AN EXPORT TIMES MARKET SURVEY

selling to Israel

SAM PASSOW reports from Tel Aviv

Contracts are there—unless you're from Leyland

ISRAEL will be offering British exporters a new market in the next few months with a potential value of nearly Is£25 million (£400,000 sterling). This welcome boom, however, will last for only the next three years.

The new market will be created when Israel transfers its military installations from the Sinai to the Negev Desert under the terms of the peace treaty it concluded with Egypt in Washington six months ago. The price-tag for the move is estimated at nearly US $5 billion, of which $3.5 billion will be put up by the Americans in the form of loans and grants, leaving the Israelis to raise the remainder.

The major projects in this military transfer — in which the Israeli army is moving a force larger than the combined armies of Britain and France — will be the construction of three strategic airbases, two by the Americans and one by the Israelis.

The American-built bases will be provided on turnkey

Premier Menahem Begin

contracts by the US Army Corps of Engineers, which has hired two New York-based contractors — Negev Airbase Constructors, and Management Support Services — and will use imported labourers from Taiwan and South Korea.

The worsening economic climate in the US is expected to force Congress to include a Buy American clause in its aid package to Israel.

This would require the American contractors to buy, when possible, the supplies and equipment for the project from US-owned companies. American-owned multinationals will probably be excluded from this clause,

PROSPECTS

which could mean that they would use their European operations because of their closer proximity to the Middle East.

Not only will the third airbase be built by the Israelis; so will the roads, electrical supply lines, and sewage systems connecting these new developments with the rest of the country, as well as housing and shopping areas for the military personnel and their families who will be living in the area.

This massive construction project, the largest undertaken in the history of the State, will certainly cause a strain on the rest of the country's construction programme. For this reason, the Israelis will not only be looking for foreign subcontractors for a number of the projects in the Negev scheme but will also be in the market for all types of construction and earthmoving machinery — such as bulldozers, graders, heavy trucks, dump trucks, tower cranes, dumpers and diggers.

According to the commercial department of the British Embassy in Tel Aviv, the Negev Development project should net Britain a 10 per cent increase in its present trade with Israel. Last year, the UK was Israel's second largest supplier after the United States, with exports totalling £243.6 million — or nearly 5 per cent of the total market. (By comparison, the US supplies about 20 per cent of Israel's needs).

Under the terms of the peace treaty, the new bases have to be completed before the final Israeli withdrawal from the Sinai. So projects which most engineers would reckon would take at least five years to complete have to be finished by March 1982.

For this reason, the Department of Trade will be warning potential exporters that orders based on these projects should be considered only in their short-term plans and should not be seen as an indication of the market as a whole. For, when these projects are concluded, there will be a surplus of construction equipment in the country which will be resold locally as second-hand equipment, at prices far below those of new imported goods.

Among the major British companies expected to put in bids for vehicles for the Negev project are Ford and BL.

Ford Europe, which is based in the UK, already has a manufacturing plant in Israel at the expense of the Arab boycott and is thus considered a "trusted" friend to the Israelis. Leyland, on the other hand, closed its assembly plant in Israel in 1974, claiming that the market was no longer economically viable. The Israelis say that Leyland knuckled under to the boycott.

The Israelis place great importance on friendship and tend to reward those companies which were willing to risk the commercial wrath of the Arab world with repeat orders.

With the Israeli heavy goods lorry and commercial bus markets due for renewal — even without the extra trucks needed for the Negev projects — a lot of money will be spent in the next few years.

"But," says Dan Halperin, deputy director of the Ministry of Finance and the man who heads Israel's anti-boycott campaign, "the Israeli government will think twice before it gives Leyland another contract."

What the UK sells to Israel

Figures in £'000s

	1977	1978	% change
Non-metallic mineral manufactures	116,335	97,234	−16.4
Road vehicles	14,634	12,502	−14.6
Specialised machinery	10,323	12,287	+19.0
General industrial machinery	10,500	10,275	−2.1
Non-ferrous metals	8,932	9,763	+9.3
Iron and steel	8,955	8,789	−1.9
Power-generating machinery	5,066	6,350	+25.3
Electrical machinery	5,393	6,259	+16.1
Artificial resins and plastic materials	4,189	4,842	+15.6
Chemical products	3,576	4,815	+34.6
TOTAL (all exports)		243,570	−11.0

• For more details quote ref IS71 in the box on page

MARKET REPORT: ISRAEL

It's a crisis all right — but what kind of a crisis?

SAM PASSOW reports from Tel Aviv

ECONOMY

IT'S a country of only three million people, a market no larger than the population of south-east London. Yet, with overseas sales of £3 billion sterling, it has the world's eighth largest foreign sales per capita and is the twenty-seventh richest nation in the world.

If the last 31 years had not been marred by four wars, Israel today would probably best be known as the economic miracle of the free world.

However, despite an annual growth rate of 5.6 per cent, full employment and currency reserves of record amounts, the Israeli economy is a powder-keg which many of the country's leading businessmen and economists feel will blow sky-high in the next few years unless drastic steps are taken immediately.

Galloping

The country is currently trying to come to grips with a galloping inflation rate of more than 80 per cent and a balance of payment deficit of over $1 billion.

"On the surface, it is a monetary crisis," says Fred Vider, senior economist at the Bank of Israel. "But the underlying cause is a budgetary crisis."

It is almost universally accepted in the country that the government's budget of Is£320 billion (Is£60 = £1 sterling) is too high and must be cut. The argument though, is about where and by how much.

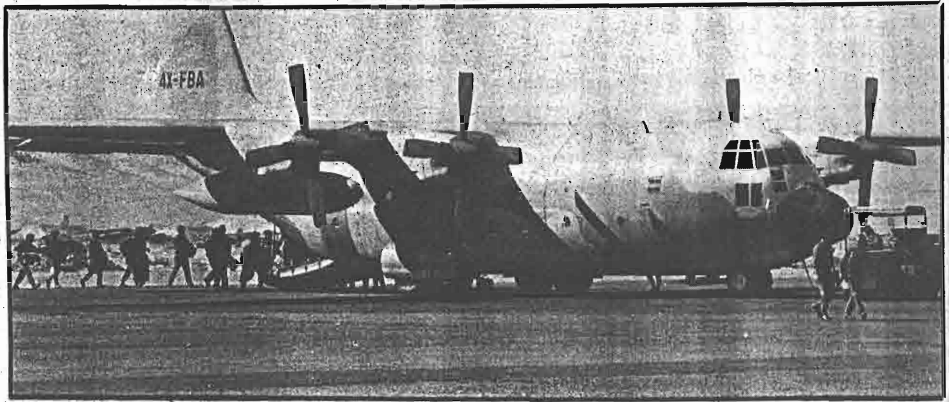
In an attempt to curb inflation, Finance Minister Simha Erlich has already cut the budget by Is£12.3 billion, placed restrictions on non-residential construction, linked development loans and mortgages to the cost-of-living index, and improved tax collection. But his efforts have not been effective, and the nation's confidence in the free-economy policy of Menachem Begin's right-wing coalition government is rapidly eroding.

"We are not very happy with the economic leadership, it lacks the experience of ruling," says Avraham (Buma) Shavit, president of the Manufacturers' Association of Israel, the equivalent of the CBI. "The last two years of the Labour Government were lousy, they lost the ability to make decisions and the people voted them out as a protest, not because the opposition was better."

"It is only a question of when the government will pick themselves up and do it. It's not a question of what to do."

The paradox of Israel's economic crisis is that, once you are inside the country, it hardly seems like there is a crisis at all. Israel's GNP per capita of $3,471 is higher than in such oil-rich countries as Iran and Venezuela or such commodity abundant countries as Brazil and South Africa.

Retail stores, restaurants and hotels are all brimming with customers and doing record business, because both wages and prices are linked to the cost of living. Half-a-million Israelis, a sixth of the total population, travelled abroad during July and August despite the higher cost of living in Europe and America and the almost valueless exchange rate of the Israeli pound.



Israeli troops board a C-130 Hercules transport at a Sinai air-base: Defence dominates the economy, too

"Because the inflation is index-linked," says Dan Tolkowsky, managing director of the Discount Bank Investment Corporation, "there is no incentive to slow it down. There is an underlying uncertainty on the part of the public that they see higher prices without realising that they are linked, so they continue to spend heavily in anticipation of more price rises."

Avner Ben-Yakar, chairman of Israel's Chambers of Commerce, says his federation has asked the government to impose an immediate and complete freeze in taxes, wages and prices as a means to "throw a bucket of ice-cold water on the economy so it would cool off and stop the self-perpetuation of the inflationary spiral."

The Bank of Israel's Fred Vider sees the cause of the economic crisis as a combination of bottlenecks, expectations, and institutionalised and non-institutionalised linkages creating an inflation which feeds on itself. The Bank, he says, believes that "imposing only monetary policy controls would damage the economy."

Accordingly, the Bank has advised the government that it must aim at a complete stoppage of employment in the public sector and allow, through natural attrition, a 10 per cent cutback in the workforce. This would mean reducing the budget in real terms by 3 to 5 per cent — an additional Is£10 billion.

So far, the government has found both suggestions politically unacceptable.

Sacrifice

The main concern of most Israeli businessmen, says Vider, "is whether the government is going to sacrifice exports on the altar of inflation." In real terms, he points out, Israeli exports are continuing to grow at a healthy annual rate of 10 per cent, but the current inflation-led home boom is draining the country's limited resources from the export industries.

"We can only go another year or two like this, then we will have an industrialised-led recession," says Shavit.

Although the nation is known abroad more for its grapefruit than its all-weather generators, for its melons more than the micro-chips, the fact is that agricultural products account for only 7 per cent of the GNP and 13 per cent of Israel's exports. The country's real money-earners are a wide range of metal, electronic, chemical, plastic, rubber, textile and clothing products.

"We have to go into the niches of markets," says Shavit, "because we can't compete with the industrial giants. We will sell something either different or of better quality — products in which the demand is insufficient for large companies to take on."

Lure

It is by capitalising this specialisation that the Israeli government hopes to lure foreign investors into setting up what is termed import-for-export businesses. Since 1976, the United States has granted Israel a special trade concession known as the GSP (Generalised System of Preferences) which allows tariff-free entry for over 2,700 Israeli-made product categories, including metal, machinery, electrical, chemical, pharmaceutical, computer, instrumentation, jewellery and furniture.

By setting up a subsidiary or joint venture in Israel, a European company can export its product to the US at a more competitive price because it would not have to pay the high Customs tariffs.

In the last three years, however, the GSP has not been widely used by European manufacturers, with the notable exception of the jewellery field, where several Italian firms which shifted their production to Israel increased their profit margin by 12 per cent.

Although the Israeli pound is tied to a basket of currencies, everything in the country, from a taxi ride to trade figures, is calculated in dollars.

But, although politically and economically Israel may seem like America's fifty-first state, its leading trading partner is the EEC, which supplies 41 per cent of its imports. Among the EEC nations, Britain accounts for 24 per cent of that total, followed by West Germany with 22 per cent and Holland with 21 per cent.

As America's own economic fortunes falter and the value of the dollar declines, Israeli firms will be forced to be more prudent in the import orders from the EEC which will have to be paid for in sterling, marks and francs.

"If we won't make cuts ourselves," warns the governor of the Bank of Israel, Arnon Gafni, "outside factors will eventually force us to do so."

MARKET REPORT: ISRAEL

"But you can't take the good without the bad"

AFTER 29 years of continuous rule by a Labour Government, Israel's first Conservative coalition government is finding, after its first two years in office, that the country's economic problems were indeed as bad as they said they were during the last election.

Sam Passow went to Jerusalem to talk to the Israeli Minister of Trade and Industry, Gideon Patt, 45, a member of the Liberal Party who originally joined the Begin Government in 1977 as Minister of Housing and Construction.

PASSOW: Are you confident of this government's ability to solve Israel's economic problems?

PATT: I think that one can always learn and improve one's performance. But, if you look back over the last two years of this government and try to put together a balance-sheet of the lights and the shadows — and we shouldn't overlook the shadows — you must come to a conclusion which is quite flattering to the government.

Looking at the bright side of the picture, after four years of economic stagnation, we had in 1978 an economic growth rate of 5.6 per cent. I value this very much, because one of the major components in fighting inflation is economic growth.

Ninety per cent of investments today in Israel are geared towards exports. In 1978, investments in Israel were 100 per cent more than in 1977 and 400 per cent more than in 1976. Investments such as these do have an effect on inflation, but you can't take the good without suffering the bad.

Our foreign reserves today are more than double the highest figure we ever had since the State was established. There is no unemployment, there is overemployment in Israel — which again, from the point of view of inflation is not such a happy situation, but from a social point of view is very important.

We have stepped up tax collection, something which for years government has spoken about but very little was done. This will be the first year that we will collect taxes, which will cover more than two-thirds of the annual budget.

Now let me go to the other side. All these lights are being shadowed by the difficulties we are having with inflation and the change in our balance of payments. While it is true that this year, we will have a negative balance of payments of one billion US dollars, $600 million is for the payments of oil, which is $600 million more for the same quantity of oil that we purchased last year.

While all industrialised countries are fighting inflation, many of your own leading economists and businessmen contend that Israel's high rate of inflation is caused by excessive government spending.

That is not correct, it is a slogan. But one has to examine the national budget and see what it is made of before one reaches a conclusion.

We have a budget of Is£320 billion, out of which one-third is earmarked for paying back debts accumulated in former years. Half of them are foreign debts and the other half domestic debts such as government bonds. Now nobody will suggest to us that we do not pay back our debts on hour that they are due.

Another third of our budget is earmarked for defence. It is true that we now have peace with Egypt, but nobody in his right mind will suggest to us to overlook our defence needs because we have a piece of paper. For the time being, it's a piece of paper with a great deal of goodwill, but nothing more than that.

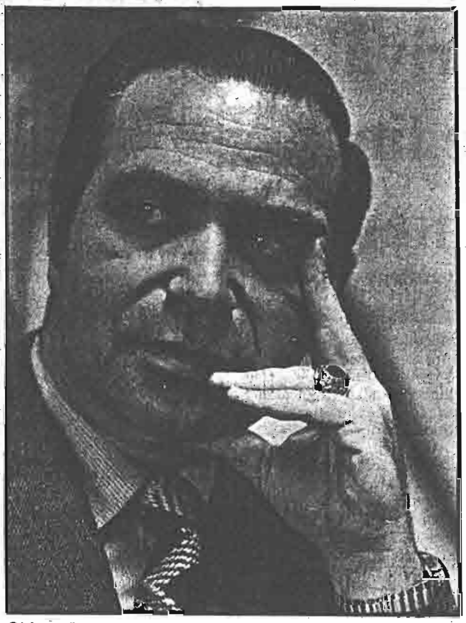
So what is really the national budget at the disposal of services rendered by the government to the people? It's only about one-third of the total budget — something in the neighbourhood of Is£110 billion.

If you deduct from it education, housing, police, health, assistance to investments and welfare, you will come to the conclusion that we are spending less than other countries similar to us in population and size for these public services.

If there can be no more budget cuts, what is the government's plan for reducing inflation?

I feel that Israel must do at least as well, if not better, than other countries that are trying to attract investment. New investments will mean enlarging the GNP, which, if done right will mean more exports and a better balance of payments.

A better balance of payments will strengthen the Israeli pound and take us away from inflation. What we are trying to do today is race inflation.



Gideon Patt: "We think Mrs Thatcher is knowledgeable"

Can the government afford to continue its policy of subsidies for such items as food and transport?

We do subsidise certain food products. This, again, is part of the inheritance that we got from the former government.

In Europe, a man has to work something between 14 and 28 minutes in order to purchase a loaf of bread. In Israel, with the price of bread Is£2½ (4 pence), a man has to work only three minutes. It's ridiculous.

We are subsidising bread by 160 per cent. We are subsidising oil by over 170 per cent. We are subsidising milk products by 150 per cent, and we want to get away from this.

Now how should it be done? There are differences of opinion. There was the idea that it should be done at once. I was against this, and I am very happy that the cabinet accepted my point of view that it should be done gradually.

Do you think the Israeli economy is heading towards a recession?

Not at all, and certainly not for the coming four to five years. I don't think it is possible to have a recession in a country where Is£100 billion will be spent on redeployment of our army from the Sinai to the Negev — between Is£75 and 80 billion of which we will get from the United States in the form of loans and grants.

But I am worried about what will happen in five years from now. The individual in Israel is living much higher than the economy can afford.

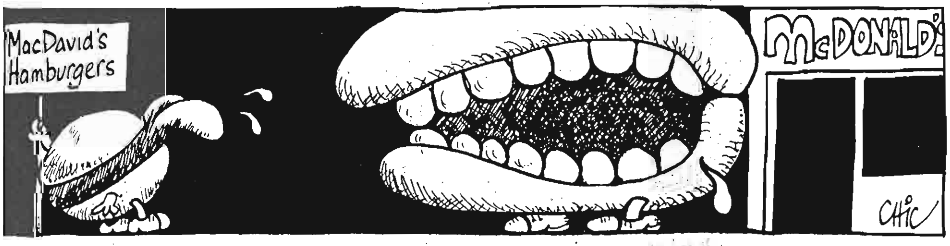
The economy has two problems today: one is inflation, the other is keeping a watchful eye on what is going to happen to our balance of payments three and four years from now and how much new investment we can bring in now, so that after the redeployment is completed, we have employment in industry for all those people who will be out of jobs.

How would you evaluate Israel's trade relations with Britain?

I am more hopeful because there is continuous growth. We do enjoy very happy and friendly relations in trade between our two countries, but it is too early to say what will be the attitude of your new government to Israel and her problems.

We do have many friends in the Conservative Party, and we do think that Mrs. Thatcher is a very knowlegeable lady, especially as far as the Middle East is concerned. She has visited our country and has spoken to many of our leaders, and I do think that we will find a listening ear and an open heart to our problems in your new government which will have an immediate effect on trade between our two countries.

We think that the philosophy of Britain's new government is the same as ours.



How to make mincemeat of your rivals

IT'S David vs Goliath all over again — only this time the young warrior's weapon is a handful of minced meat.

An Israeli hamburger restaurant owner has decided to take the offensive against McDonald's, following an unsuccessful attempt by the American fast food chain to force him to change the name of his establishment. "Soon," claims the tenacious David Magen, "MacDavid's will be more famous in the United States than Prime Minister Menachem Begin."

Magen, 34, who had never visited the US before opening his restaurant more than a year ago, has now decided to open up five branches there — two in New York, one in Los Angeles, one in Miami Beach and one location still to be decided.

McDonald's tried to get an injunction against Magen's MacDavid's restaurant, which is located just off Tel Aviv's crowded Dizengoff Street. Customers, it said, were being misled by the similar names.

Although ordered by a judge in the Tel Aviv district court not to use the unattached word "Mac" on signs advertising his establishment, Magen says he has taken care of that problem by calling his restaurant's speciality, a double cheeseburger smothered in sauce, a "Big MacDavid."

Unsatisfied with the outcome, McDonald's appealed to the Israeli Supreme Court, but the court refused to hear the case.

"I'm sure that, when I open in America, McDonald's will fall all over me with their lawyers," says Magen. "But I'm not worried. I'm ready to fight them there, too."

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NEWS

Polish policy on trade with UK in the future is give-and-take

by PETER WOOD

MEASURES to counteract Poland's negative trade balance with UK — the current deficit is £225 million — will be high on the list of priorities of Poland's economic managers in coming months.

This was disclosed by Polish commercial sources in London shortly before the launch of this month's Polish Technology Week and after the latest UK-Polish joint governmental commission has concluded its business.

However, the Polish representatives attending the joint commission meeting made it clear that they were willing to see a further increase in imports from the UK, provided their own export trade to Britain could develop at a faster pace.

These points are being made against the background of a general policy decision issued from Warsaw that Polish enterprises must balance trade with their Western partners by the end of next year — a task that may prove extremely difficult.

All bilateral exchanges are being reviewed, and in Britain a marketing group is being set up, consisting of businessmen from both countries, to work out in detail how Poland can increase its exports to the UK, without damaging the interests of British industry.

Importance is being attached at present to co-operative projects or joint ventures between the two countries.

Sweeping import controls that would hit UK exports are ruled out, but selective controls will be introduced and will apply mainly to what are described as "big, complete projects". In other words, the Poles will not entertain large capital projects before existing ones are completed.

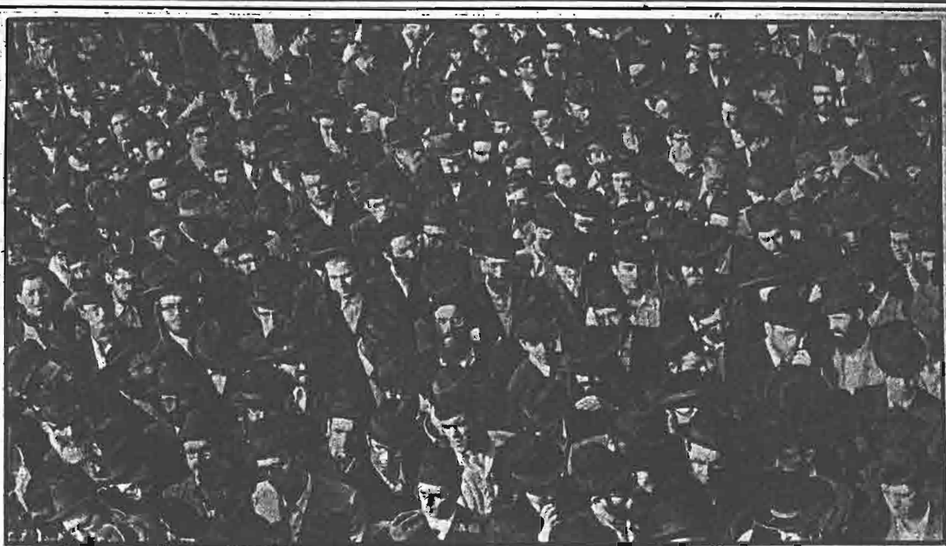
Nevertheless, the prospects for British exports to Poland, particularly in the field of technical equipment and technology-transfer, are extremely good. The Poles are urgently seeking to boost hard coal production, and mining equipment is high on the shopping lists of visiting businessmen.

Sudan eases controls

SUDAN is to lift controls on the flow of foreign exchange. Many of the country's exporters will now be able to retain 75 per cent of their foreign currency earnings.

The move is an effort to encourage home-based construction companies to compete for contracts in Saudi Arabia and the Gulf states.

Controls on the repatriation of foreign investments are to be removed in a bid to attract capital from foreign investors.



A head start: Israelis share the Middle East mentality but retain a recognisable identity

To the Middle East via Israel

SAM PASSOW reports from Tel Aviv

THE first tangible sign in the give-and-take process of peace between Israel and Egypt was the announcement in July of a joint venture between the international marketing subsidiary of one of Israel's biggest manufacturing firms, Koortrade, and an Egyptian company.

Koortrade, which represents more than 300 Israeli producers, has marketing outlets in 40 countries and had sales of $480 million last year, has agreed to a 50-50 venture with the Egyptian company for importing and exporting.

An Israeli Koor employee will work out of Cairo until the end of the year in order to canvass the Egyptian economy for areas of potential trade between the two countries.

Full diplomatic and trade relations between the two countries are due to begin next Jan, nine months after the peace treaty was signed in Washington. However, the flow of goods across the border is not expected to begin until next March.

"If we want to materialise peace, we have to contribute to Egypt," says Benjamin Gaon, general manager of Koortrade Europe and one of the men who negotiated the deal. "We are much more eager than the other side. For us, normalisation means tomorrow and we are ready."

Egypt's Sadat

Koortrade says that its first project in Egypt will be in the field of agriculture — probably a new drip irrigation system which the Israelis have developed.

Almost all Israeli businessmen are looking forward to the prospect of trading with Egypt, but many remain cautious. One such man is Avraham (Buma) Shavit, president of the Manufacturers' Association of Israel, the equivalent of the CBI. He contends that there isn't a vacuum in the Egyptian market just waiting for the Israelis to fill.

Shavit, who spent five days in Egypt in July talking to the country's business leaders, came back with the conclusion that the Israelis "are walking into a competitive market to start with. What we can sell them are systems rather than products. The products exist elsewhere in the world."

It may also take years before trade between the two countries really gets off the ground. Egypt is suffocating under the weight of its ponderous, disorganised bureaucracy, and the process for agreeing any major development projects takes an inordinate amount of time.

Yet, despite the caution, Israeli businessmen like Gaon still feel that, in the future, international businessmen will consider Israel and Egypt not only as one market but also as a gateway to the Middle East.

"Israel is more familiar with the Middle East mentality than the typical UK producer because we are part of that mentality," says Gaon. "And I think it would be of interest to various UK manufacturers to join forces with Israeli producers in setting up a distribution network to service both markets."

NEWS

Yugoslavia is set to crack down on imports

by PETER WOOD

IN SPITE of recent tinkering with import controls, Yugoslavia has just recorded a 35 per cent increase in imports for the first seven months of 1979 over the same period last year. Exports between January and July rose by only 15 per cent.

A recent attempt to remedy the country's chronic balance of payments and inflationary problems by vaguely-defined import and price controls seems to have been too half-hearted to succeed. The new import figures may stir the authorities to act with more determination.

Official Yugoslav sources say that imports by enterprises which receive a quota of foreign exchange have been growing at a fantastic rate and, in some cases, nearly the whole foreign exchange allocation for the year has been spent. The imports include a range of goods from the UK, which sold £160 million worth of goods to Yugoslavia last year.

The official view is that purchases of raw materials and other scarce goods by Yugoslav enterprises against a background of worldwide inflation makes economic sense for individual enterprises, but it doesn't help overall economic stability.

Demand on the Yugoslav market has not fallen as was anticipated, and so exporting has not paid — home prices being higher. Current high growth rates of production also make imports imperative on a large scale.

During the last wave of Yugoslav import controls, UK businessmen experienced some difficulty in getting up-to-date and accurate information on moves over particular products, such as machine tools, chemicals and consumer goods. Yugoslav trade officials in London were left completely uninformed about what Belgrade intended.

If Yugoslavia does move soon on imports, UK exporters are best advised to contact their trading partners directly, rather than try to obtain generalised information.

British exports to Yugoslavia, the UK's fortieth largest market, amounted to £160 million last year, an 8.6 per cent drop on 1977. Imports from Yugoslavia totalled £37.9 million, a 6.4 per cent fall.

How now, Nottingham dhow?

