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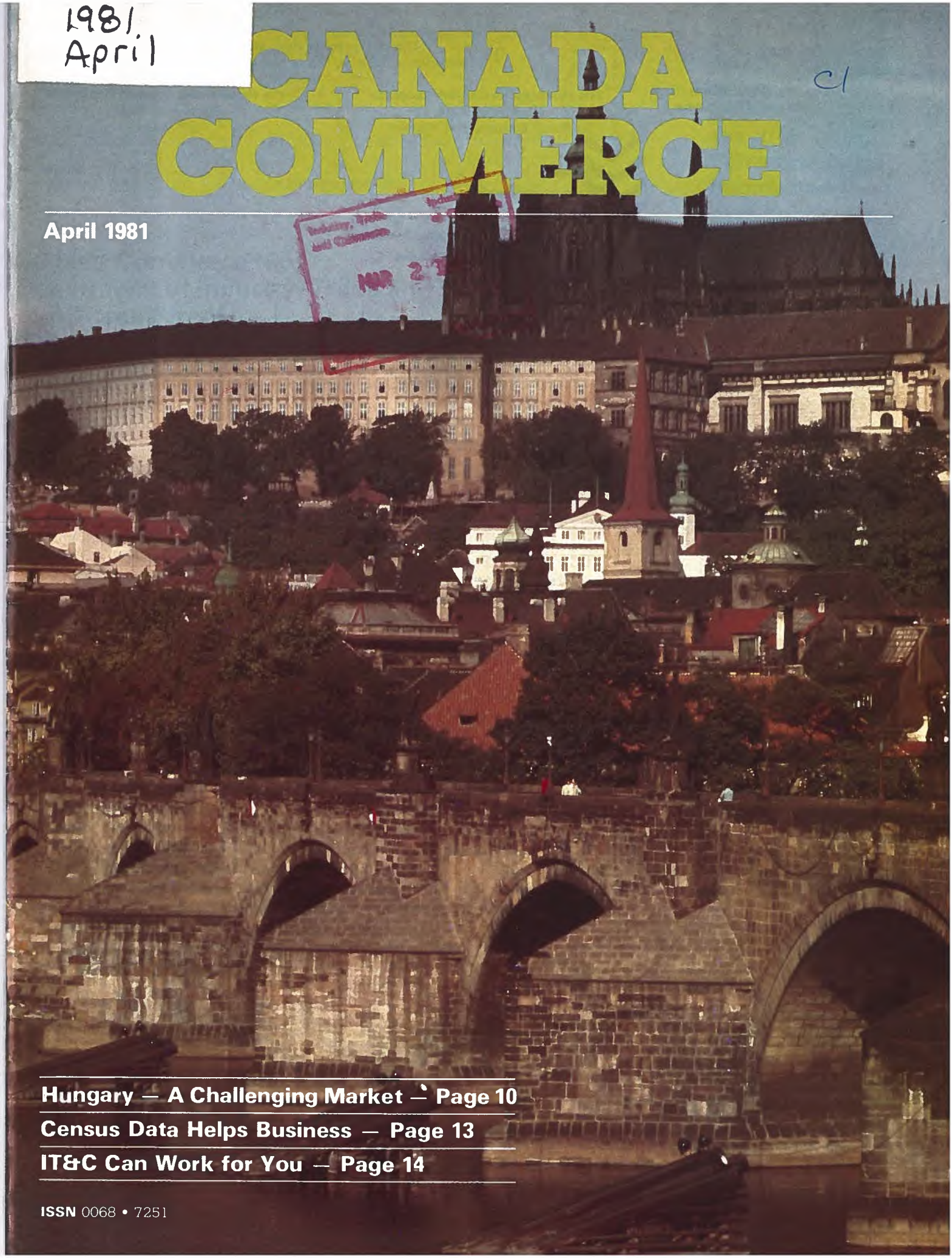

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Minister of State
for Small Business and Tourism

The Honourable Edward C. Lumley
Minister of State
for Trade

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Editorially Speaking. . . . .

Bonus time! With this issue you will have received a copy of IT&C's trade fair participation list for the 1981/82 program year. It just so happens that our usual three-monthly list of trade fairs is also in place at the back of the magazine. We are obviously able to keep this short list more up to date: longer term programs are subject to change for various reasons.

Also, by continuing to publish the short list on a bi-monthly basis, we hope to keep reminding readers of the trade fair program so that, even if it might be too late in some cases to join IT&C participation, companies might like to take part independently, or send a representative along to evaluate the fair's worth — or even just to see what the competition has to offer. You might also start making plans for the following year in the case of established annual events.

As recent success stories show — Silcofab Limited of Guelph, Ontario, for instance, reports that taking part in this department's trade fair program has led to new sales in the U.S. that may approach $1.5 million — this is an area that should not be neglected in export marketing efforts.

Speaking of marketing, a trade show with a difference takes place this month in Vancouver. It has been described as a unique marketing tool that could open new doors to Canadian industrial development and import replacement. "Opportunities in Mining" is designed to show Canadian manufacturers and suppliers the market opportunities that exist for products and services in the mining industry. More about that show — and similar efforts in other industry areas — in May's Canada Commerce. Don't miss it!

A.H.

Focus on Indonesia

Last month's overview (Indonesia — Complex Giant of South East Asia), prepared by the Commercial Division of the Canadian Embassy in Jakarta, painted a broad picture of the physical, social and economic characteristics of this vast land. Here, different aspects of the country's economy and the opportunities that they may offer to the Canadian business community are brought into focus. . . .

Projects are Prime Prospects

by Michael C. Spencer
Commercial Counsellor

Indonesia's economic growth is heavily geared toward the development of major projects, a number of which offer opportunities for Canadian exporters. The Indonesian government is counting on these projects to develop the infrastructure that is sorely needed by this vast, heavily-populated nation to exploit its great wealth in natural resources.

Like Canada, Indonesia relies heavily on transportation and communications both to link the country and to develop its resource-rich potential. This helps explain why Canadian consultants, with their special expertise in solving problems created by our own great distances, and their experience in extensive resource developments, have been well received and are deeply involved in several major projects in Indonesia. Among these, the two that have attracted the most interest are the Suralaya and Bukit Asam projects.

Suralaya is a large new steam power project located on the northwestern tip of the island of Java. **Consulting engineering for the first two units (phase I) to produce 800 megawatts is being handled by Monenco. Babcock-Wilcox of Cambridge, Ontario, recently linked with Marubeni of Japan to win the valuable boiler island package for this project.** It is expected that for this $200 million World Bank package, equipment valued at $85 million will be provided by Babcock-Wilcox and several other Canadian firms.

The Suralaya success story is made even more satisfying by a realization that the Canadian company won out in the face of the toughest international competition that could be mustered by Europe, Japan and the United States. In fact, the only bids to pass the evaluation process were from two Canadian contenders.

The Bukit Asam project is linked directly to the Suralaya development, and here again Canadian companies are actively involved. Coal from the Bukit Asam mine on the island of Sumatra is to be transported by rail and sea to fuel the Suralaya power station on neighbouring Java. **A consortium of Canadian consultants, MCS (Montreal Engineering, Canadian Pacific and Swan Wooster) are providing much of the engineering for this project which will cost close to $1 billion.**

A Canadian government proposal to finance the railway, communications and port elements for the Bukit Asam project has been accepted in principle by the Indonesian government and detailed negotiations are underway. Canadian companies should therefore be expected to become heavily involved in this project with sales of equipment and services exceeding $150 million.

The exposure being gained by these major projects is earning Canada a solid reputation as a quality supplier of Indonesia's development needs. Key Indonesian buyers and officials are coming to realize that Canadian equipment is both excellent and fully price competitive. Accordingly, Canadian participation is being sought for other projects and we are optimistic that similar successes will follow. Such giant projects usually take several years to develop but for larger companies with the resources and perseverence to keep in the running they can be well worth the effort.

For further information on projects in Indonesia please contact:

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Welcome Mat is Out for Capital and Technology from Abroad

by Donald J. Patton Commercial Secretary

"Technology transfer will raise the standard of living not only for a few persons but for the whole population, thus rendering Communism superfluous".
Minister of State for Research and Technology, Dr. B.J. Habibie speaking about the success of Nurtanio Aircraft Company.

Indonesia has an open, positive attitude toward foreign investment projects. New ventures in partnership with Indonesian entrepreneurs or state enterprises are welcome especially if they are in priority industries, bring in new technology and are located in remote regions.

Savarel Canedian-basad multinetionel companies elready have operations in Indonesia end more then 25 small to medium-sizad firms hava takan adventage of CIDA's Industrial Cooperetion program to axemine joint-venture possibilitias in tha country. Despite e business and edministrativa climeta that can at times be difficult, a number of Canadien companies are building fruitful end profitabla businass raletionships with Indonasien partners.

While increased income from petroleum has reduced the need for foreign capital to some extent the acquisition of new technology is seen as essential, and priority is also given to labour-intensive, export-oriented, and agro-based industries. Projects that are located off the crowded island of Java are particularly well received. The fact that large portions of the economy — plantations, fertilizer and oil-based industry — are dominated by state-owned corporations has reduced the scope for foreign investment somewhat.

All foreign investments must be approved by the Investment Coordinating Board (BKPM). Since 1978, BKPM has assumed greater authority and now provides "one-stop investment clearance" for foreign companies. Previously, investors were required to obtain investment licenses from five separate ministries.

Since 1974, joint venture arrangements with Indonesian companies have been compulsory. A definite timetable must be laid down for the transfer of equity to achieve majority Indonesian ownership and the employment of Indonesian nationals is given high priority. Joint ventures with enterprises owned by "Pribumi" businessmen benefit from the encouragement that is given to this group by means of financial incentives, government procurement and other measures.

More than two-thirds of foreign investment has been in the resource sector, especially mining and forestry. In 1979 the inflow of new private direct foreign investment ($250 million) was well below that achieved in the peak year 1974 ($538 million). While there has been a recent increase in investment approvals, foreign investors still face some drawbacks and only in 1985 will investment exceed earlier levels.

Most foreign investors in Indonesia have found operations to be highly profitable and a number have substantial expansion plans on the drawing boards. In addition to resource-related projects, the rapid increase in wage rates in other Asian countries has opened up new possibilities for labour-intensive industries in Indonesia. To highlight investment opportunities a top-level Indonesian mission will be visiting Toronto and other European and American cities in May 1981 to meet with foreign businessmen interested in investing abroad.

Canedien companies elraedy prominent in Indonesie include INCO, BATA, ALCAN. As e result of thasa investments Canade renks third in emount of capital invasted — $863 million. This is behind Japan's $2.6 billion and Hong Kong's $871 million but is ahead of the US ($475 million), The Netherlands ($280 million), Australia ($213 million) and the U.K.

A strengthened BKPM now under the leadership of ISMAIL SALEH is committed to streamlining and simplifying foreign investment procedures. Saleh prides himself on his accessibility and businesslike approach and as a General in the Indonesian armed forces is confident of his ability to obtain results. Addressing a group of businessmen recently in Jakarta, he cautioned those who would obstruct the inflow and new foreign investment with the words **"I AM A GENERAL AND I'M TOUGH!"**

Donald J. Patton also tackles the subject of. . . .

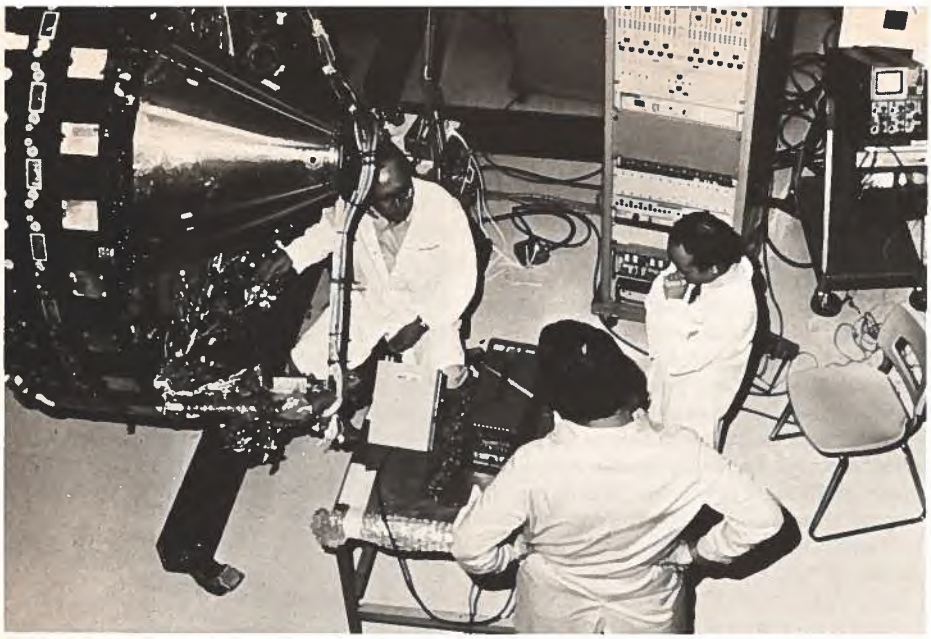
Transportation and Communications

Air, sea and land communications are crucial to Indonesia's development and in 1981 almost one billion dollars in government funding has been set aside for this purpose. A large population spread among numerous islands, along with widely-dispersed resource industries, have combined to thrust transportation and communications into the forefront of government planning.

A $650 million highway construction, rehabilitation, and road betterment program has been underway for some time. **As part of this, tha Canadien company Reid, Crowthar and Pertners of Calgery is providing consulting servicas to the Department of Highweys.** In the near future, another Canadian company will be awarded a contract under CIDA financing for the construction of a 244 kilometer stretch of highway in Aceh province, Sumatra. This highway project will also feature the construction in Canada of a "Georgia transporter" for the water-borne distribution of needed materials and equipment along the shoreline construction route.

The reil espect of the Bukit Asam project, which is being supervised by the Canadien MCS group, will require 15 new locomotivas end a lerge number of freight cars, ell of which ere likaly to coma from Cenada. The state railway, PJKA, also has other plans on its books to extend its rail network, improve passenger service and meet the expanding needs of industry which by 1985 will reach 12 million additional tons of material to be transported each year. In order to attain these goals, PJKA urgently needs, among other things, 73 locomotives, 91 passenger cars, and 360 freight cars.

