



2	There Is a Market in Indo-China
8	How the U.S. Sells Farm Surpluses
11	Japan Tackles Payments Problems
13	Britain at the Half-Year
14	Chile Sells More Iron Ore
15	Commodity Notes
17	Hong Kong's Trade Prospers
20	Israel Buys Pulp and Paper
21	Trade Commissioners on Tour
22	Australia Pushes Farm Exports
24	What Louisville Trades with Canada
25	France Steps Up Oil Exploration
27	General Notes
29	Argentine Economy Recovers Slowly
32	Trade and Tariff Regulations
33	Coming to Canada on Business
34	Foreign Exchange Rates
36	Businessman's Bookshelf

foreign trade

Established in 1904

Published fortnightly by the Department of Trade and Commerce.
The Honourable GORDON CHURCHILL, Minister,
MITCHELL W. SHARP, Deputy Minister.

OTTAWA, AUGUST 17, 1957, Vol. 108, No. 4

Please forward all subscriptions and orders to:
The Queen's Printer, Government Printing Bureau, Ottawa.
Price: \$2.00 a year in Canada; \$5.00 abroad.
Single copies: 20 cents each.

Authorized as second class mail by the Post Office Department, Ottawa.

Material appearing in this magazine may be freely reprinted, preferably giving credit to "Foreign Trade".

cover Much of the trade in Indo-China is carried in junks like this one, plying the Mekong River that flows between Laos and Cambodia. The three Indo-Chinese states of South Viet Nam, Laos and Cambodia offer market opportunities worth attention. To discover what these are and how Canadians may capitalize on them, please turn to the market survey on page two.

There Is a Market in Indo-China

Canadians on tour in the Far East would do well to put Indo-China on their itinerary. With many needs that Canadian firms can supply, and with dollars to cover purchases, these three states offer a worthwhile market. This survey presents basic information on the area, as a guide to enterprising exporters.

C. M. FORSYTH-SMITH,
Trade Commissioner, Hong Kong.

THE THREE INDEPENDENT STATES of Laos, Cambodia and Viet Nam, formerly the French colony of Indo-China, offer opportunities for Canadian exports which did not exist even two to three years ago. During the days of French colonial rule, virtually all trade was confined to France and her territories. The situation today is very different. Not only are the import needs of these countries large in proportion to their population, but Canadian suppliers receive most-favoured-nation treatment and can thus compete on an equal basis with other world exporters. Where United States aid funds are involved, Canadian quotations are welcomed because our business practices are considered most acceptable and there is no political significance in Canadian trade overtures. These countries also have large amounts of foreign exchange to cover their imports and there are few places in the world with such unexplored opportunities for Canadian goods.

Despite the large demand and the availability of foreign exchange, trading with the Indo-China states is not easy and can be complicated and frustrating. Many years of French domination have resulted in a preference for French goods which is not readily overcome,

a fairly general lack of experienced local technical personnel makes the sales of technical equipment and machinery difficult, and the shortage of good administrators in government and commercial circles results in misunderstandings and delays in the issuing of import licences and the placing of orders.

Each of the three countries should be considered separately when assessing sales possibilities and appointing agents. In general, it is advisable to appoint separate ones for each country, bearing in mind the different problems to be overcome. National feeling should also be recognized and care taken not to arouse the displeasure of officials. An agent located in Saigon is likely to be at a disadvantage in attempting to do business in Cambodia or Laos, although certain of the older established French firms in the area have representatives in all three countries.

Personal Visits Pay

The importance of businessmen paying personal visits to these countries cannot be over-emphasized. Business methods and government requirements differ widely from other parts of the world and there are considerable differences among the three countries themselves. Thus an on-the-spot survey is the only satisfactory approach to the market. Companies offering some commodities—notably plastic raw materials, metals, agricultural equipment, sawmill and logging equipment, paper, fertilizers, and some chemicals—would be well advised to consider seriously such a visit. It could be included in a general tour of the Far East covering Japan, Taiwan, The Philippines, Hong Kong, Thailand and Singapore. Traders and officials in these countries welcome business visitors and appreciate contacts with new suppliers. Air communications are good and local accommodation facilities, at least in Saigon and Phnom Penh, are acceptable.

All correspondence and discussions with contacts in these states must be carried on in French for satisfactory results. Customs procedures, documentation,

payments and terms are straightforward and in conformity with normal trade practices. Shipping facilities leave something to be desired and there are few direct sailings. Normally goods destined for Saigon and Phnom Penh must be transhipped at Hong Kong and those for Vientiane at Hong Kong or Bangkok. This is a drawback but considerable quantities of United States goods are entering these markets under the same conditions and Canadian suppliers are at no disadvantage in this respect.

South Viet Nam

Area: 60,000 square miles

Population: 10-11 million

Capital: Saigon

Commercial Centres: Saigon-Chalon (population 1.6 million) and surrounding area; Hue is also a principal city but lies very close to the North-South truce line.

Foreign Exchange Position: US \$200-220 million available for 1957/58 fiscal year under U.S. Commercial Import Fund; estimated earnings from exports in free exchange, US \$20 to \$30 million.

SOUTH VIET NAM offers the best opportunities among the three Indo-China states for sales of Canadian goods. Its industrial development, though not great, far exceeds that of Cambodia and Laos and it thus has greater need for industrial raw materials. The economy—still badly out of balance as a result of the struggle for independence, its separation from North Viet Nam at the 17th parallel, and the later civil war—shows signs of recovery; it will be many years, however, before it may become viable.

The past two years have been devoted largely to the immediate problem of resettling displaced persons from Communist North Viet Nam and rehabilitating agriculture, the basis for future development. Considerable progress has been made and South Viet Nam is now paying more attention to diversifying and expanding her industries. There is virtually no heavy industry in the country but the Government is making efforts to encourage foreign investment for this purpose. It

has made little progress so far because overseas investors are naturally reluctant to invest under the present unsettled conditions. Viet Nam's policies are also discouraging development and the requirement that 51 per cent control of industrial undertakings must be in the hands of Vietnamese is a major deterrent. Nevertheless, tentative plans are afoot for the establishment of an integrated pulp and paper mill (to cost approximately US\$3 million), a sugar mill and a bottle manufacturing plant.

New Industries Encouraged

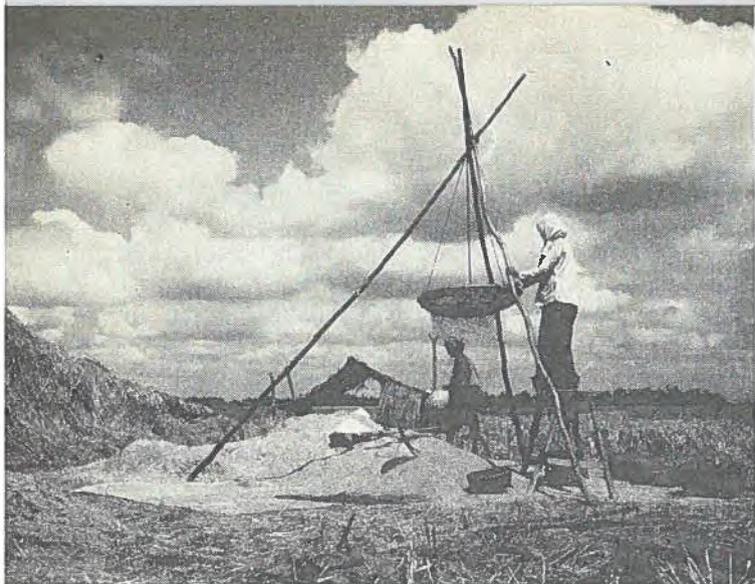
Fairly extensive small-scale manufacturing plants are in operation and require substantial amounts of raw materials. Among the most important are the manufacture of kitchen utensils and plastics, distilleries, a large brewery, rice mills, textile mills, the manufacture of printing ink, household hardware, venetian blinds and small machine tools, and a substantial paint industry. At present plans are being laid for the establishment of an Industrial Development Commission. Its functions will be to encourage foreign capital investment, extend loans to local industrialists, and provide technical and commercial advice to companies contemplating the establishment of new industries. This could result in more rapid progress but one of the major difficulties is the severe shortage of experienced and trained technical personnel.

Size of Market

Some progress was made in 1956 toward overcoming Viet Nam's alarming adverse balance of trade; it was reduced from 6,797 million piastres in 1955 to 5,903 million piastres in 1956. This was achieved by rather severe austerity and strict control over imports which cut them by some 20 per cent. In 1956 rubber accounted for about 87 per cent of Viet Nam's total exports, and rice for only 1 per cent. The remaining 12 per cent came from sales of feathers, coffee, tea, spices, fish products and a few incidental items. About 67 per cent of her exports went to France, 19 per cent to the United States, and 4 per cent to Cambodia.

United States aid funds provide the exchange for most of Viet Nam's imports and U.S. aid over the past year totalled more than US\$300 million. Of this some US\$250 million was for the Commercial Import Program and the remainder went into direct projects and technical help. Under the Commercial Import Program all goods, with the exception of agricultural products under the United States price support program, may be purchased from any source and it is expected that for the fiscal year which began July 1, 1957, some US\$200 million to US\$220 million will be available under this program. In addition, some

AUGUST 17, 1957



—ICA Photo

Harvesting rice on the Cai San plains, South Viet Nam, where 43,000 refugees from the Communist North were resettled. Rehabilitation of agriculture has received much attention, but building up of certain types of industry is not neglected.

US\$20 million to US\$30 million in free exchange should be earned by exports.

What to Sell

Thus Viet Nam's commercial imports for the year should total approximately US\$240 to US\$250 million. This provides considerable scope for Canadian suppliers and the market warrants serious study. The range of commodities to be imported is extensive and includes a wide variety of consumer goods as well as machinery and industrial raw materials. Serious inquiries have been received for the following products: newsprint and all types of paper; plastic raw materials (the allocation for these for the coming year is US\$500 thousand); aluminum sheets, rivets and wire (the allocation is between US\$1 million and US\$1½ million); agricultural equipment; sawmill and logging equipment; roadmaking and earthmoving equipment; chemicals; tinplate; malt, rubber tires and industrial rubber goods; fertilizers; pharmaceuticals; builders' hardware; water pumps; outboard motors; tobacco; artificers' tools; wallboard; vinyl film; aluminum foil; dyestuffs; leather; zinc and brass sheets; cellulose film; raw materials for the paint industry, and all types of machinery.

Choosing Agents

To date Canada's share of this market has been infinitesimal, largely because of inactivity on the part of Canadian suppliers. It is essential for interested exporters to appoint well-connected agents and to take care in selecting them. In general, the old-established French trading companies are well acquainted with the market and have the necessary finances and trained technical staffs. However, they may be at something of a disadvantage because of the strong nationalism of the Vietnamese, which tends to make it more difficult

for these companies to obtain import licences. In addition, these companies themselves usually prefer to deal in French goods and are not always prepared to push other lines. Several American trading companies have offices in Saigon and in general are active and reliable. They also have the advantage of a more friendly attitude towards them on the part of Vietnamese officials. Where possible, it would probably be advisable to appoint local Vietnamese who have a definite advantage in import licences. A number of these firms have adequate financial means and a trained staff.

Personal Visits

Canadian businessmen travelling in the Far East would be well advised to include a few days' stay in Saigon in their itineraries. This is particularly true for those dealing in aluminum, chemicals, sawmill and logging equipment, plastic raw materials, and paper. The market is not an easy one and the many years of French domination will not be quickly overcome. Correspondence must be in French, first class agents are a necessity, and periodic personal visits are advisable. Quick results cannot be expected as import licensing procedures are complicated and slow. However, there is definite scope for active exporters.

Cambodia

Area: 70,000 square miles

Population: 4.2 million

Capital: Phnom Penh

Commercial Centres: Phnom Penh (population 400 thousand); a business visit to a large rubber plantation at Chup might also be worthwhile.

Foreign Exchange Position: about \$21 million in U.S. aid for commercial imports; US \$35 million to \$45 million probably available from export earnings.

CAMBODIA, with a population of some 4.2 million, has a predominantly agricultural subsistence economy, with almost no large-scale industry except for rubber processing. The principal agricultural products are rice, of which the country produces about one to 1½ million tons a year, and livestock, consisting of approxi-

mately one million head of cattle, 300 thousand swine, about 300 thousand water buffalo, and about four million fowl. In addition, substantial quantities of corn, beans, peanuts, soybeans, sesame, cotton, ramie kapok, tobacco and pepper are produced. Apart from agricultural products, Cambodia also has substantial fresh-water fisheries, the largest in South East Asia. Fisheries production runs at between 100 and 150 thousand tons per year but has been dropping steadily as a result of over-fishing and a lack of conservation. Rubber plantations also provide an important income for Cambodia, the sixth largest rubber-producing country in the world.

Timber and Rubber Important

Timber, mainly hardwoods, is probably the greatest potential resource, with half the total area of the country covered with forest—or about two-thirds of the arable land. Most of the forests are government-owned and reserved for commercial exploitation under concessions granted by the Government. Little has been done toward developing these forests and present woods operations are primitive. There are some 300 hand-operated sawmills and about 30 mechanical ones, but wastage is high and in general the quality of output is poor. Investigations are in progress with a view to modernizing the industry but rapid action is unlikely.

The only substantial industry is rubber processing and six large French-owned companies dominate it. One of these produces about half of the country's rubber and has the second largest plantation in the world. The plantations are self-contained communities, including schools, churches and other facilities. Workers are provided with housing and rice and the companies operate commissariats where workers can obtain their daily necessities at reasonable prices. These six companies provide in taxes some one-quarter to one-third of total government revenues and their import needs are substantial. Quite apart from chemicals and equipment for rubber production and processing they import large quantities of consumer goods for the workers.

Some Manufacturing Carried On

Aside from the rubber industry, manufacturing is on a small scale and mainly consists of the processing of agricultural products. The most important of these are distilleries, rice mills, sugar mills, noodle factories and flour mills. There are also charcoal producers, brick kilns, potteries, fish product factories, ice factories, soft drink plants, printing plants, glass factories, natural oil factories and soap plants, as well as small cottage industries, particularly in the textile field.

Metal fabrication is carried out to some degree and there are three foundries and many small forge shops.

The only substantial plant in this field does metalworking, employs some 150 workers, and produces tanks, drums, and structural parts for buildings and bridges. There is also a kitchen utensil factory using 50 tons of aluminum sheets a year, plus five tons of aluminum ingot, five tons of polishing paste, and two tons of aluminum rivets. This might offer some scope for Canadian suppliers. There is a match factory producing some 60,000 boxes of matches per day and seven tanneries. No mineral development has taken place although phosphate deposits and iron ore are reported in various areas. Gold panning and gem mining is carried out by extremely primitive methods.

Cambodia has a substantial volume of trade and her exports normally reach a value of between US\$35 million and \$45 million per year. These consist chiefly of rice (about \$20 million), rubber (about \$16 million), corn (\$5.4 million) and pepper (\$1.1 million). The principal customers are France, the United States, and Viet Nam, in that order.

