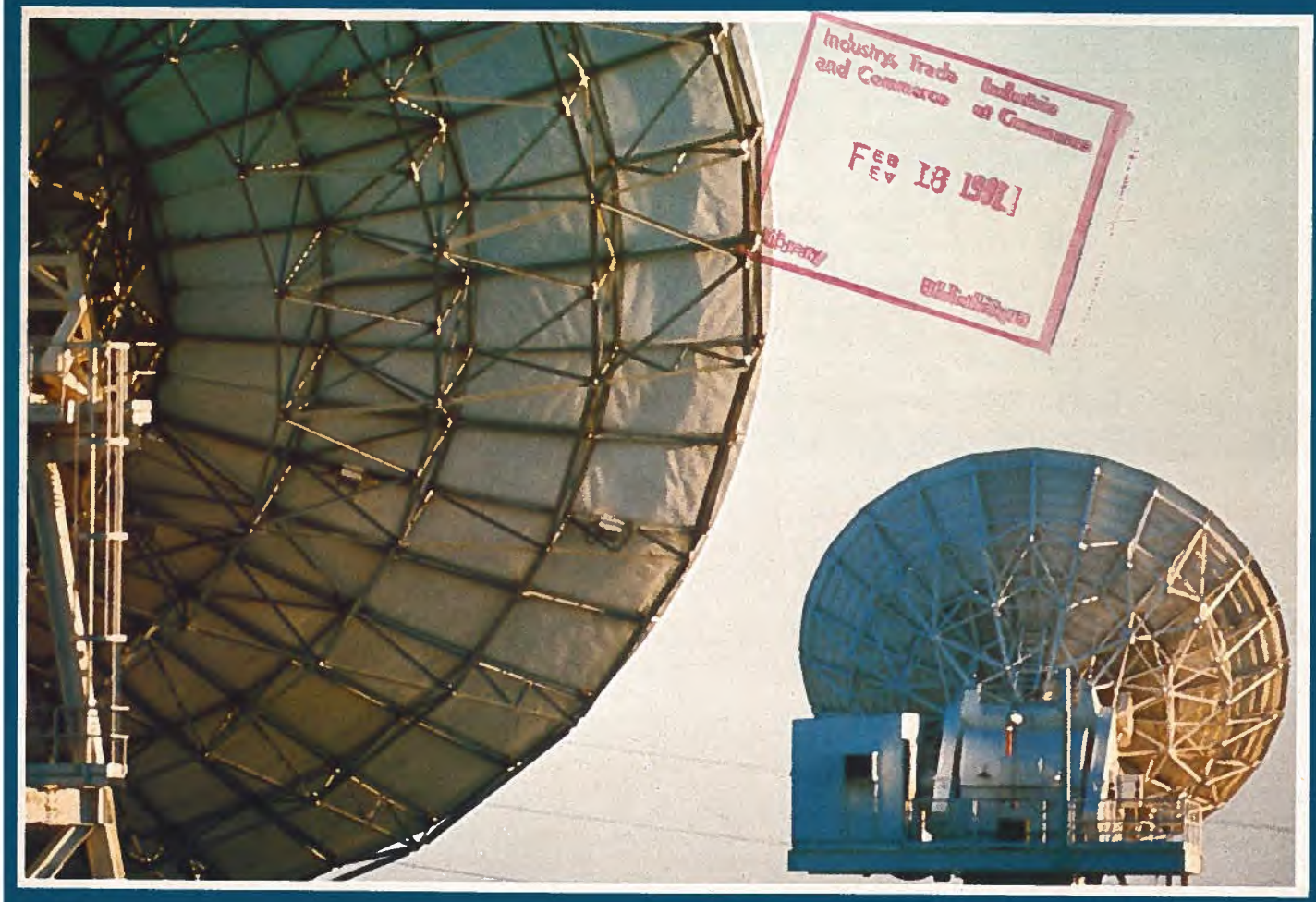
canada 1980 commerce

November



Telecommunications + Data Processing = Télématique

See Report from Paris, Page 4

Canada Commerce
November, 1980

Published by the Department of Industry, Trade and Commerce
Established 1904

Editor:
Anna Hibberd

Contributing editors:
Don Wight
Bob McDonell
Shirley Plowman
Lillian Jones

Designer:
Stephen Shewchuk

Correspondence to:
Canada Commerce (98)
Department of Industry, Trade and Commerce
Ottawa, Ontario, K1A 0H5

Telephone:
(613) 995-7489

Content **Page**

Editorially speaking...

What's this we hear? Your company is doing quite nicely for the moment, thank you, in the domestic market. Sure, you'd like to expand — maybe take the plunge into the unknown waters of international trade — but you have developed, to put it bluntly, cold feet? Well, *taking the plunge* may not be the right thing to do anyway. Those waters may be too deep or too swift! Try some toe-testing first — toe-testing in the form of market research and much planning.

But don't take our word for all this: read Ted Littler's article which begins on page 20. Mr. Littler is Vice President, Sales, of Kleen-Flo Tumbler Industries Limited and he offers practical, detailed advice based on his own company's experience.

Appropriately enough, since this issue contains a listing of Multilateral Project Opportunities, we have a feature written by Bob McDonell on one of the international organizations involved — the Asian Development Bank. ADB was the subject of a recent series of seminars sponsored by this department; for those members of the business community who were not able to attend, we are pleased to present this overview of ADB's activities.

Although most of us are now involved in a countdown of shopping days 'til Christmas, we hope you will take time out to examine these and all the other good things that make up this issue!

A.H.

Photo credit:
Image Bank of Canada

Image Bank page 13
Bill Apton page 14
John de Visser page 15

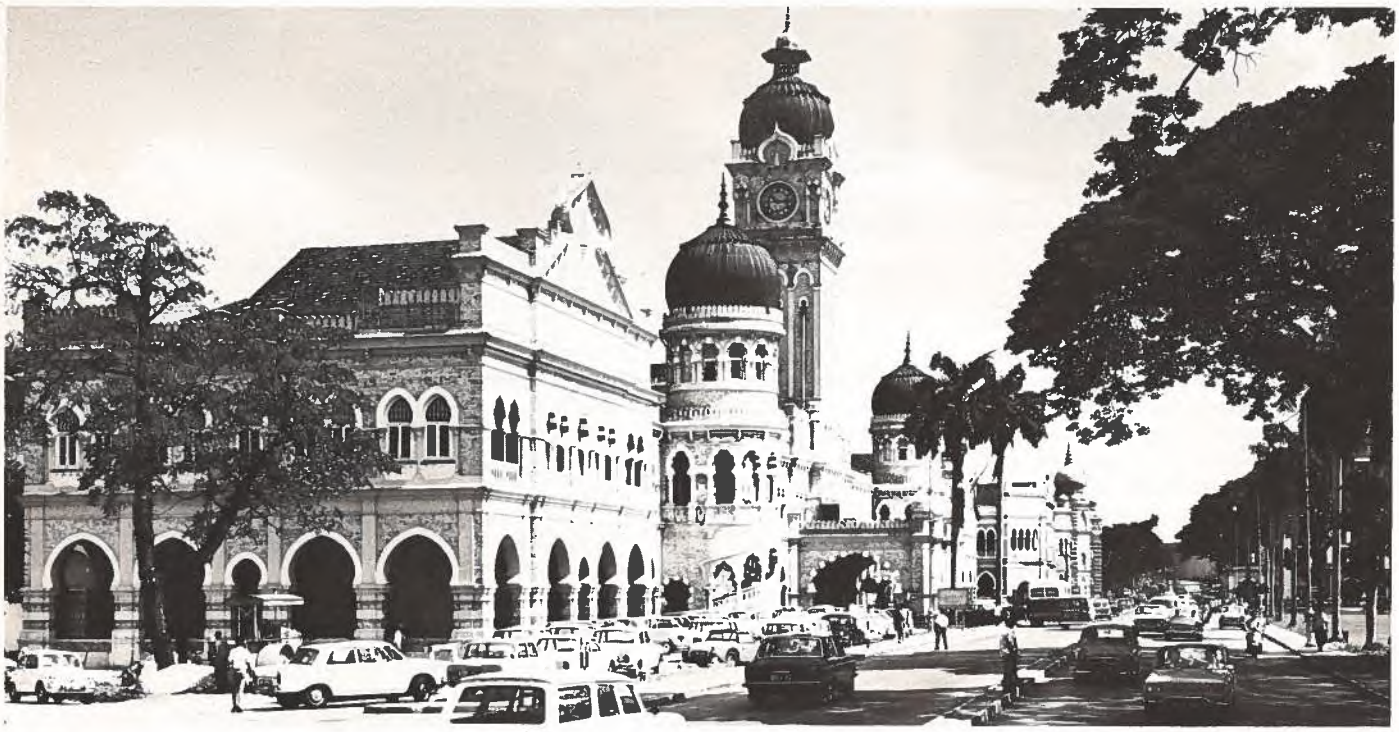
Please note that Canada Commerce is available free of charge in Canada only to interested Canadian manufacturers and business persons.

Publié aussi en français

Like many businessmen you may have been taking a look recently at the "New Malaysia." If so, you probably already agree with The Economist *(December 22, 1979) that "the small but strategic nation of Malaysia is quietly getting rich." Prospects for Canadian expertise and equipment present an encouraging picture according to IT&C's man-on-the-spot, and an active marketing program should bring substantial results. . . .*

Malaysia — An Impressive Economic Growth

by R. Frenette
Commercial Counsellor, Kuala Lumpur



Somewhat resembling a scene from Arabian Nights, Malaysia's picturesque government buildings look out on a busy tree lined street.

R. Frenette

Much has been said about the economic miracles of Germany and Japan, the economic power of the Common Market or the growth of a number of Middle East nations. However economists agree that, as a group, the five countries of the Association of South East Asian Nations (ASEAN) are now experiencing the fastest and steadiest economic growth for any region of the world — and in that regional association Malaysia has certainly played its full economic role.

Malaysia has been able to sustain an economic growth rate of more than 7 per cent during the past four years; in 1979 it was 8.5 per cent and about 8 per cent is forecast again for 1980. Even though the inflation rate is expected to jump by two points or more this year, the official rate for 1979 was 4 per cent. There is an abundant and rather well trained labour force costing substantially less than in Canada. The country is industrializing, the standard of living is rising steadily and a large number of development projects are either on their way or planned for the near future.

The country is currently riding the crest of an unprecedented trade boom brought about by an increase in the volume of export of most of her major commodities such as natural rubber, palm oil products, tin, petroleum and sawn timber. The increased world prices for those commodities have provided the country with substantial revenues and permitted the implementation of many new large projects.

Energy Situation

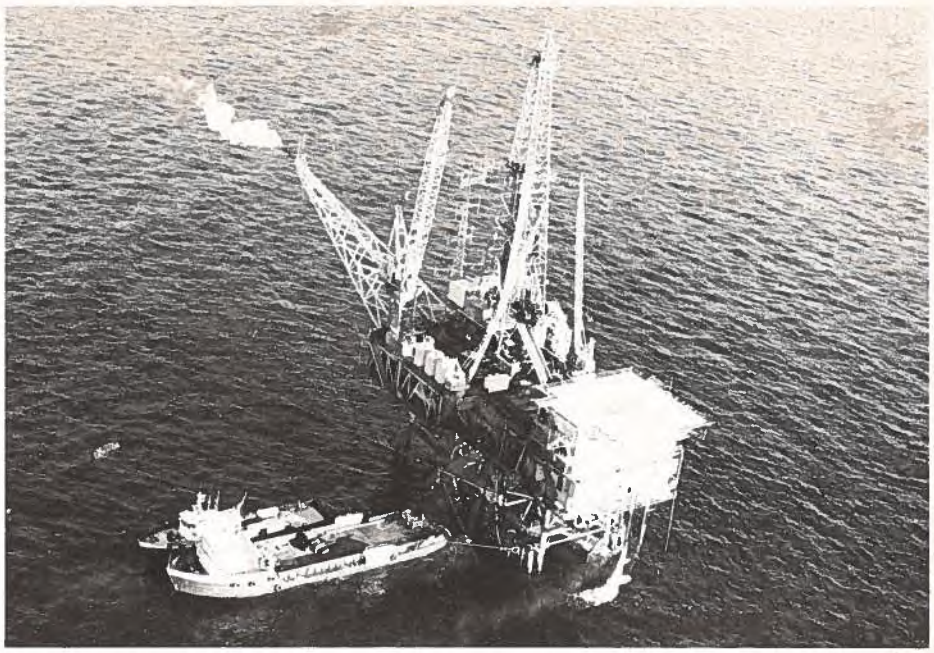
One of the reasons why most economists have long-term confidence in the Malaysian economy is the overall energy situation. Not only will the country be able to avoid expensive purchases of petroleum products on world markets but it will have large quantities available for export.

Even though the country possesses a very small proportion of the world's proven oil reserves, the present oil production meets double the domestic requirement with daily production of about 300,000 barrels. Conservative estimates put the reserves at around three billion barrels, thereby extending Malaysia's oil life at the present depletion rate to about three decades.

The natural gas situation is even more promising and when the liquified natural gas plant in Bintulu comes on stream in 1983, it will make Malaysia one of the world's largest LNG producers.

The hydro potential is also enormous and in the state of Sarawak alone, a massive 5,000 megawatts waits to be harnessed from a tropical rain-fed river at Pelagus. That state also has large quantities of coal; even though it is of low quality it could easily be

On board an oil rig at Kudat, part of Sabah State, East Malaysia, operated by Esso Production Malaysia Inc.



This oil rig at Kudat, in the State of Sabah, East Malaysia, is operated by Esso Production Malaysia Inc.

used to supply the thermal power stations. With such an abundance of traditional sources of energy, Malaysia has been able to postpone a decision on nuclear energy at least until the turn of the century.

Development requirements are substantial in virtually all sectors but progress is being recorded across a broad front. Among the areas of concentration, it is worthwhile mentioning a number where Canadian firms could play an interesting role:

Agriculture

During the Fourth Malaysia Plan, the government intends to spend more than C$2 billion on the agricultural and rural sectors.

The plans for the modernization of agriculture will be directed towards new opportunities in the development of agro-based industries. The government will not rely on the private sector alone but will be taking an active part itself in the establishment of such enterprises. In particular the beef and dairy industries will be developed and the Ministry intends to introduce the use of combine harvesters in all the integrated rice areas of the country to alleviate the shortage of manpower and to minimize post-harvest losses.

Food exporters should note that with the increased standard of living, the local population is not only consuming more and better food but is increasingly demanding imported items. Countries such as Australia, New Zealand and members of the European Common Market have seen their exports of specialized food items grow substantially in past years.

Defence

At an official meeting on July 5 of this year the Malaysian Prime Minister said "We will acquire more up-to-date weapons, build more training centres, increase the numbers of officers and personnel and upgrade our skills and capabilities in conventional and non-conventional warfare." He was announcing, in effect, an across-the-board expansion program for the armed forces which will include creating several new infantry battalions and an armoured regiment for the army, purchases of modern fighter aircraft, the construction of two new bases for the air force and a naval base on the Malacca Straits, as well as several other smaller ones for the navy.

In answer to the military developments in the region, Malaysia will replace its aging Canadair CL-41 fleet with 88 Skyhawk fighter jets. The navy is expected to double its manpower to 15,000, buy four large mine-sweepers and corvettes and one support ship, as well as build new bases. The army will increase its manpower substantially and buy several hundred armoured personnel carriers as well as other transport vehicles, a tank battalion and significant quantities of sophisticated weapons and electronics.

Industrial Co-Operation

The country continues to attract a large number of foreign investors. In 1979 for example, 484 projects were approved by the Malaysian Industrial Development Authority, an increase of 13 per cent over the previous year. These projects involve a total capital investment of C$2.5 billion compared with C$600 million in 1978. When fully

A spectacular view of Malaysia's Parliament Buildings.

operational, a total of 53,474 new job opportunities, 45 per cent more than the previous year's figure, will have been created. The main areas of industry affected are electrical and electronics products, food manufacturing, textiles products, fabricated metal products, wood and wood products and non-metallic products, as well as rubber products.

A number of Canadian firms have been looking closely at the possibility of establishing operations in Malaysia, either alone or in a joint venture situation and some investment decisions should be announced shortly.

Fourth Malaysia Plan

In the context of overall development planning it should be noted that in March of 1981 the government will announce its development plan for the next five years.

Constructed in the State of Selangor in the vicinity of Genting Sempiah, the 85 km Kuala Lumpur-Karak Highway leads through a 914 metre single-bore tunnel.

