Canada Commerce

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Japan, Pacific Trade Partner

Canada Commerce

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Contents

Editor	Harry Traynor
French Language Editor	Yvon Bureau
Design	Stephen Shewchuk
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J. Chrétien, Minister
O.G. Stoner, Deputy Minister

As Others See Us

During a visit to Canada in July, a group of European steel experts admitted that their prior knowledge of Canadian steel manufacturing and technology had been totally inadequate. What they saw at first hand convinced them that a closer liaison with Canadian steel companies could be mutually rewarding.

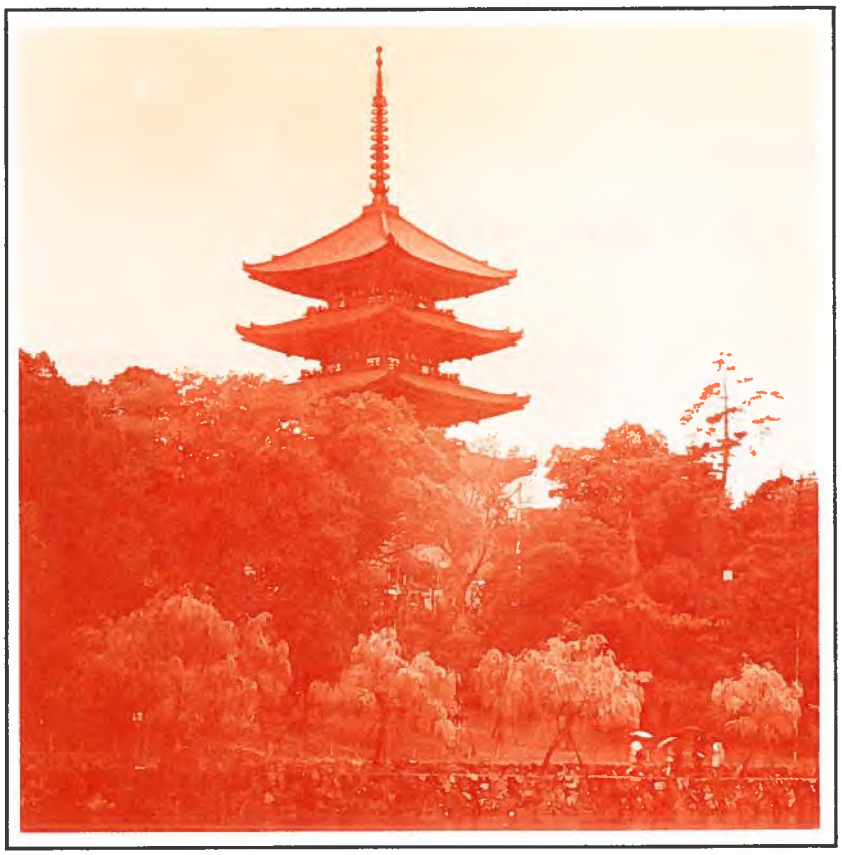
Canadian prowess in the hockey arena is something which most of us feel should be acknowledged and commented upon by the rest of the world. Unfortunately, there is less national concern over the rare and miniscule mentions of Canadian industry in overseas newspapers and technical journals. On that very score, criticism might be levelled at this magazine's long-time preoccupation with foreign countries and their market potential for Canadian exporters.

International trade is, of course, a prime essential for national prosperity. But the source of sales success abroad is to be found in this country — in our mines, processing plants, factories and commercial offices.

So starting with the next issue of CANADA COMMERCE, we will focus the spotlight on Canadian industries and report on their success in home and overseas markets. This new series will supplement on-the-spot business reports which pour in from Canadian embassies and consulates in 64 countries.

Although a product of a single government department, CANADA COMMERCE holds up a mirror which attempts to reflect all segments of the Canadian business world and its customers. If the image is sometimes blurred or out of focus, blame the hands that also hold a pen and delight in steering clear of bureaucratic jargon.

Published in French



Measures of Progress

In a single century Canadians tamed the wilderness, cultivated the barren prairies, cleared forests, transformed wastelands into thriving communities, stretched road and railway ribbons across a vast continent, harnessed the power of lakes and rivers to turn the wheels of industry, and gouged the hinterlands for their deposits of minerals and fuels.

Rich in natural resources, Canada attracted immigrants with skills acquired in technically advanced countries. Ethnic links between the New World and motherlands across the Atlantic encouraged two-way trade, and upon this sound economic base Canada established one of the world's most affluent societies.

In a single decade the Japanese — vanquished in a global conflict that had exhausted the country's manufacturing capacity and financial reserves — rebuilt their war-ravaged cities, distilled the technologies of foreign industrial giants and evolved their own sophisticated techniques to manufacture a myriad of products ranging from miniature radios to giant ocean freighters. The only plentiful resource at the disposal of Japan was manpower. Programs to alleviate domestic problems had to be subordinated to the purchase of oil and raw materials from abroad. Commercial success depended upon shipping reliable, competitively priced merchandise to mass markets on the other side of the world, where consumers were loyal to long-established indigenous brand names. Many Western business leaders refused to believe that the country struggling for economic equilibrium on the far side of the Pacific rim could challenge the supremacy of European and American manufacturing plants.

Today, Japan is one of the world's dominant forces in terms of technological know-how, industrial output and marketing skills.

Still almost wholly dependent upon foreign fuels and materials for the factories that support the bulk of her 112,000,000 citizens, Japan is anxious to establish trading alliances and partnerships that will ensure her continued prosperity.

Against this background, CANADA COMMERCE highlights some facets of our industrial, economic and trade links with Japan.

Canada-Japan Economic Co-operation

WENDY SMITH, Pacific, Asia and Africa Bureau, IT&C Ottawa

At the fastest sustained rate of economic expansion in history, Japan has become the world's second largest market economy and the third largest trading nation. In consequence, it is now a sophisticated industrial and consumer society which is highly interdependent with other countries.

The growth of the Canada-Japan economic partnership paralleled the economic development of Japan and in a relatively short period of time that country emerged as our second largest national trading partner. Looking to the future, the prospects for Canadian businessmen are good. Japan offers even greater and more diverse opportunities for investment or as a source of capital; as a market for or source of technology; as an important buyer of industrial materials, agricultural products and manufactured goods, or as a supplier of advanced products.

Trade is currently the dominant aspect of our expanding relations: total bilateral trade in 1975 exceeded $3.3 billion. Though this was down slightly from 1974 levels, Canadian exports to Japan in the first six months of this year showed an 18% improvement over the same period in 1975. Imports from Japan expanded at a slightly slower pace in the first half of 1976.

Canada is now Japan's largest per capita market for automobiles, television sets and audio equipment. Trading in the other direction, Canadian shipments still consist primarily of minerals, metals, agricultural and forest products. The rate of growth and volume of this trade is gratifying, and with the prospects which Japan offers Canada for the future, it is expected that the relationship will mature further to reflect more fully the economic interests and direction of both countries.

The governments of Canada and Japan are committed to expand and enrich our economic relations. In particular, Canadian and Japanese ministers (at the seventh Ministerial Committee Meeting in Tokyo, June 1975) agreed to a joint approach to economic co-operation. It was decided that both sides should "proceed as soon as possible to identify those areas of the Japanese and Canadian economies which held the greatest promise for increased, mutually beneficial economic co-operation". Exploration would include — in addition to the normal exchange of goods — such matters as investment, broader inter-corporate links (including joint ventures), scientific and technological exchanges. In short, this multidimensional approach should take into account all foreseeable aspects of our bilateral economic relations and, at the same time, provide for a more co-ordinated and concentrated thrust.

In response to Ministerial Committee directives, officials met in Tokyo last November to examine specific areas in which Canadian and Japanese interests could complement each other. Three segments of industry were considered: manufacturing, agriculture and resources and energy. Opportunities were identified for co-operation in non-ferrous metals (aluminum, copper, zinc), oilsands, uranium, coal, petrochemicals, forest and related products (pulp, lumber, and housing), aircraft, electronics, automotive parts, grains, pork, rapeseed and tobacco. Officials considered also the various approaches which could facilitate a higher degree of trade and economic co-operation in these areas.

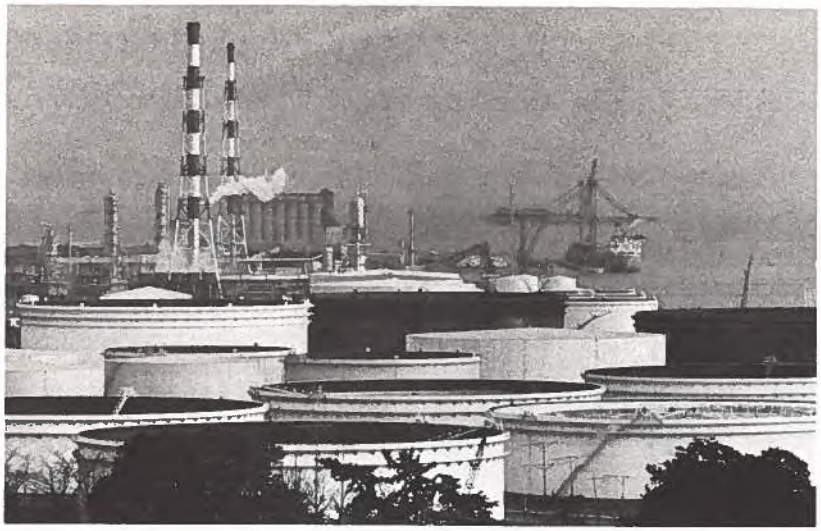
Like the chef whose livelihood depends upon easy access to raw foodstuffs and whose culinary skills must satisfy price-conscious customers, the Japanese industrialist has to go into the international marketplace for those materials which are Canada's natural inheritance.

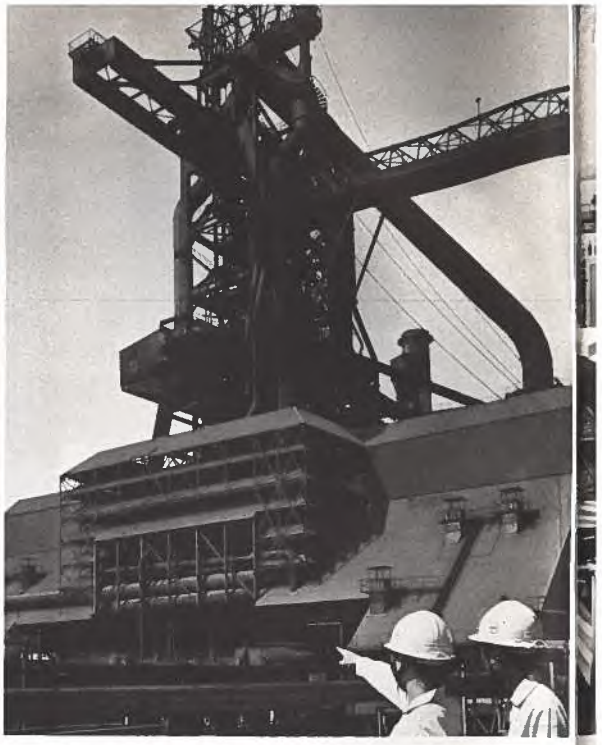
The initiatives of governments (federal and provincial) and industry in promoting Canadian forest products and housing in Japan is an excellent model of the concept of economic co-operation. A separate article details the progress on this project. Briefly, a specific need was identified: Japan required houses which could be constructed quickly and economically. Canada had that capability — the wood components and the technology of the 2 x 4 system. There was mutuality of interest in Canadian and Japanese industries, as well as in government policies. Initial measures implemented to develop co-operation in this area included: acceptance by the Japanese government of Canadian lumber standards (CLS) and the construction 2 x 4 method; a secure supply of Canadian dimensional lumber, and Canadian training of Japanese carpenters in the timber frame system. Future activities may include other technology exchanges and cross investment to develop broader inter-corporate links.

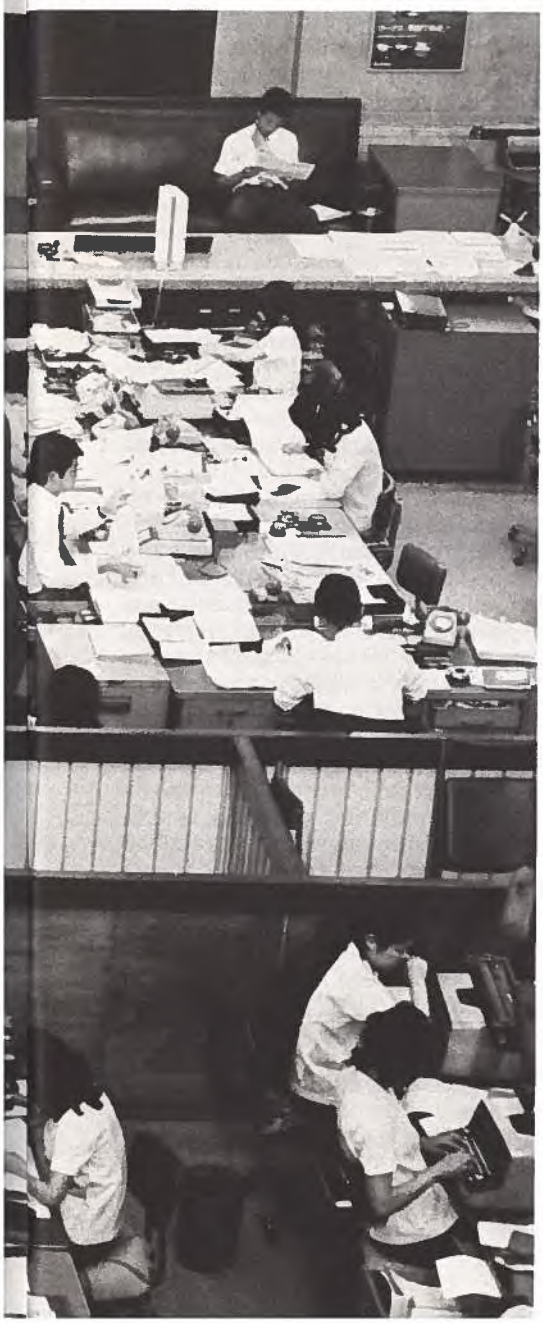
Another prime example of evolving industrial co-operation is the joint venture announced recently by Fujitsu of Japan, the world's second largest manufacturer of computer systems, and Consolidated Computer Industries, a Canadian producer of computer software and peripherals. A separate article describes the mutually beneficial dimensions of this relationship.

Government can play an important role in creating a climate conducive to the development of economic co-operation. But in the final analysis it is the business communities of the two countries which hold the key to expanded relations. Interaction and dialogue between the Canadian government and the Canadian business community are required to foster a greater interest in and appreciation of the opportunities which Japan offers.

Japan







Japan's Economic Vigour is Contagious

With few natural resources, but naturally resourceful, Japan is emerging from her energy-induced recession with a new determination to invest in long-term trading partnerships.

R.M. DAWSON, Minister (Economic/Commercial), Tokyo

According to Confucius, the tree of prosperity flourishes only if its roots are in fertile soil. Japanese manufacturers contradict Confucius: they import metals from the other side of the world, process and fashion them and then sell the finished products to distant miners of the basic ore.

During the first quarter of 1976, Japan began to emerge from the most protracted recession since the Thirties. After two years of virtual zero economic growth the gross national product registered an increase of 3.5% in real terms. Second quarter results are expected to be equally promising.

Japan is almost totally dependent upon imported energy resources and has had to make monumental adjustments since the oil crisis in the Fall of 1973. Last year's oil imports of $18.9 billion represented a staggering $13 billion over the 1973 figure and now account for 30% of total imports. The immediate implications of this major shock caused almost near panic in government and industry circles. Gradually, during the course of the ensuing year, the unique Japanese consensus system came into play and redefined national objectives began to take shape. Although many business spokesmen initially called for a return to high rates of economic growth, opposition gradually fell into line: the emphasis is now on stable economic expansion, with stress upon new high technology development for the future.

In May of this year, the Japanese

The Nippon Steel Corporation has the world's second largest blast furnace at its Kimitsu Plant. The entire iron ore output of Canadian mines would not meet Japan's requirements. In 1973, Canada produced 52.2 million tons, of which 3.3 million tons went to Japan. In that same year, Japanese smelters processed 136.2 million tons. Biggest supplier was Australia, 64.2 million tons.

Cabinet announced a new economic program. This "indicative" plan, which has broad public support, calls for an average annual real growth in GNP over the next five years of approximately 6%. This represents a reduction to about one half the rate in preceding high growth years. Some other salient features of the plan are:

- annual price increases are to be brought down to 6%
- unemployment will be reduced from 2% in 1975 to 1.3% in 1980
- the tax burden will be increased by 3%.
- public welfare expenditures are to be increased (8.6 million new homes are to be built by 1985, with public funds to the tune of $21.7 billion supporting the construction of 3.5 million units).

The main objective is to ensure balanced economic development. For the first time the plan stresses the need for improving the quality of life. It calls for a gradual restructuring of industry into more sophisticated light industries that are relatively pollution free and consume less energy and bulk raw materials. This is expected to create some difficulties: Japan has prospered by the deceptively simple formula of importing raw materials, processing through all stages and marketing globally. The new approach still relies heavily upon the country's greatest resource, its people: but it places stress upon the need for greater technological advances to ensure orderly economic growth. Automation is an important priority.

In part, this new philosophy recognizes Japan's increasing vulnerability to vicissitudes on the international scene. Abundant and cheap offshore raw materials are increasingly difficult to come by. Energy is now costly and in short supply. Rapid increases in per capita income are forcing Japan to phase out the manufacture of many labour intensive products. Per capita annual income — which stood at $3,700 in 1975 — is expected to grow to $6,600 by 1980 (the U.S. figure for 1975) and reach about $10,000 by 1985.

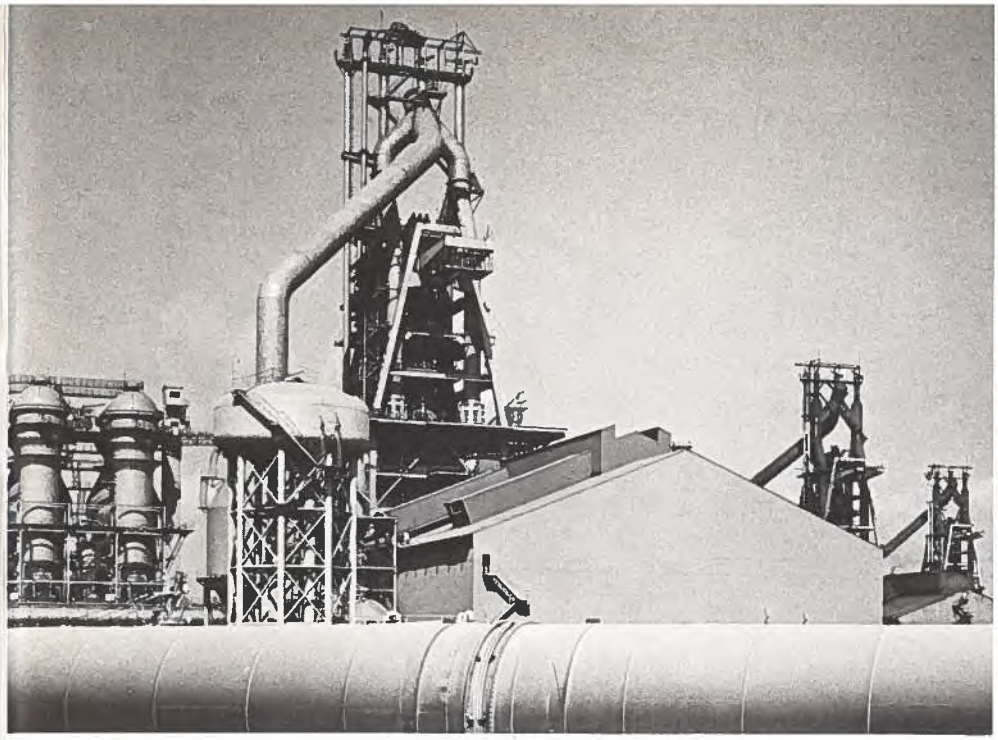
Serious inflation has contributed to the duration and depth of the recession. A 24% inflation for the fiscal year which ended in March 1974 caused consumer spending to turn sluggish. In the following year inflation was cut back to 14.2%, but public spending continued in the doldrums. Easing of credit restrictions during 1975 did not provide much of an immediate stimulus. However, the government's ability to meet its objective of holding inflation to under 10% in the fiscal year ending March 1976, coupled with a sharp decrease in interest rates, finally helped to restore consumer confidence. Department store sales have been increasing an average of 10% monthly, which portends a steady and balanced recovery.

Large wage gains in recent years were unaccompanied by commensurate gains in productivity and tended to weaken the industrial fabric of Japan. Industrial wages, which are usually settled during the April "Wage Offensive", reached alarming proportions in 1974, when average increases approximated 32.6%. The combination of recession and concern about Japan's international competitiveness resulted in moderated union demands during 1975, when pay increases were kept under 15%. Concern was manifest again this year, with the result that wage settlements averaged 8.9%, an extremely low figure by Japanese standards. As long as inflationary pressures do not accelerate too much, it is expected that labour settlements over the next few years can be controlled to the extent that they will not further erode Japan's competitive position.

The protracted recession put a strain upon Japan's traditional industrial structure. A high debt to equity ratio permitted a leverage situation that maximized profits during periods of rapid economic growth. Pressure on the management of most companies became severe. They were faced with high fixed costs and very little scope for manoeuvre. Helter-skelter economic expansion tended to produce sloppy management controls, particularly in the financial sector, and resultant bankruptcies increased at an alarming rate. The monthly liabilities of bankrupt firms remained over a third of a billion dollars for well over a year. In May, bankruptcies exceeded 1,200.

Today, there is widespread recognition that Japanese executives must get back to basics and practice sound management if industry is to prosper during an extended period of moderate economic growth. Company reorganizations are more commonplace in Japan than in the Western world and the weak tend to fall by the wayside more quickly. This trend could have an effect upon the economy if more conservative management practices are not adhered to over the short run. Rebounding profits in recent months could tend to paper over this dangerous structural weakness.

Seriously threatened is the time honoured practice whereby a young Japanese expects to stay with the same employer throughout his working life. Layoffs, which are common practice in North America, have been frowned upon by the Japanese, who make every effort to avoid them, often at considerable company expense. Extra bonus payments have been offered to encourage early retirement. In some instances, salaries have been reduced. Hirings have been drastically cut back and many employees have even been given leave with pay. One prominent vehicle manufacturer with large inventories of unsold cars even converted factory employees to part time salesmen. Despite the problems in perpetuating the lifetime employment concept, it appears to be surviving the stresses and strains of the past few years. This is due in large measure to the fact that, in Japanese eyes,



the common company loyalties of both management and labour are an integral feature of continuing industrial achievement.

Early economic recovery in the United States has done a lot to spark the Japanese economy. Exports to industrialized countries are up almost 25% this year, although imports are still stagnant as inventories of industrial raw materials continue at high levels. By the end of July, foreign exchange reserves rose to almost $16 billion, slightly above comparable figures at the end of the last economic boom in May 1973. Recent international criticism that the yen is undervalued could give rise to protectionist measures in other industrialized countries if Japan's favourable trade balance continues to grow. Sensitive to such criticism, the Japanese argue that, as the domestic economy accelerates later this year, imports will rise and restore trade equilibrium.

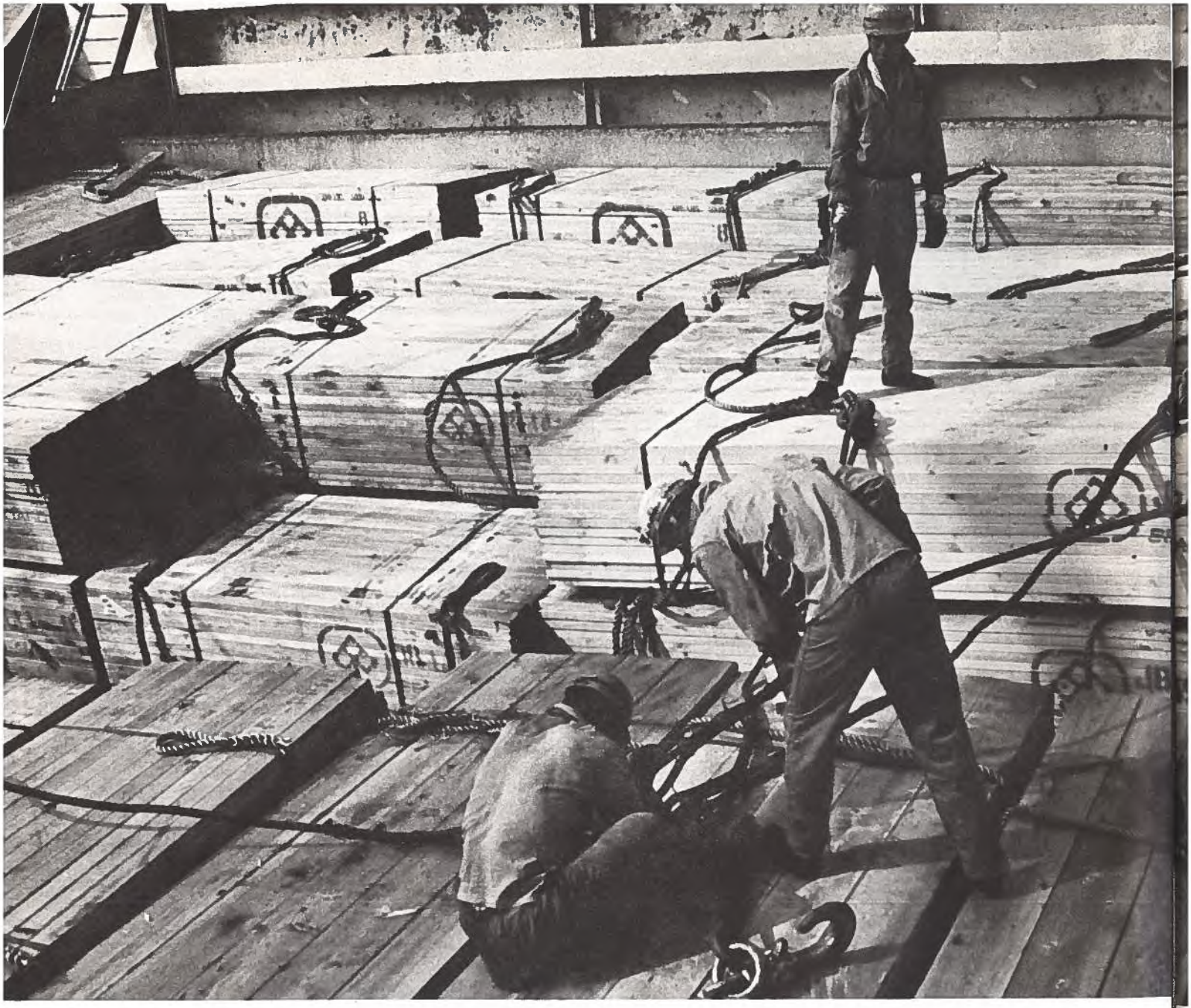
Canada-Japan trade marked time during the recent recession. Exports to Japan declined in volume in 1975, but higher unit costs of many materials helped to maintain the monetary level at $2.1 billion. Imports of Japanese goods at $1.2 billion were also slightly below the previous year. Expansion of bilateral trade should become evident towards the end of 1976 as the Japanese industrial complex gears up towards full production and the Canadian economy, also stimulated by growing U.S. demand, moves ahead gradually. It is doubtful that the next few years will see the dramatic growth in Canada-Japan trade which was experienced in the late Sixties and early Seventies, but expansion should be strong.