What to Sell

A large variety of goods are imported, predominantly manufactured and consumer goods. In addition to her earnings from exports, Cambodia receives about US\$250 million in United States aid. Of this about \$21 million is for commercial goods as distinct from military aid, project aid, and technical aid. Most items under the United States commercial aid program may be procured from any source, the exceptions being agricultural products falling under the United States farm surplus disposal program, which must be purchased from the United States. In general, imports under U.S. aid and involving the use of Cambodian free exchange are confined to essential items. However, substantial amounts of luxury goods are also imported with the use of EFAC funds. These are funds made available to exporters as an incentive to increase sales abroad. Under this program businessmen are permitted to retain 15 per cent of foreign exchange earnings from exports to the dollar area and to use these to import goods not otherwise permitted under the regular commercial programs.

Prospects for Canadian exporters, though perhaps not extensive, do exist and warrant thorough investigation. To date, Cambodia has made virtually no purchases from Canada. Inquiries have been received for a very wide range of commodities and it is probable that Canadian suppliers may be competitive on some of them. The greatest interest was shown in the following: paper, machinery, sawmill and logging equipment, chemicals, pharmaceuticals, outboard motors, marine engines, asbestos, hardware, machine tools, petrol-operated refrigerators, electrical generators, rice mills, cheese, beer, earthmoving equipment, pumps, tinplate, aluminum, and fertilizers.



—Robert Crone

This large bronze idol, typical of Indo-Chinese art, stands in the palace grounds at Phnom Penh, capital of Cambodia. A city of about 400 thousand, it is the main commercial centre for this country, which is still largely agricultural.

Choosing Agents

Cambodia is not an easy country in which to do business and exporters cannot expect quick results. It does, however, have available substantial amounts of foreign exchange and with adequate promotion and care in choosing agents, results could be gratifying. Some points should be borne in mind in appointing agents. First is the shortage of trained management, technical and mechanical skills in the country. This indicates that agents, particularly for goods requiring technical knowledge, should have adequately trained staff in a position to advise customers on their needs and if necessary train workers in the use of the equipment. Such agents are not easy to find but they are available. A number of French firms have been operating for many years and there is no doubt that they know the market better than most others. However, they are probably not in as favourable a position as native Cambodian companies for obtaining import licences. The number of qualified Cambodian agents is extremely limited but where these can be found, they have distinct advantages. There are no British trading companies but a small number of

United States ones have opened offices in Phnom Penh and in general are active and reliable.

Probably the greatest obstacle is the natural preference for French goods resulting from many years of use. French influence is strong and in general French measurements and specifications are preferred. French is the recognized business language and few commercial firms can correspond in English. Thus Canadian companies should ensure that they carry on their correspondence in French. Personal visits to the capital, Phnom Penh, by Canadian businessmen would certainly be the best means of assessing trade possibilities and should be particularly worthwhile for those offering paper, sawmill and logging equipment, chemicals, and specialized machinery.

Laos

Area: 89,000 square miles

Population: 2.0 million

Capital: Vientiane

Commercial Centre: Vientiane, population 50,000.

Foreign Exchange Position: US \$30 million-\$50 million in United States aid for commercial imports; export earnings almost nil.

IN CONSIDERING LAOS as a potential market, it should be remembered that it, like the other two countries, has been an independent state for barely three years. Since it attained independence it has been torn by civil war and this has retarded its development; hostilities have been at a standstill for the past few months but the two northern provinces are still occupied by the Pathet Laos or Communists and negotiations toward a political settlement are still proceeding.

By our standards, Laos is an extremely undeveloped country. There is practically no industry and agriculture is fairly primitive. Its mineral resources are said to be extensive but little developed, although some prospecting is being done. The country has to depend on outside sources of supply for most of its needs and has few products to export.

Size of Market

Nevertheless this market does warrant attention from Canadian exporters. American aid funds have become

an important factor and a large variety of goods are imported. Commercial aid from the United States is expected to continue for some years as the prospects of the economy becoming viable in the near future are extremely slight. The commercial import budget totalled US\$18.9 million in 1955, US\$33 million in 1956, and for fiscal 1957-58 is expected to be about US\$49 million. With the exception of agricultural products under the United States farm surplus disposal program, the aid funds may be spent on goods from any source. United States officials administering the aid program welcome participation by Canadian suppliers because they want to assure that the funds are well spent and to the best advantage. These officials also recognize that, in general, Canadian business practices are beyond reproach.

Choosing Agents

In considering the correct approach to the Laotian market, Canadian companies should bear in mind the changes which have taken place in this area. Formerly it was acceptable to appoint an agent in Saigon to cover the whole of the Indo-China market. This is no longer the case and, normally, it is advisable to appoint as agents local companies with adequate connections in government circles. There are, of course, companies with offices in Saigon, Vientiane and Phnom Penh and in some cases they are able to cover the territory adequately. As a general rule however local Laotian companies enjoy some degree of preference in obtaining import licences and, if they have adequate

technical ability and trading experience, these companies are the best prospects.

Shipping Goods

Imports to Laos normally go via Saigon or Bangkok; however, the latter is becoming a more important route in view of technical difficulties encountered in Saigon and the longer overland haul. In some cases it is possible for agents located in Bangkok to handle the Laotian territory to advantage and it is becoming more practical to bracket Thailand and Laos as a market than Laos and Viet Nam.

What to Sell

The potential demand for Canadian goods in this country is limited not only by the fairly small market itself but because consumer products rather than raw materials are chiefly required. Prospects appear to be best for paper products, some chemicals, sawmill equipment and possibly pharmaceuticals. Inquiries have been received for building materials, consumer goods of various types, electrical generators, refrigerators, outboard motors, agricultural equipment and cigarettes, but it is doubtful whether Canadian goods in these categories can compete because of production costs and the long freight haul. However, exporters of these products should certainly look carefully at this market. Sawmill equipment appears most promising because Laos is well endowed with timber resources and a good start has been made in developing these. The market is not an easy one and it would probably be necessary for Canadian suppliers to send technical personnel to the country to advise on the best types of equipment and possibly to train workers to use it.

Apart from United States aid funds, Laos has virtually no foreign exchange with which to pay for goods. Her exports during the past year probably totalled about US\$2 million and went mainly to adjoining markets such as Thailand and Viet Nam. These funds are chiefly used for non-commercial purposes, such as maintenance of embassies and consulates abroad. Some imports are sent on a non-remittance basis and payment made from bank accounts abroad; this practice is illegal and efforts are being made to curb it. There is no reliable estimate of the extent of this business but the total is probably not large.

To summarize: Laotian imports for the coming year will probably amount to about US\$49 million and will consist primarily of consumer goods. Prospects for Canadian products are not too promising, with the possible exception of paper products, chemicals, sawmill equipment and pharmaceuticals; agents should normally be local ones and the market should be considered in conjunction with Thailand rather than Viet Nam. ●



—Robert Crone

Going to market in Vientiane, capital of Laos, often includes buying fish for the family—fish so fresh that it still wriggles. The Laotian economy is largely undeveloped and simple.



This machine busy in an Arkansas field is harvesting cotton, one of the agricultural commodities in surplus supply which the U.S. Government is selling to foreign countries under various arrangements. From late in 1954 to April 30, 1957, for example, 2.5 million bales, with a market value of \$380 million, were sold to a large number of countries for foreign currencies. Cotton ranked second only to wheat in these sales under Title One of PL 480.

How the U. S. Sells Farm Surpluses

For nearly three years, the United States Government has been selling its surplus farm products abroad under various methods outside the normal marketing system. What are these methods? How much have they cost the U.S. taxpayer? How have they worked out in practice?

W. C. HOPPER,
Agricultural Counsellor, Washington.

THE INVESTMENT OF THE UNITED STATES GOVERNMENT in agricultural commodities on April 30 of this year stood at \$7.8 billion, against \$8.6 billion for the same date last year. Of this total, \$2.3 billion represented commodities pledged by farmers for government loans and \$5.5 billion the value of commodities in the inventory of the Com-

modity Credit Corporation, an agency of the U.S. Department of Agriculture. The investment in corn totalled \$2.29 billion, in cotton \$1.58 billion, and in wheat \$2.41 billion. The remainder represented the total value for some 20 other commodities. Practically all of the commodities under loan will become the property of the Government at the end of the loan periods.

There are a number of methods employed in supplying United States agricultural commodities to importing countries. Exports are made for dollars, for foreign currencies, for gifts and by barter arrangements. These methods of disposal are used for wheat, corn, barley, rice, cotton and other agricultural commodities which are in surplus supply.

United States exports of wheat are of special interest to Canada. In the wheat marketing year 1955/56, the U.S. exported 344 million bushels of wheat; she sold 97 million bushels for dollars, 93 million for foreign

currencies, exchanged 67 million bushels under barter transactions, and exported about 87 million bushels through mutual aid, relief programs and private donations. Wheat exports during the 1956/57 marketing year are expected to exceed 500 million bushels. According to an unofficial estimate, about two-thirds of United States exports of wheat and wheat flour during the fiscal year 1956/57 (ended June 30) were made under some government program, including barter contracts.

Commercial Sales Subsidized

On all commercial sales of wheat for export for which dollars are obtained, the Government provides a subsidy. Without this subsidy there would be no export sales for dollars. Wheat is under government price support, and when the cost of marketing is added to the support price, it brings the figure well above the price at which other exporting countries, such as Canada, can offer wheat to importing countries. The United States also provides a subsidy on exports of American flour. The export subsidies on wheat currently range from 50 to 75 cents a bushel. During the 1955/56 wheat marketing year, export subsidies on wheat and wheat flour cost the U.S. Government \$89.7 million. Over the past seven years, (1949/50 to 1955/56) subsidies on wheat and wheat flour have totalled \$795 million.

For the 1957 wheat crop, the national support price for wheat averages \$2.00 a bushel but the price support for wheat harvested in 1958 is to be cut back to \$1.78 a bushel. The actual price received by individual farmers for their wheat varies according to its grade and the distance of the farm from a terminal market, such as Kansas City.

For many commodities other than wheat that are owned by the Commodity Credit Corporation, bids are invited from United States exporters and they are sold for dollars to the highest bidder.

Sales for Foreign Currencies

Sales of wheat and other agricultural commodities are made for foreign currencies under authority of Title I of the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480) and two sections of the Mutual Security Act which came into force in the same year.

● Under Title I of PL 480

From November 15, 1954, (the date of the first agreement) to April 30, 1957, the United States has signed 92 agreements with 32 different countries under Title I of PL 480; of these 92 agreements, 34 were amendments to original agreements. The market value of the agricultural commodities included in these agree-

ments totalled more than \$1.8 billion and the ocean freight charges, which the United States paid, reached nearly \$225 million; the commodities included in the agreement thus cost the U.S. Government \$2.7 billion.

Twenty-three countries received wheat for local currencies under PL 480 between November 1954 and April 30, 1957; the market value of the wheat exceeded the value of any other commodity—\$745 million for 446.1 million bushels. Cotton included in these agreements came second to wheat, with a market value of \$380 million for 2.5 million bales. The market value of feed grains, which includes corn, totalled \$97 million for 75.4 million bushels. Substantial quantities of rice, tobacco, dairy products and fats and oils were also included in the agreements, as well as smaller quantities of dried beans, poultry and other meats, fresh, dried and canned fruits, potatoes and seeds.

The proceeds from sales of farm products for foreign currencies, which have totalled nearly \$2 billion from the agreements under Title I of PL 480, have been used as follows: 56.4 per cent for loans for multilateral trade and economic development; 24.1 per cent for payment of U.S. overseas obligations; 11.9 per cent for military procurement; 1.6 per cent for market development, and 6.0 per cent for other purposes.

Congress has provided \$4 billion under Title I of Public Law 480 to buy surplus commodities from CCC stocks and ship them overseas. Of this total, \$3 billion has been spent and the balance will be available for use until June 30, 1958. (These figures refer to the cost of the commodities to the CCC, not to the market value.) Of the \$1 billion balance, which will be available until June 30, 1958, the market value, or the cost which the importing countries will pay in their currencies, will total the equivalent of about \$650 million.

● Under the Mutual Security Act

From the beginning of this program in 1954 to April 30, 1957, the value of agricultural commodities sold for foreign currencies under Sections 550 and 402 of the Mutual Security Act reached \$1.25 billion (the cost to the CCC), or a total of \$1.31 billion when the cost of ocean freight is added. The commodities were sold directly to 29 different countries under this Act.

The value of the bread grains, practically all wheat, shipped under the Mutual Security Act reached \$432 million. The value of cotton totalled about \$428 million, fats and oils \$100 million, feed grains including corn \$92 million, and dairy products nearly \$62 million. Smaller amounts of other commodities such as fruits, tobacco, rice, sugar, meat, hides and skins, beans, eggs and naval stores were also sold.

In addition to the direct sales mentioned, agricultural commodities valued at \$51 million were disposed of for foreign currencies by triangular deals. Under this system, agricultural commodities were shipped to European countries and the U.S. used proceeds from the sale for local currencies to buy industrial products for aid shipments to less developed countries.

Relief Measures Move Surpluses

Under Title II of PL 480, the President of the United States is authorized to make available to friendly peoples surplus agricultural commodities to meet "famine and other urgent relief requirements". For this purpose, Congress approved a total of \$800 million (to pay costs to the CCC) in 1954 until June 30 next year; up to April 30 of this year, more than \$300 million of this had been used, leaving \$500 million still available for relief shipments.

Twenty-eight different countries have received United States agricultural commodities under this authority. About 75 to 80 per cent of the value of these commodities represented outright gifts for direct consumption in the recipient countries; the balance represented sales for foreign currencies, but most of the proceeds were given to the countries which received the commodities.

Commodities shipped under this title are used primarily for food. Most important are bread grains which head the list with a value of about \$139 million, followed by milk and milk products nearly \$45 million, rice \$36 million, fats and oils \$33 million, coarse grains (including corn) \$19 million, cotton \$7 million, and dry beans \$4 million. To these CCC values, cost of ocean freight must be added to calculate the full cost to the Government.

Barter Deals Reviewed

Provisions to allow barter of surplus agricultural commodities for strategic materials needed for United States stockpiles are contained in Title III of PL 480. Here is how the barter system works. The barter contractor makes an agreement with the Government to import strategic and critical materials for which he is paid in dollars; in return, the contractor agrees to export surplus agricultural commodities to the value of the strategic materials. Generally sales of surplus commodities are not made to the countries from which the strategic materials are obtained. The contractor's interest in transactions of this kind is the profits he makes on the strategic materials he imports and sells to the United States Government.

Up to the end of April of this year, when the regulations were changed, he generally also obtained interest income because he was paid promptly for the commodities of the Commodity Credit Corporation he

arranged to export, but he did not have to pay for the strategic materials until they were delivered. Frequently delivery extended over several months and sometimes over several years. The CCC, which supplied the surplus commodities, required only a letter of credit which the contractor was able to obtain from his bank for one-quarter to one-half per cent interest per year. The contractor therefore could use the profits from the sale of the agricultural commodities until the strategic materials were delivered, when he paid off his indebtedness to the CCC.

At the end of April last, the Government suspended the barter program because it believed that surplus commodities exported under barter agreements were in many cases displacing normal commercial sales. The program was resumed again on May 28 but with changed regulations to assure that each barter contract resulted in a net increase in exports of the agricultural commodities involved. Under the revised program, barter contractors who desire delivery of agricultural commodities in advance of the delivery of strategic materials must pay interest until the strategic materials are delivered, or otherwise arrange to pay for the products. Payment of the interest charges will be delayed until final settlement under the contract, but the CCC will demand payment in cash. The contractor must post an irrevocable dollar letter of credit acceptable to the CCC for the value of the agricultural commodities (plus estimated interest) which the CCC delivers in advance of the delivery of the strategic materials.

