

Export Trade Promotion Conference • Ottawa Dec. 5-9

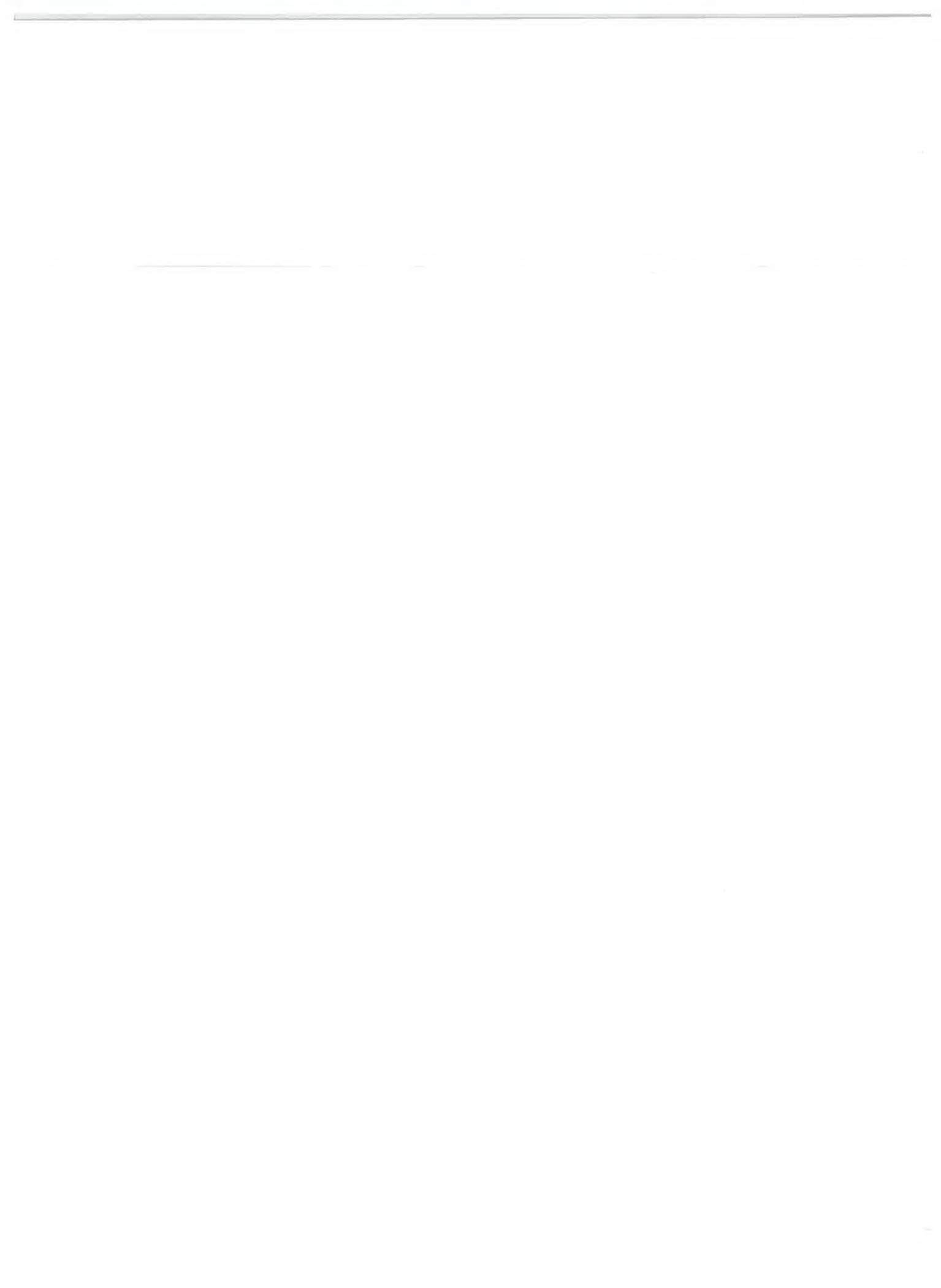
foreign trade



DECEMBER 3, 1960



SOUTH AMERICA'S TRADING PATTERN



foreign trade

Established in 1904

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COVER

The map, plus a traditional South American design, prepares the reader for our annual review of business and trade developments and prospects in the South American countries (pages 4 to 27). Included also are brief reports on two developments in the international loan field that should speed progress on this Southern continent.



