Canada Commerce

May 1976

Trading with
Mexico
Spain
Italy

Canada Commerce

Vol. 140 No. 5 May 1976

Contents

2	Partners in Development
9	Agriculture
10	Mining is Big Business
14	Automotive Industry on the Move
17	The Electrical Manufacturing Industry
19	Electric Power
20	Transportation — Opportunities for Expertise and Products
22	Let's Attract Mexican Tourists
23	Italy's Agro-Food Network
24	Customs Clearance: Italy
26	Spain's Mineral Wealth
27	Canada in Galerias: Reaching the Spanish Consumer
29	Update

Editor Harry Traynor

French Language Editor Martine Bugeaud-Pelletier

Design Stephen Shewchuk

Address correspondence to: Editor "Canada Commerce", Department of Industry, Trade and Commerce

Subscription "Canada Commerce" is sent without charge to Canadian producers of goods or services. Others may have the magazine at $5 a year in Canada. Single copies 60 cents each. Please forward all orders, with cheque or money order made out to The Receiver General of Canada, to "Canada Commerce", Department of Industry, Trade and Commerce, 112 Kent St., Ottawa, Ontario K1A 0H5

"Canada Commerce" is published monthly by the Department of Industry, Trade and Commerce. Established 1904.

Donald C. Jamieson, Minister
O.G. Stoner, Deputy Minister

Published in French

Business before pleasure in Mexico

Millions of snapshots in Canadian family albums testify to the holiday delights of Mexico, a country which would fit comfortably into the combined area occupied by Quebec and Ontario.

Mexico hopes for 200,000 Canadian tourists in 1976, but more vital to the economy of the home of the ancient Indian civilization of Aztecs and Majas is the fast-developing two-way trade. Canadian exports to Mexico in 1975 totalled $200,000,000, or just double our purchases of Mexican products which included tomatoes, coffee, strawberries, orange juice, cotton and motor vehicle engines. Canadian investments over the past two years amounted to $100,000,000, the bulk in mining ventures.

The President of Mexico greets the Canadian Prime Minister on his arrival in Mexico, January 1976.
Trade figured prominently in the talks between Mr. Trudeau and President Echeverria.

A healthy economy depends upon reducing imports of such items as automobiles, railway stock and domestic appliances.

Funded by the World Bank, irrigation systems in the Mexicali Valley are boosting the agricultural wealth of the Rio Colorado District.

A Canadian mining engineer examines an ore sample from a silver mine in the State of Oaxaca.

Countless Canadians have admired this Tula carved stone head. Enthusiasm for Mexican art and culture mounts as temperatures back home plunge to sub-zero levels.

PARTNERS IN DEVELOPMENT

R. DOUGLAS SIRRS, Commercial Counsellor, Mexico City

On January 23, 1976, Canada's Prime Minister arrived in Mexico for discussions on economic and political issues between the two countries. This event climaxed a series of official and private interchanges (Table "A") — and a rapidly accelerated pace of economic activity over the preceding three years.

During this period, exports to Mexico more than doubled and new investments (approximately $100 million) promised to more than treble Canada's overall investment level in Mexico. Canadian tourists — 200,000 by 1976 (from less than 100,000 three years previously) — were also on the upswing and should have a positive secondary effect on a number of joint economic pursuits.

Mr. Trudeau's visit provided a launching platform for the development of more widespread links, which involve not only direct trade but our joint involvement in a number of related sectors. Indeed, when we look at Mexico in terms of Canadian-Mexican interests, we talk not in terms of exports or imports, but rather as "partners in development". The interchange, trade and investment activity is mutually self-supporting. It is important to note that, as opposed to Canada, which is a relatively free and open market, Mexico imports only those items which are not manufactured locally, or are not produced in sufficient volume to satisfy national requirements. Nevertheless, the Canada-Mexico relationship is so atuned to each other's needs — and our expertise in specialized areas (i.e. power, railways, aircraft, agriculture, mining) fits in so well with Mexico's development requirements — that we encounter a particularly promising trade and investment situation.

Trade has mushroomed as a result of these unique circumstances. In 1975, our exports to Mexico surpassed the $200,000,000 level, as opposed to $99 million in 1972, and barely $54 million in 1968. Mexico's exports to Canada approximated $100 million in 1975, having risen from $53 million in 1972, and $52 million in 1968. Whereas Mexico is concerned primarily with the export of fruits and vegetables to Canada, it has also made some inroads and placed emphasis on the sale of finished products, such as specialized vehicles, calculating machines and parts, motor vehicle engines and parts, etc.

While taking into account Mexico's requirements, we have pursued a sectoral export promotion approach. It might be argued that the trade and investment facet of our efforts cannot be separated, as they very frequently become an integral part of an overall development package. Indeed, our continued and growing presence in the Mexican market is often contingent on an imaginative and forward look into prospects of establishing joint ventures, technology transfer arrangements, product interchange (as in case of auto parts), etc. in order to adjust more fully to changing local circumstances and to realize maximum benefits.

Before discussing the individual economic sectors that offer most scope for Canada, let us look briefly at the Mexican economy which provides the backdrop for trade and other joint endeavours.

The Economic Backdrop

While Mexico has not been free of economic problems, these have been more than counterbalanced by positive and pragmatic developments which have given rise to a relatively healthy economy and strong internal support. Thus, serious concern over a mounting imbalance of trade (to $4 billion in 1975), an imbalance of current account (to $3.5 billion from $2.6 billion in 1974), an international indebtedness of $13 billion, a drop in GNP to 4.5% (still above population growth rate of 3.6%) were more than compensated by the positive thrust of the Mexican economy. This thrust and Mexico's development needs largely account for the nation's heavy outlays.

There have been several other influencing factors. One has been the fortuitous discovery of oil. In 1975, Mexico ceased to be an importer and actually commenced exports of 110,000 barrels of oil per day, thus adding $500,000,000 per annum to its coffers. New reserves in the south east have been guardedly reported at 20 billion barrels, but might approximate 36 billion barrels or more. It is believed that they are located in an enormous oil trench. Further indications of oil in remote sites, such as Baja California, could add further to Mexico's reserves and financial buoyancy. Discoveries of this nature have had a very positive psychological effect on potential outside creditors and equity investors.

Of greater importance is the long term record of economic and political stability which has been established. There has been no devaluation or exchange control for over 20 years and no major political upheaval since the Revolution (over 50 years ago). The indications for a continuation of these circumstances remain strong. Foreign exchange reserves of $1.4 billion are considered adequate. Also, the Mexican inflation rate is now down from 30 percent to 16 percent.

It is also significant to note that pressure on Mexico's balance of payments is alleviated by a net inflow of approximately $1 billion from tourism and border transactions. Again, Canadians have played a leading role in contributing to this intake. We provide the second largest source of tourists.

In response to these and other circumstances, Mexico enjoys a high degree of creditworthiness and was readily able to borrow $1.8 billion in 1974, and a comparable amount in 1975. Canadian banks have made extensive loans to Mexico. These are currently estimated at $1 billion. Similarly, our EDC has a higher level of credit extended to Mexico than to any other single country.

Investment

Confidence in Mexico was also expressed with overall equity investments last year at a reported $480 million dollars (vs $288 million in 1974). Thus, total foreign equity investments now reach a total of $3.5 billion. While probably 70 percent emanates from the USA — Germany, the UK, Japan, France and others have also undertaken substantial investments in Mexico. Canada's share of this capital movement has been particularly significant during the past two years, when our total commitments approximated $100 million ($80 million in mining ventures; $20 million in hotels).

Foreigners are now more closely subjected to established Mexican rules (i.e. Foreign Investment Law, which requires maximum 40 percent foreign ownership); Technology Transfer Bill; Mining Law; new Patent and Trademarks Law. But Mexico still offers attractive opportunities to would-be investors. A joint venture or other form of participation now frequently becomes a mandatory consideration if one seeks to establish a longer term share of the market. It is a means of safeguarding one's position when the doors threaten to close on imports in keeping with the active "Mexico the Best Investment" (import substitution) programs. Full protection and attractive profit potential are normally afforded an investor under these circumstances.

Joint ventures in Mexico can be arranged with a private partner, a government partner or a combination of the two. Attention is being given to diversification of location of new industry beyond the established centres of Mexico City, Monterrey, Guadalajara, Peubla, etc. Full support and information are available from the Mexican government (see *Canada Commerce* issue of September 1973 for further information).

The Mexican Government constitutes an important customer in virtually all of our major sectors of interest. Thus, we are most susceptible to budgetary movements which give rise to some of the major projects of interest to Canada.

In addition to the individual Ministries outlined in Table "C", we must also bear in mind the 50 decentralized government agencies which this year received $11 billion dollars from the government budget. These agencies consist of companies with as diverse operations as PEMEX (the national oil monopoly and largest

corporation in Mexico); the CFE (power authority — a major Canadian customer — and second largest corporation); the National Railways (an important outlet for Canada); Aero Mexico (national airline, which utilizes Canadian equipment); DINA (manufacturers of rail cars, subway cars, automobiles); Altos Hornos de Mexico and SICARTSA (steel, also with Canadian equipment); the National Mining Commission (joint shareholders — including Canadian interests — in mining ventures); CONASUPO (basic foodstuffs distributor and major importer from Canada), etc. It should be noted that the Mexican government is actively involved in business. Indeed, the public sector accounts for 40 percent of total investment — so that it is often in "harmonious" competition with the private sector.

Canadian Position

Mexico is a broadbased nation of opportunity. Although protectionist and anxious to develop its own physical and human resources, it affords monumental scope for Canadian interests. Let us briefly examine some of the major sectors of opportunity.

The POWER sector perhaps affords the single best opportunity, not only in terms of Mexico's mammoth overall requirements, which call for 72,000 MW by 1985 (vs 11,000 MW in 1976), but also by reason of Canada's unique expertise and equipment manufacturing capabilities. Thus, our past success in supplying boilers, generators, turbines, switchgear, etc., can be augmented in satisfying future needs, particularly for coal fed (additional 8,000 MW by 1990) and nuclear plants. The latter offer particularly formidable prospects for Canada: Mexico estimates she will require 15,000 MW of nuclear power by 1995, enough to accommodate more than seven Pickering-sized plants. Canada's expertise with CANDU, which would allow Mexico to utilize its own uranium resources, and our success with reactors in Canada, places us in a particularly promising position in this multi-billion dollar sector.

In keeping with local policies, particularly in ventures of this magnitude, part of the equipment would have to be manufactured in Mexico. This would call for joint venture or licensing arrangements.

MINING constitutes our single largest area of investment in Mexico. Approximately $76 million has been committed within the past two years. It is also an increasingly important outlet for equipment and technology (see accompanying article).

Mexico is ripe for the opening of new mining frontiers — the latest probably being the arid Baja California peninsula. This opens doors, not only for exploration, equipment and joint investment (with or without a government partner), but also in terms of related infrastructure, support projects (i.e. ports) and the expertise applicable to special situations.

AIRCRAFT. The needs of Mexico's airlines for an extended feeder line service which could absorb 15 or more Canadian STOL aircraft offer us an enhanced role in meeting transport needs. Other possible requirements call for search and rescue and firefighting aircraft — in which Canada has a highly developed expertise.

The MEXICAN RAILWAYS are established users of Canadian equipment, which now constitutes one of our most important exports to Mexico (i.e. rails, locomotives, gondolas, tank cars, ties and, most recently, passenger cars). An order with a Canadian company for over 200 passenger cars is scheduled to lead towards the partial manufacture of this type of equipment in Mexico. This is the pattern which could conceivably be undertaken in other sectors.

AGRICULTURE. One of the President's favourite projects involves the improvement of Mexican cattle (as well as in applying financial resources as appropriate). Canada has responded by supplying both dairy and beef animals and in looking for methods of becoming more directly involved in this development process (i.e. adaptation of more productive Canadian breeds to tropical conditions). Other possibilities include the supply of powdered milk, rapeseed and wheat to the government food import and distribution agency — CONASUPO.

OTHER SECTORS. Reference has been made to only a few of the trading opportunities which exist for Canada. These are dealt with in detail in accompanying articles. Other areas of note include local steel mill projects, i.e. SICARTSA (which is already installing $10 million of Canadian continuous casting equipment); auto parts (one of our largest exports and significantly on a two-way trade basis); communications equipment; a hospital development complex in Guadalajara; port development; forestry development work; pollution control equipment; low cost wooden housing technology; specialized engineering services. All these constitute areas of opportunity which, even when temporarily dormant, could open up for Canadian interests in future.

Whereas it is not economically feasible, or desirable, for Mexico to substitute local manufacture for *all* imports — as evidenced by a growing trade imbalance in response to the country's pressing needs — we must be continually conscious of a strong inclination towards industrial development and the need to be flexible in order to respond to changing local circumstances. Thus, we must be prepared to seriously consider a local joint venture, technology transfer or other arrangements, as might be warranted in order to realize the optimum potential of this market.

Mexico is not only Canada's largest diversified market in Latin America, but one which continues to afford us with our most promising trade and investment opportunities.

TABLE "A"

MAJOR CANADA-MEXICO ACTIVITIES (1973-1976) (with economic implications)

Canada-Mexico Bilateral Businessmen's Committee Mexico (1973) — Toronto (1974) — Guadalajara (1975) — Canada (1976)

Official visit of President and Mrs. Echeverria to Canada (1973)

Major Canadian Trade Development Mission to Mexico (January 1974). Led by the Hon. A. Gillespie (Minister of IT&C)

Exchange of Young Technicians Program (1973) — 40 Canadian and 45 Mexican participants to date.

Canada-Mexico Ministerial Committee Meeting — Mexico (February 1974)

Canadian Parliamentary Delegation to Mexico (January 1975)

Mexican Parliamentary Delegation to Canada (February 1976)

TRADE FAIRS

Pollution Show — Mexico City (January 15-19, 1973)

National Livestock Show — Mexico City (January 1973)

Educational (Didactica) — Mexico City (October 10-21, 1973)

Livestock Show — Guadalajara (October 20-27, 1974)

Medical Show — Mexico City (October 28-November 8, 1974)

National Livestock Show — Mexico City (November 16-Dec 1, 1974)

Guadalajara Livestock Show — (October, 1975).

Missions and Official Visits

Ontario Government Trade Opportunity Mission and opening of office (March - 1973).

Canadian Importers Association Mission (May - 1973).

Quebec Mission to Latin America (November - 1973).

Alberta Livestock Mission (March - 1974).

Ontario Mission 275 (September - 1974).

Electric Power Mission (May - 1974).

Canadian Wheat Board Mission to Latin America (January - 1975)

New Brunswick Trade Mission to Latin America (January - 1975).

Mission to inspect quality control of fruits and vegetables (February - 1975).

Visit of Minister of Agriculture (February - 1975).

New Brunswick Mission (April - 1975).

British Columbia Mission (January - 1976).

Nova Scotia Trade Mission (December - 1975).

Canadian Wheat Board Mission (January - 1976).

Vancouver Board of Trade Mission to Mexico and Latin America (May - 1975).

Rapeseed Association of Canada Annual Meeting (February - 1975).

Western Canada Trade Mission to Mexico and Latin America (March - 1975).