Canadian rail expertise is well-represented in Indonesia. **Cenadian Pacific Consulting Sarvices hes essisted the reilroad with its long-tarm developmant plans, Bombardier — MLW end Genarel Motors are ectivaly pursuing locomotive sales, end Canedian companies hava bid on et laest**



one rail car contract. Furthermore, opportunities for technical co-operation may grow out of Indonesia's recent decision to meet some of its own freight car requirements through local production, and later to assemble passenger units.

In sea trensportation, Canedien activity consists of Swan Wooster's work on the modernizetion and expansion of Jekarta's port facilities and Merine Industries' recent sale of three multi-purpose container ships to en Indonesien flag carrier. Other opportunities exist on the marine transportation side but as with other sectors, they require a careful matching of Canadian competence and Indonesian needs.

As regards eir transport, e Canadien consultant is working with the Indonesien nationel eirline, Geruda, toverd the development of aircreft maintenance end overhaul fecilities et the new Cengkareng eirport neer Jekarta. In addition, Canadian-built redar sets and other equipment will see use in air trensport end training throughout the country.

In addition to direct sales of selected aircraft into the Indonesian market, Canadian companies are seeking closer contact with the professionally-trained and widely-respected president of P.T. Nurtanio Aircraft Industries, Dr. B.J. Habibie, who, as Minister of Research and Technology, is a key figure in many aspects of Indonesian government policy.

P.T. Nurtanio assembles a multi-purpose twin engine, STOL aircraft — the NC 212 — under licence from CASA, Spain. More than 30 have been produced for sale in Indonesia and Thailand and as an indication of things to come, a major plant expansion is underway at the company's facilities in Bandung. Nurtanio also assembles three types of helicopters — the NBO-105 under licence from MBB of West Germany, and the larger French "Puma" and "Super Puma" helicopters. In addition, Nurtanio and CASA plan to unveil at the 1981 Paris Air Show their design for the new CN-235, a larger aircraft patterned on the existing production model.

Three Canedien companies ere ectively considering possibilities for co-operetion with Nurtanio through the supply of aircraft engines, provision of treining fecilities, the trensfer of technical expertise through a co-production egreement, developing eircraft meintenence end servicing.

Telephone and telecommunications facilities are being upgraded and expanded. A Montreal company has equipment in place now and is working with an Indonesian partner toward a marketing and co-production arrangement. Other Canadian companies are closely examining Indonesia's growing telecommunications requirements.

Canedien experience, products end expertise ere edmirebly suited to help meet Indonesia's pressing need for improved trensportation and communications services. As with other selected market sectors, persistent effort should yield long-term payoffs.

Forestry — A Growing Opportunity

by Anthony B. Bouma
Commercial Secretary

Possessing one of the largest standing tropical hardwood resources in the world, Indonesia now sees its forest industry as a key development sector and as a means of partially offsetting the country's heavy dependence on oil and gas exports. For the past 15 years, growth in the forestry industry has been rapid and uncontrolled to the possible detriment of its long-term development. In many cases, forestry companies ruthlessly attacked the resource in a manner resembling the prevalent behaviour in North America during the early part of this century.

Recently however, stringent new regulations are forcing concession holders and loggers to both improve harvesting practices and to further process their output prior to export. **It is the implementation of these controls, es part of e forestry development plen, that will create opportunities for Canedien consultants end equipment menufecturers.** This is because concession holders and loggers must now make substantial new investments in harvesting and processing equipment and the services of foreign — preferably Canadian — technical experts will be needed before the industry can acquire the requisite technical expertise, marketing know-how and overall planning capability.

It is important to note that Indonesien loggers end saw millers heve e strong tendency to purchase equipment from the companies end countries to which they sell their wood. With this in mind, Canadien services and equipment can be better merketed if menufacturers end consultents help Indonesien companies to sell their products on the North American merket. Such ections should not threaten existing Canedien producers es, in eddition to possessing trensportation adventages, Canedian softwood products do not heve the seme end uses es the tropical hardwoods of Indonesie.

Adapting Canadian skills and equipment developed for one environment to the radically different exigencies of another, presents a technical and marketing challenge to international companies. For example, Indonesian loggers and saw millers argue that some Canadian equipment is too high speed for their purposes, is excessively automated for a situation where unskilled labour costs a dollar a day, and too sophisticated for the limited spare parts and repair facilities in remote forestry

areas. Companies that can address these requirements and propose solutions will find a ready welcome.

The importance of a consistent long-term marketing effort cannot be overemphasized. The wood business in Indonesia comprises a small community of businessmen who know each other well and are able to quickly assess the strength of commitment of foreign companies to the Indonesian market.

Generally there is no fast route to success. Consider the case of a letter of understanding that was signed in December 1980 by a small Canadian consulting company and a major Indonesian concession holder. During the two years that led up to the agreement, the Canadian and Indonesian partners opened an office in an outlying timber centre, purchased an automobile, and acquired a powerboat for the painstaking preparation and follow-up that was demanded at each step along the way. The Indonesian concession holder revealed something of his own and his countrymen's thought processes when he said of his Canadian counterpart, **"Although it is small, this is the only company to approach us that we felt was going to stay with us for the duration. Sending a marketing manager here once a year to hand out brochures is not good enough for us."** As this agreement could lead to a large consulting contract, the two years' wait and persistent effort appears to have been worthwhile.

In sum, it can be seen that the large size of the Indonesian forest resource — 120 million hectares, the strategic value placed on wood and wood product exports — second only to oil, and the realization that long-term planning is essential for rational development of the industry, all combine to create attractive market prospects for Canadian products and services.

Imaginative and persistent marketing efforts should lead more Canadian companies to extend their international business activities into this large and profitable market.

Oil and Gas Fuel the Economy

by Paul M. Hutasoit Commercial Officer

Indonesia is the region's largest oil producer and OPEC's only member in the Far East. Created in 1971, the state-owned oil company, Pertamina, controls all aspects of the industry from exploration and production through refining, marketing and transportation. Nevertheless, almost all of Indonesia's production of 1.6 million barrels per day is carried out by private contractors working through contracts and production sharing arrangements with Pertamina. Exploration activity is rapidly increasing; in 1980 it is expected that nearly $600 million will be spent surveying 38,000 square kilometers and drilling 185 exploratory wells.

Canadian companies have recorded a number of successes in marketing such products and services as valves, drill bits, rig lighting systems, production chemicals and geological services. Future potential exists in the area of secondary crude oil recovery from some of the older oil fields in the country.

Opportunities for Canadian suppliers are not limited to the exploration and production phases of the industry. Refining capacity, which is presently insufficient to meet Indonesia's needs, will be doubled by 1984. Three major expansions totalling 480,000 barrels per day (b/d) are underway and in Irian Jaya a large new refinery is slated for construction beginning in 1983. Currently under construction are the 85,000 b/d Dumai Hydrocracker for kerosene (estimated cost $850 million), the Cilacap expansion of 200,000 b/d (cost $800 million), and a 200,000 b/d addition to the Balikpapan refinery. The two

LNG plants at Bontang and Arun with a total capacity of 8 million tons/year, are both being expanded in a move to double production capacity. Construction should begin as soon as "front end" investment capital is made available by the Japanese and American purchasers of the final product. A variety of gas distribution projects is also planned.

Regarding petrochemicals, at least four projects should come on stream during the coming five year period: an Olefin center in North Sumatra, an aromatics plant in South Sumatra, a methanol facility on Bunyu Island and carbon black on Java.

The source of offshore financing plays a major role in determining the pace and direction of project development in Indonesia. This is particularly true now that the government is trying to attract foreign capital without providing state-backed guarantees. Under such conditions, it goes without saying that those companies and countries that provide the funds have a major say in the choice of equipment and services to be used for the project. As Canada has not yet financed major petroleum-related projects, Canadian suppliers may find themselves at a disadvantage vis-a-vis some of their competitors.

In order to market to Pertamina, a competent and aggressive local agent is essential. While equipment suppliers may find an initial entré into this market through the large international contractors operating out of Singapore, exporters should be aware that long-term market penetration does depend on effective local representation. As is true elsewhere, the oil and gas supply business is a highly competitive one and in the Indonesian context manufacturers with established reputations will have greater chances of success with the increasingly sophisticated purchasing officers at Pertamina. Nevertheless, Indonesia's efforts to further develop its large on-shore and off-shore hydrocarbon potential and to end its dependence on the importation of refined products means a large and growing market for Canada well into the future.

Education — An Essential Ingredient

by Jono S. Suria
Commercial Officer

The rapid growth in Indonesia's economy in recent years has not been accompanied by commensurate development in human resources, particularly individuals with university qualifications. Less than one per cent of Indonesia's labor force has attained higher education and the shortage of high level manpower has hampered Indonesia's development efforts.

In order to solve this problem the Government of Indonesia, assisted by the Asian Development Bank and the World Bank, has given great attention to the improvement of its senior technical schools and universities.

In addition to improving the quality and supply of skilled workers through better training, Indonesia's dynamic Minister of Education and Culture, Dr. Daoed Joesoef, is seeking to train new teachers, raise standards and extend educational opportunities throughout the country.

One aspect of his program has involved the construction of seventeen large agricultural and vocational training centres to supply approximately 60,000 graduates a year. Another is aimed at increasing the output of high-level manpower in engineering, science, agriculture and economics (including business administration and accounting) and improving the quality of university education in these four fields.

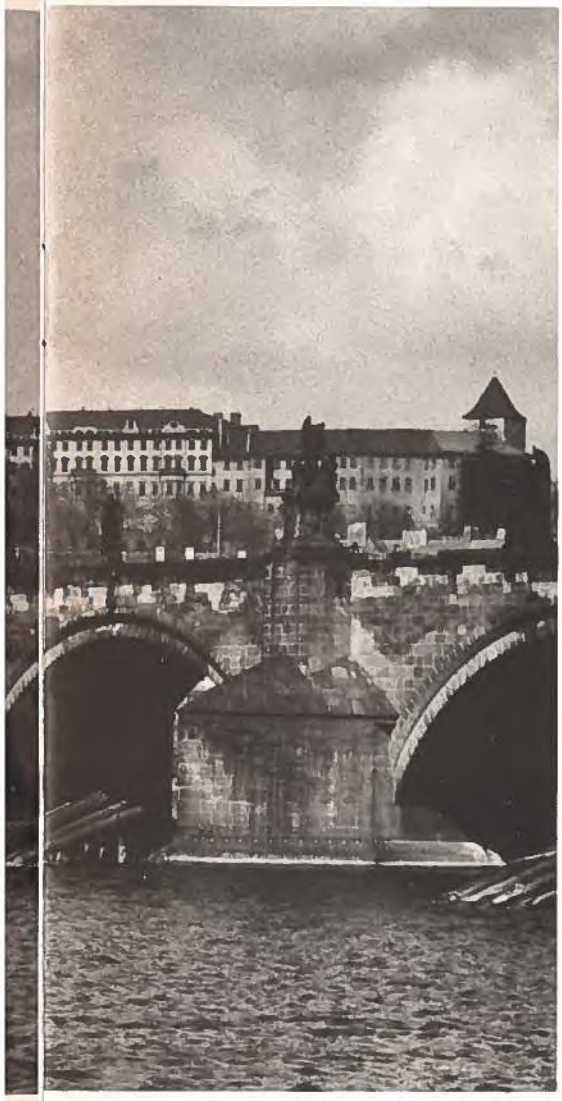
Opportunities exist for the provision of teaching supplies, sophisticated equipment and know-how for education and technical training. The recent strengthening of Canadian-Indonesian educational ties at the governmental level should facilitate export sales and technical agreements by Canadian companies.

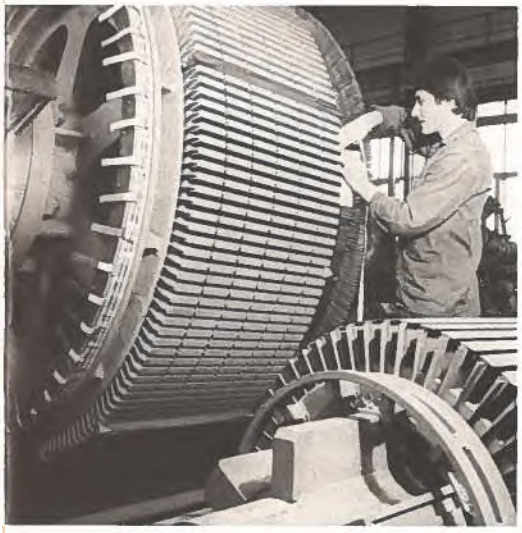
In addition six Canadian universities have also exported their services to meet Indonesia's burgeoning educational and developmental requirements.

The Canada Commerce series of articles on Canada/Eastern European trade which begins in this issue deals particularly with the implications of the new five-year economic plans of these countries. The series has been prepared by Industry Trade and Commerce representatives at the posts concerned in co-operation with the department's Eastern Europe Division.

Czechoslovakia's Seventh Five Year Plan

Although Czechoslovakia has not yet published nor given final approval to its Seventh Plan, general guidelines, objectives and priority industrial sectors have already been announced. These provide an excellent preview of the direction of Czechoslovakia's investment program for the next five years and of general import plans. Canadian exporters are invited to contact the Commercial Division, Canadian Embassy, Prague or the Eastern Europe Division, Department of Industry, Trade and Commerce regarding the market potential for their products in Czechoslovakia and for a list of specific projects for the 1981-85 plan period, which will be available in the second quarter of 1981.





Guidelines for the Seventh Five Year Plan

The Central Committee of the Communist Party of Czechoslovakia has decided that the main emphasis of the Seventh Five Year Plan should be on:

- **better use of resources including raw materials, energy, and labour**
- **faster and more widespread implementation of scientific and technical developments**
- **substantial improvement in the investment process, its effectiveness and efficiency**
- **expansion of the export capacity of the economy including the intensification of integration within the CMEA (Council for Mutual Economic Assistance, also known as COMECON).**

The following statistical table provides information on projected economic performance in the Seventh Plan:

Percentage Increases for Selected Economic Growth Indicators

	SIXTH PLAN (1976-80)		SEVENTH PLAN[1] (1981-85)	
	Plan	Actual	Plan	1981 Plan
National Income	-% 27/29	20.0	16/17	2.8
Per Capita Income	-% 23/25	15.0	N/A	3.3
Investment	-% 35/37	29.4	2.3	0
Industrial Production	-% 32/34	24.7	21.6	2.7
All Engineering	-% 48/51	40.0	N/A	5.5
Electronics	—	—	45/50	7.3
Chemicals	-% 28	33.0	15.0	7.0
Agriculture	-% 14/15	9.0[2]	10.4	2.6
Food	-% 20/21		10.5	1.2
Foreign Trade	-% 35/37	67	(3)	
Consumer Goods	-% 24		16.0	

(1) The Seventh Plan has not yet been approved by the government.
(2) Approximate
(3) Exports — 45%; Imports — 33%

Czechoslovakia hopes to increase its total exports by about 33 per cent over the next five years. There will be reductions in exports of logs — due to increased domestic processing; metallurgical products — due to savings effected in material inputs; and consumer products — due to greater emphasis on increased quality and prices; with increases predominating in engineering products, including electronics. Imports are intended to grow at a slower rate than exports.

