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cover A palm tree swept by a tropical breeze, the sea, a waterside village and an old church in the distance—this view at Rio Bueno typifies what Jamaica offers to its visitors. Today the growing tourist trade is not the only vigorous dollar-earner, as our article on page two explains. Several developments promise well for Canadian exporters both to Jamaica and the Bahamas.

CANADA

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HOWARD E. CAMPBELL, Canadian Trade Commissioner in Kingston, here reports to Canadian exporters on

Doing Business

in Jamaica

which last year bought $56 million worth of goods from North America but only $19.5 million from Canada

and in the Bahamas

where selling is a challenge and can be a pleasure. Plan a holiday here and bring your export catalogue, he suggests.

Jamaica

ALONG Kingston's narrow streets, mule-drawn drays clatter with their loads of Canadian flour; casks of salt cod labelled "Canada" are piled high on the wharves, and dusky shoppers buy from store shelves filled with labels familiar to Canadian housewives. There is ample evidence in Jamaica that Canadian exporters can sell and are selling to the island. Last year they shipped \$19½ million worth of goods to Jamaica. This year Jamaicans demonstrated their interest in buying even more by sending a 20-man trade mission to Toronto, Montreal and Ottawa to find additional products that are needed on the island.

"Jamaica is buying a wide range of products—agricultural implements, machinery, electrical appliances, hardware, textiles and lumber," the Hon. Wills Isaacs, Jamaican Minister of Trade and Industry, said when he was in Canada with the trade mission. "In 1957 Jamaica imported \$56 million worth of goods from North America, of which Canadians supplied less than one-third," Mr. Isaacs observed. "I am convinced that Canada can obtain a much larger share of the Jamaican market."

Members of the mission proved the Minister's statement by entering into agency agreements that resulted in \$157,500 worth of new business, with the promise of much more to follow. The mission focused attention on Jamaica's healthy appetite for dollar goods and the preferred position enjoyed by Canadians selling to the island.

The Market in Brief

What kind of a market is Jamaica? There are 1½ million people on the island. About 85 per cent of the population are of African descent and most of the remainder are of mixed blood. Until the end of World War II, Jamaicans earned almost all the money they had to spend through the export of sugar. Today, however, there is new money on the island—bauxite money and tourist money. In the past ten years Jamaica's bauxite deposits have been developed to the point where its production is the highest in the world. Bauxite has replaced sugar as the island's chief export, bringing in \$59 million in 1957 compared with about \$38 million from sugar exports. In terms of individual buying power, the expansion of the bauxite industry shares honours with a burgeoning tourist industry for raising the per capita income of Jamaicans from £47.4 to £95 in the past six years.

The 1½ million people with approximately \$375 a year to spend are, of course, the big market in Jamaica. Although their income has recently doubled, it is still low and as a consequence they are very price-conscious. A difference of a few pennies in the cost of a product can make for sales success or total failure. On the other hand, there is another market in Jamaica for high-priced goods and industrial equipment.

Hotels to accommodate tourists, who are spending \$24 million a year to vacation on the island, are springing up along the north coast. The hotels are buying building supplies and expensive interior furnishings; two large hotels completed last year were furnished by a leading Canadian firm. Small industries are also being established as a result of tax and other concessions the Government offers to overseas investors. In recent years, shoe, cement, container (metal and cardboard), brassiere, cotton textile, aluminum window frame and paint factories have started up in Kingston, the capital city.

The new industries need machinery and raw materials and will buy in Canada if prices are competitive. Similarly, large sugar estates scattered across the island are in the market for Canadian equipment. And there is a small group, numbering less than 100 thousand, of successful merchants and planters who will buy high-priced merchandise.

The Import System

The Canadian businessman is in a preferred position to sell in Jamaica. He enjoys preferential rates of duty which usually give him a 10 per cent advantage over United States and European exporters. Like his American counterpart, the Canadian exporter is handicapped by restrictions placed on dollar imports, but these are not as formidable as they once were.

A fairly wide range of products is admitted freely from all countries under World Open General Licence. Among those of interest to Canadian exporters are onions, split peas, fish, meats, cheese, kraft paper, newsprint, lumber, fresh apples, leaf tobacco, fertilizer and calcium carbide.

Dollar permits are being granted for materials needed by agriculture and industry in cases where prices quoted by hard currency countries are lower and deliveries better than from other sources.

Consumer goods, on the other hand, must be shipped under the Canada/B.W.I. Trade Liberalization Plan administered by the Department of Trade and Commerce in Ottawa or, alternatively, under Jamaica's Special Dollar Scheme. The Jamaican Government introduced the Dollar Scheme two years ago to provide merchants with additional funds to buy needed consumer goods unavailable in the United Kingdom or in Europe. Most merchants are loath to part with their Special Scheme dollars, but can be persuaded to where the return is high or the long-range prospects of a line are bright. It is usually advisable for Canadian exporters to use Trade Plan dollars to introduce their product into the market and then try to persuade

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local merchants to use their Special Scheme dollars when they are re-ordering.

Agency Arrangements and Credit Terms

The Canadian Trade Commissioner in Kingston will be glad to help manufacturers wishing to explore business possibilities in Jamaica. He will make inquiries about the saleability of the goods offered and, if the picture is promising, suggest a suitable sales representative. There are some first-class agency firms in Kingston (some of which keep stocks) that can give good coverage of the market. The office of the Canadian Trade Commissioner maintains a list of local agents and distributors for the convenience of exporters. It is usually advisable to work with a prospective agent on a trial basis for a year or six months and then enter into an agency agreement if there seems to be sufficient business.

Two shipping companies offer fast (ten-day) deliveries to Jamaica from Montreal and Halifax. Their ships sail fortnightly, providing a weekly service to the island from the eastern seaboard. One ship is fitted with two refrigerated containers of 450-cubic-foot capacity, capable of carrying frozen products at 20 degrees F. or under, and chilled products at 36 to 38 degrees F. West Coast exporters have a monthly service, complete with refrigerator space, that plies between Vancouver and Jamaica.

Payments on shipments to Jamaica are usually made by irrevocable letter of credit or sight draft, documents on payment. Some overseas suppliers extend terms of thirty to ninety days to well-established firms. Great care should be exercised both in granting, and still more in refusing, credit. The majority of traders meet their obligations scrupulously but the activities of a few dishonest importers do make caution advisable.

Exporters can get information from their bankers in Canada on the standing of prospective Jamaican customers. Three Canadian banks and one British bank have branches in Jamaica. They are open on weekdays from 8.30 a.m. to 12.30 p.m. and on Saturdays until 11 a.m.

Unlike other West Indian islands that adopted the B.W.I. dollar as their monetary unit, Jamaica still uses the sterling system of pounds, shillings and pence. The Jamaican pound is equivalent in value to the British pound.

Documentation

Documentation of shipments to Jamaica is relatively simple. To clear goods, Jamaican importers require two copies of a combined invoice and certificate of value and origin (Form C-23), prescribed by Jamaica Customs, a copy of the ocean bill of lading and, in cases where goods are shipped under the Canada/ B.W.I. Trade Liberalization Plan, a voucher obtainable from Ottawa for the value of the goods at the factory. In completing the customs C-23 form (available at leading Canadian stationers), the actual cost of the goods must be shown separately from the cost of packing, insurance, freight and other charges. The gross weight of each package, and its contents, should be shown on the customs invoice. This is important in settling claims arising out of damage or pilferage while the goods are in transit.

When fresh, frozen or smoked meats are shipped, Canadian Department of Agriculture inspection certificates (form PHA-32) must be sent to the importer to enable him to clear the goods on arrival. Shipments routed through the United States require additional documentation.

Businessmen who wish to explore the West Indies market will find Jamaica a good jumping-off point. It contains over half the population of the new Federation and Jamaicans are anxious to trade with Canada.

Bahamas

SELLING in the Bahamas is an art, a challenge, and, at the same time, should be a pleasure.

The Bahamas is a paradoxical market. It is supported by free-spending, well-off tourists—but the spenders want bargains. Business is competitive but selling is strictly low pressure. Outside of the tourist trade, there is very little industry but the Bahamas are importing substantial quantities of automobiles, machinery and construction materials each year. Its merchants are conservative but they have a keen eye for profits.

A rising tide of Canadian and American tourists, 190 thousand last year, is the primary industry of Bahamians. As the local Chamber of Commerce puts it: "The principal business of the Bahamas is tourism, and the principal commodity an unrivalled climate." Sun-seekers from North America go into Bahamian shops in search of bargains. They want luxury products at lower prices than they would pay in their home town. They also want something different. Merchants in the Bahamas are aware of the tourists' shopping habits and make every effort to buy products that are unique in design. Low Bahamian customs duties and the absence of excise taxes assure the tourist of a bargain.

To accommodate the steadily increasing influx of visitors, new hotels and resorts are being built each year. As a result, the Bahamas are importing large quantities of electrical apparatus, building materials, and hotel equipment and furnishings. Materials used in the new hotels are usually selected by overseas architects. Manufacturers wishing a share of this business must see that their products are brought to the attention of the architects before the plans are finally approved.

U.S. Competition Is Keen

Competition in the Bahamas is keen because the islands are only 175 miles from Miami and American salesmen call regularly. They can offer overnight delivery by small boats from Miami and Jacksonville. On the other hand, Canadian manufacturers can make deliveries in a little over a week on a ship that sails from Toronto to Nassau every three weeks. If faster delivery is needed, shipment can be made by truck to Jacksonville and thence by boat to Nassau. The preferential tariff of 10 per cent afforded Canadian goods compensates in most instances for the longer delivery schedules.

Bahamian merchants are friendly but conservative by nature, and not every salesman gets an order on his first visit. However, Canadians are well liked and in cases where they can give reasonably good deliveries at competitive prices, they can usually do business.

What Bahamians Buy

Although the tourist industry constitutes the biggest market for Canadian goods, the 99,000 persons living on the scattered islands that make up the Bahamas are also good potential customers. Two-thirds of them are of African descent and their income is low by North American standards, but they buy substantial quantities of lower priced foodstuffs, lighter weight work-clothes, cheap shoes, yard goods, and lower-priced dresses. In buying foodstuffs they are loyal to brands they know and it takes a fairly substantial saving to make them change. They buy quantities of canned milk, canned soups, canned meats and other staple foodstuffs. They prefer North American styles in shoes and clothing and merchants catering to their needs welcome offerings from Canadian manufacturers.

Few Restrictions in Force

Unlike the West Indies and most other countries in the sterling area, the Bahamas have few restrictions on dollar imports. Merchants are allowed to bring in everything they need with the exception of bicycles, motorcycles, paint, steel, nails, enamelware, preserves, chinaware, brushes and other products normally available from England at competitive prices. Canadian manufacturers of these products who wish to sell in the Bahamas must first obtain an allocation under the Canada/B.W.I. Trade Liberalization Plan administered by the Department of Trade and Commerce in Ottawa.

Canadian exporters can get the names of prospective agents from the Canadian Trade Commissioner in Kingston, Jamaica, who visits the Bahamas regularly. Agents for foodstuffs usually act as wholesale distributors for their principals. For general hardware and consumer goods, local merchants act as representatives and confine sales to their own stores.

HOWARD E. CAMPBELL, Trade Commissioner in Kingston, Jamaica, begins a tour of business centres throughout Canada on September 2, in Vancouver. His territory includes the Bahamas and British Honduras as well as Jamaica, and his three years there have given him a thorough knowledge of the markets in these countries. Mr. Campbell joined the Trade Commissioner Service in 1947 and served in New York and Johannesburg before going to Jamaica.

The only document Canadian exporters have to complete in making shipments to the Bahamas is a combined invoice and certificate of value and origin form. Copies of it can be obtained from leading Canadian stationery stores. The actual cost of the goods must be shown separately from the cost of packing, insurance, freight and other charges. To facilitate the settlement of claims arising from damage or pilferage suffered in transit, it is a good idea to show the gross weight of each package and its contents.

So much business is done with the United States that Bahamian merchants prefer quotations in United States dollars, with shipping charges shown separately. Payments are usually made on sight draft, but terms of 30 to 60 days are not unusual. In a few instances, shipments are made on open account to established firms well known to their overseas suppliers. Normal caution should be exercised in extending credit. Banks in Canada can provide information on the credit standing of most Bahamian merchants.

The Bahamian pound is the unit of currency; it is linked with sterling and has the same value in exchange markets as the British pound. Banking hours are from 8.30 a.m. to 12.30 a.m. each weekday and from 8.30 to 11 a.m. on Saturday. Three Canadian and one British bank have branches in Nassau.

To date, the chief Canadian goods sold in the Bahamas have been flour, potatoes, smoked and frozen meats, whisky, canned milk and furniture. Of the $20 million worth of goods imported by the colony from North America last year, only $2½ million came from Canada, which seems a disproportionately small share. Although the market is not big and is specialized, it is growing rapidly. Businessmen who want to combine business with pleasure should plan to holiday in Nassau and take their export catalogues along. ●

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What Canada's Farmers and Fishermen Sell to the Netherlands

Over 70 per cent of Canada's exports to Holland last year consisted of agricultural and fisheries products. Flaxseed and fresh apples sold particularly well; wheat sales held steady and feed grains lost ground, as did canned salmon.

W. R. HICKMAN, *Commercial Secretary, The Hague.*

THE Netherlands is properly regarded as a net exporter of farm products. Nevertheless the country has to import large quantities of agricultural raw materials to support this trade and to serve domestic needs. In 1957, for example, agricultural imports totalled fl.2,917 million and agricultural exports fl.4,210 million. This represented a 6 per cent increase in imports over 1956 and roughly the same level of exports. The significance of these figures in the over-all Dutch trading picture becomes clearer when it is pointed out that agriculture accounts for roughly one-fifth of all imports and more than one-third of all exports by value.

Agricultural Trade Dominant

The role that Canada plays in this trade is relatively small. Nevertheless, agriculture dominates in the exchange of goods between the two countries; in 1957, the Netherlands bought Canadian food and agricultural products valued at fl.149 million (1956, 119 million); this represented 70 per cent of all imports from Canada that year. Milling wheat and other grains, notably flaxseed, are the backbone of this trade, with tobacco, oils and fats, hides and skins, fish and meat products, and fresh and processed fruits all making important contributions. The following table shows the value and composition of these imports:

NETHERLANDS IMPORTS OF CANADIAN FOOD AND AGRICULTURAL PRODUCTS

(in fl.'000)

	1957	1956
Cereals and preparations	84,790	87,414
Oilseeds and nuts	57,668	25,033
Hides and skins	1,285	890
Fish and fish products	1,235	1,368
Tobacco and manufactures	901	1,530
Fruits, vegetables and preparations	648	219
Animal and vegetable oils and fats	634	1,013
Animal feed, excluding raw cereals	538	669
Meat and meat preparations	324	528
Dairy products, eggs and honey	291	120
Horticultural and floricultural products	144	143
Sugar and sugar products	64	11
Beverages	58	53
Cocoa and spice preparations	26	23
Mixed food preparations	20	7
Total food and agricultural products	148,625	119,021
Total commodity trade	207,000	180,634
Food and agricultural products as per cent of total	70	66

Imports of Canadian milling wheat showed no appreciable change in 1957, despite some reduction in total imports and a sharp cut in purchases from the United States. On a crop year basis, however, imports from Canada have been running far above the 1956-57 level and by the end of April 1958, according to Dutch import statistics, stood at 316 thousand metric tons compared with 206 thousand at the same time last year. Thus, with the last quarter of the crop year still to come, this has every appearance of being a record year for our wheat sales to the Netherlands and we should have a substantial lead in this market. In a price market like Holland, whose wheat purchases in recent years have consisted almost entirely of No. 5 wheat, this large shift in the purchasing pattern stems from the existing price spread between this grade of wheat and other milling grades available in Canada and the United States.