BRITAIN'S first glass-reinforced plastic dhow was handed over to its Arab owner at a Brighton launch this month. The £45,000 boat has been bought by the UAE's ambassador to Austria, Sheikh Sultan Bin Raschid Al-Naomi.

The dhow, a modern version of the ancient Arab sailing boat, was built by G.S. Marine of Nottingham, which employs only 14 people and is more used to producing sports cruisers. The company is producing a range of dhows, for commercial use and for pleasure, with sizes ranging from 15 ft to 180 ft long, and prices from £12,000 to £100,000. The major markets are in the Middle and Far East, where dhow-building is declining because of a lack of teak, the raw material traditionally used.

G.S. Marine expects to sell 50 dhows in the coming year.

Lesley Dobson

Private firms are booming in Syria

by CATHERINE KENT

BRITISH export performance in Syria, £58 million in 1978, would accelerate if more aid were provided, firms claim. In their search for business, some are now looking to projects funded by the Arab Bank, World Bank and a £40 million-plus loan from the EEC.

Despite the Lebanese war and some internal turmoil, Syria, currently in the middle of its fourth five-year plan, is aiming at an ambitious direct growth rate of 12 per cent and wants to do more business with the West. Major opportunities, according to recent visitors to the market, lie in the agricultural, industrial development and infrastructure sectors.

The private sector, they say, is a bit of a paradox. Despite a bias of 75:25 to State trading, private business is flourishing and the government has dampened the demand for consumer foods.

The now completed Euphrates dam, Syria's single most important project, will irrigate 640,000 hectares of land. Problems with gypsum in the soil have tripled the cost of irrigation, however, and the problems could be an area of opportunity for British firms.

Agriculture continues to be a priority area, but, following nationalisation, yields on the co-operatively run farms have dropped. The government is reported to be relieved that some of the original owners are drifting back and working the land again and being allowed to keep some of the profits.

British agricultural machinery is more likely to find buyers in the private sector. In the public sector, where price is the over-riding factor in deciding what and where to buy, agricultural machinery has been imported mainly from Spain and Italy.

Opportunities in the private sector exist in tourism, light industry, furniture and plastics production. The UK's main exports include textile yarn, fabric articles, machinery and road vehicles.

The government is reported to be committed to spending in the areas of water supply, sewerage, irrigation, housing, education, health and town planning.

Argentina lowers tariffs

ARGENTINA has reduced tariffs from 45 to 10 per cent on a range of imported industrial goods. This, says the economics ministry, is part of a five-year plan to ease the supply situation for products not mass-produced in the country.

Partly as a result of reductions in import tariffs on some industrial and consumer goods, Argentina's imports jumped 29 per cent to $1,886 million between January and May. Exports rose by 16 per cent to $2,925 million.

The Argentine government has asked the Offshore Centre, an independent business promotional body, to organise a business development meeting in Buenos Aires from 19 to 23 November, to discuss initiating joint ventures, providing technical services and investing in the country's energy programme.

Details: Offshore Centre, 211 Regent Street, London W1. (Tel: 01-439 9021).

Free space down South

SERIOUS investors who provide 10 jobs to the industrial acre are to be offered free space in fully developed industrial parks by the State of Louisiana.

Information from: The State of Louisiana Office, 15 Avenue Victor Hugo, 75116 Paris.

Denmark's model welfare state is proving burdensome to industry, in Britain's tenth export market. Sam Passow reports.

COPENHAGEN — 'I am a born optimist,' says Steffen Elkiaer Andersen, of the international division of Den Danske Bank. 'I believe that everything will be alright in the end. What I am fearing is what will happen between now and the end.'

If comfort can be found in numbers, then Andersen can take solace in the fact that most of his countrymen also share his fears. Why, they are all asking each other, should the 'Danish Model', the state that other nations around the world use as a standard, be aflicted with economic woes.

'The Danish model has collapsed in the sense that it has been made clear to us that we cannot go on year after year and continue to offer the same volume of public services. We have to cut back, not drastically, but to the level of five years ago — which was still a welfare state,' says Andersen.

'In the fifties and sixties people increased their standard of living by 3 to 4% a year, as well as increasing their social benefits. Now they are bewildered. They are working just as hard, but getting fewer rewards.

'It's really a matter of habit,' he adds. A matter of habit is also an apt phrase for describing British trade to Denmark, the UK's 10th best overseas market. It's a traditional market in the sense that Britain has been trading to Denmark for as long as the Danes have been buying from abroad. Last year, Britain sold £1,184m worth of goods to Danes and accounted for 11.9% of market, behind only Sweden (12.7%) and West Germany (19.7%).

Of all its major trading partners, Denmark's most balanced trade account was with Britain, which, in return, bought only £3,000 less than it sold.

The welfare state grew gradually based on the tenets of security, well being, prevention and rehabilitation. Today, around half the adult Danish population uses social welfare services each year. The cost is met solely from tax revenues, and comprise one-third of the national budget.

But the resulting growth of the public sector has caused a serious economic imbalance, and has forced the government to become a major borrower in the bond markets. The manpower drain from the private to the public sector has also placed an intolerable strain on Danish industry, which is made up mainly of small and medium-sized companies.

March gloom

Thus, it was no surprice in March of this year, when the Economic Secretariat of the Danish Government published a gloomy forecast.

The balance of payments deficit, it said, would reach 18.5bn Kroner by the end of 1980. There would be falls in GNP of 1%, in real incomes of 5%, in private consumption of 3.5%, in imports of manufactured goods of about 6%, of imported consumer products of 7%, and in fixed business investments of between 7 and 8%.

The rise? In prices, of course, of 11.5%.

An unemployment level of 7.6% is expected, and zero growth in the economy this year.

The only thing that would surprise the Danes would be for the government to come up with a quick solution. Many in Denmark like their government's tenuous situation with that of the last Labour Government in Britain.

The Social Democrat are not only a minority government, but form a party which embraces extreme left and right views. Three times in the past five years — in 1975, 1977 and 1979 — the Folketing (parliament) has had to impose an incomes settlement after negotiations between employers and the unions had broken down. But these settlements have always been based on compromises among the political parties, have been grudgingly accepted by the unions, and have not laid the foundation for the expansion of industrial output which the economy needs.

In yet another effort to stem the country's economic decline, the Social Democratic minority government of Anker Jorgensen recently introduced a number of new measures to try and reduce private and public consumption and stimulate export industry's investment, both of which they have done to some extent.

Private consumption is expected to fall by around 4% this years. But if the current balance of payments deficit is to be eliminated, then both private and public consumption demand would have to be cut in real terms by 5%. Alternatively, some 90,000 new jobs would have to be generated through export industries to achieve a balance of payments through trade.

Denmark

Best prospects in energy

For this reason, the government, through the Danish Oil and Natural Gas project, is planning on investing 6.2bn Kroner (at 1978 prices) to develop their own energy supplies and reduce their ever-growing oil import bill. As of yet, none of the contracts for the various oil and gas projects have been awarded, and the oil consulting expertise sector appears to have the best immediate potential for Britain.

From new to old, and for those who thrive on other's despair, there is also growing opportunities in the vehicle spare parts market. Part of the Danish government's economic rescue plan during this recession is to make new cars more expensive. All vehicles are imported into the country, and this, of course, adds considerably to the trade deficit. New car registrations in the first quarter of 1980 were 26,000, compared with 40,800 for the same time last year. So with people keeping their cars on the road longer, there will be a growing demand for spare parts.

While the growing consensus now is that the Danes must produce themselves out of their economic recession, economists point out that the country's industrial base is too small to support the increased burden of social services. The Danes believe that the standard of living of any society is truly determined by how it treats its least powerful members.

A Co-operative shock.

In addition to the weekly magazines, there are about 375 weekly newspapers distributed free of charge. While more than half of 'freebies' are able to print four colour advertisements on high quality paper, their impact as a marketing tool was critically impaired last year when the COOP (largest advertiser in the local press) diverted a large part of its advertising budget to the daily newspapers.

The COOP is also one of the leading outlets for British consumer goods in Denmark, especially those imports, like food products, which have been re-branded with the COOP label.

Although accounting for less than 1% of the total amount spent on advertising nationally, one of the most efficient ways of getting a message across is through billboards, or outdoor advertising. The success of this medium is due more to the restrictions place on it, than its creativity.

Because of environmental laws forbidding advertising on open land, displays are restricted to five areas in urban centres: outside public buses, railway platforms, pillars in main streets of town, giant posters along main streets, and posters in and around shopping centres.

With more people using public transportation in the wake of the country's worsening energy crisis, such advertising is becoming increasingly more cost effective, and should well be considered in an overall media plan with the daily newspapers and weekly magazines.

Hold tight, please

Yet despite the good standing Britain currently enjoys, the situation in the next few years could change quite suddenly. The problem for the British exporters in Denmark today, warns the British embassy commercial section in Copenhagen, is not one of increasing their market share, but holding on to the share of the market they have already.

With the Danish economy declining, British exporters have found that their goods are 18% more expensive because of the Kroner's devaluation last November and Sterling's rise, which means that 'British exporters will have to pay even more attention to packaging and back-up services because their prices are no longer attractive.

Back to Andersen: 'Stocks will be lower because Danish industry is paying between 18 and 20% interest rates for the capital to buy them, so if the British are to keep their market share, then at the very least their deliveries must be on time.'

All trade specialists admit that they cannot pin point any obvious openings in the market at the moment. So it is a case of keeping even more closely in touch with developments, to spot secondary opportunities — as the following couple of examples show.

At the moment, Denmark imports 41.6% of its oil needs from the UK's North Sea oil fields. The country's ever-increasing energy bill is the major factor why last year Denmark ran up a balance of payment shortfall of 15.6bn Kroner, twice that of 1978, and equalling more than 4% of GNP.

As the current payments deficit for the first quarter of this year was a record 6.6bn Kroner, economists are predicting an even wider payments gap later on.

The governor's upset

National Bank governor Erik Hoffmayer if sharply critical of the government's aim of bringing down the external deficit to between 5bn and 10bn Kroner by the mid-Eighties as an unsatisfactory target and that better results are required in 1981 than the government targets.

The country's credit-worthiness, he contends, is somewhat less than last year. 'There is no doubt in my mind,' he argues, 'that our credit-worthiness will be seriously eroded if an economic policy is not adopted which points to a rapid and substantial improvement in the current balance of payments deficit.'

He adds that successive governments had bound themselves to improve the external deficit, but in practice postponed the problem in the hope that it would be easier to solve later — which it clearly has not become. Now the interest burden on the foreign debt is 10bn Kroner a year, and will rise explosively if something decisive is not done.

Hoffmayer is also dead-set against currency loans to industry (backed by a government guarantee against exchange rate changes) which he sees as just another form of state lending.

Such open criticism of the Government and its economic programmes is not new to Denmark. What is novel is the mood of despair which grips the country.

Says Andersen: 'The longer we go into the abyss, the more bitter the medicine will be for the public to swallow. More social unrest, more strikes, more class divisions — more like the British society. That is the risk we are facing.'

Wealth tax relief

Among the new economic measures, the government increased VAT from 20.25% to 22%, which should earn the government about 2.66bn Kroner after deductions for social compensation to pensioners and others. Income tax has been increased by 1%, giving the treasury an extra billion kroner.

Price control regulations will be altered to allow firms to include in their price calculations increased financial costs and depreciation on new investments, as well as increased environmental investments. The government has also promised to consider changes in the wealth tax, to remove some of the unintended effects of the changes introduced last December. It was this tax measure which did most to cause a deterioration in the country's business climate.

In addition to these new tax measures, the government will increase their programme of business incentives and employment projects from 4.6bn to 5.5bn kroner; and an additional 150m kroner will be set aside to aid farmers who are wilting under the interest burden from large investments over the past few years. These increases will be made, despite the government's announced intention of slashing the public sector budget by 8bn Kroner in 1981.

While the government contens that its programme will stop the current external de[…] from getting worse — and n[…] improve it a bit next year, allowing — the Federation [of] Industry concludes that th[…] will in fact be no improvem[…] in the current balance [of] payments either this year [or] next. According to th[…] calculations, the deficit shou[ld] widen from 15.6bn kroner l[…] year to 17bn kroner in 1980 a[nd] 1981.

Industrial investmen[…] industrialists maintain, will f[…] by about 2% this year and [by] 6% in 1981. But they conce[de] that it would have fallen mo[re] had the goverment n[ot] introduced its latest stimulus.

While the Federation expe[cts] employment to remain stab[le] the balance of the job marke[t is] becoming even more precario[us] as employment in the pub[lic] sector will rise from 760,000 [in] 1979 to 805,000 in 1981, wh[ile] employment in the priva[te] sector will fall corresponding[ly] from about 1,710,000 last ye[ar] to 1,665,000 in 1981.

It's difficult to find your voice in Denmark

DENMARK may be one of the most up-market market[s] but it can be an extremely frustrating place in which t[o] launch a new product. With no commercial radio o[r] television, marketing departments are left with few mas[s] media alternatives in which to promote their products.

The most important media in Denmark are the daily newspapers, which on weekdays, amounts to 50 papers with a total circulation of about 1,958,000 copies. Copenhagen alone has 11 daily papers.

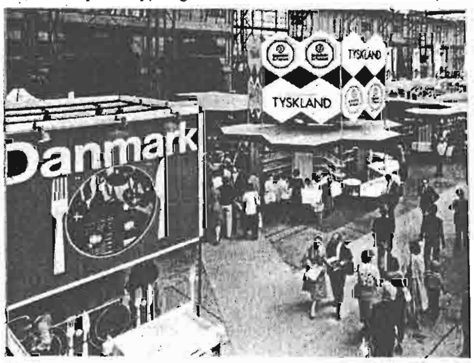
On Sundays, the capital city has three papers with a total circulation of about 536,000, while seven other papers circulate throughout the rest of the country, with a total circulation of about 653,000.

In all, 87% of the population reads at least one daily newspaper, while only 68% reads at least one Sunday paper.

Yet despite this high readership in a small geographical area, the country lacks a national newspaper. The two most popular daily papers, *Ekstrabladet* and *BT* with circulations of 250,349 and 22,563 respectively, together account for a little more tha[n] 30% of the reading household[s]. The Sunday papers are equall[y] dominated by two title[s] *Berlingske Tidende* (circ[.] 206,600) and *Politike[n]* (204,000).

For the most part, the dailie[s] are local papers, while th[e] Sunday's are regional. So, i[n] order to give a product an eve[n] geographical exposure, it i[s] essential to advertise in both.

The leading weekl[y] consumer magazine in th[e] country is *Familie Journalen* the circulation of which ha[s] risen to nearly 400,000 reaching a fifth of the country'[s] two million households. This i[s] followed closely by the pictur[e] magazine *Billed Bladet*, a cros[s] between *Titbits* and *Radi[o] Times*, the circulation of which has fallen to its 1978 level of approximately 365,000.



NORFREIGHT Danmark APS moved to new premises in March, at Glostrup on the outskirts of Copenhagen. It now has a covered warehouse and handling area of 9,000 sq.m.

There are three weekly sailings to Jutland from Immingham, where the group is based, on Tuesdays, Fridays and Sundays. Those to Copenhagen are once a week from Felixstowe on Saturdays and Immingham on Wednesdays.

Most groupage traffic is shipped over the weekend to fit in with production which is geared towards end-of-week completion of orders.

The groupage traffic is shipped over the weekend to fit in with production which is geared towards end-of-week completion of orders.

The group also has offices in Norway and Sweden; and in Manchester, Felixstowe, Dagenham and Dublin.

Formed in 1973, Norfreight has computerised import clearances, stock control and accounting work. A Norfreight subsidiary, Skandia Terminals, acts as cargo handler and storage operator at Immingham with 20,000 sq.m. of warehousing and 50,000 sq.m. of open storage. *(For more details contact David Croff of 0469 76161)*

The Bella Centre in Copenhagen

The Bella Centre

THE Bella Centre, ten minutes' drive from downtown Copenhagen, is Scandinavia's largest exhibition centre. Its 85,000 square metres house between 25 and 30 international fairs and exhibitions a year, and among those scheduled for 1981 are fairs for technology exchange, packaging, plastics and rubber, food and Scandinavian and International furniture. Also within the centre is the Scandinavian trade mart, a permanent exhibition of fashions, home furnishings, electronics, gold and silver and building exports.

Last year the Bella Centre had 600,000 visitors, of which 60,000 came for the permanent exhibitions. It is a huge and imposing site with three main halls, the largest of which is high enough to exhibit fully rigged yachts.

Unfortunately the centre has had financial problems since its inauguration in 1975. Birgit Sorensen explains: 'At the time of building, bank rates suddenly went up and the resulting deficit was larger than expected. Last year was particularly bad, and we were forced to make several cuts in personnel. Recently we closed down the marketing and public relations department. And money is still tight. Everybody seems to be cutting down on expenses and taking smaller stand areas.'

But 1981's calendar looks healthy with 26 large fairs already booked. The centre is also encouraging small groups to use its facilities by arranging meetings to accompany exhibitions.

In what is an important market for UK goods — and as the doorway for the whole of the Scandinavian market — the Bella Centre will surely continue as a useful and pleasant venue for exhibiting UK goods.

Greenland The frozen assets of an island colony

GREENLAND'S icy mountains, which render almost 90% of the country uninhabitable, may be hiding rich deposits of minerals.

Denmark, well aware of this possibility, is unlikely to relinquish its influence over this frozen country — despite having handed over some power to the Greenlanders last year. Many decisions are still being made in Copenhagen, where the Greenland government has an office staffed by Danes as well as Greenlanders.

Last year's much-heralded devolution which ended more than 250 years of direct Danish rule was granted after a referendum in which 70% of Greenland voted in favour of independence and barely 26% against. Not that there are many Greenlanders. The total population is less than 50,000, nearly 9,000 of whom were born outside the country. The largest settlement (which can't even be described as a town) is Godthab with less than 9,000 people — and there is no other settlement with more than 5,000 inhabitants.

It is not easy to imagine this tiny population living on what is the world's largest island, with an area of 2.18m sq km. Huge expanses of land are uninhabitable, and most people live along a 39,000-km coastal region in 122 settlements and a number of weather stations.

Although up-to-date figures are not easy to come by for a country with such a small population, the 1978 statistics show that Greenland's exports totalled 559m kr (about £45m) and its imports amounted to 998m kr (about £75m).

Its largest imports were food, beverages, tobacco, clothing and footwear, although imports of transport equipment increased substantially from

continued on page 28

34m kr in 1977 to 73m kr in 1978.

Denmark makes a substantial contribution to the development of Greenland. A handing out aid that averages 70,000 kr a year for every Greenland family. (For comparison, the sum paid by all western countries, including the US, to India is 70 kr per family).

Fishing remains the principal occupation, although hunting and trapping attract many Greenlanders, even though the hunting season clashes with the best fishing season.

However, Greenland's future may yet depend on something other than fishing (which does not pay for all the imports) and subsidies from Denmark. Recent mineral finds include a deposit of iron ore estimated at 2,000m tons at the Godthab fjord, 200,000 tons of uranium in a mountain at Narssaq. It is also possible that there may be oil reserves on the continental shelf off the west of Greenland.

A major problem for Greenlanders is that most of the development to their country has been planned by outsiders. Sterile blocks of flats have been built, young people are primarily trained for a life in Denmark and the private business sector is dominated by Danes. Much of the country's administration is done in Copenhagen.

But there are interests in common. Greenland depends on the technological expertise of the Danes, while Denmark, without raw materials of its own, can benefit from strong links with an island that may just have substantial resources.

DENMARK's balance of payments deficit in 1980 will be its largest ever at about 19.5bn kr. Oil price increases are largely to blame.

A cut in energy is therefore essential before any major improvement can be made. Jorgen Peter Weis, the commercial counsellor of the ministry of foreign affairs, says the Danes are already far ahead of the rest in their energy saving devices. He cites Frederecia, a town of about 30,000 people in Jutland. 'The whole town can be heated by the waste heat which comes from a chemical factor through a double insulated piping system. Not only can you save up to 70% on the energy bill, but you also save money on the building of huge cooling towers for the plant.'

District heating has been explored in Denmark for many years. Weis reckons the Danes have reached goals in energy conservation that other countries won't reach until 1985.

Torben Nielsen, chief economist of Privatbanken, says energy consumption for the year will be down between 5 and 10%, partly because of heavy taxes on private consumption. Petrol is 4.76kr per litre (about £1.80 a gallon). Cars are very expensive to buy, and big cars in particular are highly taxed. Industry has also adapted itself to energy conservation. Neilsen says: 'I wonder whether the UK will come unstuck when it runs out of oil since, thanks to your oil, you have not been forced into making drastic changes.'

Hourly wages in Denmark are the highest in the world. But the Danes work hard, and productivity has increased by 4-6% a year since 1974-75.

The British connection — but some harsh words for UK exporters

'I am biased towards the British,' says Lief Hansen, 'but we often find that we have to throw a bucket of cold water over people who come here — to bring them back to earth.'

Sam Passow reports.

WITH A FAMILY business which has been trading since 1925, the Hansens boast of a long and proud association with British industry. One of their first clients, in 1926, was the Bristol Airplane Company — and, indeed, it was Leif Hansen's grandfather who was instrumental in forming the Royal Danish Air Crops by selling them three Bristol Bulldogs back in the early Thirties.

Today, the company is able to display the names of more than two dozen British companies it represents, and two generations later, it is still creating innovations in Denmark with British products. One client, Rolls Royce marine and gas turbine division sold more than 50 high speed engines to the Royal Danish Navy, and now all of the country's fast patrol boats cut a British wake.

Other clients include W. H. Marley, of Watford, the British Hovercraft Corporation on the Isle of Wight, MaCawber Engineering, of Doncaster, Ling Systems of Gamilggay, Beds; WIPAC Group Sales, of Buckingham, Coventry's Albis and Darchem Aero, of Stillington.

ABC Hansen, therefore, is in an ideal position to view the Danish market from both sides of the fence.

Forty-year-old Leif Hansen finds that Britain's overall performance is subject to a host of criticism, and deservedly so. Denmark is an established traditional European market, and to Hansen, British businessen have established a traditional reputation of outdated sales techniques, late deliveries and poor quality goods.

A personal message

The chance to give a personal message to British businessmen was obviously too good a chance to pass up.

'Let me say first of all, that I am biased towards the British. I served my apprenticeship in England with Rolls Royce and spent 13 years there, and I have a British wife, so I have to be careful of what I say.

'However, I do feel that, with all respect, the British businessman has not done his homework to the same extent as his German, Swiss, Swedish or Norwegian colleague has. There still seems to be a philosophy or a thinking in the UK that it is enough to go out and see the customer, talk to him in nice terms, give him a number of promises, and then all is well. So I don't think they are following up the professional approach that we are finding from other principles which we are representing from other countries. 'Let's take an example like financing.

'I realise that the British industrialist is working under fairly strict and restrictive terms when it comes to financing, such as the British government financing scheme. This really only covers financing aspects for capital goods.

'If you go to them and say "I want to finance a deal", if it is anything less than between £200,000 and £400,000, then

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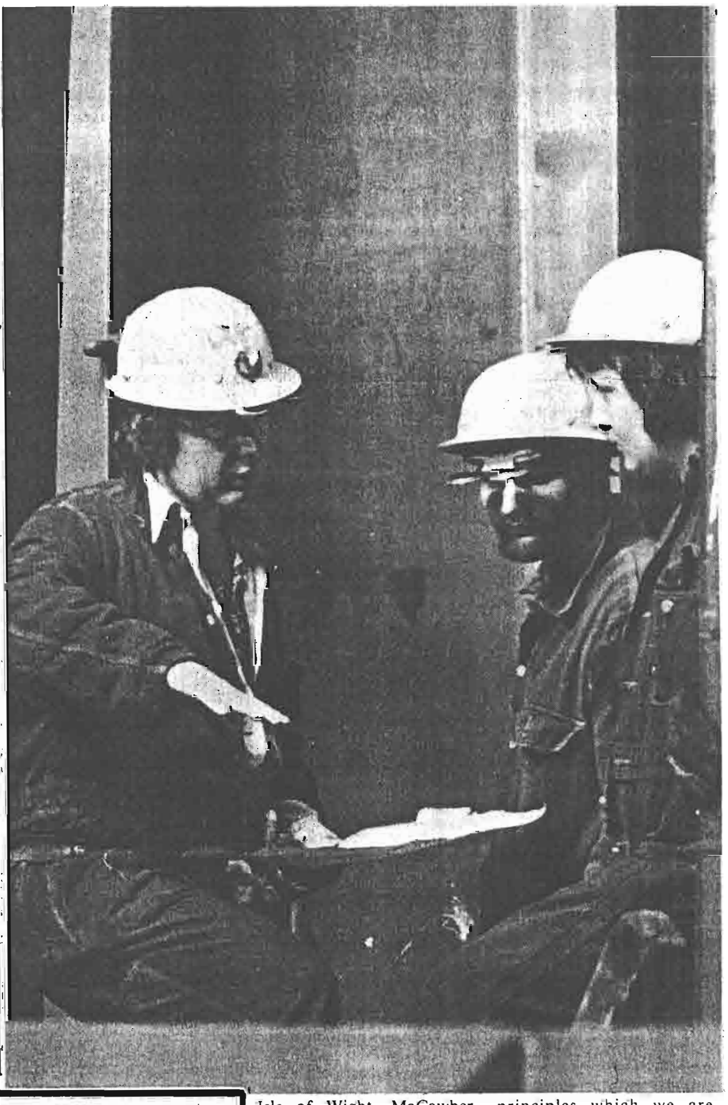

they don't want to know. So there is a great scope for financing smaller imports. It's the question of many drops making up the ocean.

'Financing is becoming an increasingly important issue in importing foreign goods into Denmark, because capital is very short and we are paying 20% in our banks to borrow capital. I know that there are restrictions due to EEC regulations, but the fact is, there are still members of the EEC coming into the market place, specifically the Germans and the French, who are offering financing terms which are definitely far more advantageous than the ones we can get, either through British government financing, or through private British banks.'

On Gauging the market, Hansen says: 'One of our problems in Denmark is that, often, people will come over here with great visions of achieving enormous sales. It strikes me many times that pople have not sat down and investigated the market size. So they come and expect a much bigger sales potential than really exists, and on a much shorter term.

'I think it would be beneficial many times, if they had an idea of what the market could carry and then size up their plans and approach after that.

'We often find that one of the first things we have to do is throw a bucket of cold water over people who come here, to bring them back down to earth and tell them that we are only a country of five million people, with an industry similar to that which you could find in a '50-mile radius of Birmingham if you look at it in production terms.