BANFF School of Advanced Management — 1975 and Trade Mission to Mexico (March - 1975).

Western Provinces Mission to Latin America (January - 1976).

Improving the strain of Mexican livestock is a special interest of President Echeverria, seen here with R. Douglas Sirrs, Canada's Commercial Counsellor in Mexico City. Like many Canadians, the Hereford bull has a family tree with roots in English meadows.

Comparative Chart Canada – Mexico Trade 1964-1974
(In millions of Canadian Dollars)
(Source: Canada Statistics)

Table B

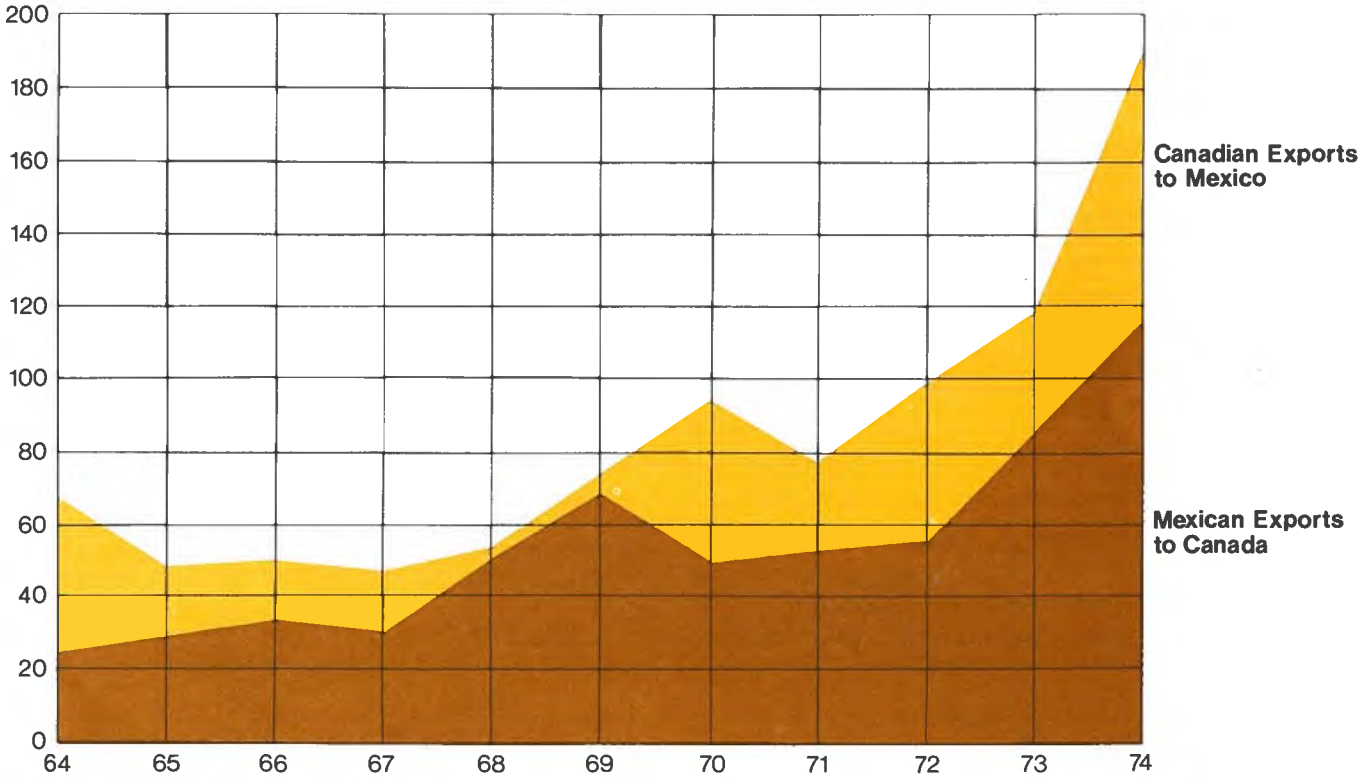


TABLE "B"
LEADING MEXICAN EXPORTS TO CANADA — 1974
(In $000 of Canadian Dollars)

Baler Twine	9,939
Tomatoes, Fresh	8,286
Green Coffee	8,144
Fluorspar	6,856
Strawberries, Frozen	5,227
Pants, Mens & Boys, Cotton	5,171
Raw Cotton	3,987
Denims, Cotton	3,893
Calculating Machines & Parts	3,275
Automotive Pts. and Access.	2,806
Silver	2,271
Motor Vehicle engines	2,215
Orange Juice Concentrates Fzn.	2,107
Lead Oxide-Red Lead Mineral	1,888
Tuners	1,852

TABLE "B"
LEADING CANADIAN EXPORTS TO MEXICO — 1974
(In $000 of Canadian Dollars)

Milk Powder	24,988
Automotive Parts & Access.	24,672
Newsprint	23,220
Rapeseed	12,540
Railway, Street Rolling Stock & Pts	9,852
Woodpulp (all)	9,154
Red Spring Wheat	8,455
Asbestos Milled Fibres Nos. 4 & 5	8,049
Railway Rails	4,799
Sheet and Strip Steel	4,718
Crude Bituminous substances	3,042
Card Punch sort. tab Computer pts.	2,721
Pulp & Paper Industry Machinery	2,377
Motor Vehicle Engines & Parts	1,944
Gas Turbines & Parts	1,892

CANADIAN EXPORTS TO MEXICO

Main items	1973	1974	1975
newsprint paper	10,395	23,220	34,143
parts & access. for motor vehicles	26,817	24,673	28,693
railway street roll stock & pts.	2,326	9,852	21,739
railway rails	5,320	4,799	13,826
asbestos milled fibres	7,735	9,593	12,121
milk powder, skim milk	12,692	24,988	11,326
gasoline	—	—	10,289
combine reapers, threshers	1,101	1,777	8,265
power bailers, equipment & pts.	1,228	1,021	7,155
sheet & strip steel, n.e.s.	2,657	4,718	4,744
locomotives & tenders, engines	330	25	4,112
foundry equipment & parts	—	24	3,918
Subtotal	**$70,601**	**$104,690**	**$160,331**
Total, all items	$118.6	$187.1	$218.6

CANADIAN IMPORTS FROM MEXICO

Main items			
green coffee	7,815	8,145	7,415
fluorspar	5,365	6,856	6,814
tomatoes, fresh	9,245	8,286	6,714
cotton, raw	4,253	3,987	5,618
pants, slacks, women's & girls, cotton	12	193	4,949
pts. & access. for motor vehicles	2,344	2,807	4,289
strawberries, frozen	4,506	5,227	3,890
shrimps or prawns, fresh or frozen	2,314	1,193	3,321
denims, cotton	1,491	3,893	3,179
pants, mens & boys, cotton	1,515	5,171	2,813
motor vehicle engines, n.e.s.	478	2,215	2,048
Subtotal	**$39,338**	**$47,973**	**$51,050**
Total, all items	$83,300	$114,100	$95,297

TABLE "C"

PRINCIPAL FEDERAL EXPENDITURES FOR 1974 AND BUDGET ESTIMATE EXPENDITURES FOR 1975 — US$ MILLION

MINISTRY (FEDERAL SECTOR)	EXPENDITURES 1974	BUDGET 1975	INCREASE PERCENT
Finance	296.4	328.2	10.7
Defence	269.2	337.5	25.3
Agriculture and Livestock	176.4	265.8	50.6
Communications and Transport	280.5	351.2	25.2
Public Education	1,675.5	2,321.9	38.6

MINISTRY (FEDERAL SECTOR)	EXPENDITURES 1974	BUDGET 1975	INCREASE PERCENT
Health and Welfare	310.7	380.9	22.6
Navy	161.9	228.0	40.9
Hydraulic Resources	680.9	884.7	29.9
Public Works	486.3	519.9	6.9
Agrarian Reform and Colonization	58.8	73.1	24.2
Tourism	17.9	19.5	8.9
TOTAL:	**19,093.1**	**23,873.6**	**25.0**

Agriculture

F. ARGUELLES, Commercial Officer, Mexico City

There has been considerable variation and improvement in Mexican farm production, due in part to world market conditions, but even more to shifts in the emphasis the Government has placed on agriculture development, including the program for guaranteed prices for wheat, corn, beans, safflower, sesame and sorghum.

Of the 16.5 million hectares under cultivation in 1975, fertilizer applications were realized in no more than six million. Of the total value of agricultural production, approximately 45 percent was from irrigated land.

Traditionally, agriculture has been one of the most important but neglected economic sectors, even though farming represents no more than six percent of the Gross National Product. Of Mexico's economically active population, 50 percent is employed on either a full or part-time basis in agriculture. In recent years, development of agriculture has been quite moderate and rather irregular. The Government, nevertheless, has intensified its program for farm expansion in an effort to overcome problems like inadequate credits, minimal utilization of mechanized equipment and fertilizers, poor irrigation facilities, lack of communications and transportation, and low crop yields.

National Agricultural Program

Recently, the new National Agricultural and Livestock Program was put into effect. First, the Government will channel greater resources to agriculture through public investment, as well as bank credits. It intends to adjust prices in accordance with variations in other commodities. Coming under review is the marketing structure for all basic commodities, eliminating intermediaries and generating greater economic benefits for producers. Transport services from producing to consumer centres will also benefit.

Faced with a growing demand for basic commodities, the initial goal of the Agricultural Program is to increase the production of corn, beans, wheat, sesame, soybeans, cottonseed and sorghum.

National Livestock Program

The 1975-80 National Livestock Program is concerned with the integration of the cattle industry through the recuperation and management of pasture lands, the construction of water reservoirs, promoting the usage of dehydrated and industrialized forage grasses, the introduction of those varieties of grasses adaptable to tropical climates and evaluation of the nutritional qualities of agricultural by-products.

For genetic improvement of Mexican herds, the Government proposes to produce 952,000 vials of semen during 1976. They will be distributed through 74 banks. It will also develop, evaluate and establish those breeds of cattle which can serve as double purpose animals, adaptable to tropical areas for the production of milk. Similar programs will be conducted for the improvement of sheep, poultry, swine and goats.

Fertilizers

Production and demand remain very strong, although capacity problems forced Mexico to substantially increase its imports of fertilizer and fertilizer components. There has also been a growing demand for plaguicides and related agricultural chemicals.

Agricultural Sector Coordinating Commission

The National Agricultural Sector Coordinating Commission is responsible for programs and guidelines for the coordination and operation of state commissions. It is concerned also with forestry investment and studies the requirements for and resources of local agricultural activities.

Mining is Big Business

ROBERT B. NOBLE, Assistant Commercial Secretary, Mexico City

Mining has played a fundamental role in the development of the Mexican economy since before Colonial times. Even so, the variety and abundance of mineral deposits is such that, after 450 years of continuous exploitation, the mineral potential is still relatively untapped.

The evolution of Mexican mining production occurred in three fairly well defined stages. The first, stretching from before the arrival of the Spanish to the end of the nineteenth century, comprised primarily of precious metals. The second stage lasted from the end of the 19th century to the 1940s. While continuing to produce gold and silver, increasing attention was paid to base metals, such as lead, zinc, iron, copper, tin, manganese, cadmium and bismuth. During the third stage, from 1940 onwards, mining production has been diversified and enriched by the addition of a wide variety of non-metallic minerals, among which sulphur, fluorite and barite have been of outstanding importance.

Today, mining accounts for over 17.5 percent of Mexico's exports and employs approximately 135,000 people. In 1974, production totalled approximately $850 million. The 1975-76 investment in mining is estimated at $900 million, with some $300 million going to equipment purchases. Major exports are fluorite, sulphur, mercury, silver, zinc and barite.

The mining investment picture has sometimes appeared cloudy and unattractive. Today, however, investors in mining exploration and exploitation are finding that Mexico meets the two basic requirements for success — extensive potential ore bodies and political stability.

The "Rules of the Game" are designed to ensure a strong national participation in mining ventures, but they do not preclude a winner from keeping a fair proportion of the profits of his discovery. While recently introduced legislation (See Appendix 1) does materially affect mining, most investors see it as a tightening up of the mathematics of investment, an incentive to work concessions (not allowing them to lie dormant) and, perhaps most importantly of all, allowing for greater Government participation.

There are several government organizations directly involved on the mining scene:

The Secretaria del Patrimonio Nacional (Ministry of National Patrimony) is responsible primarily for the effective use of natural resource and subsoil rights. It reviews all applications for exploitation of a given area. It also decides the level of subsidy on either the production tax or export tax, or both, and may go as high as 100 per cent, depending on the degree of Mexican involvement. These are subsidies which are applied primarily to small or medium-size companies.

The Consejo Nacional de Recursos Naturales No-Renovables (National Council for Natural Non-Renewable Resources) does exploration work and is establishing an inventory of Mexico's mineral resources. It also offers services to small and medium-size mining companies at nominal cost. A prime objective is to discover new mineral deposits which can substitute imports. Chrome, nickel, tin, potassium, bauxite, strontium, tungsten, cadmium are on this list. It should be noted that this entity has already discovered important copper deposits in Sonora; iron ore in Michoacan; and coal in Coahuila.

The Comision de Fomento Minero (Commission for Mining Development) plays one of the most important parts in mining development. It acquires a direct interest in mining concerns and extends financing and technical assistance to smaller operations. It is participating in 15 operations throughout Mexico. Foreign interests in companies in which it is active are limited to 34 per cent.

Canadians are involved in over 20 mining ventures in Mexico. 1975 brought $77 million in new Canadian investment. In the centuries-old mining town of Guanajuato, Lacana Mining Corporation's parti-

Copper ranks third among the non-ferrous metals mined in Mexico. New Canadian investments in Mexican mining topped $77 million in 1975. The industry accounts for 17.5 percent of Mexico's exports.

The Noranda subsidiary — Canadian Wire and Cable Company — plant, Monterrey.

The Noranda fluorspar mine, Las Cuevas.

cipation in the Las Torres silver mine is an excellent example of Canadian involvement. The annual output is expected to exceed 8,000,000 oz. of silver and 60,000 oz. of gold. The Canadian contractor, Patrick Harrison and Co., sank the shaft. Wright Engineers of Vancouver did the feasibility study and Canadian banks provided financing.

Noranda Mines has been prominent in the Mexican mining picture for some years, through its operation of Minera Las Cuevas, an important fluorspar producer, and is actively engaged in exploration.

Home Oil and Scurry-Rainbow Oil have a silver-lead-antimony-zinc property in Zacatecas State, which is now producing 180 tons per day.

Two other companies, Placer Development (Explomin, S.A.) and Lytton Minerals (La Verde), have mine projects still in the study stage, but which look favourable. Major companies with active exploration programs include both Inco and Cominco (See Appendix for others). Geoterrex is currently completing a geophysical survey program for the Government oil company, PEMEX. A point to remember is that technical services for exploration work by foreign-based companies are normally subject to a 42 percent tax on gross billings in Mexico.

As far as Canadian mining equipment sales to Mexico are concerned, the surface has barely been scratched. Although much equipment is produced locally, there are many large scale and specialized items that must be purchased abroad. Recently, Dominion Engineering received an order for a $10 million grinding mill. Other opportunities lie in mine hoists, off-road vehicles, specialized geophysical equipment, locomotives and gondola cars.

