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foreign trade

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COVER In South America today, development is proceeding quickly but the older industries still retain their importance. (Left) Cotton continues to be Brazil's second export crop and is widely grown; (right) nitrate, here being loaded at Iquique, has lost ground to synthetic fertilizers but still earns much of Chile's foreign exchange. (Top) Older methods of transportation, such as this steamboat on Colombia's Magdalena River, are being modernized and (bottom, centre) new public buildings are rising like this one in Lima, Peru. For reports on the South American countries today, see pages 2 to 29.

—Photos by Standard Oil (N.J.),
Theodor Preising, University
of Chile, and H.R. Ramus

See p. 28.

Canada's Trade with Latin America

More Canadian exporters are finding Latin Americans worthwhile customers; our sales there have risen \$45 million in first eight months of '57 compared with last year. Here is an analysis of this growing, changing market, where development plans are speeding up, a sizable middle class is emerging, and living standards are rising.

A. G. KNIEWASSER,
Area Trade Officer for Latin America.

CANADA'S EXPORT AND IMPORT TRADE with Latin America have both continued to increase this year. By the end of August, exports to the 21 Republics totalled \$161 million, compared with \$116 million for the same period in 1956. Total imports from Latin America reached \$187 million by the end of June, but the \$26 million unfavourable trade balance for Canada was unusually small, despite record petroleum purchases from Venezuela. It is expected that by the end of this year total exports will easily exceed \$200 million. Our export business with Latin America has increased each year since the postwar low of \$171 million reached in 1955.

Market Highlights of 1957

Although currency difficulties continue to plague such historic markets as Brazil, Argentina, Colombia, Chile, Uruguay and Bolivia, *developments in all Latin American countries favour better marketing conditions for*

Canadian products. New import programs have been instituted in Brazil, Colombia, Chile and Bolivia which should strengthen these countries economically. The Argentine Government, despite many difficulties, is making sincere efforts to expand its foreign exchange-earning industries. Mexico, Venezuela, Peru, the Dominican Republic, Cuba and most Central American countries are all in favourable hard-currency positions and appear to be becoming more prosperous as time goes on. Among the countries which have increased their purchases from Canada sizably during the first eight months of this year are Panama, up 742 per cent, Argentina 199 per cent, Brazil 112 per cent, Uruguay 101 per cent, Honduras 37 per cent, Mexico 22 per cent, and Puerto Rico 16 per cent.

Commodity Trade Reviewed

The leading Canadian exports to South America are newsprint, industrial and farm machinery, flour, synthetic plastics, rolling mill products, wheat, milk powder, aluminum, asbestos, electrical appliances, fish, copper, malt, aircraft and parts, wood pulp, automobiles, purebred cattle and seed potatoes. Of

Canadian Trade with Latin America

(thousands of \$)

Country	EXPORTS					IMPORTS				
	Jan.-Aug.					Jan.-June				
	1955	1956	1956	1957	% Change	1955	1956	1956	1957	% Change
Argentina	6,833	6,183	3,562	10,649	+ 199	4,414	4,626	1,938	2,003	+ 3
Bolivia	1,086	1,489	1,068	761	- 29	29	88	59	32	- 46
Brazil.....	11,520	13,026	8,390	17,824	+ 112	30,747	34,832	16,200	16,002	- 1
Chile.....	3,820	4,420	2,320	2,951	+ 27	250	1,704	515	1,411	+ 174
Colombia.....	22,691	17,589	12,186	9,955	- 18	22,220	23,056	12,529	9,260	- 26
Costa Rica.....	3,576	2,743	1,777	1,597	- 11	5,948	3,893	1,231	3,952	+ 221
Cuba.....	13,910	15,371	9,455	10,580	+ 12	10,025	12,279	7,543	6,461	- 14
Dominican Republic.....	4,168	4,985	3,238	3,292	+ 2	1,529	1,346	870	417	- 52
Ecuador.....	4,953	4,344	3,664	1,716	- 53	5,187	4,498	2,272	1,641	- 28
El Salvador.....	1,808	2,295	1,568	1,702	+ 9	2,962	1,133	844	584	- 31
Guatemala.....	2,508	3,003	1,891	2,135	+ 13	4,545	3,227	1,976	2,380	+ 20
Haiti.....	2,447	2,917	2,005	1,422	- 29	1,587	1,673	953	625	- 34
Honduras.....	588	868	522	713	+ 37	1,666	7,079	2,291	3,234	+ 41
Mexico.....	37,126	39,385	25,093	30,660	+ 22	28,814	41,699	32,397	9,438	- 71
Nicaragua.....	1,769	1,402	992	1,063	+ 7	1,429	655	486	206	- 58
Panama.....	2,824	7,748	2,976	25,057	+ 742	9,037	7,585	5,383	3,226	- 40
Paraguay.....	91	238	208	110	- 47	237	142	86	82	- 5
Peru.....	6,001	11,337	6,916	6,088	- 12	869	2,766	1,067	1,584	+ 48
Puerto Rico.....	9,715	10,421	6,965	8,068	+ 16	1,094	1,054	474	428	- 10
Uruguay.....	2,355	2,758	1,270	2,555	+ 101	483	1,157	500	432	- 14
Venezuela.....	30,756	34,335	20,040	22,170	+ 11	187,277	208,401	93,263	123,500	+ 32
TOTAL.....	170,545	186,857	116,106	161,068	+ 39	320,339	362,903	182,877	186,898	+ 2

particular interest this year was the sale of Canadian ships worth \$22 million to buyers in the Republic of Panama, and an Argentine order for 25 diesel electric locomotives. Sales of wheat and flour have declined in the face of United States surplus disposal programs and increasing flour-milling capacity. Some interesting new business has been developed in synthetic textile fibres, cobalt beam therapy units, leather, purebred cattle, lumber and fine papers. Canadian engineers and air survey firms are active in a number of countries.

Although exports to Latin America account for only 4 per cent of our total export trade, it is worth noting that the area purchases a much higher percentage of manufactured goods than do most of our principal customers. This market is also vital for a number of important Canadian export industries. The table below summarizes sales of these products to Latin America as a percentage of total exports to all countries. The figures are based on the calendar year 1956.

Petroleum Is Leading Import

Imports of petroleum and petroleum products from Venezuela account for some two-thirds of our total imports from all Latin American countries. Purchases this year had increased 40 per cent to \$130 million by the end of June, despite growing Canadian production. Canada is now Venezuela's second most important export market, a fact which is of particular significance

to the Venezuelan Government in view of the restrictions which the United States Government has placed on imports of petroleum.

Canadians have also been buying substantial quantities of coffee from Brazil, Colombia, Mexico and Guatemala, bananas from Costa Rica, Honduras, Panama and Ecuador, and sugar from Cuba. Purchases of raw cotton from Mexico totalled \$29 million last year but have fallen off for the present because the United States Department of Agriculture is offering surplus

Export sales to Latin America as a percentage of exports to all countries

Item	%
Railway track material	92.6
Felts and jackets for papermaking	80.5
Milk powder	74.1
Ships	72.4
Malt	48.1
Copper wire and manufactures	47.0
Films, motion picture, unexposed	46.2
Shell eggs	45.4
Bond and writing paper	36.4
Synthetic thread and yarn	35.0
Synthetic plastics, primary form	31.8
Rolling mill products	31.2
Rubber products	
(except tires and footwear)	29.4
Certified seed potatoes	28.3
Cured fish	25.5
Rubber tires and tubes	23.7
Drugs and medicines	20.6
Flour	20.0
Purebred cattle	17.7

stocks at attractive prices. An interesting development has been the export of Chilean steel bars, rods and sheets to buyers in Western Canada.

Opportunities for Capital Goods

With the fastest growing population of any continent and with all governments pledged to raising living standards, the tempo of planning and executing development projects is rising throughout Latin America. Highway construction, port improvements, electric power projects, railway construction and modernization, and the establishment of manufacturing industries are all proceeding rapidly. But per capita income is much lower than in North America and domestic savings are inadequate to finance many of these programs. Many of the projects already undertaken have been financed by the International Bank or through United States Government loans. Private capital sources in the United States, Europe, and (more recently) Japan are also participating. Canadian engineering firms and capital goods exporters are finding that they must be in a position to offer credit terms of five years or more to participate in this growing business. In Argentina, for example, free exchange is now available for capital goods imports from the dollar area only if eight-year terms are granted.

In almost all countries there is a tendency to limit imports of consumer goods to make exchange available for capital goods imports or payments on development loans. Substantially increased Canadian sales of capital goods in the area will depend to a large extent on the ability of exporters here to compete with foreign suppliers on the basis of credit as well as price, delivery and quality. Economists estimate United States public and private investment in Latin America at over \$8 billion and it is still growing. Subsidiaries of U.S. firms account for some 25 per cent of Latin American manufacturing and mining output. There are many splendid opportunities for Canadian investment.

Agency Arrangements Reviewed

New channels of import and distribution are being opened up as development programs take effect. During the year a number of Canadian exporters have concluded new agency arrangements to meet this need. In Venezuela, for instance, businessmen in Maracaibo, Puerto la Cruz and Ciudad Bolivar are handling more of the import trade in their districts than ever before and country-wide agency arrangements with Caracas firms are no longer satisfactory in all cases. The same process is apparent in other countries. In this situation, exporters find that it is good business to review their selling arrangements in the area at regular intervals to ensure that orders are not being lost.

Some of the firms in these newer trading areas are relatively inexperienced in the intricacies of inter-

national trade. Export managers are finding it essential to make more frequent and intensive business trips and to develop facilities for handling orders and advertising in Spanish and Portuguese. Notice of business tours which Canadian Trade Commissioners carry out in their territories is published in *Foreign Trade*. They make special calls and submit reports to exporters on new markets and commercial contacts. Import business in Latin America is increasing but it is also becoming more demanding and difficult in the face of these developments and because of keen competition from the United States, Europe and Japan.

The population of Latin America now exceeds that of the United States and should reach 300 million by 1980. Income too is increasing and becoming more evenly distributed as a sizable middle class emerges. Prospects for greater Canadian trade with the area thus are excellent for both the short and the long term.

For reports on business conditions in Costa Rica, Cuba, the Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua and Panama, see "Foreign Trade" of October 26, 1957—Editor.

Spanish Translation Service Established

The Department of Trade and Commerce has recently established a trial Spanish translation service with the objective of making Canadian export products better known throughout Latin America. Material describing Canadian export industries and services is received from Canadian firms and translated into the Spanish language through facilities offered by the Canadian Trade Commissioner in Mexico City. The Spanish translations are then forwarded to all posts in Latin America and the Trade Commissioners in each endeavour to interest newspapers and trade journals in printing them free of charge.

A number of Canadian exporters have already participated in the program and have been well pleased with the results. Latin Americans have a great interest in Canada and particularly in some of the recent developments in the manufacturing and scientific fields. More material from exporters would be welcome; photographs suitable for newspaper reproduction should accompany written texts wherever possible. The Trade Commissioners mail tear-sheets of publicity secured directly to the export firm concerned, plus copies of the original Spanish translation of its material for the firm's own use. There is no charge for this service. For further information, please write the Area Officer for Latin America, Department of Trade and Commerce, Ottawa.

Argentina

Trade deficit is rising again and has forced cuts in imports, particularly from dollar suppliers. Purchases of capital equipment largely made under loans or long-term credits, with few chances for Canadians to participate. If more products are thrown into the free market, Canadian exporters may be better able to compete.

C. S. BISSETT,

Commercial Counsellor, Buenos Aires.

ARGENTINA'S TRADE DEFICIT for the first six months of this year was somewhat lower than for the same period in 1956. In July and August, however, it took a turn for the worse, mainly because of heavy imports of oil. At August 31 the deficit totalled the equivalent of \$197 million compared with \$152 million on the same date last year, or almost 21 per cent of the value of total 1956 exports. Steps have been taken to reduce imports, especially from the dollar area, and to increase exports. Progress has been made in establishing a multilateral trading system with certain European countries and in developing Argentine resources and industry.

Attacked by late frosts following a long hard winter and plagued by persistent drought in most areas and by floods in others, the state of the growing crops is in doubt. Debt settlement abroad has progressed and there have been further investments of foreign capital.

Dollar Position Reinforced

General revenue collected during January-April this year increased by just over one-third compared with the same period last year. Unofficial figures based on incomplete returns show that revenue for the first six months of this year increased only by about 28 per cent.

The net reserves of gold and foreign exchange held by the Argentine Central Bank at the end of September showed an increase over the figure at the end of the first quarter. However, expenditure was greater than income and the rise was made possible by a US\$75 million loan from the International Monetary Fund paid in April. The Central Bank has continued to sell gold to reinforce its dollar position, weakened by the persistent deficit in the balance of trade with the dollar countries. Gold reserves fell from about 940

million pesos at December 31, 1956, to about 575 million on October 24. The Bank has also intervened directly in the free market to support the value of the free peso by selling part of the dollars obtained from gold sales. From a low of around 46, this rate in the past two weeks has been driven up to about 40 per US dollar. This action was aimed at speculators. In addition, the purchase and sale of exchange futures in the free market were prohibited. Forcing importers to pay cash for their free-market imports is designed to relieve the pressure on the free peso and to curb purchases abroad.

At the beginning of the year a deficit of about the equivalent of \$210 million was forecast by the Ministry of Finance for official market operations in 1957. This was based on the prospect of a poor maize crop and the probability that petroleum products would still cost much more than normal because of the Suez crisis.

The main reason for the unfavourable balance continued to be the cost of petroleum products, estimated at \$367 million for 1957 compared with \$250 million in 1956. More intensive exploitation of Argentine petroleum resources would be a major factor in improving the balance-of-payments position.

Loans and Credits Affect Buying

According to the *Economic Survey*, Argentina since the 1955 revolution has secured loans and credits totalling the equivalent of \$660 million, supplied by foreign official and commercial banks and by contractors and other suppliers. This is about half of the latest estimate of what is needed immediately to set the economy on its feet and about one-third of what will ultimately be needed. Benefiting mainly from these loans and credits were road and rail transport, steel mills, electric power and petroleum development.

Canadian firms have little chance of participating in the business arising from these projects because purchases are largely confined to countries financing them. The only chance for Canadian suppliers is to try to make sales to firms which have been awarded contracts not financed on the above basis and for parts of any project which will be paid for in dollars. In such cases the Canadian firm would probably have to match the credit terms governing the main contract. Normally under present regulations (except for special cases) a wide range of machinery and equipment for the rehabilitation of industry may be bought in the dollar area only on eight-year credit, compared with four years for the soft currency area.

Paris Club Agreement

The multilateral agreement with the principal European exporting countries, known as the Paris Club, which has been hanging fire for some time, is expected



These Argentine gauchos are pausing for their equivalent of a "coffee break". The raising of beef cattle continues to be important in the economy and canned meat normally heads the list of Canadian purchases from the Argentine.

to be signed by next month. The difficulties which prevented West Germany from joining the Club when it was originally formed are reported to have been solved to the satisfaction of both countries. Those with France are also said to have been eliminated. Others of more recent origin with Belgium, Italy and Switzerland are now reported to have been referred to the Argentine courts. These developments will likely make it possible for all the countries concerned to meet in Buenos Aires at an early date to sign the final agreement. Meanwhile, Argentina has already started to pay the annual instalments on its combined commercial debt as called for in the tentative agreement.

Foreign Trade Picture

Hopes in the first half of the year for a smaller adverse balance of trade compared with the same period in 1956 were dashed when the deficit increased by the end of August. This trend may continue for the next two months because the bulk of the exportable and exchange-earning cereal crops has already been shipped abroad. Things should improve when shipments of the new wool clip start in December.

Total exports for the first nine months of 1957 were valued at the equivalent of \$720.7 million compared with \$691.9 million in the same period of last year, an increase of 4.2 per cent in value and 5.4 per cent in volume. The latter reflects a relative decline in shipments of higher-priced meats in favour of lower-priced cereals.

Imports for the first eight months of the year totalled \$860.5 million, an increase of \$109 million and of over 14 per cent compared with the similar period of last year. They were distributed as follows, by main groups with comparative totals and percentages for January-August 1956, expressed in millions of U.S. dollars: consumer goods, \$44.8 (\$56.6) and 5.2 (7.5) per cent; capital goods, \$218.1 (\$179.3) and 25.3 (23.9) per cent; fuels, \$223.2 (\$148.4) and 25.9 (19.7) per cent; raw materials, \$374.4 (\$367.3) and 43.6 (48.0) per cent.

The *Economic Survey* of October 15 publishes a useful table showing exports to, imports from and the trade balance of the principal countries involved in Argentina's foreign trade for January-August.

ARGENTINA'S FOREIGN TRADE

Country	Imports from	Exports to	Balance
	(in millions of dollars)		
United States	220.8	78.3	-142.5
Brazil	80.6	46.9	- 33.7
Venezuela	75.9	3.4	- 72.5
West Germany	63.6	63.0	- 0.6
United Kingdom	62.1	167.9	+105.8
Italy	36.8	49.8	+ 13.0
Netherlands	18.8	59.9	+ 41.1
Peru	10.3	11.0	+ 0.7
All others	291.6	183.3	-108.3
Totals	860.5	663.5	-197.0

The marked increase in imports from the United States does not indicate increased dollar earnings which would also benefit Canada. Rather it is the result of the Eximbank loans and related credits from banks and exporters with which capital goods are being purchased. An outstanding example is the 220 diesel-electric locomotives bought recently from United States manufacturers, although all of these do not yet figure in the import statistics. All non-United States firms are barred from participation in deals financed by Eximbank loans. Imports of motor trucks, recently banned once again, also helped to swell the deficit in trade with the U.S.

