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foreign trade

CANADA

FOCUS ON THE FAR EAST (pages 2 to 37)

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foreign trade

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cover A typically Oriental design was chosen for our cover to introduce reports on business, industry and trade in seventeen Far Eastern countries. These reports, prepared by our Trade Commissioners, bring the reader up-to-date on developments in the past year over a wide area, stretching from Burma to Indonesia and Japan.

CANADA

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CANADA'S TRADE WITH THE FAR EAST

Exports to the Far East in 1959 bid fair to equal the 1957 figure, because conditions in most of these countries improved. Grains, metals and minerals, and pulp and paper are still holding their dominant position in this trade.

W. D. WALLACE,
Asia and Middle East Division.

IMPROVED economic conditions and the convertibility of sterling and other European currencies brought about a substantial advance in the foreign trade of many of the Far Eastern countries during 1959. Canada has shared in this gain, particularly in Japan. The 1959 shipments from Canada to the Far Eastern markets should approximate the 1957 record of $183 million. Imports from the Far East, on the basis of the $111 million figure for the first nine months of 1959, may set a record of $147 million.

The attached table shows that Japan is our most important trading partner in the Far East. It increased its share of the trade during the past year by taking 75 per cent of Canada's exports to and supplying 69 per cent of our imports from this area. The Philippines remains the second most important market, followed closely by Hong Kong. Communist China, which did not purchase any of our wheat or flour last year, declined to seventh place among our Far Eastern markets. On the import side, Malaya and Singapore continue to be second only to Japan as a source of supply, followed by Hong Kong and Communist China.

The pattern of Canada's exports to the Far East during the past year has exhibited scarcely any change. The major exports by value include wheat, barley, flaxseed, rapeseed, iron ore, copper, aluminum, asbestos fibre, pulp and paper, and fertilizers. These countries continue to be a market for a wide range of other Canadian products, but their total export value is small compared with the major products mentioned above.

A brief resumé of the trade with the Far Eastern countries is given in the following paragraphs.

North Borneo, Sarawak, Brunei—Canada carries on a very limited trade with North Borneo, Sarawak and Brunei. Even the convertibility of sterling and other European currencies and the resulting relaxation of import restrictions has brought little change in the volume of trade. Our sales to this market consist primarily of machinery, gas engines and some food products. The major portion of the business is handled through agents in Singapore and the best approach to these markets is through Singapore.

Burma—Although business conditions in Burma definitely improved during the past year, the country will continue to need foreign aid. Burma has been a small market for Canadian products and prospects for increased sales to this area are brightening. In this price-conscious market the best opportunities seem to lie in small quantities of raw materials, some food products, consumer goods and industrial equipment.

Communist China—For January-November 1959, Canada's exports to Communist China totalled $1.6 million, considerably below the $7.8 million of 1958. The decline resulted from the non-shipment of wheat and flour during the past year. As a result, the export position remains much as it was in 1957 and 1958. Our sales consisted mainly of fine nickel, copper rods, magnesium, scientific apparatus, hospital equipment, and drugs and chemicals. Other Canadian products moved through third countries to Communist China; some of these sales were substantial and would add greatly to the total export figures. Imports into Canada from China may reach \$4.8 million for 1959, just below the 1957 and 1958 totals, with walnuts, peanuts, raw fur skins and cotton products the chief commodities. The foreign trade of Communist China continues to be dominated by the Soviet Bloc, which obtains some 70 to 75 per cent of the business. The remainder, carried on with Western and with other Far Eastern countries, is shared mostly by the United Kingdom, West Germany and France. The limited market for Canadian products in Communist China appears to be including a wider range of products and sales opportunities may increase.

Hong Kong—Canada's trade with Hong Kong during 1959 has risen substantially and may reach a record high of \$12 million. Because Hong Kong is an entrepôt centre for many countries in the Far East, some of the goods bought from Canada are re-exported to other countries. The prospects for Canadian sales in Hong Kong are mixed. Although the competition in manufactured goods from other industrial countries is increasing, demand for raw materials and semi-processed goods for Hong Kong's expanding secondary industry is providing a growing market for Canadian suppliers. The size of this demand will depend on the success of Hong Kong's exporters in selling finished products.

Indonesia—Business activity in Indonesia continued at a low level during 1959 and the country had to adopt certain monetary reforms and implement further import restrictions. Canada's imports from Indonesia declined sharply, but our exports to Indonesia were at a rate close to the 1958 level of \$1.7 million. Until the country is able to increase its export business and build up foreign exchange reserves, import opportunities will remain restricted.

Japan—A general improvement in economic conditions in Japan in 1959 was accompanied by a substantial increase in foreign trade and a large balance-of-payments surplus. Canada's trade with Japan benefited from this prosperity and will be close to the record 1957 sales of \$139 million. On the other hand, imports into Canada from Japan may reach a record of over \$100 million, compared with \$70 million in 1958. The outlook for further gains in trade between the two countries is promising, as Japan is beginning to remove some import restrictions. Furthermore, her growing industry is showing more interest in Canadian sources of supply for raw materials.

The Philippines—Despite a deterioration in economic conditions in the Philippines and a continuing shortage of foreign exchange, this country remains Canada's second largest market in the Far East; it is an important purchaser of wheat and flour, newsprint paper, chemicals and fertilizers. Canada's exports to the Philippines for 1959 will be near the 1958 figure of \$14 million, but some \$4 million below the 1956 and 1957 totals. The Philippines economic national movement is gaining strength and this may tend to disrupt business and affect a number of Canadian agency arrangements. Increased competition from Europe and Japan is making this market more difficult but, on the other hand, industrial diversification is offering new opportunities for Canadian raw materials and semi-finished goods.

Singapore and Malaya—Singapore gained its independence this past year but its trade must be considered with that of the Federation of Malaya, with which it has close commercial ties. Actually Singapore handles about 70 per cent of Malaya's total external trade. Their economies are based mainly on the production and export of rubber and tin. They are more important to Canada as a source of supply of rubber, tin, palm oil and pepper than as an outlet for Canadian products. Nevertheless, our exports to this area for 1959 are estimated at close to the 1958 total of \$3.2 million and paper, asbestos, gas engines and a variety of consumer goods were included. Foreign competition may make it difficult to step up the sale of Canadian consumer goods in this area but the opportunities for raw materials and

CANADIAN TRADE WITH THE FAR EAST

	Exports to				Imports from			
	1956	1957	1958	1959 Jan.-Nov.	1956	1957	1958	1959 Jan.-Sept.
	(in thousands of dollars)							
Japan	127,870	139,152	104,891	123,719	60,826	61,605	70,216	76,276
Philippines	18,060	17,540	14,088	13,170	2,461	3,976	2,187	941
Hong Kong	7,026	7,595	6,054	10,539	5,699	7,223	8,823	9,565
South Korea	2,864	7,302	4,308	6,075	8	35	24	89
Malaya and Singapore	3,914	3,316	3,233	2,899	28,558	27,356	19,904	18,922
Thailand	1,936	2,046	1,294	1,821	1,103	630	649	506
Communist China	2,427	1,392	7,809	1,651	5,721	5,304	5,376	3,631
Indonesia	1,243	1,633	1,695	1,483	1,143	965	231	120
Taiwan	751	1,648	1,167	1,277	112	193	159	513
Burma	288	244	957	807	1	9	88	16
Indo-China	546	1,020	266	393	16	7	5	12
British Borneo	127	187	113	72	122	120	133	252
TOTAL	167,052	183,075	145,875	163,906	105,776	107,423	107,827	110,843

semi-manufactured goods should keep on improving.

South Korea—The economy of South Korea still depends upon foreign aid. A reduction of this aid in 1959 has resulted in a decrease in imports and a decline in the value of local currency. Despite this, Canada's exports to South Korea for 1959, particularly of fertilizers and synthetic fibres, rose over 1958. The outlook for 1960 for such products as pulp, sulphur and potash appears to be favourable.

South Vietnam, Cambodia, Laos—Although there was a general improvement in the economy of South Vietnam during 1959, there was little if any change in the economies of Cambodia and Laos. Foreign aid continues to play an important rôle and a cut in this during the past year has had adverse effects. Canada's direct trade with these countries is not large and, with the exception of South Vietnam, opportunities are limited. With better business conditions in the latter country and a movement towards increased industrial production, Canadian sales to Vietnam may well expand.

Taiwan—Taiwan's foreign trade is closely associated with Japan and the United States. Japan is her major trading partner, taking almost 50 per cent of the country's exports and supplying over 50 per cent of its imports. The United States through its various aid programs furnishes about 25 per cent of the island's needs. Canada's exports to Taiwan for 1959 will total $1.3 million, chiefly wood pulp, asbestos, base metals and synthetic resins. Imports into Canada are the highest in the past four years, with plywood, tea, canned pineapple, and hoods and shapes our chief purchases.

Thailand—Economic conditions improved in Thailand during 1959, but imports far outstripped the large increase in exports, leaving a substantial unfavourable balance of trade. A 10 per cent increase in the Thai customs tariff took effect in June and a completely revised tariff adopting the Brussels nomenclature became effective on January 1, 1960. Canada's sales to Thailand for 1959 have expanded over the previous year and should be close to the 1957 value of just over $2 million. Thailand takes a wide range of goods from Canada, but shipments of flour, motor vehicles and parts, electrical equipment, files and rasps, and aluminum products dominate the trade. As the country becomes industrialized, there will be increasing opportunities for Canadian materials and for engineering services. ●

Japan

Import restrictions are disappearing gradually as balance-of-payments position improves, though some signs of a check to economic expansion by mid-1960 are appearing. Purchases from Canada rose in 1959; sales to Canada increased sharply; trade prospects for this year excellent.

J. L. MUTTER, *Commercial Counsellor, Tokyo.*

THE year 1959 was a record-breaking one for Japan and the country moves into the '60's on a flood-tide of expansion.

The economic upswing that took place during the first nine months of the year was highlighted by increased exports, especially to North America. The industrial production index for October stood at 185.4 (1955=100) compared with 149.2 in the same month of 1958. Nearly all manufacturing industries participated in this rise; the greatest percentage increases in output over 1958 came in machinery, followed by non-ferrous metals, petroleum products and iron and steel. The latter enjoyed increased export demand as a result of the steel strike in the United States. In contrast, coal-mining, shipping and shipbuilding were depressed and the chemical fertilizer industry was affected by a decline in orders from South East Asia. However, commercial circles generally basked in record prosperity during the first half of fiscal 1958 (April-September). A check by the Ministry of Finance showed that the total net profits of 192 leading corporations during that period were 32 per cent higher than in the preceding six months and 12.5 per cent higher than during the first half of fiscal 1957.

Despite the damage wrought by a series of typhoons, one of which devastated Nagoya and its hinterland and caused heavy loss of life, Japan's farmers as a whole prospered. If final figures confirm the latest forecast of 12,399,000 tons, last year's rice crop was the best ever, exceeding the previous record (1955) by about 14,000 tons. The combined total production of wheat, barley and rye—all of these crops were about 11 per cent greater than in 1958—was expected to reach 3.7 million tons, the third largest harvest of these grains on record.

Balance of Payments

Deflationary measures, particularly the tight money policy invoked early in 1957 which resulted in the sharp cutback in imports in 1958, were mainly responsible for the change in the Japanese balance-of-payments position from a heavy deficit to a substantial surplus. The favourable trend in exports which set in in the autumn of 1958 is expected to continue and thus this surplus position is likely to be maintained.

Japan's foreign currency reserves in November registered an all-time high of $1,291 million ($41 million over the previous month), compared with $974 million at the end of March 1959. Foreign exchange accounts during the first half of fiscal 1959 (April-September) showed receipts at $2,012 million, 7.6 per cent better than the $1,870 million for the half-year ending March 31. Payments amounted to $1,789 million, an increase of nearly 15 per cent over the $1,557 million of the preceding six months. There was thus a surplus of $223 million at the end of September and a cumulative favourable balance of $116 million after deducting postponed payments amounting to $107 million.

Trade Liberalization

In March 1959, concurrently with the publication of the foreign exchange budget for the first half of the new fiscal year, the first evidence appeared of the Government's intention to ease import restrictions gradually. At that time, the addition to the Automatic Approval list of 26 import items was announced. Somewhat later, following upon agitation by influential Japanese business organizations for a relaxation of the rigid regulations governing foreign investment in Japan, a review of the existing legislation was undertaken in the Ministry of Finance. The liberalization of the dollar exchange rate went into effect on September 12. Immediately thereafter, on the eve of the general meeting of the International Monetary Fund and in response to pressure from the United States and other trading partners, a basic policy on steps towards import liberalization was approved at cabinet level.

Parts of this policy were foreshadowed when the foreign exchange budget for the second half of fiscal 1959 (October to March 1960) was published and were elaborated upon during the 15th session of the GATT which opened in Tokyo on October 26 and was preceded by balance-of-payments consultations. At this session, and not unexpectedly in view of Japan's rising favourable balance of international payments and export surplus in trade with the United States, there were frequent criticisms of the extent, complexity and restrictive (in some cases discriminatory) nature of Japanese import and exchange controls, and of the slow and cautious approach towards trade liberalization. Simultaneously, there were requests from all quarters (including some of the most influential of Japan's own commercial and industrial associations) for the abolition of these impediments to freely competitive trade.

Under this stimulus the removal, or the promise of the removal, of a number of trade barriers was announced November 11. In summary, the principal relaxations the announcement promised were:

- The reclassification, as goods importable under the global Automatic Approval System, of ten basic commodities hitherto subject to restriction only when imported from the dollar area.

- The transfer to the Automatic Approval list of 65 out of about 200 items which hitherto had been imported only under the Special Foreign Fund Allocation System (otherwise known as the Retention System).

- The transfer to the Automatic Approval list of 15 foodstuffs items that previously could be imported only under barter arrangements.

On board a Japanese fishing vessel, the crew hauls in and stacks up king crabs caught in the northern seas. The annual fisheries catch normally totals about five million tons, and serves both to feed the Japanese themselves and to furnish exports. About 200,000 tons of canned marine products are shipped abroad every year.

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- The creation of a new system, to be known as the Automatic Allocation System, whereby funds will be allocated without limit for the import of some 48 machinery items (provided such imports do not affect undesirably Japan's balance-of-payments position nor seriously injure related domestic industries).

- The easing of restrictions on the import of some 50 consumer goods items—including whisky, confectionery, TV receivers, fountain pens and binoculars—for which no foreign exchange has been made available in the past, or which heretofore could be imported only under the provisions of bilateral trade agreements.

Some of these measures were to take effect in whole or in part on January 1, 1960, and others as early as possible within the fiscal year ending March 1961.

Foreign Trade

Exports for the first ten months of 1959 reached $2,769 million (exports in 1958 totalled $2,876 million) and are certain to run well over the predicted figure of $3,000 million for the year. After rising at an unexpected rate from April onwards, they dropped slightly in September to $282.8 million, a decline of $19 million (or 6 per cent) below August. The fall-off occurred mainly in goods produced in the area extensively damaged by Typhoon Vera, such as pottery, porcelainware and plywood. The rise was resumed, however, in October when exports totalled $345 million. Imports from January through October had a value of $2,935 million compared with $3,033 million in the whole of 1958. Although the level continued high, the rate of increase showed signs of slowing up. Thus imports during August went below $300 million for the first time in five months. They stood at $298 million in September and $297 million in October.

The breakdown of exports by major commodity classifications (1958) was manufactured goods 72 per cent (68.8), semi-manufactured goods 17 per cent (20), foodstuffs 7 per cent (8), raw materials 3 per cent (2.8). The import breakdown was raw materials 56.7 per cent (53.5), foodstuffs 16.6 per cent (19.7), manufactured goods 16.9 per cent (17.7), semi-manufactured goods 9.6 per cent (8.9). Notable export increases occured in raw silk, rayon filament yarn, silk fabrics, woollen fabrics, clothing, iron and steel, sewing machines, optical instruments, plywood and toys. On the import side, keeping pace with the expansion of industrial production, new records were established in iron and steel scrap, iron ore, and non-ferrous metal ore. Large import increases were also registered in hides and skins, crude rubber, wood pulp, timber and hemp.

Probably the most dramatic development in the year's international trading was the substantial gain recorded in exports to North America, as shown in the table below, comparing the figures for the first eight months of 1959 and of 1958.

With one exception (exports to Africa), shipments to all areas in 1959 were up over 1958. Perhaps the most significant increases were in exports to Europe and North America, 15.3 and 48.6 per cent respectively, confirming that trade flourishes between industrially developed nations. Meanwhile sales to Asian markets, although they tended to pick up during the last month or two of the year, were only 2.5 per cent above 1958 for the first eight months and there are several Japanese manufacturers of chemical fertilizers, railway rolling stock and textile machinery with surplus production facilities built in anticipation of large orders from South East Asia that have so far failed to materialize.

Japanese exports to the United States have climbed steadily from about $227 million in 1953 to $680 million in 1958. For the first nine months of 1959 they totalled $726 million, or 53 per cent more than in the same period of 1958. From February onwards, the U.S.-Japan trade balance began to move in Japan's favour, with the returns for each subsequent month showing a slight excess of exports over imports. Although steel products contributed most heavily to this rise, sales of these producer goods were abnormal because of the U.S. steel strike. Otherwise, there was no basic change in the pattern of Japanese exports to the United States and the increase for the most part was the result of strong demand for consumer goods with a high labour content. Two outstanding products in this area were optical instruments (mainly cameras and binoculars) and electrical products, (chiefly transistor radios). Japan's exports of small radios and transistors in 1958 were valued at $34 million, a 240 per cent increase over 1957. In the first nine months of 1959, some 3,800,000 units valued at $57

MERCHANDISE IMPORTS AND EXPORTS BY GEOGRAPHICAL AREAS

(in thousands of dollars)

	IMPORTS			EXPORTS		
	Jan.-Aug. 1959	Jan.-Aug. 1958	Change from '58 %	Jan.-Aug. 1959	Jan.-Aug. 1958	Change from '58 %
TOTAL	2,339,951	2,076,889	+12.7	2,141,781	1,849,051	+15.8
Asia	759,076	653,215	+16.2	728,599	711,059	+ 2.5
Europe	242,761	183,163	+32.5	224,643	194,762	+15.3
North America	989,196	950,414	+ 4.1	783,771	527,325	+48.6
South America	56,836	53,433	+ 6.4	77,299	73,011	+ 5.9
Africa	81,778	60,201	+35.8	258,530	288,632	−10.4
Australia and Oceania	210,161	176,340	+19.2	68,726	54,206	+26.8

million were exported. Two-thirds of these were shipped to North America.