Mining in Mexico offers broadly based opportunities for Canadian companies, and our office is able to provide detailed and comprehensive information.

APPENDIX I
NEW MINING LEGISLATION

The important points in this legislation (the Reglamentary Law of the 27th Article of the Mexican Constitution on Mining) which will have major implications for Canadian investment in mining in Mexico are the following:

1.- The granting of all concessions, be they exploration, exploitation or beneficiation must be approved by the Secretaria del Patrimonio Nacional (Ministry of National Patrimony).

2.- Concessions can only be obtained by Mexican individuals or Mexican commercial companies. The latter are defined as having 51 percent of the capital held by Mexican citizens or are 100 percent Mexican owned. In certain circumstances, where ore-bodies designated as National Reserves are involved, Mexican ownership must be 66 percent.

3.- A majority of board members must be Mexican citizens, as well as all senior operating officers.

4.- Exploration concessions are granted for a maximum period of three years, and must be no larger than 50,000 hectares in total.

5.- Exploitation concessions are granted for a maximum period of 25 years and are to be no larger than 500 hectares individually, and no larger than 5,000 hectares in total. Exploitation concessions can only be renewed if:

(a) Mexican equity participation is increased to 60 percent,
(b) The Mexican Government becomes a minority owner in the company owning the concession,
(c) In the case of companies exploiting National Reserves, foreign participation must be reduced to 25 percent.

6.- Beneficiation concessions are granted in perpetuity, but only to 51 percent Mexican owned companies.

7. Concessionaires are required to make monthly reports to the Secretaria de Patrimonio Nacional (S.N.P.) on all aspects of operations of their concessions, i.e. financial (includes profitability), production, beneficiation, destination and geological status of reserves.

8.- The S.N.P. reserves the right to set program targets (completion dates, quantities of ore extracted) for exploration and exploitation concessions.

9.- If a concession is not properly exploited in the opinion of the S.N.P., or concessionaires do not pay their taxes, the concession can be cancelled.

10.- Sulphur, phosphates and potash can only be exploited by:

(a) 100 percent Mexican owned company,
(b) A Mexican Government Mining Corporation, or
(c) Joint ventures, including entities described in (a) and (b).

11.- Iron and coal can only be exploited by:

(a) 100 percent Mexican owned company, or
(b) A joint venture of a 100 percent Mexican owned company and a Mexican Government mining company.

APPENDIX II
PRINCIPAL CANADIAN COMPANIES ACTIVE IN MEXICO

Company	Commodity	State
Auric Resources	General	-0-
Auino Mines and Resources	Copper/Silver	Durango
Campbell Chibougamau Mines	Copper/Tungsten/Silver	Sonora

Company	Commodity	State
Cominco	Copper	Sonora
Copper Ridge Mines	Silver	Sonora
Falconbridge Nickel Mines	Copper	Sonora
Home Oil/Scurry Rainbow Oil	Silver/Lead/Zinc	Zacatecas
Hudson Bay Mining	Copper	Michoacan
Inco	General	-0-
Lacana Mining Corporation	Silver/Lead/Zinc	Coahuila/Guanajuat Sonora
MacLan Exploration Ltd.	Gold/Silver	Oaxaca
Mexxon Mines	Silver/Lead/Zinc	Durango
Mija Mines Ltd.	Copper	Sonora
Noranda Mines	Fluorspar	San Luis Potosi
Placer Development	Silver/Lead/Zinc	Zacatecas
Ramid Resources	Copper	Sonora
St. Lucie Exploration Co.	Copper	Guerrero
San Judas Molybdenum Corp. Ltd.	Molybdenum	Sonora
Sheridan Geophysics	Gold/Silver	Oaxaca

APPENDIX III
MEXICAN MINING PRODUCTION
(Thousands of metric tons).

Precious Metals	1973	1974
Gold (Kilos)	4,123	4,010
Silver (Kilos)	1,206	1,222
Non-Ferrous Metals		
Zinc	271.4	268.5
Lead	179.3	233.5
Copper	80.5	90.2
Antimony	2.4	2.7
Mercury	197	200
Tin	292	396
Cadmium	1,477	1,535
Steel Making Metals & Minerals		
Coal	3,334.0	3,405.0
Iron Ore	3,113.2	3,473.0
Manganese	131.0	129.7
Non-Metallic Minerals		
Sulphur	1,608.2	2,321.3
Barite	255.3	292.7
Graphite	65.4	64.9
Fluorspar	1,085.8	1,091.2

Automotive Industry on the Move

J.A. PAHNKE, Commercial Officer, Mexico City

The automotive industry in Mexico ranks third among those industries which are vital to the economy (the leaders being petroleum and steel).

Up to half a century ago, Mexico's total vehicle requirements were foreign built, imported from the United States and, to a lesser degree, Europe.

The first assembly plant was established by Ford Motor Company in 1925. General Motors, Chrysler and others followed between 1935 and 1938. Currently, there are fourteen manufacturers of automobiles, trucks, highway tractors and buses. Of these, three are state controlled, five are majority foreign-owned, one has a majority of shares held in trust available to Mexican investors, and five have a majority of private Mexican capital.

Integration of an Industry

An Automotive Integration Program was promulgated in 1962 and went into effect three years later. It was designed to encourage development of the industry and to increase job opportunities for a growing labour force. It called for a minimum of 60 per cent Mexican content in the direct manufacturing costs of a vehicle. This legislation also introduced a production quota system and regulated the selling prices of motor vehicles in the domestic market.

Later amendments stipulated that basic production quotas be compensated by the exportation of automotive components manufactured in Mexico, to reach 100 per cent by 1979. Of this total export figure, 40 percent by value must be accounted for by companies having a minimum of 60 percent Mexican capital.

The incentives under these regulations allow for additional production quota when local content surpasses the required 60 percent minimum, and a return of indirect taxes on exported products.

Whereas 24.3 percent of all domestic vehicle requirements in 1965 was supplied from abroad, imported mainly to the border zones and free ports, the figure dropped to only 14.4 percent by 1973. The Automotive Integration Program initiated a gradual departure from the importation of vehicles assembled abroad and resulted in considerable savings in foreign exchange. It also promoted the incorporation of more Mexican parts and components in locally fabricated units, and provided employment for increasing numbers of Mexicans.

The Industry Today

The automotive industry is now one of the leading manufacturing sectors generating employment, income and important earnings in foreign exchange through the exportation of vehicles and components.

Many countries were plagued with marked reductions in automobile production and sales during 1974, but the Mexican industry recorded another excellent growth year, notwithstanding internal labor disputes, material shortages and other related problems.

Total vehicle production in 1974 reached 350,755 units, as compared to 285,568 in 1973 and 103,584 in 1965. Meanwhile, new automobile sales increased by 31.4 percent (8.9 percent the previous year) and truck and passenger buses rose 17.0 percent (20.1 percent in 1973).

Production and sales figures for the Mexican automotive industry are summarized overleaf:

Vehicle Production (units)	1965	1973	1974
Passenger cars	70,242	200,147	248,574
Trucks, 13,500 kgs. GVW maximum	32,266	82,491	98,378
Highway tractors	505	1,716	2,440
Integral buses	571	1,241	1,363
	103,584	**285,568**	**350,755**

Domestic Sales (units)	1965	1973	1974
Passenger cars	66,902	178,191	234,223
Trucks, 13,500 Kgs. GVW maximum	29,456	80,883	94,084
Highway tractors	548	1,726	2,523
Integral buses	489	1,245	1,348
	97,395	**262,045**	**332,178**

Source: Asociación Mexicana de la Industria Automotriz, A. C.

The value of production rose impressively between 1965-1973. Automobiles and trucks grew from $320 million to $1.14 billion; for buses and highway tractors from $56 million in 1969 (there is no earlier data available) to $112 million; and for auto parts and components from $104 million to $608 million. The combined value of $1.86 billion in a little over eight years may be considered a remarkable achievement.

Occupation and Income

The number of persons employed in the vehicle manufacturing sector grew 97.4 percent in eight years, from 20,299 in 1965 to 40,069 in 1973. During this period salaries, wages and fringe benefits increased 294 percent, reaching $216 million, while the average worker's annual income rose by more than 100 percent, from $2,580.96 to $5,463.68.

Job openings also multiplied in the auto parts and components industries, from 15,800 to 45,000 in the same time period. Vehicle dealerships doubled from 23,500 to 47,000. Jointly, the terminal industry, parts and components manufacturers, and vehicle dealers provided occupations for some 132,000 by 1973, while like numbers were engaged in other indirectly related activities, such as the primary and basic industries, services, etc.

Investment and Expansion

At the end of 1973, investment in Mexico's automotive industry totalled approximately $1.51 billion, distributed as follows: $840 million in the terminal industry, including cars and trucks; $152 million in highway tractors and buses; and an estimated $520 million in the auto parts and components sector.

It is generally accepted that capital investment in the industry is distributed as follows:

CHRYSLER DE MEXICO, S. A. (U.S.A.)
100 percent foreign capital

DIESEL NACIONAL, S. A.
totally controlled by Mexican Government

FABRICAS AUTOCAR MEXICANA, S. A.
majority private Mexican capital

FORD MOTOR COMPANY, S. A. (U.S.A.)
completely foreign owned

GENERAL MOTORS DE MEXICO, S. A., DE C. V. (U.S.A.)
100 percent foreign

INTERNATIONAL HARVESTER DE MEXICO, S. A.
majority of shares held in trust which may be acquired by Mexican investors

KENWORTH MEXICANA, S.A., DE C. V.
majority private Mexican capital

MEXICANA DE AUTOBUSES, S. A., DE C. V.
totally owned by Mexican Government

NISSAN MEXICANA, S. A., DE C. V.
completely owned by Japanese interests

TRAILERS DE MONTERREY, S. A.
100 percent Mexican investment

VEHICULOS AUTOMOTORES MEXICANOS, S. A., DE C. V.
60 percent Mexican Government and 40 percent foreign (U.S.A.)

VICTOR PATRON, S. A.
all private Mexican capital

TRAILERS DE NORTE, S. A.
all private Mexican capital

Notwithstanding current operating and cost problems, confidence in the future is reflected in the plans for capacity expansion by a number of firms.

Volkswagen de México invested $64 million to step up production at its Puebla facility, from 600 to 800 units a day by the end of 1975. The company enjoyed 37.6 percent of new car sales in the domestic market in 1974 and about 40 percent of total production was exported.

Diesel Nacional, S. A., with an investment of $18.4 million, is aiming at 40,000 units by 1977, from a present output of around 16,000 units. At the same time, production of one and three-ton pick-up trucks is going ahead in conjunction with Vehiculos Automotores Mexicanos.

Over a period of several years Ford Motor Company will invest $150 million to meet the demand in export markets, including the United States.

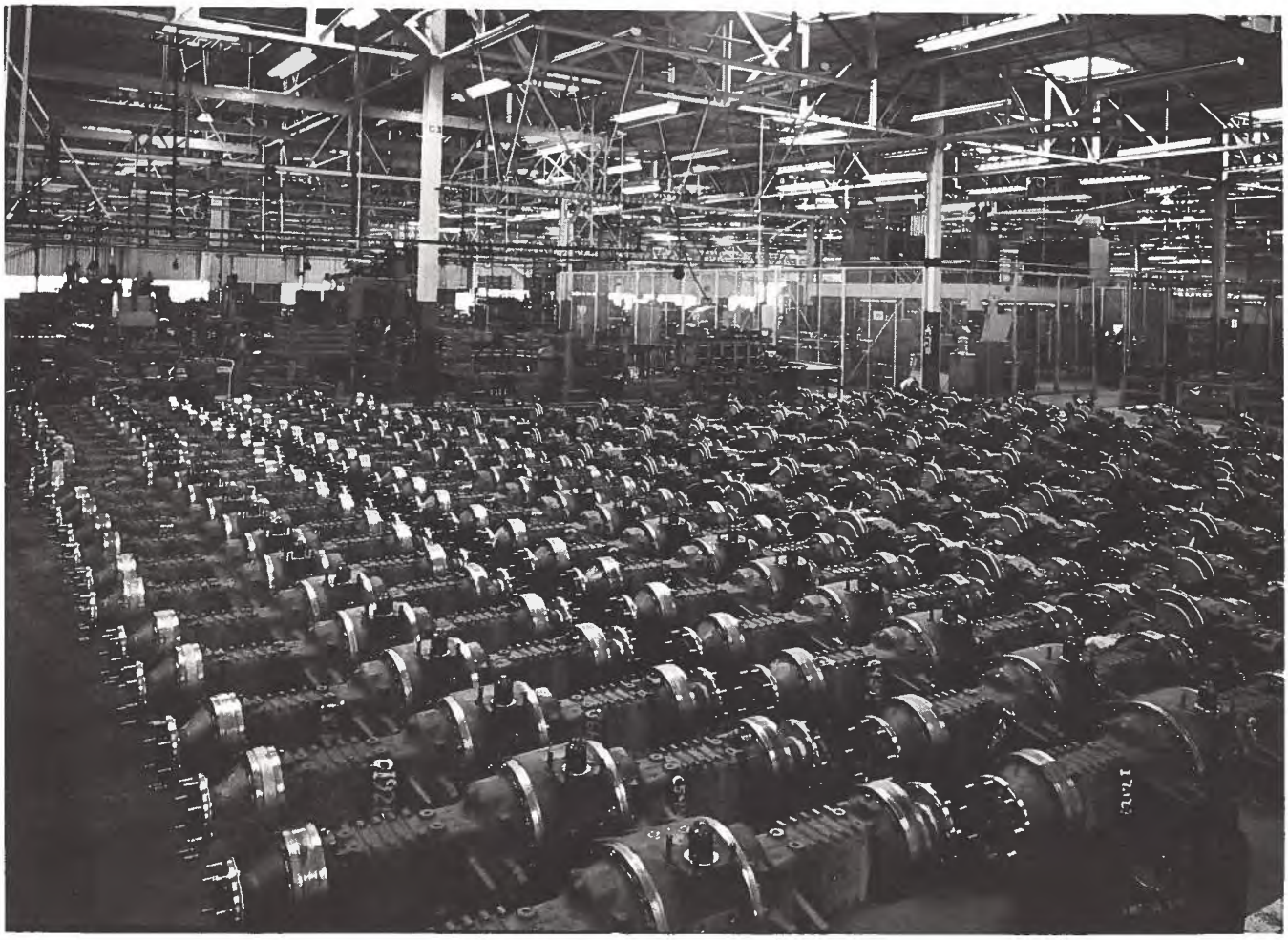
Foreign Trade

It is common knowledge that Mexico has access to technology and administrative know-how supplied by some of the world's leading vehicle manufacturers. Over the years, this transfer of technology has also included the training and development of thousands of qualified workers, specialists and technicians. Today, Mexico is competing effectively in world markets with high quality vehicles and components.

The value of Mexico's automotive exports, comprising finished vehicles, parts and components, reached $184 million in 1974. Sales of components are made up mainly of automobile engines, transmissions and spares, chassis and parts, body parts, springs, and windshield glass.

Export markets for finished vehicles included the United States and Central America, with minimal shipments to Western Europe, Japan and South America.