An outstanding factor in the trade of this period is the increasing importance of the free market. A fairly extensive list of products has been removed from the official and thrown into the free market, either with or without an import surcharge. Present policy is to strip the official market lists of every product that cannot be considered essential to the economy and considerable progress has already been made. When the free market was first instituted, only some 7 to 8 per cent of total imports could be brought in in this way, but in the January-August period this grew to 26.7 per cent. However, in exports the percentage was only 19.5. This meant a disequilibrium in the supply-demand ratio for free exchange and heavy pressure

on the peso. The result was further curtailment of imports, with special emphasis on those from the dollar area.

Canadian-Argentine Trade

Because an important part of the Argentine goods consumed in Canada are originally shipped to importers in the United States, Argentine trade statistics do not give as true a picture of the trade interchange as do Canadian figures. During the first half of the present year, Argentine exports to Canada increased slightly compared with the same six months of last year, but imports from Canada showed a marked rise.

The chief exports to Canada valued at Can.\$10,000 and over (with the comparative value for the same period of last year in parentheses), were: canned corned beef, \$192,520 (\$5,959); quebracho extract, \$165,079 (\$172,716); scoured wool, \$118,262 (\$213,692); grease wool, \$68,846 (\$68,760); cleaned rice, \$56,849 (\$31,225); paddy rice \$52,833 (\$24,924); tung oil, \$39,960 (\$31,144); pulled wool, \$25,575 (\$17,579); undressed sheepskins, \$12,301 (\$33,798). Purchases altogether totalled \$812,797 compared with \$734,458 for the first half of 1956.

Imports during this period were valued at Can.-\$8,689,788 compared with \$2,246,795 last year. One sale of 25 diesel-electric locomotives (of which two are not included in present statistics) was largely responsible for this substantial increase. However, apart from that, there was a noticeable rise in Canadian sales. The main imports valued at Can.\$30,000 and over were: diesel-electric locomotives, \$5,129,577 (nil); newsprint, \$1,499,541 (\$804,057); asbestos fibres, \$461,017 (\$67,651); aluminum ingots, \$333,746 (\$466,741); parts for tractors, \$224,886 (nil); steel plates, sheets and strips, \$187,313 (\$149,187); nickel, \$104,744 (\$53,652), synthetic resins, \$86,318 (\$20,096); parts for farm machinery, \$65,152 (\$209,288); parts for automobiles, \$55,867 (\$55,515); parts for machinery n.o.p., \$47,664 (\$27,278); gas engines and parts, \$45,854 (\$13,534); drugs and chemicals, \$45,163 (\$6,204); purebred cattle, \$43,900 (\$20,250); synthetic fibre manufactures n.o.p., \$36,427 (nil); iron pipe fittings, \$35,907 (nil); unexposed motion picture film, \$34,103 (nil); synthetic resin manufactures, \$33,563 (nil).

Outlook Still Clouded

The outlook for Canadian exports to this market is not promising because the dollar shortage persists. Any appreciable expansion would have to be based on long-term credits in competition with those now offered by other dollar-area exporters who can call on financing by government institutions and groups

of commercial banks. Argentina must also begin to restrict purchases from the dollar area other than those on long terms because there is small prospect of increased dollar earnings and a substantial percentage of normal earnings must be applied to amortizing the purchases on long terms already made or still being concluded.

Some of these restrictions which adversely affect Canadian sales have already gone into force—notably those on aluminum ingots and asbestos fibres. Exchange permits for both of these products have been made automatic for all areas except the dollar area. Although this regulation will not entirely exclude imports from dollar countries because special permits could be granted, the effect is to exclude such imports as long as supplies are obtainable from non-dollar sources. The brighter side of the picture is the possibility that many more products will be thrown into the free market and that Canadian firms will be able to find a number in which they can compete. ●

Bolivia

Government measures to control inflation and stabilize the economy are showing encouraging results but the outlook is still uncertain; Canadian exporters are advised to proceed cautiously. Duties on essential goods have been lowered but exchange shortage remains acute.

D. H. CHENEY,
Commercial Secretary, Lima.

OUR REPORT LAST YEAR contained little that was optimistic about the future of Bolivia's economy or its possibilities as an export market. The country appeared to be teetering on the verge of economic disaster. Inflation was rampant, tin production had slumped, the value of the boliviano had plummeted to a record low, and food and supplies were scarce. The only bright spot in the picture was an improvement in the petroleum industry following implementation of a new Petroleum Code. But behind the scenes plans were being laid to bring the situation under control.

In May 1956 the United States and Bolivia signed an agreement creating a National Stabilization Council to study ways to control inflation and strengthen the economy. Three Americans were appointed to serve as advisers to the Council, which was made up of the President of Bolivia, several cabinet ministers, and banking and industrial leaders.

In October of last year the boliviano tumbled to a new low of 12,500 to the dollar on the free market but by mid-December had recovered to 8,500; the official rate was 190 bolivianos to the dollar. On the recommendation of the Stabilization Council the Government approached the International Monetary Fund with a comprehensive program to stabilize the economy. On December 17, the United States and the International Monetary Fund advanced a credit of \$25 million to support the currency and the stabilization plan. On December 19, the Government announced that it had officially stabilized the currency at 7,700 bolivianos to one U.S. dollar. A unified, fluctuating exchange rate was thus established in place of the complex multiple rates previously in effect.

Stabilization Program Adopted

Apart from the all-important step of stabilizing the national currency, the new stabilization plan included the following measures:

- Removal of trade and exchange restrictions.
- Removal of price controls.
- Increased taxes on many luxury goods.
- Controlled bank credit.
- Reduced government expenditures.
- Revision of the tariff schedule.

The new measures abolished import controls and allowed importers to buy from any source they chose. However, they first had to provide the foreign exchange—and at the new rates. With their businesses capitalized at the old official rate of 190 bolivianos to the dollar, many firms found that their capital in terms of dollars had been reduced to next to nothing. Banks also tightened credit and business faced a difficult situation.

Prices of imported goods skyrocketed and the labour groups and leftist elements in the country determined to wreck the program. Toward the end of December, in a last desperate effort to persuade the Central Workers Federation to cease further strikes aimed at disrupting the stabilization measures, the President threatened to go on a hunger strike. This unusual move coupled with a brilliant and convincing address delivered to a crowd gathered before the Presidential

palace won the support of the top labour leader and ended a paralyzing strike in the tin mines. Since that time the President has survived crises time and again and clung tenaciously to his stabilization program.

New Tariff Established

As part of the reform program, a completely new tariff schedule was adopted in December 1956. The rates of duty under the revised schedule range from free to 300 per cent calculated on the C.I.F. value and at the rate of exchange established by the Central Reserve Bank on the day of payment. The customs tariff is applied equally to imports from all sources, except for reduced rates on a few essential products brought in from contiguous countries. Essential foodstuffs such as cattle, beef, pork and lard are allowed to enter duty-free. Powdered and condensed milk, edible oils, and fresh frozen, dried, salted and canned fish are assessed 2 per cent ad valorem; wheat 6 per cent; wheat flour, rice and sugar 8 per cent; and potatoes and other tubers 10 per cent. On May 7, 1957, the tariff was once again revised to reduce the duty on goods regarded as essential. (Detailed information on the Bolivian tariff rates are available from the International Trade Relations Branch, Department of Trade and Commerce, Ottawa.) Bolivia uses the new tariff system to conserve foreign exchange and protect national industries. Duties are heavy on products which can be made locally but relatively low on essentials not made in the country, and on raw materials and equipment for industry.

Government Finances Improve

The National Budget for 1957, approved in February, provides for the first surplus in many years. It forecasts a rise of 400 per cent for both revenue and expenditure over last year's estimates. The Government is determined to improve its financial position and last June entered into an agreement with the Foreign Bondholders Protective Council to resume payments on dollar bonds which had been in default since 1931.

The official cost-of-living index fell progressively between March and June, aided by government cuts in the prices of petroleum fuels and food products obtained under American aid programs. The boliviano has maintained a fairly steady value, fluctuating close to the free rate established by the stabilization decree; the rate on October 1 was 8,600 bolivianos to the dollar, showing some weakening since May.

In April the Executive Secretary of the Stabilization Council submitted a detailed report to the Government on the progress of the stabilization plan. He asserted that the stabilization measures had checked inflation

and black market operations, had stimulated agricultural output, and had reduced food prices. The report also noted that mineral production had failed to come up to expectations and warned that the danger of renewed inflation was still imminent if the Government yielded to demands for a wage increase. The Council also found the country's financial position weaker than it had first realized; for instance, it discovered debts it was unaware of when the plan was instituted.

Search for Oil Stepped Up

With a new atmosphere of economic freedom prevailing and benefits from the Petroleum Code, the activity in oil exploration and development has increased significantly since the first of the year. A number of American and other foreign oil companies have received concessions. The Bolivian Gulf Oil Company has already begun drilling its first test well in south-eastern Bolivia where prospects are considered excellent. The Bolivian government oil company is also stepping up its activity. Prospects for finding new oil are promising in almost all parts of the country.

Oil output has increased rapidly in recent years and currently totals about 9,500 barrels a day; in 1955 production reached 2.7 million barrels, a 60 per cent increase over 1954. By comparison, in 1956 it averaged 8,800 barrels a day and in 1955 only 7,600 barrels. Petroleum exports totalled \$3 million but did not come up to the forecast \$5 to \$6 million because transportation problems held back shipments. Present oil wells could deliver 12,000 barrels a day if there were markets.

Bordering the two largest consumer nations in South America, Argentina and Brazil, Bolivia's great need now is to lay pipelines to link the oilfields with export markets. A recently completed pipeline joins fields in southern Bolivia with northern Argentina and another is planned from a field north of La Paz to the Peruvian port of Ilo. Plans call for a pipeline from a field south of La Paz to the port of Arica in northern Chile and two others from southern Bolivia to Paraguay. One of the Paraguay lines would cross the country to the Brazilian border and the other would supply the Paraguay market.

Bolivia offers one of the brightest petroleum prospects in South America and future developments could have far-reaching and beneficial results for her economy. The crude oil is of high quality, proven reserves are large, and neighbouring countries need oil badly.

Metals and Minerals Exported

Earnings of foreign exchange from exports of all metals and minerals in 1956 were some US\$3 million below expectations and in the first quarter of this year production of ores was still down 22 per cent although it was said to be improving. Higher prices for tin offset

the drop in production and shipments in 1956. Exports last year fell to 27,272 metric tons—4 per cent below 1955—but increased in the first quarter of this year to 10 per cent above the same period last year. Labour discontent over the stabilization measures and the depressed level of world prices have been large contributing factors. The privately-owned mines have also suffered heavily as a result of the stabilization measures, particularly the change in the exchange rate and restriction of credit by the government Mining Bank. A conference convened by the President in July has submitted a long list of recommendations to the Government designed to improve conditions in the mining industry.

Exports to Bolivia Rise

Bolivia's foreign trade last year changed little from 1955; exports totalled \$76 million (up about 1 per cent) and imports remained at approximately \$95 million. Canadian sales to Bolivia in 1956 reached \$1.5 million (\$1.1 million in 1955); increases resulted mainly from greater sales of automotive tires, canned pink salmon, tallow, machinery and parts, semi-fabricated aluminum, dynamos, generators and parts, medicinal preparations and calcium carbide. Mining machinery and parts was the most important item although it was down slightly in value from the previous year. Our exports for the first six months of this year totalled \$635 thousand (\$912 thousand to end of June last year). Canada buys little from Bolivia, mainly Brazil nuts; in 1955 these purchases reached only \$18 thousand but last year jumped to \$87 thousand.

Outlook Still Uncertain

Although recent developments in Bolivia give rise to considerable optimism, the country is still in a precarious and uncertain economic condition. The serious lack of accurate information and statistics is also a great handicap in assessing prospects. Despite the fact that the Government has removed import and exchange controls the shortage of foreign exchange remains acute; Canadian exporters should proceed cautiously in developing inquiries for their products. The Canadian Commercial Secretary in Lima, Peru, will be glad to provide status reports on Bolivian importers upon request.

Bolivia unquestionably is rich in natural resources and has tremendous mineral potential. The stabilization measures adopted by the Government to cure the country's economic ills are sound and it has adhered to them tenaciously. These measures have produced some encouraging results in less than a year. The remaining months of 1957 may well prove the turning-point in Bolivian fortunes. ●

Brazil

Government-sponsored program to industrialize the country is progressing; offers opportunities for sale of heavy industrial equipment and for investment. New tariff has slightly improved prospects for Canadian sales and exporters should reassess this market at this time.

VINCENT L. CHAPIN,
Commercial Secretary, Rio de Janeiro.

BRAZIL, the fourth largest country in the world, rich in natural resources, with a population of 60 million people, is a land of great potential. At present the country is striving to industrialize with a sense of urgency and with real determination. More important, the program is well conceived and ably executed.

Brazil's Economic Development Bank (the BNDE) is the government institution charged with the responsibility of executing this program. Canadian manufacturers, particularly of heavy industrial equipment, and investors interested in Brazil are strongly advised to familiarize themselves with the BNDE and its activities. To carry out its task, it has established the following priorities for its participation and support:

1. Re-equipment and extension of the railway system.
2. Re-equipment and development of ports and navigation system.
3. Construction and enlargement of electric power systems.
4. Establishment and expansion of basic industries.
5. Construction and extension of warehouses, silos, slaughterhouses and cold storage facilities.
6. Development of agriculture and also rural electrification, including the use of small waterfalls.
7. Other sectors.

How Program Is Proceeding

When it desires foreign participation in any of the projects which it sponsors, the BNDE either borrows directly from foreign lending institutions, purchases in its own name, or guarantees purchases on behalf of

private firms. Typical of these operations are the following: an Exim Bank loan to the BNDE of \$100 million to buy diesel locomotives for Brazil's re-organized railroad system; a recent BNDE call for tenders for 230 thousand tons of rails and accessories; a guarantee by the BNDE of a \$5 million contract between a Canadian manufacturer and a Brazilian railway company for diesel locomotives.

It must be emphasized, however, that when the BNDE borrows, purchases or guarantees, credit is a factor and, other things being equal, the bank directs its business to that country or exporter able to give the best credit terms. However, from the point of view of the supplier of credit the BNDE rating is first-class, carrying with it not only a guarantee of repayment of cruzeiros but also the necessary foreign exchange for transfer abroad.

Occasionally the BNDE agrees to three-year financing terms offered by the exporter, but usually it requests a minimum of five years, with a 10 to 15 per cent down payment on signing of the contract. As an indication of the credit conditions offered by competitors with which Canadian exporters must contend, the terms of the \$100 million loan supplied by the Exim Bank for diesel locomotives are that the first payment be made four years after delivery of the equipment and that the loan be repaid thereafter over a period of twelve years. The most liberal credit terms yet arranged for Canada are 15 per cent down and the balance over five years. In this instance, the contract was co-signed by the BNDE, guaranteeing repayment.

Of particular importance to Canadian exporters is the fact that fixed rates of exchange usually apply to those transactions to which the BNDE is a party, either as purchaser or guarantor. This is true under the new tariff law as it was under the old and the reason is that such purchases are in the national interest and qualify as government purchases for which special exchange provisions have been made. Consequently, the usual disadvantages of Brazil's multiple exchange system to exporters from the dollar area do not apply. Exchange-wise, the competitive position of all suppliers is the same.

Current Short-Term Difficulties

In its drive towards industrialization, Brazil's financial position is somewhat prone to short-term difficulties. Viewed in the proper perspective, however, this fact is much less serious than is generally considered. In Canada, foreign capital developed our basic raw material industries and industrialization followed. By and large, the Canadian economy could sustain the cost of industrialization because of income from raw materials and agricultural products sold abroad.

In Brazil the approach is different. There is a healthy fear of industrializing the country at the expense of surrendering to foreign investors control over the nation's natural resources. As a result, Brazil's resources, rather than being exported to pay for the country's industrialization program, remain to a large extent unexploited, awaiting the day when they will be used to feed the great industrial machine now developing. Iron ore is an exception, but exports are made by an industry which is Brazilian-controlled. Consequently, Brazil's drive towards industrialization must be supported mainly by income from agricultural exports, principally coffee.

When foreign exchange from coffee sales falls below expectation, difficulties arise. To date these crises have been successfully overcome, usually through an upturn in coffee prices or short-term borrowing, without the necessity of curtailing the industrialization program. Meanwhile the Brazilian Government is taking steps to ensure that industrialization will not be subject to the vagaries of the international coffee market. To take the pressure off coffee, plans are afloat to increase iron ore exports from three million to upwards of ten million tons a year. Local wheat production is to be boosted to reduce imports and save foreign exchange, and PETROBRAS—the Brazilian government agency with the sole right to exploit its oil resources—will speed up its program in the hope of new discoveries which will cut oil imports. Success in these three ventures could end Brazil's short-term difficulties.