Canada-Japan Trade

Canadian exports to Japan during the first ten months of 1959 totalled $110.6 million, compared with $83.3 million in the same period of 1958 and $5.7 million more than for the whole of that year. At this rate our total exports for 1959 should approach closely the 1957 record of $139 million. Our exports to this market were virtually limited to 30 basic commodities (see table) and with three or four exceptions, these were either bulk foodstuffs or raw materials for industry. This is the traditional pattern. Almost all commodities showed substantial increases over 1958 but the heavier movement of wheat, oilseeds, wood pulp, iron ore, scrap iron, aluminum ingot, asbestos and other minerals, including coal, was mainly responsible for the 32 per cent improvement over January-October 1958.

If Japan's economic activity continues at or near the present tempo, imports from Canada in 1960 can be expected to match or exceed their current volume. One exception is barley, and indications are that little if any will be imported from any source because of the harvesting of the fourth bumper rice crop in succession. Sales of wheat should at least equal the 1959 figure. Japanese interest in Canada as a source of supply of raw materials for the steel and other metal industries is keener than ever and our exports of iron ore, other minerals, metals and metal scrap should hold up well.

Japan's exports to Canada in the first seven months of 1959 were valued at $57 million (DBS figures) compared with $35.8 million for January-July 1958. To a great extent this sharp rise resulted from the tremendous upsurge in shipments of textiles and wearing apparel, especially those of synthetic fibre, during the first 5½ months. Japanese statistics for the first eight months of 1959 show exports to Canada at $74 million (of which about $22 million comprised textiles and products, and $5 million iron and steel products). In the light of these figures, it will be surprising if total Japanese exports to Canada for the whole year fail to reach the $100 million mark.

Export licensing of synthetic textile products was suspended in mid-June at the request of the Canadian Government and resumed two months later, after consultations and agreement by Japan to apply to these goods "voluntary" export controls similar to those that have applied to cotton textile exports to Canada since 1956. The effect of the new restraints will only be reflected in trade statistics for 1960. Although some levelling-off should result, Japanese exporters generally can be expected to maintain, and in numerous lines improve, their share of the Canadian market.

CANADIAN EXPORTS TO JAPAN

Commodity	Ten months ended Oct. 1959	Ten months ended Oct. 1958
	(Canadian dollars)	
Barley	$ 5,269,850	$ 6,312,320
Wheat, except seed n.o.p.	57,928,952	50,665,264
Flour of wheat n.o.p.	1,831,347	587,599
Whisky	1,389,616	839,125
Flaxseed, n.o.p.	6,877,656	3,444,108
Mustardseed	293,545	318,339
Rapeseed	2,267,504	1,671,585
Seeds n.o.p.	475,250	
Calf skins and kips, raw	375,075	487,305
Cattle hides, raw	398,771	280,429
Grease and soap stock, animal	313,838	
Tallow	670,072	799,877
Pulp, sulphite, bleached, dissolving	5,816,945	2,416,863
Iron ore	3,831,274	2,764,160
Scrap iron or steel	1,707,380	
Engines, aircraft and parts	516,317	
Bookkeeping cal. mach. and parts	856,693	412,648
Aluminum scrap	475,975	26,283
Aluminum in primary forms	3,835,112	5,430
Brass scrap, dross and ashes	535,777	93,374
Brass tubing	241,735	97,235
Copper, fine in ore	2,997,775	1,051,222
Molybdenite	553,214	
Asbestos milled fibres	2,761,320	1,647,705
Asbestos waste refuse shorts	1,187,517	501,113
Coal n.o.p.	569,190	26,709
Non-metallic minerals no.p.	671,167	10,312
Fertilizers, except animal n.o.p.	300,096	
Synthetic resins n.o.p.	874,488	1,643,439
Drugs and chemicals n.o.p.	2,477,379	2,350,940
	$108,300,830	$78,453,384
Total value of all items other than those listed above	2,318,278	4,846,613
GRAND TOTAL	$110,619,108	$83,299,997

Prospects and Problems

At the moment, the Japanese economy is booming. All the signs point to increasing growth during the remainder of the current fiscal year and in 1960. The Economic

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Planning Agency estimates the G.N.P. for the year beginning April 1 at $34,528 million, 6.6 per cent over fiscal 1959 and 11 per cent over 1958. Mining and manufacturing are expected to rise 10.8 per cent; agriculture, forestry and fishing by 12.1 per cent. Investment in capital equipment, which for 1959 was originally estimated at $4,778 million but has accelerated since September, is expected to go up by about 10 per cent in the new year. Fiscal 1960 exports are estimated at $3,570 million and imports at $3,450 million, increases of 9.8 and 9.5 per cent respectively over the estimates for the current fiscal year. Japan's international payments balance at the end of March 1961 is expected to be $180 million in the black, compared with the estimated $200 million favourable balance at March 1960.

Despite these optimistic forecasts, it was evident last November that opinion was gaining ground, especially among officials of the Bank of Japan and other foreign exchange banks, that the balance-of-payments trend could alter, say, in mid-1960 because of prospective changes in trading conditions that could well exert considerable pressure about April next. Indications included:

1. The increased cost of raw materials imports, aggravated by rising ocean freight rates, (e.g., scrap iron rose from $34 a ton in May 1959 to $46 a ton in October and the British Chamber of Shipping's freightage index for trampers (1952=100) stood at 80.4 in October compared with 64.4 in May. Raw cotton and raw wool prices in October were up 10 and 16 per cent respectively over a year ago.)

2. The rising prices of commodities in the Japanese domestic market, coupled with "bottlenecks" created by inadequate transport facilities (road and rail), power supply shortages, etc., causing difficulties in the way of expanding exports.

3. Uncertainty about future developments in the United States, Japan's principal market; a stiffening of the attitude towards Japanese imports, aggravated by the deterioration of the U.S. balance-of-payments position; a reduction in U.S. foreign aid grants and offshore procurements; a decline in U.S. consumer purchasing power because of industrial disputes.

It has also been suggested that trade liberalization measures during the next few months may give rise to a rash of speculative imports and this, coinciding with price increases in raw materials, could result in a sharp increase in the import bill. However, a close examination of the recent announcements suggests that the liberalization promised is less impressive than appears at first sight. For instance, in some cases restrictions are to be lifted on a range of products, competitive imports of which are admittedly unlikely, and for others the date on which liberalization is to become effective may be long delayed.

In any event, the Bank of Japan, mindful of the experience which followed the foreign exchange crisis of 1957, has argued the need for taking measures to brake excessive expansion, maintain a balanced economic development, and thus prolong the present prosperity of the country. In implementation of this monetary policy, the Bank on December 1 flashed a warning signal by raising the official discount rate from 6.935 to 7.3 per cent a year, effective December 2. A day or two later the commercial banks followed suit, raising their maximum interest rate on loans by 0.365 per cent a year. ●

South Korea

Canada's sales, principally raw materials, went up last year, although total imports declined. Long-term prospects for some Canadian materials appear good, but exporters should understand problems involved in selling here.

R. G. WOOLHAM, *Assistant Commercial Secretary, Tokyo.*

SOUTH Korea, with substantial assistance from the United States, provides a market for raw materials and manufactured products valued at from $200 million to $350 million a year. The principal suppliers are the United States, Japan, West Germany and a number of other European countries. According to the Bank of Korea, 1958 imports totalled U.S.$378 million. Information from the same source indicates that 1959 purchases will be considerably below that figure. This decline reflects a cut in aid receipts, the break in trade relations between Japan and South Korea that occurred last June, and the delay in setting up the Korean import program for the last quarter of 1959.

The decrease in available foreign exchange during 1959 affected adversely the real value of the South Korean Hwan currency, which in December was being quoted on the free market in terms of U.S. dollars at a rate over 5 per cent higher than in December 1958. This inflationary tendency probably will become even more pronounced during 1960 as a result of drastic cuts in aid funds for the period recently announced. In 1959 this aid totalled an estimated $265 million, which included $210 million in ICA Defence Support Aid, $35 million in surplus U.S. agricultural commodities, $9 million in DLF loans, and another $9 million or so in project assistance programs. In the past, Defence Support Aid has been announced separately and last autumn the 1960 figure was given as $180 million. However, this time the figure included the value of all the foregoing components, representing a substantial reduction in U.S. aid of nearly $85 million, or 30 per cent less than in 1958.

In addition to needed raw materials, fertilizers and fuels, South Korea imports substantial quantities of capital goods, including power and transport equipment, electrical apparatus and industrial machinery. It is likely, therefore, that with less foreign exchange to spend, imports of capital equipment will drop this year.

Canadian Exports

On the other hand, Canadian sales to South Korea are predominantly of raw materials and the 1959 value will probably total nearly $6 million (see accompanying table). Although imports from all sources were down last year, Canada's sales increased from the $3.6 million of 1958. Two products were mainly responsible—fertilizers and synthetic fibres, both of which improved their competitive position last year. (Mixed fertilizers also benefited from less Japanese competition.) Fertilizer sales rose from $1.9 million in 1958 to about $3.7 million in 1959, and synthetic fibres from zero in 1958 to about $500,000 in 1959.

Besides fertilizers and synthetic fibres, other major Canadian exports to this market include pulp, zinc spelter and lumber. Occasionally, highly manufactured Canadian products find a market in South Korea, but the dollar value and the volume are small.

Promising Prospects

New developments in both Canada and South Korea indicate promising long-term opportunities for sales of synthetic rubber, sulphur

PRINCIPAL CANADIAN EXPORTS TO KOREA

(values in Can.$)

	1957	1958	1959 10 months
Food starches, flour n.o.p., gluten			18,180
Malt	49,550	26,932	58,727
Yeast	4,608	25,344	2,304
Whisky	623	576	1,134
Flaxseed n.o.p.		155,916	
Synthetic fibre thread and yarn	197,743		439,241
Synthetic fibre manufactures, n.o.p.	151,415		
Felts and jackets, paper-making	4,800		15,087
Planks, boards, cedar			102,363
Planks, boards, hemlock	84,837		207,262
Planks, boards, spruce	21,643		
TOTAL PULP	28,829	893,871	429,265
Wood pulp, sulphate kraft bleached	8,109	519,944	24,982
Wood pulp, sulphate kraft semi-bleached			328,813
Wood pulp, sulphate kraft unbleached	20,720	348,427	75,470
Pulp, sulphite, bleached paper grades		25,500	
Book printing and litho paper	21,615		2,199
Newsprint paper	242,557	130,788	
Plates, sheets and strips, steel	438,523		264
Mining machinery and parts	15,499	2,403	
Air compressors and parts		7,548	
Aluminum in primary forms	318,297	100,585	94,913
Aluminum foil	88,841		
Copper tubing	12,078		
Lead in pigs, refined lead			54,496
Nickel, fine	7,494	11,030	16,035
Zinc spelter	495,373	329,473	477,265
Radio receiving sets	11,797		
Asbestos milled fibres		7,335	13,000
Fire brick			18,783
Medicinal preparations	15,175	20,128	14,075
Ammonium sulphate	1,405,167	892,192	1,981,891
TOTAL FERTILIZERS	4,707,696	1,932,390	3,035,128
Nitrogen phosphate fertilizers			445,958
Nitrogen fertilizer n.o.p.	2,504,467	384,237	607,279
Fertilizers, phosphate	797,276	500,361	
Fertilizer, mixed		155,600	
Calcium compounds	786		
Synthetic resins n.o.p.		12,817	
Polystyrene	18,485	9,961	
Drugs and chemicals n.o.p.	1,035	1,353	5,600
TOTAL*	6,969,541	3,681,991	5,006,334

*Excluding settlers' effects, gifts and donations, goods under $50, and a few other products.

Source: DBS "Trade of Canada".

and potash. United States Army specifications for tires apparently require a percentage of synthetic rubber and South Korean tire manufacturers who wish to sell to the U.S. Army in Korea have started to import small quantities for this purpose. Last autumn, Canada made its first shipment to Korea of synthetic rubber; further sales will likely depend upon the results of this initial order, on technical assistance available in South Korea, and on the competition from other suppliers.

Prospects for sulphur are partially tied in with the natural gas industry in Alberta where cleaning operations are gradually making available fairly large quantities of crude sulphur for export from West Coast ports. Three South Korean sulphuric acid plants that will require imported sulphur are in various stages of development and operation at the present time. Foreign exchange for the import of crude sulphur during 1960 has already been set aside by the South Korean Government.

Exports of Canadian potash are more of a long-term proposition and will depend on the successful exploitation of Saskatchewan's potash resources and the growth of agricultural technology in South Korea to the point where potash is recognized as a needed plant nutrient.

Recently South Korea has shown some interest in the possibility of obtaining magnesite clinker, fire brick, and refractory-type clays from Canada.

Selling to Korea

Obtaining new business in South Korea continues to involve a certain amount of risk and can cause many difficulties for Canadian exporters who are not familiar with this market. Interest rates are extremely high, running from 8 to 12 per cent *per month.* Because most business done with Korean trading companies or importers is on a letter-of-credit basis, a six to eight-week delivery time can add considerably to the c.i.f. price. Even Korean companies that are able to obtain documents-on-payment terms from a foreign supplier are required by law to post a 50 per cent deposit with the Bank of Korea before shipment is made. For this reason, much of the import business in Korea, particularly that subject to a delivery time of more than two weeks, is handled by foreign resident agents who are in a better position to obtain D/P terms or who are financially able to buy for their own account. There are other factors that make this market an unusual one and readers interested in obtaining further information should write to the Commercial Counsellor, Canadian Embassy, Tokyo. •

Hong Kong

Entrepôt trade with South East Asia has dwindled but increasing exports of locally made goods have taken up the slack. Canadian sales rose 30 per cent in first three quarters of '59; prospects for 1960 good, if current boom in colony continues.

D. J. McEACHRAN, *Assistant Trade Commissioner, Hong Kong.*

THE year 1959 saw Hong Kong emerge from the period of readjustment experienced during the latter half of 1957 and the major part of 1958. Activity increased in virtually all sectors of the economy and notably in secondary manufacturing. The garment, plastic and shipbreaking industries continued to expand and the work force in the glove and flashlight plants grew steadily. Employment in shipbuilding and ship-repairing and the enamelware and footwear industries dropped, but conditions in all three were considered generally satisfactory. The high rate of new industrial construction established over the past few years was maintained, but at a somewhat slower pace than in 1958. Up to the end of August 1959, 939 buildings worth H.K.$121 million were completed, compared with 1,133 units worth H.K.$134 million in the corresponding period in 1958. Receipts from the 250,000 tourists per year are estimated to have climbed some 30 per cent above last year's depressed level, contributing almost U.S.$100 million to the colony's earnings. The transhipment trade increased in volume but did not regain its previous importance, largely because the low level of entrepôt trade with Communist China continued.

The flow of capital into Hong Kong from less stable South East Asian countries kept up during the year and there was increased activity in both overseas investment and the Hong Kong stock exchange (the latter had a twofold increase in turnover). As a direct result of attractive yields on Canadian short-term notes and Treasury bonds, Canada has attracted considerable new investment capital from Hong Kong. The retail price index (March 1947 = 100) rose 10 per cent—from 120 in September 1958 to 132 in September 1959—mainly as a result of higher food prices.

Trading Partners

Total trade for the first nine months of 1959, valued at H.K. $5,845.45 million, was up some 7 per cent over the same period in 1958, with increases in both exports and imports. This, however, is still some 5 per cent below the 1957 figure.

Merchandise imports for the nine months of 1959 reached H.K.$3,526.92 million, about 6.6 per cent more than the same period last year but some 9.6 per cent below the first nine months of 1957. Communist China continues to be the principal source of Hong Kong imports and despite a 29 per cent drop in this trade in 1959, supplied nearly 20 per cent of the colony's total imports. (The decrease in purchases from China equals approximately the increase in Chinese sales to Hong Kong in 1958.) The other main suppliers are Japan, the United Kingdom, and the United States, in that order, each supplying from 10 to 15 per cent of the total. Sales to Hong Kong from countries such as South Vietnam, Pakistan and Formosa, although not large in absolute terms, showed gains ranging from 150 to 600 per cent; Australia, Japan, the United States and the United Kingdom boosted their sales to Hong Kong by 40, 22, 13 and 7 per cent respectively.

Exports from Hong Kong during the first three quarters of 1959 totalled H.K.$2,318.53 million, an 8.6 per cent gain over the comparable period of 1958 and 2 per cent above the similar 1957 figure. The entrepôt trade with Communist China and other South East Asian countries has been replaced as a major source of revenue by exports of products wholly or principally of Hong Kong origin. Since 1952 the percentage of locally manufactured goods entering export trade has increased from about 25 to 70 per cent. Exports and re-exports to Japan rose by H.K.$79 million (or 97 per cent) in the first nine months of 1959 compared with the same period of 1958. Shipments to the United States reached H.K.$179 million (a 77 per cent rise), to Canada H.K.$18 million (50 per cent) and to West Germany H.K.$14 million (30 per cent). Figuring largely in these gains were goods made in Hong Kong, such as textile yarns, fabrics and made-up garments, miscellaneous manufactured articles including toys, dolls and plastic artificial flowers; manufactures of metals; footwear and metal scrap.