Over the past five years Canadian exports to Japan tripled and firmly established Japan as our second most important trading partner. During the early phase of this dramatic trade expansion, Japanese imports of manufactured goods were subjected to a comprehensive system of government control. Consequently, shipments of industrial raw materials and agricultural products predominated. In 1975, Canadian exporters shipped manufactured goods valued at $64 million. This is a significant amount by any standard, but it represented only 3% of our total sales to Japan. Shipments of semi-processed goods at just under $½ billion accounted for 22.2% of exports, while raw materials ($1½ billion) accounted for 75% of total shipments. This situation will probably continue for the foreseeable future, at least until Canadians promote sales of technologically advanced products more effectively. Each year, the Department of Industry, Trade and Commerce organizes trade promotions aimed at the Japanese market. These have contributed to the successful introduction of a wide range of manufactured goods, but progress has been gradual.

There has been in recent years a gradual relaxing of Japanese import regulations. Japan has also lost its competitive edge in some sectors. These and other factors suggest that imports of manufactured goods will diversify and grow in the years to come. Japan is abandoning the idea of manufacturing everything it requires and may well become, after the United States, the free world's largest and most diverse market for industrial and consumer goods.

As our two way trade expands and in the process widens the degree of mutual awareness in each country, joint ventures should figure prominently. Earlier this year the Japanese government completed its program of liberalizing foreign direct investment in Japan. With the exception of banking, transportation, utilities and the industrial sectors of agriculture, forestry and fishing, petroleum, mining and leather products, foreign investment can now enter the country freely. Although Canadian interest is not expected to generate many large new ventures, investment in Japan could expand significantly from the present $75 million level.

Japanese overseas investments are expected to grow by leaps and bounds over the next decade. Cumulative overseas investment is now estimated at $16 billion, according to the Ministry of International Trade and Industry, which predicts that this could exceed $90 billion by 1985. A third of this new investment is expected to be devoted to manufacturing. While much of Japan's foreign investment to date has been concentrated upon securing industrial raw materials from developing countries, increasing antagonism and nationalism directed towards Japan will result in greater concentration of effort in the more developed industrial countries. If inflation and labour problems in Canada moderate, there could be a dramatic infusion of Japanese investment in new Canadian enterprises.



Japanese Carpenters Bow to the Two-By-Four

Master designers of sophisticated electronic and plastic products, the Japanese rejected the latest in concrete and steel homes. Wood is an essential part of their heritage and wooden houses they prefer — using Canadian two-by-four lengths and building techniques.

R.A. FAIRWEATHER, Commercial Secretary, Tokyo

Canadians worry about urban sprawl, but 112 million Japanese occupy more than 22 million dwellings — 75% of them, people and houses, crowding an island (Honshu) which is approximately one fifth the area of Ontario. During 1973, 1.9 million new homes were completed. Curiously enough, floor space per person increased from 8 square metres in 1963 to 11 square metres in 1973. During the same period, the price of land in and around cities increased 400%.

Rental houses account for 40.8% of all dwellings. Owner-occupier homes, 59.2%.

Before 1960, no building in Tokyo stood higher than six storeys. Today, the city skyline is reminiscent of the U.S.

Wood has a special significance for the Japanese. Whereas other countries are rich in mineral resources, Japan's natural wealth has been in her forests. For countless generations they were judiciously thinned to provide housing for the bulk of the populace. Elementary school teachers in Japan instill pride in the homeland by telling their pupils that two thirds of the country is covered by forests, a birthright which must not be threatened by picnic fires or new-sprouting communities. Similar admonitions are heard in Canadian schools, but Canadian forestry statistics differ greatly from those of Japan. True, Japanese trees grow across two thirds of the country, but an area

nearly double the entire Japanese land mass could be hidden in the forests of British Columbia.

Our Pacific province has fewer than three million inhabitants, whereas Japan has to house 112 million citizens. That figure has increased by 36 million since 1946, and in the interval 28 million domestic dwellings have been built. Since Japan's forests can provide only 35% of the country's requirements, the Canadian timber industry has a ready market on the far side of the Pacific. One serious impediment to trade was the basic difference between the Japanese post and beam method of home construction and the "two by four" system employed in Canada. Oriental traditions die hard and not until two years ago was the timber frame method widely accepted by house builders in Japan.

What Canadian timber exporters had to cope with was a form of Japanese architecture that had survived for centuries. The post and beam style enables architects and builders to cope with changes in environment and climate while expressing a simple beauty. The weight of the structure is borne by thick posts and permits the elimination of interior load bearing walls. Thus, light, moveable walls, wide door openings (permitting full ventilation) and many exposed wood surfaces characterize a typical Japanese home. But post and beam construction is now very expensive. Also, the average age of skilled carpenters is steadily advancing and younger people no longer seem interested in spending years as apprentices when better paying jobs can be found in other fields.

There has always been a shortage of adequate housing in Japan; but by the 1960s it became evident that homes constructed of concrete, steel or other such materials did not appeal to Japanese home buyers. They did not provide the same warmth or beauty as is found in homes built of wood. Some other method of building had to be found and the Ministry of Construction began to study alternative construction methods. It was about this time that the timber frame, or the "two by four" method as it is more popularly known in Japan, came to the attention of the Ministry of Construction.

It was soon apparent that "two by four" filled the bill. Unlike many other pre-fab homes, a basic design in wood can be altered easily to suit individual tastes. Progressive home builders can capitalize on this fact and relieve the monotony of styles that characterize many Japanese housing developments by making slight modifications to a basic concept. In addition, highly skilled carpenters are not essential in building a "two by four" home. Little more is needed than the ability to use hammer and nails. Tests and actual experience soon proved that timber frame structures could be erected in much less time than it took to build a comparable post and beam house.

In the late 1960s and into the early years of this decade, while evaluation studies and tests were being carried out on the timber frame system by several government departments and private organizations, seven large builders obtained permission from the Ministry of Construction to build timber frame houses. These firms saw the advantages of using the system. And as they became more familiar with Canadian methods, they were able to provide a consistent standard of quality home which appealed to the buying public. Through the experience gained in building timber frame units these seven firms were able to pass on to the Ministry of Construction valuable technical information. With this information, as well as input from other sources, the most important of which was Canada, the Japanese Ministry was able to compile sufficient data to enable it to amend the building code in August 1974. By this action, each and every construction company in Japan is free to use the system, except in areas of excessive snow loads, where "two by four" construction is still not approved. However, this restriction may be eased in the near future.

The so-called "opening" of the system was not welcomed by all sections of the Japanese timber industry. Japanese sawmills were against any revision of the existing building code: they preferred the traditional precut Japanese sizes for use in the post and beam method of construction. The introduction of new and unfamiliar sizes was looked upon as a threat to every sawmiller's existence. Faced with the problem of having to cut a great variety of sizes, some teeter on the brink of economic collapse. It is estimated there are over 500 different sizes that go into the construction of a conventional style house. Efforts to standardize sizes and rationalize the sawmilling industry have met with little success, as most of the 25,000 sawmills are small family enterprises. Added to the uncertainties of sawmillers, there was also the fear among importers that new home construction methods would open the way for overseas suppliers to circumvent the long established distribution channels and sell directly to end-users. This had an unsettling affect on the wholesale trade. And carpenters who long prided themselves on their ability to construct homes using complicated dovetailed and mortised joints with very few nails, viewed "two by four" homes with scorn and argued that they could not rival the quality of a traditional structure. For them it was inconceivable to build a house using a seemingly unlimited quantity of nails, each driven home at high speed with a power hammer. In fact, in the building trades a "tatakidaiku" or "hammer and nail carpenter" is jargon for a less skilled carpenter.

These prejudices and misconceptions are slowly being eroded. Extensive research has shown that the timber frame method is in many ways far superior to anything else available in Japan. At a recent test on a "two by four" home at the

Building Materials Research Center, north of Tokyo, attempts to destroy a "two by four" home failed. The gauges and machinery had all been preset to levels comparable to a test on a traditional house. To the consternation or surprise of many present, the house could not be toppled or crushed with the equipment on hand.

In another incident, a fire occured in a "two by four" home in which one room was partially gutted. The report of the local fire warden indicated that, had the house been a traditional one, it would certainly have been destroyed. However, the fire stops and gypsum board of the "two by four" home prevented the fire from spreading and causing extensive damage. Incidents like these received considerable publicity and have done much to overcome the initial reluctance of the public to buy a timber "two by four" house.

But the overriding factor in the shift towards widespread acceptance of the system is sheer economics. Japan consumes, both from domestic and overseas sources, well over four billion FBM of timber annually. The market share of imported wood showed a staggering increase from only 12% in 1960 to 65% in 1974. While logs account for the greater portion, the percentage of precut lumber has also been growing. Since the United States took steps to reduce the export of logs, Japanese imports of lumber from North America, and particularly from Canada, have skyrocketed. More specifically, log imports rose from 3.5 billion FBM in 1969 to 3.8 billion FBM by 1975 — an increase of approximately nine percent. On the other hand, during the same period, lumber imports jumped from 675 million to 1.1 billion FBM. Very little dimensional lumber was included in the above figure. Most of it was in the form of small pieces used directly as posts or in large squares which are transformed by Japanese sawmills into a multitude of traditional sizes. These are becoming more and more expensive. Sawmillers in Canada and the United States are reluctant to saw to Japanese specifications without long-term contracts or purchase guarantees: this production cannot be sold readily in other markets. The reverse is true with CLS dimension lumber. Since an increasing number of countries around the world have accepted Canadian Lumber Standards, many markets have opened or are opening up to Canadian exporters of CLS dimension lumber.

Another economic factor prompted the building trade to think seriously of switching to the new method. It is estimated that 2,700 man-hours are required to complete a post and beam style house: a timber frame home requires only 500 man-hours. In Japan, in excess of 50% of the total building cost of an average home is absorbed by labour costs. In North America this portion amounts to only a third.

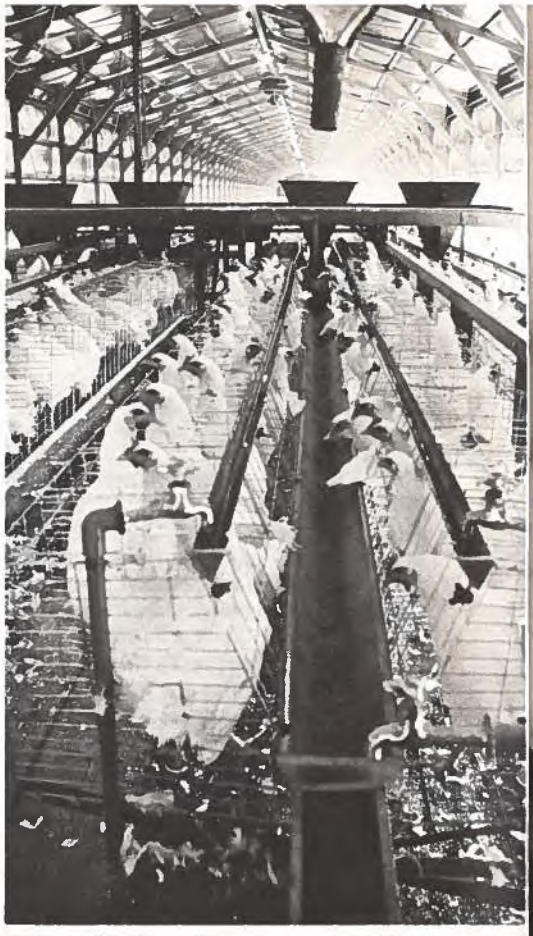
As mentioned earlier, there are over 500 different sizes of lumber that go into a traditional home. By switching to the new method, it reduces the number tremendously and allows companies to precut and preassemble many components in an assembly line operation before shipping to the job site. This has further enabled costs to be reduced.

Already a large number of major trading firms, most notably Mitsui, Mitsubishi, Nissho-Iwai, and Kanematsu-Gosho, have begun to switch to "two by four". They are restructuring their lumber and building supply departments to cope with the expectedly large volume imports of dimensional lumber and related building materials. Training courses organized by various carpenter unions are well attended by those interested in learning more about this new method of building. Of particular note is a training program at the British Columbia Vocational School in Vancouver to teach 36 Japanese carpenters more about all phases of the system. This program was organized on the Canadian side by the Federal Government, the British Columbia Government and the Council of Forest Industries of British Columbia. On the Japanese side, the driving forces were the Ministry of Construction and the Building Center of Japan. The carpenters trained in Canada will return home and conduct seminars throughout the country, thereby spreading knowledge of the "two by four" system.

Various organizations, such as the Council of Forest Industries of B.C., through their offices in both Tokyo and Osaka, the Ministry of Construction, the Housing Loan Corporation, and the major importers are mounting promotional campaigns to introduce the system and the use of dimensional lumber itself. The Japan Home Builders Association, one of the more enthusiastic supporters and promoters of the system, is currently setting up a national network of offices to promote the method among local builders. Plans are also under way to establish a Timber Frame Construction Association.

All this augurs well for Canadian producers of CLS lumber. While exports from Canada to Japan remain modest, due mainly to the residual effects of the recession, the Japanese Government has embarked on an ambitious program to have 8.5 million housing units built in the next five years. Many of these will, of course, be traditional homes or apartments, but the number of "two by four" units is expected to grow significantly, especially as various arms of the Government look to the system as the only way to rationalize housing production. Thus, it is only a matter of time before Japan becomes a major customer for Canadian "two by four" lumber.

Less affluent Englishmen with social aspirations dream of breakfasting on champagne and caviar. Canadian big city dwellers who want to keep ahead of the small-town Smiths are acquiring a taste for Japanese raw fish dishes. And the Japanese? One of the greatest and most expensive delicasies is steak from pampered, beer-fed cows. Less exotic, but popular with Tokyo diners-out is a genuine McDonald's hamburger.



Multi-billion Food Market Is Sampling Canadian Menu

The variety of the North American diet owes much to successive waves of immigrants — some bringing livestock from their native lands, others the recipes for delectable dishes.

No ancient invaders threatened traditional Japanese dietary habits, which may explain the sudden enthusiasm for processed food, hamburgers and instant coffee.

D.G. SUMMERS, Assistant Commercial Secretary, Tokyo

Having discarded the traditional kimono in favour of European and North American clothes, more and more Japanese are tackling their food with knives and forks. But unlike those Canadians who struggle with chopsticks only during infrequent experiments in Main Street Chinese restaurants, the Japanese are using Western cutlery because their everyday dietary habits are changing.

For centuries they existed mainly on high intakes of starches (with rice the prime favourite) and fish. But since 1960, rice consumption has dropped by 17% and bread sales have inreased by 20%. The Japanese are acquiring a liking for meat, dairy products, oils and fats — the demand for which is running at nearly two and a half times the levels of 1960.

Banish the thought that these are poor peasant women condemned to scraping a living in the rice fields. Their menfolk have deserted agriculture for more lucrative jobs in nearby factories, which may explain the western world school uniforms of the background figures.

Agriculture and forestry absorb 12.1% of the workforce.

The Japanese market for food products has been estimated at $72 billion, or $649 per head annually. The bulk of the nation's larder is filled from domestic sources, but overeas companies are the main suppliers of such items as soup, instant coffee and soft drinks. Some processors have already set up plants in Japan, but the demand is so great that Canadian exporters are getting their merchandise into Japanese retail outlets.

Potential exists also for biscuits, jams, canned fruits, frozen vegetables and wine. A major factor in favour of imported foods is their high status in the mind of the Japanese consumer. This is a partial explanation of the fact that many imported products sell at prices much higher than domestic equivalents. Another important point is that Japanese consumers learn to recognize certain foreign brands and associate them with characteristics such as quality, natural foods, etc. This can be a plus factor, but it also means that an unknown brand is at a disadvantage.

Although Japan has many large cities, commerce and foreign trade are centered in the Kanto (Tokyo-Yokohama) and Kansai (Osaka, Kobe, Kyoto) regions. Thus, it is not surprising that 90% of all imported food products are sold in Tokyo, Yokohama, Osaka and Kobe. Large as they are, these four cities account for only 30% of the total food sales.

The overall distribution system in Japan is extremely complex. There are five food retailers and one wholesaler to every 100 households. This leads to high distribution costs and low efficiency in marketing. The normal distribution pattern for food products would be as follows:

manufacturer — primary wholesaler — secondary wholesaler — tertiary wholesaler — retailer — consumer

This cumbersome system persists for a number of reasons. First, there are many small shops which require daily deliveries because they lack storage space. Secondly, there is often a complex financial link between wholesalers and small retailers. Thirdly, and not to be underrated, is the serious personal offence if a relationship spread over several generations between wholesaler and retailer is severed.

In general terms, the larger the manufacturer and the larger the retailer, the more direct the line of distribution. Imported foods are sold mainly in major department stores and supermarkets and are considered to be in the luxury segment of the market. The reasons are simple: first, there is ease of distribution to these outlets; secondly, the relatively high percentage of foreign customers who frequent these outlets assure a small but steady market; thirdly, higher margins may be obtained by selling in the luxury segment. The simplified distribution system for imported foods might be shown as follows:

overseas processor to large retailer

overseas processor to trading company to department store

overseas processor to trading company to supermarket

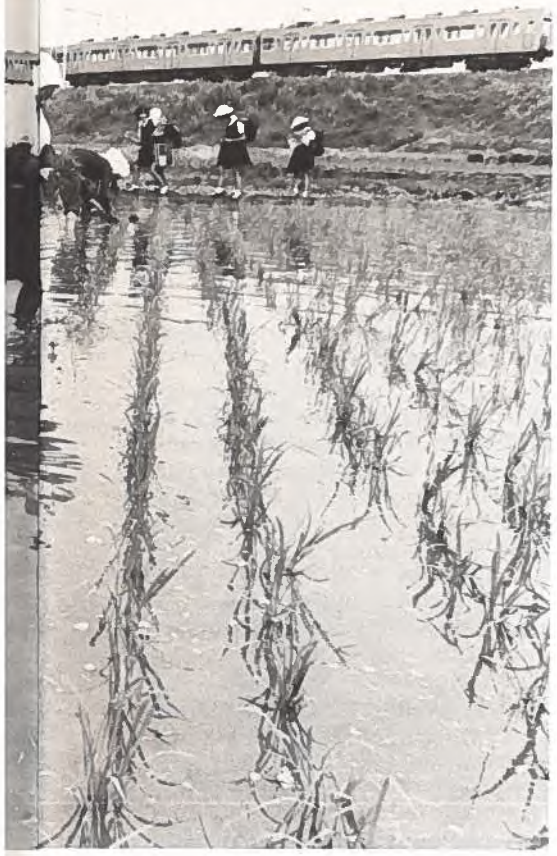
It can be seen that the distribution system is in the process of considerable change. Nevertheless, the exporter must assume that the retail price will often be more than 100% above the landed cost, particularly for new products or where the exporter does not offer promotional support.

The most significant development in food merchandising in Japan has been the growth of supermarkets. By 1974 there were 12,034, which represented a 13.2% increase in just two years. Even more impressive was the sales boost of 73.7%. Supermarkets accounted for 10.6% of all 1974 retail purchases. In hard cash, the figure was a record $1.4 billion, but that has since been surpassed and supermarkets are now drawing more custom than department stores.

Food represents 24% of all supermarket sales and is the major product line. Adopting North American techniques, supermarkets go in for self-service, offer discounts and are content with low profit margins — which may explain why turnover has increased by 30% per annum over a ten-year period.

Looking to the future, the number of supermarkets will increase, and especially in new housing areas. In consequence, small shops seem destined to organize themselves into voluntary chains or co-operative groups. But it would be wrong to overlook the sales potential of small retailers. Thousands will survive and prosper by selling some of the imported food lines which are presently demanded only by more sophisticated customers.

Several local tastes or other factors which influence the consumer are worth noting. The Japanese are very conscious of presentation and the appearance of the package, especially if buying new and unfamiliar products. Presentation, therefore, is of paramount importance. Most packaging in Japan is bright. For jars and frozen food, visible packaging is usually required, as the consumer likes to see the product whenever possible. The exception is biscuits: containers with printed labels are accepted.



Because of its mountains, Japan's arable land is limited. Only 15.6% is devoted to food production — with rice fields occupying 58.8%.

The train is not the 130 mph express that covers the 320 miles between Tokyo and Osaka in 3 hrs. 10 mins. Japanese railways account for 39.1% of passenger transport and haul 36.5% of the overland freight.

The Japanese buyers are also very concerned about exact product specification. With fresh fruits and vegetables, the importer will expect uniformity of size and quality. For processed goods, the buyer wants precise information with respect to size, colouring, types of syrup, etc. Dented cans are considered by many importers as sufficient reason for refusal of shipment, as this constitutes reason enough for the consumer to reject a product.

New products often require lots of promotion. This may entail the rental of store space, product sampling, cooking demonstrations, supplying goods on consignment or making small gifts to distributors/retailers. Thus, for new products an active, promotion-oriented agent is essential. The choice of agent in Japan is perhaps the most important decision in the marketing process. Advertising is very expensive and should be contemplated only if the sales volume can be expected to justify the outlay.

Another factor which plays an important role is the personal contact between importer and exporter. In Japan business is conducted on a so-called business relationship instead of a contract basis. Thus, the importer must become familiar with the product and get to know officials in the exporting firm. To this end, the exporter must go to Japan, choose the agent and follow-up with visits which will allow the importer to know his supplier on a personal basis. Repeated visits to Japan are also considered by many importers as confirmation of the importance the exporting firm attaches to the Japanese market, and this may influence the importer's performance.

Exporters should note some rather strict regulations which must be observed to avoid Customs or Ministry of Health problems. While this may inconvenience some firms interested in exporting to Japan, it should be noted that domestic producers of similar products come under the same set of regulations.

"Food Additives in Japan," published by the Food Chemistry Division of the Ministry of Health and Welfare, provides a current list of permitted food additives, plus a complete description of the essentials of food sanitation and additive regulations. No exporter should ship goods to Japan without ensuring that these regulation are met.

In packaging goods for sale in Japan, it is, of course, preferable if the Japanese language is used. However, the brand name and product description should be in English as well as Japanese: English titles add prestige to the product. Several options are available with respect to packaging. These range from having the importer package the goods to pasting labels with cooking instructions, etc., on top of the English labels.

Japanese regulations require the importer to attach to each individual package a sticker which describes the product, date of importation, name and address of the importer, weight or volume, a list of ingredients and a statement declaring the use of additives. In most cases it is best if this task is left to the importer, although it is permissible to make these labels up and add the import date once the goods have cleared Customs. Metric measures are used in Japan and by law contents must be declared in metric terms. Although this law is not strictly enforced, the advantages are obvious.

To assist Canadian manufacturers of processed food, the Department of Industry, Trade and Commerce, in co-operation with Japanese supermarkets and department stores, co-sponsor annually a series of in-store food promotions. They are designed to introduce new products to the consumer; assist in finding competent agent/representatives in Japan; further expand the distribution network for products already represented in Japan, and to increase both the trade and the consumer's awareness of Canada as a source of processed food products. During the 75/76 fiscal year there was a series of such promotions in 33 locations throughout Japan. A similar program is planned for 76/77 and further details are available from the Grocery Products Division, Agriculture, Fisheries and Food Products Branch, Industry, Trade and Commerce, Ottawa K1A 0H5 (Telephone: Area Code 613 — 992-0012).

In summary, the following points should be stressed in the marketing of processed foods in the Japanese market.

1. The Japanese market should be treated as an individual entity with its own special characteristics.
2. Exporters should do product research on the market prior to visiting Japan.
3. Personal visits are essential, both to choose an agent and to provide continued liaison.
4. The choice of an appropriate agent is perhaps the most important factor.
5. Exporters must appreciate the fact that attractive packaging is required to introduce new products.
6. The stringent food additive standards must be met.

Nine Pertinent Questions About Doing Business in Japan

The answers to our questions were supplied by Robert Muir Dawson, Economic/Commercial Minister at the Canadian Embassy in Tokyo.

With a total strength of 16, the Commercial Division of the Tokyo Embassy is the largest outside of the U.S.A. and Europe and reflects the increasing importance of Canada-Japan trade relations.

Mr. Dawson has been in Japan since 1974. His previous overseas service included stints in Guatemala, Manila, Spain and the U.S. (San Francisco).

With the dramatic expansion of Canada/Japan trade in the past few years, more and more Canadian businessmen are taking an interest in the Japanese market for the first time. Similarly, an increasing number of Japanese businessmen are visiting Canada, and this two-way traffic is strengthening our trade and economic relations. The importance of this relationship is recognized in Western Canada, where our agricultural, industrial raw materials and forest products are shipped across the Pacific in abundance. But some observers believe that awareness of Japan in the industrial heartland of Ontario and Quebec is still superficial.

For the benefit of Canadian businessmen who are taking a first look at the Japanese market, let's focus on some obvious questions. Hopefully, the answers will stimulate other companies as well.

What kind of market is Japan?

Japan has the third largest gross national product in the world. The domestic market comprises 112 million people, who have one of the world's highest standards of education. The average Canadian consumer — faced with sophisticated Japanese products at every turn — tends to think that the economy is geared essentially to export. This is far from the case: it is largely a domestic oriented economy with exports accounting for only 11% of GNP. Foreign suppliers who succeed in penetrating this market are "off to the races".

Is the market approached in a similar fashion to other developed areas like the USA and Western Europe?

The profit motivation is high in Japan and, in this respect, there is no difference. However, language and cultural characteristics are decidedly individualistic, which makes it important for visitors to understand and accept that business practices and etiquette are somewhat unique.

The development of a business relationship in Japan requires the establishment of mutual confidence at the personal level. The Japanese insist upon a careful screening of the individual before discussions can proceed beyond the preliminary stage. The importance of establishing this personal relationship cannot be dismissed lightly. Patience, which may not come easy to some Canadian businessmen, is required in large measure. In short, it is difficult to quickly conclude a deal.

Because the Japanese business world has evolved on the basis of a complicated network of personal relationships, introductions by a third party are usually required to introduce a supplier to the prospective client. A Canadian businessman who is used to making cold telephone calls for appointments during trips to the USA will find that establishing contact in Japan is somewhat more complicated. The Tokyo Embassy is frequently in a good position to play this intermediary role effectively.

Is it true that negotiations are an integral part of establishing a business relationship in Japan?

The answer is a qualified yes. It depends upon the nature of the product or service: generally speaking, if parties are negotiating a contract, discussions are often protracted. This due partly to the Japanese desire to establish a personal relationship, but another factor is language comprehension. Often, when a Canadian thinks he has reached an understanding on issues pertaining to a negotiation and talks approach the conclusive stage, the Japanese side will tend to go over the same ground again and again. In some instances this is due to lack of understanding on their part, but it may also be their consensus system at work. Negotiators may have to meet with company associates at each stage of deliberations to ensure that everyone is in agreement which, needless to say, lengthens the negotiating process.

Another consideration which slows deliberations is the traditional Japanese courtesy and reserve. Formalities of introduction, including the *de rigueur* exchange of business cards, take a lot more time than they would back home.

How true are the reports about Japanese hospitality?

Foreigners are, no question about it, guests in Japan. Accordingly, they are treated with a great deal of courtesy and respect. Hospitality, which is considered lavish by Western standards, is an integral part of doing business and is usually extended in the absence of signing a major contract. This should be recognized for what it is worth and accepted with good grace. It is also a Japanese custom to provide gifts. This can be a ticklish problem for visitors who are not accustomed to the practice, but please understand that any form of protestation could create an awkward situation.

Establishing a beachhead in Japan would mean overcoming some obstacles, not least being the cost in time and money. Is the effort worthwhile?