Foreign Investment Welcomed

What has been said about the control of basic resources is not to be misconstrued as indicating that Brazil is unwilling to accept foreign investment for other purposes. The opposite is true; in fact, the key policy of the present administration is to create an economic and political climate conducive to foreign investment. The steady flow of foreign money into Brazil is proof of the success of this policy. Financing granted to Brazil by the Exim Bank currently amounts to approximately \$700 million. There is a substantial annual inflow of private capital from the United States, Germany, the United Kingdom, France, Italy, Switzerland and Japan. Authoritative estimates indicate that West German investments in Brazil in 1957 will reach \$30 million, an increase of 25 per cent over 1956. Britain, the third largest investor in 1956 with \$7 million of new capital, will this year be surpassed by France, Italy and Switzerland. Japanese investment will likely exceed that of West Germany if, as is reliably reported, Japanese industrialists take up a 40 per cent interest in Brazil's latest steel-mill project valued at nearly \$165 million.

NOVEMBER 23, 1957



The Canadian Ambassador to Brazil, W. A. Irwin, inspects a coffee tree in fruit during a recent visit to a coffee "fazenda" in São Paulo, which is Brazil's major coffee-raising state.

Notwithstanding the heavy flow of investment from other sources, World Bank loans to Brazil have not been extensive over the past five years. Reportedly, this is because of the Bank's dissatisfaction with internal conditions in Brazil, particularly inflation. Whether or not the present campaign to combat inflation, which is showing some results, will satisfy the Bank is a point of conjecture. Certainly Brazil would welcome financial assistance from the Bank, especially in the form of long-term financing. Undoubtedly such financing would serve the interests of Canadian exporters, particularly of heavy industrial equipment. Brazil has already drawn \$US75 million, its maximum drawing rights under its International Monetary Fund quota.

Tariff Law Improves Canadian Position

The position of certain Canadian exporters under Brazil's new tariff law which became effective last August has improved somewhat because of the change in the foreign exchange regulations which was incorporated in it. Under the old regime, exporters in a number of competing countries other than the United States enjoyed a distinct price advantage over Canadian exporters, amounting to as much as 20 per cent. Brazil's auction system of multiple exchange rates was responsible for this situation and resulted in seriously curtailed sales of Canadian codfish, pulp, special steels, etc. Canadian exporters often found themselves in the position of losing business even though their actual U.S. dollar quotations were 10 to 15 per cent below

those quoted by their competitors in Hague Club "dollars" or in soft currencies. The exchange system functioned in such a way that the cruzeiro cost to the Brazilian importer of dollar goods was high, notwithstanding lower dollar quotations.

Under the new import system, those countries whose trade with Brazil is financed with the so-called "inconvertible" currencies—Norway, Sweden, Denmark, Finland and Japan are the most important—still have an exchange advantage although it is now limited to approximately 10 per cent. New regulations provide that the cost of inconvertible currencies be not less than 90 per cent of the average of the other two types of currencies used to make payment for Brazilian imports. These other currencies, the cost of which at the moment is approximately the same, are the convertible currency—or U.S. dollar—which is used to pay for imports from the dollar area, and the limited convertible currency (ACL) dollar, which is used to clear all transactions between those countries comprising the Hague Club. Indications are that some of the countries mentioned above may in future join the Hague Club, reducing their exchange advantage still further.

Should Reassess Market

A final assessment of the position of the Canadian exporter will have to await developments on the possibility of increased Hague Club membership and the outcome of the GATT tariff negotiations in Geneva between Brazil and all the other participating countries, scheduled for January 1958. Meanwhile, Canadian exporters whose activities were formerly limited by the exchange situation should, because of the improved prospects, give serious consideration to re-establishing themselves on the Brazilian market. This applies with equal force to all those Canadian exporters who for one reason or another have not recently investigated Brazil as a market for their products. The office of the Commercial Secretary, Rio de Janeiro, will be pleased to help them.

Certainly there is room for improvement in our trading relations with Brazil because the deficit on our trade with that country last year amounted to \$20 million; imports from Brazil in 1956 totalled \$34,832,108 and exports (which did not include any wheat because of the U.S.-Brazil wheat agreement) reached \$13,026,473 (Canadian statistics). The 1957 figures to date show that our exports—newsprint, farm machinery, asbestos, locomotives, non-ferrous metals and synthetic resins—are running well ahead of last year but still constitute a small part of Brazil's \$1.2 billion worth of imports in 1956. All things considered, our objective over the next two or three years should be to achieve at least a balance of trade with this nation, which is industrializing at a rate comparable to that in Canada. ●

Chile

The fight against inflation proceeds but smaller returns from copper exports threaten to delay progress. With less exchange available for imports Chile will continue to buy only essential goods.

L. D. BURKE,

Acting Commercial Secretary, Santiago.

THE ECONOMIC STABILIZATION PROGRAM of the Chilean Government, now entering its second year, is designed to eventually end the country's persistent problem of inflation if all goes well. The program had achieved important results by the fall of this year but the continued decline in the price of copper, Chile's most important export, seriously threatens future progress.

In the early stages of its program to restore confidence in the nation's economy, the Government adopted wage controls and credit restrictions. Next came liberalization of foreign trade by abolishing favoured rates of exchange and barter agreements. Lately the Government has stopped paying subsidies which it felt it could no longer afford. These tactics cut the rate of inflation from 85 per cent in 1955 to 38 per cent last year but used as corrective measures they also increased some economic difficulties already present.

Industrial production slumped last year and has continued to lag in 1957. The cost of living rose by 28.5 per cent in the first eight months of the year. This sharp rise in living costs is critical for a people who have endured many privations to make the progress they have against inflation. Less palatable measures in the Government's stabilization plan still remain to be applied; they include anti-monopoly legislation, proposed cuts in government services, and tighter laws designed to reduce tax evasion.

Less Money from Copper Sales

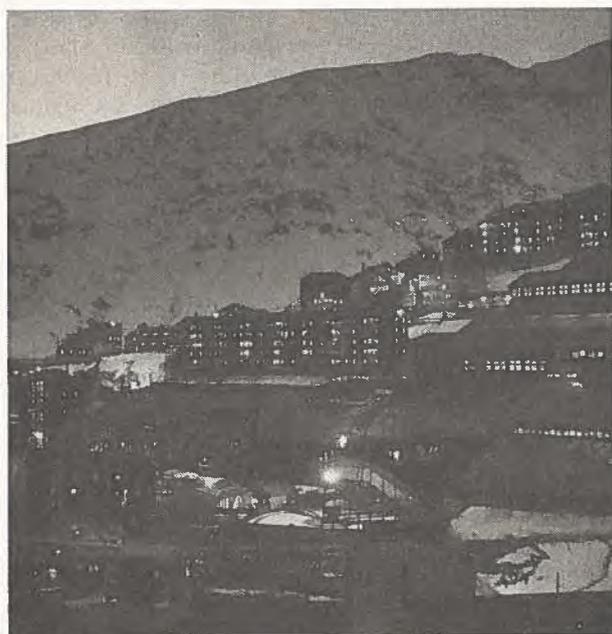
Contributing to the difficulties in achieving stability was the serious drop in the value of copper exports which provide more than half of Chile's foreign exchange and an estimated one-third of the total tax revenue of the Government. Copper prices, which began to weaken in March 1956, have continued to decline in 1957. A combination of smaller earnings from exports and increased prices for some commodities that Chile must buy abroad resulted in a balance-of-payments deficit forecast earlier to reach \$40 mil-

lion this year. Chile obtained an emergency credit for this amount from international lending organizations to help bridge the gap between estimated export earnings and exchange needed to buy essential imports. Copper prices have not yet recovered significantly and the country's exchange position will be particularly strained later in the year, when government commitments in foreign currencies normally increase.

Copper Output Increases

Copper production shot up in 1956 to 485 thousand metric tons, an increase of 13 per cent over 1955, making Chile the world's second most important producer and the principal exporter of this metal. Statistics to date indicate that the present rate of copper output will likely be maintained during the present year. In spite of falling prices, the large producers have been reluctant to cut output; if they did they would be subject to tax penalties under the copper law which went into effect in 1955.

The Chilean subsidiaries of large American mining companies (Kennecott and Anaconda) plan large-scale investment to tap the substantial reserves of copper available. Anaconda will invest in new equipment and facilities to increase production at its Chuquicamata property, the largest copper deposit in the world. This company is also developing a new mine, "El Salvador", to replace a nearby operation which has exhausted its reserves. The discovery of this new mine saved the mining community involved from extinc-



Lit up at night, the buildings grouped around one of Chile's major copper mines at Sewell shine out against the surrounding snow. Chile has become the world's second producer.

tion, hence the name "El Salvador" (The Saviour). Kennecott plans to make improvements to its "El Teniente" mine, located south of Santiago. The mining firm Cerro de Pasco Corporation, already established in Peru, recently has started to develop a new copper mine in Chile.

Nitrate Also Earns Exchange

Nitrate, Chile's second mining industry, brings in a substantial percentage of the foreign exchange which the country earns. Nitrate sales boomed during World Wars I and II, but at present the industry appears to be depressed; world prices have declined, costs have risen and expanding use of synthetic substitutes provides severe competition. Exports for the nitrate statistical year ended June 1957 totalled 1.03 million metric tons, 344 thousand tons less than in 1955-56; France and Egypt, both important customers for the Chilean product, cut their imports in the 1956-57 year. It is now felt that, over a long period, the modern plants and machinery being installed should reduce costs and make Chilean nitrate more competitive in foreign markets. The industry in 1957 received a long-term loan of \$27.9 million from the Export-Import Bank.

Chile Buys More Food

Chile's population continues to expand more rapidly than agricultural production, forcing the country to buy more and more food from abroad. Government price controls and subsidies on imported farm products over the years have been blamed for discouraging domestic production. A change in policy came into effect lately; the Government has removed price controls on a number of farm products and has also taken steps to encourage and diversify exports. Plans are under way to set up a program to expand agriculture that visualizes increased farm mechanization, establishment of processing and manufacturing plants, and improvement of roads to get farm products to market. Chile is counting on substantial aid from abroad to finance this program. Whether this hope will be realized will depend a great deal on the country's progress in achieving financial stability as a condition for investment.

Chilean wheat production declined in the 1955-56 crop year, the result of a smaller acreage and unfavourable growing conditions; Chile will have to import 300 thousand tons of this grain. Wheat will come from Argentina, under a commercial agreement between the two countries, and from the United States, under a farm surplus-disposal agreement. The exchange advantage enjoyed by the Argentine under the commercial agreement and the terms which the United States offers under its disposal program made it impossible for Canada to supply any of Chile's needs for wheat during 1956-57.

Production and exports of Chilean iron ore increased substantially in 1956 over 1955. The industry consists of one large producer at present, a subsidiary of American steel interests, and several small and medium companies, including one in which a Canadian firm holds a principal interest. Because exports go mainly to the United States, this industry is an important earner of exchange. Possibilities for expanding sales of the high-grade Chilean ore appear promising.

Canada-Chile Trade

Chile's total imports decreased in 1956 from the previous year but sales abroad rose 14 per cent. Exports not already mentioned previously in this article included manufactures of steel, farm products, iodine, lumber and wool. The Canadian market is an increasingly important one for Chileans and particularly for steel products such as sheets, rods and angles, manufactured at the national mill at Huachipato in southern Chile, and delivered principally to British Columbia. This item alone accounted for a value of Can.\$847 thousand out of a total Chilean sales to Canada of goods in the first five months of 1957 valued at \$1.23 million; the remainder represents sales of country produce, soda nitrate and crude iodine.

Canadian exports to Chile in 1956 totalled Can.\$4.4 million, up \$600 thousand from 1955. The principal products in this trade were agricultural machinery, newsprint, pulp, asbestos and mining machinery. The 1956 pace of Canadian sales to this market has been maintained during the first half of 1957.

Newsprint exports declined sharply in the early part of this year, and for the remainder of 1957 will be confined mainly to special grades not made in the country at present. With the new plants that recently came into operation, Chile is now able to supply all her own needs for newsprint and provide some for export. Increased sales of industrial machinery, aluminum, office equipment and especially mining machinery have helped to offset the loss in newsprint exports. Canada also sold to Chile civilian aircraft valued at Can.\$480 thousand early this year—the first export of this type for several years.

The drop in copper prices (which means less exchange available for imports) makes it unlikely that Chile's present list of permitted imports will be liberalized. In fact, it is more likely that the list will be scrutinized closely to eliminate any non-essential articles. It would appear that the best opportunities for future sales of Canadian goods lie in agricultural machinery, if crop conditions continue good, or in basic products such as aluminum. Mining machinery and equipment might offer opportunities but this will depend on the effect of metal prices and sales volume on present expansion plans in the industry.

On September 23, 1957, Canadian Pacific Airlines inaugurated a bi-weekly service to Santiago, Chile, which extends its Mexico-Lima run. Canadian exporters seeking opportunities in this area might take advantage of this direct connection to take a personal look at the Chilean market. Direct air service should stimulate the tourist trade between the two countries, especially during Chile's summer season which lasts from November through to March. ●

Colombia

Canadian products sold here complement rather than compete with Colombian merchandise and chiefly fall into the essential category. Even with foreign purchases limited to \$20 to \$30 million a month, this market offers many short-term opportunities and promising long-term prospects.

W. B. McCULLOUGH,
Commercial Counsellor, Bogotá.

ECONOMIC PROBLEMS resulting from the shortage of foreign exchange will make the next few years difficult for Colombia. However, the Canadian exporter should not overlook the good prospects for trade in the long run nor the many short-term opportunities.

In the short run—over the next two to six years—Colombia must reduce foreign purchases to pay off her commercial arrears with foreign suppliers and must also live within her foreign exchange income. To achieve this, she has received assistance from United States banking institutions and has prohibited the import of non-essential commodities. However, Colombia must allocate from \$20 to \$30 million a month to buy essentials or prime necessities and Canada's basic exports fall into this category. Total imports have to be limited to this figure if the Colombian balance of payments is to be kept under control. Yet exporters should note that Colombia earns more dollars than all other foreign exchange combined and pays for goods in dollars; there are no currency problems to contend with.

In the long run, Colombia is likely to become an increasingly important market for Canadian investment and exports. Trained observers believe that this is a rich country and its natural resources are hardly explored. The population of some 14 million is scattered in thriving cities—30 have more than 50,000 inhabitants and Bogotá, the capital, has about 1.2 million. Waterpower is available near the larger centers and more is being developed to encourage industrial expansion.

Canadian-Colombian political and economic relations are excellent. Canada is one of the important markets for Colombian coffee, its principal export, and is highly regarded in all circles. Our products are complementary rather than competitive and Canadian businessmen enjoy a good reputation throughout the business community. This makes for an agreeable atmosphere in which to cultivate this developing market.

Solving Economic Problems

The most pressing economic problem in Colombia for the past two years has been the balance-of-payments position and the settlement of the commercial arrears with foreign suppliers. The payments problem—consisting of an outstanding commercial debt of sizable proportions—originated with the relaxing of import restrictions in 1954, when coffee prices reached an unprecedented high. Various measures taken in 1955 and 1956 to curtail imports included extending the prohibited import list, higher surtaxes, higher reimbursable deposits, and the transfer of many tariff items formerly paid for at the official rate of exchange to the free rate. However, these measures failed to bring the situation under control. One basic reason why the adverse trend in the payments position continued was that the developing economy kept up the demand for imported products and naturally no one wished to curb the pace of expansion.

Commercial Arrears—By the first of this year the commercial arrears for imports from all countries totalled \$324 million and by May 1 the outstanding debts for imports, capital and freights had risen to \$443 million. Early this year, the former Minister of Finance announced the 60-40 plan for settlement of the commercial arrears with the United States. This arrangement between the Banco de la Republica and U.S. banks called for a cash payment of 60 per cent and 40 per cent in equal monthly instalments over 30 months, with interest at 4 per cent. Banking groups from West Germany, Sweden and Switzerland visited Bogotá and made similar arrangements for the settlement of similar debts. Canadian banks, on behalf of our exporters, also accepted the 60-40 settlement plan and Colombia has made payments on bank-to-bank collections. Settlement of direct remittances and open accounts has not yet been finalized.

Capital and Dividends—The Banco de la Republica offered three options to persons and firms who had filed applications before June 17, 1957, to remit dividends and repatriate capital abroad:

- A cash payment of 20 per cent in U.S. dollars and the balance in 36 monthly notes in dollars, maturing after January 1, 1959, with interest at 5 per cent.
- A cash payment of 20 per cent in U.S. dollars and the balance in pesos, at the rate of pesos 4.70 per dollar.
- A 100 per cent cash payment in pesos at the rate of pesos 4.95 per dollar.

It is understood that firms have accepted all three options, but most of them prefer the first two.

U.S. Loan—In July, Colombia obtained a loan and a line of credit totalling US\$87 million from the Export-Import Bank and U.S. banks. This loan was used to complete settlement of the commercial arrears with U.S. exporters.

Exchange Controls—On June 17, new exchange control regulations were announced, which included the following:

- The official exchange rate of pesos 2.50 per U.S. dollar was abolished.
- Exporters now receive in payment of exports freely negotiable exchange certificates, less 15 per cent tax, which are usable for specified purposes, including payments for imports.
- A 10 per cent tax was imposed on all drafts, including payments for imports.
- The surtaxes on imports were abolished.
- Reimbursable deposits on all imports were fixed at 20 per cent at the rate of 4.85 pesos per dollar. (On September 25, this was increased to 100 per cent for most imports and at the rate of 5.00 pesos per dollar.)
- All tariff items were grouped into three lists for exchange control:
 - free import list
 - items requiring a previous import licence
 - prohibited import list.