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The Hon. GEORGE HEES, Minister.

JAMES A. ROBERTS, Deputy Minister.

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Trade and Commerce Call

THE Department of Trade and Commerce is bustling with activity these days as preparations go forward for the Export Trade Promotion Conference to meet in Ottawa from December 5 to 9. Convened by the Hon. George Hees, Minister of Trade and Commerce, its objective is, in his words, to "enlist Canadian businessmen in a drive forward in the search for a larger share of the foreign markets of the world."

Why a Conference?

The idea behind the conference is a simple one—to give present and potential exporters an opportunity to discuss their individual problems in confidence with individual officers of the Department, to find out how to step up their sales, and to be seized with the vital importance of export trade to Canada at this juncture. Some 110 trade and business associations, the newspapers, trade publications, radio and television stations are co-operating in making the conference and its objectives widely known. As we go to press, businessmen are writing in at the rate of about forty a day to ask for meetings with as many as nine officers each; about 520 already have confirmed appointments (thus making a total of 4,680 appointments now scheduled). Some of them represent small companies, some large; some are thinking of tackling foreign markets for the first time, some already have a flourishing export business, but all want to expand their export sales. Both the tyro and the pro are welcome.

Trade Commissioners Coming

What makes this conference unique is that 111 Trade Commissioners stationed in 49 countries will fly into Ottawa to take part. The firm that wants to sell in Sweden or investigate the possibility of exporting to the Soviet Union, for example, may ask for an appointment with Canada's Commercial Counsellor in Stockholm or in Moscow. Or the many companies keen to take advantage of the newly opened market in Australia can talk with one of the T.C.'s posted there.

Individual Interviews Arranged

In addition to the Trade Commissioners, the business visitors will be able—and often advised—to consult the home-based officers of the Department who specialize in various groups of commodities, in trade policies and tariffs, in transportation problems, and in other fields. In the short time he spends in Ottawa, the visitor will get a concise, practical briefing on export trade. Just as important, he will become personally acquainted with the Trade Commissioners and the officers in Ottawa with whom he will be in constant contact as he builds up or expands his export activities.

Conference arrangements are designed to help the businessman make the maximum use of his time. When he requests interviews with the Trade Commissioners, he specifies the countries in which he is interested, the products that he exports or wishes to export, whether his firm is already engaged in foreign trade, and what problems he wants to discuss. The Registration Office then arranges half-hour appointments with the appropriate Trade Commissioners and with other head office personnel and sends the completed schedule to him. The Trade Commissioners will be based in No. 1 Temporary Building (just across the street from the Trade and Commerce Building) where there are a large number of individual conference rooms. Those from one geographical area, such as Asia and the Middle East, the Commonwealth, Europe, United States, or Latin America, will be grouped together—another time-saver. And lest the visitor get lost in the maze of corridors and his time-table suffer, an ingenious system of coloured area signs has been worked out.

The choice of No. 1 Temporary Building—battered but still usable after staunch wartime and postwar service—indicates that this conference is strictly business, with little time for frills. Social affairs will be kept to a minimum; in fact, the Trade Commissioners have been instructed not to make any social engagements. From the time that they arrive in Ottawa on

n Export Trade Conference

Tuesday, November 29, until the conference ends late on Friday, December 9, they will be hard at work—listening, advising and discussing.

Officers Study Trade Techniques

Before their business visitors arrive in Ottawa, the Trade Commissioners and their home office colleagues will be deeply involved in another aspect of the conference. Together they will examine trade promotion policies, techniques and procedures, in the expectation that out of this will come fresh ideas for increasing our foreign trade.

This part of the conference will get under way on Wednesday morning, November 30, when the Trade Commissioners and 50 or 60 of the senior officials of the Department will gather in the main auditorium of the Dominion Bureau of Statistics. There the Hon. George Hees, who became Minister of Trade and Commerce in mid-October and who conceived the idea of this conference, will greet his "sales team". Many of its members will be introduced to him for the first time, because normally Trade Commissioners return home on leave only every two or three years.