Much has already been learned about the new plan. We know, for example, that substantially increased budgets will be devoted to education, housing, agricultural development, infrastructure and defence. Individual ministries are now finishing their own development programs to be included in the National Plan with larger budget requests for studies to be conducted and equipment to be purchased. Some of these goods and services will come from local sources but the industrialization of Malaysia is not yet sufficiently advanced to meet this new demand. The size of projected requirements dictates that foreign participation will be unavoidable.

Some of the projects already announced include water supply and water treatment plants for many cities and localities, a second container port to be built in Port Klang, a deep-water port at Bintulu, the expansion of the Ports of Penang and of Tawau in Sabah. With regard to roads, the second and third phases of the East-West highway in Peninsular Malaysia will be undertaken, as will the upgrading of street networks in many cities and the construction of roads all over Sabah and Sarawak where almost everything needs to be done at the present time. Many new communities are planned with housing and commercial developments to be undertaken; with regard to airports, not only the Military but also the Department of Aviation will undertake upgrading of a number of airports including the Kuala Lumpur International Airport.

Projects on the energy side will include an LNG plant at Bintulu, an oil refinery on the Straits of Malacca, a large oil supply centre on the East Coast, further oil and gas exploration and exploitation, the setting up of 102 mini-hydro centres. Construction of a large 1400 mw dam in Sarawak may also be included.

All these projects will need foreign expertise at the planning and design stage as well as the importation of a large amount of equipment of all kinds. In addition most ministries are looking at computerization, the Weather Service is planning to buy storm-warning radars and the Geological Survey Department will be using remote sensing. There is already a large corps of well-trained Malaysians to manage those programs and several thousands more enter the labour force each year.

The Situation for Canadian Firms

Malaysia, a sister nation in the Commonwealth, has had good relations with Canada for a long time. In the 50s, Canada established its first diplomatic mission in Kuala Lumpur and the number and level of exchanges of all kinds have grown ever since. From a relatively quiet level a few years ago, two-way trade has now reached $200 million; in 1979, Canada's exports underwent a 40 per cent increase over the previous year and the estimates for the present year also look good. The mix is excellent with a larger number of finished products, mainly in the high technology sector.

Malaysia's Minister of Primary Industries, Dato Paul Leong, greets Canada's Minister of State, Ed Lumley.

Canadians can function easily in Malaysia: they are well accepted; English is the language of business; the capital is well served by major airlines and communications by phone and telex are excellent. The climate is always fine and a visit here is a comfortable and productive experience — as more and more Canadian businessmen are finding.

In a special issue on Malaysia last December, *The Economist* said, "Why not imagine yourself in a 'not-quite Utopia?' In your country, it is always warm, and the seasonal rain swells the trees and crops with all the goodness of the tropics. The hills are rich with minerals; the valleys, with skill and diligence, could produce five crops of rice every two years; the seas and rivers are crammed with fish. Naturally, you have just become a substantial oil producer. Your fellow countrymen, half-way through a decade that will see their standard of living double, live mainly in small communities. No fewer than nine monarchs reign within your State, granting honours and conferring titles upon politicians and postmen in their due degrees. You are well-fed, well-amused, well-defended. You are a Malaysian."

There is surely a place in that pleasant picture for energetic Canadian companies with goods and services to sell.

The Canadian High Commission in Kuala Lumpur remains at your disposal to help you plan a successful visit.

Commercial Division
Canadian High Commission
P.O. Box 990
A.I.A. Building, Ampang Road
Kuala Lumpur, Malaysia
Telex: (Destination Code 84)
30269 (DOMCAN MA 30269)

Although France is determined to develop its own electronics and data processing industry, Canadian suppliers will find many opportunities to sell products and services there and to work towards mutually beneficial forms of industrial co-operation. Readers should not rush to dictionaries to look up "télématique," incidentally — you probably will not find it. Instead, read on. . . .

Report from Paris

by Claude N. Fontaine
First Secretary, Commercial Affairs

The French electronics industry is the fourth largest producer and fifth greatest exporter of electronic equipment in the world. Its business turnover is surpassed only by that of the United States, Japan and West Germany, and represents approximately 20 per cent of the entire Common Market electronics industry. In international marketing, France lies in fourth place, behind the United States, West Germany and Japan. The French electronics and data processing industries employ about 350,000 persons and in 1978 conducted business worth 60 billion francs ($17.15 billion). Over the past 10 years, the industry's annual growth rate has been 8 per cent, at least twice as great as those of all its competitors except Japan.

In part, France owes this success to a number of innovative efforts and to an exceptional research program. Of France's current investment in research and development, 25 per cent is devoted to electronics (20 per cent) and data processing (5 per cent). This represents approximately 5 billion francs ($1.43 billion). Sixty per cent of this total is financed by the industrial sector itself. Government continues to play a role of prime importance in developing the electronics sector. The Government's role is that of catalyst; the French Government sets trends which are then followed by the industrial sector.

An example of this may be found in the telecommunications sector where the State, being the sole owner, has made very large investments over the past five or six years. Since 1974, the number of telephone subscribers has more than doubled, reaching 13 million in 1979 (approximately 25 lines per 100 inhabitants).

The Government's objective is 18 million lines by 1982. Capital expenditures will amount to 23 million francs in 1980, which represents a small decline from those of previous years. Over the past six years, the French telecommunications industry has developed to the point where it now exercises considerable international influence. Since domestic orders have reached their limit, French industrialists have turned to international markets where, in 1978, they conducted 18 per cent of their business, worth 2.5 billion francs ($750 million).

Although it is lagging behind certain countries such as Canada and the United States and major projects are still being planned for the next decade, France considers that its telecommunications industry is nevertheless in a good position. Consequently, long-term government efforts are now being directed towards another sector, closely related to telecommunications, called "Télématique" (teleprocessing).

Switch of the Transpac data transmission network which uses the package communication technique.

As its name suggests, Télématique is a combination of telecommunications and data processing (l'informatique). In a sense, Télématique has existed for some time, for example as a means of communication between computers. However, Télématique can do far more than just that, and the French Government was quick to realize the importance it would have in everyday life in the future. In a liberal country with a planned economy, it can be expected that the Government will take steps to stimulate industrial sectors which use this technique. However, the developments described below stem from a much broader set of circumstances and way of thinking, the overall objective of which is to secure for France a leading role in the technical, industrial and human aspects of the computer revolution.

First, France values its intellectual independence. Without a strengthened electronics and data processing industry, it feels it could no longer control the flow of information within the country and thereby manage its own knowledge stored in scientific, technical and social data banks. Second, it is striving for scientific independence, something which can only be achieved through access to the most recent scientific information and advanced technology.

As a result, France also values its industrial independence. For this reason, it has established an Integrated Circuits Plan, because this sector is the most advanced of all electronics and data processing industries. According to this plan, the State will invest 600 million francs between 1978 and 1983 in developing integrated circuits. This will mean the creation of three major development and production centres: SESCOSEM (a Thompson subsidiary) for linear bipolar ICs; RTC (the French subsidiary of Philips) for bipolar high-speed logic ICs; and EFCIS (50 per cent Thompson, 50 per cent Commissariat à l'Énergie Atomique (CDA)) for the M.O.S. In order to secure the most

advanced technology, two other M.O.S. companies have been formed; MHS (Matra/Harris Semiconductors) for the C-MOS, and Eurotechnique (Saint Gobain Pont à Mousson/National Semiconductors) for the N-MOS. With these industrial structures in place, a longer term research effort will be undertaken by Thomas-CFS, the C.E.A. and the Centre National d'Études des Télécommunications (CNET) and will be particularly involved in developing V.L.S.I. technology.

On the basis of this developing technical independence, the Government has prepared a plan for computerizing French society. The effects of this plan will be felt at several levels. The Government has adopted programs which will encourage computer-assisted development and production, a method which currently has few applications outside the automobile industry. Attempts are also being made to encourage the automation of French industry in order to improve productivity and competitiveness. The Government has also been trying to interest user industries in office processing equipment; e.g., word processors, screens, automatic feeders, printers, photocopiers, etc. French industry is not very advanced in these three areas and, at least for the moment, must import equipment to meet its needs.

With the support of the Bank of France, the Department of Economy and the Post Office Department, two pilot projects are under way to encourage the automation of financial transactions. This would reduce the management costs of traditional procedures, improve the services of financial agencies, and encourage the decentralization of the banking establishment. French data production represents 10 per cent of the world total (second only to the USA). The Department of Industry is attempting to develop international co-operation in this area in order to create and market data banks containing commercial information on industrial products, press banks and banks containing legal, social, scientific and technical information. Many opportunities for co-operation are open to Canadian firms in these areas.

By 1981, the Post Office Department will introduce the push-button telephone which, for technical purposes, will permit a broader variety of applications than the dial model. A practical experiment with the French "Vidéotex" will be conducted in the Paris suburbs in 1981. Three thousand subscribers will take part in this preliminary operation. To this end, the Department has created a video display terminal (300-400 francs), with which they will establish an electronic telephone directory to replace the paper one, which has become too expensive. The first phase of this operation is planned for 1981 for a region containing 250,000 subscribers. It is also hoped that by 1981 high-speed telecopying (e.g., two minutes per page) will be developed. The retail price of the required equipment should be less than 2,000 francs.

Télédiffusion de France (TDF) and the Post Office Department have perfected a teletext system which uses a television screen and telephone to provide access to data banks. Called "Antiope" or "Télétel" depending on the mode of transmission, this system competes with that of Telidon, developed in Canada. (See "Telidon Today — and Tomorrow," Canada Commerce, Sept/1980). Antiope systems will soon be installed in several post offices in the Paris area. By 1981, 155 post offices in Paris will provide the "Chéops" service (Chéques, Épargne, Opération Postale: Cheques, Savings, Postal Operation) to manage postal money-order operations and savings bank books, which have widespread public use in France.

Experimental communications satellite, Symphonie.

There are many more examples of rapid development in the data processing industry. France has given priority to this sector which, as a result, will be continually expanding in the coming years. A similar approach is to be found in other Common Market countries, a fact which has caused the leaders of those countries to propose a common European development effort in data processing to provide more effective competition against the United States.

Although most of these projects are still in the early stages, they have nevertheless had a positive effect on the French data processing industry's turnover. In 1978, sales of material and parts, rental revenue and service charges stood at 16 billion francs ($4.57 billion), 5 billion of which came from exports. For the electronics industry in general, the balance of trade was maintained; imports also totaled 5 billion francs, of which approximately half came from the United States. In the past few years, this sector's growth rate has been from 15 to 20 per cent.

The France-Canada Economic Committee and the European Common Market-Canada Commission have already identified the data processing sector as one in which industrial co-operation could produce promising licensing agreements, joint participation projects, reciprocal marketing agreements and reciprocal agreements between service companies. Some exchanges have already taken place and it is hoped that more will do so in the near future.

Although it must be recognized that the French Government intends at all costs to develop its own industry, the rapidly developing electronics market cannot fail to offer Canadian industry many opportunities to sell its products and services and to develop mutually favourable forms of co-operation. However, Canadian industrialists must recognize the potential of the French market and should come and meet their counterparts in France. One of the best months to visit Paris is September, during the Salon International de l'Informatique, de la Communication et de l'Organisation de Bureau (SICOB), the international data processing communications and office organization trade fair. SICOB is one of the largest trade fairs of its kind in Europe. In 1979, it attracted nearly 2000 exhibitors (30 per cent of whom were foreign) from 30 different countries, as well as 300,000 visitors.

The fair represents an excellent means of quickly establishing contacts in all areas of the data processing industry: office equipment, calculators, word processors, communications, software, data processing services, and so on. Certain Canadian companies have already held successful exhibits of their products.*

Canadian firms have an opportunity to find outlets for their products, primarily in areas relating to data processing (peripheral equipment such as terminals, screens, etc.), to make licensing agreements, and to exchange hardware and software. Canada should take careful note of the advanced stage of development of certain techniques and services in France and should recognize the fact that it could introduce these into Canada in exchange for Canadian products and services exported to France.

The growth of Canadian activities in this sector of French industry depends essentially on the time Canada is willing to spend on such activities and on its interest in the French market. The Commercial Division of the Canadian Embassy in Paris is at the disposal of all those seriously interested in developing markets in France. We hope that many Canadians will take advantage of this service.

Commercial Division
Canadian Embassy
35 Avenue Montaigne
75008 Paris, France
Telex: (Destination code 42)
280806 (DOMCAN A PARIS)

***Any company interested in this show for 1981 should contact the Computers and Micro Electronics Section, Industry, Trade and Commerce (45), 235 Queen Street, Ottawa, Ontario K1A 0H5. Tel: (613) 593-4481.**

As part of its continuing efforts to focus attention on the market opportunities for Canadian business in the Pacific Rim countries, IT&C recently sponsored a series of three seminars in co-operation with the Asian Development Bank. The seminars, in Montreal, Toronto and Vancouver, attracted almost 400 businessmen and provincial trade officials, all intent on learning details of ADB's tendering and procurement requirements. However, in order to make the subject of these seminars more widely known to the business community,* Canada Commerce *presents here an overview of the Bank and its operations.

Asian Development Bank — Business Opportunities for Canadian Firms

by Bob McDonell

The Asian Development Bank (ADB) offers trade opportunities to its member countries such as Canada through its development-project loans.

Since it began operations in 1968, the Bank has approved loans totalling nearly $7 billion for 426 projects in 24 countries. Of this amount, nearly 50 per cent was used to purchase goods and services required to carry out the projects. In addition, the ADB has provided technical assistance grants amounting to more than $60 million for 324 projects — projects which were largely prepared with the assistance of outside consultants.

Furthermore, if the contributions of co-financing and borrowing governments are taken into account, the Bank's loans have helped finance projects worth more than $17.5 billion. And, with the increasing number of ADB loans being provided to its developing member countries each year, the market for capital goods and consulting services is likely to expand in the future for the Bank's exporting members.

The proceeds of Bank loans are generally earmarked to finance the foreign exchange cost of the projects and this means that the goods and services to be procured will be supplied from sources outside of the borrowing countries.

Also, as a project goes on stream, or becomes operational, there will be recurring requirements for materials, spare parts, and supplies which may not be available locally and have to be imported. Therefore, the trade opportunities created by the provision of Bank financing can lead to new or bigger markets for the supplier countries.

Of the 26 developing member countries of the Bank, only the Republic of Maldives has yet to receive a loan from the Bank, while India as a matter of choice has not sought any loan from this source. The Republic of China has, since 1971, ceased to be a borrower. The six biggest borrowers as of December 31, 1979 were: Korea ($997 million), Philippines ($953 million), Indonesia ($942 million), Pakistan ($827 million), Thailand ($682 million), and Malaysia ($510 million). The bigger share of these countries in Bank loans can be attributed to their strong capability to generate bankable projects and to their absorptive capacity. The total loans extended to these countries represent 73 per cent of overall Bank lending.

Bank loans are spread out over a wide spectrum of economic activities that are the traditional focus of developmental financing. Loans to agriculture and agro-industry predominate, reflecting the importance that the Bank gives to the need for raising agricultural productivity in order to improve the living standards of the rural population. Loans for projects involving electric and gas power generation, transmission and distribution, still constitute a substantial portion of total Bank lending and this is equally true with regard to transport and communications projects.

The Bank has also increased its support for projects with strong socio-economic features such as improvement of water supply and sewerage facilities, upgrading of educational standards and facilities, construction of hospitals, and urban development schemes.

The sectoral distribution of Bank loans as of December 31, 1979 is as follows:

Sector	Amount ($000)	%
Agriculture and Agro-Industry	1,771	26.6
Energy	1,581	24.0
Industry and Non-Fuel Minerals	358	5.4
Development Banks	979	14.7
Transport and Communications	1,053	15.8
Water Supply	621	9.3
Urban Development	99	1.5
Education	149	2.2
Health	39	0.6
Multiproject	1	0.1
Total	**$6,651.0**	**100.0**

Business Opportunities under ADB Financed Projects

In general, Bank-financed projects involve (1) consultancy services for detailed design and construction supervision, (2) supply of goods and services, and (3) construction contracts. Based on the kinds of projects that have been approved by the Bank, the goods to be procured generally consist of the following major items:

Power: Equipment for power generation, transmission and distribution including generating units, transformers, transmission lines and cables, steel towers, switchgear, panel control boards, power line carrier equipment, circuit breakers, capacitors, alternator sets, electric meters, penstocks, electric and mechanical equipment.

Water supply: Treatment plants, pumping stations, pumps, valves and appurtenances, water meters, instrumentation equipment and pipes of all makes and sizes as used for large water supply systems.

Roads, ports and airports: Heavy equipment such as dump trucks, tractors and trailers, cranes, fork-lifts, bucket loaders, rollers, cargo trucks, concrete mixers, excavators, dredgers, navigational aids, and supplies and materials such as cement, asphalt and steel bars.

Railways and telecommunications: Telecommunications and radio communication equipment, rails, sleepers, fasteners, etc.