The free import list includes essential raw materials, certain machinery, and products normally imported and considered essential to the economy. The prohibited import list includes nearly half of the tariff items and obviously covers a wide range of manufactures and non-essential commodities.

Exchange Certificates—Through the use of exchange certificates, Colombia is now on a current payment basis and banks can remit dollars in payment of

imports more quickly than before. However, importers must present to the bank the customs manifest, verifying that the goods have entered the country, before the bank can remit the exchange involved. It takes at least 15 days to obtain this document and usually longer for points in the interior. Drafts of 30 or 60-day terms normally give the importer sufficient time to obtain the necessary documents, including exchange certificates, and the bank can then remit promptly. The current rate on certificates is about 5.11 pesos per dollar and the free rate about 5.95 pesos per dollar.

Economic Indices

Gold and dollar reserves held by the Banco de la Republica on September 20, 1957, totalled approximately \$144 million, compared with \$144.2 million at the end of December 1956, and \$152.6 million at the end of 1955.

Foreign exchange earnings in 1956 declined to \$452 million from \$545 million in 1955 and a peak of \$659 million reached in 1954. During the first six months of 1957, exchange earnings totalled about \$270 million.

During 1956, total registrations of import licences, at \$523 million, were down considerably from the \$664 million total in 1955. To mid-September this year value of licences issued reached \$300 million, which is a somewhat higher total than the \$20 million a month ceiling set in the exchange budget of the former Minister of Finance. Of this total, about \$150 million came in June, July and August which reflects the pent-up demand for items placed on the free import list and indicates that inventories of raw materials for industry were low.

Coffee Dominates Exports

Colombia is the world's largest producer of mild coffee, the basic crop which accounts for about 82 per cent of the country's foreign exchange earnings. During the calendar year 1956, exports totalled five million sacks (660 million lb.), about 800 thousand sacks (105.6 million lb.) less than in 1955. This year up to September 7, exports have totalled 3.2 million sacks (422 million lb.) slightly lower than exports for the same period last year. Prospects for the new crop are excellent and it is expected that Colombia will have larger quantities for sale abroad in 1958 than this year or last year. The United States is the principal market for Colombian coffee, taking about 85 per cent of the total exports. Canada buys about \$20 million worth of Colombian coffee a year.

Smaller Trade with Canada

Our trade with Colombia in 1956 totalled \$40.6 million (\$44.9 million in 1955). In that year, Canadian

exports to Colombia were valued at \$17.6 million and included a considerable range of commodities, but mainly aircraft and parts, machinery, newsprint, copper wire, asbestos, malt and drugs. In 1955, cellulose products and wheat were substantial items in our exports which totalled \$22.7 million.

Our imports from Colombia were valued at \$23 million in 1956 and about \$19.8 million was for green coffee, the same as in 1955. Other imports were bananas and petroleum.

Canadian exporters can look to Colombia for a continuing market for essentials such as newsprint, pulp and paper, cellulose products, machinery and various raw materials for industry. For an indefinite period, the market will be closed to less essential commodities and to other goods manufactured in the country—textiles, storage batteries, some electrical apparatus, and all fresh and canned foods. ●

Ecuador

Agriculture and industry are increasing output and living standards are rising steadily. Ecuador provides a small but interesting market for Canadian exporters of products listed as essential.

W. B. McCULLOUGH,
Commercial Counsellor, Bogotá.

BUSINESS CONFIDENCE IN ECUADOR, which has strengthened since the present Government took office about a year ago, has been maintained throughout the first half of 1957. Measures taken (these affected all sectors of the economy) are producing satisfactory results and prospects for the future appear good.

Agriculture, Ecuador's principal economic activity, earns one-third of the national income but, as in all other South American countries, industry receives encouragement and is developing. In fact, Ecuadorean industry has expanded slightly more rapidly than other sectors of the economy since 1950 and the prospects are for continued progress; the population is growing



These Ecuadorean girls are working in an up-to-date plant turning out pharmaceutical and laboratory products that sell in Ecuador itself, in neighbouring Colombia, and in Peru.

and living standards are improving steadily. The Government intends to stimulate industry and particularly plants that will use domestic raw materials. Processed foods and drinks produced in Ecuador represent over one-third of the gross national product derived from industry. For example, the production of edible oils has increased fourfold over the past five years. The petroleum industry ranks second, followed by the textile industry. Over 80 firms turn out various textile products.

Official Reserves Down

Official gold and dollar reserves at the end of June 1957 totalled \$21.7 million, down from \$26.2 million at the end of last year and \$23.4 million at the close of 1955. To these reserves, however, can be added the foreign exchange available on the free market. Exporters who trade in cotton, cotton seed cake and corn may now sell on the free market the exchange they receive; they no longer need to surrender proceeds to the Banco Central for exchange at the official rate.

The sucre continues to strengthen on the free market; it reached a high of 19.07 sucres to the U.S. dollar in January but has since fallen to about 17.35. Private banking institutions are authorized to operate in the free market.

All Imports Licensed

All imports are subject to an import licence and, for exchange control, commodities are classified into two lists:

List 1: essential products, payable at the official rate of exchange of 15.15 sucres to one U.S. dollar.

List 2: non-essential products, payable at the free rate of exchange (currently 17.35 to one U.S. dollar).

Import of goods not appearing on either list is prohibited; among these are several textiles and articles of clothing, many food products, furniture, furs, household utensils, boots and shoes, luggage, toys and other luxury items.

For List 1 imports, the exchange cover is sold by the Banco Central at the official rate plus a stamp tax of 5 per cent of the C.I.F. value. For List 2 commodities, importers must purchase the exchange on the free market and also pay a stamp tax of 10 per cent of the C.I.F. value. Importers of List 2 imports also are required to deposit with the Banco Central the full C.I.F. value of the merchandise before the corresponding import licence is granted. (No deposits are required for List 1 goods.)

Foreign Trade Picture

Out of total exports from Ecuador in 1956 valued at approximately \$90 million, sales of bananas reached \$35.6 million, followed by coffee (\$29.5 million) and cocoa (\$17.1 million). Other products sold abroad included rice, sugar, straw hats and tropical woods.

The value of import licences granted in 1956 totalled \$97.9 million (\$100.7 million in 1955) but during the first seven months of this year fell 100 million sucres from the January-to-July total in 1956 to 767.2 million sucres (\$51 million). In the same period, exports from Ecuador reached 745.9 million sucres (\$49.7 million), an increase of 106.2 million sucres over the 1956 period.

Canadian Trade with Ecuador

During 1956, Canada's over-all trade with Ecuador totalled \$8.84 million compared with \$9.34 million in 1955. Our exports to Ecuador reached \$4.34 million, of which wheat represented \$2.5 million, machinery \$472 thousand, newsprint \$346 thousand, and purebred cattle \$130 thousand. Other exports consisted of a variety of commodities, including rubber, asbestos, certain food products, metals, chemicals, drugs, electrical apparatus and malt. In 1955, our exports totalled \$4.95 million and the commodities included were much the same as last year. The first half of this year gave no evidence of any major change in our pattern of trade.

Our imports from Ecuador were valued at \$4.49 million last year, with bananas accounting for \$3.63 million, coffee about \$511 thousand, and cocoa \$256 thousand. In 1955, imports were valued at \$5.18 million, with bananas representing \$4.39 million.

Because of the sound economic policies of its Government, careful planning, and potential for development, the outlook for Ecuador seems promising. It is the world's largest exporter of bananas and will probably maintain this position indefinitely. The Banana Producers' Association is engaged in a campaign to increase the yield of stems of export quality; sales of bananas earn over 40 per cent of the country's foreign exchange. The country also is making an effort to step up output of cocoa, coffee and cotton.

Ecuador provides a small but interesting market for Canadian exporters of products considered essential to the Ecuadorean economy and of other permitted imports. ●

Paraguay

Last August, Government removed all import, export and exchange controls in attempt to remedy long-standing financial difficulties and stimulate progress. Effects of this step not yet apparent, but Paraguayan businessmen express moderate optimism about the future.

BLAIR BIRKETT,
Commercial Counsellor, Montevideo.

THE ECONOMY OF PARAGUAY is based primarily on agriculture, cattle raising and forestry. Of the country's 100.5 million acres, approximately 4 per cent is in farms, 40 per cent in grazing land, 54 per cent in forests, and 2 per cent in waste and other lands. Less than 2 per cent of the total land area is under cultivation and more than two-thirds of the timbered land is listed as virgin forest. Including Indians and half-breeds, the population totals 1,328,500, of whom 206,600 live in the principal city, Asuncion.

Paraguay was the first of the South American countries to receive technical advice under President Truman's Point Four plan. With a loan of US\$5 million from the World Bank in 1951, fair progress has been made towards increasing production and developing transport (particularly between Asuncion and Buenos Aires), so badly needed in this rather backward country. The technical advice from the United

States continues. With more financial help from abroad—and the prospects for this are promising—Paraguay, given political stability under the reformed exchange control policy, should slowly emerge from a long period of stagnation, punctuated by war, civil and international, by political strife, and by financial crises.

Stabilization Plan Introduced

Early in 1956 economic affairs had reached such a parlous state that the International Monetary Fund was invited to draw up a plan for stabilization. The resulting plan involved the devaluation of the guarani, a simplification of the exchange control system (which was hopelessly complex), and certain improved monetary and credit policies for the Central Bank.

By 1957, however, it was realized that this plan was not producing the desired results; the exporter was faring badly by comparison with the importer and the numerous controls still left loopholes for speculation and corruption. The IMF then took a second look at the situation and on its recommendation, and after several months' consideration, all economic controls were abolished and exchange freedom established from August 9, 1957.

An official rate of 60 guaranies to the U.S. dollar for all exports, essential imports and government transactions, and 85 to the dollar for non-essentials had been maintained throughout 1956 and part of 1957, but now the guarani was left to find its own level for all foreign transactions. It stands today at about 100 to the U.S. dollar.

This freedom from all controls—import, export and exchange—is the outstanding feature of the Paraguayan scene today and is being closely watched by other South American countries. It was recommended by the IMF as the best means to lift Paraguay out of its financial difficulties and lay the basis for long-term recovery. It means that all exchange transactions are now negotiated on a free exchange market in which only the Central Bank and authorized banks may operate.

Public Works Emphasized

As a further means of improving the situation, the Government is pursuing an ambitious public works program. There are two important highways under construction, an oil pipeline to the Bolivian border is at the contract stage, there are oil concessions to be taken up, and the all-important plan for the improvement of river transport between Asuncion and Buenos Aires—the lifeline of the nation in its trade with the outer world—is being discussed. But lack of capital is handicapping efforts to carry these projects forward.



One of the principal squares in Asunción, capital of Paraguay. Built on the eastern bank of the Paraguay River, it has a population of about 207,000. Its wide avenues are lined with trees and it has many parks and modern public buildings. Few of the other towns in Paraguay have a population of more than 35,000.

Agricultural Production Is Vital

About 45 per cent of the gross national product is currently derived from agricultural production, which in turn is responsible for nearly 100 per cent of Paraguay's export trade. In order of importance this production includes quebracho extract, cotton fibre, canned meat, hides, vegetable oils, tobacco, essential oils, yerba maté, and fruit.

Quebracho, the principal earner of dollar exchange, has made a poor showing this year because of heavy rains and is in grave danger from the increasing inroads into its markets made by extract produced from mimosa. Years ago it was reckoned that over 70 per cent of the world's requirements of quebracho extract came from Paraguay; now the figure is about 45 per cent.

Cotton—The cotton crop taken early in 1957 was sub-standard in quality and exports, though larger than in 1956, were sold on a falling market.

Tobacco—Tobacco production so far this year has been far below 1956. With stocks still remaining from previous seasons, this is not a serious matter but increased exports and at least maintenance of former production levels are of first importance.

Oils—Production and export of vegetable and essential oils during the past three years have been falling as the result of discouraging exchange rates. With controls gone, the industry hopes for better things.

Coffee—Great hopes are held for expanded earnings of foreign exchange from coffee in 1959, when the first coffee from three million trees planted four years ago will be available. It is of the mild type, comparable to that grown in Colombia.

Meat—The meat industry is in good shape. As the chief earner of sterling exchange, canned meat and other cattle products are in steady demand in the United Kingdom and to a lesser extent in other European countries. As evidence of the industry's prosperity, a local packing plant, out of action for eight years, resumed operations last June.

Forestry—Production of timber has been well maintained these past three years; the bulk of it is sold to the Argentine. Competition from Brazil and disturbed political relations with Argentina, plus inadequate transport facilities, have hindered greater production during the post-Peron period. Forestry exports—mainly hardwoods—constitute the country's largest source of foreign exchange.

Apart from meat, cotton, timber and quebracho, Paraguay has little other important industry.

Trade Surplus Rises

Despite the perplexing import and export controls hitherto in force and the multiplicity of exchange rates, Paraguay during the past three years has managed to increase exports and decrease imports steadily. As a result, the favourable balance of trade rose from US\$1.09 million in 1954 to US\$12.06 million in 1956. Exports and imports for the period, by value, were as follows:

	1954	1955	1956
	(millions of \$U.S.)		
Exports	33.97	35.10	36.69
Imports	32.88	28.96	24.63

Unfortunately this trend did not continue during the first half of 1957. With the new exchange reform about to be put into force from February to August,

exporters held back hoping for higher rates and importers hastened to place orders for goods they feared would be more costly later. As a result, the balance of trade at this writing is reckoned as well on the debit side and the supply of foreign exchange has dropped very low.

Paraguay has three outstanding customers—Argentina, the United States, and the United Kingdom; between them they took over 67 per cent of all exports in 1956. Other countries such as Spain, Uruguay, The Netherlands, Belgium, Germany, France, etc., accounted for the remainder in more or less equal shares. Of the principal exports, timber and tobacco find their best market in Argentina, cotton fibre and meat products in the United Kingdom and other European countries, and quebracho extract in the United States and Canada.

Argentina is by far Paraguay's largest supplier, with 28.7 per cent of the market in 1956. Next in order are the United States 13.4 per cent, Netherlands Antilles 10.2 (petroleum products), the United Kingdom 7.8, Uruguay 7.3, Sweden 4.5, and Germany 3.9. Unfortunately there are no recent statistics showing the commodity distribution; the latest are for the year 1952. For that year, the commodity groups were approximately as follows: food, beverages and tobacco (24 per cent of total), mainly wheat and wheat products; textiles and manufactures (16 per cent); vehicles and equipment (14); iron and steel manufactures (8); machinery and apparatus (8); fuels and lubricants (5); chemical and pharmaceutical products (5), and others (20).

Canada as a Supplier

Canada's trade with Paraguay is on a very small scale. In 1956 our exports to that country totalled US\$238,138 and our imports from Paraguay US\$142,274. Over the three years 1954-56 exports showed a sizable increase (though with a dip in 1955) and imports steadily declined.

The figures are:

Canada	1954	1955	1956
	(in U.S. dollars)		
Exports	\$166,812	91,398	238,138
Imports	519,900	236,646	142,274

Our interest in the Paraguayan market centres mainly on the supply of agricultural implements and machinery; our share of the demand for tractors, which are imported from several countries, is of first importance. In fact, the tractor business is responsible for the recovery in the export figures for 1956. Other items contributing to the total are motor cars, rubber tires and tubes, non-ferrous metals, lamps, and fountain

pens. Periodically small shipments of gin, whisky, hand tools, drugs and chemicals have been made.

With the freeing of exchange, agents for Canadian manufacturers in Asuncion feel they are now in a better position to bid for a share in the business formerly given to European suppliers. They mention newsprint, aluminum, paper, textiles, plastic ware, pharmaceuticals, etc.—These agents should be urged to re-examine their markets in the light of the new exchange situation.

Transshipment of goods in Buenos Aires is not as expensive or difficult as some exporters believe it to be, though admittedly it involves delay and the risk of pilferage. On goods which may be transhipped the Paraguayan importer prefers quotations C.I.F. Buenos Aires, leaving the arrangement and cost of on-carriage to Asuncion to him. Because he is on the spot, he can often obtain cheaper rates than the foreign exporter and equal, if not better, the C.I.F. cost of goods shipped direct to Asuncion in small ships. This question of delivery of goods to Paraguay is well worth investigating.

Canada's interest in Paraguayan products is practically confined to quebracho extract and soup preparations. Occasionally we buy quantities of canned meat. There is little else available that could find a market in Canada. Complete lack of interest in canned meat in 1955 and 1956 and smaller purchases of quebracho caused the steady decline in total imports from Paraguay.

Trading with Paraguay

All exports are subject to a tax of 15 per cent of the F.O.B. value of the goods. Import operations must be conducted through the banks, and all imports except official imports and wheat, wheat flour, petroleum fuels, newsprint and printer's ink are subject to cash deposits to be made before shipment of goods. All capital investments and remittances of profits must be made through the Central Bank.