Under the former barter regulations, a substantial proportion of the wheat was sold under barter contracts to countries financially able to pay dollars. Under the new regulations, if the surplus commodities are shipped to such countries the contractor must show that these sales will represent an increase in exports. Formerly, profits on the sale of the strategic materials and the interest income which the contractors could earn made it possible for them to offer CCC wheat and other surplus agricultural commodities to importing countries at prices below current commercial prices. It is too early yet to know what the effects of the revised barter program will be.

During the fiscal years 1954/55 and 1955/56 and the first nine months of 1956/57 (to March 31, 1957), deliveries of CCC surplus agricultural commodities for export under the barter program totalled \$738 million in value. Of this total, wheat had a higher value than any other commodity—\$348 million for 197 million bushels. The deliveries by years were as follows:

	1954/55	1955/56	nine months of 1956/57
	(in thousands)		
Volume (bushels)	46,261	67,420	83,386
Value (dollars)	98,110	116,835	133,376

Section 416 of Title III of PL 480 authorizes donations of surplus agricultural commodities to school lunch programs and to needy persons at home and abroad. The overseas donations are distributed through 22 United States private welfare agencies and through inter-governmental agencies such as UNICEF. The U.S. has sent food to 84 different countries under this program valued as follows:

1954/55	\$ 214,517,000
1955/56	271,156,000
1956/57 (to April 30)	153,809,000

Actually, since 1950 the Government has made available large quantities of foods of various kinds to

United States private welfare agencies and international organizations for needy persons in foreign countries. Since the passage of PL 480 in 1954, the foods which have been donated for foreign relief include butter, butter oil, cheese, dried skim milk, beans, corn, cornmeal, wheat, wheat flour, rice, cottonseed oil and shortening. From July 1, 1954, to June 30, 1957, the volume of food products exported for foreign relief reached a total of about 3.75 billion pounds. The United States Government paid all the inland freight on these shipments and about 75 per cent of the ocean freight to destination in the recipient countries.

Japan Tackles Payments Problems

Drop in foreign exchange reserves at mid-year and continued rise in imports has led Japanese Government to take emergency measures to correct a balance-of-payments deficit. This report discusses these and their probable effect upon trade.

W. G. PYBUS,
Commercial Secretary, Tokyo.

JAPAN'S PROSPERITY, which reached record levels in 1956, continued into 1957, but by mid-year serious balance-of-payments difficulties appeared. In May, Japan's commodity imports exceeded exports by over \$200 million and reduced the nation's effective foreign exchange holdings to less than \$500 million (excluding debts totalling about \$260 million owed to Japan by Indonesia, Argentina and South Korea). A foreign exchange reserve of \$1,000 million is considered a minimum for the sound operation of the Japanese economy.

The rapidly dwindling reserves prompted the Bank of Japan to increase the official discount rate on May 8 to 8.4 per cent, an advance of 0.7 per cent over the 7.7 per cent established in March of this year. In a further effort to redress the deficit on the balance of

payments, the Government on June 4 raised the rate of guarantee money to be deposited with the Bank of Japan by importers of non-essential commodities, and now requires that import guarantee money be deposited in cash. Guarantees of 35 per cent, compared with the former 5 per cent, must be given on non-urgent goods such as cheese, lemons, coffee and cocoa beans, lard, hops and sundry goods. Raw materials other than basic items such as iron ore and oil will be subject to a 25 per cent guarantee. "Semi-non-essential" goods such as office machines and parts for machinery generally must be covered by a 10 per cent import guarantee in cash.

In addition to the increased bank rate and higher import guarantee deposits, the Government is formulating policies designed to expand Japanese exports still further. Although restrictions on government and industrial investment are in readiness, they have not yet been applied.

Tight Money Problems

The Government's tight money policy has placed the medium and small manufacturing and trading companies under considerable pressure since they operate largely on short-term bank credit. It is expected that the rate of small business failures will increase over

AUGUST 17, 1957

the next few months and the Government is considering offering some aid in the form of guaranteed loans granted by commercial banks. Another problem raised by the Government's new monetary policy is the inability of some Japanese firms to carry out their commitments to overseas suppliers. There is no suggestion that Japan will not honour firm contracts but until the new regulations are operating smoothly, there will probably be delays in completing deliveries.

Most observers feel that the next six months will be critical ones for the Japanese economy. The task of slowing the pace of imports on the one hand and increasing exports on the other—both without seriously disrupting the current wave of domestic prosperity—is likely to be difficult.

The deterioration of Japan's balance-of-payments position during the first six months of 1957 appears to have resulted from over-optimism which led to too rapid a rate of investment in capital equipment and in raw material inventories. Optimism was justified at the close of 1956. Japan had just completed one of the best years in her history, with an increase in national income of 12.6 per cent over 1955. In spite of deficits in commodity trade during the first three months of 1957, the Government in March increased the national import budget by some \$275 million and also reduced taxes by a similar amount.

To keep pace with the rapidly expanding economy and to improve Japan's competitive position, industry in the early months of 1957 accelerated its renewal and expansion of plant equipment. Although a large proportion of the machinery installed in Japanese factories is produced domestically, imports of machines increased substantially and put an additional temporary strain on the foreign exchange reserves.

The effects of the rush to increase stocks of raw materials following the Suez crisis last fall were felt increasingly in the early part of this year. Imports of raw and processed materials surged up and the April 1957 index stood 52 per cent above April 1956. New records for total imports were established in both May and June. Although increasing production logically calls for increases in raw material imports, current stockpiles, although not excessive, appear to be sufficiently high in most industries to permit of some short-term curtailment of imports without affecting industrial output.

Another major factor in the rapid increase of imports was speculative purchasing. In addition to covering possible shortages resulting from the Suez crisis, many traders contributed to the imposition of stricter import controls by speculative purchases in anticipation of a deteriorating balance-of-payments position by mid-1957.

The new "tight money" measures adopted by the Government have not had time to slow up production increases. The over-all production index (based on 1950=100) rose in April to 284.9, a gain of 2.3 per cent over March and 22.6 per cent over one year ago. Output of railway rolling stock, for example, increased in April 250 per cent over the same month last year. Machinery, steel ships, rubber products and petroleum made similar gains, varying from 35 to 55 per cent. The lively pace of production expansion is mainly attributed to domestic demand for plant and equipment. The rate of increase of exports has slowed down, but they too continue to play a dominant part in maintaining national output.

Exports Lag behind Imports

Japan's exports for the twelve months April 1956 to April 1957 totalled \$2.6 billion, an increase of 21.5 per cent over the preceding fiscal year. Iron and steel (which ranked first among Japanese exports last year) decreased by 20 per cent in value and 40 per cent in volume respectively this year, placing this commodity in third position. Ships, exports of which increased threefold over the fiscal year 1955-56, became Japan's leading export. Textiles ranked second, with no appreciable change from the preceding year. Cement, silk fabrics, spun rayon fabrics and machinery all showed notable gains for the fiscal year 1956-57.

Japan's exports are temporarily lagging behind her imports, but it can be reasonably expected that they will continue to increase. Thus if the Government's measures to slow up the rate of imports prove effective, rising exports can restore the balance-of-payments position by the end of the current fiscal year.

Loans Obtained

Until exports and imports can be brought into better balance, the Japanese Government has obtained loans and credits totalling \$310 million from the International Monetary Fund and the United States Export-Import Bank. It is expected that these amounts will be sufficient to tide the nation over its current difficulties. However, the substantial loans and credits will be an important factor in assessing how long it will take to restore the nation's foreign exchange reserves to acceptable levels.

Outlook for Canadian Exporters

Canadian exporters who have been hoping to introduce consumer goods into the Japanese market will now find their task even more difficult. Japan's import licensing program is designed to exclude all products that can be produced domestically or are considered non-essential. Bulk foodstuffs, raw and semi-processed materials, and highly technical products will continue to find a place in this market in spite of the temporary restrictions. ●

Britain at the Half-Year

With gold reserves satisfactory, exports up over the first half of 1956, and production in many industries increasing, the economic picture has many bright spots. But the rise in costs (one result of higher wages), the pressure of domestic demand, and the expansion of imports continue to cause anxiety about the future.

H. LESLIE BROWN,
Commercial Counsellor, London.

DURING THE FIRST HALF OF 1957, demand for British products has been growing both at home and abroad, despite strikes and shipping delays during the early part of the year. Most of the main industries are increasing production—though output is rising at a slower pace than wages. Coal production is up modestly; steel output rose 4 per cent in the first five months; production of chemicals is expanding strongly. Building, aided by a mild winter, has gone ahead, especially in the industrial field.

Consumer demand has shown some growth. Retail sales increased by 6 per cent, about two-thirds of which was accounted for by volume and the remainder by higher prices. Clothing sales continued a steady climb, with a rise of over 3 per cent. Household durables more than recovered the ground lost last year, though sales are still held down by heavy purchase taxes. Automobile production again reached a high level by June; the half-year total was 527,400 vehicles of which 267 thousand were exported, with record sales in North America.

Exports, consumption and investment have increased and a rise in production is expected before the end of the year. As always, rapid growth of the home market can mean that imports will rise more than exports. Given an increase in exports, for which world markets continue to offer opportunity, production can rise safely, offset higher wages, and counter the inflationary effect of higher wages on prices.

Costs Are Mounting

Inflation is a word much to the fore in the United Kingdom. Each year has seen higher wages and a rise in the cost of living. The restrictive financial measures

taken about two years ago are still in effect and continue to hold some domestic sales down.

However, costs are still going up. The railwaymen received a wage increase and freight charges have been raised; the coal miners received a wage increase and the cost of coal and coke has jumped. With fuel and transportation costs up, charges for gas and electricity are higher. Higher prices for these essentials mean that, sooner or later, prices of foodstuffs and other goods will also be increased. Last year's increase in wages and salaries aggregated nearly £900 million. Postal, telephone and telegraph costs will rise by £42 million a year, beginning October first. It is therefore quite clear that, on the one hand, increased costs must be passed on to the consumer and, on the other, that this volume of earnings means a bigger demand for supplies. The two, in a sense, may frustrate one another.

The Government has announced that it is setting up an impartial body to produce an independent analysis of the related problems of incomes, costs and prices. The body is not to deal with wage claims or disputes and will not be a super-national authority. The Government's idea is that this body should play an important part in keeping before the country the essentials of the economic position.

The Government has been exhorting both management and labour to keep prices and wages down. On July 12th the Chancellor of the Exchequer, for example, made specific reference to the trade situation when he said "we here are too dependent on world trade . . . to allow the value of our currency to slide. It is our business, and our principal business, . . . to preserve the soundness of our own money." He reminded the nation that the answer is greater production. Parenthetically, there are those who expect the Government to curb inflation further by intensifying or broadening controls on credit and spending.

Gold Reserves Satisfactory

Taking the events of late 1956 into account, the current position of sterling is satisfactory. It is steady in relation to the dollar and the relaxation of import restrictions announced early in July is an indication of government confidence in the dollar balance.

The first half of the year is generally regarded as the time when reserves are gathered against the normally

AUGUST 17, 1957

higher payments of the autumn. The gain in reserves during the first half of the year, at \$248 million, was only \$17 million short of the gain in the same period of 1956. However, special receipts (such as the \$200 million drawn from the International Monetary Fund by India) totalled \$327 million during January to June compared with \$26 million in the same period of 1956. The reserves, of course, include \$561 million borrowed from the International Monetary Fund at the end of 1956.

The position of sterling is also related to the strength of the German mark and the weakness of the French franc. Currency dealers will naturally be alert to the possibility of currency revaluation in Europe. Although such a prospect does not appear to affect sterling unfavourably, neither does it bring demand for sterling. Consequently, speculative movements of money have not yet shown any distinct trend toward replacing the sterling holdings which were sold last autumn; such movements are neutral in net terms, rather than favourable or unfavourable.

Overseas Trade Still Growing

During the first half of 1957 exports totalled £1,688 million, an increase of 6 per cent over the corresponding period of 1956. Re-exports amounted to £69 million, a decline of 14 per cent. Imports also increased by 6 per cent to £2,099 million but arrivals delayed by the closing of the Suez Canal accounted for about a quarter, or 1½ per cent, of the increase. The "trade gap"—that is, the excess of imports, C.I.F., over exports and re-exports, F.O.B.—was therefore some £342 million for the half-year. This was £36 million greater than the trade gap in the first half of 1956 but, again allowing for the Suez delays, the difference is not too disappointing.

The distortions of the earlier months disappeared by June; over the half-year, arrivals were just about 6 per cent higher in value and 3 per cent larger in volume than in the first half of 1956. Exports rose by almost exactly the same percentages. Allowing for the carry-over of imports which should have arrived in 1956, the increase in imports was about 4½ per cent in value and 1½ per cent in volume.

The overseas trade situation is therefore satisfactory and gives reason to hope that the trade gap may be narrowed even more during the rest of the year. A particularly pleasing aspect of overseas trade is the continued growth of exports to the dollar markets of North America; they were 5 per cent higher than in the first half of 1956, with sales to the United States up 9 per cent and to Canada by 3½ per cent. Sales to Canada totalled nearly £95 million, compared with £91 million during the first six months of 1956. ●

Chile Sells More Iron Ore

IRON ORE PRODUCTION IN CHILE reached a record 2,402,000 million tons in 1956, well above the 1955 figure of 1,536,000 tons. Exports rose in the same period from 1,236,000 to 1,754,000 tons.

The national steel industry, (Compania de Acero del Pacifico "CAP") has been producing since 1950 and in 1956 delivered 500 thousand tons of iron ore to its plants at Huachipato and Corral. From 1951-55 Chile's domestic use of iron ore averaged 17.5 per cent of the total national production.

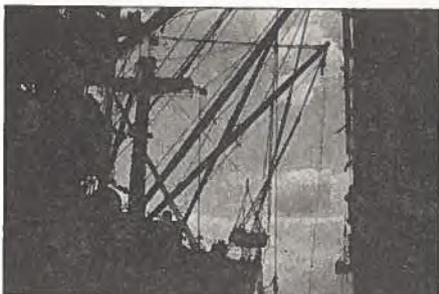
American steel interests control both the "El Tofo" and "El Romeral" mines which in 1956 produced about 51 per cent of Chile's iron ore. A Canadian incorporated company maintains a principal interest in the second most important Chilean iron-producing firm. Smaller companies have been expanding their producing and handling facilities to reach a goal of 2½ million tons in 1957. These producers will probably play an increasingly important role in the industry in the future.

The United States is Chile's principal export market (1.5 million tons of iron ore in 1956) and up to 1952 was her only customer. Germany, Japan, Italy, Belgium and the Netherlands have recently become markets for Chilean iron ore, buying chiefly from the smaller mining companies. Three German firms have closed deals for the supply of up to 350 thousand tons of iron ore from Chile in 1957. A Japanese trade mission recently spent some time in Chile, taking a first-hand look at possibilities for increased trade and capital investment in the national mines.