Several times since he came to Trade and Commerce, the Minister has compared his position to that of a sales manager, with a picked group of salesmen all over the world. In announcing the conference on November 8, he developed this theme: "It is good business practice," he said, "for the sales manager to discuss the policy of his company with the salesmen in their respective territories, and to obtain from them suggestions whereby more business can be transacted. Our Trade Commissioners are, in a very real sense, salesmen who establish contacts and direct the attention of prospective purchasers to this country as a source of supply."

After these introductions, Mr. Hees will speak on "Export Targets for the Sixties"—sketching in the broad picture of trade development policy and objectives. He will be followed by the Deputy Minister, James A. Roberts, who, in enlarging on the topic "Mobilizing for Export at Home and Abroad", will emphasize trade relations, export objectives, and the part that the Trade Commissioners can play in the export offensive. The press is invited to this opening meeting; all the other sessions (they will occupy the afternoon of the 30th and the next two or three days) will be closed. The general public will not be admitted at any time.

Airing Their Views

Discussion during these three days will range over the whole export effort at home and at the 63 posts abroad. Frank talk will be the order of the day; the Trade Commissioners and officers will be able to speak freely, as a man does in his own home. Lively arguments will probably spring up and new ideas be hammered out on the anvil of debate. One of the results will undoubtedly be an even closer liaison between the Department's staff at home and abroad. Current promotion methods and procedures will be examined and improvements sought. Rapporteurs will attend each session and will record the essence of these discussions.

It Is Worthwhile

The hard-headed businessman will recognize that the time and effort being spent upon organizing and carrying through this conference is worthwhile. To take a dollars-and-cents approach, suppose that about 100 small and medium-sized firms, employing 50, 150 or 200 people, each obtain \$100,000 worth of export business as a result of information acquired and guidance given at this conference. Canada's export income rises by \$10 million and this money finds its way into the pockets of many different Canadians. In addition, other companies already engaged in exports may be fired with new enthusiasm for expanding foreign sales.

The larger the number of businessmen who come to Ottawa in the week of December 4, the greater the effect of the conference will be. For, as the Minister puts it, "export sales are, in the final analysis, dependent on the interest, the energy and the initiative of private enterprise." ●

Friday, 20, until the conference ends late on Friday, Tuesday, 23. It will be held at the...
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SOUTH AMERICA'S TRADING PATTERN

Where Canada Fits In

	Our Exports to			Our Imports from		
	1958	1959	1960 (9 mos.)	1958	1959	1960 (7 mos.)
	(in thousands of dollars)					
Argentina	6,506	7,089	11,127	5,436	3,432	1,469
Bolivia	439	338	211	134	168	155
Brazil	21,169	14,262	12,209	27,497	28,544	13,454
British Guiana	4,066	4,442	5,471	20,644	17,860	7,548
Chile	4,602	6,260	4,781	825	875	588
Colombia	13,865	17,693	12,476	16,584	15,847	7,130
Ecuador	3,209	3,882	3,211	4,967	7,638	6,326
Paraguay	184	121	58	347	746	462
Peru	11,501	11,697	5,521	2,354	4,007	978
Uruguay	939	1,683	1,659	841	658	386
Venezuela	43,655	46,008	26,036	209,590	204,697	109,744
Total	110,135	113,475	82,760	289,219	284,472	148,240

LEADING CANADIAN IMPORTS FROM SOUTH AMERICAN COUNTRIES

	1958	1959	1960 (7 mos.)
	(in per cent)		
Petroleum and fuel oils	72.2	72.2	73.4
Coffee, green	13.2	12.9	11.7
Sugar, raw, imported by refineries	3.2	2.6	1.6
Alumina and bauxite, for refining	3.2	3.1	8.3
Bananas	1.4	0.7	4.2
Total	93.2	91.3	99.2