Canada's Position

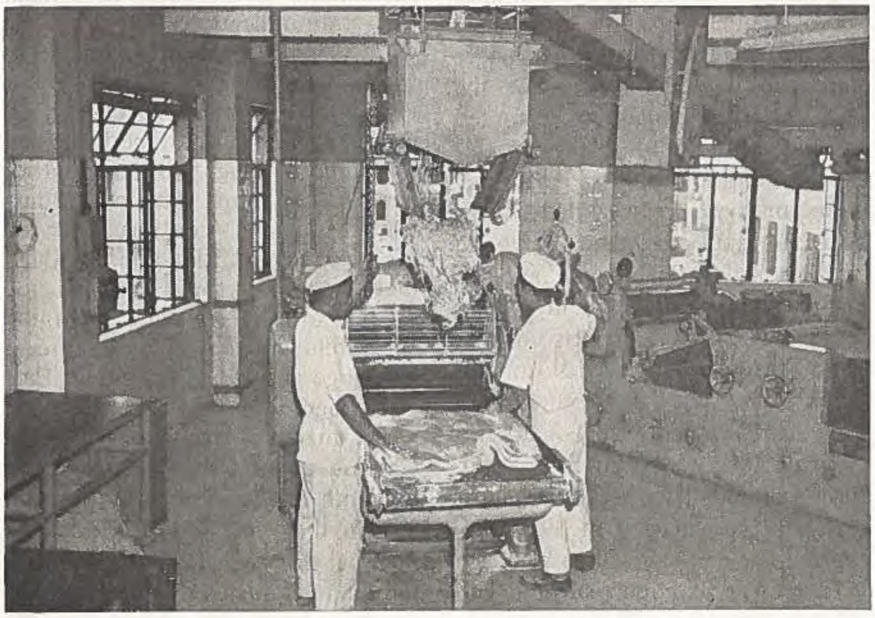
Canada ended the first six months of 1959 with a deficit in her trade with Hong Kong of some Can.$2 million; our exports to the colony were valued at Can.$4 million and our imports from Hong Kong at Can.$6 million. On the basis of

PRINCIPAL CANADIAN EXPORTS TO HONG KONG

(thousands of Canadian dollars)

	Year 1957	Year 1958	9 mos. 1959
Primary aluminum	754	1,020	2,048
Plastic raw materials	1,829	1,651	1,577
Wheat flour	922	835	776
Automobiles	530	231	211
Medicinal roots, herbs, barks	297	217	184
Motion picture film	150	153	178
Steel plates, sheets, strips	152	150	158
Wheat	293	301	141
Medicinal preparations	157	142	120
Edible offals	53		99
Rolled oats	38	44	70
Whisky	74	36	68
Drugs and chemicals n.o.p.	60	37	62
Cameras	179	106	61
Files and rasps	39	37	52
Fountain pens and sets	415	56	48
Douglas fir planks and boards	127	61	46
Newsprint paper	269	76	42
Furs and skins and manufactures	10	19	30
Nickel, fine	55	260	24
All others	1,192	622	1,021
TOTAL	7,595	6,054	7,056

Source: Dominion Bureau of Statistics.



In a modern Hong Kong bakery, scraps of dough are automatically returned to be included in a fresh mixture. This plant uses a large proportion of Canadian flour in the mix. Hong Kong continues to be a good market for our wheat flour; bought $776,000 worth in the first nine months of last year.

Canadian statistics, Canadian exports of Can.$7.1 million to Hong Kong during the first nine months of the year are 30 per cent ahead of the same period last year. We have made small gains in our sales of flour, oats, edible offals, whisky, medicinal preparations, drugs and chemicals, motion picture film, and steel plates, sheets and strips, but the major increase came in shipments of primary aluminum (which accounted for over 60 per cent of the rise) and in plastic raw materials. Canada's purchases from Hong Kong for the first half of 1959, at Can.$6.06 million, were some 41 per cent ahead of the Can.$4.28 million of the first six months of 1958. Figuring largely in this rise in our imports were the products of Hong Kong domestic industry, such as made-up textile goods, canvas and rubber footwear, gloves, flashlights, plastic manufactures, toys and wooden furniture.

Where Opportunities Lie

Prospects for sales of Canadian products to Hong Kong in the coming year are promising but they must be conscientiously pursued. Inquiries about Canadian suppliers of furs, leathers, hides and skins, and such food products as pork offals, chicken parts and gluten have been growing. In products of this type, price is the dominant factor but Canadian companies who are willing and able to quote competitively should find customers here. Increased competition from other industrial countries (notably Japan and West Germany) make Canadian sales of finished and consumer goods more and more difficult. This growing industrialization will, however, provide expanding opportunities for a variety of Canadian raw or semi-processed materials, including aluminum, a variety of other metals and metal scrap, plastics, and synthetic resins and chemicals.

How much business Canadian suppliers of these products obtain will depend on the ability of Hong Kong manufacturers to increase their sales to export markets, but indications are that the boom will continue well into 1960 and prospects for Canadian exporters are therefore good. Because Hong Kong is virtually a free port, aggressive selling is a must to meet foreign competition. The days of letter-of-credit business in this market are numbered and consignment shipments are becoming popular. Canadian exporters will need to pay close attention to the terms offered by European suppliers in this area. ●

Communist China

Exchanges with the Communist Bloc dominate China's trade, but Western countries sell her a narrow range of basic commodities. Canadian exports did well in second half of '59 and prospects for shipping certain types of goods continue promising.

C. J. SMALL, *Trade Commissioner, Hong Kong.*

SUBSTANTIAL industrial expansion took place in Communist China during 1959, but this was counterbalanced by agricultural problems, the result of floods, drought, and insect ravages. A reappraisal of agricultural statistics and industrial development in August 1958 resulted in a downward revision of the 1958 production figures for the main crops and of 1959 industrial targets. The effects of the 1958 organization of people's communes and of the massive effort to produce iron and steel in backyard furnaces were felt in 1958 when, for the first time, the Chinese were forced to default on some of their major export contracts and to withdraw offers on others. Nevertheless, industrial output continued to expand and over-all foreign trade appears to have increased by about 15 per cent over 1958. Imports moved steadily upward. Exports to the Soviet Bloc and Western Europe went up, shipments to Canada remained static, and those to South East Asia fell sharply. The effect of the latter may be felt in 1960, because in recent years China has been able to offset its import surplus with Western Europe and other non-Communist countries by its export surplus with Hong Kong, Malaya, and some other Asian countries.

Canadian Position

Statistically, Sino-Canadian trade in 1959 returned to the pattern of Chinese surpluses that has characterized it in recent years, with the exception of 1958, when the balance favoured Canada because we made substantial wheat sales to China. There are indications that our trade with Communist China for 1959 would actually be in our favour for the second year in succession, if large shipments of our goods moving to China through third countries were taken into account. Industrial expansion continues to be the objective in China and, although there may be some halt in the growth of total imports from the West following the decline in foreign exchange earnings from South East Asia, there appears to be no reason why Canadian exports to China and Chinese exports to Canada should not both expand gradually in 1960 and in the years ahead. Price and political considerations will remain the major influences in this trade.

Between 1950 and 1958 China's imports of the means of production —raw materials and equipment of all types—never accounted for less than 83.1 per cent of total imports and consumer goods never exceeded 16.9 per cent (1951). Since then, the figure for raw materials and equipment has reached a maximum of 94.5 per cent and for consumer goods a minimum of 5.5 per cent (1955). In 1958 these figures were respectively 93.7 and 6.3 per cent. Lest Canadian producers and exporters should exaggerate opportunities for themselves in the small percentage of China's imports of consumer goods, it is worth mentioning that the commodities imported were largely sugar, spices, animal and marine products, cotton cloth, kerosene, drugs, paper and medical apparatus. Most of the products in these categories are either not made in Canada or, if they are, suffer from high prices or other considerations that work against them in the China market.

Chinese exports between 1950 and 1958 changed considerably in complexion, with the share of agricultural and subsidiary products falling from 57.5 to 35.5 per cent, processed agricultural goods rising slightly from 33.2 to 37 per cent, and industrial products rising sharply from 9.3 to a peak of 28.4 per cent in 1957 (27.5 per cent in 1958).

The Communist Bloc, with the Soviet Union in the van, continued to dominate trade with China in 1959 and may well do so for some years to come. According to Chinese figures, trade with the Bloc over the past ten years averaged 75 per cent of the total and at current rates stands at between 75 and 80 per cent. Some experts have suggested that more accurate conversion rates between the yuan and the rouble would alter the Soviet Bloc share of China trade to 60 per cent, with 40 per cent left over for the rest of the world. Whatever cross rates or statistics are employed, the Soviet Bloc is China's major trading partner. The remainder of her trade is almost evenly divided between Asian and Far Eastern countries on the one hand and the rest of the world (mostly Western Europe) on the other.

Importance of Sino-Soviet Trade

The domination of China's trade by the Soviet Bloc has been conditioned from the beginning largely by political considerations, annual trade agreements, and economic assistance offered to China by the Bloc members. The second and third factors stem from the first. Annual trade agreements set up the guide-lines for such trade and effectively reduce the area within which Western countries can compete. Finally, technical and engineering assistance from the U.S.S.R. and its allies have formed the basis for China's recent industrialization and at the same time have assured the Bloc of the major share of China's imports of plant and equipment and most of the raw materials required to operate them. A few figures will serve to illustrate the importance of Bloc export trade to China and the overwhelming proportion of the means of production in such exports. Between 1950 and 1958, the number of lathes imported from the Soviet Bloc represented 77.9 per cent of the total number imported, diesel engines 91.4 per cent, drilling machines 84.5 per cent, automobiles 92.1 per cent, locomotives 99.5 per cent, apparatus and instruments 94.7 per cent, petroleum 96.6 per cent, and ferrous metals 57 per cent.

What China Sells

To pay for all these, China has stepped up its exports to the Soviet Bloc. Between 1949 and 1955, the Chinese ran a trade deficit with their Communist allies and incurred some low-interest debts with the Soviet Union. Since 1955, however, China has developed a growing favourable balance in its trade with the Bloc and is presumably using this to liquidate past deficits and debts. Ultimately it will employ it to increase essential imports from the Bloc.

Principal Chinese exports to the Soviet Bloc in the past have included largely bulk agricultural commodities, with the addition of some industrial and mineral products. To Asian Communist countries, China has exported some machinery and tools; industrial supplies; building materials; communications, transport and telecommunications equipment; and complete plants for the production of textiles, matches, paper, enamelware, glass, bricks, tiles, husked rice and stationery. As with imports from the Bloc, so with exports to it—the percentages of the total have been high, as the following figures indicate. Between 1950 and 1958 soybeans supplied to Bloc countries represented 79.7 per cent of total soybean exports, edible oil 76.7 per cent, tungsten ore 100 per cent, tin 96.4 per cent, frozen pork 99.5 per cent, canned goods 86.8 per cent, apples 89 per cent, woollen piecegoods 96 per cent, and manufactured silk 74.8 per cent.

Trade with Non-Communists

As mentioned earlier, the portion of over-all trade with China enjoyed by the non-Communist world is 25 per cent or 40 per cent, depending on the conversion rates chosen. Slightly over half of the remainder is shared by Asian and Far Eastern countries, among which Hong Kong is by far the most important. The rest of the trade—between 10-18 per cent, again depending on the figures adopted—is with the rest of the world. In fact, however, Western Europe and the United Kingdom secure most of it.

Within the limits described above, Western businessmen can do and are doing business with China. However, an analysis of the trade of China's major Western trading partners reveals that exports to China consist of a narrow range of basic commodities. For example, Britain's sales to China in 1958 totalled nearly U.S.$75 million (excluding re-exports worth an additional U.S. $1.5 million) and approximately one-quarter consisted of wool and

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other animal hair and tops (mostly wool tops), another quarter of non-ferrous metals (mostly copper wire), 16 per cent of iron and steel (primarily black sheets, tinplate and wrought tubes), 11 per cent of chemicals (including elements, compounds, drugs, medicines and medicinal preparations), 10 per cent of machinery (mostly textile machinery, tractors and machine tools), and nearly 4 per cent of electrical equipment. In addition, there were smaller shipments of scientific instruments, synthetic fibre yarn, woven fabrics, and miscellaneous textile manufactures. Preliminary 1959 statistics reveal much the same pattern although the 1959 total was larger and included some big orders for mobile cranes.

Purchases from West

From this example and from similar experience gained by other Western countries, it is obvious that China's primary requirements from the West have been—and will almost certainly continue to be in the immediate future—a limited range of raw materials, fertilizers, machine tools and various means of production to supplement supplies obtained from the Soviet Bloc. The main Western imports of Chinese products have comprised, for the most part, raw or semi-processed agricultural and fish products, cotton cloth, some minerals, silk and handicrafts.

As with the Soviet Bloc, a few Western countries (including Denmark, Norway, Sweden and Finland) have employed formal trade agreements for regulating their trade with China. With other Western countries, some contracts have been negotiated through the China Council for the Promotion of International Trade or by direct contact with the various Chinese State Trading Corporations. Prospects for increasing Western trade with China this year will depend on economic developments in China and the ability of the Chinese to develop their favourable export balance with South East Asia to former levels in order to continue financing purchases from the West.

Trade with Canada

Although the competition among Western businessmen for Chinese contracts may intensify this year, there is no reason why Canadian exporters should not expand their sales to China in certain limited fields—if they can compete in price. Canada so far has played a small part in the China trade but 1958 was the most successful year for our exports to China since the Communists assumed power in 1949. Our total direct sales reached Can. $7.8 million, compared with only Can.$1.4 million in 1957. It is estimated that another Can.$3 million worth of Canadian exports reached China via third countries, bringing our total 1958 sales to about Can. $11 million. However, wheat earned the lion's share ($7 million) and was sold because of a combination of circumstances not present in 1959. In fact, there were few sales of any kind in the first six months of last year. From a total of $864,000 worth of exports to China in this period, $808,000 consisted of shipments of copper rods ($613,000), nickel ($167,000), and scientific apparatus ($28,000), all of which had been sold much earlier.

More encouraging signs appeared in the second half of 1959, with the resumption of exports of cobalt therapy units ($180,000 in August), magnesium ($64,000 in July-August), growing sales of drugs and chemicals ($221,000 by the end of September), and initial sales of synthetic resins ($3,000), yellow and red phosphorous ($150,000), synthetic rubber (over $1 million), polystyrene ($140,000) and aluminum ingot (over $2½ million). Some of these commodities did not appear in Canadian statistics as sales to China because of shipment via third countries; for example, most of the aluminum went to China through Hong Kong.

Chinese exports to Canada in 1957 and 1958 were stable at Can. $5.4 million and in the first half of 1959 exactly equalled the January-June 1958 figure of Can.$2.8 million. However, the Chinese failure to improve their position in 1958 and 1959 resulted from inability to deliver goods either ordered or desired by Canadian traders. This situation should improve in the current year. The major Chinese products absorbed by Canada have continued to be traditional items such as walnuts and peanuts, furskins, tea, carpets, eggs and handicrafts, and a large increase in the volume is not expected. Nevertheless, 1959 brought a broadening in the variety of Chinese products taken by Canada, especially in the textile field. Imports of bleached cotton and worsted clothing, tablecloths, towels, handkerchiefs, pillowcases, traycloths, etc., although only a small proportion, are growing steadily. Taken together they now form the third largest import from China after walnuts and peanuts and could occupy second or first place by the year's end. Other products making progress in the Canadian market are canvas shoes, glass and glassware, sporting goods, hardware and plywood. Although there is a limit to the volume of traditional Chinese goods that Canada can absorb, consumer goods and possibly consumer durables could become increasingly important.

Looking Ahead

The slight broadening in the variety of recent Canadian exports to China is an encouraging feature of current trade and suggests opportunities for larger sales in the coming year. In particular, primary and semi-processed bulk commodities, especially aluminum, nickel, magnesium, copper, steel, synthetic rubber, plastic raw materials, chemicals and fertilizers, appear to offer the best opportunities. Other hopeful prospects are for scientific equipment of various types, medicinal preparations and drugs and (perhaps in the long run) wheat, timber, pulp and paper, and plant equipment (e.g., fertilizer and pulp and paper plants).

The best method of promoting trade with China remains unchanged from the past year: active correspondence followed by trade promotion trips by Canadian businessmen after the Chinese have indicated their interest in the goods the Canadians are offering. ●

Further details on trading with China are given in the following articles published earlier in "Foreign Trade": "How to Trade with Mainland China", Feb. 1, 1958; "Canton Holds an Export Fair", Jan. 31, 1959; "Mainland China", Feb. 28, 1959; "How to Visit Communist China", Aug. 15, 1959.

South Vietnam, Cambodia, Laos

Last year had its problems and its achievements in these three countries. Canadian sales to South Vietnam should continue to grow, business with Cambodia could be improved, but Laos offers only limited opportunities.

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

SOUTH VIETNAM

THE economic picture in South Vietnam brightened during the first nine months of 1959 and prospects for 1960 appear promising. Although the country still depends on the United States to finance its import program, its development schemes and government expenditures, this dependence appears to be gradually decreasing. Higher export earnings, the development of local industry, and tighter control of imports are changing the picture.

During the first six months of 1959, imports were substantially lower and exports remained about the same as in 1958. The result was that the adverse trade balance was reduced from U.S.$100 million to U.S.$85.6 million. United States commercial aid, although still substantial, was smaller, and this drop accounted for most of the deficit. The main suppliers during the first half of the year were France (27.4 per cent), the United States (23.1 per cent), Japan (17.7 per cent), and Germany (4.5 per cent). Of the U.S.-financed imports, the United States led with 28 per cent, followed by Japan with 22.9 per cent and France with 20.9 per cent.

Rubber and Rice Sales

Sales of the two principal exports, rubber and rice, went well in 1959. Rubber moved briskly in the first half of the year and the entire crop is expected to be sold at slightly higher prices than in 1958. Sales to France (which traditionally takes the bulk of it) dropped considerably, but shipments to the United States rose sharply. The 1959 crop is estimated at about 76,000 tons as against 66,000 tons last year, an increase of about 15 per cent. Rice sales during the first nine months totalled 183,000 metric tons out of an estimated exportable surplus of less than 300,000. Prospects were that the entire exportable surplus would be marketed before the year's end. Agreements already concluded provide for the sale of approximately 80,000 tons during the first three months of 1960. Forecasts for the 1959-60 year are for a slightly larger crop and an exportable surplus of over 300,000 tons.

In mid-August the official import rate on French francs was raised and the rates for sterling and dollars lowered, bringing the three currencies to near parity. This affected the French competitive position in the market adversely and improved the position of dollar and sterling countries. A number of commodities were moved from categories eligible for financing at the official rate to categories eligible for financing at the free market rate. This also affected French exports to South Vietnam more severely than those from other countries.

The country has made strenuous efforts to develop agriculture. The rural resettlement program has provided farming land in the past few years for some 112,000 landless families. Extensive credits have also encouraged agricultural development and the replanting of rubber trees.