The cost of getting established in any market must be weighed against the potential benefits. For this reason, an extremely careful study of the distant and relatively little known Japanese market is warranted. Good things don't just happen: you have to work hard to achieve success. Many companies that have approached the Japanese market systematically, utilizing all the advice and assistance available, have benefitted accordingly. With Japanese imports expected to reach $65 billion in 1976, there certainly is a fertile market to cultivate.

What about appointing representation in Japan?

Large Japanese trading companies like Mitsubishi and Mitsui are geared to trading in large volume. But although the top dozen or so trading companies account for approximately 60% of Japanese imports, there are literally thousands of aggressive small and medium sized firms that are keen to take on new representations. The nature of the product for sale and the relationship a trading company has with end users will usually determine the type of agent or distributor that is chosen. The Tokyo Embassy maintains a comprehensive inventory of potential representatives in each industrial sector for those who seek a trading connection.

Can foreigners relate to the Japanese scene?

The bustling metropolis of Tokyo — population 12 million — offers all the amenities of any large modern city, plus a fascinating mixture of the old and new. Japan is also one of the world's most comprehensive repositories of art and culture. Those who can take a few extra days at the end of a business trip to visit historical sites, such as Kyoto, will be richly rewarded. Some of the world's best hotels, and a selection of restaurants that is so comprehensive and of such good quality that it has to be seen to be believed, await the visitor. And the transportation network in Japan is reputed to be the most sophisticated in the world.

What is the best source of information about Japan?

Ironically, there is in Tokyo a vast selection of English-language books written on virtually every aspect of life in Japan. Alas, few of them seem to be distributed in Canada. The Japan External Trade Organization (JETRO) has prepared a very comprehensive series of publications to assist potential exporters to Japan. These books can be purchased through their Toronto office: Japan Trade Centre, Britannica House, 151 Bloor Street West, Toronto 5. In Canada, specific personal advice can be obtained from the Pacific Division, Pacific, Asia and Africa Bureau, Department of Industry, Trade and Commerce, Ottawa. For on-the-spot assistance, please contact the Commercial Division of the Canadian Embassy, Tokyo.

Some Canadian businessmen say that trying to do business in Japan involves too much trouble, that it is better to concentrate on more familiar markets.

For many Canadians, there is a fairly deep-rooted psychological resistance to coming to grips with the Japanese market — even though Japan has become firmly established as Canada's No. 2 trading partner. Elsewhere in this magazine we discuss why Canada is taking a pragmatic political initiative to develop closer economic co-operation with Japan. Despite these important considerations, it is a disconcerting fact that many Canadian businessmen continue to take a lackadaisical attitude in dealing with Japan, feeling that it is in their interest to let the Japanese take the initiative. My concern is that, unless we Canadians — individually and collectively — take the time and care to determine what our objectives should be in this important relationship, we will come out second best. The Japanese most certainly know what they want!

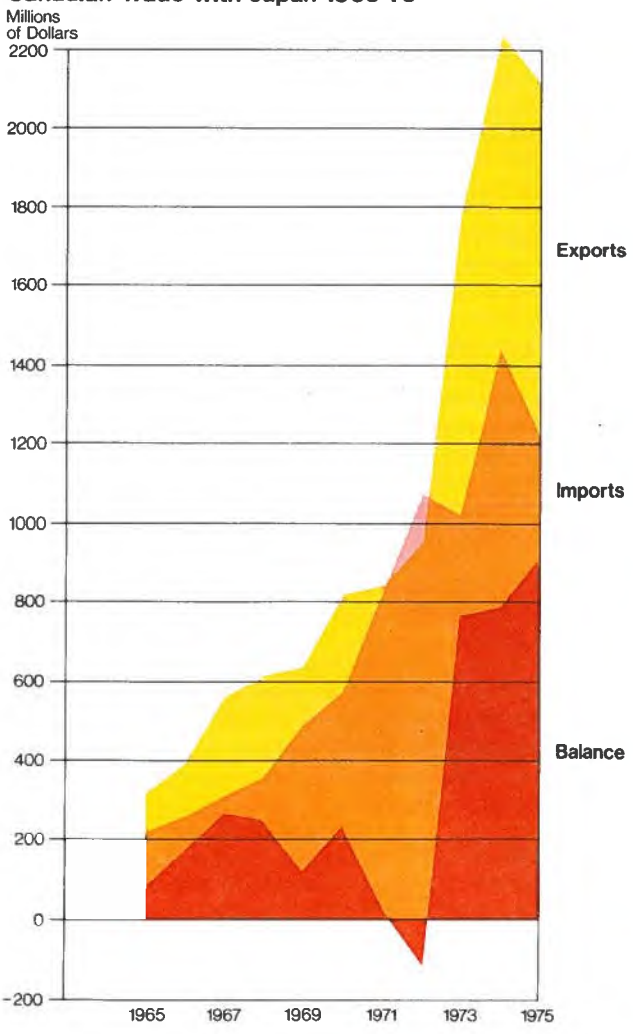
Despite some frustrations, Japan is an extremely exciting place in which to do business. Rich rewards await those who are prepared to tackle the market in an intelligent and systematic way.

Canada-Japan Trade

Canada-Japan trade relations are based on the General Agreement on Tariffs and Trade (GATT) and the Canada-Japan Agreement on Commerce of 1954. Between 1964 and 1974 Canadian-Japanese trade increased seven times from $505 million to $3,647 million. Although Canadian exports to and imports from Japan declined in 1975, bilateral trade reached $3.32 billion, making Japan Canada's second largest national trading partner.

The composition of Canadian trade with Japan has not varied greatly in recent years. Approximately 3% of Canadian exports are fully manufactured products, the remaining 97% being bulk agricultural products and raw or semi-processed industrial materials. On the other hand, approximately 97% of Japanese sales to Canada are manufactured and processed products.

Canadian Trade with Japan 1965·75



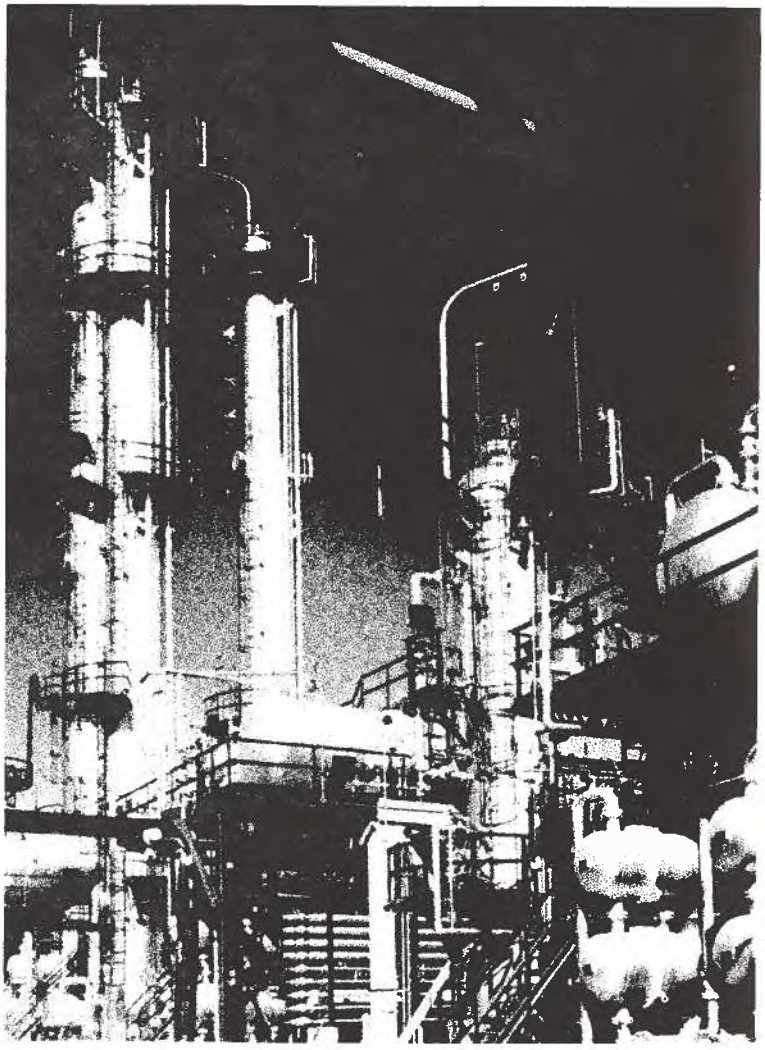
Canadian Exports to Japan

Exports to Japan accounted for 6.6% of Canada's global exports in 1975 and Japan was Canada's second largest market (after the United States). Japan is Canada's leading export market for copper (ores, concentrates and matte), coal, rapeseed, barley, lead (ores, concentrates), fish roe, pork (fresh and frozen), malt, logs, antiques and collectors' items (Olympic coins). Japan is our second largest market for wheat, wood pulp, zinc (ores and concentrates), potash, molybdenum (ores, concentrates and scrap); and our third largest market for lumber, aluminum (pigs, ingots, shot, etc.), nickel (ores, concentrates and matte), wrap paper (unbleached, sulphite/sulphate).

New marketing initiatives have been undertaken to develop export opportunities for aircraft, automotive parts, automotive servicing equipment, restaurant and institutional equipment, housing, lumber and consumer products.

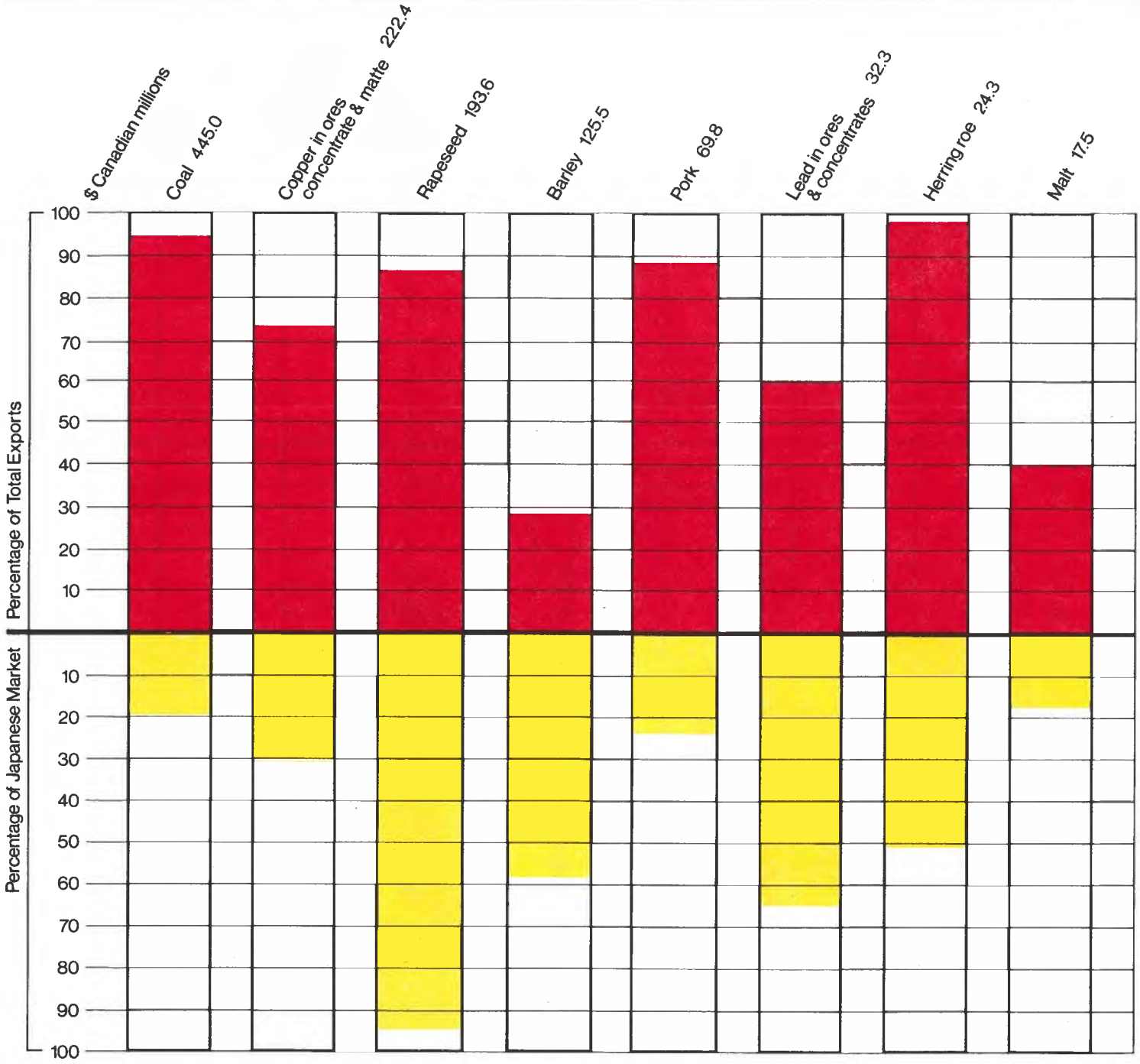
Canadian Imports from Japan

Canada was Japan's thirteenth largest market in 1975, taking 2.1% of total Japanese exports. In particular, Canada was a significant market for Japanese automobiles and consumer products.

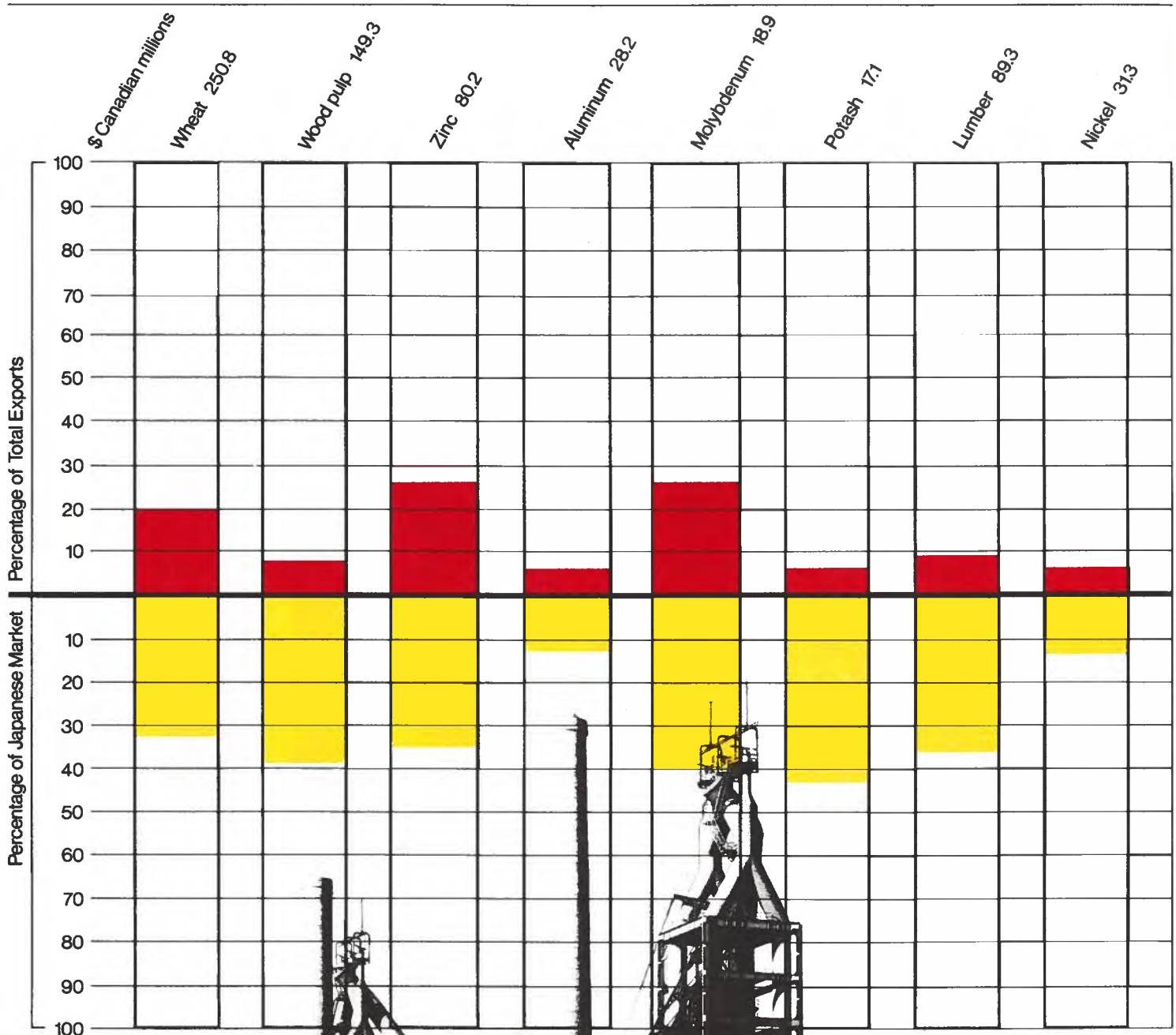


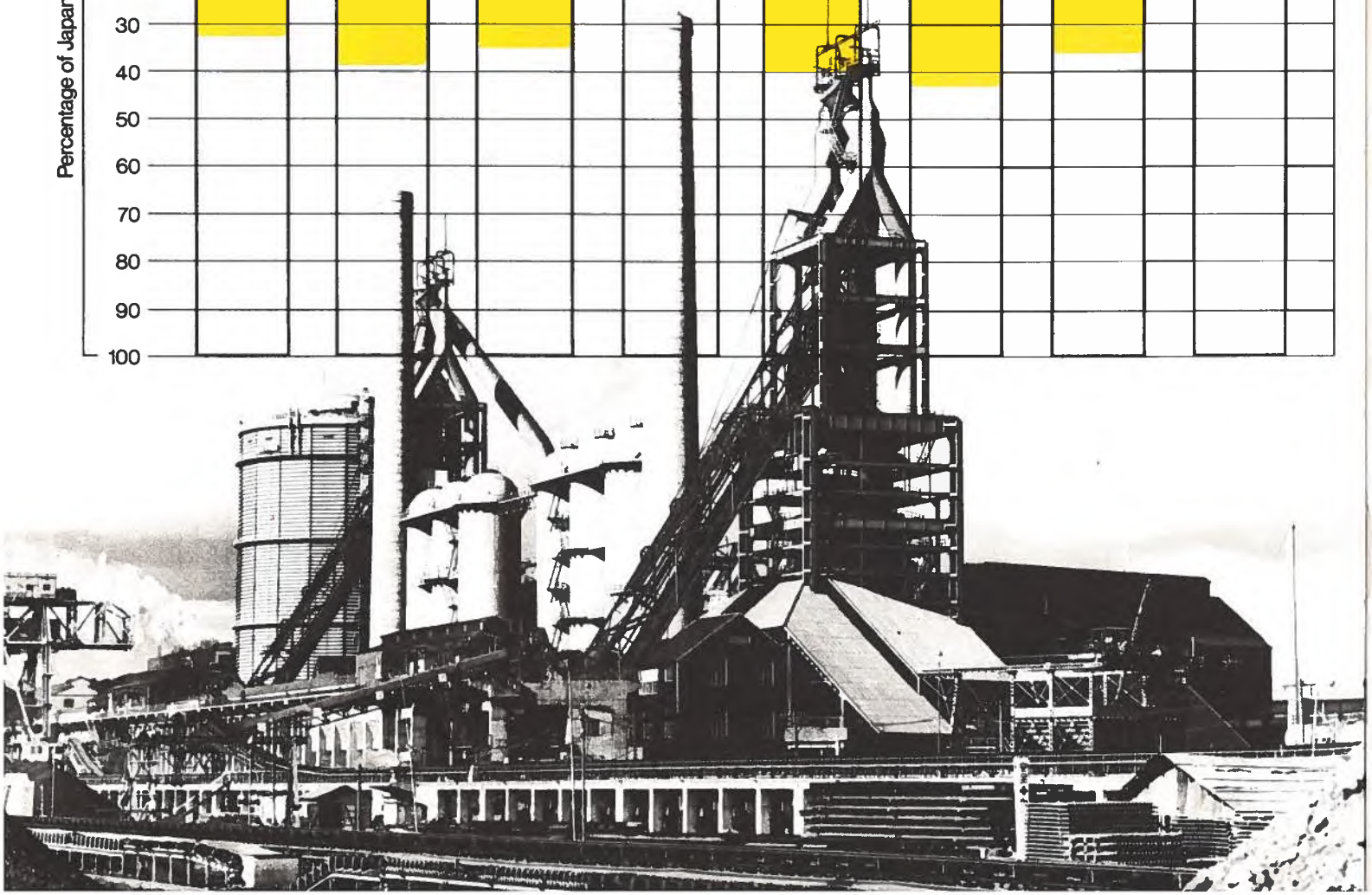
JAPAN'S IMPORTANCE AS A MARKET FOR CANADIAN EXPORTS 1975

Japan is our leading market for :

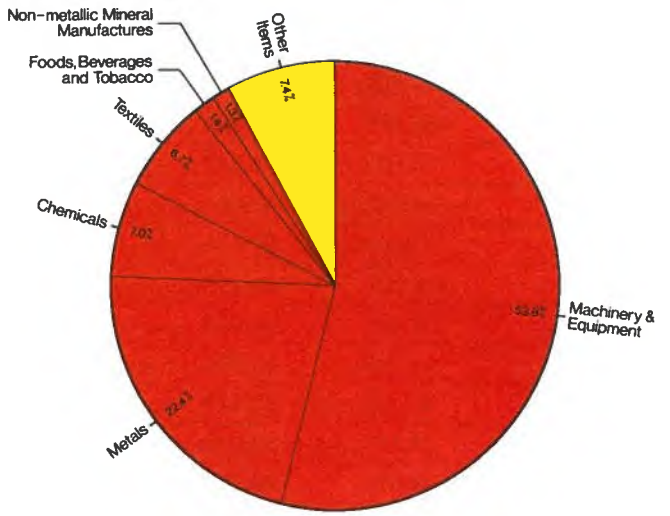


Japan is our second largest market for :



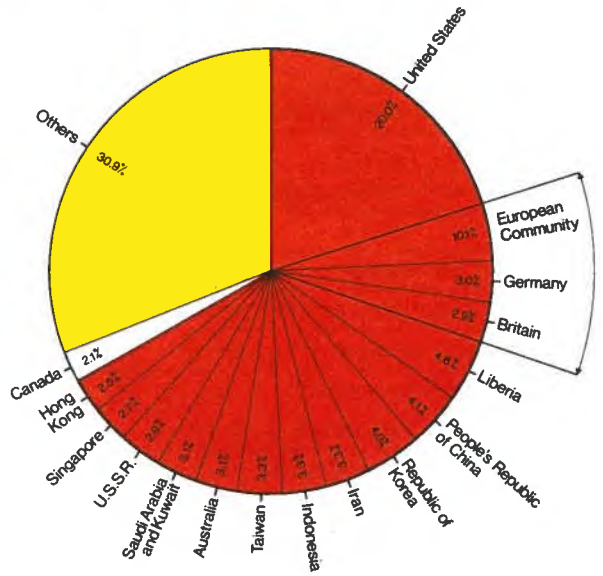


JAPANESE EXPORTS
Value of Japanese Exports by Principal Commodity, 1975
Table 1



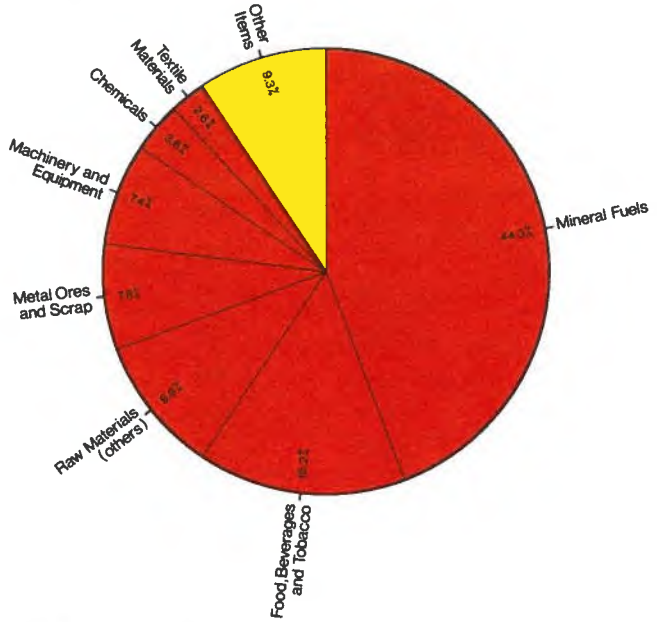
Source: Statistics Department of the Bank of Japan
"Economic Statistics Monthly" March 1976

JAPANESE EXPORTS
Japanese Exports by Principal Countries and Areas, 1975
Table 2



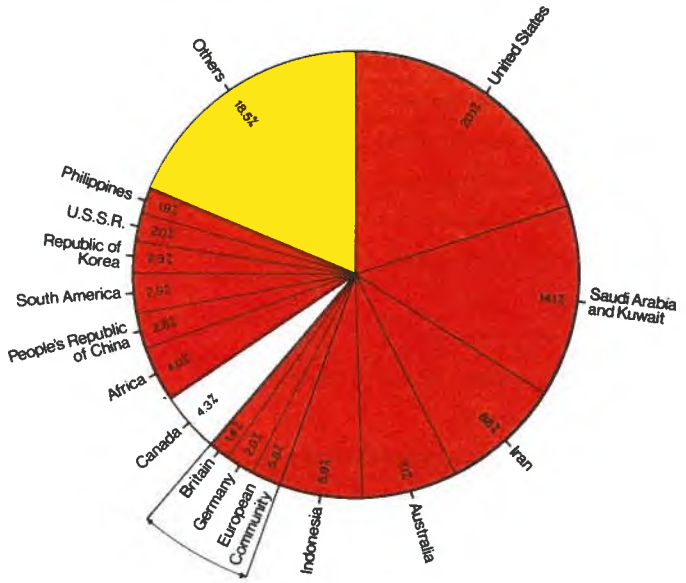
Source: Statistics Department of the Bank of Japan
"Economic Statistics Monthly" March 1976

JAPANESE IMPORTS
Japanese Imports by Principal Commodity Groups, 1975
Table 3



Source: Statistics Department of the Bank of Japan
"Economic Statistics Monthly" March 1976

JAPANESE IMPORTS
Japanese Imports by Principal Countries and Areas, 1975
Table 4



Source: Statistics Department of the Bank of Japan
"Economic Statistics Monthly" March 1976

MAIN CANADIAN EXPORTS TO JAPAN
(Cdn. $Thousands)

	1973	1974	1975
Coal & other crude bituminous substances	160,046	229,880	455,001
Wheat	173,052	308,182	250,780
Copper ores, concentrates & scrap	436,880	491,726	225,180
Rapeseed	134,392	160,512	193,587
Wood pulp & similar pulp	97,993	180,801	149,333
Barley	91,666	89,774	125,462
Lumber, softwood	116,563	110,218	89,103
Zinc in ores, conc. & scrap	54,326	75,044	80,159
Meat, fresh, chilled or frozen	48,253	28,801	71,857
Iron ores & concentrates	30,063	35,775	47,366
Other foods & materials for food	43,316	38,036	32,378
Lead in ores, conc. & scrap	32,612	39,804	32,348
Nickel in ores, conc. & scrap	46,032	31,275	31,337
Aluminum, including alloys	41,690	47,722	28,296
Petroleum & coal products	9,305	21,455	23,733
Flaxseed	23,633	30,819	23,470
Other metals in ores, concentrates & scrap	18,650	20,580	21,130
Office machines & equipment	6,053	11,939	20,374
Precious metals in ores, concentrates & scrap	11,779	21,603	19,710
Other cereals, milled	9,906	17,008	17,627
Fertilizers & fertilizer materials	16,254	18,774	17,376
Other crude wood products	5,188	13,675	17,022
Asbestos, unmanufactured	19,931	24,320	13,732
Other cereals, unmilled	13,134	4,638	8,252
Passenger automobiles & chassis	21	142	8,076
Hand tools & miscellaneous cutlery	3,203	4,971	7,741
Fish, whole or dressed, fresh or frozen	14,699	3,783	7,620
Other paper	4,292	9,060	7,374
Other fodder and feeds	8,967	7,268	5,503
Oils, fats, waxes, extracts & derivatives	11,133	9,994	5,479
Nickel & alloys	15,970	11,634	4,889
Other feeds of vegetable origin	6,273	12,379	11,736
Other oil, seeds, oil nuts & oil kernels	2,324	3,191	3,917
Raw hides & skins	4,935	3,990	3,911
Other crude non-metallic minerals	3,897	4,678	3,647
Medicinal & pharmaceutical products	2,186	3,826	3,569
Apparel & apparel accessories	2,009	2,303	3,502
Other telecommunication & related equipment	2,507	2,898	2,585
Copper & alloys	15,628	7,495	2,278
Sub-total	**1,738,761**	**2,139,973**	**2,076,440**
Others	54,696	79,749	38,653
TOTAL	**1,793,457**	**2,219,722**	**2,115,093**

MAIN CANADIAN IMPORTS FROM JAPAN
(Cdn. $Thousands)

	1973	1974	1975
Road motor vehicles	251,015	335,909	250,484
Communication & related equipment	174,051	209,144	165,619
Iron & steel products	107,045	259,397	155,440
Textile fabricated materials	57,179	62,238	77,015
General purpose industrial machinery	23,111	41,517	54,511
Metal fabricated basic products	27,268	44,029	46,514
Photographic goods	31,906	39,918	45,535
Rubber tires & tubes	13,236	17,048	41,528
Chemicals & related products	18,761	51,005	33,729
Office machines & equipment	21,100	28,140	33,316
Special industry machinery	15,812	24,757	31,512
Tractors	9,400	20,216	25,923
Fish & marine animals	25,682	22,142	22,182
Non-metallic mineral basic products	12,456	18,723	21,645
Kitchen utensils cutlery & tableware	17,141	17,048	13,970
Other vehicles (bicycles)	15,640	18,300	13,492
Clothing	19,847	14,336	12,703
Miscellaneous products	9,216	10,139	12,101
Miscellaneous household & personal equipment	14,881	16,159	11,750
Toys, games, sport & recreation equipment	15,957	14,279	11,506
Measuring controlling lab equipment, etc.	10,406	12,462	10,693
Hand tools and cutlery	10,276	15,647	10,486
Musical instruments	9,488	11,946	10,198
Other electric equipment & appliances	7,063	7,956	9,418
Fruits & fruit preparations	10,210	9,279	9,335
Other end products classified by mat.	6,724	10,229	6,491
Watches & clocks	5,469	6,174	5,873
Electric lighting dist., control equipment	8,997	7,850	5,520
Conveying, elevating, handling equipment	3,803	6,021	5,355
Stationers' & office supplies & materials	3,816	5,459	5,071
Special transactions trade	5,726	5,660	5,053
Sub-total	**962,682**	**1,363,127**	**1,163,968**
Others	55,580	63,816	40,746
TOTAL	**1,018,262**	**1,426,943**	**1,204,714**

Tokyo Canadians Share Expertise

Businessmen who plan to visit Japan can avail themselves of on-the-spot expertise acquired by the Canadian community in Tokyo. The Canadian Businessmen's Association in Japan was formed to promote trade between the two countries. Members are drawn mainly from Canadian banks and companies with offices in Tokyo and other industrial centres. Unlike many overseas organizations which are essentially social clubs, the CBAJ constitution emphasizes the basic reason for the presence of Canadian businessmen in the Far East: establish, consolidate and expand Canada-Japan commercial tles.