LEADING CANADIAN EXPORTS TO SOUTH AMERICAN COUNTRIES

	1958	1959	1960 (9 mos.)
	(in per cent)		
Wheat, except seed	7.4	13.1	8.4
Flour of wheat	6.7	1.1	1.7
Milk powder, whole milk, condensed, evaporated	6.9	7.6	8.4
Aluminum in primary form and semi-fabricated	4.3	5.5	7.0
Wood pulp, sulphate kraft	3.1	4.7	3.6
Newsprint	10.9	8.0	12.6
Machinery and parts n.o.p.	9.1	1.9	1.5
Asbestos milled fibres	3.5	4.1	3.6
Total	51.9	46.0	46.8

U.S. and British competition in British Guiana presses Canadian exporters hard.

R. F. RENWICK, *Trade Commissioner, Port-of-Spain.*

ALTHOUGH British Guiana has a land area of 83,000 square miles, roughly equivalent to that of Great Britain, the travelled exporter knows it chiefly as a narrow coastal strip ten miles wide and 270 miles long. In this small part of the country (barely 4 per cent of the land area) live most of its 559,000 citizens. A great many of the people of East Indian origin, some 259,000, are employed on the sugar estates. Over 80,000 cultivated acres produce in a good year about 290,000 long tons of raw sugar, most of which is exported.

No report on the economy of or business conditions in British Guiana is complete without mentioning the estate, manufacturing, shipping, insurance and trading activities of Messrs. Booker Bros. McConnell & Co. Ltd. of London and Canada. One of the many firms in this group, Bookers' Sugar Estates Ltd., produces about 80 per cent of the country's sugar on its coastal-belt estates. The estates of the Demerara Co. Ltd. of Liverpool produce nearly all the remainder of the crop.

Another 160,000 low-lying acres along the coast which yield good quality rice complete the picture of British Guiana as an agricultural country. The growing is done mainly by East Indians on 21,000 plots of from two to fifteen acres. Nearly 56,000 tons are exported, solely by the British Guiana Rice Marketing Board and largely to West Indian markets. The country had a good rainfall in July and expects a record autumn rice crop.

Other agricultural production consists of tobacco, poultry, coconuts, coffee, cocoa and ground provisions. Herds of dairy cattle are kept on the coast and beef herds on the interior savannahs. Fisheries are important only for local consumption, though a new development is the shipment of fresh shrimp to the United States, the United Kingdom and the Caribbean hotel trade.

Forests and Mines

Forests cover about 70,000 square miles of British Guiana but only 20 per cent is now or expected to be accessible in the foreseeable future. Output of about 34 million board feet is mainly of greenheart, a heavy dense hardwood, eminently suitable for wharves, lock gates and piling.

Four different types of mineral deposits are worked—gold in small quantities, diamonds, manganese, and bauxite. Manganese mining is just beginning; a subsidiary of Union Carbide of the U.S. made its first bulk shipment in August. Bauxite far overshadows the others in importance. The Demerara Bauxite Company (DEMBA), an Alumi-

num Company of Canada subsidiary, has its company town and operations at Mackenzie, located 60 miles up river or over a barely negotiable road south from Georgetown. Peak production was reached in 1952, when 2,285,960 tons of bauxite were exported from Mackenzie and from Reynolds Metals' much smaller operations; currently production totals about 1,675,000 tons a year. Bauxite mining with its large payroll and its tax returns to the Government amounting to one-fifth of total revenues is thus an important factor in British Guiana's prosperity.

Foreign Trade

The value (c.i.f.) of all goods imported reached \$110.6 million in 1959 and domestic and foreign produce exported was valued at \$103.5 million. The accompanying table shows the balance of visible trade over the past six years.

Before World War II, British Guiana normally had an export surplus. Since that time, heavy overseas investment from the United Kingdom and Canada and expansion of private ventures in the country have, with the exception of 1954, led to

BRITISH GUIANA'S IMPORTS AND EXPORTS

Year	Imports	Exports	Balance of visible trade
	(in thousands of West Indian dollars)		
1954	\$79,970	\$ 85,404	+\$ 5,434
1955	94,518	90,533	— 3,984
1956	99,877	94,692	— 5,185
1957	118,469	108,086	— 10,384
1958	116,026	97,228	— 18,799
1959	110,620	103,530	— 7,100

Source—*External Trade 1959*—Department of Customs and Excise, Georgetown, British Guiana.