Industry Growing

A number of industrial projects under consideration for some time now appear to be well under way and should be producing within the next 12 to 18 months. These include a glass bottle factory, a paper mill, a pharmaceutical factory, a cold storage plant and a cement plant. A textile mill is in operation and handicraft weaving has made good progress, with the result that the value of textile imports fell from U.S.$48 million in 1958 to U.S.$40

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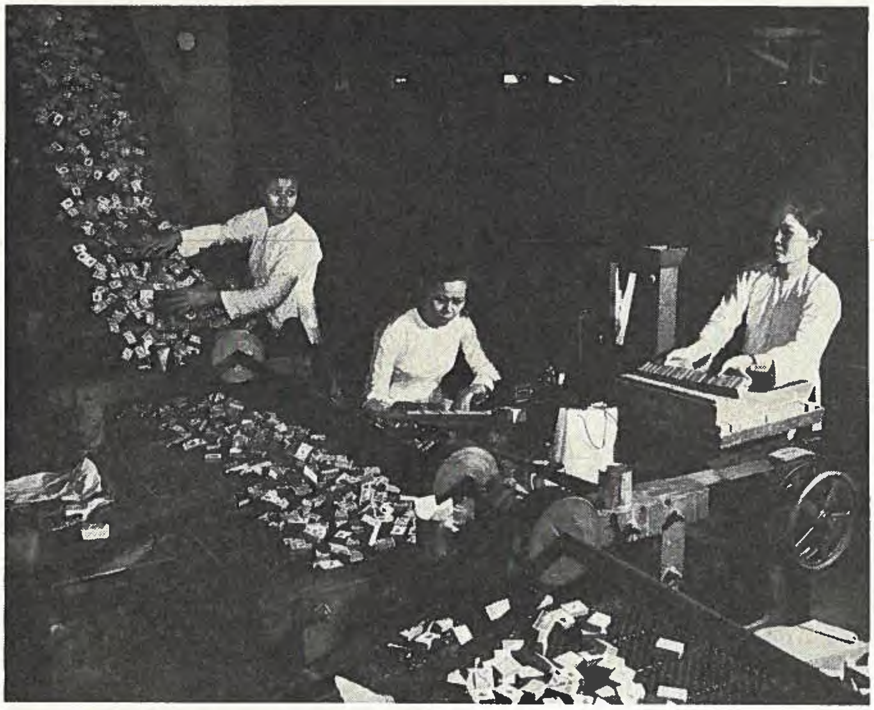


South Vietnam is stressing the development of industry to cut down purchases abroad and save foreign exchange and also to provide jobs for its people. These Indo-Chinese girls are hard at work in a match factory, one of the new plants put up.

million in 1959. A further reduction to some U.S.$25 million is expected in 1960. Plans are afoot to set up additional textile mills and sugar plants. These should reduce South Vietnam's imports still more and provide employment. The first substantial private investment in industry has been authorized—a U.S. company will invest U.S.$2 million in a 15,000-spindle cotton-weaving mill to be built near Saigon. It will be a partnership between the U.S. company and local Vietnamese and Chinese interests, with the Vietnamese partners holding 55 per cent of the shares and the U.S. company 45 per cent.

The main economic problems are the large budget deficit and mounting inflationary pressures, but they have not dampened the general optimism in government and business circles.

Foreign Aid

Non-military aid for the current fiscal year is estimated at U.S.$175 million, comprising U.S.$140 million in commercial aid, U.S.$30 million for project aid, and U.S.$5 million in technical assistance. This compares with a total of U.S.$181 million in the previous fiscal year. Military aid will be cut to U.S.$130 million in 1959-60 from U.S.$144 million last year. In the future, probably commercial aid will receive less emphasis and project and military aid more. South Vietnam's own export earnings for the year 1960 are expected to reach U.S.$40 to U.S.$50 million; total commercial imports should be valued at about U.S.$200 million. Principal imports are textiles, agricultural products, motor vehicles, petroleum products, metals, pharmaceuticals, machinery, electrical apparatus, chemicals, paper, fertilizers, engines and motors.

Canadian Sales Rise

Canada's direct exports to South Vietnam have risen markedly during the first half of 1959, reaching roughly the total figure for all of 1958—Can.$250,000. Apart from this direct trade, however, sales of Canadian goods through Hong Kong, United States ports, and probably Bangkok have risen sharply. Outstanding examples are aluminum, which is shipped to Hong Kong in ingot form, rolled in Hong Kong and then sold to South Vietnam in sheets, circles, etc., and tinplate, sold through New York. Increasing quantities of plastic raw materials are going to the growing plastics industry. Canada has donated some 300,000 tons of foodstuffs under the Colombo Plan for the fiscal years 1958-59 and 1959-60, and the local currency earned is to be used for development projects agreed upon. This is the first Canadian aid other than technical and educational assistance.

Prospects for Canadian sales to South Vietnam are improving and with further progress toward industrialization, our exporters can look for a gradually expanding market.

CAMBODIA

DURING the first half of 1959, the Cambodian economy remained stable and no notable trends emerged. Total trade continued at about the same figure as in the first half of 1958: imports, at U.S.$27 million, were roughly in balance with exports. Industrial development was modest but a few small industries were started, including a plant to package pharmaceutical products, a brewery, a fish cannery, and two soap factories.

Development Plan Announced

Details of Cambodia's first five-year development plan have recently been announced. It covers the period from January 1960 to the end of 1964 and aims to increase the national income by 28 per cent and the people's income by 16 per cent. It envisages greater production by improving tools and techniques, the construction of factories, irrigation systems, roads, etc., and it puts more emphasis on education, public health and social welfare. Fifteen billion riels (80 riels = Can.$1) will be needed to attain these objectives;

six billion will be provided from the national budget, three billion from foreign aid, and the remaining six billion from private sources. During the five years, two billion riels will go to building such public facilities as schools, hospitals and clinics, and 2.5 billion riels for a new seaport, an airport, and rail and road development.

The remainder of the budget for the plan will be invested in productive projects, especially agriculture, since Cambodia's scarcity of mineral resources limits its industrial growth.

The production of rice, rubber and corn will be emphasized because they are Cambodia's main exports. Under the plan, acreage sown to rice, rubber, cotton, sugar-cane, oil-bearing crops, coffee and tobacco is to be increased. It is hoped to expand cotton output to some 5,000 tons, sugar-cane to 50,000 and rubber from 34,000 to 50,000 tons.

An achievement of potential economic importance was the opening of the first direct highway between Phnom Penh and the deep-sea port at Kompong Som, which makes accessible a valuable area of forest land. Exploitation of this is not expected to proceed rapidly, however, and the Mekong River will remain the chief transport route for some time.

A series of legislative reforms regulating the local market were made during the past year. Provincial expenditures were more tightly controlled and a drive against corruption in the administration carried on. The death penalty was introduced for major embezzlements of public funds.

Exports and Imports

Shipments of rice, the principal export, in the first half of 1959 dropped to 125,000 metric tons from 189,000 in the corresponding period of 1958. The value of these shipments fell by 30 per cent—from U.S.$17 million to U.S.$13 million—as a result of lower prices and a smaller proportion of high-quality rice. Rubber shipments, on the other hand, remained about the same but higher prices raised returns by about 30 per cent—from U.S.$6 million to U.S.$8 million. Lumber exports to Hong Kong and livestock sales to Communist China also rose. Cambodia's main markets were France (U.S.$11 million), the United States (U.S.$5.9 million), Hong Kong, and Singapore.

Cambodia bought less abroad in the early part of 1959 because of reductions in exchange allocations under the U.S. commercial aid program and in Cambodian-held foreign exchange reserves. However, during the second half of the year imports picked up and the 1959 total should fall only slightly below 1958's approximately $74 million. Principal suppliers during the first six months of the year were: France (U.S.$11.03 million), Japan (U.S.$3.7 million), Communist China (U.S.$2.3 million), and the United States (U.S.$2.06 million). The United States' share of the market declined slightly, but imports from China increased sixfold. France will continue to be the principal supplier, it is expected, because of traditional consumer preference, good marketing practices, and a common language. Cambodia buys principally textiles, machinery, metals and metal products, foods, paper and paper products, motors, fertilizers and chemicals.

New Customs Tariff

On August 13th, Cambodia adopted a new customs tariff, using the Brussels classification. It provides for three separate rates of duty: preferential rates for certain commodities originating in France or French colonies, minimum rates applicable to merchandise imported from member countries of GATT, and general rates three times the minimum rates, to apply to goods from non-GATT members. The main effect of this will be to increase the cost of imports from such countries as Communist China and other non-GATT countries. The result should be larger purchases from Asian members of GATT.

Canadian Prospects

Canada's trade with Cambodia was still small last year; we made few direct sales. Some shipments of Canadian goods continue to go to Cambodia through Hong Kong, Bangkok and, to some extent, from the United States, but our share of this market is limited. Canadian imports from Cambodia move almost entirely through Hong Kong and consist of cassia, pepper and feathers.

There are prospects for increasing Canadian trade with Cambodia but, as in South Vietnam, more concentrated effort will be needed. The undeveloped potential is not as great as in South Vietnam but considering Cambodia's healthier balance-of-payments position and less stringent import controls, it should be possible to market a wider variety of exports.

LAOS

LAOS continues to depend heavily on foreign assistance. The army, the police and most administrative services are paid for by foreign aid, largely from the United States, and some 98 per cent of imports and 60 per cent of the national budget are financed in the same way. Monetary reforms introduced late in 1958 caused considerable uncertainty and resulted in a general slackness in internal and external trade during the first half of 1959. By mid-year, however, there was a pronounced improvement and business appeared to be picking up. Recent political disturbances have complicated the situation further and it is not possible to forecast their long-term effects.

The five-year development plan announced in July is based on the assumption that foreign aid will continue at least at its present level and anticipates that it will be augmented by private foreign investment. The latter is to be encouraged through legislation guaranteeing the remittance of profits and capital. Other inducements offered to investors include the establishment of a number of joint enterprises involving private and government investment, particularly in utilities. Over the five-year period 2,500 million kips will be spent—1,000 million on social welfare, 1,000 million on general equipment, public works, etc., and 500 million on agriculture, livestock, forestry, and small-scale industrial development. (The plan was finalized when 35 kips equalled U.S.$1.00 and is based on this rate. The new rate is 80 kips = U.S. $1.00.)

Mineral production in Laos is currently confined to small quantities of tin, but output has been rising slowly and in 1958 reached 611.4 tons of 50 per cent concentrate. Further investment has been made in this industry and the rise in output is expected to continue. Geological surveys carried out in the past few years have uncovered substantial tin reserves and also high quality anthracite coal that could be mined by open-pit methods. A French group is making plans to prospect for oil and expects to begin soon.

Industrially Laos is extremely primitive, but some progress has been made and sawmills, brick works, ice manufacturing, soft drink and cigarette plants have been established. A cement plant will go into production this year.

Agriculture continues to be largely of a subsistence type but rubber plantations destroyed during the disturbances in the early 1950's are gradually recovering. Cultivation of coffee, hemp and pineapple is being encouraged and good results are expected.

Laos normally exports at the rate of about U.S.$1 million per year, although this figure is augmented to some extent by the illicit sale of opium. Principal exports are tin, benzoin, coffee, sticklac and teak.

Commercial imports have been running at the rate of some U.S.$50 million worth of goods a year, financed mainly with U.S. funds. Chief commodities brought in are semi-processed and consumer goods, yarns, textiles, construction materials, electrical goods and sawmill equipment. Principal suppliers over the past three years have been France, Hong Kong, Japan, Thailand and the United States. The only important trade development during 1959 was the introduction of a new customs tariff that became effective last March. Rates were generally reduced but importers' costs went up because of the calculation of taxes on the c.i.f. value in kips at the new rate.

Canada's share of this market is small, although some aircraft have been sold and there may be prospects for future sales. Small quantities of other Canadian goods probably reach Laos through third countries. This market, however, does not offer any great potential in the foreseeable future. ●

Federation of Malaya

Rising rubber production, plus high prices, and improving prospects for tin have brought prosperity. Removal of restrictions on dollar imports and well planned industrial development program should mean bigger sales for Canadian exporters.

M. P. CARSON, *Trade Commissioner, Singapore.*

THE federal elections, the first since Independence, held in Malaya in August 1959 returned the Alliance Government headed by the Tengku Abdul Rahman. The tasks that lie ahead of his government include development of housing and educational facilities, community development in rural areas, and the prime objective of increasing the national income. To achieve the latter, more land will be allocated to growing rubber and other crops. The Government's policy will also stress the development of secondary industries.

Rubber Production, Prices

Malaya can rightly feel proud of the economic progress it has made in recent years. Production of rubber, the major export earner, is steadily expanding and the rubber replanting schemes are beginning to show results. For the first time in 25 years, Malaya is surpassing Indonesia in this field and has become the world's number one producer and exporter.

There was some uncertainty at midyear over the announced distribution to industrial users from the British and U.S. rubber stockpiles. However, rubber prices have been more than steady and have meant near-record returns. The beneficial combination of increased production and high prices has provided an unexpected prosperity. Rubber workers, who benefit from increased prices, have greater purchasing power and this is reflected in increased retail sales.

In the first ten months of 1959, total exports of rubber of all grades reached 997,000 long tons, up 112,000 long tons from the corresponding period in 1958. October rubber shipments, at 110,000 tons, constituted an all-time record for the industry. Even during the Korean War, the figures never attained this peak. The Malayan dollar reached its highest point as it strengthened

This impressive building, known as Federal House, contains a number of Federal Government offices in Kuala Lumpur, capital of the Federation of Malaya. The Federation held its first federal elections since independence in August 1959 and the Alliance Government, returned to power, is energetically undertaking a number of development projects.

against sterling, to which it is pegged, and the Federation's revenue will benefit by millions of dollars because rubber prices are well above the budget estimates. The outlook is good and the atmosphere one of optimism.

In the first ten months of 1959 the U.S.S.R. was the largest purchaser of Malayan rubber. Ocean shipments to Russia totalled 152,000 long tons compared with 40,000 in the similar period of 1958. The United States boosted its purchases by 50,000 tons to 148,000 in ten months of 1959, but British buying fell off by 30,000 tons to 135,000. Canadian imports of Malayan rubber increased to 28,000 tons (or by 7,000 tons) in the ten-month period.

Tin Outlook Improved

The price of tin has remained steady and the prospects have brightened compared with a year ago. Despite market fluctuations caused by the steel strike in the United States, tin production did not fall off. In the first six months of 1959, 20,500 tons were exported. The International Tin Agreement quotas for third quarter 1959 were raised from 23,000 to 25,000 tons and the Federation's share of this was 37.75 per cent. Additional increases announced early in September were expected to see the tin industry return to a near-normal operating position. With greater manufacturing activity in North America, 1960 looks encouraging.

Foreign Trade Increases

Thanks again to large rubber exports and high prices, Malaya's total trade expanded in 1959. Pan-Malayan exports for the ten-month period January to October 1959 rose Can.$129 million from 1958. Imports decreased about Can.$31 million in the same period, giving a favourable balance of trade.

It is interesting to note that Singapore's share of total Pan-Malayan exports reached Can.$657 million, compared with Can.$395 million for the Federation of Malaya. Because of Singapore's good entrepôt trading services, the import balance is even more in its favour. The figure for Federation imports for ten months was Can. $241 million compared with Singapore's Can.$766 million. But in 1959 Singapore's exports increased by only Can.$33 million whereas those of the Federation of Malaya rose by Can.$95 million.

How Did Canada Fare?

Canadian imports from the Federation, including Singapore, consist mainly of rubber, tin, vegetable oils and canned pineapple. In ten months of 1959 our purchases from Malaya, at Can.$21.1 million, were up almost 50 per cent from 1959 and we were Malaya's ninth best customer. Pan-Malayan imports from Canada fell about Can.$300 thousand to Can.$3.3 million. The breakdown of exports to Pan-Malaya indicates a steady Can. $700,000 of direct exports to Malayan ports in the ten months of both 1958 and 1959. Singapore statistics show a fall-off of Can. $300,000 in 1959 from Can.$2.9 million in the first ten months of 1958.

The United States sold Malaya Can.$37.4 million worth of goods compared with our Can.$3.3 million. This may mean that Canadian exporters are not looking closely enough at the possibilities of the Malayan market. Canadian exports to Malaya are only about 25 per cent as large as Canadian purchases from that country; the comparable figure for the U.S. is 44 per cent.

On July 1, 1959, all restrictions on imports from dollar countries were lifted, opening the market to a wide range of commodities formerly brought in under the rather cumbersome system of importing via Hong Kong, at added cost. The consequent decrease in the prices of these products has made many of them more competitive with European, Japanese and Australian offerings. But Malaya is still a buyer's market and there is relatively little accumulated demand for dollar goods. Selling here has become a straightforward matter of offering goods acceptable to the market at competitive prices.

Industrial Development

The Federation of Malaya is seeking to improve national income by attracting and establishing secondary industry. "Pioneer industry" legislation set up last year makes development prospects more alluring to domestic and foreign manufacturers. Several projects have already been given pioneer status and a sensible, slow industrialization program is under way. Next year will see the opening of a Malayan Industrial Development Finance Company with an initial capital of Can.$5 million. Industrial development in the private sector will stand to benefit from this institution if the plans that private investors put forward are considered in the national interest.

A recent report from Kuala Lumpur indicated that between Can.$40-$50 million has been invested in pioneer industry, providing employment for over 1,000 people in some 21 new factories. These factories include four paint and three pharmaceutical producers, and plants making batteries, cable and wire, metal containers, sulphuric acid, cement, matches, electric meters, insulation materials, plastics, medical dressings and toiletries.

Under consideration are a number of projects—a tire plant, a sugar refinery, a wheat flour mill, a fertilizer plant, and many others. The developments are centered principally in the industrial satellite town of Petaling Jaya near the capital, Kuala Lumpur, and close to the port facilities at Port Swettenham, which will have a new 500-foot wharf in 1960. A Can. $10 million project to develop the North Klang Straits will provide additional facilities for improving shipping services to the industrial area. Johore Bahru in the State of Johore near Singapore is the second most promising region for industrial development.

Canadian Opportunities

This well-thought-out, sensible approach to industrial development augurs well for Canadian exporters in a position to supply plant and equipment, engineering services, and raw and semi-manufactured materials. There will be growing markets for lead for battery manufacturing, sulphur for sulphuric acid production, refractories for cement kilns and the sugar refinery, aluminum and wire stock, plastics and numerous other commodities. ●

Singapore

Liberalization of trade last fall should help Canadian sales, but low prices essential. Certain consumer goods, engineering equipment, heavy industrial materials should sell well.

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

SINGAPORE, less than one-third the size of Manitoulin Island on the north shore of Lake Huron, lies only one degree north of the equator, almost exactly halfway round the world from Sault Ste. Marie. Small though it is (only 27 miles long and 14 miles wide), it has a population slightly larger than that of British Columbia.

Singapore has no minerals and little farm land. It has not nearly as much industry as an average Western Ontario city. Despite these handicaps, its people enjoy a living standard unequalled in South East Asia. The principal sources of its income—trade and shipping—have not changed since the city was founded by Sir Stamford Raffles in 1819.

