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cover Typical South Americans at their daily occupations introduce our review of the trading problems and opportunities in the ten South American republics. (Left) A Venezuelan watches over textile machinery in a plant at Maracay; (top, center) a miner pauses outside a tin mine in Bolivia; (bottom, center) a coffee grower in Colombia's Medellin Valley inspects one of the coffee trees on his mountainside farm; (right) a milkmaid in Ecuador goes about her daily chores.

—Photos by W. R. Grace & Co. and the United Nations.

CANADA

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editorial

Canada and South America

In this issue we present the last of our regional surveys for 1958, covering the ten South American republics. A careful reading of the reports from the Trade Commissioners stationed there discloses that practically all these countries are facing problems this year, differing in severity. The most common—and the one that touches Canadian exporters directly—is the foreign exchange problem. It has become particularly serious in Argentina, Bolivia, Brazil, Chile and Uruguay, but has proved troublesome also in Colombia, Peru and Paraguay. Only oil-rich Venezuela and small, stable Ecuador have escaped.

Canadian sales to South America have not been seriously affected. Last year this continent took $117 million worth of our goods. In the first half of this year, we had already sold $53 million worth, an increase over the $52 million of the first six months of 1957. Venezuela has continued to be our best customer among the ten, buying products to the value of $21.5 million, followed by Brazil ($9.5 million), Peru ($7.5 million), and Colombia ($6.5 million).

A look at the composition of these exports suggests why they have stood up well, despite restrictions. Raw materials, semi-processed goods, foodstuffs, and machinery and equipment for countries on the march, industrially speaking, take a leading place, and import and exchange controls bear less heavily on these. In recent years we have sold to South America mainly newsprint, wheat and flour, asbestos, malt, milk powder, aluminum, industrial machinery and parts, cellulose products, and electrical equipment. So far, 1958 has brought rising sales of wheat and flour, milk powder, and wood pulp.

Canadians continue to buy more than twice as much from their South American neighbours as they sell to them . . . our purchases to the end of June 1958 reached $124 million. One product alone—oil from Venezuela—accounted for over two-thirds of this. Next in line comes coffee from Brazil and Colombia, our two large South American coffee suppliers.

Despite the emphasis on problems, the reports presented here, taken together, breathe a certain optimism. This is based on two developments. One is the determined effort that South America is making to cure its economic ills. The other is the capital flowing into these countries, both from international organizations and private sources. If investors feel confident about the long-term future, exporters too should be reassured.

—The Editor.

Argentina

Best sign of confidence in Argentina's proposed remedies for its economic ills is long-term credits offered by foreign companies and entry of foreign capital into development of Argentine resources.

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

PRESIDENT Frondizi of Argentina, when he was in Paraguay on October 30, sketched a plan to integrate the economies of the Latin American nations as a means of solving the burdensome economic problems that beset many of them. His concept reaches beyond that of a common market to a balanced economic integration of agriculture and livestock breeding, of the manufacturing industries, and of all natural resources, electric power, transport and communications. Inherent in the plan is not only the idea of a common market but also that of a co-operative effort to develop the assets of the entire area. It also looks to unified action to improve the terms of trade by defending in international markets the selling prices of Latin American export products. Full employment and a drive for full production, joint promotion of technical studies, and a program of research to raise the technical level of the area are called for. The elimination of border-crossing formalities and greater facilities for intra-continental travel would improve and strengthen cultural and commercial relations and promote better understanding among all of these countries.

Considerable time must pass before the acceptance of this pronouncement by the other republics can be assessed accurately. There are many obstacles in the way of an effective economic union. Some circles claim there cannot be any effective economic union in Latin America because almost 90 per cent of Latin American trade is carried on with the highly developed manufacturing countries of Europe and North America. During the late Péron regime, Argentina entered into agreements with a number of countries. Each of these was proclaimed as a step towards an economic union but was in fact little more than the usual bilateral trade treaty. However, a substantial number of organizations operate effectively as subsidiaries of or under the auspices of the Organization of American States, demonstrating that effective co-operation in matters of common concern is possible.

Meanwhile the Argentine economy continues to face many problems. Nevertheless, the progress made recently has created much greater confidence abroad in the country's future; increased foreign capital investment and substantial long-term credits from groups in a number of the major exporting countries bear witness to this.

Economic Problems Detailed

The main problems are spiralling inflation and a soaring cost of living, the huge budget deficit, the heavily adverse balances of trade and payments, the urgent need of foreign capital, and the necessity to increase production and productivity. The peso-dollar free exchange rate dropped from about 45:1 in August last to 65:1 on November 4. This resulted from the change in trade controls in August that greatly increased the scope of the free market for imports, but also partially from a flight from the peso set off by the much greater free-market demand for foreign currencies to cover imports. The cost of living, that had remained almost stationary from October last year to the middle of March this year, again started to soar. From March 15 to October 15, 1958, the increase reached over 33 per cent, according to the index of the *Review of the River Plate.* The main causes were the wage increase officially decreed on May 2 (see "Argentina Adopts Austerity" in *Foreign Trade,* August 16, 1958) and the stepped-up free-market imports mentioned above. The estimated budget deficit for 1958/59 was almost 40 per cent of the estimated revenue. As in the past, it was expected that this would be financed by printing the necessary quantity of paper pesos. The total of these has been increasing for some time at the rate of 1 per cent per week. It is now beginning to be felt that this procedure is a prime cause of the present inflation. The deficit is due mainly to increased salaries to government personnel following the May 2 decree raising all wages and salaries by 60 per cent compared with February 1, 1956, and to projected investments to expand state enterprises (the railways, petroleum, gas and various manufacturing industries) plus the deficits resulting from their operation.

The adverse balances of trade and payments were also discussed in the August report. Later information on the 1958 balance of trade indicates that the estimate given by the President should be revised downward considerably. The unofficial figure for the January-September trade deficit is $140.4 million. The drain caused by essential imports cut the Central Bank's reserves of gold and foreign exchange (which combined at May 15, 1958, totalled $246.3 million) to about $170 million by September, including the sum in Spanish pesetas equivalent to US$47 million which is not immediately convertible.

Solutions Proposed

In late October the Economic Council proposed certain remedies for the existing economic ills. The budget deficit is to be eliminated by cutting out the chronic

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deficits of the various state organizations and by restricting new public works. This will involve substantial price increases for these services.

The second remedy contemplated is the establishment of "an efficiently operating balance between prices and wages to be accomplished through increased production yields"—that is, more work for no more pay.

The third remedy is achieving a balance between imports and exports by reducing imports and increasing exports. The latter objective is to be aided by setting up rationalized production programs and by applying new "aforos" (minimum official prices for exports) and other pertinent measures. Before the improvement of agriculture can be undertaken and greater exports achieved, a number of other urgent problems will first have to be solved. Among these are the rehabilitation of the railway and the road systems so that the increased goods reach the ports. No substantial increase in export products can be expected immediately except that resulting from better growing conditions. Moreover, reduced "aforos" (the fixed part of the selling price which must be negotiated at the official exchange rate of 18 pesos per US$1.00 of value, the remainder being negotiable through the free market) will only make the disposal of what has already been produced easier, not increase the amount of foreign exchange obtained. Heavy investment in the fuel, power, transport, steel and other basic industries is essential before productivity will rise very much. Accordingly, the proposed elimination of the adverse balance of trade will obviously depend upon a deep cut in imports. This implies continuing import austerity until new sources of export earnings have been created or until local production takes the place of a substantial proportion of present imports. The latter has become in the last month or two a distinct probability. However, full development is still some years away.

Forebearance Needed

The fourth remedy is to control bank credits, confining them to the furtherance of production programs. The October 1957 reform of the charters of official banks, the Bank of the Nation and the Industrial Bank, Article 25, stipulates in effect that these banks may have unlimited credit. The success of the proposed remedy will depend chiefly on the forbearance exercised by these banks and other state organizations.

Probably the most onerous problem of all, for which no ready-made solution has yet been advanced, is the gap between the thinking of management and labour. Management is demanding complete freedom of action following the principle of free enterprise. Labour leaders are demanding state controls to protect the workers against a decrease in real wages. One demand is for a substantial wage increase accompanied by a simultaneous freezing of all prices. Considerable labour unrest is expected before this problem is satisfactorily solved.

New Loans Sought

It was reported in mid-October that the Government was looking for new stabilizing loans ranging from $250 to $400 million. Of this amount, $75 million would be sought through a second withdrawal from the International Monetary Fund. The remainder would be provided by the World Bank, the Export-Import Bank and United States private banks, plus a standby credit from the U.S. Treasury. It is possible that loans covering a part of this total will be arranged, but presumably only after substantial changes have been made in Argentina's monetary policy and fiscal system and drastic remedies for present economic ills applied. The Economic Council has already recommended the remedies mentioned above but others asked for might include the abolition of the multiple system of exchange rates, less bilateralism and fewer barter arrangements.

Also involved is the problem of Argentina's ability to finance current annual needs and pay off its foreign obligations. The *Economic Survey* calculates that definite engagements at present total the equivalent of $1,534 million. Pending obligations that seem well on the way to being confirmed total another $533 million. Excluding the consolidated multilateral debt repayable on a ten-year basis and the Export-Import Bank loans, the bulk of these amounts (contracted chiefly under the export insurance schemes of European countries) is repayable in five years or less after delivery of the goods. Some circles are wondering whether these obligations can be met on due date.

Foreign Investment

Nevertheless, there are groups in many countries obviously confident that Argentina will emerge quickly from its present economic difficulties and they are backing that opinion with offers of substantial long-term credits both for capital projects and consumer goods. Influencing them are the steps already taken by the Government to encourage the foreign capital investment that is so badly needed.

Chief among these steps is the tabling in Congress of a bill to give to foreign capital every advantage accorded national capital. Second is the acceptance of foreign capital in the form of service contracts designed to develop natural resources, principally petroleum and coal. Third is the return to the owners of enemy property, mostly German, confiscated during the past war, equitable settlements with foreign-owned electric-power companies covering properties expropriated and nationalized, and new agreements covering other similar properties on which the concession was alleged to have lapsed. Settlements with other companies (such as the branches of United States packinghouses) also seem well on the way.

The outstanding economic event of recent weeks is the signing of contracts for services to exploit the petroleum resources. Most of these are with United States firms. Generally they provide that these companies will put up the development capital (including equipment) assume the entire risk, and wait for their returns until production is assured. The foreign capital involved has been variously stated at anywhere from US$790 to $1,000 million. The most important factor, however, is that finally the step has been taken to invite foreign companies, backed by their own capital and technicians, to help create self-sufficiency in oil. All contracts have been made with Y.P.F., the state oil organization.

Credits Arranged

In addition, a number of credits have been provisionally arranged with firms in other countries on a long-term or mid-term basis. One already signed is with Ferrostahl A.G. of West Germany covering oilfield equipment; it amounts to US$150 million over three years and may be extended by another US$100 million. A credit for the same purpose was signed three months ago with the U.S.S.R. A British group has offered $50 million to be spread over a number of industries besides oil, a French group is offering US$70 million, and a Rumanian one US$4 million. To complete the fuel picture, an agreement has been signed with a French group to develop the Rio Turbio coalfields; it will involve a credit of US$42 million. A United States electric-power concessionnaire has stated that all funds received from the Government for previously expropriated power stations will be re-invested in more plants in Argentina; the amount might total as much as US$60 million. Plans to expand natural gas distribution at a cost of US$66 million have been made.

A Japanese consortium is to invest US$53 million in a plant to build ships, railway car bogies, agricultural machinery and aircraft. Another is to build a sugar mill costing US$5.5 million. New tractor plants will be established by John Deere costing US$5 million and by the West German firm Hanomag costing US$4 million. At least 15 other tractor manufacturers have submitted offers of plants.

Other credit offers are reported as follows: France—US$100 million for the "El Chocon" hydro-electric scheme; West Germany, financed by Swiss banks—US$150 million for steel products on two-year terms; a U.S.-European consortium—US$170 million plus 3,000 million pesos for a one-million-ton per annum steel mill. In addition, there are numerous other projects involving smaller amounts. ●

Bolivia

Drop in earnings from tin and other minerals has hit country hard and darkened sales prospects for Canadian suppliers. Recovery program now under way may improve outlook.

L. D. BURKE, *Assistant Commercial Secretary, Lima.*

BOLIVIA'S problems have increased this year because of the fall in the market for tin, its principal export, and the uncertain prospects for other metals. The twenty-month-old stabilization program has also run into difficulties. Recently the Government, in consultation with experts from the International Monetary Fund and the U.S. ICA program, decided to introduce corrective measures. The principal one was the devaluation of the boliviano to 11,200 to the U.S. dollar.

Mineral Earnings Down

Because mineral products have earned so much less in 1958, Bolivia's foreign exchange receipts may be down this year by as much as $20 million. Export restrictions imposed on producing countries by the International Tin Council, United States import quotas on lead and zinc, and competition from Russian tin producers have affected sales adversely.

The nationalized section of the mining industry, approximately 80 per cent of the total, faces high costs and declining production. Exhaustion of mineral deposits, surplus labour and the deterioration of equipment which is not being replaced have contributed to this state of affairs. The State Mining Corporation is now virtually bankrupt. On June 30, 1958, its total debt (excluding government royalties unpaid since December 1956) was calculated at bolivianos 17,000 million plus US$4 million. The largest part of the latter is said to represent merchandise and material lying in Arica and other Pacific Coast ports for which documents have not been taken up.

Of the 16 mines operated by state authorities, ten are considered to be uneconomic. The medium-sized mines (representing about 10 per cent of the industry and consisting of 12 private companies) are relatively little better off. Their main problems include high fringe-benefit costs, the decapitalization resulting from years of inflation, and their inability to dismiss labour even though export restrictions and price declines have cut production. It has been calculated that in the last twelve months, tin production has fallen by 31 per cent.

—W. R. Grace & Co.

Located in the Andes east of La Paz, this mine produces tin and tungsten. Exports of tin, Bolivia's leading mineral, have brought much lower prices on the world market this year.

The slump in the mining industry has been felt by many other sectors of the economy struggling with their own problems. The privately-owned and state railways are in financial difficulties because of smaller freight and passenger receipts, competition from road transport, and labour difficulties. Since the beginning of the year miners, textile workers, postal employees, sawmill workers, judges and teachers have been among the groups out on strike. Local manufacturing is struggling with slow sales, a large labour force coupled with declining production, and competition from large-scale smuggling made profitable by high customs duties. The Government is now studying a new customs code aimed at protecting national industry and discouraging imports. It will combine a specific rate as the main levy with an ad valorem rate.

Currency Has Weakened

The stabilization program proved relatively successful in the first year of its operation but since then, for various reasons, the exchange reserves have drained away. This put heavy pressure on the rate of the boliviano, which was down to 9,140 to the dollar in September compared with 9,100 in mid-August and a rather steady 8,860 in the preceding four months. In the wake of falling tin prices, Bolivia suspended all foreign exchange dealings on September 19, 1958. An announcement the next day that American aid for 1959 would total $26 million compared with $23 million in 1958 helped to soften the effect of the news that the International Tin Council had withdrawn support for prices and that tin prices had tumbled temporarily.

New Stabilization Measures Proposed

Bolivia's long-term recovery undoubtedly depends on world conditions. However, to get over immediate difficulties, the Government has announced a five-point economic recovery program. Some of the main features are:

- The devaluation of the boliviano to 11,220 to the U.S. dollar, a price that includes a 2 per cent government tax. This will increase general revenue and help offset the substantial budget deficit expected.
- The granting in October of a 27.5 per cent pay increase to all public employees who had not previously been given salary adjustments to help meet the rising cost of living, including the incidence of the higher rate of exchange. (Bolivia must import a large part of her foodstuffs and basic necessities.)
- A cut of one-third in foreign currency expenditures by the Ministry of Foreign Affairs.
- Revision of the labour laws, to go into effect immediately, limiting the arrangement of collective agreements directly between employers and employees and the right to strike to procedures and grievances laid down in the Labour Code. The strength of the individual unions and their continued demands have been seriously affecting stabilization efforts.