Note: unless otherwise indicated, values in W.I. dollars=Canadian 56 cents.

an excess of imports over exports in commodity trade. British Guiana has depended on foreign factories to produce the capital goods required in relatively small volume to step up production of its mines, forests and slowly developing industries.

U.K. Chief Trade Partner

Over the past five years, 44 to 48 per cent of British Guiana's imports have come from the United Kingdom. Last year the figure was 45 per cent. The United States is the second most important source of imports, supplying \$15.2 million worth, or 14 per cent, of all imports in 1959. Trinidad has recently become the third ranking supplier (\$11.1 million). Canada ranks fourth both in absolute values (see table page 7) and in share (8 per cent, up from 7 per cent in 1958 and roughly comparable to the 9 per cent standing in 1957). West Germany, the Netherlands and Japan are other important suppliers.

Last year the United Kingdom, the largest buyer of British Guiana's products, took about 41 per cent of total exports (48 per cent in 1958).

This drop was the result of a decrease in shipments of unrefined sugar which were valued at only \$33.4 million in 1959, down from \$38.2 million in 1958. Rum, diamonds, timber and bauxite are other important commodities shipped to this market.

Imports of B.G. bauxite into the United States were valued at \$6.2 million in 1959; timber and diamonds are also prominent in this U.S. trade. Exports to the United States last year were up 52.8 per cent over 1958 but still totalled only \$9.0 million. The United States is British Guiana's third best customer, Trinidad the fourth.

Canada Is Second Market

As shown in the accompanying table, Canada is an important market for British Guiana's raw sugar, sugar products and bauxite. According to statistics issued in the capital, Georgetown, (population 120,000), sales to Canada amounted to \$30.7 million in 1958 but fell to \$28.4 million in 1959; nevertheless, they represented 32 per cent (1958) and 28 per cent (1959) of all exports from the Demerara coast. Last

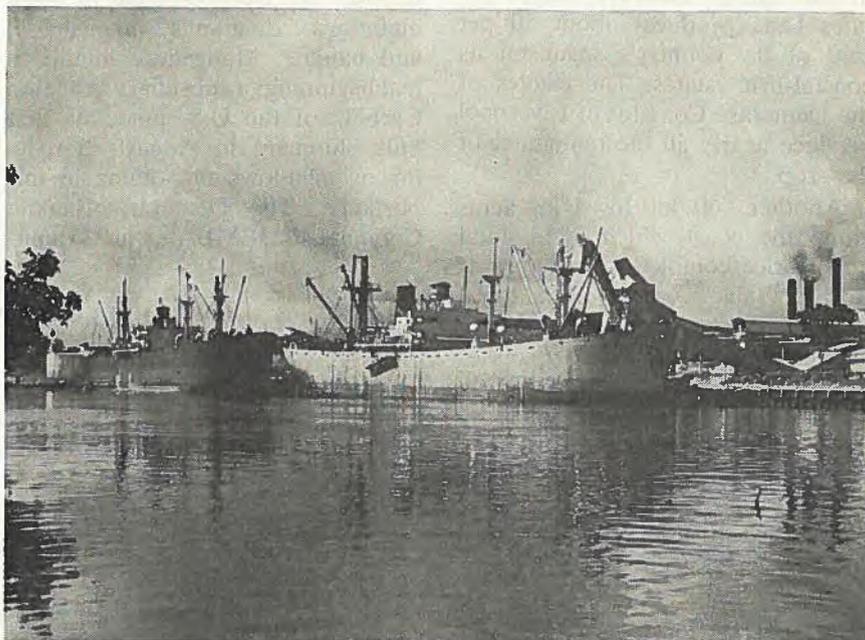
year unrefined sugar and bauxite were nearly equal in this trade but bauxite is surging ahead and promises to be the principal export in the near future.