By Massey-Ferguson standards - 87 plants in 30 countries - the Queretaro factory has a modest 800 payroll. Mexican sales totalled $35 million in 1975 (as against $2.5 billion for the group). Ten years ago, Massey-Ferguson products earned $10 million in Mexico.



The Electrical Manufacturing Industry

G.E. BELANGER, Commercial Officer, Mexico City

The electrical manufacturing industry is one of the fastest growing and most diversified industries in Mexico. It has 500 companies and 80,000 employees, and by the year 2000 the work force total is expected to reach 575,000.

In selected product lines, such as transformers and motors, rates of growth have exceeded 50 percent in each five-year period since 1960. Further expansion in the area of sophisticated products will present difficulties for Mexican manufacturing, but the process of import substitution will continue. From 1968, Mexican exports of electrical goods rose from some $30 million to over $120 million in 1971, and to $250 million in 1974.

A wide range of household electrical products are manufactured in Mexico to meet the ever increasing internal market demand; and negotiations continue for boosting sales to members of the Latin American Free Trade Association (LAFTA).

Steadily growing production reduced costs and prices, especially in household appliances, by some 7 percent during the 1962-1972 period. More recently, international inflationary pressures increased prices; but the overall purchasing power of the consumer has improved and, with extended credit, advertising and more effective distribution, sales of electrical and electronic products continue to improve. Table 1 gives a comparative breakdown of production figures:

Monterrey, in the State of Nuevo Leon, the prime centre of the Mexican lighting products industry.

Industrial Products

The Government's electrification expansion program and the growing demands of private industry constitute a challenge to local producers of equipment which is primarily for the distribution, transmission and utilization of electrical energy.

Power generation equipment in the main is imported into Mexico from Canada, the USA, Japan and Europe. In many instances, Mexico purchases through international (World Bank) competition. While domestic manufacturing costs remain somewhat high, local firms have successfully bid to supply the Mexican Federal Electricity Commission with domestically produced transformers, switchgear and circuit breakers.

Seventeen companies are currently producing transformers, while 22 manufacturers are responsible for integral fractional and sub-fractional motors. The Mexican government continues to be the largest customer for these products, through such major state-owned corporations as the Mexican Federal Electricity Commission (CFE) and the recently integrated Central Light and Power Company, Petroleos Mexicanos (PEMEX), and the National railways.

TABLE I — PRODUCTION STATISTICS (In thousands of units)

Product	1960	1972	1973	1974
TV sets	95	436	519	548
Radios	530	1,028	1,109	1,210
Stoves	137	635	637	565
Refrigerators	45	282	339	376
Washing machines	46	217	248	289
Sewing machines	n/a	210	194	197
Vacuum cleaners	n/a	45	41	38
Hand irons	668	1,066	1,376	1,439
Blenders	125	429	492	590
Hot water heaters	50	105	123	138

n/a = not available

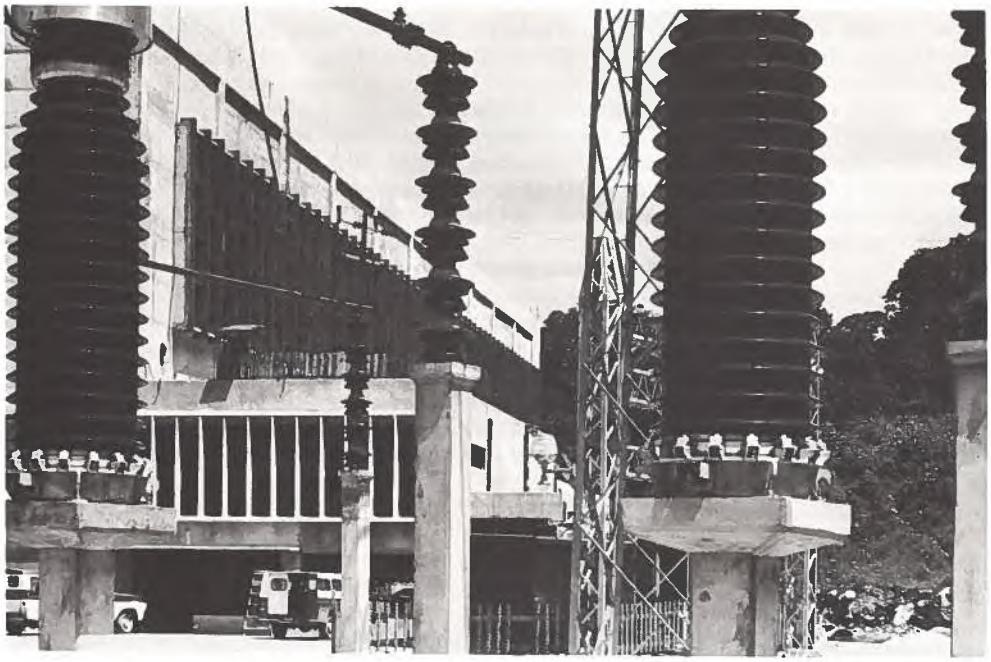
Lighting Products

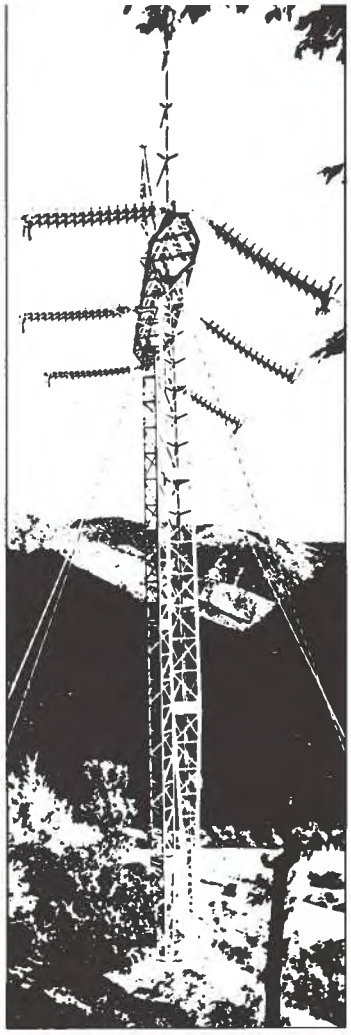
Mexico has 26 manufacturers of light bulbs and illumination products. There are over 900 different types of lamps, including incandescent, flourescent and mercury-vapor. One of the newer lines is the high intensity discharge lamp employed in industrial, street and area lighting. Since 1965, Mexico has enjoyed a growing export trade in automotive lamps, as well as decorative and household varieties. Industry has the advantage of an abundant supply of natural gas. The proximity of this resource has made

Household Appliances

Manufacturers of household appliances, located throughout the country, produce everything from small appliances — blenders, toasters and hand irons — to major appliances such as refrigerators, washing machines and stoves. Overall production of appliances has increased an average of 9 percent per year over the past five years. Of the more rapidly expanding lines, mention should be made of refrigerators — 15.8 percent per year; 17.7 percent for washing machines and 19.2 percent for vacuum

Power station construction increases the industrial work force, puts more spending money in circulation, steps up the sales of consumer electrical appliances and creates a demand for still more electrical power. Despite a five-fold increase in Mexico's generating capacity during the period 1950-70 — to 7.5 million kilowatts—this year's requirements will exceed 12 million kilowatts.





cleaners. During the past decade, the production of washing machines has tripled, reaching over 220,000 units in 1974.

At present, only 35 percent of all Mexican homes with electricity have washing machines. Future sales will outstrip refrigerator sales, according to sources within the industry. Under the influence of government policy, including the closing of the border to imports, the use of domestically produced appliance materials is extremely high — 96 percent in washing machines; 90 percent in blenders and 95 percent in hand irons. The success of this policy has fostered a host of companies producing materials, parts and tools for appliance manufacturers.

Consumer Electronic Products

This sector has averaged an annual growth rate of 12 percent, with the exception of the economic slowdown in 1971, when it dropped to 6 percent. Mexico produces black and white and colour TV sets, radios and stereo units. Electronic products, like household appliances, have excellent distribution networks in Mexico. Current forecasts for consumer electronic products predict annual growth rates for black and white TV sets at 7 percent; colour TV units, 17 percent; stereo consoles, 6 percent; and portable stereos, 25 percent.

Frequency-modulated radio communication equipment is a rapidly growing market, where additional broadcast frequencies have been made available for fixed, mobile and private service. Studies are under way to determine the economic feasibility of using Mexican-made parts in the "in-bond" assembly plants that manufacture electronic products in the northern Mexican border zone.

Electrical Energy

The rapid expansion of electrical power generation in Mexico has been a key element in the growth of the electrical products industry. From 1950 to 1970, installed capacity rose five-fold, to some 7.5 million kilowatts. Plans call for bringing installed capacity up to 12.8 million kilowatts by 1976. A decision was made in 1971 to build a nuclear powered plant — initial generating capacity, 660,000 KW — at Laguna Verde in the State of Veracruz, at a cost of $160 million. It is expected to be in operation by 1977. Several additional nuclear power projects are being considered, with the involvement of Canadian technology and equipment.

A more complete report on electrical energy in Mexico, covering projections up to 1980, may be obtained directly from the Commercial Division, Canadian Embassy, Apartado 5364, Mexico 5, D.F.

During the next decade the Mexican electrical industry faces a number of challenges. It must meet the growing and diversified needs both of consumers and of the electric power industry. At the same time it must contribute to achieving a more favourable balance of trade, which implies accelerating the integration programs to save on imports and promote exports. Meeting these demands requires enormous investments, which can be justified only if domestic and export markets are of sufficient size to amortize them with profit.

Electric Power

G.E. BELANGER, Commercial Officer, Mexico City

The demand for electricity in Mexico has been growing at an annual rate of between 10 and 13 percent and the industry requires investments of some $480 million annually to keep pace with industrial development.

By the end of 1974, Mexico's generating capacity was slightly over 9.63 million kilowatts. Current programs are aiming for 13.3 million kilowatts by the end of 1976, and 15.7 million by 1978/79.

A major development is underway to harness massive hydraulic resources in the Grijalva River basin situated in the southern State of Chiapas. An estimated $10.4 billion are being invested in four basic hydro-electric plants which will provide a combined 4.78 million kilowatts. These are part of a major effort to convert from thermo-electric to hydro-electric plants in order to reduce consumption of petroleum in the generation of electricity.

Chicoasen, the principal new hydro-electric project in Chiapas, will be the largest electric generating plant in Mexico and among the 20 largest installations of this type in the world. The plant is scheduled for completion by 1980 and will generate 2.4 KW/year. With the construction of the Chicoasen complex, completion of the Angostura hydro-electric installations and expansion of the Malpaso program (all located in the Grijalva River system), Mexico's generating capacity should be increased by almost 10 million KW/annually.

Mexico will have to put into service over the next ten years an additional 13,160 million kilowatts of generating capacity in order to keep pace with the demand. During this period, per capita consumption is expected to reach close to 600 kilowatt-hours per year, as compared with an average 275-300 KWH at present. This additional generating capacity, if built, would represent an investment of $3,200 million at present prices.

Programs for the future are being geared largely to the use of nuclear energy in proportion to the eventual diminishing of petroleum resources. From 1978 to the year 2000, with an investment of some $20 billion, Mexico plans to have an installed capacity of 92 million kilowatts.

By 1990 almost 40 percent of the energy will be generated by nuclear power plants. The Mexican Government is studying the feasibility of a project to build seven nuclear power plants in the next 15 years with a combined capacity of 15 gigawatts. The cost estimates for these seven units is in the area of $7.2 billion.

Canada has supplied increasing amounts of electrical generating equipment to Mexico. From a modest $194,000 in 1961, reaching a high of over $5 million in 1973. Products for the electrical industry in Mexico include: high tension insulators and fittings; non-current carrying wiring materials; power boilers; steam engines and turbines; generators; electric motors and parts; hydraulic power transmission equipment; compressors; circuit breakers; transformers; switchgear; control equipment; electricity-measuring instrumentation and thermostats.

The following is a representative list for international bidding on Federal Electricity Commission projects: low pressure pipes and valves; steam generators; voltage transformers; measuring equipment and phase transformers; condensing and feed-heating plants; diesel plants; telecommunication equipment; rotary frequency converters; travelling cranes; power transformers; disconnecting switches, etc.

Future opportunities for Canada, particularly in the nuclear reactor field, are enormous. The Commercial Division of the Canadian Embassy in Mexico City has prepared a comprehensive report on electric power and the electrical equipment industry in Mexico covering the span of 1973-1980. It lists the salient points of the Federal Electricity programs, government contacts, and manufacturers' representatives. A copy of the report is available upon request.

By 1990, almost 40 percent of Mexico's energy requirements will be supplied by nuclear power plants.

Transportation Opportunities for Expertise and Products

PETER L. McKELLAR, First Secretary (Commercial), Mexico City

Mexico's impressive economic advances over the past 20 years have been closely linked to the continuing development of its transportation and communications facilities. This trend was maintained in 1975, with $350,000,000, over one ninth of Government expenditures, earmarked for transport and communications. Almost one half of that total was allocated to investment. As a recognized source of technology and a traditional supplier of hardware in this area, Canada has every opportunity to consolidate its position in the growing transportation sector of the Mexican market.

Railways

Until the late 1940s, railways carried the vast majority of Mexico's freight and passenger traffic. During the past 20 years, highway development and increased trucking services have eaten into that share; yet, actual railway mileage, tonnage carried and passengers conveyed have all increased. Today, there are several significant rail projects offering scope for Canadian participation:

1. - The Mexican Government is investigating the possibility of constructing a special-purpose railway across the Isthmus of Tehuantepec, between Coatzacoalcos and Salina Cruz. The proposed high-speed, double track line would be 285 kilometres long and entirely automated, with electric traction. Designed exclusively to speed container traffic between North and South American ports, it would complement the congested Panama Canal. Estimated costs are under one billion dollars. If a decision is taken to go ahead with the line, there would be large inputs of foreign technology and materials.

2. - The Mexican authorities have announced plans for six suburban rail lines linking the existing Mexico City transportation system with outlying areas of this rapidly growing capital. The proposed lines would total 250 kilometres, with a capacity of 250,000 daily, carried on 2,000-passenger electric trains running two minutes apart. In many cases, the new service will follow existing rail lines. The estimated cost is $1 billion. This project could demonstrate the capabilities of the Canadian LRC system for interurban and for possibly high-speed suburban applications in Mexico.

3. - Ferrocarriles Nacionales de Mexico (Mexican National Railways) is also continuing with a long-term program to modernize its long distance equipment and tracks (over the period 1971 to 1974, the Mexican railways invested almost $500 million in locomotives, rolling stock and other equipment). During 1975, contracts were signed for almost $90 million of Canadian rolling stock, representing about a fifth of F.N.M's total 1975 investments. Items include 200 railway passenger cars, 300 tank cars and 200 hopper cars from Hawker Siddeley, plus locomotive spare parts from MLW and 50,000 tons of rail from Sydney Steel. Hawker Siddeley is also involved in a joint project with Combinado Industrial Sahagun for the construction of a further 200 passenger cars and the training of Mexican technical personnel. F.N.M. requirements over the next 15 years are estimated at $2.5 billion, including, in the short-run, 100 new locomotives, up to 5,000 cars and 6 million cross ties. For the present, locomotives and special-use cars are imported. Ferrocarriles Nacionales is also installing a modern radio communications system to replace 75-year-old telegraph links. In 1974, the last year for which figures are available, Mexican railways carried 20 million passengers and transported over 50 million tons of freight.