In addition to a low humidity content, it is estimated that Chilean iron ore contains on the average an iron content of between 64 and 67 per cent. Until new processes make the use of low-grade ore economically feasible, Chile will remain an important source of high-grade iron ore for the world market. The future of the industry will depend largely upon Chile itself. Modernization and enlargement of port facilities and the improvement of transportation routes between the ore bodies and shipping centres must be undertaken. Chilean iron ore producers must also find and hold new customers and remain competitive by resolving internal difficulties associated with rising costs.

—L. D. BURKE,

Acting Commercial Secretary, Santiago.



Commodity Notes

Australia

RADIO CONTRACT—In the face of stiff world competition, an Australian firm has secured a South African Government contract worth nearly \$1 million to supply a high frequency radio communication network. South African technicians will come to Australia to learn how to maintain the equipment. The firm has supplied similar equipment to Indonesia, Pakistan, India and Malaya—Sydney, July 15.

ROLLER BEARINGS—The Timken Roller Bearing Company of the United States will establish a £1¼ million roller-bearing plant at Ballarat, Victoria. Work on the plant is to begin immediately and the company will enlarge it as the demand for its products expands. Initially it will concentrate on producing tapered roller bearings, but later will expand its activities to other products. A survey of the present marketing potential had shown that the size of the plant could be trebled within five years—Melbourne, July 3.

Brazil

COFFEE—The Brazilian Coffee Institute has estimated the 1957-58 exportable crop at 17.7 million bags, somewhat larger than a preliminary estimate of 16.9 million made in March. The new estimate is still considerably less than the U.S. Department of Agriculture's December estimate that Brazil may have 22 million bags for export during 1957-58. Africa has been making slow gains in the world coffee market following World War II; Latin America produced 90 per cent of the world's coffee before the war but only 74 per cent during 1955-56—Sao Paulo, July 23.

Finland

PITPROPS—Finland's exports of pitprops in 1956 reached approximately the same volume as in 1955, when they totalled about 1½ million cubic metres solid measure. Exports to the United Kingdom rose to 614 thousand cubic metres in 1956 from 278 thousand in 1955; West Germany purchased only 313 thousand cubic metres as against 576 thousand

the previous year. Other principal buyers were Hungary, Turkey, and Belgium/Luxembourg—Stockholm, July 10.

France

POPLAR WOOD—During the last two years consumption of poplar wood in France has steadily increased. In 1955, 545 thousand cords were consumed and the figure is expected to reach 580 thousand cords this year. The most important use is in making light packing cases for the citrus fruit industry. Substantial quantities of these wirebound cases are shipped to North Africa.

The second largest demand is from the cellulose pulp industry, which has purchased large quantities of logs, with diameters between four and twelve inches, during the last two years. It is expected that purchases of poplar for packing cases will double between 1957 and 1961. Needs of the cellulose pulp industry are expected to quadruple within the next few years—Paris, July 10.

India

IRON ORE—The Government of India has announced that from July 1, 1957, all iron ore for export will be sold through the State Trading Corporation of India (Private) Ltd., a government agency. The corporation is to use existing channels of trade so that established trading and mining interests may participate fully in export sales. India feels that by putting all exports of iron ore through a single agency she will be able to raise exports to the maximum. The Government hopes to prevent fragmentation of export quotas, facilitate bulk movements, co-ordinate rail movements with shipping programs and synchronize iron ore mining development with the availability of transport—New Delhi, July 14.

Japan

CHEMICAL FERTILIZER—The Japanese Ministries of Agriculture and Forestry and of International Trade and Industry expect that output of chemical

fertilizer will total 3.8 million tons during the fertilizer year August through July 1958. This would be an increase of roughly one-half million tons over the fertilizer year now ending. Domestic demand is expected to amount to 2.6 million tons and export demand to 1.2 million tons; principal markets are Formosa and Korea. Competition from western countries is expected to be keener as a result of the decline in ocean freight rates during the past few months. The prices at which recent contracts have been concluded range from \$54 to \$58 per ton F.O.B., compared with \$60 a year ago—Tokyo, July 22.

North Borneo

TIMBER—North Borneo produced 27,003.6 thousand cubic feet of timber in 1956, 23 per cent above that of 1955 (21,969.1 thousand cubic feet). Exports of logs in 1956 totalled 15,044.8 thousand cubic feet (Hoppus measure) for an increase of 20 per cent over 1955. However, total increase for all major produce from the forests was only 13 per cent (26,392.5 thousand cubic feet to 29,795.5 thousand cubic feet), as production of poles, firewood and charcoal fell. Sawn timber exports amounted to 671 thousand cubic feet (Hoppus measure) a decrease from the 1955 figure. Japan took 45.6 per cent of total timber exports in 1956, followed by Hong Kong (30.5 per cent), Australia (12.5 per cent) and the United Kingdom (5.4 per cent)—Singapore, July 8.

Taiwan

GASOLINE—The Government of Nationalist China has offered to supply all the Australian states with high-grade gasoline at a price which would allow it to be distributed at a penny a gallon less than other gasoline.

Taiwan refineries are currently working at only 25 per cent of their capacity, according to the Chinese Minister in Australia, and the balance of their capacity is available to any other state or company. Nationalist China gets its crude oil from independently-owned wells in Borneo and the Middle East, and has its own tanker fleet for transporting crude oil to Formosan refineries. Formosa has already contracted to supply Queensland with 25-50 million gallons of standard and super-grade gasoline over a two-year period.

Australia is currently refining 80 per cent of its own gasoline requirements. Within five years, the Australian Petrol Information Bureau estimates 100 per cent of domestic requirements will be refined locally—Sydney, July 15.

Turkey

MOHAIR—The new shear is estimated at 5.5 thousand tons out of which approximately 4,000 will

be available for export. The remainder will be processed locally and a new factory recently installed is to begin production of mohair tops. The United Kingdom and France are Turkey's best customers for mohair and current export prices are stated to be between 10.50 and 18 Turkish liras per kilo F.O.B. Istanbul, depending on the quality—Athens, July 4.

United Kingdom

CONFECTIONERY—Last year consumers in the United Kingdom spent £225 million on chocolate and sugar confectionery, 4 per cent more than in 1955. Consumption totalled 8½ ounces a week for each person. Exports of 43,000 tons of chocolate and sugar confectionery, valued at £6.5 million and £5.2 million respectively, set a new record last year—London, July 26.

United States

RADAR BRAKES—Radar brakes for automobiles is one of the latest devices being demonstrated to automobile manufacturers. The brakes were successfully tested on an experimental trip from Chicago to Detroit; the device used, an antenna mounted on the front of the car, effectively applied the brakes as other vehicles approached before the driver was able to do so.

The radar brake is said to be one of several "automatic driver" devices now being tested, and it is believed with it and other electronic and electro-mechanical equipment it is technically possible to take over control of motor cars on highways. The report adds that it is technically possible to start, stop and steer an automobile with no one in the driver's seat. Such "automated" action is still some years in the future, but the radar brake may become standard equipment much sooner, in much the same way that higher-priced cars can now have "electric eyes" which automatically dim headlights—Detroit, July 30.

Venezuela

SEED POTATOES—Venezuela has placed a large order for certified seed potatoes from the Maritime Provinces. The contract was signed in the office of the Deputy Minister of Trade and Commerce in Ottawa by Sr. Don Enrique Pimentel Parilli, managing director of the Banco Agricola y Pecuario (Agricultural and Livestock Bank) of Caracas and Andrew H. McCain, vice-president of the McCain Produce Company Limited, East Florenceville, N.B. The order will consist of Red Pontiac, Kennebec and Sebago potatoes which will be shipped to Venezuela in October and November of this year—Caracas, July 20.

Hong Kong's Trade Prospers

The 1956 prosperity has carried forward into the first half of this year, although some weaknesses are evident. Most of the Colony's businessmen, financiers and bankers are optimistic about the future as entrepôt trade picks up, industrial expansion continues, and the political situation remains stable. Hong Kong offers an expanding market for Canadian raw materials for industry.

W. M. MINER,

Assistant Trade Commissioner, Hong Kong.

THE BUSINESSMAN TOURING SOUTHEAST ASIA should not miss an opportunity to visit the small British Crown Colony of Hong Kong—a refreshing oasis of beauty, Oriental charm and shopping bargains, and a good place to relax. But more than that, Hong Kong is a centre of great commercial activity. Here the visitor can buy, for example, a perfectly fitted suit tailored to his own order in less than 24 hours for a reasonable price. He can also enjoy a quick glance at a busy entrepôt centre. Hong Kong's transactions reach out to every part of the world, following the movement of foreign goods and of products from its own rapidly developing industrial community.

Canadians Come to the Colony

More Canadian businessmen than ever have visited Hong Kong this year and they leave impressed by the opportunities for trade in this small but intensely active territory. The major drawing-card is the Hong Kong market itself which is far more important than its population of 2.5 million might suggest. This transshipment port still depends heavily on entrepôt trade and its business community has developed considerable understanding of all the markets in South East Asia. Virtually no raw materials are available locally so there is a good market here for products which meet the needs of the rapidly expanding industries. In turn, manufacturers are turning out finished consumer goods which find their way to most of the world's markets, including Canada.

Hong Kong is geographically a "bit of China" and not only mirrors portions of the mainland in scenery, people and traditional products, but also offers the

best intelligence available to most travellers about trade developments in Mainland China. Known formerly as the "gateway to China", Hong Kong has declined in importance as a purchasing agent for that country, although Mainland China is still the Colony's largest supplier. This Far Eastern free port has retained its position as one of the greatest centres of overseas Chinese social and business life, with especially valuable contacts in the markets of South East Asia. Canadian exporters will find a periodic review of the Colony's trade helpful in assessing trade prospects in Hong Kong and in other parts of the Orient as well.

Prosperity Continues

The prosperity of 1956 has carried forward into the first half of this year. Although some weaknesses are evident, most businessmen, financiers and bankers feel optimistic about the future. Trade last year rose both in volume and value, local industry expanded and consolidated, and building activity increased. Capital supplied by overseas Chinese in nearby countries has continued to flow in and buttress this stable and promising economy; thus money is readily available to encourage business expansion. Taxes are low compared with other countries and do not appear to hinder general development; local authorities are primarily interested in the expansion of industry to help absorb idle workers and put capital to work. Hong Kong is virtually a free port; except for controls on strategic materials moving to Mainland China, there are no other significant restraints on trade.

Hong Kong's foreign trade reached HK\$7,758.8 million* last year—a significant improvement over 1955; imports rose 22.8 per cent and exports increased 26.7 per cent (including transshipment figures). Mainland China remained Hong Kong's major supplier, followed by Japan; imports from these two countries and the United Kingdom rose considerably, as did the value of goods from the United States and Pakistan. Purchases from India fell in value by approximately 40 per cent. DBS statistics for 1956 show that Canadian exports to Hong Kong totalled just over \$7 million in value.

Exports last year from Hong Kong for Indonesia, Japan, Thailand and the United Kingdom rose in value, but Mainland China's purchases from the Colony

*One H.K. dollar=16 cents Canadian, approx.



This designer is working on a pattern for brocade fabrics that will be woven in a Hong Kong factory. The old-established traditional industries in the Colony are still thriving.



Carved wooden furniture that takes plenty of time and skilled craftsmanship is another Hong Kong specialty. Here an Oriental pattern is taking shape under dextrous fingers.

fell 25 per cent and South Korea also declined significantly as a market. Provisional figures for the first half of this year indicate that the total value of exports has decreased approximately HK\$68.8 million compared with the same period last year; imports have risen HK\$360.4 million. The decline in the value of exports is mainly because of smaller sales to Indonesia.

Major items in Canada's direct export trade with Hong Kong include polystyrene and synthetic resins, aluminum, fountain pens, automobiles, steel plates, sheets and strips, medicinal preparations, and flour, gluten and starches. There is a growing market in Hong Kong for Canadian raw materials to support the manufacturing industries. Re-exports of Canadian goods to adjacent markets are becoming a less important part of our trade with the Colony and manufactured goods make up an increasing proportion of Hong Kong's trade with Canada.

Depends Heavily on Entrepôt Trade

Although industry is growing in importance, Hong Kong still depends heavily on entrepôt trade, but the composition and direction of this trade have changed in recent years. Trade in traditional Chinese produce has now switched to some extent to a modern pattern of textiles, made-up goods, fibres, and manufactures of metal and plastic, etc. The flow of goods in and out of Hong Kong includes the goods that originate in the Colony, the commodities imported to meet the needs of industry, business and consumers, and the shipments re-routed or transhipped to other markets in South East Asia. The totals for this import-export trade are summarized by country of origin or destination in the following table.

TRADE OF HONG KONG

IMPORTS

<i>Principal Suppliers</i>	1948	1953	1956
	<i>(in millions H.K.\$)</i>		
Mainland China	431	853	1,038
Japan	80	384	811
United Kingdom	301	474	513
United States	288	225	424
Thailand	96	290	185
Malaya	85	178	152
Switzerland	41	105	132

EXPORTS

<i>Principal Purchasers</i>	1948	1953	1956
	<i>(in millions H.K.\$)</i>		
Indonesia	69	372	501
Malaya	205	337	373
Thailand	141	207	320
Japan	49	115	318
United Kingdom	75	119	298
Indo-China	19	38	139
Mainland China	281	540	136
South Korea .....	.....	53	125
United States	152	62	117

Source: Department of Commerce & Industry, Hong Kong.

Industrial Development

Industry in recent months has concentrated on consolidating previous expansion but there have been many significant industrial developments as well. In the cotton spinning industry, local mills have installed modern equipment to enable the spinning of finer counts of yarns and the firms have improved textile dyeing, finishing, and pre-shrinking. A further expansion in output of soft plastics, particularly in the production of polyethylene bottles, containers, bags and wrappings,



Preserved ginger first was made in Hong Kong over a hundred years ago. It continues to find ready customers all over the world; goes out packed in Chinese-type porcelain jars.

is of special interest to Canadian suppliers of plastic raw materials. Another development in plastics has been the manufacture of twin parallel PVC-coated wire. Refrigerators made here recently for the first time require raw materials which are obtained mainly from Canada and the United Kingdom. Plants which make quality cameras, machine-made fish nets, soft furnishing fabrics, aluminum utensils, oven glassware, smoking accessories, carpets and wax-carbon products all report increased production.

The old-established craft industries producing their traditional products also thrive. Hand-embroidered table linens, artificial flowers, carved jade and ivory, ginger, and handpainted wallpaper are commodities which find their way into the markets of the world in increased quantities. Wood carving is an important small industry and one talented carver was chosen to demonstrate his craft at an exhibition held in a large department store in Vancouver last October.

New products introduced locally which may not have found their way to the Canadian market include a battery-operated electric horn, electric hair dryers, battery-powered midget vacuum cleaners, miniature signal lanterns, and canvas folding stools. Hong Kong manufactured products displayed at trade fairs in New York and Montreal this year met with considerable interest; the local manufacturers have demonstrated their ability to produce quality merchandise and compete successfully in overseas markets.

The lifting of embargoes on shipments of certain goods by some European nations was welcomed in Hong Kong, although the consensus seems to be that those countries which have relaxed controls will not step

up their exports to Mainland China very much. Most business people believe that total trade with Mainland China will not increase greatly but some suggest that the composition of the trade may change. Many people believe that Hong Kong will gain little as a transshipment port because of Mainland China's desire and ability to trade directly with supplying countries. The People's Republic currently curtails food exports but this policy is not expected to affect the Colony significantly. Hong Kong provides Mainland China with a market close at hand, with ample facilities for obtaining currency which she needs to finance capital imports.