Still to come are measures dealing with credit restrictions and the shut-down of marginal mines now operating at a loss.

Two Industries Prospering

The two bright spots in the generally unfavourable economic picture are agriculture and petroleum. Relatively firm agricultural prices since stabilization came into effect have given farmers incentive and spurred progress towards greater self-sufficiency in foodstuffs. Last year the Bolivian Government's petroleum enterprises, Yacimientos Petroliferous Fiscales Bolivianos (Y.P.F.B.), was able to step up production of crude oil by 11 per cent. About one-third of national production is exported and the foreign exchange earnings reached $4.6 million last year. Exports of petroleum and its derivatives were up by 60 per cent in 1957 over the preceding twelve months, with ready markets in Peru, Chile, Argentina and Brazil.

The up-to-date petroleum code has attracted investment from nine major oil companies. In addition to original concession payments obtained from these, Bolivia is benefiting from their exploration and drilling activities. The manager of one of these companies estimates that his firm alone is spending $250 thousand a month in its present stage of operations. Substantial production by these same companies, however, is still years away. To get more oil flowing as quickly as possible, the Government has granted a special concession to one firm allowing it to participate in the already semi-proven fields of Y.P.F.B. situated near the Argentine border. In return, the company will pay to the state $1.5 million in cash, advance $2.5 million to the Government repayable over a period of five years, and turn over in the form of royalties 50 per cent of all production. Brazilian firms that are to be granted exploration rights in a 3.5 million-acre area in eastern Bolivia, known to be rich in oil, should get into production relatively early.

A general investment code, designed to cut red tape on investment in Bolivia, is now being drawn up. It will set up legislation as a guide to potential investors and reaffirm the country's return to free enterprise. A new mining code is also being drafted. The purpose, it is said, is to force the development of dormant claims and concessions and provide acceptable guarantees to private investors.

Canadian Possibilities Limited

In the present unfavourable conditions, especially for the mining industry, sales possibilities for Canadian exporters to Bolivia are limited. Canadian exports—made up largely of mining machinery and of industrial products such as semi-fabricated aluminum, tires and steel bars—dropped in the first half of 1958 to Can.$186 thousand compared with Can.$635 thousand for the first six months of last year. The nationalized mines are buying less and the private medium-sized mines are limiting their purchases to day-to-day needs. With prices for their output down, they are concerned with cutting costs and would be interested in any offers from abroad that represent savings on the things they need in order to operate. The oil companies, on the other hand, are logical prospects. As subsidiaries of international firms, they buy their principal requirements through their New York, London or Hague offices. Nevertheless, the local offices in La Paz do have a certain leeway in purchasing and should not be overlooked in any sales campaign. Contacts can be arranged through the Commercial Secretary, Lima, Peru.

As for sales in other fields, Canadian exporters must realize that the Bolivian market is small and the population of 3.25 million people has a per capita income of only some $82 per year. It is necessary to think in terms of small orders—and small orders here may mean one to two thousand dollars. The question of extending credit is also important. There is undoubtedly a need for it but it is recommended that the Canadian supplier for the present conduct his business on letter of credit. If long experience has shown him that his Bolivian agent can be relied on to avoid collection difficulties, and if the firm is strong enough to wait out fairly long delays in settlement to be expected even from first-class customers, the policy might be modified. ●

Brazil

What barriers do Canadian exporters face in the Brazilian market, and why? Are these likely to be fewer in the months ahead? What is the outlook?

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

PART of this report on business conditions in Brazil will be devoted to answering the question most often asked by Canadian exporters anxious to sell their products in Brazil, but unable to do so because of the functioning of the foreign exchange system. "Why is it," the exporter asks, "that the exchange system prohibits me from selling my particular product in Brazil, while at the same time other Canadian exporters are able to sell a wide variety of products in that country, at an annual rate of $25 million?" This question reflects the actual situation. The answer demands a simplified explanation of the exchange system, which in turn will demonstrate that the success or failure of Canadian exporters in this market mainly depends on the right or otherwise of the products in question to qualify for special treatment under Brazilian exchange regulations. The remainder of the report will be devoted to an analysis of Canadian exports to Brazil in 1957/1958, and to comment on current Brazilian problems, both domestic and foreign, likely to influence future trade relations between the two countries.

How Exchange System Works

All ordinary imports into Brazil are paid for under an auction certificate exchange system in one of three types of currency. Goods originating in the dollar area, whether from the United States or Canada, must be paid for in U.S. dollars. Goods originating in any of those Western European countries that, with Brazil, form the payments clearing union known as the "Hague Club" must be paid for in ACL dollars, with convertibility strictly limited to member countries. Countries in the Club are Austria, the Netherlands, Belgium, Luxembourg, France, Italy, Germany and Britain.

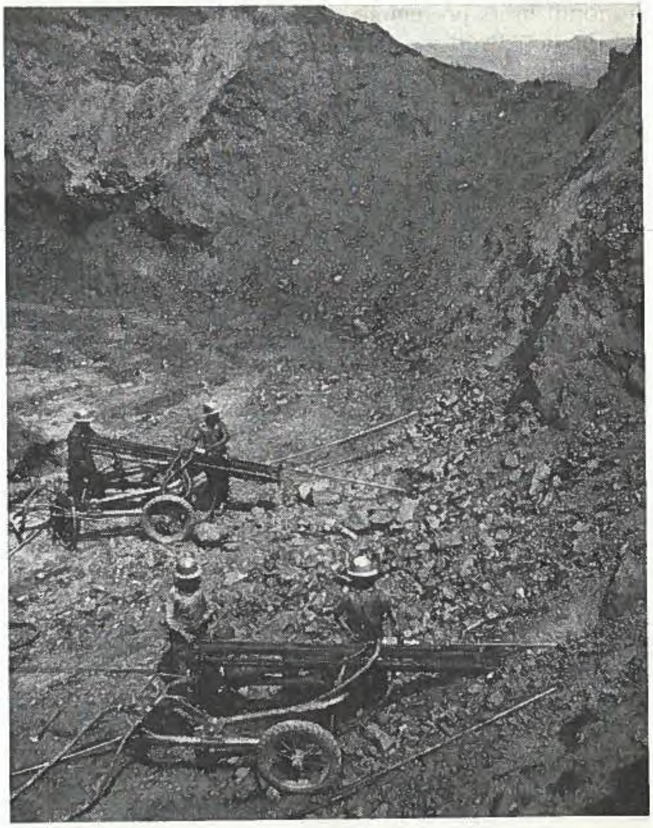
Finally, goods originating in any country with which Brazil has a bilateral trade and payments agreement must be paid for in inconvertible so-called "agreement" dollars. Into this category fall all of Brazil's trading partners not included in the U.S. dollar or ACL dollar area. (Norway, Sweden, Denmark and Finland are in this group.)

When the Brazilian importer requires one of these three types of currency to make payments abroad, he must buy the right to such exchange at one of the currency auctions held weekly throughout Brazil. The exchange certificates for inconvertible "agreement" dollars for imports from bilateral agreement countries can be purchased on auction at a cruzeiro cost about 25 per cent lower than the average cost of the U.S. and ACL dollars. In addition, the U.S. dollar is generally slightly more expensive for the Brazilian importer than the ACL dollar. This brief explanation will show certain Canadian exporters why it is that they cannot compete in Brazil with products originating in the bilateral agreement countries, and why they have difficulty in meeting competition from the countries comprising the Hague Club.

The functioning of Brazil's foreign exchange system explains one of the major difficulties in trading with Brazil, but it does not explain why certain Canadian exporters are able to market goods in Brazil to the value of $25 million a year, while others can sell nothing. Two factors must be considered in discussing this problem. The first, of course, is the unique position of certain Canadian exporters, who are either sole suppliers of a product or, if not the sole suppliers, at least one among a very limited number. Canadian asbestos and aluminum producers are in this position, and exports of these products to Brazil in 1957 totalled about $4 million. Generally speaking, these goods had to be purchased in Canada because they were not available elsewhere. The same cannot be said of Canadian exports of newsprint, diesel locomotives, farm machinery and electrical equipment which, with asbestos and aluminum, accounted for about 80 per cent of the total value of Canadian exports to Brazil in 1957.

Sales under Fixed Rates

For an explanation of these sales it is necessary to consider the second set of factors affecting our trade with Brazil. These are the exceptions to the general rule that Brazilian importers must buy their foreign exchange on auction. Brazilian law provides that under certain circumstances, mostly concerned with equipment for industrial development, fixed rates of exchange will apply to the imported product irrespective of the country of origin. In these instances, the Brazilian importer can purchase U.S. dollars required for payment as cheaply as ACL or agreement dollars,



Brazil's leading iron-ore producer and exporter is the government-controlled Companhia Vale do Rio Doce. The picture shows operations at one of its mines in Espirito Santo.

and the Canadian exporter is on an equal footing with all other suppliers. Accordingly, by taking advantage of this exception to the general rule, Canadian exporters in 1957 were able to sell diesel locomotives to Brazil valued at $4.5 million, farm equipment valued at about $2 million, and electrical generators, etc., valued at $4 million. As for newsprint, the Brazilian constitution provides that this product may be imported free of all taxes and at a fixed rate of exchange, permitting Canadian exporters to sell to Brazil $4.5 million worth last year.

These, then, are the answers to the question why one Canadian exporter is able to sell to Brazil and another is not. The successful seller is either a sole or near-monopoly supplier, or the product he offers qualifies for special consideration under Brazilian exchange law and is one that gives the Canadian maker access to the Brazilian market on equal terms with exporters from all other countries.

Trade Possibilities Discussed

Before attempting to forecast the level of Canadian exports to Brazil in 1959, two further observations about the conditions under which we traded with Brazil in 1957 and 1958 should be made. First, the substantial sales made at fixed rates of exchange and mentioned above were concluded at a time when Brazil's dollar exchange position was difficult but had not yet reached a crisis. Second, the sales of capital equipment in 1957 and similar sales in 1958 were possible solely because the Canadian exporters were able to grant credits ranging from three to five years through facilities available to them in Canada. It follows, therefore, that the level of Canadian exports to Brazil in 1959 will be determined by Brazil's dollar position in that year and by credit facilities available to Canadian exporters.

On the first point, Brazil's dollar position is much less favourable at the moment than it was in 1957 or in the early months of 1958. What was then only a serious problem has since developed into a crisis and the prospect is far from bright. This is so, notwithstanding a one-year standby credit of $37.5 million authorized by the International Monetary Fund in June of this year and $158 million granted to Brazil in July by the Export-Import Bank and twelve commercial U.S. banks. The Exim loan of $100 million will be repaid with 5 per cent interest over five years, commencing January 1962. The commercial banks' loan is repayable within three years. Although these loans are substantial, this year's over-all balance-of-payments deficit is likely to be even greater, with estimates running to at least $250 million. Accordingly, the foreign assistance thus far received is calculated to do little more than ease the pressure on the exchange rate and help Brazil to maintain essential imports.

Repaying Debts

A major contributor to the balance-of-payments problem and one of particular concern to Canadian exporters of capital equipment is the amount of dollars required to service foreign debt contracted mainly to buy capital equipment for the industrialization program. This indebtedness has reached the point where 20 per cent of estimated dollar earnings over the next three years must be earmarked for debt service. As a consequence, it has now been decided that throughout the next three years official guarantee of repayment will not be granted to new debt contracted for importing capital equipment from the dollar area. This general ruling is subject to two exceptions. First, repayment may be guaranteed on new debt contracted at a rate equal to amortization of old debt. Second, repayment of new debt may be guaranteed when the debt is contracted for the import of capital equipment and if the supplier is willing to agree that no repayment of the principal will be made until after three years. The three-year period is stipulated because after that date foreign debt service will be reduced to more manageable proportions. This would obviously affect Canadian exporters who over the past two years have been able to sell a substantial volume of capital equipment on a fixed rate basis, provided they granted three to five years' credit.

Stabilization Plan Proposed

Such is the situation at the moment, but the position is anything but static. Brazil's new Finance Minister, Dr. Lucas Lopes, formerly head of the Economic Development Bank and internationally recognized as an orthodox financier, has recently placed before the Brazilian Congress a "monetary stabilization plan". The main tenets of the plan are that inflation must be curbed through a balanced budget and the balance-of-payments position improved through judicious measures to cut the import bill and by increasing and diversifying exports. For exports, the plan is to remove the administrative obstacles which now confront the exporter and to provide him with greater financial incentives. Proponents of the monetary stabilization plan forecast that its adoption by Congress will result in economic and financial viability for Brazil in 1961.

Coffee Problem Continues

Meanwhile coffee, which accounts for 75 per cent of Brazil's dollar earnings, remains the crucial commodity in domestic and foreign economic affairs. On the home front, regulations respecting this year's crop—June 1958/1959—provide that 40 per cent be allocated for export. Of the 40 per cent 10 per cent is to be converted to fertilizer and 30 per cent bought by the Government at fixed prices. In addition, the Government has agreed to purchase any of the 60 per cent allocated for export that remains unsold at the end of the crop year in July 1959.

Brazil is still leading the campaign to achieve stability in the international market for coffee, and attended the recent Paris coffee conference in the hope that a control agreement could be reached between the Latin American and African producers. This proved impossible because of a difference of opinion on whether control should be based on an export quota or a coffee retention scheme. African producers favoured the former, Brazil and the Latin American producers the latter. Brazil favours the retention scheme as the best method of reducing the coffee surplus in any one year, leaving the producers free to compete as they will thereafter for the international business available. At the moment, the only effective control being exercised in the international coffee market is the retention scheme of the Latin American producers who, in lieu of a general agreement, continue to operate under a new agreement for one year similar to the former Mexican Agreement. (See "Brazil Faces a Coffee Crisis" in *Foreign Trade* of October 25, 1958.)

It is unfortunate that the 1958 report on business conditions in Brazil is not more encouraging. None the less, the point to be borne in mind by Canadian exporters is that Brazil is currently, and will remain, an excellent market for capital equipment. Its main problem at the moment is that of mobilizing the capital necessary to exploit the country's vast store of natural resources and to finance the industrialization program which, when completed, will see a major industrial nation established on the South American continent. The problem of the Canadian exporter is that of deciding on the steps to be taken to hold his position in the market during the critical period 1959-1961. This is now largely a question of credit facilities, and export planners, particularly those concerned with the need for greater financing facilities in Canada, might well be influenced by the recent decision of the World Bank to grant a $73 million loan to Brazil for hydro-electric development, the second largest ever granted for a single project. ●

Chile

Beset by weak copper prices and falling industrial production, Chile has clamped down on imports to stop the drain on foreign exchange. Prospects for the future will brighten if the country can attract foreign aid and investment.

H. M. MADDICK, *Commercial Secretary, Santiago.*

CHILE'S fight for economic stability has continued through 1958 and so far has effected little or no improvement. In fact, further restrictions have been imposed this year in an attempt to save precious foreign currency. To make matters worse, industrial production has dropped and inflation is continuing. This has been a year of campaigning for the presidential elections and little positive action was taken to bolster the ailing economy. The only measures adopted were restrictive ones to halt the dollar drain which, in 1957, had become alarming and threatened the financial structure of the country.

Copper to Blame

Because of the leading position of copper in Chilean industry, any decline in price or production is bound to affect the whole economy. The drastic slump in copper production (18.5 per cent less compared with a year ago) during the first six months of 1957 can be attributed largely to a 51-day strike during April and May at the largest mine in the country. It has been estimated that the walkout was responsible for the loss of about 35,000 tons of copper. As a result, exports in 1958 are down about 12 per cent from a year ago.