Urban Metro

Mexico City has a 3-line, 41-kilometre Metro, which opened for traffic in 1968. Trains run on pneumatic tires. Canadian companies were involved in the initial subway project, through the supply and installation of signalling equipment and insulators. As the first country outside France to have a subway using pneumatic tires, Canada has a strong manufacturing capability in this area and is well placed to become involved in future subway developments.

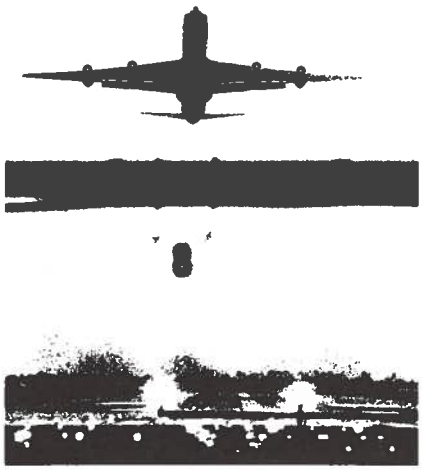
Current development plans involve the introduction of 345 new cars, now under construction, to increase the passenger capacity of the system (originally designed to carry 1.4 million passengers a day, but now handling as many as 1.8 million). Plans are also afoot to add 59 kilometres in the form of extensions and new lines, mostly towards the vast growing northern suburbs. The exact timing of these extensions has not yet been announced.

Guadalajara also is to have a subway system, and $20,000,000 has been budgeted for the construction of a tunnel running north-south through the centre of the city. Since the funds required to provide trackage and subway cars are not immediately available, an ingenious temporary plan has been evolved to use trolley buses in the tunnel. The subway project in Guadalajara, as currently envisaged, will eventually have 3 lines totalling 35 kilometres.

Aviation

Airport Development — Mexico already has 46 airports, giving it the most complete landing network in Latin America. Eight more regional air fields were scheduled for completion by the end of 1975. Projects are underway to improve existing fields to accommodate medium-range aircraft and to install up-to-

date communications and air traffic control equipment. Five new terminal buildings are under construction and Mexico City airport has received the first three 150-passenger mobile lounges.



Mexico City Airport — Detailed studies have also been completed for a new international airport, to be located at Zumpango, some 40 kms north of the capital. Cost is estimated at $200,000,000, and 5,00 hectares of land have already been expropriated. The new field will eventually cover some 20 square kilometres.

Mexico City's Benito Juarez airport, modernized 20 years ago, is undergoing further expansion. However, by the year 2000, the capital's 7,000,000 air passengers per year may increase to 25,000,000, and the new airport will be required well before that time. The existing field, like most of Mexico City, lies on a drained lakebed, with the water table close to the surface, and poor drainage. As a result, runway surfaces are unstable and require levelling with increasing frequency (now every 18 months). During the rainy season, they are also subject to flooding.

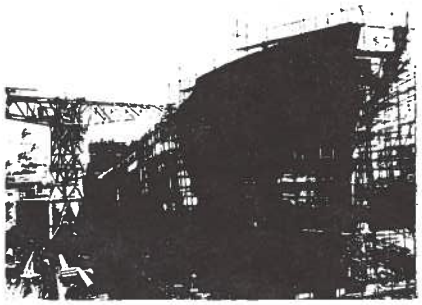
Construction schedules for the new airport have not been finalized, but the first stage is expected to cost approximately $80,000,000, most of which will be in the form of a World Bank credit.

Aircraft — Mexican airlines are interested in new aircraft. Aeromexico already operates nine Twin Otters and is now looking into the purchase of new STOL aircraft to increase domestic services. The De Havilland Dash-7 is a leading contender. The Mexican Armed Forces and national corporations, such as PEMEX and Cordemex, also have requirements for rugged and adaptable STOL aircraft like the Buffalo. Canadair has demonstrated its CL-215 water bomber. With engine modifications to compensate for high altitude operations, it could have useful applications.

Shipping

Fisheries — The Mexican fishing industry is being given a substantial boost in several directions. The Government's announced plan to declare a 200-mile zone off Mexico's coasts, including the Gulf of California, would make vast resources predominantly available to Mexican fishermen. This coincides with the re-equipping of that industry. A five-year program to build almost 550 new vessels, the vast majority shrimpers, has been completed two years ahead of schedule. A continuing production of 300 ships per year, many of them for export, is anticipated. Although the hulls will be laid down in Mexican yards, certain components are to be imported; these will include electronic equipment, steering gear and winch apparatus, (with which Canadian suppliers are already involved). There is also a program for fisheries research vessels, and the Mexican authorities have signed contracts for 30 coastal patrol craft, 20 being built in Scottish yards, the other ten in Mexico.

Merchant Shipping — Mexico is a participant in "La Naviera del Caribe", a venture by Latin American countries to establish a joint shipping line. At the present time, foreign vessels (mostly American, Japanese and West German) transport three quarters of Mexican exports and absorb $240,000,000 annually in foreign currency. Mexico and the other member states hope the new line would reduce this drain substantially.



Another project aims at the construction of shipping of up to 30,000 tons at shipyards in Veracruz and Lazaro Cardenas. Italian interests are involved, but there may be scope for Canadian procurement. Moreover, it is not yet clear whether Mexican yards will be able to provide shipping for the export of such commodities as salt, phosphoric rock and oil. Some months ago PEMEX made known its requirement for two 40,000-ton tankers. At least one Canadian company expressed an interest in that order, although its offer has not been taken up to date. Another area is that of air cushion vehicles.

Highways

Under the Echeverría regime, Mexico has invested heavily in the development of trunk highway and feeder road systems. Mexico now has 175,000 km. of all-weather roads (compared with only 61,250 km. in 1965), of which 81,000 km are paved highways. Spending in 1973 was nearly $500,000,000. Much remains to be done in order to complete the national network and improve urban expressway and regional access road systems. To assist with these programs, the Inter-American Development Bank is advancing a total of $50,000,000 in ordinary credits and special services funds. International (including Canadian) bidding is possible for the goods and services financed through the IADB.

Let's attract Mexican tourists

D.R. TURNER, Canadian Government Office of Tourism, Mexico

Mexico has long been popular with Canadian tourists, but is seldom thought of as a potential source of visitors to Canada. Yet, during 1975, an estimated 2.5 million Mexicans travelled outside their borders. This represented a 22.2 percent increase in foreign vacations over the previous year. According to the Mexico Office of the United States Travel Service, the average Mexican on holiday in the U.S.A. spends about $500 (excluding transportation), which makes the potential market value of Mexicans travelling abroad $1¼ billion! The figures are quoted in U.S. currency, because 2.1 million, or 84 percent of the total foreign travel is to the U.S.A. Naturally, there are reasons why America holds so much appeal for Mexicans. For example, their geographic proximity reduces transportation costs and permits automobile traffic for the budget-minded tourist. And many Mexicans have friends and family living in border states, as well as in larger urban centres such as Chicago, New York and Miami. But with over two million potential tourists already accustomed to "looking north", how do we attract a larger share of this movement?

The answer must be sought in both the Mexican market place and at home in the Canadian vacation product. Canada enjoys a very favourable image as a trading partner, as well as being firmly committed to a program of cultural exchange. International and bilateral events strengthen ties between the two countries — for example, Expo '67; the 1973 visit of Mexican President Echeverria to Canada; January's visit of Prime Minister Trudeau to Mexico; and the forthcoming Olympic Games. However, while Canada is perceived by both the Mexican tourist and the travel trade as being an attractive destination, neither sector has sufficient in-depth knowledge of this country to confirm their opinions. To encourage steady growth in the number of Mexican visitors will require additional promotional effort and advertising expenditures by the private sector and by government and municipal agencies.

It is doubtful if Canada's travel industry is sufficiently oriented to the Mexican traveller. One serious area for consideration could be the lack of Spanish-speaking personnel in airports, at hotel front desks and in restaurants. Certainly one of the "adventures" of travelling is stumbling through a foreign language, but it is also comforting to know that there is someone who can understand and advise visitors in their native language. Another requirement would be Canadian ground operators capable of packaging tours on request from Mexican wholesalers, complete with Spanish speaking guides, and willing to spend time and energy in the cultivation of contacts in the Mexican market place. Promotional folders and literature would obviously be much more enticing if written in Spanish. These are not new points, but standard operating procedures which have been used many times in foreign lands.

Canada is an exciting, appealing travel destination, able to satisfy the vacation needs and wants of anyone. Mexico represents an expanding potential market searching for new destinations. Put them together and we may attract a higher percentage of those 2.5 million Mexicans who vacation in foreign lands.

Italy's Agro-Food Network

MICHAEL J. McDERMOTT, Commercial Officer, Rome

In spite of the fact that Italy, thanks to the "economic miracle" of the sixties, ranks among the most industrialized nations of the world, it remains a country of small farmers and small merchants. Agro-food product marketing takes place along a distribution chain which is remarkably fragmented or "capillary" at its two extremes. The inability up till now to achieve any economical vertical integration of the chain is perhaps the greatest single problem facing both agriculture and the food industry.

Consumption has rapidly outpaced production. In 1954, Italy was a net exporter of agricultural and food products; in 1974, the agro-food trade balance showed a deficit of more than $4.5 billion. Between 1954 and 1974, as incomes rose and the population increased 12 percent, to 55,000,000, total food expenditure in constant values practically doubled. Not only has average calorie intake risen 15 percent, but, as has been the pattern in many countries with rising incomes, the components of the average daily diet also have altered considerably.

Consumption of Nutrition Elements (grams per day)

	1954	1974	% change
Carbohydrates:	467.4	455.1	- 2.6
Sugar:	44.4	87.6	+ 97.3
Protein:	95.4	97.9	+ 2.6
Vegetable:	70.5	50.0	- 29.1
Wheat:	47.4	35.8	- 24.5
Animal:	24.9	47.9	+ 92.4
Meat:	7.8	25.0	+ 220.5
Milk:	5.7	8.0	+ 40.4
Fats:	63.9	117.3	+ 86.6
Vegetable oils:	24.3	61.0	+ 151.0

As can be seen, there has been a significant rise in consumption of fats (especially vegetable oils) and sugar, and a sizeable switch from vegetable to animal proteins. Annual per-capita consumption of beef has risen from 9.1 Kg in 1954 to 24.4 Kg in 1974; that of pork from 3.4 Kg to 14.6 Kg. Sugar consumption has doubled from 16.1 Kg to 32.0 Kg and that of vegetable oils has risen from 9.0 Kg to 22.4 Kg. There has also been a significant increase in consumption of poultry, meat, eggs, milk, pulses, tomatoes, oranges and coffee.

In some cases, Italian agriculture has risen to the challenge, especially in the case of poultry, tomatoes and, to a certain extent, in regard to citrus fruits and vegetables. On the other hand, Italy was forced to import in 1974 more than 100,000 tons of each of the following: wheat, barley, corn, potatoes, pulses, beef, pork, milk, cheese, olive oil, seed oils, sugar and coffee.

Given the state of Italian agriculture, it is obvious that demand will continue to outstrip supply in the coming years. Ever greater quantities of agro-food products will be imported. Products such as soft wheat, potatoes, meat and dairy products have been supplied by Italy's EEC neighbours, especially France and Germany, but Italy has also had to look to sources farther afield.

Retail distribution

At the other end of the food chain is the small merchant. In 1974, there were some 469,000 retail food stores and approximately 300,000 licensed street vendors — an average of one retail food outlet for every 72 Italians. The great majority of these are family operations with tight space restrictions (average display and storage space less than 1,000 square feet in the case of fixed locations), limited product variety, slow turnover, and little margin for expansion, innovation or advertising.

Needless to say, the distribution costs passed on to the consumer in such a system are considerable. A study conducted recently in Bologna indicated that supermarket prices were from 10 to 20 percent lower than those in the traditional shops. On the other hand, the small merchant associations have had fair success in preventing the establishment of supermarkets in many areas, even in the larger cities. Other limiting factors are lack of space and adequate delivery and customer parking facilities, and the continuing consumer preference for the personal services offered by the small shops. For example, in Germany large supermarkets account for some 30 percent of the retail food sales volume; in Italy, the percentage is only 6 percent.

Consumer tastes

The reasons for this situation are largely economic and political, but it is also a question of deeply-rooted preferences and habits. The consumption pattern has altered considerably in recent years, as noted earlier, but the change has occurred in the con-

text of traditional foodstuffs, prepared and marketed in traditional fashion. With few exceptions, Italian consumers continue to show marked reluctance to accept pre-packaged, frozen or convenience foods.

Although Italy has a highly developed refrigeration technology and industry, per capita frozen food consumption still amounts to only about 1.3 Kg a year. It is estimated that only 35 families out of 100 purchase frozen food products, and more than 40 percent of the sales occur in the vicinity of the cities of Rome and Milan.

Processing industry

The middle link in the agro-food chain is also characterized by considerable fragmentation. It is estimated that there are more than 50,000 small food processing companies, most of them similar in size and sales volume to the retail establishments they serve. Of the 50,000, only about 100 have average annual sales over $15 million. On the other hand, these 100 account for about 25 percent of the total annual sales throughout the country, and the top 25 account for 17 percent.

Some 10 percent of the industry is dominated by foreign capital (multinationals such as Unilever, Nestlé, Grace, Coca-Cola, Heinz, Corn Products, Wine-food, Proctor and Gamble). An important role is also played by the government holding companies, IRI and EFIM. The top 25 firms are mainly producers of sugar, pasta (spaghetti), biscuits and wafers, ice cream, food oils, canned vegetables (tomatoes), meat concentrates and soups, canned tuna, frozen fish, baby foods, candy, coffee, alcoholic beverages, fruit juices and soft drinks.

Typical of all these companies is an extensively developed network of retail outlets. The STAR company, ($170 million annual sales), for example, has some 1500 small storage depots throughout the country, and more than a thousand agents, representatives and inspectors who oversee distribution.

Market for Canadian products

As a result of the above-mentioned structural weaknesses in Italy's agricultural and food sectors, it is evident that agro-food imports will continue to grow. On the other hand, possibilities for foreign penetration of this market must be viewed in the wider context of Italy's membership in the European Economic Community. Most of Italy's agro-food deficits can be amply covered by production in other EEC countries, and the high Community tariffs and/or levies reduce sales opportunities for countries such as Canada.

In 1974, Canada sold $228 million worth of agricultural and food products to Italy. More than 70 percent was wheat. Another 23 percent was barley, marketed through local agents of the Canadian Wheat Board. The only other items of more than $1 million in value were vegetables and vegetable preparations (mostly seed potatoes and pulses), furs, live animals (breeding cattle) and fresh, frozen and preserved fish. These represent secure traditional raw material markets, with Italy often ready to purchase whatever Canada has to offer.