Within the year, ALCAN expects production from its new \$42-million mill to reduce bauxite to alumina, much of which will go to Arvida. Alumina, a less bulky but more valuable cargo, will be prominent in future export returns and will give Canada's imports from B.G. a fillip.

Trade Controls

With numerous exceptions, Canadian exports to British Guiana are subject to a 20 per cent ad valorem (c.i.f.) British preferential rate of duty, compared with a general tariff of 36 per cent. The remaining import controls, applicable mainly to dollar goods, have caused difficulties for some Canadian garment exporters. However, an Open General Licence brought into effect in June 1959 freed most imports into British Guiana and there was further liberalization of trade in July 1960, when imports even of luxury automobiles from the U.S. and Canada

Two vessels of Saguenay Shipping Ltd., of Canada, load bauxite at the docks in Mackenzie, British Guiana, 60 miles up the Demerara River. Mined by an Alcan subsidiary, the bauxite will move to the big Alcan plant at Arvida. Bauxite mining means money to the colony, both in wages and in tax returns that represent one-fifth of total government revenue.



CANADIAN EXPORTS TO BRITISH GUIANA

	1957	1958	1959
	(thousands of Canadian dollars)		
Total exports	\$5,069	\$4,066	\$4,442
Of which:			
Dried pollock	381	506	540
Wheat flour	271	409	489
Split peas	282	260	289
Tobacco	178	229	263
Potatoes	102	192	170
Sardines	126	149	170
Pickled pork	78	115	146
Mining machinery and parts	243	19	144
Newsprint	111	99	129
Planks and boards	171	91	82
Medicinal preparations	80	69	78
Cotton fabrics	141	119	78

CANADIAN IMPORTS FROM BRITISH GUIANA

	1957	1958	1959
	(thousands of Canadian dollars)		
Total imports	\$21,003	\$20,644	\$17,860
Of which:			
Sugar (raw, imported by refineries)	10,769	9,758	7,794
Bauxite alumina (refining)	6,146	7,623	6,929
Alumina and bauxite, n.o.p.	2,807	1,737	1,801
Rum	559	957	731
Molasses	566	429	524

Source: DBS.

were decontrolled. Canadian wheat flour is subject to import licensing, but only to ensure that Canada adheres to its bargain in the International Wheat Agreement.

Price Competition

The British Guianese have, over the past six years, been able to purchase increasing quantities of imported goods of all kinds. However, total Canadian sales to British Guiana have not shared in this increase. Canadian export merchants have not been able to quote the competitive prices required if they are to maintain their relative sales position. Exports of staples such as dry heavy salted pollock from Halifax, sardines, pickled pork, and tobacco have steadily increased over the past three years. On the other hand, split peas, potatoes, newsprint and mixed feeds show no discernible trend either up or down. This situation is due in part to food importers who have sources of supply in more

than one country for the same commodity. Orders are placed with the cheapest source with little or no sales drive on behalf of a particular principal, even though the arrangement may be an exclusive sales agency. In this event, the exclusive agency agreement is one-sided with, for example, a Canadian potato exporter agreeing to offer through only one Georgetown agent. The sales agent, in turn, will probably rely on this exclusive connection for Canadian potatoes, but may nevertheless place a given order with a Netherlands potato exporter with whom he also has an exclusive sales-agency agreement.

Flour Market Shrinks

At one time, wheat flour was by far the most important Canadian product sold to B.G. A decade ago Canadian mills supplied 90 per cent of the flour market, currently valued at \$4.6 million. At present, United States flour mills obtain 70 per cent

of the business and Canadians 24 per cent. Over the past three years, our sales have improved from the very low level reached in 1957 but wheat flour has not regained its former prominence.

Georgetown agents are actively attending to their expanding market for flour. However, many agents represent U.S. as well as Canadian mills. Thanks to U.S. Government subsidies applicable to U.S. offshore wheat and flour sales, agents have taken the line of least price resistance and have more often booked their orders with Minnesota or Texas exporters. Some Demerara bakers do appreciate the qualities of Canadian hard wheat flour and purchase part of their needs on considerations of quality and price. However, the majority of British Guiana bakers and produce importers are more apt to be influenced by price, to them the chief factor in their trade.