'But after we get the chance to talk with them (the British businessman) and talk the thing over, we get things into the proper perspective and then things are done the right way, but a lot of time can be wasted, which could be used productively in going out and seeing people and selling the product. It may sometimes take days to establish a common ground for negotiations and to establish common wavelengthts of communication.

Lunch disappointments

The way to do business: 'Meetings here start very early in the morning. Over here, we say its a race. I've heard British people say that you just come over here, and take them out for a good lunch or dinner and things will be OK. But that doesn't go anymore. Definitely not. It may have done 15 or 20 years ago, but most people now will avoid a lunch or dinner appointment.

'I agree with the British businessman who feels that the Danes are cold, aloof and mechanical, and in general, it is a harder, tougher, more aggressive atmosphere ot work in than the UK. Added to that, we are a small nation with virtually zero raw materials, and we have to compensate by being that much better in our trading and specialising, and work that much harder.

Britain's reputation: 'The British are well linked in Denmark, and this goes right back to the war years. For a number of years, British products were respected and bought in vast quantities and they were regarded as quality products.

'But then we came into the episode of the time when delivery promises were not kept, the quality of the product lacked and so on. There are companies, among the top 10 in Denmark, which have told us that they have a management policy only to buy British if it is a last option. I have had this said to me by two companies. With one of them, mind you, we got in, and we are selling them a British product. But this was purely because we had a unique product and we didn't have any competition.

When lateness doesn't matter

'My advice to a British supplier to Danish industry would be that, in order to retain his market share, or to increase his market, he has to get over this problem and prove by performance that he can meet his deliveries, and that his quality really is up to what is expected.

'There are the two major snags, and we have been let down numerous times. But it goes a little bit deeper then that.

"It goes down to the philosophy of the business, because in Denmark. Generally, a delay in delivery doesn't matter all that much if you tell the customer your going to be late. The British seem to have the tendency of putting it aside and then not telling before they are asked "Where are my goods", and then saying, "I'm sorry old chap".

Nine times out of 10, if we telephone the customer and say, "Look, we are sorry but we are going to be late", the customer says "That's fine, when are they coming." The problem comes the moment he has to pick up the phone and say "It should have been here two weeks ago".

'Advice number two would be to make sure the quality is up to scratch. In our opinion, the quality of the goods is purely in the finishing of the goods. And we have received a lot of goods which have simply been thrown together, and you have the distinct impression that the final quality control has gone completely. Now perhaps that is due to the fact that the man on the shop-floor doesn't care about this job. I have a suspicion that it is, but that is another reputation.

'So you have to try and get over that criticism and prove by performance that things can be done. We have had numerous businessmen coming here who apologises for these shortcomings, promising that they will be put right. But they are not. And then you are getting deeper into your problem.'

If British exporters find this disturbing to read, there is only consolation: it was that much more disturbing to listen to.

No woolly excuses for tardy delivery

COPENHAGEN — For many British firms, the fact that they are the sole suppliers of a given commodity to Danish industry is often the only reason they are able to maintain their market share, despite poor delivery and more recently, a less than advategous exchanges rate. But as every aging gun fighter knows: someday, somewhere, a faster draw will cut you down.

The Danes are often sending such warnings to British Industry, and one of the more quieter, elegant voices comes from Mrs. Grethe Michaelson, a women's knitwear buyer for the Magasin du Nord department store in Copenhagen.

In true Danish business tradition, Mrs. Michaelsen says: 'When I buy so much as I do, I want the delivery I want. I am very early with my orders, at least a half year in advance.' Mrs Michaelsen is most particular about what she knows her customers want. Although she also buys from France, Portugal, Turkey and the Far East, her only supplier for one particular type of wool is a firm in Derby.

A woollen problem

'Sometimes, deliveries from the factory are three and four weeks late, sometimes as much as two months,' she says. 'I haven't been able to cancel any orders because the firm are the sole suppliers of this range of wool.'

Would she turn to a suppliers in another countlry if it could match not only the quality of the English firm's wool, but improve on the delivery time? Mrs. Michaelson replies unhesitatingly: 'Yes, if I could get the same price.'

Despite prices which she says 'are getting a little bit high', Mrs. Michaelson is generally pleased with her British suppliers. But it's the way she gives them compliments that's a bit worrying.

After pointing out that 70% of her customers prefered classical designs in knitwear,

Grethe Michaelson — Magasin du Nord's knitwear buyer she noted that 'the British still live in Victorian times. The factories I have seen are real old fashion'.

Is that a tall, lean shadow coming around the corner?

WITH THE introduction of a new service between Buenos Aires and Rio de Janeiro, Braniff International has increased its flights from Miami to Buenos Aires to four weekly. *(Telephone 01-491 4631 for more details).*

The Thai's first-class connection

HOW DO YOU fly around the world first class on a scheduled airline and pay less than the standard economy fare? Scandinavian Airlines (SAS) and Thai International have just introduced such a new scheme.

The standard around the world fare, for example, London-Tokyo-London costs £1,589 economy and £2,873 for first class. However, under the new SAS-Thai scheme, the economy fare is only £678 and the first class fare is £1,270, or £319 cheaper than the norma economy fare.

There are, of course, terms and conditions to this fare saver: the ticket must booked and paid for 21 days in advance. However, the ticket is valid for a year, and you are not obliged to nominate your starting date (as long as it falls beyond the three-week purchase period). The total journey time must be a minimum of 14 days.

During your trip, you must make at least three stops of 24 hours or more. But you can stay at any stop as long as you want, so long as you do not exceed the total time allowed for the trip six (180 days) months.

You can stop anywhere along the routes flown by SAS or Thai, which virtually covers the world. After the first stop, if you wat to change your ticket, there is a surcharge of £27. There is no limit to the number of stops you can make, but the ticket is only valid on either SAS or Thai.

If you cancel your ticket before starting your journey, then you will be charged 25% of the fare.

For British exporters, this plan becomes even more attractive when taking into account that you can start your journey in London and transfer at Copenhagen to an SAS flight to the US.

For Japan, you would either have to fly Thai from London to Bangkok and change aircraft there; or fly SAS to Copenhagen, change for a flight to the US west coast, and pick up a Thai flight to Japan.

Why the tie-up? Well, SAS founded Thai International, and at one time wholly-owned it. Today, it has a management contract with the Thai's, but 80% of Thai International's pilots are still Scandinavian. Thai and SAS also interchange ticket offices and computer facilities around the world.

IF YOU'RE going to Scandinavia primarily for their congress expertise, then there are consultancy firms that can handle your event. One of the largest of these is DIS Congress Service which can handle 10,000 delegates or just 10. It can take care of the practical arrangements, from the initial planning stage to the meeting itself.

DIS's big plus is its technical equipment which has been used by convention centres, hotels, international organisations, government departments, conference organisers and rental firms in 35 countries around the world, including the Barbican Arts Centre and the Wembley Conference Centre in London.

Most of the organisation for DIS takes place in Copenhagen and at present a computer system is being developed for registration. The system will type out participants' lists, badges and other information. Lars Christiansen of DIS says: 'What we are selling is time and the computer will be effective in saving more time. Copenhagen is number ten in the world for conventions and the cost of living for meetings is certainly not that high anymore.'

BY CUTTING its rates from the UK to New Zealand by 25%, Emery Air Freight hopes to encourage British exporters discouraged by EEC entry, the strength of the pound and the NZ dollar devaluation.

A twice-weekly service from Heathrow to Auckland, Christchurch and Wellington is operated, taking two days in transit.

READER ENQUIRY SERVICE

For free brochures or more information about the following organisations and services, simply circle any of the numbers on the reader enquiry form on page 39.

Andelsbanken	40
Bikuben Bank	41
Copenhagen Handelsbanken	42
Den Danske Bank	43
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The Grand Hotels & Restaurants	55
Hotel 3 Falke	56
Hotel d'Angleterre	57
Hotel Scandinavia	58
Danish Convention Bureau	59
United Tours of Scandinavia	60
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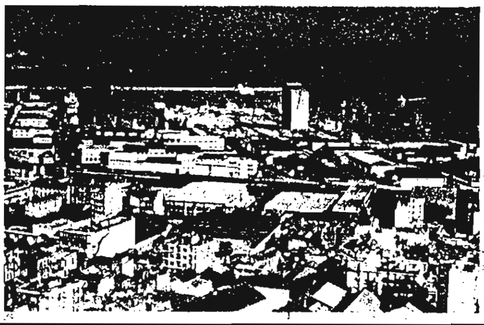
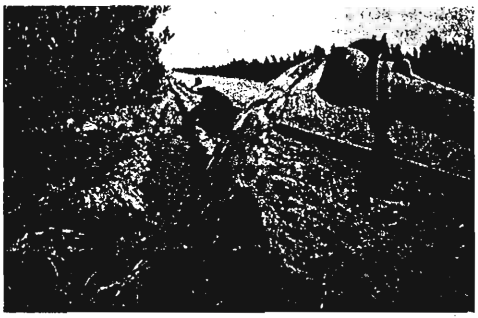




A new desert song

Looking for some offbeat, but promising markets? You will find three just outside the borders of Europe, nestling on the northern tip of Africa – the Maghreb, comprising Algeria, Tunisia and Morocco. Assistant Editor Sam Passow reports on their possibilities, and finds that even though traditionally they are French preserves, they would welcome more trade with Britain.

NORTH WEST Africa, known to Arab geographers as Djezira-el-Maghreb, or Island of the West, is isolated from the rest of Africa by the largest and driest desert in the world— the Sahara. It forms a relatively narrow coastal strip rarely exceeding 200 miles in depth but extending some 1400 miles from east to west. With a total land mass of 200,000 sq. miles, it incorporates the countries of Algeria, Tunisia and Morocco.

Separated from Europe by the narrow straits of Gibraltar, North West Africa is the most European part of the African continent.

While geographically and culturally the three Maghreb countries bear a striking resemblance, politically and economically they are worlds apart, and as markets, they each must be approached individually.

The region as a whole, has been under French rule, either directly or indirectly, for more than 100 years, and although the area has for centuries been under constant domination by the Phoenicians, Romans, Arabs and Turks, none of them left any marks on the regions economic way of life as have the French.

Developing

While many may consider these markets as French preserves, not the least the French, they are countries which are looking to expand their trade, and would willingly accept the British, if we would only make the effort.

As you will gather from the market surveys on the next three pages, this is a rapidly developing region, which up until the last decade maintained their economies on the exploitation of a few natural resouces and seasonal produce, and which have since tried to diversify their economies by developing new industries and building and infrastructure which will eventually free them of their century old European dominance.

In short, it is a capital goods market, and one that has been expanding in the past few years for UK exporters. In the first seven months of this year, we are running a favourable balance of trade with all three countries, Algeria by £8.9m, Tunisia by £9.8m and Morocco by £2.6m. But on the whole, we seem to have neglected this market, or what may even be worse, have conceded it to the French, as overall, Algeria, is only the UK's 47th world market with Tunisia and Morocco not even listed as they are not in the top 50.

If one does want to do business here, then there are certain factors one should bear in mind:

● Although Arabic is the national language in the region, French is the spoken language in government and commerce, and all correspondence documentation, and technical data must be in French, with weights and measures in the metric system. In most cases, correspondence will go unanswered unless it is in French. This point cannot be overemphasised because very few people in the region understand English. It is said that the local inhabitants of the region are like the French — only more so. Thus their aloofness and arrogance is compounded to the point where they intentionally won't recognise any attempts by foreigners who come to do business equipped with a knowledge of sixth form French.

A case in point. A few years ago, Leyland introduced the mini to Morocco. It was a very popular car, but they only sold 800 of them. The reason: the operations manuals were in English. On top of that, there was the usual problem of spare parts. But the Moroccans are not likely to forget.

Nor is it an isolated case. Many times British firms have lost contracts in the area because they have responded to calls for tender with English technical information even though their price and delivery times may be more competitive.

● Not only have the locals inherited the French language, they have also inherited French bureaucracy. Which, when combined with the usual Mediterranean speed of things, can result in long delays in both getting agreements and payments. Though this fact should not put you off, because eventually things do get done, and the money is there. It just seems that it requires the signature of everyone in the country.

● The three countries are wide open markets because they are very price-conscious. The reason they buy over a third of all their goods from the French is more than mere tradition. It's because the French often undercut any bid made by another country. They have even been known, and not just in a few cases, to take a loss to keep another country out of a particular sector of the market.

Even though the devaluation of the pound in the past eight months would seem to make British goods more attractive, the advantage has been wiped out by constant price rises. In one recent case, a British textile dye company raised the price of its goods by 17 per cent only two weeks after it entered the Moroccan market.

The West Germans, on the other hand, have held back export prices for the past 18 months, which although may mean a drop in the value of their exports, their volume increases as does their market share. The Mahgreb countries are not put off by price increases, as they themselves increase the price of their own exports, but it is the uncertainty of the quoted British price which many times puts them off. Again, it is not uncommon for one of the Maghreb governments to call for a tender from a British firm, knowing full well the pricing situation, but can then justify choosing someone else who can offer a comparable price by saying that they covered the market and it was a more reliable offer.

● Having a local representative in the country is considered vital to doing business. Local representatives visit end-users on a continual basis, glean information on sales leads, and are in a position to get early information on government tenders, obtain tender specifications, submit bids from their principals and negotiate with authorities.

In addition, regular visits by foreign sellers is considered the normal way of doing business, whether in the public or private sectors, because although many of the Maghreb businessmen and government officials do travel abroad, buying decisions are generally made in their own countries.

Without the support of regular visits by their principals, agents in these countries will quickly lose interest in the product. It is also not uncommon for British firms to appoint agents in France to handle the Maghreb markets, which of course makes communications and travelling for the British exporter a great deal easier.

However beware when appointing an agent to handle your products, because there is a tendency, especially among general agents, to acquire principals, not necessarily to promote them, but in order to protect their existing clients and cut down on the competition.

Much patience

When searching for an agent, try to obtain as many independent references as possible, in other words, not the references he submits to you. The markets are small enough that everyone usually knows everyone else, and the local British chamber of commerce or the consulate general's office in the area should be able to confirm a good agent for you. According to one businessman in Casablanca, sometimes it is better to get an agent who is just starting out because he will really hustle.

● Finally, you need a lot of patience.

Although Algeria, Tunisia and Morocco are practising Moslem countries, the latter two are more liberal in their ways, as they have abandoned those traditions which impede in the development of their countries. Of the three, Morocco is the most liberal, with spirits sold freely in all restaurants, hotels and local cafes, and men and women working side by side, although this should not be taken to mean that the social life is on a Western level.

Where to find out more about trade in Morocco, Algeria and Tunisia

For further information about the Maghgreb markets, contact either the North African section of the Department of Trade, 1 Victoria Street, London SW1, or write directly to the following address:

Morocco — British Consulate General, 60 Bd d'Anfa, Casablanca.

British Chamber of Commerce, 291 Boulevard Mohammed V, Casablanca.

Tunisia — Attache (Commercial), British Embassy, 5 Place de la Victoire.

Algeria — Counsellor (Commercial), British Embassy, Residence Cassiopee, Batiment B, 7 Chemin de Glycines, Algiers.

Algeria: The following 4 Algerian State Banks are the only banks now authorised to transact foreign business, including import/export transactions.

Banque Centrale d'Algérie, 5 Boulevard Zirout Youcef, Algiers.

Banque Extérieure d'Algérie, 6 Boulevard Che Guevara, Algiers.

Banque Nationale d'Algérie, 8 Boulevard Che Guevra, Algiers.

Crédit Populaire d'Algérie, 2 Boulevard Colonel Amirouche, Algiers.

The Banque Nationale d'Algérie is the only bank authorised to change travellers' cheques

Tunisia: The Banque Centrale de Tunisie, 7 Place de la Monnaie, Tunis, is the Central Bank.

Société Tunisienne de Banque, 1 Ave. Habib Thameur, Tunis, Tunisian commercial and development bank, correspondent of numerous foreign banks including British.

Union Internationale de Banque, 65 Ave. Habib Bourguiba, Tunis.

Arab Bank Ltd., 21 rue Al Djazira, Tunis.

Banque de Tunisie, 2 Ave. de France, Tunis.

In addition there are a number of organisations specialising in agricultural and banking credit business.

Morocco: The *Banque du Maroc* **is the national central bank if issue. The head office is at:**

Avenue Mohammed V Rabat

and branches are sited in the main towns and cities.

The leading commercial bank is *Banque Marocaine du Commerce Exterieur* **(BMCE) with its head office at:**

241 Boulevard Mohammed V, Casablanca.

Morocco would like to buy more from us

WHILE MOROCCO does not have the oil wealth that some of her neighbours possess, she does have a natural wealth of her own — White Gold as the Moroccans call it, phosphates. As a matter of fact, she is the world's largest exporter of the mineral. With phosphate an important ingredient in fertiliser, Morocco is assured of a permanent market in a world hungry for more and more food.

Of the Maghreb countries, Morocco is the most liberal and the most French. Two years ago it instituted a policy of Moroccanisation under which most commercial sectors would be controlled by Moroccan nationals, even though they may actually be run on a day-to-day basis by foreigners. This overall joint venture scheme, which limits foreign capital investment to 50 per cent, is designed to ensure that at the end of the day the Moroccans will have overall control of their economy. However, this policy should not be interpreted as nationalisation. Far from it, as the Moroccan government is encouraging foreign investment, particularly in mining, tourism, shipping, industry and handicrafts, with special fiscal and other incentives offered in these fields.

But so far British investments have been limited to plants in Casablanca, the commercial centre of the country, making detergents, toilet preparations and assembling Land Rovers and a recently built tomato processing plant in Kenitra.

A few British engineering firms have been successful in gaining important public contracts, while British firms answering calls for tenders put out by the Moroccan government for capital projects have also been increasing.

One notable success is the engineering firm of W. S. Atkins, which last year was awarded the contract for the design and supervision of the planned iron and steel complex airport at Nador, in the North Eastern section of the country, which when fully developed, will be an important industrial area to counterbalance Casablanca. Since this whole region is still in the planning stage, many of the contracts for its development have yet to be awarded (see capital projects listing below).

Another British success in the region is the Blue Circle Group, which has been supervising the new cement works at Oujda.

Other important contracts secured recently by British firms include 40 Coles cranes for the Port of Casablanca, 24 engines for the pumping stations of the new irrigation network of the Souss valley in the southern part of the country, and equipment for the Moroccan tobacco monopoly.

Supplies of British vehicles in knocked down form, particularly lorries and Land Rovers for assembly in Morocco, run into the million of pounds a year. Leyland, Ford (UK), Vauxhall and Massey-Ferguson are among the participants in a very thriving vehicle assembly plant industry in Casablanca.

In the first seven months of this year, British exports to Morocco totalled £35.7m, compared with £19.7m. for the same period last year. Our main area of sales were in machine and transport £21.3m; manufactured goods £4.3m; chemicals £1.8m; mineral fuels and lubricants £1.6m; cereals £2.1m; and food £2.4m.

During this same seven-month period this year, the UK bought £33.1m worth of Moroccan goods, mainly phosphates and fruits and vegetables.

New markets

Despite the UK's seemingly healthy balance of trade with Morocco, she nevertheless ranks seventh among Morocco's suppliers after France, USA, West Germany, Italy, USSR and Spain. In 1974, our market share was three per cent, and there has been very little change in the last 18 months.

Like most developing countries, Morocco, under the single minded direction of King Hassan II, has been engaged in a race against time to develop her economy sufficiently to provide food and employment for a population of 15½m, of which half are under the age of 15, and which is increasing by about ½m every year. Seventy per cent of the Moroccan population is employed in agriculture, and after phosphates, Morocco, which contains vast areas of rich arable land, maintains her foreign currency reserves on the fruits and vegetables she exports.

The new five-year plan, which begins next year, will place a greater emphasis on grain and fodder crops, sugar beet and sugar cane and increasing the arable areas by the construction of dams and the installation of irrigation systems.

Friesian cattle are being imported on a large scale from West Germany, and new industrial dairies are planned apart from those already in existence at Casablanca and El-Jadida. So in addition to the normal agricultural equipment and materials that will be needed on a large scale, there is also a market for refrigeration equipment and other essentials associated with the dairy industry.

While a number of British firms are already supplying the state-controlled phosphate monopoly (OCP) with mining equipment, including extraction transport and processing plant, the expansion of the phosphate industry in the next five years will give rise to important new contracts.

While there are many opportunities for British firms in Morocco, realistically Britain can never really hope to compete head on with the French, who consider the area as part of their own country and who buy and sell over a third of the trade each way. Thus to bid successfully for a very large project, it may well be necessary for firms to form a consortium, as the French and Germans often do, and sometimes put in bids as part of a joint venture with a French or West German firm.

The Moroccans want to buy from the British because they want to lessen their dependence on the French. However this reason alone is not enough to secure a contract, for if the French offer a better price and better servicing, then the Moroccans will continue to trade with them.

Trading in Morocco is very much like trading in France, so British firms already trading in the French market, who are well versed in the requirements and mentality of the market, should find trading with Morocco very easy.

MOROCCO THE BASICS

Area 180,000 sq. miles
Pop 15,379,259
GDP 28,080m. dirhams
Total imports 8,292m. dirhams (1974)
Total exports 7,440m. dirhams (1974)
Imports from UK £35.5m. (1975)
Exports to UK £51.9m. (1975)
Capital Rabat
Currency £1 equals 7.95 dirhams

Preparing for the next plan

Although Morocco has another year to go in her current five-year plan, preparations are already being made for the next one which begins in January, 1978. In the meantime, there are a number of major capital projects for which pre-qualification bids and calls for tenders are being made, as well as long-range building programmes which are in constant need of foreign goods.

The list below is just a brief outline of some of the major development projects which could be taken advantage of by British suppliers. A more comprehensive list and information about who is running the projects and the technical information they require can be obtained from the Department of Trade in London.

Tourism: 12 hotel projects (2,000 rooms in all) for hotels in Kenitra, Marrakech, and hotels in southern Morocco.

Mining: Development of the Ben Guerir opencast phosphate mines, salt in Mohammedia, iron, copper, lead, zinc, manganese mines throughout the country.

Industry: Manufacture of motor car 75 parts in Casablanca; Nador iron and steel complex; extension to Maroc-Chemie chemical works at Safi; paper pulp factory at Saf-Saf; Oil and phosphate complex at Jorf el-Asfar; manufacture of diesel engines under licence at Fez; manufacture of nitrogen fertilisers at either Kenitra or Mohammedia.

Road works: Casablanca-Rabat motorway and the Casablanca expressway.

Airports: Constructio[n of] new terminal at Casab[lanca] Nouasser airport, and [...] airport to be built at N[ador].

Railways: New tracks [...] Casablanca-Rabat line[;] Casablanca-Marrakech [...] the Ben Guerir-Safi li[ne;] Youssoufia-Sidi Benno[ur;] el-Asfar line; and the Mallal-Khouribga line. [...] of these lines, however, [...] very much in the pl[anning] stage.

Ports and Shipping: [Con]struction and equipm[ent for] the Port of Casablanca [...] for tenders for new equ[ipment] are called for regularly[;] struction and equipm[ent for] the new port at Nado[r; con]struction of a new ph[osphate] port at Jorf el-Asfar; co[nstruc]tion of new ports for [...] and Tarfaya; and the ex[...] and new equipment [for] Port of Agadir.

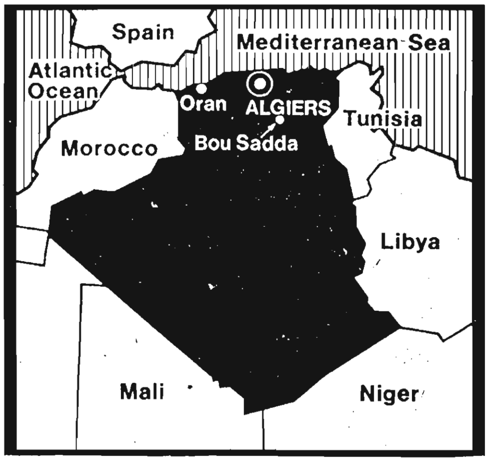
Radio and TV: Const[ruction] of new Radiodiffusion [Télé]vision Moracaine [...] headquarters buildi[ng] Rabat; Medium-wave [trans]mitters for Sebaa-Aio[un,] Melloul and Tangier.

Natural gas fires Algeria's hopes

OF THE three Maghreb countries, Algeria is likely to be the least profitable market for British goods. Algeria's economic progress has failed to match its expectations and the country is now adopting a more cautious policy of curbing imports. For a country that is living beyond its means, Algeria is now having to modify its ambitious development programme and cut back on all non-essential imports sufficiently to avoid a serious risk of default.

The reasons for this economic collapse are quite apparent Development of oil and natural gas on which the country's economy is pinned is behind schedule, agricultural output appears to have fallen steadily due to a combination of drought, the loss of colonist expertise (80,000 Europeans remain out of a populations of 1m. before independence from France in 1962), and the Government intervention. Food imports have soared, and a high proportion of investment is directed into industry, but there is so far little to show in return and there is much inefficiency.

Unlike the stable and more liberal political and economic climates of Tunisia and Morocco, Algeria is a Socialist country under the leadership of President Colonel Hauri Boumediene, a Council of Ministers and a Revolutionary Council. It is guided by an evolving doctrine for a centrally directed economy drawing upon the combined traditions of Islam and Europe, although it also includes many elements deriving from the Socialist countries of Eastern Europe.



State capitalism

The Algerian formula of state capitalism is controlled by 45 Societes Nationales, or state companies, and 16 agencies or offices, which handle 75 per cent of the country's imports. These bodies can vary in size from the giant SONATRACH (which claims to be the ninth largest oil company in the world) to quite small entities dealing in minor products. Each state company has a clearly defined range of activities and within the limits of policy guidelines, a considerable degree of autonomy. They each have an annual budget and annual targets keyed to the current national plan.

Business in Algeria is not done by agents, though a local representative is important in establishing a base. The societies nationales publish invitations to tender and transmit them to London where they are circularised by the Department of Trade Export Intelligence Service. Tenders are then made by post, and if the order is sizeable enough, then a personal visit is recommended. The Algerians prefer to deal with principals. Great patience and persistence are often required and the frustrations are frequent as negotiations tend to be drawn out affairs which sometimes require frequent visits.

Development in Algeria is regulated by a series of four year development plans. Under the current plan (1974-77), the Algerians are spending about 110,000m. AD. While the hydrocarbons industry is still the most important sector, greater emphasis is being placed on infrastructure development.