The cash deposits referred to are 5, 50, 100, 300 and 400 per cent of the F.O.B. value according to the classification of the goods in five newly established groups of imports. Full particulars of these groups are available from the International Trade Relations Branch, Department of Trade and Commerce, Ottawa. The deposit is refundable on arrival of the goods in Paraguay.

It is too early yet to pass judgment on the new financial and exchange structure, but Paraguayan trade and financial circles express guarded optimism about its success. It has certainly freed exports from the shackles of fluctuating exchange rates which, with their attendant uncertainty, were limiting the movement

of goods and materials abroad. On the other hand, ready cash is now extremely short in Asuncion because of the considerable sums on deposit against awaited imports. But this situation is believed to be only temporary and valuable as an effective brake on serious inflation. ●

Peru

With capital flowing in and development proceeding, Peru offers a free, stable and expanding market with excellent opportunities for Canadian exporters. Competition continues to be stiff and price the primary consideration. Demand for industrial materials and quality consumer goods is increasing as industry grows and the standard of living among consumers rises.

D. H. CHENEY, *Commercial Secretary, Lima.*

PERU, South America's fourth largest country, is today regarded by many North American businessmen as the most interesting market on the continent after Venezuela. The economy made remarkable strides in 1956; a wide variety of new industries were established with amazing rapidity and the trend has continued into 1957. Attracted by a free economy and sound government policy towards investors, foreign capital has poured into the country in increasing volume. Reflecting the rising standard of living and increased economic activity, imports last year rose 30 per cent in value and 15 per cent in volume over 1955. The gross national product has increased at an average rate of 5 per cent a year between 1950 and 1955 and reached 19 billion sols (about \$9.5 billion) in 1955; the rate of expansion at constant prices reached 7 per cent last year.

However, during the first quarter of 1957 consumer resistance to rising prices reduced wholesale and retail sales; the trend continued in later months but with some improvement noted in July and August. Inventories have remained high and there are some indications of a decline in new import orders.

The U.S. \$30 million standby loan granted to Peru three years ago by the International Monetary Fund,

the U.S. Treasury and the Chase Manhattan Bank was renewed early in 1957. However, the sol/dollar rate has remained remarkably steady and Peru has never found it necessary to use the credit.

Inflation Controlled

With continued expansion of the money supply, declines in foreign exchange reserves during the first quarter of 1957, and a rising trend in consumer prices, the monetary authorities tightened credit in March. At that time they raised the reserve requirements of the commercial banks, yet commercial bank loans have continued to expand. The banks try, as far as possible, to channel credit into productive enterprises to prevent additional inflationary pressures.

In his annual message to Congress recently, the President asserted that the prime objective of his Government is to control inflation and to balance the next budget. He also stressed the interest of his Government in and support for the proposal for a Latin American common market.

Much Depends on Agriculture

Agriculture is vitally important to Peru's economy; over 60 per cent of the population earns its living by farming. Agricultural development was stimulated by a World Bank loan of U.S.\$5 million in 1955 which enabled Peru's Agriculture and Livestock Development Bank to double its lending. In March 1957 the Bank granted a second loan of the same amount. These funds are being used mainly to finance regular commercial purchases from abroad of farm machinery, irrigation equipment and some equipment for the fisheries; livestock is purchased directly. During the past three years, Canada has shipped more than 700 quality dairy cattle under this arrangement.

At the present time a severe drought in the Andean region of southern Peru (which has lasted almost two years) has created an acute shortage of food in that region. In fact, Peru will have to rely heavily on imports of basic food products throughout the coming year. It is possible that half the livestock in the area have already been lost and the crop acreage has been cut to less than half of normal. United States emergency food shipments so far have totalled more than U.S.\$7 million.

The export crops—cotton, sugar and coffee—have escaped the drought and earnings may set a record this year. Pest damage has reduced yields of cotton but higher prices for the long-staple variety may result in record earnings. In the next few years new land irrigated by the U.S.\$28.5 million Quiroz project in the north will expand output of Pima cotton. Sugar production should reach a record 750 thousand tons and the exportable surplus has been sold ahead at

peak prices. Coffee production is expanding and exports from the 1956-57 crop (estimated at 112 thousand bags) are expected to exceed last year's sales by 19 per cent; coffee shipments in 1956 earned U.S.\$8 million.

Mining Developments

Peru derives 10 per cent of its national income from mining and exports of minerals and metals earn about 36 per cent of its foreign exchange. Most important are copper, lead, zinc, iron ore, silver and petroleum. Declining world market prices for many minerals and threatened high U.S. tariffs on lead and zinc have damped down the early optimism. Mineral exports last year were valued at U.S.\$128 million, 27 per cent above 1955.

● *Lead and Zinc*—Zinc output in 1956 was down by 7 per cent from the 1955 figure; in 1957, it is estimated that it will fall by another 20 per cent. Lead production, up 9 per cent in 1956 over 1955, will probably fall 8 to 10 per cent this year. Lower prices have forced many smaller and marginal mines to close. One company will invest \$1.5 million in a hydro-electric project and smelter.

● *Copper*—The big copper development (cost, U.S.\$200 million) at Toquepala, including extensive port works at Ilo and a 140-kilometer connecting railway is proceeding rapidly. Carried out by four large U.S. mining companies, the project has accounted for a large portion of the foreign capital entering the country. Peru's sales of copper last year rose 7 per cent over 1955.

● *Petroleum*—Output reached 18.4 million barrels last year, 7 per cent more than in 1955. One company will invest U.S.\$40 million to expand production over the next five years. There are hopes for a new field in the eastern jungle.

● *Iron Ore*—Shipments from the government-owned deposits at Marcona in southern Peru are increasing; production last year reached 2.2 million tons, twice the 1955 figure. Japan is showing interest and has made an initial purchase of 70,000 tons. The Chimbote steel mill in northern Peru, to begin operations in mid-1958, will use iron ore from the Marcona mines.

Manufacturing Expands

Expansion and diversification of industrial production have proceeded rapidly in the past two years, aided by substantial tariff protection. The market for many types of imported manufactured articles is shrinking but the new industries have generated demand for industrial chemicals, plastic raw materials, specialized machinery, spare parts, and semi-fabricated goods. As productivity and the standard of living rise, mar-

kets are created for a wider variety of manufactured consumer goods, food products, etc., which the local industry may not be able to supply. For example, several hundred electric and gasoline-operated washing machines are now entering Peru each month from Canada.

During 1956 more than sixty new manufacturing enterprises were established and in the first six months of this year some 58 more were added. These new plants are turning out a wide variety of foods and beverages, textiles, chemicals, metal products and consumer goods.

Transportation Is Strained

The rapid economic and industrial growth of Peru has strained its transportation facilities. The main railway system in the country has applied to the World Bank for a loan of US\$20 million to buy new locomotives, rolling stock and equipment.

The World Bank is also underwriting an extensive port modernization program which is under way. During the early part of the year a new Peruvian airline began operations between Lima and points in Chile and will later expand to Ecuador, Colombia, Panama and Cuba. Canadian Pacific Air Lines extended their service to the west coast of South America on September 23 with regular weekly flights between Lima and Santiago, Chile.

In his annual message to Congress in July the President of Peru announced a five-year highway program; the Government will seek a loan of US\$52 million from the World Bank. This plan calls for construction and improvement of 1,760 miles of highway. The Government is also reported to have received offers from Japanese interests of a loan of the equivalent of U.S.\$30 million to build three railway systems in the south.

Other large-scale development schemes now under way include the multi-million-dollar Quiroza dam and irrigation project in northern Peru, which is nearing completion, and two ambitious schemes to divert water from the Andes watershed to supply water for power, drinking and irrigation.

Record Foreign Trade

Peru's foreign trade reached a record high in volume and value in 1956; exports totalled S.5.9 billion (U.S.\$311 million) and imports reached S.6.9 billion (U.S.\$361 million). The resulting trade deficit of about U.S.\$50 million was second only to the deficit of 1953 but was more than balanced by a record inflow of foreign investment capital; the sol remained stable throughout the year.

Figures for the first seven months of this year show that imports totalled U.S.\$236.7 million and exports

U.S.\$177.4 million. The deficit of \$59.3 million is more than double last year's figure for the same period and already greater than the deficit for the whole of last year. Although exports are running ahead of 1956, later returns will undoubtedly reflect the slump in metal shipments.

Purchases of nearly all major lines of imported goods rose last year above 1955—an over-all increase of 30 per cent in value and 15 per cent in volume. Major gains (in per cent) were as follows: machinery (21), vehicles and transportation equipment (36), iron and steel (37), fuel and lubricants (22), mining machinery (30), textile machinery (25), food-processing machinery (18), electric refrigerators (22), radio receivers (34), food mixers (42), sewing machines (31), vacuum cleaners and floor polishers (100).

Last year Canada, with shipments valued at \$11.4 million, ranked sixth among exporters to Peru. Our share of the Peruvian market rose to 3.3 per cent (up from 2.2 per cent in 1955), the highest since 1953; the United States obtained 49.6 per cent, followed by West Germany with 9.7, Great Britain with 8.9, and France and Argentina with just over 4. Important in our shipments to Peru were wheat and flour, mining and other machinery, malt, fishing nets, electric washing machines, asbestos fibre, newsprint, drugs and pharmaceuticals, and automobile parts. Purebred cattle, which were absent from last year's list, were an important item in our 1955 exports and will appear again in this year's trade.

Canada took \$2.7 million worth of Peru's exports last year, consisting mainly of metal ores and concentrates, canned bonito, green coffee and raw cotton. In the first six months of this year, Peru's imports from Canada have advanced to \$6.4 million from \$4.7 million for the same period last year and \$2.8 million in 1955.

Outlook Is Favourable

Apart from the unfortunate situation prevailing in the mining industry, the outlook for Peru's economy for the rest of the year is favourable. With a completely free and stable economy, heavy capital investment and rapidly expanding industrial capacity, Peru has great attraction for Canadian exporters.

No import permits are required except for automobiles, which have an annual quota; there are no exchange restrictions of any kind. However, the market is frantically competitive and price is the primary consideration; the high premium on our dollar has placed Canadian exporters of many manufactured products at a disadvantage. However, the market for quality merchandise is growing and many Canadian companies are doing business here successfully.

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To sell nearly any product in Peru, a competent agent is essential. Inquiries directed to the Commercial Secretary at Lima about opportunities for a product should include complete information, including prices C.I.F. Callao if possible. In following up a direct inquiry, it is well to ask the Commercial Secretary to send a status report on the potential customer. ●

Uruguay

System of exchange control introduced in August 1956 resulted in small surplus on balance of trade for the year. Situation has deteriorated in 1957, with wool sales at a standstill for the moment, all but highly essential imports prohibited, and the trade deficit mounting.

BLAIR BIRKETT,

Commercial Counsellor, Montevideo.

THE OUTSTANDING FEATURE of the Uruguayan economic scene during 1956/57 was the operation of the system of exchange controls affecting imports and exports that came into force on August 3, 1956. This decree introduced complete freedom (within the limits of exchange earned by exports) of import for essential or No. 1 category items. The individual quota system for items in the No. 2 and No. 3 categories was retained, with funds for remittances abroad purchased on the free commercial exchange market. This cutting of the coat to fit the cloth, plus satisfactory prices for wool during the latter months of 1956, produced a small favourable trade balance for the year, the first since 1953.

Agriculturally, the Government continued its policy of subsidizing wheat and other cereals. Thus more areas have been devoted to cereal and milk production at the expense of meat and wool. Although the 1956/57 harvest was well below that of previous years, seriously affecting wheat exports, this was due to unfavourable growing conditions rather than reduced acreage. Most districts suffered from severe drought during December, January, February and March and many farmers were forced to clear their land of cattle. This produced temporary surpluses of fat cattle and has permitted small shipments of frozen and chilled beef to

the United Kingdom and other European markets, the first for several years. Interest in Uruguayan wool was keen and substantial sales at good prices continued from October through April. Then interest lagged because of the prices being asked and nearly a quarter of last season's clip remains unsold. Exports of meat, though improved somewhat, contributed little to the exchange market by comparison with the trade in wool, which covered the bulk of imports for 1956. Other agricultural surpluses were exported normally.

Wool Dominates Foreign Trade

Exports for 1956 were valued at US\$211,054,000 and imports at US\$205,793,000, leaving a favourable balance of US\$5,261,000. This was in sharp contrast to the deficits of US\$41.3 million and US\$24.2 million in 1955 and 1954. Favourable wool prices and the decree of August 3, 1956, were largely responsible for this improvement.

Exports during the first four months of 1957 were fairly well maintained, but the falling-off in wool shipments in May and a sharp increase in imports brought about new control measures to tide the situation over until the trade in wool is resumed. An adverse trade balance of US\$32 million is reported for the period January 1-June 30.

Exports of wool in 1956 totalled over US\$130 million, of agricultural products US\$28 million, meat and by-products US\$22 million, and hides and hair, etc., US\$16 million. All increased appreciably over 1955.

According to local statistics, the composition of Uruguay's main imports in 1955 and 1956 was:

	1955	1956
	<i>(in millions of US\$)</i>	
Raw materials	72.8	79.9
Machinery	37.0	21.9
Fuels and lubricants	26.5	33.2
Building materials, etc.	21.1	16.2
Motor vehicles	17.9	19.2
Groceries, beverages, etc.	14.0	11.2
Electrical apparatus	7.6	3.2
Drapery and haberdashery	6.6	2.0
Chemical and pharmaceutical products	4.8	4.0
Hardware in general	3.9	2.1
	<u>225.0</u>	<u>205.8</u>

As in 1955, the Netherlands was Uruguay's best customer, taking goods to the value of US\$51.5 million, or 24.4 per cent of total exports. Next in importance was the United States, US\$24.5 million (11.5 per cent), Brazil US\$23.7 million (11.25 per cent), United Kingdom US\$21.2 million (10 per cent), Germany US\$17.8 million (8.4 per cent), France

US\$13.1 million (6.24 per cent), Italy US\$12.2 million (5.8 per cent), Switzerland US\$6.7 million (3.2 per cent).

The order of precedence of markets is, for the most part, determined by interest in wool, which in 1956 made up some 42 per cent by value of Uruguay's total exports. Since the war, the Netherlands has taken over from the United Kingdom and the United States as the main buyer. Processed wool accounted for 20 per cent of exports and found its principal markets in the Netherlands, Switzerland, Czechoslovakia, the United States, Italy and South Africa. Agricultural products (13 per cent) such as rice, linseed, oils, etc., were of interest mainly to European countries. Wheat goes almost exclusively to Brazil and meat (10.5 per cent) to the United Kingdom. Hides go mainly to Russia, Germany, Poland, Czechoslovakia and Sweden.

Wool and Meat Sales in '57

Some 137,971 bales of greasy wool, washed wool, and wool tops were shipped between October 1, 1956, and August 31, 1957, compared with 218,106 bales for the similar period in the previous season. Principal destinations were: Netherlands 53,847 bales, United Kingdom 19,020, United States 13,721, and Italy 12,374. Prices, which opened at about 30 pesos per ten kilos for fine quality, rose steadily to around 40 pesos. But by late May shipments of wool had practically stopped. Estimates place the amount unsold at about 12,000 tons, a good part of which is composed of fine wool and the new clip is now ready and is said to total a record 100 thousand metric tons.

The meat trade, both export and local, is still in difficulties although, as already reported, there has been a temporary resumption of shipments of frozen beef to Europe. The frigorificos are continuously uncertain about what their disposable stock of cattle will be and there is talk again of importing from the Argentine; a recommendation is already before the Government. The difficulties over arrears of payment to breeders, diminishing herds, higher operating costs, periodic strikes for higher wages, and the level of world prices for meat are such that there is little hope of this industry contributing appreciably to the exchange market for years to come.

Agricultural Situation

The third estimate of area sown and the second estimate of production of winter cereals and linseed in the 1956/57 season show that all winter sowings increased in area and total production. The serious drought meant that the only crop registering a higher yield per hectare over the preceding year was linseed.

In March the Government increased the official basic price at which it buys all wheat produced from

pesos 14 to pesos 17 per 100 kilos. Wheat farmers are thus receiving an increased subsidy varying from pesos 5 to pesos 28 per hectare, according to acreage sown. For 1956 this subsidy cost the Government pesos 66 million.

Where Uruguay Buys

Uruguay's sources of supply in 1956 constituted a much longer list than its markets, with the United States in the van (16 per cent), followed by Brazil (12), United Kingdom (7), Germany (7), Venezuela (6.5), Italy (4.8), Switzerland (3), Japan (3), etc.

Notable changes in the importance of various suppliers since 1955 are as follows:

<i>(Uruguayan statistics)</i>	1955 <i>(in millions of US\$)</i>	1956	
United Kingdom	24.7	14.7	-10.0
France	11.2	4.3	- 6.9
Netherlands	8.2	4.5	- 3.7
Belgium	6.1	3.5	- 2.6
Japan	1.7	6.2	+ 4.5
Czechoslovakia	1.5	3.8	+ 2.3
Argentina	1.2	4.0	+ 2.8
Cuba	1.0	5.8	+ 4.8
Canada	2.9	3.5	+ 0.6

Those countries whose share was much smaller were victims of the over-all reduction in imports, with emphasis on a wide range of consumer products. Those improving their position did so by increased trade in capital goods and/or raw materials. Japan figured as a supplier of a large number of railway trucks; Czechoslovakia bid successfully on industrial machinery and engineer's supplies; Argentina resumed more normal trading relations with Uruguay after the interruption during the Peron regime and Cuba met an increased demand for her sugar.