Agriculture and irrigation: Irrigation pumps, steel gates, plows, harrows, rotators, tractors, and other agricultural machinery and supplies. Also, heavy equipment for construction works.

Fisheries and livestock: Refrigeration equipment, trawlers, marine diesel engines, nets, radio equipment, ice plants, livestock.

Industry: Machinery and equipment for industrial plants (sugar, textile, fertilizer, cement, light and heavy machinery, pulp and paper, etc.).

Education: Laboratory facilities, experts, buildings.

Health: Hospital and medical equipment, buildings, medical experts.

Of course, there are many more items which could be added to the list.

The civil works component of many projects constitutes a substantial portion of the loan. In addition to goods and construction works, there is quite often also a need for consultants, either in conjunction with the physical implementation of the project (preparation of detailed designs, tender documents, construction supervision) or in relation to auxiliary activities such as provision of financial or management expertise.

The Performance of the Canadian Private Sector

Canadian consulting engineers have long shown great interest in Bank activities. Several hundred are formally registered with the Consulting Services Division of the ADB, and the Bank's policy of requiring a definite geographical spread for all short lists, means that Canadian firms are regularly given a chance to submit proposals. Last year, Canadians were short-listed on 33 of the Bank's 78 Technical Assistance projects. In 1979 Canadian consultants won 19 contracts worth more than $4 million for loans, technical assistance and individual experts, and for the first half of 1980, the comparable figures were 18 contracts and more than $6 million.

In 1979, Canadian procurement of goods and related services was higher than for any year since Canada participated in the foundation of the Bank in 1966, and total Canadian procurement for ADB projects has continued at an even higher level in the first half of 1980. Contracts won included Extra High Voltage (EHV) transformers and switchgear, as well as turbines and generators, for the Tarbela Hydropower project in

Seminar participants included Canada's representative at the Asian Development Bank, Allan Barry, and former representative at the World Development Bank, John Blackwood.

Pakistan; distribution transformers, power line, hardware and electric meters for two projects in Thailand; road graders for an irrigation project in the Philippines; educational equipment for another project in that country; asbestos cement pipes for a water supply project in Malaysia, as well as various smaller orders plus spares, etc. for equipment sold in previous years.

Of particular interest should be two power projects the Bank has financed, for they demonstrate the "catalytic" effect of ADB financing. At Mae Moh in Thailand, the ADB is helping the Electricity Generating Authority of Thailand (EGAT) construct a large lignite-fired power project. A Canadian firm was awarded the contract for the first two boiler complexes (two 75 MW boilers) financed by a $20 million loan from the ADB. EGAT subsequently purchased a third boiler from the same firm, raising the financing themselves from Canada's Export Development Corporation. Earlier this year another Canadian firm, as part of an international consortium, won a contract to provide another, even larger, 150 MW boiler for the same power complex costing in excess of $30 million and financed by the Saudi Fund in conjunction with the ADB. It is likely that in this case also, a second boiler will subsequently be procured, financed by suppliers' credits.

Canadian suppliers are heavily involved in the Tarbela project in Pakistan as well. The Bank has awarded a well known firm of Canadian consulting engineers responsibility for both detailed design and construction supervision. The large 500 KV transformers required to step up the voltage for long distance transmission are currently being built in Canada under Bank financing and another Canadian firm has won several substantial contracts for various switchgear. CIDA and the OPEC Special Fund are financing the large turbines and generators to be installed at the enlarged powerhouse. In addition, CIDA is financing the transmission line to bring the power to Pakistan's large cities. Total Canadian procurement includes $34.75 million under direct ADB financing, up to $40 million under Canadian co-financing and $13 million under the OPEC Special Fund.

How to Participate

The Bank's Charter provides that loan proceeds shall be used with due attention to considerations of economy and efficiency. Accordingly, procurement of goods under Bank loans is generally undertaken through international competitive bidding. Under this procedure, any interested supplier from the Bank's member countries can submit a bid, and therefore the borrower is provided a wider range of choice in the selection of a supplier. It also assures that a fair price for the product will be obtained because of the element of competition.

International competitive bidding is normally followed when the value of the contract is not less than US$150,000 for the supply of goods and not less than US$200,000 for civil works contracts. Furthermore, pre-qualification of contractors is generally required in civil works contracts. For supply contracts below US$150,000, international shopping is permitted, and this does not require open competitive bidding as quotations solicited from a reasonable number of suppliers from more than one member country will suffice.

As regards loans to development finance institutions, international competitive bidding is no longer an essential requirement although these institutions are encouraged to follow this procedure in large contracts — and also when it would be in the interest of economy and efficiency.

With respect to consultancy services no such international competitive bidding applies in a strict sense; the engagement procedure merely involves the drawing up of a short list (six to seven names) from a long list of apparently suitable candidates. Only the short-listed consultants are invited to submit proposals and the firm submitting the best proposal is invited for negotiations.

(continued)

Dissemination of Procurement Information
The Bank endeavors to make available information about procurement opportunities at various stages in the evaluation of the loan. On a monthly basis, the Bank provides to its Executive Directors Monthly Operational Information which contains a listing of the various projects in the pipeline which are under consideration by the Bank.

This information is available to Canadian business through the Multilateral Project Opportunities listings (Asia-Pacific section) which appear every second month in *Canada Commerce* (see this issue, page 25). When the project is approved, this fact is also published along with the name of the IT&C contact officer.

ADB — What? Why? Where?

Established in 1966, the Asian Development Bank is an international development financial institution, the purpose of which is to foster economic growth and co-operation in the Asian and Pacific region — this in order to contribute to the economic development of the Developing Member Countries (DMCs) in the region, collectively and individually.

The Bank has the following functions:
to promote investment in the region of public and private capital for development purposes;
to utilize the resources at its disposal for giving loans for the development of DMCs in the region;
to meet requests from members in the region for assistance in the co-ordination of their development projects and plans;
to provide technical assistance for the preparation, financing and execution of development projects and programs;
to co-operate with the United Nations, its departments and subsidiary bodies, and with public international organizations and other international institutions as well as national entities whether public or private, which are concerned with the investment of development funds in the region, and to interest such institutions and entities in new opportunities for investment and assistance; and
to undertake such other services as may advance its purpose.

Funds for the bank have been pledged by the 43 sponsoring countries, 29 from the area, 12 from Europe, Canada and the United States. These funds are divided into three categories: Capital Stock, the Special Development Fund and the Special Technical Fund. Canada has been a major contributor to all three. This and the fact that Canada has had a seat on the 12-member Board of Directors since the Bank's inception, has meant that Canada has gained in stature in the Asian and South Pacific region.

CONTRIBUTIONS: MEMBER COUNTRIES

Regional (29) Country	Capital Stock Millions of dollars (U.S.)	Special Fund	Special Technical Assistance
Afghanistan	15.826		
Australia	661.355	178.74	1.497
Bangladesh	116.704		.025
Burma	62.246		
Cambodia	11.588		
China (Taiwan)	124.492		.200
Hong Kong	62.246		
India	723.601		.100
Indonesia	622.459		
Japan	1,556.147	1,624.09	26.611
Korea	575.774		.480
Lao, PDR.	3.258		
Malaysia	311.229		
Maldives	.464		
Nepal	16.806		
New Zealand	175.533	9.04	.782
Pakistan	248.984		.326
Philippines	272.319		
Singapore	38.897		
Sri Lanka	66.285		.006
Thailand	155.615		
Viet Nam	93.369		
South Pacific			
Cook Islands	.305		
Fiji	7.774		
Kiribati	.464		
Papua New Guinea	10.727		
Solomon Islands	.768		
Tonga	.464		
Western Samoa	.768		

Non-Regional (14)

Country	Capital Stock	Special Fund	Special Technical Assistance
Austria	38.897	30.58	.151
Belgium	38.897	18.76	.783
Canada	597.865	268.58	1.546
Denmark	38.897	30.41	2.083
Finland	15.561	20.35	.119
France	194.512	119.06	.562
Germany	494.444	318.64	.480
Italy	66.219	37.84	.147
Netherlands	85.582	40.38	.793
Norway	38.897	27.21	.509
Sweden	15.561	39.54	.479
Switzerland	53.465	55.00	.603
United Kingdom	233.422	225.83	2.874
United States	1,228.932	775.00	1.250

As part of its extensive services to small businesses throughout Canada, the Federal Business Development Bank is making available to Canada Commerce readers a series of articles designed to help these enterprises improve management practices and methods of doing business. Here is the second of the series. . .

The Importance of Forecasting in Planning an Expansion

An operating forecast is the key to successful expansion of an existing business, just as it is for the successful establishment of a new business venture.

The first question asked by a potential lender if an application is made to finance a proposed expansion likely will be: What kind of an operating statement can be expected in a year's time?

The answer to the question lies in the form of an operating forecast. This should be based on what the business has done recently and on what it can reasonably be expected to do, rather than on perhaps extravagant hopes.

Generally, an operating forecast is prepared for a one-year period — the year following the year-end of the business' financial statements. It may also be useful to break the one-year projection down into shorter periods of three or six months, or to help in long-term planning, to prepare forecasts four or five years ahead.

Preparation of any operating forecast should be based on the most recent operating statement for the business. It should take into account the expected effects of the proposed expansion on revenues, expenses and, consequently, profits.

In the case of potential revenues, the operating forecast must consider such factors as increased production resulting from additional space and more suitable location, and of increased sales.

In the case of expected expenses a number of factors will be involved. These include size of staff and payroll; increases in taxes; higher delivery costs; larger insurance premiums; higher interest payments because of borrowing to finance the expansion; differential in rent payments; and the possibility of greater bad-debt losses resulting from increased sales volume.

The preparation of an operating forecast need not be too time-consuming, but whatever the effort it takes will be well worth it because it provides a number of benefits:

(1) Because an operating forecast for an existing business is based on past experience of the business, it provides an opportunity to learn more about the business;

(2) Because it provides the chance for a detailed study of the business' past results, it may give leads to specific opportunities to increase revenue which might not be apparent during the hectic day-to-day operation of a business.

(3) Because of this study of past experience, preparation of an operating forecast can help to draw attention to areas in which expenses should be watched more closely.

(4) An operating forecast will help in making a decision among the various alternatives that might be available when considering any expansion. For example, should assets be bought or leased; should a new building be built or the old one renovated; and should the product line be altered.

(5) The comparison of a forecast and results actually experienced may also help in pointing out areas of opportunity or concern. The information about the business' operations that could be obtained from preparing an operating forecast may not, of course, necessarily come only from this exercise. However, by encouraging the owner to look ahead, preparation of an operating forecast may help in spotting areas of concern before they become urgent.

As can be seen, the practice of preparing an operating forecast can be an extremely useful one even for a business which has no immediate plans for expansion.

This kind of basic analysis is one of the most useful tools a business-owner has in planning the future course of his business and determining which of the many possible alternatives he should choose.

An operating forecast, however, does not guarantee against failure. What it does do is increase the chances of success. It is not enough to work hard at a business; it must be thought hard about, too.

FBDB Regional Offices:

Atlantic Region	1400 Cogswell Tower Scotia Square Halifax, N.S. B3J 3K1	(902) 426-7860
Quebec Region	4600 Place Victoria 800 Victoria Square Montreal, Que. H4Z 1C8	(514) 283-3657
Ontario Region	250 University Avenue Toronto, Ont. M5H 3E5	(416) 593-1144
Prairie & Northern Region	161 Portage Avenue Winnipeg, Man. R3B 0Y4	(204) 943-8581
British Columbia Region	900 W. Hastings Street Vancouver, B.C. V6C 1E7	(604) 666-8631

World Bank Project Provides Contract Coup for Canadian Company

by Shirley Plowman

A more aggressive approach by Industry, Trade and Commerce is beginning to bring in some winners in the rapidly changing international market game: Through its Trade Commissioner Service and the Office of Overseas Projects, the department is carefully examining the increasing number of multi-million dollar contracts being financed by the international development agencies such as the World Bank, the Asian Development Bank and others.

A concerted effort is then made to bring to the attention of Canadian companies those projects particularly suited to their expertise and capacity. The department goes on to assist interested firms to prepare bids, find suitable sub-contractors and make the necessary contacts overseas.

One company which used its own initiative AND took full advantage of IT&C assistance is Babcock & Wilcox Canada Ltd., a leading supplier of fossil and nuclear fuel steam generating equipment, process equipment and construction services for Canadian and export markets. IT&C and B&W company executives are still beaming over the coup that gave Canada the edge on 31 highly competitive bidders and made Indonesia the happy recipient of what will be an 800 megawatt thermal electric plant at Suralaya.

Babcock & Wilcox Canada Ltd. (Cambridge, Ontario) was quick to recognize a good opportunity when it came along: For B&W, the Suralaya story all began in 1977 when the company was approached by Montreal Engineering Company (Monenco) for budgetary estimates for two coal-and-oil-fired boilers.

Early the following year B&W learned that Monenco was doing a feasibility study of a proposed steam power plant in Suralaya, Indonesia. When the World Bank announced in June 1978 that it would be financing the project, B&W knew this would mean worldwide competition — and the company prepared to rise to the challenge.

By the end of 1978, B&W had appointed a sales representative in Jakarta, Indonesia. In addition, it had obtained valuable information on Indonesian coals and began to develop preliminary design alternatives for discussion with PLN, the National Power Authority for Indonesia.

Even though all the requirements were not known, B&W took the initiative and in January 1979 held a technical seminar with PLN in Jakarta, presenting information that would assist PLN in preparing their specifications.

To promote Canadian technology and B&W capabilities, the company invited key PLN engineers to tour the Cambridge facilities and a number of Canadian fossil-fueled power stations, including Ontario Hydro's Nanticoke station — the largest operating coal-fired plant in the world. It "just happened" that B&W had supplied eight 500-megawatt units to this station.

Said B&W President Joe J. Stewart: "In early 1979, B&W Canada started to look for a suitable commercial approach to the project. We understood that tenders would be on a 'delivered and erected' basis with an extensive scope of supply and services. With no previous experience in Indonesia and with a scope of supply exceeding B&W Canada's normal scope, we began to look for suitable partners and subcontractors."

B&W contacted a number of Canadian consultants for quotes on engineering and accessory equipment supply who would take full commercial responsibility for balance of steam plant equipment.

Joe Stewart found it to be just as he had already surmised. "As we expected, Canadian consultants could offer excellent technical capabilities, but were reluctant to assume certain commercial risks. We therefore began to look for a major international contractor with experience in Indonesia, and the financial strength to become a partner in the project. We knew that such a partnership could in turn employ Canadian consultants and benefit from their technical expertise."

The invitation to bid on the Suralaya Steam Power Plant came in April 1979. B&W was confident of its technical qualifications and price competitiveness but still had to resolve its approach to erection and balance of steam plant equipment.

The company was aware that the key to eventual success would depend on the effective selection of a partner and subcontractors and definition of responsibilities for equipment supply and services.

After investigating numerous options worldwide, two possible partners remained. Both were Japanese trading companies which had been successful with PLN in the past. So in June 1979 one of the two — Marubeni Corporation, a leading Japanese trading company based in Tokyo — agreed to tender a competitive bid with B&W and a Canadian consultant, Ebastec-Lavalin Ltd.

"We knew that strong partners would be essential to winning the award," Mr. Stewart confided. "We also knew that 31 contractors and manufacturers had already registered as prospective bidders. The project also called for a strong group of subcontractors but each subcontractor had only to perform in his given area of expertise."

B&W and Ebastec-Lavalin could be counted on to provide the necessary engineering and technical strength. Marubeni Corporation could provide commercial expertise and worldwide procurement capabilities.

B&W & Marubeni submitted their bid for

"That's the way to do it, Joe", Ed Lumley, Minister of State for Trade tells Joe Stewart, president of Babcock and Wilcox, when the two met recently to discuss the strategies used by B&W to land a multi-million dollar contract for boilers in Indonesia. Gordon Keys, acting Director-General of the Office of Overseas Projects, whose branch assisted in the development of the Canadian bid nods his agreement.

the Suralaya project on September 17, 1979. B&W was confident that its early recognition of Suralaya's technical requirements, including extensive studies on design alternatives and Indonesia's peculiar coal characteristics, would not go unnoticed and would place the company in a strong competitive position technically.

Of the nine companies that submitted bids, Marubeni Corporation/Babcock & Wilcox was third lowest in price. The two lower bids came from Japan but B&W felt confident that they would not be accepted because the two Japanese companies lacked experience in coal-fired boilers. So B&W and Marubeni forged ahead with their preparations for the anticipated technical and commercial questions.