From the beginning, when he took power 11 years ago, President Boumedienne embarked on a policy of nationalisation and industrial reconstruction with the object of making the country economically self-reliant. Today, following the nationalisation of most of the agrarian and industrial sectors — including the hydrocarbon industry that provides 90 per cent of Algeria's foreign earnings, there are few signs that Algeria intends to revert to mixed state private economy.

A gamble

President Boumedienne's regime has come under increasing internal pressure for neglecting many other sectors of the society, most notably housing, in his bid to transform Algeria into an integrated industrial power by the mid 1980s. There is a growing awareness in the country that the crash industralisation programme — the country currently devote 40 per cent of the GNP to industrial development — may lead Algeria perilously close to bankruptcy.

The country is gambling its entire economic plan on its vast natural gas reserves, estimated by the World Bank at around 3,000,000m. cubic meters. But the development of the gas programme is currently running about 18 months behind schedule, and the Algerians, who overestimated its potential earnings, have had to borrow heavily, and have had to accept cost-plus and turnkey contracts in order to get the projects going.

The country's economic planners were hoping that the revenue from oil exports would finance the hatural gas works, for in 1973, Algerian oil production reached a peak of 51m. tons. It was then the assumption, that the increased demand from the West would all but assure the government of the funds needed for other development projects.

It was on the assumption of increased oil revenues, that the government increased the total expenditure of the Second National Plan (1974-77) by £13.75bn.

But the October 1973 oil embargo and subsequent price rises imposed on the West by the OPEC nations reduced the oil consumption of the West, and brought down the Algerian oil production to 47.2m. tons in 1974 and 43m. tons in 1975, and according to foreign observers, it will take until the end of this decade before Algeria reaches her pre-1973 level of production.

Not only will Algeria not reach the 59m. ton output she had projected for this year, but the price of a barrel of oil is currently around $13, which is a dollar below the 1974 price.

Although Algeria is reported to have raised more than $3,000m. in 1975, there are signs some of the most important sources of credit are beginning to have second thoughts about the wisdom of large-scale investment in Algeria. Credit insurers are adopting a cautious policy to request cover on large import projects, and Algeria is finding it increasingly difficult to raise commercial credit on attractive terms in the Eurodollar market.

As a result of long-term credit deals, Algeria will be paying for imports of capital equipment associated with current projects well into the 1980s.

Because of this the Algerians are cutting back on development projects. Plans for a French car factory appear to have been shelved; a Swedish contract for an irrigation complex worth $90m. has been indefinitely postponed; state enterprises have had their foreign exchange budgets cut by 30 per cent or more, and there is reported to be a build up in arrears on payments.

Algeria is banking on the hope that by 1980, its hydrocarbon reserves will be earning the country $10,000m. annually, thus securing the basis on its industrial base, and that by 1985, the 20th anniversary of President Boumedienne's regime, the country will be ready to move into its second phase of development.

No consumer goods

Although the hydrocarbon industry will provide the country with money, 60 per cent of the population depends on agriculture for its livelihood, though due to a lack of water and poor irrigation, only 3.5 per cent of the land is cultivated, with only about 154,000 acres of grazing land in the entire country to maintain all the sheep, cattle and goats. The principal agricultural products are grapes for the wine industry, cereals, citrus fruits and vegetables. Sugar beet, cotton, sunflowers and other crops are now being developed, but much still remains to be done in order to increase production yields.

While no accurate figures are available, it is estimated that about 30 per cent of the available labour force of 2.9m. are unemployed, and the average per capita income of those who do work is about £300. Consumer goods in this market are almost nonexistent. The number of vehicles registered last year, including cars, was 315,723 and there are fewer than a quarter of a million phones in the entire country.

ALGERIA
— the basics
Area 919,595 sq. miles.
Pop. 16,275,000.
GDP 29,700m. AD.
Imports 15,668m. AD.
Exports 24,374m. dinars.
Capital: Algiers.
Currency £1 = 7.60 dinars.
Imports from UK £78.7m. (1975)
Exports to UK £87.5m. (1975)

In the first seven months of this year, UK exports to Algeria stood at £58.5m. a rise of £15m. over the same period last year. The major sales were machinery other than electric £16.2m; petroleum and petroleum products £10m; transport equipment £9.7m; electric machinery £6.8; manufacturers of metals £4.8m; iron and steel £2.8m. and chemical materials £1.4m.

The UK is Algeria's seventh largest supplier after France who has over a third of the market, followed by West Germany, Italy, USA, Spain and Belgium.

At present, the Algerians are exporting about 5.4bn. cubic metres of liquid natural gas a year, and if all LNG sales contracts approved or awaiting approval but not operating as of yet come on stream, Algeria will be exporting some 48.6bn. cubic metres annually by 1980.

But this again may be another over-estimation, as some sources seem to regard even an annual production of 20.5bn. cubic metres by 1980 as an optimistic projection. There pessimism is based on the fact that while the LNG plants at Arzew and Skikda with a combined capacity of 5.8bn. cubic metres annually can meet the current demand, it would take the completion of at least six new LNG plants with a total capacity of 10bn. cubic metres each per annum to meet the governments output forecasts of 48.6bn cubic metres by 1980. At a $1,000m. a plant, that would require a lot of money.

A full list of the Algerian State monopolies, together with a note of their interests, may be obtained from the Export Services and Promotions Division of the Department of Trade in London.

Best chances for N. African opening

POLITICAL STABILITY and an ever improving infrastructure make Tunisia, the smallest country in North Africa, one of the brighter prospects for UK trade in the region.

The signing of a new EEC-Tunisia trade agreement in April this year marks a further step in Tunisia's overall relationship with Europe, and an expansion from her two traditional European markets, France and Italy.

Already, Tunisian economic planners are well into preparations of their next five year plan (1977-81), whose public and private investments will exceed £3,000m., double the current plan.

The political stability, established by President Habib Bourguiba's government since independence in 1956, has allowed for an annual growth rate of the GNP over the past five years of nine per cent.

While at the time of independence Tunisia's industrial infrastructure was mainly confined to mining, the most important of which were lead, iron, zinc and phosphates, there has been over the past ten years a continuing programme of industrial diversification, the point where there are now a number of new industries established throughout the country.

These included the El Fouladh steel mill at Menzel Bourguiba, phophate processing plants at Gabes and Sfax, a sugar refinery at Beja, cement production at Bizerte, and a variety of other small industries, such as small ship building, food processing, textile manufacture, car assembly, television and radio assembly, construction materials and local handicraft production.

While only a minor producer in oil and natural gas, Tunisia has two sizeable oil fields being exploited at El Borma in South West Tunisia and Ashart, offshore in the Gulf of Gabes. Natural gas finds have also been made in the Gulf of Gabes and are likely to be developed within the next few years.

In encouraging this diversification programme, the government routinely devotes 30 per cent of its budget on education and technical training, with the result of an adult literacy rate of 55 per cent, one of the highest in the area. However, despite the rising level of education, the national per capita income is only £200 and the purchasing power of the greater part of the 5.5m. population continues to be very low.

Last year, the EEC supplied 59 per cent of Tunisian imports, with France capturing 36 per cent of the market, followed by Italy 10 per cent, West Germany 8.7 per cent, and the UK with a little under 6 per cent. A rise, of three per cent over the previous year.

In the first seven months of this year, however, British sales to Tunisia have dropped by £6.1m., compared with the same period last year, standing at a level of £11.5m. This figure would have been even lower had it not been for a £3.4m. order of sugar at the beginning of the year. Our other major sales were in non-electric machinery (£3.4m.); transport equipment (£1.5m.); chemicals (£311,000); manufactured goods (757,000); and crude materials (£131,000).

Four UK firms

Apart from certain types of agricultural and public works equipment, knowledge of British goods is still limited. British consultants and contractors have made little penetration of a market dominated by local and French companies. In fact, the British Embassy in Tunis lists only four British companies who have offices there — Shell, British Caledonian Airways, the British Bank of the Middle East, and the London Group of Architects.

Last year, Tunisia ran a trade deficit of 227m. dinars on a total import bill of 572m. dinars. While most of this loss was offset by invisible earnings from tourism, remittances from workers overseas and inflows of capital under aid programmes, the government is, nevertheless, planning on cutting back on non-essential imports, which represent almost 15 per cent of its total import bill.

Despits, the linguistic problems and the government's encouragement of local companies, which rule out any major changes in the present market structure, an important factor in both the public and private sectors is the cost of goods and the price competitiveness of British goods, especially since the devaluation over the past six months, which is certainly being noticed by Tunisian purchasers.

The potential for British suppliers of agricultural, mining and public works equipment, chemicals for agriculture and the textile industry, electrical equipment and, to a lesser extent, capital equipment for oil and natural gas exploration, electricity distribution and certain smaller industries, such as textiles and electrical components assembly, appears to be quite good.

Tunisia's concentration on education, health and social projects opens up possibilities for British suppliers of educational and medical equipment and scientific instruments.

Tunisia is planning to spend millions

PREPARATIONS are now under way for Tunisia's new five-year plan (1977-81), on which the government is expected to spend about £3,000m. While the plan is unlikely to differ greatly in emphasis from that of the previous five years, more attention will be given to export-orientated industries, the encouragement of more private participation in industry, increase existing plant and investment in the industrial sector, while in agriculture, which employs about 55 per cent of the population, the government will maintain the same level of investment, but will attempt to achieve a more efficient use of existing resources.

It is expected that about 20-25 per cent of the money needed for the plan will have to be covered by foreign financing, partly from aid. However, foreign aid commitments have been levelling off in the past few years and Tunisia may have to obtain financing from more commercial sources than in the past.

Certain projects have already been proposed for implementation under the new plan. While these are likely to represent only a small part of the total investment over the period, they are a good indication of the areas in which the government is likely to be concentrating:

AGRICULTURE: Twenty million dinars are to committed to integrated rural development projects in central Tunisia, 17m. dinars on fishing ports and about 50m. dinars on the construction of the Sidi-Saad and Kl Haourab dams.

ELECTRICITY: The Tunisian electricity generating board (STEG) expects to construct an electricity generating at Sousse, probably in two stages of 150MW capacity each, at a cost of about 65m. dinars at 1975 prices. While another 25m. dinars is likely to be spent on additions and improvements to existing power stations such as the one at Gannouche in southern Tunisia and a power station on the Sadi Salem dam of about 20-30-MW.

MINING: Over 30m. dinars are to be spent by the state-owned Phosphate Mining Company in the development of the Kef Echfair pho mines near Metaloui, modernisation of other in the region.

CHEMICALS: Plan already well advanced construction of a further ical processing plant at which will produce phos acid, ammonia and amm nitrate at a cost of over dinars.

TEXTILES: The state company, SOGITEX, p invest 20m. dinars to in its weaving and spinnin ations.

TRANSPORT: The n shipping company plans at least one oil tanker, tw eral carriers and thre on-roll off vessels, which carried out if the nec financing can be obtaine Tunisian national r organisation, SNCF expected to spend £5m. equipment. A loan agr with the World Bank fo dollars signed at the beg of the year will help to f the construction of new and the improvement o ing ones.

While all the projects are in the public sector, deal of money will be all to the private sector whi be carrying out new inves programmes, particula light industries such as t food processing, shoe ma ture and electro-mech assembly.

Since 1972, the Tu government has amend law to create a more favou climate for foreign invest

TUNISIA the basics

Area 63,362 sq. miles
Pop 5,641,000
GDP 1,335,6m. dinars (1974)
Imports 488,658,000 dinars
Exports 397,695,000 dinars
Capital Tunis
Currency Dinar £1 = 0.730
Imports from UK £26.7m (1975)
Exports to UK 4,644d. £3m. (1975)


TWO OF THE Royal Worcester contributions to Bicentennial Year . . . a reproduction of the "Independence 1776" pattern created by the pottery early in its history and a Stuart crystal mug carrying a design from an engraving by Paul Revere. The plate was priced at $150 and the mug at $30.

ONE of the limited edition of 500 two-handled mugs by Wedgwood in black and white jasper featuring a gold design of the American eagle. Price $600.

Thanks for the memory

SAM PASSOW relates how British firms found commercial success in the Bicentennial celebrations

THREE years ago, the British Overseas Trade Board published a booklet entitled "Your opportunity-United States - Bicentennial Clebrations 1776-1976" and posted it to 800 UK firms who had a potential market for their goods in the United States during the Bicentennial.

The introduction, written by Lord Redmayne, Chairman of the BOTB's North American Advisory Group, said: "While the Bicen year itself is 1976, the American retail market will be fully active in this field from late 1974 onwards. If we are going to get into the market, those of us who have not already started have got to start planning for production now."

While there is no exact count as to how many British firms actually made an effort to sell to the Bicen market, the Department of Trade estimates that about a hundred firms have done business. But what is really interesting is the way they did it.

The BOTB booklet, which was written by Leslie Tillet, one of the leading design consultants in New York, advised British manufacturers to return to the 18th century Georgian designs, with a contemporary adaptation. "Whatever their origin," the booklet said, "Americans are mostly proud of the fact that their country was originally British; indeed, they are outrightly snobbish about it. They will therefore give great prominence to the old British connection in their Bicentennial celebrations and this will be reflected in their quest for consumer goods which they see particularly befitting the occasion."

Firms were advised to stay away from the cheap quality souvenir end of the market and concentrate on the high quality, high priced, limited editions market — and this bit of advice has paid off handsomely.

As far as most American retailers are concerned, July 5 will mark the end of the Bicen. Already, they have long since stopped ordering new merchandise, and are now trying to make one last stab at clearing their stocks.

From a general consumer view, the Bicen never really got off the ground. As far back as 1972, people were calling it the BUY-CENTENNIAL OF THE BI-SPENDTENNIAL, and a massive amount of publicity was given to red, white and blue toilet seats, knickers and pot holders — as well as a whole assortment of trivial goods in such a display of blatant commercialism that both the buyers and the sellers were turned off. Any thought of a celebration.

There were a number of other factors which contributed to the total confusion as to which form the celebration would take.

Initially, the Bicentennial was supposed to be commemorated with an exhibition in Philadelphia, as it was a hundred years ago for the centenary, with all the fanfare of a world's fair.

But Boston, New York, Washington and other cities in the original 13 colonies objected, and said that they would hold their own celebrations. Bowing to this concept, the Federal Government established a bicentennial advisory group to help co-ordinate all the individual efforts into a national celebration.

Then came the end of the Vietnam war, Watergate (and more Watergate), an uninspiring presidential campaign, all of which seem to have dampened most Americans' patriotic feelings, creating a sombre, introspective mood in many people questioning what really ought to be celebrated. The only thing the national committee did was to come up with a logo which all manufacturers would use on their products.

FOR its efforts Royal Doulton produced a limited edition of 13 figures (350 of each) of soldiers from each of the original colonies. Price $750 each or $10,000 for a set.

There is no greater friend than time. Its passing soothes the discontent of the past and leaves in its wake an illusion of grandeur. Such is the relationship of the United States and Britain. Once opposites in battle, we now pride ourselves in the fact that we fathered such a unique offspring. It's a fact that is not lost on the other side of the Atlantic either.

There was a feeling, by many, that a purely commercial demonstration would merely highlight the worst in Americans and cheapen the meaning of the event.

On top of all this ill feeling came the recession. It arrived suddenly, and mainly affected the middle and lower classes — the ones who would most likely have taken advantage of the consumer aspect of the Bicen.

Not knowing just how long the recession would last, retail outlets were wary of ordering stocks that, even in the best of times, they would have difficulty selling.

Many of the British firms in the middle price range market who displayed their Bicen products at tradefairs in 1974 were disappointed with the results and abandoned the entire idea. They found the orders to small to justify the effort, as the Bicen market was seen as a bonus to the existing market, not a replacement.

But those UK forms which took the advice of the BOTB and went for the top of the market were overwhelmed by the response.

"Everyone in the quality market field did well in sales in that period," said Mr. Bob Savings, director of marketing for Royal Doulton. "We were asked to do cheap things — one company wanted 200,000 plates on a Bicen theme, but we turned them down because goods at a cheap price cheapens our name.

"We also considered doing inexpensive mugs with faces of American revolutionary heroes, but rejected that plan for the same reason."

Royal Doulton's Bicen effort was a limited edition of 13 figures (350 of each) of soldiers from each of the original colonies at a cost of $750 each or $10,000 for the entire set.

A month before the July 4 celebration, it had completely sold the edition, even though the last six figurines will not be delivered until 1978. The four-year effort will net Royal Doulton about $1.7m.

The same is true for Royal Worcester, which so far has sold 9,800 of a 10,000-piece series of an Independence plate, said to have been used by Ben Franklin in the US embassies in Britain and France, at the modest price of $60 per plate.

Royal Worcester's US general sales manager, Mr. Reg Nowlin, claims that its Bicen effort will add another per cent profit on their total US sales. In addition to the plates, Royal Worcester sold its limited editions of 3,000 Stewart Crystal mugs at $30 each and 100 engraved glass bowls for $300 each.

"Our market is the upper 10 per cent income bracket," says Mr. Nowlin, "which makes it even more worthwhile to make only a limited edition. As soon as it is out of edition, it becomes more desirable.

If the prices seem staggering, it's because they are. But the buyer of a limited edition views it as an investment in art, which quickly appreciates. Once a piece is out of edition, it often doubles its value on the second-hand market.

But there are companies not in the limited editions market who also did well during this Bicen year, but again, because they chose to go for the quality market.

The Peggy Nisbet Bicentennial collection of dolls, which includes Betsy Ross, a Minuteman and a Redcoat, George III and Queen Charlotte, George and Martha Washington, and retail for between $14 and $33, are selling in many of the major department stores in the US, as dolls for collectors, not children. Peggy Nisbet reckons that because of the quality of the design and manufacture, her dolls will continue to sell after the bicen is over. In her case, the Bicen was an excellent opportunity to expand her sales in the U.S. market from her usual line on English Royalty dolls, and launch a new series based on the George and Martha Washington dolls, of Presidents and their first ladies.

All the British firms interviewed claim that their effort in the Bicen, which was an addition to their normal U.S. marketing efforts, substantially increased public awareness in their products, and without exception, these firms see it as a catalyst to larger domestic sales in the future.

The BOTB reckoned that there are several hundred British firms which existed in 1776, and are still in business today. And that this fact alone was a key selling point over competetive goods — you simply can't beat authenticity.

Wedgewood has not only been capitalising on this fact in the full-page colour ads in American magazines, but also on the fact the Josiah Wedgwood's interest in America was far from being purely commercial as he was a strong supporter of the Colonist's cause. In his letters of the time he reflected " . . . I am glad that America is free and rejoice most sincerely that it is so, and the pleasing idea of a refuge being provided for those who chose rather to flee from, than submit to the iron hand of tyranny . . ."

Wedgwood claims that their early connections with America have strengthened over the centuries and Americans have remained Wedgwood's best and oldest customers. They must be because over the last four years they have bought orders of over several million dollars worth of Bicen commemoratives, sold in nearly 8,000 outlets in the US, ranging from a limited edition of 10,000 ten-inch pale blue and white jasper plates depicting Independence Hall for $85 to one of ten busts of George Washington which were priced at $10,000 for the Bicen.

Mr. John H. Thomas, executive vice president of Wedgwood US, attributes the company's success to a number of other factors. First, he said, "we started marketing our Bicen products six years ago, and a lot of people thought we were nuts to bring out a series so early on — but it has been successful." Secondly, the fall in the value of the pound, "has saved our bacon, because we haven't had to increase our prices in the last 19 months."

Despite the fact that British products have done so well in the market, Mr. Thomas and others, much to their surprise, have not been able to detect any resentment on the part of American manufacturers who might feel that Britain may have lost the war, but won the battle for the market.

Many of the major department stores have been shying away from blatant Independence Day displays, which are seen as a one-off event, and have concentrated instead on low key approach, colonial or Williamsburg shops, which unless you looked for really carefully, would be as noticed as any other department in the store. A leading department store in Philadelphia is even sponsoring a "British month" in October during which they will try to clear their Bicen stocks.

The only place where the BOTB advice was off the mark, (and in all fairness, when it was written three years ago, when there was no way of forecasting the dramatic events which have since shaped the celebration) was that items on "well designed contemporary lines inspired by 1776 will also have tremendous potential in the years after 1976."

But as it turned out, this was not to be the case, and the majority of British manufacturers who opted for the limited editions and high quality market avoided being left with huge stocks of merchandise which would be unsalable in any other market.

Commercially, the US Bicentennial was a definite success for British manufacturers, not only because they made money, but because they demonstrated that good marketing can overcome many of the fluctuating uncertainties which occur when every one deals in a limited market over a period of time.

How many people does it take to screw in a light bulb in Marin County?
Answer: Five. One to turn the bulb, and four to share the experience. Sam Passow reports from . . .

LA is heading for 1984 — in 1990

LOS ANGELES — While that may be a popular joke here it's also an apt description of a mentality that is attracting a thousand new people to the state of California every day. Today, one American in 10 lives in California, and almost half of these in Greater Los Angeles.

The 10m people of this area alone are stretched out over more than 5,000 square miles. This actually encompasses more than 100 individual cities, linked together by about 700 miles of freeways. If Greater Los Angeles was superimposed on London, it would stretch from Brighton to Cambridge, and from London Airport to Southend.

The largest commercial and industrial centre of the Pacific coast, the Los Angeles area's regional product would make it the 12th richest country in the world if it were considered a separate nation (California would rank 8th, equal to the UK).

The experience most Californian's are into is making a buck — and then spending it before the ink from the banknote can rub off on their fingers.

The turnover of goods and property seems never-ending. Twenty-six of the *Fortune 500* top US companies are now headquartered in southern California alone.

Yet despite the affluence, and the almost insatiable hunger for anything new, the Californian market has not been a priority for British businessmen.

Two reasons stand out: distance and size. The US is large. California is as far from New York as New York is from Britain. Not only is California separated from the rest of the country by two mountain ranges within the state, there are also two well-defined market areas, the north and the south — and Los Angeles and San Fransisco are 500 miles apart.

Because there are few US distributors who can offer really efficient nationwide coverage, British goods are likely to be less competitive in California than on the East Coast. Therefore, it is necessary to set up a separate West Coast distribution centre. It is worthwhile noting that few if any British companies choose California as their entry point to the US market. (In 1978 British exports to California accounted for just 8.1% of their total US sales).

Another deterrent to investing, or setting up in California is the Unitary Tax, which is a 9% levy imposed on a local firm based on the total worldwide profits of the foreign company it represented. For example, EMI's record division pays a 9% tax on its corporate profits, including those of all its global division.

Paying world wide taxes

Other states in the US have such regulations on their books, but few enforce them. Some British businessmen in California say that the state will abolish the tax in the next year or so, and the CBI has asked the British government to hold-up approval of the US-UK tax treaty. However, there is little that the Federal government in Washington can do without infringing on one of the most hotly-contested constitutional clauses: states rights.

It can only control goods entering the country (customs) and inter state trade. It has no jurisdiction on trading practices or taxes within a particular state. Given that the Californian state government has already lost hundreds of millions of dollars when its voters abolished the land tax (known as 'proposition 13'), its seems unlikely that the state will be willing to give up even more money, especially when it doesn't come out of the voters' pockets.

Up to last year, California also had an inventory tax, which was assessed on all businesses on the last day of February each year. It was an absurd tax (which is why it was abolished) which did affect many of the voters. Local businessmen got around it by simply moving their stocks to warehouses across the state line for 24 hours. It was an inconvenience more than anything else, but it did deter some exporters, especially in consumer goods.

Local agents did not want to accept goods around the beginning of the year which they could not either immediately unload or transfer to another state.

British businessmen in California, who see the unitary tax going the same route as the inventory levy, are underminded by their own success. The market is so lucrative here, and constantly growing (600,000 new jobs were created in 1978) that even with the unitary tax, it's still a profitable venture.

With this attraction, the state government knows it is holding all the cards. One thing that California lacks with almost as much abundance as the sunshine is modesty. Unfortunately, a survey of the market shows them to be right.

Southern California

In 1978, British exports entering the custom areas of Los Angeles and San Diego amounted to $397m (up from $271m in 1976), however, the total amount of British exports to the area, including those entering the US through other customs areas probably amounted to nearly $600m.

Most British exports went into aerospace, the largest industry, (with 500,000 jobs, for nearly 30% of the state's manufacutring employment). However, half the industry's workers actually make electronic equipment. The LA area contains the highest concentration of major aerospace-electric manufacturers and defence contractors in the world; Lockheed, McDonnell Douglas, Rockwell, Northrop, Hughes, Litton Industries, Teledyne, Beckman Instruments and TRW are amongst the leading names.

It comes as no surprise then that the four leading UK sales sectors in 1978 were transportation equipment ($94.7m), jet engines ($87.1m), electrical machinery ($16.3m) and other machinery ($42.5m) and other machinery ($42.5m).

Apart from engineering and minerals, which also play an important part of the regional economy, Hollywood's entertainment industry also serves as the magnet for British talent. Feature films for television and the introduction of cassette tapes for home entertainment has, to some extent, revived the studios and allowed them to maintain their far-reaching influence in the community. Los Angeles is also becoming a leading centre in the music and recording industry — which helps account for the more than 300,000 British expatriates living in southern California.

Northern California

The northern part of the state offers some startling contrasts, in terms of size, climate, attitudes and economis sectors. Five of the eight million people of northern California are concentrated in the Bay area, which is made up of San Francisco, Oakland and some 30 other small cities in the Santa Clara Valley extending down to San Jose, in what is affectionately called the 'Silicon Valley' (no, not because of the women) because the bulk of the area's manufacturing industry is made up of really high technology companies involved in every aspect of micro-electronics.

Growth rates in this industry are averaging between 20 and 40% a year and there is little sign of slow-down. San Jose, at the bottom of the valley, is the fastest-growing large city in the US.

The northern California market has certain distinct characteristics. There is little heavy industry in the area. San Francisco, essentially a business and professional centre with a mild climate, is a year-round market for heavier clothing. The lifestyle is more conservative and European in its nature than the informality of southern California.

San Francisco incidentally does not sprawl like Los Angeles, and since most of the business headquarters are in the downtown area (with the ex-

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BY 1990, economists and planners predict that the Los Angeles area will have grown into a megalopolis, sprawling 200 miles along the Pacific Ocean from Santa Barbara to San Diego. For this reason, the residents of Southern California no longer think of distance in terms of miles, but in time.