These Canadian apples being loaded into coal cars at a shipping terminal in the Netherlands are on their way to the Dutch market. Last year, faced with a poor apple crop in Europe, Holland bought 4,000 metric tons of apples and repeat business is expected because the fruit made a good impression on buyers.

Canadian feed grains, on the other hand, continued to lose ground in the Dutch market during 1957, declining to fl.1.4 million from fl.4 million in 1956 and fl.20 million in 1955. As in former years, these imports were made up principally of rye, with minor quantities of oats, buckwheat and corn. No barley was bought from Canada in 1957. Canada won only a negligible share of the fl.450 million spent on imported feed grains in 1957. In fact, it is only under exceptional circumstances that Canadian supplies can withstand the price competition of feed grains supplied by the United States and Argentina. Imports from the U.S. in 1957 were valued at fl.166 million and from Argentina at fl.123 million, 37 and 27 per cent, respectively, of the total value of feed grain imports. Augmenting the value of feedstuffs imported from Canada, however, were processed animal feeds, worth fl.0.5 million and consisting mainly of offals and screenings, clover meal, and soybean oilcake and meal.

Flaxseed Purchases Up

The main factor in the increased agricultural imports from Canada in 1957 was heavy purchases of flaxseed during the early part of the year, when Canada was in a relatively favourable position to supply. Later on, the disposal of substantial quantities of linseed oil and expeller by the United States and Argentina, coupled with the smaller flax crop in Canada in 1957, sharply reduced the movement of Canadian flaxseed to Dutch crushing plants. Currently the Netherlands is taking a good deal of interest in the outlook for the Canadian flax crop. If the crop is not unduly affected by drought, there seems some promise of renewed buying activity by the Dutch in the coming season. Although domestic crushing facilities in Holland limit the market for processed vegetable oils, soybean oil contributed some fl.0.6 million to the value of imports from Canada in 1957.

Apple Growers Benefit

Another bright spot in the trade picture last year was fresh apples. Stimulated by fruit-crop failures throughout most of Western Europe, imports from Canada were boosted by fl.391 thousand for the calendar year and reached a total of fl.1.7 million by the end of the winter season. This represents some 4,000 metric tons shipped, compared with 5,200 tons valued at fl.3 million shipped by U.S. growers during the same period. Normally, the Netherlands produces enough apples to meet domestic needs until late February or March. After this time, except for limited dollar purchases (which hitherto have been made chiefly in the United States) Argentina becomes the main source of supply. The past season, on the other hand, has introduced Canadian apples to several European markets and the reaction has been good, leading to the possibility of some repeat business in future years.

Fisheries Market Reviewed

The Netherlands last year bought fl.1.2 million worth of Canadian fisheries products, mainly canned and frozen salmon, crabmeat and frozen eels. However, the value of such imports continued to decline and it is obvious that Canadian suppliers of canned salmon are failing to hold their own against increasing price competition. Thus, while the Canadian share of the Dutch canned salmon market has dwindled from 38 per cent in 1955 to 7 per cent in 1957, Japan's share has risen from 46 to 84 per cent. U.S. suppliers have also lost ground to Japan, but during 1957 they managed to ship 25 tons more than in 1956 and now come close to Canada as the second-ranking supplier. The U.S.S.R. has also entered the Dutch market, supplying 26 tons of canned salmon in 1957. In view of the growing emphasis on price, local traders predict a further rise in purchases of Japanese canned salmon at the expense of all other suppliers. For this reason, Canadian suppliers wishing to do business in any volume will probably have to rely increasingly on the demand for their low-priced grades of canned salmon.

In past years Canada has sold some mild-cured salmon in Holland, but more recently the trend has been towards the fresh and frozen trade. Because of the price and quality, Canadian frozen salmon is used principally for smoking or canning for the restaurant and hotel trade. (Baltic salmon does not retain the desired colour for this purpose and is sold mainly fresh or frozen or as smoked sides.) It therefore seems likely that the demand for Canadian frozen salmon will continue on much the same scale as before—that is, about 30 to 40 metric tons a year. Frozen eels have been a more variable factor in the fish trade: in 1957 imports rose to 40 tons as a result of a smaller European catch. Generally, however, price rules against Canadian sources.

Prospects Seem Good

The Dutch market is very sensitive to competitive conditions but has shown itself capable of absorbing an impressive quantity of Canadian agricultural and food products. So far this year, with wheat imports running at record levels and a substantial turnover in fresh apples, Canadian suppliers have made an auspicious start. Much will depend in the months to come, however, on price and crop developments, both domestically and in the principal supplying countries.

In wheat, although a crop of some 50,000 metric tons above normal is forecast, this quantity has been earmarked for feeding purposes and should not affect imports of milling grades. This would, in turn, more than offset the anticipated decrease in coarse grain production and might alter the dependence on imported supplies. In buying wheat and other grains from Canada, however, price will doubtless continue to be the governing factor. This applies largely also to fisheries products and the many miscellaneous commodities that round out Canada's agricultural trade with the Netherlands. A reasonably good flax crop should again see substantial purchases from Canada. Conversely, the apple trade will depend principally on the size of the domestic crop which currently looks about normal.

To sum up, present prospects favour another good year —and quite possibly a banner year—for sales of Canadian agricultural products in the Netherlands market. ●

Mekong Project Advances

THE Governments of Cambodia, Laos, South Viet Nam and Thailand have made further progress with their plans to develop the lower Mekong River basin in the Indo-Chinese peninsula for irrigation and power purposes. (See *Foreign Trade,* May 10, 1958.) About two months ago, their representatives signed an agreement with the United States Government under which the latter will contribute $2 million to the Mekong scheme and an American engineering firm will undertake the establishment and operation of gauging stations along the river and its main tributaries. These stations will provide the detailed information on the flow and height of the river water necessary for the careful planning of the project. In addition, the four countries have accepted offers of aid from New Zealand, France and various international organizations.

It will also be necessary to map the Mekong basin before the final details of the scheme can be settled. The Canadian Government recently sent an expert in aerial mapping, Lt. Colonel G. S. Andrews, Surveyor-General of the Department of Lands and Forests of the Province of British Columbia, to the area to carry out a preliminary technical survey. He has studied the river at certain points to determine what will be needed for a complete aerial mapping operation. On the basis of his report the Canadian Government will decide whether it is in a position to undertake the operation as a contribution to the project. Colonel Andrews was a pioneer in the aerial mapping of British Columbia.

Earlier this year a United Nations Technical Administration mission headed by General R. A. Wheeler and including a Canadian (Mr. J. W. McCammon, former commissioner and general manager of the Quebec Hydro-Electric Commission), recommended that a co-ordinated survey program be carried out at a cost of over $9 million before actual construction began. Both the establishment of gauging stations and the mapping of the river basin are necessary parts of this program, which should take five years to execute. The Mekong River scheme calls for at least three storage dams to provide irrigation water for over 22 million acres of land around the lower basin. The river has a hydro-electric potential of an estimated 4.2 million kilowatts which could be of real benefit in developing the area's mining and timber resources and in raising the standard of living of the some 17 million people who dwell on the Mekong's banks. ●

European Wheat Markets

An analysis of developing trends in production, consumption, exports and imports of wheat in Europe leads to a discussion of future demand for wheat from non-European suppliers.

MORGAN MAHONEY, *Economics Branch.*

WORLD wheat production in the last three years 1955-57 has averaged 7.6 billion bushels per year—600 million bushels higher than the 1950 to 1954 average. However, 500 million bushels of the increase is attributed to Russia, where production is estimated to have risen from an average annual rate of 1.3 billion bushels in the period 1950-54 to an average annual rate of 1.8 billion in the period 1955-57. Other countries of Eastern Europe also increased their total annual rate of production between these two periods by approximately 30 million bushels, from 495 million in 1950-54 to nearly 525 million in 1955-57.

With the exception of Canada, the United States and Australia, all other areas of the world also showed production increases between these two periods totalling 278 million bushels. Offsetting this was a decline of 223 million bushels in the annual rate of production in Canada, the United States and Australia. Figures for individual areas are given below:

AVERAGE ANNUAL PRODUCTION

	1950-54	1955-57	Increase or Decrease
	(millions of bushels)		
Western Europe	1,150	1,260	+110
Asia (including Mainland China)	1,760	1,872	+112
South America	306	329	+ 23
Mexico	22	39	+ 17
Africa	183	199	+ 16
Australia and New Zealand	187	146	− 41
CANADA	538	488	− 50
United States	1,094	962	−132
World total (excluding Russia and Eastern Europe)	5,240	5,295	+ 55

Production in Eastern Europe

The best available evidence suggests that Russia and Eastern Europe, taken together, are now self-sufficient in terms of quantity of wheat produced. In the crop year 1956-57 Russia exported 160 million bushels of wheat from a 1956 crop of two billion. Most of this (115 million bushels) went to Eastern European countries and the remaining 45 million to areas outside Eastern Europe. Exports from Eastern European countries other than Russia were negligible in the crop year 1956-57, but their wheat imports from countries outside Eastern Europe and apart from Russia totalled about 22 million bushels. Russia also imported about two million bushels in 1956-57 from other than Eastern European countries. Consequently, Russia and Eastern Europe taken together had net exports of about 20 million bushels in 1956-57. Though the 1957 Russian crop was 200 million bushels smaller than the 2.0 billion harvested in 1956, production in other Eastern European countries together was 130 million bushels larger. Availabilities for export and domestic use in 1957-58 were therefore about 70 million bushels less than in 1956-57. The only evidence of the effect of this is that Russia appears to be exporting somewhat smaller quantities during the current crop year.

Consumption in Western Europe

The Western European market is the most interesting from the Canadian point of view; it absorbs nearly two-thirds of total Canadian wheat and flour exports and accounts for 75 to 80 per cent of Canadian commercial sales of wheat and flour in the export market.

An analysis of data on total *domestic* consumption of wheat in Western Europe shows an increase of nearly 60 million bushels in the annual average rate of consumption for the last three crop years, compared with the average for the previous four years. The annual average of total internal use for the last three crop years, including estimates to the end of June 1958, amounts to 1.60 billion bushels compared with 1.54 billion in the four crop years of 1951-52 to 1954-55. Virtually all of the increase was in quantities consumed for animal feed; these rose from 123 million bushels per year in the earlier period to 177 million per year in the last three years. The amounts consumed for human food remained approximately the same—1,274 million bushels per year in the 1951-55 period and 1,276 million in the 1955-58 period. Though it seems probable that per capita consumption of bread has declined, a lowering of the flour extraction rate and increasing population have sustained total wheat consumption.

Production in Western Europe

The average annual rate of production in Western Europe increased between 1950-54 and 1955-57 by 110 million bushels per year, or from 1.15 billion in 1950-54 to 1.26 billion in 1955-57. France and Italy accounted for 60 million bushels of the increase; the total average annual production of these two countries rose from 603 to 663 million bushels. Total production of other Western European countries has increased in about the same proportion. These increases in the 1955-57 period took place in spite of a very poor 1956 crop. Production in 1955 and 1957 provides more realistic estimates of the current level. For example, France produced 404 million bushels of wheat in 1957, or 30 million bushels more than Canada in the same year. All indications point to the maintenance of French production at about 400 million bushels. In fact, it seems likely that total Western European production may be maintained for some time to come at least as high, if not higher, than the 1957 figure of 1.35 billion bushels. This is 200 million above the annual rate of production in 1950-54 and, in terms of quantity, only 250 million bushels short of the annual rate of consumption in the three crop years ending June 30, 1958.

Inter-European Wheat Trade

However, in 1955-56 gross exports of Western Europe totalled about 125 million bushels and in 1957-58 should reach about 160 million. In 1955-56 about 58 million of the 125 million bushels exported went to countries outside of Western Europe, and in 1957-58 about 90 million bushels of the 160 million exported are likely to go to countries outside of Western Europe. This means that approximately the same amount, about 70 million bushels, has moved in inter-European trade in each of the years 1955-56 and 1957-58. Most of these exports from within the area to other Western European countries originate in France, Italy and Germany. The fact that there has not been any increase in exports from these three countries to other areas of Western Europe between 1955-56 and 1957-58 suggests that Western Europe may be close to the saturation point in consumption of soft wheat. Increased production of soft wheat in deficit countries has also been a limiting factor in imports from France, Italy and Germany.

In addition to increasing production, consumption and exports, Western European countries have also increased imports from outside Western Europe. Between 1951-55 and 1955-58, the average annual rate of imports from outside Western Europe increased from about 440 to 448 million bushels per year. However if 1956, the year of the poor crop, is deducted from the latter period, imports from outside the area declined from 440 to about 420 million bushels. France exported about 50 million bushels less to Western European countries in 1956-57 than in 1955-56 or 1957-58.

A summary of the information given on Western Europe up to this point indicates the following trends:

AVERAGE ANNUAL ESTIMATES

(millions of bushels)

	1951-55	1955-58
Domestic production[1]	1,150	1,260
Imports	440	448
Total supply	1,590	1,708
Human food	1,274	1,276
Animal feed	123	177
Other domestic uses	143	145
Total consumed	1,540	1,598
Supply minus consumption[2]	50	110
Exports	29	66
Stock accumulation	21	44

[1]Imports from outside Western Europe.
[2]Exports to areas outside Western Europe.

Stocks Are Accumulating

From the above it is obvious that stocks were building up in the 1951-55 period at the rate of 21 million bushels a year and in the 1955-58 period at 44 million bushels a year. Though stocks may have been relatively low in 1951, the build-up over the whole period to the current year exceeds 200 million bushels. The largest accumulation has been in soft wheat in Italy and Germany. Belgium is also accumulating some soft wheat. Hard-wheat imports seem to move into consumption almost as rapidly as they enter the area. Western European imports from outside countries have therefore been maintained over the last three years at the same time as stocks of soft wheat were accumulating and export outlets were being sought. The stock accumulation would have been larger over these years had it not been for the crop failure in France in 1956 and in Australia in the current year, as well as increased animal feed consumption within Western Europe and the maintenance of the consumption of wheat for human food by lower flour extraction rates. These features of the situation, which have also worked to the advantage of North American exports, are purely temporary.

If the average annual rate of production of wheat in Western Europe is to be maintained at the 1957 level of 1,350 million bushels—and all evidence suggests that this is probably a minimum—the situation in export markets in the future is likely to be much more difficult. There is little reason to expect any significant expansion in total consumption of wheat in Western Europe, with population gains being offset or more than offset by a declining per capita consumption of flour. Further declines in extraction rates resulting in larger consumption of wheat per unit of flour produced are likely to be small. Consumption may therefore be expected to continue at an annual rate of about 1,600 million bushels per year over the next few years. This leaves a net deficit—or a margin between production and consumption within the area—of only 250 million bushels. Imports from outside Western Europe in 1955-56 and 1957-58 have been running at about 420 million bushels per year. If they were to continue at this level, Western Europe would have to export to outside areas 170 million bushels of soft wheat each year or continue to accumulate stocks. Since in recent years exports to areas outside of Western Europe have been in the vicinity of only 70 million bushels, apart from the current year when Australia is not a competitor, this would mean an increase of 100 million bushels per year.