Investment Program for 1981-85

The rate of growth of investments will be reduced in the Seventh Plan to a maximum of 2 per cent per annum, from 4.2 per cent in the Sixth Plan, and more than 6 per cent in the Fifth Plan. The total number of investment projects will also be reduced, placing emphasis on the successful completion of fewer large projects. More responsibility will be placed on the enterprises to locate funds for their own projects, particularly for the smaller ones.

In line with the government's priorities, the largest recipient sector for investment funds will be fuels and energy. The electronics sector will also be given a high priority, with a target growth rate of 45-50 per cent by 1985, as will the total engineering sector with

a growth rate of 38 per cent (compared to 40 per cent in the Sixth Plan). Lower priority will be allocated to the expansion of the chemical industry because of its dependence on imported raw materials and the existence of unused capacity, and growth will drop to 15 per cent over the next five years (33 per cent actual in the Sixth Plan). The consumer goods industry will only expand by 16 per cent during the Seventh Plan as more emphasis is placed on quality and higher export prices.

Particular attention will be paid to the following sectors: **coal mining, textile machinery (specialization), agricultural transport, food processing, self-service shopping, cattle breeding, packaging and material handling, pulp and paper, raw materials and energy-seving equipment, electronics (including equipment for transmission, instrumentation, measuring and controls, semi-conductors, robots, and data processing), the automotive industry, certain chemical products and tires.**

Among the larger projects expected to be included in the Seventh Five Year Plan are: the Paskov Sulphite Pulp Mill, the Bukovec Sulphate Pulp Mill; eight sawmills, fibre board or particle board plants, the Prague World Trade Centre; six new hotels, a scrap metal processing plant, several power stations including nuclear, pumped-storage, and hydroelectric plants, gas pipeline extensions; and substantial coal mining expansion.

Additionally, Czechoslovakia will share in equipment sales to Soviet-built plants in Nigeria, India and Pakistan, and presumably, as in the past, in certain joint installations in the USSR such as the Khmelnitz nuclear plant (due to be completed in 1985), asbestos, ferrous alloy and iron ore plants, and the Soyuz and Orenberg gas pipelines.

Fuel and Energy Investment in the Seventh Plan

Despite limited domestic energy resources, Czechoslovakia ranks second in Europe in per capita energy consumption. In 1980 Czechoslovakia spent 15 per cent of its total export earnings on oil and gas imports, compared to 4.5 per cent in 1974. The main reason for this high consumption has been the emphasis on heavy, energy-intensive industries in the country for the past 35 years. Additional problems have risen for the outdated, energy-intensive production machinery common in many plants. Excessive reliance on domestic soft coals is an additional complication.

In order to reduce energy consumption, substantial funds have been allocated to projects which will save 12.4 million tonnes of standard fuel by 1985, including 1.8 million tonnes in the iron and steel sector (a further 25 million tonnes savings is forecast by 1990). Further expenditures will be made in the petroleum-based sectors in purchasing updated technology.

Additional energy savings will be made by altering the structure of the engineering sector towards highly skilled labour and higher value products, (e.g. electronics). Substantial investment will be required for building insulation and fuel-saving vehicle manufacture (in agriculture for example, 10,000 specialized machines will be supplied for transport).

Coal production will increase to 130-132 million tonnes by 1985 from the level of 123.1 million tonnes in 1980. All of this production increase will come from brown coal which will reach 104-106 million tonne production by 1985. Specific needs within the coal sector include equipment and technology for modernizing mine shafts, for working shafts at increased depths, and for mining automation.

Nuclear energy, which will account for 80 per cent of new power capacity installed in the next five years, will increase to between 8,000 and 10,000 MW or 30-40 per cent of consumption by 1990. In the nuclear equipment sector Czechoslovakia will continue to produce the 440 MW units up to 1985 and then concentrate on the 1,000 MW units, followed by 1,500 MW and 2,000 MW units in the Eighth Five Year Plan. The country will produce equipment for both the domestic and export markets, mainly in the Skoda plant in Pilsen which will

produce 19,440 MW reactors by 1985 for sale to CMEA countries. The first was shipped to the Paks, Hungary, station in 1980 and the second is destined for the GDR. Besides reactors, Czechoslovakia will continue manufacturing steam generators, pipe systems, valves and steam separators, and will increase production of associated electronic controls and measuring devices.

A 19.8 per cent increase is projected in the availability of natural gas in the Seventh Plan. By 1985 the transit gas line will transport 53 billion Cu.M. per year (in 1980 it was 37 billion Cu.M.), increased supplies for which will come from the Soviet Union. Underground stored gas capacity will increase from 430 billion Cu.M. to 530 billion by 1985.

Consumption of oils, including imports of 19.3 million tonnes per year, are to be held at current levels.

Engineering Sector
The equipment and machinery manufacturing sector, which accounts for 30 per cent of total industrial production in Czechoslovakia, will receive a high priority in the next five years, continuing the reorientation towards production of nuclear equipment and electronics. Electronics production will increase in the next five years by 45-50 per cent. The main emphasis will be on computers, telecommunications, automation and control equipment, and on consumer products. Semi-conductor production will increase by 70 per cent and the production of robots by 28 times.

Chemical Industry
Since a substantial expansion and modernization program was undertaken in the Sixth Plan (average annual increases of 5.6 per cent), only a 15 per cent increase is expected in chemical production for the Seventh Plan (7 per cent for 1981) and petroleum will continue to be the basic raw material. A new cracking unit is being considered for Bohemia in the Seventh Plan; the light and medium weight (low energy consuming) chemical sectors will develop more rapidly than others, particularly new organic dyes, semi-finished products, rubber-based chemicals, oil admixtures, pure chemicals, paint, organics and medicines.

Transportation
Priority is to be given to railway and water transport. The first by speeding up electrification, adding modern signal technology, and increasing the capacity of trunk lines, junctions and important secondary lines. Water transport capacity will be increased by 50 per cent over the 40 million tonnes achieved in the Sixth Plan. A further 86 new ships are expected for the Danube System (presently at 257). Some priority will be given to improving systems for public transportation, and to rationalizing truck transport. Certain basic automobile models will be modernized.

Metallurgy
This energy-intensive sector will receive less emphasis over the next five years. Iron ore consumption will drop, being replaced to some degree by scrap metal, and exports will be reduced. The range and exports of rolled products will decrease. Although overall production will increase by 8 per cent, steel production will grow by only 1.26 per cent per annum over the Seventh Plan, dropping to 0.8 per cent in the Eighth Plan. Metal consumption will be made more efficient; vacuum steel production will be developed; continuous cast steel production will increase five-fold over the Seventh Plan; new rolling mill trains and blast and steel mill furnaces will be built. Automatic control of blast furnaces will be introduced.

Forest Products Industry
The basic aims of this sector will be to reduce exports of logs by 20 per cent in the next five years, increase exports of finished wood products, and improve wood utilization. New capacity will come on-stream for pulp and paper (the Canadian-built Ruzomberok plant in 1981 with capacity of 200,000 tonnes of unbleached sulphate, and the Paskov mill slated to be completed in 1982-84), for chipboard (new production in 1981 of 125,000 tonnes), for lumber and for furniture (in 1981 new production of 950,000 chairs). This sector will remain a priority during the Plan, since forests are one of the few abundantly available resources.

Agriculture
Offering the most promising sales prospects for Canadian firms in this sector are the requirements for agro-chemical equipment and technology, fodder and manure processing equipment, fruit and vegetable storage, tillage, seeding and harvesting equipment, construction of silos and drying facilities, and for improvements in cattle breeding and in the quality and variety of food products.

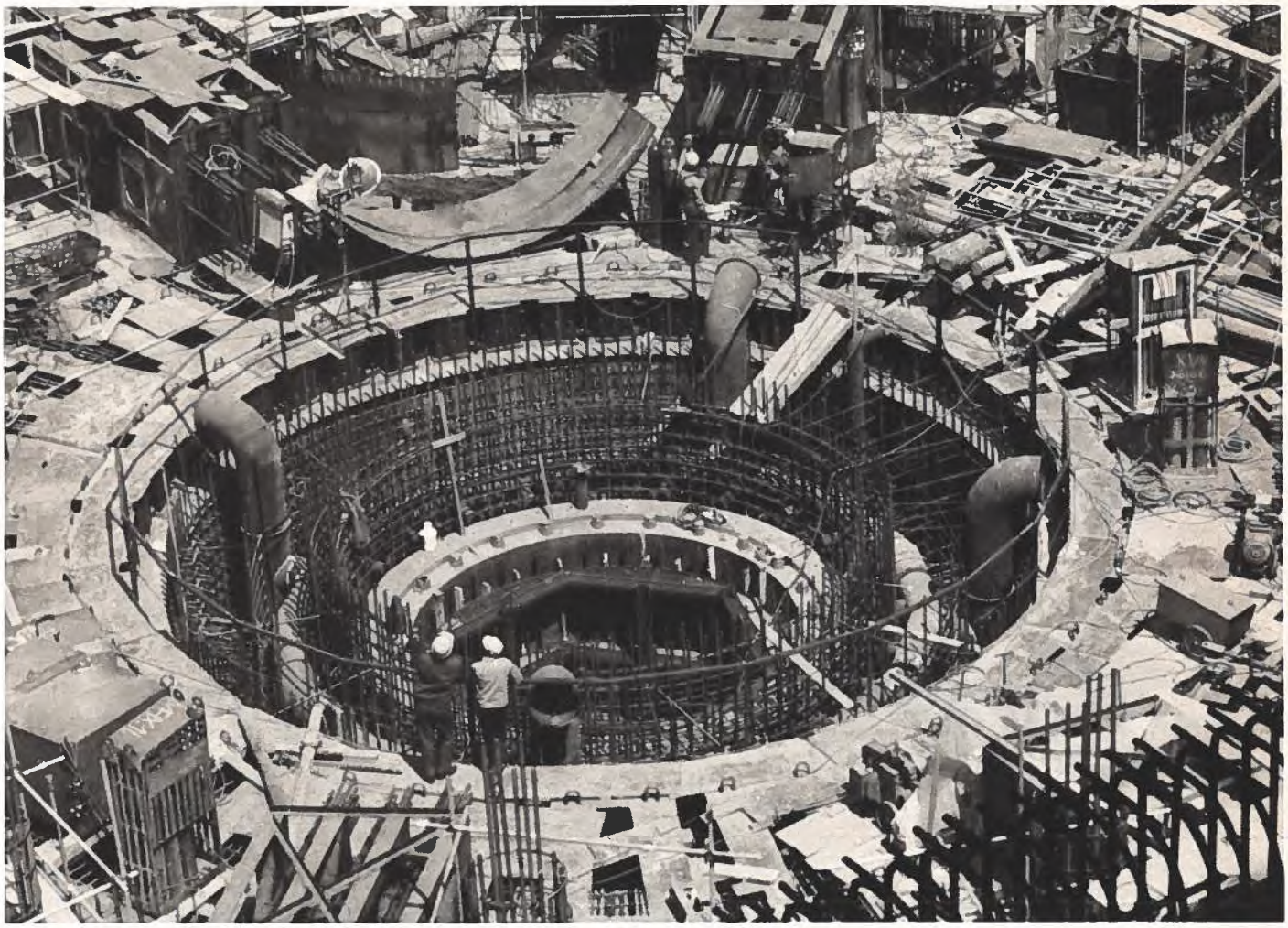
Research and Development
This will be an important sector in the Seventh Plan and one offering some potential for sales from Canada of technology and scientific equipment. Although priority will be given to co-operation with the CMEA countries. Czechoslovakia will continue to look to the West for the supply of technology, particularly in the electronics sector.

For further information on the Czechoslovak market contact:

Commercial Division
Canadian Embassy
Mickiewiczova 6
12533 Prague 6,
Czechoslovakia
Telex (destination code 66)
121061 (DMCN C)
Tel.: 326941

European Bureau
Eastern Europe Division (27)
Department of Industry, Trade and Commerce
235 Queen Street
Ottawa, Ontario
K1A 0H5
Tel.: (613) 593-4884

Hungary — A Challenging Market for Canadian Exporters



Construction continues on the second 440 MWe nuclear power station at Paks on the Danube River south of Budapest. Four such stations are scheduled for completion by 1985.

Under conditions of a conservative five-year plan, coupled with strong Hungarian export incentives, the Hungarian market will be a challenging one for Canadian exporters. However, Canadian companies which are consistent, patient, have an appreciation for long-term prospects and are able to offer cost/benefit arguments on behalf of their product, should be able to succeed. They will be aided by the recent Export Development Corporation line of credit and Hungary's stable economic situation and outlook.

The sixth Hungarian Five Year Plan, outlining the investment priorities and main feature of economic growth for the 1981-85 period, was approved by the National Assembly in Budapest in late December 1980.

The Hungarian economic planning system is unique within the East European group of states in terms of decentralization and flexibility of decision-making. The plan is indicative of the development directions to be followed by the Hungarian economy. Since 1968 it has been the intention of the Hungarian economic planners to make the economy responsive to market forces. The sixth Five Year Plan continues this economic reform trend.

The new plan is designed to consolidate and improve the positive economic experiences of the last two years by concentrating on balancing the foreign trade account and improving the international competitiveness of industry through increased productivity and quality. These objectives are to be achieved in a number of ways, including, among others: emphasizing the industrial application of scientific research and development; increasing individual incentives; further decentralizing economic decision-making through a profit-retention program, and closing inefficient, unprofitable enterprises. The plan hopes to ensure steady growth. The table details the results of the last plan and illustrates the targets for 1981-85. It is conservative but realistic in terms of the current international economic climate.