If you ask for directions from one place in Los Angeles to another, they won't tell you to 'take the San Diego freeway for about 10 miles until you reach the Wilshire Boulevard exit'. Instead, they say, 'Oh, you go along the San Diego freeway for about 25 minutes and then you will come to the turn off for Wilshire Boulevard'.

A sure way a local businessman knows when his British counterpart is making his first trip to the Los Angeles area is when the harrassed visitor stumbles into the American's office half-hour late because he forgot to calculate the distance from one appointment to the other in terms of traffic time, rather than blocks or miles. Even Americans reckon that, if you manage to make two, or possibly three, calls in one day, then your doing extremely well. Therefore, when planning a trip, it's advisable to tack on an extra few days. You'll need them.

Another brief note about getting around: there are few businesses located in the Los Angeles city centre, which is where all the major hotels are. A taxi ride, for example, from the Biltmore Hotel in the centre of town to the British Consulate about 40 blocks away willcost about $15 each way. If you are planning on getting around the area by cab, you could en up draining your expense account, not only on that trip, but for the year!

The cheapest way to get around is to hire a car. And don't worry, the freeways aren't so bad — once you learn how to get off them.

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'All in all,' says Morgan Guaranty, 'what the foregoing analysis suggests is that it seems appropriate to question the common assumption that inventories are generally well balanced. And, in fact, it should be clear that this assumption cannot be as readily accepted today as it was a year ago, or even a half-year ago.

'The broadly-based rise in inventory-to-sales ratios in durables manufacturing — typically the area of the economy with the greatest cyclical vulnerability — warns against complacency.

'While it would certainly be premature to sound an alarm about dangerous inventory imbalances, it does seem probable that an inventory adjustment in durables manufacturing looms ahead in the event that demand weakens even moderately further.'

That latter share, as can be seen from the thin line in Chart IV, has plummeted since 1975 and in 1979 was at its lowest level in 10 years.

Certainly, the dollar total of machinery backlogs has been rising, reflecting a continuing excess for machinery producers of new orders over shipments. But the rise of backlogs in machinery has been less pronounced than in durables manufacturing generally.

'How to interpret these conflicting signals is unclear,' says Morgan Guaranty. 'The fact that an especially large climb appears to have occurred in aircraft backlogs in recent years (swelling overall durables backlogs) may explain part of the mystery.'

But it doesn't explain it entirely. It is also conceivable, of course, that a great deal of orders overbooking occurred in the machinery area prior to the last recession (when delivery worries were acute) and that consequently the relatively slow growth of machinery backlogs in recent years is not particularly worrisome.

But that is not certain.

The fact is that the machinery area is plagued by considerable ambiguity. Thus, a hasty dismissal of the sharp rise in the machinery industry's inventory-to-sales ratio during the past year would seem unwise.

LA heading for 1984. . .

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ception of the micro-electronics firms) it is easy and inexpensive to get around by cab. You can make five or six calls a day. Doing business in San Francisco is very much like doing business on the US East Coast.

Tall storeys for shoppers

In the Bay area there is an appreciaable market for fine china, glassware and high quality gifts. San Francisco homes also lend themselves to antique and reproduction furniture and to woollen carpeting. In recent years, tall shopping centres have developed in the main residential centres of the city as well as in the outlying areas. These include branches of all the main department stores as well as many smaller speciality shops.

By far the greatest opportunity for British exporters is in the micro-electronics field. Northern California is the centre of the world's semi-conductor industry, which include discreet components, micro-processors, memories and micro-computers. The total world market in this field has grown from $2.6bn in 1971 to almost $11bn in 1978, and the US market accounts for almost 70% of this volume.

Already, the demand for semi-conductors is overloading the order books of US manufacturers and the industry expects that demand will exceed supply in the next five years. Although this is a most competitive market, there are obvious opportunities for British manufacturers, especially in communications and, the automotive industry (for engine control, dashboard electronics and diagnostic equipment) which is now experiencing the greatest growth rate in the semi-conductor industry.

In 1978, British exports to northern California totalled $135m, chemicals $11m and machinery $10m. Other fairly substantial imports were carpets, furniture, antiques and scientific equipment. Overall, though, total sales figures seriously underrate the potential. There is an awful lot to be done.

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APPOINTMENTS DESK

NEWS

UK take over cash pours into States, says survey

SAM PASSOW reports from New York

BRITISH MONEY is flowing into America so fast that it could be the leading foreign investor in US manufacturing industries soon.

Britain has already accounted for 18 per cent of all the foreign take-overs of US firms so far this year according to a report by the Conference Board, a leading New York business research firm.

According to the report's author, David Bauer, acquisitions as a percentage of foreign investment in the US has been gradually increasing, from about 20 per cent of the total at the beginning of the decade to more than 50 per cent today.

"Acquisitions require a certain amount of sophistication," says Bauer, "in the sense that you are buying an ongoing firm, which means that you have to be very familiar with the firm, with its products and its markets, with its strengths and its weaknesses, and that sort of knowledge is not learned overnight."

"For this reason," adds Bauer, "foreign investment in the US occurs almost always by firms who have previously exported to the United States. There are very few if any firms who are building or are acquiring manufacturing facilities in the United States who had not previously exported to this country."

The report notes that one of the main reasons for these investments, is that foreign firms want to protect their established market share. Once their products become accepted in this vast market, foreign firms tend to reach the point where they can no longer meet the market demands with direct exports. If they want to keep pace with the market, they then have to set up manufacturing and distribution outlets in this country.

In the first nine months of 1979, the five leading foreign investors in the US were West Germany (57 investments), Britain (54), Canada (40), Japan (37) and Switzerland (24). Contrary to popular opinion, foreign acquisitions by Arabs in the manufacturing sector is virtually nil. There are large OPEC investments in the United States, but they tend to be in real estate and government securities.

The state which seems to attract the largest number of foreign investors is California, who so far this year has managed to capture 36 of the 299 deals. But Bauer says that the trend is now to invest in the South, because, in addition to the fact that it is the centre of the US chemical industry which is a prime target for foreign investment, it pays lower wages than any other part of the country, and the labour union movement has also been kept at bay.

In the first three quarters of this year, the southern states have accounted for a third of all the foreign investments, with Texas (22), North Carolina (19) and Georgia (16) following California as the prime locations. The only Northeastern state to make the top five is New York (20).

Looking for a bull's-eye: London's Unicorn Products has been trying to enter the American market through trade fairs. This one was in Chicago.

Obstacles face export drive

A SCHEME to enthuse workers about their firm's export efforts has run into trouble because of lack of interest.

The combined efforts of the BOTB and Williams and Glyn's Bank, failed to raise enough entrants to enable them to make all the awards available under a scheme to send shop-floor representantives on export missions.

Even though Trade Minister Cecil Parkinson pushed the project, too, only 33 applicants came forward.

"We were disappointed at not being able to make all the awards," said the bank's chief executive Sid Proctor. "We hope we will be able to make all the awards next year."

This year no awards could be made in Scotland, West Midlands or the South-west region.

Under the scheme, the bank was to pay up to £500 towards the cost of sending workers from 12 firms to see how goods and services were marketed overseas.

Making a cheap impact in US

A NOTTINGHAM company claims it has a cheap and efficient answer to the daunting task of creating awareness for technical products in the North American market.

Although Graeme Radcliffe opened offices in California and New Jersey only this month, he already has at least one satisfied customer.

"We have had 30 responses from potential customers in the last week," says David Martin, marketing services manager for Clark Hawthorn, the heavy equipment arm of British Shipbuilders. "I am expecting a flood of enquiries," he added.

The responses came from stories written by Radcliffe and published in three American trade publications.

"I am useful to people who have not got thousands of dollars to spend making an impression on potential American buyers of good technical British products," says Radcliffe.

Radcliffe has been running his operation in Britain for eight years and has been planning his American expansion for the past two.

"I found British engineering expertise was respected in the US. But because of the noise that the German and Japanese manufacturers make, the US buyers had little chance to see or hear of new British technical products," he says.

Radcliffe's service, he claims, is built on the credibility he has established with editors of technical journals. "They know I will only send them verified, readable and fully checked information."

Radcliffe claims that for a fee of £250 per assignment he will produce the release, define the client's market segment in the US and mail it to publications in the correct target area.

Raising the prospects is only the start of the export marketing operation, of course. Having found someone who wants to do business, the next question many exporters will ask is: "But can he afford to pay me for what I hope to sell him?"

Graeme Radcliffe: "British expertise is respected"

The answer to that question can be answered more quickly, from this month, with the launch of a new service by Dun and Bradstreet.

The firm's London staff can now get instant access to the computerised credit Reports on more than 4½ million American companies. This means that full company reports from the US can be on hand within hours, rather than days.

To earn a good commercial credit rating, US companies are willing to disclose what, by UK standards, is a surprising amount of information.

The standard credit report, costing around £20, contains a full analysis of a company's trading activities and performance. It looks not only at the history of the business, but its payment record and the business history of its owners. It also indicates if the business is growing and if the demand for its goods and services is likely to continue.

Funds going begging

UK COMPANIES are getting very little return in the form of contracts from the UK's contribution to the Inter-American Development Bank (IDB), recent studies by the Department of Trade have shown.

This is primarily because of a lack of awareness by UK companies of the existence and activities in Latin America of the IDB. They have also failed to make themselves known at the IDB offices, the studies showed.

The IDB is an international bank founded in 1959 to help accelerate economic and social development in Latin America. Its headquarters are in Washington.

The bank grants loans to support a wide range of projects in Latin America.

Its London address is 22 Austin Friars, EC2 (01-628 2666). Sr. Guillermo Villaveces is the special representative for Europe. He has just moved from the London office to the one in Paris (010-331-256-0382).

Traffic soars as profits fall

DESPITE INCREASES in both traffic and revenue, British Airways' profits fell by almost half in the first half of the current financial year, compared with the same period in 1978.

The profit, after all charges, interest and taxes was £67 million, compared with £116 million in the previous year.

"These results show a marked deterioration over the previous year. Although revenue rose by nearly 12 per cent, the increase was more than offset by a massive 20 per cent rise in expenditure, due mainly to a 44 per cent increase in the fuel bill," said chairman Ross Stainton.

"The passenger, cargo and mail traffic carried on scheduled services, measured in revenue tonne kilometres, showed a substantial increase of 16 per cent. As capacity offered increased only nine per cent, the load factor rose to 67 per cent.

"However, the revenue earned from each revenue tonne kilometre flown — the average price paid by the customer — showed a decrease of four per cent. This resulted from the growing number of passengers travelling at low fares and the reduced sterling value of revenue earned abroad because of the strengthening of the pound against foreign currencies. More than half British Airways revenue is earned overseas.

"The effect of the drop in yield was exacerbated by the time lag between the raising of fuel prices and the airline's ability to obtain compensating increases in fares.

"Action is being taken in a number of ways to minimise the effect of fuel prices. Nevertheless it is expected that the result for this financial year, 1979/80 will be below that planned," he added.

Australia extends deadline

EXPORTERS WON a stay of execution on a hastily imposed November 12 deadline for new Australian tariffs on 513 items which had formerly enjoyed UK preferrential status.

The new date — 1 January — follows representations at government and trade organisation level, said Mr. D. J. Duncan Smith, chief executive at the Australian British Trade Association in London.

Czechoslovakia's real needs, say UK trade officials, lie in capital goods and technology — not consumer luxuries. Sam Passow reports on a recent visit . . .

WITH Eastern Europe steadily slipping into a deepening recession, British trade officials are classifying Czechoslovokia as a "low priority market" for consumer goods.

According to informed sources, "the prospects for such trade here are not good" because Czechoslovokia's dwindling hard currency reserves are being drained by inflation and steep price rises in the Comecon countries.

Last year, Comecon decided to revise its prices on a yearly basis, to be calculated on the average world market price for the previous five years, instead of being reviewed once every five years.

At the same time, Moscow has tightened its grip on the Czechs, who import 90 p.c. of their oil from Russia, by imposing a 139 p.c. price increase on her crude oil in the past two years.

This means that the Czechs must export more to Russia just to maintain the same amount of raw materials as before, thus taking away from exports which are needed for trade with the West in order to bring in hard currency so they can purchase Western goods.

Last year Czechoslovakia's consumer goods imports amounted to £325m., or 8 p.c. of her total imports. Of that amount, £91m. came from the West, which represents .3 p.c. of the domestic market.

According to the Czech Government's new long-range economic plan, which was unveiled last month, the next five years will see an increase of 5 p.c. more a year of consumer goods from the West. However, with inflation still ever-present in the West, this increase is more than likely to be eaten up by higher prices without showing much increase in volume of sales.

Because of these factors, the British Overseas Trade Board withdrew its support at the last moment for those firms planning to attend last month's Brno Consumer Fair, resulting in only 11 British exhibitors against 26 last year when it did sponsor a joint venture. Overall participation at the fair was down by 13 p.c. with a 32 p.c. drop in Western participation (331 exhibitors compared with 487).

The 11 British firms were Bond Worth International, Coty International, Kango, Linguaphone Institute, Mennen International, Ronson Produets, Shulton, Wilkinson Sword, The Stanley Works, Yardley of London and Anthony Young. Some of the companies were also acting as agents for other British products.

While Brno is called the Manchester of Czechoslovakia, (because of the heavy industry in the region) it is really more like Birmingham, since it is the exhibition centre of the country.

The 80,000 square metre exhibition site includes 20 pavilions, at which 700 firms from 31 countries exhibited during the consumer FAIR.

The BOTB withdrew support after evaluating the performance at the 1975 fair which, it says, showed "no astonishing results."

But according to the British exhibitors who were there this year, the Czech market is an exercise in patience. It is a long-term market. You have to be prepared to invest a good two to three years just exhibiting your products at such fairs before you get any orders.

Such a move cannot be taken lightly when you consider that an average stand at the fair costs about £2,000 on top of the time of personnel, travelling expenses and display and moving costs.

"When you attend fairs regularly," said one exhibitor, "you are put on a 'good list' because it shows that you are willing to spend hard currency, which is what the Czechs like to see.

"Your efforts at the fair are all done for the seven or eight state buyers, the rest are all lookers. In this market, the public have no influence at all."

All the British exhibitors agreed that marketing in a Socialist country is the most difficult because of the chronic shortages of hard currency. One seller cryptically noted that "here eventually means maybe."

Conspicuously absent from the British contingent were displays by textile manufacturers, Britain's largest consumer export to Czechoslovakia. The reason for that may lie in the fact trade relations in the textile trade have been severely strained since the UK slapped import restrictions on men's suits from Czechoslovakia.

Because these imports account for under 2 p.c. of Britain's textile imports, the Czechs claim that "they have been unfairly discriminated against."

Czech trade officials at the Brno fair repeatedly warned that such actions by the British government could "severely strain our commercial relations."

A STATE BUYER from the hard currency Tuzex shops evaluates Coty's Powdershine range of eye shadow which was awarded one of the 36 Gold Medals presented for high technical and aesthetic merit at the International Consumer Fair held in Brno last month.

Four hundred and fortyseven companies entered the competition, with only six medal winners coming from outside the the Comecon bloc. (West Germany won three, while Brazil, Norway and the UK each one one)

This was Coty's third year at the Brno Fair, and the award, according to their Eastern European Area Manager, Brian Morrison, contributed substantially to their sales.

No easy way into the Czech market

Unlike Western markets, exporters of consumer goods do not sell directly to retail outlets, but through a buyer from the State Corporation who deals directly with your product. There is no competition among the corporations, as each one is responsible for a certain aspect of the consumer goods market.

Their buying criteria is arbitrary, with the only constant being the amount of hard currency they have to spend. The State Corporations never carry out advanced market research, nor do they advertise a product before it gets to the shops.

Almost all Western consumer goods are confined to marketing in the Tuzex, or hard currency shops. Customers use coupons which should be bought at a bank for hard currency (£1 = 10 Tuzex Koruna). On the black market the coupons can be bought with local currency but at four times the official rate.

Only those few Western goods which are deemed 'essential' (again arbitrarily) are allowed to move down to the local currency market, i.e. domestic hand power drills, a limited selection of textiles and Cinzano.

While the Czech claim the prices in the Tuzex shops are comparable with the prices in the West, on a quick inspection, I found such items as a Wilkinson single-edge razor with five blades, which costs 56p. at a chemist in Britain sells there for £7. A Sony cassette tape deck selling in the UK for a little under £100, costs £125 in Tuzex.

Under such a system, if the Government needs more hard currency, they merely up the prices so that they are far above the actual value of the product.

Despite the system, there are always long queues at these shops, as Czechs are eager to buy almost anything Western. Unfortunately, it's not the type of market either you or they can count on.

British trade officials feel that consumer goods here are still considered a luxury and that Czechoslovakia's real needs lie in capital goods and technology.

On this front, Britain does quite well. Last year British exports to Czechoslovakia amounted to £51.2m. of which the principal exports were non-electrical machinery (£14.5m), chemical elements and compounds (£5.4m), plastic materials (£3.7m), electrical machinery (£3.3m), professional and scientific instruments (£3.3m) and textile fibres (£2.7m).

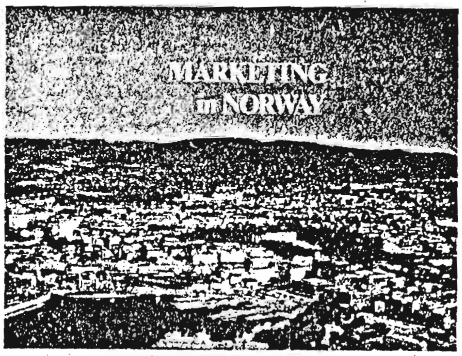
It is also clear to British officials that if the UK is to increase her trade with Czechoslovakia, it will not be done on the basis of any rapid upsurge in the Czechoslovak economy, but rather the result of painstaking efforts to win a greater share of the market at the expense of our competitors, especially West Germany.

Of a total import budget of £4,083m. Czechoslovakia receives 33.9 p.c. of that from the West of which 15.2 p.c. comes from the EEC. Britain's share of the EEC market is 2 p.c. surpassed only by Austria which is only marginally ahead, and West Germany which commands 5 p.c. of the market.

The reason for the West German's success in the Czech market, according to Mr. Zdenek Cerveny of the Czech Ministry of Foreign Trade, "is because West Germany products are cheaper and better serviced, and the country wants to buy as well."

"British goods, said Mr. Cerverny," have a good image here. However, British industry is not active."

In order to help improve our standing, the BOTB is planning a joint venture mission to the industrial trade fair at Brno in September, where an estimated ... British firms are expected to exhibit.



A three-page survey on Britain's trading position with Norway, its former EFTA partner, with advice for the visiting businessman by Assistant Editor Sam Passow

We're doing well, but . . .

NORWAY, as a market for British goods, is a good example of the adage — being good is not always good enough. In 1975, Britain was the third leading exporter to Norway with 11 p.c. of the market being surpassed only by West Germany with 15 p.c. and Sweden with 18 p.c.

The value of Britain's exports to this sparsely populated country of under 4m. people exceeded £390m. (that is an average of almost £100 per capita) and was up 17 p.c. over 1974. In the last five years, the value of British exports to Norway has increased about 120 p.c. but the increase reflects rising prices, not volume.

In this same time period, Britain lost 2 p.c. of the overall market. While she is solidly in third place, and likely to remain so, she is rapidly losing business to the ever advancing West Germans and Swedes, and the up and coming Americans.

How can Britain be doing so well, yet at the same time losing business?

Norway is still characteristically a country of small industry, where 70 p.c. of the companies employ fewer than 10 people and only 200 companies have more than 200 employees — who nonetheless produce 43 p.c. of the total national output. It has an annual growth rate of about 5.5 p.c. and imports nearly 50 p.c. of all its requirements.

Much of the trade between Britain and Norway is traditional, reflecting long established business relationships, and there has not been much change over the years in the catagories of goods we sell in Norway.

The major export items are machine tools (£64.3m.), electric machinery (£29.2m.), petroleum and petroleum products (£39.8m., although now that Norway is developing its own North Sea oil, this market is rapidly declining with the 1975 figure down £10.3m. from 1974), iron and steel (£22m.), textile yarns, fabrics and articles (£18.1m.), clothing (£16.2m.), transport equipment (£16.5m.), sugar, sugar preparations and honey (£16.5m.), coal, coke and briquettes (£16.5m.) and chemical elements, compounds, materials and products (£13.8m.).

They like us

Although the trade is traditional (at least since the last war) it is by no means secure. By and large, Norwegians prefer trading with the British, as British products suit the Norwegians' rather conservative tasts, standards of quality and durability. They like British manners and tradition. They think it's quaint.

And because they like the British, they like the British businessman. He is easy to talk to, and easy to do business with.

But business is a matter of confidence — and British industry is suffering an acute confidence crisis in Norway. The reason is simple: the unreliable delivery of goods.

To be sure, there are British firms which do deliver on the dates they specify, but a random check on export agents and department store buyers in Oslo, consistently revealed this complaint. Even if it is not the majority, the number of British firms who do default on their delivery dates is large enough to sustain the poor image the Norwegians hold of the British in this area.

Another major complaint, especially in machinery goods, is the availability of spare parts. This failure lessens any long term quality advantages British goods can offer.

The irony of the matter is, that all things being equal, the Norwegians would still rather buy the same goods from Britain than any other country. But as things are today, a Norwegian businessman who wants to buy British goods, can only buy a portion of his needs from Britain, and the rest from another market in order to cover his own production schedule.

Norwegians find it hard to understand British attitudes. They feel that somehow, British industry would rather sell to the home market than aborad, as though exports were merely finishing off an already highly developed market.

With a little more effort, Norwegians are convinced that Britain could have a larger share of the market. Even the British Embassy Commercial Department in Oslo feels that companies should be able to gain at least two more percentage points of the overall market if they only altered their marketing techniques.

This calls for more support for Norwegian agents by British firms in supplying up-to-date technical data on their products. It also means visiting Norway and their customers there on their own initiative instead of waiting to be asked by one of the firms interested in a product. Above all it requires quoting an accurate delivery date.

Now that the value of the pound is falling, the attractiveness of British exports is even greater. As one agent commented, "at this rate one can't beat the price."

Although Norway is a small market, it is a consistent one — which if one is prepared to export to on a moderate level, one can then expect improved sales every year. Because they are a rather conservative people, Norwegians tend to buy small quantities at first, and increase their orders as they learn to depend on the supplier's reliability.

Obviously, the development of North Sea oil is almost certain to have an immense impact on the industrial scene and the present pattern of trade in Norway. With State ownership of the oil fields, Norwegians expect the flow of new funds to be directed towards lowering the 40 p.c. direct tax on income, as well as the indirect value added tax, thus leaving the consumer with a greater disposable income to spend on consumer goods.

Future growth

Norway has a national income per capita of about £3,000, and because of their social services, the people enjoy one of the highest standards of living in Europe.

The future growth of the Norwegian economy seems assured, not only by the massive oil reserves and the cautious policy of oil exploitation pursued by the government, but also by Norway's other natural resources. These include an abundance of land for development, hydro-electric energy and mineral deposits, the extent of the latter not yet known, but estimated to be substantial.

Environmental protection legislation recently introduced by the Norwegian government means that significant imports of pollution control devices will be required. Another possible future growth area for British goods will be in the petro-chemical industry, as an outgrowth of the North Sea development.

In the consumer field, sports equipment, leisure wear, foodstuffs and domestic appliances — especially coloured kitchen equipment — will lend themselves to a healthly market.

But despite Britain's long standing in this lucrative market, and the Norwegian desire to buy from Britain, the competitiveness of the trade may overcome these two valuable assets unless British businessmen are able to demonstrate beyond a reasonable doubt that they are gearing their products for export, and that their reliability of delivery is assured.

UK gets a slice of the Danish blues

SPECIAL REPORT DENMARK

Assistant Editor Sam Passow went to Denmark and Sweden this month. In Copenhagen he learned that the Danes do indeed have something to be gloomy about these days but, of course, there are bright spots. In Sweden he discovered that industrial investment over the next twelve months will be the country's highest ever. Both countries present rich opportunities for British exporters.

READING a Danish newspaper these days can make British businessman feel homesick. They seem to have the same continuously uninspiring news that we do — inflationary spirals, wage restraint, price freezes, redundancy payments, unemployment, retraining schemes, foreign loans and a trade gap.

And since the Danish media is heavily influenced by the British press in its reporting of events in Britain, a general discussion on Anglo-Danish trade and the two economies can often reduce itself to deciding between the lesser of the two evils.

Denmark depends on imports not only for virtually all industrial raw materials, but also for over 90 per cent of her energy requirements.

With a population of five million, it is fifth in the world league for per capita income which allows it to live in a lavish, highly developed structure of social and welfare services.

Although the Danes managed to knock down their inflation rate from 15.3 per cent in 1974 to a current level of eight per cent, unemployment, which is now five per cent, continues to be a major social and political problem.

The system of industry-wide, legally enforceable, wage bargaining at two-year intervals is a deterrent to leap-frogging and to wage drift arising from industrial action. But this is counterbalanced by a system of indexed cost-of-living increases which maintains pressures and strains within the economy and has so far maintained real wages (and expectations) in a situation where it is becoming increasingly clear that some reduction may be necessary if the economy is to be steered on an even keel.

In the first nine months of this year, Danish importers were up 31 per cent over 1975 while exports rose by only 12 per cent, causing the present estimate for the payments deficit to rise to 10,000m. Kroner (£1,100m) which was about 50 per cent more than estimated.

To cope with this situation, the Danish Government recently introduced measures to reduce consumption by increases in indirect taxation, reduce government expediture and contain wage rises to a six per cent limit through 1978.

Denmark is now Britain's 13th best overseas market, with sales during the first eight months of this year totalling £410m, which is more than we are currently selling to Canada and Iran which have been overtaken in the last year.

And even though Britain is Denmark's third leading supplier, after West Germany and Sweden, our market share of just over 10 per cent has hardly increased in the last year, and we are still 100 per cent behind the Germans and 50 per cent behind the Swedes in total market terms.

Our leading exports during the first eight months of this year were, petroleum and petroleum products (£87.9m); machinery (£78m); transport equipment (55m); chemicals (38.7m); clothing (13.5m); iron and steel (11.7m); and foodstuffs (11.2m).

Like Britain, Denmark will be trying to strike a balance between limiting imports to those needed to stimulate her own export drive.

My hat! — they want to buy our toppers

BRITAIN may be the leading importer of Champagne in the world, but we are not the only ones who do things in style.

In Denmark, chimney sweeps go about their trade in top hats under which they keep notes which they put through letter boxes telling the householder when they will be calling as well as their bills after the chimney has been swept.