Nitrate production showed some improvement in 1957 but dipped slightly in the first five months of 1958. Output is down 17 per cent compared with 1955, which was considered a normal year. Prices, on the other hand, have risen slightly, though they are still below the 1955 and 1956 levels.

There was considerable speculation early in the year about the prospect of a large sale of nitrate to Mainland China. The industry has been looking forward to this with great interest but nothing has yet happened.

Foreign Trade Declines

According to preliminary figures, exports have fallen from US$221.5 million for the first six months of 1957 to US$165.2 million for the same period of 1958. Imports also dropped slightly during the same period —from US$131 million in 1957 to US$123 million in 1958.

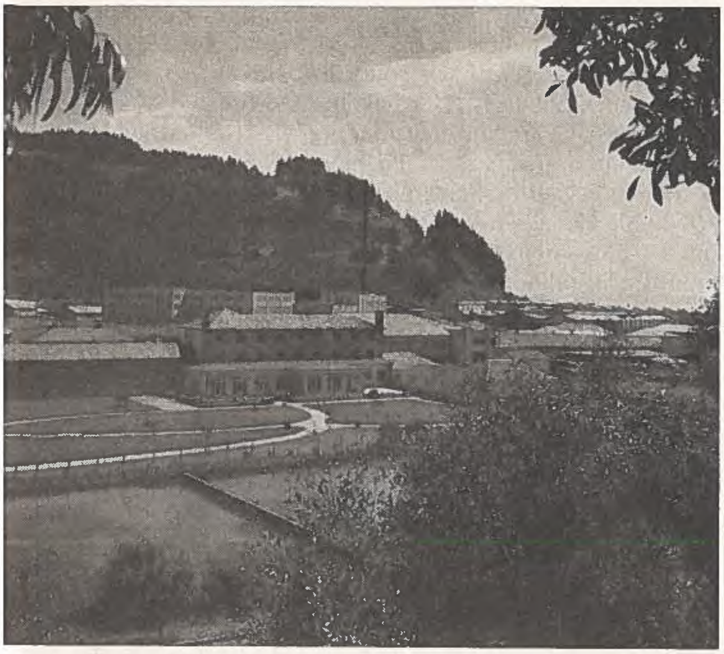
Because of the steep slide in exports in the first half of the year, and because imports continued to be large, the Government was forced in June to suspend all imports for a short period. Soon after, it introduced new regulations to try to reduce non-essential purchases abroad to a minimum by increasing the percentage of prior deposit rates on all goods up to a maximum of 5,000 per cent (see *Foreign Trade,* July 5, 1958, page 24).

Although no official data are available to show the effect of these regulations, it appears from figures obtained from ships' manifests that they have had the desired result of reducing imports considerably. Unfortunately, because of high prior deposits and the lack of money in the local market, essential imports for industry have been cut off and this has been a major cause of the drop in industrial production.

Enough Wheat to Eat

The one bright spot in the Chilean economy this year has been the rise in agricultural output, notably wheat. For the first time since the early 1930's, Chile has produced enough wheat for her own needs. Good growing conditions have increased yields substantially and more land has been seeded as a result of the Government's lifting of control prices on agricultural products in 1957.

This year's big wheat crop should mean sizable savings in foreign exchange, though Chile will still import some wheat from the Argentine because of prior commitments under a trading agreement. It also means that Chile will not sign an agreement with the United States this year to buy surplus U.S. agricultural products.



This woollen mill in southern Chile is said to be one of the most modern on the continent. Chile raises most of the wool used by its textile industry but imports special types.
—W. R. Grace & Co.

The Chilean budget for 1958 outlined expenditures of 335,998 million pesos (US$56.4 million) and revenues of 322,465 million pesos (US$74.4 million). The budget surplus in foreign currency was intended to cover the excess in expenditures in local funds. However, the drop in copper prices has slashed foreign exchange income and, with a drop also in local currency income—because of smaller returns from custom duties and lower tax revenues from industry—a deficit of 71,500 million pesos is forecast.

To cover this deficit, the Government has borrowed 20,000 million pesos from the Banco Central de Chile and raised an external loan of US$40 million. It proposes to sell US$35 million of this external loan to cover part of the deficit.

Trade Agreements

Following recommendations of the joint commission to study new trading arrangements between Brazil and Chile, the 15-year-old agreement has been extended for another six months, with an option to renew it for an additional three months.

A new payments agreement with Brazil has also been signed, effective October 1, 1958. It assures parity between the compensation dollar and the free dollar and establishes a reciprocal credit of US$6 million. In addition, it permits the transfer of balances with other monetary areas for use in commercial transactions.

To further the close commercial relations between Brazil and Chile, a Joint Committee of Industrial Cooperation, composed of representatives of the two Governments and industry, has been set up to recommend ways and means of expanding trade in manufactured goods between the two countries.

The Chilean-Argentine trade agreement signed in May 1957 incorporated some new ideas, such as setting the prices on products exchanged at parity with those in the international market. In addition, steps were taken to integrate the economies of Chile's northern provinces and northeastern Argentina by reducing and eliminating customs duties between these areas and encouraging the exchange of goods.

Canada Supplies Less

The value of total trade between Canada and Chile has dropped from a high of US$16 million in 1951 to just under US$6 million in 1957, and figures available to date indicate that 1958 will probably be the slimmest trading year since prewar. The basic reason for this drop has been the continuous decline of Chile's foreign exchange earnings since 1951. Many products which she used to import are now made locally and Canada may not regain the market for many of them. The best example is newsprint of which, until last year, Canada was a major supplier. But with the expansion of the local newsprint industry, imports are now prohibited. Chile, in fact, has become a net exporter of newsprint to neighbouring Latin American countries and is looking even farther afield.

Canada still supplies certain types of mining equipment and other materials to the large foreign mining companies established in Chile that are not subject to local import restrictions and prior deposits. There is also continuing business in basic materials such as asbestos and industrial chemicals. These goods, with small quantities of electrical equipment and certain raw materials, help to maintain a fair export flow to this restricted market.

What Are the Prospects?

Chile's new President, who took office on November 3, has indicated that he will do everything in his power to encourage foreign investment. He will probably have to seek considerable help through foreign loans, because he is taking over a country in an unhappy financial position. However, reports indicate that the President inspires confidence and that aid should be forthcoming. If the price of copper continues to rise —particularly in Europe where Chile sells 85 per cent

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of its production—the country, under sound administration, could be well on the way towards economic stability.

Any major relaxation of present import restrictions can scarcely be expected. However, there may be modifications, particularly if the Government takes steps to encourage foreign investment. Canada may then find that Chile will present opportunities to participate in a program of industrial expansion through the supply of equipment and technical know-how. •

Colombia

Determined attack on economic problems has restored confidence, but strict import controls remain in force. Canadian sales have fallen slightly but outlook for selling certain primary products good.

P. A. SAVARD, *Commercial Secretary, Bogotá.*

COLOMBIA began 1958 in a state of uncertainty, both political and economic. However, the method of liquidating the 1956 backlog of commercial debt had been virtually settled and payments under the plan were being met as agreed. Current obligations were also being taken care of in a satisfactory way.

Economically, the most encouraging factor was the steadiness with which the fiscal and monetary authorities were tackling current difficulties. Bank credit was being rigidly curtailed and imports limited in line with export earnings.

As the year wore on, the situation grew steadily better. Import and currency restrictions were accepted as a prerequisite to the re-establishment of financial stability and the successful 1957 efforts towards stabilization brought renewed confidence in the economy. Exchange reserves, though still low, improved gradually and the payments situation, helped by foreign credits, remained good. Industrial production continued to be satisfactory, with some slackness in the construction field.

As the year ends, there is reason for satisfaction. Good management has been evident and the new government shows no sign of backing away from the many problems and obligations to be faced. (See *Foreign Trade* of October 25, 1958, "Colombia Plans an Economic Program".)

By the end of 1957, Colombia had arranged the settlement of the major part of its 1956 backlog of commercial debt with all countries with which it had outstanding balances. It has been estimated that a total of $442 million outstanding was settled under the various agreements. Payment of most Canadian accounts began in September 1957 and by May of 1958, all Canadian outstandings had been negotiated on the basis of 60 per cent cash and 40 per cent in monthly instalments, with 4 per cent interest. It is worth noting that both in the September 1957 settlement and in the later one, payment of monthly instalments began immediately.

Coffee Exports Maintained

Colombia's main export and exchange-earner is coffee. This year shipments have held up well, with 3,681,432 bags (60 kilos) exported in the first nine months of 1958. It is expected that the year-end figures will run to 5½ million bags. Prices will probably average about 52½ cents a pound for the year.

Latin American coffee-producing countries have made several attempts to reach world agreement on coffee marketing along the same lines as the International Wheat and Sugar Agreements. In September all the major Latin American producers agreed to restrict their own exports to avoid further weakening of prices. There is some evidence that the agreement is having the desired effect but experienced observers are not satisfied that coffee retention is the whole answer to the problem.

Petroleum Production Rising

Colombia's petroleum production is now averaging four million barrels a month. However, this year has seen a reduction in exports as the new Cartagena refinery, the largest in Colombia, began operating. Although the petroleum requirements of the refinery reduced the amount available for export, its production has made Colombia almost self-sufficient in the field of refined petroleum products. Furthermore, the southern part of the country is now being supplied with its refined products from Cartagena; formerly these came from Peru. This has meant a net saving in foreign exchange.

Exchange and Import Controls Unchanged

Basically—and this indicates the underlying strength of the measures taken—there has been no change in exchange and import controls over the past year. The Colombian peso is free to find its own level and currently the rate of exchange is running at 7.75* to the U.S. dollar.

*The 7.75 rate is that of the curb exchange through which are channelled miscellaneous dollar earnings, tourist expenditures, etc. It is a narrow market and therefore the rate tends to be higher than the exchange certificate rate.

Exchange certificates used for the payment of imports are auctioned off by the Central Bank to private banks acting on behalf of their customers; the latest rate has been 6.30 to the U.S. dollar.

All commodities are classified into three categories for purposes of exchange control: freely importable, subject to previous licence, and prohibited import. The free list consists of essential raw materials, certain types of machinery, and spare parts. Items requiring previous licence are mainly less essential goods not produced or available in Colombia; applications for these licences may be refused or delayed, or the amounts reduced. The prohibited list, by far the largest, covers all consumer goods, manufactured and semi-manufactured goods produced in the country, and other items considered non-essential.

Early in the year a foreign exchange budget was drawn up providing for import expenditures of approximately $25 million a month; this has been the average rate of expenditures to date. As a result, payments through 1958 have remained on a current basis and reserves have been maintained at about $135 million.

Markets and Trading Partners

Colombia's principal markets, in order of importance, are the United States, West Germany, and Canada, followed by Sweden and the Low Countries. The United States is also the leading supplier, shipping three-quarters of Colombian imports during the first half of 1958. Far behind came Germany, the United Kingdom, and Canada.

Canada's trade with Colombia has stood up well, bearing in mind the present restrictions on imports. Last year our sales reached $14.6 million and this year they should decline only slightly; up to the end of September they totalled slightly over $10 million. In 1957 and so far in 1958, some Canadian wheat shipments were made after a lapse of several years. The market for newsprint, pulp and cellulose products has remained steady; other raw materials for industry have been in demand, with aluminum ingot and asbestos in the lead. Chemical fertilizers from Canada have also been selling well and should continue to find a good market.

Even though coffee prices have sagged, the volume of shipments to Canada has risen and this has helped toward maintaining the total value of Colombia's sales to Canada; in 1957 they reached $18 million and in the first six months of this year, $8.39 million (coffee, $8.31 million).

Although this year has been one of stability and progress, it is still too early to predict any relaxation of the current import controls. When relaxation does come, it will probably be gradual, affecting primarily more or less essential materials and manufactures. It must be remembered that a substantial part of current earnings is already committed to past obligations.

On the other hand, any improvement in coffee prices might well be reflected in import policies. Foreign investment has always been welcomed in Colombia and there are signs of increasing interest by investors abroad; this too would help.

For the present, Colombia will continue to be a satisfactory market for a wide range of primary products —such as wheat, newsprint, railroad equipment, agricultural and other machinery, and essential raw materials for industry, among which aluminum, asbestos and cellulose products rank high. Less essential commodities will probably be excluded from this market for some time to come. ●

Ecuador

Agriculture rather than manufacturing is encouraged; agricultural products continue to be main exports. Import and exchange controls keep out non-essentials, but steady market provided for limited range of Canadian products.

P. A. SAVARD, *Commercial Secretary, Bogotá.*

ECUADOR is a small market with limited import and exchange controls. Its main industry is still agriculture —in 1957, only 17 per cent of the national income was contributed by manufacturing.

During the past few years, Ecuador has been able to maintain a fine balance between income and expenditure. Business activity has reacted more to the domestic economic situation than to international developments.

Ecuador's main export is bananas but it has other agricultural exports important to a country of its size: coffee, cocoa, rice and, recently, sugar. With the foreign exchange earned by these exports, the country maintained an over-all favourable trade balance.

The Government has resisted any trend to industrialization and has continued to give strong backing to agricultural development.

How Trade Moves

Bananas—Ecuador is now the world's leading exporter of bananas; $69 million worth were sold abroad in 1957. Canada's share totalled $3.6 million; the United

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—Panagra.

Cocoa beans, one of Ecuador's main exports, are spread out on the streets of Guayaquil to dry before they are shipped. In the foreground, two experts are examining the crop.

States and Western Europe are the principal markets. Total value of shipments in 1954 reached $51 million, in 1955, $62.3 million, and in 1956, $60 million.

Coffee—Although Ecuador's production of coffee is relatively small, it has in the past few years replaced cocoa as the second largest foreign exchange earner because of improved harvesting methods and better preparation of the bean. Last year's exports were valued at $29.7 million.

Cocoa—Ecuador has a deservedly high reputation as a producer of first-quality cocoa. This year's crop, however, has been smaller than expected and consequently sales have decreased. Colombia, Ecuador's northern neighbour, is an important market—strange as it may seem, Colombians drink more cocoa than coffee.

Rice—Ecuador is a marginal exporter of rice. A good year like 1957 provides fairly substantial quantities for export. Canada is an occasional importer.

The above products, with balsa wood and some petroleum, are Ecuador's main exports.

The Ecuadorean Market

The United States is Ecuador's main supplier, followed by Germany, Belgium, the United Kingdom and Canada, in that order. The value of imports in 1957 totalled $106 million and 52 per cent came from the United States. As a market, Ecuador is neither large nor sophisticated; price is largely the deciding factor. Canada's principal export to Ecuador still is wheat. In 1957, shipments fell off because of an agreement which Ecuador has with the United States covering agricultural products. So far this year, our wheat sales have improved; for the first nine months of 1958 they totalled $1,294,229 compared with $700,152 for the first nine months of 1957.

Ecuador has been a good, if small, market for dairy cattle and Canadian purebreds are making a strong showing among the more important herds. Last summer the Canada Trophy was presented to the grand champion at the Quito Agricultural Fair.

Shipments of malt have risen and the principal customers are the large coastal distilleries; Canadian sales of newsprint and other paper products have held up well, although European competitors have made some inroads into the fine paper market.

ECUADOR'S TRADE WITH CANADA

(in thousands of Can. dollars)

Imports from Canada		Exports to Canada	
Nine months 1958	$2,638	Six months 1958	$1,733
Nine months 1957	1,813	Six months 1957	1,641
Total 1957	2,786	Total 1957	4,428

(DBS statistics).

Imports Closely Controlled

All imports are subject to import and exchange controls and products permitted entry are classified into two groups. List one consists of essential commodities and exchange for these imports is granted at the official rate of 15 sucres to the U.S. dollar. List two is made up of semi-essential and less essential imports. Exchange for the payment of these imports may be purchased in the free (uncontrolled) market. All imports require licences and the previous deposits must be paid when the application for the licence is made.

The exchange and import control authorities may, and sometimes do, move items from one list to the other. Previous deposits may be raised or lowered as circumstances require.