This excess production of soft wheat is creating numerous problems and the major exporters have not yet felt the full impact of these because of the alleviating circumstances previously mentioned. The maintenance of Western European imports from countries outside the area at the 1955-56 and 1957-58 levels of about 420 million bushels is going to be extremely difficult. The possibility of maintaining the higher level of 1956-57, when France was a net importer and the deficit countries also had poor crops, is extremely remote. It has also to be kept in mind that Western European imports from outside areas in 1957-58 at the rate of about 420 million bushels are being maintained at this level largely because France, Italy, Germany and Belgium have been able to export soft wheat as a result of the crop failure in Australia.

Pressure of Supplies Increases

Unless there is some cutback of production in Europe—and this appears very doubtful—there is bound to be an increased pressure of supplies on Western European markets as well as on markets in other areas of the world. The outcome of this is difficult to determine. Most traders, millers and bakers in Western Europe appear to have a strong preference for maintaining imports of hard wheat and tend to resist government regulations requiring the use of large quantities of domestically produced or imported soft wheat. In the view of many of these people, imports of quality wheat are already below the levels required for production of quality bread and sales and consumption of bread are being affected. On the other hand, farm groups are continually pressing for higher prices and continued use of domestic production, though prices in most areas are already heavily subsidized. Continued or increasing use of output from within the area and the associated saving in dollars, plus employment and income for farmers, tends to strengthen their case. The Common Market treaty also envisages maximum use of production within the area.

Barring some form of international agreement, the outcome appears likely to be a compromise between these opposing forces. This would in all probability result in a further narrowing of the market in Western Europe for wheat from outside areas and steadily increasing pressure from within Western Europe for export outlets for soft wheat that would have to be sold on world markets at a loss. The quantities of European wheat fed to animals might be increased or there could be some diversion of wheat acreage to coarse grains. But these changes are likely to be slow, particularly at the present support prices for wheat.

Future Imports Estimated

Estimating the possible decline in Western European imports from outside sources is a hazardous task but if present trends continue, it could be in the vicinity of 60 million bushels. Compared with the 1955-56 and 1957-58 level of about 420 million bushels, this would mean imports from outside Western Europe of about 360 million bushels per year. With the levels of production and consumption suggested earlier, this would leave Western Europe with a surplus of soft wheat of about 110 million bushels each year. This would have to be exported to countries outside of Western Europe, used as animal feed, or stockpiled. Exports to areas outside Western Europe in recent years have totalled about 70 million bushels and it will be difficult to increase this level in future years, though drought and locust damage in Eastern Mediterranean countries, plus the Australian crop failure, should ease the situation in the current period. A further accumulation of stocks is also considered undesirable and the prospect of using an additional 40 million bushels for animal feed at present prices is unlikely.

Such a situation would result in strong pressures for a further increase in consumption of domestic wheat for bread and a corresponding cut in imports or, as an alternative, a cutback in Western European production. In view of the cost of European production, the latter alternative seems the most logical. If this does not happen, it appears likely that Western European imports from outside the area will in the long run decline by more than the estimated 60 million bushels. ●

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Fairs and Exhibitions

U.S. Shows Business Equipment

NEW York's fiftieth *National Business Show* at the Coliseum, October 20-24, is making a special bid for Canadian business visitors; they will be admitted to the show free of charge simply by identifying themselves at the entrance door. They may also write for tickets to Mr. Rudolph Lang, Managing Director, National Business Show, 530 Fifth Avenue, New York. Displays consist principally of office furniture, supplies, equipment and services used in the normal course of business, though even trucking firms interested in office moving have participated in the past. Firms from Canada, Italy, Germany, Sweden, France and a few other countries are expected to take part.

Mainland China Comptoir Guest

MAINLAND China will be the guest of honour at the 39th Comptoir Suisse September 13-28. This exhibition, which honoured Canada in 1956, is one of two large trade fairs held in Switzerland every year. The spring fair, at Basel in the more industrialized sector of Switzerland, stresses heavy industry. The Comptoir Suisse, on the other hand, draws upon the agricultural and wine-producing district around Lausanne. Only recently have industrial exhibits been introduced.

Some 1.3 million square feet of exhibition space is devoted to agricultural machinery, fertilizers, cattle and horse shows, and farm produce. Industries producing foodstuffs are represented and visitors may sample the local food and beverage specialties for which the area is famed. But non-agricultural industries now occupy over three-quarters of this display area. From the wide range of commodities and services produced in Switzerland, the Comptoir chooses to display these: electricity, water and gas developments, modern household machinery and equipment, radios and television, textiles, glassware, furniture, graphic arts, publishing, heating appliances, and luxury goods.

Over 2,300 exhibitors from all parts of Switzerland set up stands here and visitors from some 68 countries usually average about 800 thousand. Businessmen interested in going to Lausanne this year should write to the Embassy of Switzerland in Canada as soon as possible for further information; visitors to the fair are granted certain reductions in some Swiss and foreign rail and air fares.

Canada Trophy Awarded in Peru

FOUR Lane Sally, a pedigreed Canadian Holstein Friesian cow, has made her owner the first in Peru to win the "Canada Trophy" presented by the Canadian Government, reports D. H. Cheney, Commercial Secretary in Lima. The award, an engraved sterling silver tray, was made at the Ninth National Livestock Exposition in Lima, May 13-18.

Canadian cattle and their progeny made a fine showing in the Holstein Friesian class, competing against Peruvian-bred animals and those from several other countries. The impressive list of grand championships and first and second prizes indicates the important contribution Canada has made in building up the quality of Peruvian herds in recent years. Since 1952, Canada has shipped more than 700 head of high-quality dairy cattle valued at $296.7 thousand to Peruvian breeders.

European Autumn Fairs

TEXTILES AND MACHINERY—8th International Exhibition of Cotton, Synthetic, and Artificial Fibres, Chemicals and Textile Machines, Milan, September 20-29. Apply: International Exhibition of Cotton, Synthetic, and Artificial Fibres, 1, Via Mameli, Busto Arsizio (Milan), Italy.

FRUIT AND VEGETABLE PACKAGING—International Exhibition of Pre-Packing of Fresh Fruit and Vegetables, London, October 7-9. Apply: Produce Pre-Packaging Development Association, Agriculture House, Knightsbridge, London, S.W.1.

FOOD, HOMECRAFTS—International Food and Homecraft Fair, Brussels, Oct. 25-Nov. 9. Apply: 10 place de Brouckere, Brussels, Belgium.

MECHANICAL HANDLING—International Mechanical Handling Exhibition, Paris, November 5-13. Apply: Salon de la Manutention, 40 rue du Colisee, Paris 8.

AUTOMOBILES—40th International Motor Show, Turin, Nov. 5-16. Apply: Comitato Organizzatore, 37° Salone Internazionale dell' Automobile, Corso Galileo Ferraris 61, Turin, Italy.

Hobbyists Show Wares

AN exhibition to encourage the growing interest in every type of hobby and craft is being held in the Empire Hall, Olympia, London, September 4-19. In 1957, this *International Handicrafts and Do-It-Yourself Exhibition* attracted entries from 17 countries besides the United Kingdom and a record 248,932 visitors from 81 countries. Part of the show's special attraction is that exhibitors may sell directly to the public as well as accept orders for future delivery. Prospective exhibitors may write for more information to: the Sixth International Handicrafts Exhibition, 24 Store Street, London, W.C.1.

Show Marts in Scandinavia

STOCKHOLM PLAYS HOST—The St. Erik's Fair, Stockholm's International Trade Fair, is being held between August 30 and September 14. West Germany, the largest exhibitor, has reserved 3,400 square metres of space; one of her exhibits will be devoted to forestry science and timber transportation. Principal Swedish exhibits will include various kinds of forestry machinery such as motor saws and tractors. Foreign countries are reported to have booked more space than usual this year; two of them—Greece and Portugal—are participating for the first time.

OSLO SITE OF BUILDERS' FAIR—The biggest specialized trade fair ever held in Scandinavia will bring together builders from Norway, Sweden and Denmark to discuss new methods and materials used in the building industry. Norwegian dealers in building materials are sponsoring the show which will be held from September 16-28. A Scandinavian building conference will run concurrently with the exhibition from September 15-17.

Japan to Exhibit in Australia

JAPAN is planning to set up trade fairs in Sydney and Melbourne early next year and is currently negotiating with the Australian Department of Trade. Exhibitors will probably concentrate on top-quality goods such as optical instruments, cameras, industrial machinery and textiles. The show is expected to go to Sydney in January and then move to Melbourne to be included in an international trade fair in February and March.

Vertical Shows in the United States, 1958

NAME	DATE	PLACE	APPLY TO
National Home Furnishings Show	September 11-21	Coliseum, New York, N.Y.	S. Robert Elton, Director, 134 Lexington Ave., New York 16, N.Y.
Western Tool Show	Sept. 29-Oct. 3	Shrine Exposition Hall, Los Angeles, Cal.	Harry Conrad, Executive Secretary, 10700 Puritan Ave., Detroit 38, Mich.
National Electronics Conference	October 13-15	Sherman Hotel, Chicago, Ill.	O. I. Thompson, Exhibit Chairman, DeForest's Training Inc., 2533 North Ashland Ave., Chicago, Ill.
National Shoe Fair	October 26-30	Palmer House, Congress, Hilton & Morrison Hotels, Chicago, Ill.	Geo. E. Gayou, Director, Palmer House, Chicago, Ill.
National Sporting Goods Association	November 1-3	Biltmore Hotel, Los Angeles, Cal.	Robert J. Youngblood, Assistant Secretary, 716 North Rush Street, Chicago 11, Ill.
Retail Paint and Wallpaper Distributors of America	November 18-20	Convention Hall, Cleveland, Ohio.	Dee Belveal, Executive Director, 34 North Brentwood, St. Louis, Mo.

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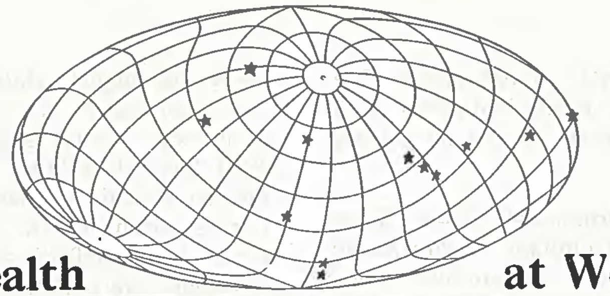
The Commonwealth  at Work

Postwar British Investment in Canada

In the eight years 1948-55, British investment in Canada rose to $2.4 billion from a low of $1.6 billion, thus almost regaining its prewar status. But this investment differs from the prewar years in several interesting ways.

PETER FREYSENG, *Assistant Trade Commissioner.*

TRADITIONALLY United Kingdom investment has played an important role in Canadian economic development. By the end of 1955 the total value of British long-term holdings in this country totalled $2.4 billion. This roughly equalled the 1939 figure of $2.5 billion which was cut down by the repatriation of Canadian holdings during and after the war to a low of $1.6 billion in 1948. The value of British investments in 1955 was 33 per cent above the $1.8 billion of 1945 and represented some 17 per cent of the book value of all foreign investment in Canada in 1955.

Pattern Has Changed

The pattern of British investment in Canada that developed in the decade after the war differed materially from that of the prewar years. Since 1945, somewhat more emphasis has been placed on direct holdings in Canada through equity investments in subsidiary plants and branch operations. In 1955 United Kingdom direct investment totalled $883 million, or about 38 per cent of the total value of the British stake in this country. The corresponding 1939 figure for this type of capital investment was $366 million, or 15 per cent of the total. Furthermore, United Kingdom direct investment rose by over 150 per cent between 1945 and 1955, considerably more than the gain in total British capital investment in Canada over the same period.

One of the factors in the trend towards direct investment was the plan agreed upon by the United Kingdom and Canada for the repayment of the 1942 loan to Britain. This plan was in operation between 1947 and 1953 and under it, the proceeds from the sale of British-held Canadian securities were applied to the reduction of the loan or used for certain direct "brick and mortar" investments. In addition, the general tendency of all postwar foreign investment in Canada was towards the direct type of holdings.

Nevertheless, portfolio investments—that is, investments where the owner of securities does not play an active part in the control and operations of a company, as opposed to direct investments where he does—accounted for some 60 per cent, or over $1.4 billion, of British holdings in Canada in 1955.

Direct Investments and Their Characteristics

United Kingdom direct investment in Canadian concerns has taken two forms: the establishment of new branch plants and commercial organizations, and the purchase of controlling interests in existing Canadian industrial or commercial firms. Fairly typical of the latter is A. V. Roe Canada Limited, founded in 1945 by the Hawker Siddely Group Limited, of London, England. A. V. Roe is now a holding company that, through subsidiaries, is engaged in most phases of the production and sale of aircraft; gas turbine, diesel, and other types of engines; buses, diesel trucks and highway trailers, and railway rolling stock, forgings and castings. In late 1957 A. V. Roe Canada Limited acquired control of the Dominion Steel and Coal Corporation Limited; this means that it is now active also in coal and iron mining, steel production, and shipbuilding. Some of its other wholly-owned subsidiaries include Avro Aircraft Limited, Orenda Engines Limited, Canadian Car Company Limited, and Canadian Steel Foundries (1956) Limited. It also has an important minority interest in Algoma Steel Corporation, Limited.

An example of a company building entirely new facilities is provided by the Canadian British Aluminum Company Limited. Formed by the British Aluminum and Quebec North Shore Paper Companies, the firm is constructing a new plant and dock facilities at Baie Comeau. The plant was opened recently and by the end of this year expects to have an aluminum production capacity of 80 thousand long tons. Eventually capacity may be increased to 160 thousand long tons. By the end of 1955 British direct investment totalled $883 million, or roughly 11 per cent of all foreign direct investment in Canada. British direct holdings represented ownership or control of over 950 individual companies. Although these investments included some very large firms such as the Bowater interests, Anglo-Canadian Pulp & Paper Mills, Limited, Imperial Tobacco Co. of Canada, Limited, and Canadian Vickers, Limited, they also embraced a goodly number of smaller companies with a capital of less than $500 thousand. In fact the small size of some of the British concerns is one of the features distinguishing them from U.S. firms which are, on the whole, larger. One of the reasons is that British investment in Canada is frequently undertaken for the primary purpose of creating export trade opportunities for British industry. Hence many of these smaller firms are distributing or merchandising organizations.