It is reported that of the total of US\$206 million worth of goods imported during 1956, US\$179 million were first category goods, US\$21 million second category, and US\$6 million third category.

Canada's Share Rises

Canada's relatively small share in Uruguay's import trade is largely confined to the supply of first category items—newsprint, aluminum ingot, asbestos fibre, agricultural implements and machinery, pig lead, and seed potatoes. All but asbestos and seed potatoes increased in volume in 1956. A newcomer to the list is nylon flake in good volume; it promises well. Products of lesser importance include rubber tires, tobacco, cattle, pulp, lamps, magnesium, firebrick, medicines, polystyrene, and fountain pens.

Canada's purchases in 1956 increased in value to Can.\$1,156,763 from Can.\$482,858 in 1955, as a

result of greater interest in Uruguayan rice, sheepskins, meat extract, corned beef, wool, and worsteds.

Future of Import Control

Although the favourable balance for 1956 is largely attributed to the new control system, it was achieved by further reduction of imports rather than by a measure of such reduction plus an expansion in export trade—the principal object of the August 3rd decree.

The system operated normally until about the end of May. Then, because of a pressing demand for import licences and a serious shortage of dollars that developed later, the Exchange Control Board decreed on June 18th that general importers of first category goods—as opposed to industrialists—would henceforth be granted a fixed annual quota. This quota was 50 per cent to be used each six months, based on their average imports of goods over the previous three years at the rate of 2.10 pesos to the dollar. A further restriction took the form of large percentages of prior cash deposits, amounting to 150 per cent in some cases.

In December 1956 a quota for US\$14 million was released for the import of second and third category goods—the first of these categories since December 1954. This provided importers and merchants with long-awaited relief. The premiums paid over and above the free commercial rate of 4.11 pesos to the dollar were as follows:

	<i>pesos</i>
Light commercial chassis	0.50
Other second category goods	1.50
Third category goods	2.00

Thus the rates were 4.61, 5.61, and 6.11 pesos to the dollar.

The Bank of the Republic at the end of July of this year announced that it was prepared to allocate another US\$14 million for imports of second and third category goods.

Serious Situation Arises

Since then, the situation has deteriorated and in August the financial position became so serious that the Government, in consultation with the Bank, closed the controlled exchange market until further notice to all import transactions except those considered highly essential. This action was taken pending further drastic measures to achieve stability. During the thirteen months that the August 3rd decree was in operation (August 3, 1956, to August 31, 1957), exports totalled US\$181.6 million in value and sworn declarations of imports (all first category) totalled US\$257.0 million, leaving a deficit of over US\$75 million. Faced

with this serious adverse balance on current trading account, with heavy overseas payments overdue and with foreign exchange income from wool sales wholly absent, the Bank could not carry on the financing of further imports.

The Government blames the wool producers for this state of affairs because since August 30th producers have refused to sell their wool on the basis of the present exchange control system—that is, to receive payment of 15 per cent of sales at the free exchange rate (then pesos 4.20 to the US dollar), and 85 per cent of sales at the official rate of pesos 1.51 to the US dollar. The wool producers are holding out to be allowed to sell 60 per cent of exchange earned at the free rate and 40 per cent at the official rate. This would mean a large money loss to the

Bank in its exchange dealings but some concession will probably have to be made to the producers if the impasse is to be overcome. Meanwhile the free rate of exchange has jumped to pesos 4.38 to the US dollar.

The immediate economic outlook is thus not bright. The Government, which had a deficit on its financial operations last year of well over pesos 14 million, is in dire need of the taxes derived from imports but cannot afford the looming trade deficit.

Uruguay will eventually sell its wool clip, but at prices well below the expected level—a level which has been the basis for any vital calculations and commitments towards easing its financial difficulties. In these circumstances, conditions will deteriorate further. New and more severe control measures are in prospect. ●

Venezuela

Continuing emphasis on new types of production plus movement towards self-sufficiency may mean changes in structure of our trade with Venezuela. Will development now proceeding present new opportunities for Canadian traders?

WILLIAM BRETT,
Assistant Commercial Secretary, Caracas.

THERE HAS BEEN MUCH TALK about “booming” Venezuela when that word, with its hint of impermanence, is no longer apt. Perhaps it was a good term when the entire economy had one slender root, petroleum exploitation. But since then, nourished by an attentive government and natural advantages, other roots have been put down and are becoming increasingly important in enriching this country.

A glance at the table on page 27 will show the remarkable rise in production in a few key industries.

Mineral Developments in East

Iron ore production in particular has advanced tremendously, to rank just after petroleum. This is the sturdiest development in the Venezuelan economy. The ore deposits, incredibly rich, are located in the eastern part of the country near the Orinoco River.

One of the two main producers will export about 12 million metric tons in 1957 and plans to handle 15 million in 1958. This volume has led to the deepening of Caño Macarao, one of the channels in the lower Orinoco. In August of this year the giant carrier *Rio Orinoco* breasted through the Caño with a load of 35,614 metric tons. The Venezuelan Government receives Bs.3.25 for every metric ton that passes through the channel.

Many Caracas stock-traders look forward to the appearance of a third ore-extracting company which will combine Venezuelan and American capital to tap the rich deposits west of Ciudad Bolivar. Taking heed of these developments, economists here are forecasting exports of 25 million metric tons by 1965.

Manganese too is important in the mineral stock of Eastern Venezuela. The main lode is centered near Upata. Operators here shipped over 25,000 metric tons in the first half of this year and are looking forward to monthly shipments of 15,000 metric tons in the near future. This area of Venezuela borders on British Guiana, traditional source of bauxite for Canadian aluminum production. Considerable deposits of this mineral have been found in Venezuelan territory and these are slated for development during 1958.

This by no means exhausts the list of eastern Venezuela's sub-soil wealth. About one-third of the country's petroleum comes from the land south of Puerto

PRODUCTION ADVANCES—1951-1956

	1951	1952	1953	1954	1955	1956	Percentage increases 1956/1951
Sugar (million tons)	45,265	64,907	71,815	93,669	144,046	198,023	337
Milk powder (million tons)	1,737	2,458	3,380	3,750	3,787	4,101	136.1
Ginned cotton (million tons)	1,934	4,004	3,088	3,374	4,998	5,232	170.5
Rice (million tons)	15,752	28,373	26,424	31,207	27,288	23,502	49.2
Cement (million tons)	621	840	982	1,213	1,282	1,451	133.7
Electric power (million kw.)	617	720	841	979	1,150	1,355	120
Tires (thousands)	126	154	223	372	417	480	281
Crude petroleum (M.M3)	99	105	102	109	125	142	43.4
Iron ore (T.M. tons)	1,270	1,970	2,296	5,420	8,439	11,014	767.2

La Cruz and precious stones and metals are mined along the rivers which feed the Orinoco. Coal is found at Naricual near Puerto La Cruz, but the most important development—the one which should enable an economic advance—is the power project on the Caroni River. Here in the Orinoco basin they talk of a second Ruhr. The elements are there—the raw materials, the power, and the transportation. The first step is the completion of the steel plant located near the iron ore port, Puerto Ordaz. This plant will cost about Bs.1,400 million and have a planned initial output of 670 thousand tons a year. Eventually the power project will supply 150 thousand kilowatts to this mill, enabling a future production of 1.2 million tons. With this development as a nucleus, a considerable manufacturing area is expected to grow up.

Petroleum Chemistry and Agriculture

Venezuela's economic base is spreading not only to the east but evenly over the whole country. A powerful new development is fast maturing at Moron, west of the city of Caracas. From the very beginning of oil extraction, the Venezuelan Government has shown admirable foresight and reasonableness in exercising its role as guardian of the people's heritage. The petrochemical plant at Moron is one more example. The natural gas from the producing fields has long been re-injected into the basins, making possible the most economic yield of crude petroleum. Now this gas will be treated to produce a wide range of products.

Authorities envisage three main stages. The first, which will be completed this year, includes a sodium chloride plant, a fertilizer plant, an experimental refinery, and a plant to produce aromatic derivatives. The second stage involves an explosives plant and production of herbicides and insecticides; the third, a commercial oil refinery, plastics and synthetic rubber. The range of products to be turned out when this complex is completed is staggering. In nearby

Puerto Cabello, the diversification is exemplified in a magnificent drydock, a natural adjunct to the development at Moron.

Southward, the emphasis is on agriculture. At Calabozo there is the great Guarico irrigation project covering 271,700 acres. There I saw a splendid rice crop grown on reclaimed land which was enriched by fertilizer from the petrochemical plant. Bocono, a project to reclaim almost twice the area of the Guarico, is advancing rapidly. At Maracay, government agronomists and veterinarians are pressing the improvement of Venezuela's crops and herds.

Thus far, I have only mentioned the outstanding attainments. I could also discuss industry, roads, hotels, and wireless communication, or re-examine the fount of the original wealth, petroleum. But I want to emphasize the rapid maturing and perhaps discuss what this could mean to Canada.

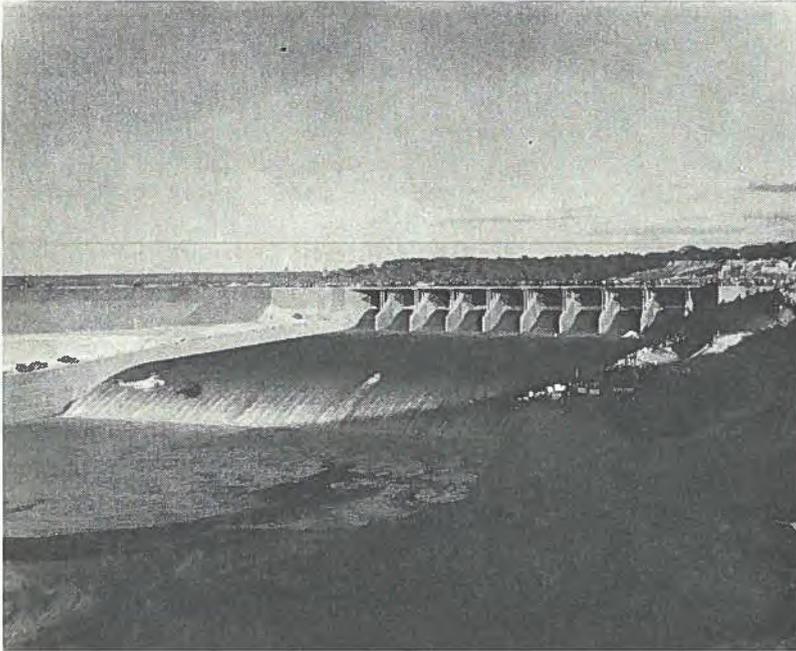
Venezuelan-Canadian Trade

The following table shows the sources of about 95 per cent of Venezuela's imports:

SOURCES OF VENEZUELAN IMPORTS 1955-1956

	Imports 1955		Imports 1956	
	Bolivars	% of total	Bolivars	% of total
United States	1,742,460,011	58.9	2,032,519,788	59.1
West Germany ..	265,109,356	9.0	294,917,439	8.6
United Kingdom ..	231,361,726	7.9	270,998,950	7.9
Canada	117,086,243	4.0	115,151,094	3.3
France	108,543,379	3.7	117,659,640	3.4
Italy	81,181,641	2.8	115,844,846	3.4
Netherlands	70,699,732	2.4	96,035,576	2.8
Japan	55,793,012	2.0	55,173,124	1.6
Belgium	54,226,385	1.8	88,498,417	2.6

In 1956 Canada retained fourth place as a supplier, with the total value of sales more or less constant.



The great new dam on the Guarico River near Calabozo in the southern part of Venezuela, which provides water for over 270,000 acres. Rice and other crops are being grown in this area on reclaimed land. This project is typical of the development going forward throughout Venezuela.

Venezuela's statistical method varies somewhat from Canadian procedures. Canadian statistics show that exports rose by 11.6 per cent in 1956 to \$34.4 million. However, figures released for the first six months of 1957 show a decline of about \$1 million from the same period of 1956. Wheat flour shipments fell by over \$1.5 million in these months, sales of eggs in the shell dropped over \$500 thousand, and rolled oats fell off about 50 per cent. Whole milk powder, an important item, also showed a slight decline. It should be noted these decreases took place in traditional agricultural exports to this country.

But other commodities showed sales gains and made possible our improved position for the year 1956. In the agricultural field, only seed potatoes and purebred cattle advanced significantly. There were major rises in lumber and pulp and newsprint continued to gain. So did automobiles, barytes, copper wire, and various manufactures. Practically all items making gains were non-agricultural and further, the agricultural products that did improve, seed potatoes and purebred cattle, are relative newcomers to the traditional list of Canadian farm sales. The improvement in both these reflects the efforts of Venezuelans to advance their own farm production. The other increases stem from demands made by the planned development of this country.

Will Export Pattern Change?

There is not enough evidence to forecast a general shift in the structure of Canadian exports to this country but we should not fail to recognize the recent trend. Only time will tell whether the movement will

persist away from the old standby, agricultural products, to new agricultural items and other goods demanded by a rapidly-changing Venezuela. Only time will tell whether these advances will continue to more than compensate for the decline in traditional fields. Canada has experienced movements like this before and usually we have been able to tailor our offers to the new characteristics of the market. But conditions change quickly in Venezuela and the Canadian exporter must watch closely if he is to seize opportunities as they occur. If the change we have noted continues, we may have to expect temporary losses in the initial stages of adaptation.

The American efforts to reduce oil imports is a measure of great importance to this country. The possible economic effect of stringently applied restrictions is difficult to assess. Certainly it would hurt Venezuela and test severely the new economic shock-absorbers that we have mentioned. At any rate, this problem has thrown the Canadian position into clear relief before Venezuelan eyes which must welcome the sight of a country selling her own oil through one door while she buys from Venezuela at the other.

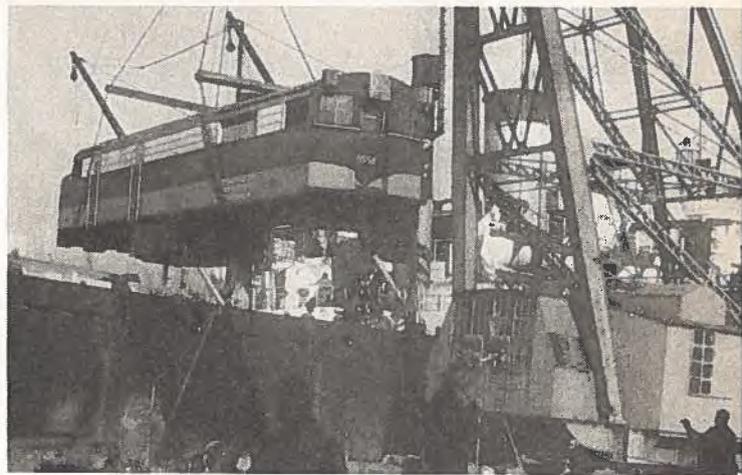
This swift examination of Venezuela in 1957 has covered only the high spots but these loom large in the picture of conditions here. Business is good. Whatever the changes to which exporters may have to adjust, the same business methods are indicated—fine pricing, careful choice of an agent, judicious credit terms, careful documentation and strict quality control. The exporter who observes these rules and who keeps a keen eye on changing patterns in Venezuela will meet with success. ●

Canada in South American Markets

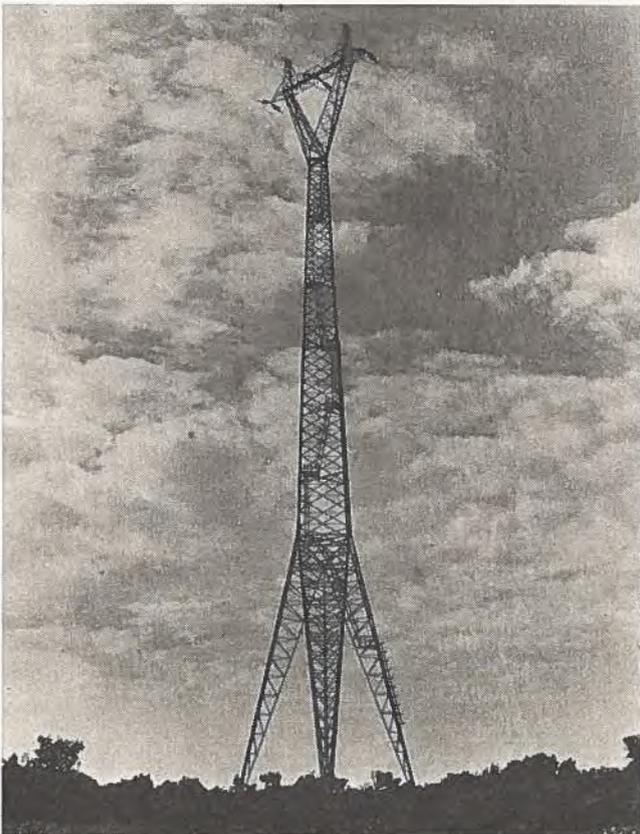
Canadian exporters are invited to contribute to this series photographs of their products in use or on sale in foreign markets. Photographs should be adequately captioned, protected for mailing, and addressed to: The Editor, "Foreign Trade".



