importance of foreign investment in France by country and by sector is summarized in the accompanying table. More than one French employee out of 10 works for foreign companies, with the majority working for U.S. firms. Foreign investment in France has always been strong in the petroleum industry, agricultural machinery and electric construction sectors, and is growing in such sectors as furniture and clothing. □

FOREIGN INVESTMENT IN FRANCE

Investing countries	**% of French work force**
U.S.A.	4.6
Belgium-Luxembourg	1.4
Britain	1.2
The Netherlands	1.0
Switzerland	0.8
Italy	0.7
Germany	0.4
Sweden	0.4
Canada	0.1
Total	**10.7**

Industry sectors	**French employees %**
Petroleum industry	42.8
Agricultural machinery	37.6
Non ferrous metals	27.5
Electric, electronic construction	26.2
Chemistry	20.4
Iron and steel	18.8
Transportation material	18.7
Shipbuilding	15.5
Big and medium size mechanic and household equipment	8.0
Paper and cardboard	3.6
Leather and footwear	2.9
Wood and furniture	2.0
Textile and hosiery	1.8
Clothing	1.6
Press and edition	1.5

Source: Department of Industrial and Scientific Development.

Help Wanted

The staff of *Canada Commerce* and the TradeCommissioners who provide the bulk of our articles take considerable time and effort to prepare each issue. We believe that *Canada Commerce* is a meaningful publication and is of value to its readers. But the view of the reader is an essential part of any publication. Editors and authors must have the views of at least some of the readers in order to provide more effective articles.

We would be grateful to any reader who takes the time and effort to comment, whether the comments are brickbats or bouquets. And we would like to be able to publish these comments — provided, of course, they are printable!

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IT&C – Serving the business community

VINCENT ADDY, International Financing Branch

The fastest growing commodity in the world today is scientific and technological information. It doubles every 10 years, and the pace may even accelerate in the future. The countries which keep ahead in science and technology will achieve the highest rates of economic growth. If Canada is to remain among the leading industrial nations we must apply the results of science and technology to the development of new products and processes which can be exploited in domestic and world markets.

A high priority of the Department of Industry, Trade and Commerce is to help the Canadian industrial and business community to take advantage of these new scientific and technological advances. Whether you run a small business or head a large corporation, the Department can help you improve your product or services, increase your productivity and expand your market at home and abroad.

Established on April 1, 1969, as a result of the merger of the Departments of Trade and Commerce and of Industry, the Department has the responsibility for stimulating the establishment, growth and efficiency of the manufacturing, processing and tourist industries in Canada, and for developing export trade and external trade policies.

To achieve these goals, the Department offers assistance to its partners — the Canadian businessman and industrialist — through a wide variety of programs and services. At each phase of the product cycle — from research, development and design through production to marketing — the Department stands equipped and ready to help with expert advice and information and, often, financial assistance.

Like any big organization, the Department is always changing although its basic philosophy remains constant. This article briefly outlines the services of the Department and tells how you may avail yourself of them in the light of the most recent reorganization of Head Office and the Regional Offices. If you require further details on the Department's organization, services and programs, contact our headquarters in Ottawa or any of our nine Regional Offices which are located in Vancouver, Edmonton, Regina, Winnipeg, Toronto, Montreal, Halifax, Fredericton and St. John's, Newfoundland.

What the Department does — When the Department of Industry and the Department of Trade and Commerce merged in 1969, the new organization was given a broad objective — Canadian economic development and support.

The Parliamentary Act establishing the new Department said, in part: "The duties, powers and functions of the Minister of Industry, Trade and Commerce extend to and include . . . manufacturing and processing industries in Canada, tourism, and trade and commerce generally."

This has meant the Department has become involved in primarily five areas: industrial development, market development, international trade policies, tourism development and grains and oil seeds marketing. It employs more than 2,500 people working in offices across Canada and in 85 posts in 60 other countries. Its total budget last year was approximately $342 million.

It was decided early that the Department should base its operations on a "game plan" consisting of three Programs (not to be confused with the various assistance programs administered by the Department). The details of execution undergo continual change and improvement but the three Programs remain constant factors. Any project undertaken by any of the Department's organizations should relate to the aims of one or more of these Programs, known as the Trade/Industrial Program, the Tourism Program and the Grains and Oil Seeds Program. It is essential to understand them in order to understand what the Department is about.

Trade/Industrial Program — This has the largest of the Department's budgets — about $220 million this last fiscal year. The Program is based on two premises: 1. Corporations and businesses are entitled to expect a certain level of service from their government — a government that will listen to the problems of the private sector and right any inequities, and that will organize and provide services essential to conducting business, such as tariff and transportation information and official trade representation in other countries; 2. Government will provide incentives to Canadian producers of goods and services. These incentives generally take the form of promotion, financial assistance and policy negotiation.

For management purposes, this program has been divided into three activities or sectors: industry development, international trade (each headed by a Senior Assistant Deputy Minister) and administration, headed by an Assistant Deputy Minister.

Industry Development — There are six main objectives of the industrial development sector of the Department. They are:

- To develop an efficient manufacturing and secondary processing industry to meet competition at home and abroad.
- To achieve maximum employment in Canadian industry and to maintain it.
- To increase national income and reduce economic disparities.
- To increase domestic processing of our natural resources.
- To provide for greater domestic control of the Canadian economy and ensure its future development by Canadians.
- To continue improving the quality of life in Canada by creating satisfying jobs for Canadians and reducing harmful effects of industrial activity on the natural and social environment.

To achieve these objectives, the industry development sector provides a forum for the private sector to present its problems and, when possible, to find solutions; develops industrial policies beneficial to all Canadians; provides financial assistance to stimulate growth or to help the private sector overcome setbacks, and develops strategies for specific industries based on their problems and opportunities.