Trade Prospects Good

Prospects for trade remain good, although there are obstacles in the export field and growing competition from Japanese and Chinese products is causing concern among local manufacturers and traders. Some markets appear uncertain because of internal pressures to cut down imports of cheaper Hong Kong goods. On the other hand, some local producers feel that large importing nations will not impose restrictions against Hong Kong considering the relative size of the Colony and its industries.

Hong Kong continues to struggle with the problem of refugees and the loss of part of China's entrepôt trade. The expansion of local industry, however, helps to alleviate both these problems. Despite the embargo on strategic goods shipped to Mainland China and that country's policy of dealing directly with other nations, Hong Kong has been able to increase her transshipment trade in other directions. Further aid to assure economic progress comes from the Government's expenditure of millions of dollars on the new airport, hospitals, schools, resettlement projects, office buildings, roads and reservoirs. Looking ahead, most local businessmen and manufacturers in the Colony expect further prosperity in commerce and industry and increased efforts to sell goods to industrially advanced countries. Quality will be emphasized to a greater degree as exporters and manufacturers concentrate on careful inspection and quality control to please discriminating markets. For the first time, Hong Kong manufacturers are travelling in groups around the world to promote sales. Local industry is expected to introduce new methods and use advanced techniques to meet foreign competition and, because no significant wage increases are anticipated, this will help to hold down production costs.

Foreign commerce is Hong Kong's chief activity and the Colony provides a useful contact for a trading nation such as Canada. Businessmen travelling in South East Asia are advised to take advantage of any opportunity to visit this busy centre. ●

Israel Buys Pulp and Paper

Israeli demand for pulp and paper should rise substantially over the next few years. Canadian sales are limited at present; future prospects depend on ability of local mills to meet demand and improvements in the country's dollar reserves.

C. SWIFT,

Office of the Commercial Secretary, Athens.

ISRAEL'S PAPER CONSUMPTION totals an estimated 38,000 to 40,000 metric tons a year, including about 10,000 tons of paperboard for making corrugated cartons and packages. The 30,000 tons of paper cover a wide variety of grades and the local industry makes various amounts of writing, printing, newsprint, manifold, offset, mimeograph, and multiwall sack paper (for cement and fertilizer), sulphite, and kraft wrapping paper. One company, the American-Israeli Paper Mills Ltd. at Hadera, turns out approximately 14,000 tons of these grades of paper and thus meets a good share of the country's needs of 19,000 tons a year. This big modern paper plant has produced commercial quantities of many paper grades on its Fourdrinier-type paper machine since December 1953. The Hadera mill represents a total investment of almost \$4.5 million by United States, European, South American, Australian and Israeli interests. The other smaller paper and board mills in Israel, including one in which Canadians have an interest, use mainly imported paperboard to make corrugated cardboard, containers and other articles for the domestic trade, and for export shipments of farm products. Israel buys from 12,000 to 14,000 tons of pulp a year (4,000 to 5,000 tons of groundwood, 4,000 to 5,000 tons kraft, 2,000 tons bleached sulphite and sulphate, and 2,000 to 3,000 tons unbleached sulphite) from Finland, Sweden and Norway. It is interesting to note that Israeli-produced newsprint costs about 22 per cent more than the laid-down price of the Canadian product.

To Expand Local Output

The single paper machine in the Hadera mill can turn out many grades of paper; the table shows production figures for 1955 with estimates for 1956:

Grade	1955	1956 (est.)
	(in metric tons)	
Newsprint	3,569	4,500
Middle fine	2,500	2,500
Kraft wrapping	1,882	1,600
Kraft multiwall	1,023	1,522
Sulphite	1,210	800
Wood-free	3,515	3,500
	<hr/> 13,699	<hr/> 14,422

The American-Israeli Paper Mills Limited recently decided to invest a further \$8 million to build a plant to produce up to 15,000 tons of pulp a year which will use various types of locally-grown fibres such as straw, bagasse, juncus fibres and eucalyptus wood, and to set up another papermaking unit which will increase the mills' total paper output to between 25,000 and 27,000 metric tons a year. The new machine is expected to produce the lightweight grades of paper which Israel imports at present—such as manifold, bank, bible, airmail, and crepe tissue paper, and also diphenol citrus fruit wrapping paper. Construction was to begin in May of this year, and the plant is to be completed in 18 months.

Scandinavian countries have supplied the bulk of Israel's pulp and paper needs in recent years under bilateral clearing arrangements; smaller shipments originated in the Netherlands, Austria, Rumania, the United States, and Canada.

ISRAEL'S IMPORTS OF PULP AND PAPER

	(in metric tons)		
	1954	1955	1956 (9 months)
Paper-making materials (groundwood, kraft, bleached and unbleached sulphite and sulphate pulps)	11,227	14,249	10,233
Paper and paper products consisting mainly of the following:	13,261	19,937	10,473
Kraft paper	2,784	5,603	4,293
Cardboard, carton and boxes	2,157	3,793	2,097
Paper sheets (not especially prepared)	882	1,337	893
Printing paper	1,083	1,244	599
Newsprint	1,203	2,322	466
Drawing paper	7	37	355
Waxed paper	327	413	204
Technical paper	34	195	191
Packing paper	153	318	46
Writing paper	329	194	0

Canada's share of this trade since 1954 is shown below:

	1954	1955 (in cwt.)	1956
Paperboard (cardboard)		5,925	.....
Newsprint		18,779	.....
Wrapping paper	3,242	6,231	91
Tissue paper	17,975	18,890	6,938

Source: DBS *Trade of Canada*.

Israel's population has not yet reached two million, yet this small country supports 25 daily newspapers—three with a circulation of over 40,000—four biweeklies, 90 weeklies, and more than 70 periodicals. More than a thousand first editions of novels, historical

studies, and religious works were published during 1955. It is anticipated that immigration and a high birth rate will swell the population during the next few years and the country is achieving a high rate of literacy. Newsprint consumption, for example, at present totals about 5,500 tons a year but it is expected to reach a minimum of 7,000 tons by 1960. It is reasonable to assume that even after the new Hadera plants begin production in 1959 Israel will still offer a market for pulp and paper. Canadian prospects for the sale of these products to Israel in the future will depend on a number of factors: the most important of these are an improvement in the free dollar reserves, credit payment terms and financing facilities offered by Canadian-Jewish organizations, and the C.I.F. quotations of our competitors.

Trade Commissioners on Tour

The following officers of the Trade Commissioner Service are at present on tour in Canada or will begin a tour shortly. The detailed itinerary for each is:

RICHARD GREW, Commercial Counsellor in Lisbon, Portugal:

Toronto—Aug. 12-22	St. John's—Aug. 29
Kingston—Aug. 23	Saint John—Sept. 3
Halifax—Aug. 27	Montreal—Sept. 4-13

D. B. LAUGHTON, formerly Trade Commissioner in Port-of-Spain, Trinidad:

Vancouver—Aug. 26-30	Victoria—Sept. 3
----------------------	------------------

B. A. MACDONALD, formerly Commercial Counsellor in Bonn, West Germany:

Edmonton—Sept. 23-24	Regina—Sept. 25
----------------------	-----------------

P. A. SAVARD, Commercial Secretary, Bogota, Colombia:

Toronto—Sept. 3-17	Woodstock, Kitchener—Sept. 25.
Hamilton—Sept. 18-19	Brantford—Sept. 26
St. Catharines, Welland— Sept. 20	Guelph, Galt, Fergus—Sept. 27
Windsor—Sept. 23	Vancouver—Sept. 30-Oct. 2
London—Sept. 24	Winnipeg—Oct. 3

AUGUST 17, 1957

T. J. MONTY, Commercial Counsellor in Brussels, Belgium:

Fergus, Brantford—Sept. 18	London—Sept. 24
Hamilton—Sept. 19-20	Windsor—Sept. 25-26
St. Catharines—Sept. 21	Winnipeg—Sept. 30-Oct. 1
Welland—Sept. 23	Vancouver—Oct. 3-11

Businessmen who wish to see these officers 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.

Tour of Territory

L. D. R. DYKE, Assistant Commercial Secretary in Athens, Greece, will visit the Izmir (Turkey) Fair from August 20-24. Businessmen who would like Mr. Dyke to undertake assignments for them should get in touch with him at Athens as soon as possible.

Australia

Pushes

Farm

Exports

Sales of farm products abroad earned about 80 per cent of Australia's foreign exchange last year. The Government has initiated a policy of negotiating trade agreements to assure markets for these all-important primary products, including one with Japan. Faced with increasing competition overseas, Australia has also accelerated research into production and marketing problems.

T. G. MAJOR,
Commercial Counsellor, Melbourne.

SHEEP ONCE AGAIN have come to the rescue of the Australian economy and demonstrated this country's overwhelming dependence on wool sales abroad to settle her international balance of payments. Sales abroad of all commodities rose more than £A200 million to a record £A994.9 million. Wool exports accounted for £A513 million (51.5 per cent) of this, and shipments of farm products as a whole for £A783.3 million. During the fiscal year ended June 30, 1957, Australia's favourable trade balance reached £A276 million compared with a deficit of £A39.2 million in the previous year.

A sharp rise in wool production, increased overseas demand and higher prices contributed mainly to the more satisfactory external trade balance, although steps taken by the Government to correct the 1955/56 trade deficit also helped to some extent and permitted some relaxation of import controls. The total effect on the Australian economy should be stimulating.

Production and Export Highlights

The country as a whole received more than average rainfall during the second half of 1956, followed by an extended dry spell which lasted from December to June of this year. This weather played an important part in determining the pattern of agricultural production in the 1956/57 season. Sufficient rain fell early in July of 1956 to permit completion of seeding but came too late to provide adequate winter grazing. Prospects for the coming season appear good in general, although the earlier dry weather may have some effect.

The gross value of farm output for 1956/57 reached an estimated £A1,201.9 million, compared with £A1,072.3 million in 1955/56 and £A1,024.1 million in 1954/55, in spite of a drop of £A40.3 million in the value of wheat and £A11.2 million for butter. The value of the wool clip rose to £A521.5 million, up £A168.4 million from the low of 1955/56. Active demand, both in the domestic and export markets, and increased production brought the barley growers an increase of £A5.1 million; sales of sugar cane rose £A7.1 million. The total value of other agricultural products changed little, although the production and value of the tobacco crop increased substantially on a percentage basis. Vine fruits recovered from the low returns of 1955/56 and output of flaxseed and potatoes continued to rise.

Preliminary figures issued by the Bureau of Agricultural Economics indicate that the total value of exports of agricultural commodities during the twelve months ended June 1957 reached £A783.3 million (£623.8 million 1955/56). This is the highest figure since 1950/51 when farm exports totalled about £A890 million. Comparing the fiscal years 1955/56 with 1956/57, wool exports rose in value from £A353.2 to £A513.0 million, cane sugar from £A24.7 to £A30.0 million, wheat (including flour) from £A66.7 to £A78.5 million, and barley from £A10.5 to £A13.0 million. On the other hand, meat sales dropped from £A52.0 to £A40.6 million and dairy products from £A41.9 to £A38.5 million. Exports of dried vine fruits, fresh apples, canned peaches and eggs also declined.

The largest volume of wool ever moved into selling brokers' stores was recorded during the season just ended. In all, producers delivered a total of 4,255,541 bales, compared with the next best total of 3,926,305

bales in 1954/55. Proceeds reached £A482.8 million compared with peak sales of £A636.3 million in 1950/51; prices in 1956/57 averaged 79.84 pence a pound. Some of the increased volume resulted from delayed shearing because of the Queensland strike in 1955/56 but also partly from a trend to autumn shearing.

Prices rose steadily from the market opening in late August 1956 until May, when prices for prematurely shorn wools declined. The strong market appears to have resulted mainly from a 40 per cent increase in sales to Japan and a 38 per cent rise in shipments to Italy. Purchases by the United States, however, fell 25 per cent. The outstanding factor affecting the demand for Australian wool is the rapidly rising consumption of wool in Eastern countries.

Less Wheat for Export

A smaller 1956/57 crop and greater domestic consumption helped to cut the amount of wheat for export on June 30, 1957, to 81.3 million from 149.4 million bushels on the same date last year. Australian wheat marketing has been influenced greatly by the rise in freight rates following the closing of the Suez Canal and the United States disposal of surplus stocks. Although exports for the twelve months of the fiscal year show an estimated increase of 11.8 million bushels over the previous period, sales since February have fallen. Consequently, exports of wheat and flour for the first seven months of the crop year beginning December 1, 1956, were about 5 per cent below those for the corresponding period of the previous crop year.

Domestic demand is likely to rise this year, partly in response to the steadily increasing consumption of flour and breakfast foods by a rising population, and partly because of greater demand for wheat for stock-feed. Moreover, the 1956/57 crop totalled only 134.7 million bushels, (195.4 million in 1955/56). These two factors have combined to cut the carry-over of wheat at the beginning of the current fiscal year.

Meat Exports Fall

Exports of all classes of meat products have declined. Nearly half the drop, however, was in canned meats because shipments to the United Kingdom fell although demand picked up towards the end of the year. Increased supplies of domestic and chilled Argentine beef and the influence of the Suez crisis on shipping appear to have been the main reasons for smaller shipments of Australian beef to the United Kingdom. Expansion of meat shipments to Eastern markets is encouraging but the terms of the existing agreement with the United Kingdom have limited their importance.

AUGUST 17, 1957

Excess supplies in the British market, partly because of competition from margarine, resulted in low prices for Australian butter although these improved in the second quarter of 1957. Production was down, especially in New South Wales, forcing interstate shipments; the Government suspended exports in order to protect the domestic supply position. Thus low prices in the U.K. and shortages at home combined to reduce butter exports to the United Kingdom. But it should be noted that butter consumption in Australia is dropping, despite a rising population. Exports of cheese and processed milk increased.

Trade Agreements to Aid Exports

During the past year, the Government has initiated a policy of negotiating trade agreements designed to assure markets for Australian primary products. The first of these was that with the United Kingdom, signed in Canberra on February 26, to replace the 1932 Ottawa agreement between the two countries. The new agreement assures Australia of the opportunity to sell a minimum of 750 thousand tons of wheat and flour a year in the United Kingdom on commercial terms over the next five years. Special arrangements were made for consultation between the two Governments on their agricultural production and marketing policies, on the disposal of surpluses, and on the food import policy of the United Kingdom. It was agreed also that the United Kingdom would introduce legislation to enable it to impose anti-dumping or counter-vailing duties, should the need arise.

Under the recently concluded agreement with Japan, that country has undertaken to admit Australian wool duty-free for a period of three years. In addition, 90 per cent of the total Japanese foreign exchange for wool will be in the form of a global allocation and thus available for Australian wool purchases. This insures Australia against bilateral deals which might force Japanese importers to buy from other producing countries. Provision is made that, in the event of unfair trade practices or government disposal operations, Australia will be assured of an equitable share of the Japanese market for soft Australian wheat of f.a.q. or lower grades. In the early stages of the agreement and under normal commercial conditions, Japanese imports of this class of wheat will exceed 200 thousand tons, with a trend to yearly increases.