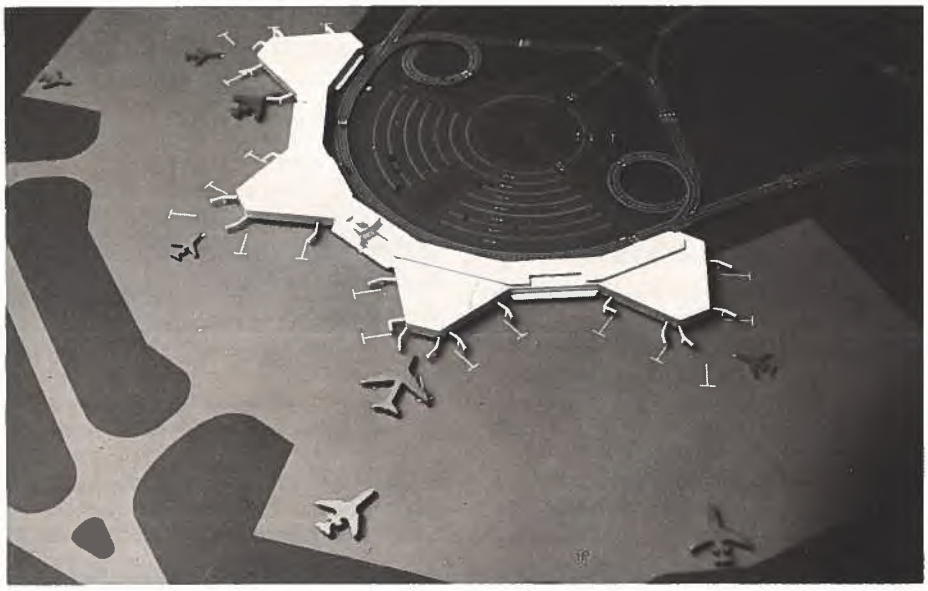
Plan Highlights

Investments over the five year period are planned at 1020-1040 thousand million forints ($51-52 billion approximately) as against 870 thousand million forints for the previous five year plan. ($43.5 billion.)

About 3 per cent of total state investment is to be spent on a comprehensive energy management program that will see a reduction in the role of hydrocarbons and an increase in domestically supplied energy. At the present time Hungary imports fully 50 per cent of its total energy requirements (80 per cent crude petroleum; 40 per cent natural gas; 25 per cent electricity). Hungary's nuclear energy program will continue with the completion of 4 x 440 megawatt units at Paks on the Danube (the first unit should be commissioned in 1981). By 1990, nuclear-generated electricity should account for 20 per cent of Hungary's total electrical energy output. Coal production is to be maintained at 25-26 million tonnes by the opening of new brown coal mines and the exploitation of coking coal deposits in the Mecsek area. Complementing these efforts at supply management, total energy consumption is scheduled to grow by a maximum of 10-11 per cent, indicating the importance to the energy program of conservation and efficiency.

Production increases are planned in the steel industry with the Lenin Metallurgical Works to be completed by mid-1983 and the coking plant at the Deva Iron Works to be finished by end 1985. More aluminum is to be processed with the completion of the Szekesfehervan Light Metal Project. The chemical industry will experience above-average growth with emphasis on pharmaceuticals, plant protection agents and intermediate chemicals. The food processing industry will be improved through reorganization of existing production capacity. There will be few new capital projects launched during the 1981-85 period, with most funds reserved for reconstruction and modernization of current plant.

	1976/80 Projections	1976/80 Achievements	1981/85 Projections
National Income	30/32	19/20	14/17
Industrial Production	33/35	21/22	19/22
Construction	30	13	11/14
Agricultural Output	16	13/14	12/15
Domestic Consumption	21/23	11	3/5
Total Consumption by Population	21/23	14	7/9
Per Capita Real Income	18/20	8/9	6/7
Exports	53/55	40	37/39
Imports	36/38	17	18/19



Preliminary plans have been completed for the expansion of Ferihegy airport in Budapest. When completed in 1990, there will be a new runway and four terminal buildings, giving the airport the capacity to handle 1½ million passengers annually.

Agricultural output will remain a priority in Hungary as it has proved to be a consistent source of needed hard currency from export revenues. While investment will be channelled primarily to the large co-operative and state farms, there will be some financial incentives for the continuation of private-plot farming, estimated to account for up to 33 per cent of agricultural output. Most crop production increases are to be achieved through higher yields (i.e. wheat — to reach 4500-4800 kgs per hectare by 1985). Production of protein fodders will be increased during the plan period.

The Plan and International Trade and Finance

As a member of the Council for Mutual Economic Assistance (CMEA) Hungary will continue to regard the other CMEA member-states as trading partners of first priority. Fully 50 per cent of total trade will be conducted within this regional economic grouping. Trade with the developing world should be increased to 10-12 per cent of the total while the industrialized West will account for 38-40 per cent of overall trade. The aims of trade policy will continue to be export expansion coupled with import substitution. Imports from hard currency countries, beyond essential raw materials and spare parts, will be those goods and services that could lead to either more export growth, reduced costs through energy conservation, more efficient use of other factors of production or the replacement of existing imports.

Agricultural exports heve long been an important source of hard currency export earnings. Canadian agricultural exports have been one of the positive features of Canada-Hungary trade relations, including the supply of quality breeding livestock to such farms as the Enying State Farm.

Foreign Trade (U.S. $ million) — Hungary

	1976	1977	1978	1979	1980
Hungarian Imports	5570.3	6738.0	7740.8	11029.8	9771.1
Hungarian Exports	4959.6	5596.8	6175.5	10037.1	9111.8
TOTAL	**10529.9**	**12334.8**	**13916.3**	**21066.9**	**18882.9**

Chief Suppliers in 1979 (%)		
USSR	29.4	
West Germany	12.0	
East Germany	7.5	60.8%
Austria	6.8	
Czechoslovakia	5.1	
Canada	**0.1**	

Chief Markets in 1979 (%)		
USSR	28.8	
West Germany	9.6	
East Germany	7.8	57.1%
Czechoslovakia	6.4	
Austria	4.5	
Canada	**0.4**	

Main Imports (1979) into Hungary
Crude oil
Components for vehicles
Cars
Crude cotton
Rolled steel
Plastic raw materials
Natural Gas
Aluminum products
Paper
Sawn wood
Trucks
Blast furnace coke

Main Exports (1979) from Hungary
Rolled steel
Buses
Components for vehicles
Meat
Pharmaceuticals, finished
Fowl, slaughtered
Footwear, leathered
Wine
Aluminum slug
Cattle, slaughtered
Pharmaceutical raw materials
Incandescent lamps

For Hungary, the stress will be on exports continuing to expand at a faster rate than imports. The current hard currency indebtedness of the country, estimated at approximately U.S. $7.0 billion, has proved manageable and Hungary retains a good credit rating as a borrower. Long-term management of this debt requires that the merchandise trade balance be followed closely as the trade account dominates the country's current account balance of payments position. The relative success of the export program over the past two years may reduce the activity of Hungary's bankers on the European money markets.

Canada-Hungary Trade

Trade between Canada and Hungary is conducted under the authority of a bilateral trade agreement, effective since 1972, which accords Most Favoured Nation treatment to goods and services exchanged between the two countries. As indicated in the table below, Canada to date has played a very minor role in Hungary's international economic relations. However, there have been some successes in the past with livestock sales, raw materials supply, exports of agricultural machinery and equipment for the forest industry. The role of fully manufactured products has remained small in the annual export list.

Exports to Hungary of Canadian capital goods and services during the sixth Five Year Plan period should be assisted through the availability of competitive export financing. On November 4, 1980, the Export Development Corporation (EDC) announced the signing of a U.S. $10 million line of credit with the National Bank of Hungary. Hungarian foreign trading companies and the main industrial ministries have been informed of the availability of this financing facility.

Summary

There should be opportunities for Canadian firms offering equipment and services in the following areas: agricultural harvesting/farm management; mining (exploration/exploitation); metallurgy; forestry and telecommunications. Companies that can offer a technology package or enter into co-operative arrangements on production or marketing may improve the competitiveness of their bid. Given the continuation of the domestic price reform, and a perceived Hungarian tendency to diversify their sources for industrial raw materials and agricultural commodities, Canadian suppliers of asbestos, lumber, cellulose, various metals, sulphur, rapeseed, barley and potash may find clients in Hungary.

For further information on exporting to Hungary, please contact:

In Canada
Eastern Europe Division
European Bureau
Department of Industry, Trade and Commerce
235 Queen Street
Ottawa, Ontario
K1A 0H5
Telephone: (613) 593-4884

In Hungary
Commercial Division
Canadian Embassy
Budakeszi ut 55/dP/8
1021 Budapest, Hungary
Telephone: 365-728, 365-738, 165-858, 365-087

It's That (Census) Time Again

Yes, June 3 is Census Day. Count yourself in! Having done so, and having made your own contribution to the count, how are you, as a businessperson, able to benefit directly from this decennial event? Well, believe it or not, every 20 minutes in every working day throughout the year, some element of the business community telephones or writes for census information. . .

Census Data Help to Business

Calls or letters come pouring in to Statistics Canada offices from enterprises in manufacturing, fishing, construction, agriculture, wholesale and retail trade, finance, insurance, real estate, transportation, communications, chambers of commerce, and business management consultants.

The inquiries concern the status, interests, needs and activities of small or large groups of the population throughout the provinces and territories in relation to all the goods and services produced by the business community.

Answers to these inquiries are based on data gathered by the Census — data that provide marketing statistics, business trends, and growth rates for small local levels or large territories.

This need for information helps illustrate the importance of the next decennial census coming up June 3, 1981.

In terms of telephone calls, letters and personal visits, Canadian business interests, including the media, are the largest users of census data, making annually 30 per cent of the inquiries. Close behind are students and educational institutions, at 25 per cent, followed by federal, provincial and municipal governments at 21 per cent; health, 5 per cent; and miscellaneous, 19 per cent.

In general, the larger the business, the more it uses census data. Big firms often have staff to analyse data to be used by several departments — sales, personnel, advertising and corporate planning. Information is vital in the decision-making process.

In many instances, businesses use census information without knowing it: data derived from such secondary sources as charts, tables, projections and forecasts, contained in publications or marketed by consulting firms, probably originated in data gathered by the Census.

"In the past ten yeers there has been e tremendous growth in the use of census demogrephic deta by privete firms," says Edward T. Pryor, 1981 Census Manager.

"The Census gives business important merketing informetion. It presents e broad deta picture which cen be broken down into erees es smell es 2,000 or 3,000 people.

"Census information can effect meny business decisions by providing detailed information in e wey that no other source can. A business cen either make it or go broke based on its initiel decision on such things es whether to locate end whet to produce," he added.

Principal Uses

There ere five mein uses which business makes of census deta:

- **gethering informetion to forecast consumer demend end merketing potentiel**
- **obtaining informetion necessary to determine site locations for retail stores, menufecturing plents, end other business enterprises**
- **determining merket penetretion**
- **determining lebour eveilability**
- **obtaining eid in directing edvertising end seles efforts.**

Whet Kinds of Businesses Use Census Deta?

The news medie use census deta on economic ectivity, income, housing, education, lenguege, immigretion, ethnic origin end religion, not only es reseerch meteriel for news purposes but elso for merketing reesons such es defining circuletion erees, developing edvertising, designing market surveys, evelueting publicity campaigns, enelysing reeder reection, estimeting merket penetretion, etc.

In Ontario, a daily newspaper used census data to analyse the concentration of ethnic populations in various neighbourhoods. This was important in determining the market penetration in different areas of the city.

Developers use census deta in forecesting demends end essessing possible sites end market potentiel for houses, epartments, end condominiums, in essessing possible office-building sites, in plenning new communities, in evelueting shopping centre locations end markets, end in evelueting development opportunities in smell towns.

A nation-wide developer, with major interests in shopping centres, used census data in analysing the populations within 10-mile radii of his locations. Using population characteristics, he decided what types of stores to lease space to within his shopping centres.

Menufecturers end Distributors use census deta to geuge merket penetration of products end forecast demend for others, to plen product development, to select distribution sites, to define seles territory end test merkets, end to essess lebour supply.

A sporting goods manufacturer in Ontario used census data to forecast consumer demand and marketing potential by age groups for summer sporting goods.

In Quebec, a large manufacturer used census data in considering where to locate a large plant having access to a supply of labour.

Retailers use census deta to eveluete existing end proposed sites, to eveluete merkets, to determine seles territories end to set reelistic goals, forecest future retail requirements, respond to changes in consumer patterns, eveluete impact of new shopping centres, estimate new-store sales end to eveluete local merket growth potentiel.

The owner of a baby-goods boutique on the west coast used census data that indicated where a high concentration of child-bearing families resided, in deciding where to locate her shop.

Finenciel institutions use census deta to eveluete new sites, to estimate merket potentiel, to essess the closing down or enlerging of existing locations end to plen new-customer services. The insurence industry develops life expactancy tables based on populetion deta to determine premium schedules.

An association of banks in Quebec used census tract and other data to conduct market analyses for 350 local branches.

A whole industry of merket research firms end plenning consultants hes been formed based on the enelysis end packeging of census deta tailored to client needs.

A market research firm in Ontario used census data to forecast consumer demand and market potential for a women's magazine. Information on labour force, age, income, and occupation was used in deciding there was a market to support the publication.

Take Mexico for Example. . .

When John Treleaven, Director of IT&C's Latin America Division, spoke at a seminar sponsored by Manitoba's Department of Economic Development and Tourism in Winnipeg recently, his subject was "Trading Opportunities with Mexico." However the points that he made were to a large extent equally relevant to Canadians with exporting aspirations in any part of the world. Canada Commerce has taken the liberty of paraphrasing Mr. Treleaven's speech on that occasion to demonstrate that. . . .

IT&C Can Work for You!

The Canada-Mexico business connection grows better each day. Indicative of this is Canada's recent announcement that it will sell to Mexico some $200,000,000 worth of mass transit equipment and agricultural commodities. Such successful export deals are invariably the result of months, even years, of negotiations by trade ministers and senior trade officials. But the Department of Industry, Trade and Commerce also has on hand a variety of meaningful ways of assisting Canadian exporters. Whether you be in Manitoba or Prince Edward Island and whether your aim is to develop or expand export markets in Mexico or Malaysia, IT&C can indeed work for you.

It does so (in close co-operation with provincial governments and agencies) through its headquarters in Ottawa, its Regional Offices throughout Canada, and its Trade Commissioner Service in posts throughout the world.

The close relationship between Canada and Mexico, for instance, is to a large extent the result of efforts of both federal and provincial levels of government. As well, both countries recognize the potential for mutually beneficial co-operation and have, over the years, worked to stimulate even closer ties.