Last month, a small Danish manufacturer of specialised made-to-measure working clothes, Egon Ringsing, called the British Embassy in Copenhagen and asked where he could get the name of some UK companies which still made these hats.

Since only 500 of these toppers are used a year, the message was not given top priority, but after a few days it went through the export intelligence service in London, and a few weeks later, the Danish manufacturer got two replies from London hatmakers, Herbert Johnson Ltd., and Hobson & Son.

Mr. Rinsing was delighted to hear from these two firms, and although he does not speak English, he got an English friend to write to the two companies asking for a quotation for five hats in the first place. Both firms are in the process of replying to his request.

The hats range from £20 to £40 and traditionally, the chimney sweeps used to get them from widows of rich men — now they must buy their own.

Why those home sales help keep exports afloat

EVEN before many of the thousands of Scandinavian visitors walked through the gates of new Bella Centre (see below) for the second Copenhagen boat show held earlier this month, many of the 22 British exhibitors were of the opinion that unless their home market gets better, their export drive will slow down because many will be unable to meet the demand for foreign orders.

That may sound like a contradiction, but it is not.

"We are just getting out of a bad slump in the boating industry," said Mr. David Huff, export manager for the Ship and Boat Builders National Federation. "Last year the Government brought in 25 per cent VAT on luxury goods and that killed the home market. Being an industry of small firms, many of them had to lay off workers. When the Government lowered VAT to 12½ per cent, business started to pick up, but the industry was short of workers.

"Because of the unsteady labour situation and increased export orders, delivery is becoming more and more of a problem. It's a stop-and-go problem.

"We were producing 35 boats a week in 1973 and exporting 50 per cent of our business," said Mr. Jeffery Hemming of Marine Boats Ltd., "but when the crunch came in the latter part of 1974 and early 1975, our production dropped to six boats a week. Now we are back up to 20 a week."

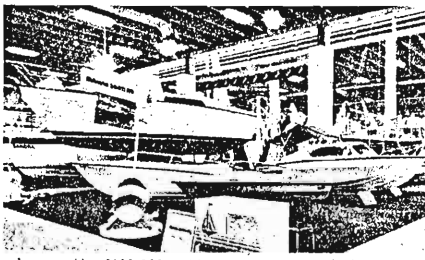
Because of the desperate situation in the home market, Marina Boats now exports 90 per cent of its business and is selling up to 18 months in advance overseas. But there are problems with this.

"The reason we can't expand to keep up with the demand is cash flow. When boats are ordered on the home market, there is usually a 50 per cent deposit when the order is given, with the balance on delivery. With overseas orders, you don't get any money until 30 days after you deliver the boat. So if you are working 18 months in advance on exports, you have a cash flow problem," said Mr. Hemming.

Because of the tough sailing conditions in and around the UK, many boat builders feel that the home market is a good testing ground for their products. "If it will stand up to the North Sea, it will stand up in any water," said one manufacturer.

Marina came to the Copenhagen boat show because its Danish distributor, with his 14 agents, has placed orders on their next 12 months' production (112 boats valued at around £100,000) and even though they cannot produce more, the Scandinavians will at least have a chance to see the British boats on a first-hand basis.

"It's embarrassing that we can't produce more. A Dutch company wanted to place an

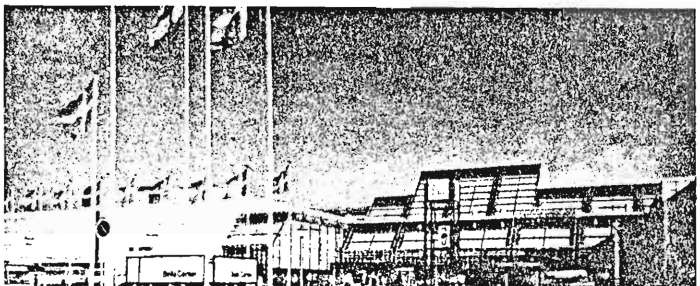


order worth £100,000 which would have meant £10,000 profit, but we just couldn't meet it," said Mr. Hemming.

With the fall in the value of the pound, British boats are now the best value for money on the market. "Twenty countries have come to our factory in the last two months looking for distributorships," said Mr. Hemming. "The only way we could increase our turnover is with a huge cash injection. With private industry, you can't keep putting your head on the chopping block. We want guarantees because a repeat of 1973 could wipe us out. We now have to be very cautious before we expand."

Not being able to produce fast enough can also lose orders. According to Mr. David de Vere of Westerly Marine Ltd.: "We lose orders because there is a six months wait on some of our models."

Westerly Marine is one of the largest boat manufacturers in the country, producing about 550 boats a year. Instead of cutting back when the recession came two years ago, it opened up new export markets in the Baltic and Italy. During that time it converted 70 per cent of its business to export, but with the improving home market that has now dropped back down to 60 per cent. The reason here, again, is the needed cash flow.



Danes put it under one roof

AFTER only one year in operation, the Bella Centre in Copenhagen is becoming the show place for Scandinavia. It is the only centre in Europe that houses a mart, congress, and conference and exhibition facilities under one roof, and was designed by Ole Meyer in order to accommodate a number of programmes at the same time.

The 73,061 sq. metre centre is located on a deserted plain midway between the airport and the centre of town.

Its areas are joined by a 25-metre high glass covered hall which houses three restaurants, an information desk, a ticket office, bank, post office, and forwarding office.

The Scandinavian Trade Mart, situated east of the main entrance, consists of six, three-storey blocks with intermediate glass roofed walks. The top two storeys of the Mart house permanent exhibition facilities for over 300 Scandinavian furniture and clothing manufacturers who are mainly interested in inter-Scandinavian trade. The concept of the mart was first developed in the United States in the 1920s and by reducing the distance between buyer and seller, it cuts the trading cost.

It is an excellent place for a British manufacturer to see what his Scandinavian competition is producing without having to cover a vast amount of territory. While the mart is primarily concerned with Scandinavian exports, it should be viewed as a place to make contacts in exploring the possibilities of entering the Scandinavian market.

The Congress section called the Copenhagen Congress Centre, is in the northern end of the complex and can accommodate up to 6,000 people, with a main hall seating 4,250. One of the halls is also equipped with a TV studio. The centre also has four, six language simultaneous interpretation units, which is a requirement for EEC conferences.

All the technical systems incorporated in the complex, ventilation, loudspeakers, telephone, intercom, door control, burglar alarms and TV monitoring are controlled by a computer with five different programmes from the monitoring centre, which is opened 24 hours a day and operated by one man at a time.

Special attention has also been given to disabled people. There are no steps in the exhibition area, and there are special elevators to take them to the different levels of the Centre. The telephone boxes can be entered and operated by people in a wheelchair, and there are special toilet facilities for them as well.

The Centre has parking facilities for 4,100 cars, and is also on a main bus route from the business and hotel districts in Copenhagen.

SPECIAL REPORT DENMARK

Don't expect a big lunch

English is the second language in the country, and it is the language of international business in Denmark.

As in all Nordic countries which border the Germanic ethic, punctuality is not only a virtue, but a requirement.

Danes generally don't believe in the business lunch. Most have a sandwich at their desk, and you will probably find that you won't get very far by occupying a Dane's time over an expensive lunch.

If your Danish host asks you to a formal business lunch to meet his 'directors', that usually means an affair in the boardroom which consists of one drink, smorgesbord, beer and schnapps. The host will make a very brief welcoming speech and propose a toast. At the end of the meal the guest should not fail to thank his host with a toast of his own, thanking him for the wonderful meal.

If you are given their hospitality, it is considered proper business conduct to drop them a brief note on your return.

On the whole Danes are rather humourless people, who prefer the direct approach, so you will find your subtleties wasted.

Being invited to a Dane's home does not happen often. They try to make a sharp distinction between their business and private lives.

It's best to do business in the morning. The work day begins at 8.30 and the office closes at 4 p.m. The latest you will probably get a business appointment is 3 p.m. Lunch, if taken, is one hour between 12-1 p.m.

Danes don't go out much at night because restaurant prices are so expensive — they leave the gay city night life, which in Copenhagen is vastly overrated, to the tourists.

Sweden looks at Britain's problems

To many UK businessmen, Sweden is a model of industrial efficiency. With a work force of only 4m., it exports 33 per cent of its GDP which, in value terms, is half of Britain's total export sales with a work force five times as large.

Over the past 33 years social democracy has transformed it not only into a workers' paradise, but a haven for management as well. The Swedes have the second highest per capita income in the world, after the United States, and their wealth has made them tough and exacting customers, who rate design and quality well above price.

To find out how Swedish industry views the British economy and our export performance, Export Times visited Stockholm and spoke to Mr. Wilhelm Paues, Director of the Federation of Swedish Industries, the equivalent to our CBI, and a leading Swedish economist. The following are excerpts from their conversation:


Wilhelm Paues

On industrial management: The internal organisation of British firms for exports and export orders is not efficient enough. Swedish buyers find that if there is a hitch in delivery for some reason or another, they quite often get the runaround in a British firm, because no one seems to be responsible for anything.

I believe one should have, what is called in the advertising business, an account executive, who is the one who gets hanged if he is not there, if he hasn't followed up that the goods are in production, if they have been loaded, if the shipping is all right, etc.

On quality control and deliveries: I think the quality inspection of British goods has improved in the past couple of years because you have had less labour trouble, but one still must bear in mind that when products arrive in Sweden, they must be in perfect condition.

The same is true for late deliveries. If goods do not arrive on time, you can count that an ordinary Swedish worker costs his employer £5.70 an hour, and then of course, behind each man, the value of the machinery represents costs of over twice as

SPECIAL REPORT SWEDEN

much per hour as it does in Britain. That means that the waiting time costs the firm about £14 an hour per worker in real terms, and if it is a continuous production line, it means that there are hitches everywhere, and as we are exporters, too, it creates troubles with our customers. A Swedish firm should not have, preferably, more than a few hours inventory waiting, and if that does not function, it means losses, the workers get mad and blame management, because it's their job to see that the stuff is there when the workers need it.

On selling to Sweden: Very often people at trade fairs are the big prestige people, firms such as Aspreys. In Sweden, with our extremely even income distribution, there are very few firms who can afford to buy such expensive things. The whole of Sweden, including workers, is an upper middle class market, and that means mass produced goods have to be of pretty high quality.

You also have to make sure that much of your lower prices in Britain are not swallowed up by middle men, because that means that your goods are not cheaper, and cannot sell on its quality and lower price, and you will be beaten by your competition. I think you should look at other ways of distributing some consumer goods.

We find that in many instances what consumers buy today in Sweden is sold two, three, four years later in Germany and Italy, and still a few years later in France, and so on. So that means that Sweden is a fantastic test market.

On the devaluation of the pound: Most of the costs of the products that you are exporting are staying in the country of destination and not in the country or origin. You are really suffering from exchange rate myopia, because you do not quite realise what the drop in the international value of the pound means to foreigners.

When you sell goods from Britain to Sweden, a product that sells for 100 crowns in Stockholm contains, first of all, a 15 per cent value added tax, the mark-up, which is more or less half the remaining value — say, 42 crowns — which leaves the British exporter 42 crowns (not including freight and insurance). This means that it is less than half the value of the price of the product over the counter.

This is why one should try and sell products direct, because the wholesaler/retailer margin would stay in Britain and be an exchange earning, and, secondly, the distribution costs would be British and would be cheaper. For this reason, the Swedish buyer sees no price advantage in buying British goods.

On relations in Britian between the industrial and financial sectors: Industry in Britain is not working enough with the financial system, because the financial system, with big institutional investors, is looking too much on the short-term return on their investment and do not realise that it takes an awfully long time to become a good producer, to break into new markets which are not captive markets like the Commonwealth were, which are better off than Britain, where the competition is more violent on a price and quality basis.

What investors don't realise is that 70 per cent of international trade moves from one manufacturer to another manufacturer and that price is not the number one selling point. It is quality and delivery discipline. Price can vary 15 per cent either way, depending on those things, and that is where you have been losing money.

On Anglo-Swedish trade: I would never say it should be British-Swedish trade, it should be British-Nordic Trade, looking at the whole region, Denmark, Norway, Sweden and Finland, as one market. The technical influences are so similar, the co-operation is so far developed, that with many products, you can count that if you have sold to Sweden it is a recommendation very often in the other countries and vice versa.

However, over the next six or seven years, you will probably find that Sweden, as well as the other Nordic countries, will have to develop more of our trade with France and Germany. We are very big customers of Germany on the importing side, but they are very poor customers of ours on the exporting side, and we have to work harder there, because we should be able to deliver more goods there than we do at present.

On the state of British industry: When it comes to British exports, on the whole, I still think that for your own well-being you should not start with an export drive. What you need now, and for quite some time, is to build up a very much better production apparatus in Britain, where lots of new machinery can be invested, because production per head is not enough by any means. Everybody had hoped for a long time when you borrowed money that you would invest it in machinery. Unfortunately, it has mostly gone into consumption of one kind or another, private or public, but investment per head in Britain is $600 which is half what seven or eight of the industrialised countries of Europe spend. And if you go on like that for another 25 years, you will be moving further into a coal mine tunnel.

Finally you will have to crawl and you won't understand why, because you will be working damn hard the whole time, but by then you will not be able to move. There will be no leeway. I think that the British worker needs confidence in the future of industry, so that he and his bosses and the financiers dare to go all out to create a production apparatus, and then when everybody feels assured that there will always be a job, they will accept much more modernisation and different types of work than today, as well as the flexibility needed in the labour organisation. Then you will really be ready for an export boom.

Sweden looks for stable trade links

AT THE Scanauto showrooms in Stockholm, the British Leyland subsidiary in Sweden, there are about 250 special request orders on file for Jaguar cars. This is typical of the Anglo-Swedish trade situation. If it's good, we can't keep up with the demand.

Sweden is Britain's seventh best overseas customer, who last year purchased over £825m. in goods. It's a high income market and demand top quality goods, delivered on time.

But because we can't keep up with the demand, our market share in many key sectors, like machine tools, autos and textiles continues to fall.

There is a myth that Swedes prefer goods made in Sweden, and advertisements would lead you to believe that almost everyone in Sweden drives a Volvo.

Yet in the first nine months of this year only 26.4 per cent of the new car registrations were Swedish cars, while 36.9 were German and 1.5 were British, which shows they are not averse to buying foreign goods.

Sweden's 8.2m. population is less than that of Greater London, yet her per capita income is $8,415, twice that of the UK. The small population necessitates a high level of automation and process control, with a work force moving towards a six hour working day, with five weeks annual paid holiday.

SPECIAL REPORT SWEDEN

Apart from the cigarette industry, no industry in Sweden is state owned, even the utilities are partially privately owned.

The latest forecast of the Swedish National Institute of Economic research predicts that Swedish investment will be at his highest ever in the next 12 to 18 months.

The Institute also says that the recovery from the recession in most of Sweden's overseas markets will accelerate, which should stimulate her exports considerably.

Generally, Swedes prefer t develop effective, stable lin with good suppliers, rath than barter on the gener market for the cheapest pric

Because over 40 per cent her GNP involves foreign trac the generally high costs me an accent on efficiency, qual and reliability, which ma times, are more important th price. It's a trend setting m ket. If you can sell a product Sweden, you can sell it to a other highly industrailis market.

But most important, t Swede expects his suppliers bear all this in mind.

Copying a success story

LAST YEAR, Rank Xerox was Sweden's most profitable company, and all things being equal, this year they should be about the same. The Swedish company is a subsidiary of Rank Xerox Ltd. based in the UK, which is 51 per cent owned by the Xerox Corporation USA and 49 per cent by the Rank Organisation UK.

Each year, RX in Sweden counts on about 20,000 spare parts arriving from plants in the UK, as well as copy machines from plants in the USA, UK and Holland.

Since RX leases most of its machines, it is responsible under the terms of its leasing contract to provide continuous service and according to its inventory department in Stockholm, "there is a lead time of two to three weeks for deliveries from the UK plants than from the RX plant in Holland."

Although a company spokesman said that the situation has improved very much in the last two years, "its still not what it should be. If we were tied to a German company, we would be fully stocked.

"But because we are owned by a British company, we have to buy from the UK," he said.

Some of the spares, like a new modification kit for the Swedish market, has been held up in the UK by a half a year, and this, notes a RX technician, "is holding up our service engineers, which cuts down on customer satisfaction, and that hurts our business."

RX has recently built a new plant on an industrial estate outside Stockholm which refurbishes old machines and in many respects, is typical of a modern efficient Swedish factory.

The operation of the factory is really a joint venture between management and labour, who meet weekly to decide their production targets and how to best achieve them.

The workers are given a great deal of flexibility to move around from one type of machine to another, and while there is only one shift, each worker is allowed to flex his hours, as long as he gets in an eight hour day between 7 a.m. and 4.40 p.m.

Rest areas

Right next to the work areas are two rest areas with canteens for smokers and non-smokers. And in the main headquarters, nearer the city, there is a swimming pool, sauna, recreation area and lounge for all the office workers in the basement of the 10-storey building, which dominates the areas skyline.

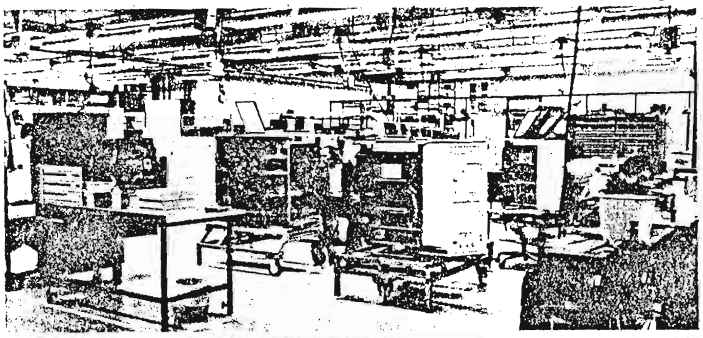
Even though a worker gets paid for waiting around for parts he needs to fix the machine he is working on, he nevertheless views any hitches in the production system as a factor which deprives him of reaching his production target that he had agreed to at the works meeting, and that lack of efficiency cuts down on his job satisfaction.

Pride in work

The efficiency and pride in workmanship in the factory can best be seen in the cleanliness, and the care taken by the workers to keep it that way.

The system works because both labour and management realise, that at the end of the day, they are both after the same things — a high standard of living, good working conditions and job satisfaction. And they all come from the same thing — profits.

Rank Xerox's new refurbishing plant on an industrial estate outside Stockholm is typical of a modern efficient Swedish factory, which is jointly run by labour and management, with flexible hours, and work areas designed for maximum comfort while working.



Marketing in Spain

a six page survey by Sam Passow

For 36 years, up until last December, there were only two constants in Spain — the sun and Franco. In their respective ways, they shielded Spain from the realities of the future. Through its warmth, the sun seemed to make one content for the moment, while Franco tried to secure that moment with his autocratic rule. But now Franco's moment has passed, and while the sun still shines, the Spanish air now seems filled with tension uncertainty.

How certain is uncertainty?

The other Spain

Blast Furnace at Bilbao

SPAIN IS undergoing a crisis of confidence. Franco's unyielding rule gave Spain a sense of continuity which allowed her to transform from an impoverished under-developed country into Europe's fifth industrial power in less than two decades.

From 1964 to 1973, Spain had an annual growth rate of 7½ per cent, second only to Japan among major industrialised countries.

Externally, Franco's dictatorial charge encouraged foreign investors. Agreeing with his policies or methods was not a prerequisite for making money.

Internally, he exchanged personal freedom for prosperity, and gave the Spanish a full employment economy, a massive housing programme, raised the level of education and health care and stimulated the business sector by imposing high tariffs on imported consumer goods, thus encouraging the home market to buy locally manufactured products.

In achieving all this, he created institutions that were loyal only to him and were so rigid in their methods that any change that is likely to occur in the near future will seem like a rupture of the system to the rest of the world.

What the changes will be, and how quickly they will be enacted, is more likely to depend on the state of the economy than internal political pressures.

At the moment, Spain is undergoing a severe recession. Its growth rate has dropped from 7½ per cent in 1973 to 0.8 per cent in 1975. Inflation is running at about 22 per cent, while wages, despite strict controls, are rising by 14 per cent a year.

With the rest of Europe also trying to plod through an economic recovery, the demand for migrant workers from Spain has fallen off dramatically, thus raising the internal level of unemployment to five per cent.

Spain's leading invisible trade market, tourism, which earned £1,600m. last year, of which 20 per cent was British, has also taken a severe knock in the past eight months due to reports of Government executions, protest demonstrations by emerging political parties, strikes, and general uncertainty as to the authority of the new Government — a situation reminiscent of the IRA bombing campaign in London's West End and the effect it had on the restaurant and tourist trade

'Democracy in Spain will be a luxury of prosperity. Before Franco Spain was not ready for democracy. It was too poor. We prospered during his continuous rule . . . only now that he is gone are we ready for democracy.'

By and large, though, the Spanish are conservative people. Neither the extreme left nor the extreme right that one reads about in the news accounts represents a majority view. Most are sitting on the fence, waiting to see which way things go before they decide which way to lean.

The Government and the business community are still being run by men who personally profited from Franco's rule and they see change as undermining their prosperity. Yet if they block the liberalisation of Spanish life, such as freedom of expression, the right to organise trade unions and the right to demonstrate, then they will encourage civil unrest until the majority sitting on the fence lose their confidence in the government's ability to rule and lean to the side which seems to offer them the best deal.

Thus coming to terms with the economy will determine the future viability of the present Spanish government. Only a strong economy will allow for an atmosphere of reform by both the government and the people.

As one government official commented, "Democracy in Spain will be a luxury of prosperity. Before Franco Spain was not ready for democracy. Spain was too poor. During Franco we prospered through his continuous rule and his ability to see plans through. Only now that he is gone are we ready for democracy."

There seems little doubt that foreign uncertainty over Spain will continue for some time. Democracy is a slow process in which mistakes are aired in public, thus magnifying fears. For a country which has been able to keep a lid on revealing its problems to the outside world, this situation will seem even more acute.

Last year, Spain was the UK's 17th most important market, with total export sales exceeding £335m. Since 1970, British export sales have increased over 134 per cent.

During 1975, export growth was most marked in the more sophisticated capital goods sector (non-electric machinery and scientific equipment) in which Spain is not capable of manufacturing herself. There was a marked fall in 1975 of £5.9m. on UK exports of chemicals. However, 1974 proved to be such an exceptional year for growth in this sector (an increase of over 100 per cent compared to 1973 levels) that this fall was not entirely unexpected.

The principal UK exports to Spain last year were: non-electrical machinery (£84.5m); electric machinery apparatus and appliances (£23.3m); iron and steel (£21.8m); professional scientific and controlling instruments, photographic and optical goods, watches and clocks (£16.4m); transport equipment (£16.2m); non-ferrous metals (£12.3m) and chemical elements and compounds (£11.7m).

'Britain is Spain's most important supplier with 5.3 per cent of the total market. In spite of her high ranking, we have lost 2.4 per cent of that market in the past four years.'

The Canary Islands market was worth £38.6m to British firms which mainly trades in consumer goods, especially liquor.

Britain is Spain's fifth most of the market is the United States with 15.9 per cent, and has been recently followed by Saudi Arabia, which only exports oil, but with the price rises since 1973, has captured 12.3 per cent of the market. The two other industrial leaders are West Germany with 10.3 per cent and France with 8.3 per cent of the total market.

However, despite her high ranking, Britain has lost 2.4 per cent of the market in the last three years.

British exporters, of industrial and consumer goods to Spain face both tariffs which can run as high as 50 per cent and quotas which are based on global and bi-lateral arrangements.

SPAIN — the market

Area:	**£31,396m. (1974)**
Mainland — 189,950 sq miles	**Annual rate of growth: — 0.8 per cent**
Balearic Is — 1,935 sq miles	
Canary Is — 3,327 sq miles	**Value of peseta: — £ = 125**
Total pop: — 35m	**Per capita income: — £1,000 per annum.**
Gross National Product: —	

A six-page report
by SAM PASSOW

They want your investment

WHILE foreign investment has played a major part in the rapid development of Spanish industry, and in general is still welcome, the Government is adopting an increasingly selective stance in approving new investments.

New controls for foreign investment were introduced in October 1974, but they differed little in principle from the previous legislation. The intention of the legislation was to close loopholes, particularly those which permitted a so-called Spanish company (de-facto foreign owned) to set up a series of other wholly-owned but nominally Spanish companies in order to avoid restrictions on foreign control of key sectors.

Tighter controls

In January, 1975, the Government tightened its control on the foreign investor by introducing new legislation which calls for:

In the case of both direct and portfolio investments, foreign investment of up to 50 per cent of a company's capital will require only an industrial permit from the Ministry of Industry, which is generally issued without undue formality provided the enterprise seems viable, while investments of more than 50 per cent will require approval from the Council of Ministers.

A decree in 1963 waived this case-by-case approval requirement for majority participation in new productive enterprises in a number of industrial sectors, including iron and steel, non-ferrous metals, cement, machine tools, textiles, electronics, ancillary agricultural industries and hotels. However, this decree was rescinded in 1973 and these sectors are now subject to the same screening procedures as other industrial investments under the January 1975 Act).

New calculation

In direct investment the new decree closed an important loophole in requiring the calculation of the percentage of foreign ownership to take into account the pyramidal relationship which some parties of wholly, foreign-owned firms have to one another.

In property investment, a distinction is introduced between those foreign investors who buy for their own use and companies who require property for business loans. The former will be able to transfer capital gains abroad while the later will receive similar treatment to those foreigners making direct investments in other fields. The latter will have to form Spanish companies or branches and pay all appropriate taxes including those on transfers abroad.

The UK is fifth overall in foreign investment exceeding 50 per cent ownership with 5 per cent of the total, ranking behind the USA with 40 per cent; Switzerland 21 per cent; West Germany 11 per cent and France 6 per cent. The geographical origins of the minority holdings is in much the same proportions as for the majority foreign-owned concerns.

A sectional breakdown of total foreign investment in Spain (both majority and minority) shows that 26 per cent went to the chemical industry, 16 per cent to the metal and mechanical sectors, 9 per cent to motor vehicles, 8 per cent to hotels and real estate, and 8 per cent to food processing.

Some of the major British companies operating in Spain include: Unilever, British Petroleum, ICI, British Oxygen, Cadbury Schweppes, JCB, Lucas, Cavenham Foods and Laporte.