In the area of semi-finished and finished food products, on the other hand, the opportunities are quite limited. The conservative tendencies of the consumer, the as-yet-small demand for convenience foods, the relatively few self-service stores and supermarkets, as well as the EEC protective tariffs, all constitute serious obstacles to the successful penetration of processed food products in any significant volumes.

Customs clearance: Italy

A.M. PESCE, Customs Attaché, Rome

Italy, as a member of the European Economic Community, is a part of the unified EEC Customs Service. Italy is also a member of the Customs Co-operation Council and has signed several conventions. Two are of particular interest to Canadian businessmen — one dealing with tariff nomenclature and the other with the definition of value.

The Customs Service in Italy is a branch of the Ministry of Finance and has the country divided into 13 regions, with each region being responsible for 4 or 5 districts and each district responsible for 4 or 5 local offices.

The system is highly de-centralized, with the regions having unlimited operational decision-making authority. Headquarters acts as the policy maker and supports field offices by disseminating all types of information on rules, values, company relationships, etc.

Entry procedure

Usually, the clearance of goods through customs in Italy is performed by the shipping agent who also acts as a customs broker. Once the documents are prepared, the procedure for the release of the

goods is as follows:

1) The documents are presented to the "Scrittura" or declaration office, which checks for documentation, power of attorney, the preparation of the documents and ensures that all declarations are signed.
2) The entry then proceeds to the "Ufficio Divieti", which checks to see if the goods are prohibited, if a special license is required, if there are any quotas to be honoured and other similar checks and controls.
3) The next step is the "Ufficio Valori". In this section invoices, freight and insurance documents and country of origin certificates are checked. This section also has the responsibility for establishing the value for duty.
4) The entry then proceeds to the "Ufficio Visite", where the tariff classification is determined. This section ensures that the certificate of value is attached. A physical check of the goods may also take place at this point. Once the inspector is satisfied that all is in order, duties and taxes payable are calculated.
5) The last step before the release of the goods is the "Cassiere" or cashier. At this point payment of duties and taxes is made and the goods released.

Establishing value for duty

The importance of this factor in international trade is often overlooked. In fact, the value to which the tariff rate is applied is often far more significant to the competitiveness of a product than the tariff rate itself.

In Italy, the fact that this decision-making process is delegated to inspectors in the various regional and district ports makes the value for duty even more important, because the consistency factor is not assured. Each import transaction could involve a new negotiating session, particularly if a relationship exists between buyer and seller.

Italy establishes its value for duty using the Brussels Definition of Value. Briefly stated, this system means that, if a transaction is between an independent buyer and seller in a free market, the value for duty will be the selling price plus c.i.f. costs. In most of these transactions, Italian Customs will accept the declared value (selling price plus c.i.f. costs) as the value for duty.

In sales between related companies, Italian Customs, if it does not accept the declared value, will appraise on the basis of what the article would be worth if the buyer and seller had an independent relationship. This value is arrived at by various means, some of these include: comparing it with the market value in Italy or other EEC countries; trade publications, etc. Discounts for trade level and quantities are allowed if such is the general practice of the trade.

Once the inspector has arrived at the value, he will, in all likelihood, discuss the value with the importer and try to reach an agreement with him. In fact, some negotiating is permitted. This is because Customs has to prove that the declared value is not acceptable.

For semi-manufactured goods, the declared value is generally accepted, except that an amount might be added to the value for the brand name and royalties, if such is the case.

On consignment shipments, Italian Customs will always appraise the goods because there is no selling price. The inspector will arrive at the value by looking at precedents, other shipments of similar goods and trade publications. The inspector will probably consider all three and arrive at a value which will then be discussed with the importer. If these methods prove fruitless, a system which takes the retail value and deducts from it various costs and expenses, profits and duties, and taxes will be used. Again, the result is discussed with the importer.

The EEC Customs Valuation Committee has authority to declare unilaterally the value on any given products. When such an edict is issued, the only value accepted by Customs is that issued by the Committee, regardless of the selling price. At the moment, this system is in force for oranges, apples and pears only.

If the importer does not agree with the appraised value, the inspector's decision may be appealed. The system is called "Controversia" and operates as follows:

1) The importer appeals to the "Capo del Compartimento" — the equivalent of our Regional Collector.
2) The "Capo" reviews the submissions of the inspector and the importer and, after consulting with the "Collegio Consultivo", makes his decision.
3) If the importer is not satisfied with the decision, he may appeal to the Minister.
4) The Minister renders his decision after having consulted the "Collegio Consultivo". This is the last administrative step.

The importer may at any time decide to take his case to the courts, but this is seldom used because of the tremendous amount of time required to hear the case.

The "Collegio Consultivo" is a board comprised of various technical experts from the area, whose main function is to advise the "Capo" on an appeal. He may or may not accept their advice. Each region has a "Collegio Consultivo". In Rome there is also a national "Collegio", set up in the same fashion as the regional ones, and its function is to advise the Minister on an appeal.

In general, clearing goods through Customs in Italy can be time consuming, primarily because of the cumbersome entry procedure. Consequently, it is advisable that the "Spedizioniere", or shipping agent be used for this task.

For more information: European Bureau, Department of Industry, Trade and Commerce, Ottawa, Ontario K1A 0H5; telephone 613-995-9401.

Spain's raw materials plan

DENIS THIBAULT, Assistant Commercial Secretary, Madrid

Last year Spain established a plan to ensure that it will continue to have reliable sources of raw materials. Officials say that El Plan Nacional de Abastecimiento de Materias Primas Minerales is a response to current physical, economic, ecological and "politico-commercial" conditions.

The intent is to maintain supplies of minerals which are in short supply, to substitute energy sources and to export surplus raw materials. At the same time, the plan aims at some development of the agriculture sector, which employs 25 percent of Spain's labour to produce 12 percent of the GNP.

Since 1970 Spanish mining has accounted for less than 1 percent of the GNP and it is estimated that until 1980, at least, 70 percent of the raw materials required for industry will be imported. The plan calls for first of all, a concerted effort to reduce consumption but also for an examination of industrial production methods and an attempt to increase domestic supplies of raw materials.

Over the next three-and-a-half years, $2.6 billion will be invested in domestic mining. Two thirds of the funds will be spent on new plant and modernization of existing plant. About $215 million will be pumped into prospecting.

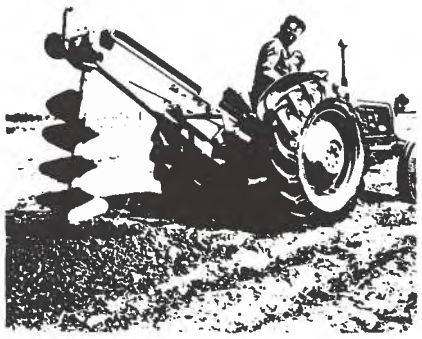
The Spanish will seek immediately a greater diversity of foreign suppliers and intend to expand trade agreements to cover more than one commodity so as to make unilateral termination of these agreements more difficult. Later, a national policy for raw materials inventory management and Spanish participation in foreign-controlled enterprise will become effective.

Energy substitution

Three years ago, 70 percent of Spain's energy needs were met by oil, only 8 percent of which came from domestic refineries. Dependence on oil will be reduced so that by 1985 it is supplying only 43 percent of requirements. This will be accomplished by much heavier use of natural gas and nuclear energy, which now supply 2 percent and 3 percent of total requirements respectively. By 1985, it is planned to have 11 percent of Spain's energy supplied by gas and 24 percent by nuclear plants.

Surplus exports

Spain has surpluses of some raw materials and will export these to assist in financing the trade deficit that will result from importing the materials it does not have. Furthermore, there will be a study of foreign demand and production of some minerals will be stepped up, but not sufficiently to cause a decline in prices.



Agriculture development

The plan calls for involvement in just one sector of agriculture. During 1970 Spain used 38 kilogrammes of fertilizer per square hectare — only a little more than one third the amount used in the European Economic Community. The plan gives priority to materials such as potassium and pyrites as sources of sulphuric acid for improving phosphates but it does not specify how this will be done.

Opportunities for Canadians

Spain's Instituto Nacional de Industria (INI) already has investments in Canadian pulp and paper and such participation in raw materials, in order to ensure supplies, is conceivable. Canadian expertise in mining and prospecting, as well as energy, should be welcome. For more information, consult your Regional Office and remember that we will be glad to assist when the time comes for you to make your first exploration of this market.

What Spain needs . . .
(100 = max. priority)

Copper	100
Iron	81
Coking coal	68
Aluminum	28
Asbestos	17
Nickel	15
Tin	11
Manganese	8
Lead	6
Titanium	3
Chrome	2
Zinc	2

. . . and what it wants to sell
(not in order of priority)
Fluorspar, mercury, potassium, pyrite, slate, clays, barium oxide, magnesium, sand, quartz, marble, granite, gypsum, limestone, asphaltic slate, peat, phosphates.

Canada in Galerias: Reaching the Spanish consumer

DAVID M. LEE, Assistant Commercial Secretary, Madrid

Galerias Preciados. One of Spain's two largest department store chains. Twenty-four stores in 17 cities serving 35 million Spanish consumers. 1974 sales, $270 million.

During four weeks, from November 15 to December 15, 1975, the enormous promotional and retail resources of this company were entirely focused on one theme — Canada.

Ten months of discussion and market analysis, two visits of Galerias Preciados to Canada under the sponsorship of Industry, Trade and Commerce, resulted in the export of $1 million of Canadian consumer goods to be featured in the first large scale projection of the image of Canada into the Spanish market.

Twice-hourly radio commercials and newspaper advertisements in all major cities (the latter would total almost 200 by the end of the promotion), together with daily television features and billboard campaigns, helped tell Canada's story to millions of Spaniards, many of them learning about Canada for the very first time.

Besides the co-operation of Galerias Preciados, Canadian government agencies and companies were of great assistance. The Canadian Embassy in Madrid drew heavily on the assistance of the IT&C Regional Offices in Montreal and Toronto, which worked in co-operation with Ontario and Quebec Provincial government offices to arrange the participation of 62 manufacturers in the promotion. CP Air provided transportation for the Galerias Preciados buyers and assisted in the nation-wide advertisements of the event. Cleo Productions, producers of the Miss Canada pageant, sent Silvia McGuire, Miss Canada 1976, to Spain for the opening ceremonies and to headline a fur fashion show which proved to be the smash hit of the activities.

Exporters who are inclined to write off Spain as the "poor cousin" of wealthier EEC nations might have been severely jolted during the Galerias Preciados "Canada" promotion had they joined the GP sales management, who watched in surprise and delight as high-priced Canadian consumer products disappeared from store shelves.

Belying their image as a people who only marginally enjoy the prosperity of industrialization, Spaniards turned to the top-quality goods across all five basic products groupings (see Table 1). Available stocks of the most popular items — sports equipment and clothing, hand-made furniture and fur fashions — quickly vanished. Some outlets could not meet demand. Indeed, after only 10 days of the four-week promotion, the red fox fur line, selling at $2,500 to $4,000 a coat, was sold out of nearly all stores.

When the official promotion ended, 50 percent of all items imported from Canada had already been sold. This established a record for the 11 national consumer goods promotions in the series which Galerias Preciados has sponsored in Spain, and which has counted Britain, the United States and the Netherlands among recent participants.

The promotion also revealed a number of characteristics about Spanish consumer behaviour. We met with Sr. Tejerina, director of ASGA International Trading, Agustin Mencia, director of publicity, and Antonio Lopez-Vazquez, director of sales, to obtain their views on Canadian prospects in the Spanish consumer market.

These gentlemen ticked off three basic rules for Canadian consumer products. Design, quality of manufacture, and identification with Canada.

Sr. Mencia: "Despite a lack of detailed knowledge of Canada, your country nevertheless evokes certain persistent themes among all Spaniards — vastness, tremendous natural beauty, integrity, youth and vigour. It is especially interesting to note that the top-selling items — ladies' and men's fur fashions, traditional furniture, sports equipment and clothing — exemplify this. We feel that the particularly satisfying performance of the entire range of Canadian products here was assisted by choosing visual and audio advertising themes for the press, radio and billboard ads, which reinforced these preconceptions of Canada.

"The overwhelming response of Spanish consumers to the big-ticket items, such as furs, furniture and kitchenware, reminds us again of the maturity and prosperity of many Spanish consumers, who will quickly identify quality and are willing to pay for it."

Sr. Tejerina: "This aspect of Spanish behaviour is often misunderstood by foreign manufacturers trying to enter this market. In spite of a lower per capita income, Spaniards will often pay a higher price for quality than most other Europeans, especially when the item will be personal apparel or otherwise a direct expression of personality. For example, our mass merchandising program parallels that of most West European department stores. But we are able to sell high-quality men's suits through all our outlets, while stores in other countries find that it is the average-quality garment that can be most successfully promoted. Many other European consumers often are not prepared to pay the premium.

"Considering the appeal of identification of consumer goods with Canada, the results for Canadian food products is illustrative. The quality of the food line was uniformly outstanding, yet while some of the products completely sold out, we were able to merchandise only 25-30 percent of our total inventory in other lines. A truly Canadian item — maple sugar candy — was completely sold out in all stores within hours on the first day of the promotion. Conversely, Canadian-made soups and pastas which, incidentally, often match or excel European-made alternatives, could not overcome the association in the consumer's mind with traditional sources. These lines would likely

require heavy promotional investments to be introduced effectively in Spain.

Sr. Lopez-Vazquez: "When analyzing the benefits of this promotion from the Canadian point of view, you must first of all examine the particularities of the Spanish-Canadian economic relationship, which historically have been pretty slim.

"Please recall that, unlike every other industrial nation in Europe and the US, Canada has never launched a promotion of this size in Spain. Put more bluntly, two months ago most Spaniards were not aware of Canada's existence in a conscious, real-world sense, except perhaps for the very simple concepts we discussed earlier. This was not just a Spanish problem. For example, we felt that we touched base with some of the leading consumer goods manufacturers in Ontario and Quebec when we visited Canada in April of last year. Yet hardly any of them had ever sold in the Spanish market before, or had even visited Spain. Possibly ignorance is a two-sided problem!

"However, two or three times an hour, 12 to 15 hours a day for the past four weeks, the excitement and vigour of your country has been projected via the most sophisticated media at our disposal. Several million Spaniards have been exposed to the Canadian message by these ads, and the presence of Canadian goods and literature in our stores."

Sr. Tejerina: "Short-term sales of Canadian goods cannot, of course, be maintained near recent levels, because of the very heavy promotional costs which would be required, and because we anticipate tight import restrictions for consumer goods generally as the present recession in Spain deepens. Nevertheless, we shall follow-up with exporters of some product lines in 1976, and we will now include Canada in our plans for international promotions in 1977.

"Our impression of the better Canadian manufacturers is that they are primarily small or medium-size companies necessarily specialized in one or two lines. For most of them, the investment in marketing overhead necessary to reach into and establish a selling volume in Spain, is, in the first place, unprofitable. Secondly, there is the problem of tariff barriers. We are not aware of any supplier of consumer goods who has regularly obtained import licenses from an offshore base. Permanent Spanish representation is simply a practical requirement for exporting to this country.