In Peru—Abegweit Headmaster, a Canadian purebred Holstein-Friesian bull, takes his first look at his new home as he is unloaded from the "Gulf Shipper" in the port of Callao.



In Argentina—The superstructure of a 1,950 h.p. diesel-electric locomotive is unloaded at Buenos Aires. It is one of 25 ordered from Canada by the Argentine State Railway.



In Brazil—This tower on the River Jacui is part of a power transmission system for which a Canadian company supplied thousands of kilometres of steel-reinforced aluminum cable.



In Venezuela—The Canadian Commercial Secretary (left) and an employee of the Caracas Power Company look over a shipment of electrical conductors imported from Canada.



Destination: **South America**

Objective: **Business**

A. G. KNEWASSER,
Area Trade Officer for Latin America.

BUSINESS TRAVEL IN SOUTH AMERICA is today more pleasant and more effective than ever before, thanks to new hotels and improved air connections. Each year, more and more Canadian businessmen travel through the area. They have learned that there is no substitute for regular personal calls on agents, distributors and customers. They have discovered also that this aspect of business is particularly important with Latin Americans, who are naturally gregarious and extremely proud of the advances being made in their countries.

Last year a record 1,064 Canadian businessmen called on our Trade Commissioners in Latin America for advice and assistance and indications are that this year will see that record easily surpassed. We now have Trade Commissioners at Mexico City, Guatemala City, Havana, Ciudad Trujillo, Caracas, Bogotá, Lima, Santiago, Buenos Aires, Montevideo, Rio de Janeiro and São Paulo. They are familiar with economic conditions and trading opportunities in their territories and welcome visits from Canadian businessmen.

Planning Your Trip

Travellers to Latin America require a valid passport, a certificate of vaccination against smallpox, and generally tourist cards or visas permitting entry into the countries they plan to visit. Some countries also require good conduct certificates from Canadian police authorities. The tourist agency or airline arranging transportation can provide full details on necessary documentation and is usually prepared to help make the necessary arrangements. Hotel reservations should be made well in advance and confirmations received before departure. A supply of U.S. dollar travellers cheques is a convenience, because Canadian currency is still not well known in much of the area. Prospective travellers can obtain letters of introduction and general information on all Latin American countries from the Latin American Desk in the Department of Trade and Commerce, Ottawa.

A good thing to keep in mind is that holidays in Latin America—and there are more than in Canada—do not always coincide with those here. Your plans should be made in terms of working days. It is always advisable to check this point with your agents abroad or with the Trade Commissioners well in advance. Make sure that the people you want to see are going to be on hand. If you plan to call on Government Ministers or senior officials, remember that appointments can be difficult to secure. This is not because Canadian businessmen are not welcome, but simply because these people are busy and time for foreign visitors

is often strictly limited. It is important to meet the "right man" and he is not likely to be of junior or intermediate rank in Latin America.

Direct Air Connections Available

Currently we have eight Trade Commissioner Posts in South America and a glance at the air-route map on page 30 will show how easy it is to make a business trip covering the entire continent. The time required for a useful and profitable visit to each market depends, naturally, on a number of factors, such as market possibilities for your product, the type of distribution you have in mind, the number of local businessmen and officials you should see, and so on. But a businessman can tour the area in as little as two or three weeks and have on-the-spot discussions with businessmen and Canadian Trade Commissioners in all important markets.

Canadian airlines offer quick services to South America from all parts of Canada, either through the Caribbean or Central America. Connections can also be made via New York, New Orleans and most other large American cities. Many travellers find it useful to stop off on their return trip at the buying offices of large American companies with Latin American interests.

Regardless of what route you choose to reach South America, no back-tracking is required. For example, an exporter can now begin his trip at Lima, visit all principal markets, and return home via Bogotá, through Central America, the Caribbean or New York. Or the pattern can be reversed with the circuit commencing at Caracas or Bogotá.

Advance Preparations

If you have not been to South America before, it would be worthwhile to leaf through a general history of the area and perhaps a recent economic survey. Any library or tourist agency will be able to provide you with a wealth of material. The Embassies and Consulates of South American countries in Canada are always delighted to supply information in English as well. In fact, if you have the time, it is not a bad idea to call on these diplomatic or consular authorities personally and tell them about your proposed trip. Canadian visitors are particularly welcome in all South American countries.

Do not be unduly concerned about the language barrier. Many Latins speak English or French and most of them are anxious to practise on a "Norteamericano" who has taken the trouble to travel thousands of miles to see their country. A small pocket English-Spanish and Spanish-English dictionary can be helpful, however, and it is a good plan to learn a number of useful phrases in Spanish. You will find that a sympathetic attitude, a few words of Spanish and a smile will take you a long way with our Latin friends. ●

Canada's Trade Relations with South American Countries

International Trade Relations Branch.

CANADA HAS TRADE AGREEMENTS with all South American countries providing for exchange of most-favoured-nation treatment with respect to customs treatment, trade and exchange regulations. Canada receives from each of these ten countries tariff treatment equal to that enjoyed by any other exporting country. In addition, in those countries which maintain exchange and import restrictions, Canadian exports are on an equal footing with similar U.S. products and those of other hard currency countries. Concessions exchanged exclusively between negotiating countries in South America are generally exempted from the operation of the most-favoured-nation clause in the same way as are the preferences which Canada accords to other members of the Commonwealth.

South American countries which, with Canada, are contracting parties to the General Agreement on Tariffs and Trade are Brazil, Chile, Peru and Uruguay. This Agreement provides for scheduled tariff concessions and exchange of most-favoured-nation treatment among the contracting parties and lays down rules and regulations to govern the conduct of international trade. Trade agreements concluded by Canada with individual countries continue in force in conjunction with the General Agreement.

Import and Exchange Regulations

The following table summarizes the import and exchange regulations of South American countries which apply to Canadian exports.

Restrictions

ARGENTINA	Licences required for goods permitted entry at official rate. Purchases on free market subject to surcharge up to 40 pesos per US\$1.00 and require advance deposit from 20 per cent to 100 per cent.
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BOLIVIA	Licences not required and no restrictions on exchange.
BRAZIL	Imports in two categories—General (no licences) and Special (requiring licences); imports paid for at official rate plus auction premium which varies with category. Newsprint, wheat and a few other products not subject to premium.
CHILE	Permissible imports subject to advance deposit ranging from 5 to 600 per cent in seven categories according to essentiality; there is a list of prohibited imports.
COLOMBIA	Imports must have prior registration and licences required for some; 10 per cent tax on exchange and 100 per cent deposit required, except for certain essentials which require 20 per cent deposit. There is a list of prohibited imports.
ECUADOR	Licences required with permitted imports in two categories: List No. I (essential) and List No. II (non-essential); other goods prohibited. List No. I imports are payable at official exchange rate of 15.15 sucres to US\$1.00; list No. II imports at the free exchange rate of approximately 18.4 sucres to US\$1.00.
PARAGUAY	Licences not required; imports in five classes, requiring refundable advance deposit from 5 per cent to 400 per cent according to essentiality; wheat, flour, newsprint exempt from deposit.
PERU	Licences not required, except for cars and trucks which are under annual quotas from all countries (1957 quota was 8,320 vehicles).

URUGUAY Preferential and Group I items imported on basis of "sworn declaration" subject to exchange availability; Group II and Group III require licences; since October 18, all imports have been completely prohibited

except for emergency shipments. New import control measures expected to limit imports to highly essential goods.

VENEZUELA Licences not required except for some 25 items.

Shipping Services to South America

AN EXTENSIVE FLEET OF SHIPS serves South America from Canadian ports; between twelve and fifteen sail monthly from both Vancouver and Montreal or Halifax. Montreal is the main eastern terminus during the summer, with Halifax and Saint John replacing them in the winter when the St. Lawrence is closed to navigation.

The two tables below give the sailings from Atlantic and Pacific ports in Canada to different parts of South America. Except where otherwise indicated, ships sailing from Eastern Canadian ports call at Montreal, Quebec, Three Rivers, etc., in the summer and at Halifax and Saint John, N.B. in the winter. All Pacific sailings are from Vancouver.

Key to Tables

- COLUMN A—Ports in Chile (southwest South America).
 COLUMN B—Ports in Peru, Ecuador and western Colombia (northwest South America).
 COLUMN C—Ports in northern Colombia, Venezuela and the Guianas (north S.A.).
 COLUMN D—Ports in Brazil, Uruguay and Argentina (southeast S.A.).

Pacific Sailings

Steamship Line	Ports of Discharge				No. of Sailings per month	Space Accommodation in Addition to General Cargo
	A	B	C	D		
Chilean-North Pacific.....	x	x	x		1	Reefer
Grace.....	x	x	x		2	Ltd. Passenger, Reefer
Grancolombiana.....		x			3	Ltd. Passenger, Reefer
"K" Line.....	x	x	x		1	Reefer
Mitsui.....			x	x	2	Reefer
Moore-McCormack.....			x	x	3	Ltd. Passenger, Reefer
N.Y.K. Line.....	x	x	x	x	1	Ltd. Passenger
Westfal-Larsen.....	x	x	x	x	every 3 weeks	Ltd. Passenger

Atlantic Sailings

Steamship Line	Ports of Discharge				No. of Sailings per Month	Space Accommodation in Addition to General Cargo
	A	B	C	D		
Ahlmann Transcaribbean ⁽¹⁾			x		2	Ltd. Passenger
Brodin Line.....				x	3	
Columbus Line ⁽²⁾				x	1	Ltd. Passenger
Grancolombiana.....		x	x		1	
Lamport and Holt ⁽³⁾			x		2	Reefer
Moore-McCormack.....				x	1	
Saguenay Terminals ⁽⁴⁾			x		weekly	Reefer some sailings

⁽¹⁾ Sailings in summer only from Hamilton, Toronto, Montreal.

⁽²⁾ Calls at Saint John in summer.

⁽³⁾ Calls at Halifax in summer.

⁽⁴⁾ Calls at Halifax and Saint John in summer.

Japan Cuts Import Budget

Japan has found it must slash imports by \$634 million in the second half of the current fiscal year to balance its external accounts. Foods and beverages are not affected but imports of raw materials, automatic approval goods, and machinery have been cut.

J. L. MUTTER,
Commercial Counsellor, Tokyo.

JAPAN'S FOREIGN EXCHANGE BUDGET for the last half of the current fiscal year (October 1957 to March 1958), set at \$2,009 million, will total \$634 million less than for the first half of the year. Appropriations to pay for commodity imports will amount to \$1,652 million, including a reserve fund of \$80 million; \$2,236 million was set aside in the first half. The Government has also established a ceiling for invisible trade payments at \$357 million (\$407 million in the first half).

To save on imports, Japan has slashed the first half-year appropriations by \$231 million for industrial raw materials, \$167 million for goods under the Automatic Approval System, \$46 million for coal and petroleum, and \$40 million for machinery. The remainder of the \$584-million cut in the foreign currency budget is made up of smaller allowances under a number of minor headings and \$70 million less for reserves. The

appropriation for food and beverages, at nearly \$260 million, is unchanged from the first six months of the fiscal year.

To Balance External Accounts

By this retrenchment the Government hopes to balance Japan's external accounts for the period. According to the Cabinet Ministers concerned, the cut will not likely affect the balance between domestic supply and demand. The integrated emergency measures taken during the last quarter—the tighter money policy, deferment of investments in equipment, and larger deposits to guarantee payments of imports—have begun to take effect. It is also expected that the authorities will curb any tendency for prices to rise by releasing goods from the fairly large stockpiles built up from October 1956 to March 1957, when imports were substantially greater than demand.

The new budget, under which Japan hopes to cut commodity imports to \$1,572 million (i.e. \$1,652 million, less the \$80 million reserve fund) has several important features. It is assumed that it will restrict imports and allow the country to balance its international accounts for the term. At the same time, the system will not disrupt the supply and price structure for raw and processed materials for the export industries. The reserve fund of \$80 million for commodities and \$30 million for invisibles helps relieve Government and importers from a feeling of too much austerity. Also the Automatic Approval System is not changed and in fact seven new items, including rattan and pharmaceutical chemicals, have been added to the list of goods which may be imported under this system.

The Budget in Detail

Chief imports for the period October 1957 to March 1958 compared with actual imports for the first half of the fiscal year appear in the table below:

	PRINCIPAL IMPORTS	
	1957 Second Half	1957 First Half
Rice	540,000 tons	840,000 tons
Wheat	1,018,000 tons	1,020,000 tons
Barley	411,000 tons	370,000 tons
Sugar	430,000 tons	520,000 tons
Soybean	300,000 tons	386,000 tons
Raw cotton (for spinning)	1,160,000 bales	1,050,000 bales
Raw wool	566,000 bales	385,000 bales
Scrap iron	716,000 tons	385,000 tons
Coking coal	1,758,000 tons	2,080,000 tons
Heavy oil	400,000 kl.	625,000 kl.
Crude oil	42,735,000 barrels	36,500,000 barrels
Processing trade	\$37 million	\$35 million
Compensating trade	\$31 million	\$22 million
Machinery	\$150 million	\$175 million
A.A.S. imports	\$330 million	\$440 million

FOREIGN TRADE

The following table compares import appropriations for the second half of fiscal year 1957 with those for the second half of fiscal 1956:

THE BUDGET FOR IMPORTS

	1957 Second Half (Unit: \$1,000)	1956 Second Half* (Unit: \$1,000)
Foods and beverages	259,830	241,227
Monopoly goods	8,116	10,209
Lumber	6,000	12,360
Raw materials for daily necessities	17,560	22,580
Raw materials for textiles	379,640	311,073
Raw materials for fertilizers and products	16,384	41,045
Coal	49,363	57,297
Raw materials for steel and products	68,500	159,810
Non-ferrous metals and non-metals	28,283	75,700
Petroleum	96,224	100,760
Chemicals	12,721	9,455
Pharmaceuticals	2,741	2,663
Machinery	150,000	146,000
Raw materials for processing trade	37,000	39,000
Goods for compensatory trade	31,000	13,500
Goods for U.S. garrison forces	5,000	5,000
Re-imports and additional import payments	1,500	1,000
Miscellaneous imports (I)	42,138	43,321
Miscellaneous imports (II)	30,000	23,000
Imports under A.A.S.	330,000	390,000
Reserves	80,000	210,000
Commodity Imports Total	1,652,000	1,915,000

*Figures for 1956 are for final budget.

Appropriations for invisible trade payments from October 1957 to March 1958 have been set at \$357 million (including a \$30 million reserve fund). The accompanying table compares the figures for the second half of this and the last fiscal year:

THE BUDGET FOR INVISIBLE TRADE

	1957 Second Half (Unit: \$1,000)	1956 Second Half* (Unit: \$1,000)
Transportation	153,522	194,746
Insurance	8,200	8,704
Overseas travelling	9,300	8,890
Dividends for foreign investment	26,022	27,922
Inter-government transactions	12,790	10,569
Expenses accessory to trade	28,100	24,500
Royalties for technical assistance	25,000	16,700
Communication	3,630	3,516
Other services	29,170	28,771
Gifts	2,077	3,609
Long-term capital transactions	29,299	47,929
Short-term capital transactions	65	80
Commodity transactions	89	158
Reserves	30,000	50,000
Total	357,264	426,094

*Figures for 1956 are for original budget.

U.S. Freight Rates on Lumber

INCREASES IN FREIGHT RATES recently allowed by the Interstate Commerce Commission became effective August 26. On August 14 the Southern Hardwood Traffic Association received notice from the southern railroads that they had rescinded their previous decision reported on August 9. At that time the railroads decided not to make further increases in their inter-territorial rates on lumber and other articles under the same rates, going from the South to the North, East, Middle West or the Southwest. Increases in the inter-territorial rates follow the Commission's decision on August 7 to allow the railroads to adjust their tariffs. Earlier the Commission announced that railroads will not be allowed to increase rates on lumber (and articles under the same rates between points) within the South further. Increases in rates allowed are as follows:

From Territories	Eastern	To Territories Southern	Western
Eastern	14%	9%	12%
Western	12%	9%	12%
Southern	9%	9%	9%

These percentages are to be applied to the basic freight rates and charges formerly in effect, excluding the temporary 7 per cent increase within the eastern territory and the 5 per cent increase within the western and southern territories and between all the territories.

Of interest to lumber shippers, the Southern railroads will not increase their rates on lumber (and articles taking the same rate) within the South more than the 5 per cent increase over rates as of December 26, 1956, which is already in effect. The Commission's decision also sets a nation-wide maximum increase of 9 cents per 100 lb. on lumber and articles listed as taking lumber rates C.L. The maximum increase allowed for woodwork and millwork not listed under lumber rates C.L. is 10 cents per 100 lb.

Increases apply to commodity rates, minimum rates, minimum linehaul revenue, absorptions in whole or in part, minimum charges and charges for all other services rendered by rail carriers.

Class rates are increased 12 per cent nation-wide and are not subject to maximum increases. Lumber, cooperage stock and other articles taking the same rates generally do not move on class rates but set-up cooperage usually does.

A. A. CARON,
Consul and Trade Commissioner,
New Orleans.



Trade and Tariff Regulations

France

IMPORT AND EXCHANGE CONTROLS—Effective October 28th, the French authorities made applicable to all imports the import tax of 20 per cent ad valorem which had been introduced on August 11th, along with an exchange premium of 20 per cent on the export side. The previous exchange measures had represented a partial devaluation of the franc, establishing an effective exchange rate of 420 francs to the U.S. dollar applicable to approximately 60 per cent of total French exports and to most imports other than fuels and certain raw materials. (See *Foreign Trade* of September 28).