This is Spain

Spain is not only an expanding market, but a diffuse one as well. **Madrid**, the capital (pop. 3,5m.) is the base for the headquarters of many of the large firms, both local and international. Both the Ministry of Industry and the Ministry of Commerce, which is responsible for authorising import and export licences, are situated in Madrid.

Barcelona, with its free port zone, (pop. 3.6m.) is the most important commercial and industrial Spain. Its local industries are textiles, paints, chemicals, plastics, fertilisers, electrical engineering products and appliances, machinery and tanning.

Bilbao (pop. 1.25m.) has extensive shipbuilding yards, with expanding container port handling facilities. Its local industries also include steel and iron works, iron ore mines and electricity production — including nuclear energy.

'The UK is fifth overall in foreign investment exceeding 50 per cent ownership with five per cent of the total, ranking behind the USA, Switzerland, W. Germany and France.'

Valencia (pop. 1m.) is an important centre of the furniture and ceramic manufacturing industries. It's rich in agriculture, mainly producing citrus fruits, onions, rice and potatoes. Has good port facilities, and is being developed as an automobile and steel manufacturing area.

Seville (pop. 660,000) is a river port of considerable importance set in a very fertile region producing good grain and olive crops and processing lead and copper mines. The region exports olives, olive oil, cork, fruits, essential oils, wines and agricultural produce. Local industry includes shipbuilding and aircraft engines.

Zaragoza, (pop. 550,000), has a number of machinery factories, sugar and flour mills, and is rapidly becoming a centre of growing industrial importance.

Malaga, (pop. 350,000), a port city produced lead, iron oxide, soap, sugar, olive oil and textiles.

Vigo, (pop. 205,000) which also has a free port, is Spain's most important centre for fishing, fish canning, and is a regular port of call for transatlantic liners. Its local industries include ceramics, glassware, motor cars, plastics and rubber, shipbuilding and engineering, container port handling equipment, pharmaceutical goods and fertilisers. The region is also rich in mineral deposits such as tin, wolfram, zinc, copper, lead and lignite.

Santander, (pop. 145,000) is a port city for transatlantic liners. The city's industries include shipbuilding and metallurgical plants.

Cadiz, (pop. 140,000) is also a free port zone, and is the main port for the shipment of sherry to Britain.

Cartagena, (pop. 150,000), a port city in the south-east, possesses a large oil refinery, a zinc plant and a large fertiliser factory.

San Sebastian, (pop. 162,000) is the centre of important machine tool, foundry and paper-making industries.

Huelva, (pop. 95,000) is a seaport, ship-building and petro-chemicals centre. The area is rich in mineral deposits of copper, manganese, iron and sulphur.

The largest steel works in Spain are in Gijon, (pop. 184,000).

The **Balearic Islands** – Majorca, Minorca, Ibiza, Formentera, Cabera and six smaller islands of the east coast of the mainland — mainly make their money from the tourist industry. The islands are also heavily established in light industries, again, mainly geared to the tourist trade, such as boots and shoes, imitation pearls, jewellery, hand embroidery, fine glass and silverwear. Imported goods usually pass through agents in Barcelona.

The **Canary Islands**, which are located in the Atlantic about 100 miles off the South-West coast of North Africa, is an ideal market for certain British consumer goods which are not easily imported into mainland Spain, because the Spanish tariffs do not apply there.

Agriculture, shipping and tourism are the three pillars of the island's economy. The ports of **Las Palmas** and **Santa Cruz** handle about 100m. tons of shipping a year between them, and about one million tourists visit the islands each year. Apart from the construction industry, there is comparatively little industrial activity with the exception of chemical works and oil refinery at Santa Cruz, and tobacco, cigarette and cement factories in Las Palmas and Tenerife.

Plenty of energy

SPAIN is a relatively small consumer of energy, but prospective British manufacturer's planning to set up business in the Iberian peninsular, can be assured of continuing energy supplies.

Although the off-shore oil industry is only producing about 4.3 per cent of the country's needs, new oil strikes in the Tarragona area by Amoco should boost this to almost 20 per cent in the next five years.

In addition Shell Espana has just started drilling off Santander in the Bay of Biscay.

The present oil producing field at Amposta is bringing in about two million tons per year, but this is high sulphur crude which is mostly processed by the Asesa refinery at Algeciras for bitumen.

The Spanish Government is attempting to guarantee access to regular supplies of crude oil through the state company Hispanoil which was set up in 1965 to undertake exploration and production overseas.

Today Hispanoil provides over three million tons of oil from fields in Dubai and Libya and hopes to push up production to 21 million tons a year by 1985.

Oil now provides 70 per cent of all the energy consumed in Spain. The Government hopes to reduce this dependence on oil so that by 1985 the country's energy cake should be divided thus: Oil 43 per cent; natural gas 11 per cent; nuclear energy 22 per cent; 24 per cent from hydro-electric and coal contributions.

There are plans for a natural gas pipe line which would link north Africa to Madrid, Barcelona and Bilbao and the continue into France and link up with the Common Market network. However this is being held up currently by the fact that the line would have to come across Morocco from Algeria and those two countries are not exactly seeing eye to eye at the moment.

Needing the Reds to get into the black

ITALY is a country which exists in spite of itself. In the 31 years since the end of the war, it has had 38 governments, all coalitions, all dominated by the Christian Democrat Party. In the next few weeks, it will try and form its 39th government—only this time, there will have to be a dramatic change from their efforts of the past if Italy is to survive.

Statistically, things couldn't look worse. For the first time since the war, Italy has lost ground economically. In 1975, its gross national product dropped by 3.7 per cent. Industrial output fell by 9.7 per cent. Total investment dropped 24 per cent. The national debt rose from 5.4 trillion lira in 1974 to 12.4 trillion. Unemployment is well over the one million mark, while another estimated 800,000 people are said to be underemployed (working fewer than 30 hours a week).

Industrial capacity is only 60 per cent, and at 24 per cent Italy continues to have the highest inflation rate in Europe.

A threat

In normal circumstances, Export Times does not concern itself with a country's political structure, but that rule must be broken for Italy. To understand marketing and, more especially, investment, knowledge of the situation that has resulted from the general election is essential.

If Italy does collapse, however, it won't be because of the economics. It will be due to the politics. In the June election, the Italian Communist Party, (PCI) under the leadership of Signor Enrico Berlinguer, gained 34.5 per cent of the vote, just four percentage points less than the ruling Christian Democrats, whose position was attained on fear rather than on their record.

To many in the Italian business community, as well as in the world business community, the rise of the Communist Party, the first one to be successful in an established and industrialised society, is seen as a threat to the capitalist system.

At the European Communist Party Summit, held in East Berlin last month, Signor Berlinguer signalled to the West that his vision of the new Euro-communism was a variety already blooming in the advanced capitalist countries. "It is not true," he said, "that socialism and communism will always be the same everywhere."

Yet the dilemma is that the PCI control the unions, and as in the UK, without union agreement on a pay policy, an economic recovery will not be possible. On the other hand, if they were to be included in the government, the mere fact that communists are in a NATO country government would probably deter western investors.

This is not an easy question to resolve. In order to do so, all sides of the political spectrum will have to alter their preconceived ideas about each other, and while they may not be able to solve their differences, they will have to allow for diversity.

Italy has been without an effective government since the Socialist Party pulled out of the coalition government in February. And all indications at the moment seem to show that they will either muddle through August with the the same 'non' government, or form a 'summer government'. Whatever the case, there seems little chance of a permanent, effective government being formed before the beginning of September.

However, the most likely outcome, will probably see the PCI not actually in the government (though the PCI has gained the presidency of the Chamber of Deputies as a concession), but agreeing before hand to assume the role of constructive opposition to try to get the country back on course.

The Christian Democrats have never demonstrated their ability to modernise and rationalise industry, yet unless they introduce severe austerity measures, the international finance, that they may have secured by retaining power, will quickly dissipate.

• Continued on page 16

Marketing in Italy

A four-page feature by Sam Passow

Import controls will stay on for the time being until November

BECAUSE the political situation is unlikely to be resolved before the end of the summer, the 90-day exchange control measures, or import controls, which came into effect on May 5 after the lira fell through the psychological barrier of 900 to the dollar, has been extended with the approval of the EEC for at least another three months (until November 3) by which time, the new government, whatever form it takes, will be able to judge its effectiveness.

The overall aim of the scheme is to reduce the pressure on the lira, which has devalued by some 30 per cent against the dollar since the Government temporarily closed the official exchange market on January 20 for six weeks.

If the month of May is any barometers figures for that month show an improvement of 390,000m. lira with imports declining sharply while exports continued to rise. On top of that, the lira, which went as high as 915 to the dollar before May 5, is now hovering over the 840 mark.

The measures call for importers to deposit in a non-interest account in the Bank of Italy an amount equal to 50 per cent of the lira need for the purchase of foreign currency for payments of imported goods.

When the last such scheme was imposed in March, 1974, which lasted for 11 months, many of the British firms exporting to Italy, helped to finance the deposits. This time, however, with the current cashflow problem in the UK, it is doubtful whether British firms will be in a position to do the same again.

For the Italian importer to finance the deposit, he has to borrow from the bank at an interest rate of 21-24 per cent — the highest in Europe. Which means that only if he can see a very big profit at the end of the day will it be worth his while to invest the limited capital he has.

The measure is also regarded as an effort to mop up internal liquidity, as Italian industry as a whole borrows from the banks three times the value of their own capital and resources.

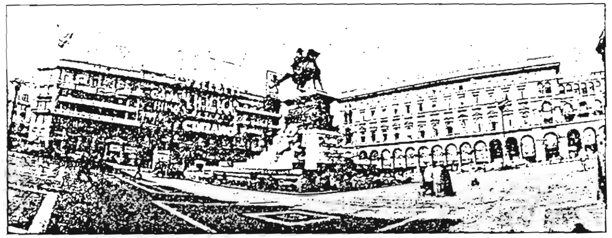
Because of this, Italian banks are now being made to invest 70 per cent of all new deposits in low interest government securities, leaving only 30 per cent of their money available to industry at the high interest rates.

British trade actually flourished during the last period of import controls, since both capital goods and raw materials were exempted. There was also an exemption for all consignments worth less than 1m. lira, so importers merely broke down large orders into smaller ones to avoid the tariff.

This time, however, the only exemption is wheat, and it covers consignments of all sizes, so the import controls will have a discouraging effect, particularly on new business, became Italian importers and agents are refusing to take on new lines unless they can see an immediate profit — in other words, essential goods that will aid in their export effort.

Marketing in Italy

IF YOU ARE planning on visiting Italy for the first time on an exploratory mission, it is advisable to make your first stop Milan to visit the Commercial section of the British Consulate-General (Via San Paolo 7, 1-20121 Milan, Tel: 803442 Telex: 31528 a/b 31528 Britain) and the British Chamber of Commerce for Italy (Via Tarchetti 1/3, 20121 Milan, Tel: 635860). As well as the consul in Milan, there are British Government commercial representatives in Bari, Florence, Genoa, Turin, Naples, Venice, Palermo and Rome.



UK fights shy of investing in Italy

OVER the past two years there has been a sizeable reduction of British investment in Italy, as a number of large concernes have had to close down operations due to heavy losses and labour problems.

In 1974, Shell-BP sold out its entire operation. Last August, Leyland abandoned its Innocenti plant. EMI, which bought a subsidiary, Voxson, in 1973, also sold out last year.

Other British concerns which have since abandoned plants in Italy have ranged from firms like J. Bibby & Son, food processors, to George Angus Ltd., manufacturers of gaskets for cars and domestic appliances.

British trade officials in Italy are also having great difficulties in arousing any interest in large British chain stores to open up in Italy, as they have done in other countries on the Continent, even though multisales account for only eight per cent of domestic sales.

The only noteworthy new British investment in Italy in the last year has been a new £20m, ICI chemical plant in Sicily.

At present there are over 250 British companies with investment in at least 278 Italian firms. Nearly 200 of these are involved in manufacture.

From 1956 to 1973, the amount of foreign capital invested in Italy totalled about 730,000m. lire, of which the UK was the second largest investor, after the US, with an outlay of 115,400m. lire. In sterling terms, UK investments (excluding oil companies investment) rose from £2.6m in 1968 to £26.5m in 1973.

But in the last two years, according to British trade officials, the internal industrial problems in the UK, the lack of resources, the need for quick returns on capital outlays, combined with the political and economic uncertainty in Italy, have made Italy a low priority investment market for UK funds.

Soaring inflation and labour problems have been the two major reasons for British firms closing operation in Italy, and relying instead on importing their products.

Leyland, which put in an original investment of £3m. in the Innocenti operation made a loss of £12m. in 1975. In an attempt to cut losses, it tried to cut the work force from 4,500 to 3,000.

The trade unions said that they would accept no redundancies and went on strike, even though Leyland was prepared to guarantee employment for the remaining 3,000 for at least two years. The resulting impasse led to Leyland pulling out entirely from the Innocenti operation.

The same was the situation for George Angus, who after 17 years had to close down its factory in Naples because the unions would not let it pay off any of the 450 employees.

"The Italian worker has practically everything on his side: Its a workers market," said Mr. Walter Davis, secretary of the British Chamber of Commerce for Italy in Milan. "It's no longer a cheap labour market."

Italians receive 14 payments a year (double pay is made at the end of June and December) on top of which the employer must pay 47 per cent of the total salary in social security charges to the Government, as well as laying aside one twelfth of the annual salary for severance pay which the employees get regardless of the reason for their departure.

That is why, according to one businessman, "the only way to sack people here is to close down and walk out."

Italy has one of Europe's most liberal foreign investment legislations. Generally, foreign investment is not subject to prior government authorisation except in certain sectors of "national interest", such as shipping, air transport, banking, finance and insurance, where the foreign stake must be limited to a certain percentage.

Otherwise, investments are regulated under the law which provides for unlimited remittance of profits and dividends and repatriation of capital for "productive enterprises".

There is no discrimination between Italian and foreign companies where tax concessions and other investment incentives offered in priority regions are concerned, and there is an agreement between the UK and Italy for the avoidance of double taxation.

Italy's relatively liberal attitude towards foreign take-overs of local firms, has however resulted in a very high proportion of foreign capital (96 per cent of total foreign funds invested between 1963 and 1971) being direced towards acquiring existing Italian enterprises.

The drawback here, as far as the Italians are concerned is that it creates very few new jobs, which is why the unions are so adamant about protecting whatever existing jobs are available.

The most popular type of company in Italy, and for the British investor is the Societa *Societa per Azioni* (SpA), a form of joint stock company, where the minimum capital requirement is 1m. lire. There is also the *Societa a responsabilita Limitata (SRL)*, a form of limited liability company with a minimum capital outlay of 50,000 lire. The difference between the two is that the capital interests in an SRL may not be represented by shares.

A British company may also do busiess in Italy through a local branch, although such an establishment may be liable to less favourable tax assessments than a subsidiary.

Needing the Reds...

Continued from page 15

For Signor Berlinguer, this will probably be a blessing in disguise. For if the new government's policies work, his reputation, and that of the PCI will be enhanced, as success will be seen as possible only through their co-operation. If those policies fail, then he will be able to deny official responsibility. Either way, the PCI will be in a stronger position when the next round of voting takes place. However, by that time, foreign investors will have a better understanding of their policies.

Despite the fact that UK exporters to Italy during the period January to April 1976 showed an increase of £69.3m over the same period last year, our overall trade picture with Italy in 1975 showed a deficit of £246.3m (UK exports were valued at £563.3m while imports stood at £809.6m), which is an increase in the deficit of £32.8m over the previous years total.

Italy is the UK's 12th largest market, and from an Italian point of view, we are her seventh most important supplier with 3.36 per cent of the total market.

At the same time, the UK is Italy's fourth best market, and with the exception of Ireland, we are the only country in the EEC with which Italy has a favourable balance of trade.

Both countries seem to import and export more or less the same items. In the first three months of this year, the UK sold more beverages; textile fibres; chemicals; rubber manufactures; non-ferrous metals, metal manufactures; machinery and scientific and optical goods to Italy than we bought from her.

While in the other direction, Italy had the edge in fruits and vegetables; wine; petroleum and petroleum products; textile yarn and fabrics; clothing; footwear; non-metallic mineral manufactures; iron and steel and transport equipment of which passenger cars accounted for the majority of the sales.

Marketing in Italy

The opportunities are there for the smaller firms

IF FOREIGN investment, and in particular British investment, is to pick up again in Italy, it will have to be on an entirely new level.

To begin with, the Puerto Rico conference has made clear that international financial aid will not be forthcoming until the Italians enact severe austerity measures — the main one being a reduction of all non-essential imports.

So, according to Mr. Ray Thompson, president of the British Chamber of Commerce in Italy and director of his own management consultancy firm, "the kind of British business that will do well here is the small to medium size firm, that is under £10m. in volume, ideally with a low labour content and that has its own market.

"In other words, its not a supplier of another larger business, and thus dependent on it for success. This type of independent company will particularly do well if it has a product that it can export from Italy as well."

Like Britain, Italy's economic recovery is dependent on world markets — particularly the Americans and the West Germans. The rate of their economic recovery from the world recession will have a great impact on the Italian situation.

"The Italian market," says Mr. Thompson, has touched bottom in regards to volume of sales and labour costs, and should now begin to rise, which for certain firms, makes it the right time to go in."

A more pessimistic view is taken by Mr. Ronald Churchward, vice-chairman of Creditwest, which is the National Westminster Bank in Italy. He feels that now is "not a good time to look at the Italian market for investment, especially anything that is in the nature of a non-essential product."

He sees the Italian economic recovery as a "drugged recovery" one that is export led at goods which are underpriced, and does not have a firm foundation.

However for those who do have products to sell in this type market, here are a number of points to consider.

1). The Italians tend to look at products for their value and design, not just the price, and if they want a specific product for a specific job, they will pay whatever price they have too.

2). Italy is a very personal market. You have to go there to sell. More importantly, you should go there a number of times to research the market, if nothing else, just to get to know Italians react to various situations. They are a very emotive people. To them business is a long drawn out affair. They like to talk, and talk, and talk. And unless you talk to them, they won't buy.

3). The Italians have no traditional markets. They will buy from anyone.

4). The Italian manager is well educated, does his homework, can talk in technical terms, and expects the same thing from his counterpart.

5). Not only are our competitors, the Americans, the Germans and the French, more aggressive in their marketing and salef, but so are the Italians in their approach to business, once they get down to it. This can be seen by the fact that they sell more to Britain of the same sort of things than we sell to them.

Alitalia guide has a lot in its 25 pages

AS mentioned earlier if you are really serious abou the Italian market, then the only way to find out about it is to go there.

But before you go it is quite helpful if you have a general overall view of the Anglo-Italian trade situation . . . trade figures, what are the various business regions, commercial customs and regulations, agents and agency legislation, patents, communications, and so on.

In its new businessman's guide to Italy, Alitalia, Italy's national airline, admits that "any number of publications on Italy already exist," but adds, "They tend to specialise with an emphasis in finance, marketing, export/import, or some other particular activity."

Few if any, offer such a comprehensive thumbnail sketch of this varied market, covering the broad spectrum of all aspects of business in Italy, together with travel, hotel and entertainment information, as this 25-page guide which can be picked up free of charge at Alitalia offices and travel agents.

The guide is a compilation of facts and figures from the BOTB hints to businessmen, the Lloyds Economic Review, and Alitalia's own travel information.

But by far, the most important service the guide offers is a reading list it suggests which for the market novice, will lay down an essential foundation.

Alitalia, in association with British Airways and British Caledonian, fly over 100 flights a week between the UK and numerous Italian cities.

Chamber has £500,000 deficit and 1976 looks no better

"BUSINESS is not easy these days." This bit of understatement comes from the annual report of the British Chamber of Commerce in Italy, which just announced to its 750 members that it ended 1975 with a deficit of 7.5m lire (a little over £500,000) and that the prospects for 1976 look no better.

The reasons for the loss, according to the Chamber's president, Mr. Ray Thompson, "is that many of the members are slow in paying their memberships. And like all chambers, we are tied to a captive income."

At present, membership costs 75,000 lire and if the present situation continues, warns Mr. Thompson, it could rise by as much as 50 per cent by 1977.

The Chamber, which is based in Milan, is reckoned by many to be one of the most active in Europe. Because it promotes trade in both directions, it has a large number of Itlaian members as well.

During 1975, it participated in the British shopping week in Bologna, organised low-low-cost flights to Britain for members and non-members so that they could attend British trade fairs, and offered a course to Italians in commercial English.

It also published a bi-monthly journal on news items about Anglo- Italian trade, a monthly duplicated new sheet with up-dated news, and a bi-annual trade directory, which is the only published source of information on British forms trading in Italy and their agents or representatives.

What's on and where in the way of fairs

FAIRS and exhibitions are another good way to gain an introduction into the market. Last year, the British Overseas Trade Board sponsored 16 missions to Italy, which attracted over 250 fims.

The following is a list of exhibitions from September to November.

Bologna. Knitted Goods & Equipment Exhibition, Sept. 16-19; International Exhibition of Building Industrialisation, Oct. 9-17; International Exhibition of Farming Machinery, Nov. 10-14.

Florence. International Skins, Leather & Leather Goods Exhibition, Sept. 17-20; Men's Fashion Fair, Sept. 17-20; Children's Fashion Fair, Sept. 26-29; Shoe & Leather Fair, Oct. 16-18; Ladies Fashion Fair, Oct. 17-21, Footwear Exhibition, Oct. 24-26; Italian Fashion Fair, Nov. 19-21.

Genoa. International Pharmaceutical Exhibition, Sept. 16-19; International Boat Show & Underwater Equipment Exhibition, Oct. 15-25; International Hotel and Tourist Equipment Exhibition, Nov. 13-21; International Wines and Spirits Exhibition, Nov. 13-21.

Milan. International Exhibition of Household Goods, Glassware, Ceramics, Headwear and Tools, Sept. 3-7; Italian Furniture Fair, Sept. 18-23; Equipment for Camping and Tourist Villages Exhibition, Oct. 2-17; International Exhibition and Conference of Machinery & Materials for Paper-Paper-mills, Oct. 5-9; International Industrial Safety Exhibition, Oct. 5-9; European Drinks Exhibition, Oct. 21-Nov. 1; International Trade & Tourist Services Exhibition, Oct. 24-Nov. 1.

Padua. Horticultural & Gardening Professional Fairs Market, Sept. 17-19; International Exhibition of Mechanical Handling, Storage Distribution, Oct 6-10.

Parma. International Exhibition of Preserved Foodstuffs & Food Packaging, Sept. 22-Oct. 3.

Turin. International Technical Exhibition, Sept. 25-Oct. 4, International Motor Show, Nov. 3-14.

A guide to Italy's banks

ITALY HAS an organised and wide-ranging banking system in some ways similar to that of the United Kingdom. There are nearly 500 individual banks offering services through 8,500 branches. The Banca d'Italia as the central bank is at the apex of the system, and the banks are subject to close government supervision.

New banks or even the establishment of additional branches must be authorised by the Central Authorities.

Banks are subject to close government supervision since the granting of credit and the administration of savings are considered functions of 'national interest'.

There are two main sectors — a commercial one which includes banks that primarily accept demand and short term deposits and make loans of similar duration. This group provides the short-term borrowing requirements looked for by foreign and local companies.

The longer term end of the sector is looked after by some 70 "special credit institutes", each of which specializes in a particular type of finance covering industry, agriculture, housing and so on. The principal institutions for medium and long-term credit include I.M.I. — Instituto Mobiliare Italiano and Mediobanca.

As far as the UK exporter is concerned the "short term" banks with which he is most likely to come into contact are the Public Law Credit Institutions — the Chartered Banks. These perform all normal commercial operations and have special sections with their own capital and reserves to grant medium and long-term credit in the agricultural and industrial sectors. The six banks in this group are Banca Nazionale del Lavoro, Banco di Napoli, Banco di Sicilia, Monte dei Paschi di Siena, Banco di Sardegna and Instituto Bancario S. Paolo di Torino.

The other group known as "Banks of National Interest" are joint stock companies with branches in at least thirty provinces. They perform similar functions to the Chartered Banks. There are three banks whose capital is mainly held by IRI, a State — owned holding company. These are among the leading Italian banks, and well-known in their own right — Banca Commerciale Italianna, Credito Italiano and Banco di Roma.

Each of these has a London office — as indeed do several other leading Italian banks, (see p19 for addresses) — and as such is well placed to advise on Anglo-Italian trade. The usual approach for an exporter is through his own branch manager and international division branch. Introductions may be effected either to these Italian London offices, or, where an exporter is concentrating on a particular area of the Italian Market, direct to a Bank's office there.

The major Italian banks provide booklets on various aspects of the Italian economy and investment operations. Examples include "Useful information for investing capital in Italy" by Credito Italiano, and BCI's "Investment of Foreign Capital in Italy". Status reports and credit information may also be obtained.

United Kingdom Banks also have various involvements in the Italian banking scene. National Westminster has a 31 per cent interest in Creditwest SpA (Credito Intaliano is the major shareholder) which has five branches in Milan carrying on commercial banking business, and is planning to open a further branch in Rome. Barclays Bank International have a 75 per cent interest in Banca Barclays Castellini SpA. Lloyds and Midland concentrate on their strong correspondent relationships with the major national and regional Italian banks.

Hauliers are making inroads into transport

TEN YEARS ago there were two conferences including about ten different shipping companies operating regular cargo services between Britain and a wide range of Western Italian ports. Today there is just one: Ellerman City Liners, which runs regular container services from Ellesmere Port to La Spezia on the North-west coast of Italy.

High port charges, corruption on the Italian coast, the undercutting of rates and, most significantly, the growing competition from the overland hauliers forced the shipping companies off the route one by one until two months ago, P&O Ferries (General European), the last of the general cargo ship operators to Italy, suspended its line operation to Genoa, Leghorn and Naples until "there is evidence of an improvement in the market."

The containerised operation of Ellerman City Liners has eliminated many of the costs which inhibited and finally killed off the general shipping companies and now offers the cheapest, albeit the slowest, mode of freight transport between the U.K. and Italy.

Vessels with room for 120 containers leave Ellesmere Port every 10 days and after a seven-day sailing unload at La Spezia where the containers are taken by road to the container terminal at Rivalta Scrivia (30 miles inland from Genoa) for unpacking and redistribution.

ECL will quote for door-to-door transportation and container loads up to about 20 ton will cost between £350 and £800 depending from where in Britain and to where in Italy the loads are taken.