Distribution of Direct Investment

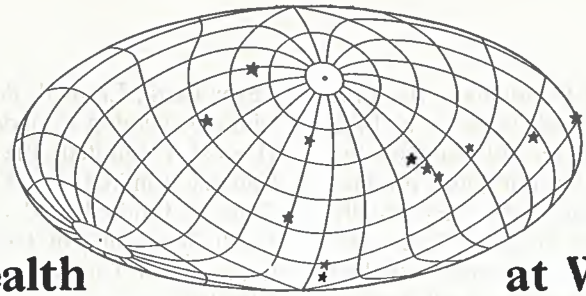
Some 60 per cent, or over $540 million, of total British direct holdings was invested in Canadian manufacturing by the end of 1955; within that sector investment seems to have been heaviest in wood and paper, chemical, iron and iron products, and vegetable product industries, in that order. Many of these manufacturing companies are large and produce a variety of products. Canadian Industries Limited, controlled by Imperial Chemical Industries Limited, manufactures chemicals, plastics, paints, textile fibres, and explosives in 22 plants distributed across Canada. In 1948 Imperial Paper Mills Limited formed the Gulf Pulp and Paper Co. which now operates a plant with the capacity to produce 250 short tons of groundwood pulp per day at Clarke City on the north shore of the St. Lawrence River. British Insulated Callender's Cables Limited purchased the rod, wire, and cable manufacturing plants at Brockville and Montreal of Phillips Electrical Company Limited in 1953 and just this year founded a new subsidiary in conjunction with the Canadian British Aluminum Company Limited to make aluminum rod and cable. This new subsidiary, Phillips CBA Conductors Limited, has planned a $2 million plant for Brockville. In the petroleum field, the British Petroleum Company recently announced that it will build a large refinery near Montreal and begin marketing its products through a series of service stations to be built in Eastern Canada. Other well-known British manufacturing companies operating in Canada, many prior to 1939, include Lever Bros., Limited; de Havilland Aircraft of Canada Limited; Dunlop Canada, Limited; Pilkington Brothers (Canada) Limited; the English Electric Company of Canada, Limited; the Electric Reduction Company of Canada, Limited; and Courtaulds (Canada), Limited. In all by the end of 1955 some 300 companies manufacturing in Canada were controlled in the United Kingdom.

Roughly 15 per cent of direct investment in 1955, or approximately $140 million, represented holdings in the Canadian merchandising field, including those of the Hudson's Bay Company. Another 12 per cent, or $108 million, was employed in various financial institutions. A smaller proportion, 5 per cent, or some $40 million, was invested in mining and smelting but it represents some very important concerns. Rio Tinto (Canada) Limited was formed in 1955. It has acquired a number of important holdings since then, both in the uranium field at Blind River in Ontario and in Ungava. Recently Rio Tinto and Dow Chemical of Canada Limited formed a new company to carry out research work on the possible production of thorium and rare earths from byproducts of uranium mining operations in the Blind River-Algoma area. A plant representing an investment of some one million dollars will be built and is expected to be producing 100 to 200 tons of thorium salts a year. This is approximately equal to current world output of these products. In addition to interests in the resources field, another 4 per cent, or $33 million, of British direct investment in 1955 represented holdings in public utilities and some 3 per cent, or $23 million, was invested in miscellaneous holdings.

Benefits of British Investment

British investors who establish branch plants in this country or purchase existing Canadian firms make an important direct contribution to our industrial growth. New manufacturing enterprises have brought new techniques, new skills, and in some cases new citizens to this country, and have added to the list of "made-in-Canada" products. And they have created new employment opportunities for our growing population. The 200 manufacturing companies created or purchased by British interests in the years 1945-1955 now employ over 40,000 Canadians. Furthermore it should be remembered that the dollars earned by British investment in Canada have been used, in part at least, to buy more Canadian products, thus strengthening our export markets in the United Kingdom.

British investment, both direct and indirect, will undoubtedly continue to play an important role in our economic future. Preliminary figures indicate that the total value of United Kingdom holdings in Canada topped $2.6 billion in 1956 and continued to grow somewhat more slowly during 1957. ●



The Federation's Trade with the Commonwealth

South Africa is rapidly overtaking Britain as a supplier to Rhodesia and Nyasaland; import restrictions still hamper sales by Canada and other non-sterling sources.

L. S. GLASS, *Trade Commissioner, Salisbury.*

THE Federation of Rhodesia and Nyasaland, which includes the formerly separate territories of Southern and Northern Rhodesia and Nyasaland, has existed for barely four years. For this reason, it is not possible to compare prewar and postwar trends in the Federation's trade.

The colonization of the Rhodesias, beginning at the end of the last century, was the outcome of the efforts of Cecil Rhodes and British enterprise. Logically the United Kingdom was from the outset the traditional market and supplier of the territories.

South Africa Makes Gains

Britain has been able to maintain first place among the Federation's suppliers but with the rapid development of industry in the Union of South Africa, particularly since World War II, has had to face growing competition from that source. In 1957, of the Federation's total imports of £177 million, the United Kingdom supplied £67 million and the Union of South Africa £60 million. Imports from these two Commonwealth sources represent just over 72 per cent of imports from all sources.

Purchases from the remaining countries of the Commonwealth were valued at £13 million; Canada supplied £2.5 million. Thus the Commonwealth share of the Federation's imports was just under 80 per cent. Of the non-Commonwealth countries, the United States was the most important supplier, with imports worth £10.4 million in 1957, followed by West Germany and the Netherlands. Total imports into the Federation have increased from £144 million in 1954 to £177 million in 1957.

Well over one-half of the total imports fall into two categories: fibres, textiles and apparel, and metals, machinery and vehicles. Import values in the fibres, textiles and apparel group have remained fairly constant; those in metals, machinery and vehicles have increased by well over 50 per cent, indicative of the industrial growth within the Federation.

The most significant development of the past few years is undoubtedly the growing dependence of the Federation upon imports from the Union of South Africa. In 1954 the value of imports from that source reached £43 million; by 1957 it had increased to £60 million, a rise of £17 million. Imports from the United Kingdom rose from £53 million to £67 million, or by £14 million. As the industrialization of the Union of South Africa progresses further, the Federation may turn more and more to this neighbouring country for its imports.

Canada's trade with the Federation shows a balance heavily in our favour, largely because the Federation's two major exports—mineral products and tobacco—are also produced and exported here. Our sales to this area are, however, limited by the restrictions on imports from the dollar countries that still remain in force.

The Federation has moved probably as far as any Commonwealth country in its endeavour to free from control as many items as possible and at present only 125 of the total 725 customs tariff items and sub-items are prohibited import from the dollar countries. This relaxation of control has not resulted in any rush of goods but has enabled a far greater variety of products to enter the Federation. This will benefit Canadian exporters when, at some time in the future, all imports are decontrolled.

In point of fact, imports from Canada have gradually risen from £1.5 million in 1954 to £2.2 million in 1955, £2.4 million in 1956, and £2.5 million in 1957. The more important imports from Canada include timber, newsprint and paper, wheat, cellophane, canned and smoked fish, automobiles and accessories, mining machinery and electrical equipment. Wearing apparel and all household goods are still on the prohibited list. ●

South Africa's Trade with the Commonwealth

Commonwealth countries took almost 45 per cent of the Union's exports last year and supplied some 33 per cent of its imports. Its Commonwealth neighbours in Africa are becoming attractive markets for South African manufactures.

I. V. MACDONALD,
Assistant Commercial Secretary, Johannesburg.

SOUTH Africa, highly dependent on the Commonwealth both as a market and a source of supply, is striving to increase her trade with British countries. The Union regards herself as the "workshop of Africa" and looks particularly to the Commonwealth territories to the north to buy the goods she turns out. Of these British African markets, the Federation of Rhodesia and Nyasaland is the most important and, in fact, accounted for almost one-sixth of South African exports to all destinations in 1957. As a customer it came second only to the United Kingdom, which traditionally purchases about one-third of South Africa's exports.

The United Kingdom, which is also by far the most important source of South Africa's imports, further strengthened her position in 1957, although the United States (second) and Germany (third) together rival Britain in total volume of sales. The Union's trade with non-Commonwealth countries increased at a slightly faster rate last year than did her trade with the Commonwealth. However, the Commonwealth still dominates the trading picture.

Composition of Trade

In general, South Africa, like Canada, exports raw materials, minerals and agricultural products, and imports machinery, consumer goods and, to a lesser extent, petroleum. But under the impetus of import control and rising tariffs, the country is rapidly becoming highly industrialized; imports of raw materials are

(*Continued on page 18*)

DIRECTION OF SOUTH AFRICA'S EXTERNAL TRADE

	1956 Imports (in £000's)	1956 Exports† (in £000's)	1957 Imports (in £000's)	1957 Exports† (in £000's)
Commonwealth and Eire				
Australia	2,379.9	2,402.0	3,088.3	3,478.4
Bahrein Island	5,509.1	3.2	7,578.2	4.7
British Malaya	6,977.4	2,335.3	6,759.9	2,589.3
British West Indies	304.6	891.2	330.6	745.8
Canada	22,763.3	2,688.6	16,908.5	2,384.1
Ceylon	7,303.5	294.9	6,414.5	318.4
Eire	77.0	35.2	74.0	26.2
Fed. of Rhodesia and Nyasaland	17,612.2	63,031.8	13,620.7	67,417.4
Hong Kong	1,941.6	2,095.8	2,965.5	3,183.4
India and Pakistan	4,829.1	504.5	6,649.6	504.3
Kenya	1,258.1	2,776.7	1,253.0	3,153.1
New Zealand	346.1	1,060.3	298.4	1,188.1
Tanganyika	1,135.3	998.5	1,342.2	1,136.5
Uganda	1,156.0	324.0	1,195.0	529.1
United Kingdom	156,518.4	127,877.4	179,785.7	131,042.6
Other Commonwealth countries	7,373.7	3,234.0	7,718.0	4,157.2
Commonwealth and Eire: Total*	237,485.2	210,553.3	255,981.9	221,858.6

	1956 Imports (in £000's)	1956 Exports (in £000's)	1957 Imports (in £000's)	1957 Exports (in £000's)
Non-Commonwealth				
Arabia	11,194.0	14.9	3,813.6	29.8
Belgium	10,024.3	21,115.3	12,203.2	18,908.1
France	8,736.4	15,797.1	10,027.8	15,383.2
Germany	31,914.2	18,453.6	44,314.5	20,477.8
Iran	11,288.8	55.4	19,736.5	91.0
Italy	10,156.3	16,760.9	10,696.6	17,287.4
Japan	11,845.0	8,383.5	17,650.1	9,119.4
Netherlands	10,152.8	9,809.5	11,040.3	11,586.6
Sweden	9,741.8	1,995.3	10,240.9	2,556.5
United States	99,179.9	34,093.0	107,560.1	30,367.6
Other countries	43,164.8	26,652.2	47,307.4	40,272.7
Non-Commonwealth countries: Total	257,398.2	153,130.6	294,591.0	166,080.1
Prescribed materials under the Atomic Energy Act**		38,695.1		49,859.5
Grand Total	494,883.5	402,379.1	550,573.0	437,798.2

†Exports include re-exports but exclude gold bullion.
*Figures do not add up because of rounding.
**Destinations not divulged.

increasing, but not entirely at the expense of consumer goods from abroad which are more and more in demand with the steady rise in national income. Main imports in order of importance are:

Textiles	United Kingdom, the United States and Japan
Motor vehicles	United Kingdom, Germany, the United States
Petroleum products	Arabia, Iran
Foodstuffs	United Kingdom and the United States
Chemicals	United Kingdom and the United States
Paper: Kraft	Sweden
Newsprint	Canada
Lumber	Canada and the United States

Major exports in order of importance during the first quarter of 1958 and their principal markets were:

Wool	United Kingdom, France, the United States and Germany
Uranium oxide	Not available
Fruit	United Kingdom, Netherlands and France
Diamonds	United Kingdom, the United States and Germany
Indian corn	United Kingdom and the Netherlands
Asbestos	United Kingdom, the United States, Germany and Belgium
Karakul skins	United Kingdom, the United States, and Germany

Gold, although it is not strictly speaking an export, is of course South Africa's chief source of foreign exchange, and the benefit of the Union's contribution of over £200 million a year to Commonwealth reserves is by no means confined to South Africa.

Trade with Canada

Canada's exports to South Africa totalled more than $48.4 million in 1957; leading products in order of importance were motor vehicles, lumber, rails, newsprint, tallow, leather, aluminum, sparkplugs and watches. Our imports from South Africa ($6.8 million in 1957) consisted largely of diamonds, peanuts, wines, and karakul skins. In the first quarter of 1958, our sales to the Union rose by almost 50 per cent over the same period of 1957, largely because of increased sales of a wide range of products, with the emphasis on automobiles and trucks. However, in the motor vehicle trade, imports from Canada are still small compared with those from the United Kingdom, West Germany and the United States. About 60 per cent of South African automotive imports come from the Commonwealth.

Canada's trade with South Africa may change in composition in future years but there are many encouraging indications that greater sales of new products will more than compensate for decreased demand for others. With suitable incentives and active sales promotion, South Africa's trade with the Commonwealth should also grow, or at least retain its present position in relation to non-Commonwealth countries.

South Africa is closely related to the Commonwealth in the field of investment also. Overseas investment in the Union at present totals just under £1,400 million. About £864 million of this represents capital from the United Kingdom, £32 million from the Rhodesian Federation, and £12 million from Canada.

Important non-Commonwealth investors are the United States with £171 million, France with £74 million, Switzerland, and the Netherlands. Despite the strong trade connection with Germany, German investment totals less than £6 million. Similarly, the bulk of South Africa's investments abroad (total, £326 million in 1956) lie within the Commonwealth, chiefly the Rhodesian Federation, where over half of the Union's investments have been made.

Increased investment in South Africa by other Commonwealth countries would help the Union's economic development and balance-of-payments position and at the same time offer the prospect of attractive returns.

Tours of Territory

W. G. BRETT, Assistant Commercial Secretary in Caracas, Venezuela, will visit the Andes region, including Merida and San Cristobal, early in September.

W. GIBSON-SMITH, Commercial Secretary in London, will visit Edinburgh, Glasgow, Dundee and Aberdeen in Scotland during the last week in August. His mailing address there will be: c/o Mr. D. S. Reid, Assistant Secretary, The Scottish Council, 1 Castle Street, Edinburgh 2, Scotland.

K. F. OSMOND, Commercial Secretary in Rome, Italy, will visit Yugoslavia, including Belgrade, Zagreb, and other points, from August 30 to September 8.

R. D. SIRRS, Assistant Commercial Secretary in Caracas, Venezuela, will visit Maracay, Valencia, Puerto Cabello and Morón during the latter part of August, and the Netherlands Antilles in September.

Businessmen who would like these officers to undertake assignments should get in touch with them at their posts as soon as possible. Write to Mr. Brett and Mr. Sirrs at Caracas, Mr. Gibson-Smith at London, and Mr. Osmond at Rome.

Rx PHARMACEUTICAL RAW MATERIALS

The Industry in Canada

Our pharmaceutical industry has nearly doubled its output in the last eight years. Increasing capacity heightens interest in export markets; this new series of reports is designed to cater to that interest by exploring sales possibilities abroad.

G. A. FERGUSON, *Chemicals Division.*

THE Canadian pharmaceutical industry has been developing at a rapid pace in recent years. Production of medicinal and pharmaceutical products rose from $71.5 million in 1949 to $137.6 million in 1957 and the industry has thus become the second largest in the chemical and allied products field in this country. Shipments of Canadian pharmaceuticals abroad last year went to 82 countries and were valued at $6.8 million, compared with $3.9 million in 1949.