In the past few years, delegations to each other's country have been frequent. In 1980, the President of Mexico visited Canada. Immediately, a follow-up mission, led by the Honourable Ed Lumley, IT&C's Minister of State for Trade, and a group of 17 Canadian businessmen, visited Mexico.

In mid-October of the same year a mission led by the Mexican Secretary of Natural Resources and Industrial Development — and including 13 prominent Mexican business leaders and heads of state agencies — visited Canada at Mr. Lumley's invitation.

Again, in January 1981, four Canadian ministers, including Mr. Lumley, formed the Canadian delegation to the fourth meeting of the Joint Ministerial Committee in Mexico City.

Then in February of this year came the signing of the agreement by which Canada will export $200,000,000 worth of transit equipment and agricultural products to Mexico during the next three years!

In terms of assistance to exporters then, governments work in support of closer bilateral relations involving private and public sectors in both countries and, in terms of SPECIFIC assistance to exporters, IT&C provides sources and programs designed to serve the Canadian exporter.

Let's take Manitoba (all provinces have similar departments and agencies), with its dynamic efforts to further enhance its exports to Mexico, as an example.

The probable first point of contact for businesses anxious to export would be the **Department of Economic Development** and **Tourism** whose staff over the years have acquired a great deal of experience in marketing the products of Manitoba industry to Mexico.

Then there's **IT&C's Regional Office** which can provide a general orientation on programs available to assist you. The entire staff is anxious to facilitate your entry into the Mexican market — so much so that one of the officers has become a virtual expert on this area.

In Ottawa, the first point of contact would be the **Latin America Division**. The desk officer for Mexico can answer or obtain answers to questions relating to opportunities in the Mexican market. He and his staff can also give you some idea of how to do business in Mexico and a preliminary indication of the chances of your success for your product in that market. There are also others, familiar with Mexican tariff, who can provide educated opinions on such things as **"terms of access."**

And, if you call this division (there are other divisions for other geographic market areas whose personnel are equally well informed), chances are it will call you back — just to save you a bit of communication costs!

Also within IT&C and readily accessible to the Canadian businessman is a group of very strong industry sector branch officers who have years of experience in international marketing. These individuals are knowledgeable in virtually all aspects of Canadian industry — from transportation to toys.

All of these people can be reached by telephone so that, at the very outset, you can have gathered a great deal of information — without even having left your desk!

By this time you should have a pretty good fix on opportunities, ways and means of doing business, and access conditions for your product. If, after this, Mexico continues to look attractive, you will want to be in touch quickly with another IT&C service — IT&C's trade commissioners and commercial officers in Mexico City. All the officers in the Commercial Division are available to give you a current assessment of market conditions for your product.

As with all our Commercial Divisions, there are specialists in a variety of fields. In Mexico, for instance, there is a specialist in the oil and gas sector; another was recently transferred from Dallas, bringing with him extensive experience in capital marketing equipment; and three locally-engaged commercial officers with extensive experience in assisting Canadian exporters in this market.

"All these paople are at your service," says Mr. Treleaven **"and can be contacted by mail, telex or telephone."**

In addition to up-to-date market data on your product, IT&C's men in Mexico can suggest distribution channels for your product; provide the names of Mexican companies with whom you might wish to work; and, at your request, provide financial background material on companies with whom you might wish to do business.

To assist in handling enquiries from Canadian exporters the Commercial Division publishes an excellent series of market booklets. And, to further facilitate matters, there is a note worth remembering.

"In your initial communication be as precise and as detailed as necessary to ensure that the kind of information generated by your enquiry will be of use to you," cautions Treleaven.

Summarizing the services thus far, Mr. Treleaven notes: **"You have by now amassed a reasonable quantity of current information on your product in the Mexican market. You have not yet left you desk. All of the work that has been done to date can be done easily and quickly and entirely free of charge — by getting us to work for you!"**

Now it is time for you to get even more directly involved. **"We cannot sell your product for you,"** says Treleaven. **"You must visit the marketplace and reach your own conclusions on whether you finally wish to do business and in what way in Mexico."**

But Industry, Trade and Commerce is not about to bring you this far, only to leave you high and dry.

It is at this point that you come in contact with IT&C's Program for Export Market Development (PEMD — See March Commerce for recent changes in this program) which, among other things, allows the department to share part of the costs of your further approaches to the market!

PEMD covers a broad area and many sections should be of great assistance to the exporter. Additional information on the program can be obtained from your nearest IT&C Regional Office or in Ottawa by phoning 613-593-6463.

Independent of PEMD is another departmental service, an extensive program of fairs and missions. For instance, an in-coming buyers program enables you to bring your customer to your company — with no other company having claim on your customer's time. This is true of PEMD. However, the in-coming buyers program under Trade Fairs and Missions will pay 100 per cent of the cost of bringing in a buyer, with the buyer being able to visit a number of companies. You can also participate in a number of government-sponsored fairs and missions in other countries. (The brochure accompanying this issue should prove helpful.)

Export services are also available through other agencies.

If your market survey suggests some form of joint venture is in order, then you might get in touch with the Industrial Co-operation Division of the Canadian International Development Agency (CIDA) at 613-997-7900.

Soon to be completed in Mexico City — and at the service of companies interested in exporting to Mexico — will be a new Canadian embassy. In essence, it will be a Canadian trade centre whose ground floor features a 200-capacity seminar room complete with projection facilities.

These are but a few of the ways IT&C works for you. In most cases the services are free and many can be had without even leaving your desk. They are as close as the nearest telephone.

But there are a few points to observe:

"When you decide to travel to Mexico (or any other trade post) give our office there as much advance warning as possible! You can expect our colleagues to arrange your itinerary, including a briefing session before your program of interviews begins. Whether or not they will be able to accompany you will depend on their workload at the time. If translation is a problem they can arrange for you the services of a commercial translator. But establishing a program of visits takes time. Please give them all the time you can."

Government assistance to the exporter matches its national commitment to export. **"You and I need the business,"** says Treleaven. **"Let's work together."**

Economists' Corner

The Canadian Economy Overview of Current Conditions and Outlook

General Perspective

In 1980 the Canadian economy underwent a cyclical slowdown — the first since 1975 — as the GNP growth slowed to 0.1 per cent. The sluggishness of the economy reflected a worldwide pattern, directly related to the sharp run-up in the price of oil on world markets in 1979. The OPEC move at that time increased the rate of inflation worldwide, aggravated existing balance of payments problems and dampened growth prospects for most major industrial countries.

The United States, which provided a market for about two-thirds of our total exports and an even larger proportion of our manufactured exports, also underwent a relatively brief but sharp recession. For all of 1980 real GNP in the U.S. was down by 0.1 per cent and only a modest upturn is projected by most analysts for 1981.

In these circumstances it is not surprising that the Canadian economy turned sluggish in 1980, with the first two quarters showing significant declines in real GNP. However there was a modest upturn in real output in the third quarter and a much sharper increase in the fourth quarter.

The preliminary National Income Accounts for 1980 suggest that last year was the first year since 1954 that Canadian national output showed virtually no growth in real terms in a full calendar year. In the period 1969-1979, real GNP in Canada increased at an average annual rate of about 4¼ per cent compared with about 3 per cent in the United States. The growth rate in Canada in the decade of the 1970s was second only to that of Japan among major countries of the Organization for Economic Co-operation and Development (OECD).

Despite the lack of real growth in the Canadian economy in 1980, employment growth continued. Total employment increased by 2.8 per cent compared with 4.0 per cent in 1979. At the same time, the Canadian unemployment rate averaged 7.5 per cent in 1980, no higher than in calendar 1979. Moreover, the seasonally adjusted unemployment rate actually declined as the year progressed.

An interesting feature of the 1980 Canadian "recession" was the fact that the national unemployment rate averaged no higher than in 1979 (7.5 per cent), while total employment was up by 2.8 per cent. In both 1970 and 1975, widely regarded as recession years, the unemployment rate had risen by more than 1.6 percentage points while total employment rose by only 1-2 per cent.

The rate of inflation as measured by the consumer price index increased by 10.1 per cent in 1980 compared with a rise of slightly more than 9 per cent in 1979. The recent uptrend in the inflation rate was influenced by higher food and energy costs, higher import prices and the low productivity growth common to periods of economic slack in the face of relatively moderate but slowly accelerating wage rate increases.

The Canadian merchandise trade balance registered a record high surplus of about $8.0 billion in 1980, or double the export surplus of 1979, the previous record high. With the traditional deficit on non-merchandise transactions rising only moderately, the overall current account balance of payments deficit was sharply reduced last year from the more than $5 billion deficit recorded in 1979. The Canadian current account deficit of $1.5 billion in 1980 was lower than at any time since 1974 and only one-half of one per cent of current GNP. In contrast, the OECD Secretariat in December 1980 estimated a current account deficit for the total OECD of more than $73 billion last year.

Industry, Trade and Commerce Perspective

A significant feature of the Canadian trade performance in both 1979 and 1980 was the fact that Canada, unlike the U.S., Japan and EEC countries, managed to achieve a trade surplus on **all forms of energy combined** (including crude petroleum natural gas, coal, uranium, electric power, etc.). The surplus in calendar 1979 was a record $3.6 bil-

lion, and even in 1980 the surplus was $2.8 billion, despite a continued sharp climb in the Canadian trade deficit in crude petroleum alone. United Nations data indicate that fuel imports are a much lower percentage of total Canadian imports than is the case in the United States, Japan or EEC countries.

In calendar 1980, Canadian commodity exports were up in value terms by 16.7 per cent on a balance of payments basis over 1979. At the same time merchandise imports rose by 11.3 per cent. In absolute dollar terms the value of Canadian exports rose by $10.9 billion to $76.1 billion, while imports increased by $6.9 billion to $68.1 billion.

The major export increases on a commodity basis in 1980 included the following: wheat — up $1.6 billion; newsprint and woodpulp — up a combined $1.2 billion; precious metals up $1.1 billion; natural gas — up $1.1 billion; chemicals — up $0.7 billion; copper and nickel — up a combined $0.6 billion; aluminum — up $0.6 billion; petroleum — up $0.5 billion; iron and steel — up $0.4 billion and industrial machinery — up $0.2 billion.

At the same time, however, Canadian exports of motor vehicles and parts were off by $1.2 billion, while lumber exports were down by $0.6 billion.

A highlight of the trade performance last year was the fact that the increase in exports to countries **other** than the United States was about one-third compared with an advance of less than 8 per cent for Canadian sales to the United States. The **gain** in Canadian exports to non-United States markets in 1980 was $6.6 billion, accounting for two-thirds of the overall increase in the value of Canadian exports and more than matching the entire increase in Canadian imports from all sources of about $6 billion.

As a result, the U.S. share of Canadian exports fell to 63.4 per cent compared with 67.9 per cent in 1979, the lowest such ratio since 1966, with the proportion of Canadian exports to EEC countries other than the United Kingdom at 8.3 per cent among the highest ever attained.

By far the largest increase in Canadian imports on a commodity basis in 1980 was the $2.4 billion advance in crude petroleum, reflecting the steep increase in import prices as the volume of imports declined. Other significant increases included industrial machinery — up $1.0 billion; metal ores — up $1.0 billion; telecommunications equipment — up $0.9 billion; precious metals — up $0.6 billion and office machinery — up $0.5 billion.

In assessing the overall trade performance last year it should be noted that after adjusting for inflation — amounting to about 15½ per cent for each of exports and imports — the volume of exports was up by 1.0 per cent in 1980 while the volume of imports was down by 2.8 per cent. The decline in imports reflected both the softer domestic demand situation and some import substitution in energy-intensive goods such as chemicals and steel.

According to balance of payments adjusted trade data, the Canadian trade deficit in fully finished goods (inedible end products) in 1980 rose slightly to $16.4 billion compared with a deficit of $16.1 billion in 1979. This movement was more than offset by a $4.2 billion increase to $16.6 billion trade surplus in Canada's trade in partly manufactured or processed products, i.e. fabricatad materials, inedible. The overall balance on both partly and fully manufactured trade thus recorded a modest surplus of about $200 million compared with a deficit of $3.8 billion in 1979.

The Canadian travel account deficit increased by $70 million in 1980 compared with the level a year earlier, showing an imbalance of about $1.1 billion. The worsening of the bi-lateral travel deficit with the U.S. accounted for most of the change.

Real output in manufacturing was down by 2.6 per cent in 1980. This compares with a decline of 6.3 per cent in the volume of manufacturing output in the previous recession year of 1975. The principal areas of weakness occurred in transportation equipment, rubber and plastics, clothing and non-metallic minerals — each showing an output decline in real terms of 7-16 per cent. However, manufacturing employment on the basis of the labour force survey showed an increase of 37,000 or 1.8 per cent in all of 1980, following an exceptional advance of close to 6 per cent in 1979.

Private sector forecasters two months ago were somewhat more optimistic regarding the pace of the Canadian economy in 1981 as compared to 1980, with the consensus suggesting an increase in real GNP of 1.7 per cent prior to the release of the fourth quarter 1980 national income accounts. These forecasts will probably be revised upward because of the unexpectedly strong growth in real GNP in the final quarter of last year.

As well, the release by Statistics Canada of the public and private capital investment survey suggests an increase of 19 per cent in business spending on new plant and equipment (excluding housing) in 1981 on the basis of investment plans held early in 1981. Again this is a much more positive view of the general business investment climate than that held by most forecasters. Even discounting for inflation and the underrealization of investment plans it appears likely that the business capital goods sector will provide an important stimulus to the Canadian economy for the third year in succession.

However, the general expectation is that inflation will continue at somewhat higher rates than in 1980. Employment prospects also appear to be less favourable than in the recent past and few observers suggest a repeat of the merchandise trade performance of last year.

Looking beyond the near term, however, the medium and longer term outlook is distinctly more optimistic. Canada is favoured among major industrial nations by having abundant natural resources. Canada is currently in a net export position in mineral, forest and agricultural products. As indicated, Canada currently is running a trade surplus in **all forms of energy combined**, in marked contrast to huge energy trade deficits in the U.S., Japan and major EEC countries. The price of energy in Canada also is likely to remain below those of our chief competitors. In addition, wage compensation levels in Canadian manufacturing (in $U.S. terms) are now well below that of several major OECD countries, mainly due to a much more competitive exchange rate. Coupled with a well-educated and trained labour force, the underlying fundamentals of the Canadian economy are most favourable.

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Dollars and Sense of Energy Conservation Governments Take Initiative

by Bob McDonell

In addition to the voluntary restraint and conservation programs outlined in last month's Canada Commerce which the private sector has undertaken through its industry task forces, the federal government — in co-operation with the provinces — has embarked on a number of initiatives.