Formed in March 1975, the Canadian Businessmen's Association in Japan has more than 70 actlve members. Some have been operating in Japan over a period of years and their combined experience covers virtually every segment of Japanese Industry and trade. That pool of knowledge can be tapped by Canadian companies which have yet to gain a foothold in the Japanese market.

The President of the CBAJ is Denis D. Lee, Far East Manager, Canadian Transport Co., Ltd. Other officers include representatives of two Canadian banks with offices in Japan.

The CBAJ Is not a Canadian government-sponsored body, but among the honorary executive members are Bruce Rankin, the Canadian Ambassador to Japan, and R. M. Dawson, Minister (Economic/Commercial) in the Tokyo Embassy.

Although the prime function of the Tokyo association is to assist Japan-based representatives of Canadian companies and their agents, Canadian businessmen who intend to visit Japan should ask the Commercial Division of the Tokyo Embassy to arrange a meeting with CBAJ members.

Japan — thumbnail sketch

Japan: area: 142,719 square miles (approximately 1/26th of Canada)
population: 112 million (approximately 5 times greater than Canada)

Japan comprises four large islands and 3,000 small scattered ones which form an arc off the Asian mainland.

The largest island, Honshu (88,936 square miles), accounts for two thirds of the land mass, three quarters of the total population, the major cities and the most productive industrial areas.

Six sevenths of the country is mountainous, with Mount Fuji — 12,388 feet — the highest peak. Japan has 200 volcanic peaks, 30 still active.

The largest stretch of level land — the 5,000 square mile Kwanto Plain — is in central Honshu.

Japanese rivers — short and swift — are not ideal for navigation, but they have proved to be wonderful sources of hydroelectric power (Japan's harnessing of water for hydro ranks first in the world in terms of efficiency).

Hokkaido, the most northerly large island, has short humid summers and long severe winters.

Honshu gets hot summers and mild winters. Rain along Japan's south Pacific coast can be as much as 125 inches in the year. Late summer and early autumn bring typhoons — an average of two per month.

Two thirds of the land area is covered with forests (approximately 95,000 square miles, as against Canada's 1,710,788 square miles). Wood and related industries employ 3,700,000 people.

History

The origin of the Japanese race is disputed by experts, but early immigrants certainly came from the Asian mainland and South Pacific islands. Warring tribes were active during the third and fourth centuries A.D., with the Yamato Race eventually asserting itself. From the fifth century A.D. there was regular contact with Korea, whose craftsmen introduced the Japanese to weaving, metalwork, tanning and shipbuilding. These arts had originated in China, which also contributed the characters for the Japanese language, elementary medicine, astronomy and Confucianism. Buddhism came from India by way of China and Korea. Japan modelled its early governmental system on long-established Chinese methods.

Legislature

The Japanese Diet, the only law-making body, consists of the House of Representatives (491 seats) and the House of Councillors (252 seats).

Members of the House of Representatives are elected for a four-year term.

Elected members of the House of Councillors serve six-year terms.

All Japanese of 20 and over are eligible to vote.

Executive

The Prime Minister, a member of the Diet, is designated by that body. He has power to appoint and dismiss 18 State Ministers, all of them civilians and the majority members of the Diet.

Should the House of Representatives pass a resolution of no-confidence in the Government, the Cabinet must resign, unless the House is dissolved within ten days.

In addition to the Prime Minister's Office, there are 12 ministries and 5 agencies. An independent Board of Audit is responsible for the annual auditing of State accounts.

Labour Force

Japan's labour force in 1974 totalled 52,740,000 or 63.5% of the population 15 years and over.

Employment

Statistics for employed persons in 1974 were:
6.7 million (12.9%) in agriculture; 18.9 million (36.3%) in mining, manufacturing and construction; 26.3 million (50.5%) in service industries.

The Image Makers

HARRY TRAYNOR, Editor

Financial analysts delight in depicting the ebb and flow of economic tides in chart and diagram form. They also have a penchant for gorging computers with gargantuan helpings of emaciated facts and dry figures. But the electronic marvel chews, swallows and regurgitates only what it is fed. If the meal of statistics lacks one essential ingredient, the processed information gushes back with a deficiency. And one vital element the computer cannot cope with: the human factor. The computer ignores the idiosyncrasies of a nation; its ethnic traditions; the political expediencies motivated by internal social pressures or extraneous international crises.

Japan-Canada trade statistics will impress Canadian businessmen. But the director of a small or medium sized company, looking at the multi-million totals, could be excused for thinking that he would never be able to compete in the Pacific export league. Between the lines of Japanese sales figures he will mentally read names like SONY, HONDA, CANON. Their trade marks have become part of the Canadian landscape. If his fireside television takes in shots of international capitals, giant neon signs will spell out SONY, HONDA or CANON.

But the roadside advertisement and the television picture are like the computer. They offer only a projected image — minus the human factor. Honda is not a monolithic industrial giant with its financial roots firmly embedded in Japanese antiquity. There is a Mr. Honda.

Son of a small-town bicycle repairman, he skipped school with a subminimum education, became his own boss while still in his teens and went on to emulate — in defiance of "the establishment" — the success of the first Henry Ford. Today, Ford, General Motors and Chrysler pay tribute — in license fees — to Honda engine technology.

HONDA, SONY, CANON. The names cast long shadows across the world of consumer products. Their sales figures inspire a sustained chorus of commuter chatter. But any Canadian who investigates the human factor embodied in these trade names may admit — ruefully — 'there but for my self-imposed handicap go I'.

Honda 'Savvy' Beats Computer Logic

The arrival of a Hollywood film star had attracted reporters and press photographers to Rome airport. When the public address system gave out that the American plane would not touch down for another hour, a couple of inquisitive scribes toured the Departure hall and stopped to watch two small Japanese gentlemen. It was 1954, long before Europeans got used to seeing Oriental visitors in white shirts and black suits decorated with bulbous camera cases. One of the Japanese at the airline desk on that hot summer day was quietly dressed, but his companion kept struggling to get into a second jacket which was even more garish than the sports coat underneath. Somehow he managed to don both garments, then proceeded to wrap himself in an overcoat. Having performed that feat, he stooped down, plunged one arm into a huge paper bag and pulled out, one at a time, a weird collection of motorcycle components.

Noting the interest of the two Italian reporters, the counter clerk explained that the baggage of the Japanese passengers was 10 kilos overweight. The smaller man, a slim lightweight, kept arguing that his body plus baggage wouldn't tip the scales anywhere near the weight of a mountainous lady who stood puffing and perspiring in the queue now forming behind the Japanese gentlemen. It was the growing impatience of the other travellers that settled the controversy: the Japanese globetrotter was allowed to add to his girth by wearing three coats, stuffing spare shirts and vests into pockets, and then filling the suitcase with his motorcycle souvenirs.

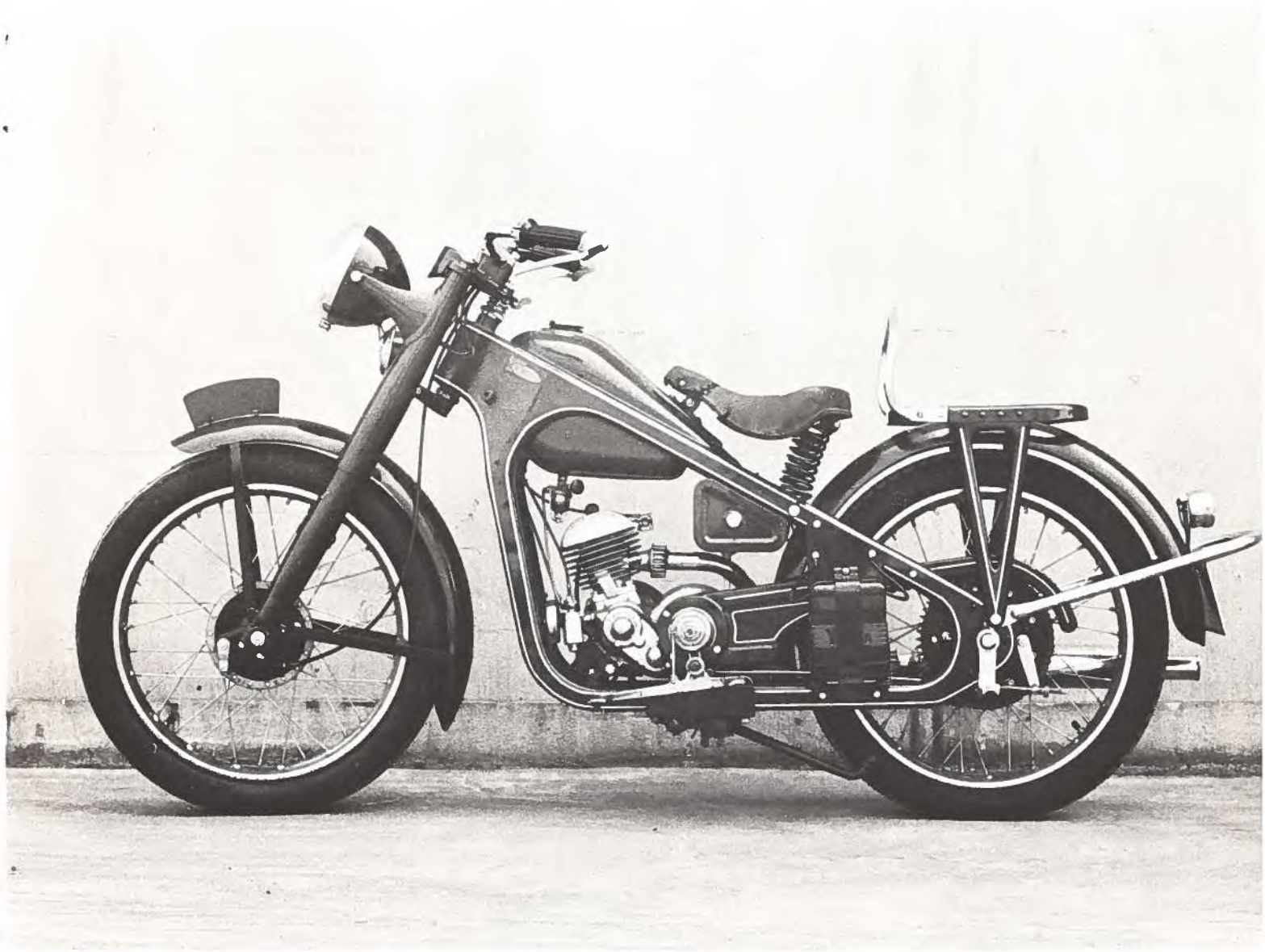
Although the incident had amused the Italian newsmen, neither reached for his notebook. The story, they decided, was worth no more than six lines in the gossip column; and besides, how many Italians would be interested in reading about the baggage problems of men with unpronounceable names like Takeo Fujisawa and Soichiro Honda? Even if the journalists had taken the trouble to interview the little man sweltering underneath several layers of clothing, they would not risk jeopardizing their reputations by submitting the Honda story to a news editor.

The assortment of motorcycle parts now straining the sides of the suitcase gave a clue to Mr. Honda's business. Back in Japan, he made motorbikes. But his experience as a manufacturer of two-wheelers spanned less than six years: that record would not impress Italians, who were at that time producing the world's fastest machines and had flooded Europe with dinky motor scooters.

The first model bearing the Honda name appeared in 1948. By European definition, it was not a motorcycle but a motorized bicycle. Honda had discovered the engine in a war surplus dump: it was, in fact, a gasoline generator designed for use with a field radio transmitter. Power units he could buy in lots of one hundred, and equally plentiful were ex-Army bicycles. Fuel would be the big problem with his customers: the Japanese economy didn't extend to foreign purchases of fuel for private use, not even for "toy" contraptions like Honda's 50 c.c. engine that produced a mere 0.5 horsepower.

Motor mechanic Honda had solved other technical problems. Following the 1923 earthquake which claimed 100,000 victims and destroyed much of Tokyo and Yokohama, Honda had designed cast-metal spokes for automobile wheels. That idea was inspired by his experience with wood-spoke wheels, all of which perished in fires triggered by the earthquake.

Two years before the outbreak of World War II he had accepted an even greater challenge. It was 1937, the year in which the Japanese government virtually compelled Ford and General Motors to get out of the Japanese car market (where they accounted for 85% of domestic sales) and encouraged Nissan and Toyota (subsidiary of a textile machinery manufacturer) to expand their outputs of motor vehicles. Honda decided to set himself up as a manufacturer of piston rings. Toyota promised a contract; family and friends provided a sub-minimum amount of capital. Nobody could supply expertise. For months Soichiro Honda worked, ate and slept in his small plant. Every attempt at making a reliable piston ring ended in disaster. Backers who had invested



Like the legendary giants of North American industry, Soichiro Honda and Takeo Fujisawa carved out their own paths from the backwoods to the boardroom. Ignoring motorcycle sales statistics, Europe's 20-year lead in engine technology and the world's love affair with the automobile, Honda applied his self-taught engineering skills to achieving the seemingly impossible. Countless American and Canadian companies were better equipped to convert millions to motorcycling, but none challenged Honda or Takeo Fujisawa, the self-made marketing genius.

Called the "Dream", this 100 cc machine made its debut in 1949. The main design contribution was by Kiyoshi Kawashima, who was made a director at 34. Japanese boardrooms are usually peopled by veterans, but Honda broke with tradition a second time when he retired as President in 1973 and named Kawashima as his successor.

their meagre life savings were not comforted by the constant annunciation of what is Honda's basic creed: "success can be achieved only through repeated failure and introspection. In fact, success represents one percent of your work which results only from the ninety-nine percent that is called failure."

Having presented himself to Toyota as a potential supplier of piston rings, he could not go to the car company for technical advice or a loan. Haunted by the spectre of starvation, he enrolled as a day pupil at the Hamamatsui School of Technology. That was a humbling experience for a mature man in the caste-conscious Japanese society of 1937. Worse, because of his rudimentary early education, he could not make technical notes: every lecture had to be memorized.

For six months he divided his waking hours between work bench and college desk. Virtually on the eve of examinations which would have exposed his poor penmanship, the man's inventive skills triumphed: he produced a piston ring acceptable to Toyota.

That is the calibre of man who put on the comic act at Rome airport. Honda would have raised a bigger laugh had he revealed to the passing reporters the secret of his success in launching the Honda motorized bicycle in 1949. Recognizing the customer's gasoline problem, he bought a forest, cut down the trees and extracted their resin. A mixture of gasoline and resin did cause internal combustion, but only after 10-15 minutes of hard pedalling. So much exertion made the rider puff and pant, and in the process he inhaled exhaust fumes so obnoxious that it made him oblivious to the triumphant chatter of the overworked engine.

There was another story which Honda might have given to the Italian newsmen. Before embarking on his two month tour of Europe he had announced to Japanese distributors his intention of preparing a team for the Isle of Man Tourist Trophy, the world's most prestigious motorcycle race.

Astride Hondas were race heroes of the period — Luigi Taveri, Switzerland; Tom Phillis, Australia; Mike Hailwood, England; Bob McIntyre, Scotland; Jim Redman, Rhodesia.

Had Honda given voice to that ambition, the two reporters would have written him off as a nut case. The fastest and most sophisticated motorcycles of 1954 were the creations of Italian, British and German engineers. Names like Gilera, Moto Guzzi, MV Agusta, Norton, Triumph and BMW dominated the sport. British riders were astride the best bikes. One of them, John Surtees, would collect six world championship titles on two wheels, go on to win international honours for Ferrari and help Soichiro Honda achieve his finest hour. But in 1954 the name Honda was unknown to Surtees, to the Italian press and indeed to everyone outside of Japan.

John Surtees, former world champion motorcyclist (6 times), world champion Grand Prix driver (1964) and now race car constructor. He was involved in a near fatal crash at Mosport, Ontario, 1965.

Ridiculous as it seemed to be, the Honda dream of T.T. success in the Isle of Man was matched by another bizarre ambition: he wanted to break into the North American market. If that plan had been hinted at in a Canadian newspaper in 1954, how many Canadian business entrepreneurs would have been tempted to rush in ahead of a Japanese opportunist? And how many Wall Street investors would have put a single dollar behind the pygmy Japanese concern that specialized in low-powered, two-wheeled phut-phuts, but had yet to make its first sale abroad? The Americans were acutely aware of Japan's industrial renaissance, if only by reason of the mounting total of licensing agreements which by 1971 would bring home more than $250 million annually to U.S. corporations. There is no record of an American organization having made overtures to Honda in his early days as a motorbike manufacturer. Several approaches were made by other Japanese companies, but Honda, a volatile individualist, refused to enter into any form of partnership. Nor would he buy someone else's technology. Each innovation came from Honda's own research and development department, and almost invariably it was the brainchild of Soichiro Honda himself.

At the age of twenty-two, by which time he operated a two-man automobile repair shop, Honda believed that a lifetime of hard work could produce a retirement nest egg of $250. Twenty-two years later, thanks to his cast-metal wheel spokes and piston rings, he was able to set his sights on brighter horizons. By selling the piston ring plant in 1945, Honda realized $125,000, and this he invested in his engine (and forestry) ventures. By 1954, the Honda company had a capital value of $165,000. On that insubstantial financial foundation the little Japanese engineer piled a debt of one million dollars!

First of all, he invested in airline tickets and a two-month tour of American and European machine-tool companies. And he went to see his first Isle of Man T.T. The only souvenirs of the trip were invoices for the machine tools he had ordered and the motorcycle bits and pieces that created weight problems at Rome airport.

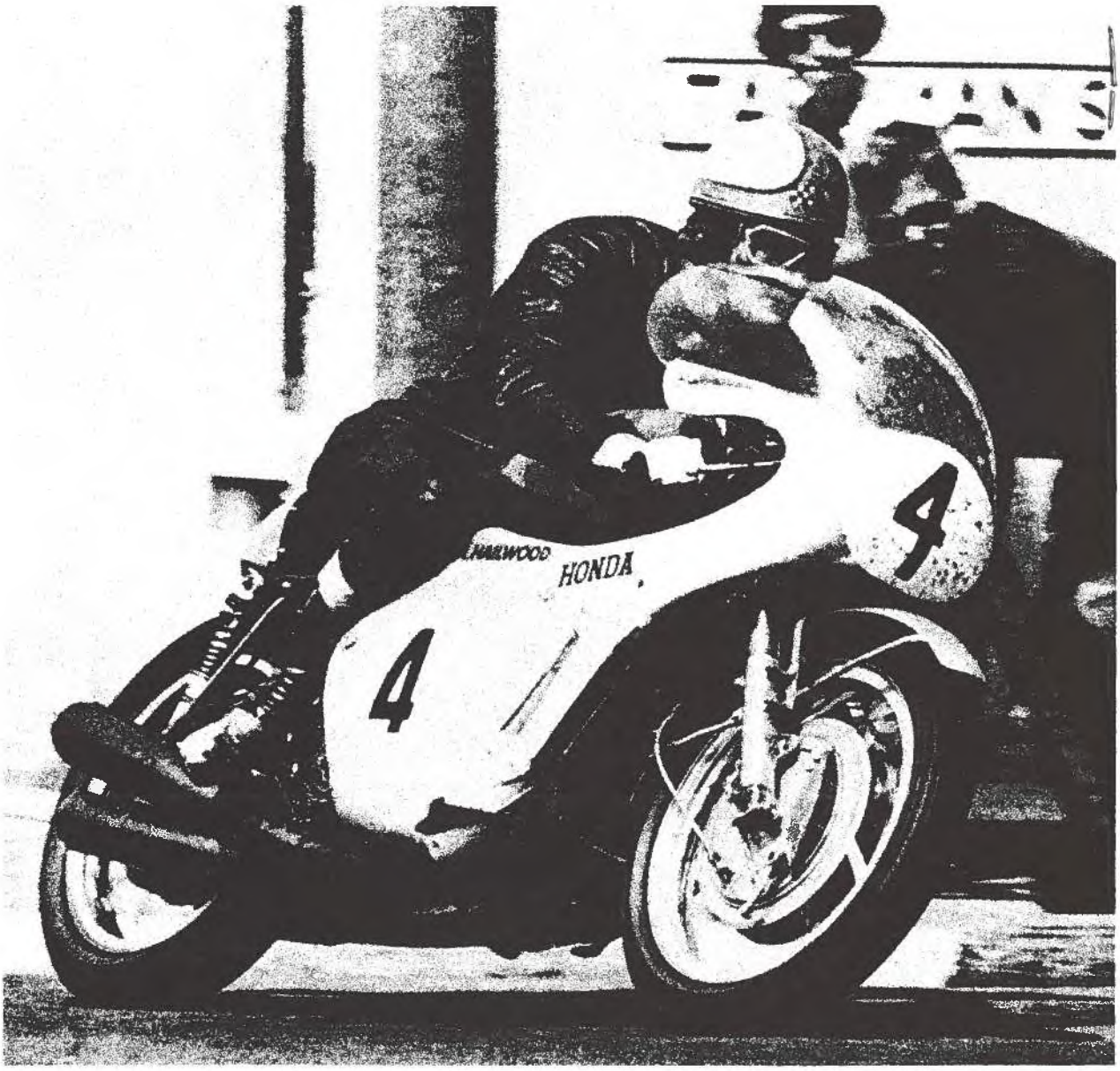
Honda never questioned the logic of buying sophisticated machinery, but his visit to the world's most dangerous motorcycle event was a nightmare experience. The tiny Isle of Man lies midway between England and Ireland. The race circuit stretches for 37.75 miles, goes right through the centre of a sizeable town (Ramsey), climbs for seven miles to 1,650 feet, then plunges steeply — twisting and turning — to Douglas, the island's largest resort. At the bottom of Bray Hill, bike suspensions compress until the transmission scrapes the road surface. At this point the fastest machines — exceeding 120 mph — encounter a sudden hump that lifts them 20 inches off the ground. On fast bends along the T.T. course riders have to contend with railway lines, but speeds of 155 mph are recorded on long straight sections.

The King of the Road in 1954 was a 500 cc Italian Gilera with 5-speed gearbox. In the hands of a charming, soft-spoken Lancashire Lad called Geoff Duke, it roared to 10,400 revs per minute, produced 65 hp and won world laurels at 149 mph.

The Gilera's performance statistics frightened Mr. Honda more than the breathtaking spectacle of leather-clad riders dicing with death on the Isle of Man. The mainstay of his business was still the half-horsepower motorized bicycle. Even the largest Honda, a 220 cc motorbike with overhead valve engine, produced only 8.5 hp, or one eighth the thrust of the world champion's Gilera. There was every excuse for Honda returning to Japan, making a big song and dance about his million-dollar purchase of machine tools, announcing the construction of another factory to house the new equipment — and in the excitement of creating more jobs, abandoning his racing ambitions. After all, few of his countrymen had any knowledge of motorcycle sport. The national preoccupation was to get the wheels of industry turning, and none except Honda could foresee how madly spinning motorbike wheels might give added impetus to international trade.

The commercial value of race honours has been a hotly disputed issue in company boardrooms since the earliest days of the internal combustion engine. Statisticians can produce graphs which show how the fortunes of car and motorcycle firms plunged to bankruptcy level in the wake of success in road competition. Accountants who administered the last rites to famous marques sometimes performed their grisly task before the race victor's laurels had wilted under a deluge of congratulatory champagne.

The firms that have profited by their investment in racing had knowledgeable enthusiasts at senior director level, innovators in the engineering and production shops, strong-nerved executives in the accounts department and a host of dedicated mechanics and general factotems who were prepared to work through the night and bestow upon their mechanical charges all the care and attention denied to their families. There is no short cut to the chequered flag.



Dubbed the greatest motorcycle rider of all time, "Mike the Bike" Hailwood won the Isle of Man T.T. and his first world title for Honda in 1961 when only 21. Contracted to Honda in 1966, he collected four more world titles and three T.T. victories. When Honda quit bike racing, Mike switched to cars. Following a serious accident, he retired in 1975.