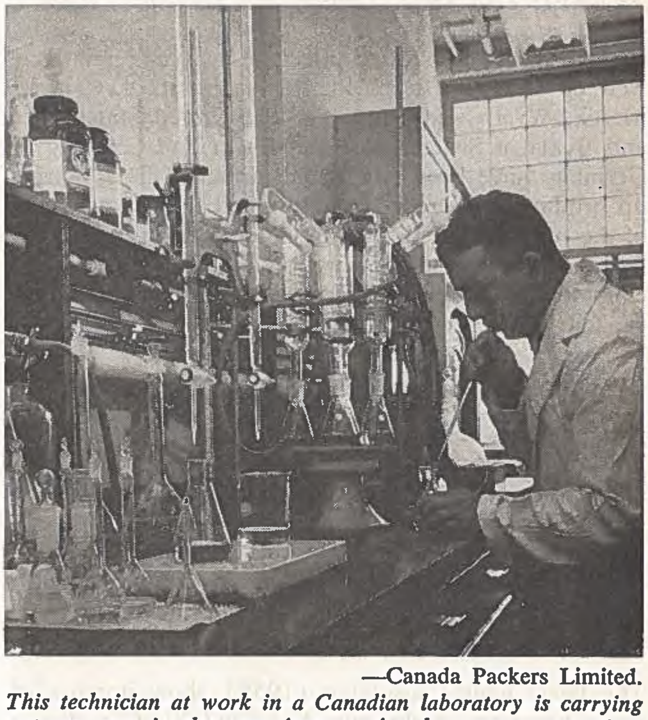
Products Exported

Exports of medicinal and pharmaceutical preparations, although they constitute a relatively small proportion of the total production, are of considerable importance to those firms engaged in foreign marketing of their products. Ethical pharmaceutical specialties make up the largest proportion of these exports but the figure also includes proprietary and patent medicines and a wide range of synthetic and natural chemical products intended for use in pharmaceutical industries abroad.

Included in the latter groups are such products as penicillin, streptomycin and other antibiotics, certain vitamins, biological products both for human and veterinary use, and animal glandular products such as liver extracts, ACTH and bile acids. In addition many crude drugs which occur naturally in Canada are collected and exported. In this group are such botanicals as senega root, cascara sagrada bark, ginseng root, golden seal root, Canada balsam and other coniferous oils which, although they may not be used exclusively in the preparation of medicines, have related uses.

In many foreign countries industries making pharmaceutical preparations are growing at an even greater pace than the Canadian industry and because of this, *Foreign Trade* has undertaken the series of market reports which begins in this issue. Canadian Trade Commissioners abroad and the Chemicals Division of the Department here at home have co-operated in this effort to point up export sales possibilities for Canadian firms.

On the recommendation of the Chemicals Division (which also suggested what type of information was required) these articles are directed primarily at assisting Canadian producers of pharmaceutical raw materials. An attempt has also been made, however, to interest exporters and potential exporters of pharmaceutical preparations.



—Canada Packers Limited.
This technician at work in a Canadian laboratory is carrying out one step in the manufacture of a hormone preparation.

At the same time, the Trade Commissioners have attempted to explain some of the difficulties facing Canadian exporters of pharmaceutical raw materials, including both competition from domestic producers in foreign countries and from the sales efforts of other exporting countries.

The reports also give some information on the tariffs and import restrictions on Canadian goods; further details about these may be obtained from the International Trade Relations Branch of the Department. In preparing these reports, some of the Trade Commissioners have found it rather difficult to collect accurate information because of the lack of published statistics in some countries. In these cases the views and knowledge of foreign firms, coupled with the practical experience of the Trade Commissioners themselves, have served as a basis for the reports.

Where detailed statistics were supplied, many of these could not be printed because space was limited. However, they are on file in the Department and interested readers may obtain a copy by writing to the Chemicals Division, Department of Trade and Commerce. ●

℞ PHARMACEUTICAL RAW MATERIALS

Markets in Latin America I

COLOMBIA—***Practically all raw materials needed by the well developed pharmaceutical industry are imported; sales depend on price, quality and delivery.***

ALFRED SAVARD, *Commercial Secretary, Bogotá.*

COLOMBIA'S pharmaceutical industry is relatively well developed. In recent years Frosst of Canada, Merck, Wyeth and Squibb of the United States, Om and Byala of Switzerland, and Bayer and Schering of Germany have been among the principal firms setting up production there. It is estimated that 80 per cent of the packaged medicines in Colombia are turned out by these foreign subsidiaries. A number of important Colombian laboratories round out the productive capacity of the country.

Medicinal Roots, Herbs and Barks

Estimates are that the industry uses about 85 tons a year of such raw materials as medicinal roots, herbs and barks (senega root, cascara sagrada bark, golden seal root, etc.) most of which is imported. Although a good many of these materials are found in Colombia, the quantities required preclude their economic exploitation and for some time to come imports will probably continue to supply the industry's major requirements.

The latest figures available (1956) show imports of roots, herbs and barks valued at $76,000 (Canadian); the principal suppliers were Germany, Belgium, Canada, Chile, Spain, the United States, France, Mexico, Britain and Switzerland.

Products of Animal Origin

ACTH, liver extracts, hormones and other raw materials of animal origin are mainly imported from abroad; some types of vitamins are produced locally.

In 1956 some 67,000 kilograms of these products, valued at $1 million Canadian, were imported, chiefly from Germany, France, Canada, Cuba, Ecuador, the United States, Italy, Mexico, the Netherlands, the United Kingdom, Brazil and Switzerland.

Synthetic Chemicals

A wide range of synthetic chemicals entering into the manufacture of packaged medicines in Colombia is imported, principally from the United States, Canada, Switzerland, the Netherlands and France. There is no local production.

Import Practices and Regulations

As a rule, local subsidiaries of foreign firms are free to purchase their requirements in the most favourable markets. Some, of course, do avail themselves of the centralized purchasing facilities of their parent companies or of their productive capacity. There are as yet no specific regulations, health or otherwise, governing imports of these raw materials.

Other than normal customs duties, there are no restrictions on the import of these items. Canada exchanges most-favoured-nation treatment with Colombia and Canadian products are on an equal footing with those of other supplying countries. Quality, price and delivery therefore govern the purchasing policies of Colombian importers. Trade reports indicate that there will be a continuing market for pharmaceutical raw materials in Colombia, at least in the foreseeable future. ●

CUBA—*Demand is large but over half is supplied by parent companies of U.S. branch plants. This limits Canadian opportunities.*

N. LORENZO,
Office of the Commercial Secretary, Havana.

THE size of the Cuban market for finished pharmaceuticals, probably one of the world's largest on a per capita basis, assures an equally attractive market for most of the raw materials needed by its pharmaceutical industry. Practically all these materials are imported. With a population of slightly over six million, Cuba consumes annually between $60/70-million worth of pharmaceuticals, retail value. Roughly half of these are manufactured, processed or packaged in Cuba by the well over 200 laboratories, some of which are branch plants of well known foreign firms. Some twenty laboratories average annual sales of over $400 thousand each, about 40 earn from $150 thousand up, and the remainder less than $150 thousand a year. There are also many smaller firms, generally catering only to their own area. They do not import prime materials directly but obtain their limited requirements from the three or four large drug houses.

Size and Composition of Market

With the exception of the large American branch plants and one of the several French laboratories established in Cuba, all foreign laboratories with manufacturing or packaging facilities in Cuba are free to buy their prime materials where they wish. The American branches, however, supplied by their parent companies with their requirements for domestic processing or packaging, are believed to represent probably 50 per cent of the total finished pharmaceuticals market. The "free" market in prime materials is thus equal to roughly only half of the total consumption.

The last ten or fifteen years have seen a significant change in the composition of the prime materials imported by the domestic pharmaceutical industry. Where liver, brain, testicular, ovary, meat, and botanical derivatives, etc., once represented perhaps 80 per cent of imports, today an estimated 80 per cent of the demand is for antibiotics, vitamins, sulfas and synthetic chemicals.

It is hard to estimate the size of the Cuban prime materials market from the incomplete statistics. All indications, however, point to the United States as the main supplier, with Canada, Germany, France and other countries participating, but to a lesser degree. The following totals of American and Canadian exports of these materials to Cuba in 1957 are useful for comparison:

United States	$8 million
Canada	$266 thousand

The origins of shipments shown do not necessarily correspond to the country of production because, particularly in the botanicals field, a certain type of firm contracts for or purchases crops from all over the world and then sells to the processor, who in turn exports to foreign pharmaceutical manufacturers. An example confirming the leading position of United States suppliers is golden seal root (*hydrastis canadensis*) on which the United States outprices Canadian offers. Cuba's limited imports of roots, herbs and barks come in in all forms—crude drugs, soft extracts, dry powder, fluid extracts and tinctures—although some imports of the pure alkaloid are also made.

Large Domestic Industry Unlikely

Although it has been announced that domestic production of antibiotics and hormones will soon begin, on the whole it does not seem likely that the domestic industry will develop in the foreseeable future to the point where imports of prime materials for the pharmaceutical industry will be sharply cut back. Cuba doubtless has, or could have, the manufacturing facilities and the basic materials for setting up an industry, but limited population would hinder expansion. Moreover, the channeling of exports to the country's most logical market, Latin America, might be made difficult by the powerful American and even Canadian competition.

The only glandular derivative still in good demand is liver extract in injectible form, although the demand is much less than it was ten years ago. In anemia cases, 15 times out of 20 Cuban doctors probably prescribe Vitamin B-12, three or four times liver extracts of the name brands sold by the Cuban subsidiaries of American firms, and perhaps once or twice, liver extracts which the domestic laboratories can supply. This reduces the selling opportunities for the foreign supplier of the extract to perhaps 20/25 per cent of the total demand. This extract is also in some demand for tonics for oral use but vitamin complexes and other modern trophic drugs have largely replaced the demand of former years. Pepsin continues to be in good demand but Canada seems unable to supply it. Generally speaking, glandular extracts of animal origin are being supplanted by hormones and other extracts by Vitamin B-12.

Duties and Regulations

Cuba imposes no cumbersome health regulations nor import restrictions on prime materials for the pharmaceutical industry. It merely requires that they be freely sold in the country of origin and described and accepted in the respective pharmacopeia, dispensatory, or formulary. Customs duties generally favour U.S. imports by virtue of an exclusive tariff preference granted to the United States by Cuba. Considering the value per weight of most prime materials, however, this duty difference cannot be regarded as the main factor in the U.S. predominance in the market. It is not expected that the revision of the entire Cuban tariff now in progress will unduly and indiscriminately protect the incipient prime materials industry, though a flexible tariff may well be instituted to accord protection if and when an industry is established. Freight rates from the United States are also slightly lower than from Canada.

Canadian shippers of synthetic chemicals, glandular and botanical derivatives, and finished pharmaceuticals enjoy a good reputation in the Cuban market. Present demand, however, insists upon the most modern forms of antibiotics, sulfas, vitamins, and hormones, and the United States and some European suppliers provide the principal competition for Canadians. ●

MEXICO—*Pharmaceutical industry is large and thriving; it imports about 95 per cent of its raw materials, mainly from the U.S. and Europe.*

GEORGES E. BÉLANGER,
Office of the Commercial Counsellor, Mexico, D.F.

MEXICO'S pharmaceutical industry has developed rapidly in recent years and now ranks among the top ten in the country. In 1932, it produced only 10 per cent of Mexican pharmaceutical needs; by 1957, this figure stood at 82 per cent. Today over 450 laboratories turn out products worth US$120 million. Thirty of these laboratories, representing about 50 per cent of the market, are U.S.-owned; twenty are subsidiaries of other foreign companies, chiefly German, Italian, French and Swiss, who entered the market in association with Mexican capital. Altogether, these subsidiaries turn out an estimated 80 per cent of the production.

The value of the raw materials used by the pharmaceutical industry is estimated at US$12 million. The majority of these (about 95 per cent) are imported and this will probably continue. Some are found in Mexico but the cost of extraction would make them more expensive than imports from abroad already firmly established on the market. The largest share comes from the United States, followed by Germany, France, Switzerland and the United Kingdom. Denmark, Italy and the Netherlands also participate in this market; Canada supplies only 5 per cent of the total volume. Although the United States is in a very favourable position, both because of accessibility and purchasing by American subsidiary companies, nevertheless important quantities are being obtained in world markets on the basis of price and credit. European firms have the reputation of offering more favourable credit terms than American companies. Rapid delivery is also a factor in this business.

Organic Products

There is a growing demand for organic products, including liver extracts; present Mexican production of the latter is negligible. An excellent market for antibiotics has been established; they represent 40 per cent of the pharmaceutical volume. Bile acids have a more limited sale because of their use in specialized fields. Hormones and sterols are produced in Mexico and large quantities are exported to world markets. Barbasco root (Mexican yam) is used extensively as a sterol source, with ox bile. All ACTH is imported in bulk and packaged in Mexico; present market demand is concentrated on the long-duration type.

The following statistics of imports into Mexico of vitamins and antibiotics for 1956 and 1957 show the limited extent to which Canadian suppliers are participating in this market.

	1956		1957	
	Quantity (lb.)	Value (US$)	Quantity (lb.)	Value (US$)
Vitamins				
Total imports	1,262,025	1,689,948	611,895	2,269,384
From Canada	433	1,819	336	4,133
Antibiotics (bulk)				
Total imports	317,433	4,604,740	274,720	6,296,806
Canada			2,035	88,695
Antibiotics (vials)				
Total imports	320,040	2,796,360	403,711	2,960,894
Canada	2,426	24,229	10,643	39,539

The United States in both years was the major supplier.

Synthetic Chemicals

Both organic and inorganic synthetic chemicals are finding favour in this market. Some are being produced locally, such as salycylics used in the manufacture of aspirin and similar products. Phenol (carbolic acid) is also made here. Imports of synthetic chemicals, including "mixtures, preparations, and products of organic, mineral and organic-metallic origin" for 1956 and 1957 were:

	1956		1957	
	Quantity (lb.)	Value (US$)	Quantity (lb.)	Value (US$)
United States	1,554,295	3,112,056	1,275,689	3,361,865
Switzerland	41,010	595,781	56,771	546,306
Germany	67,780	221,938	114,092	314,498
France	37,492	206,460	28,811	187,830
CANADA	13,937	43,284	7,471	41,517
United Kingdom	50,710	34,091	35,156	33,970
Other	46,544	429,199	64,924	569,311
TOTAL	1,805,768	4,642,809	1,582,914	5,055,297

Medicinal Roots, Herbs and Barks

There is a smaller demand for these because they are being supplanted by newly developed synthetics and products of animal origin. Use of vegetable extracts is deterred by the relatively high cost of production compared with synthetics. However, there is still a market for vegetable extracts in Mexico because of difficulties encountered with local authorities in changing formula authorizations. Because products using medicinal roots, herbs and barks have been introduced and have gained acceptance on the domestic market, it has been the custom to continue with the same formula as long as it sells, rather than make substitutions. However, as new synthetics are found to replace these vegetable extracts, a new formula is introduced. Cascara sagrada bark has a limited market. Golden seal root (hydrastis canadensis), although it is native to Canada, is reported to be produced and sold at lower cost in the United States. Mexican import statistics of vegetable extracts (solid-paste-fluid) for the years 1956-57 show:

	1956		1957	
	Quantity (lb.)	Value (US$)	Quantity (lb.)	Value (US$)
United States	21,722	44,556	16,691	38,365
Germany	3,429	8,907	2,574	7,850
France	2,932	5,303	2,334	2,836
CANADA	1,359	1,684	1,245	2,828
Other	935	2,676	1,015	7,438
TOTAL	30,377	63,126	23,859	59,317

Health Regulations and Custom Duties

Generally speaking, there are no health regulations governing the entry of basic raw materials for use in the pharmaceutical industry. However, a certificate is required for antibiotics with a live potential. This certificate must be obtained from the country of origin, should cover the duration of potential for each batch, and must be forwarded to Mexico for validating by the Mexican health authorities.