As expected, the questions came in from Monenco, representing PLN during the latter part of 1979. B&W and Marubeni were well prepared and their responses culminated in PLN's issuing a Letter of Intent on March 31, 1980. Final negotiations were concluded in late May 1980 and the companies signed the contract in Jakarta on June 17, 1980 — a contract valued at more than US$200 million.

B&W will supply two 400-megawatt pulverized coal and oil-fired radiant boilers to the plant. It will also provide erection consultants and start-up services and will train PLN personnel in boiler operation and maintenance. B&W's partner, Marubeni, will provide worldwide procurement, balance of plant engineering and project management services, as well as installation of equipment.

The Suralaya plant is scheduled to be in operation in 1984 as part of a $1.2 billion PLN project that includes coal mining, a railway and harbour facilities. It is considered that Canadian companies have an excellent chance of participating to a large degree in these projects also. Suralaya is situated on the west end of Java and the power station will provide electricity to Jakarta and Central Java. Coal for the plant will be mined on Sumatra Island.

B&W's radiant boilers are designed to burn the various grades of coal found in Sumatra and can burn coal and oil separately or simultaneously. The two boilers will be the largest in the Indonesian electrical system.

The World Bank funding for the Suralaya plant contract is considered to be the heftiest ever for a contract involving Canadian supply.

World Bank Contract Guyana, S.A.

H & K Equipment Ltd. of Downsview, Ontario has won two World Bank contracts totalling $332,000 covering the supply and installation of equipment for schools in Guyana, S.A. The contracts were signed in late July, 1980. H & K's main competition came from Britain and the U.S.A. The equipment supplied included food preparation and handling equipment for two schools which totalled $132,000, with the balance of $200,000 covering refrigerators, stoves, sewing machines and a number of other items for various schools.

When Sending Telexes to Trade Commissioners Abroad

A major and continuing problem for many Trade Commissioner Posts is trying to identify senders of telexes who have not properly identified themselves. Companies often only show a telex answerback as an address and the Posts are unable to identify the company and its location.

In order to speed up turn-around time, firms are requested to clearly spell out the name of the originator, the company and its full telex address.

Argentina

The Argentine Economy Minister has recently announced the following import measures:

1. Elimination of import duties on goods not produced in Argentina.
2. Extension of the duty exemption on capital goods not produced in Argentina until December 31, 1983.
3. Elimination of the following import surcharges: Statistical tax of three per cent on the c.i.f. value. Special tax ranging from four to 10 per cent of the c.i.f. value on forest products including paper products. Steel fund tax hanging from one to 10 per cent on various items containing iron or steel, including machinery. The six per cent tax on imports of minerals and products derived from and items containing minerals.
4. Continuation of the tariff liberalization program so that a 20 per cent duty becomes the maximum rate by 1984.
5. The value-added tax will be extended to practically all goods and services and will be increased from 16 to 20 per cent except for foods and pharmaceuticals which will be taxable at 10 per cent.
6. Another proposal which will have to receive Government approval calls for the elimination of the three per cent consular fee and the 12 per cent tax on ocean freight charges.

Economists' Corner

The Canadian Dollar: Does its Past Throw Light on its Future?

Anyone following the printed or electronic media in recent years will have observed that the exchange rate of the Canadian dollar, which reflects the *external* value of our currency, has become a rival for public attention to the consumer price index, which indicates changes in the *internal* value (i.e. the domestic purchasing power) of our dollar. Sometimes too much attention is perhaps paid to day-to-day exchange rate fluctuations; they may be caused by erratic factors, such as speculative news about energy finds, or the monthly trade figures which occasionally jump up and down like yo-yos. These random impulses are one reason why the monetary authorities have to ensure orderly markets through exchange intervention.

From a long perspective, however, there are solid reasons for the greater attention to foreign exchange rates. For one, the perceived stability of the fixed exchange rates — prevailing under the Bretton Woods system, which lasted for a quarter century after the end of World War II — has given way to a regime of generally floating rates. For another, the Canadian dollar declined between October 1976 and February 1979 (the monthly low for the last three years) from U.S.$1.03 to less than U.S.$0.84, little more than a penny over the all-time low of U.S.$0.82½ reached in December 1931. This considerably widened the range of C$/US$ rates actually experienced by contemporary Canadians, and thus increased uncertainty about when, and where, a more "normal" range of rates would be established in the 1980s.

Heightened interest in the foreign exchange markets is also related to the growing importance of external transactions in the Canadian economy. Senior businessmen may recall that 20 years ago it was customary (and approximately right) to quote a ballpark figure of 20 per cent to relate the dollar volume of our exports and imports to the total output of the country. At present, exports of goods and services take almost 30 per cent of Canada's Gross National Product, while the value of imports is equivalent to more than 31 per cent (1979 data). Accordingly, a wider circle of Canadians have from a business, consumer or tourist point of view, an interest in merchandise or service transactions across the border, and hence in the exchange rates at which these are carried out.

Furthermore, exchange rates are determined not only by external merchandise and services transactions (travel, interest and dividend flows, etc.) but also by long and short-term capital flows. Heavy borrowing abroad, notably by provincial governments and corporations, contributed to an exceptionally high net long-term capital inflow of $8 billion in 1976 and thus to a temporary premium on the Canadian dollar. The abatement of these inflows in subsequent years weakened the dollar again, among other factors. Short-term capital flows are often triggered by interest differentials between Canadian and American money markets, which are responsive to monetary policies on both sides of the border. There is thus a link between the foreign exchange market and the height of domestic interest rates — another reason why the external value of the Canadian dollar affects many firms and citizens in a most perceptible way.

Finally, the behavior of the external value of the Canadian dollar is to some extent related to trends in the internal value of our money, not from month to month, but in the long run. People value currencies for what they will buy. The link between domestic inflation, balance of payments deficits and the external value of a currency is thus another reason for paying attention to trends in the Canadian dollar.

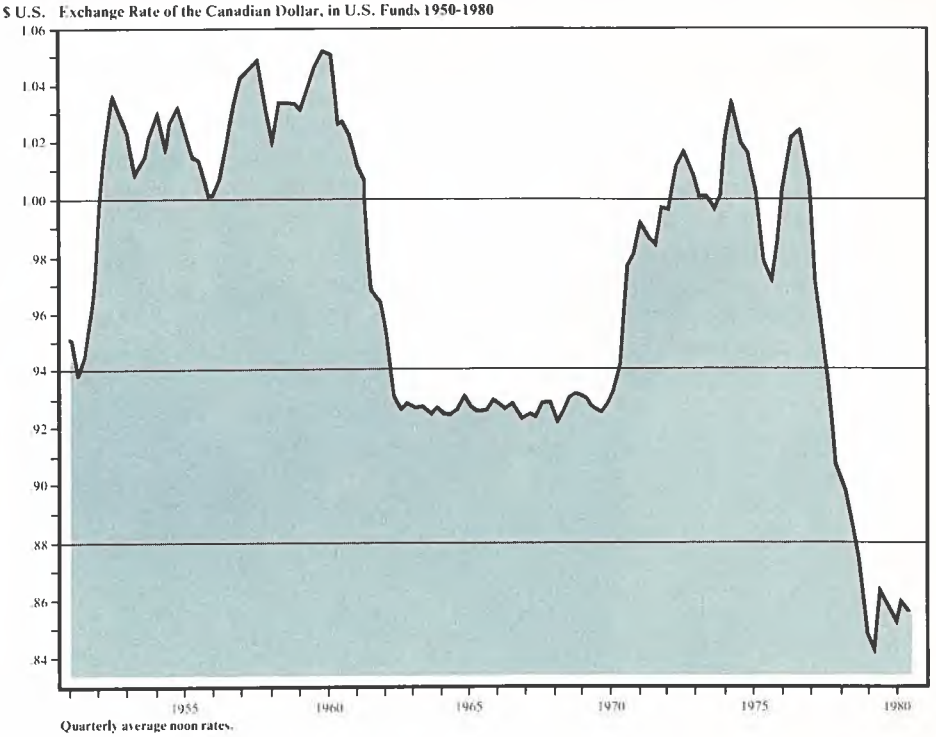
Past, Present, Future

Having identified the principal reasons why the external value of the Canadian dollar has become of increased concern to business, individuals and governments, what can be said, in general terms, about the outlook for each of these factors?

As regards internationally floating rates, they are likely to be with us for a long time. The Bretton Woods system failed, essentially, because it proved impossible to keep the external value of various currencies on the same track, while their internal values diverged through significantly different rates of inflation. A change in the latter situation is not yet in sight. Any evolution in the present set of international monetary arrangements is "likely to be guided by pragmatism rather than by principle", the Governor of the Bank of Canada recently stated.

The present international monetary system is a pragmatic mixture of exchange rate systems or arrangements. Some 40 countries, mostly very small but including Venezuela and Chile, for instance, still peg their currencies to the U.S. dollar (IMF data). The countries of the European Economic Community (excluding the U.K.)

$ U.S. Exchange Rate of the Canadian Dollar, in U.S. Funds 1950-1980



Quarterly average noon rates.

have common margin arrangements within the European Monetary System — a regional attempt at stabilization. Among the principal nations "deemed to be floating independently", as the IMF puts it, are the United States, Japan, the United Kingdom and Canada. In the absence of any contrary indications, it must be assumed that Canada's position will not change in this respect.

Canadian Dollar in Quieter Waters?

Turning to the post-1976 decline in the Canadian dollar, the currency seems to have arrived in quieter waters, measured against U.S. currency. In retrospect, the years 1977 and 1978 have been a period of sometimes hectic transition, requiring on occasion heavy market intervention by the Bank of Canada, backed up by government borrowing of foreign currencies or stand-by credits to strengthen the Exchange Fund Account. In 1977, the Canadian dollar stepped down to about U.S.$0.91; in 1978, it declined to about U.S.$0.85. Roughly, this represents a decline of some 7 per cent in each of these two years (December over December, monthly noon averages).

Since then, a measure of stability appears to have returned, as the chart and the highlights given in the table below testify:

Canadian Dollar in U.S. Funds (monthly average noon rates)

December 1975	0.9864
June 1976	1.0271
December 1976	0.9816
June 1977	0.9456
December 1977	0.9114
June 1978	0.8916
December 1978	0.8478
June 1979	0.8530
December 1979	0.8550
June 1980	0.8684

U.S. and Canadian bankers appear to feel that the Canadian dollar has reached a new level of relative stability towards the end of 1978, at least for those who are prepared to consider fluctuations within a band of four or five cents over an extended period of time as relative stability.

Events so far seem to confirm more or less the results from an informal survey conducted last year by the Department of Industry, Trade and Commerce (Economic Policy and Analysis) among some 225 large corporations in the course of its biannual capital expenditure surveys. It showed that in October 1979 more than 80 per cent of respondents expected the Canadian dollar to fluctuate between U.S.$0.85 and U.S.$0.88 (inclusive) in 1980. For subsequent years, this proportion declined because of larger returns anticipating higher rates: the U.S.$0.89 to U.S.$0.90 range, which attracted

less than 10 per cent in 1980, captured more than 30 per cent in 1981, 35 per cent in 1982 and more than 40 per cent in 1983.

According to current informal inquiries in U.S. and Canadian financial circles, a strengthening of the Canadian dollar from current levels might occur if it came to be considered internationally as a "petro-currency", in the wake of encouraging energy finds and policies. Understandably, grave political discord in the Canadian federation (e.g. on resource policies) and government measures perceived to be harmful to industry or investors are mentioned as principal forces on the downside.

Enlarged Foreign Trade Likely to Last

The increased significance of exports and imports in our economy will continue to underline the importance of close attention to exchange rates by the public and private sector, for it is likely to be a permanent phenomenon. An important reason for the enlarged foreign sector has been the phenomenal increase in two-way trade in transportation equipment, as a result of the 1965 U.S.-Canadian Autopact. In 1967, domestic exports and imports combined were below $5 billion; by 1979, the total turnover had risen to some $30 billion.

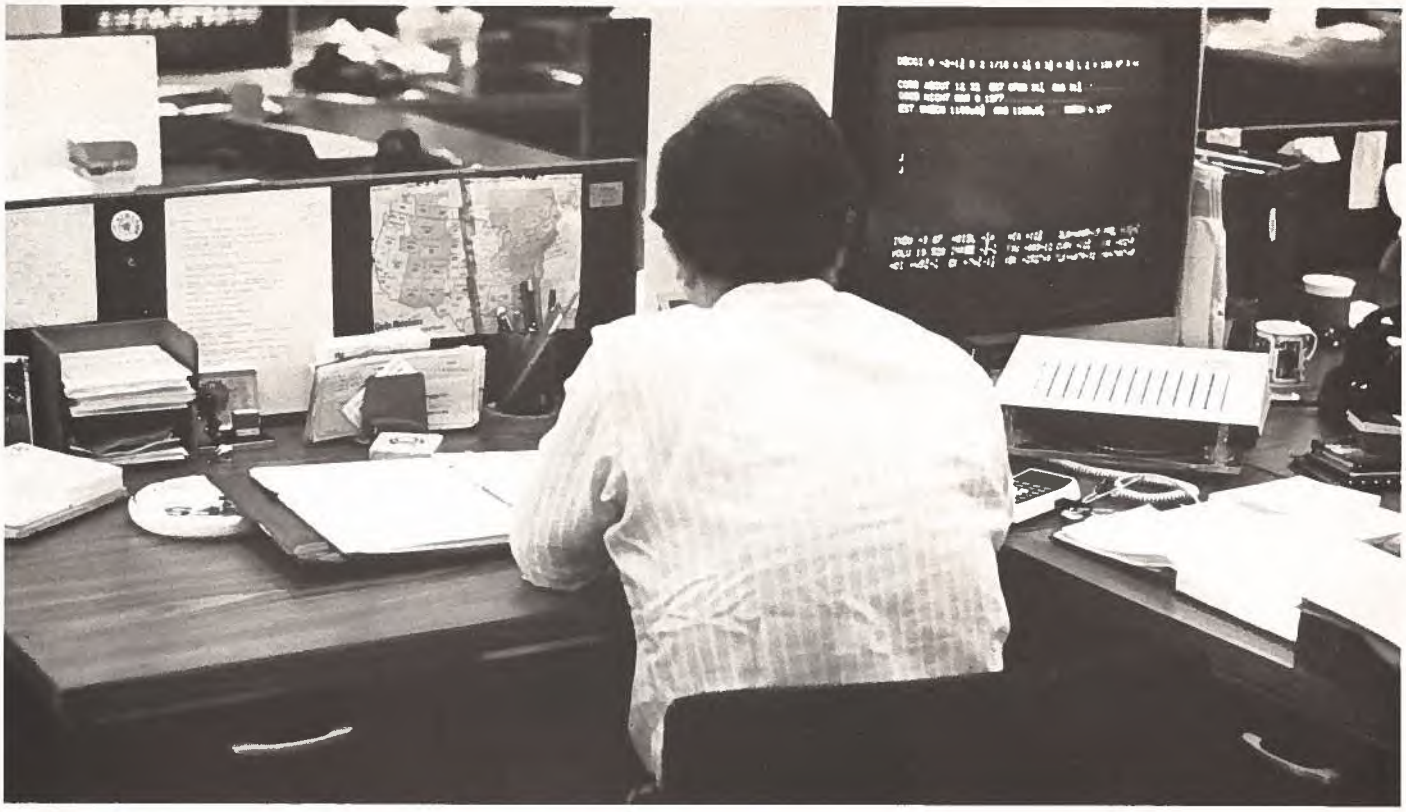
Effect of Capital Flows

Long-term capital flows related to large energy-producing or energy-transmitting capital projects will bear watching. More volatile, less visible and hence less predictable in their effect on the Canadian dollar are several other types of capital transactions: profit-oriented flows into or out of existing Canadian securities, interest-sensitive short-term flows, also affected by perceived exchange risks here or abroad, or capital moved into or out of the country by investors seeking diversification of their investments. The nature of the claim does not always indicate the motivation or attitude of its owner. Hence the earlier reference to *relative* stability of the Canadian dollar. It also explains why the Bank of Canada has stated to have no preconceived ideas about appropriate interest-rate differentials between Canada and the U.S. — some capital flows occur for other reasons.

External and Internal Values of the Canadian Dollar

After the spread of double-digit inflation in recent years, there appears to be a wide measure of agreement among the governments and monetary authorities of the world's leading nations, that failure to contain the erosion of domestic purchasing power has been one of the principal causes of exchange instability. This does not imply full adherence to comparative purchasing power parity doctrines — it is generally recognized that allowances have to be made for changes in trade restrictions, capital flows, or the relative importance of non-traded merchandise or services which affect exchange rates independently of changes in relative domestic price levels. But it has become clear that inflation cannot continue to be blamed primarily on special factors, notably the increase in oil prices. In fact, between 1974 and 1978 inflation in the Western nations has apparently been one of the causes, rather than a consequence, of higher oil prices demanded by OPEC countries. This explains in part why restraint of inflation appears to have a high priority in most Western nations.