With an acceleration more vivid than that of any automobile, the Honda 500 lapped the Isle of Man circuit four times at an average speed of 108.77 mph. Hailwood's 1967 record still stands.

Honda was inspired by the triumphs of Mercedes and Jaguar, two companies that applied themselves to winning in the belief that "racing improves the breed". A Jaguar had won the gruelling 24-hour road race at Le Mans in 1951 and 1953. In 1954, the year of Honda's first visit to Europe, Bill Lyons, the genial boss of Jaguar, introduced the legendary D-type, but over rain-soaked French roads it took second place to a more potent Ferrari whose extra weight gave better tire adhesion.

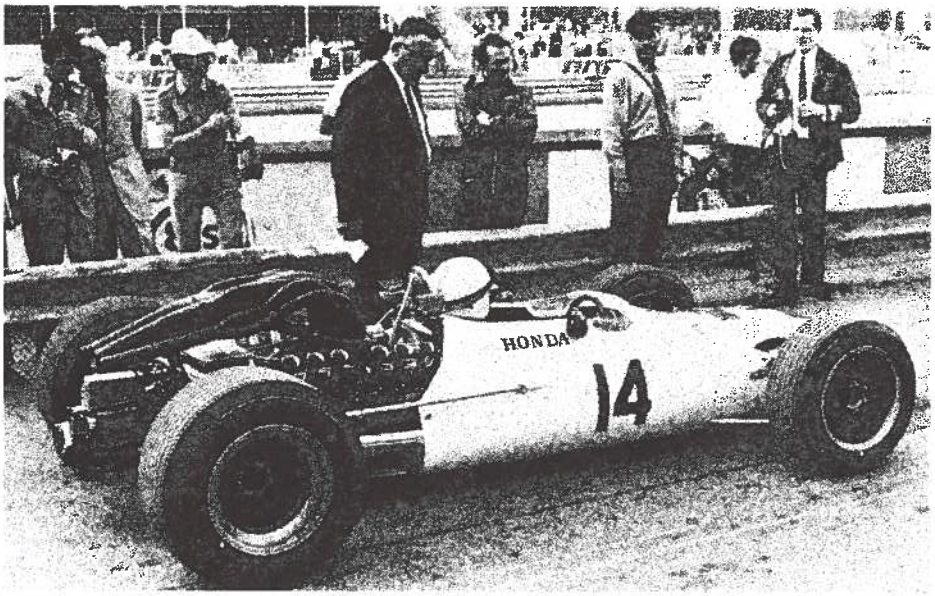
What did not escape Honda was the fact that the German and British race car builders had excellent, some would say exotic, bread-and-butter earners. Unlike the mercurial genius in Italy, who was satisfied with prestige, Mercedes and Jaguar sought world acclaim that could be measured in the cash register.

To the prestige and profit motives, Honda added a third element: national pride. The armed forces of his country had been forced to surrender in 1945 and two Japanese cities were consumed by atomic infernos. Having suffered defeat, devastation and demoralization, Japan must earn a place on the winner's rostrum, in international competition — with a Honda motorcycle.

This human factor, the ingredient which spurs men to greatness and transforms a nation's image, is submerged in the confusion of Japan trade statistics. Canadian businessmen who are nervous about venturing into a market dominated by Japanese giants may ascribe to Honda a sort of mystical magic. How else could he have taken on the might of European motorcycle manufacturers and beaten them at their own game? He did it in defiance of every sales statistic available in 1954. He succeeded because he exercised his common sense. Honda used his "savvy", that instinctive human quality which is ignored by legions of economists, theoreticians and technocrats.

The average motorcycle in 1954 showrooms was a heavy, cumbersome machine — almost unmanageable except under its own power. It was, in fact, a symbol of male virility, brawn, the owner's probable inability to occupy an executive chair in the business world.

The popularity of the motorized bicycle — developed by the French during the German Occupation — had begun to wane by 1954. Whereas there is a certain dignity in quietly



Honda's finest hour, John Surtees, victor in the 1967 Italian Grand Prix. Like Mercedes and Jaguar, Honda competed for prestige and profit — and believed that "racing improves the breed." No other Japanese person did as much to transform the national image. Unprecedented was his development of two different auto race engines within three years.

propelling an ordinary bicycle, the impatient buzzing of a smelly mechanical appendage drew attention to the owner's slender bank balance.

The Italians had come up with the motor scooter. Like the camel, it could cover vast distances without slaking its thirst, but unlike those "ships of the desert", it was available in a wide choice of bright, eye-catching colours. Italian young men loved the moped. Its engine produced a cheery noise that attracted the attention of signorinas. And nature being what it is, signorinas were persuaded to occupy the moped's pillion seat. Whether sitting astride or adopting a sidesaddle pose for pedestrians, they quickened male pulses, triggered moped sales and, incidentally, shortened the life span of Christian Dior's calf-length "New Look" fashion.

In Japan, the emancipation of women had not reached the point where female passengers could shriek excitedly whenever a moped overbalanced in the middle of a city traffic jam. In the hands of the average Japanese — smaller and lighter than his European counterpart — the moped could be decidedly mulish. Out of the question were European-type motorbikes with fat fuel tanks and engines so big that Japanese toes could not reach down to balance the machine when traffic lights glowed red.

Soichiro Honda took a long hard look at the design of the traditional ladies' bicycle. Minus crossbar, it obviated the need for saddle-vaulting gymnastics. If called upon to halt, the rider could slide forward and, regardless of size, place both feet firmly on the ground. That simple design principle was the seed which grew and blossomed into the world's largest motorcycle manufacturing organization. The first Honda step-through model (50 cc C-100 engine) appeared in 1958. By 1973, sales totalled nine million and rival manufacturers accounted for another ten million.

Soichiro Honda did not abandon his dream of success in Isle of Man T.T. events. He personally supervised a team of research and development engineers in the quest for an engine to beat the best in Italy and Britain.

In 1959, he entered a string of Hondas in the 125 cc category. They finished sixth, seventh and eighth. Technical experts crowded the Honda pit to inspect the most sophisticated midget power unit on the island. It had two cylinders, four valves per cylinder, twin ignition, and produced 18.5 hp at 14,000 revs per minute. Fine adjustments were made not with ordinary engine tools but with the delicate instruments of a watchmaker.

The hefty power output of European rivals eluded Honda — until 1961. In that year he coaxed another three horsepower out of the tiny engine and won the 125 cc world title. A second world championship victory came in the 250 cc category. Honda recruited Mike Hailwood, an English rider who would eventually put Honda ahead of all opposition. The vintage year proved to be 1966, when Honda machines collected Grand Prix honours in the 50, 125, 250, 350 and 500 cc categories.

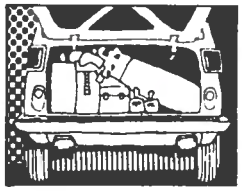
Perhaps only a motorcycling enthusiast could get worked up over such performances, but those owners of North American cars, whose engines rarely if ever exceed 5,000 revs per minute, will appreciate the mechanical wizardry of a 50 cc power unit that spins at 22,000 revs per minute, produces 16 horsepower and drives man and machine along at 110 mph.

By 1967, Honda had collected 18 world honours on two wheels and other Japanese manufacturers had taken up the challenge. Japan was now in the forefront of international competition. Having restored national pride with his motorcycle triumphs, Honda set out to prove that the engineering of Japanese automobiles was second to none.

Production, prestige and profit: Honda tried for the hat trick at one and the same time. Although the development and preparation of machines for his first tilt at motorcycle crowns had priority, he found time to visit the United States. Canadian manufacturers know that the appointment of an agent is essential to sales success in America. Honda had the same idea and sought out one of the best in the motorcycle business. He listened to the Japanese manufacturer and Takeo Fujisawa, the Honda marketing expert. Due to the visitors' inadequate command of English, or perhaps because the American knew what the market could absorb: whatever the reason, the U.S. agent agreed with the figure quoted by the Japanese. Yes, he could place 7,500 machines per annum. Honda exploded. "Not annum; 7,500 motorcycles per month." Minutes later, manufacturer and agent parted company.

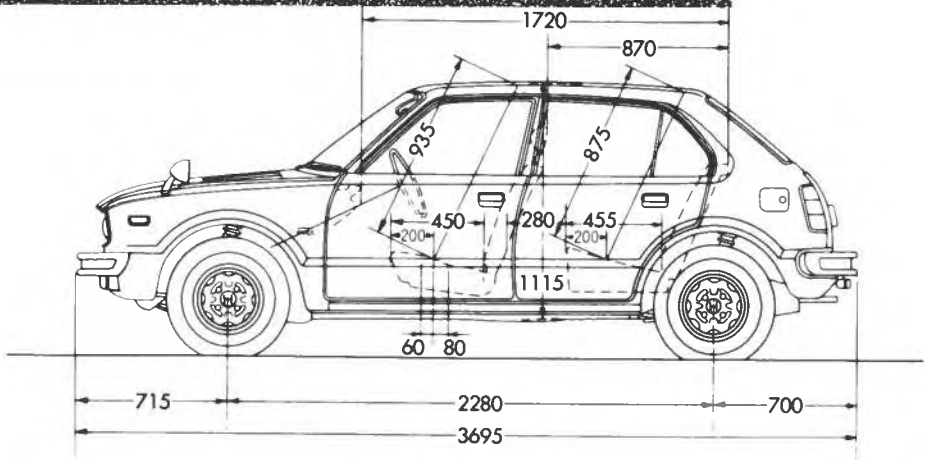
With a capital of $500,000, American Honda Motor Co. Inc. was established in Los Angeles in June 1959. Employing a locally recruited staff of 17, the early months netted an income of $50,000 per month. Within two years the monthly turnover had increased to $550,000 and the payroll to 150. By 1968, Honda's share of the U.S. market was 46%. He made his millionth American sale in that year and had 16,000 dealers north of the Panama Canal.

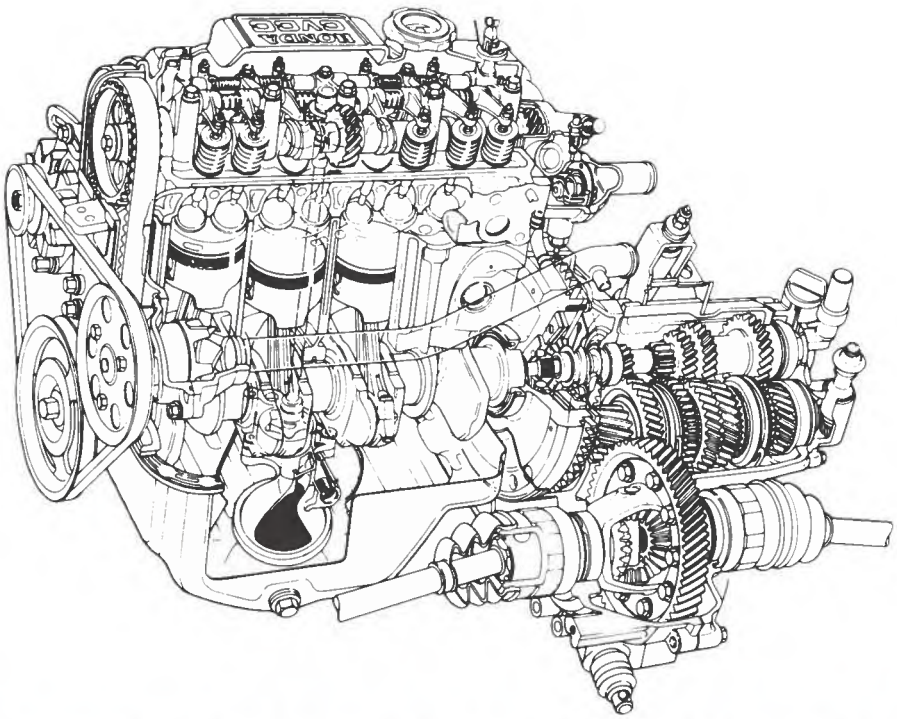
There are those who will argue that motorcycles cannot be compared with other consumer products. Skeptics could point out that America had only two motorcycle manufacturers at the time of Honda's invasion of the North American market. Agreed, so rather than list the simple steps which made Honda king of the two-wheeled brigade, let's turn to Soichiro's challenge to Detroit. His first automobile came off the assembly line in 1962. The tiny chain-drive sports car did not take the world by storm, but four years later its bigger brother was exhibited at the Paris and London Motor Shows. The motoring correspondent of the staid "Sunday Times" (owned by Canadian Roy Thompson) wrote: "The precision of the Honda engineering, almost like a jewelled watch, has astonished every engineer I spoke to." On this side of the Atlantic, the Japanese minicar was treated as a joke. Detroit at that time more or less ignored the existence of disc brakes and did not offer radial tires as standard equipment, although both these safety (and performance) items had been used in Europe for more than a decade. Incidentally, Honda was the first motorcycle manufacturer to fit a front wheel disc brake. Not content with the introduction of a unique street automobile, Soichiro Honda designed a Formula One machine for Grand Prix competition. Henry Ford II also became interested in racing in the early Sixties. He wanted the 24-hour Le Mans race to be won by Ford. To this end, overtures were made to one of the world's most famous car constructors. Some advisers imagined that, like varieties of coffee, instant race victories could be bought off the shelf. Honda, on the other hand, gave a wide berth to



Motorcycle technology speeded the refinement of his bread-and-butter cars.

The first S500 model appeared in 1962. Four years later the S800 got rave notices when shown at the Paris and London Motor Shows.





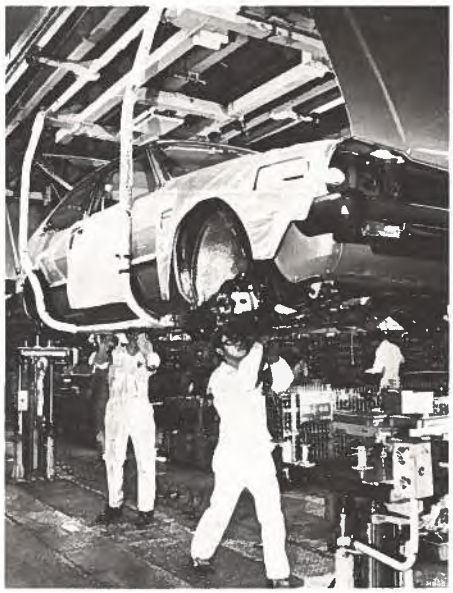
European Grand Prix experts. He assigned 600 members of the research and development staff to come up with a Grand Prix car. It made its début at the Nurburgring, the 14-mile German circuit which is considered to be the world's most gruelling Grand Prix test. The Honda thoroughbred was not immediately successful, but a year later it won the Mexican Grand Prix. Honda recruited a new driver — Englishman John Surtees, six times world champion motorcyclist and 1964 world champion at the wheel of an Italian Ferrari. Surtees was also an engineer who could diagnose structure and chassis weaknesses, suspension deficiencies, and engine breathing problems. Under the aegis of this tester-cum-driver, the Honda posed a threat to the supremacy of Ferrari and the British Lotus. Honda's finest hour came in September 1967 when Surtees won the Italian Grand Prix for his Japanese sponsor.

Having made the point that his countrymen could compete successfully against the world's fastest two and four-wheeled vehicles, Honda closed the chapter on racing and applied himself to solving a problem which is as old as the gasoline engine: pollution.

The story of Honda the motorcycle and car manufacturer has thus far

Honda spent $2 million developing a motor race engine. Some of the lessons learned were successfully applied to the anti-pollution problem.

The Detroit giants did not worry Honda; what spurred him on was the threat of the German Wankel rotary engine. That fear proved to be groundless.



Like a medical researcher bent upon diagnosing the root cause of a recurring human ailment, Honda applied himself to finding a cure for disease-inducing engine emission gases. While other specialists concentrated upon cleaning the dirt caused by internal combustion, Honda tried for "cleaner cooking" within the engine and less harmful exhaust fumes. His CVCC concept achieved that goal, adding little to production costs, and with no penalty in gas consumption.

spanned only two decades. In that time motorcycle sales topped ten million and his N360 sedan had become a best seller in the home market. He had been threatened with bankruptcy several times. When stocks in America piled up to the near-disastrous $80 million mark, he blamed only himself. There should have been more new models, more technically advanced machines, he argued. From the Honda magician's hat he would pluck seven spanking new motorcycles.

If there is one Honda lesson which Canadian manufacturers might apply to their operations, perhaps it is in the realm of research and development. From the earliest days of his company, Honda has hived off 2.5% of sales revenue for experimental purposes. Today, that figure represents $1.3 million per annum. The money goes to a subsidiary company which is completely independent of the bread-winning elements of Honda. Research and development personnel are youngsters, most of them in their early twenties.

In 1969, Honda issued a directive to his R & D staff: find a solution to automobile emission problems. Seventy percent of the Japanese research engineers set about the task. Although they numbered more than 1,000, the Honda team represented only a small fraction of total effort: manufacturers in the U.S., Canada, Britain, Germany, France and Italy were equally determined to clean up car exhaust systems. The exhaust system was what everyone concentrated upon: everyone, that is, except Soichiro Honda. He sat back, studied the problem and reduced it to simple components: fuel enters the engine,ignites, becomes gaseous and is expelled. Suppose, Honda argued, just suppose that something could be done to the fuel within the engine so that the gases passing from the cylinders into the exhaust system were cleaner, less noxious, less poisonous. In retrospect, Honda logic seems elementary, yet it eluded other research teams. By 1971 the Japanese engineers had the answer and a year later the first prototype was ready for submission to the U.S. Environmental Protection Agency. Washington had decreed that exhaust emissions must meet certain standards by 1975. Detroit argued that the standards were unrealistic, the time frame too short and the cost prohibitive.

Honda's engine passed the EPA tests with flying colours, but a representative of one of the "big three" lodged a formal protest. He argued that results obtained with a tiny 1500 cc power unit would not apply to Detroit monsters. There could be only one answer: Honda shipped two 8-cylinder Chevrolet Impala engines to his laboratory, modified them (a minor operation) and submitted them to the Environmental Protection Agency. Result? They were granted "clean exhaust" certificates.

Japan does not have a monopoly of brilliant individualists like Soichiro Honda. Nor did he find the only consumer products worthy of improvements. In this imperfect world there are hundreds of manufactured items crying out for innovative modification, better production techniques or higher quality.

If criticism can be levelled at Soichiro Honda, it might be on the grounds that he carved his own exploratory path to Europe and other foreign sources of manufacturing and market intelligence. Canadian business entrepreneurs with international aspirations can save themselves time, expense and trouble by tapping the wealth of practical experience at the Department of Industry, Trade and Commerce. Members of the Trade Commissioner Service, Sector Branch officers and economists are at the disposal of each and every Canadian company.

Brand new for 1977, the Honda "Accord" could be mistaken for the Volkswagen Scirocco.

The Personal Element in Sony Electronics

Golf originated in Scotland in 1100 A.D. For several centuries the Scots quietly prided themselves on being the world's best golfers, a claim never in dispute simply because they played over remote moorland courses and the only spectators, sheep, kept their secret. In 1884, Joseph Mickle Fox, a Philadelphian, visited Scotland and marvelled at natives striking a wee white ball with massive wooden clubs. Back home, Joseph told his friends about this ancient Scottish sport. Four years later, Yonkers, New York, got its first golf club. It was named St. Andrews, a questionable tribute — in the opinion of most Scots — to the original club, which had been established in 1552, during the reign of Mary Queen of Scots.

The moral of the story is this: sooner or later, mothers of invention lose their offspring to keen-eyed globetrotters with a strong urge to procreate.

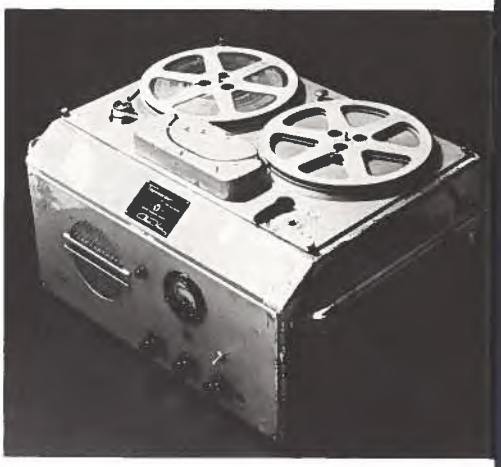
Magnetic recording tape was developed by the Germans shortly before the start of World War II. The transistor is a product of the U.S.A. and its existence was announced in 1949. Canadian radio industry engineers quickly grasped the significance of magnetic tape and transistors, but the visionary who transformed flights of fancy into hard commercial facts was Masaru Ibuka, founder (in 1946) of a tiny Tokyo firm that had been keeping the wolf at bay by turning out short-wave converters for broadcast receivers. Although first and foremost a technician, Ibuka has an enviable aptitude with words. His entire philosophy is contained in a series of phrases, but one fundamental truth laid the foundation of an industrial empire which, when the sun sets, girdles the globe with neon signs that spell out just one word: SONY.

"People often consider imitation worthless", says Ibuka. "A good imitation, however, leads to creation". Coined before his first visit to the U.S.A. in 1952, those words would prove to be prophetic. Three years earlier, in 1949, the Japanese company, less than 50 strong, had produced magnetic recording tape. The first Sony tape recorder followed in 1950. It was a massive machine guaranteed to develop the muscles of anyone who was fooled by the easy-grip handles. Nothing comparable appeared in Canada or Britain, but German inventive genius was reflected in Grundig's recorder, which experts considered to be vastly superior to its Tokyo rival.

Several manufacturers of tape recorders were destined to lose their shirts before Philips popularized the product by introducing the handy cassette. Perhaps because he couldn't afford too many shirts, Masaru Ibuka invested in the transistors seen during his 1952 trip to the United States. Within two years Sony transistors were coming off the assembly line. Some were incorporated in a radio receiver which heralded the greatest flood of domestic products ever launched under a single brand name.

The first miniature all-transistor radio appeared in 1955. Albert Cohen, a Winnipeg wholesaler, was one of the first trade customers. He put his reputation on the line and ordered 50 sets to retail at $69.95 each.

It would be a simple matter to dismiss in one sentence what proved to be not one but several revolutionary departures from long-established manufacturing methods, techniques in the field of broadcasting and habits in personal entertainment.

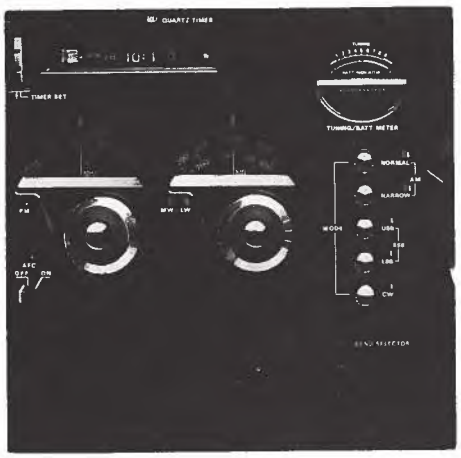


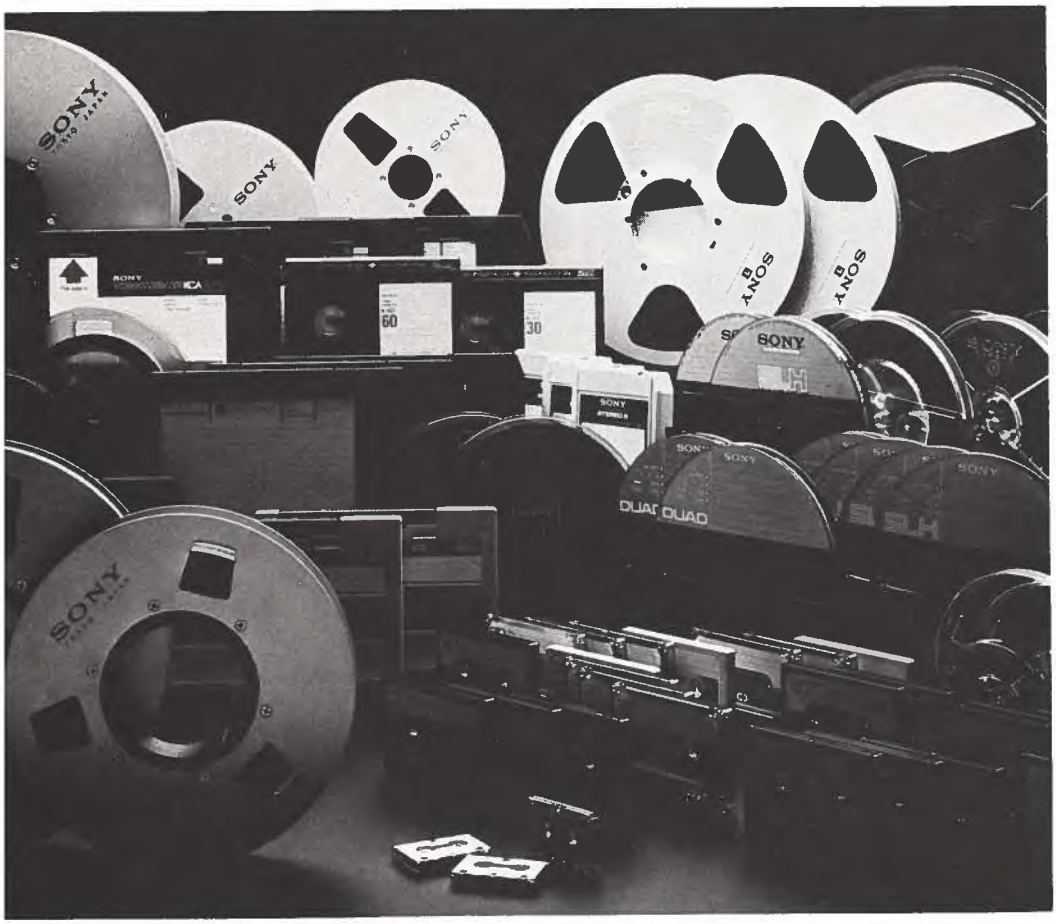
This, the original Sony "Tapecorder", marketed in 1950, equalled the weight of 112 of the latest miniature model. Masaru Ibuka still controls the destiny of the company he launched with a handful of employees in 1946. Unique is Sony's ability to design probably the best product obtainable in its price bracket.

Electronic firms in other parts of the world were incorporating transistors in sophisticated industrial and defence equipment years before Sony began to cater for the radio listener. In some electronic laboratories, industrial equipment specialists worked alongside men involved with fireside entertainment. Like most dedicated enthusiasts, they talked shop and traded technical problems in the factory canteen. Equally useful to all the prototypes on which they were working was the transistor. That it didn't replace the vacuum tube in a twinkling was due in large measure to the fact that radio industry veterans thought in terms of an object that occupied a prominent place in the family living room. Retail salesmen argued that a customer would more readily part with $100 if the radio receiver had generous dimensions as well as quality. The other great mental block for manufacturers outside of Japan was the short life span and recurring cost of dry

Top right
It was available to any Canadian who visited Japan in 1955. Winnipeg wholesaler Albert Cohen took a chance, bought 50 Sony transistor radios, and opened a $200 million market for Japanese consumer electronics.

SONY®
TYPE R-11A MADE IN JAPAN





batteries. These critics of transistor radios were almost invariably men who recalled the days when radios remote from electricity sources were powered by batteries that sometimes went flat on the store shelf or needed 12-hour recharging at too-frequent intervals. What the skeptics failed to note was the tremendous strides in battery research and development. Masaru Ibuka, on the other hand, kept abreast of any innovation which might be incorporated in his products or manufacturing techniques. It is an Ibuka principle that "true creative thinking is that which may become fact or can be carried out. It comes neither from a man's dreams nor from a genius. It results from trying. There may be a limit to a man's ability but no limit to his efforts."