The latest available figures give Singapore's total foreign trade for the period January to October 1959 as approximately Can.$1,592 million, up slightly over the same period in 1958. In the early months, business lagged behind last year but by July trade had improved and exceeded in volume that of July 1958. Preliminary figures for October indicate the highest monthly total since April 1951. Businessmen seem confident that when final 1959 trade statistics are published, they will confirm that the year has been a prosperous but not a record one.

As for shipping, the Port of Singapore handled during the period January to July 1959 the arrival of 5,850 vessels engaged in foreign trade and the registered tonnage of arrivals reached 18,349,000 tons.

Association with Federation

In any analysis of Singapore's foreign trade, the outstanding feature is its close commercial ties with its northern neighbour, the Federation of Malaya. In 1958 Singapore accounted for more than 70 per cent of Malaya's total external trade. This figure did not decrease much in 1959. Singapore's trading fortunes rise and fall with fluctuations in the supply of and demand for Malaya's principal exports—rubber and tin.

Malayan rubber production for the first ten months of 1959 exceeded that of the similar period in 1958. Exports have been high, particularly in the later months of the year. In October a record 110,000 tons of rubber were exported. The price, though it fluctuated occasionally, rose steadily throughout the year and by November reached the highest point since early October 1955.

Tin shipments during the first ten months of this year were running nearly 8 per cent above those for the corresponding period in 1958 and for the whole of Malaya totalled 36,663 tons. London tin prices have shown little reaction to the higher tin offerings, with the cash price holding within the range of £790-£793 a ton.

Effective August 1, 1959, in parallel action the Governments of Singapore and the Federation of Malaya relaxed restrictions against the direct import of goods from the dollar area (see *Foreign Trade* of August 15, 1959). On that date, for the first time since the end of the war in 1945, the dollar countries were placed on an equal footing with the sterling area and Western Europe.

It is too early yet to estimate the effect of this liberalization upon Canadian exports. Several new Canadian products, however, are now coming in and agents in Singapore are hopeful of substantial sales. Canadian canned bacon and ham are on sale in Singapore retail stores for the first time since 1939. Canadian patent medicines are coming back; a new line of Canadian dress shirts is on the shelves in local shops. A range of Canadian household time-savers is expected soon. Ballpoint pens marked "Made in Canada", recently imported for the first time, are now being re-exported by local merchants to nearby markets. Canadian power lawn-mowers have proved popular and sales are rising swiftly.

Canadian Exports Reviewed

Characteristic of Canadian trade with both Singapore and the Federation of Malaya are first, a large surplus in favour of this area and second, a broad range of exports. By contrast, Canadian purchases from Singapore consist mainly of rubber and tin, with some canned pineapple. Latest statistics show Canadian exports to this area for the first nine months of 1959 at Can.$2,560 thousand, some Can. $300,000 below the total for the similar period of 1958, the result of keen competition. Local preference for smaller and cheaper European and Australian cars has decreased sales of both motor vehicles and spare parts sharply in the last few years and South Africa has replaced Canada as Singapore's asbestos supplier. New Canadian goods appearing on the market have not compensated for the lost sales of transport equipment and asbestos. Promotion efforts by Canadians visiting here have been successful and Canadian asbestos is again being ordered for 1960 shipment.

Can You Sell Here?

If you make a consumer product suitable for sale in the summer at home or if the time of the year means little in the use of your product, you can probably sell it in Singapore. The shoe industry here is thriving and, with the single exception of natural rubber, buys all of its raw materials abroad. About 100 thousand cars and trucks operate on this island and accessories and parts always sell well. Nearly all of Singapore's food is imported, with substantial quantities bought from North America, chiefly the United States.

Whatever you make, it is simple to find out whether you can sell it here. Write the Canadian Trade Commissioner in Singapore and ask him about the prospects. First, though, make your prices as low as possible if you want to compete, especially with the Japanese, the Germans and the British.

Although the above applies to consumer goods, Singapore's need for engineering equipment and heavy industrial materials must not be overlooked. Importers here regularly purchase substantial quantities of these, both for local and export markets. Outside the Federation of Malaya, Indonesia is Singapore's leading customer and much of what Indonesia buys here represents re-export trade. The Singapore importer, when he buys, does so thinking not only of Pan-Malayan prospects but of prospects throughout South East Asia. Singapore, in fact, is like a giant department store and its clientele is large.

Data for Exporters

The International Trade Relations Branch of the Department of Trade and Commerce has prepared bulletins covering shipping documents and customs regulations of the following countries: Argentina, Australia, Austria, Belgian Congo, Belgium, Brazil, Chile, Colombia, Costa Rica, Cuba, Denmark, Dominican Republic, East Africa, Egypt, El Salvador, Finland, France, West Germany, Ghana, Greece, Guatemala, Haiti, Honduras, Israel, Italy, Japan, Mauritius, Mexico, Netherlands, Netherlands Antilles, New Zealand, Nicaragua, Norway, Panama, Peru, Portugal, Spain, Surinam, Sweden, Switzerland, United States, and Venezuela. The United Kingdom certificate of origin requirements and other conditions under which Imperial Preference is granted are covered by Notice No. 27 A issued by the United Kingdom Commissioner of Customs and Excise.

Other pamphlets issued by the Branch include "Requirements for Shipping Documents in Latin America" and "Import Control Regulations and Tariff Treatment of Canadian Goods", both brief summaries in tabular form, and an outline of "Tariff Preferences for Canadian Goods Abroad." For copies of any of these pamphlets, readers should write directly to the Branch. Data on other countries will be compiled from time to time and they will be added to the list.

Sarawak, North Borneo, Brunei

For these three territories, 1959 was a good year; brought the opening of these markets to dollar goods.

M. P. CARSON, *Trade Commissioner, Singapore.*

SARAWAK

ECONOMIC conditions in this British colony of 650,000 people improved during the past year. Natural rubber sold at high prices and the demand for it remained steady. Bauxite continued to earn foreign exchange: in the first ten months of 1959, 189,000 tons were shipped compared with 100,000 in 1958, and the export goal of 200,000 tons appeared to be within reach. Principal markets were Japan and Taiwan.

Pepper Industry

White pepper prices rose during the year to augment the large returns from rubber. In the first nine months of 1959, 3,600 tons of white pepper were shipped to Singapore, compared with 2,343 tons in the same period of 1958. Pepper producers are growing more and more white pepper because it commands higher prices. On the other hand, shipments of black pepper to Singapore dropped considerably; for nine months of 1959 they stood at only 1,112 tons, compared with 3,172 in the same period of 1958.

The pepper industry in 1959 reflected the difficulties it has experienced since its heyday in 1956, when over 20,000 tons were exported. Last year total earnings dropped by Can.$250,000. Research continues into the serious pepper disease that has inflicted extensive damage on this valuable crop.

Sarawak ended the first nine months of 1959 with a favourable trade balance of Can.$21.8 million, compared with Can.$5.8 million in the corresponding period of 1958. Exports increased by Can.$22 million to Can.$134 million. Imports also rose by Can.$5.7 million to Can.$112.2 million.

Australia, which has developed direct shipping service to British Borneo ports, bought increasing quantities of rubber and other products from Sarawak and recorded in September 1959 the largest increase of all Sarawak's trading partners, with purchases totalling Can. $1.1 million. Singapore's trade with the colony also rose sharply. Japan too improved its direct shipping connections.

Revenue from export, import and excise duties increased by Can.$3 million in the first ten months of 1959 to reach Can.$10.4 million.

Development Plans

The improved economic position of the colony in 1959 helped the Development Plan for 1959-1963, which is estimated to cost Can.$38.3 million. The plan is designed to improve and expand social services, to diversify the basic agricultural economy, to increase the planting of high-yielding rubber, and to improve the inadequate communications.

In addition, timber extraction will be encouraged, and the Government will provide a pilot plant to manufacture good-quality sago flour and one to clean and process pepper. Oil palm cultivation will receive priority and a target of 10,000 acres planted to coconuts has been set.

NORTH BORNEO

BOOM conditions were evident in this small British colony (population 420,000) during 1959. Direct shipping services from Japan, Australia and Hong Kong have been developing at an encouraging rate, principally to carry the colony's timber and sawn timber to these markets which are taking greater quantities than ever.

By the end of July 1959, North Borneo had shipped almost 20 million cubic feet of logs (hoppus measure) and 1.2 million cubic feet of sawn timber, compared with only 25.3 million cubic feet of logs and 0.9 million cubic feet of sawn lumber in the entire year 1958. Japan took 65 per cent of the total logs exported in the first seven months.

Traditionally, rubber has been the major earner of foreign exchange but in 1958 timber moved up, with exports worth Can.$12.1 million compared with Can.$10.9 million for rubber. Figures for the first six months of 1959 indicate that this trend is continuing: timber sales were valued at Can.$7.7 million, rubber at Can.$6.7 million. Copra, tobacco, hemp and cutch are the other major exports.

The rich volcanic soils in the southeast, around Tawau, continue to show great promise for cocoa growing. Some experts say that conditions in North Borneo are superior to those in the world's best known cocoa-producing countries. To encourage output, all cocoa exports have been exempted from duty up to January 1, 1967. Several hundred acres have been planted, thanks partly to funds from the Colonial Development Corporation. Trial plantings by the Government have been successful and research is being carried out on a plant disease that may affect cocoa.

Of some Can.$22 million spent on development in the public sector in the years 1957-1959, the colony contributed about Can.$8 million. The remainder was provided by grants from the United Kingdom Treasury and by loans raised on the London market. Development in the private sector is encouraged by a pioneer industries ordinance and by exempting from duty exports of cocoa, palm oil, palm kernels and hemp during the early years of their establishment.

The Government's pioneer industries legislation has received an encouraging response; the number of individuals and firms submitting applications for agricultural and small industrial projects has shown a marked increase.

The Government is preparing a development plan for the five-year period 1959-1964, with expenditures totalling an estimated Can.$20 million.

BRUNEI

BRUNEI promulgated a new constitution on September 29, 1959. Formerly the British Governor of the Colony of Sarawak was also High Commissioner for the Sultanate of Brunei and a British Resident advised the Sultan. The new post of British High Commissioner has been established. The Sultan intends to introduce a system of elections in due course.

Brunei continues to be the second largest producer of petroleum in the Commonwealth (Canada is first). It depends almost 100 per cent on petroleum exports for the well-being of its small population of 60,000 people. Minor quantities of rubber are also exported.

As an indication of the prosperity of this Sultanate, Can.$27 million of petroleum products were exported in the first quarter of 1959. Imports were valued at Can.$6 million. Earnings are wisely invested to carry on the imposing welfare and social services.

The oil company is the major importer of heavy equipment but a recent building boom has improved business conditions for a number of importing firms.

Canadian Opportunities

THE relaxation of dollar trade undertaken this past year by all Commonwealth countries has been implemented by the Borneo countries as well. These markets are open to dollar goods but the demand is necessarily small. The average level of income is low, but developments in the timber industry in North Borneo should offer prospects to Canadian firms exporting related equipment. In the first six months of 1959, Canadian exports to North Borneo totalled only Can.$63,000 and consisted principally of machinery and transport equipment, some manufactured goods, and food products (principally wheat flour). For the same period, North Borneo statistics show Can.$109,000 worth of exports to Canada, principally rubber. Sarawak imported about Can.$305,000 worth from Canada, principally outboard motors.

Canadian exporters who wish to enter these small markets are advised to ask their agents in Singapore to cover them. Although there are a number of local importers interested in establishing direct agencies, the market is too small to benefit from minimum shipments. Most large trading-houses in Singapore either have branches in the Borneo territories or correspondents who are able to do a reasonably good job. •

Thailand

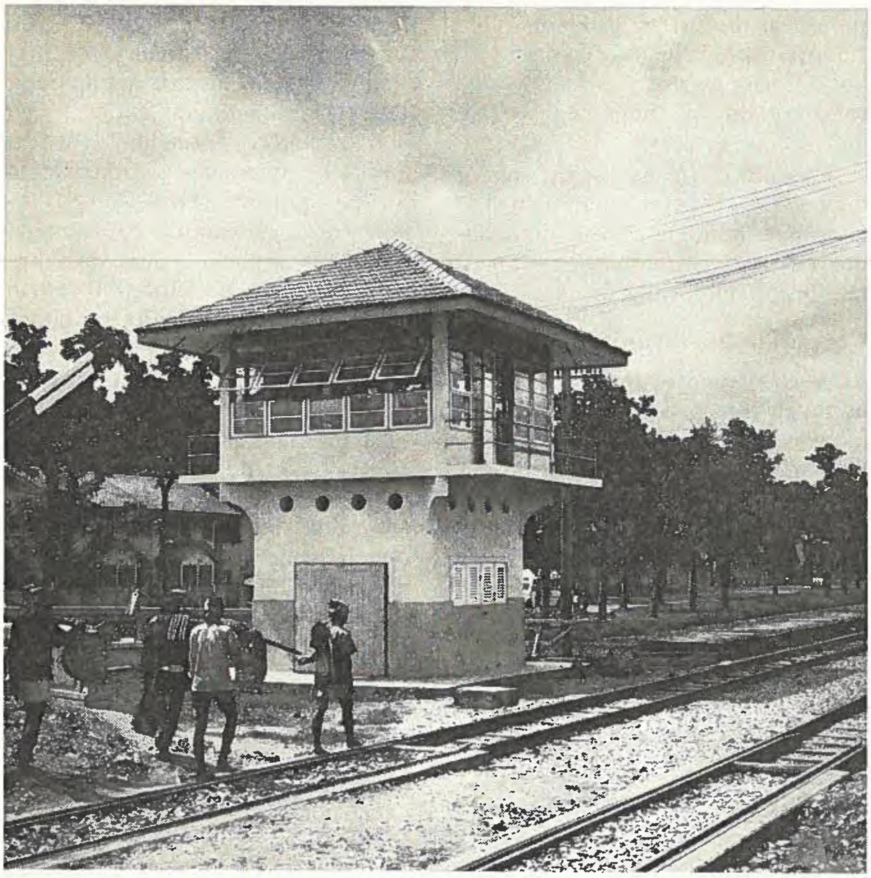
Industrial development projects, given a boost by new incentives to foreign investment, offer expanding opportunities to suppliers of industrial raw materials. Canadian exporters of these goods and of engineering knowhow should watch this market.

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

LAST year was a good one for Thai exporters of rice, rubber, tin and corn. The harvest of rice, which earns most of Thailand's foreign exchange, is expected to reach almost five million tons, about 500,000 tons more than the average over the last ten years. Rice sales to Malaya and Japan were good in 1959, and Indonesia contracted to buy 100,000 tons during November and December. Exports of rice for the January-October period totalled 861,000 tons, some 134,000 tons down from the same period of 1958, though the figures do not yet show the effects of the big crop towards the end of 1959.

Sales abroad of rubber and tin improved last year. Shipments of tin in the first six months totalled 4,900 tons and of rubber 147,000. Rubber prices continued to climb throughout the year.

The export demand for Thai corn outstripped supply in 1959. At the time of writing, production totalled 210,000 tons; the Japanese had ordered 170,000 tons and another 30,000-ton offer to buy was on hand.



Thailand has been concentrating upon improvement of its railways, with the aid of World Bank loans. Included in the program are the renewal of rails, purchase of locomotives, coaches and boxcars, and the establishment of an up-to-date telecommunications system. The picture shows a newly built signal tower near Bangkok.

In spite of the bright export picture, however, Thailand has not been able to pare down its unfavourable trade balance. Thai importers bought heavily in 1959 and the Government threatened to impose restrictions if they did not cut down their purchases. The first seven months of 1959 showed a growing imbalance between exports at Can. $134 million, down Can.$18.9 million from the same period of 1958, and imports at Can.$233.9 million, about the same as in 1958.

Customs Tariff Changes

In June 1959, the Government raised the customs tariff by 10 per cent; the new rate applies to all imports except gold. Because this increase affected essential as well as luxury goods, it was understood that the tariff would be modified during a revision in accordance with Brussels nomenclature. The revision was expected to become law on January 1, 1960.

The new tariff classifies some 2,000 items compared with the previous schedule of 200. Tariffs on more essential goods will be unchanged or lowered, but those on luxury goods will be increased. The over-all effect will be to augment customs revenue.

Canadian Sales Rise

Thailand has always been a small market for Canadian exporters, first because total imports are not large and second, because the country is underdeveloped industrially and needs few semi-manufactured goods and raw materials. In addition, freight rates from Canada in recent years have put Canadian exporters at a disadvantage vis-à-vis Japan and Western Europe.

Canadian exports to Thailand in the first ten months of 1959, at Can.$1.7 million, rose by about 90 per cent over sales in the same period in 1958. Shipments of Western Canadian wheat flour, valued at Can.$528,000 during the first ten months, climbed from Can.$418,000 during the same period of the previous year. However, sales were still slightly below those of the "fat" years of 1956 and 1957, when they totalled well over Can. $500,000.

Canadian exports to Thailand of cars, trucks and parts jumped to Can.$195,000, after the low of Can. $82,000 during the period January to October 1958. Our sales of files and rasps held firm at Can.$115,000. Aluminum conductors and cables sold well last year, thanks to power development projects in Thailand and competitive Canadian prices. January to October sales of aluminum in 1959 totalled just over Can.$250,000. Heavy Canadian electrical equipment (dynamos and generators) entered the market during this period to a value of some Can.$299,000.

Other Canadian products in moderate demand in Thailand are pharmaceuticals, chemicals, fertilizers, plastics and rolled oats. Tires for trucks, buses and cars have been sold here for many years. New products include ballpoint pens, scrap metal, welding rods, some textile products, and power lawn-mowers.

Industry Gets a Boost

Thailand, like its neighbours in South East Asia, is concentrating on industrialization. In November an Industrial Finance Corporation was formed to assist in the establishment, expansion or modernization of private enterprises, and to encourage the participation of domestic and foreign capital. The corporation is capitalized at Can.$1 million; the International Co-operation Administration will lend Can. $750,000 and the remainder will be obtained by issuing Can.$50 shares. The corporation will underwrite share issues, furnish or obtain technical advice, and obtain and guarantee loans at interest rates lower than those offered by commercial banks.

In April the Government established a Board of Investments to seek ways and means of encouraging domestic and foreign investment, to receive and study proposals for investment, and to negotiate terms. By November, the 28 top-ranking civil servants on the board had been able to give the go-ahead to 16 new industrial enterprises; concessions on import duty and on taxes have been granted. The projects include a plant to turn out 480 tons of aluminum products a year, another to make 150,000 pairs of canvas shoes per year, a third to produce 36,000 tons of galvanized iron sheets, a fourth to make two million 20-litre drums and one hundred and fifty thousand 200-litre metal drums, and a fifth to produce 5,000 tons of zinc and tin-plated iron. Others will manufacture food flavouring powder, sugar, tapioca flour and textiles.