International Trade — This sector has one objective — to expand markets for goods and services produced in Canada. Again, it provides a forum for the private sector. It promotes increased sales of Canadian goods and services by

providing information on export opportunities and giving sales assistance, negotiating trade arrangements to give Canadian producers access to world markets, developing trade strategies, providing financial assistance and maintaining trade representation abroad.

The three regional bureaus (Western Hemisphere; Pacific, Asia and Africa; and European) offer a central source of intelligence about Canada's trade with other countries and regions, and provide the regional perspective for international trade relations and export trade development.

As in the past, the Trade Commissioner Service backs up these activities with 85 posts in 60 different countries by providing Canadian businessmen with on-the-spot representation and advice.

Export Development — This group offers the businessman assistance in international marketing and trade promotion. It includes the International Financing Branch (providing the businessman with advice and guidance on export financing through Canadian export credits, bilateral and multilateral institutions and commercial banks), the Office of International Special Projects (export sales of defence products, large "turnkey" project co-ordination), the Office of Transportation Policy Advisor (advice on shipping problems), the Fairs and Missions Branch, the Grains Marketing Office and the Program for Export Market Development (50 per cent cost export marketing financial assistance program).

A fourth group, International Trade Relations, under an Assistant Deputy Minister, is responsible for negotiating Canadian trade and commodity marketing agreements, developing Department positions in negotiations and maintaining a close watch on implementation of negotiated arrangements.

Tourism — Like the Trade/Industrial Program, the Tourism Program attempts to meet private sector expectations regarding government services and recognizes the need to stimulate industry growth. A priority is provision of intelligence and co-ordination of the tourism development activities of the federal and provincial governments as well as the private sector.

Grains and Oilseeds Program — Its objective is to maintain an orderly marketing system for Canadian grains and oilseeds and to expand markets for these products. Market intelligence and other services are provided. Financial incentives for product improvements and to assist in marketing these products are offered.

Assistance Programs — Many special purpose assistance programs have been developed over the years for the Department's Trade/Industrial Program. The financial assistance programs include those which provide direct assistance in the form of loans, loan guarantees, or cash payments directly to firms or trade associations. All the assistance programs administered by the Department are explained in a recently published booklet called Incentive and Development Programs for Canadian Industry.

Using the Department effectively — The key here, as in most business operations, is the development of proper contacts. Who is the guy with the answer? When dealing with a small operation, answering this question is a relatively easy task. But when dealing with a government department the size of IT&C it is not so simple.

The whole purpose in life of our regional offices is to bring the services of IT&C directly to the local business community. They are there to serve you. They will quickly put you in touch with the appropriate officer at Headquarters if your requirement is one that cannot be serviced on the spot.

If you come to Ottawa, the rule is simple: come prepared! Before you even think of coming, you should have arranged appointments with various people via your regional office and know exactly who you are coming to see, when and where (i.e. floor, office number and telephone number). Be sure you obtain these details before you arrive, otherwise, you could end up spending a lot of time trying to find them in Tower "B", Place de Ville, Ottawa!

Finally, please remember: we're 2,500 people at your service! □

Research for Small Business

Since the article "Research for Small Business" was published in the March issue of *Canada Commerce*, two more firms offering information and research services to the business community have come to our attention. They are: SVP Canada, The Financial Post, 151 Sparks Street, Ottawa, Ontario K1P 5E3; and Information for Business (IFB), 730 Third Avenue, New York, N.Y. 10017.

All-Canadian Exhibition in Shanghai

Thirty-four manufacturers displayed their products earlier this year at the Canadian Electronics and Scientific Instruments Exhibition in Shanghai. The show featured Canadian products only, and was arranged at the invitation of the China Council for the Promotion of International Trade.

Technical seminars were an essential adjunct to the exhibition. These covered six topics: geophysics, medical electronics, measuring instruments, industrial electronics, communications and airport electronics. The Canadians met Chinese experts in a total of 114 three-hour meetings.

These sessions were beneficial to both sides. The Chinese obtained a great deal of technological information while the Canadian exhibitors had a better opportunity to explain their products and services. Many of the companies participating had made sales to the People's Republic of China before the exhibition was arranged but attended in recognition of the need to continue a long-range marketing program with that country. There is, for instance, great potential for airport electronics and geophysical survey equipment which has been estimated at between $5 million and $10 million over the next 10 years in both sectors.

Seen in this photograph is the vice-chairman of the Shanghai Municipal Revolutionary Committee, Ma Tien-shui (centre), looking at the Pylon Electronic Development Company Ltd. exhibit. With him is C.T. Charland, Assistant Deputy Minister, Export Development, Department of Industry, Trade and Commerce, who was director general of the fair.

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an invitation....

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From time to time we run special issues to provide in-depth coverage of particular market areas (for instance, the EEC). More often, issues are of general interest with articles on everything from changing eating habits in France to white-collar crime in Canada.

In addition, there are regular features such as *Export Opportunities*, *Wanted Manufacturers* and *International Projects*. International currency fluctuations are hard to keep up with these days but each month *Canada Commerce* publishes *Foreign Exchange Rates* compiled by the Bank of Canada. These may not be up-to-the-minute but they are valuable in keeping an eye on trends. Other articles tell of Canadian successes in business and industry and often provide useful tips on getting ahead in export marketing.

But the most important function of the magazine, perhaps, is keeping you posted on what's happening in the Department of Industry, Trade and Commerce and in other Government Departments. Regular directories of ITC offices in Canada and posts abroad are published, along with articles on the many Department services available. More than anything else, *Canada Commerce* can be an effective tool for cutting red tape — by showing you how to avoid wasted steps.

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