From superbly "tailoring" other people's inventions to meet a market requirement, Sony in 1957 led the world with the first pocket-size radio and the first two-waveband receiver. The following year saw the world's first FM transistor radio, again by Sony.

"Domestic business and export business are the same and should not be divided. Good products in the domestic market are good in the foreign market as well. There should not be any special products for export." There are Canadian manufacturers who would challenge the truth of that Masaru Ibuka policy statement. But in support of the Japanese marketing philosophy is an annual turnover of $1.4 billion — 55% earned overseas. The company's trademark is registered in 128 countries and its shares are listed on stock exchanges in New York, Paris, London, Amsterdam, Duesseldorf, Hong Kong, Vancouver, Toronto and Montreal.

Albert Cohen, the Winnipeg wholesaler who stocked the original pocket radio, is now President of Sony of Canada Ltd. Of the company's future in this country, Cohen predicts: "In four or five years' time we'll be generating $100 million a year in Canada."

"Excellent technology is not just for creating excellent products but for excellent products which customers really want." That Ibuka dictum applies to the foreground model which takes its place alongside three other similar-sized Sonys. But the new miniature 150 lies flat, with speaker, cassette and main controls on the same side, in full view of the operator. It also has a built-in, hypersensitive mike.

Computerized Canons Shoot for Dollar Jackpot

One of the most agonizing dilemmas that can confront a manufacturer is when the research and development team presents him with the prototype of a product that is technologically superior or easier to produce than best-sellers in the company's existing range. Given such circumstances, the fate of the embryonic marvel almost invariably depends on the courage of men in the boardroom. There will always be counsellors of caution: "Let's wait until sales start to slide, then we can launch this new line, make an advertising splash in the media, bang the P.R. drum and whip up the enthusiasm of our sales force."

Sentiments like those have sounded the death knell of thousands of potential market leaders. The competition in some industries is so fierce, of course, that products which earn accolades at their press preview may be out of date before they reach retail outlets in quantity. But rarely is a consumer item so superior — because of price or technical features or performance — that rival manufacturers with similar products will abort their own well advanced production and marketing plans. It happened this year in Japan. When Canon introduced an entirely new concept in automatic electronic cameras, two other Japanese firms, whose publicity people had been hinting that exciting new models were in the offing, suddenly revised their marketing policies and announced, very discreetly, that no fresh lines would be injected into current ranges.

Three products — the Japanese motorcycle, transistor radio and camera — changed the Western world's view of the former enemy in the Pacific. Prominent among the creators of the new Japanese image were such men as Dr. Takeshi Mitarai, Chairman of Canon inc. (centre), Mr. Maeda, President (right) and Mr. Suzukawa, Vice President of the company.

Although no Canadian-owned company designs and manufactures cameras, the electronic brain which sets the Canon AE-1 apart from its rivals could be applied to a wide variety of products that are made in this country. The basic computer functions of the AE-1 — calculation, memory and control — are incorporated in a recently introduced British washing machine, an American kitchen cooker and a German sewing machine. Because of its size, the average domestic appliance can easily accommodate the minicomputer that programs its working life. But the designer of a revolutionary electronic 35 m.m. camera starts off with strict space limitations. This problem was compounded for Canon engineers by the Board's insistence that the dimensions of the finished product should be close to those of the Olympus OM-2, the automatic version of a model that rocketed to international fame because of its small bulk and light weight.

Canon directors imposed other restraints upon the design team. To combat spiralling costs in raw materials and production overheads, the body, mechanism and lens housing must permit fully automated manufacturing techniques.

Nor did that exhaust the list of challenges presented to the Japanese technologists. Canon marketing experts foresaw a requirement for an independent motorized film winder. To top everything, the company's flashgun designers advanced the theory that a fully automatic camera system should have a flash unit that could measure the amount of light required and then dictate the appropriate shutter speed and set the correct aperture f/stop.

Some of the other innovations suggested — winking light signals, idiot-proof controls, etc. — would interest only photography enthusiasts; but underlying all the precise technical details and camera jargon, there is a simple lesson, a common denominator that links Honda, Sony and Canon. All three companies recognized market opportunities which had escaped the long-established leaders in their respective fields. Soichiro Honda believed that an international welcome awaited the arrival of a small-engined, easy-to-cope-with motorcycle. Sony pioneered the tiny transistor receiver when other manufacturers thought only in terms of radios as pieces of furniture for use in the living room. Canon, manufacturer of equipment which met the standards of professional photographers, introduced in 1960 an automatic electronic rangefinder camera. It was aimed at the absolute amateur, the owner who didn't know about shutters or apertures, but wanted a nice photograph of his wife and kids.

Other companies marketed simple snapshot models: Canon offered a camera with a good lens and an electronic brain that translated light values so that the shutter clicked at the right speed and aperture. Professionals ridiculed the idea: they favoured hand-held light meters and used their eyes to squint at the sun and peer into shadowy backgrounds. The pros cultivated a special mystique. An industrial photographer on outdoor assignment or asked to shoot, say, factory sequences, would present himself to the client with fifteen or more bulky cases (the bane of hotel porters), summon electricians to fix extra light fixtures and have volunteer minions running all over the place. Curiously enough, the greater the excitement generated, the more readily would the client put his stamp of approval on the inevitable hefty invoice.

The breakthrough for Canon came when authoritative photography magazines tested automatic electronic cameras and gave them high ratings. Today, almost every professional swears by the 35 m.m. camera with through-the-lens light measuring devices. The top pros now emphasize their creative artistry. The camera's electronic brain computes light values and signals the other information necessary to capture the subject's outstanding features.

With the all-new AE-1, Canon has invaded the last stronghold of the expert photographer. Complete with its own electronic brain, the flashgun of the AE-1 system can assess what's required to take a good picture in artificial or very low light conditions. The flashgun tells the camera which aperture, what shutter speed.

Other fascinating technical features are closer to the heart of any Canadian manufacturer who is interested in computerizing his operations or product. For example, the Canon AE-1 camera has 300 fewer working parts than the nearest equivalent in the company's range of sophisticated models. Equally important, the retail price is highly competitive.

Like Honda and Sony, Canon started small, quickly gained a foothold in foreign markets and is now a giant in the camera field. Sales in 1975 totalled $397 million, 57% earned abroad.

Like other Japanese camera manufacturers, Canon started as specialists in optics, in 1937. Photography enthusiasts will debate the relative merits of this or that marque, but few question the superiority of Canon lenses.

Offer the retailer $1500 and he may wrap this Canon trio (each member with distinctive technical features) in fancy paper, but don't expect much change.

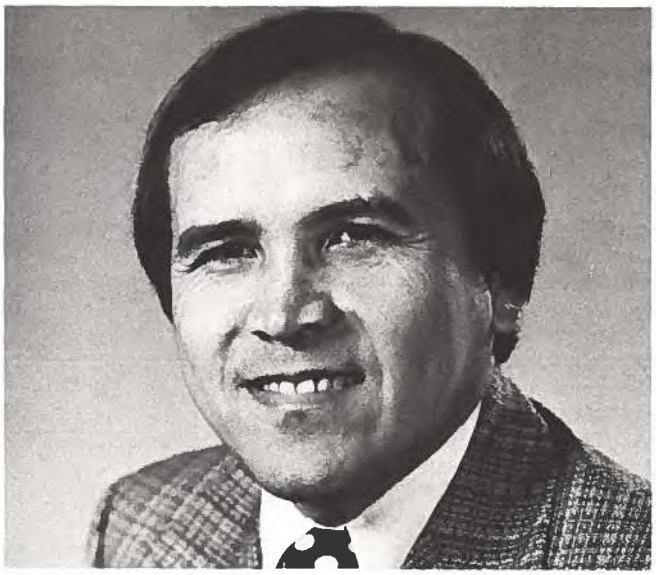
Canon's first electronic model gave the amateur the no-chore bonus that motorists enjoyed with the introduction of the electric starter and automatic gearbox.

Two New Ministers for IT&C

The Prime Minister announced on September 14 the appointment of the Hon. Jean Chrétien as Minister of Industry, Trade and Commerce. Mr. Chrétien succeeds the Hon. Don Jamieson, now Secretary of State for External Affairs.

Mr. Trudeau appointed a second Minister to IT&C. He is Leonard Stephen Marchand, who will be Minister of State responsible for Small Business. Mr. Marchand was Parliamentary Secretary (1972-74) to Mr. Chrétien during the latter's term as Minister of Indian and Northern Affairs (1968-74).

Jean Chrétien, born in Shawinigan, Quebec, in 1934, was called to the Quebec Bar in 1958, elected to the House of Commons in 1963 and became Minister of Indian and Northern Affairs in 1968. He was appointed President of the Treasury Board in 1974. He is married and has three children.



Leonard Stephen Marchand was first elected to the House of Commons in 1968. Born in Vernon, British Columbia in 1933, he received a B.Sc. (Agriculture) at the University of British Columbia, and a Master of Science Degree in Forestry at the University of Idaho. He is married and has two children.

Both Sides of Pacific Trade

With an increasing number of Canadian companies looking towards Japan for new or better trade links, our Ambassador to Japan, Mr. Bruce Irving Rankin, made a coast-to-coast swing across Canada in September and met leaders of Canadian industry. It was a two-way exchange: Mr. Rankin outlined the scope of business opportunities offered by the Japanese market and learned at first hand the views of major exporters as well as companies which have yet to venture across the Pacific.

Mr. Rankin was born in Brandon, Manitoba, obtained a B.Comm. degree at the University of Alberta in 1941 and served with the RCNVR. He joined the Trade Commissioner Service in 1945, representing his country in Sydney, Shanghai, Bombay, Kingston, Madrid, Berne and New York. Transferred to the Department of External Affairs in 1964, he served as Ambassador to Venezuela (1964-70) and Consul General in New York (1970-75). He was appointed Ambassador to Japan in January 1976.

Mr. Bruce Irving Rankin (right) with members of the Canadian Manufacturers' Association.

Around the Gulf in 90 days

The five small Gulf countries, their combined population less than 3 million, import $6.5 billion of goods.

Canadian businessmen who concentrate all their efforts in the Middle East on Saudi Arabia, Iran and Iraq, could be missing out on excellent opportunities in Kuwait, Bahrain, Qatar, Oman and the United Arab Emirates (Abu Dhabi, Dubai, Sharjah, Ajman, Umm al Qawain, Ras Al Khaima and Fujairah).

The Commercial Division of the Canadian Embassy in Tehran has devoted much attention, including a 90-day tour, to the Gulf states since assuming responsibilities for trade promotion there in December, 1975. In December of this year, an IT&C senior businessmen's mission, led by Assistant Deputy Minister Claude Charland, is scheduled to visit Kuwait and Abu Dhabi.

F. VEENEMA, Commercial Secretary, Tehran

The Gulf market is certainly different from Iran, which has 30 million people and a traditional society; from Iraq, which has government purchasing organizations, and from Saudi Arabia, which has enormous purchasing power. The Gulf market is highly regionalized. It has seven thriving city states, each with an independent source of income, its own government and business community, and its own initiative to launch industrial and social development projects.

The $6.5 billion imports in 1975 comprised mainly materials for a construction boom in which offices, apartments, houses, factories, roads, hospitals, schools, airports, ports and water sewage distribution systems are going up in numbers and at a rate that is probably unprecedented outside the oil-rich Middle East. Local production of the construction materials, of furnishings and of equipment is insignificant. Almost all consulting, construction and management services must also be imported.

The boom in development of the social and industrial infrastructure is the result of a fairly recent resolve on the part of Gulf state

Isa Town, a new residential community for Bahrainis. Thousands of new homes are to be built during the next five years. Expatriates living in Bahrain are turning in increasing numbers to timber frame houses.

A tree-shaded desert? Al Ain, in Abu Dhabi's Buraimi Oasis, is one result of the vast sums of money that have been spent making the hot sands hospitable. The Oasis is one of the Gulf's few fertile areas, and steps are being taken to ensure sufficient water supplies to increase agricultural development.

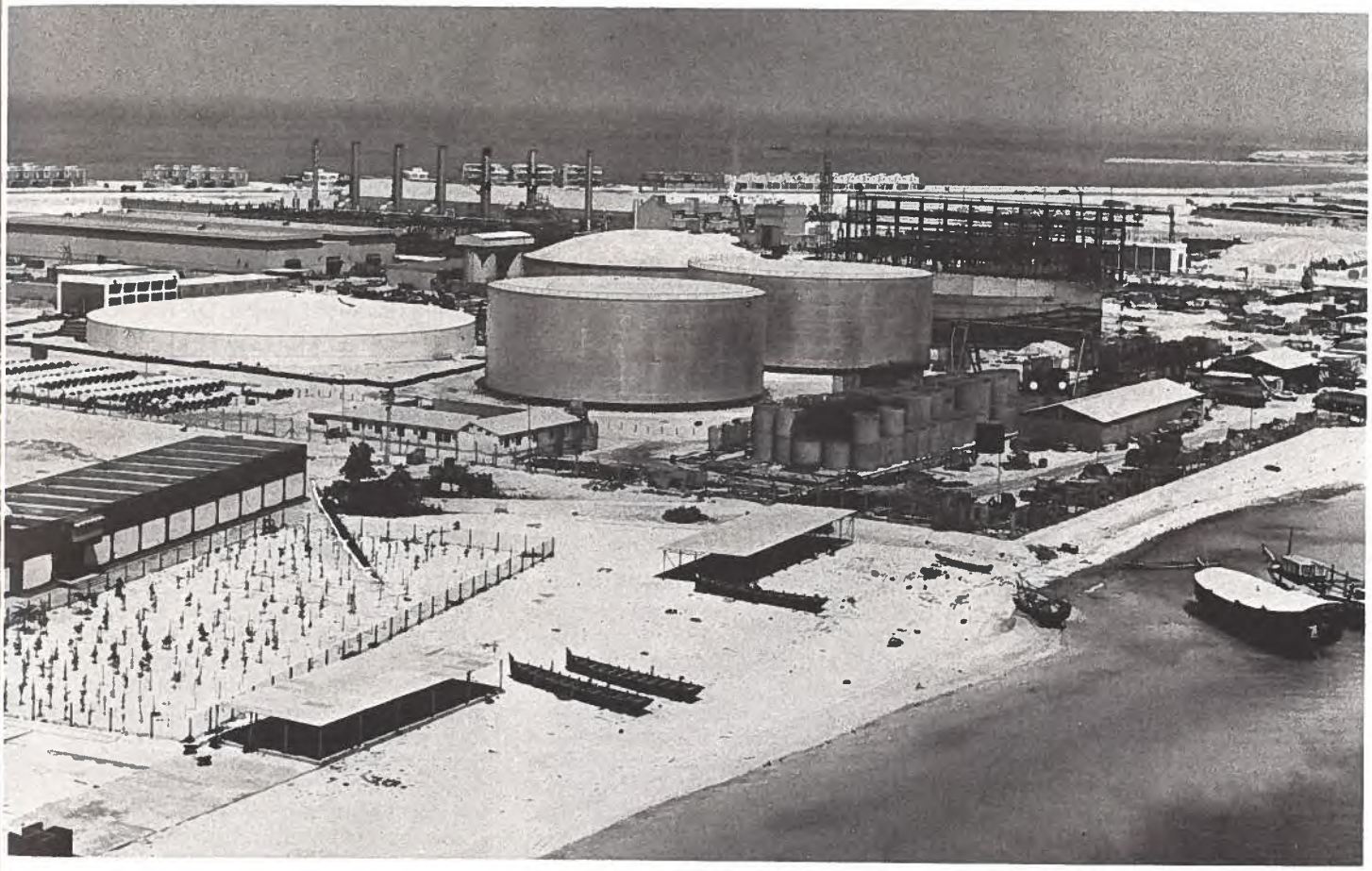
governments to modernize and diversify their economies to the maximum extent permitted by a natural resource base limited to oil and gas, and to improve the standard of living of their people. This resolve increased along with the price of oil in 1973, and intensifies as financial means improve. In 1975, oil revenues in the Gulf states reached $17.7 billion.

New industrial investment may be categorized as follows:

1. Expansion of oil and gas production capacity.
2. Major export-oriented, capital-intensive petroleum, gas and energy-dependent industries: refineries, fertilizer factories, petrochemical complexes, LNG and LPG plants, steel mills, cement mills, aluminum smelters, VLCC drydocks, ocean shipping lines.
3. Industries oriented primarily toward supplying the Gulf market: cement and flour mills, poultry farms and factories producing pipe, paint, concrete products and prefabricated homes.
4. Industries based on exploitation of the few non-oil natural resources: sun, sand and water is giving rise to hotels, fishing and fish meal production. Only Oman has significant agricultural potential and roads, water supplies and social amenities are being developed to service an anticipated farming population.

Industry, Ideas Wanted

There seems to be no limit to the Gulf governments' ambitions to establish viable, capital-intensive industries to diversify the economic bases of their countries. Ideas and participation from foreign companies willing to co-operate in joint ventures and management are welcome. If local manpower is in-



The electricity generating station is appreciated as a vital source of power for Abu Dhabi's much-needed industries but as a view, residents prefer the beach. The townhouses barely visible in the background are the most sought-after accommodations in town.

Sheikh Khalifa Boulevard, Abu Dhabi Town.

sufficient and lacking in skills which cannot be developed quickly enough, supplementary and complementary labour can be imported too, in the form of immigrants and contract workers. Like their governments, private firms are dependent on foreign managerial, marketing and technical expertise, and are receptive to new products to market, and requests to investigate investment opportunities in their countries.

Local firms are protected either informally or by legislation which requires foreign exporters to appoint them as agents for distribution or to bid on government tenders, and to enable them to obtain shares in companies that establish in the Gulf. The amount of the agent's commission is sometimes set by law. As a result, local firms have earned easy commissions and profits, have significant sums of money to invest, and have become important both as sources of economic expansion and as customers of imported services and equipment.

Canada has barely begun to realize its potential for sales of products and services to the Gulf. Our consulting engineers have won only an infinitesimal proportion of the service contracts that have been allocated. Our 1975 merchandise exports to the area, worth $23.5 million, constitute less than 1% of the Gulf countries' needs. This insignificant Canadian position is the norm in many countries but there is no reason why we should be content with it in the Gulf states.

Our products are in demand. Our reputation is good. There are direct shipping services. Trading relationships are changing constantly as new local firms establish and old ones expand. There is room for new newcomers. Consumption patterns are changing rapidly as populations increase, and as new industries develop. Gulf governments prefer highest quality and most technologically advanced products, and Canada can provide them. Customs duties are nominal with the exception of 25% duties levied by Kuwait on a few locally-manufactured items, and duties levied on alcoholic beverages for social reasons. In general, Gulf governments have little interest in tariff protection for local industries.

What does interest them, is development of as many income-diversifying industries as possible, provided they are profitable. As one Dubai official put it, "We are not building just to see smoke go up in the air from factories." Most industries — the basic flour milling, concrete products and service industries excepted — are export-oriented and are likely to remain so.

Ingenuity Required

Canadians will have to overcome some obstacles to become more important suppliers to the Gulf states:

1. Canada is farther away from the Gulf than Europe and shipping from North America is less varied and frequent than from Europe.

2. Many projects, such as airports, hospitals or power stations, are awarded to foreign turnkey contractors which are often consortiums. Often the contractor is responsible for sourcing the package of equipment required for his project. He assembles and prices his package and submits his bid. It is natural for the contractor to turn to the best-known and most accessible sources of supply outside the Gulf. Therefore, instead of troubling to find an agent in the Gulf to promote their products to contractors, Canadian equipment exporters should urge their agents in England, France, Germany, Switzerland, the United States and Japan to make a special effort to sell to the big companies that engage in turnkey work in the Middle East. Write to us for a list of the companies that are active in your field. Unfortunately, the number of Canadian companies pursuing design and construction or supply and installation contracts, although increasing, is very small.

Similar action is required for industrial projects, which are often joint ventures between Gulf governments and/or private organizations and non-Canadian foreign companies. Since the foreign partner undertakes the detailed planning, design and construction of a project, the most effective way to become a supplier is through the foreign partner.

3. Aggressive local agents are hard to find. There are so many products to sell in this booming market that there are not enough skilled, knowledgeable salesmen to go around. Co-operation between exporters and local firms may take the form of an agency agreement requiring frequent visits by the exporter's salesmen for direct marketing, one or more salesmen taking up residence in the Gulf and working out of the agent's offices, or out of an office and warehouse that are separate from the local agent's other business. Only in the Emirate of Sharjah can a foreign firm establish its own office for product distribution without participation of a local firm.

4. The Gulf states' need for assistance in development has resulted in an influx of foreigners which is contributing to shortages in hotel and housing accommodation, problems in air travel reservations and congestion and rising prices in other areas. It is interesting to speculate to what extent these factors constitute an obstacle for businessmen from Canada, one of the most comfortable countries in the world. However, the fact that at least 13 Canadian companies have established offices in the Gulf states, some of which have opened more than one office, is encouraging.

5. The Gulf Arabs' customs and preferences are changing rapidly as a result of higher income levels, new economic activities and their associated infrastructures, modern social inrastructures provided by their governments and the influence of the different lifestyles followed by foreign residents. The Gulf countries may, in fact, have the

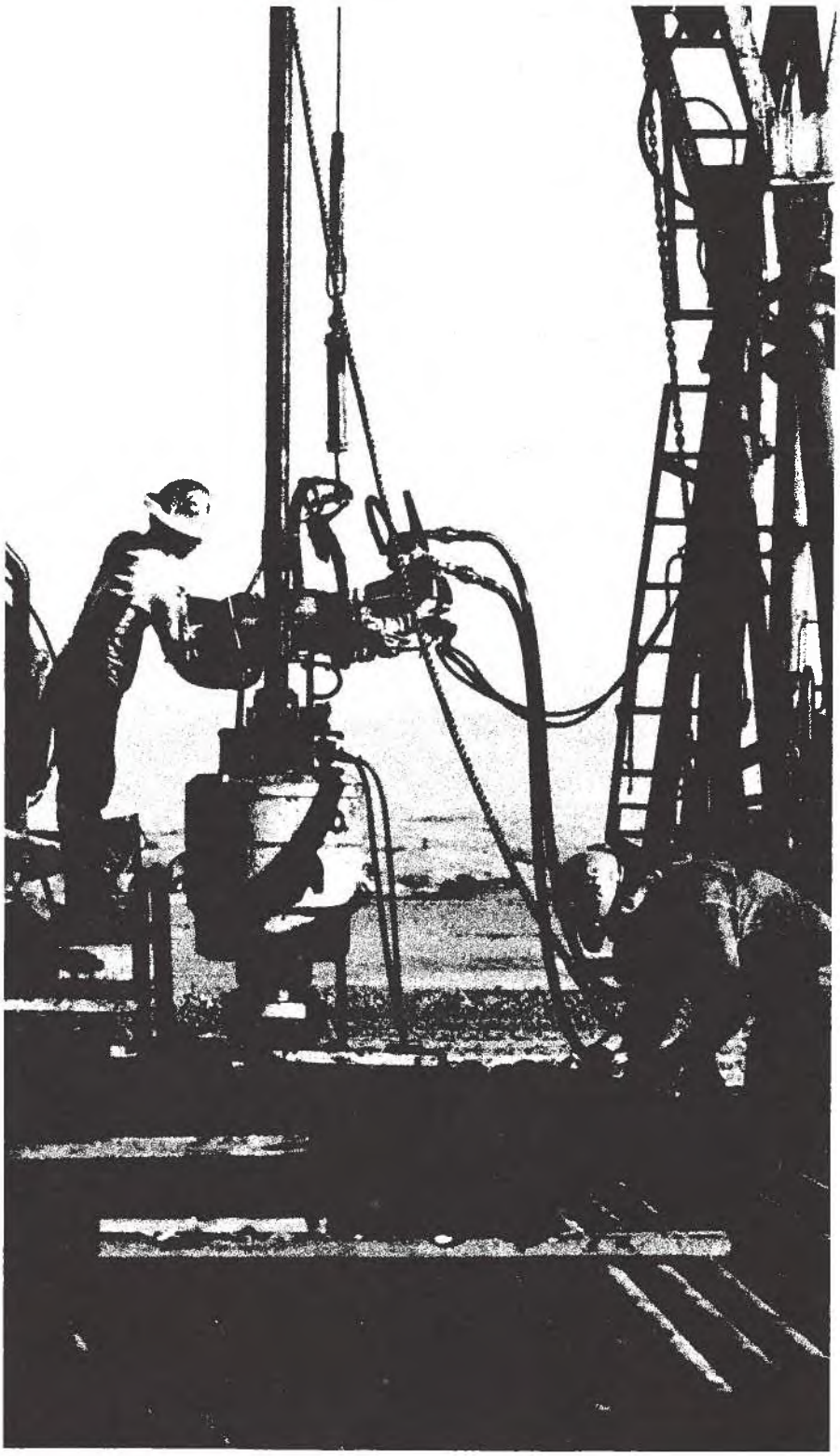
most experimental attitudes in the Middle East. Nonetheless, local ways of doing things in business and social life, and preference for certain types of products persist, precluding interest in some of the products and services that Canada has to offer. Concrete as a building material is an example of this preference.

The extensive use of concrete rather than steel, aluminum, wood or plastic can only be partially explained by climatic conditions, price and availability, and the state of building technology and economics. Although timber-frame methods, toward which so many Canadian building materials are oriented, are increasingly used to build homes for western expatriates in Bahrain and the Emirates, the overwhelming majority of housing units are made of concrete block, lime-sand brick or precast concrete panels. The local landlords are used to this material and prefer the devil they know to the devil they do not (for the problems of working with concrete in the Gulf environment read "Concrete Deficiency — A Matter for Concern" in "CONSTRUCTION TODAY: MIDDLE EAST", published by Maclean-Hunter, April 26, 1976.)

6. British, European and Japanese businessmen compete fiercely for the attention of Gulf importers. Only first-class salesmen from companies capable of providing excellent marketing support succeed to any great extent and return again and again to the Gulf. They receive a high level of support from their oil-importing, balance-of-payments-conscious governments.

Demand Exceeds Supply

Many foreign construction firms are active on projects in the Gulf. Some work independently; others are associated with local construction firms on either an ad hoc or continuous basis. The demand for foreign construction services far exceeds what the companies already established there are able to provide.



Generally speaking, because there is little local manufacturing and because the small local populations do not yield suitable construction labour forces, foreign contractors import in various ways all the resources they need to complete their project: materials, machinery and skilled and unskilled labour. Their bid preparation and project execution is relatively uncomplicated by considerations of tariff-protected, locally-manufactured products or a union-organized local labour force which must be employed. To the extent that a company values this freedom of organization, a choice of technology unrestricted by regulations, and control over costs, these are plus factors. However, the extensive mobilization required to execute the initial contract in the Gulf demands a major commitment of any company's resources, which is probably more rewarding if the company subsequently takes on other contracts.

Apart from the benefits of spreading mobilization costs over several projects, Gulf customers' loyalty to firms who have demonstrated that they can perform well in Gulf market conditions, and anticipated demand for construction services in the foreseeable future, are incentives to plan for involvement in more than a single contract.

Hospitable Investment Climate

Foreign investors in the Gulf are attracted by the availability of local finance, the pro-capitalist business attitude of the rulers, few significant taxes, freely convertible currencies, the negligible risk of war or insurrection, availability of modern communication systems — including relatively efficient ports — and the proximity of other important markets (Iran, Iraq, Saudi Arabia). One of the most encouraging factors is the Gulf states governments' determination to see their countries grow and the visible, impressive results in economic development achieved in less than a decade.

Foreign investment is flowing mainly into minority shareholdings of new industries and into new service companies.