Canadians Can Sell More

Each new factory opened in Thailand adds to the need for industrial raw materials, many of which Canada can supply. In many instances Canadian producers are fully competitive, despite the high freight rates between Canadian ports and far-off Bangkok. Canadian aluminum, zinc, copper, plastics (polystyrene, polyethylene and vinyls), industrial chemicals, electrodes, nuts and bolts and scrap metal should find a growing market in Thailand during the next few years.

Engineering opportunities are beginning to open up in which Canadian skill and knowhow may well play a significant part. During the past year, several senior Canadian engineers visited Bangkok to look into prospects.

Finance in a country short of capital like Thailand looms large in the thinking of executives examining possibilities for new industries. Proposals that offer medium or long-term credits are usually the most acceptable. The Thais particularly like turnkey proposals that combine full plant and equipment with medium or long-term credits. Canadians, if they are to win the business they should in Thailand, must review these factors carefully. ●

Burma

With improved foreign exchange reserves and increased foreign loans, the Burmese look forward to a better year. Canadian goods, on an equal footing with those from other countries; must still be imported under licence; outlook for bigger sales is bright.

M. P. CARSON, *Trade Commissioner, Singapore.*

THE caretaker government that has been in office in Burma since October 1958 continues to introduce economic policies favourable to the development of new industries and to the expansion of agriculture. Recent informal discussions on economic affairs—attended by senior government officials and leaders of Burma's business community—indicated that the Government would probably emphasize agricultural production (principally rice, timber and rubber), mineral production, and the building-up of industries for processing rice, timber and the by-products of agriculture, such as rice straw and rice bran oil.

Agricultural Prospects

In the first ten months of 1959, Burma exported 1.6 million tons of rice and rice products. Although these shipments dropped below the estimate, they were considered satisfactory after the pessimistic forecasts in the early part of the year. The rice surplus for export in 1960 is provisionally estimated at 1.8 million tons and by October of 1959 over one million tons had been contracted for, chiefly by Indonesia, India and Ceylon on a country-to-country basis. Other sales are being negotiated and the outlook is bright.

The Government's policy of improving and increasing output from farms and forests has resulted in greater production of peanuts, jute and teak. In the high rainfall area of the delta where rice is grown, double cropping has been successfully introduced. The land is planted to jute in February or March and the crop harvested in July. The fields are then ready for rice cultivation.

Both in Britain and on the Continent, interest in Burmese jute is increasing. It is said to be a high-quality product and the Burmese intend to grow more of it as quickly as possible. In the teak industry, there has been an interesting new development: for the first time, green teak logs have been shipped to export markets. Over-all timber production is rising, with 73,000 tons exported in the first nine months of 1959. An additional 50,000 acres were planted to peanuts last year and a good harvest is expected.

Aid to Industry

The Burmese Parliament passed an investment act in September 1959 to attract foreign investment and to provide exemption from income tax and import duty for new enterprises. The Government will also consider guarantees against nationalization for ten years and, if necessary, for twenty. A recent conference of senior departmental officials on national economic planning decided that first priority should be given to the restoration of law and order. Transportation and agriculture were also considered of major importance in economic development.

Discussions are under way to set up a joint enterprise to build a paper mill that will use bamboo and rice straw as raw materials. Capital will come from the Joint Venture Trading Corporations and from a few national investors, plus foreign investment of perhaps 40 per cent. A fertilizer plant is also being contemplated; a U.S. firm has been given oil-exploration rights; improved facilities for rice storage and handling are under way; mills for the extraction and refining of rice bran oil are planned, and two mills for sawing teak are under study.

Foreign Trade

Burma's foreign exchange reserves improved during 1959. At the end of December 1958, they stood at about $137 million, but by the end of August 1959 had risen to about $167 million. The external financial position is more healthy than it has been for some years. The outlook appears bright because of two major factors. The first is that sales of the 1960 rice crop have been made well in advance and in satisfactory quantities, and the second is that Burma has secured foreign loans and grants that will help to balance the budget.

In the first seven months of 1959 Burma imported goods valued at some $114.6 million, and exported products worth $119.7 million. It is probable that imports increased in the following three months (August to October) partly because more import licences were issued and partly because Burma made heavy purchases of cotton textiles and yarns manufactured in various countries from raw cotton supplied by the U.S. Government under P.L. 480 arrangements.

Importing under Licence

Import licences are issued from time to time by the Directorate of Imports to registered importers who may then place orders for goods from any country they choose. Shipping periods for all import licences issued are now six months and, in some cases, longer.

In September 1959, substantial import licences were issued for textiles, foodstuffs, household goods, newsprint and toilet requisites. Imports of the first three of these for the last two years have been almost entirely in the hands of the Joint Venture Corporations and government organizations such as the Civil Supplies Management Board. Recently, licences have been issued to private traders as well. During October 1959, import licences were given for foodstuffs, paper and stationery, automobile and truck spare parts and accessories, chemicals, dyes, sports requisites, photographic goods, hardware and building materials, and tires. Some of these licences were given only to private traders and others were shared with private traders, the Joint Venture Corporations and the co-operatives.

Number of Importers Cut

In recent years Burma has had an increasing number of importers —so many, in fact, that the Government has undertaken to "de-register" a number of them. De-registration simply excludes a firm from consideration when import licences are issued. By July 1959, some 1,500 firms out of a total of 3,200 had been de-registered as importers, though those holding valid import licences were allowed to use them. However, some small, de-registered firms continue to import on an indent basis, following successful contacts with firms that have been granted licences. In October 1959 the Ministry of Trade Development announced that the policy of de-registration would continue.

Burmese importers have expressed increasing interest in Canadian goods. Dollar imports have long been denied to the Burmese consumer and, though there may be a slight pent-up demand, import licences will continue to be issued only as need and the availability of foreign exchange direct.

Canadian Sales Rise

The shipment of some 268,000 bushels of Canadian wheat to Burma in recent months under the Colombo Plan boosted Canadian exports to Burma to almost $800,000 in the first nine months of 1959. The total for the whole of 1958 reached $957,000, only one-third of which was accounted for by the sale of three aircraft to the Burmese Government. Exports of automotive parts, valued at $273,000 in 1958, were almost negligible in 1959. This shows the gradual wearing out of the Canadian-made army trucks supplied to Burma during the war and later converted into buses and transports.

In 1959 the following Canadian products were either introduced for the first time in recent years or sold in greater quantities: bond and writing paper, farm tractors and parts, outboard motors, mining machinery and parts, plastics, and medicinal preparations. Purchases of aircraft spare parts from Canada also rose in 1959.

Trade Outlook Improves

Burma has not been an exciting market for Canadian exporters in recent years. Prospects now, however, are more favourable, though large sales should not be expected. There is no discrimination against imports from the dollar area. However, Japanese reparation goods and those from clearing-account countries receive special licensing treatment.

Canadian engineering firms interested in this part of the world will find certain prospects worth pursuing. Financing is often the stumbling-block but if suitable terms can be arranged, business can be done. Competition in the industrial plant and equipment field is keen, particularly from Soviet, British, and Continental firms. •

Indonesia

This young republic continues to face serious economic problems, aggravated by a shortage of foreign exchange, inflation, and large military outlays. Canadian sales consist chiefly of industrial raw materials, capital equipment and spare parts.

M. B. BLACKWOOD, *Commercial Secretary, Djakarta.*

BUSINESS conditions in Indonesia in 1959 improved only slightly over the previous year and the country continued to face severe economic problems. Because of military campaigns against the rebels in Sumatra and northern Celebes, the outlay on security remained high. At least one-third of foreign exchange earnings had to be used to buy abroad material for the armed forces, and a similar portion of total budget expenditures was set aside for the same purpose. Foreign exchange for normal imports therefore was scarce and Indonesians were forced to go short of many goods.

Continued inflation and dislocation in the distribution system became major problems during 1959. Vessels to serve the many outports of the archipelago remained insufficient in both numbers and types, and road and rail transport suffered from the need for new equipment and spare parts.

Trade for the first nine months of 1958 showed a favourable balance, partly because of tight restrictions on imports and also because of the high prices on world markets for rubber, Indonesia's chief earner of foreign exchange. However, the production of rubber and of most other important agricultural products declined in 1959 from the 1958 total.

Monetary Reform

By late August, inflation had reached an advanced stage and a monetary reform program was proclaimed. To reduce the amount of money in circulation, high-denomination banknotes were cut in value by 90 per cent and all bank balances over Rps.25,000 (about Can.$800) were frozen. The B.E. system that formerly applied to imports and exports was abolished and a new rate of exchange established for the rupiah at 45 to the United States dollar. Surcharges on imports were replaced by import levies, which range from zero to 200 per cent, depending on the essentiality of the goods. Exports were made subject to a levy of 20 per cent.

This reform reduced the amount of money in circulation by about one-third. All business enterprises were short of operating capital and for a few weeks after the reform was introduced, both import and export trade was stifled until government credits could be obtained. Large amounts of currency had to be put back into circulation. Within a short time it is expected that the volume of money will reach the pre-reform level. An expected budget deficit of Rps.2 billion in 1960 will contribute to the continuance of inflation.

Foreign Aid

Foreign aid still plays a significant part, both in bolstering the economy and in instigating development projects. Long-term loans of from five to ten years with low interest rates are preferred. Among the countries that have made loans and credits available to Indonesia are the United States, the Soviet Union, Communist China, Japan, Poland, Czechoslovakia, Yugoslavia, Italy and France.

The "Big Eight"

In the latter months of 1959, almost all of the former Netherlands firms and enterprises were nationalized, or at least put under some form of government control. The former "Big Five" Dutch trading-houses were given Indonesian names and, with three other government enterprises, became known as the "Big Eight" state-trading firms. They hold the outright monopoly on the import of 13 essential products: rice, wheat flour, raw cotton, cambrics, weaving yarns, textiles, paper, cement, fertilizers, tinplate, iron and wire for use in reinforced concrete, gunny bags and jute, and cloves.

As the year drew to a close, the Big Eight were becoming more prominent in almost all aspects of trade. Many of the smaller national firms will probably not be active in import and export trade in future but will function as wholesalers and distributors for government firms. However, a number of the larger national firms will probably still play an important rôle in foreign trade.

Import Controls Tight

Licences must be obtained for all imports, which are divided into three categories: essential, semi-essential and non-essential. Because most consumer goods fall into the latter group, they have virtually ceased to enter the country. Foreign exchange for imports is allocated quarterly. All import licence applications are closely examined from the standpoint of price, minimum quality and delivery time. The offer from abroad which best meets these requirements is accepted, and unless other foreign suppliers can make counter offers, licences are not granted for their goods.

Canada's chief exports to Indonesia during the first ten months of 1959 included ammonium sulphate

CANADA'S TRADE WITH INDONESIA

	Exports to Indonesia	Imports from Indonesia
1957	$1,633,330	$964,807
1958	1,694,703	230,628
1959 (10 mos.)	941,858	(7 mos.) 90,461
1958 (10 mos.)	1,370,479	(7 mos.) 153,698

Source: DBS.

($241,095), files and rasps ($129,-819), freight and passenger automobiles ($106,328), steel sheets and strips ($90,152), marine engines and parts ($84,619), asbestos fibre ($74,865), drugs and chemicals ($56,079) and automobile parts ($43,366). All of these are classed as essential goods. Canada's imports from Indonesia consisted largely of crude rubber, tea, spices and gums.

Until there is a major improvement in economic conditions in Indonesia, our exports will be confined mainly to industrial raw materials, capital equipment and spare parts. Although Canadian exporters cannot expect a large volume of trade, there are worthwhile opportunities in restricted lines. ●

The Philippines

The Filipinos, an agricultural people, are working towards greater industrialization; new industries provide opportunities for Canadian suppliers of raw materials such as chemicals, metals and minerals.

R. H. GAYNER, *Vice Consul and Assistant Trade Commissioner, Manila.*

THE Philippine economy is predominantly agricultural; most of the 23 million Filipinos are employed in growing rice, corn, coconuts, sugar, tobacco, hemp, and cassava, or in the fisheries. In spite of the fact that they produce much of their own food, the islands have always had to import rice, fish and other foodstuffs. In 1958, however, there was a rice surplus for the first time since 1910, thanks to ideal weather conditions and to government efforts to improve agricultural methods and increase the use of fertilizers. Forecasts are for an even bigger rice crop this season. So far, 2,400 metric tons of rice have been exported and a further 36,000 tons will be shipped abroad if domestic shortages do not recur.

Apart from its drive to improve agriculture, the Philippines, like other underdeveloped countries, is also making a determined effort to build up industry and diversify its economy. Unemployment is a serious problem but what skilled or trained labour there is, is well organized and this contributes to labour costs.

The cost of living is high compared with other Asian countries and there is an inflationary pressure on prices because of shortages resulting from import control. Deficit financing increases the trend towards inflation.

How Trade Moves

Because of a shortage of foreign exchange and a heavy demand for imported luxury and consumer goods, the Government controls imports closely. As a result of these stringent controls, imports for the first half of 1959, at U.S.$234.3 million, were U.S.$49.1 million lower than for the same period in 1958, according to figures published by the Central Bank of the Philippines.

Exports during the first half of 1959, at U.S.$269.5 million, were U.S.$39.2 million higher than in the same period of 1958. The increases were mainly in logs and lumber, chromite ore, copper ore, abaca (manila hemp), and canned pineapple. Copra, one of the principal exports, yielded $56.9 million, about the same as in the first half of 1958, but sugar, at $68.3 million, dropped by $4 million.

Philippine exports to Canada in the first half of 1959 suffered from the shutdown in 1958 of a copra-processing plant in Vancouver that had been importing Philippine copra. In addition, there were no chrome ore shipments to Canada, at least up until the end of August last year. Philippine-Canadian trade has been strongly in Canada's favour, in a ratio of 4.5 to 1 in 1957 and 6.6 to 1 in 1958.

PHILIPPINE EXPORTS TO CANADA

	1957	1958	6 mos. 1959
	('000 Can. dollars)		
Copra	2,219	753	
Manila fibre	529	330	159
Chrome ore	493	629	
Canned pineapple	348	40	206
Mahogany	181	182	115
Others	205	253	150
	3,925	2,187	630

Government Finances

The improvement in the over-all trade balance has increased public demand to relax controls on imports but responsible government leaders are being cautious. The improved trade balance has made it possible for the Central Bank to discharge some of its international debts to the International Monetary Fund and to repay short-term loans provided by United States banks last year. Indeed, the foreign exchange reserves of the Central Bank did not show much change from the U.S.$135-145 million from the beginning of 1958 until August 1959, when the U.S. Government paid the

Manila fibre bulks large among Canadian purchases from the Philippines, outranked in the first half of last year only by canned pineapple. In a processing plant there, a stripping machine tears away the unwanted part of the abaca plant and leaves the fibre intact for further processing.

Philippines U.S.$23.86 million, representing the islands' share in the devaluation of the U.S. dollar in 1934. Thus the U.S. dollar reserves of the Central Bank stood at U.S. $167.26 million on November 18, 1959, an increase of $22 million over the $145.3 million at December 31, 1958.

During the last congressional session the Government passed a bill imposing a 25 per cent premium or "margin fee" on foreign exchange transactions. The Governor of the Central Bank initiated this measure in an attempt to cut down on demands for foreign exchange, to reduce purchasing power, and to raise government revenues. The act authorized an impost of up to 40 per cent but this was later dropped to 25 per cent by the President in response to tremendous opposition. The Central Bank was disappointed at the lower level and there is still talk of raising it to 40 per cent. Central Bank officials point to the margin law as one of the reasons for lower imports in the third quarter of 1959.

"Filipino First"

The implementation of the "Filipino First" movement has dislocated certain normal import patterns. Well established foreign import houses are severely restricted in their foreign buying, while new Filipino-owned importing and distributing firms are winning a growing share of the business. In addition, the tendency of the authorities to grant dollar allocations to producers rather than importers means that trading-houses act as indentors rather than as distributors.

Canadian Wheat Sales Rise

Traditional Canadian exports to the Philippines have included wheat flour; fertilizers; newsprint; drugs and chemicals; copper bars, ingots, rods, tubes and wire; wood pulp, and mining machinery. The recent big drop in purchases of wheat flour, shown in the accompanying table, is a result of the Philippines' determination to industrialize its economy. In 1958 the republic's first flour mill, capable of producing 30 per cent of normal flour consumption, came into operation. An extension to this mill and a new plant are to begin operating early this year, and three more are expected to be built and milling by 1961. Thus Canada's major export to the Philippines will no longer be wheat flour but wheat grain. In 1958 Canada's first wheat shipments to the Philippines were valued at $668,596 and in the first six months of 1959 at $1,243,522. By the end of October 1959 the figure had reached $2,193,397.

CANADIAN EXPORTS TO THE PHILIPPINES

	1957	1958	6 mos. 1959
	('000 Can. dollars)		
Wheat flour	10,795	8,701	1,010
Wheat		668	1,243
Fertilizers	1,470	1,439	302
Newsprint	1,656	878	722
Drugs and chemicals	59	380	116
Copper bars, rods, ingots, tubes and wire	703	312	109
Wood pulp	357	282	598
Mining machinery	294	223	142
Others	2,205	1,205	2,023
	17,539	14,088	6,265

As the Philippines continues its drive toward industrialization, markets should develop for Canadian raw materials, particularly chemicals, metals and minerals. Similarly, opportunities in the engineering field will open up as electrification, irrigation and construction projects develop. Exporters of most kinds of finished consumer and semiluxury goods will have an increasingly difficult problem in selling their goods in the Philippines.

Competition Is Keen

Japan, with its low-cost production and proximity to the Philippines, is a keen competitor. In addition, Japanese, Swiss, German and British firms offer long-term financing. United States firms enjoy a traditional place in the Philippine market as well as a tariff advantage over all other countries. U.S. goods are subject to only 50 per cent of the general tariff duties applicable to all other countries.