Ecuador's exchange reserves have remained steady at $25 million, with seasonal variations—a figure that is considered adequate.

Outlook Seems Good

With the exception of a few items, Ecuador's imports are all rather small. Nevertheless, this market has been steadily growing—imports increased by 85 per cent between 1950 and 1957, reaching a total of $106 million last year. If conditions remain reasonably good, Canadian opportunities to sell essential products should improve. Ecuador has not experienced any exchange difficulties in recent years and if the value of its principal exports holds up as expected, 1959 should prove a good year. ●

Paraguay

New system of exchange control has proved successful, but difficulties in Argentina, her best customer, have held down Paraguayan exports and brought tighter import controls.

BLAIR BIRKETT,
Commercial Counsellor, Montevideo.

PARAGUAY has achieved a substantial degree of stability since the inauguration of the present exchange control system a year ago but the desired all-round improvement in her economy has yet to appear. The difficult economic situation in the Argentine continues to cast its shadow. A revival of trade in timber with that country—the key to the situation—is eagerly awaited. To date, however, the improvement has been modest. Most other conditions are set fair.

Trade Surplus Is Smaller

Statistics recently published by the Banco Central show that during 1957 exports reached US$32.9 million and imports US$27.36 million, resulting in a favourable balance of US$5.54 million—half that of the previous year. For the first six months of 1958 there was a trade deficit of US$4.3 million. Details of imports and exports for the years 1955, 1956 and 1957, by countries, are as follows:

EXPORTS FROM PARAGUAY

	1957		1956		1955	
	US$	%	US$ (millions)	%	US$	%
To						
Argentina	10.91	33.2	12.80	34.9	16.04	45.7
United States	8.27	25.1	6.53	17.8	6.39	18.2
United Kingdom	5.15	15.7	5.41	14.8	3.34	9.5
Netherlands	2.09	6.4	1.29	3.5	1.45	4.1
Uruguay	1.29	3.9	1.90	5.2	1.01	2.9
Germany	1.12	3.4	1.09	3.0	1.67	4.8
Belgium	1.04	3.2	1.25	3.4	0.49	1.4
France	1.01	3.1	0.85	2.3	0.75	2.1
Spain	0.39	1.2	2.05	5.6	0.39	1.1
Italy	0.15	0.5	0.22	0.6	0.27	0.8
Others	1.48	4.5	3.30	9.0	3.30	9.4

IMPORTS INTO PARAGUAY

	1957		1956		1955	
	US$	%	US$ (millions)	%	US$	%
From						
Argentina	10.48	38.3	7.06	28.7	12.57	43.4
United States	6.47	23.6	3.31	13.4	4.04	14.0
Germany	2.35	8.6	0.96	3.9	1.34	4.6
United Kingdom	2.13	7.8	1.93	7.8	2.04	7.0
Netherlands Antilles	2.10	7.7	2.52	10.2	1.77	6.1
Spain	0.80	2.9	0.60	2.4	0.46	1.6
Belgium	0.59	2.2	0.43	1.7	0.18	0.6
Sweden	0.50	1.8	1.11	4.5	1.18	4.1
France	0.33	1.2	0.20	0.8	1.30	4.5
Uruguay	0.02	0.1	1.79	7.3	0.46	1.6
Others	1.59	5.8	4.72	19.2	3.62	12.5

Paraguay's exports include mainly timber, quebracho extract, cotton fibres, meat products, oilseeds, hides, essential oils, and tobacco. Practically all the timber goes to Argentina; the quebracho to the United States, Canada, and Germany; the cotton to the United Kingdom, Germany and Belgium, and the meat to the United Kingdom. Canada's imports from Paraguay in 1957 reached only $278 thousand (quebracho extract, $103 thousand).

Argentina also figures prominently as a source of Paraguay's imports, supplying nearly 40 per cent of all requirements in 1957. Other sources in order of importance are the United States, Germany, the United Kingdom, Netherlands Antilles, and Spain. Import control confines purchases abroad to essentials.

The trade difficulties in Argentina are causing concern because the greater part of Paraguay's exports, (timber makes up from 30 to 40 per cent in value) go to that country. Cotton exports have also suffered; most of the current season's crop and approximately 50 per cent of last year's is still unsold. Only three of the four quebracho plants are in operation and at reduced capacity because of lack of demand. The three frigorificos are also working below capacity.

The limiting of imports to essentials is the result of the high cash deposits and the length of time for which they are now retained (120 days minimum). Special import licences on deferred payment terms are granted only for industrial construction, and agricultural machinery and tools. (Canadian exporters sold to Paraguay only $172 thousand worth of goods last year, with agricultural machinery accounting for $66 thousand.)

Exchange Control Explained

In August 1957 Paraguay established a new system of import and exchange control designed to end a decade of acute inflation and eliminate a highly complex multi-rate system. The changeover was supported by a standby credit of US$11 million established jointly by the International Monetary Fund and the United States Treasury.

The new system involves prior cash deposits varying from 5 to 400 per cent according to the importance of the commodity and it has proved quite successful. Inflation has been held in check, bank credit reduced, the cost of living lowered, and internal savings increased. Were it not for the failure of trade relations with the Argentine to improve as expected, Paraguay would be well on the way to economic recovery.

Smaller demand for its products has led to new import deposit regulations. Prior deposits since July 3 last are retained for a minimum period of 120 days; previously they were returned on the day documents were delivered for customs clearance. From the same date, deposits made after shipment of goods will be retained for a minimum of 180 days from date of deposit; previously it was 60 days for imports from bordering countries and 120 days for those from other countries. Another regulation effective July 3 raised the prior deposit required on imports of all goods included in Class 1 from 10 to 25 per cent. Minor changes up and down in the deposits on individual items have also been made. All this means a further tightening of import controls to achieve a balanced trade and avert a threatened deficit.

Assistance Offered

In recent months there have been several announcements of monetary assistance to Paraguay, reflecting the confidence felt in her efforts to stabilize her economy.

- The United States Development Loan Fund has authorized a loan of US$2.6 million to International Products Corporation for expansion of its cattle, tanning and canning activities.

- The International Monetary Fund on August 1 concluded a further standby agreement permitting Paraguay to draw up to US$1.5 million from the Fund during the ensuing year.

- The Export-Import Bank and the Development Loan Fund have established a credit for US$2 million on behalf of the organization undertaking the installation and operation of the Asuncion waterworks.

- The United Nations has approved a budget of US$347,600 for technical assistance to Paraguay during 1959.

Another indication of confidence is the fact that the National City Bank has established a branch in Asuncion with a capital of 50 million guaranies and $500 thousand. ●

Peru

Fall in exchange reserves and smaller export earnings have resulted in stiff import restrictions. Canadian sales expected to reach near-record this year, with wheat showing greatest increase.

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

OUR report on the economic situation in Peru last year ended on a hopeful note. The country had had a good year, with a record foreign trade and a large inflow of foreign capital for investment in natural resources and industry. The long-term outlook continued to be promising, although a number of clouds had appeared on the 1958 horizon. These included a weakening in export prices for non-ferrous metals, smaller sales abroad of cotton and sugar, and heavy imports, especially of industrial equipment, which had strained the foreign exchange reserves.

Protecting the Currency

These difficulties have been accentuated in 1958. As the year began, the Government sought a standby credit from the International Monetary Fund and tightened credit restrictions on commercial banks. The policy of avoiding import or exchange restrictions at all costs was, however, reiterated.

By the end of January 1958 gold and foreign exchange holdings had fallen to a new low of US$4.9 million. As a result, the Central Reserve Bank withdrew from the foreign exchange market at the end of the month, announcing that it would no longer buy and sell foreign exchange certificates in order to stabilize the rate of exchange at S/ 19 to the U.S. dollar. Several weeks of almost total paralysis in the foreign exchange market followed. Eventually, as receipts for cotton and sugar exports began to come in, a certificate rate of S/ 22.50 to the U.S. dollar emerged.

Nevertheless the pressure on the exchange rate continued and the Government was successful in increasing its standby credit from the International Monetary Fund, U.S. Treasury, and private U.S. banks from $30 to $60 million. It also declared that it would make full use of this credit if necessary to protect the currency against speculation. The exchange rate then stabilized to some extent and the Government did not have to use the credit. But the rate continued to deteriorate to approximately S/ 25.00 to the U.S. dollar in October.

In September the Government negotiated an additional credit of US$40 million from the Export-Import Bank to maintain essential imports and bolster the balance of payments.

Early in May the Government increased basic import duties to 50 per cent on goods considered non-essential and to 100 per cent on luxury items. It also obtained a waiver from GATT permitting it to apply the increases to goods the duties on which were bound under the Agreement. In June a new Finance Minister was appointed and took immediate action. The basic duties on all luxuries were increased from 100 to 200 per cent and the annual quota for imports of automobiles, trucks, and buses was cut in half. Shortly after, a twelve-point plan for economic stabilization was presented. It included foreign credits to keep the balance of payments in equilibrium, curtailment of unnecessary government expenditures, revision of the tax system, stimulation of foreign capital investment, defence of the national currency, and freedom of trade and exchange.

By mid-August the effect of the severe restrictions on credit and other measures designed to curb imports became apparent. The value of exchange certificates bought by importers to pay for purchases abroad had declined at the end of July by US$23.7 million (14 per cent) in comparison with the same seven-month period of 1957. At the same time, the financial authorities indicated that at Peru's current rate of foreign exchange earnings, imports would have to be cut US$90 million, or 23 per cent below the 1957 level, to avoid a balance-of-payments deficit. Early in August the Minister of Finance obtained renewed assurances from the commercial banks that they would avoid any increases in credit to clients that would boost imports.

The plan of action drawn up by the Government to stabilize its finances and liquidate previous budget deficits which date back to 1956 holds the spotlight at the present time, but it is practically certain that there will be no cut in government spending during 1959.

Foreign Exchange Problem Continues

After remaining fairly stable at approximately S/ 24 per U.S. dollar for several months up to mid-September, the sol weakened somewhat following news that the United States would apply import quotas on lead and zinc. Peruvian exports of these metals represent about 13 per cent of the total export earnings, and 67 per cent of these shipments go to the U.S. Any long-term forecasts on the exchange rates must take into account the fact that Peru now has available in emergency foreign credits a total of US$100 million. Before the announcement of the lead and zinc quotas, a fall in imports—resulting from a rise in the dollar rate, credit restrictions and higher tariffs—was becoming apparent. However, foreign exchange earnings at the end of August were US$30.8 million below the first eight months of 1957.

The Government has announced that it will make full use of the US$40 million Export-Import Bank credit as and when the Central Bank considers that conditions justify action. Proceeds in national currency from the sale of foreign exchange will be retained by the Central Bank in a special account to be used for the subsequent servicing of the credit.

Agricultural Progress Made

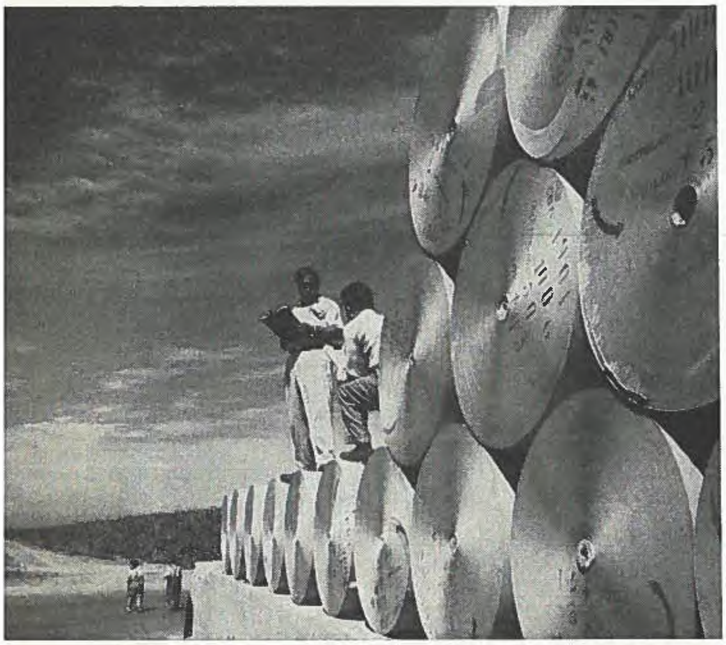
Peru continues to forge ahead with its long-range program of irrigation. A large diversion project in southern Peru that will irrigate 24,000 hectares of flat desert land is expected to be operating at the end of this year. A second project, to be completed by mid-1959, will reclaim 3,500 hectares of desert for the production of cotton. In the north the second phase of a large irrigation project will be completed shortly, bringing into production an estimated 40,000 hectares. Furthermore the Government has announced that studies have been completed on three other major programs involving the irrigation of 135 thousand hectares. Money for these projects has come primarily from the World Bank.

Cotton exports to the end of September were 22 per cent greater than for the same period of 1957. Port stocks are still high and prices generally substantially below those of last year. The forecast for the new crop is approximately 24 million quintals, about the same as in 1957. Recent reports state, however, that serious pest damage may mean losses in the neighbourhood of 365 thousand quintals. The 1958 sugar crop will total about the same as last year, approximately 700 thousand tons. Unfortunately, during the first eight months of 1958 exports dropped by 26 per cent and the loss in foreign exchange receipts is estimated at US$9.5 million.

The development of Peruvian coffee as an export industry has been noteworthy in recent years. For the first six months of this year, exports reached 5,112 metric tons, 23 per cent higher than for the same period of 1957. Production forecasts for all other major food crops are running ahead of a year ago.

Mining Industry Hit

The Peruvian mining industry received a severe blow at the end of September with the announcement that the United States would impose quotas on imports of lead and zinc effective October first. Last year Peruvian lead and zinc exports to the United States were valued at US$28.9 million but for 1959 the figure may fall by approximately US$9 million. However, lead and zinc prices on the New York market have risen sharply since the quotas took effect and if the trend continues, Peru's loss of earnings will be proportionately smaller. It is still difficult to forecast what effect the U.S. action will have on other Peruvian metal markets abroad but competition may be intensified. In spite of falling prices, mineral exports have been fairly well maintained. Lead shipments during the first six



—W. R. Grace & Co.
This paper was made from bagasse, a byproduct of the sugar extraction process at a mill on the Paramonga plantation.

months of 1958 were up by 33, copper by 47, and silver by 42 per cent. Zinc exports, however, were down 13 and iron ore 27 per cent.

During the past year a number of marginal mines were forced to close and more may soon suspend operations. Investment and expansion programs, with the exception of those in the iron ore industry, are practically at a standstill.

Petroleum-producing companies have been carrying on an active press campaign for higher prices; at present, these are controlled by the Government and are kept low; the producing companies say they can make profits only on exports. At the same time a steadily increasing domestic demand, which the producers must meet, is cutting sharply into supplies for export. In the first six months of 1958 Peru produced 9.1 million barrels of crude petroleum, 3 per cent less than last year. In the first five months of 1958, petroleum exports were 59 per cent below those of the same period a year earlier.

Manufacturing Base Broadened

Production of manufactured goods is expected to decrease during 1958. The work week in the textile, cement, rubber and shoe industries has been curtailed and unemployment is growing. In spite of some short-term difficulties, however, Peru's manufactures continue to broaden impressively. New plants to make the following products are in the planning or under way: mining equipment, hardboard and wallboard from bagasse, fertilizers, fiberglas products, paper from rice straw, and malt for the brewing industry. During the past year the following plants went into production: textile finishing, nylon hosiery, milk processing, aluminum extrusions, explosives, and gramophone records.

July also saw the inauguration of Peru's new $45 million integrated steel mill at Chimbote in northern Peru which will produce 60,000 tons of steel ingots per year. Opening of this mill coincided with the inauguration of the first stage of a new hydro-electric plant, 140 kilometres away, supplying an initial 50,000 kw. of electric power; output will be raised to 150 thousand kw. as the need for power increases. The mill gets its iron ore from the government-leased mines in the south.