Herbert C. Byleveld
Economic Intelligence Branch
Economic Policy and Analysis



Last month our author began a series of articles on the trading house concept with "Why Trading Houses?" (Canada Commerce, October, 1980). John Lancaster is a Canadian government trade commissioner of long standing who has recently been responsible for Industry, Trade and Commerce research into trading houses in Canada and their capabilities as an export vehicle. In this second article he poses the question. . . .

What are Trading Houses?

by J.E. Lancaster

Trading houses defy easy categorization and definition, but it may be said that they are: **"A diversified group of business firms specializing in international marketing and providing the requisite support services."**

When I tried this definition on a friend, a University of British Columbia professor of economies, he frowned thoughtfully, pursed his lips, and gave his considered reply. "Yours is as good as any I've come across."

This artiele seeks to explain the business and marketing roles of these trading speeialty firms. As the professor however would be quiek to agree, no all-embraeing definition has as yet been devised to cover every type of trading house and the multiplieity of their commereial aetivities in the international marketplaee. Trading houses exist and function in as many diverse forms and manner as the eireumstances of international marketing demand.

Thus one might resort to the stratagem of a French government offieial in preferring to illustrate what trading houses aetually do. Writing in an official Freneh journal, he stated, "A foreign trade company ean be deemed to be any company buying or selling abroad goods it did not produee, either in trade or in any other form of marketing." This statement faetually suggests that the trading house is an international middleman faeilitating the sale of goods and serviees between eountries. They are not produeers, although they may have direct business eonneetions and relationships with producers.

The Trading House Concept

Lacking a elear-eut definition for trading houses, another approaeh is to develop an understanding of what the role of trading houses is, that is the eoneept of the trading house's *raison d'être*. This eonceptual approaeh points to the *specialization* of trading house aetivity within the business eommunity. It reeognizes that international trading requires a unique set of business skills differing from those usually employed in following domestie business pursuits. This international trading specialization involves the capaeities inherent in the marketing and shipping of goods from the seller in the exporting eountry — operating under one set of business law, rules and regulations — to the buyer in the importing eountry eonduering business under a different eode of law and set of eireumstanees. It also ineludes the speeifie support services required to aehieve this purpose. The trading house epitomizes this specialization.

Trading House Structure

Trading houses are structured so as to meet the needs and demands of their international commercial roles. A characteristic of a functioning trading house is its flexibility and ability to tailor its services to the requirements of a particular type of business or transaction. For simplicity, however, trading houses — from an export point of view — may be classified according to certain basic characteristics.

- **The trading house acts for the producer who is principal. In this case the trading house functions as an export agent on a commission or retainer fee basis.**
- **The trading house acts as principal. In this case the trading firm acts as an export merchant taking title to the goods from the manufacturer or producer for resale abroad. In this case the trading house assumes total responsibility for selling to or trading to the export market.**
- **The trading house acts for foreign buyers who are principals. In this case the trading house's skills in sourcing for goods comes into play. Frequently such business is conducted with affiliated trading concerns based in other countries.**

While these factors illustrate the basic structures of trading houses, there are as many permutations and combinations of trading house structure as human ingenuity can devise. Thus the difficulty in developing an acceptable all-embracing definition. Among such considerations are the specialized services offered by certain trading houses. These might include factoring, confirming and other forms of specialized and financing activity. In large measure such specialized services are not as yet widespread in Canada.

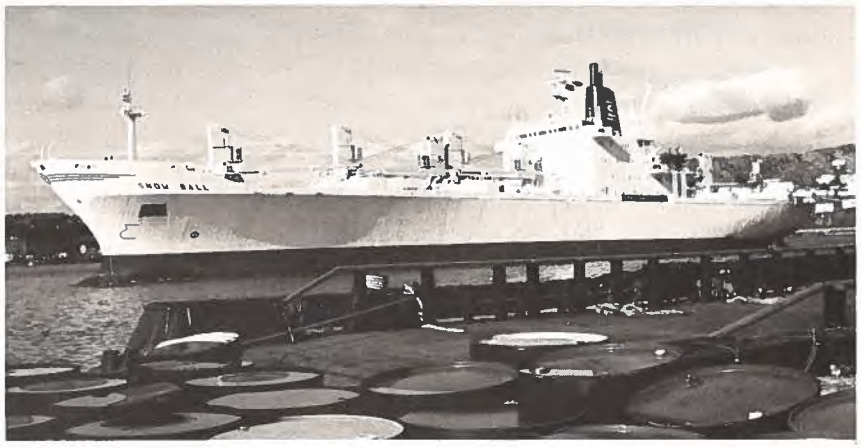
Trading House Functions

The principal services offered by a well-established trading house would include among other considerations, commercial and marketing intelligence from its developed international informational network, experience and data with respect to specific markets, export know-how and, (not so common in Canada) financing services. The export know-how would embrace an understanding of a market's peculiarities and requirements, a knowledge of the buyer's needs including language considerations in foreign markets. Trading houses should offer an intimate knowledge of the methods and requirements of exporting including the complexities of international trading support services such as packing, shipping, insurance, import regulations, tariffs, import quotas, licensing, exchange and payment terms — details which are not acquired overnight. They can perform specific duties such as appointing agents for the principal in foreign markets, arrange to enter and display the principal's goods in foreign trade fairs, arrange for aftermarket servicing. For the small-to-medium-sized producers the trading firm should be able to provide the marketing facilities more cheaply than it would cost the producer to establish and develop an in-house exporting arm.

Not every trading house can offer and discharge all such services. Thus the choice of a trading house by a principal involves careful selection. A specialized form of trading house, popular in the United States, is the export management company. In this case the trading house becomes under contract the export department of the principal, or manufacturer, using the principal's letterhead and acting in his name.

For small and medium-sized manufacturers the cost advantages of obtaining the services of an international trading professional as compared to those in establishing one's own marketing arm should be apparent. Even for large manufacturers the trading house can often act on the principal's behalf in certain specific or smaller scale markets where the cost advantage militates against the establishment of a branch or subsidiary office.

Other trading firms develop specialty skills including multi-country trading, barter and compensation trade. In such cases the trading house may effect sales in one country, the proceeds being received in the form of goods which are then sold in a third country — the proceeds from the latter sale usually being returned to the originating country in the form of an acceptable currency payment.



While there are a multitude of specific points one could discuss, this article has attempted to touch on the salient features pertaining to trading houses and their functioning in the international marketplace. Space has not permitted an exhaustive study of the subject. Since the most advanced commercial nations are involved in using the marketing skills of trading houses — or, as in the case of the United States, now taking energetic steps to expand the skills and capacity of its trading house sector — it would appear to be in the interests of business and government in Canada to do so as well.

The appointment by the federal government of a parliamentary committee on trading houses is a recognition of these circumstances.

Next month: Using a trading house.
Canada Commerce invites questions and observations on the subject of trading houses directed to Mr. Lancaster's attention. From time to time questions and answers may be published as part of this series.

J.E. Lancaster
Distribution Services Branch (88)
Department of Industry, Trade and Commerce
235 Queen Street
Ottawa, Ont. K1A 0H5
Tel: (613) 593-7981

Canada in the World of Metals and Minerals: An Overview

Canada's exports of metals and minerals form an important segment of our world export trade. In 1978 Canada's exports of non-fuel metals and minerals amounted to more than $9 billion — 17 per cent of our total exports of $52 billion.

So important is this trade to the Canadian economy that IT&C's Trade Commissioner Service has deployed specialists in metals and minerals to five key overseas posts. These posts are Washington, Tokyo, London, Brussels and Canberra.

The specialists may be in the Trade Commissioner Service or officers seconded from other branches of this department or from the Department of Energy, Mines and Resources.

The interests in the different posts vary considerably. In Washington, Brussels and Canberra the principal interest is in keeping informed of what is happening in the governments of the United States, the European Community and Australia which may affect our trade.

Australia is not a significant market for Canada's metals and minerals exports, but it has a political system which has many similarities to our own, and Australia has similar interests in maintaining access to major world markets for exports.

Japan is a major market for our metals and minerals and so warrants special attention, while London is a focal point for many activities in the metals and minerals field — the London Metal Exchange, the International Tin Council, and the Lead Zinc Study Group.

Earlier this year the specialists from these five overseas posts returned to Ottawa for a series of discussions and visits to Canadian exporters. A part of their program included a Symposium on Canada's Mineral Exports given at the Annual General Meeting of the Mining Association of Canada in Ottawa. Highlights from the specialists' reports follow:

Australia

J.Y. Tremblay, First Secretary (Metals, Minerals and Energy), Canberra

Investment in Australian resources is booming. Australia is very well endowed with energy minerals including coal, uranium, gas and oil.

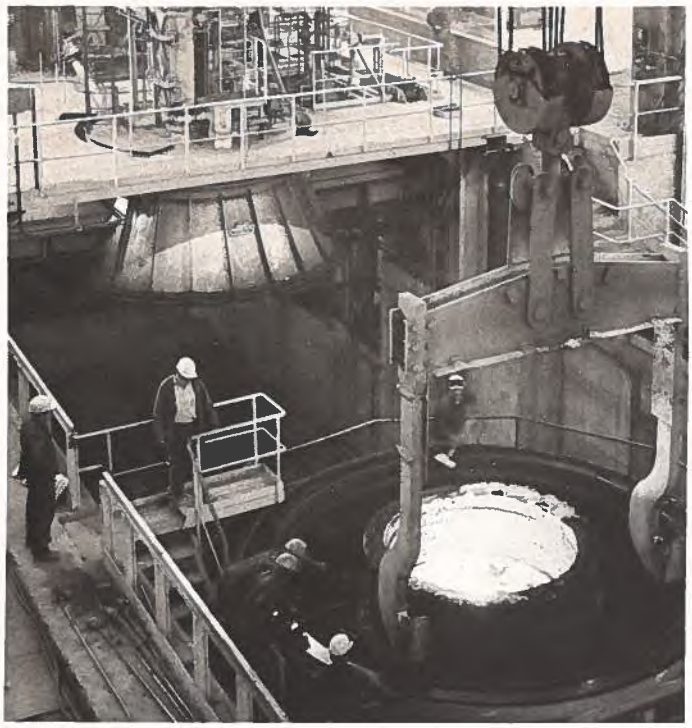
The major coal deposits are quite favourably located to facilitate exports and many can be exploited by open-pit mining. Large reserves of coal (a 250-year supply at current production levels) provide a broad base for the export of coking and thermal coal, and a cheap fuel to produce electric power. Many new coal mining projects are under way or are being discussed, with investments totalling about A$5 billion contemplated in New South Wales and Queensland over the next five years or so. If all these projects were to materialize it could bring on stream 50 million tonnes of annual capacity for coking coal and perhaps 60 million tonnes of thermal coal.

Cheap coal-based electric power is producing a great increase in planned aluminum smelting capacity. Electricity for aluminum smelting has been reportedly offered at A1.7 cents per kwh and as low as 0.5 cents in one instance. Aluminum ingot production is expected to expand from 280,000 tons to 814,000 tons by 1983 and to about 1.6 million tons by 1985, almost all of it available for export. These plans will require a total investment of about $6 billion in bauxite, alumina and aluminum smelting. Australia has the potential to become the world's leading aluminum producer by the end of the decade.

Iron ore production in Western Australia reached $1 billion in 1979 with an output of 81 million tonnes — roughly 10 per cent of the world's consumption. Rising oil costs have reduced the attractiveness of pelletized iron ore. The Hamersley pelletizing plant at Dampier has ceased production, the Robe River pelletizing plant was scheduled to close in April of this year. Higher oil costs have widened the spread in ocean transport costs to Japan on iron ore from Brazil and Western Australia to the latter's advantage. Freight costs to Japan from Western Australia are reportedly still less than $5 per tonne, but freight to Europe has risen from $5 in 1977 to more than $10 per tonne.

Uranium mining, is now moving ahead. The small but rich ore body at Nabarlek in the Northern Territory has been mined out and treatment of the ore was to begin in June, 1980. Construction of the Ranger mine is proceeding and the exploitation of the Yeelerie deposits in Western Australia has received Federal Government approval.

These activities, along with developments in nickel, copper, lead and zinc, indicate a high level of investment in the metals and minerals industry which will provide a powerful stimulus to the Australian economy over the next decade.



Britain

R. Jones, Counsellor
(Metals, Minerals and Energy), London

Britain had a year of poor eeonomic performance in 1979 when the Gross Domestic Product rose by only 0.6 per cent and the outlook for 1980 is no better. Inflation, which has been running at about 20 per cent per annum, is expeeted to moderate but may still be as much as 12½ per ccnt by the fourth quarter of 1981. Forecasts for domestic demand and external trade point to a recession this year extending into the first half of 1981. As a major exporter of metals and minerals to the U.K., Canada is bound to feel the effects of the slowdown of the U.K. economy in terms of reduced salcs volumes and lower prices.

European Community

T.D. McGee, Counsellor
(Metals, Minerals and Energy), Brussels

The nine member states of the European Community collectively constitute the second most important markct for Canadian exports of metals and minerals.

In 1979 Canadian exports of these products exceeded $2 billion — more than 18 per cent of total Canadian metal and mineral exports and almost 30 per cent of Canada's exports of all products to the Community.

The Community has exclusive legal authority in the field of commercial policy except for products covered by the European Coal and Steel Community (principally coal and primary steel products). It is the Community that negotiates tariffs and non-tariff barriers with third countries on behalf of its member states. It is the Community that is responsible for implementing trade agreements, anti-dumping and other commercial policy measures.

The Community will expand to 10 member states with the formal accession of Greece in January, 1981. Negotiations with Spain and Portugal may bring these Iberian countries into the Community in 1983.

The economic outlook in the E.C. is for some slowing of the economy in the face of rising oil prices and reduced demand for Europe's exports to the United States. Economic growth in the nine countries may average not much more than one per ccnt this year. Special measures to support the sagging European steel industries in 1977 seem to have produced some positive effects: Profits have improved and some steel companies are now operating in the black. Others are covering their operating costs, although not their financial charges (this is particularly true of the French and Belgian industries). The British and Italian steel industries are still not performing satisfactorily. The improvement in capacity utilization has been disappointing to Community officials, but it has increased to more than 70 per cent. Overall capacity in the Community has decreased from some 210 million tons to a current level between 190 and 195 million tons. Plant closures and decreased manning levels are expected to reduce the industry's manpower from 781,000 in 1975 to 620,000 this year. Even with this manpower reduction, productivitiy in the E.C. industry is still estimated to be some 10 per cent lower than in Japan.

For Canadian exporters of non-ferrous metals, the E.C. markets continue to be relatively strong although signs of weakness are beginning to show in declining prices.

Japan

R.A. Lovatt, First Secretary
(Metals, Minerals and Energy), Tokyo
(Mr. Lovatt has now returned to duties in Ottawa.)

Richard Lovatt's report on Japan brought into sharp focus the relative success which Japan has achieved in grappling with its enormous problem of adjusting its economy to escalating energy import prices. In 1979 the Japanese economy

enjoyed a steady growth of 6 per cent with an inflation rate of 4.8 per cent. The current account moved from a surplus of $11.8 billion in 1978 to a deficit of $13.9 billion in 1979 caused largely by a 66 per cent increase in crude oil prices. Actual imports of oil were held at the 1978 level. Labour productivity in manufacturing increased by more than 12 per cent.

The steel industry increased production in 1979 to 112 million tonnes, up 9.4 per cent from 102 million tonnes in 1978. The industry still operated at only 70 per cent capacity with only 44 of its 65 blast furnaces in use. Record production of motor vehicles and ships contributed to this increased demand for steel. Some small slackening in steel demand is expected to result in a slight drop of crude steel production in 1980 to 108-110 million tonnes. Energy conservation has been practiced with considerable success. Nippon Steel improved its energy efficiency by 10 per cent between 1974 and 1978, and further savings of seven per cent is planned for the four-year period 1979-1983. Japan's environmental protection laws are very strict and the working environment in steel plants, and the environment in the surrounding neighbourhoods have been improved beyond recognition within the last 10 years.

Canada supplied Japan with 19 per cent of its coking coal requirements in 1979 (Australia supplied 47 per cent and the U.S. 24 per cent), and there are prospects for increasing our share of the Japanese market over the next few years — provided supplies from new Canadian mines can meet international competition.

Canada supplied Japan with 19 per cent of its coking coal requirements in 1979 (Australia supplied 47 per cent and the U.S. 24 per cent), and there are prospects for increasing our share of the Japanese market over the next few years — provided supplies from new Canadian mines can meet international competition. Japan plans to rely more heavily upon thermal coal as a primary energy source. Imports of thermal coal are expected to rise from the current one million tonne annual rate to 22 million tonnes by 1985 and more than 50 million tonnes by 1990. Australia is expected to supply about 40 per cent of these requirements, North America 30 per cent and other countries 30 per cent by the end of the 1980s.