There is no need to assume that Canadian companies who wish to restrict their involvement in the Gulf market to c.i.f. shipments should forget about the Gulf. Price competitiveness is important, but so is ability to supply and to communicate. We would welcome any inquiries, especially from manufacturers of building materials and components, construction machinery, interior and exterior decoration materials, furnishings, electrical appliances and prefab buildings.

No Gulf importer will make any purchasing decision on an f.o.b. quotation. He requires at least a c.i.f. quotation and descriptive literature. He can afford to ignore even this detailed correspondence; numerous exporters are already knocking on his door in person in the Gulf. Certainly an exporter cannot expect any significant sale before he visits the Gulf and calls on importers and buyers in person. We would be pleased to give our advice on whether a visit would be worthwhile.

Finally, the time to explore the Gulf market is *now*, while the rate of growth is at its peak and interest in new suppliers and new technology is lively. Every month of delay invites the risk of openings in the market being filled by other exporters.

COMPARATIVE INDUSTRIALIZATION IN THE GULF STATES

	KUWAIT	BAHRAIN	QATAR	U.A.E.	OMAN
Petroleum Refining	1. 110,000 bpd 2. 280,000 bpd to be expanded to 400,000 bpd. 3. 135,000 bpd to be expanded to 185,000 bpd.	250,000 bpd (70% of crude requirements imported from Dammam)	7,500 bpd at Umm Said. Feasibility study underway to expand it to 30,000 bpd. Separate study in progress to build new major refinery.	15,000 bpd at Umm-Al-Nar. Studies underway to expand Umm-Al-Nar to 50,000 bpd or to build new refinery of 60-70,000 bpd at Jebel Dhanna.	None

	KUWAIT	BAHRAIN	QATAR	U.A.E.	OMAN
LPG/LNG	60,000 bpd LPG. 5 million Tpa of propane, butane, natural gasoline under construction.		14,000 bpd LNG Studies underway on LNG plant.	2 million Tpa LNG, 1 million Tpa LPG, 220,000 Tpa light distillate, 230,000 Tpa pelletized sulphur to be commissioned late 1976 on Das Island. Tenders for design and construction of 185,000 bpd LNG at Jebel Dhanna issued. 80 million cu.ft. pd dry gas and 20,000 bpd LPG in Dubai by Sunningdale Oils Canada ready to begin construction.	Planned as soon as pipeline to bring associated gas from oil wells in interior to coast is completed.
Petro-Chemicals	Contractors invited to prequalify for Aromatics complex: 284,000 Tpa benzene, 87,000 Tpa paraxylene 60,000 Tpa ortho-xylene.		30,000 Tpa ethylene, 145,000 Tpa polyethylene under construction. (C.D.F. Chemie)		
Fertilizers	712,800 Tpa ammonia 644,000 Tpa urea 132,000 Tpa sulphuric acid 165,000 Tpa ammonium sulphate		1000 Tpd ammonia 900 Tpd urea; doubled capacity under construction. (Norsk Hydro)	1500 Tpd ammonia planned in Abu Dhabi	—
Aluminium	—	120,000 Tpa refinery 3000 Tpa aluminium powder. Extrusion mill under construction. 5-10,000 Tpa cable factory planned. Rolling mill under consideration.	—	Contract for construction and management of 135,000 Tpa refinery signed with Southwire. 3,000 Tpa extrusion mill contract for construction signed. Another 8,000 Tpa extrusion mill planned. All in Dubai.	—

	KUWAIT	BAHRAIN	QATAR	U.A.E.	OMAN
Drydocks and Shipbuilding	One 1000 ton-lift slipway. 45,000 dwt floating drydock under construction.	1. Bahrain Slipway Co. deepwater anchorages three 600 ton-lift slipways. 2. BASREC: repair quays, two 1000 ton-lift slipways. 3. ASRY under construction. $400 million first phase: 400,000 dwt and 40,000 dwt drydocks under construction, to be completed mid-1977. (LISNAVE)	—	1. Dubai Drydock Co. construction far advanced. One 1,000,000 dwt drydock, two 500,000 dwt drydocks, eight repair quays. 2. Mitsui Ocean Development & Engineering Company oil rig repair and construction drydock 200 x 65 metres planned in Ajman.	—
Steel	100,000 Tpa spiral-weld metal pipe. Reinforcing mesh. Prefabricated steel warehouses planned under licence to Kirby U.S.	Mini-mill for reinforcing rods planned.	400,000 Tpa of billets and bars by Kobe Steel under construction.	1. 1,000,000 Tpa direct iron ore reduction planned in Dubai. 2. 1,000,000 Tpa sponge iron planned with Indian Govt. participation in Abu Dhabi. 3. 25,000 Tpa reinforcing rod mill under construction in Abu Dhabi. 4. 2,000 Tpa welding electrodes in Sharjah under construction by Oerlikon. 5. 7,000 Tpa wire mesh factory to be built. (GKN)	
Cement	1. Concrete pipes 2. Concrete slabs 3. Automatic concrete block factory. Another one planned 4. 148,000 cu. metres (1973) lime-sand bricks. 5. Cement factories.		350,000 Tpa. Expanded capacity 900 Tpa under construction.	1. 250,000 Tpa in Ras Al Khaimah. Plans to expand to 500,000 Tpa. 2. Al Ain, Abu Dhabi: 200,000 Tpa. 3. Dubai 500,000 Tpa under construction.	250,000 Tpa cement mill under construction.

	KUWAIT	BAHRAIN	QATAR	U.A.E.	OMAN
				4. Sharjah: Cement mill under construction. 400,000 cu. metres pa ready-mix concrete plant. 5. Two plants for concrete slabs in Dubai and Sharjah. 6. Automatic cement block factory in Dubai. Another one planned in Sharjah.	
Flour	111,000 Tpa (1974)	100 Tpd.	100 Tpd.	1. 200 Tpd in Abu Dhabi under construction. 2. Big one in Dubai planned.	300 Tpd.
Fisheries	1500 Tpa frozen shrimp	frozen shrimp	250-500 frozen shrimp	4 fishmeal plants planned. 1. Sharjah 2. Ajman 1200 Tpd 3. Ras Al Khaimah 280 Tpd. 4. Fujairah 350 Tpd.	Extensive resources. Concessions granted to foreign fishing companies.
Paint	YES	YES	—	YES, 7000 Tpa in Dubai. (Jotun, Norway)	—
Prefab Housing	1. 3 factories for portable cabins for construction camps. Solely for export. 2. Prefab concrete homes and buildings factory.	United Building Industries plans 2000 homes per annum.	—	Two concrete prefab homes plants. Prefab timber-frame homes plant planned.	—
Pipe	see above under Steel & Cement	Plastic pipes factory.	—	Dubai: 75 km pa large-diameter glass reinforced pipe. Plus 6000-7000 water tanks per annum (Jotun) Abu Dhabi: 2400 Tpa plastic pipes for water distribution, irrigation, electrical and communications conduits. (C.ITOH)	—

Turkish Market for Canadian Medical Equipment

H. J. HIMMELSBACH, Commercial Counsellor, Ankara

During the 53 years since it became a republic, Turkey has taken tremendous strides toward achieving full membership of 20th century society. Nonetheless, the objective of a 22-year development plan reveals that it still has some way to go. The plan envisages that by 1992, Turkey will have achieved the standard of living that Italy enjoyed in 1970.

One of the areas earmarked for significant advancement during the current third Five Year Development Plan, which ends in 1977, and during the next FYDP, is the health sector. The government is providing a great deal of incentive and funding to upgrade health standards in the face of a persistently high rate of population growth. The population, approximately 41 million according to the last census, is growing by approximately 2.5% annually.

The ratio of population per physician — a fairly good indicator of a country's health standard — has been declining steadily from 2,881 in 1965 to 1,872 in 1974 (In comparison, Canada currently has one physician for every 650 residents). The total number of in-patient institutions increased from 362 (52,000 beds) in 1965 to 799 (83,000 beds) in 1974. The number of hospital beds per 100,000 population increased from a national average of 167 in 1965 to 215 in 1972. Of the total number of hospitals, 705 (79,000 beds) are public institutions, while 94 (5,000 beds) are private hospitals.

The institutions using the most sophisticated equipment are the university research centres, the armed forces' research and improvement centres, the military academies and the state and social security hospitals located in Turkey's larger cities such as Istanbul, Ankara, Izmir, Bursa and Adana. These are regarded as model institutions by other hospitals, which fashion their equipment procurement decisions accordingly.

The 1973/77 five year plan allows for capital in-

Canada-Turkey Cinkur Project Completed

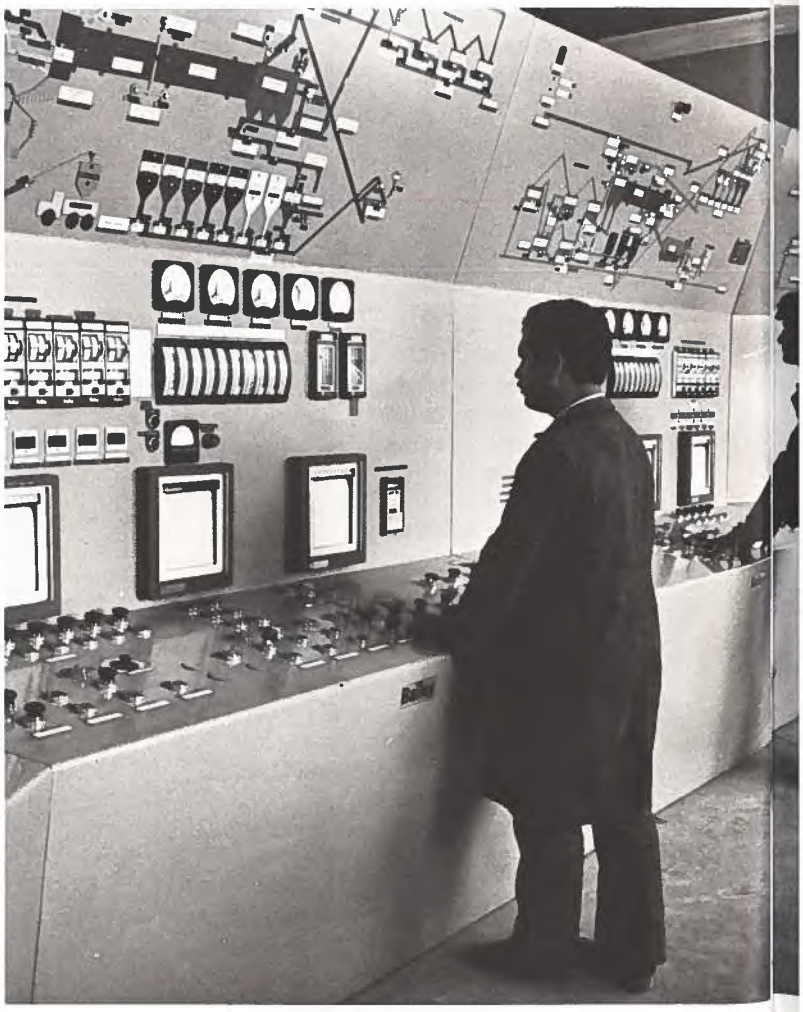
D.H. LEAVITT, Commercial Counsellor, Ankara

The inauguration last June of Turkey's Cinkur (Cinko-Kursun Metal Sanayii A.S.) lead and zinc plant by Prime Minister Suleyman Demirel culminated a five-year project which established Turkey's self-sufficiency in zinc supplies, accounted for export by more than 100 Canadian companies of $29 million in equipment and services, and provided jobs for 500 Canadians.

The plant is designed to meet all Turkey's demands for zinc, previously imported, until the first half of the next decade. It also means new employment opportunities, advancement in regional development and foreign exchange savings.

Cinkur, which will utilize mineral deposits in the Zamanti river region, is by far the largest investment project undertaken in Kayseri province. It cost approximately $83 million. Besides 40,000 metric tons of electrolytic zinc, the plant will annually produce 6,000 metric tons of refined lead, 125 tons of cadmium and 4,500 kgs. of silver. All lead and silver will be for domestic consumption but most of the cadmium will be exported.

Financing was provided by Etibank of Turkey, which owns 49% of the equity, private investors and a $29 million loan from the Canadian Export Development Corporation.



Centralized control room for the Waelz plant showing three of four control panels.

PHOTO BY The SNC Group

Turkey is investing $250 million in a five-year health program. Canadian manufacturers of hospital equipment are not listed among the country's top six suppliers, headed by Germany, the U.S. and Britain.

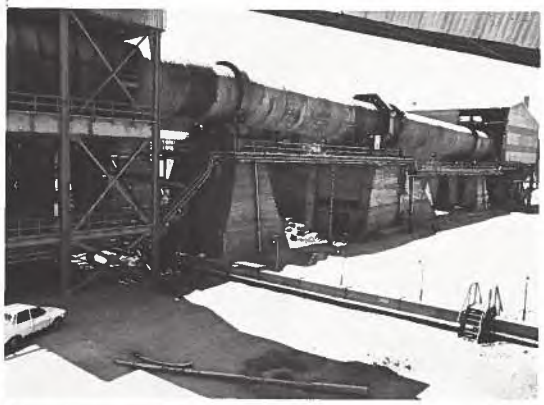
vestment expenditures of TL. 4 billion — approximately $250 million — in the health field, which represents 1.4% of total investment expenditures.

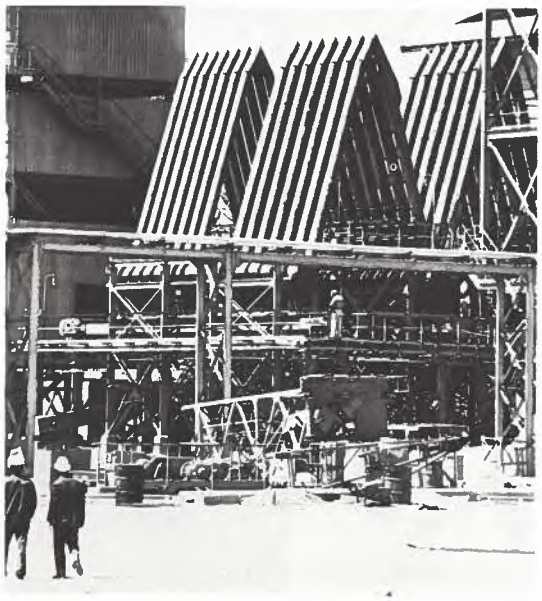
For the 1976/77 fiscal year, the Ministry of Health and Social Welfare alone budgeted some TL. 125 million, or $7.7 million for the procurement of medical and laboratory equipment. The other major purchasers of medical equipment are the Ministry of Defence and universities.

Turkey imports most of its medical, dental and laboratory equipment; particularly the more sophisticated apparatus. The value of these imports is estimated at approximately $15 million annually. The major supplier countries are Germany, the United States, Britain, Sweden, France and Japan in that order. Eastern European nations also export equipment on a small scale.

Canada's medical exports to Turkey in 1975 — mainly urine analysis equipment and cardiac monitoring systems — amounted to less than $200,000. We could do much better. The institutions that have purchased Canadian products are impressed by their quality, and other potential customers are becoming aware of Canadian capabilities in this field.

While Turkey's import regulations are rather strict to conserve scarce foreign exchange reserves and to protect local manufacturers, the regulations seldom apply to sophisticated health care equipment, for which importers here can obtain licences fairly easily. It is, however, essential that a Canadian firm which wants to export to Turkey acquires the services of a resident agent or distributor. Names and address of prospective representatives experienced in marketing medical equipment are available from the Commercial Division of the Canadian Embassy in Ankara. We hope you will write for a list.





With Canadian expertise, services, equipment and financial assistance, Turkey is now independent of foreign zinc sources.

Engineering and management for the project, which includes ore-crushing and storage facilities, two Waelz process lines each with two rotary kilns for zinc-and-lead volatization and densifying, and leach and electrolysis units, was awarded to the Montreal-based, employee-owned SNC Group. One of Canada's largest, most diversified organizations in the project management and engineer-procure-construct field, the SNC Group competed against bids from the United States, Germany, Britain, France, Belgium and Eastern Europe. All construction and erection work was carried out by Turkish contractors.

Major Canadian suppliers of products and/or services for the project included Allis-Chalmers Canada Ltd., Canron Limited, EBCO Industries, Ajax Magnathermic Canada Limited, Canada Metal, Wayne Forge, Robert Morse, GM/Terex, Joy, Hewitt Equipment, International Harvester, Dominion Road Machinery, Dorr-Oliver, Protective Plastics, General Electric, Westinghouse, B/X Industries, Koppers of Canada Ltd., Bailey, Cusco, Rexnord and Hewitt Robins, Gray Mixing Equipment Ltd., Stephens Equipment, William Perrin, Jeffrey Manufacturing, Allis-Chalmers, Rumely, Ltd., General Iron Works and Fisher Scientific.

Top: One of four kilns manufactured in Canada by Allis-Chalmers for the Cinkur complex. **Bottom:** One of two specially designed radiant heat coolers where densified zinc oxide is cooled after it comes from the kiln and before it enters the bag-house, final stage in the Waelz process.

Westernwear's

CHRISTIAN SARRAZIN, Vice Consul and Ass is

From the White House to Wyoming's back of beyond, Americans are buying "dude ranch" clothes.

Store buyers in 9,600 U.S. outlets are accessible to Canadian manufacturers who offer style, quality and quantity.

Remember the shapeless, stiff, unstylish westernwear that cowboys, ranchers and a few of the Hollywood stars once wore? It was strong — just the stuff for the rough and rugged life in the early west. But glamorous it was not. Yet, westernwear now is one of the hottest fashions in North America, raging like a prairie brush fire across the generation gap and even jumping across oceans and spreading into Europe and Asia.

But modern and old-time westernwear have about as much in common as Blazing Saddles and a Tom Mix Classic. A much expanded market for no-nonsense work boots, dungarees, hats and caps still remains; farmers and ranchers prefer them for doing the chores, but for leisure they turn to the smart new western suits and jumpsuits, vests, coats, jackets, skirts and shirts, ornamented buckles and belts and parade grade cowboy hats and boots that everyone from off-duty executives and university professors and students to housewives and teenagers are wearing.

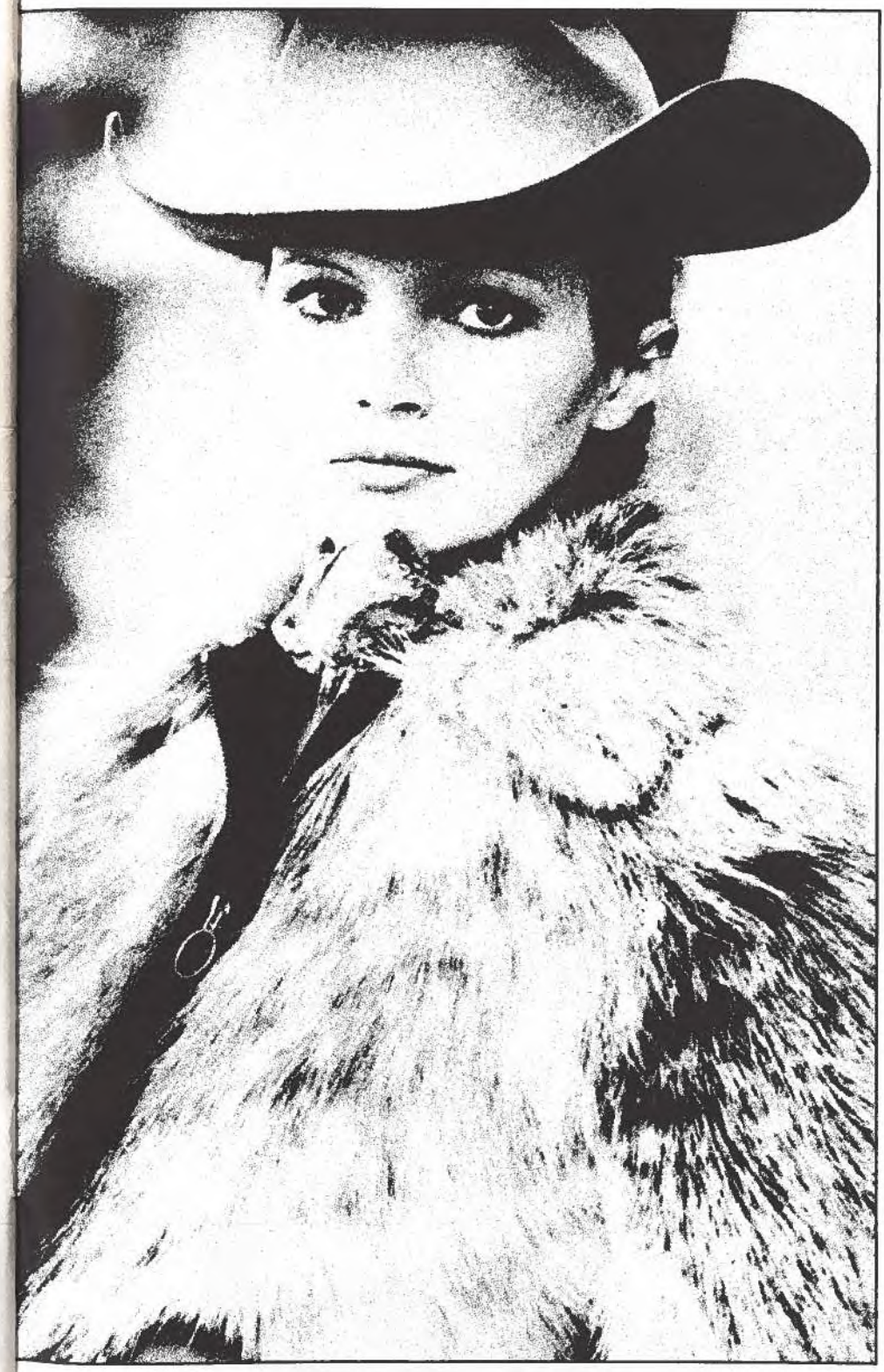
The public's reawakened awareness of the environment, coupled with nostalgia for the less complicated, freer and frugal life of early days probably accounts in some measure for westernwear's popularity, and accelerating demand for it in the U.S. provides Canadian manufacturers geared toward this type of garment with excellent opportunities to broaden their market base, expand sales and enlarge profits.

Market Size and Potential

Current size and future trends of the westernwear market in the United States are hard to determine, but a survey conducted by the westernwear trade's bible, "Tack 'n Togs" magazine, gives some indication of its scope. Of more than 13,300 U.S. retail accounts with a $100,000 to $200,000 sales volume that carry western products such as riding equipment and veterinary supplies, a surprising 9,600 feature western apparel. In 1971/72 there were only 6,000 apparel outlets, which means that their numbers have grown by a phenomenal 60% within five years, and demand continues to accelerate as major department and specialty stores create special sections, floors and sometimes whole new westernwear departments.

Riding High Again

sistant Trade Commissioner, San Francisco



This up-trend opens perhaps better prospects for innovative, active Canadian manufacturers than we currently realize, since it appears that U.S. manufacturers have failed to recognize, or keep pace with the western market demand. Quality-oriented firms ready to make a commitment and take an aggressive stand in this market will do well. Some Canadian manufacturers were quick to recognize the growing market and have already carved a profitable slice of it for themselves, but the market is far from saturated, and we would like to see many other Canadian manufacturers of quality garments seriously consider expanding into it.

Some Canadian apparel manufacturers have said that the huge orders placed with them by Los Angeles or San Francisco customers tended to strain their corporate, financial and production capabilities and the resources that were quite adequate to handle the Canadian market. This is a legitimate concern. The risks of reduced cash flow and the hazards of expanding too rapidly are well known. But our westernwear market investigations indicate a way for small and medium sized Canadian garment firms to enter the U.S. market and avoid the risks; namely, by tackling the Rocky Mountain states first.

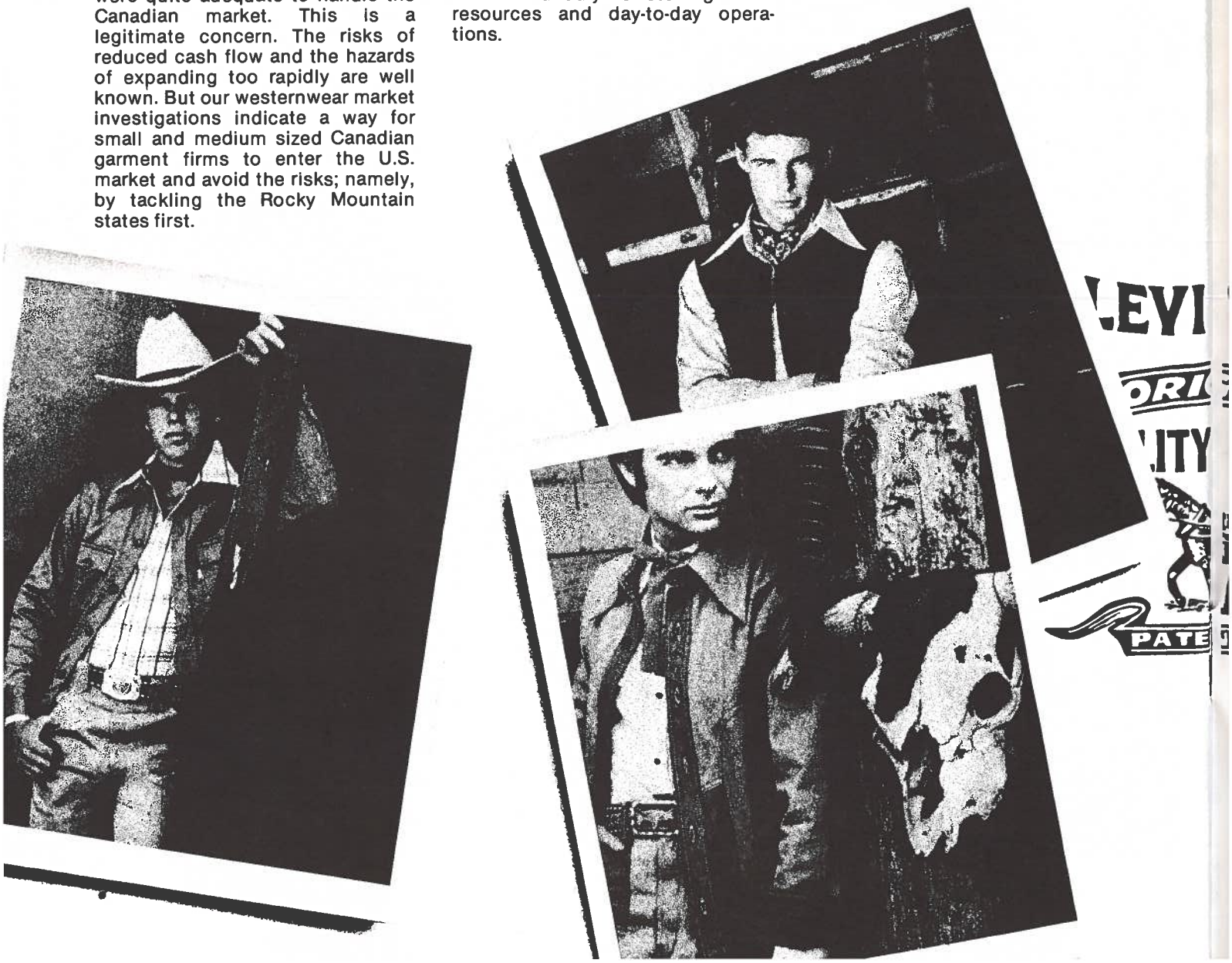
Rocky Mountain Market

The Rocky Mountain states — Montana, Idaho, Wyoming, Nevada, Utah, Colorado, Arizona and New Mexico — offer a degree of sophistication, demand and geographic diversity ideal for a step-by-step marketing approach by Canadian manufacturers. To explain: first, the mountain states area is the westernwear marketing centre for the United States. Although the region has only about 9 million people or 4% of the U.S. population, it has more than 12% of the westernwear retail outlets, so investments by Canadian companies in marketing efforts are likely to produce the highest returns in this area.