Foreign Trade Picture

In mid-October the Governments of Peru and Argentina signed a trade and payments agreement designed to provide for the exchange of some US$40 million worth of products. It is proposed that Peru export to Argentina petroleum, coal, copper, iron ore, and cotton, among other things, in exchange for meat, wheat, and other agricultural products.

Although detailed figures are not yet available, it appears that for the eight months ended August 1958 Peru's imports from all countries were valued at US$235.3 million, down 13 per cent from the similar period of 1957. For the same period exports, at US$185.2 million, were 10 per cent lower. The country therefore had an unfavourable trade balance of US$50 million, although this was $13.6 million less than in the similar period of 1957. The reduction in imports will probably be more marked in the latter months of this year, when the full effect of the severe credit restrictions and sharply increased import duties will be felt.

Canada's Sales Up

Canada's sales to Peru appear to be headed for the biggest year since 1953. In the eight months ended August we shipped to Peru goods valued at Can.$9.8 million, 63 per cent greater by value than for the same eight months of 1957 and 48 per cent greater than from January-August of 1956. Chief factor in this large increase was wheat: shipments rose from Can.$1.6 million for the first six months of 1957 to Can.$2.4 million for the same period of 1958.

Apart from wheat, other Canadian products making gains in Peru included: malt; whole and skimmed milk powder; pneumatic tires for trucks and buses; pure-bred cattle; synthetic fibre, thread and yarn; wood pulp, manufactures of wood n.o.p., newsprint paper; gas engines and parts; parts for farm implements; mining machinery and parts; bookkeeping and calibrating machinery and parts; other machinery not specified;

semi-fabricated aluminum; copper tubing; batteries and parts; dynamos, generators and parts; electric motors; sparkplugs; glass lenses; acids, nitrogen fertilizer; synthetic resin manufactures; drugs and chemicals, and photographic films. Canadian washing machines for domestic use have also done well here.

Peru's imports from Canada consist chiefly of food products or machinery and other things needed for industrial development. And although imports from all sources have been slashed, purchases of essential materials and foods have been well maintained at the expense of non-essential and luxury products.

Exporters in eastern Canada obtained a valuable and long-awaited direct steamship connection with Peru following the inauguration by Flota Mercante Grancolombiana of its new Canadian service. Canadian Pacific Air Lines introduced a new direct service between Lima and Madrid via Mexico City, Montreal and Toronto, with three flights weekly in each direction between Canada and Peru.

Forecasting Is Difficult

Significant figures covering Canada's imports from Peru are not yet available. However, it is expected that for 1958 they will approximate the $2.8 million of 1957.

Although Canadian exports to Peru in 1958 have been booming, it is difficult to forecast for a year ahead without some hedging. A significant percentage of Canadian exports included machinery for the mining industry which completed its expansion program this year. Furthermore the pessimistic outlook for mineral products for the rest of 1958 and 1959 suggests less demand for machinery and equipment. The heavy import duty surcharges will be continued at least for the next three years, as the Government intends to use the revenue to help amortize its heavy debt with the Central Bank and to balance the budget. The authorities also plan to revise and reorganize the customs tariff. The tight money policy will force importers and merchants to demand lower prices and more liberal credit terms from their foreign suppliers and reduced activity in manufacturing may cut down the demand for industrial materials from abroad.

The market outlook for consumer goods, particularly non-essential or luxury types, is disappointing. Demand will undoubtedly be limited to the most advantageously priced items and exporters of new products seeking to enter the market may find the going difficult.

Although the immediate outlook for Peru is somewhat depressing, the country has an admirable record for maintaining a free economy in the face of difficult long-term problems. The Government is pledged to continue this policy. The long-term outlook is favourable. The country's industrial base is widening rapidly; there is a growing middle class, with a gradually rising standard of living, and tremendous untapped natural resources still await development. Most important, there is faith in the country and a determination to succeed. ●

Uruguay

Difficulty in marketing wool and sharp drop in meat production have forced continued import restrictions. Direction of trade is changing and exports continue to decline.

BLAIR BIRKETT,
Commercial Counsellor, Montevideo.

THE difficult financial and economic situation that developed in Uruguay during the latter months of 1957 has not improved and may continue for some months yet. The cure suggested by some is a long period of austerity applied to government and public spending, a halt to wage increases, and production of more cattle and meat but less wheat. It is not known, however, whether the Government will take the stern measures necessary.

Faced with an all-time record trade deficit at the end of 1957, the authorities imposed severe import restrictions and these are still in force. But they have merely compensated for a further drop in exports and have produced only a small favourable balance to date.

Russian interest in the Uruguayan market continues. Purchases by the Soviet Bloc of Uruguayan wool have been increasing and in view of her foreign exchange difficulties Uruguay has taken up Iron Curtain offers of imports, even to the extent of paying high prices.

The effect on the whole economy of curtailed activity has been very serious. Raw materials for industry are in short supply, with climbing prices for locally produced goods; imports of anything but absolute essentials are not permitted. The peso has weakened further. (Currently it is quoted at between nine and ten to the U.S. dollar.) The cost of living continues to rise.

The internal financial situation also remains serious. A shortage of funds is making it difficult for the Government to meet its commitments. For 1957 the budget deficit was Uruguayan pesos 97 million, thus swelling the already heavy national debt.

The problem of the disposal of Uruguay's wool is as pressing as ever. Left with a substantial carryover from the 1957 clip and faced with falling world prices and demand, this all-important foreign exchange earner is in trouble. The country literally lives off the backs of its sheep now that the meat-exporting industry is practically non-existent.

Selling New Wool Clip

Towards the end of August last the Government announced the rates of exchange at which the wool producers were to sell their new season's clip plus the carryover. Last year the producers refused to sell their wool in protest against the unfavourable exchange control system. This severely restricted wool exports and prevented the early sale of the clip before international prices dropped. As a result, much wool remained unsold. This delay directly precipitated the financial crisis.

Anxious to avoid any repetition of last year's problems, the Government has twice amended the original exchange rates established for wool in August. Although the producers still hold out for the free commercial rate of 4.11 pesos to the dollar for the sale of all wool, they are prepared to accept now (under protest) a system of rates that will net them 3.80 pesos to the dollar. To accelerate exports, all shipments, provided the exchange is delivered to the Banco de la Republica before January 31, 1959, will earn a premium of Uruguayan pesos 0.10 per dollar.

According to the latest estimates the new season's clip will reach 80,000 tons—20 per cent down from last year because of poor grazing conditions in July and August. Add to this 20,000 tons carried over from last year's clip, and the 1958/59 season will have for disposal 100 thousand tons—a normal quantity. Local consumption and waste will leave 85,000 tons available for export.

So far there has been reasonably good export activity. The disposal of the wool is, however, still in question. It will be the controlling factor in Uruguay's even modest emergence from the present crisis.

Meat Industry Disappearing

Deliveries of cattle for slaughter to Montevideo have been extremely small these past five months. The Swift and Armour plants were closed last December, and Frigorifico Castro has now ceased operations. There remain now two meat plants—Anglo in Fray Bentos and the Frigorifico Nacional in Montevideo. The one is losing money and has threatened to close at the end of the year and the other has practically ceased operations for want of working capital. A serious meat shortage in the city continues; supplies are being drawn from small country slaughterhouses outside the monopoly area of the Frigorifico Nacional. Exports have naturally dropped further, as shown by the following figures:

	Beef	Mutton	Canned Meat
		(in tons)	
1958 (first six months)	1,211	554	501
1957 " " "	4,715	791	4,321

For the full year of 1952 these exports totalled 81,000 tons and were worth in foreign exchange US$40.6 million.

The plight of the meat industry is naturally of great concern to the Government. Several reorganization schemes have been considered for some time but nothing has been decided. The effect on the whole economy is truly serious and the problem beggars solution.

Wheat Crop Smaller

In 1957, 774 thousand hectares of wheat were sown and prospects appeared good for a bumper crop until heavy rains in December destroyed approximately one-third of it. Only 596 thousand tons were ultimately harvested, compared with 589 thousand tons in the 1956/57 season.

The small export surplus was inadequate to meet Brazil's annual demand of 300 thousand tons and by arrangement with that country, which sought supplies elsewhere, the surplus was diverted to hard-currency buyers wherever possible. Between October 1957 and May 1958, 65,723 tons were shipped to the United Kingdom. Other countries receiving shipments included West Germany, Holland, Peru, and Sweden, with about 80,000 tons between them. The remainder of the surplus (some 80,000 tons) is to be sold to Brazil.

In April, an agreement was signed between Brazil and Uruguay by which the former is to purchase and the latter to sell 300 thousand metric tons of wheat annually for a period of three years or, in default thereof, 80 per cent of the exportable surplus. This arrangement will facilitate the purchase by Uruguay of Brazilian coffee, timber, sugar, iron, maté, cotton and bananas.

Wheat is still produced in this country under heavy subsidy and in quantities far in excess of domestic needs. As a result, cattle-raising and fattening has been less remunerative than agricultural farming. This has resulted in a decline of cattle stocks and automatically reduced exportable meat surpluses.

How Import Restrictions Operate

Uruguay finished 1957 with an adverse trade balance of some US$98 million compared with a favourable balance of US$5 million at the end of 1956. This drastic reversal in the terms of trade in one year was the direct cause of the financial crisis that came to a head in October 1957.

All sources of supply were then placed in two groups—"A" and "B". "A" includes Eastern Germany, Brazil, Bulgaria, Czechoslovakia, Spain, Finland, France, Hungary, Israel, Italy, Poland, Rumania, Paraguay, Switzerland, Yugoslavia, and Russia—all Agreement countries. All other countries are in Group "B".

Preference is given to import applications under Group "A" and Group "B" is only considered as a source for goods that cannot be imported from Group "A", and then only on the basis that the requisite exchange cover will not be required before 180 days from date of shipment. A recent amendment to the original decree now permits merchandise from hard-currency Group "B" countries to be imported with permits issued for Group "A" currencies, provided that importers first obtain the authorization of the competent authorities in the intervening countries. They are required to send authorization, with full details, direct to the Banco de la Republica. This permission also applies between one Group "A" country and another, under the same conditions.

This system has worked well in achieving a favourable trade balance (US$26 million for the first six months of 1958), but at the cost of a host of imports urgently needed, not to mention severe hardship for commercial houses, many of which are on the point of closing down.

Imports authorized from November 1957 to June 3, 1958, are estimated to total US$72 million. US$42 million went to Group "A" countries and US$30 million to Group "B". Included in the latter was US$10 million for fuel from Venezuela.

This control system so far has limited imports to the minimum needs of raw materials, foodstuffs, machinery, drugs and chemicals, and fuel. The exchange authorized has been for each quarter—some US$72 million for the first and second and US$33 million for the third. It is now announced that US$30 million will be provided for the fourth quarter, or about US$135 million for the year. This compares with US$250 million per year for Uruguay's estimated normal needs.

No quotas have been established for second and third category goods since December 1956, though just recently commitments made for such goods and for which the money was promised before October 1957 have been settled. It is fully expected that a token quota for seconds and thirds will be established just before the elections on November 30 next.

Trade Improves Slightly

Since the restrictions came into force, the trade picture has improved a little. The country's foreign trade for the first six months of 1958 showed a favourable balance of US$26.5 million, compared with a deficit of US$31.7 million for the same period in 1957. The figures for the past three years are:

	Exports	Imports	Balance
	(millions of US$)		
1958 (first six months)	73.4	46.9	+26.5
1957 " " "	86.7	118.4	−31.7
1956 " " "	112.4	97.0	+15.4

The continued decline in exports will be noted and also the fact that the favourable balance was achieved not by an increase in or even maintenance of exports but by substantially reduced imports. The drop in world prices for wool is responsible in part for the lower export values, but not altogether, even though over 50 per cent of the value of all exports was for wool. Other products such as meat, textiles, vegetable oils, and hides accounted for 11.9 per cent down to 7 per cent.

With the substantial reduction in meat exports (from US$15.8 million to US$8.7 million), wool now represents an ever-increasing percentage of total exports.

Apart from the Iron Curtain countries, the principal destinations of these exports were the United Kingdom, the Netherlands, West Germany, France, the United States, Switzerland, Spain, and Italy. Communist countries, including Red China, took 20 per cent of the total compared with 8 per cent in 1957. Wool, of course, made up nearly 100 per cent of the shipments to these countries. Of a total of 125,747 bales shipped to the end of September 1958, Russia took 22,356, the Netherlands 20,453, Britain, 19,507, Switzerland 9,859, West Germany 9,050, and the United States 6,668. Meat and hides, as usual, found their best markets in the United Kingdom and Western European countries.

The continual dearth of exchange has brought about reductions in imports and over 80 per cent is concentrated in five items—raw materials, combustibles, building materials, machinery, vehicles, drugs and chemicals.

The sources of supply have also changed greatly. The four countries which last year (six months) headed the list were the United States, US$30.6 million, United Kingdom US$11.1 million, West Germany US$10.5 million, and Brazil US$10.0 million. The order this year was Brazil US$11.7 million, United States US$6.9 million, France US$4.8 million, and the United Kingdom US$3.1 million, with West Germany a poor fifth with US$2.6 million. Canada supplied goods worth US$0.7 million—a reduction from US$2.1 million in 1957.

Iron Curtain countries participated to the extent of 4.7 per cent—up from 1.5 per cent in the first half of 1957. Oil, heavy machinery, timber and aluminum ingot from these sources made their first appearance. Another first-timer is newsprint from Chile.

The traditional Canadian exports to Uruguay such as aluminum ingot, newsprint, asbestos fibre, farm implements and machinery, drugs and chemicals and several other lesser products are being purchased from other sources. The value of Canadian shipments in the first six months of this year was only US$0.7 million, less than a third of the US$2.1 million for the same period in 1957.

The Outlook

Hope for future months lies in the orderly sale of the present season's wool clip, plus the carryover from last year. Present indications are that the market will react to the more favourable exchange rates now established for wool and other exports. Loans from abroad are being sought but to date no success has been reported, and foreign investment is at a standstill.

Uruguay will probably continue to be in trouble until the problem of the meat industry is solved. Not until she resumes her former position as an exporter of meat and meat products—which, with her trade in wool, formed the basis of her economy—are normal conditions likely to return. ●

Venezuela

Some economic instability has followed political changes and the decline in oil exports; improvement is expected when constitutional government takes over in spring. Canadian exports are rising, but we could win a greater share of this billion-dollar market.

R. E. GRAVEL, *Commercial Counsellor, Caracas.*

THE word "boom" so consistently applied to this country during the past few years has perhaps become somewhat inaccurate. A government economic study made early this year revealed that obligations totalling *Bs.1,573 million were due to be paid within the fiscal year ended June 30, 1958, and that an additional Bs.3,000 million worth of commitments must be honoured before 1963. In all probability, the Government will have to seek a foreign loan; local banks have offered to put up Bs.200 million and the Banco Central de Venezuela is negotiating a loan of US$250 million which is being handled by a consortium of North American and European banks in the United States.

The Ministry of Finance has announced a carry-over deficit of Bs.1,793 million that will have to be covered through the use of "extraordinary fiscal resources" during the fiscal year 1958-1959. For this period the budget is Bs.5,818 million, slightly lower than the Bs.6,100 million allotted for the previous one.

Economic Adjustment Ahead

Venezuela continues to be one of the most progressive and fast-developing countries in Latin America, but no one denies that it is in the midst of a readjustment that will tend to stabilize and strengthen the economy.

Venezuelan statistics are not yet available for the first ten months of 1958, but they are expected to show a decline in imports that will persist possibly until the first quarter of 1959. Business activity in Venezuela is closely related to government spending because of the extensive program of public works, industrial development and agricultural assistance; it has therefore been affected by the more austere outlook of the provisional government. Imports of machinery, lumber and other construction materials were the first to slow down. However, this downward curve is expected to level off, heralding a gradual but consistent rise after a constitutional government takes power in April 1959 and initiates long-term construction and development plans.