Almost all Canadian exports to France had been subject to the 20 per cent import tax as a result of the previous measures. The only major Canadian product affected by the further extension of this tax is wood pulp for the manufacture of synthetic textiles, exports of which reached \$900 thousand in the first half of 1957 compared with \$548 thousand in the first half of 1956.

Canadian exports to France in recent years have consisted almost exclusively of raw or industrial base materials, such as synthetic rubber, wood pulp, copper, asbestos, pulpwood and flaxseed. In 1956 Canadian sales were \$53 million compared with \$43 million in 1955, while shipments for the first eight months of 1957 show a further increase to \$44 million (\$33.4 million in 1956). Likewise, Canadian imports from France which amounted to \$33 million in 1956 have also risen to \$17 million in the first half of 1957 in comparison with \$14.7 million in the corresponding period of 1956.

Ireland

IMPORT CONTROLS—By two Orders of the Government of the Republic of Ireland, issued under the Control of Imports Acts 1934 and 1937, further quotas and quota periods have been announced as follows:

Certain electric filament lamps: 100 thousand articles for the period December 1, 1957, to November 30, 1958, as against a similar quantity for the previous twelve months' period.

Certain woven cotton piece goods: 3,732,000 square yards for the period December 1, 1957, to November

30, 1958, as against 5,122,000 square yards for the previous twelve months' period—Dublin, Nov. 4.

United States

ANTI-DUMPING ACTION ON HARDBOARD—The United States Tariff Commission announced on November 7, 1957, that, having received advice from the Treasury Department that hardboard from Canada and from South Africa is being, or likely to be, sold in the United States at less than fair value, an investigation has been instituted under the Anti-dumping Act to determine whether an industry in the United States is being or is likely to be injured by reason of the imports.

Anti-dumping duties may be imposed on imported merchandise, whether dutiable or free, if it is of a class or kind with respect to which a finding has been made, under the Anti-dumping Act, that imported merchandise of that class or kind is being sold or is likely to be sold in the United States at less than its fair value, and that by reason of the imports a domestic industry is being or is likely to be injured.

DUTY-FREE ENTRY GRANTED TO SAMPLES AND ADVERTISING MATTER—An act relating to the International Convention to Facilitate the Importation of Commercial Samples and Advertising Matter was approved at the last session of Congress and came into force on October 17, 1957. The statute exempts from duty any catalogue, price list, or trade notice relating to offers by a person whose principal place of business or bona fide residence is in a foreign country to sell or rent products of a foreign country or to furnish foreign or international transportation or commercial insurance services.

Hitherto such advertising materials imported in bulk for subsequent distribution to potential customers have been subject to duty as books, pamphlets, printed matter, etc., although imported advertising material distributed directly through the mails to potential customers was not usually subject to duty.

The act also provides for the free entry of certain samples to be used in the United States

only for soliciting orders for products of foreign countries, and for the entry temporarily under bond without the payment of duty of motion-picture advertising films.

Prior to the passage of the act, samples could enter free of duty under bond for re-export, except those samples valued at one dollar or less each which were eligible for duty-free entry under section 321 of the Tariff Act. ●

Trade Commissioners on Tour

The following officer of the Trade Commissioner Service is on tour in Canada. His itinerary is:

K. NYENHUIS, Trade Commissioner in Leopoldville, Belgian Congo:

Quebec—Nov. 28-29
Saint John—Dec. 2-3

St. John's—Dec. 5-6

Businessmen who wish to see Mr. Nyenhuis should get in touch with the Board of Trade or Chamber of Commerce in the cities mentioned, with the following exceptions. In Toronto and Winnipeg, the Trade Commissioners make their headquarters at the offices of the Canadian Manufacturers Association; in St. John's, Ottawa and Vancouver, at the Department of Trade and Commerce; in Victoria, at the Department of Trade and Industry, and in Fredericton at the Department of Industry and Development.

Tours of Territory

V. L. CHAPIN, Commercial Secretary in Rio de Janeiro, Brazil, will visit Salvador, Bahia, Recife and possibly Belém during the last week of November and the first week of December.

H. J. HORNE, Commercial Secretary in Karachi, Pakistan, will visit Iran during the first week of December.

T. G. MAJOR, Commercial Counsellor in Melbourne, Australia, will visit the Tasmanian cities of Hobart, November 24-28, and Launceston, November 28-30.

Businessmen who would like these officers to undertake assignments for them should get in touch with them at their posts as soon as possible. Mr. Chapin can be reached at his office in Rio de Janeiro, Mr. Horne at Karachi, and Mr. Major at Melbourne.

Italy's Trade with Canada Rises

ITALIAN TRADE increased substantially in the first six months of this year, compared with the first half of 1956; imports rose 16.8 per cent to 1,148 billion lire (Can.\$1.72 billion) and exports climbed 19.2 per cent, to reach 750 billion lire (Can.\$1.12 billion). Canada shared in this increase and our statistics covering the first quarter of 1957 show a further substantial gain over the same period last year. Our exports to Italy, at \$16.2 million, were up 89.8 per cent and our imports from Italy rose by 49.8 per cent to \$5.42 million.

Figuring most prominently in our brisk buying from Italy were products of her textile and metal-working industries, although our purchases covered a wide range of other commodities. Increases in Canadian sales to Italy stemmed largely from bigger shipments in a relatively few categories, such as rapeseed (up \$2.61 million), primary aluminum (up \$2.38 million), wheat other than durum (up \$700 thousand), flaxseed (up \$540 thousand), scrap iron or steel (up \$530 thousand). Few items showed decreases of more than \$50,000; these included durum wheat (down \$1.67 million), wheat flour (down \$800 thousand), and polystyrene (down \$700 thousand).

Italian figures for the half-year emphasize Italy's role as a substantial importer of industrial raw materials—such as crude oil, about 158 billion lire (Can.\$237 million), coal 77 billion lire (Can.\$111 million), iron and steel scrap 67 billion lire (Can.\$100 million), raw cotton 46 billion lire (Can.\$69 million), copper and its alloys 32 billion lire (Can.\$48 million), rolled iron and steel 27 billion lire (Can.\$40 million), other non-electrical machinery 26 billion (Can.\$39 million), sawn lumber 25 billion lire (Can.\$37 million).

Agricultural products still represent an important percentage of Italy's total trade; in the first six months of this year, sales of the major commodities—citrus fruits, other fresh fruits, fresh vegetables, sugar and wheat—totalled 109 billion lire (Can.\$163 million). In recent years, exports of manufactured goods have gained in importance and the top five products (valued at 129 billion lire, Can.\$193 million, in the first half of the year) were motor vehicles, wool textiles, rolled iron and steel, miscellaneous manufactured products, and worked metals.

—J. G. IRELAND,

Assistant Commercial Secretary, Rome.

The following nominal quotations may prove useful in checking prices. Canadian traders should consult their banks before making any firm commitments.

Conversions into Canadian dollar equivalent and units of foreign currency per Canadian dollar have been made at cross rates with sterling or the United States dollar on the date shown.

Except when buying and selling rates are specified, the mid rates only are quoted. The buying rate is that at which banks purchase exchange from exporters. The selling rate is that at which banks sell exchange to importers.

When several rates are indicated, the rate applicable depends on the commodity traded. Information on the rate for any specific commodity may be obtained from the International Trade Relations Branch, Department of Trade and Commerce, Ottawa.

Rates used exclusively in non-merchandise trading are *not* included in the table.

For conversion to United States dollar equivalent multiply by 1.04065.

foreign exchange rates

Country	Unit	Type of Exchange	Can. dollar equivalent November 8	Units per Canadian dollar	Notes (See below)
Argentina	Peso	Official .....	.05339	18.73	(1)
		Free .....	.02456	40.72	
Austria	Schilling ...	.....	.03696	27.06	
Australia	Pound .....	.....	2.1528	.4645	
Belgium, Belgian Empire and Luxembourg ...	Franc .....	.....	.01921	52.06	
Bolivia	Boliviano ..	Free .....	.0001103	9066.2	
British West Indies	Dollar .....	.....	.5606	1.78	(2)
	Pound .....	.....	2.6909	.3716	(3)
British Honduras .	Dollar .....	.....	.6727	1.49	
Brazil	Cruzeiro ...	General Category*	.0108	92.21	*Oct. 15 (4)
		Special Category .....	.00425	235.31	
		Official buying .....	.0523	19.11	
Burma	Kyat .....	.....	.2018	4.96	
Ceylon	Rupee .....	.....	.2018	4.96	
Chile	Peso	Free .....	.001439	694.93	(5)
Colombia	Peso	Certificate .....	.1875	5.33	
Costa Rica	Colon	Official .....	.1711	5.84	
		Controlled free .....	.1447	6.91	
Cuba	Peso .....	.....	.9609	1.04	tax 2%
Czechoslovakia ...	Koruna .....	.....	.1335	7.49	
Denmark	Krone .....	.....	.1391	7.19	
Dominican Republic	Peso .....	.....	.9609	1.04	
Ecuador	Sucre	Official .....	.06407	15.61	
		Free .....	.05590	17.89	
Egypt	Pound	Official	2.7594	.3624	(6)
El Salvador	Colon .....	.....	.3844	2.60	
Fiji	Pound .....	.....	2.4243	.4125	
Finland	Markka .....	.....	.003003	333.00	
France, Monaco and North Africa	Franc .....	.....	.002288	437.06	(7)
French colonies in Africa	Franc .....	.....	.004576	218.53	(8)
French Pacific	Franc .....	.....	.01258	79.49	(9)
Germany	D Mark .....	.....	.2288	4.37	
Ghana	Pound .....	.....	2.6909	.3716	
Greece	Drachma .....	.....	.03203	31.22	
Guatemala	Quetzal .....	.....	.9609	1.04	
Haiti	Gourde .....	.....	.1922	5.20	
Honduras	Lempira .....	.....	.4805	2.08	
Hong Kong	Dollar	Free*	.1623	6.16	*Oct. 25
		Official .....	.1682	5.95	
Iceland	Krona	Official .....	.05901	16.95	(6)
India	Rupee .....	.....	.2018	4.96	
Iran	Rial	Certificate .....	.0127	78.83	
Iraq	Dinar .....	.....	2.6906	.3716	
Ireland	Pound .....	.....	2.6909	.3716	
Israel	Pound .....	.....	.5339	1.87	
Italy	Lira .....	.....	.001543	648.09	
Japan	Yen .....	.....	.002669	374.67	
Lebanon	Pound	Free .....	.3046	3.28	

*Latest available quotation date.

Country	Unit	Type of Exchange	Can. dollar equivalent November 8	Units per Canadian dollar	Notes (See below)
Mexico	Peso .....	.....	.07688	13.01	
Netherlands	Florin .....	.....	.2534	3.95	
Netherlands Antilles	Florin .....	.....	.5106	1.96	
New Zealand	Pound .....	.....	2.6909	.3716	
Nicaragua	Cordoba	Effective buying .....	.1456	6.87	
		Official selling .....	.1362	7.34	
Norway	Krone .....	.....	.1345	7.43	
Pakistan	Rupee .....	.....	.2018	4.96	
Panama	Balboa .....	.....	.9609	1.04	
Paraguay	Guarani	Official .....	.01601	62.46	(6) (10)
Peru	Sol	Certificate .....	.05058	19.77	
Philippines	Peso .....	.....	.4805	2.08	
Portugal & Colonies	Escudo .....	.....	.03354	29.82	(11)
Singapore and Malaya	Straits dollar .....	.....	.3140	3.18	
Spain and Dependencies	Peseta	Controlled free .....	.02288	43.71	(6)
Sweden	Krona .....	.....	.1858	5.38	
Switzerland	Franc .....	.....	.2243	4.46	
Syria	Pound	Free .....	.2681	3.73	
Thailand	Baht	Free .....	.04658	21.47	(6)
Turkey	Lira .....	.....	.3432	2.91	
Union of South Africa	Pound .....	.....	2.6909	.3716	
United Kingdom	Pound .....	.....	2.6909375	.371618	
United States	Dollar .....	.....	.9609375	1.04065	
Uruguay	Peso	Free .....	.2116	4.73	
		Basic buying .....	.6329	1.58	(6)
		Principal selling .....	.4566	2.19	(12)
Venezuela	Bolivar .....	.....	.2868	3.49	
Yugoslavia	Dinar .....	.....	.003203	312.21	(6)

*Latest available quotation date.

notes

1. Argentina: additional rates result from exchange retentions on export proceeds and surcharges on imports.
2. Barbados, Trinidad, Tobago, Leeward and Windward Islands, British Guiana.
3. Bahamas, Bermuda, Jamaica.
4. Brazil: Exporters receive cruzeiros at official rate plus exchange premiums ranging from 18.70 to 48.64 cruzeiros per U.S. dollar, depending on product.
5. Chile: free rate applies to exports and to imports, except prohibited imports. Chilean importers must deposit local currency in amounts ranging from 5 to 200 per cent, depending on product, prior to shipment of goods.
6. Additional rates are in effect.
7. France: Territory includes Algeria, Tunisia, Morocco, Guiana, Guadeloupe, Martinique.
8. Equatorial Africa, West Africa, Cameroons, Togoland, Somaliland, Madagascar, Reunion, St. Pierre and Miquelon.
9. New Caledonia, New Hebrides, Oceania.
10. Official rate applies to exports and essential imports. For non-essential imports there is a surcharge of 25 guaranis per U.S. dollar.
11. Portugal: approximately same rate for Portuguese Territories in Africa.
12. Certain essential imports are subject to a fixed rate of 2.10 pesos per U.S. dollar, and no longer require import permits. Other imports are subject to the free rate, and are under quota. Exports are subject to a variety of rates according to the product. Exports are divided into eleven categories for exchange rate purposes. Depending on the product, the export rates which apply range from 100 per cent of the free rate to 100 per cent of the basic export rate of 1.519 pesos per U.S. dollar.



Commodity Notes

Argentina

TRACTORS—A factory to produce Triumph tractors will be built by Messrs. John Deere & Company as soon as the Argentine Central Bank grants permission. Originally a capital investment of US\$12 million was proposed but this is now to be increased considerably—Buenos Aires, Nov. 4.

Brazil

COTTON—The value of Brazil's cotton exports has declined steadily in recent years and this year is expected to total only some \$45 million, compared with \$86 million in 1956, \$131 million in 1955, and \$223 million in 1954. The São Paulo crop reportedly will not exceed 130 thousand tons of ginned cotton—São Paulo, Oct. 28.

Colombia

PLYWOOD—About 90 per cent of the plywood consumed in Colombia is manufactured by a local company in two plants, one located in Barranquilla and one near Bogotá. Founded in 1936, the company has gradually increased output and displaced imports from Canada, the United States and Japan. The Barranquilla plant has exported small amounts of plywood to the West Indies and competed successfully until the Government imposed a 15 per cent export tax in June of this year.

Both plants are equipped with modern machinery, producing sheets from $\frac{1}{8}$ " to 1" thickness, in sizes up to 4 x 8 ft. Production totals about 1.3 million square feet a month and all products are treated for protection against termites and the host of other tropical insects. A hardwood locally named "cativo", which is strong and termite-resistant, is used in the industry. Negotiations are going ahead to allow export of this wood to Canada for plywood manufacture—Bogotá, Oct. 29.

Peru

COFFEE PRODUCTION—The Peruvian Corporation, subsidiary of the Peruvian Transport Corporation (Toronto, Canada) and operator of the Central and Southern Railways of Peru, announced recently the

participation of Dutch interests in the further development of its Perene colony in the eastern foothills of the Andes.

Under the agreement, one of the largest banking houses in the Netherlands (which owns large tropical plantations in other areas of the world) will invest US\$750 thousand to expand the coffee-growing area in the Perene colony, to intensify lumbering operations, and develop other tropical products. A new company is being formed which will take over the existing coffee plantations of the Peruvian Corporation as well as further acreage shortly to be planted to coffee. Perene coffee is already well known abroad and commands a good market in Europe and North America. The existing plantation has 2.5 million coffee trees, about two-thirds of which are in full production. Under the new arrangement it is hoped to double the present production of 15,000 quintals to 30,000 by 1964.

At the same time, lumbering activities will be intensified and a new sawmill will be added. Perene has large areas of high-class timber and the Peruvian Corporation's requirements for railway sleepers represent a ready market for the sawmill products. The possibility of developing other agricultural crops is being considered. Construction of a road from the coastal area to the plantation, which will eventually open up the whole Perene territory, will be speeded up—Lima, Oct. 29.

Uruguay

WOOL—According to the wool shipment report for September 1957, exports of raw wool for the wool year (October 1, 1956, to September 30, 1957) totalled 139,592 bales, compared with 228,937 bales for the same period of the previous season. Principal buyers were the Netherlands with 54,390 bales, United Kingdom 19,165, the United States 14,042, and Italy 12,508.

Prospects for a quick turnover this season are not encouraging because of the impasse between producers and government over rates of exchange. However, it is reported that lambing has been prolific and that total production will reach a figure as high as the best in other years—Montevideo, Oct. 30.