Nevertheless, compared to New York, Los Angeles, Dallas and major population areas, the mountain states' market is small, and most Canadian manufacturers should be able to supply it — or part of it — without unduly stretching their resources and day-to-day operations.

Another advantage of the mountain states, Arizona and New Mexico excepted, is a climate similar to Canada's — especially the prairie provinces' — which means that westernwear produced for the Canadian consumer can find ready acceptance in this market. No changes in garment fabrication or production schedules geared to Canadian climate and seasonal buying patterns are necessary.

Finally, the Rocky Mountain area is especially attractive for Canadian westernwear manufacturers because it has a single focal point for the trade — the Denver Western Apparel Show which takes place every January. This show, the largest of its type in the world and the first of the buying season, introduces the hottest sales items and sets the trends for the coming year.



Last January the show attracted 300 manuacturers' representatives who exhibited about 750 lines. More than 3,300 retailers attended from the U.S., Canada and Europe. By participating in the Denver Show, a manufacturer can give his line the broadest possible national and international exposure. The catch is that only manufacturers' representatives who are members of the Mountain States Men's Apparel Club can participate, but more on this later.

To sum up, the mountain states market appears to us to be the logical starting point for Canadian westernwear manufacturers who wish to develop an export market in the U.S. because a) it offers the advantages of a dynamic market, b) it could be supplied without overextending resources, c) exposure is easy to obtain and provides a base for phased expansion into bigger U.S. maket areas, starting with the highly populated west coast.

Canadians Competitive

Some Canadian firms have already been concentrating their efforts on this dynamic, trend-setting market, and in a few years have managed to develop a stable, on-going export market suited to their production, financial and marketing capabilities. These manufacturers proved to be competitive with U.S. manufacturers, partly because Canadian apparel enjoys a reputation of high quality and craftsmanship in the U.S., and partly because many U.S. manufacturers have no advantage in terms of distance and transportation. For example, Winnipeg is closer than Los Angeles to Denver, and Nashville, Tennessee, is no closer to it than Calgary.

Actually, given the improvements of recent years in air service, especially in the western part of the continent, transportation is becoming less of a barrier in trade movements between Canada and the United States. Many carriers, CP Air and Air Canada among them, ensure a reliable, efficient service between western Canada and western U.S., and eastern Canadian manufacturers have easy access to the Rocky Mountains through Chicago. Nor are customs tariffs necessarily an impediment to exporting. Tariffs can run anywhere from zero to 42.5% ad valorem, but some companies that face the highest duty manage to do very well on the market, leading us to believe that style and "something different" can neutralize the negative effects of high tariffs.

In any case, to avoid complications down the line, a manufacturer considering the U.S. market should make official enquiries concerning various governmental label requirements, obtain where possible, official rulings on the classification and rate of duty applicable, and in addition, determine the method of valuation for customs purposes used as a basis in asessing duty. The U.S. Division of IT&C's Western Hemisphere Bureau in Ottawa can assist in all aspects of access since the officers are in close communication with U.S. Customs and other government agencies.

The pricing method used by Canadian manufacturers exporting here also contributes to their successful penetration of the market. Most quote a "landed" price which includes duties, brokerage fees and freight costs, and permits a retailer or representative considering taking the line to figure out an item's exact retail price and competitiveness on the local market. A pricing practice which reduces the price insecurity usually associated with the import business, eliminates one of the major deterrents to U.S. retailer-Canadian manuacturer business relationships.

This export marketing approach has been developed over the last 10 years by the "pioneers", and their accumulated experience now is readily available to any manuacturer looking for a new market, a new challenge. We hope many of you will take advantage of it!

Local Representation

To penetrate the mountain market, it is essential to obtain local representation. In the apparel trade in general, the key figure in the distribution system is the local manufacturer's representative. We found that a typical westernwear representative in the mountain states covers four to five states, calling on

every type of retail outlet that sells westernwear, from the specialty store to department store to the traditional, independent men's and women's outlets. He usually carries two or three non-competing lines and his commission rate revolves around 7%.

Besides travelling in their territory, most representatives cover their market through permanently leased show-room facilities at local marts, and/or by exhibiting at regional westernwear shows. The latter tactic is becoming increasingly important because of the growing popularity of these shows with retailers, and because of escalating travel costs for manufacturers' representatives.

Denver is Important

As mentioned earlier, only manufacturers' representatives are entitled to lease exhibition space at a show. For the Denver Show, the waiting list for space is as long as the present list of participants, which means that if a manufacturer wants his line exhibited at the show, he has to select a representative who is assured of obtaining an exhibition booth. Two other regional shows — one in Sacramento and one in Las Vegas — take place immediately after the Denver Show.

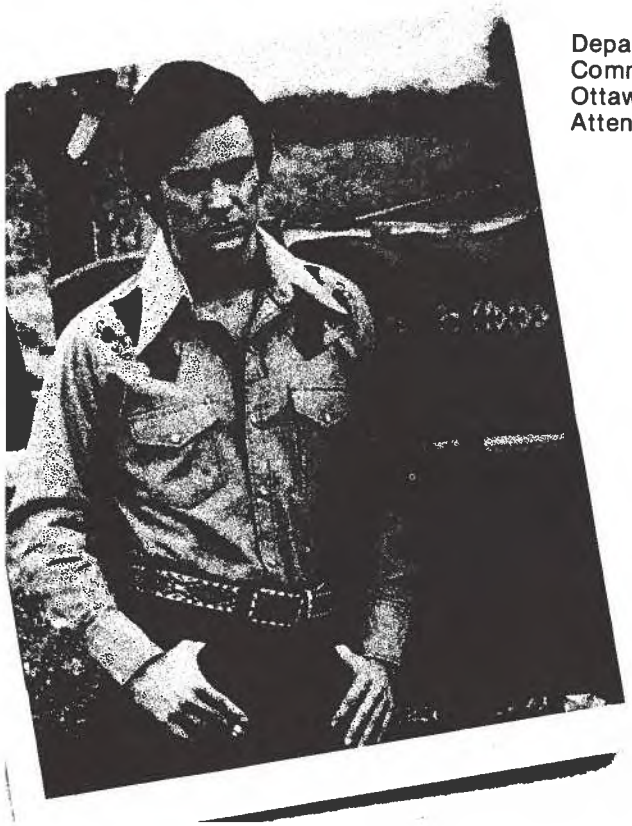
For the manufacturer already represented in this market, attending the shows presents an opportunity to support his representative's sales effort and to assess trends developing within the industry. For one who is not represented, the show presents an excellent occasion to evaluate the market potential, to meet and talk with various trade people, and eventually to make a short list of potential representatives.

To sum up, the westernwear market in the United States has experienced substantial growth and changes in recent years, much of which went unnoticed. The consumer demand for westernwear continues to accelerate as retailers become increasingly conscious of the rising preference for western apparel. Profit-minded Canadian manufacturers will realize the potential of this developing market and will be quick to seize the opportunity to grow with it.

For Denver's 1977 Western Apparel Show in January, we have already contacted representatives participating in the show on behalf of a number of Canadian manufacturers. We are also developing plans with the Clothing Division of IT&C's Textile and Consumer Products Branch in Ottawa for several of the most reliable and interested representatives to visit manufacturers in Canada. If you would like the representatives to visit you, or if you would like more information on the U.S. market, get in touch with the Clothing Division, or with the San Francisco Post. We will be delighted to hear from you.

USEFUL ADDRESSES

Department of Industry, Trade and Commerce
Ottawa, Canada K1A 0H5
Attention:
Western Hemisphere Bureau
United States Division
(advice on U.S. duties)
or
Textile & Consumer Products Branch,
Clothing Division.



Tack 'N Togs
Mr. Robert M. Clarity,
Sales Manager,
P.O. Box 67,
2501 Wayzata Boulevard,
Minneapolis, Minnesota 55440
Phone: (612) 374-5200

Mountain States Men's, Boy's & Western Apparel Club
Mr. Gene Dolly,
Executive Director,
451 E. 58th Avenue,
Merchandise Mart,
Denver, Colorado, 80216
Phone: (303) 573-7440
(the Manufacturer Representative Association responsible for the Denver Show)

West Coast Western Market (Sacramento)
Mr. Bill Buchan,
5489 D. Roundtree Drive,
Concord, Ca. 95421
Phone: (415) 687-9825

International Western Market (Las Vegas)
Ms Dorothy Wilcox,
3058, Oxford Lane,
Las Vegas, Nevada 89121
Phone: (702) 458-3621

Western Apparel and Equipment Manufacturers Association
Mr. Bill Diekroeger,
Executive Director,
Suite 3885,
Denver Merchandise Mart,
Denver, Colorado 80216
Phone: (303) 573-5240

Canadian Equestrian Equipment and Apparel Association
Mr. Dick Rovan,
4 Mascot Place,
Suite 210,
Willowdale, Ontario
Phone: (516) 636-6718

Can-Am Western Apparel Association
Mr. Bert Strandberg,
President,
210 — 8th Avenue, S.E.,
P.O. Box 156,
Calgary, Alberta
Phone: (403) 269-3293

Showcase

IT&C's Promotional Projects Program (PPP) and Program for Export Market Development (PEMD) give Canadian companies a continuing opportunity to demonstrate their products, services and expertise to world markets.

The PPP, consisting of trade fairs abroad, incoming and outgoing trade missions and incoming buyers' visits, is initiated by the Department's Office of Export Programs and Services, Industry Sector Branches, International Bureaux and Trade Commissioner Posts in consultation with industry.

The PEMD encourages companies to develop export business on their own initiative and offers them financial and organizational assistance.

Companies that wish to participate in the programs should write for information to the Office of Export Programs and Services, Department of Industry, Trade and Commerce, 112 Kent Street, Ottawa, Ontario, K1A 0H5 or telephone (613) 995-6221.

Poznan International Fair, June 6-17: Although we spell our country's name C-A-N-A-D-A, in some languages it is spelt K-A-N-A-D-A. One such language is Polish, and when in Poland, with which we have expanding trade, we follow local custom.

To create awareness of the wide range of products and capabilities available from Canada, IT&C has for the past three years organized presentations and assisted companies to exhibit at the Poznan International Fair which is held in June each year.

This year, 14 Canadian companies demonstrated their expertise in such varied areas as agricultural machinery, electronic equipment for high frequency communications, forest harvesting equipment such as loggers and skidders, computerized high voltage line fault detection systems, woodworking equipment including debarking rings and drums, industrial pumps, deep rock drills, manufacturing units for electronic devices, electric cables and devices, chains for saws and road pavers. Considerable interest in the equipment was shown not only by the many Polish visitors but also by their neighbours from Russia, the German Democratic Republic and Czechoslovakia.

With orders placed during the fair, and multimillion dollar prospects in the near future, exhibitors found participation in "Kanada's" pavilion most worthwhile.

National Fancy Food & Confection Show, June 27-30: Ten Canadian companies reported immediate sales of $28,375 and estimated sales for the next 12 months at $5 million. They received, in addition, 280 enquiries and are negotiating with 21 representatives. Manufacturers from 10 countries participated in the show, held at New York City's Coliseum.

An impromptu seminar was arranged by the Post when Saul Tarter, publisher and editor of "Specialty Food Merchandising" magazine and a leading marketing expert, offered to advise Canada's exhibitors how to tailor their marketing techniques for the U.S. market and how to evaluate the efforts of their U.S. representatives. Despite the early hour of the seminar, squeezed in between 8.00 a.m. and 9.30 a.m., response was enthusiastic: exhibitors turned out in full force.

American Library Association (ALA) Conference, July 18-21: In their fourth appearance at this show, the ALA's 95th annual conference, Canadian exhibitors displayed 350 books, 225 in English and 125 in French. On-site sales reached $1,000 and 12-month projections are $229,000. More than 3,000 exhibitors from 12 countries participated in the Chicago show which attracted 9,065 visitors, mostly librarians.

Missions

Three ministerial missions, one as a result of Prime Minister Pierre Elliott Trudeau's visit to Venezuela last January, and two at the invitation of Industry, Trade and Commerce Minister Don Jamieson, visited Canada recently.

Led by Venezuela's Minister of Economic Development, Dr. José Ignacio Casal, a 20-member delegation of government and private enterprise representatives visited Ottawa, Montreal and Winnipeg June 9 to 13. As well as meeting with Mr. Trudeau and Mr. Jamieson, the delegation held discussions with the president of the Export Development Corporation, the commissioner of the Canadian Wheat Board and the chairman of the Canadian Dairy Commission and met with executives of the dairy processing, paper production, reforestation, fisheries, insurance, banking, flour milling, transport and communications industries.

Nigeria's Commissioner of Agriculture and General Mechanization, B.O.W. Mafeni, accompanied by six government officials, visited Halifax, Montreal, Toronto, Winnipeg and Calgary May 31 to June 8 to examine fishing terminals, grain production and storage, livestock, and farm development. In Ottawa, the Nigerian Commissioner paid courtesy calls on Mr. Jamieson and Minister of Agriculture, Eugene Whelan.

Indonesia's Minister of Industry, Andi M. Jusuf, and eight officials visited Canada June 27 to July 1. In Quebec, the ministerial party visited Consolidated Bathurst Ltd. at Trois-Rivières, Marine Industries at Sorel and Canada Cement Lafarge at St. Constant. In Ontario they visited DeHavilland Aircraft Industries, Toronto, and Petrosar Development, Sarnia. Mr. Jamieson, who led a senior businessmen's mission to

Southeast Asia last March, was host at a dinner in honour of the Indonesian visitors in Ottawa.

June 18 to 25, Arnold Veart, Director and General Manager of Auckland Gas Co., visited Toronto and Moncton as a guest of IT&C to discuss New Zealand's requirements for gas stoves, steel pipes and LPG cylinders.

Eleven British and nine Japanese buyers attended the Toronto Jewellery Show, June 27 & 28, and visited several jewellery manufacturers. The British buyers placed orders valued at $100,000.

Foreign Tariffs and Trade Regulations

Australia

The Brussels Definition of Value on an f.o.b. basis for Customs purposes was adopted by Australia on July 1, 1976. The essential feature of the Definition, contained in Article I (1), reads:

> "For the purposes of levying ad valorem duties of customs, the value of any goods imported for home use shall be taken to be the normal price, that is to say, the price which they would fetch at the time when the duty becomes payable on a sale in the open market between a buyer and a seller independent of each other."

Brazil

The Customs Policy Council recnetly announced the following tariff changes:

Resolution 2758 of May 3, 1976 exempts from duty for one year unprocessed coal, unprocessed anthracite, coal agglomerates, anthracite agglomerates, lignite, peat, coke and semi-coke, and retort carbon (tariff headings 27.01.00.00, 27.02.00.00, 27.03.00.00, 27.04.00.00, 27.05.02.00). Prior authorization is required from the National Council of Petroleum.

Resolution 2760 of May 3, 1976 extends for six months the exemption from duty on sulphur in bulk (tariff heading 25.03.01.00); unground natural calcium phosphates; natural aluminum calcium phosphates, apatite (tariff heading 25.10.01.00); sulphuric acid, oleum (tariff heading 28.08.00.00); orthophospheric acid (tariff heading 28.10.02.03); ammonia liquified under pressure (tariff heading 28.16.01.00); potassium nitrate containing 98% or less of KNO3 (tariff heading 28.39.19.01); natural and several mineral or chemical fertilizers (tariff headings 31.01.00.00, 31.02.00.00, 31.03.00.00, 31.04.00.00 and 31.05.00.00).

Resolution 2755 increases the duty from 30% to 60% on acrylic and methacrylic resins for injection or extrusion (tariff heading 39.02.02.09. Resolution 2756 establishes a reference price of U.S. $2.14 per kilogram c.i.f.

Resolution 2757 increases the duty from 30% to 60% on decyl alcohol, nonyl alcohol, octyl alcohol (1-octanol, and isoctyl alcohol (tariff headings 29.04.06.00. 29.04.15.00, 29.04.16.00 and 29.04.25.00).

Resolution 2761 of May 11, 1976 reduces the duty from 45% to 25% for six months on low density polyethylene (tariff heading 39.02.02.02).

Resolution 2762 of May 17, 1976 increases the duty from 30% to 60% on acetone (propanone). Resolution 2763 establishes a reference price of U.S. $312.00 per ton c.i.f. (tariff heading 29.23.00.00).

Resolution 2765 of May 17, 1976 increases the duty from 9% to 35% for one year on retractors, abdominal, vaginal and the like (tariff heading 90.17.02.00); retractors for thoracic surgery (tariff heading 90.17.03.00); Esmarch compression appliances (tariff heading 90.17.08.00); electric bistouris, electric bistouris, electroshock, ionisator, multi-term, thermo cauteriser (tariff heading 90.17.13.00), chisels, gouges (tariff heading 90.17.41.00); intra-uterine, rectal, vaginal and similar specula (tariff heading 90.17.43.02) stylets and drill holders (tariff heding 90.17.48.00); amputation resection and similar knives (tariff heading 90.17.49.00); autopsy, surgery or percussion hammers (tariff heading 90.17.54.000); manual saws and trepans (tariff heading 90.17.65.00); incubators (tariff heading 90.18.01.00); plates and screws for use in bone synthesis (tariff heading 90.19.03.00).

Resolution 2774 of May 20, 1976 reduces the duty from 30% to 7% for one year on unwrought lead, refined and unrefined (tariff heading 79.01.01.00 and 79.01.02.00). Importers of lead must prove to CACEX that for every ton imported they have bought four tons locally.

Resolution 2771 of May 24, 1976 reduces the duty from 55% to 37% until December 31, 1976 on fatty alcohols (tariff heading 15.10.03.01).

Resolution 555 of June 15, 1976 extends until December 31, 1976 the ban on imports of superfluous goods introduced by Resolution 543 of February 6, 1976. The following products have been added to the list: natural and cultured pearls; precious and semi-precious stones; synthetic or reconstructed precious or semi-precious stones, shot and angular grit or iron or steel, wire pellets of iron or steel; needles for hand sewing, hand knitting needles, other hand tools; magneto lamps; walkie-talkie, handie-talkie and the like; other photographic cameras; scales of other materials (calculating instruments); tape measures; thermometers; barometers, hygrometers and psychrometers combined; most watch movements, watch cases and parts.

Colombia

Colombia recently reduced varying rates of duty on 105 types of machinery to a standard 5 percent. The tariff reductions, in effect until December 31, 1976, apply to steam and gas turbines, other heat engines, compressed-air or compressed-gas engines, mechanically propelled road rollers, single stage centrifugal pumps of an outlet diameter not exceeding 100 mm., industrial furnaces and ovens (non-electric), calendering and similar rolling machines (other than metal working and metal rolling and glass working machines), cream separators, centrifuges for the paper-making industry, cigarette packing machinery, motor driven sprayers whether or not self-propelled, sand or steam blasting machines, pulley tackle and hoists, winches, grain threshers, coffee and potato graders, incubators, beekeeping and paper-making machinery, certain machinery used

in the food industry, printing presses, machinery for type-founding, type-setting and for uses ancillary to printing, foundry machinery, pneumatic hand tools, welding and cutting appliances, concrete mixers, machinery for the textile, leather-finishing and shoemaking industries, certain metal working, wood working and glass working machinery and other machines for specified industries.

Colombia has also removed the need for import licences for peas, chickpeas, fresh and dried apples, meat extracts and meat juices, fish extracts, prepared or preserved fish, prepared and preserved crustanceans and molluscs, wine of fresh grapes, vermouths and other fermented beverages (cider perry and meat).

Ecuador

Consular invoices and legalization of documents no longer will be required for shipments to Ecuador. Consular fees will be paid at port of entry. Shippers should contact Ecuadorian Consulates for date that changes in shipping regulations take effect and for details of documentation now required.

Pakistan

Pakistan's import policy for the 1976/77 fiscal year, which began July 1, retains a free list and a tied list. The free list, which incorporates items for importation from world sources against Pakistan's own foreign exchange resources, has increased to 407 items from last year's 389 items. It includes 11 items transferred from last year's tied list and seven new items.

Transferred items: tallow, sanitary ware, enamelled bathtubs, razor blades, electric light bulbs, earthen china and procelain tableware, dry cell batteries, all roller and taper bearings, capital machinery and parts and accessories, tires and tubes, and some workshop tools.

New items: diagnostic substances and culture media for laboratory tests, polmyra fibre for manufacturing brushes, tamarind, air conditioners, refrigerators and freezers, tape recorders and cassette players, and electric fluorescent light tubes.

Items of major interest to Canada on the tied list, reduced to 18 from 29 items, include copper ingots and rods, aluminum ingots, billets and rods, lead and zinc ingots, newsprint, synthetic rubber, asbestos fibre and phosphatic fertilizers. A $20 million CIDA commodity loan is available for these items for 1976/77.

A surcharge of 10% ad valorem will be levied on all imports except machinery, petroleum products, tea and products which are currently free of duty. As a result, almost all items of industrial raw materials will be affected including imports of Canadian aluminum, copper, zinc, lead, asbestos fibre, synthetic rubber and newsprint.

U.S. shopwindow for vocational equipment

Up-to-the-minute educational products and systems from Canada will be on display at the American Vocational Association Show in Houston, Texas, December 4-7, 1976.

Canadian educational equipment has gained rapid stature in world markets following Canada's educational reform of the early sixties. At that time, education specialists were brought in to assess the eductional system. It became evident that Canadians needed to focus their attention on updating science, vocational-industrial and advanced engineering technology training programs.

Before long, new vocational schools and colleges sprang up across the country, offering a wide variety of courses to make higher education easier. Along with the change in curriculum, the programs triggered new developments in school design, computer-oriented administration programs and research in education.

To keep pace, industry quickly acquired a solid background in the teaching materials field and the vast building program that resulted had a strong impact on the business world. Outstanding new training equipment was produced such as electrical and electronic teaching systems; physics, automotive and hydraulic training aids; language laboratories; and wood and metal-working equipment.

In addition, special furniture and fixtures for all levels of schools were designed, including auditorium seating and gymnasium equipment as well as prefabricated schools and portable classrooms.

In 1968, these new Canadian teaching products found their way to international markets through participation in U.S. trade fairs. Since that time, Canadian educational products have been exported to countries throughout the world.

At this year's American Vocational Association Show, eight leading Canadian manufacturers will be showing: electricity and electronics learning systems; instructor-designed training equipment; hydraulic ironworkers; woodworking machinery; autobody and frame repair equipment; electrotechnical products for teaching electric power technology; and machine tools including engine lathes, metal-cutting and special purpose machinery.

The following companies are participating in the exhibit, sponsored by the Department of Industry, Trade and Commerce:

CETA LIMITED, Fort Erie, Ontario
EQUITECH TRAINING SYSTEMS LTD., Boucherville, Quebec
EXCEL MANUFACTURING LTD., Winnipeg, Manitoba
GENERAL MANUFACTURING CO. LTD., Drummondville, Quebec
GUY-CHART TOOLS LTD., Pickering, Ontario
H.O.P. CONSULAB INC., Quebec, Quebec
QUINTE TECHNICAL PRODUCTS LTD., Belleville, Ontario
STANDARD-MODERN TOOL COMPANY LIMITED, Toronto, Ontario

Manufacturers return to Iran

Following a highly successful participation in the 1975 Tehran International Trade Fair, Canada returned to the fair (October 19 — November 1), with a display of products and services from 21 Canadian manufacturers.

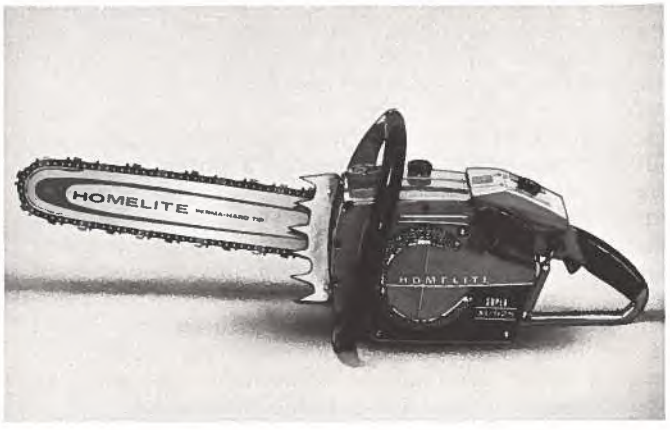
Trade between Canada and Iran climbed to record levels in 1975. Exports to Iran jumped by 143% while imports from Iran rose 23%. The increase was partly due to Canadian exposure at the Tehran fair, coupled with the first meeting of the Canada-Iran Joint Economic Committee.

On view at this year's fair is a selection of industrial and consumer products ranging from completely equipped, specially constructed fire-fighting and rescue trucks to tiny, new-concept electronic hearing aids — all incorporating the latest technological developments and design improvements.

Sponsored by the Department of Industry, Trade and Commerce, the exhibit includes outstanding examples of Canadian inventiveness and innovation, such as an airport runway surface condition electronic analyzer; unique, nose-mounted helicopter radio antennas; electronically-controlled automotive aftermarket devices; large frame movie film projection systems with multi-channel sound and huge curved screens.

HAY MAKER IN IRAQ. With $100 million the 1976 target for sales to Iraq, Canadian manufacturers and engineering companies were strongly represented at the Baghdad International Trade Fair, October 1-21. On show was the "Stack 'n' Mover" by McKee Bros. Ltd., Elmira, Ontario. Virtually a one-man operation, it automatically cleans, stacks and retrieves 100 tons of hay per day.

TURKEY SEES SAWS. Exhibitors from more than 30 countries participated in the Izmir Fair, Turkey. Attendance exceeded 3,000,000. The Canadian pavilion housed 19 companies, among them Terry Industries, a division of Textron Canada Ltd., Pointe Claire, Quebec. Two Terry saws attracted great interest. The Homelite XL-925 has a 2-cycle, single cylinder, air-cooled and loop scavenged engine. The Homelite XL-2 model features a unique twin-trigger TM dual control system. The front trigger starts the saw, while the rear trigger gives greater cutting leverage.



Corrections and Additions to our August list of Trade Commissioners and Commercial Officers

BELGIUM — The telephone number of the Canadian Embassy in Brussels, Belgium is 513.79.40.

IRELAND — The address of the Canadian Embassy in Dublin should read: Commercial Division, Canadian Embassy, 65/68 St. Stephen's Green, Dublin 2, Ireland.

PUERTO RICO — The new telex numbers for San Juan, Puerto Rico are 365369 CANADA and 365351 CANADA (cable and wireless/WUI).

U.S.A. — The telephone number of the Canadian Consulate in Boston is 262-3760.

U.S.A. — T.L. Marshall is the Vice Consul and Assistant Trade Commissioner at our Canadian Consulate in Chicago. Mrs. S. Bohn is a Commercial Officer in the same office.

U.S.S.R. — The telephone number of the Canadian Embassy in Moscow is 241-90-34.

MOSLEM WORK WEEK — Canadian businessmen planning to visit Algeria should be aware that Algeria is now on Moslem Week, which means that all government offices close Thursday afternoon and Friday instead of Saturday and Sunday. The Canadian Embassy in Algiers will be closed Thursday afternoon and on Friday and Saturday.

BRAZIL EMBASSY ADDRESS — The Canadian Embassy in Brasilia is now located at: Avenida das Nacoes, Number 16, Setor das Embaixadas Sul, Brasilia. P.O. Box mailing address, C P 07-0961, 70.000 Brasilia, D.F. Brazil. The telephone and telex numbers remain unchanged.

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