Industrial Development Continues

Every effort is being made to diversify industry and reduce Venezuela's dependence on petroleum. The latter provides more than 90 per cent of exchange earnings and the bulk of the Government's income.

Construction is well advanced on the Caroni River hydro-electric power plant in southeastern Venezuela. Production will start this year and reach 300 thousand kilowatts by 1959. Most of this power will be used to operate the $380 million steel mill being built in the same area and scheduled to produce initially 650 thousand tons a year and eventually double that figure. Power from this project could also be used to establish an aluminum industry and the Ministry of Mines is investigating bauxite deposits in the Delta Amacuro.

Mining of manganese and coal in the Orinoco Basin is expected to get under way in 1959 and the Minister of Mines has announced that the Naricual coal mines will begin production during the last quarter of this year with an initial annual output of 600 thousand tons.

Construction of the much-talked-about, 500-million-bolivar petrochemical plant in Morón, central Venezuela, has slowed down and the project is being investi-

*One bolivar equals Can.$0.28.

gated and reorganized. Nevertheless, some of the eleven fertilizer plants produced 15,000 tons of 12 different grades of fertilizer last year. The experimental petroleum refinery, also part of this government project, has begun a limited output of gasoline. The refinery has a 3,000 barrel-per-day capacity. The sodium chloride plant, planned to make 10,000 tons of chlorine and 11,200 tons of caustic soda a year, is operating at one-quarter capacity. The aromatics plant can process 220 barrels of aromatic naphtha daily; this will be used to produce benzine, toluene, and bylene, all basic materials for the manufacture of explosives and high-quality solvents.

In western Venezuela, another important development has taken place in Ule, State of Zulia. One of the oil companies has completed a liquefied gas plant and an initial run confirmed that it will produce 5,300 barrels of propane, 5,760 barrels of butane and 6,070 barrels of natural gas. The plant is the largest in Latin America and one of the three largest in the world. This year, Venezuela exported its first liquefied gas —11,500 barrels for distribution in Caribbean ports.

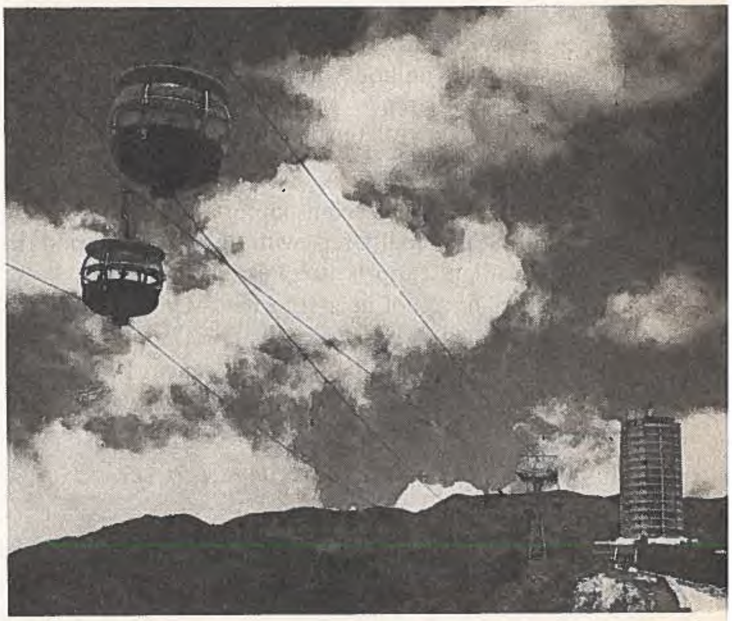
Many other branches of industry have increased output: iron ore production reached 15.3 million metric tons in 1957 and crude petroleum 162.3 million cubic metres.

The Government is encouraging industrial development by offering technical and financial assistance to infant industries through its autonomous institutes, such as the Development Corporation. This industrial growth has affected the tariff picture: this year import duties have been raised and further restrictive measures enforced on textiles (with emphasis on cotton goods), jewellery, hides and other leather goods, eggs, vinegar, brandy, shoes, reinforcing steel bars, and tires. Other controlling devices, such as licensing, have been applied to other items; flour is an outstanding example and the most important to many Canadians.

Agricultural Development

To bolster Venezuela's meat production, the Provisional Government, through the Agriculture and Livestock Bank, has instituted a Bs.660.5 million five-year development plan that calls for the establishment of 2,500 ranches, seeding of 180 thousand hectares of grazing land, an adequate irrigation system, fences, and significant purchases of livestock, farm machinery and equipment. A similar three-year plan to improve hog breeding has been adopted at a cost of Bs.18 million. These programs are designed to end the periodic meat shortages by bringing the total livestock population up to one million head by 1962.

To assist the milk producers, the ratio of duty-free imports of powdered milk to local purchases has been reduced from six to one to five to one. Rice producers will also be helped during the next few years; this year's



Venezuela's Hotel Humboldt, built at an altitude of 6,904 feet on the Avila Mountain in Caracas, conveys its guests by cable car (left) from the terminal station down the mountain.

rice crop, badly affected by "white leaf", fell to approximately 20,000 tons and over 30,000 tons had to be imported.

A government-sponsored development bank will loan Bs.46.2 million to recondition coffee plantations and start new plantings, and Bs.12 million to develop cocoa production. Potato output is increasing year by year as larger areas are cultivated and new varieties that can be grown in the rainy season are discovered. Production increased from 65,000 metric tons in 1956 to 106 thousand metric tons in 1957.

The six large flour mills now in operation bought $1,010,437 worth of wheat in the first half of 1958, compared with $42,602 in the first half of 1957. Flour imports have been falling, though it continues to be the leading Canadian export to Venezuela.

International Trade

Venezuelan trade statistics for the first quarter of 1958 reveal the impact on exports of the voluntary U.S. oil restrictions, and the effect of recent political events on imports:

VENEZUELAN TRADE

	January to March 1958	January to March 1957
Exports	Bs.1,902,353,560	Bs.2,001,880,990
Imports	Bs.1,276,489,245	Bs.1,680,932,288

During 1957 Venezuela continued to be Canada's leading Latin American trading partner. Canadian exports to Venezuela increased by 18 per cent to $39.8 million in 1957 and Venezuelan exports to Canada rose by 19 per cent to $248 million. The resulting import balance of $208 million was $34 million greater than in 1956; the difference can be attributed mainly to larger Canadian petroleum imports.

Although there has been a sharp drop of over Bs.400 million in total Venezuelan imports during the first quarter of 1958 compared with the same period in 1957, Canadian exports to Venezuela during those same months have not been affected. On the contrary, Canadian statistics show that exports to Venezuela, which have been rising constantly since 1954, continued to increase this year, as the following table shows:

CANADA'S TRADE WITH VENEZUELA

(Canadian dollars)

Year	Exports to Venezuela	Imports from Venezuela
1954	$30,973,423	$167,594,469
1955	30,755,871	187,277,463
1956	34,334,798	208,401,325
1957	39,840,006	248,144,971
1957 (six months)	14,447,060	123,500,000
1958 (six months)	21,545,693	96,669,000

Canada ranks fifth among exporters to Venezuela, supplying 3.2 per cent of the country's total imports. The United States leads with 60.2 per cent, followed by West Germany 7.9 per cent, the United Kingdom 7.6 per cent, and Italy 4.9 per cent.

The table in the next column lists Canada's principal exports to Venezuela, in order of importance, during the first half of 1958 and of 1957; comparative figures for the years 1956 and 1957 are also given.

The value of Canadian imports of Venezuelan crude petroleum, for many years the main source of supply for refineries in the Montreal area and the Maritimes, declined by over $7 million during the first quarter of 1958. The problems created by shrinking world demand for petroleum and restrictions on foreign oil producers imposed by the United States are being studied by the Venezuelan Government. Consultations are being held regularly with principal producers and with officials of the United States Government. The only other major Venezuelan exports to Canada, coffee and cocoa, have both shown slight increases.

The Outlook for Trade

Competition is becoming keener day by day in this challenging and unrestricted dollar market and Canada must compete with countries such as the United States, West Germany, the United Kingdom, Italy, Belgium, France and the Netherlands. Although Venezuela is a price market, more attention must be given to personal salesmanship, more liberal credit terms, and effective sales promotion literature and advertising in Spanish. There are many fields in which Canada could improve her sales here, such as agricultural machinery, construction materials, pleasure craft, aircraft, furs and electrical apparatus, to mention only a few. The services of engineering and consulting firms will be in demand when the Government starts new public works projects in 1959. Exporters should constantly renew their efforts to increase Canada's small share—3.2 per cent—of this billion-dollar market. ●

PRINCIPAL CANADIAN EXPORTS TO VENEZUELA

(Canadian dollars)

Commodity	1958 (six mos.)	1957 (six mos.)	1957	1956
Flour of wheat	4,852,879	2,546,551	5,612,567	8,380,992
Milk, powdered (whole)	2,801,584	1,286,907	5,298,937	5,156,496
Eggs in the shell	2,628,804	93,412	2,614,106	796,022
Newsprint	1,190,944	1,214,586	2,460,687	1,909,605
Wheat	1,010,437	42,602	134,386	94,315
Cellulose products	840,273	894,859	1,569,722	959,628
Motor vehicles and parts, n.o.p.	702,571	16,849	60,324	2,200
Automobiles, passenger	593,641	565,501	1,061,182	1,057,352
Manufactures of iron	424,180	252,835	955,070	472,267
Copper tubes, cables and wire	361,574	439,834	1,088,661	1,422,941
Planks, boards	358,860	895,481	2,215,757	1,321,896
Drugs and chemicals	274,636	206,958	667,930	572,813
Calculating machines	269,848	282,802	364,583	426,033
Dairy cattle	222,502	191,340	497,253	247,253
Transformers and parts	189,084	1,893	91,431	51,271
Gas engines and parts	168,394	83,573	247,757	68,660
Certified seed potatoes	*72,200	*16,937	812,520	1,023,946

*The larger part of seed potato exports are made during the second half of the year.

For more detailed information on the Guarico and Bocono projects, agricultural development, flour milling and dairy cattle, see these articles in earlier issues of "Foreign Trade":

"Venezuela Boosts Agricultural Production"—May 10, 1958, page 13.

"Venezuela Turns to Flour Milling"—August 30, 1958, page 28.

"Venezuela: a Market for Dairy Cattle"—September 27, 1958, page 21.

Selling to the Venezuelan Government

Canadian firms who wish to bid on government tenders for a wide range of goods should acquaint themselves with the new purchasing procedure that the Government is following.

W. G. BRETT, *Assistant Commercial Secretary, Caracas.*

THE biggest single importer in Venezuela—the National Government—is revamping its purchasing policy. To put into effect its plans for expansion and for broadening the base of the economy, the Government must spend large sums abroad. The Venezuelan budget for 1958-59 totals about Bs.5,158 million (or approximately $1.5 billion) and is the largest initial budget ever approved. Just what percentage of it will be spent on essential imports it is difficult to say. In 1954, the latest year for which there are statistics, some Bs.135 million worth of goods were brought into the country for government account. If the relative size of the total budget is a valid indicator, government imports in 1958-59 should reach about Bs.270 million, or $90 million.

A glance at the table below will give the exporter some idea of the type of products that the Government purchases. It shows that in 1954 over one-third of the money was spent on machinery and instruments and about one-fifth on metals and metal manufactures. These are fields in which Canadian traders are becoming more and more active. Food too was imported in substantial quantities and here again, Canada is in the running. However, in 1954 she was a ranking supplier of only a few individual items. Well to the front was seed potatoes; in 1954 Canada sold Bs.1,053,188 of the Bs.1,109,247 total that the authorities imported. In that year also, we sold the bulk of the canned salmon bought by government agencies—total Bs.180,099, Canada 112,322. Canada was also a leading source of oats and wheat flour but in many other lines, such as eggs and ham, we did not compete, though our sales to other countries were good.

VENEZUELAN GOVERNMENT IMPORTS, 1954

	Total	National Government
	(Bs. million)	
Food products	438.2	13.7
Textiles	219.3	3.6
Animals and animal industrial products	20.2	.395
Vegetable products	60.8	4.046
Wood, paper and products	80.0	2.1
Minerals, glass and pottery	131.8	5.7
Metals and metal manufactures	455.3	32.5
Machinery, instruments and accessories	1,001.5	52.9
Chemicals	172.0	3.1
Sundry	177.4	17.1
	2,756.5	135.1

How the Government Buys

The authorities in Venezuela's present government are determined to keep their buying methods businesslike and above reproach. A short time ago the Ministry of Communications took the lead in setting up a clear-cut buying procedure that promises a fair deal to all suppliers and to the Venezuelan public. Since then, the Ministries of Justice, Mines and Hydrocarbons, and Education have announced similar plans, and it is believed that the same principles will govern the purchasing of other government departments and bodies.

The policy first sets out the order of preference in buying:

1. Products of national manufacture using national raw materials even though the price may, to a reasonable extent, be higher.

2. Products assembled or finished in Venezuela using imported raw materials. Here again, reasonable allowance is made for higher prices.

3. Local stocks of imported products.

4. Products directly imported.

Firms wishing to supply the Department of Communications must answer the following questions:

1. Is yours a legally established registered company?

2. Has your company paid all licences, fees and taxes assessed it?

3. Does your firm have sufficient capital to finance the sale of the goods required while the order is processed and the terms arranged?

4. Do you have the organization and the personnel to attend adequately to the types of dealings required by the Ministry?

5. Is your firm well regarded because of faithful observance of past business commitments?

Companies fulfilling these requirements may apply for inclusion in the Registry of Suppliers by filling out an application form providing information on capital, organization, bank references, etc. This application must be backed up by membership in one of the recognized Chambers of Commerce or business organizations and two commercial references. If the firm's application is reviewed favourably it is assigned a number and becomes a recognized potential supplier. As such, it will automatically be advised of trading opportunities as they arise. Suppliers are urged to deal only with the purchasing department of the Ministry. Should technical consultation indicate contact with another member of the department, the supplier will be introduced by a note from the head buyer. Twice a week the Department of Communications will list publicly products that it needs. The list will be available for about six days and there will be facilities for copying it. For technical orders with detailed specifications, there will be facilities for making photostats.

Selecting Successful Bidder

Should a potential supplier be interested in any one tender, he must request the standard bid forms provided by the department. These are in three parts, each with the same number. The first part is the bid proper. It describes the goods offered in detail, but gives no indication of the bidder's identity. It is placed in a blue envelope and deposited with all other bids. The second part, bearing the same number, is the identification of the bidder. It is deposited in a pink envelope. The third part, a sort of receipt, is retained by the bidder. All bids are deposited in the presence of a department official.

When the time comes to consider the bids for a certain tender, only the blue envelopes, containing the details of the offer but not the identity of the bidder, are opened. Anyone may attend while the various bids are tabulated. Because one firm may offer only a part of the tender, the numbers of the acceptable bids are listed. The corresponding pink envelopes are opened and successful bidders identified. These are checked to see that they appear on the approved Registry and then they are advised. There is no secret about who gets the order and why. Unsuccessful bidders are urged to point out any abnormalities.

Once selected, the successful bid passes into the larger machinery of government purchasing and the bidder may have to wait five or six weeks while the order is reviewed by Treasury officials. Payment for orders from abroad is by letter of credit. Goods must be delivered to the departmental storage area in Caracas where they will be thoroughly checked to see that they meet the specifications.

To enforce observance of this buying system, the Ministry of Communications strokes from its accredited list any supplier guilty of attempts to suborn an employee. All employees are forbidden to receive gifts or maintain other than strictly business relations with all suppliers.