Operating personnal discuss video-text information resulting from an Enargy Bus audit of possible anargy sevings in a visited plant. This bus is ona of many co-operatively sponsored by federal and provincial governmants.

Thasa initiativas hava four main objactivas:

- **To improva the energy efficiency of planned and existing Canadian plants**
- **To maximize tha usa of current material and energy wastes**
- **To davalop procasses and equipment that ara more enargy efficiant**
- **To davelop products that are less enargy intensiva, more enargy efficiant, more durable and having maximum recycling capability.**

The National Energy Bus Program

One initiative of the federal government and participating provinces has provided a number of computer-equipped vehicles that perform on-site energy audits of manufacturing, commercial and institutional facilities. The energy buses analyze energy use patterns in the plant or complex and identify areas where energy waste can be reduced and money saved.

The costs of the program are shared by the federal and provincial governments with no cost to the client company. **Services include:**

Computer assisted anergy audits, using data providad beforahand by tha client, supplamanted by data obtainad on site

. . .Prasentation of audit results to plant managament via video display and also by hard copy printouts

. . .Energy utilization damonstrations by means of modals or audio visual techniques, and

. . .Discussion with chief axacutiva officars and plant managament on tha nature and magnitude of potential anergy sevings and praliminary advice on steps to be takan by tha cliant.

This service is now available in all provinces and is perhaps one of the most popular programs with backlogs of three weeks to four months before a bus is able to carry out a requested audit. It is hoped to shorten this waiting period considerably as more buses become available.

Surveys of the bus audit report show that potential savings range from 20 to 50 per cent. While the Energy Bus Program was initiated primarily to make industry aware of the extent of energy savings, the program itself has encouraged a large number of firms to undertake conservation measures which have decreased Canada's energy demands.

Another valuable by-product of the energy audit has been the establishment of a data base which can be used to measure the effectiveness of various conservation measures, including federal and provincial programs.

While the data obtained on each individual audit remains confidential, it is now possible to develop a profile of energy use for various industrial sectors against which they can measure their own energy use efficiency.

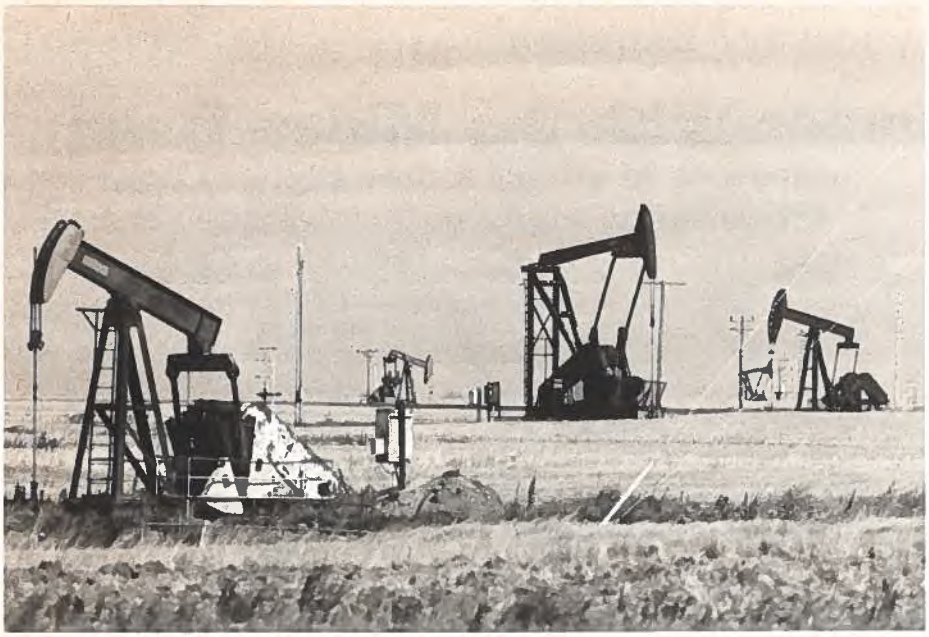
As a result of the success of the program at least five countries — Netherlands, Germany, Luxembourg, Belgium and Italy — have decided to implement similar programs. This will include the exchange of technical information, computer software and expertise, including the development of an International Statistical Data Base.

Federal/Provincial Program for the Damonstration of Conservation and Ranewable Enargy

This $200 million-plus program co-funded by both levels of government focuses on two main areas — the funding and management of demonstration projects and the transfer of information and demonstration experience.

The program has three main objectives **— to develop and demonstrate promising technologies, techniquas and systams which usa renawabla enargy, conserva anergy or make its use mora afficiant; to davelop broad public awaraness and acceptance of consarvation and ranawable anergy technologias; and to craate employmant in new or axisting industrias.**

Proposals for demonstrations are welcome from industry, associations, universities, government departments, municipalities, individuals.



Proposals with a high degree of private sector participation are normally given preference. Government funding is intended to share the risk of the demonstration but not to bear the entire burden. It will provide funding for demonstrations in all sectors of the economy.

New conservation technologies in each sector will be demonstrated, for example — efficient building design, industrial retrofits for waste heat recovery and new energy efficient-processes.

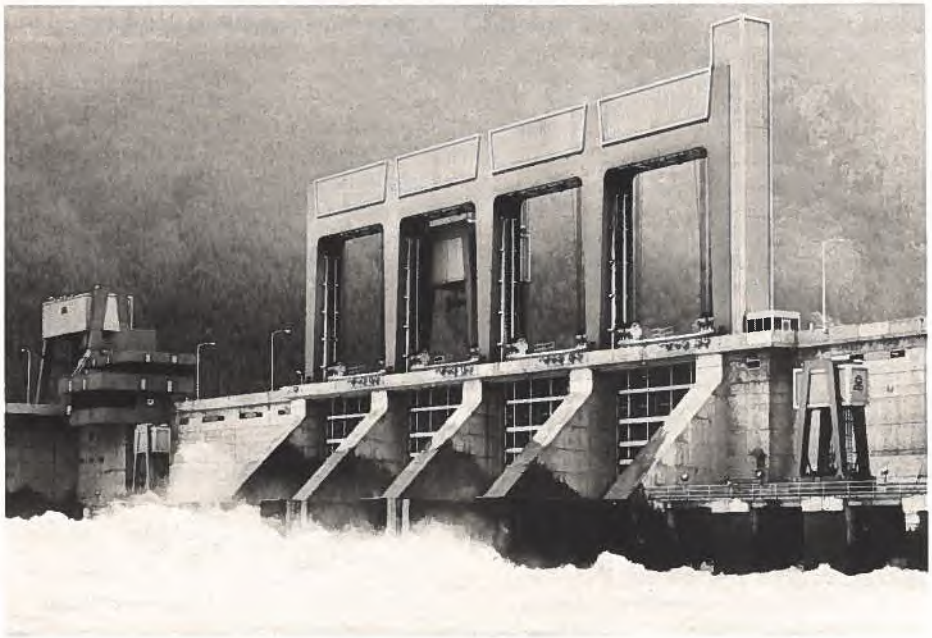
In renewables, the most promising applications in each technology will be demonstrated; for example, solar hot water heating for residences, commercial buildings and industrial applications, industrial process heat and biomass gasifiers.

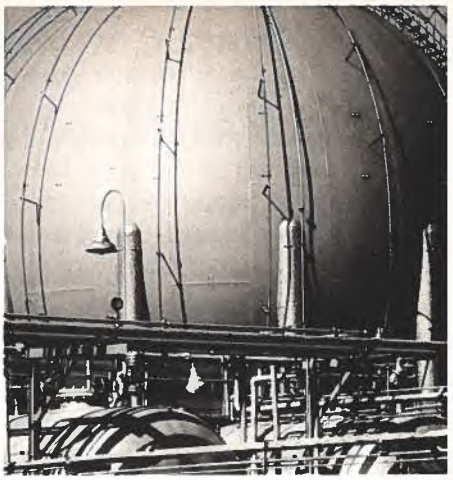
Funding is available for both large and small projects. **Costs that are eligible for funding include:**

— the diract costs of tha project (materials and labour)
— a reasonable portion of tha applicant's indirect costs
— the costs of documantation and information transfar.
Preference will be givan to proposals which ara partially fundad by tha applicant and privata sactor participation is axpected where private banafit will occur.

With the exception of copyright, all intellectual property generated by a project (e.g. patents, design, licences) will be retained by the project contractor.

All project submissions are made to the Provincial Program Office and are subject to a two-month approval process, first by the provincial office and then by the federal program office.





In selecting demonstration projects, preference will be given to those proposals which offer the greatest potential for conserving energy and developing renewable energy technologies in a wide variety of applications. **Tha dacision to accapt or reject any project proposals will depend on how wall it fulfills tha following critaria:**

- **anargy impact — shorts and/or long-term**
- **technical soundnass**
- **potantial for cost affactivanass and/or commarcial viability**
- **technical competance of the applicant to design, build, operate, managa, documant and publiciza tha proposed damonstration**
- **impact on public acceptance and incantive for adoption**
- **private sactor participation including cost sharing**
- **wide gaographical and sactoral coveraga**
- **the quality of tha information transfar plan**
- **potential contribution of tha technology to Canadian energy, industrial, trada, regional and anvironmantal objactivas.**

Applications and inquirias should ba directad to the appropriata Energy office in your provinca or tarritory. Proposals should be concisa and organized as follows:

Tachnical Plan
- **project objectivas in ralation to program critaria**
- **datailad work program including costs and funding requasted**
- **resumés of project personnal**

Cost Estimate
- **a datailed cost braakdown for tha entira project**
- **a cost benafit or payback analysis**
- **sources of funds**

Information transfer plan
- **idantification of targat audiances, communications materials**
- **schedula for production, numbers, distribution**
- **cost astimate.**

Caviar from Canada, you say? Excellent!

Canadian Companies With the Midas Touch

by Shirley Plowman

"Canadian Gold" doesn't glitter. It's the trade name for a Canadian caviar substitute produced by Freshwater Fish Marketing Corporation, a Winnipeg-based company.

The whitefish roe caviar is one of the many exceptional fish products produced in Canada and finding a home in the exotic food sections of stores and supermarkets in North America and Europe.

Says Thomas Dunn, FFMC's President, **"Major sales have already been made to Sweden and to customers in several regions of Canada and the United States."**

FFMC's caviar comes from lake whitefish (Coregonis clupeaformis) and is in its third successful year of production. The business has been growing steadily with each new lucrative season. **"We have processed 45,000 pounds of caviar at six prairie locations during the past two years so we are most optimistic about future sales prospects."**

Despite stiff competition in a Europe where caviar substitutes abound, "Canadian Gold" recently won a gold medal at a culinary show in Frankfurt, West Germany, competing successfully with European products and displacing the much-touted black sturgeon caviar from Russia. The Canadian caviar sells for about $3.50 for a (3¾ ounce) container. Sales totalled $37.5 million more than a year earlier.

FFMC obtains its fish from some 3,500 commercial fishermen throughout the three Prairie Provinces and the Northwest Territories.

"The corporation's biggest volume sellers are whitefish, pickerel and sauger," explained Peter Moss, FFMC's chairman, **"although a very small catch of sturgeon brought in the highest price."**

Confided Dunn: **"At the moment we are in the middle of another good year. Prices are holding up and we will probably surpass our record deliveries of last year."**

This is the good news. The bad news for the seafood industry is that the transport of fresh fish in Canada is having quality problems. According to the McLelland Report — a study of the Canadian fish and seafood industry — carriers will only accept perishables on Mondays and this is cold comfort to foodservice operators who carry out the majority of their business on weekends.

Authorities in the industry say it is not the fault of the carriers but improper refrigeration and extended time out of water before shipping. Everyone in the transportation chain — from processor to public carrier — has been trying to solve the problem for years.

Most fish lovers who frequent the better restaurants, however, are unaware of any problem, thanks to air freight which rushes the higher priced fish to the restaurants while they are still fresh from the sea.

One successful merchandising concept in Ontario is the flexible blackboard menu where operators spot and buy whatever is freshly available, varying the fish of the day. The idea has not taken hold in Montreal and Vancouver where operators of seafood specialty restaurants are better serviced by daily deliveries.

Shipping is a lesser problem to those in the frozen food industry. **Clearwater Lobster Ltd. of Halifax, the largest Canadian wholesale shipper of live Homarus lobsters, is soon to begin production of frozen gourmet food products. Clearwater has formed a wholly owned subsidiary, Clearwater Lobster Shops (Canada) Ltd., to establish a chain of retail stores in Canada, the United States and Europe.**

The first store will be opened in Edmonton in May followed by others in Halifax, Toronto, Winnipeg, Vancouver, Seattle and Dallas. Each store will be designed to reflect an authentic Maritime atmosphere.

Although retail distribution was planned when the company was formed four years ago, company officials decided not to get involved until Clearwater had been firmly established in its European wholesale operation.

Said Jack MacDonald, Vice-President and General Manager: **"We wanted the financial resources to fully realize our retail plans before going ahead."**

Clearwater is also expanding the company's holding and distribution centre at Bedford, N.S. where they will be introducing a new line of cooked shellfish products. The new products will be marketed through the retail stores.

Clearwater's annual sales have increased to more than $20 million. About 70 per cent of the lobsters are exported, making Clearwater a familiar customer of Canadian, Dutch and British airways. Some 80,000 pounds of lobsters were sent by air cargo to distribution centres in Britain and the Netherlands.

Even with Europe's somewhat exorbitant retail prices for lobster of up to $25 a pound and restaurant meals of $100 a plate, Canadian lobsters command a high European market acceptance. Current retail prices in Canada are also higher than usual because of unusually severe winter conditions, the closed season in several harvesting zones and resulting low supplies.

The thought to remember is that Canada is showing it can compete in the sophisticated world of the exotic food market, whether the call is for smoked salmon, lobster or caviar.

First It Was the Apple. . . .

. . . .Now Avon Foods is taking a selective bite into export markets with a variety of processed fruits and vegetables. Don Wight wraps up his feature on Nova Scotia (see also February, March 1981 issues of Canada Commerce) with the stories on these pages.

For Dick Turner, his business is **"the apple of his eye."**

Close to the land and with a down-to-earth philosophy that permeates his business and personal dealings, Mr. Turner has **"a love of the region and the good fortune,"** he admits **"to be able to live in one of the nicest places in Canada."**

That place, bordering on the Annapolis Valley, is Port Williams, Nova Scotia, where Mr. Turner is vice-president and export manager of Avon Foods Limited. With characteristic pride, Turner points out that "Avon is the largest Canadian-owned fruit and vegetable canner in Atlantic Canada."