In spite of stiff competition and import controls, Canadian producers of raw materials and machinery and Canadian engineering firms would do well to investigate the Philippine market. Exporters will find that extending credit to the Filipinos presents no difficulty because all payments to foreign suppliers are made by letter of credit and must be approved by the Central Bank. Great care and patience must be observed, however, in deciding on the type of buying connection to be established. For assistance in this and other problems, businessmen may write to the Canadian Consulate General, P.O. Box 1825, Manila. ●

Taiwan

With continuing U.S. aid, stable sugar prices and increased foreign investment in industry, Taiwan hopes to become economically self-sufficient in a few years. Canadian sales—mainly of wood pulp, base metals, drugs and chemicals—total about $1.2 million a year.

R. H. GAYNER, *Vice Consul and Assistant Trade Commissioner, Manila.*

WITH a population of over ten million, growing at the rate of 3.5 per cent a year, Taiwan knows that it must produce for export in order to survive. One of its great problems has been lack of capital. But in recent years its industrialization program, supported by U.S. aid which over the past ten years has totalled nearly one billion dollars (not including military aid), has begun to show encouraging results, particularly in textiles, aluminum, wood products, pulp and paper, and cement. The table following reveals how exports of these products have risen over the past year.

SELECTED EXPORTS FROM TAIWAN

	Jan.-Sept. 1959	Compared with Jan.-Sept. 1958
	('000 U.S.$)	(per cent)
Textiles	7,786	+629
Ores, metals and metallic products	2,874	+153
Chemicals	1,698	+ 82
Paper and pulp	1,729	+147

More Capital Needed

There are no figures published on Taiwan's foreign exchange reserves, but government officials are confident that the republic will achieve economic self-sufficiency within the next few years, provided that U.S. aid is reduced very gradually, that the world price of sugar holds up, and that overseas capital can be brought in. World sugar prices have, in fact, declined over the past two years, but it is hoped that they will stabilize at present levels.

Foreign investment in Taiwan, particularly by overseas Chinese, is gradually increasing and laws to liberalize the conditions of investment from abroad are under consideration by the legislative Yuan. In addition to foreign investment, the Government is pinning its hopes for industrialization on the fact that Taiwan has a large, stable and cheap labour force and an abundance of cheap power.

Foreign Trade

Sugar and rice constitute Taiwan's chief exports. In 1958 sugar accounted for 52 per cent of total exports and rice for a further 17 per cent.

As part of Taiwan's efforts to improve its economic situation, imports are closely controlled. Most of the overseas buying is in the hands of two government purchasing organizations, the Central Trust of China and the Taiwan Supply Bureau. Because the Government owns outright or has a substantial interest in most of Taiwan's industrial producing companies, and because all U.S.-aid buying is done through the Central Trust of China, these two government bodies hold the key to any sizable sales to Taiwan.

Government policies have been aimed at keeping the purchase of consumer and luxury goods to the barest minimum. This is in line with the austerity regime necessitated by the island's continuing state of military preparedness, and with the need for raw materials and capital goods for the development of industry.

TAIWAN'S EXPORTS

	1957	1958
	(million of U.S.$)	
Sugar	110.7	84.6
Rice	21.2	28.6
Canned pineapple	4.3	7.4
Tea	5.7	6.7
Bananas	3.8	6.2
Cement and building products		4.9
Lumber and manufactures	.8	3.2
Others	21.6	22.4
Total exports	168.1	164.0

TAIWAN'S IMPORTS*

	1957	1958
	(millions of U.S.$)	
Machinery and tools	81.6	75.2
Foodstuffs	38.7	35.7
Clothing	28.8	23.1
Industrial raw materials†	20.2	19.8
Fertilizers	24.5	19.5
Crude, fuel and lubricating oils	15.8	18.6
Transport equipment	15.9	17.7
Pharmaceuticals	9.7	10.0
Others	17.0	18.1
Total imports	252.2	237.7

*Includes U.S. aid and U.S. surplus commodity disposal program goods.

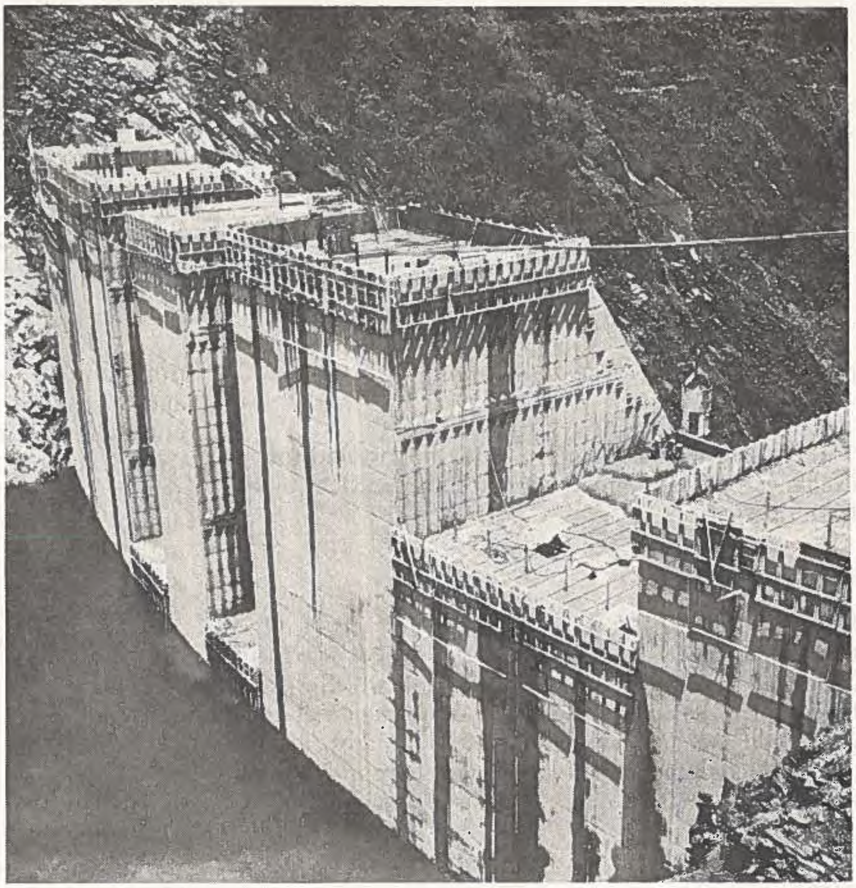
†Includes ores, chemicals, resins, paper pulp, rubber, and paints and dyes.

CANADIAN EXPORTS TO TAIWAN

	1957	1958	6 mos. 1959
	('000 Can.$)		
Wood pulp	599	313	479
Base metals	74	259	57
Drugs and chemicals	26	128	8
Asbestos	127	34	14
Malt	108	79	
Whisky	47	67	23
Synthetic resins	24	70	41
Others	643	217	199
Total exports	1,648	1,167	821

CANADIAN IMPORTS FROM TAIWAN

	1957	1958	6 mos. 1959
	('000 Can.$)		
Hoods and shapes, knitted	49	48	20
Plywood		43	248
Mandarin oranges	46	25	
Black tea	48	16	5
Others	49	27	53
Total imports	192	159	326



An industrialization program, financed largely with U.S. aid, is transforming the island of Taiwan. Vital part of this is hydro-electric power. Our picture shows a great dam under construction for the Wu-Sheh hydro project on the Choshui River in central Taiwan. The dam, finished some time ago, is 374 feet high.

Taiwan's biggest single trading partner is Japan. In 1958, 46.86 per cent of Taiwan's total exports valued at U.S.$164.4 million went to Japan and 56.38 per cent of its total imports valued at U.S.$127.7 million came from that country. (The import figure does not include U.S.-financed imports totalling U.S. $87.3 million in 1958.)

The close trading tie with Japan is a result of the fact that from 1895 to 1945 Taiwan was a Japanese dependency. The island's economic development during these years did not go beyond supplying agricultural products and raw materials to Japan. However, since the war, and particularly since the arrival of the Nationalist Chinese Government in 1950, there has been a concerted effort to industrialize the economy and to diversify exports.

Canada's share in Taiwan's foreign trade has been relatively small; we sold goods valued at $1,167,000 to Taiwan in 1958 and bought $159,000 worth in return. Principal Canadian exports to Taiwan include wood pulp, base metals, asbestos, drugs and chemicals, and synthetic resins.

With Taiwan's continuing import controls and economic planning, the nature of our sales there is not likely to change over the next few years. Experience has shown that the best method of participating in this market is to select an agent well known to the Central Trust of China and to the Taiwan Supply Bureau. Interested Canadian businessmen who would like advice on the choice of an agent should write to the Canadian Consulate General, P.O. Box 1825, Manila. ●

Import and Exchange Regulations in the Far East

International Trade Relations Branch

THE following is a summary of the import and foreign exchange control regulations currently in effect in Far Eastern countries.

BRITISH BORNEO

Effective July 1, 1959, North Borneo issued an Open General Licence for the import of goods from the dollar area, with some exceptions for which specific licences are needed. The products remaining under restriction include motor vehicles and spares, air-conditioning equipment, non-domestic refrigeration equipment, and certain other industrial machinery and equipment.

BURMA

Import trade is carried on either by private firms or by the joint venture corporations owned by the Government and by private traders. Importers are registered with the Directorate of Imports and Exports and classified according to the size and grade of business. An over-all amount of exchange—which is allocated to individual traders according to their registered grade—is approved for the import of specified commodities. Of the eleven joint venture corporations, two import industrial equipment for general distribution and the other nine deal in textiles, foodstuffs, building materials and hardware.

In the application of import control there are several Open General Licences under which specified goods may be brought in freely from any country. For goods not included under the O.G.L., individual import licences are issued according to domestic needs and as the foreign exchange reserves warrant. When licences are issued, purchases can be made on a global basis. Licences are valid for six to twelve months from the date of issue.

CAMBODIA

Licences are required for all goods imported into Cambodia; these are valid for six months and goods must be shipped before the expiry date. Purchases from abroad are authorized under an import plan and the import of certain luxury goods or goods without economic interest is forbidden. Foreign exchange from Cambodia's own earnings is allocated on a half-year basis for imports of specified products from the appropriate currency zone. Imports are also made under the ICA program. Importers are invited periodically to apply for licences to import goods specified in trade and payments agreements with certain countries. Luxury goods are financed by a percentage of foreign exchange earned from certain exports.

COMMUNIST CHINA

Licences are required for goods imported into Communist China. The Government has established 16 national export and import corporations, each concerned with trade in certain commodities, and import licences are issued automatically for all orders placed by the corporations. Exporters wanting to trade with Communist China should write directly to the head office and branches of the Chinese State Trading Corporations in Peking, Tientsin, Tsingtao, Shanghai and Canton, or their agent, the China Resources Company in Hong Kong. Letters should include a full description of the goods or services offered, descriptive brochures (three to six copies), and if possible, price quotations c.i.f. Chinese port.

HONG KONG

Goods may be imported into Hong Kong without import licences with the exception of dutiable, dangerous and undesirable, restricted and strategic goods.

All foreign exchange transactions in currencies other than sterling and currencies linked with sterling are restricted. Official exchange must be purchased from an authorized bank. However, there is an extensive free market for trading in dollars at higher rates and most imports from the dollar area are paid for with dollars bought on that market.

INDONESIA

Imports are under strict control and may be brought in only by officially recognized importers. All goods from abroad are placed in one of six categories ranging from highly essential to luxuries. When an importer applies for a licence, a guarantee deposit of 133⅓ per cent of the c. and f. value at the parity rate of exchange is required. When the application is approved, the importer must conclude an exchange contract or letter of credit with an exchange bank at the rate determined by the Exchange Fund. Similarly, the exchange bank must enter into a contract with the Exchange Fund for the necessary foreign exchange and for the same period. All transfers abroad must be computed at the selling rate determined by the Exchange Fund. At the same time the importer must also deposit the amount of surcharge or import tax levied at the rates of 0, 25, 50, 100, or 200 per cent, depending on the essentiality of the goods. When the licence is issued, import must be made within the period determined by the Foreign Exchange Institute or the deposit is forfeited to the Government. As of August 24, 1959, a new parity rate was established at rupiahs 45 to the United States dollar.

JAPAN

Most imports are subject to individual import licences which are usually valid for six months depending on the category. A foreign exchange budget is drawn up each half-year (April to September and October to March) for imports, based on the estimated receipts from exports and on other current income and reserves. Commercial imports for the most part are admitted under one of the following procedures:

1. *The Automatic Approval System*—import licences are issued freely (except for a few commodities and up to the over-all budget quota limit) on application to the foreign exchange bank. There is no discrimination as between countries of origin under this procedure.

2. *The Foreign Exchange Fund Allocation System*—importers must obtain foreign exchange allocation certificates from the Ministry of International Trade and Industry before applying for an import licence.

3. *The Automatic Allocation System* (introduced last November)—foreign exchange is allocated without limitation on application to the Ministry of International Trade and Industry. This system covers various types of machinery and consumer goods.

LAOS

The current regulations have been in effect since October 9, 1958, when a decree announced certain changes in trade and exchange regulations. Under the new regulations, formalities in financial transfers are suspended and all imports and exports of merchandise are freed, except those prohibited for reasons of public order. The National Bank is authorized to buy and sell without restriction United States dollars at a stabilized rate of 80 kip to the dollar. Commercial banks and financial institutions approved by the National Bank may buy and sell all foreign currencies. Most imports at present are financed under ICA.

PHILIPPINES

There is no import licensing system in the Philippines. However, there is a system of exchange control under which the licensing of exchange for imports is the responsibility of the Central Bank. Before each three-month period, the Monetary Fund certifies to each authorized agent or bank the amount of foreign exchange available to it, based on quotas of the previous period. Applications for letters of credit are considered as applications for licences to buy foreign exchange to pay for imports and separate applications must be filed for each class of product. A letter of credit is valid for a maximum of six months from the date of issue, and must be used for all imports, with few exceptions. Goods from abroad will not be released from Customs without the presentation of a release certificate issued by the Central Bank or an authorized agent bank.

SINGAPORE AND FEDERATION OF MALAYA

The Governments of Singapore and the Federation of Malaya announced that, effective August 1, 1959, goods may be imported from the dollar area under Open General Licence, with the exception of a small list of items for which specific licences are required.

SOUTH KOREA

Foreign exchange transactions are subject to import and exchange control regulations administered by the Ministry of Finance and the Bank of Korea. Certain listed goods may be imported freely without a licence, but other goods not included in the listed schedule of commodities require the approval of the Ministry of Commerce and Industry. Import commodities are divided into two categories: (1) regular items, including certain consumer goods, essential raw materials and industrial equipment, that for the most part do not require an import licence and may be imported with all the foreign exchange deposited in the import accounts; (2) special items or less essential commodities that require import licences in every case and may be imported either with foreign exchange earned from exports or foreign exchange designated by the Government. Because these products may be sold more profitably, this category is expected to encourage exports.

Imports made under ICA must be covered by a deposit of more than 60 per cent with the Bank of Korea and are subject to special regulations. Goods must be imported and cleared through Customs within six months from the date of opening the import letter of credit, regardless of the expiry date.

SOUTH VIETNAM

Foreign exchange transactions are subject to government regulation and control. All imports need a prior licence which usually stipulates that payment must be made against shipping documents. Imports classified as unessential are subject to a surcharge varying with the type of foreign currency required from the Central Bank. The licence serves as the authority to purchase foreign exchange, and its validity period varies according to the delivery time for the commodities. Goods that arrive not covered by a licence are subject to severe penalties and must be returned if a licence is not obtainable. In general, licensing authorities require shipments to be financed by banker's letter of credit.

TAIWAN

All foreign exchange income and disbursements are subject to government control and administered by the Foreign Exchange and Trade Control Commission of the Executive Yuan. The Bank of Taiwan is the only bank authorized to handle foreign exchange transactions and, unless otherwise provided for in the foreign exchange allocation, only registered import and export firms may apply. All imports are subject to licence and holders of licences automatically have permission to buy foreign exchange; licences are valid for six months to one year. Merchandise arriving in the country and not covered by a licence may be confiscated.

Effective August 10, 1959, a single rate of exchange for imports and exports was adopted. The rate is now New Taiwan $36.38 to U.S.$1.00 for selling and N.T.$36.08 to U.S.$1.00 for buying.

THAILAND

Imports are classified as either essential or non-essential. Imports of essential goods are permitted without an import licence. Strictly non-essential goods, for which licences may be granted under special circumstances, and all other non-essential goods may be imported only under licence. Applications for licences generally may be made to the Ministry of Economic Affairs, the licensing authority. Applications to open letters of credit with the Bank of Thailand or other authorized agent must be accompanied by pro forma invoices. A certificate of payment issued by the authorized dealer is also required by the Thailand Customs. ●

Trade Commissioners on Tour

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

JOHN MACNAUGHT, Assistant Commercial Secretary in Wellington, New Zealand.

Ottawa—Jan. 18-29 Montreal—Feb. 1-3

Businessmen who wish to see Mr. MacNaught 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 Windsor, Ontario, at the offices of the Greater Windsor Industrial Commission; in St. John's, Ottawa and Vancouver, at the Department of Trade and Commerce; in Victoria, at the Department of Trade and Industry, and in Fredericton at the Department of Industry and Development.

Tours of Territory

N. L. CURRIE, Assistant Commercial Secretary in Bogotá, Colombia, will begin a visit to Ecuador on February 13, stopping en route at the Colombian towns of Cali, Popayan and Pasto.

C. M. FORSYTH-SMITH, Trade Commissioner in Hong Kong, will visit Saigon in South Vietnam, Phnom Penh in Cambodia, and if possible Hanoi in North Vietnam, from February 6-18.

P. A. FREYSENG, Assistant Commercial Secretary in Vienna, Austria, will visit Zagreb and Belgrade, Yugoslavia, from February 10-17.

J. B. McLAREN, Assistant Commercial Secretary in Karachi, Pakistan, will visit West Pakistan from February 8-March 4.

J. R. MIDWINTER, Assistant Commercial Secretary in New Delhi, India, will visit Calcutta, Ranchi in Bhihar, Cuttack and Bhubaneshwar in Orissa, and a number of centres in Assam from January 28-February 10.

R. F. RENWICK, Commercial Secretary in Port-of-Spain, Trinidad, will visit Bridgetown, Barbados, from February 1-6, and St. George's, Grenada, from February 7-10.

C. O. R. ROUSSEAU, Commercial Secretary in Beirut, Lebanon, plans to visit Iraq early in February.

R. K. THOMSON, Commercial Counsellor in Vienna, Austria, will visit Bucharest, Romania, from February 1-4, and Prague, Czechoslovakia, from March 14-17.

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. Currie at Bogotá, Mr. Forsyth-Smith at Hong Kong, Mr. Freyseng and Mr. Thomson at Vienna, Mr. McLaren at Karachi, Mr. Midwinter at New Delhi, Mr. Renwick at Port-of-Spain, and Mr. Rousseau at Beirut.