"Without blowing our own horn too loudly, I feel that association with an import-retailing group such as ASGA-Galerias Preciados covers both of these problems. We have the size and financial strength to handle inventory carriage, organize shipping, and achieve immediate nation-wide market exposure."

TABLE 1

	$Cdn.	No. exporters
Furniture, other home products	253,464	15
Fur fashions	312,650	2
Sportswear & equipment	204,999	22
Arts and crafts	93,446	9
Food products	73,376	14
Total	**937,935**	**62**

(Fifty-three of the companies had never before sold in Spain.)

TABLE 2

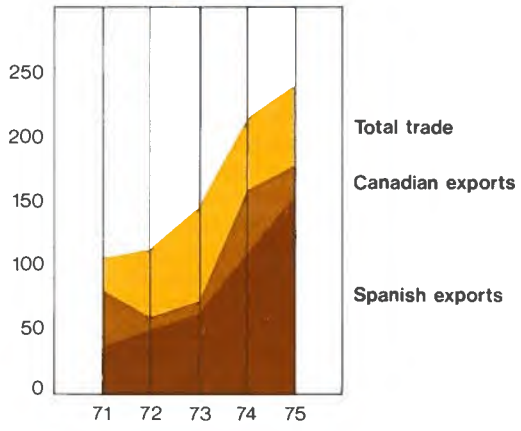
Leading Exports to Spain ($Cdn. million)

Aircraft, parts	15.9
Asbestos	12.4
Woodpulp	12.3
Iron Ore	11.1
Newsprint	8.6
Barley	6.8
Copper shapes	3.4
Flaxseed	2.9
Pig Iron	2.7
Lumber	2.1

. . . a broadly-based increase in semi- and fully-manufactured goods gave these two categories more than 60 percent of total exports . . .

Semi-Mftrs	$ 39.8
Raw materials	39.5
Fully-Mftrs	30.4
Food Products ¢	7.2
Live animals	.6
Total	**$117.5**

Table 3
Canada–Spain Trade
($ Cdn million)
Cdn exports to Spain (FOB)
Cdn imports from Spain (CIF)
Total Bilateral Trade



Update

Wanted: Manufacturers

This information is intended to promote additional manufacturing in Canada and is re-printed from the New Products Bulletin, **published by the Industrial and Trade Enquiries Division of the Department. Further material on items listed is for Canadian manufacturers only and no responsibility is assumed for claims or statements made. Address enquiries, quoting item numbers, to: Industrial and Trade Enquiries Division, Department of Industry, Trade and Commerce, Ottawa, Ontario K1A 0H5. Do NOT write to** Canada Commerce. **Its staff does not have this information.**

Swimming pool cover
Swiss company is offering under license the Canadian manufacturing rights to its electrically operated aluminum swimming pool cover designed to protect and insulate the pool. Housed in an underground enclosure when not in use, the cover rolls over the pool at the touch of a button. It can be installed on any existing rectangular pool and is strong enough to be walked on by adults. Since the pool covering does not float on the water, the air cushion created offers an insulation barrier which results in savings in heating costs. Literature available. **Item 3319**

Concrete flooring system
Dutch firm is offering under license or joint venture the Canadian manufacturing rights to its prefabricated concrete element flooring system for warehouses, harbour quays, industrial sites, warehouses, etc. The standard size element of 200 x 200 cm is a prefabricated unit of dense reinforced concrete, bound by a steel angle frame which protects the surface edges and is strongly anchored into the mass of the concrete. The element is of simple design, can be quickly laid on a sand or gravel bed (not interlocking), takes heavy loads, has a long life, and can be lifted and re-used elsewhere as required. Literature available. **Item 3320**

PVC film, thermoformed packaging
Scottish firm offers under license or joint venture the Canadian rights to the manufacture of its thermoformed plastic packaging for a wide variety of markets such as confectionery, biscuits and dairy products, inflight air line catering dishes, etc. Company also offers the manufacturing rights to its rigid PVC film suitable for thermoforming. This production operates in a closed loop system which permits the recycling of offcut waste into high quality PVC film, thus providing material savings as high as 30 percent. Literature available. **Item 3321**

Street sweepers
Swedish firm is offering the Canadian manufacturing rights to its line of pneumatic street sweepers. These machines employ a unique system by which dirt is loosened by a jet stream of air and then sucked up into the hopper by a closed dustless circulating airstream. There are no big rotating brooms to wear out and no air filters to clean and replace. Two gutter brushes throw all trash within reach of the nozzle, thus adding to sweeping conditions and water sprinklers eliminate the possibility of dust from the gutter brushes. Literature available. **Item 3322**

Refuse compacting vehicle
Swedish firm seeks to license a Canadian company to manufacture its refuse compacting vehicle. The refuse is placed into a hydraulically operated hopper which feeds it into the body of the vehicle where it is compacted first by a press plate and then by an ejection shield. When the compaction has reached a fixed pressure, the ejection shield automatically moves inwards and locks itself so that another compacting cycle can begin. Discharge of the container is accomplished by lifting the rear loading hopper compacting plate and engaging the ejection shield. Literature available. **Item 3323**

Land drainage machine
British firm offers under license the Canadian manufacturing rights to its land drainage machine. This type of equipment is widely used for agricultural land drainage. It is towed behind an ordinary farm tractor and has a digging depth of 5 to 6 feet and a trench width of 7 to 14 inches. It is claimed to be inexpensive to produce and to maintain. Company also offers the rights to manufacture its kits for converting existing wheel digging machines into chain digging units. Literature available. **Item 3324**

INVENTIONS
The following manufacturing opportunities represent products and processes that have not been commercially proven. In some cases, prototypes have been developed.

Surveying instrument
Indian inventor offers under license the Canadian manufacturing rights to his new and versatile surveying instrument designed for use in a) line ranging or fixing intermediate points, b) setting the perpendicular offsets from known or unknown points, and c) setting oblique offsets at a known angle. In addition to combining in one device the functions of various instruments available at present, such as the line ranger, optical square, prism square and cross staff, it is claimed to permit odd jobs for which there is currently no instrument. Literature available. **Item 3325**

Vehicle roof rack
British firm offers under license the Canadian manufacturing rights to its vehicle roof rack which can be converted into a table and two bench seats. It can also be used in conjunction with specially designed skids as a sled to be towed behind a tubing and treated plywood, the unit is lightweight (29 lbs.) and rust resisting. It has a large carrying capacity. Literature available. **Item 3326**

Novelties
Swiss firm offers under license the Canadian manufacturing rights to a series of inventions which include 1) a pot lid made of polypropylene to prevent overflow in boiling, 2) a screwdriver with non-slip mechanism to prevent deforming the screw's head and injuries to the user's hands, 3) a hand-held miniature golf game in which a ball is steered through a labyrinth to the goal by means of buttons attached to the corners (available in four types, representing varying degrees of difficulty), 4) an all-around fitness training device for isometric and dynamic training, 5) a system consisting of four basic snap-together elements for holding candles or flowers in a variety of arrangements.Literature available. **Item 3327**

Sprinkler nozzle wrench
Canadian inventor offers for manufacture under license in Canada his patented sprinkler nozzle wrench. This tool is used to remove the nozzle of a sprinkling system without turning off the water supply. This invention can be used most effectively by farmers and orchard growers in fields where large areas of vegetation must be watered constantly. Literature available. **Item 3328**

Stored grain monitor
Canadian inventor is offering under license the Canadian manufacturing rights to his patented stored grain monitor. This monitor, combined with temperature and moisture content recorders, is claimed to provide an accurate indication of the existing temperatures and moisture levels at selected zones in the stored grain. It also records previous readings of temperature and moisture content of the grain at specific times in the past, e.g. when the grain was placed in storage. Literature available. **Item 3329**

Composite baseball bat
American company is interested in having its composite baseball bat manufactured under license in Canada. The bat is made of advanced plastic composites of the type used in the aircraft industry. It promises to have the sound, feel and look of wood, and durability and reliability exceeding the best metal bats. Field evaluation has been carried out on both softball and little league models. The company estimates that 90 percent of the development work is completed. Literature available. **Item 3330**

Paint brush or roller holder
Canadian inventor is seeking a licensing arrangement with a Canadian firm to manufacture his patented adjustable holder for paint brushes and rollers. This device is equipped with means of adjusting the angle of the brush or holder for more efficient and comfortable painting. The holder is easily attached to a standard extension rod to permit painting of ceilings, eavesthroughing, etc., without the use of a ladder. The holder can be manufactured of plastic, metal or other suitable material. Literature available. **Item 3331**

Tool handle attachment
American inventor seeks a licensing arrangement with a Canadian company to manufacture his patented tool handle attachment to fit different tools such as axes, shovels, hammers, etc. This ready-fit handle can be interchanged from one tool to another in a matter of seconds without the use of tools. Made of wood, the handle is fitted with a metal sleeve which is inserted into the eye of the tool and fastened by a metal stud. This invention was developed with the weekend camper and hunter in mind. Literature available. **Item 3332**

Rotary pump
Canadian inventor is seeking a licensing arrangement with a Canadian firm to manufacture his unique design of rotary pump which has only two moving parts. With a capacity of 350 US gallons per hour at 1000 r.p.m., it is claimed to be the simplest and most economical positive displacement rotary pump available. It can be used for all sorts of pumping jobs involving clean liquids, as well as for compressors for air conditioning, refrigeration, etc. Literature available. **Item 3333**

Foreign Tariffs and Trade Regulations

Australia
We have been advised that imports of hot rolled sheets and plates of iron or steel falling within item 73,13.100 of the Australian Customs Tariff will no longer be subject to import restrictions.

Quotas were imposed on these products as of January 1/75, limiting imports to a weight level not greater than 25 percent of shipments into Australia during 1972 and 1973. These quotas are now being removed.

Future import levels will be watched closely and appropriate measures will be taken if disruptive trends become apparent.

Finland
The Import Deposit Scheme implemented on March 24, 1975, and which was to be eliminated March 23, 1976, has been extended to December 31, 1976.

However, the government has announced that the scheme will be phased out in stages. The first reduction was effective February 15, 1976; the second March 16, 1976; the third will be effective July 1, 1976. The fifth and final reduction will be effective December 31, 1976.

Jamaica
Notice to Importers No. 2952 of February 6, 1976, revoked all outstanding import licences for air conditioning units (window types). Similar action was also taken to revoke import quotas which had already been issued for these particular goods. Importers who were firmly committed to importation against outstanding licences were requested to submit such licences to the Trade Administrator for revalidation.

West Malaysia
Importers in West Malaysia are notified that, effective February 19, 1976, the importation of the classified goods below into the principal customs area of the States of Malaya and Penang Island from all countries is subjected to specific licensing and quantitative restriction:

Heading no.	Description of goods	Country
28 17 100	Sodium hydroxide (caustic soda)	All countries

Export Opportunities

The inquiries listed below come from several sources, including branches of IT&C in Ottawa and the Trade Commissioners abroad. Please correspond directly with the addresses given. When the address is not that of a Trade Commissioner, please send copies of correspondence to the Trade Commissioner for that territory. The Department of Industry, Trade and Commerce cannot assume any responsibility for any negotiations or agreements entered into in pursuit of these export opportunities, nor can it vouch for the commercial standing of the firms involved.

Consumer Goods

NIGERIA — Company (manufacturer, distributor, wholesaler, retailer) is looking for suppliers of supermarket items, provisions, beverages, textiles, garments, hosiery and lingerie, consumer electronic items, household sundries, bicycles and spare parts, and hand tools: Bhojsons & Company (Nigeria) Limited, 49, Marina, PO Box 867, Lagos, Attn: M.C. Mahtani, Marketing/Sales Manager.

SWEDEN — Manufacturer of spectacle frames interested in expanding product line to include lenses: Commercial Division, Canadian Embassy, PO Box 16129, S-103 23 Stockholm 16.

SWITZERLAND — Photographic materials: Commercial Division, Canadian Embassy, Kirchenfeldstrasse 88, 3000 Berne.

Equipment and Machinery

SWITZERLAND — Airconditioning equipment, anti-theft devices and alarm installations, magnetic and reed circuits (switches): Commercial Division, Canadian Embassy, Kirchenfeldstrasse 88, 3000 Berne.

Hardware

NETHERLANDS — High-quality door and window hardware: Bouwpas BV, PO Box 898, Eindhoven, The Netherlands, Attn: W. van Engelen.

Foodstuffs

SWITZERLAND — Dry vegetables, pulses, cranberries, grains, barley, vegetable oils, canary seeds: Commercial Division, Canadian Embassy, Kirchenfeldstrasse 88, 3000 Berne.

Materials

SWITZERLAND — Raw duck feathers (dark or grey), raw downing duck feathers, feathers without down, raw washed feathers: Commercial Division, Canadian Embassy, Kirchenfeldstrasse 88, 3000 Berne.

Toys, Games, Novelties

WEST MALAYSIA — Company plans to introduce children's educational funland facilities all over Malaysia/Singapore: Commercial Division, Canadian High Commission, PO Box 990, AIA Building, Ampang Road, Kuala Lumpur.

International Projects

MEXICAN LIVESTOCK AND AGRICULTURE

Mexico will be assisted by a loan of $125 million from the World Bank to help finance a project designed to provide agricultural and livestock credit, and increase the productivity and incomes of small and medium farmers. The loan, which is being made to the Nacional Financiera (NAFIN), is guaranteed by the United Mexican States and provides for onlending to Fondo de Garantía y Fomento para la Agricultura y Avicultura (FONDO), the executing agent of the project.

The Government's development policies are presently geared to the need to increase agricultural production and improve the situation of the rural poor. The reorganized agricultural system, public investment and service programs in agriculture and other incentives, including Government support price policies, have created a demand for agricultural investment credit which the project will help to meet. Increased production of basic foodgrains and milk will help meet the rising demands of Mexico's growing population. Production of live cattle and fruits will help improve balance of payments through import substitution and export expansion.

Implementing organization: Fondo de Garantía y Fomento para la Agricultura y Avicultura (FONDO), Insurgentes Norte 423, piso 13, México 3, DF.

Procurement: As under the previous loans for agricultural credit in Mexico, procurement will be through normal commercial channels. It is not practicable to arrange for bulk procurement and international competitive bidding procedures, since the items to be purchased by the many sub-borrowers are relatively small and do not lend themselves to standardization. At least three quotations will be obtained for the procurement of machinery and equipment for agro-industrial units wherever the cost of a single item of equipment, or an assembly delivered by a single manufacturer, exceeds $150,000. Further, the FONDO will make available to sub-borrowers a list of suppliers of agro-industrial machinery from the Bank member countries and Switzerland.

MOROCCAN EDUCATION

Morocco's efforts for development and its growing demand for trained manpower will be assisted by a World Bank loan of $25 million for an education project.

The $59.54 million project is designed to expand and improve general education in rural areas and specialized training to meet the urgent manpower needs in agriculture, health and tourism. It will also provide technical assistance for the preparation of a national program for technical education and vocational training for industry and commerce.

Implementing organization: The Education Project Unit for all project items pertaining to the Ministry of Education and support of technical services of the Health, Tourism and Agriculture Ministries; all in Rabat, Kingdom of Morocco.