For the past three years, Australian barley has accounted for about 30 per cent of Japanese barley imports. It was agreed that Australia could expect to maintain this share of the market. The sugar industry will have the opportunity of competing for not less than 40 per cent of the total foreign exchange allocation for sugar (i.e., competing for up to 460 thousand tons of sugar). Australia is to be included as a permitted source of supply on the automatic

approval list for beef tallow and hides. Japan will admit Australian dried skim milk on a competitive and non-discriminatory basis under a global quota and reasonable provision is to be made for imports of Australian raisins, currants and sultanas.

New Measures Introduced

A pricing plan for the dairy industry and a price stabilization program for dried fruits are new government measures. The dairy plan covers a five-year period beginning July 1, 1957, and includes payment of butter subsidies, which are expected to reach £A13.5 million, or about 15 per cent of farm returns from dairying in the 1957/58 season. The five-year dried fruits scheme provides for an annually adjusted price guarantee of £A10 a ton for a maximum of 20,000 tons of currants and 75,000 tons of sultanas. Operated on a "one-pool" plan, the growers will not have to contribute to the stabilization fund until the average returns from sales of these products combined are more than £A10 per ton above the established cost of production.

Agricultural Research Accelerated

The increasingly strong competition encountered by Australian produce in overseas markets has brought home to the Government, universities and producers' organizations the need for accelerated research into production and marketing problems. The Government, already contributing two shillings a bale, will add a further two shillings to the Wool Research Trust Account. In addition the wool industry will put up two shillings in addition to the levy of four shillings collected for wool promotion. Complementing the research plans, the Government is establishing an authority to control and administer a wool-testing service in Australia. Wheat research too will receive additional funds, at the request of the Wheat Growers' Federation.

Prospects Appear Good

A record wool clip is forecast for the coming year and the demand for wool likely will continue strong; this should provide the basis for a good year for Australian agriculture. The wheat and barley crops should add further strength, provided the growing season is satisfactory. The continuation of the meat, butter and other price support programs adds to the optimistic outlook.

Some reservations to the generally bright prospect must be made. A lack of spring rains to restore soil moisture conditions or a repetition and possible extension of this year's dry weather during the early months of 1958 could easily change the scene in the next twelve months. However, the wool clip seems assured and the outlook is good for Australian agriculture. ●

What Louisville Trades with Canada

KENTUCKY TO MANY CANADIANS may still mean colonels, tobacco, whisky and the Derby—but this impression may change. To Louisville, a city of some 412 thousand, Canada is known as the leading export market for 72 of its manufacturing firms and as a supplier for 26 of its importing companies.

The Louisville importing firms report that the goods they receive from their Canadian suppliers are of high quality and are products not obtainable in the United States at competitive prices. Five of these firms import lumber, veneer and plywood, four deal in printing papers and paper products, three in machinery and parts, three in fabricated metals, three in manufactured wood products, and three in minerals, chemicals and pharmaceuticals.

Louisville customs records throw further light on the type of Canadian goods sold here. They list paper, beverages, lumber and wood products, fabricated metals, machinery, scientific instruments, photographic goods, artwork, fish and miscellaneous manufactures.

Within the past 15 years the Louisville area has developed into an important industrial centre and it is in relationship to this that Canada's commercial ties with Kentucky have grown. Canada has become the leading export customer for 25 firms dealing in machinery, vehicles and parts, 12 in fabricated metals, seven in manufactured wood products, seven in minerals, chemicals and pharmaceuticals, and two in inedible grain products. A Louisville Chamber of Commerce survey in 1954 showed that export business of all 140 firms that sold goods totalled \$57.5 million; the import bill for 70 firms buying foreign materials was \$30.4 million.

In common with other areas of the United States Midwest, Louisville's rapid industrial development increases the need for raw and semi-manufactured industrial materials. Certain food-stuffs also find a ready market here.

Its location as a central distribution area, its abundant water supply, and its reasonably priced power have attracted new industries to the Louisville area since the war. Outstanding among them is a leading manufacturer of electrical appliances with 15,000 employees. Other products manufactured include tobacco, whisky, farm machinery, chemicals, plumbing supplies and so on.

—G. A. NEWMAN,
Consul General of Canada, Chicago.

France Steps Up Oil Exploration

In a drive to supply at least 25 per cent of her oil needs in 1961, France will increase domestic consumption and expects her African territories to supply seven or eight million tons of crude petroleum a year. Already the Sahara region is yielding encouraging results and Gabon province is currently shipping high-quality crude.

J. H. BAILEY,
Commercial Secretary, Paris.

FRENCH DEMAND FOR CRUDE OIL, which reached 19 million metric tons* in 1956, is expected to rise to 27 million metric tons a year by 1961. At present most of this oil is imported from outside the franc zone and costs the country the equivalent of \$433 million a year in foreign exchange. If present plans materialize, France will supply most of the additional oil needed from her overseas territories; a much smaller proportion will come from increased domestic production. It is expected that by 1961 at least 25 per cent of her oil will come from franc sources and this will make possible a substantial saving in foreign exchange.

Oil Output Rises

Production of oil in Metropolitan France reached 1.26 million tons last year compared with 876 thousand in 1955. (In comparison, Canada produced 23 million tons and Germany 3.4 million in 1956.) Production is centred in two main fields in southwest France. The first, discovered at the 650-foot level in 1949 in the Lacq area 15 miles west of Pau, produced oil at the rate of 300 thousand tons a year in 1953 and 1954 but, following the normal pattern, this rate has since dropped and the wells had an output of only 176 thousand tons in 1956. This field is located in a relatively flat farming area and generally looks like the oil fields in Alberta where pumps dot the grain fields. A network of pipes collect the petroleum and carry it to tank cars at Lacq; it then travels by rail to refineries near Bordeaux and Marseilles.

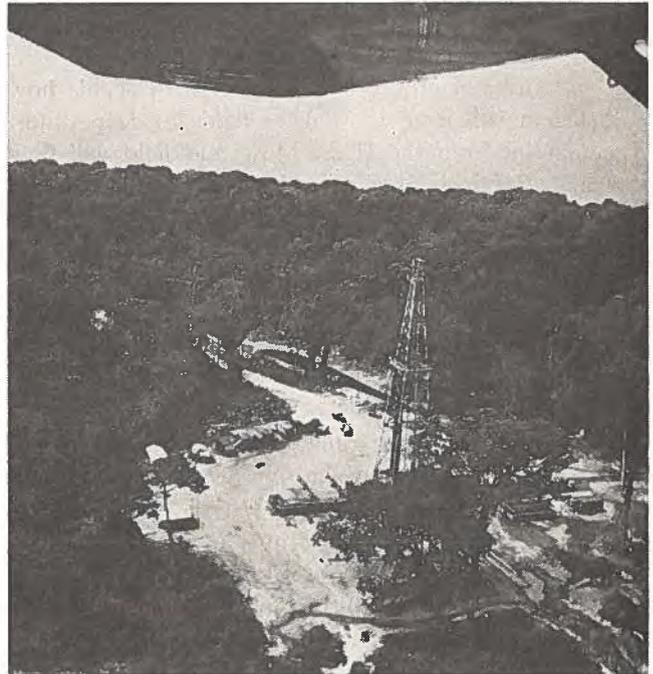
A second field, discovered in 1954 in the Parentis region about 45 miles south of Bordeaux, seems to hold

out better prospects than any other discoveries up to now. In 1956 this field produced about one million tons of crude and it is expected that this figure will rise to 1.5 million tons this year. Drillers struck a new supply at Clermont about 45 miles southeast of Parentis early this year; estimates of total annual production of this well have not yet been released.

The search for oil in France continues and has spread to the eastern part of the country; only discovery so far has been at Staffelden in Haut-Rhin, where one company pumped out 18,000 tons of excellent quality oil last year.

French Territories Are Promising

It seems probable that Metropolitan France will produce less than two million tons of petroleum a year for several years to come and the country will have to depend on discoveries in her African territories to provide a further seven or eight million tons a year.



An oil-drilling rig in the Cameroons, French Equatorial Africa, where \$32 million is being spent to discover new sources of oil to supply some of the 19 million metric tons of oil that France consumes each year. By 1961, it is expected, annual French needs will reach 27 million tons.

*One metric ton=seven barrels (approx.)

Investment in oil exploration emphasizes the desire of the Government to find large oil reserves in Africa; the figure will reach \$160 million this year (\$115 million in 1956) of which 65 per cent will be spent in Africa and 35 per cent in Metropolitan France. By 1960, France hopes to have proven oil reserves in the southern Sahara region which alone will provide 100 million tons of crude oil; this figure compares with 30 to 35 million tons of reserves foreseen for the whole of Metropolitan France. Of the money earmarked for African development, France will spend \$65.5 million in the promising Sahara region, \$32 million in Equatorial Africa, and \$6.4 million in northern Algeria.

The search for oil in the Sahara is taking place in a 2,400-square-mile area in the southern part of Algeria. Although the first surveys of this region began as early as 1953, it was not until the beginning of 1956, in the region of Edjele, that drillers made the first strike. Six drilling rigs are working in this area; they have sunk eleven wells and four have struck oil within 60 miles of Edjele. At Hassi-Messaoud, northwest of the first discoveries, two wells have struck oil just below the 10,000-foot level. Eight drilling rigs are now at work and, if the reserves prove to be as large as indicated, crude oil will flow from this area to Metropolitan France at a rate of more than 400 thousand tons a year by March of next year. Other discoveries have been made at Hassi Rmel, Djebel Thara, Djebel Berga and Tineldjame; the latter two produced only natural gas.

The big and still unresolved problem is to decide how to bring the oil from the Sahara fields to deep water. The first oil from the Hassi Messaoud field will flow through a six-inch pipeline to Touggourt and then by rail to Biskra on the coast. Such transportation methods, however, cannot handle large tonnages and it now appears that it will be necessary to lay a large diameter pipeline, 420 to 480 miles long, from the Edjele fields either through Libya to the coast somewhere between Gabes in Tunisia and Tripoli or through Algeria or Tunisia. To build the pipeline, France will have to negotiate for a right-of-way and raise \$280 million to buy and lay 80 to 100 thousand tons of 12-inch or 16-inch pipe. If the problems can be solved quickly and work on the pipeline started this year, four million tons of oil could reach the coast in 1959. After that, oil exports from the Sahara could quickly rise to a forecast nine to ten million tons a year.

French Equatorial Africa first struck oil last year in Gabon. Fourteen months later (in April of this year), the first tanker, sailing from Pointe Clairette, arrived in France. This area produces a high-quality

petroleum and shipments this year are expected to total 300 thousand tons. Production is rising rapidly and shipments are expected to reach 500 thousand tons next year. Three companies are carrying out surveys in the Senegal region in French West Africa along the frontier of Gambia, but with no results so far.

How Exploration Is Financed

Oil exploration in Metropolitan France and French Africa is under the general supervision of the Bureau de Recherches de Petrole (BRP) and financed by a mixture of public and private capital. For Metropolitan France, the Societe Nationale des Petroles d'Aquitaine (SNPA) was formed in 1941 and in 1942 obtained exclusive search rights for 15 years over 620 square miles in southwest France; later it obtained rights over large areas in eastern France as well. The company also has a 50 per cent interest in the Societe des Petroles de la Garonne which is carrying out oil surveys in a single block of 445 square miles in the Toulouse region. The State controls 54 per cent of the \$26 million invested in SNPA; the remainder is divided among 70,000 private investors.

Similarly, public and private capital share the risks in exploration and development of oilfields in the Sahara. Here the Regie Autonome des Petroles (RAP) through its subsidiaries, Compagnie de Recherches et d'Exploitation de Petrole au Sahara (REPS) and Compagnie Francaise des Petroles d'Algerie (CFPA), is directing the surveys for oil. The State controls, directly or indirectly, about 60 per cent of the capital and large international oil companies representing private interests in this development hold about 40 per cent.

Industrial Development Bulletin

Rights to manufacture in Canada a number of foreign-made products are offered in bulletin No. 83 issued by the Industrial Development Branch. The products include the Rolligon truck designed for rough terrain, intercom systems, paper-sizing and treating chemicals, expanded clay aggregates, and a thermostatic wood heater. The circular describes the products and outlines details of the offers. New patents which Canadian firms might investigate include anti-tarnish compounds, a variable diameter earth auger, a frequency modulated relaxation oscillator, a method of impregnating positive plates for nickel-cadmium storage batteries, a new type of heat-resistant woven cloth, an improved method of freeze-drying meats, and a harmonic crystal oscillator. If you would like a copy of the circular, write to the Industrial Development Branch, Department of Trade and Commerce, Ottawa.



General Notes

Bahamas

HOTELS—Nassau will soon have three new modern hotels, totalling 140 rooms. One of these was opened in April and the other two are expected to be completed early next year. Dollar exchange is granted quite freely to hotel owners to import construction material, furnishings and other equipment needed—Nassau, July 23.

Brazil

MOTOR INDUSTRY—A factory which will produce passenger cars is to be built in São Paulo. The new company will be formed with Italian and Brazilian capital, of which the latter will hold the majority—Sao Paulo, July 31.

AMERICAN INVESTMENT—Total American investment in Brazil is currently reported as \$1,200 million, and is divided between the basic industries (Cr.18,599 million), the manufacturing industries (Cr.15,695 million), the public services (Cr.5,004 million), and the non-manufacturing industries (Cr.4,624 million)—Sao Paulo, July 23.

Ceylon

INDUSTRIAL DEVELOPMENT—Investment in Ceylon industries has risen over \$14 million since June of 1955; the Government has been the chief contributor but foreign and local investors also have contributed appreciably. More than 19 new enterprises are among the total established and they have absorbed over 2,000 workers, thereby reducing unemployment. New industries include those which make biscuits, aluminum utensils, ceramic ware, shirts, kraft paper, animal feeds, asbestos cement products, tiles, bottles, household glassware, wire nails, drugs and chemicals, and packaged infant foods, and assemble bicycles—Colombo, July 18.

Chile

FOREIGN EXCHANGE BUDGET—It is expected that Chile's foreign currency income for the months to come will be reduced to some extent mainly

because of the fall in the price of copper. The Government has reduced its foreign currency budget for the present year by US\$67 million compared with last year, and steps are being taken to make further economies to the extent of US\$15 million—Santiago, July 15.

India

OIL REFINING—The Government of India and the Assam Oil Company have reached a general agreement to form a company to exploit the newly found oil at Nahorkatiga in Assam. The two parties have agreed on how to finance the pipeline and on the price for crude oil. The proposed pipeline will transport crude a distance of 800 miles to a refinery which will probably be built near Calcutta—New Delhi, July 16.

Italy

FOREIGN INVESTMENT—On June 1, 1957, foreign investment in Italy reached some 25 billion lire. A large part of these investments have been made in the petroleum and chemical industries. Interest is growing in the shipbuilding, textile and hotel fields and also in pharmaceuticals. Several large foreign organizations are also contemplating the establishment of chains of supermarkets in Northern Italy—Rome, July 22.