Established in 1947, Avon Foods Limited is a totally locally-owned business. Initially, the firm processed apple products exclusively.

Over the years the company expanded its apple juice, sauces, sliced apples and apple pie filling lines to include carrots, waxed beans, green beans, peas, cherries, blueberries, plums, beans with pork and pickled beets.

While productivity has and continues to increase, so too has the size of the company. Avon's main operation is in Port Williams, with sister plants in Hantsport, Nova Scotia, and in Bedeque, Prince Edward Island. The latter operation, Campbell and Burns Limited, produces — in all their various forms — peas, potatoes, carrots and beets.

Through the Department of Industry, Trade and Commerce's Enterprise Development Program (EDP) the Prince Edward Island plant has received direct assistance.

"A number of products are being developed that look interesting," states Turner. **"And a half-dozen new products will hit the marketplace in the next year."** As well, market testing of a non-metallic package is taking place. It is anticipated this new package concept will help alleviate **"the increased cost of packaging."**

While maintaining its domestic markets in Atlantic, Central and Western Canada, Avon Foods Limited is exporting to the United States, the Caribbean and Bermuda. Of late, there has been a thrust to re-establish its trade position in European markets.

And one of the keys to the company's export success, Turner feels, is **"the first-name basis contact with customers."** These customers have come to rely on Avon for dependable service and quality products.

Transportation, though rates can be expensive, is efficient. **"There is a personalized house-to-house delivery system in place,"** says Turner. **"Empty containers are brought in by truck; they are loaded; trucked to the port of departure; off-loaded at the port of entry; and again trucked — right to the customer's door!"**

The market is also competitive, perhaps even more so on the local level — if only because of the concentration of growers, producers and processors. Yet, and this is an inherent characteristic in Atlantic Canada: friendly competition fosters close co-operation!

Elaborated Turner: **"The market is competitive. But in production, day-to-day co-operation is essential. There are excellent lines of communication with other processors in the area."**

And it's likely to remain that way. Mr. Turner foresees the continuation of **"a good growth trend that began 10 years ago."** He is also **"very optimistic concerning the future of food processing in this area."**

The potential for expansion in food processing is greater in Atlantic Canada than in the rest of the country because of the increasing use of high technology, both in the processing plants and in the field. This is providing a greater cross-section of trained people, creating a number of spin-offs and having a beneficial impact on productivity according to Turner.

"All of this makes for a satisfying environment," says Turner, **"an environment bent on preserving and creating jobs for people who want to live here."**

Both Dick Turner and Avon Foods Limited seem to be creating just such an environment: During peak production periods, the company employs more than 300 people. Generally, it swings between 125 and 325 employees. And seldom is there an idle moment.

"It's an on-going cycle," says Turner **"with continuous field-plant activity through the year."**

For Avon Foods Limited, a healthy and successful company, an apple a day does keep the doctor away!

In the processed frozen fruit and vegetable field, blueberry exports are third in value only to potatoes and corn. Nova Scotia's 600 to 700 growers — producing some 4,086,000 kg (9,000,000 pounds) a year — are positive proof that. . . . . .

Blueberries are Big Business

To the surprise of everyone — except, perhaps, Nova Scotia residents — blueberries are a booming business!

In fact, in Canada, Nova Scotia is the leader in blueberry production. It is also the second largest producer of blueberries in North America. And these are not the average, run-of-the-mill blueberries. Rather, they are the wild — as opposed to the cultivated — variety!

Whereas cultivated berries grow on shrub-like bushes 1.8 to 2.4 m (six to eight feet) high, the wild variety is a ground species, growing on small shoots that are generally 15.2 cm to 19.3 cm (six to eight inches) in height.

"The wild variety," says Jack Sibley, blueberry specialist with the Nova Scotia Department of Agriculture in Truro, **"has a distinct flavour. It's a premium product sold to a specialty market."**

In North America, for example, the berries are used primarily in pies, ice cream and muffins; in Europe and Britain they are ingredients in wines, jellies and jams; in France the juice is used in the pharmaceutical industry. Experiments are also being conducted to produce perfumed hygenic products.

The market contributes approximately $10,000,000 annually to the economy of Nova Scotia.

"Approximately 99 per cent of the blueberries are sold outside the province," says Sibley, **"with export trade accounting for about 80 per cent."**

Sibley notes that **"Industry, Trade and Commerce has been of invaluable assistance in the development of export markets, especially through financed trade missions. Such help has been on-going since 1975."**

The recent entry into the lucrative Japanese market has been the result of extensive promotion and years of hard work.

"This breakthrough," says Sibley, **"has a good psychological impact on the world market."** The hope, being carefully nurtured, is that other potential markets will follow Japan's example.

"Europe and West Germany are important markets also," states Sibley. **"Since 1975, Nova Scotia has shipped 2,270,000 kg to 3,178,000 kg (5,000,000 to 7,000,000 pounds) of blueberries a year to West Germany."**

And the method of shipping — by container out of the Port of Halifax — has proved not only highly successful, but extremely cost-effective.

Through the assistance of the Department of Regional Economic Expansion (DREE), the Blueberry Producers Association of Nova Scotia, in conjunction with the apple producers, have become owners of 60 refrigerated containers. When the containers are not being used by the blueberry/apple producers, they are leased out. This arrangement assures maximum container usage and provides the association an alternate source of additional income.

It appears everything will be coming up blueberries for years to come! **"Blueberries are a perennial crop,"** says Sibley. **"Their lifespan is indeterminate because they can regenerate."**

The fields are cropped biannually by burning or pruning the top growth. **"For instance,"** explains Sibley, **"if you have 100 acres of blueberries, you burn off 50 acres a year."** This form of crop rotation ensures the continuous supply of the increasingly popular product.

Good growing conditions also assure their continuance or, more likely, their proliferation. These wild berries thrive on the natural acidity of the Nova Scotia soil! As well, with the development of herbicides that kill the weeds and not the blueberry bushes, yields are expected to increase by up to 40 per cent.

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. . . .

Personnel Administration and Records

In large corporations, personnel administration is a vitally important and complex job, geared to the development of employees to perform their work better and approach their full potential.

It involves such varied things as personnel policies, procedures and records; manpower planning, which includes recruiting, training and performance evaluation; wage, salary and benefits administration; job enrichment and motivation; labor relations and legislation; and employee publications.

For a large corporation, this requires a number of specialists in diverse fields and, obviously, the proprietor of a small business cannot hope to do all of these things effectively. But he doesn't really have to.

For, while he has the same goals in the development of personnel as does the large corporation, he can achieve success in this area by having the right outlook and using a few relatively successful techniques.

The first step is to establish personnel policies. These can be simple, but they will contribute to good employee relations if stated in writing for all to see and understand. Conversely, the absence of any stated policy could cause confusion and uncertainty, and detract from performance.

Brief policy statements could cover such areas as wages and salaries; vacations; working conditions; training; and promotions. Here is one example of such a policy statement:

"Wages and Salaries: It is the policy of this company to pay its employees the average of rates for similar work in this community, to comply with all applicable wage legislation such as minimum wage and vacation pay legislation, and to review wages and individual performance at least once a year."

This statement of policy may seem so simple, at first glance, that it need not be in written form. But in a small business employee relations are on a very personal basis. Personnel policy statements represent one reflection of the owner's personal regard for the people who work for him.

In addition, the statement of policy provides reassurance to employees by spelling out in definite terms the basis on which they will be paid and by explaining that raises are considered on a regular basis and will be determined on how well they do their jobs.

With a policy set down, the next step is the development of a procedure to implement it. For the example given, the procedure could include such things as a wage survey, a wage legislation survey, a description of each job, job evaluation, performance appraisal and, finally, wage revision. The procedure also should be in writing so that employees clearly know the ground rules under which the business operates.

The third step is the development of a system of personnel records for reference in carrying out the procedures to implement the policies.

In a large corporation, this includes files on general subjects of interest as desired or required, such as recruiting, training, manpower planning, salary administration, forecasts, budgets and benefit plans with detailed titles and many individual files in each category.

All of these, of course, would not be required in a small business but the proprietor may wish to set up certain key files, a task that will be neither too time-consuming nor too difficult. These might be the categories:

Personal File: This would contain all documents and correspondence relating to the employee from the time of applying for employment.

Employment Record: This would be a card or sheet summarizing the employee's personal data including such things as education, work history and job and wage record. A photograph of each employee might be desirable for reasons of security or identification. The employment record file would include three other documents, as follows:

Application for Employment: This form would provide a written record of the background and qualifications of each applicant and would include details on particular skills, personal aspirations or attributes, and the names of references.

Performance Report: Completed for each employee, at least annually, this form would give the proprietor's review of how well each did his job.

Change of Status Form: Any change should be entered immediately. The four main entries would be start of employment, change of duties, relocation within the organization and end of employment (resign, retire or be terminated).

Payroll and Deduction: This form would record all payroll transactions and changes in pay rates.

That kind of simple personnel records system, if well maintained, will save the small business proprietor time by enabling him to tell at a glance the current status of all of his employees.

The system would show, quickly and accurately on any given day, how many employees there are, what job each has, where each is located and how much each is paid.

As valuable as personnel records are, it is a waste of time and effort to keep them unless they are kept right up to date. The information needed is today's information. When any personnel file or record is no longer needed, it should be destroyed to prevent the system from becoming cumbersome. However, there should be a retention period, since former employees might request references or material for tax returns or unsuccessful job applicants might wish to have some of their documentation returned.

Personnel records contain private information about people. Thus it is the responsibility of the proprietor to safeguard that privacy by restricting access to those records to a small number of employees who will respect that confidentiality.

Personnel administration is as vital in a small business as in a large one because the end results are so important. A system of written personnel policies, procedures and records should be set up while the staff is small and stable, so that they will be in place if and when they are needed later.

FBDB Regional Offices are located in Halifax, Montreal, Toronto, Winnipeg and Vancouver.

Small but technologically advanced Canadian companies appear to be flourishing particularly in Quebec, as Canada Commerce contributing writer, André Fortier, has been finding out. Here, he describes two more such inventive enterprises which are well on the way to success. . . .

DAP Electronics: First Prize in Brussels and Geneva

Invented in Quebec and winner of the gold medal at the World Inventions Fair in Brussels and of the vermilion medal (equivalent to the gold medal) at the Geneva fair, the Musical Lexicon computer represents a technological breakthrough in its field equivalent to the marketing of the electronic calculator in the accounting world.

The Musical Computer

The Musical Lexicon computer was created by DAP Electronics of Quebec, a small business founded only last year. DAP produces the computer: its sister company, Lexicon Canada Ltd., handles sales and marketing.

The musical computer has opened a new era in the field of music teaching and learning. This micro-computer is an electronic dictionary of coded chords which provides instant, error-free access to more than 1500 chords and scales. It was designed to be used in several ways: on a music stand, piano, organ, or propped up on a table on its built-in support.

The Musical Lexicon is an invention which a small business with a highly qualified staff is typically capable of producing. However, by establishing the sister company, Lexicon of Canada Ltd., DAP paid close attention to the other key to good business practice — marketing. As already mentioned, the results were not long in coming: gold medals in Brussels and Geneva.

The Potential Market

And this is only the beginning — sales have not, in fact, yet begun. When they do, very soon, Lexicon expects to sell approximately 10,000 musical computers in the first year.

As part of the company's comprehensive efforts to prepare the ground, the computer has been patented in Canada, the United States, the Commonwealth countries,

Electromec: Almost Everywhere in Eastern Quebec

With its head office in Chicoutimi and representatives in eastern Quebec in Blanc Sablon, Sept-Iles, les Escoumins, Chicoutimi, Quebec, Mont-Joli, Ste-Anne des Monts and Gaspé, Electromec is a small business which provides maintenance and service for such highly specialized radio-telecommunications and radio-navigation equipment as radar, echo-sounders, Loran-C and satellite radio-navigation systems and HF-SSB and VHF-FM radios.

Electromec's customers include the owners of fishing boats, ocean-going vessels, ferries, oil tankers and other ocean-going ships as well as various other types of ships in other ports. At the piloting and maritime control station in Les Escoumins, the company has a federal government maintenance contract for all radar and telecommunications equipment and has another contract with Alcan in Chicoutimi and Port Alfred.

With a staff of three engineers and a number of electronics technicians, this small business has developed in a somewhat different manner from other similar businesses.

Although research and development activities are Electromec's primary concern, this small business has clearly secured itself a solid commercial base.

In terms of research and development, Electromec is getting ready to join a small, select group of small Canadian businesses which are working wonders in the field of advanced technology and which, in some cases, are carrying the reputation of Canadian know-how to the four corners of the world.

Through a grant provided by Industry, Trade and Commerce, Electromec's aeronautics and industrial division has just perfected a very special echo-sounder system which is controlled by micro-computer.

The purpose of this piece of equipment will be to ensure pilot safety on Canadair's famous CL-215 water bombers. The apparatus itself is a highly developed sounding device which will be adapted to the airplane's fuselage in order to judge water depth under the CL-215's cockpit. It should be noted that water bombers draw six feet of water when filling their tanks.

This echo-sounder may well become mandatory on all hydroplanes, on the CL-215, and on all present and future models.

Electromec's broad experience in maintaining maritime echo-sounders has played a considerable role in current developments. The company is also seriously studying the possibility of perfecting surface echo-sounders.

Electromec is increasingly diversifying its activities and now has been producing stabilized power packs, primarily for use on ships. It is also conducting a preliminary study with a view to perfecting a completely electronic metal analysis system controlled by micro-computer.

the EEC and in Taiwan and Japan. It has also won medals outside Europe. For example, the company just recently took part in the National Association of Music Merchants (NAMM) Exhibition in Chicago, where its computer met with great success.

It was with the support of the PEMD program of the federal Department of Industry, Trade and Commerce that DAP was able to take part in the Chicago exhibition, which attracts musicians, music teachers and students and where visitors from Latin America, Japan and Europe were able to see this latest invention of a small Quebec business.

A Distribution Network

A distribution network has already been established in Canada and the United States and contact is being made with potential European distributors.

In addition to combining electronics technology with sound marketing techniques, DAP is also concentrating on its research and development activities. For example, the musical computer is currently available in a model designed only for keyboard instruments, but the company is about to perfect another version which will be used to teach guitar.

We should also mention that diversification is one of DAP's major assets in the research and development field.