All pharmaceutical raw materials pay the same rate of duty regardless of the country of origin. There are no restrictions on their import but because many of these materials are found in Mexico, high duties have been imposed as an incentive for development of domestic sources. Vegetable extracts (solid-paste-fluid) are subject to a specific duty of 0.10 pesos per legal* kilo (approximately US⅓ cent per lb.) plus 40 per cent ad valorem. An official price of 52.50 pesos per legal kilo, (approximately US$2.00 per lb.) has been established by the Mexican Customs authorities, with duties levied on the official price or the F.O.B. wholesale invoiced price, whichever is the higher. Mixtures, preparations, and products of organic, mineral and organic-metallic origin are subject to a specific duty of 0.80 pesos per legal kilo (approximately US$0.03 per lb.) plus 10 per cent ad valorem. There is no official price for this category.

It is estimated that 80 per cent of the raw materials that enter Mexico are subject to the latter tariff. If raw materials are imported under a brand name, it must be registered in Mexico before imports are made.

Possibilities for Canadian Suppliers

Canadian suppliers should note the possibilities for selling to Mexico products of animal origin, antibiotics, and to a lesser degree vegetable extracts. The main factors in this highly competitive field are rapid delivery and consistency in the product, favourable credit terms (currently ranging from 30 to 120 days, with 90 days the usual), and competitive prices.

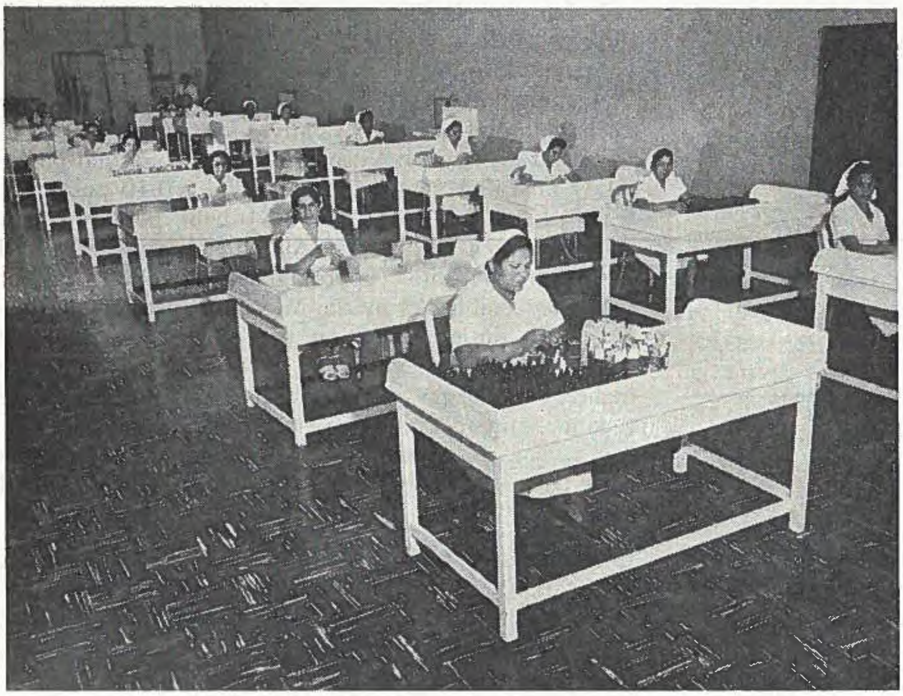
Canadian firms could well take a second look at this market, which depends primarily on imports and which is undergoing a tremendous development, as the figures above have demonstrated. ●

*Legal weight includes the weight of the immediate interior container in the weight to be used for calculating the duty and excludes that of the outer container.

VENEZUELA—*Size of the market hampers development of local processing industry, but imports of raw materials are fairly substantial, and Canadian sales are rising.*

R. D. SIRRS,
Assistant Commercial Secretary, Caracas.

VENEZUELA'S growing pharmaceutical industry offers increasing scope for the sale of pharmaceutical raw materials. At present the Venezuelan industry is still in its infancy and the country relies to an overwhelming extent on imports of finished pharmaceuticals (packaged goods). But developments under way point to an expansion within the next few years.



In one of Venezuela's larger laboratories, these women are packaging finished pharmaceuticals. The domestic industry is growing and it relies largely upon imports for the materials it needs. Many foreign suppliers compete for a share of this market.

Industry Relies on Imports

Local statistics do not reveal the precise type and quantity of fine chemicals entering Venezuela. General tariff classifications cover imports of chemical products for industrial as well as pharmaceutical use and include finished pharmaceutical products and raw materials under the same classification. It is therefore extremely difficult, if not impossible, to pinpoint the country's imports of pharmaceutical raw materials. However, it is safe to say that they are extensive because virtually no raw materials are produced locally. The developing Petrochemical Institute will ultimately produce various chemical derivatives of petroleum. Some of these will no doubt be used in the pharmaceutical industry. However, the bulk of pharmaceutical raw materials will continue to come from abroad.

According to a prominent pharmaceutical manufacturer considered generally representative of the industry as a whole, the total value of Venezuelan imports of pharmaceutical raw materials last year approximated 40 per cent of those of finished pharmaceutical products. He estimates that imports of products amounted to Bs.72 million and imports of the raw materials Bs.28.8 million. Imports of Bs.28.8 million equal about one-quarter of wholesale sales of these raw materials when they are processed into products. This takes into consideration the cost of processing, labour, advertising, profits, etc. In other words, the pharmaceutical retail outlets will receive locally made products produced from last year's raw material imports worth approximately Bs.115.2 million. The ultimate consumer pays an additional 30 per cent.

Sales at wholesale of imported finished pharmaceuticals are said to equal approximately Bs.210 million.

Wholesale figures for the over-all industry, including both locally processed products and imports of packaged pharmaceuticals, have been estimated at approximately Bs.335 million.

Main Suppliers

Main suppliers of pharmaceutical raw materials are the United States, Germany, Italy, Switzerland, France, and the United Kingdom. Last year Canadian supplies of finished pharmaceuticals and pharmaceutical raw materials, particularly medicinal preparations, showed an encouraging increase.

CANADIAN EXPORTS TO VENEZUELA

	1956	1957
Medicinal preparations	75,112	818,290
Drugs and chemicals	572,813	667,930
Antibiotics	3,396	6,555

The following paragraphs give some details about Venezuelan supplies of the various raw materials.

Drugs (Natural and Synthetic Chemicals)

This classification includes bromides, iodides, bismuth salts, sodium benzoate, acetysalicylic acid, etc. The United States is currently the main supplier but competition from Italy, Switzerland, Germany, France and Britain is keen and is increasing. These countries are acquiring a larger share of this market with their lower priced products.

Products of Animal Origin (Biological)

Biologicals, liver extract, spleen extract, vitamins (all types), sterols, pepsin, etc., are imported into Venezuela.

Hormones and antibiotics are imported in a finished state and for technical reasons this method of purchase is expected to continue. They come from diverse sources.

IMPORTS OF PHARMACEUTICAL MATERIALS

No. 380 **Organic Compounds**

B.6-Unspecified

	Weight (kilos)	Value (bolivars)
Germany	543	2,235
Belgium	55,995	41,281
Canada	3,701	7,640
United States	175,002	241,759
France	445	524
Netherlands	61,416	53,777
United Kingdom	9,102	15,802
Yugoslavia	6	25

D.13-Unspecified

	Weight (kilos)	Value (bolivars)
Argentina	35	1,244
Germany	102,689	595,106
Austria	6,265	1,122
Brazil	31	815
Belgium	506	17,451
Canada	453	21,843
Cuba	5	201
China (Mainland)	95	1,721
Denmark	11,181	149,169
United States	2,289,628	3,874,336
France	3,214	54,225

No. 358 **Pharmaceutical Products**

D.-Unspecified

(including liver extract, hormones, chlorides)

	Weight (kilos)	Value (bolivars)
Argentina	208	8,118
Germany	8,302	104,831
Austria		3
Brazil	523	8,010
Belgium	629	29,341
Canada	5,892	165,851
Cuba	232	2,714
Denmark	430	47,549
United States	161,487	1,506,815
Spain	664	2,484
France	3,071	65,152
United Kingdom	13,077	53,559
Mexico	3,110	160,720

These Venezuelan Government statistics comprise many pharmaceutical raw material imports. However, some finished products are also included and at best these tables only indicate one-fourth of total imports. The rest are distributed among many customs classifications which, for the most part, include industrial chemicals.

Medicinal Roots, Herbs and Barks

Fluid extracts, cascara, lobelia, sagrada bark, amica and other plant derivatives are imported. The U.S. quotations for these are generally considered high; the United Kingdom and Germany are quoting more competitively.

Local Laboratories

There are approximately 40 pharmaceutical laboratories in Venezuela, most of them in Caracas. The largest of these is about as big as a middle-sized laboratory in Canada. They are normally engaged as subsidiaries or representatives of several foreign pharmaceutical firms and either distribute the imported product, manufacture (often under licence), or do both. There are perhaps over 270 foreign firms represented in Venezuela, including several prominent Canadian companies. These firms, because of their established connections, are in a good position to maintain a supply of raw or semi-processed materials to this market in the event of restriction on some packaged goods. In any event, the Venezuelan market is always open to quality raw materials competitively priced.

Restrictions Are Few

There are no government health regulations which restrict the import of pharmaceutical raw materials. However, if a new drug makes an initial appearance in Venezuela it may be subject to scrutiny before being admitted to the country. Of course, finished pharmaceuticals, whether they are imported or produced locally, must be registered with the Department of Health before they can be marketed.

Canada, under the modus vivendi which she has drawn up with Venezuela, receives most-favoured-nation treatment. Consequently she enjoys the same tariff rate as her U.S. and European competitors.

The duty which generally applies to imports of pharmaceutical raw materials is Bs.2 per kilogram. For MFN countries it is reduced to Bs.1.95. However it varies. Some products (such as biologicals) are duty-free or pay only a nominal rate of duty. In any event, Canadian suppliers need not worry about discriminatory tariffs on their products.

Local Development

It is expected that the local pharmaceutical industry will expand fairly significantly in the years ahead and this will open up new outlets for Canadian firms. Local pharmaceutical manufacturers, to facilitate expansion, are pressing the Government for higher duty rates (as high as Bs.25.00 per kilogram) on the imports of some finished pharmaceutical products. However, the development of local processing is not expected to be speedy. The limited size of this market means that it is not always economic for producers to put in elaborate machines to process goods on a wide scale. Therefore firms may be reluctant to make some things which can be obtained at a much lower price from abroad. The lack of technical know-how and facilities for the processing of many products are also factors. The Venezuelan market will, within the foreseeable future, be predominantly dependent on imports of finished pharmaceuticals. However, it would be folly to overlook local moves to develop a processing industry.

According to representatives of local laboratories, the best raw material opportunities lie in the chemical, drug and biochemical fields. An effective way to maintain a foothold in Venezuela, in the light of proposed moves to bolster local pharmaceutical processing, is to establish a direct connection with a reliable local pharmaceutical producer-distributor. If a specified finished product is cut out of the market, arrangements may then be made for supplying raw materials or semi-processed products.

Prices of raw materials should be competitive and should be tailored to meet U.S. and European competition.

If your products show promise, a trip to this territory may be warranted.

Trade Commissioners on Tour

The following officers of the Trade Commissioner Service are on tour in Canada. Their itineraries are:

H. E. CAMPBELL, Trade Commissioner in Kingston, Jamaica:

Vancouver—Sept. 2-10
Winnipeg—Sept. 12
Ottawa—Sept. 15-19
Montreal—Sept. 22-30
Maritimes—Oct. 1-10
Toronto, Southwestern Ont., Oct. 13-24

When he completes his tour Mr. Campbell will return to his post in Kingston, Jamaica.

M. P. CARSON, Trade Commissioner in Singapore:

Saint John—Sept. 16
Moncton—Sept. 17
Halifax—Sept. 18

T. F. HARRIS, Trade Commissioner in Bombay, India:

Quebec—Sept. 2
Montreal—Sept. 3-9
Toronto—Sept. 10-17
St. Catharines, Welland—Sept. 18
Hamilton—Sept. 19
Winnipeg—Sept. 22-23
Calgary—Sept. 24-25
Vancouver—Sept. 26-Oct. 3

B. I. RANKIN, Commercial Counsellor in Berne, Switzerland:

Montreal—August 13-22
Quebec—August 25-26

W. J. MILLYARD, formerly Trade Commissioner in Salisbury, Federation of Rhodesia and Nyasaland:

Port Credit—Aug. 18
Welland—Aug. 18
Hamilton—Aug. 19
Guelph, Fergus—Aug. 20
Waterloo—Aug. 21 A.M.
London—Aug. 21 P.M.-22 A.M.
Kincardine—Aug. 22 P.M.

When he completes his tour Mr. Millyard will be stationed in Ottawa as Assistant Director (Administration) of the Trade Commissioner Service.

H. W. RICHARDSON, Trade Commissioner in Guatemala City, Guatemala:

Toronto—August 11-19
Kingston—August 20
Ottawa—August 21-29

Businessmen who wish to see these officers should get in touch with the Board of Trade or Chamber of Commerce in the cities mentioned, with the following exceptions. In Toronto, 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.

Commodity Notes

Aircraft Parts

BRAZIL—The Rolls Royce Company has announced that it will open a subsidiary in Brazil, probably in the State of São Paulo, to operate a spare parts depot and overhaul base for the company's aircraft engines, and later, diesel engines—São Paulo.

Aluminum

NORWAY—Norwegian production of aluminum in 1957 totalled nearly 96 thousand tons and a further expansion of output is planned. The state-owned aluminum company, A/S Aardal & Sunndal Verk, has undertaken a program to bring the total capacity at its two plants at Aardal and Sunndal to 140 thousand tons at a cost of some kr.400 million. In addition, two private firms—one Swiss and one Norwegian—have built a new smelter at Mosjøen in northern Norway. It will have an annual capacity of 22 thousand tons—Oslo.

Chemical Products

UNITED STATES—The Copolymer Corporation has announced plans for a $3 million addition to its Baton Rouge chemical plant to provide facilities for producing a new type of dry rubber product containing carbon black. The new product will permit manufacturers of finished rubber goods to increase output, reduce warehousing, and maintain cleaner plants—New Orleans.

Copper

CHILE—Two Japanese mining firms, the Nippon Mining Company and Daiichi Busan Company, will invest US$180 thousand in a Chilean copper enterprise, the Sociedad Minera Portezuelos. The firm owns deposits and a lixiviation plant in northern Chile and produces 60 tons of fine copper each month. It hopes to increase output to 80 tons a month by the end of this year, and to 200 tons a month by the end of 1959—Santiago.

Dairy Cattle

AUSTRALIA—Some 2,000 head of dairy cattle from areas along the east coast of Australia will be shipped to Japan during the next year. Already about 5,600 head have been exported to that country, and have proved satisfactory there. Sale of cattle to South East Asia and Japan is fast becoming a valuable sideline for the Australian dairy industry —Sydney.