Japan

SERICULTURE—The decline in world demand for raw silk has cut Japan's cocoon production to one-third of the prewar level. Production, however, though restricted (17 thousand tons in 1955 from 43 thousand tons in 1938) is more efficient. Cocoon production per acre of mulberry field is up 5 per cent and silk output per pound of cocoon has risen 11 per cent. Mulberry acreage has been cut by one-third but an improvement in quality has reduced the loss of silkworms due to bad leaves. The raising of 65 per cent of silk larvae in temperature-con-

trolled rooms has cut the time for raising silk cocoons from 25 to 30 days to about ten days—Tokyo, July 17.

Netherlands

FRESH WATER SUPPLY—The Netherlands Institute for Applied Scientific Research (TNO) is working out a project for low-cost production of fresh water from sea water through electro dialysis. This method is believed to be much cheaper (about \$1.70 per thousand gallons for sea water and \$0.57 for brackish water) than conditioning sea water through condensation or chemical filtering. Australia, the United Kingdom, France, Greece, Israel, Pakistan, and South Africa are interested supporters. The work of TNO is financed by a government subsidy and contributions from scientific, industrial and commercial organizations—The Hague, July 25.

Norway

CHEMICAL INDUSTRY—One of Norway's largest industrial companies has planned an investment program for the next six years involving an expenditure of about Kr.350 million. Some Kr.250 million will be invested in regular industrial plants, and Kr.80 million will be used for the construction of hydroelectric power plants. Production at the company's calcium works at Eidanger, which will have an annual output of 25 thousand tons, will start in 1958—Oslo, July 9.

Pakistan

FIRST RAYON PLANT—A Pakistan firm has announced its intention to build a Rs.75 million plant near Karachi to make rayon and cellophane. The Pakistan Industrial Development Corporation, which is much like a Canadian Crown Corporation, is co-operating in the project and a Japanese chemical firm will act as technical consultant. Plans call for a daily capacity of ten tons of rayon yarn and five tons of cellophane—enough to meet Pakistan's needs. Work on the project will start soon and the factory is scheduled to go into production in 1959—Karachi, July 12.

Panama

PETROLEUM REFINERY—The Panamanian Government has chartered the port of Portobelo, on the Atlantic coast of Panama, for foreign commerce as the first step for the installation there of a \$33 million petroleum refinery. Another refinery is under construction at Las Minas Bay on the Atlantic side.

Development of these two refineries, each with a 55 thousand barrel capacity, represents over \$65 million capital investment. The installation of the two refineries means \$20 million in salaries during

the four-year period of construction and steady employment for 300 to 400 Panamanians at a minimum annual payroll of \$700 thousand—Guatemala City, July 19.

Sweden

CURRENCY RESERVES—During the last six months, Sweden's total currency reserves decreased by Kr.163 million compared with a decrease of Kr.279 million for the same period last year. The currency reserve now totals Kr.2,635 million; on June 30, 1956, it reached Kr.2,272 million. Its composition is Kr.1,195 million in gold, Kr.1,308 million in dollars, and Kr.132 million in EPU currencies. Compared with last year, gold reserves and EPU currencies have decreased by Kr.181 million and Kr.238 million respectively and dollar reserves increased by Kr.209 million—Stockholm, July 25.

Venezuela

ATOMIC REACTOR—Work has begun on the installation by two United States companies (General Electric and General Nuclear Engineering) of an atomic reactor for experimental purposes under the terms of the United States "Atoms for Peace" agreement with Venezuela. The cost of installation may reach twelve million bolivars and it will not be completed until 1958—Caracas, July 16.

STEEL—The Venezuelan Government has recently signed a contract with the Innocenti-Fiat group for the installation of additional facilities to raise the ultimate capacity of the projected national steel mill to 1.2 million tons a year. This \$142 million contract raises the total cost of the steel plant to \$342 million, including interest payments. The mill will be paid for by the end of fiscal year 1963/64 and the total investment should be recouped in a period of between 15 and 18 years.

The major part of the installations in the steel mill is to be finished by the end of 1958 and the production of steel pipe will be started in March of that year; the rest of the plant will be completed by 1960—Caracas, July 8.

West Germany

MERCHANT FLEET—West Germany's merchant fleet now totals 1,031 ships of 3,195,373 gross tons, according to the Association of German Shipping Agencies. In 1939 the merchant fleet comprised 855 ships of 3,916,000 gross tons. The fleet added 43,230 tons of shipping during the first quarter of this year but the number of ships decreased by two. Thirteen new ships were added to the first fleet; 15 small vessels were sold to other countries, lost or scrapped—Bonn, July 23.

Argentine Economy Recovers Slowly

A slowdown in the plan to develop oil resources, a poor corn crop, no rise in productivity, and continuing balance-of-payments difficulties have combined to prevent any spectacular improvement in the Argentine economy. Capital for development projects and for private industry is starting to flow in and, with other factors now coming into play, should assure steady economic growth.

C. S. BISSETT,
Commercial Counsellor, Buenos Aires.

ARGENTINA'S ECONOMIC GROWTH has continued to be slow over the past few months and progress a good deal less than the new administration had planned and the public expected. However, steps to solve most of the country's basic problems have been set in motion in recent months and the hope is for more rapid progress shortly.

The basic problems which must be adequately solved are: (1) exploitation of petroleum resources; (2) rehabilitation of the railways; (3) extension and improvement of the road system and of river transport; (4) expansion of electric power production; (5) initiation of an effective basic steel industry, and (6) resurgence of the agro-pastoral industries.

The relative importance of these problems is indicated by the order in which they are listed. The ultimate aim is to increase foreign exchange earnings, mainly through larger agro-pastoral exports. But first Argentina must cut down foreign exchange expenditures for certain products and plough back the savings into the other phases of the rehabilitation plan. There is little point in greatly increasing agro-pastoral production, the Government asserts, until the greater output can be handled properly and marketed profitably. The means to do this do not exist at present and Argentina lacks the financial capacity to create them without outside help.

Must Expand Oil Output

The key to effective development of the over-all rehabilitation plan is to begin at once to rapidly expand petroleum production. Argentina has sufficient petroleum reserves to meet all national needs; if properly exploited, the wells could possibly provide crude oil for export. At present, the necessary purchases of oil from abroad are a serious drain on the available supply of foreign exchange. During the time that the Suez Canal was closed, Argentina had to spend scarce dollars for oil and this caused a heavy imbalance of trade with dollar countries. Exploitation of her own oil would release substantial sums of exchange to buy the capital equipment needed for other phases of the plan.

So far the Government has not granted concessions nor even sold leases for small blocks of territory to any foreign oil company. Yet Argentina does not possess the capital needed to develop oil fields to any extent on her own. She can get oil only by farming out concessions or selling leases to foreign oil companies or, alternatively, by obtaining the required capital through foreign loans and hiring foreign technicians to provide YPF, the state-owned oil company, with capital and technical personnel. In this way, Argentina could get started on this long-overdue project. The longer the subject is debated, the longer most of the rehabilitation scheme will remain bogged down. Tenders to

drill for oil in some remote areas such as Tierra del Fuego have been the only ones which YPF have called to date.

Meanwhile, YPF has concentrated mainly on marketing the output of the Campo Duran and neighbouring fields in northern Salta; it is also planning an oil pipeline over to the Parana River near Rosario and a gas pipeline to Buenos Aires. A number of firms have submitted bids on the tenders called on these projects but no decision has been announced. Neither the Government nor any company with only Argentine capital has sufficient resources to carry out the necessary work. The pipelines, if and when they are built, are designed to increase the available petroleum supplies by 1960 to 60 per cent of estimated demand. All local oil companies, both state and private together, supply only about 40 per cent of the current oil demand.

Transport Makes Better Progress

Compared with oil development, the modernization of transportation facilities is much further advanced and particularly the program to improve the railways. Most of a loan of U.S. \$100 million, recently obtained from the Export-Import Bank, will be used to purchase railway equipment—chiefly diesel-electric locomotives. A group of British banks recently agreed to provide a loan of £3.5 million for Argentina to buy railway equipment in the U.K. United States and other British firms have also made loans or provided credits for substantial amounts of the orders placed with them. These loans are “tied” and can be used only within the countries granting them.

The National Roads Board has announced a new road-building program which will concentrate on the principal agricultural areas; the Board has available 516 million pesos (about Can.\$12.3 million) for building roads. But it has been estimated that an adequate roads program would cost more than Can.\$710 million. Part of the Eximbank loan will finance purchases of heavy road-building equipment.

After years of neglect, the Parana River ports and channels need dredging badly but in the planned improvement of the national harbours and navigable waterways, only the most urgent projects can be undertaken. Part of the plan is to restore Rosario to its former importance as an export port for grain. So far the amount of money allotted for water transport facilities has totalled only 71 million pesos (about Can.\$1.7 million) although present plans of the Harbour Board call for expenditure of about Can.\$9 million.

The chronic shortage of electric power becomes more acute as demand grows. All sections of Buenos Aires and its suburbs suffer from periodic blackouts, usually twice a week for several hours at a time. Even when

light and power are available, the voltage is sometimes far enough below the standard 200 volts to burn out electric motors.

New power plants (almost wholly thermo-electric) and additions to existing installations are planned not only for Buenos Aires but for most of the principal distribution centres in the provinces. But this program also is hamstrung by lack of capital. A proposal of one United States company which operates many power plants throughout Argentina would have eliminated the shortage in Greater Buenos Aires in record time but it was refused.

Tenders have been called for a projected 600 thousand kw. power plant for Buenos Aires but no contract has yet been awarded. The Argentine Central Bank has just authorized grants of credit to private importers to pay 70 per cent of the cost of electric generating equipment and subsidiary installations such as boilers. An allotment of 300 million pesos to the Banco Industrial is earmarked to encourage electric power co-operatives. But the steps taken so far will do little more than scratch the surface of this urgent problem.

Steel Project Advances

The San Nicolas steel-mill project, sparked by a special Eximbank loan of U.S. \$60 million obtained some months ago, has made appreciable progress; it is designed to save considerable amounts of foreign exchange now paid out for imported iron and steel in various forms. It will, however, be several months before this integrated system of mills can begin to operate.

To Boost Output of Farm Products

Products of the agro-pastoral industries earn most of Argentina's foreign exchange—up to 90 per cent of it in normal years. The development plans discussed so far in this article have as their main purpose the effective marketing of a much greater output of farm products. Argentina's present economic difficulties stem from the former regime's policies. Controlled prices paid to producers proved unprofitable, social legislation highly favourable to urban industrial workers drained off farm labour, and prices for farm machinery were allowed to climb. The result was that landowners allowed one-third of the land seeded to cereal and oilseed crops before the war to lie fallow after the war. With fewer farm products to sell, a heavy loss of foreign exchange resulted. Before this country can earn the volume of foreign exchange it needs to finance normal purchases abroad, it will have to adopt policies to attract idle land back into exchange-earning production. The guaranteed prices for farm products have gone up but little has been done to cut costs by providing needed machinery at lower prices. To buy a farm tractor in Argentina

costs more than double the number of bushels of wheat than to purchase the same machine in Canada, despite the official subsidy on tractor sales.

Plan to Cut the Debt

The Paris Club, the name for an agreement arrived at last year with a number of European countries but excluding West Germany, would give Argentina a chance to consolidate her commercial debts and have them treated as a long-term group loan. However, the plan has not yet come into force. All the countries have been waiting for an agreement between Argentina and West Germany so that the latter could join the group and make the agreement really effective. The difficulties between these two countries centred mainly around the disposal of West German property seized as "alien property" during the war and the assets of partly-owned German firms, in some of which officials of the late Peronista regime held substantial shares.

An official announcement was made on June 13 that the long-standing dispute with West Germany had been settled and the following main points agreed upon: (1) German trademarks and patents seized as "enemy property" during the war will be restored to their previous owners; (2) German companies will be auctioned and the proceeds remitted to the owners after deducting the value of Argentine share interests and war costs; (3) West Germany will join the Paris Club.

The third step will pave the way to a settlement of outstanding difficulties with each individual member of the Club and finally lead to implementation of the tentative agreements arrived at a year ago. The plan calls for Argentina to liquidate the consolidated debt by paying members of the Club the equivalent of U.S. \$50 million a year. The drain on foreign exchange necessary to pay off the consolidated debt will be much less than the previous payments to individual creditor countries, including West Germany, and Argentina will be able to use the savings for other essentials.

Payment Problems Loom Large

The Economic Commission for Latin America of the United Nations has estimated that Argentina's adverse balance of payments in 1956 reached almost U.S. \$160 million against U.S. \$220 million for 1955. The Finance Ministry has estimated that the 1957 deficit will rise again to nearly U.S. \$200 million. Main reason for the worsening of the payments position is said to be the poor corn crop this year. Import restrictions cannot reasonably be carried to the point where the loss of exchange from corn sales would be made up by reducing imports still further. Foreign loans or credits or further inroads on the gold and foreign exchange reserves, or some of both, appear

necessary to finance the economy during the present year. This will cut into the capital needed to buy equipment to rehabilitate industry, the public carriers, utilities and agriculture.

Progress Still Slow

Last year the gross national product rose only 2.2 per cent over 1955 or about the same as the population increase, indicating little or no progress towards greater productivity. All sections of the people were exhorted by the Government to produce more to merit the general wage increases accorded to all groups. Yet further inflation has followed inevitably from higher wages without a corresponding increase in goods available. Since the devaluation of the peso and the new wage awards, the price level has risen steadily.

In an attempt to curb inflation, the Government has frozen wages and has re-imposed controlled prices on a number of foodstuffs. This move, however, has caused an appreciable amount of labour unrest, including demands for further wage increases and threats of strikes to enforce them.

On the other hand, there have been practical expressions of confidence in Argentina's future. Thirty-six foreign firms have made industrial investments in the country since February 1956; all joined forces with Argentine interests and some ten countries were involved. Apart from the Export-Import Bank credits previously mentioned and those set up by private United States exporters and banks, Argentina obtained a loan of U.S. \$75 million from the International Monetary Fund and the loan of £3.5 million from a group of British banks is only the initial instalment of a series which is expected to reach £20 to £30 million. West Germany is also reported to have extended a credit for U.S. \$10 million.

The present economic situation is a difficult one for Argentina. But once all sections of the population realize the gravity of the situation and once the steps already recommended are implemented, the country is certain to continue its slow recovery.

Temporary Address for Mexico Office

The Edificio Internacional which housed the Canadian Embassy was severely damaged by the earthquake which rocked Mexico City recently. The Commercial Counsellor has found temporary office space with Canadian Pacific Air Lines at Paseo de la Reforma No. 60, Mexico City. Telegrams should be sent to this address, but mail should be addressed as before to Apartado 126-Bis.



Trade and Tariff Regulations

Australia

AGREEMENT ON COMMERCE WITH JAPAN—An Agreement on Commerce between Japan and Australia was signed in Tokyo on July 6 by the Minister of Foreign Affairs, Mr. Kishi, and the Australian Minister for Trade, Mr. J. McEwen. Australia and Japan are major trading partners (Japan is Australia's second best customer) but since the war no inter-government agreement has regulated trade between the two countries.

The basis of the agreement is the exchange of most-favoured-nation rights in tariff matters and reciprocal assurances of non-discriminatory treatment in import control and exchange control matters.