The shortage of domestic energy supplies and rising costs of imported energy have created difficult problems for energy-intensive industries including the smelting and refining of non-ferrous metals. These difficulties create opportunities for countries well endowed with energy sources such as Australia and Canada to expand in these fields. The most energy intensive of all smelting operations is for aluminum. Official restructuring of the Japanese aluminum smelting industry is virtually complete. Smelting capacity has been reduced from 1.64 million tonnes in 1978 to 1.1 million tonnes in 1979. This has been achieved by scrapping 275,000 tonnes of capacity and "mothballing" 255,000 tonnes.

Restructuring of the ferro-silicon industry in Japan is planned to reduce domestic production from 320,000 tonnes in 1979 to an eventual 100,000 tonnes which will rely upon captive hydroelectric sources of power.

United States

D.B. Browne, Counsellor
(Commercial), Metals and Minerals, Washington

The recession in the United States, which had been expected for so long, hit harder than most people had expected. One bright spot is that industry generally entered the recession with low levels of metals inventories and thus when recovery begins, miners will not be plagued by market-depressing stock overhangs.

Anti-dumping complaints had been filed by U.S. steel producers against European Community suppliers. The complaints covered some 85 per cent of European steel exports to the U.S. The International Trade Commission had determined a preliminary indication of injury. In view of these anti-dumping complaints the operation of the Trigger Price Mechanism is suspended.

The lead market in the United States is very depressed and prices have fallen by almost 50 per cent. Some 63 per cent of lead consumption is for batteries, and the 1979/80 mild winter and depressed automotive market have resulted in a greatly reduced demand for lead. The American zinc industry is suffering from obsolete facilities and an inability to meet stringent environmental control requirements. There have been several plant closures with the most recent being St. Joseph's (Missouri) Manako plant which is not likely to re-open. There appears to be increased export opportunities for the Canadian zinc industry once the U.S. economic recovery is under way.

The aluminum market is one relatively bright spot in an otherwise gloomy U.S. outlook. Inventory rebuilding appears to have kept the price relatively firm. The U.S. smelting industry is having some difficulty with respect to securing future power supplies. Thus we can expect continuing good market prospects for Canadian aluminum producers. On the other hand, there is little room for optimism about the market prospects for asbestos. The Environmental Protection Agency and the Consumer Product Safety Commission have both published notices of their intentions to make rules limiting the availability of asbestos to manufacturers, and of asbestos products to the public. The Occupational Safety and Health Administration has also given informal notice of its intention to tighten up on permissible standards of exposure to asbestos fibre in the workplace.

Once the U.S. economic recovery is in motion the market prospects for metals and minerals in general will be highly favourable.

Ed. Note: The Report on Metals and Minerals in China, prepared by E.I.M. Lipman, appeared in the October 1980 issue of *Canada Commerce*.

Companies wishing to get in contact with the Metals, Minerals and Energy Counsellors will find their addresses listed in the new list of Canada's Trade Commissioners and Commercial Officers which is now available from *Canada Commerce* (see card in September 1980 issue).

New Canadian businesses often find the going tough at first. They also face the challenge of competing — in national and international markets — with their already successful, and much larger, counterparts. But when a small company is determined, has a top-quality product and, as in the two cases profiled here, has a little bit of help from a friend, the going becomes much easier. These two small but technologically advanced Quebec businesses prove the point. . . .

POCATEC

Recent newspaper accounts have made many people aware of Bombardier's completion of its first LRC train. The finished product will be delivered to Amtrak, the American corporation for which it was specifically designed and built.

Far fewer people know that the LRC comes equipped with battery chargers developed and manufactured by Pocatec, a small company in LaPocatière, Quebec, which specializes in advanced technology. These chargers enable batteries to be maintained at maximum performance, and are of particular use in emergency situations.

Pocatec has made many contributions to the development of highly sophisticated railway equipment. It has also created static-free communication systems for Via Rail and power source systems for the tests which Bombardier conducts on its products.

Located in what is very much an agricultural area of the Lower St. Lawrence, Pocatec employs four physicists, an electrical engineer, and a number of technologists. The company was incorporated in January, 1975 and until May, 1977, operated with only a part-time staff. Now most of its operations are carried out by full-time employees.

Pocatec manufactures a broad range of technical products, including sensors of every kind, electronic processing devices, score-boards and industrial quality control equipment. The company also has experience in analogue and numerical electronics, industrial electricity, optics and lasers, acoustics, radiation, vacuum technology and mechanics.

It designs, develops, and manufactures such products as computer interfaces, detection devices, fibre optic systems, electronic consoles, industrial analysis control mechanisms, electronic and thermal energy measuring and conservation systems, special power blocks, battery chargers, sound equipment, and educational aids.

Pocatec's achievements include an automatic granulometric analyzer and an arc spectrometer computer interface, both for Alcan, and a 100 MHz particle-counting interface for Laval University's Atomic and Molecular Research Centre.

The company has also designed, tested, and developed a number of sequence devices, such as resistance solderers, spark generators, electronic metronomes for sports events and music, phase-sequence indicators and numerical light-meters.

Although still small, Pocatec has a promising future; it is respected as a specialized, advanced technology company because it is involved in technological research. Much of its effort and profit is invested in this area, especially in the energy sector and in fibre optic communications.

The company received a boost through one of the Department of Industry, Trade and Commerce's business expansion programs. IT&C's Enterprise Development Program (EDP), which helps enterprising manufacturers through a selective system of grants and loan insurance, encouraged Pocatec in the development of its fibre optic systems.

Many Pocatec products are already establishing the company's reputation throughout and beyond Quebec; but as Pocatec's president, Fernand Landry, explains, because the company conducts almost all its marketing through distributors, it cannot possibly know the final destination of all of its products.

However, since it is the only Canadian manufacturer of numerical light-meters and electronic metronomes, its products will obviously have wide appeal — especially this fall when its fibre optic communication devices become available.

In short, Pocatec, which owes its foundation to a group of teachers enamoured of technology and is now a company with a solid team of specialists and researchers, is a fine example of a progressive small company which has every reason to look to the future with confidence.

CONSULAB

H.O.P. Consulab, located in the Quebec City suburb of Beauport, is another small Quebec business which excels in advanced technology and is active in Canadian as well as international markets.

Consulab was founded in 1963 and began by producing electrical conduits and adaptors. Although it still manufactures these items, the company has rapidly diversified.

Today the company employs a staff of 50, including several specialists, and manufactures a broad range of sophisticated products through its educational and industrial departments.

Consulab is successful in the educational area because it manufactures new, modular, portable products used in teaching electricity and electronics. As a result, its clientele, which includes corporations, universities and secondary schools, is not obliged to set up all the permanent equipment required by laboratories working in these areas.

The originality of such products has made Consulab active in a broad range of markets. In 1979, for example, the company exported approximately 50 per cent of its production in this field to Australia, Latin America, Africa, and elsewhere — a major increase because exports in earlier years had represented about 30 per cent of the educational department's production.

Since it entered the export market, Consulab has sold its products to the United States, Venezuela, Costa Rica, Thailand, the Philippines, Korea, Pakistan, Iran, Dahomey and Algeria.

Consulab is making a concerted effort to expand its already impressive operations by exhibiting its products at foreign trade fairs. Here it has received assistance from IT&C's Program for Export Market Development (PEMD). At the New Orleans and Los Angeles fairs immediate sales were made. More were concluded later. Consulab is ready to move into the European market in the very near future.

The company's industrial department specializes in such energy-saving equipment as power factor regulators and maximum power call regulators. It also manufactures electrical conduits and adaptors. Consulab is a leader in the area of power factor regulators, with patents in Canada and the U.S.

Consulab's industrial department sells its products in Canada to clients in the mining and pulp and paper industries.

Like most other small Quebec businesses working in the field of advanced technology, Consulab is conducting research and development and receives grants from IT&C.

The company's expansion is a reflection of its dynamic nature. Last year, for example, Consulab opened an office in Baltimore, Maryland, thus gaining access to a large part of the vast U.S. industrial market. It also has an office in Montreal.

Consulab employs a team of highly specialized engineers and technicians. Its president, J.L. Beaudoin, recently indicated that the company's current prospects are excellent. Mr. Beaudoin also estimates that in 1980 Consulab's turnover will increase by 20 per cent over last year.

These aggressive research, development and marketing efforts, together with the assistance of Canadian trade representatives abroad, are among the basic reasons for the success of this Quebec company.

W.E. (Ted) Littler is Vice President, Sales, of one of Canada's largest automotive specialty chemical companies, Kleen-Flo Tumbler Industries Limited. Over the past six years he has been responsible for the total redesign of more than 100 automotive products, the creation of product catalogues and the concepts used in their point-of-purchase and national advertising campaigns for export markets. Kleen-Flo entered the field of foreign trade seven years ago and today sells in more than 60 countries. The following article, specially prepared for Canada Commerce, *reflects that company's practical experience. . . .*

How to Approach Export Markets
Steps in Five Careful Stages for Beginner Companies

by W.E. Littler

"Our involvement in the export business has definitely improved our domestic activities. It is safe to say that we are well ahead of our competition in marketing because we have faced much tougher sales problems than the Canadian market . . . ."

This article is aimed at the smaller Canadian company that is thinking about entering into foreign trade but has only a vague concept of export market approach. They may not be too sure whether they really want to take the plunge at all or doubtful about how to develop a basic marketing plan/philosophy.

That is exactly the position my company was in about five years ago.

I should tell you a little more about Kleen-Flo, since you will have a greater appreciation of the marketing techniques utilized if you know about the products that we sell.

Kleen-Flo sells automotive chemicals — radiator sealers, gasket compounds, anti-rust compounds, car polishes, oil and gas additives. The market for these products in both Canada and around the world is very competitive, so that strong merchandising approaches must be used to promote them.

Kleen-Flo entered the export market in 1973 for several reasons. . . .

- **We had excellent penetration of the Canadian market and felt that future growth could be reduced due to limited population and vehicle expansion rates.**
- **Our packages were bilingual.**
- **We suspected that with the rapidly growing world vehicle population (mainly in underdeveloped countries) of about 288 million cars and 79 million trucks and buses, our products would find ready buyers.**
- **We felt that we had something to sell in terms of technology and promotional know-how since our products had been used in one of the toughest markets in the world for more than 30 years. (Toughest in terms of wide temperature range, from sub-zero winters to scorching Prairie summers, and toughest in terms of the end-market application since most vehicles manufactured around the world are available in Canada.)**

So, we went into the export business . . . and started to re-educate ourselves!

STAGE ONE

We discovered that our packaging was outdated; we didn't know anything about international price levels for products such as ours; we were too generous with credit; our printed matter was drab and uninteresting. We did one thing right, however, we didn't go all over the world all at once. We chose the Caribbean area because it was English- and French-speaking, it was near Canada and regularly serviced by Canadian shipping lines. In addition, it did not have insurmountable trade barriers since it was a member of the Commonwealth and had strong ties with Canada.

Obtaining Statistical Information

Few underdeveloped countries are able to provide statistical information on particular products. However, in industrialized nations, this task is not such a challenge. For instance, the United States and most European countries are able to supply the exporter with relevant information.

International trade magazines, especially those published by the Americans and British, can often provide useful product information. "Automobile International" magazine published in New York issues annually an analysis of the automotive industry worldwide, identifying car, bus and truck populations by country.

Commercial Officers at Canadian embassies are useful contacts. However, be sure not to overload them with intricate questions which would take a major market survey for them to answer! Remember, you are only one of the companies they are assisting to enter into their particular area. The U.S. publishes excellent foreign trade information. A list can be obtained from the United States Consulate General office.

Often your local agent can obtain access to importation records in his particular country, but of course, you have to have a contact before this method can be utilized.

Obtaining Sales Leads
After you have selected the particular geographical area to begin your export activities, prepare a short, concise letter addressed to the Commercial Officer of the Canadian Embassy in that particular area encompassing the following:

- **A description of the product range.**
- **Important sales features, size of market, probable profit ratios.**
- **C.I.F. prices for a major central port within that particular geographical area, perhaps in the form of a typical pro forma invoice.***
- **Your payment requirements — i.e. open account, irrevocable confirmed letter of credit, sight draft.**
- **Your manufacturing ability, availability of the goods, and the approximate time from receipt of order to the arrival of the goods.**
- **Type of distributor you are looking for — a manufacturer's representative who would work on commission, an agent who would import and pay for the goods for redistribution, or a large, retail-oriented organization, i.e. a mass merchandiser.**
- **Illustrated catalogues or sales sheets, preferably in colour, on your product range and promotional techniques.**

In short, give the local Commercial Officer as much concise, attractive information as possible, so that he can quickly grasp your product line and your approach, to convey your requirements to several businessmen.

The Commercial Officer will then contact several companies who, in turn, will contact you. Keep the Embassy informed by sending them copies of your correspondence.

Other methods of obtaining leads are to contact other Canadian and foreign exporters who sell products similar to your own. In Kleen-Flo's case, a company selling lubricating oil, brake pads, oil filters, exhaust parts, etc. would naturally be interested in selling automotive chemicals.

Don't be afraid to contact large international organizations related to your industry and request a copy of their agencies worldwide. This information can quickly help you locate companies who may be interested in adding extra lines.

We have found that placing small advertisements in international trade magazines indicating that we are interested in appointing aggressive, profit-conscious companies, has yielded some of our best export agents.

Trade Fairs
Lufthansa publishes an excellent booklet titled "Calendar of Events — Trade Fairs and Exhibitions," which is an international listing. (Available from Canadian German Chamber, 480 University Avenue, Suite 1510, Toronto, Ontario M5G 1V6.) Attending trade fairs, whether you are an exhibitor or not, provides excellent contacts.

Federal and provincial government trade fairs provide an excellent method of reaching foreign buyers and offer the advantages of reasonable cost, plus instant credibility.

Advertising for Agents
Design your own advertisements and place them in major trade magazines — both British and American. (Canada, unfortunately, does not have many internationally known trade magazines.)

Make the advertisements small and concise and don't try to be clever with snappy expressions or gimmicks! Choose only international magazines that are read the world over. Tell them why your products are unique, show them which packages you sell, indicate that you have competitive prices, and that you can deliver. Nothing more. International businessmen are far too busy to wade through your company's history or aspirations!

Advertisements of this nature have yielded my company up to 70 replies per issue.

Package/Product Design
Take a long hard look at the products you intend to sell abroad. Your design and brand name may be quite popular in this country, but it's probably unknown abroad. The moral here, then, is not to fall in love with your 20-year-old product design! Don't try to do a redesign of the product yourself, since there are many young professional designers ready to do the job for you. For example, we have used Seymour Graphics and Richard Smerdon Concept Art & Design.

When redesigning your products, use the "show and tell" technique — try to design them in such a way that the foreign consumer does not have to read the copy. In this way, the language problem is overcome and an accelerated buying decision obtained.

When redesigning your products, use the "show and tell" technique — try to design them in such a way that the foreign consumer does not have to read the copy. In this way, the language problem is overcome and an accelerated buying decision obtained.

Try to use as much colour as possible, and, in the case of smaller products, consider self-contained display cartons.

Since Canada enjoys an excellent image abroad, Kleen-Flo has for several years incorporated the Canadian flag on all its packages and export publications. Apply to the Secretary of State for permission to use the Canadian flag.

Don't forget to include on all products and publications, "Made in Canada," for customs purposes.

When visiting a country, check any problems which could occur in package design. For instance, your colours or symbols could unwittingly conflict with religious or cultural taboos. Your local agent will be able to advise you.

Negotiating Your First Sale by Correspondence
Let us assume that you've now found an interested buyer and are entering the negotiation phase.

First of all ask that he indicate to you a typical order to enable you to generate a pro forma invoice that will allow him to raise an irrevocable confirmed letter of credit.

Almost without doubt he will ask you for an exclusive agreement.

Do not give it to him!

Under no circumstances enter into a long-term agreement with a party that you have not met even though he has written the best commercial letter you've ever read! Instead, indicate in your reply that you would much prefer a "gentleman's agreement" in the first phase of your negotiations, and that after the second order has been shipped, you will be willing to discuss firmer commercial arrangements with regard to exclusive territories, etc.

For safety's sake, insist upon an irrevocable confirmed letter of credit and try not to sell on an open account basis.

Let's assume that the irrevocable confirmed letter of credit arrives at the bank and you now have to prepare the documentation. For newer companies, I would suggest that you contact one of the excellent freight forwarders available in Canada and leave the sometimes difficult task of documentation entirely in their hands. For this, a nominal charge will apply. However, for companies with inexperienced personnel, it is the most effective method of completing the transaction.