SHIPPING SERVICES FROM CANADA TO THE FAR EAST

TO	FROM Pacific Coast	Great Lakes	St. Lawrence and Atlantic
Burma	American Mail Line	Orient Mid-East Lines	Orient Mid-East Lines
Cambodia	*Via Saigon:* American Mail Line Java Pacific and Hoegh Lines States Line		*Via Saigon:* Isthmian Line Maersk Line
Communist China	With transhipment at Hong Kong	With transhipment at United Kingdom and Continental ports	With transhipment at United Kingdom and Continental ports
Hong Kong	American Mail Line Klaveness Line Knutsen Line Nissan Pacific Line Orient and Pacific Lines Pacific Orient Express Line	Iino Lines	Iino Lines Maersk Line Marchessini Lines Mitsui Line
Indonesia	American Mail Line Java Pacific and Hoegh Lines Klaveness Line Knutsen Line		Isthmian Lines Maersk Line
Japan	American Mail Line Nissan Pacific Line N.Y.K. Line Orient and Pacific Lines Pacific Orient Express Line Shinnihon Line States Line States Marine Line Yamashita Line	Iino Lines	Iino Lines Maersk Line Marchessini Lines Mitsui Line
Laos	*Via Saigon:* American Mail Line Java Pacific and Hoegh Lines States Line		*Via Saigon:* Isthmian Line Maersk Line
Macao	*Via Hong Kong:* American Mail Line Klaveness Line Knutsen Line Nissan Pacific Lines Orient and Pacific Lines Pacific Orient Express Line	*Via Hong Kong:* Iino Lines	*Via Hong Kong:* Iino Lines Maersk Line Marchessini Lines Mitsui Line
Malaya	American Mail Line Java Pacific and Hoegh Lines Klaveness Line Knutsen Line		Isthmian Lines Maersk Line

		FROM		
		Pacific Coast	Great Lakes	St. Lawrence and Atlantic
TO	**Philippines**	American Mail Line Java Pacific and Hoegh Lines Klaveness Line Knutsen Line Maritime Co. of the Philippines Ltd. Orient and Pacific Lines Pacific Orient Express Line States Line		Isthmian Lines Maersk Line Marchessini Lines
	Republic of China (Taiwan)	Java Pacific and Hoegh Lines States Line States Marine Lines		Maersk Line Marchessini Lines
	Singapore	American Mail Line Java Pacific and Hoegh Lines Klaveness Line Knutsen Line Nissan Pacific Line	Orient Mid-East Lines	Isthmian Lines Maersk Line Marchessini Lines Orient Mid-East Lines
	South Korea	American Mail Line States Line States Marine Line		*With transhipment in Japan:* Maersk Line Marchessini Lines
	South Vietnam	American Mail Line Java Pacific and Hoegh Lines States Line		Isthmian Lines Maersk Line
	Thailand	Knutsen Line States Line		Isthmian Lines Maersk Line Marchessini Lines

Sarawak, North Borneo, Brunei: no direct steamship services from Canadian Atlantic or Pacific ports. Transhipment necessary, probably at Singapore or Hong Kong.

Shipping Lines	Agents
American Mail Line	*Canadian Blue Star Line, Vancouver*
Iino Lines	*Federal Commerce and Navigation Co., Montreal and Toronto*
Isthmian Lines	*Amalgamated Exporters Co. (Canada) Ltd., Montreal*
Java Pacific and Hoegh Lines	*Dingwall Cotts and Co., Vancouver*
Klaveness Line	*Balfour Guthrie and Co., Vancouver*
Knutsen Line	*Johnson, Walton Steamship Ltd., Vancouver*
Maersk Line	*Robert Reford Co., Montreal*
Marchessini Lines	*Sealakes Shipping, Montreal*

Shipping Lines	Agents
Maritime Co. of the Philippines Ltd.	*Furness, Withy Co., Vancouver*
Mitsui Line	*Montreal Shipping Co., Vancouver*
Nissan Pacific Line	*Kingsley Navigation Co., Vancouver*
N.Y.K. Line	*B. W. Greer & Son Ltd., Vancouver*
Orient and Pacific Lines	*Union Steam Ship Co. of New Zealand, Vancouver*
Orient Mid-East Lines	*North American Shipping Agency Ltd., Montreal*
Pacific Orient Express Line	*Empire Shipping Co., Vancouver*
Shinnihon Line	*Balfour Guthrie & Co., Vancouver*
States Line	*Dodwell & Co., Vancouver*
States Marine Lines	*Pacific Marine Freighters Ltd., Vancouver*
Yamashita Line	*North Pacific Shipping Co., Vancouver*

Trade and Tariff Regulations

Denmark

IMPORT MEASURES—Discrimination against dollar imports in favour of the OEEC countries of Europe has been ended by Denmark. Formerly, the Danish import licensing authority, the Directorate of Supplies, supported a policy of making available two quotas for commodities for which import licences are granted, one for dollar countries and the other for the OEEC countries, with the balance heavily weighted in favour of the latter. Now Danish importers may freely choose the country of origin within the over-all quotas established.

As a further step in trade liberalization, certain commodities which have been restricted to quotas established for individual countries through bilateral trade agreements negotiated by Denmark are to be added to the over-all quota list: spirits, photographic films and plates, smoking articles, leather goods, electrical household appliances.

Details of the goods included in the quotas prepared by the Directorate of Supplies may be obtained from the International Trade Relations Branch of the Department of Trade and Commerce, Ottawa, or, the Commercial Counsellor for Canada, Copenhagen.

Finland

DISCRIMINATION AGAINST DOLLAR IMPORTS ENDS—Effective January 1, 1960, Canada and the United States have been added to the list of countries to which the system of licence-free import into Finland applies. This means that the provisions applicable to imports from Western Europe have now been extended to Canadian products.

As a result of this step, a number of goods may now be imported from Canada and the United States free from quantitative restrictions and without import licences. They include the following commodities which appear to be of interest to Canadian exporters:

Grass seeds
White and alsike clover seed
Meat and fish meal

Tallow
Tobacco
Talc
Limestone
Fluorspar and cryolite
Ores of base metals
Phosphorus, mercury, chlorine, carbonic acid
Bases and oxides
Cellophane
Medicaments containing alcohol
Educational films and developed cinematographic films
Tanning extracts
Raw hides and skins, dressed leather
Cotton fabrics
Fishing nets
Iron and steel bars and wire, stainless
Tools for agriculture, stockbreeding and horticulture, including spades, shovels and hoes
Primary copper, nickel, aluminum, lead and zinc
Manufactures of base metals
Office machines and apparatus, including bookkeeping and calculating machines
Dynamos, motors and converters
Vacuum cleaners
Machinery and apparatus for wireless telegraphy and telephony
Signalling and safety apparatus for railways and highways
Automatic switches
Optical and precision instruments
Automobile lamps and photographic lamps
Plates, sheets and manufactures of artificial plastic materials.

In addition, goods for which licences for imports had been granted automatically may now be imported free from import licensing requirements. Some of the more important items in this group are:

Red clover seed
Crude asbestos
Power-operated saws
Sparkplugs
Certain pharmaceuticals
Synthetic rubber
Artificial textile fibres
Sewing machines
Carbon and graphite articles for electrical use
Industrial trucks
Non-hardenable synthetic resins

The new liberalization measure opens the Finnish market to a new range of goods from Canada. This, and the abolition of the licensing requirements for freed imports, will be helpful to Canadian exporters. It should be borne in mind, however, that Canadian imports were admitted into Finland with relative freedom even before the latest change. Besides, there are still various imports, including grains, flour and outboard motors, which remain under Finnish restrictions from all sources.

Information concerning particular commodities on the Finnish list of liberalized dollar imports may be obtained from the International Trade Relations Branch, Department of Trade and Commerce.

Greece

IMPORT QUOTAS FOR FIRST HALF 1960—The Ministry of Commerce in a series of decisions set the following import quotas for the first half of 1960 (January-June 1960) on certain commodities imported from free exchange countries, including Canada: wood pulp 11,500 metric tons, lumber $2 million, tires and tubes $2.5 million, coal $2.5 million, steel and steel sheets $10 million, sewing machines $0.4 million, electrical equipment $2.25 million, and newsprint $0.5 million. Wood pulp quota allocations to the local paper and rayon mills have already been made, while allocations to individual importers of lumber, tires and tubes and coal will be made on the import performances of such importers during the years 1956-1958. On all the other commodities mentioned above, import permits will be granted on a "first come, first served" basis. This import procedure was introduced for the first time last April. These quotas do not apply to countries with which Greece has bilateral clearing agreements—Athens.

Netherlands

NEW IMPORT LIBERALIZATION—Effective January 1, 1960, the Government of the Netherlands announced a new liberalization measure freeing from restriction and import licensing twelve items, including the following goods of possible interest to Canadian exporters: seed rye, soaps, casks, tubs, buckets and other coopers' wares and parts thereof. The list of goods remaining subject to import control is short.

Information on the status of individual products may be obtained upon request from the International Trade Relations Branch.

West Germany

FURTHER DOLLAR IMPORTS LIBERALIZED—In compliance with obligations assumed under a GATT waiver in May 1959, the Government of the Federal Republic of Germany has announced a second step in the removal of restrictions on a number of imports. Consequently, a number of products are freed from restriction and licensing requirements effective January 1, 1960, including the following of possible interest to Canadian exporters:

Hen's eggs; certain types of sugar, including maple sugar; natural honey; films of a width exceeding 16 millimetres; automobile tires; all kraft papers, including bleached kraft papers, cartons of paperboard; asbestos filter blocks; artificial textile fibres; rugs and blankets of synthetic or artificial textiles; shoes and boots with upper parts of rubber, or with upper parts of textiles with soles vulcanized thereto; mosaic, setts, flags and paving, hearth and wall tiles; sanitary articles of chinaware; textile glass fibres; dolls and Christmas tree decorations.

Photo Credits

Picture on page 24, United Nations; page 31, Hamilton Wright.

1. Argentina: effective Jan. 1, 1959, a single fluctuating exchange rate was introduced. should consult their banks before making any firm commitments.

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

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

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

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

For conversion to United States dollar equivalent multiply by 1.04987.

Foreign Exchange Rates

Country	Unit	Type of Exchange	Can. dollar equivalent Jan. 18	Units per Canadian dollar	Notes (See below)
Argentina	Peso	Free	.01151	86.88	(1)
Austria	Schilling		.03667	27.27	
Australia	Pound		2.1325	.4689	
Bahamas	Pound		2.6656	.3751	
Belgium, Belgian Congo and Luxembourg	Franc		.01909	52.38	
Bermuda	Pound		2.6656	.3751	
Bolivia	Boliviano	Free	.00008337	11,944.72	
British Guiana	Dollar		.5553	1.80	
British Honduras	Dollar		.6664	1.50	
Brazil	Cruzeiro	General Category*	.004391	227.74	*Dec. 29 (2)
		Special Category	.002143	466.58	
		Official selling	.05035	19.86	(3)
Burma	Kyat		.2000	5.00	
Ceylon	Rupee		.1999	5.00	
Chile	Escudo	Free	.9115	1.0971	(4)
Colombia	Peso	Certificate	.1488	6.72	
Costa Rica	Colon	Official	.1696	5.90	
		Controlled free	.1433	6.98	
Cuba	Peso		.9525	1.04987	tax 2%
Czechoslovakia	Koruna		.1323	7.56	
Denmark	Krone		.1378	7.26	
Dominican Republic	Peso		.9525	1.04987	
Ecuador	Sucre	Official	.06350	15.75	
		Free	.05525	18.10	
Egyptian Region, United Arab Rep.	Pound	Official	2.7352	.3656	
		Export account selling	2.1925	.4561	
El Salvador	Colon		.3810	2.62	
Fiji	Pound		2.4014	.4164	
Finland	Markka		.002977	335.91	
France, Monaco, etc.	New Franc		.1941	5.15	(5)
French colonies	Franc		.003882	257.60	(6)
French Pacific	Franc		.01068	93.63	(7)
Germany	D Mark		.2284	4.38	
Ghana	Pound		2.6656	.3751	
Greece	Drachma		.03175	31.50	
Guatemala	Quetzal		.9525	1.04987	
Haiti	Gourde		.1905	5.25	
Honduras	Lempira		.4763	2.10	
Hong Kong	Dollar	Free*	.1664	6.01	*Jan. 8
		Official	.1666	6.00	
Iceland	Krona	Official	.05849	17.10	(8)
India	Rupee		.1999	5.00	
Indonesia	Rupiah	Official rate	.02117	47.24	(8)
Iran	Rial		.01257	79.53	
Iraq	Dinar		2.6670	.3749	

*Latest available quotation date.

Country	Unit	Type of Exchange	Can. dollar equivalent Jan. 18	Units per Canadian dollar	Notes (See below)
Ireland	Pound		2.6656	.3751	
Israel	Pound		.5292	1.89	
Italy	Lira		.001534	651.89	
Japan	Yen		.002646	377.93	
Lebanon	Pound	Free	.2996	3.34	
Mexico	Peso		.07620	13.12	
Netherlands	Florin		.2524	3.96	
Netherlands Antilles	Florin		.5086	1.97	
New Zealand	Pound		2.6656	.3751	
Nicaragua	Cordoba	Effective buying	.1443	6.93	
		Official selling	.1351	7.40	
Norway	Krone		.1332	7.51	
Pakistan	Rupee		.1999	5.00	
Panama	Balboa		.9525	1.04987	
Paraguay	Guarani	Official	.007807	128.09	
Peru	Sol	Certificate	.03439	29.08	
Philippines	Peso		.4763	2.91	
Portugal & Colonies	Escudo		.03324	30.08	(9)
Singapore and Malaya	Straits Dollar		.3110	3.22	
Spain and Dependencies	Peseta		.01587	62.99	
Sweden	Krona		.1839	5.44	
Switzerland	Franc		.2202	4.54	
Syrian Region, United Arab Rep.	Pound	Free	.2659	3.76	
Thailand	Baht	Free	.04534	22.05	(8)
Turkey	Lira		.1058	9.45	(8)
Union of South Africa	Pound		2.6656	.3751	
United Kingdom	Pound		2.6656	.3751	
United States	Dollar		.9525	1.04987	
Uruguay	Peso	Free	.08600	11.63	
		Basic buying	.6289	1.59	(8)
		Principal selling	.4545	2.20	
Venezuela	Bolivar		.2843	3.52	
West Indies Fed.	Dollar		.5553	1.80	(10)
	Pound		2.6656	.3751	(11)
Yugoslavia	Dinar	Official	.003175	314.96	(8)
		Settlement rate	.001507	663.52	

*Latest available quotation date.

Notes

1. Argentina: effective Jan. 1, 1959, a single fluctuating exchange rate was introduced. Exports are subject to retention taxes of either 10 or 20 per cent ad valorem under this system.
2. Brazil: exporters receive cruzeiros at official buying rate of Cr.$18.36 plus (a) an exchange premium of Cr.$57.64 per U.S. dollar for coffee, cocoa beans and cake, and castor seeds, and (b) Cr.$81.64 per U.S. dollar for all other exports except sugar, cotton and cocoa butter, and a few other products, export returns from which may be sold on the free exchange market.
3. For imports of wheat, newsprint and petroleum, the effective rate of exchange is the official selling rate of Cr.$18.92 per U.S. dollar plus a surcharge of Cr.$81.08 per U.S. dollar.
4. Chile: free rate applies to exports and to imports, except prohibited imports. Chilean importers must deposit local currency in amounts ranging from 5 to 5,000 per cent, depending on product, prior to shipment of goods. Beginning Jan. 1, 1960, one escudo equals 1,000 pesos.
5. France: territory includes Algeria, Tunisia, Guiana, Guadeloupe, Martinique. The new heavy franc (worth 100 old francs) became effective on Jan. 1, 1960.
6. Equatorial Africa, West Africa, Cameroons, Togoland, Somaliland, Madagascar, Reunion, St. Pierre and Miquelon.
7. New Caledonia, New Hebrides, Oceania.
8. Additional rates are in effect.
9. Portugal: approximately same rate for Portuguese territories in Africa.
10. Barbados, Trinidad, Tobago, Leeward and Windward Islands.
11. Jamaica.

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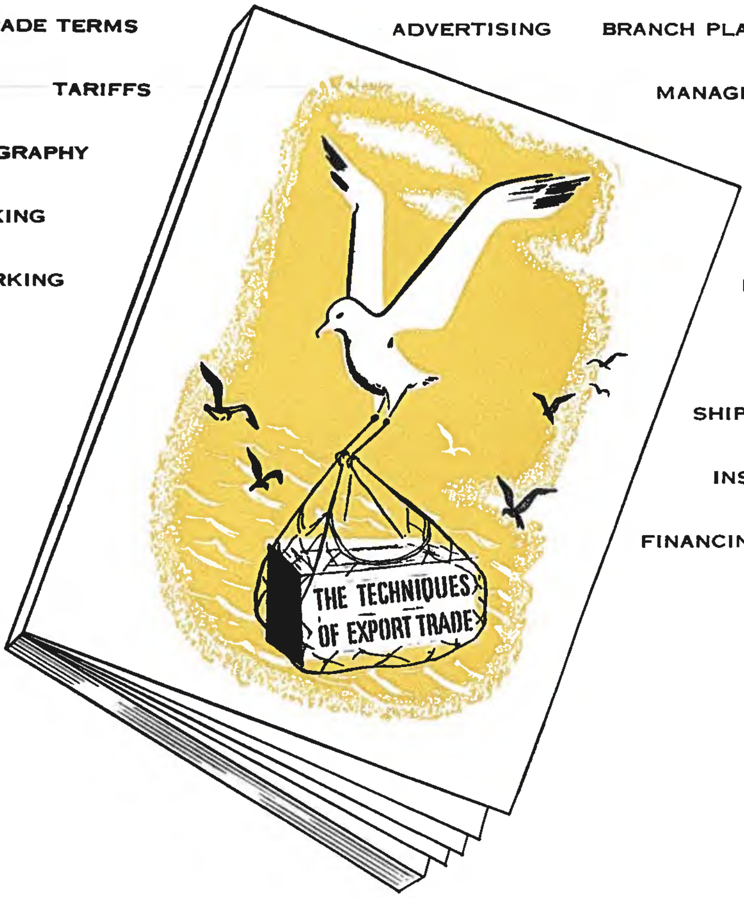

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