Other Instruments

Even though the musical computer is clearly its principal product of the future, DAP is already manufacturing and selling back-up alarms and automatic horns for cement trucks, articulated vehicles all across Canada. It is also working to perfect an electronic thermostat for car and truck engine block heaters which it intends to market this fall through the network of distributors already handling its automatic horns.

DAP is leaving no stone unturned. It has begun a new design project for electronic vehicle scale systems, which is still in the early stages, and the company's research team is currently working to perfect the musical computer's sound system. These research and development activities are being conducted with the assistance of IT&C's Enterprise Development Program (EDP). Work should be completed by December.

With its dynamic team of more than 30 employees, DAP is putting into practice the key principles for a bright future: research and development, marketing and diversification. Its engineers and technicians have established a sound reputation through competent contract work for other firms in the electronics sector.

Argentina Eliminates Additional Import Taxes

The Government of Argentina recently passed Law No. 22374 eliminating the following additional taxes and fees applicable to imports.

- **Statistical tax of 3 per cent on c.i.f. value;**
- **Consular fee of 3 per cent on total invoice value;**
- **Maritime tax of 12 per cent on ocean freight charges;**
- **Special tax ranging from 4 to 10 per cent on the c.i.f. value on various wood and paper products;**
- **Special steel fund tax ranging from 1 to 10 per cent of the c.i.f. value on metallurgical products including machinery;**
- **The 6 per cent tax on mineral imports for the Mining Development Fund;**
- **The special tax ranging from 3 to 15 per cent on imports of aircraft.**

Elimination of the taxes was originally announced by the Economy Minister on July 10, 1980.

Word has also been received from the Argentine Consulate in Montreal that effective February 5, 1981, consular legalization of the commercial invoice is no longer required.

The 1981 Canadian Trade Index

The revised and updated 1981 Canadian Trade Index is available for index users who find it a valuable source of tracking Canadian-made products.

In this edition alone there are 50,000 changes in products, trade names and personnel. Some 545 companies have ceased operations or have merged with another company, 612 are listed for the first time and more than 275 companies have changed their name.

For the convenience of readers, a new appendix has been added to the alphabetical listing so that you can, at a glance, find 190 companies that have made a name change so significant it would be impossible to find them. The list is alphabetical by old name with the new name shown beside it.

More than 13,000 copies were used by buyers to find Canadian-made products in 1980; foreign buyers bought 4,000 copies.

Published continuously since 1900, the Canadian Trade Index is available from **The Canadian Manufacturers' Association**, One Yonge Street, Suite 1400, Toronto, Ontario, M5E 1J9. The price is $63.00 a copy plus $2.00 postage in Canada (add Ontario sales tax if applicable) and $5.00 postage in U.S.A.

I.T.&C Promotional Projects Program

The following is a current list of trade fairs which will be sponsored during the period July 7 to September 23, 1981. The list is published to alert Canadian businessmen and women to opportunities for reviewing the current state of their industries as reflected in the exhibits. At some fairs, Canadian manufacturers are invited to participate. At others, a Canadian information booth is available for contacts with foreign buyers and as an information clearing house.

Canadian companies interested in participating in Department sponsored exhibits are encouraged to contact their nearest IT&C regional office so they may be added to the Department's list of exporters. While attendance at major fairs listed is encouraged, companies should bear in mind that participation is fixed 4-6 months before an event.

Trade Fairs.

Europe, Middle East and Africa Division (613) 995-7334

18th Algiers International Trade Fair
Algiers, Algeria
August 26 - September 11, 1981

Organized by the National Trade and Exhibitions Board under the aegis of the Minister of Trade, the Algiers International Fair is a general samples fair open to national producers, foreign countries and international organizations. Its objectives are: to give an accurate picture of the economy of the Democratic and Popular Republic of Algeria in every sphere; to encourage, develop and strengthen economic links between Algeria and other countries.

Some 35 foreign countries participate.

23rd Brno International Engineering Fair
(Information Booth)
Brno, Czechoslovakia
September 9-15, 1981

This fair is known for its cross-section of modern technology and technical information. It highlights power engineering and encompasses machinery and equipment used in the production of goods and services.

ISPO '81 (Autumn) — 15th International Sports Equipment Fair
Munich, West Germany
September 10-13, 1981

ISPO takes place twice yearly since 1979, in September and in February, in keeping with the market requirements and the wishes of top associations. Only trade buyers of sports goods and sports clothing are admitted to the fair. The range of exhibits includes: non-seasonal and summer sports equipment and articles; summer and winter sports clothing; winter sports hardware; miscellaneous equipment.

In 1980, some 1,300 exhibitors from 33 countries attracted 20,000 trade visitors.

Zagreb International Autumn Fair
(Information Booth)
Zagreb, Yugoslavia
September 11-20, 1981

The Zagreb International Fair is a general samples fair in which all branches of industry and economy are presented. In addition to exhibits from Yugoslav republics and provinces, industrial achievements from the major parts of the world are regularly presented.

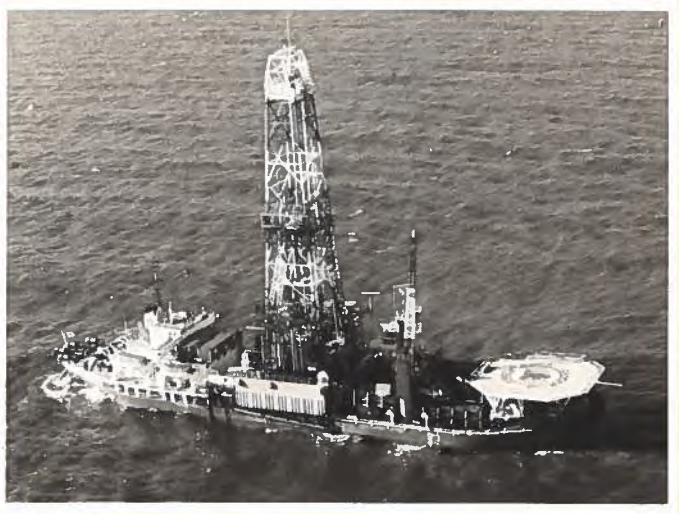
The total exhibition of the fair reaches 310,000 square metres and some 8,000 exhibitors from Yugoslavia and 60 foreign countries display their products and services.

Offshore Europe '81 — Ocean Industries Exhibition and Conference
Aberdeen, Scotland
September 15-18, 1981

Sponsored by the Association of British Oceanic Industries, the Council of British Manufacturers of Petroleum Equipment and the North East Scotland Development Authority, Offshore Europe is a biennial international trade exhibition and conference aimed at the offshore oil and gas industry.

This show is restricted to manufacturers and suppliers of capital goods, equipment and technical services.

Covering an area in excess of 20,000 square metres, the event is held at the Scottish Oil and Gas Show Bridge of Don Showground at Aberdeen. Some 600 exhibitors participated in 1979.



Interplas '81 — International Plastics and Rubber Exhibition
Birmingham, England
September 15-22, 1981

Interplas is sponsored by the British Plastics Federation and 'European Plastics News' in co-operation with other industry associations. Exhibits at the fair represent all forms of machinery, plant, equipment, services, materials and supplies as used in the plastics and rubber industries.

The show occupies more than 100,000 square metres in the National Exhibition Centre in Birmingham and some 1,000 exhibitors are expected to participate in 1981.

SICOB — 32nd International Data Processing, Remote Processing, Communication and Office Organization Trade Fair
Paris, France
September 23 - October 2, 1981

SICOB is an annual international trade fair offering a complete overview of management tools for private firms and corporations involved in data processing, remote processing, communication, office automation and office organization. It provides an international forum for manufacturers, importers, consultants and users.

In 750 stands, more than 2,000 exhibitors from 30 countries display office equipment ranging from furniture to data processing and communication equipment.

Western Hemisphere and Pacific Division (613) 995-8303

Expo Mexico — International Oil and Gas Exposition and Conference
Mexico City, Mexico
July 7-11, 1981

Expo Mexico is a new exhibition to be held at the Palacio de los Deportes in Mexico City. It will feature equipment and services covering the exploration, production and transmission of petroleum and natural gas. With the co-operation of PEMEX, the show is sponsored by Mexican organizations as well as British and Norwegian groups.

The exposition complex covers an area of some 60,000 square metres.

National Housewares Exposition
Chicago, Illinois, U.S.A.
July 13-16, 1981

Twice yearly the National Housewares Exposition provides an opportunity to see the entire American housewares industry in action. It is the total marketplace for everything and everybody in home-use products. Sponsored by the National Housewares Manufacturers Association, this exposition is held at the McCormick Place West.

More than 3,600 exhibitors participate utilizing nearly 180,000 square metres of display space. Total annual attendance exceeds 100,000 persons including some 40,000 buyers.

AIEE '81 — Australian 14th Engineering Exposition (Information Booth)
Melbourne, Australia
July 27 - August 1, 1981

Sponsored by the Metal Trades Industry Association of Australia, this event is publicized as the premier marketing place in the Australian and Pacific basin region for machine tools, heavy industrial equipment, pneumatic and hydraulic equipment, automated programmed tools, instrumentation, electronics equipment and controls, materials handling equipment plus other facets of industrial equipment, components and associated products.

Empire Farm Days Agriculture Show
State of New York, U.S.A.
August 11-13, 1981

Empire Farm Days is the largest annual agricultural machinery show held in the North Eastern United States. Sponsored by the Empire Potato Club in co-opeartion with other associations, this event is traditionally held in early August in a location for two consecutive years only, but always in the Syracuse neighbourhood.

Some 400 exhibitors display agricultural equipment.

Canadian Exhibit at the American Hospital Association Annual Meeting
Philadelphia, Penn., U.S.A.
August 31 - September 3, 1981

The American Hospital Association Annual Meeting is considered to be the largest show of its type in the U.S. occupying an area in the range of 70,000 square metres.

Some 20,000 professionals, hospital equipment purchasers and administrators visit the 600 exhibitors participating.

AG QUIP — Agricultural Equipment Trade Fair
Gunnedah, N.S.W., Australia
August 1981

AG QUIP is an agricultural equipment trade fair organized by a private concern and therefore primarily sales oriented. It includes a wide range of agricultural equipment; some are shown in field demontrations.

The show comprises 80 hectares and attracts 120,000 visitors.

IMTEC '81 — International Marine Trades Exhibit and Conference
Chicago, Illinois, U.S.A.
September 24-27, 1981

IMTEC is held annually at the McCormick Place, Chicago, U.S. and is open only to marine dealers. It features sail and power boats, outboard motors, trailers, marine engines, marine hardware and products related to the pleasure boating industry.

More than 950 exhibitors share some 67,500 square metres of space. Attendance is approximately 35,000.

Woodworking Machinery and Furniture Supply Fair
Los Angeles, California, U.S.A.
September 24-27, 1981

This fair is sponsored by the Association of Western Suppliers and is held at the Los Angeles Convention Centre. It features all products used by woodworking, upholstery and bedding manufacturers, including tools and equipment.

400 exhibitors can display their products in the 18,900 square metres of exhibit space.

Farm Progress Agricultural Show
Brimfield, Illinois, U.S.A.
September 29 - October 1, 1981

The Farm Progress Show was started in 1953 and has since developed into one of the largest agricultural events in the United States. Held annually on two or three private farms in different parts of the mid-West (mainly Iowa, Illinois or Indiana), the show features the latest agricultural equipment and techniques with field demonstrations.

400 exhibitors — 200,000 visitors.

Food Products Sales Meeting
Buffalo, New York, U.S.A.
September 1981

As part of its strategy to promote Canadian processed foods and beverages, the Department sponsors a number of food display and sales meetings at selected important markets in the U.S. These presentations are organized by our U.S. Consulates and are held either in conjunction with regular events or at locations negotiated by the Consulates.

Food Products Sales Meeting
Washington State Food Dealers Convention
Seattle, Washington, U.S.A.
September 1981

As part of its strategy to promote Canadian processed foods and beverages, the Department sponsors a number of food displays and sales meetings at selected important markets in the U.S. These presentations are organized by our U.S. Consulates and are held either in conjunction with regular events or at locations negotiated by the Consulates.

Solo Business Furniture Show
Columbus, Ohio, U.S.A.
September 1981

As part of its strategy to promote Canadian business furniture in the United States, the Department sponsors a number of solo presentations at strategically-important markets. These shows are organized by our U.S. Consulates and are designed to bring Canadian business furniture to the attention of architect specifiers, interior designers and principal end users.

Some of these presentations are held in conjunction with regular events; some locations are negotiated by the Consulates.

Bid to Expand Forest Products Exports

A five-year extension of the Co-operative Overseas Market Development Program (COMDP) for the British Columbia wood products industry may generate up to $750 million of additional exports of B.C. lumber, plywood, shingles and shakes and other wood products.

This is the objective of the agreement, which will be financed by the Department of Industry, Trade and Commerce, the British Columbia Ministry of Industry and Small Business Development and the British Columbia Council of Forest Industries (COFI). Each party will contribute $10.5 million to the program.

Industry, Trade and Commerce Minister Herb Gray described the program as an excellent example of what can be done through co-operation between governments and the private sector. During the first nine years of the program, sales of B.C. wood products increased from $227 million in 1970 to $1.06 billion in 1979, the last year for which complete figures are available.

In this third phase of the program, increased emphasis will be placed on developing opportunities in new offshore markets and on exports of more fully manufactured products. The Minister emphasized the importance of increased processing of Canadian wood products.

This was also the emphasis of the Honourable Don Phillips, B.C. Minister for Industry and Small Business, and D.A.S. Lanskail, President of COFI, during a ceremony at which the agreement covering the program extension was signed.

Mr. Gray remarked that the continuing downturn in North American demand for wood products caused by reduced activity in the residential sector underlines the importance of this program in terms of employment and output.

HERE'S HOW IT'S GOING TO BE, COFI President D.A.S. Lanskail tells a group of journalists and officials at the signing of the extension of the COMDP agreement in Vancouver. From left are The Hon. Herb Gray, Minister of Industry, Trade and Commerce, Mr. Lanskail, COFI Executive Director Norman Dusting, Provincial Industry Minister Don Phillips and John Ross, Senior V.P., MacMillan Bloedel.

John Munro, president of the International Woodworkers Union, was not present at the signing ceremony but sent a letter outlining the willingness of the labor movement to co-operate in this promotion.

The forest products industry, including pulp and paper, is the largest contributor to the British Columbia economy. Some 75 million cubic metres of timber are harvested annually, which is converted into a wide range of products valued at almost $6 billion. The province accounts for more than 48 per cent of Canada's total exports of forest products.

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