Diesel Buses

BRAZIL—The Empresa do Alto-do-Pari Limitada of São Paulo, Brazil, has ordered 40 new Leyland Worldmaster diesel omnibuses. The bodies will be built in São Paulo. The firm already owns a fleet of 105 Leyland buses—São Paulo.

Forest Products

NEW ZEALAND—The New Zealand forest industry increased its export earnings in 1957. Exports of timber and pulp products, which rose from £2.5 million in 1955 to £4.9 million in 1956, reached a record £6 million in 1957. Although receipts for lumber exports fell by roughly £160 thousand, sulphate pulp returns rose by £646 thousand. Australia took most of the pulp and newsprint, as well as the bulk of the other forest products—Wellington.

Iron Ore

PERU—Development of the Acari iron ore deposits in southern Peru has begun and the mine will go into production in early 1959 with an estimated annual output of one million tons.

The deposits contain an estimated 100 million tons of high-grade iron ore. Development will cost some US$8 million and will be financed from abroad —Lima.

Lumber

SWEDEN—Sweden so far in 1958 has exported about 375 thousand standards of sawn and planed lumber. The total amount offered for export for the whole year is about 925 thousand standards—Stockholm.

Mineral Ores

ARGENTINA—Exports of mineral ores during the first five months of 1958 increased by about 20 per cent in volume and 30 per cent in value over the same period in 1957. The total volume reached 24.3 thousand metric tons valued at US$2.9 million. About half of this amount, US$1.5 million, was accounted for by exports of wolframite, and borate, silver, beryllium, salt and copper made up the remainder —Buenos Aires.

Paper

SWEDEN—Swedish paper exports have decreased sharply during the first four months of this year, mainly because of higher production in the United States. Swedish domestic consumption has increased, however, so that only a small cut in production is necessary. For the first four months of 1958, production totalled 550 thousand tons of paper and board against 578 thousand for the same period last year; exports decreased by 49,000 tons to 294 thousand. British purchases of Swedish newsprint have fallen off to one-quarter of the amount sold in the equivalent period in 1957, mainly because industry there is drawing on its newsprint stocks. Kraft paper exports to the United Kingdom and to the Netherlands and Belgium have also gone down but, on the other hand, West Germany is buying more—Stockholm.

UNITED STATES—The St. Francis Paper Company, a joint operation of Time Incorporated and Crown Zellerbach Incorporated, is completing construction of its new $31 million magazine-paper plant at St. Francisville, Louisiana. The plant should be in full operation by next January—New Orleans.

Polyvinyl Chloride

ARGENTINA—Construction of a plant to produce polyvinyl chloride resins has been started in Mendoza by Messrs. Monsanto Andes S.A. This is a subsidiary of Señores Carbometal S.A.I.C., Buenos Aires, and Messrs. Monsanto Overseas S.A., which is itself a subsidiary of the Monsanto Chemical Company —Buenos Aires.

Potash

DENMARK—Samples obtained from oil borings in Jutland have shown an unexpectedly large potash content and a committee has been appointed under the Academy for Technical Sciences to study potash extraction. Danish imports of potash fertilizers now total 60-70 million D.Kr. a year—Copenhagen.

Railway Cars

AUSTRALIA—Australia will supply $250 thousand worth of railway cars under the Colombo Plan to the Royal Cambodian Railways. They will be built by the Commonwealth Engineering Co. Ltd. of New South Wales, and delivery is expected within fifteen months—Sydney.

Rolling Stock

AUSTRALIA—An Australian firm, Commonwealth Engineering Co. Ltd., has won a A£3¼ million contract in South Africa for over 300 railway coaches. The coaches will be built in South Africa in an A£500 thousand plant due to be completed at Nigel, near Johannesburg, by next December. Delivery of the first coaches is expected at the end of 1959. The company, to be known in South Africa as the Union Carriage and Waggon Company, will be the first in South Africa to make passenger coaches —Sydney.

Uranium

SWEDEN—The uranium mine operated by the Swedish Atomic Energy Company at Stenstorp in southern Sweden is scheduled for completion by 1962. The plant will have an annual production capacity of 120 tons of uranium and employ 350 workers. Construction will start this year and will cost an estimated $22 million. Approximately 900 thousand tons of raw shale will be treated to yield an estimated 120 tons of uranium. The purified shale contains about 320 grams of uranium per ton—Stockholm.

Uranium Oxide

SOUTH AFRICA—Following negotiations between the South African Atomic Energy Board and the Combined Development Agency, uranium purchases by the Agency from the Board will be limited to 6.2 thousand tons a year beginning July 1, 1958. The agreement thus sets the Union's contractual earnings for uranium oxide at about £50 million a year. This equals approximately the annual rate of production of South Africa's 32 uranium mines during the first quarter of 1958. Any uranium produced in excess of the agreed figure will be available for sale elsewhere. Already the Harmony Gold Mining Company has announced that it will sell 1.5 thousand tons of uranium to the U.K. Atomic Energy Authority above the amount to be supplied to the Combined Development Agency—Johannesburg.

Wines

CHILE—Under the terms of the Chilean-French commercial agreement, the Chilean Exchange Control Commission has granted permission for the export of 12.5 million litres of wine to France, with a total value of US$1.8 million—Santiago.

Argentina's wheat crop is usually transported in bags, and permits to bring in sacking for these bags are still easily obtained. When the wheat is swung aboard ship, the bags are removed.

ARGENTINA ADOPTS AUSTERITY

Ban on all imports, imposed when new Government took office in May, remains in force while economic policies are reviewed. Recurring trade and payments deficits, need for money to develop resources and industry, and mounting production costs bulk large among the Argentine's problems.

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

ONE of the first acts of the new Argentine Government following its inauguration on May 1 was to prohibit all imports without exception until further notice. This ban was considered essential to permit the new Administration to study the economic situation and plan steps to eliminate, if possible, the recurrence of annual trade deficits and yet provide the essentials for the country to maintain minimum economic health.

Argentina is still suffering from smaller per capita industrial output and decreased agricultural acreages compared with the prewar decade. Falling international prices for agro-pastorál products have aggravated this situation. The result has been adverse balances of trade and payments over the past three years, plus an almost complete lack of the capital necessary to rehabilitate the railway, river and road systems, develop the petroleum and steel industries, and expand the output of electric power. There has been some progress, notably the provision of a substantial number of diesel-electric locomotives for the railways. Import permits authorized up to April 30 were reported to total considerably more than the gold and foreign exchange now on hand, plus the whole of the foreign exchange expected to be earned during the rest of 1958. Curtailment was therefore absolutely necessary.

Business Protests Import Ban

The greater part of the import permits issued before May 1 have since been revalidated, but during the succeeding two months few new permits have been issued, even for highly essential goods. Importers and manufacturers are becoming decidedly restive over the suspension of imports of essential goods. Many claim that the minimum stocks they normally maintain for resale or remanufacture have now been exhausted and if the present prohibition continues, it will seriously affect them and the economy. So far, new permits have been confined almost wholly to petroleum and coal, iron and steel primary products, sacking for grain bags, and capital goods. The rubber industry is expected to benefit shortly.

The new Government has not announced any basic change in economic policy. Apparently the import system established by the Provisional Government in October 1955 is to be continued without any major change other than the present restriction of imports. The official and free markets are to be

NOTE: All values in this report expressed in U.S. dollars are so expressed for convenience only. They constitute the equivalent only of the currencies actually involved and do not imply that the transactions themselves were or would be carried out in that currency.

retained and so is the present official market exchange rate of 18 pesos per U.S. dollar or the equivalent in other currencies. Neither is there any rumour that either the 100 per cent prior deposit for free market imports or the 20 per cent one for official market imports is to be changed. However, it has been announced that a budget will be set up for 1958, strictly rationing the amount to be spent on each import.

The import ban aims to eliminate all goods considered non-essential. But even before May 1, local commercial circles asserted that this had been largely done, because consumer goods as computed by the *Economic Survey* represented some US$185 million or about 14 per cent of total imports. This group was split into durables US$70 million and non-durables US$115 million. However, one half of the non-durable consumer group was foodstuffs, mainly coffee, cocoa, bananas and other tropical produce, the backbone of the bilateral treaties with Brazil and Paraguay which would be difficult to eliminate even partially. Nor would the total elimination of these consumer goods correct the annually recurring trade deficits. (In 1957 the deficit reached close to US$340 million.)

Deficits Are Continuing

Argentina has had three successive annual trade deficits totalling respectively US$244.0 million, US$183.8 million and US$339.8 million—an annual average of US$255 million. This latter represents more than one-fourth of total 1957 exports. In a speech made on May 21, President Frondizi forecast a trade deficit for 1958 of US$359.9 million.

The new Minister of Economy has declared that the adverse balances of payments have been: 1955, US$31 million; 1956, US$151 million, and 1957, US$270 million. However, an article in the July 8 issue of the *Economic Survey* discusses an unpublished report of the UN's Economic Commission for Latin America which seems to suggest that the 1957 adverse balance did not exceed US$193 million. For 1958, the Central Bank estimated in March last, the adverse balance will be US$207 million. This amount will probably decrease because of the ~~present~~ restriction of imports and the recent payments agreement with Japan, along the lines of the Paris Club agreements. The Under Secretary for Industry and Commerce estimated in April last that it would total about US$180 million.

In previous years the balances of payments have been notably smaller than the balances of trade, partly because of the Paris Club Agreement with eleven European countries (under which the equivalent of several hundreds of millions of dollars of commercial debt was to be amortized over ten years) and partly because of loans from the United States Export-Import Bank and private United States and British banks and long-term credits from exporters in many countries. However, these arrangements were insufficient to cover the trade deficit and the Central Bank's gold and foreign exchange reserves had to make up the balance. At May 15, 1958, these reserves had fallen to the equivalent of US$246.3 million compared with US$371.5 million in April 1956. The present balance includes an amount in Spanish pesetas equal to US$47 million that is not immediately available to pay for either imports or services.

The over-all foreign indebtedness is placed by the President at US$974 million. This includes the Paris Club debts, those to the Export-Import Bank, the International Monetary Fund and others, but excludes debt on all purchases abroad on long terms or instalment payments. This debt totals slightly more than total earnings from exports last year. It constitutes a mortgage on the country's future foreign exchange earnings.

Foreign Capital Badly Needed

In an address on April 9 the Under-Secretary of the Ministry of Commerce and Industry declared that Argentina would need over the next five years a minimum of US$3,000 million to finance essential new industries and productive public works and rehabilitate present industry and basic services. This is more than three times the annual earnings of foreign exchange through the sale of export products. Because the last three years have shown heavy trade deficits and this year will bring another, and because the reserves of gold and foreign exchange will be close to the vanishing point by the end of 1958, the required financing will have to be supplied from abroad. Neither this amount of capital nor any amount remotely approaching it is available within Argentina and a deficit economy cannot produce it through savings.

The individual estimate for water and power is US$731 million. The Minister of Economy has stated that over the next five years a further 2.4 million kw. of electric power will be needed. Petroleum expansion will need US$572 million. This still remains the key to economic recovery and great interest was aroused by the announcement late in July that contracts had been signed with U.S. and West European firms for exploring and developing the Argentine petroleum resources. The foreign capital to be invested in these projects is said to total about $1,000 million. The railways will need US$683 million. A start has been made on renewing the present obsolete equipment with the purchase of 371 new diesel-electric locomotives in the past two years. Most of the steam locomotives are more than 25 years old and almost one-third are over 48 years old. The rolling stock is in similar condition. Most of the rails and a great deal of the ballast should be renewed. The road system will require US$518 million. Loans totalling US$1,633,800 were granted to United States exporters recently by the Export-Import Bank, covering sales of road machinery and equipment to Argentine contractors. Steel production expansion will consume US$145 million, chiefly in the northern industry at Zapla and the new one at San Nicolas. For electrical improvements in greater Buenos Aires, US$132 million is budgeted. Natural gas distribution lines have been allotted US$36 million and exploitation of proven coal beds will require US$85 million. An agreement was signed on June 13 with a French company whereby the latter will grant Argentina a $30 million credit to develop the Rio Turbio coal beds; it will be used mainly for machinery and equipment. The goal is to produce within a period of five years two million tons of coal. As an aid to creating an attractive atmosphere for foreign capital investment, the President has announced that there will be no further nationalization of industry.

Agricultural Output Down

Smaller plantings plus adverse weather reduced the 1957/58 crops of wheat and other cereal grains, excluding maize, sharply below those of 1956/57 and appreciably below the latest five-year average. A prospective excellent linseed crop was badly damaged overnight by torrential rains and insects harmed the sunflower and cotton crops. A bright spot in the agricultural picture is the excellent maize crop, estimated officially at 4.8 million metric tons and by the trade at 5.5 million. This is about double last year's crop and roughly 50 per cent more than the five-year average.

Heavy exports of meat have sharply reduced the cattle population. It is doubtful whether the present rate of export, combined with increasing domestic consumption, can be maintained, particularly since the latest census shows that an undue percentage of female stock has been slaughtered. The decrease compared with the previous census was from 46,940,280 to 44,203,425 head, or about 5.8 per cent. Sheep stocks went up from 45,166,000 to 45,738,000 head. Pig stocks, at 3,497,000, were less than half the 1945 figure and, except for 1947, the lowest in the past 35 years.

Wages, Costs Are Up

Although the 1957 physical volume of industrial production of the manufacturing industries increased by 3.8 per cent over 1956, it was insufficient to keep pace with the rise in population. Nevertheless, it was achieved by a smaller number of workers working fewer hours. Salaries and wages paid rose by 31.6 per cent, reflecting the mass wage increase of late 1956. As a consequence, the cost of labour wages per unit of manufacture went up in 1957 by more than 27 per cent.

This is closely related to the 25 per cent increase in the cost of living last year. A period of stability followed until March of this year but it is now reported that a further 12 per cent rise occurred in the April-May period, with every prospect that it will continue without check. Contributing to it was the blanket increase of 60 per cent in all salaries and wages compared with those in force on February 1, 1956, decreed by the new Government. Considering intervening increases, the average increase that all employers have had to implement has been estimated at about 25 per cent.

Financial Picture

The 1958 budget calls for the expenditure of about 76,615 million pesos, most of which has already been authorized. This compares with 53,659 million in 1957 and 38,435 million in 1956. Income for 1958 is estimated at 45,865 million pesos; deficit financing will be needed for the remaining 30,750 million.

The internal debt, including both consolidated and floating, at May 1 was estimated by the President at 76,624 million pesos, compared with 71,482 million at December 31, 1957, and 51,468 million at December 31, 1955.

Coming to Canada on Business

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

▶ from South Africa

GRAHAM ROGOFF, of E. I. Rogoff Limited, manufacturers' representatives in Johannesburg, South Africa, will arrive in Canada the first week in September. Mr. Rogoff plans to visit his Canadian principals in Montreal and Toronto and to approach manufacturers of bleached sulphate or sulphite paper. He is also interested in coated printing papers and new developments in packaging materials.

Businessmen interested in meeting Mr. Rogoff can reach him through the Dominion Oilcloth and Linoleum Co. Ltd., 2200 St. Catherine Street East, Montreal 24.

Peru Seeks Stability

Balance-of-payments deficit and decrease in value of the sol has led Government to adopt remedies. One of these, increases in specific import duties, will affect some Canadian exports, though certain products that bulk large in our trade are exempt.