Australia is given full rights of competitive entry into the Japanese market and is subject only to restrictions which might be required as a result of Japan's balance-of-payments position. Australia has received specific assurances regarding the treatment to be accorded to certain of her major exports such as wool, wheat, sugar, barley, hides, tallow, dried vine fruits and skim milk. The Japanese Government has agreed to take no action to vary the present duty-free entry for wool for the next three years.

The Australian Government has undertaken to accord to Japan the same tariff and import licensing treatment hitherto accorded to all foreign countries except Japan, i.e., most-favoured-nation treatment.

Australia has agreed to enter into discussions with the Japanese Government with a view to exploring the possibility and examining the basis of applying the GATT to trade between the two countries.

Japan has assumed a responsibility to prevent a damaging unrestricted flow of Japanese exports. The agreement provides, however, that the Australian Government retains full freedom to take action to protect Australian industry from serious damage if such is threatened.

The agreement may be terminated on or after July 6, 1960, subject to three months prior written notice.

Both Governments have agreed that pending the ratification of the agreement it will be given provisional effect.

France

GOODS EXHIBITED AT FRENCH FAIRS—The French Government has informed the Office of the Commercial Secretary for Canada, Paris, that trade fair import quotas for all Canadian foodstuffs except salmon and whisky will be abolished until further notice. Canned (or frozen) salmon and whisky quotas will be limited to \$500 per exhibitor per fair, regardless of the exhibit space occupied. Last year, importers of Canadian salmon were allowed up to \$1,000 maximum for each fair (on the basis of \$70 per square metre of exhibit space occupied). No ceiling was placed on whisky. Import licences for whisky, moreover, will henceforth only be granted to firms actually representing Canadian distillers. Hitherto all whisky importers (whether agents or not) were eligible for trade fair quotas.

The foregoing changes have been introduced as part of France's new import austerity program. Canadian exporters are reminded that the trade fair quota scheme is otherwise unaltered and all Canadian non-foodstuffs displayed at French international fairs are eligible for import quotas on the basis of \$70 per square metre of exhibit space occupied by importers (see *Foreign Trade*, Jan. 21, 1956, and April 27, 1957)—Paris, July 8.

QUOTAS FOR DOLLAR IMPORTS—The French Government announced on July 17 that global quotas had been opened for imports for the second half of 1957 for certain essential goods from Canada, the United States, OEEC and sterling area countries and certain other countries. In March 1957 France took a number of severe measures to restrict imports in the light of falling exchange reserves (see *Foreign Trade* June 22). In addition, on June 18 the French

Government re-imposed licensing on all imports from OEEC countries and on those dollar imports from Canada and the U.S. previously freed from import control.

Further details may be obtained from the International Trade Relations Branch.

New Zealand

LIBERALIZATION OF DOLLAR IMPORT RESTRICTIONS—Cabled advice has been received from the Canadian Commercial Counsellor, Wellington, advising that the New Zealand Minister of Customs has announced a liberalization of restrictions against imports from dollar countries for the 1958 licensing period. An additional ten groups of products have been liberalized so that they may be imported freely from all sources. The liberalized products of greatest interest to Canadian exporters are grinding stones, industrial chains, mining machinery, and a wide range of other industrial machinery including engines for lawn mowers.

The Minister also stated that a more liberal interpretation of existing policy regarding dollar imports would be put into effect in 1958.

It is understood that the import licensing program for motor vehicles for 1958 will be published in a few weeks.

Further details will be published in *Foreign Trade* when they are received.

South Africa

FURTHER LIBERALIZATION OF IMPORT RESTRICTIONS—Cabled advice has been received from the Canadian Trade Commissioner, Johannesburg, regarding a further liberalization of import restrictions applicable to consumer goods, which was announced recently in the Union of South Africa.

It is understood that the South African authorities will permit additional imports of consumer goods to the value of £4.5 million this year. This will be done by permitting imports of more and higher-priced motor cars and by increasing the quota for imports of consumer goods by 6½ per cent to 60 per cent of their 1948 levels. These changes are effective August 9, 1957.

When official notification is received of the changes a further notice will be published in *Foreign Trade*, if necessary.

Coming to Canada on Business

THE INFORMATION about foreign business visitors given here is, to the best of our knowledge, accurate at the time of going to press. We cannot, however, accept responsibility for any changes in itineraries nor for cancellation of plans. This information is published as a service and in no way represents sponsorship or selection by the Department of Trade and Commerce. We cannot undertake to enter into correspondence about these visitors.

► from Egypt

SAMI ISSA HALABI, manager of Francois Gorra, Cairo, expects to arrive in Montreal late in August. He plans to make an exploratory tour to contact Canadian manufacturers of chemicals, pharmaceuticals, insecticides, etc., who are interested in developing sales in Egypt. His forwarding address is c/o Joe Napier, Alliance Nationale, Cie. Mutuelle d'Assurance Vie, 6879 Blvd. St. Laurent, Montreal 3, Quebec.

► from India

A. P. JAIN, senior partner, Bishamber Dass and Sons, importers, Delhi, will arrive in Canada some time in August. Mr. Jain wants to buy

complete plant and equipment, including electroplating machinery, to make snap fasteners and press buttons. He also seeks raw materials for the operation, such as brass strips and phosphor-bronze wires. His forwarding address in Canada is Mr. A. P. Jain (of Delhi, India), c/o The American Express Inc., 1200 Peel St., Montreal.

► from Japan

KEISAKU HARADA, of the European-American Division, Mitsubishi Shoji Kaisha Ltd., Tokyo, a large old-established trading firm, is accompanying the Tokyo Metropolitan Trade Mission now in Canada until mid-September. The Trade Mission held sample fairs in Vancouver, Edmonton and Regina during July and was in Winnipeg until August 10; it is now in Toronto and will exhibit samples at the CNE until September 8.

The Mission will leave Toronto on September 12 for Montreal (September 13 and 14) and Quebec City (September 16), return to Vancouver on September 17, and leave Canada on September 18.

Mr. Harada may be contacted at the King Edward Hotel in Toronto or the Mount Royal Hotel in Montreal.

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 1.05332.

foreign exchange rates

Country	Unit	Type of Exchange	Can. dollar equivalent August 2	Units per Canadian dollar	Notes (See below)
Argentina	Peso	Official .....	.05274	18.96	(1)
		Free .....	.02208	45.29	
Austria	Schilling ...	.....	.03651	27.39	
Australia	Pound .....	.....	2.1140	4730	
Belgium, Belgian Empire and Luxembourg	Franc .....	.....	.01890	52.91	
Bolivia	Boliviano ..	Free .....	.0001123	8904.7	
British West Indies	Dollar .....	.....	.5505	1.817	(2)
	Pound .....	.....	2.6425	3784	(3)
British Honduras ..	Dollar .....	.....	.6606	1.514	
Brazil	Cruzeiro	Effective selling*			
		*Category I	.0146	68.43	*July 13 (4)
		Category II	.0124	80.50	
		Category III	.0092	108.57	
		Official buying .....	.0517	19.34	(5)
Burma	Kyat .....	.....	.1994	5.02	
Ceylon	Rupee .....	.....	.1982	5.05	
Chile	Peso	Free .....	.001582	632.1	(15)
Colombia	Peso	Certificate .....	.1975	5.06	(7)
Costa Rica	Colon	Official .....	.1691	5.91	
		Controlled free .....	.1431	6.99	
Cuba	Peso .....	.....	.9494	1.05	tax 2% (4)
Czechoslovakia ...	Koruna .....	.....	.1318	7.59	
Denmark	Krone .....	.....	.1374	7.28	
Dominican Republic	Peso .....	.....	.9494	1.05	
Ecuador	Sucre	Official .....	.06329	15.80	
		Free .....	.05422	18.44	
Egypt	Pound	Official	2.7262	3668	(6)
El Salvador	Colon .....	.....	.3798	2.63	
Fiji	Pound .....	.....	2.3806	4201	
Finland	Markka .....	.....	.004128	242.25	
France, Monaco and North Africa	Franc .....	.....	.002713	368.60	(8)
French Colonies in Africa	Franc .....	.....	.005426	184.30	(9)
French Pacific	Franc .....	.....	.01492	67.02	(10)
Germany	D Mark .....	.....	.2260	4.42	
Greece	Drachma .....	.....	.03164	31.61	
Guatemala	Quetzal .....	.....	.9494	1.05	
Haiti	Gourde .....	.....	.1899	5.27	
Honduras	Lempira .....	.....	.4747	2.11	
Hong Kong	Dollar	Free*	.1587	6.30	*July 26
		Official .....	.1652	6.05	
		Official .....	.05830	17.15	(6) (11)
Iceland	Krona .....	.....	.1982	5.05	
India	Rupee .....	.....	.0489	20.47	*Aug. 1 (6)
Indonesia	Rupiah	Basic*	.0125	79.79	
Iran	Rial	Certificate .....	.0125	79.79	
Iraq	Dinar .....	.....	2.6583	3761	
Ireland	Pound .....	.....	2.6425	3784	
Israel	Pound .....	.....	.5274	1.90	
Italy	Lira .....	.....	.001524	656.17	
Japan	Yen .....	.....	.002637	379.22	
Lebanon	Pound	Free .....	.2985	3.35	
Mexico	Peso .....	.....	.07595	13.17	
Netherlands	Florin .....	.....	.2479	4.03	

*Latest available quotation date.

Country	Unit	Type of Exchange	Can. dollar equivalent August 2	Units per Canadian dollar	Notes (See below)
Netherlands					
Antilles	Florin .....	.....	.4995	2.00	
New Zealand	Pound .....	.....	2.6425	.3784	
Nicaragua	Cordoba	Effective buying .....	.1438	6.95	
		Official selling .....	.1346	7.43	
Norway	Krone .....	.....	.1329	7.52	
Pakistan	Rupee .....	.....	.1982	5.05	
Panama	Balboa .....	.....	.9494	1.05	
Paraguay	Guarani	Official .....	.01582	63.21	(6) (13)
Peru	Sol	Certificate .....	.04997	20.01	
Philippines	Peso .....	.....	.4747	2.11	
Portugal & Colonies	Escudo .....	.....	.03313	30.18	(14)
Singapore & Malaya	Straits dollar .....	.....	.3083	3.24	
Spain & Dependencies ...	Peseta	Controlled free .....	.02260	44.25	
Sweden	Krona .....	.....	.1835	5.45	
Switzerland	Franc .....	.....	.2216	4.51	
Syria	Pound	Free .....	.2653	3.77	
Thailand	Baht	Free .....	.04606	21.71	(6)
Turkey	Lira .....	.....	.3391	2.95	(6)
Union of South Africa	Pound .....	.....	2.6425	.3784	
United Kingdom ..	Pound .....	.....	2.6425	.378430	
United States	Dollar .....	.....	.949375	1.05332	
Uruguay	Peso	Free .....	.2326	4.30	
		Basic buying .....	.6259	1.60	(6)
		Principal selling .....	.4525	2.21	(16)
Venezuela	Bolivar .....	.....	.2834	3.53	
Yugoslavia	Dinar .....	.....	.003164	316.06	(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. Tax of 10 per cent affects selling (import) rates only. Tax is based on official rate, and is therefore 1.88 cruzeiros per U.S. dollar.
5. Brazil: currency certificates auctioned for five import categories. Effective selling rate is official rate of 18.82 to U.S. dollar plus price of certificate. Exporters receive cruzeiros at official rate plus exchange premiums ranging from 18.70 to 48.64 cruzeiros per U.S. dollar, depending on product. Three rates shown cover bulk of transactions for auction.
6. Additional rates are in effect.
7. On June 18 Columbia adopted a new exchange system based on a certificate market for all trade transactions at a fluctuating exchange rate.
8. Includes Algeria, Tunisia, Morocco, Guiana, Guadeloupe, Martinique.
9. Equatorial Africa, West Africa, Cameroons, Togoland, Somaliland, Madagascar, Reunion, St. Pierre and Miquelon.
10. New Caledonia, New Hebrides, Oceania.
11. Iceland: special selling rate applies to certain designated commodities.
12. Indonesia: New exchange measures affecting the rupiah rate were announced on June 20 by the Indonesian Government. See Trade and Tariff Regulations in August 3 *Foreign Trade*.
13. Official rate applies to exports and essential imports. For non-essential imports there is a surcharge of 25 guaranis per U.S. dollar.
14. Portugal: approximately same rate for Portuguese Territories in Africa.
15. 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.
16. 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 will be divided into eleven categories for exchange rate purposes. Depending on the product, the export rates which will 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.
17. Bolivia: Since December 15, 1956, a unified fluctuating free rate has been in effect. The official rate has little application.



Communication through Reports

by Paul Douglass. 410 pages. \$5.95.

EVERY BUSINESSMAN has to deal with reports, memoranda, and letters in his daily routine and any person in a position of responsibility needs to acquire the ability to write clearly, simply and concisely. The author believes that to "learn by doing" is the best way to develop competence in report writing. In this book he instructs the reader in the basic fundamentals of organizing material, writing, and developing a clear, forceful style.

For convenience, the author groups his material into three sections. The first deals with the basic principles and techniques of report writing, the second with the fundamentals of good writing, and the third with the types of reports widely used by management. This text is designed for serious study—as the reader soon discovers. Each chapter ends with practice exercises and a reading list on the topic.

Order from: Prentice-Hall, Inc. 70 Fifth Avenue, New York 11, N.Y.

Management Guide to Overseas Operations

Edited by Dan H. Fenn, Jr. 308 pages. \$5.40.

THIS IS A BOOK which manages to read like a good business conference should sound. In it any business executive who is thinking seriously about setting up business in a foreign market for his company will find much that is practical to guide him and even much to inspire him. Between its covers, some 47 authoritative and provocative speakers range over the whole subject of the opportunities and the responsibilities involved in doing business abroad. The book also reports the important question and answer periods which followed each speaker's development of some aspect of the conference theme at the 26th National Business Conference of the Harvard Graduate School of Business Administration. The book, in fact, is eighth in an annual series based on proceedings at these top-level business conferences held each year.

Businessman's Bookshelf

Although more specifically slanted to the United States businessman, the book presents in its four sections a lively and comprehensive study of the practical management problems in overseas operations (financing, executive development, labour relations, marketing, remote control, relations with governments, etc.); the importance to the national interest of doing business in foreign countries; viewpoint of several foreign observers as to the role of private investment in developing their countries; and finally a ringing challenge to private enterprise to do its part in developing a sound, stable international economy in which the living standards of all may rise. Businessmen are admonished to keep in mind that the welfare of the world is also the welfare of business and they must do their part, either on their own initiative or in co-operation with government agencies and international organizations.

Order from: McGraw-Hill Co. of Canada Ltd., Toronto.

Meet India

The Mercantile Bank of Canada. 14 pages. Free.

BETTER OPPORTUNITIES for sales of Canadian goods in India during the progress of the Second Five Year Plan is forecast in this market survey just published by the Mercantile Bank of Canada.

India still maintains a tight control on imports, especially from the dollar area, but the report notes the gradual liberalization over several years. Capital and producer goods will continue to receive high priority; imports of consumer goods are declining as domestic industries expand output of mass-consumption goods.

The survey provides the exporter with a comprehensive picture of India's resources, basic and secondary industries, and of course her foreign trade and the possibilities for Canadian exporters. It also explains trade and exchange regulations and suggests how to avoid trading problems.

Order from: The Mercantile Bank of Canada, 491 Victoria Square, Montreal, Que.