Alert Agent Needed

How can Canadian firms go about getting a share of this government business? The primary requirement is a good agent, one who will watch the list of government requirements as they appear and select promptly those that will interest his principal. A second requirement is close attention to correspondence. Often there is little time between the announcement of a tender and its withdrawal. Often too, technical translation is time-consuming so liaison between agent and principal is most important. If the agent is at a loss for details of specifications or prices of parts, he may find the tender awarded elsewhere if he is unable to get full particulars in time. In addition, the Canadian firm may have to review the status and reputation of its agent to make sure that he is acceptable to the authorities and able to secure a place on the Suppliers' Registry.

As the list of Venezuelan Government imports lengthen, so too does the list of Canadian exports. Our sales more and more include articles of sophisticated manufacture, such as those that make up the bulk of official purchases. Full co-operation with a worthy local agent will assure you of a fair deal in supplying Venezuela's biggest buyer.

Trade Commissioners on Tour

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

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

Montreal—Dec. 8-19
Winnipeg—Jan. 5-6
Vancouver—Jan. 8-21

When he completes his tour Mr. Forsyth-Smith will return to his post in Hong Kong.

Businessmen who wish to see this officer should get in touch with the Board of Trade or Chamber of Commerce in the cities mentioned, with the following exceptions. In Toronto, Winnipeg and Edmonton, 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.

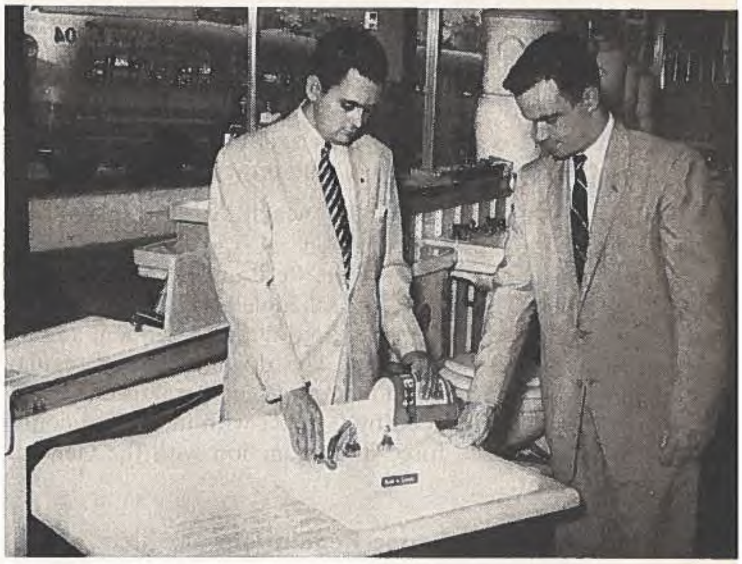
Canada in South American Markets

In Colombia—The black nylon organza used in this striking evening gown was imported from Canada by a Colombian textile producer. The model is Miss Universe 1958, a Colombian.

In Chile—The first shipment of an order of Canadian-made Salk vaccine for the National Health Service is received by the Canadian Commercial Secretary (left) and Chilean officials.

In Peru—New to the Peruvian market is this Canadian baby carriage, now stocked by the country's largest department store —an example of the growing market here for consumer goods.

In Venezuela—The Assistant Commercial Secretary (right) and a member of the staff of the Commercial Division of the Canadian Embassy examine a kitchen sink imported from Canada.



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

Canada's Trade Relations with South American Countries

International Trade Relations Branch.

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

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

Import and Exchange Regulations

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

	Restrictions
ARGENTINA	On August 1, 1958, a temporary import system was introduced whereby certain essential goods are licensed as permissible imports in two categories. List No. 1 covers goods importable 50 per cent at the official rate and 50 per cent at the free rate and list No. 2, goods importable wholly at the free rate. All other goods continue to be prohibited entry. List No. 1 imports are exempt from prior deposit requirement but List No. 2 goods require advance deposit of 100 per cent, except for engines for farm machinery which are exempt.
BOLIVIA	Licences not required and no restrictions on exchange.
BRAZIL	Imports in two categories—General (no licences) and Special (requiring licences); imports paid for at official rate plus auction premium that varies with category. Newsprint, wheat and a few other products are not subject to premium and are importable at fixed exchange rates.
CHILE	Permissible imports subject to advance deposit ranging from 50 to 5,000 per cent in seven categories, according to essentiality; there is also a considerable list of prohibited imports.
COLOMBIA	Imports must have prior registration and licences are required for some; 10 per cent tax on exchange and 100 per cent deposit required, except for certain essentials that require 20 per cent deposit. There is a list of prohibited imports.
ECUADOR	Licences required, with permitted imports in two categories: List No. 1 (essential) and List No. 2 (non-essential); other goods prohibited. List No. 1 imports are payable at official exchange rate of 15.15 sucres to US $1.00; list No. 2 imports at the free exchange rate of approximately 18.4 sucres to US$1.00.
PARAGUAY	Licences not required; imports in five classes, requiring refundable advance deposit from 10 per cent to 400 per cent according to essentiality; wheat, flour and newsprint exempt from deposit.
PERU	Licences not required, except for cars and trucks which are under annual quotas from all countries.

URUGUAY	Since Nov. 28, 1957, a temporary import system has operated, restricting imports to goods classified in three categories: Category 1, most essential; Category 2, less essential, and Category 3, luxury. Under the present "emergency" regime a global quota has been established for all permissible imports and such goods may be imported from countries classified in Group A or Group B. Imports are only permitted from Group B countries (comprising Canada, the United States, and other hard-currency countries) when such goods are unobtainable from Group A countries—those that have bilateral agreements with Uruguay.
VENEZUELA	Licences not required except for some 25 items.

Commodity Notes

Agricultural Products

GREECE—Olive oil production for 1958 is expected to reach 120 thousand metric tons, well below the 1957 yield of 163 thousand. Edible olives are down to 38,000 metric tons from 47,000 in 1957.

The tobacco crop is estimated at 76,000 metric tons, compared with 97,000 in 1957. The quality, however, should be good. Present exportable tobacco stocks are high, at 101,596 metric tons on September 1, 1958.

The estimated total yield of currants, sultanas, dessert grapes and must will be 651 thousand metric tons, somewhat less than the 1957 yield of 690 thousand metric tons. Weather conditions are blamed for the drop—Athens.

Air Conditioners

ARGENTINA—Individual air conditioners are to be made in Argentina by the Compañia Argentina de Aire Acondicionado S.A., under licence from Gibson Refrigerator Company of Detroit, a subsidiary of the Hupp Corporation—Buenos Aires.

Auto Parts

BRAZIL—Three financial groups (Brazilian, French and American) have announced the formation in São Paulo of a company to manufacture auto parts. The new company, called the Equipamentos Clark Mac S.A., has a capital of Cr.$300 million. It will make gears, power takeoff boxes and milled auto parts. Planned capacity is 4,000 complete gears a month, and the plant will use about 95 per cent domestic material, including various types of Brazilian steel—São Paulo.

Brake Linings

ARGENTINA—A well-known United States company which operates a Canadian branch, the American Brake Shoe Company, recently entered into an agreement with a Buenos Aires firm to manufacture under licence its strip and moulded brake linings and clutch facings—Buenos Aires.

Coffee

PARAGUAY—The first shipment of coffee from Paraguay has been reported. It totalled 6,000 kilos and went to West Germany—Montevideo.

Cotton Textiles

PAKISTAN—The Government of Pakistan has set up an Export Promotion Council for cotton textiles. The council is composed of representatives of the textile mills and textile merchants and a number of government officials. It will advise the industry on standards of quality and packing, investigate complaints from foreign buyers, and assist in settling disputes.

The textile industry is Pakistan's largest manufacturer. Last year, 1,850 thousand spindles and

28,000 looms produced a record 527 million yards of cloth and 317 million pounds of yarn; low and medium-count cloth accounted for over 92 per cent of production. The value of total output in 1957 is estimated at Rs.800 million and exports at Rs.90 million. Most of Pakistan's mills are modern and efficient and foreign sales are expected to rise—Karachi.

Crayfish

AUSTRALIA—Exports of Australian crayfish, which go almost entirely to the United States and Hawaii, earned a record $6 million in 1957-58, almost 16 per cent above the previous year. The total volume of tails and boiled whole crayfish, principally from Western Australia, reached a record 6,584,000 lb.—Melbourne.

Diamonds

SOUTH AFRICA—Diamond sales in the first nine months of 1958 totalled approximately $127 million compared with about $165 million in the first nine months of last year. In 1957, sales reached a record $215 million—Johannesburg.

Fiberglas

PERU—A new firm in Lima has recently installed modern machinery to make fiberglas-reinforced plastic products. The pilot runs have been completed and the plant is now producing corrugated roofing sheets in various colors and transparencies. This lightweight roofiing is especially useful in industrial buildings because it is practically indestructible and admits up to 85 per cent light. The decorative colored sheets are also widely used as room dividers and porch awnings—Lima.

Fish

BRAZIL—Brazil's federal Ministry of Agriculture has authorized a Japanese firm, Kotoshiro Fishery Company, Ltd., to bring up to six fishing vessels into Brazil under an agreement with the Brazilian firm, Indústria e Comércio de Pesca, Ltda. The new partnership, in addition to its fishing activities, will process fish products for agricultural uses—Rio de Janeiro.

PERU—Peru increased its lead in 1957 as the principal fish-producer in Latin America. Output rose by 70 per cent over 1956 to 453,134 gross metric tons. Exports increased by 56 per cent to 103,874 metric tons and by 25 per cent in value to US$19.7 million.

Exports of fishmeal jumped 122 per cent in volume: the Netherlands took 44 per cent, the United States 27 per cent, and Germany 18 per cent. Canned fish sales rose 4 per cent: the United States bought 47 per cent and the United Kingdom 42 per cent. Frozen fish exports, 97 per cent of which went to the United States, were practically unchanged from 1956 at 12,738 metric tons—Lima.

Fruit

BRAZIL—Brazil has concluded a new trade agreement with the Argentine permitting free movement of fruit between the countries. The agreement, which will be renewable every year, provides that all import and export licences be granted automatically, and all transactions conducted in cruzeiros, free of exchange rates, surcharges, and other charges—Rio de Janeiro.

Highway Machinery

BRAZIL—Baldwin-Lima-Hamilton do Brasil S.A., the Brazilian subsidiary of the Philadelphia corporation, is planning to make highway machinery in São Paulo. Initially the plant will turn out only spare parts, but eventually the complete product—São Paulo.

Paper

BRAZIL—Industria Klabin of Paraná is investing Cr.$2 million to boost its paper production from 40,000 to 160 thousand tons by 1960. The plan includes installing a silicone rectifier substation, entirely built in Brazil under the supervision of the International Rectifier Corporation. With a 1,000 kw. capacity (continuous current), this substation should be the largest in Latin America—São Paulo.

Petroleum

PORTUGUESE EAST AFRICA—A project to establish a petroleum refinery at Lourenço Marques is being studied by the Government of Portuguese East Africa; investment capital will be principally Portuguese. The refinery is to begin producing within the next two years and will have an initial capacity of 200 thousand tons, with provisions for an increase to 500 thousand tons—Johannesburg.

Pine Logs

NEW ZEALAND—Referring to recent shipments of pinus radiata logs to Japan, the Director of Forestry for New Zealand has stated that it is better for New Zealand to export forest produce in its most highly manufactured form (paper) rather than in the form of rough sawn timber. It was suggested earlier that the New Zealand Government subsidize log exports. Such a subsidy would be highly undesirable, the Director said, and harmful to the sound development of forest industries. Japanese buyers have been showing keen interest lately in New Zealand's pine logs for resawing in Japan into building sizes—Wellington.

Potatoes

UNITED KINGDOM—The Ministry of Agriculture has announced that import licences will be granted for potatoes because the home crop will not meet all requirements. Despite the improved harvesting conditions that promised larger supplies, prices have remained unduly high for the season. Imports will be permitted as long as they are necessary, subject to balance-of-payments needs and to plant health regulations. The latter prohibit imports from North America—London.

Powdered Milk

BRAZIL—Brazil's increasing production of powdered milk may soon allow her to export some, despite rising domestic consumption. In 1950 powdered milk output totalled 7,818 tons and imports 1,494 tons; Denmark was the principal supplier. In 1956 Brazil turned out 23,240 tons of powdered milk and imported only 3,824 tons. With the addition of new plans—which have risen from ten in 1956 to 15 in 1958—it is expected that production will reach 54,000 tons by the end of 1959—Rio de Janeiro.

Timber

NORTHERN RHODESIA—The Northern Rhodesian Government has embarked on a program of timber conservation to replace trees cut in the Copper Belt during the past 15 years. Present timber production meets less than a quarter of the territory's growing needs of 250 thousand pounds of pine a year. Conservation is being carried out in softwood plantations and teak forests and a planting program for eucalyptus and high-quality hardwoods is under way. Total needs for these woods cannot be met domestically at present—Salisbury.

Wool

URUGUAY—When the wool season closed on September 30, 103,963 bales of greasy and washed wool had been exported—4,328 to the United States and 99,635 to other countries.

Shipments of unprocessed wool from October 1, 1957, to August 31, 1958, totalled 114,435 bales, compared with 137,971 bales in the same period of the previous year. Principal buyers were: the Netherlands 18,903 bales, Russia 18,256, Britain 17,812, Switzerland 9,347, West Germany 8,845, France 6,466, United States 6,100, Yugoslavia 5,959, and Italy 5,798. Canada bought 140 bales in this period, compared with 120 bales last season—Montevideo.

Senior Appointments Announced

The following senior appointments within the Department of Trade and Commerce have taken effect.

JAMES A. ROBERTS, who was appointed Associate Deputy Minister in July, brings to the post extensive business experience, with emphasis on investment, marketing and public relations. From 1946 to 1953 he was associated with Mercury Mills, Hamilton, and during this time was elected president of the Canadian Exporters Association for a one-year term. He later founded his own personal investment firm, James A. Roberts Limited, in his native city of Toronto, and was also a partner in Roberts, Stanley and Company. He served overseas during the war, retiring with the rank of Brigadier.

H. LESLIE BROWN, appointed Assistant Deputy Minister (Trade Promotion) late in June, and concurrently Director of the Trade Commissioner Service, succeeding John H. English, now Deputy Minister. Mr. Brown has had 28 years' service as a Trade Commissioner, most recently as Minister (Commercial) in London. His other assignments within the Service have taken him to Mexico, South Africa, Argentina, and Venezuela. From 1950 to 1954 he was posted to Ottawa, first as Assistant Director of the Trade Commissioner Service and later as Director of the Information Branch.

JACK H. WARREN, whose appointment as Assistant Deputy Minister (Trade Policy) was announced in September, became a Foreign Service Officer with the Department of External Affairs following service in the Navy during the war. From 1954-57 he was with the Department of Finance as Financial Counsellor of the Canadian Embassy in Washington and Alternate Executive Director for Canada of the World Bank and the IMF. He then returned to External Affairs and was posted to Paris as Counsellor (Economic) with Canada's permanent delegation to the OEEC and NATO; he followed European regional economic developments and the Free-Trade-Area negotiations.

Trade and Tariff Regulations

South Africa

REPRESENTATIONS RESPECTING THE TARIFF—The South African Board of Trade and Industries has received the following representations respecting the tariff:

Rebate of duty on:

1. Bonded nylon material; plastic bonded filter fibre mats; spun glass plastic resin bonded media in the roll; pleated glass plastic bonded media; micro fibre paper, felt and glass pads, not being cut to size, and metal panels for the manufacture of air filters.
2. Artificial and synthetic resins for the manufacture of garden hose, camelback cushion, adhesive cements, oil resisting belts and hose, passenger vehicle tires, rayon and steam belts, launder lining, Hysumite hose, tank lining and repair materials.
3. Semi-finished trowels for the manufacture of trowels.
4. Piecegoods of nylon, rayon, silk, wool and other man-made fibres for the manufacture of scarves, stoles and baby blankets.
5. Special hard rubber slitted tubing for the manufacture of electrical storage batteries.
6. The following materials for the manufacture of brake fluid: hexylene glycol, methyl isobutyl carbinol, oxilube 900, dioxitol B, propylene glycol, bisphenylol propane, triethanolamine, boric acid.