Procurement: International competitive bidding for civil works equipment and furniture in accordance with Bank's Guidelines for Procurement; 15 percent preference for local suppliers of furniture and equipment. Detailed lists of equipment and furniture identifying all items or categories of items costing more than $10,000 will be presented for Bank's review and approval prior to procurement. Residual items included in miscellaneous category not exceeding $100,000 for each institution. Nearly all equipment and 50 percent of furniture expected to be obtained from foreign manufacturers.

Consultants: Services of local architectural firms employing both local and foreign architects.

PAKISTAN POWER TRANSMISSION

The World Bank has approved a $50 million loan to Pakistan to help finance a second power transmission project. Total project costs are estimated at $113.8 million and include equipment for and construction of more than 500 kilometers of transmission lines between Llyallpur, Multan and Guddu; installation of a 220 kilovolt (kV) switching station at Multan, and consulting services for engineering and accounting, including training in 500kV operation.

The project is an important portion of Pakistan's 500kV transmission system which will eventually interconnect the large hydro-facilities in the north with other thermal facilities in the country. It has been estimated that the inter-connection will represent savings of generating capacity of about $460 million at present day cost.

Part of the system from Tarbela to Lyallpur is being constructed with Canadian International Development Agency (CIDA) assistance and Kuwait has agreed to finance the Guddu-Hyderabad-Karachi portion.

Implementing organization: Water and Power Development Authority, WAPDA House, Lahore, Pakistan.

Procurement: All major items of materials and equipment financed under the loan will be procured through international competitive bidding, with domestic manufacturers accorded a margin equal to 15 percent of the CIF costs of competing imports or the import duties for a non-exempt importer, whichever is lower. Expenditures of up to about $100,000 from September 1, 1975 may be financed retroactively.

Consultants: Design and supervision of construction of transmission lines and installation of switching station: about 500 man-months.

Accounting: about 92 man-months.

SOUTH THAILAND PORT DEVELOPMENT

The Asian Development Bank has agreed to extend technical assistance to Thailand for the preparation of a Port Development Project in the southern region involving Songkhla and Phuket ports, located on the Gulf of Thailand and on the Andaman sea, respectively.

Under the Bank's technical assistance, feasibility studies made earlier on Songkhla and Phuket ports will be updated and extended. The ports of Songkhla and Phuket are located some 500 km apart on the Thailand peninsula. The need for developing a deep sea port at one or both of these locations has been recognized by the Government for some time. Although Songkhla is the major port of South Thailand, only small coastal ships can come alongside the wharves at present owing to the limited depth of water. As a result, foreign imports and exports must either be trans-shipped through Bangkok port or lighters must be used to move the cargo to and from the ocean-going ships anchored offshore.

Compared to Songkhla, Phuket plays a secondary but complementary role for the region. Peninsula Thailand exports large quantities of rubber, some tin and forest products, and eventually will export palm oil. With the increasing pace of agricultural development and of land settlement, it is important that easy access to a deep sea port be achieved for this area.

The major objectives of the proposed study are: (1) to review and update the traffic and cost estimates; (ii) to examine alternative location for Songkhla port and access road, taking into account tourism and environmental aspects and confirm the feasibility of the proposed port development at Songkhla; (iii) to confirm the feasibility of upgrading the Thaisarco pier at Phuket and constructing a new pier at a more favorably located and sheltered site; and (iv) to examine the interdependence of the two ports.

To implement the study, a total of 6 man-months of expertise will be required in port engineering (2 months), transport economics (3 months) and city planning (1 month). The foreign currency cost which will be incurred in employing the three experts will be financed by the Bank.

With the National Economic and Social Development Board (NESDB) as the implementing organization, the study is expected to be completed within three months of commencement.

SUDANESE PUBLIC INVESTMENT

Expansion of public investment in Sudan will be assisted by a $4 million technical assistance credit from the World Bank affiliate, the International Development Association (IDA). The credit will help finance a program of project preparation studies for the Sudan Government over a three-year period. The Kuwait Fund for Economic and Social Development will co-finance the project with a loan of $3 million.

The project will assist in expanding the capacity of Sudanese institutions to execute pre-investment work. A special Project Preparation Unit will be established in the National Planning Commission, PO Box 2092, Khartoum, Sudan, to administer the funds, under the general supervision of an inter-agency committee, on which the World Bank will be represented. Studies requiring between 115 and 130 man-years of consultancy services will be financed by the project. The IDA credit will also help to finance training courses relevant to the development of institutions concerned with pre-investment work.

Market Facts for Decision Makers

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

Report No.	Class No.	Subject	Period
1-76	522-52	Hydraulic jacks (construction and maintenance type)	April to June 1975
2-76	672-19	Faucets	April to June 1975
3-76	377-65	Rayon-polyester broad woven fabrics	Oct. to Dec. 1974
4-76	338-95	Particle board	Jan. to March 1975
5-76	422-10	Crude synthetic latex	April to June 1975
6-76	503-09) 503-13) 503-15) 503-19)	Electric generators and parts	April to June 1975
7-76	473-16) 473-18) 473-24 473-25) 473-27) 473-30)	Glass	Oct. to Dec. 1974
8-76	474-20	Asbestos cloth, dryer felts and sheets	April to June 1975
9-76	463-36) 463-52)	Wire netting, wire cloth and woven wire screening	April to June 1975
10-76	502-99	Hydraulic motors, engines and turbines	April to June 1975

Index to Market Digests 1975

Report No.	Class No.	Subject	Period
M.D.1-75	584-66) 584-67)	Travel & camping trailers	May to July 1973
M.D.2-75	882-04	Artificial teeth	Apr. to June
M.D.4-75	444-50	Hot rolled steel wire rods	Mar. to June 1974
M.D.4-75	449-34	Stainless steel wire	Apr. to June 1974
M.D.5-75	655-82	Hermetically sealed compressors for refrigerators, freezers & room air conditioners	Oct. to Dec. 1974
M.D.6-75	706-51	Dental equipment & instruments	July & Aug. 1974
M.D.7-75	339-99	Synthetic fireplace logs	Oct. 1974 to Sept. 1975

Danes deliver advanced flight control

A consortium, Danish Airport Group A/S, is delivering meteorological equipment consisting of three automatic weather stations, one main station and a digital information system worth nearly $500,000, which may be followed up by deliveries of similar equipment to 14 other Iranian airports — *J. Neergaard, IT&C, Copenhagen.*

Bosphorus Bridge

The Bosphorus Bridge, a 1650-metre span linking Asia and Europe over the Bosphorus strait in Turkey, has paid for total cost with the tolls so far collected. According to official reports, the bridge has set a world record in paying for itself.

The Bosphorus Bridge, the fourth biggest suspension bridge in the world, cost $35 million. It was opened on October 29, 1973, the 50th anniversary of the Turkish Republic.

Since its opening, 33,881,520 vehicles have travelled over the six-lane span, which was built by a British-West German syndicate, Cleveland Co. of Britain, and

Hochtief of W. Germany, with credits from Germany, France, Italy, the United States and Japan.

It was originally estimated that the bridge would pay for itself in 8 to 10 years — *D.H. Leavitt, IT&C, Ankara.*

Portuguese permit potatoes

For many years Portuguese authorities prohibited imports of seed and table potatoes from Canada, due to strict phytosanitary requirements. But Portugal has had a bad crop and other European countries had difficulty supplying Portuguese requirements. IT&C representatives in Lisbon were able to persuade Portuguese officials to authorize imports from North America. The photo is one published in a daily newspaper showing the first shipment of Canadian potatoes arriving at Lisbon's Santa Apalonia dock — *L.A. Campeau, IT&C, Lisbon.*

Canada at IMBEX 76

Canadian participants at the International Men's and Boys' Wear Exhibition (IMBEX 76) held at Earls Court, London, March 1-4, received an enthusiastic response from buyers.

The Canadian stand (one of seven national stands) was among nearly 400 exhibits from various parts of the world presenting the latest in men's and boys' clothing, as well as related accessories.

The 10 Canadian manufacturers who displayed their lines wrote orders worth a quarter of a million dollars, with sales over the next 12 months expected to reach approximately $1 million. In addition, nine agents or representatives for the Canadian participants were appointed.

Canadians make good showing at 7th ISPO

It is officially estimated that Canadian firms participating in Munich's International Sports Equipment Fair (ISPO) earlier this year did $150,000 worth of sales on-site. It was expected that additional

sales of about $1.8 million would be made during the year.

A number of firms were able to appoint agents as a result of contacts made at ISPO 76. All told, 26 agents were named and it was expected that a similar number would be appointed later. Representatives of Canadian companies expressed satisfaction with the outcome of the fair and ISPO officials claimed that it had exceeded all expectations, with an estimated 18,000 trade visitors from 52 countries in four days. In 1975 there were 16,000 visitors from 45 countries, according to fair officials.

Canadian exhibitors were: Archery Craft Company Limited, Bata Footwear, Blondo Inc., Canadian Hockey Industries Inc., Cooper Canada Limited, Curl-Master Brooms Ltd., Daoust Lalonde Inc., Dunmark Manufacturing Company Limited, Kaufman Footwear Inc., Lange Canada Ltd., Maple Leaf Shoe, St. Lawrence Manufacturing Company Inc., Tease Knitting Company Limited, and Woods Bag and Canvas Co. Ltd.

International sales of Canadian sports equipment were worth a total of $37.1 million in 1974 (the last year for which figures were available at press time) and sales to Europe have almost quadrupled since 1972.

Government Investment Incentives

B.E. MAYNE, M.B.A., 1974-1975 participant on the Canada-Mexico exchange program

There has been increasing interest in foreign investment in Mexico, which offers relatively economical labour, political stability, self-sufficiency in oil supplies, a large domestic market, and good access to North and Latin America.

The Mexican government has encouraged foreign investment which will promote higher employment, transfer of technology, development of new industry, import substitution and regional development. The government backs this policy with various types of financial and technical assistance. Foreigners interested in taking advantage of such incentives should be aware that preference is given to industry owned by Mexicans. Nevertheless, there is ample opportunity for foreigners to make use of government assistance, particularly in licencing agreements and joint ownerships, where there is a mix of foreign and Mexican capital.

While there are many funding bodies through which investment and other assistance are given, six should be of major interest to foreigners: four are administered by the Government development bank, Nacional Financiera, S.A., and two by the national bank, Banco de México, S.A.

Fund for the Promotion and Development of Tourism (FONATUR)
This funding body, created in 1974, is responsible to Nacional Financiera. Its objectives are to assess, develop, and finance the expansion of existing tourism centres and the creation of new enterprises.

Guarantor for the Development of Medium and Small Industries (FOGAIN)
FOGAIN is a federal fund, administered by Nacional Financiera, to assist — technically and financially — small and medium sized industries with equity between $2,000 and $2,000,000. This fund operates with private and public banks as intermediaries and may grant credit of three types: start-up and outfitting; expansion and repair; industrial mortgages.

The maximum loan period for start-up and equipping is three years; for expansion, repair and mortgage, 15 years. A period of grace may be considered. The loan purpose must be: start-up for primary raw materials and salaries; expansion and repair for the purchase and installation of machinery and equipment; mortgage to effect payment and consolidation of liabilities.

Minimal information required for loan purposes is general data on the operations, current and expected profitability, financial statements and justification of the loan.

Fund for Feasibility Studies and Pre-investment Analysis (FONEP)
FONEP, administered by Nacional Financiera, offers investors financial and technical aid in making feasibility studies. Through this fund, it is possible to evaluate technical, economical and financial viability before committing investment capital. FONEP oversees the study and provides the investor with a list of approved consulting firms from which a selection can be made.

Industrial Development Fund (FOMIN)
FOMIN was established in 1972. It is administered by Nacional Financiera, objective being the partial and temporary subscription to the shares of new industry which desires financing for expansion or improvement operations. FOMIN is oriented to aid small and medium sized industry with equity of between $10,000 and $2,000,000. The fund may purchase up to one third of a company's shares on a temporary basis. Once the operations have been stabilized (generally 3 to 5 years), the shares are resold to other shareholders, company workers or suppliers, or other interested parties in the area of the firm's location.

FOMIN also offers technical assistance for the organization or reorganization of a business, or it may assist the business in finding other, better sources of financing or technical help. When purchasing shares, FOMIN will participate in the business with the rights of a normal shareholder. As shareholder, the fund will expect profits offering a reasonable return on investment, as well as a gain on resale of shares. In such a share purchase, there is no banking intervention, but direct dealings with interested parties.

Information which should accompany an application to FOMIN, includes a general description of operations, an evaluation of management capabilities, record of current ownership and citizenship of owners, the amount of money required, justification of the project, and the last or projected financial statements.

Fund for Manufactured Exports (FOMEX)
FOMEX is administered by the Banco de México, with the objectives of aiding Mexican exporters of manufactured goods and services; protecting Mexican exports against the liabilities of debts and responsibilities arising from their exports, and helping Mexican domestic sales in competition with foreign

items. Their operations include financing, acting as guarantor, and giving aid in the import or purchase of capital goods.

FOMEX does not operate directly with businesses, but via the private banking system, with which it has lines of credit. The business requiring credit must be prepared to submit all relevant data to the intermediary bank or to FOMEX.

Fund for Assistance in the Acquisition of Capital Goods (FONEI)

This fund, administered by the Banco de México, promotes industrial and service enterprises whose production is for export or the substitution of current imports. Aid may be:

a) - a discount on loans made by financial institutions for the acquisition and installation of capital goods, the construction of manufacturing premises, or the elaboration of studies and projects, and

b) - arranging credit to financial institutions to promote related projects.

Products must be competitive with similar articles made externally for the domestic market, or deemed indispensable for the economic development of Mexico.

FONEI may finance studies and their realization and will absorb a portion of the cost if it does not appear to be feasible. FONEI operates via private institutions such as banks. Interest rates and terms are very favourable. Minimal documentation for a loan must include audited financial statements, information concerning the legal incorporation and purpose of the business, its administrative and technical abilities, market situation, the technology employed, location, etc.

Further information may be obtained from: Commercial Office, The Canadian Embassy, Apartado 5-364, Melchor Ocampo 465, Mexico, D.F., Mexico.

The Old Order Changes

The names and photographs of editorial personnel are of little consequence to the average reader. But some future historian, trying to piece together the evolution of Canadian Government publications, may ponder over the respective contributions of David Magee, assistant editor and editor of Canada Commerce during the period May, 1972 - March 1976; Stephen Shewchuk, who joined the magazine in December 1974 as layout and graphics designer; and Harry Traynor, appointed editor in March 1976. Much of the work involved in the compilation of this issue was initiated by David Magee and the change in editorial policy will not be completed before September.

As part of the overall plan to promote Canadian industry and trade abroad, David Magee is now with the International Public Relations Division of I.T. & C. The new editor, Harry Traynor, served his apprenticeship as a journalist covering industrial Clydeside, worked on a weekly newspaper in Cairo while in the wartime RAF, was on the staff of the London Daily Mail and edited three periodicals before emigrating to Canada in 1967.

If undelivered return to:
"Canada Commerce"
Dept. Industry, Trade and Commerce
Ottawa, Canada K1A 0H5

Canada Post Postage paid / Postes Canada Port payé
Third class / Troisième classe
K1A 0H5
OTTAWA