STAGE TWO
Visiting the Foreign Territory
We have now reached the stage where your products have been shipped abroad and you have received payment. By this time, the agent may have indicated his lack of product knowledge and its effect upon sales or expressed some doubt as to which path he should take for developing his market or that he wants a special discount to develop an advertising campaign.

It is difficult to answer questions of this nature, therefore a visit to the particular country is essential.

"Confucius say, exporter who covers chair seat rather than foreign territory — will always remain on bottom!"

Visits abroad are obviously the best way to get your story across. Both the provincial and federal governments have excellent schemes and the co-operation and encouragement that we have received from both governments has been superb.

Pre-organization of your export visit is

*(In South America, most buyers wish to be quoted F.O.B. Miami or New York in U.S. dollars. Arrangement for the C.I.F. is negotiated later).

vital. When you, or your employee, visit a particular territory, make sure that he knows all about your products, your prices and your policies. He will be landing in some countries where the importer expects the President or Vice-President to visit him and expects the company representative to have all the answers.

- **Develop C.I.F. prices for that particular territory on all products.**
- **Prepare a photograph album showing close-ups of your products, typical Canadian in-store displays, photographs of promotional programs, photographs of the manufacturing facility and office arrangements — these often interest potential buyers.**
- **Carry a schedule of sailings from major Canadian ports taking into consideration the closing of the St. Lawrence Seaway.**
- **Indicate the difference in price between a typical export pack and shipping your goods in container load quantities, if applicable.**

Arriving in a country well-equipped and well-informed will allow you to increase your own sales if you are fortunate enough to have already obtained a distributor. Being well-prepared will also allow you to make clear, concise presentations to the interested organizations recommended by the local Canadian Embassy.

Before entering into any firm negotiations in a new country, I much prefer to spend a day or so looking at the market on my own — visiting service stations, garages, large retail stores, large fleets. This is not as difficult as it appears since I usually walk out of the hotel, hail a cab and explain to him that I want to visit "as many service stations and large department stores in the next five hours as possible!"

The taxi driver, I suspect, often shakes his head in disbelief but I usually obtain a much firmer "feel" for the local market before I enter into firm negotiations with a potential distributor.

Call on agents who are distributing your competitors' products as part of your market survey. There is always the possibility that he is dissatisfied with his present supplier and would like to obtain a more attractive, or profitable, line.

Choosing a Distributor

Aspects which influence your choice of distributor will include the following:

- **his grasp of the local market, business contacts, acceptance**
- **financial reliability**
- **other lines carried**
- **warehousing, office facilities**
- **familiarity with importing requirements and ability to correspond in English.**

We have found from experience that the biggest agent is not always the best since products can often get lost in his crowded line-up.

STAGE THREE

Let us assume that you have decided upon a particular company, shipped and received payment for your first order, and now, since you are visiting that particular country intend to intensify the marketing of your goods there.

Price Lists

Do not simply issue your Canadian price list and tell him that it's "40 per cent off!"

Try to control every piece of paper that the local foreign representative carries. For instance, try to design your price lists so that they inform the buyer, rather than simply tell him the price.

Include. . . .

- **A small illustration of the product.**
- **A one sentence sales message, in three languages, of that product.**
- **Package dimensions, weight and volume (preferably metric measure).**
- **Local price, i.e. after all import duties have been paid, agent's mark-up, etc.**

We make our export price lists available in two editions, the first edition is our prices F.O.B. Toronto and the second edition is a "price blank" edition, which allows the local agent to fill in his local prices.

In this way we can control what the foreign salesman carries with him, ensuring that all the essential details are available to him to close the sale.

Product Catalogues

Here again, try to use the "show and tell" technique.

If your budget allows it, have your product catalogues, sales sheets and so on printed in full colour: a well-designed, colourful publication can pre-sell the buyer before he actually sees the goods. In addition to showing the product, try to show it in use, and again include copy in three languages (English, French and Spanish).

Kleen-Flo uses the same product catalogue in the Canadian market as it does in the export market. Our export sales could not support a full colour product catalogue. None of our Canadian customers has objected to the presence of Spanish in our catalogues!

Attractive publications are very important in the export business since you will be judged by your "paper." If your publicity material is poor and uninspiring, you can expect your sales to reflect it.

Foreign Representative Training

Of course, it is more difficult to train salesmen in foreign countries than it is in Canada. To overcome this problem, generate an "Export Newsletter" on a regular basis to inform your foreign customers of the latest product development, a new technique for selling an old product, the sales prize for a particular campaign, etc.

Secondly, generate a product sales sheet designed to provide the local salesman with more information than the product catalogue carries. Do not make it too long-winded, and again, show both the product and the product being used.

To educate foreign salesmen on our line of products, we issue booklets called "Five Minute Facts." As the name implies these are designed to be read in not more than five minutes. They all have the same paragraph headings . . . What? Where? How? When? Why? and then Buyer Benefits — listing up to 10 features of the particular product.

This approach to salesmen's education has been so successful that we now make them available in five different languages, most of which have been translated and printed locally, at no charge to us.

A salesman cannot sell effectively if he does not know his product!

Of course, advertising is essential with consumer products and this will be one of the first financial commitments you will have to make when you appoint a foreign distributor.

Advertising

Of course, advertising is essential with consumer products and this will be one of the first financial commitments you will have to make when you appoint a foreign distributor.

We have never believed it sensible to launch a strong advertising campaign in the expectation of receiving business. That is a risky method of opening up a market!

It is not wise to advertise until you have obtained reasonable distribution.

When you obtain that distribution, and your products are placed on the shelves of the stores, the shop assistants will know very little about your product, and the consumer will not recognize your brand. How do you solve the publicity problem?

We have found from experience that well-designed, informative point-of-purchase information systems not only attract the consumer but educate him into purchasing our brand names.

Let's look a little more closely at why we stress point-of-purchase promotional techniques so strongly in the export market.

With practically any commodity today the range of choice for the buyer is vast. In most retail stores, knowledgeable assistance is rarely at hand to help the consumer make a choice.

The usual method of overcoming this problem is to launch a national advertising campaign. The challenge, then, is to develop a successful method of moving consumer goods without a national advertising campaign.

To make an intelligent buying decision, the consumer needs information.

The advantages of an attractive, well-designed, point-of purchase consumer information system are:

- **They are efficient, since information is available when the consumer is actually making the buying decision.**
- **They can promote both high gross margin and high volume products.**
- **They persuade the retailer to allocate you shelf space and reduce the chance of him "cherry picking" your line; if the product is mentioned on the point-of-purchase charts, it should be on the shelves.**
- **Consumer information systems trigger the spontaneous purchase and remind the consumer that he has a "problem" or a "need."**
- **They are usually of moderate cost.**

This approach to product advertising/promotion helps to sell technical products to non-technical buyers.

To illustrate the technique, Kleen-Flo supplies four-foot (1.2 m), double-sided illuminated screens, which, when attached to the top of existing product displays, answer most "car care" questions without any sales help.

They provide accurate, up-to-date information aimed at a specific market segment and are available in different languages. With every $6,000 order, the customer receives an Auto Data Centre — free. In this way, our products, our trade and consumer education program and our advertising enter the market at the same time.

We have found that this form of merchandising increases our gross margin, sells a wider mix of products, and has materially assisted us in obtaining an increased share of shelf space and markets.

Financing Local Advertising

When suitable distribution has been achieved, fortified with a strong point-of-purchase consumer information system, the next approach is to promote in other advertising channels.

Cinemas are a popular medium abroad, utilizing colour slides which are displayed on the screen during the intermission. Advertising in foreign trade magazines, billboard campaigns and of course, television, can quickly consume large amounts of your advertising dollar. A good rule to adopt if you do not generate the advertising yourself is to be very cautious about the size of the budget for a particular territory. If possible, allow a promotion/advertising amount based on total annual sales, which is payable when the amount is matched equally by the agent or the distributor. Three to five per cent, depending on your product line, is a good starting point.

Of course, before your half of the bargain becomes payable, you will require full details of how the money was spent, in the form of actual newspaper or magazine advertisements, photographs of billboards, tapes of radio and TV promotions, copies of handbills and posters, etc.

Over the years we have found it advisable to only suggest to the agent the basic design of the advertisement and the copy. We leave it to them to obtain a local translation to ensure that the right "accent" is obtained.

STAGE FOUR

Developing the Local Marketing Program

Try not to rush in and out of a great many countries in one trip. Make as many customer calls as possible while you are visiting a particular country to see the market for yourself. This first-hand experience will be invaluable to you when you return to Canada.

While you are with your new distributor, organize a sales seminar for the local sales force. Before you start your sales seminar, tell the salesmen that you will be sending around a questionnaire at the end of the session to determine how much they have learned — even if you have no intention of doing it! In this way, perhaps you can hold their attention for most of the time!

Show the product, how to use it, where and how to sell it and emphasize its main features and benefits. Show your sales incentive, preferably produced in North America, i.e. a company-identified wrist watch, sportswear, etc., or, in the event of an annual sales target, describe a trip to Canada and a visit to your operation.

If your budget can handle it, a cocktail party, with major purchasing agents of the local country, is often a good way to get your marketing program show on the road.

Your earlier marketing exposure will allow you by now to clearly define the market you want. Do you want to emphasize sales into retail stores only? Which trade route will you be taking — through major distributors or direct to the final retail outlet?

"Show and tell" the sales force about your price list, catalogue and sales sheets, and ensure that they know how to use them.

Before you leave the country, agree with your new distributor on an annual sales target. If this is achieved, you would allow him, say, a one per cent discount, retroactive to the first dollar, on reaching target.

STAGE FIVE

You will find that after awhile your existing agents and new agents will want to visit you. Ensure that both you and your staff are organized to make an excellent impression. Perhaps this will entail showing the manufacturing facility; allowing him time with your engineers or chemists to discuss particular product problems; indicating to him new products you have on the drawing board and exposing him to your advertising/marketing people and the approach they take in developing new techniques.

Our involvement in the export business has definitely improved our domestic activities. It is safe to say that we are well ahead of our competition in marketing because we have faced much tougher sales problems than the Canadian market.

By making use of the techniques described above, our problem today is not "How can we sell more products abroad," but "How can we ship enough to those export agents who have ordered the goods!"

Bon voyage!

Conclusion

- **Select one area of the world to spread your wings before you tackle the rest — don't attempt too much, too fast.**
- **Wherever possible use attractive, full colour, informative literature, preferably in the three major languages — English, French and Spanish.**
- **Try to design your products so that the package sells itself.**
- **Advertise for export leads.**
- **Use point-of-purchase advertising to save money and to control the promotional techniques used abroad.**
- **Be sensible in your initial targets and gross margin requirements.**
- **Be prepared to sell at varying margins, at varying discounts, in different countries.**
- **Don't send your domestic price list and tell him it's "40 per cent off!"**
- **If at first you don't succeed, analyze, change, and try again.**

Trade Fair Round-Up

by Lillian Jones

This attractive ensemble is a part of the Dorbin Limited (Montreal) collection of fashionable, made-to-last garments for swimming, running and racquet sports featured at ISPO '80.

ISPO '80 FALL

With the assistance of IT&C, 22 Canadian manufacturers of sporting goods equipment, clothing and footwear showed their quality products at this 13th International Sports Equipment Fair in Munich, Federal Republic of Germany, August 28-31, 1980.

Variety was the key element of the Canadian exhibit which included fashionable leisurewear and sportswear; waterproof clothing; footwear for fishing, hunting and hiking; gymnastic, gymnasium, golf and exercise equipment; hockey and roller skates; protective gear; backpacking and mountaineering tents; a portable instant boat; plus a large selection of accessories and equipment for miscellaneous sports such as archery, golf, fishing, baseball, lacrosse, hockey, tennis, racquet, and other ball sports.

On-site sales topped $690,000 at this Show, while future 12-month follow-on sales were estimated to be more than $12½ million, which would indicate that Canadian companies wishing to expand their exports, or begin exporting, need this kind of exposure for their products.

Remarks made by the visitors, exhibitors, and fair authorities were most complimentary on the Canadian presentation and organization. Most exhibitors were satisfied with the results achieved and expressed a desire to participate at ISPO '81 FALL.

Successful Show Down Under

Eleven Canadian manufacturers of farm equipment and supplies exhibited a broad range of products — from heavy machinery such as rock pickers and combines to crop markers and livestock identification tags — at AG-QUIP '80 in Gunnedah, N.S.W. from August 19-21, 1980.

Much of the Canadian equipment making its first appearance before Australian farmers has undergone extensive field testing and use in international agricultural areas.

This exhibit, sponsored by IT&C, was well received — all the equipment from Canada was sold: on-site sales totalled $550,000 — and future sales are estimated at more than $4 million.

Here is what three of the Canadian exhibitors had to say about their experience at the Show...

ADJA Industries Ltd. of Calgary (manufacturers of crop marking equipment) said that "they could not suggest anything better."

Rock-O-Matic Industries Inc. of Vonda, Saskatchewan (producers of rock pickers and windrowers) reported that "this year was perfect."

And Ketchum Manufacturing Sales Ltd. of Ottawa (makers of livestock, poultry and meat identification equipment) believed that "the exhibit was very worthwhile and the credibility of their company and products was enhanced by participating in the Show."

Farm Machinery Manufacturers Received Ideas for New Lines and Designs plus Sales at U.S. Show

Nine Canadian companies displayed their agricultural machinery at The Empire Farm Days 1980 Show in Pompey, New York from August 12-14, 1980.

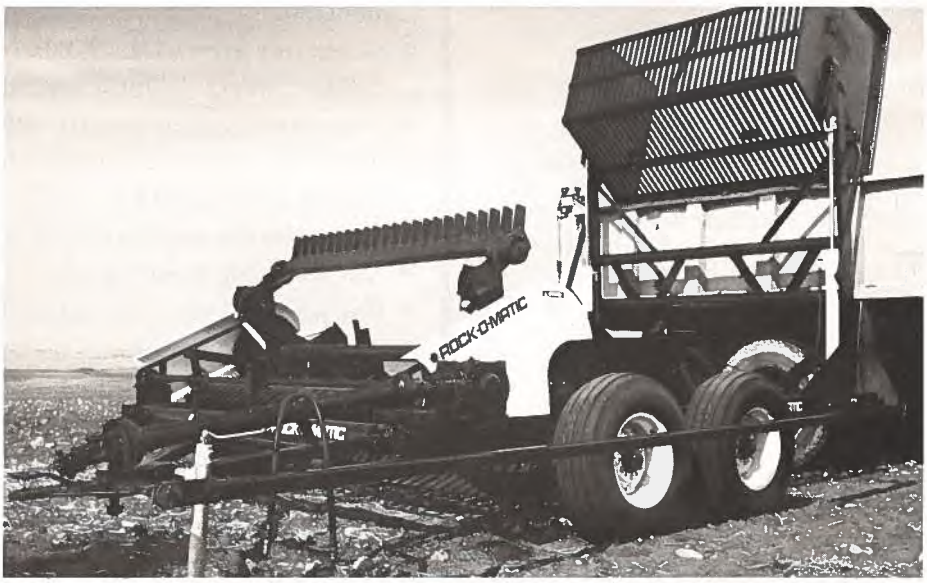
With on-site sales totalling $161,256 — at a time of economic recession, high interest rates, and the resultant decrease in purchases of capital goods (including farm machinery) — this Show must be considered a success.

Dynavent Farm Equipment Inc. of Victoriaville, Quebec, manufacturers of crop dryers and other implements for farm use, including a high-capacity bedding chopper and a suspension silo unloader, reported after the Show that, "the interest shown by many visitors and by one distributor for high capacity ventilating fans will get us started on design of a new series not yet available in our product line."

JNB Equipment of Canada Ltd., Dunham, Quebec, producers of nesting equipment for poultry and automatic feeding systems for hogs and cattle, received suggestions for a new line of equipment.

Fristamat Ltd., Kitchener, Ontario; Thomas Equipment Ltd., Centreville, New Brunswick, and WIC Inc., Wickham, Quebec, are expecting additional sales during the next 12 months.

Canadian manufacturers have developed a remarkable range of agricultural equipment and Canada is one of the world's largest exporters of farm machinery — most of which is sold in the United States.



Shown here is a rock picker (high lift type) manufactured by Rock-O-Matic Industries Inc. of Vonda, Saskatchewan one of the Canadian companies which exhibited agricultural machinery at AG-QUIP '80 in Australia.

Multilateral Project Opportunities

The following list of Multilateral Project Opportunities has been prepared by the Office of Overseas Projects (OPS) to inform Canadian companies of the projects being considered or already approved for financing by the international financing institutions such as the World Bank and UNDP. It is important to note that further information is available on approved projects only and may be obtained from the respective geographical division of OPS listed below.