Refund of duty on:

1. Piecegoods of rayon, nylon, silk, wool and other man-made fibres for the manufacture of scarves, stoles and baby blankets for export.
2. Neolon material for the manufacture of ventilation tubing for export.

Canadian firms exporting these goods to South Africa may wish to have their views on these tariff inquiries placed before the Tariff Board. The most effective method of doing so is for the Canadian exporter to have his South African agents act on his behalf before the Board. Action should be taken as soon as possible because tariff inquiries normally begin in South Africa soon after the announcements are made.

United States

TARIFF HEARINGS ON MISCELLANEOUS PRODUCTS—The Tariff Commission has announced public hearings beginning December 11, 1958, on parts of Schedule 7 of its tentative revision and consolidation of the laws under which imported articles are classified for tariff purposes.

The articles involved include photographic and motion picture equipment, phonograph records and tape recordings, musical instruments, furniture, pillows, cushions and mattresses, non-textile floor coverings, arms and ammunition, sporting goods, games and toys, jewellery and related products, buttons and pins, millinery ornaments and similar notions, brooms and brushes, smokers' articles, pens and pencils, and rubber and plastic products.

The Tariff Commission's tentative proposal is to consolidate the tariff laws into a single set of schedules comprising eight individual schedules for permanent provisions and one appendix for temporary tariff measures. All of the schedules have been previously released except Schedule 6 covering metallic minerals, metals and metal products, and a part of Schedule 7 covering optical goods, scientific and professional instruments, watches and clocks, which will be released in the near future.

TARIFF COMMISSION TO INVESTIGATE IRON ORE COMPETITION—In the August 30 issue of *Foreign Trade* a Tariff Commission investigation of the conditions of competition in the United States between imported and domestically-produced iron ore was announced.

The United States Tariff Commission has now advised that hearings in connection with this investigation will be held on January 6, 1959. Interested parties desiring to appear and be heard at the hearing should notify the Secretary, United States Tariff Commission, Washington D.C., at least three days before the date of the hearing.

TARIFF COMMISSION TO INVESTIGATE IMPORTS OF CALF AND KIP LEATHER—Upon application of the Calf Leather Division of the Tanner's Council of America, on November 19, 1958, the United States Tariff Commission instituted an investigation, under Section 7 (the escape clause) of the Trade Agreements Act, to determine whether certain products were, as a result of customs treatment reflecting a tariff concession, being imported into the United States in such increased quantities, either actual or relative, as to cause or threaten serious injury to the domestic industries producing like or directly competitive products. The products are:

"Upper leather made from calf or kip skins; lining leather made from calf or kip skins; all the foregoing, rough, partly finished, or finished, not cut or wholly or partly manufactured into uppers, vamps, or any forms or shapes suitable for conversion into boots, shoes, or footwear," dutiable under tariff paragraph 1530(b)(4).

"Calf or kip leather, grained, printed, embossed, ornamented, or decorated, in any manner or to any extent (including such leather finished in gold, silver, aluminum, or like effects), or by any other process (in addition to tanning) made into fancy leather, not cut or wholly or partly manufactured into uppers, vamps, or any forms or shapes suitable for conversion into boots, shoes, or footwear," dutiable under tariff paragraph 1530(d).

A public hearing in connection with this investigation will be held in the Hearing Room of the United States Tariff Commission, 8th and E Streets N.W., Washington, D.C., beginning at 10 a.m. on Tuesday, February 17, 1959. Interested parties desiring to appear and be heard at the hearing should notify the Secretary of the Tariff Commission in writing at least three days in advance of the date set for the hearing.

In 1957 imports into the United States from Canada of the types of leather under investigation amounted to over two million dollars. Lining leather of the type under investigation is currently dutiable at 8½ per cent ad valorem, whereas the other types of leather under investigation are currently dutiable at 12½ per cent ad valorem.

Venezuela

NEW TARIFF CLASSIFICATION FOR SPECIAL CLOTHS—Since October 27, 1958, a new tariff classification has been added to the Venezuelan Customs Tariff Law—160S, Special Cloths, unspecified. It covers the great variety of special cloths, such as glass cloths for tube wrapping, that are not covered elsewhere in the tariff law. All products shipped to Venezuela under this classification will pay a duty of two bolivars per kilogram and will require an import licence—Caracas.

IMPORTS OF STEEL BARS—The Venezuelan Ministry of Development has approved and passed a resolution which places iron and steel bars measuring from one to one and one-half inches in diameter amongst those items that require import licences before they can be shipped to Venezuela. An earlier resolution, passed on April 14, 1958, required licences for smaller size reinforcing rods classified under Tariff Item 298-B. This new resolution will now affect imports of bars with the above-mentioned specifications that are classified under Tariff Items 298-B and D—Caracas.

Greece Adopts Sprinkler Irrigation

AGRICULTURAL products make up nearly 85 per cent of Greek exports; tobacco and cotton, grown under the Mediterranean sun, are well in the lead. Irrigation is necessary for cotton and some smaller crops and in recent years sprinkler systems have been introduced. Of the 900 thousand acres of irrigated land in Greece, only about 3 per cent is sprinkler-irrigated and the remainder by the old practice of surface irrigation.

European firms have been supplying the sprinkler equipment in recent years. The material has been relatively inexpensive and includes galvanized steel piping with manual couplings, low-pressure pumps, power take-off shaft with speed-increasing gear box for use with tractors, and diesel engines of not more than 1,500 r.p.m.

At present the system is rather inefficient because non-technically minded Greek farmers attempt to combine locally-made piping with imported couplings, sprinkler heads and tractors. Greek authorities are currently attempting to provide technical education for the farmers and this should enhance the prospects for use of North American systems. A market for aluminum tubing, quick couplings, high r.p.m. motors and high-pressure pumps may be the result.

The planned expansion of cotton production to 400 thousand metric tons in the next five years will require a great expansion of sprinkler systems. Canadian opportunities in this Greek market will largely depend on price. Price surveys indicate that Canadian aluminum piping is some 15 per cent more (C.I.F.) than the piping now used.

For the potential Canadian supplier, new problems have arisen. The recently published Greek import lists, effective August 4, 1958, specify that irrigation piping may no longer be imported on an in-transit basis. An additional burden on the importer is the requirement of a 50 per cent deposit guarantee (formerly 15 per cent), plus payment in advance of 20 per cent of the taxes to be levied. Settlement must be made by letter of credit or cash against documents.

Thus the Greek importer of irrigation equipment is now looking to the foreign principal who is willing and equipped to establish an assembly plant in Greece or permit the manufacture of his products under licence. Although this arrangement may not appeal to the Canadian supplier, it is perhaps the best way for him to enter this market at the moment.

—LORNE D. R. DYKE,
Assistant Commercial Secretary, Athens.

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 the 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 1.035934.

foreign exchange rates

Country	Unit	Type of Exchange	Can. dollar equivalent November 24	Units per Canadian dollar	Notes (see below)
Argentina	Peso	Official	.05363	18.65	(1)
		Free	.01346	74.29	
Austria	Schilling		.03713	26.93	
Australia	Pound		2.1655	.4618	
Bahamas	Pound		2.7069	.3694	
Belgium, Belgian Empire and Luxembourg	Franc		.01937	51.63	
Bermuda	Pound		2.7069	.3694	
Bolivia	Boliviano	Free	†	†	
British Guiana	Dollar		.5639	1.77	
British Honduras	Dollar		.6767	1.48	
Brazil	Cruzeiro	General Category*	.004938	202.51	*Oct. 29 (2)
		Special Category*	.002694	371.07	
		Official Selling	.05258	19.02	(3)
Burma	Kyat		.2027	4.93	
Ceylon	Rupee		.2030	4.93	
Chile	Peso	Free	.001242	805.15	(4)
Colombia	Peso	Certificate	.1506	6.64	
Costa Rica	Colon	Official	.1719	5.82	
		Controlled free	.1453	6.88	
Cuba	Peso		.9653	1.03595	tax 2%
Czechoslovakia	Koruna		.1341	7.46	
Denmark	Krone		.1398	7.15	
Dominican Republic	Peso		.9653	1.03595	
Ecuador	Sucre	Official	.06436	15.54	
		Free	.05801	17.24	
Egyptian Region, United Arab Rep.	Pound	Official	2.7720	.3608	
	"	Export account selling	2.1250	.4706	
El Salvador	Colon		.3861	2.59	
Fiji	Pound		2.4386	.4101	
Finland	Markka		.003017	331.46	
France, Monaco and North Africa	Franc		.002300	434.78	(5)
French colonies in Africa	Franc		.004600	217.39	(6)
French Pacific	Franc		.01265	79.05	(7)
Germany	D Mark		.2308	4.33	
Ghana	Pound		2.7069	.3694	
Greece	Drachma		.03217	31.08	
Guatemala	Quetzal		.9653	1.03595	
Haiti	Gourde		.1931	5.18	
Honduras	Lempira		.4827	2.07	
Hong Kong	Dollar	Free*	.1675	5.97	*Nov. 14
		Official	.1692	5.91	
Iceland	Krona	Official	.05927	16.87	(8)
India	Rupee		.2030	4.93	
Indonesia	Rupiah	Effective buying	.03199	31.26	*Oct. 31 (8)
		Effective selling	.02557	39.11	
Iran	Rial	Certificate	.01261	78.47	

*Latest available quotation date. †Not available.

Country	Unit	Type of Exchange	Can. dollar equivalent November 24	Units per Canadian dollar	Notes (see below)
Iraq	Dinar		2.7029	.3700	
Ireland	Pound		2.7069	.3694	
Israel	Pound		.5363	18.65	
Italy	Lira		.001550	645.16	
Japan	Yen		.002682	372.86	
Lebanon	Pound	Free	.3034	3.30	
Mexico	Peso		.07723	12.95	
Netherlands	Florin		.2560	3.91	
Netherlands Antilles	Florin		.5158	1.94	
New Zealand	Pound		2.7069	.3694	
Nicaragua	Cordoba	Effective buying	.1462	6.84	
		Official selling	.1370	7.30	
Norway	Krone		.1351	7.40	
Pakistan	Rupee		.2030	4.93	
Panama	Balboa		.9653	1.03595	
Paraguay	Guarani	Official	.008697	114.98	
Peru	Sol	Certificate	.03843	26.02	
Philippines	Peso		.4827	2.07	
Portgual & Colonies	Escudo		.03369	29.68	(9)
Singapore and Malaya	Straits dollar		.3158	3.17	
Spain and Dependencies	Peseta	Controlled free	.02298	43.52	(8)
Sweden	Krona		.1866	5.36	
Switzerland	Franc		.2252	4.44	
Syrian Region, United Arab Rep.	Pound	Free	.2695	3.71	
Thailand	Baht	Free	.04617	21.66	(8)
Turkey	Lira		.1073	9.32	
Union of South Africa	Pound		2.7069	.3694	
United Kingdom	Pound		2.706875	.3694	
United States	Dollar		.9653125	1.035934	
Uruguay	Peso	Free	.09170	10.91	
		Basic buying	.6369	1.57	(8)
		Principal selling	.4598	2.18	
Venezuela	Bolivar		.2882	3.47	
West Indies Fed.	Dollar		.5639	1.77	(10)
	Pound		2.7069	.3694	(11)
Yugoslavia	Dinar		.003217	310.85	(8)

*Latest available quotation date.

notes

1. Argentina: additional rates result from exchange retentions on export proceeds and surcharges on imports.
2. Brazil: exporters receive cruzeiros at official rate plus exchange premiums ranging from 18.70 to 48.64 cruzeiros per U.S. dollar, depending on product.
3. For imports of wheat, newsprint and petroleum, the effective rate of exchange is the official selling rate plus a surcharge of 61.18 cruzeiros..
4. Chile: free rate applies to exports and to imports, except prohibited imports. Chilean importers must deposit local currency in amounts ranging from 5 to 5,000 per cent, depending on product, prior to shipment of goods.
5. France: territory includes Algeria, Tunisia, Morocco, Guiana, Guadeloupe, Martinique.
6. Equatorial Africa, West Africa, Cameroons, Togoland, Somaliland, Madagascar, Reunion, St. Pierre and Miquelon.
7. New Caledonia, New Hebrides, Oceania.
8. Additional rates are in effect.
9. Portugal: approximately same rate for Portuguese territories in Africa.
10. Barbados, Trinidad, Tobago, Leeward and Windward Islands.
11. Jamaica.

Malaya Offers Engineering Opportunity

North Klang Straits project, to enlarge port facilities at Port Swettenham, will soon be carried out. Civil engineering contractors in Canada may wish to submit tenders.

B. C. STEERS,
Assistant Trade Commissioner, Singapore.

KUALA Lumpur, the capital of Malaya, is a boom town. New construction for business and industry, for housing and amusement, is apparent throughout the city. Expansion is the keynote.

For ten years now, business men and government officials have been saying that the harbour facilities at the capital's port, some 26 miles away at Port Swettenham, must be expanded. Tentative plans for the new development, called the North Klang Straits Project, have been discussed for more than a year. Now a US$10 million thirty-year loan from the American Development Loan Fund has made it possible to carry out these plans.

How to Get Details

The Malayan Railway Administration as port authority is inviting civil engineering contractors in Malaya and abroad to write for a descriptive brochure of the North Klang Straits Project. Civil engineering contractors interested in tendering are being asked to apply for a copy of the brochure on the project either to: Chairman, Port Swettenham Board, P.O. Box No. 1, Kuala Lumpur, Malaya, or to Messrs. Coode & Partners, 9 Victoria Street, London, S.W.1., England. In applying, firms are asked to give brief details of their experience in similar marine and bridge works.

Officials here expect that contract documents and drawings will be available by the end of 1958. These may be obtained from the General Manager, Malayan Railway, P.O. Box No. 1, Kuala Lumpur, Malaya, and from Messrs. Coode & Partners of London. Applications for these documents and drawings must be accompanied by a cheque for $4,300 Malayan or £500 sterling, four-fifths of which will be returnable on receipt of a *bona fide* tender and on receipt of all contract documents and drawings specified to be returned. All applicants will be sent, on payment of the appropriate deposit, four copies of each of the contract documents and one copy of the drawings.

Location of Project

The site of the proposed harbour works is on the North Klang Straits on the west coast of Malaya, about five miles by sea or three and a half miles by land northwest of Port Swettenham, from which it is separated by the Klang River. The surrounding country is flat and in the immediate vicinity of the project there is mangrove swamp. The temperature of the area is fairly uniform, rarely above 90 or below 70 degrees, with an average humidity of 75 per cent.

The railhead of the Malayan network is at Port Swettenham. An earth approach 74 feet wide has been made as far as the east bank of the River Klang. However, until the proposed bridge is built across this river, access to the site must be by sea from Port Swettenham.

Construction Proposed

Three continuous berths (580 feet long x 200 feet wide), composed of a reinforced concrete deck supported on longitudinal and transverse reinforced concrete beams, will face the sea on the five-fathom line. Transit sheds designed to carry a crane rail are to be built, one for each berth. An open storage area of approximately 26 acres requiring half a million cubic yards of fill will open behind the berths. From these shore installations to the west bank of the Klang River—a distance of 7,500 feet—an approach embankment 74 feet wide will be constructed. Included in the contract as well will be an access bridge over the river.

As far as possible all labour, both skilled and unskilled, is to be engaged in Malaya. All parts of the work are to be executed to the standards laid down by the British Standards Institute. Other authoritative standards appropriate to the country of manufacture should be acceptable, provided they are not less exacting than the British. ●