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

A short time ago Peru found it necessary to put into effect a number of measures designed to correct an unfavourable balance of payments. This deficit developed during 1957 and has continued into 1958. The underlying objective is, of course, to restore stability to the currency and to the economy generally.

During 1957 Peru had a trade deficit of US$70 million. More alarming was the foreign exchange deficit for the year of $31 million. Living beyond its earnings, Peru found it necessary to draw heavily on its reserves during 1957 to pay for imports running at an all-time high and to meet other foreign exchange commitments. These reserves fell from $42 million (not including a fixed gold supply) at the end of 1956 to $11 million at the end of 1957.

Setback for the Sol

The deterioration in the reserves quickened in the later months of 1957 and the Government took action to relieve the situation. Existing credit restrictions were increased and restrained monetary policies on the part of the Government were promised.

The run on reserves continued into 1958 and resulted in a depreciation of the currency in the third week of January, when the Government found itself obliged to unpeg the rate. This rate, which under favourable conditions had been held for a number of years at soles 19 to the U.S. dollar, slipped on the certificate market by the end of the month to an average buying and selling rate of soles 20.32 per U.S. dollar.

With demand and prices for nearly all Peruvian products continuing to slump, exports in the first five months of 1958 fell off by 12 per cent in value compared with the same period last year. Foreign exchange earnings from investments, tourists' expenditures, etc., in January-March 1958 totalled $11.3 million, or 22 per cent less than in the similar period of 1957. The sol, although it periodically showed signs of strength, by the month of June had weakened on the certificate market to an average selling rate of soles 23.90 equals US$1. Moreover, by the end of May disposable gold and foreign exchange reserves had declined to $3.9 million from $10.6 million on January 1.

Stabilization Measures Adopted

Against this background, the Government put into effect corrective measures designed to stem a further loss of foreign exchange and to take some of the pressure off the sol-dollar rate; at the same time it affirmed that the basic policy of freedom from exchange and trade controls would be maintained. The import quota for automotive vehicles—the only category for which the quota system has been maintained for the last three years—was reduced from 9,000 to 4,500 units as of October of this year. This will permit the import of 2,000 automobiles and passenger station wagons, 2,000 commercial vehicles, and a reserve of 500 units. To improve its financial position (a substantial budgetary deficit for the current fiscal year seems likely) the Government sought additional revenue from new taxes and stressed the need to reduce public spending. To slow down imports, specific duties for goods classified as necessary but not indispensable were increased by 50 per cent and for all other imports, unless expressly exempt, by 200 per cent. The ad valorem duties that Peru levies on goods entering the country are not affected, with the exception of duties levied on the F.A.S. value of vehicle imports.

Increased Duties and General Trade

Not included in the regulations governing the increase in import duties are basic food staples, certain medicines and pharmaceuticals, and newsprint and other products connected with the publication field. Also exempt are products that previously entered free of duty and those covered by bilateral treaties with bordering countries. (The latter will benefit imports from Chile.)

On imports of most machinery and industrial raw materials, specific duties are relatively low and do not constitute a major factor in relation to total import taxes. But luxury goods, those already subject to a heavy specific rate (such as textiles), and goods from abroad competing with domestic products will undoubtedly suffer as a result of the new legislation.

The duty on a number of Canada's main exports to this market will not be increased. This is true of wheat, flour and powdered milk, all basic foodstuffs, and newsprint, exempt because of its use as a medium of public information. Most mining machinery will continue to enter free of duty, but sales opportunities in this industry will depend largely on the movement of mineral prices. Under the new regulations, Chilean malt will enjoy an increased tariff advantage but because Canadian exporters have normally been able to offer better prices for this commodity, they may be able to remain competitive.

The difficulty will lie in maintaining sales at 1957 levels and the promotion of new items on which the basic duty represents an important part of landed cost and where these duties are subject to the 200 per cent increase. A good example is canned foodstuffs. The higher duty will probably place the more expensive brands beyond the means of the majority of consumers.

The new rates on radio-phonograph sets are also practically prohibitive. On the other hand, the newer rates will not materially affect the market in Peru for a number of products. Canadian-made washing machines have been arriving here in increasing numbers and the rise in duty from soles 0.60 to 1.80 per gross kilo resulting in, according to the trade, an increase in the local selling price of about $10 per unit is not expected to cut back sales seriously.

It is true that all price increases tend to reduce demand. But it is estimated that the effect of higher specific import duties on Canadian exports to Peru is likely to be less significant than the effects of persistently unfavourable business conditions—for example, the rise in the value of the dollar in terms of the national currency. Sustained sales will depend on economic recovery and Peru's success in working its way out of current balance-of-payment difficulties.

Trade and Tariff Regulations

United Kingdom

DOLLAR FRUIT QUOTAS—New quotas for imports of fresh and preserved fruits from dollar countries were announced by the Board of Trade on August 6. They include the following of interest to Canada:

Fresh pears, £420,000 (unchanged from previous quota period); fresh peaches, apricots, now included in an aggregated quota of £375,000; dried fruits, including prunes and apples, £2,750,000 (dried apples are included for the first time); fruit juices, £300,000 (quota has been extended to cover all types); canned apples, £150,000 (previous quota £100,000); canned apricots, cherries, currants, peaches, pears, fruit salad and other canned fruits £2,745,000 (unchanged from previous quota period).

The amounts shown refer to imports from all dollar countries. Values are C.I.F. and licences will be valid for entry from October 1, 1958.

United States

TARIFF HEARINGS ON NON-METALLIC MINERALS AND WORKS OF ART—The Tariff Commission has announced public hearings, beginning September 16, 1958, on schedule 5, and part 5 of schedule 7, of the proposed revised and consolidated tariff schedules.

Schedule 5, entitled Non-metallic Minerals and Products, includes tariff revision proposals for cement, concrete and concrete products; lime, gypsum, and plaster products; stone and stone products; mica and mica products; graphite and related products; asbestos and asbestos products; abrasives and abrasive articles; gems, gemstones, and articles thereof; ceramic articles; and glass and glass products.

Part 5 of schedule 7 includes works of art, antiques, and models which continue free of duty under the tariff revision proposals.

Requests to appear at the hearing must be filed in writing with the Secretary of the United States Tariff Commission not later than September 5, 1958.

Venezuela

DUTIES ON EGGS INCREASED—Effective August 1, 1958, a Venezuelan resolution has modified the duties on eggs.

Under Item 8-A, eggs for consumption will be dutiable at 0.20 bolivar per gross kilogram (approximately 2.6 cents per lb.). (The former exemption from duty applicable to shipments of eggs meeting certain percentage Grade A requirements will terminate on July 31.)

Eggs for hatching will be classified separately under Item 8-B with a duty of 0.18 bolivar per gross kilogram (approximately 2.4 cents per lb.).

Eggs not otherwise specified will be dutiable under Item 8-C at 15 bolivars per gross kilogram (approximately $1.95 per lb.).

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

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

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

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

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

For conversion to United States dollar equivalent multiply by 1.03997.

foreign exchange rates

Country	Unit	Type of Exchange	Can. dollar equivalent August 1	Units per Canadian dollar	Notes (see below)
Argentina	Peso	Official	.05342	18.72	(1)
		Free	.02195	45.56	
Austria	Schilling		.03698	27.04	
Australia	Pound		2.1585	.4633	
Bahamas	Pound		2.6981	.3706	
Belgium, Belgian Empire and Luxembourg	Franc		.01929	51.84	
Bermuda	Pound		2.6981	.3706	
Bolivia	Boliviano	Free	.0001084	9225.09	
British Guiana	Dollar		.5621	1.78	
British Honduras	Dollar		.6745	1.48	
Brazil	Cruzeiro	General Category*	.006074	164.64	*July 9 (2)
		Special Category	.002951	338.84	
		Official buying	.05238	19.09	
Burma	Kyat		.2019	4.95	
Ceylon	Rupee		.2024	4.94	
Chile	Peso	Free	.001238	807.75	(3)
Colombia	Peso	Certificate	.1449	6.90	
Costa Rica	Colon	Official	.1712	5.84	
		Controlled free	.1449	6.90	
Cuba	Peso		.9616	1.0399	tax 2%
Czechoslovakia	Koruna		.1335	7.49	
Denmark	Krone		.1392	7.18	
Dominican Republic	Peso		.9616	1.0399	
Ecuador	Sucre	Official	.06411	15.60	
		Free	.05807	17.22	
Egyptian Region, United Arab Rep.	Pound	Official	2.7612	.3622	
		Export acct. selling	2.1850	.4577	
El Salvador	Colon		.3846	2.60	
Fiji	Pound		2.4307	.4114	
Finland	Markka		.003005	332.78	
France, Monaco and North Africa	Franc		.002294	435.92	(4)
French colonies in Africa	Franc		.004588	217.96	(5)
French Pacific	Franc		.01262	79.24	(6)
Germany	D Mark		.2295	4.36	
Ghana	Pound		2.6981	.3706	
Greece	Drachma		.03205	31.20	
Guatemala	Quetzal		.9616	1.0399	
Haiti	Gourde		.1923	5.20	
Honduras	Lempira		.4808	2.08	
Hong Kong	Dollar	Free*	.1642	6.09	*July 18
		Official	.1686	5.93	
Iceland	Krona	Official	.05904	16.94	(7)
India	Rupee		.2024	4.94	
Indonesia	Rupiah	Effective buying	.03353	29.82	*July 18 (7)
		Effective selling	.02541	39.36	
Iran	Rial	Certificate	.01269	78.78	

*Latest available quotation date.

Country	Unit	Type of Exchange	Can. dollar equivalent August 1	Units per Canadian dollar	Notes (see below)
Iraq	Dinar		2.6924	.3714	
Ireland	Pound		2.6981	.3706	
Israel	Pound		.5342	1.87	
Italy	Lira		.001544	647.67	
Japan	Yen		.002671	374.39	
Lebanon	Pound	Free	.2927	3.42	
Mexico	Peso		.07693	13.00	
Netherlands	Florin		.2538	3.94	
Netherlands Antilles	Florin		.5114	1.95	
New Zealand	Pound		2.6981	.3706	
Nicaragua	Cordoba	Effective buying	.1457	6.86	
		Official selling	.1364	7.33	
Norway	Krone		.1346	7.43	
Pakistan	Rupee		.2024	4.94	
Panama	Balboa		.9616	1.0399	
Paraguay	Guarani	Official	.008785	113.83	
Peru	Sol	Certificate	.04519	22.13	
Philippines	Peso		.4808	2.08	
Portugal & Colonies	Escudo		.03356	29.80	(8)
Singapore and Malaya	Straits dollar		.3148	3.18	
Spain and Dependencies	Peseta	Controlled free	.02289	43.69	(7)
Sweden	Krona		.1859	5.38	
Switzerland	Franc		.2244	4.46	
Syrian Region United Arab Rep.	Pound	Free	.2688	3.72	
Thailand	Baht	Free	.04621	21.64	(7)
Turkey	Lira		.3434	2.91	
Union of South Africa	Pound		2.6931	.3706	
United Kingdom	Pound		2.698125	.370628	
United States	Dollar		.9615625	1.03997	
Uruguay	Peso	Free	.6330	1.58	
		Basic buying	.6329	1.58	(7)
		Principal selling	.4587	2.18	
Venezuela	Bolivar		.2870	3.48	
West Indies Fed.	Dollar		.5621	1.78	(9)
	Pound		2.6981	.3706	(10)
Yugoslavia	Dinar		.003205	312.01	(7)

*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. Chile: free rate applies to exports and to imports, except prohibited imports. Chilean importers must deposit local currency in amounts ranging from 5 to 200 per cent, depending on product, prior to shipment of goods.
4. France: territory includes Algeria, Tunisia, Morocco, Guiana, Guadeloupe, Martinique.
5. Equatorial Africa, West Africa, Cameroons, Togoland, Somaliland, Madagascar, Reunion, St. Pierre and Miquelon.
6. New Caledonia, New Hebrides, Oceania.
7. Additional rates are in effect.
8. Portugal: approximately same rate for Portuguese territories in Africa.
9. Barbados, Trinidad, Tobago, Leeward and Windward Islands.
10. Jamaica.

Transportation Notes

Australia

SHIPS MAY END COASTAL RUNS—Australian shipping authorities believe that in a few years only foreign and British-owned liners will be carrying passengers around the Australian coast. They say shipowners do not intend to replace the four principal Australian passenger vessels when they reach the end of their usefulness. Unstable waterfront labour conditions, high operating costs and rail, road and air competition have influenced the decision. Shipping authorities point out that general cargo ships and bulk cargo carriers are far better money-earners than coastal passenger ships—Melbourne.

NEW AIR SERVICE—An air agreement was signed on June 2 between India and Russia, under which Air India International and the Russian airline Aeroflot will each run a weekly service beginning July 15 between Delhi and Moscow; it will permit the first direct air service from Sydney to Moscow. (Air India already operates between Sydney and Delhi.) From Delhi to Moscow, a distance of 3,006 statute miles, passengers will have a choice between *Super Constellations* and Russian twin-jet TU-104's. The single fare from Sydney to Moscow will be A£433.15.0 first class and A£328.15.0 tourist—Sydney.

Brazil

NEW PORT PLANNED—The Government of the Brazilian state of Bahia has passed a law expropriating the Marau peninsula for the construction of a large seaport. It is to be connected by road and rail to existing main-line arteries. The new port will be the outlet for the south of the state and is to be completed within the next four years—Rio de Janeiro.

Greece

SHIP REGISTRIES—Greece has been hoping for higher ship registries since the war and has been expecting some improvement as a result of the 1953 "Law on Investment and Protection of Foreign Capital in Greece". More ships have come under Greek ownership in the past twelve years, but registries under the Greek flag, though higher than in 1953, have remained low (1.56 million tons in 1957) compared with the estimated 10 million tons of Greek-owned ships afloat. To induce shipowners to hold their ships under the home flag, the 1953 law makes registry and benefits from sale of Greek-owned ships under the Greek flag especially attractive. Significant provisions allow proceeds of the mortgaging and sale of ships to be held overseas, free disposition of earnings, and tax exemptions of up to five years on newly constructed vessels—Athens.

Netherlands

DUTCH SHIPYARDS BOOM IN '57—Netherlands shipbuilders delivered 212 vessels in 1957 totalling 529,280 gross register tons, placing this country fifth among the world's shipbuilding nations, behind Japan, the United Kingdom, West Germany and Sweden. At the year's end, 173 vessels, totalling 643,314 g.r.t.—about 6.5 per cent of free world tonnage—were under construction. Among these were 56 ships for foreign countries, including 11 tankers —The Hague.

Pakistan

PIA HAS SUCCESSFUL YEAR—Pakistan International Airlines recorded a gross revenue of Rs.15.8 million on its international services in 1957. Four thousand passengers were carried on the line's *Constellations* between Karachi and London. With foreign exchange expenditures of Rs.9.8 million, PIA earned Pakistan Rs.6 million in foreign exchange. All government servants travelling abroad have been instructed to use the state-owned line whenever possible.

PIA's fleet of three *Super Constellations,* four *Convairs* and ten DC-3's flew 26,488 hours and carried 190 thousand passengers, a total of 132 million passenger miles in 1957. This year, two more *Super Constellations* and three *Viscount* 815's will be delivered. Perhaps the greatest importance of PIA is that it offers the only direct rapid transportation between East and West Pakistan, which are 1,000 miles apart—Karachi.