In common with most other modes of freight transport to Italy, the shipping company has the advantage over many other of its destinations of being readily able to find return loads. Its services return via Dublin and generate an addition bonus of traffic between Italy and Ireland.

The ECL service proves popular in the trades where time is not at a premium: metals, ingots, hides fabrics and Scotch.

At the other end of the price scale are the air freight companies who have, despite rates currently at about 35p a kilogram, enjoyed a steady growth in freight business over recent years. Alitalia, for instance, looks for almost 20 per cent of its revenue from freight carryings and manages to justify either a DC8 or a DC9 from London or Manchester to Rome or Milan every day of the week except for Tuesdays.

For urgent carriage of small consignments, the airline also has 50 passenger flights a week and its pool partners on routes to Italy, British Airways, has an additional 50 odd.

Freight manager of Alitalia in London, Mr Dennis Brown, admits that over the past two years the overland hauliers have made great inroads into the air freighters' conventional traffic because of its improved timings and notes that recession has taken its toll of air freight traffic. But he adds that this has been the lot of all international airlines and claims that market indicators point to a better second half in 1976.

The Italian state airline, because of its localised knowledge, carries more air freight from the UK to Italy than any other airline and now backs its service up with a computerised cargo control operation which is capable of informing shippers of the location of goods at any stage of shipment.

Overland train haulage still controls a sizeable sector of the UK-Italy freight market but, in common with the other conventional modes of transportation, is losing out to the juggernauts.

It has the great advantage of flexibility and can handle loads from small packages in groupage traffic from London, Birmingham, Glasgow and Manchester right up to the recently introduced bulk wagons which can handle up to 59 tonnes of flowable materials.

This flexibility is backed up with a wide range of wagon types and finance terms (purchase, lease and hire), but though suitable for bulk, refrigerated and specialised freight transportation is still a slower operation than by lorry.

In theory, a train journey to Rome takes less than four days and rates are similar to those of the road hauliers, but, in practice, hauliers are winning more business every year from the railways on the strength of their door-to-door facility and their shorter transit times.

In road transport, too, shippers demands are changing. Although cheaper, unaccompanied trailer transport is being dropped more and more in favour of driver-accompanied vehicles.

In theory, trailers should be as fast as accompanied trucks, but with more trailers than tractor units they tend to be delayed at Channel ports and can add two, three or four days to the normal three or four days which it takes a driver to get into central and Southern Italy.

With more than 100 operators vying for road transport commissions to Italy, the rate structures are very competitive and a full load (up to 20 tons) should never cost more than £900 for an average journey.

Part loads on groupage operations which depart constantly (some operators run two groupage loads a week) average out at about £4.50 every 100 kg or for 10 cubic feet of space.

Keeping in touch

A GOOD source for further information on marketing in Italy are the numerous Italian banks which have London offices. Here are some of them: **Banca Commerciale Italiana**, 42/44 Gresham Street, London EC2V 7LA 01-600 8651. **Banca Nazionale del Lavoro**, 33/35 Cornhill, London EC3V 3QD. 01-623 4222. **Banca Popolare di Milano**, 52/54 Gracechurch St., London EC3V 0EH 01-623 9431/2. **Banco di Roma**, 14/18 Eastcheap St., London EC3M 1JY 01-623 1681. **Credito Italiano**, 17 Moorgate, London EC2R 6HX 01-606 9011.

Banca Nazionale dell Agricoltura, 85 Gracechurch St., London EC3V 0AR. 01-623 2773. **Banca Popolare di Novara**, 299 Salisbury House, Finsbury Circus, London EC2M 5QQ 01-628 0237/8. **Banco di Napoli**, P & O Buildings, Leadenhall St., London EC3V 4QQ 01-283 1164/5. **Banco di Sicilia**, P & O Buildings, Leadenhall St., London EC3V 4QQ 01-626 2268/9

Marketing in Italy

The true cost of flying to Italy

IF AN exporting company can afford to sign a cheque for £261 to send a representative on an open first class air ticket to Rome, then it need not concern itself with the complicated fare structures laid down by the International Air Transport Association.

Even the economy return fare of £186 affords the same Luxury of five flights a day to choose from, or if Rome is not the business venue, then there are over 100 flights a week to Italy from London and Manchester (Alitalia and British Airways share the bulk of the service) to all the major business centres in Italy.

But few private British companies can afford this sort of luxury any more and travel managers are looking for the inevitable loopholes in the idiosyncratic IATA regulations and making substantial savings.

The excursion fare to Rome for instance, is only £130.50 return and, while in Summer is only valid for travel on Tuesdays, Wednesdays and Thursdays, can be used any day during Winter.

Designed to promote holiday traffic, it has the limitation of being valid only for a visit of between seven and 30 days. But that is the only inhibiting factor. Businessmen do not have to carry buckets and spades to pass as bona fide holidaymakers. The airlines are well aware that these tickets lose them the revenue from what may have been a captive market for full scheduled fares.

Their real fear is that they will lose the economy conscious business traveller altogether to the cheaper packaged holiday operators who use rival charter airlines.

Therefore, although ostensibly aimed at holidaymakers they promote their excursion fares with bonus offers. Both Alitalia and British Airways, for instance, offer free Avis car hire from all their Italian airport destinations for two or more people travelling on the excursion fares.

Alitalia has also come up this year with a 'special plan' for accommodation, which offers excursion fare visitors between 20 and 37 per cent reductions on bed and breakfast in the choice of 30 'Jolly Hotels' throughout Italy.

A worthwhile anomaly to know about in the Italian air fare structure is that the excursion fare to Milan of £98.50 is exempt from the minimum seven-day stay qualification so can be used for a one or two day stay so long as Tuesday, Wednesday, Thursday, Friday or Sunday evening flights are used.

For those who can plan well in advance and afford the luxury of seven or 14 day stays, there are a wide choice of packaged holidays to choose from. These will usually provide air fare and full board accommodation at less than the full scheduled fare and, in the instance of economy holidays utilising charter flights, they can be substantially less than the excursion fares.

Any travel agent should be able to provide brochures listing the alternatives.

In the instance of trade fares — and Italy stages about 80 major fairs a year — special travel and package arrangements are often created for British delegates, often to ensure hotel accommodation as well as to keep costs down.

Alitalia, as an IATA airline, is not allowed to arrange these, but liaises with independent travel agents, often C.I.T., the state-owned Italian travel specialist, in arranging air travel to about 15 of the major fairs every year and is prepared to serve as a telephone link to put businessmen in touch with the travel agents concerned.

MARKET REPORT SINGAPORE

It's a country the size and shape of the Isle of Wight. It has a population of two-and-a-quarter-million and virtually no agricultural or natural resources. Yet geographically it straddles the world's major sea lanes and, combined with a fine natural harbour (now the world's third busiest port after Rotterdam and Yokohama), it's been a haven for traders for more than a century.

In the 15 years since independence, Singapore has more than trebled its GNP in real terms and boasts and annual average *per capita* income of nearly S$8,000, one of the highest in Asia, and comparable to those of Israel, Greece and Spain. Despite, this apparent wealth, it has retained its 'developing nation' status by proving to the IMF that 20% of its GNP is expatriated-generated.

Prime Minister Lee Kuan Yew has no doubt why the expatriates are there: 'Experience leads me to conclude that developing countries can get their industries going with good indigenous managers, provided they have experienced foreign co-managers to show them in the early stages what not to do.

'For developing countries without rich natural resources or large domestic markets, the best way forward is to adopt tried and tested methods of production of proven products, adapting work procedures to the local culture and environment, and through lower wage costs and lower overheads, supply a segment of the global market more cheaply and profitably.'

Singapore: Brits cash i

THE SINGAPORE government's latest economic survey, released last month, not only confirms the general feeling among businessmen that Singapore 'works', but indicates that it is working better even the expected.

Singapore's growth rate at the end of the decade was 9.3%, way above the government's target and outpacing its two regional competitors, South Korea and Taiwan (7.1% and 8.0% respectively). Hong Kong managed 12% but that was in an inflationary climate of 11%. Singapore had held prices to just a 4% increase.

Prime mover behind Singapore's economic success has been manufacturing. It grew by 14% in real terms in 1979, the fastest rate since the recession in 1974-5, overtaking the transport and communications industry in the process.

During the year, 23,900 new jobs were created, a 29% increase over 1978, and productivity per worker went up by 5.1%.

All in all, Singapore grew faster in the Seventies than it did in the Sixties. The GDP increase averaged 9.4%, as against 8.7% in the previous decade, despite a more difficult economic setting. Briefly, growth was sustained and rapid until 1973, made possible by an expanding world economy unfettered by trade and investment restrictions.

However, with quadrupled oil prices, Singapore's export-led economic strategy began to collapse. When the developed world did manage to get back on its feet, protectionist barriers were put back against imports of textiles, clothing, footwear and electronics — which were Singapore's growth industries in the early Seventies.

In contrast South Korea, Taiwan and Hong Kong regained their previous heights immediately, largely due to their investment in human skills and their R&D capabilities, thus increasing export competitiveness.

Singapore, meanwhile, was following a low wage policy to prevent high unemployment at a time when it had already achieved full employment. But this led to the expansion of the low-value, unskilled, labour-intensive industries, which were reluctant to take new technology on board.

From bad to worse

With things going from bad to worse, the government's Economic Development Board (EDB) identified 12 key areas of industrial growth, which could shift the economy over to being a high-value, high-technology one, employing higher-paid, skilled labour. These are: automotive components, machine tools and machinery, medical and surgical instruments, speciality chemicals and pharmaceuticals, computer hardware and software development, electronic instrumentation, optical instruments and equipment (including photo-copying machines), precision engineering products, advanced electronic components (including water fabrication), hydraulic and pneumatic control systems, aircraft-related products, oil field equipment — and key supporting industries for all of those mentioned.

The move paid off. The manufacturing sector now accounts for 22% of the GNP and should rise to 31% by 1990.

The economic survey showed that all major industries (with the exception of the low-value, labour-intensive textiles and wood) performed well. The growth rate was led for the second successive year by the metal engineering and precision equipment industry, the output of which rose by 32% to S$1,420m in 1979, followed closely by the electrical products and electronics.

To encourage this development, the government has forced manufacturers to increase wages and encouraged workers to retrain for more skilled jobs.

Some foreign investors and manufacturers fear that the government's new wage policy, which represents a 20% rise over the 1978 level, will erode Singapore's competitiveness. However, the hourly rate remains lower than Hong Kong's or South Korea's and not that much higher than Taiwan's (*see chart*) — and light years behind the developed nations, four times lower than the UK's, for example.

The Chinese threat

Long range economic planners predict that, by the end of the Eighties, newly-industrialised China will be producing much of what Singapore does now and at a far lower unit cost. So it is considered imperative to maintain that quantum step ahead in the race for technology.

However, it should be noted that, while Singaporians use terms like 'high technology', what they really mean is medium technology, or the sort of thing used in Britain 15 years ago.

Says Leung Chee Whyee, deputy director of trade: 'We are not at the frontiers of knowledge. There are sufficient skills to do that basic work, but they don't have the ability to do much more be western standards. The Singapore worker is hard working, but not as sophisticated as the British worker.'

More disciplined

Investors, who last year poured S$994m into new manufacturing ventures, realise that the lower-paid Singaporians are more disciplined and willing to learn. Foreign investment accounted for S$823m of that total, with 33% from the US, while Britain, with 16%, vyed with Japan for the number two spot.

The confidence of local investors is reflected in the fact that their S$128m was twice as high as 1978, and the highest since 1974.

Despite a trade deficit of S$6.6bn, Singapore's balance of payments in 1979 was in the black by S$1.1bn. Though smaller than 1978's S$1.5bn surplus, it compared with an average of S$910m fro 1970 to 1978.

'Dynacast had a problem getting workers for its new plant. After just one telephone call to the EDB, skilled workers showed up.' Sam Passow reports from Singapore on the reasons why so many companies are setting up there.

on the island's audacity

IT WAS A GOOD year and a bad year for Britain in Singapore in 1979. Exports climbed by value, but the UK market share shrank.

However, there is more than enough on-the-ground activity by British companies to suggest far better returns out of the market in the next few years.

According to Dougal Reid, Britain's economic and commercial counsellor in Singapore, it's an ideal country to work in, and a good base to serve the rest of Asia and the ASEAN (Association of South East Asian Nations: Singapore, Thailand, Malaysia, Indonesia and the Phillippines) countries. 'There is no corruption here,' he says, 'You never need a "broker" to fix things. The whole thing is made easy.'

While noting that 'compared to Hong Kong there is probably a lot of paperwork', Reid adds: 'I've been in the third world since 1949, and this is by far and away the easiest place to work in. The bureaucrats don't waste your time. There is no run around.'

At present the number of British companies established out here has just topped the 100 mark, with manufacturing operations ranging from flies for fishermen to lasers.

While the British share of the import market is just under 4% — half the level of 10 years ago, and a long way behind Japan with 19% and the United States with 13% — last year was the best ever for UK traders in value terms, rising by 5.8% to £271m. However, due to the buoyancy of sterling throughout the year and UK industrial unrest in the early months of 1979, the British market share continued to fall slightly in overall terms.

Yet despite that, more and more companies are exploring the possibility of setting up out here, as just one week of on-the-spot research showed.

Beecham, which is the largest British manufacturing venture in Singapore, exports 92% of its synthetic penicillin produced here to Japan. In 1972, it invested £32m in setting up its operations and recouped that in only 18 months. Since then, it has put in a further £15m in 1976 and £12m last year.

Glaxo is expected to come in some time this year with an investment of more than £25m, and constructors John Brown of Glasgow will build the plant. **Mathew Hall Engineering** set up offices last November with the intention of getting design work in the refinery and petrochemical industry. Results so far are more than £1m worth of orders, worked on by a local staff of 50 people.

Davy International is also planning an office here for 80 people, whilst **Foster Wheeler** is seriously examining a possible joint venture. **Drake Scull** and **JMJ Contractors** are on their way in, and **Humphrey's**, Glasgow, is planning an operation.

Normalair Garrett, a joint venture between the US Garrett Corporation and Westland Aircraft, Yeovil, has been given a seven-year preferential tax status on a £1.5m contract to produce precision components for the Singapore aircraft industry.

Hunton International has also been given special tax status on a £350,000 investment to produce between 2,000 and 3,000 specialised trailer axels; 30% of which are for the local market and the rest to be exported to the other ASEAN countries. Meanwhile, **British Shipbuilders** is exploring ways in which it can sell ships engines.

Unlike other developing countries, expecially in Africa, there is no pressure on foreign companies, through foreign exchange restrictions, to divest half of their controlling shares to local nationals. Nor are there any problems with repatriating profits, dividends and royalties.

'We want to create an economic climate whereby the managers of industry do the things that they themselves feel are necessary to do,' says Leung Chee Whyee, Singapore's deputy Director of Trade.

While this *laissez-faire* attitude would make Adam Smith smile — and Margaret Thatcher jealous — it is to a large degree rather deceiving.

The government, through the Economic Development Board (EDB) has set up a list of priority industries which it feels are essential in the long term structure of the country's economy.

While any exporter is free to send out direct exports, the EDB is most particular about who can set up a manufacturing operation here. For example, the government is trying to run down the textile industry, because its offers low returns and is labour intensive. So, if you want to set up a shirt factory, forget it.

On the other hand, if you set up in one of the 12 priority industries, they will go out of their way to assist you.

For example, one British firm, **Dynacast,** which produces high technology zinc castings, had a problem in getting skilled workers for its new plant. After just one telephone call to the EDB, skilled workers showed up at the plant within two weeks.

Such audacious assistance obviously requires a rather extensive degree of control, but says Mr. Leung, 'we don't dictate to the companies. We tell them in advance what the economic climate will be like, and what direction they should follow in order to be competitive'.

However, while the picture here is of a steadily growing economy, of an inflation rate under control and a healthy balance of payments, there is a fly the ointment: Singapore has to trade in order to survive, exporting 40% of its imports and is, therefore, vulnerable to the effects of recession and inflation elsewhere and to the protectionist among its main trading partners.

Says Leung: 'We monitor the international situation closely because our big three markets are the United States, Japan and the EEC.

'But we are small and that has some advantages. We can fit in the nooks and crannies of other countries. When one trading partner is having troubles, we trade more with another. We buy from the cheapest sources so, as prices move upwards, we are at the tail-end of the inflation streak.'

And that 4% annual inflation? 'By not keeping the lid on anything,' stresses Leung, 'you don't have the problems of too much money chasing too few goods."

COMPARATIVE LABOUR COSTS (SINGAPORE = 100) IN SELECTED COUNTRIES IN MANUFACTURING INDUSTRIES, 1976-1979

Country	1976	1977	1978	1979
West Germany	835	957	987	896
USA	785	895	887	793
Japan	415	533	517	454
UK	370	410	422	400
Hong Kong	100	110	117	111
South Korea	75	110	130	139
Malaysia	60	67	74	68
Taiwan	65	76	83	82
Singapore Base Index	100	100	100	100
Average Hourly Earnings in $	2.0	2.1	2.3	2.8

INVESTMENT COMMITMENTS IN MANUFACTURING, 1977-1979

Source	Fixed investment ($'000) 1977	1978	1979
Foreign	390,697	788,643	822,884
Local	40,523	47,796	121,707
Total	431,220	836,439	944,591

Export Times

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Out go 90 fairs in £1/2m cutback

BRITISH Overseas Trade Board (BOTB) will be cutting out 90 of its 390 joint venture schemes planned for the year beginning April 1, 1977. The 23 per cent cut was agreed after consultation between the Board and 40 trade associations, which reluctantly approved a reduction in the number of joint ventures they send abroad.

"What we have succeeded in doing," said a BOTB spokesman, "is agreeing with industry in dropping those events least likely to succeed, least likely in, market terms and the support from their own industry."

According to Mr. Jim Wilks, Chief Executive of the BOTB, "The demand for our services has increased steadily each year, and in the past we have had an open-ended commitment to provide funds for those ventures which were worthwhile, but with the introduction of government ceilings, something had to be done."

"It would be a very brave man who would say that all joint venture schemes were successful," said Sir Jan Lewando, a member of the BOTB. "We have to cut back on the speculative ventures. It is wrong to have an open-ended commitment from the BOTB with public funds."

The BOTB was asked by the Treasury to cut its overall budget of £16m. by a half-a-million pounds as its part in the Government £1,000m. across-the-board cuts in Government expenditure.

The Board was also asked to make cuts in its manpower to help achieve the Governments £95m. cutback in civil service manpower.

As a result of the cutbacks, the BOTB will lose a total of 100 workers, or nine per cent of their total staff, from their two divisions in the Department of Trade, the Export Service Promotions Division and the Export Development Division.

The staff cuts, which have already begun to take effect, are due to be completed by April 1, 1978.

According to a BOTB spokesman, the cutback in the number of joint ventures is due more to the loss in manpower needed to

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by Sam Passow

'Absolutely crazy' says director

AS could be expected, trade associations and chambers of commerce around the country are upset over the British Overseas Trade Board's budget cuts which will mean a cutback in 90 overseas trade fairs next year. But what is unexpected is that they are taking it quietly.

"What can we do?" said head of a trade association, who asked not to be named. "The Government comes to you with a fait accompli and tells you to drop 25 per cent of your next year's programme."

"The BOTB hopes that the ventures that will have to be dropped are marginal, but you cannot define fairs in those terms," said Mr. John McConnell, Export Marketing Executive of the British Jewellery & Giftware Federation. "They are talking on an administrative level, and we are looking at it from a commercial venture," he said. (A letter from Mr. McConnell appears on page four.)

With the high costs of travel, and the ever decreasing value of the pound, many small manufacturers rely on these joint ventures as a major form of assistance in getting their goods overseas.

"For these types of firms," says Mr. McConnell, "there will have to be a cutback in their planned penetration of markets."

According to Mr. Clifford Land, head of the fairs and promotions department at the London Chamber of Commerce, the cutbacks will affect every sponsoring organisation, both horizontal and

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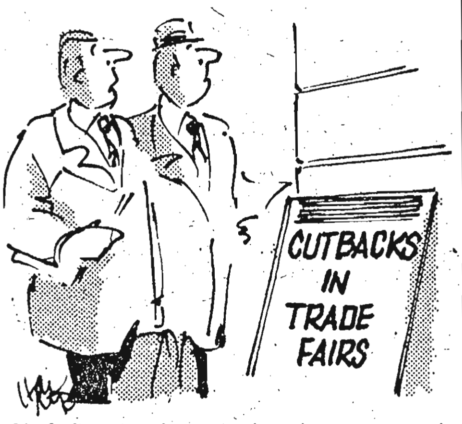

"My feeling, Henderson, is that what we save on the swings we lose on the roundabouts."

No enthusiasm from the very top

LACK of enthusiasm in top management is responsible for many lost opportunities in overseas markets, according to Mr. Paul Amos, director of Weetabix, one of Britain's most successful exporting companies.

Mr. Amos, just returned from Canada, said that this attitude resulted in the loss of confidence right down the organisational structure, and there was no doubt, he believed, that export departments are affected by the lack of positive direction by their boards.

As a director of Weetabix, which won the Queen's Award for Industry in 1975 for export successes and whose own chairman Mr. Tony George, takes a close interest in export opportunities, Mr. Amos led a British Food Export Council's selling mission on food and drink in Canada.

"The mission represented a wonderful opportunity for many British companies to compete in a market which is pre-disposed towards British products and at a time when the rate of exchange makes our products highly competitive on price," he said.

All together

"Only companies who did not want any more business could afford not to go, for buyers representing practically all the major chains visited the Montreal and Toronto exhibitions, 70 buyers attending at Montreal and 97 at Toronto.

"Consider how long it would take to organise meetings with all these buyers, even if it were possible to get appointments with them all.

"Even companies who have subsidiaries in Canada could be helped. We have two companies in Canada, but we found the mission extremely good value, giving us the opportunity of extending contacts with important grocery trade buyers."

Mr. Brian Garrett, Sales Director of Adams Biscuits of Uttoxeter, supported the view that the British Food Export Council's Mission to Canada was well worthwhile.

He said: "For my company this was a great opportunity to contact major buyers at modest cost. Although we are already well represented in Canada, the mission enabled us to show prospective buyers new lines, extend our distribution of existing lines through such household names as the Hudson Bay Company, and to discuss the introduction of products which have not so far been sold in Canada.

"The proof of the value of the mission is that we are already receiving orders directly attributable to the visit and that we have opened up new markets for some of our existing UK lines. The whole operation was a marvellous spearhead for new business which we shall follow up vigorously."

Revaluation 'won't help'

LONDON Banks are telling exporters that the German reval-ation of the Mark will have almost no effect to British expo- either to Germany or in competition with German goods other markets.

The revaluation did not af- the pound, the franc or the Ital- lira, but the value of the mark - rise two per cent against the - rencies of Holland, Belgium - Luxembourg, three per ce- against the Norwegian - Swedish crowns, and six per c- against the Danish kroner.

The purpose of the revalua- was to slow down the Germ- economy, which has recove- from the 1974 slump far fas- than Germany's trading partn- and to reduce its trade surpl- thereby enabling the wea- countries to reduce their tr- deficits.

The London Chamber - Commerce say that the reval- tion will give British exporte- psychological boost, but li- more, because on the wh- British export prices continu- be uncompetitive, even with - devaluation of sterling, says - Chamber.

In markets, such as exp- sive capital machinery, Germ- firms often win orders o- British firms because they se- more technically competen- adds.

Business Traveller

Export Times branches out this month with the publication of our new quarterly Business Traveller, which promises not only to help you cut the cost of travelling but is packed with hard facts.

Some, not all, readers of Export Times will find a copy of Business Traveller with this issue, which we have enclosed just for this month as part of our promotional effort.

The only way to ensure that you get regular copies is to complete and return the subscription card which can be found inside. All other readers who want a copy should write to Business Traveller, Export Times Publishing Ltd., 60 Fleet Street, London EC4Y 1LA, enclosing £3.25 for the next four issues. Overseas rates are $10 for Europe and $15 for the rest of the world.

Inside Export Times . . .

90 fairs are cut

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organise and operate them than to a cutback in funds for the fairs themselves.

A survey of the staff taken over a year ago showed that their workload had increased by 35 per cent, while their numbers had remained the same. The BOTB feels that in order to maintain that level on the reduced staff, there will have to be a reduction in services.

This year's BOTB budget for trade promotions is £12.4m., a rise of £3.3m. over the previous year. Under the present cutbacks, the budget for the next two years will be raised only in relation to the rate of inflation, so that in real terms, they will only have the same amount of money to spend on next years programme as it has this year.

The BOTB rationalises its decision by saying that "the money we spend on joint ventures is money we spend abroad, and with the declining value of the pound, our costs (construction of stands at the fairs and travel and accommodation costs) are going up dramatically."

Outward missions, British trade pavilions and all British exhibitions will not be affected by the cutbacks.

In addition to the elimination of nearly a quarter of the joint ventures, the minimum number of firms participating in those remaining schemes will go up from six to ten.

Export Times has also been told by officials in the BOTB that the board will also be considering raising the charges for stand space on the joint venture schemes. Those charges have gone up in the past two years, and were more recently raised in April this year. If the rise does come, it will probably take effect in April, 1977.

The Board will also be considering charging for those publications which they are currently distributing free of charge.

While the Board has already secured a list of fairs that the trade associations are prepared to forego, no details are available, except for the assurance the no trade association will be entirely excluded from the joint venture scheme as a result of the cutback.

'Absolutely crazy'

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vertical, since they are all being asked to make a 25 per cent cut back in the programmes for next year. In 1976, the London Chamber will sponsor 26 joint ventures, in 1977 it will only be sponsoring 18.

The British Overseas Trade Board's Fairs and Promotion Branch has been flooded with letters from irate businessmen who were dazed by the news. One company manager wrote the following to them after he had learned that a venture at which he had planned to exhibit at had been cancelled.

"As a Sales Director of a company striving to improve our export performance, I find this policy absolutely crazy. We are all aware of the necessity to reduce public expenditure, but to suggest that a reduction in our overseas effort in trade fairs is in our opinion complete misdirection of available funds. The survival of this country as an industrial force in the markets of the world depends very much on the export effort made, not just by companies alone but by the country as a whole and we are very disappointed that the money is not being made available to sponsor overseas missions of this kind."

"We approve the cuts on Government expenditure," said Mr. Arthur Day, Director General of the Institute of Exports, "but to cut a main artery is surely suicidal. No export led recovery can happen if we reduce publicity worldwide," he said.

"The real problem," noted one federation spokesman, "is that nobody really speaks for the exporter."

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