In order to capitalize on these export opportunities, experience has shown that getting in on the ground floor by advance marketing activities or use of local agents has increased the probability of success. Small to medium companies may wish to consider participating as a sub-supplier or as part of a consortium bidding on equipment packages.

The Office of Overseas Projects is prepared to assist companies in formulating their bids, and to suggest the appropriate contacts for companies interested in obtaining insurance, bonds and performance guarantees which are often required as part of tender specifications.

In addition, our Trade Commissioners, the Department's personnel abroad, are ready to assist you in pursuing business such as arranging meetings for you with personnel at the executing agencies. The Department of Industry, Trade and Commerce also has liaison officers in Washington and Manila, who are prepared to undertake enquiries on your behalf, however, we recommend that you contact the appropriate officer listed below for your initial enquiry.

Projects under consideration

AFRICA AND MIDDLE EAST (613) 995-7752

CAMEROON
Contact: P.A. Rolland
Extension of industrial berth for clinker handling and transfer of banana shipment to general cargo facilities
World Bank (IBRD) — $30.0 M

GUINEA-BISSAU
Contact: P.A. Rolland
Development Oil Exploration Project
World Bank (IDA) — $5.0 M

MALI
Contact: P.A. Rolland
Gasohol Production of ethyl alcohol
World Bank (IDA) — $3.0 M

Petroleum Exploration Promotion
World Bank (IDA) — $8.0 M

MAURITANIA
Contact: P.A. Rolland
Technical Assistance for petroleum exploration
World Bank (IDA) — $2.8 M

SENEGAL
Contact: P.A. Rolland
Primary Health Care Project
World Bank (IDA) — $10.0 M

TOGO
Contact: P.A. Rolland
Studies and basic engineering for phosphoric acid plant
World Bank (IDA) — $5.0 M

UPPER VOLTA
Contact: P.A. Rolland
Kampienga multipurpose (hydropower, fishing, irrigation) project
World Bank (IDA) — $20.0 M

ZAIRE
Contact: P.A. Rolland
Ports I (ONATRA)
World Bank (IDA) — $10.0 M (approx)

ASIA / PACIFIC (613) 996-8661

BANGLADESH
Contact: Bob Evans
Small-Scale Irrigation
Asian Development Bank (AsDB) — Amount to be determined
Consultants will be recruited by the Bank.

BURMA
Contact: Bob Evans
Technical and Agricultural Education
Asian Development Bank (AsDB) — Amount to be determined
No decision made whether consultants will be required.

INDONESIA
Contact: J. Brenchley
University of North Sumatra
Asian Development Bank (AsDB) — $20.0 M
No decision made whether consultants will be required.

Tangari Hydropower and Minahasa Distribution
Asian Development Bank (AsDB) — $38.0 M (approx)
Consultants will be required.

Bunyu Methanol
International Finance Corporation (IFC) — $25.0 M — $30.0 M

KIRIBATI
Contact: Mary Vandenhoff
Causeway: Geotechnical Investigation
Asian Development Bank (AsDB) — Amount to be determined
Consultants will be recruited by the Bank.

NEPAL
Contact: Bob Evans
Agricultural Sector Study
Asian Development Bank (AsDB) — Amount to be determined
Consultants will be recruited by the Bank.

PAKISTAN
Contact: Bob Evans
Agro-Technical Education
Asian Development Bank (AsDB) — Amount to be determined
No decision made whether consultants will be required.

South Rohri Water Management
Asian Development Bank (AsDB) — Amount to be determined
Consultants will be recruited by the Bank.

PHILIPPINES
Contact: J. MacLeod
Road Improvement
Asian Development Bank (AsDB) — Amount to be determined
Consultants will be recruited by the Bank.

Pasar Copper Smelter
International Finance Corporation (IFC) — $5.0 M

SRI LANKA
Contact: Bob Evans
National Development Bank of Sri Lanka
Asian Development Bank (AsDB) — $10.0 M
No decision made whether consultants will be required.

WESTERN HEMISPHERE / EUROPE (613) 996-5357

BOLIVIA
Contact: Fred Spoke
Water and Sewage System for Tarija
Inter-American Development Bank (IADB) — $7.6 M

COSTA RICA
Contact: F.R. Harris
Rural projects
Inter-American Development Bank (IADB) — $0.5 M

GUYANA
Contact: Fred Spoke
Fisheries
Inter-American Development Bank (IADB) — $0.5 M

HONDURAS
Contact: F.R. Harris
Study on the control and eradication of ticks and myiasis
Inter-American Development Bank (IADB) — $0.1 M
(Technical Cooperation)

Training program for El Cajon Hydroelectric Project
Inter-American Development Bank (IADB) — $1.56 M

JAMAICA
Contact: Fred Spoke
Exploration Project
Inter-American Development Bank (IADB) — $14.4 M

NICARAGUA
Contact: F.R. Harris
Agroindustrial Credit Program
Inter-American Development Bank (IADB) — $65.0 M

Second stage in the development of forest in the Northeast
Inter-American Development Bank (IADB) — $11.2 M

Construction of Health Posts
Inter-American Development Bank (IADB) — $2.0 M

PARAGUAY
Contact: J.G. Carson
Reforestation Credit
Inter-American Development Bank (IADB) — $5.5 M

Aquiculture and artisan fishing
Inter-American Development Bank (IADB) — Amount to be determined
(Technical Cooperation)

Approved projects

AFRICA / MIDDLE EAST (613) 995-7752

ALGERIA
Contact: Roger Beare
Fourth Highway
World Bank (IBRD) — $110.0 M

BURUNDI
Contact: P.A. Rolland
Telecommunications
World Bank (IDA) — $7.7 M

Construction of Mutambara-Nyanza Lac Road
African Development Fund (AfDF) — FUA 10.0 M

Bujumbura-Mutambara Road Construction
African Development Fund (AfDF) — FUA 1.23 M
(supplement)

EGYPT, ARAB REP
Third Power
World Bank (IBRD) — $7.0 M; (IDA) — $120.0 M

Line of Credit for DIB sub-projects
African Development Bank (AfDB) — UA 10.0 M

ETHIOPIA
Rural Roads
African Development Fund (AfDF) — FUA 8.0 M

GAMBIA
Contact: P.A. Rolland
Banjul Sewerage and Drainage
African Development Fund (AfDF) — FUA 8.0 M

GHANA
Contact: S.A. Reid
Line of Credit (fisheries)
African Development Fund (AfDF) — FUA 8.0 M

GUINEA-BISSAU
Contact: P.A. Rolland
Roads I
African Development Fund (AfDF) — FUA 4.6 M
(supplement)

IVORY COAST
Contact: P.A. Rolland
First Power
World Bank (IBRD) — $33.0 M

JORDAN
Contact: Roger Beare
Urban Development
World Bank (IBRD) — $21.0 M

MADAGASCAR
Contact: P.A. Rolland
Agricultural Credit
World Bank (IDA) — $11.5 M

MALAWI
Contact: S.A. Reid
Primary and Tertiary Education
African Development Fund (AfDF) — FUA 8.0 M

MALI
Contact: P.A. Rolland
Selingue Rural Development
African Development Fund (AfDF) — FUA 11.0 M

MAURITIUS
Contact: S.A. Reid
Rehabilitation of roads and bridges damaged by cyclones
African Development Fund (AfDF) — FUA 3.7 M

RWANDA
Contact: P.A. Rolland
Telecommunications
World Bank (IDA) — $7.5 M

SENEGAL
Contact: P.A. Rolland
Sotexka Project
African Development Bank (AfDB) — UA 8.0 M

TANZANIA
Contact: S.A. Reid
Seventh Education
World Bank (IDA) — $25.0 M

TUNISIA
Contact: Roger Beare
Third Agricultural Credit
World Bank (IBRD) — $30.0 M

Line of Credit
African Development Bank (AfDB) — UA 10.0 M

UGANDA
Contact: S.A. Reid
AfDB Line of Credit to finance industrial rehabilitation
African Development Bank (AfDB) — UA 10.0 M

YEMEN ARAB REP
Contact: P. Furesz
Second Southern Uplands Rural Development
World Bank (IDA) — $17.0 M

ZAMBIA
Contact: S.A. Reid
Nakambala Smallholder Sugar Project
African Development Fund (AfDF) — FUA 8.0 M

Small- and Medium-scale Industry
African Development Bank (AfDB) — UA 8.0 M

ASIA / PACIFIC (613) 996-8661

Note:
The Procurement is the same for all projects financed by the Asian Development Bank. Each supply contract for equipment or materials costing $150,000 or more shall be awarded under international competitive bidding and under $150,000 will be on the basis of international shopping.

BANGLADESH
Contact: Bob Evans
Fourth Education
World Bank (IDA) — $40.0 M

Second Agricultural Credit
Asian Development Fund (AsDF) — $28.1 M; Technical Assistance — $0.29 M

BURMA
Contact: Bob Evans
Forestry Development II
Asian Development Bank (AsDB) — Amount to be determined

INDIA
Contact: Bob Evans
Farakka Thermal Power
World Bank (IDA) — $225.0 M; (IBRD) — $25.0 M.

Kandi Watershed & Area Development
World Bank (IBRD) — $30.0 M

INDONESIA
Contact: J. Brenchley
Smallholder Coconut Development
World Bank (IBRD) — $46.0 M

Second Java EHV Transmission
Asian Development Bank (AsDB) — $60.7 M (OC)

KOREA
Contact: Helen MacNicol
Second Incheon Port Development
Asian Development Bank (AsDB) — $54.0 M (OC)

NEPAL
Contact: Bob Evans
Third Water Supply and Sewerage
World Bank (IDA) — $27.0 M

Mahakali Irrigation Project (stage I)
World Bank (IDA) — $16.0 M

PHILIPPINES
Contact: J. MacLeod
Watershed Management and Erosion Control
World Bank (IBRD) — $38.0 M

Third Livestock and Fisheries Credit
World Bank (IBRD) — $45.0 M

Manila Sewerage
Asian Development Bank (AsDB) — $42.8 M (OC)

SRI LANKA
Contact: Bob Evans
Community Forestry
Asian Development Bank (AsDB) — Amount to be determined

THAILAND
Contact: Helen MacNicol
Inland Waterways and Coastal Ports
World Bank (IBRD) — $53.0 M

WESTERN HEMISPHERE / EUROPE (613) 996-5357

BRAZIL
Contact: J.G. Carson
Electrosul Second Power Transmission
World Bank (IBRD) — $125.0 M

MEXICO
Contact: J. Pierce
Seventh Agricultural Credit
World Bank (IBRD) — $325.0 M

PERU
Contact: Fred Spoke
Bayovar Phosphate Project
World Bank (IBRD) — $7.5 M

Chimobote Steel Mill
World Bank (IBRD) — $5.0 M

Caribbean Development Bank and U.N. Publication Announce Agreement

The United Nations' business publication, DEVELOPMENT FORUM: BUSINESS EDITION, has announced an agreement with the Caribbean Development Bank to publish advance procurement notices of projects financed by the Bank which are open to competitive bid.

Only projects financed at over U.S. $1 million will be announced in DEVELOPMENT FORUM: BUSINESS EDITION, which currently announces over $18 billion worth of projects financed by the World Bank, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank and Fund, the United Nations Development Programme (UNDP) and the European Development Fund.

Last year, the Bank financed about U.S. $88 million worth of projects in the Caribbean region. Major projects entailed infrastructure such as ports, roads and factory shells.

This year, the Bank has expressed specific interest in projects emphasizing energy and power with particular stress on production of electricity. Previously, no such projects had been financed since the Bank began functioning in 1970.

Financings are not limited to these fields, however, but include agriculture, manufacture, mining, transportation, housing, marketing, livestock, fisheries, forestry, student loans and services related to the development of these sectors of the economy.

Eligible to bid on project financings of the Caribbean Development Bank are firms from member countries and major contributors to the Bank's Special Funds. Regional member states include Jamaica, Trinidad and Tobago, Bahamas, Colombia, Venezuela, Guyana, Barbados, Antigua, Belize, Dominica, Grenada, St. Kitts/Nevis/Anguilla, St. Lucia, St. Vincent, Montserrat, British Virigin Islands, Cayman Islands and the Turks and Caicos Islands. Non-regional members are Canada and the United Kingdom. Contributors to the Special Funds include the United States of America, the Federal Republic of Germany and New Zealand.

At the end of 1979, total subscribed capital of the Caribbean Development Bank amounted to U.S. $281,600,000. As of the same date, the Special Development Fund was made up of U.S. $97,127,000, with other Special Funds totalling U.S. $136,851,000. Year's end also saw a total of U.S. $162,333,000 in grants from various international agencies.

DEVELOPMENT FORUM: BUSINESS EDITION is the unique United Nations twice-monthly periodical which is the single major source of business in developing countries. Hard news articles as well as project intelligence makes **DEVELOPMENT FORUM:** BUSINESS EDITION one of the world's best business values at U.S. $250/year (less in developing nations). Subscriptions are available from: **DEVELOPMENT FORUM: BUSINESS EDITION, United Nations**, GCPO Box 5850, New York, New York 10017 USA.

Companies interested **only** in the World Bank Monthly Summary can obtain them for U.S. $60.00 per annum from **World Bank Monthly Operational Summary of Proposed Projects, Johns Hopkins University Press**, Journals Div., 34th & Charles Streets, Baltimore, Maryland 21218 U.S.A.

Companies interested in the Asian Development Bank Operational Information, since it is not included in Development Forum, may obtain it from **Operational Information, Information Office, Asian Development Bank**, P.O. Box 789, Manila, Philippines for a yearly cost of U.S. $28.00.

Department of Industry, Trade and Commerce
Regional Offices

NEWFOUNDLAND

B.W. (Brian) Holmes
Regional Director General
Newfoundland Region
127 Water Street
(2nd Floor)
P.O. Box 6148
St. John's, Newfoundland
A1C 5X8
Tel: (709) 737-5511

NOVA SCOTIA

E.A. (Ed) Coolen
Regional Director General
Nova Scotia Region
Suite 1124, Duke Tower
5251 Duke Street, Scotia Square
Halifax, Nova Scotia
B3J 1N9
Tel: (902) 426-7540

PRINCE EDWARD ISLAND

T.A. (Trevor) Charles
Regional Director General
Prince Edward Island Region
P.O. Box 2289
Dominion Building, 97 Queen Street
Charlottetown, Prince Edward Island
C1A 8C1
Tel: (902) 892-1211 or 892-0560

NEW BRUNSWICK

J.B. (John) McLaren
Regional Director General
New Brunswick Region
Suite 642, 440 King Street
Fredericton, New Brunswick
E3B 5H8
Tel: (506) 452-3190

QUEBEC

J.R. (Jacques) Mercier
Regional Director General
Quebec Region
P.O. Box 1270
Station "B"
Suite 600
685 Cathcart Street
Montreal, Quebec
H3B 3K9
Tel: (514) 283-6254

G.P. (Gilles) Morin
Director
Quebec City Office
Suite 620, 2 Place Québec
Quebec, Quebec
G1R 2B5
Tel: (418) 694-4726

ONTARIO

J.D. (John) Blackwood
Regional Director General
Ontario Region
1 First Canadian Place
Suite 4840
P.O. Box 98
Toronto, Ontario
M5X 1B1
Tel: (416) 369-4951

MANITOBA

G.G. (Gus) Rezek
Regional Director General
Manitoba Region
507 Manulife House
386 Broadway Avenue
Winnipeg, Manitoba
R3C 3R6
Tel: (204) 949-2381

SASKATCHEWAN

Geo. (George) Hazen
Regional Director General
Saskatchewan Region
Room 980, 2002 Victoria Avenue
Regina, Saskatchewan
S4P 0R7
Tel: (306) 569-5020

ALBERTA & NORTHWEST TERRITORIES

D.H.M. (Doug) Branion
Regional Director General
Alberta & Northwest Territories Regions
500 Macdonald Place
9939 Jasper Avenue
Edmonton, Alberta
T5J 2W8
Tel: (403) 420-2944

BRITISH COLUMBIA & YUKON

R.M. (Bob) Dawson
Regional Director General
British Columbia & Yukon Regions
P.O. Box 49178, Suite 2743
Bentall Centre, Tower 'III'
595 Burrard Street
Vancouver, British Columbia
V7X 1K8
Tel: (604) 666-1434

Next Month:

Report from Singapore —
Technological Marketplace in Southeast Asia

Features:

Creating the Climate for International Trade
Toys Mean Serious Business
And More. . .

Government of Canada
Gouvernement du Canada

Industry, Trade and Commerce
Industrie et Commerce