In 1959, Canadian exporters sold a wide variety of consumer goods, produce, and manufactured foods, but the chief characteristic of these sales was the very modest values involved. As shown in the table, 12 export items—ranging from a total value of Can.\$540,000 down to \$78,000—account for 59 per cent of all our exports. About 340 of the remaining classifications of goods share the balance of Can. \$1,864,000. Customs returns of Can.\$50, \$63, \$70 and \$125 are not uncommon.

Sales of evaporated milk, cured hams and shoulders which materialized in 1960 are some evidence that there is a market in British Guiana for higher-priced groceries, but on the whole importers have been obliged to concentrate on the least expensive foods and consumer goods. Consequently their current interest is centered mainly on being introduced to Canadian suppliers of potatoes, onions, canned sardines, salted fish and pickled meats, who for the most part have been represented in British Guiana for many years. ●

Venezuela still gripped by recession but continues with big development plans.

W. D. WALLACE, *Commercial Counsellor, Caracas.*

VENEZUELA is still suffering from the recession that began in 1959. Declining revenues from the oil industry (the backbone of the economy), a depressed construction industry, import restrictions, unemployment, and an over-all lack of confidence in the economy have slowed up business activity. There has been a large flight of capital from the country, reflected in the fall in international reserves to Bs. 1,953.5 million on August 31, 1960, from Bs.2,849 million on August 31, 1959. In the same period, bank deposits dipped by Bs.1,274 million to Bs.3,936 million, and bank loans and investments by Bs.700 million to Bs.4,273 million.

Although Venezuela's internal financial position remains unsatisfactory and the general credit position is tight, measures have been taken to bolster the economy. A tight fiscal policy has been followed and the 1960-61 balanced budget of Bs.5,500 million was reduced by Bs.795 million on the expenditure side from a year ago. The country has been successful in arranging for a number of loans and credits, including \$200 million from a consortium of New York banks and one Canadian bank earlier this year. This will not only improve Venezuela's financial position, but will be used for urgently needed housing, communications and irrigation projects. A standby credit of \$100 million is also expected from the IMF, contingent upon Venezuela increasing its contribution to the Fund from \$15 to \$225 million. Recently an \$80 million loan, of which only \$30 million was used and then repaid, was arranged with a group of New

York banks. This was repaid from the proceeds of Government Tax Anticipation Bonds taken up by the foreign oil companies to the extent of \$100 million.

Venezuela recently decreed that the sale of foreign exchange will be controlled effective November 8 and that there will be no change in the value of the bolivar; regulations will be issued in the near future. Foreign exchange will be allowed for all normal business requirements, as well as reasonable amounts for other purposes. For merchandise imports on open account the new law stipulates that importers must deposit up to 20 per cent of the value of the foreign exchange requested, and for imports requiring advance deposits and letters of credit, the deposit will be up to 40 per cent.

Goals of Development Plan

In April the President announced that a Four-Year Plan would be put into effect on July 1. The plan, which is still in its initial stages, is a master outline for the continuous development of the economy and is centralized under CORDIPLAN, the presidential co-ordination and planning agency. One additional year's program will be added to the plan every year to provide a continuous course of action for four years. The plan is based on Venezuela's large oil income and on making efficient use of it. It authorizes expenditure of \$7.8 billion over the next four years, which will bring the gross national product to about \$10.7 billion compared with the present \$7.4 billion.

Under the plan, it is expected that in the next four years oil pro-

duction will increase from 149 billion metric tons to 174 billion, iron ore production from 18.5 million metric tons to 25 million, steel production from nil to one million tons, and aluminum production from nil to 25 million. In electrical energy, power consumption will be raised to 6,797 billion kwh., compared with the present 3,300 billion. This will mean a further expansion of the electrical potential of the Caroni River, estimated at 17 million kwh., and will include construction of the Curi Dam which by 1964 should provide another 1.5 million kwh. of cheap electrical energy. The plan also authorizes expenditures for education, hospitals, housing and communications. In conjunction with the Agrarian Reform Program, it is expected that the plan will help bring about a substantial increase in agricultural acreage and eventually a larger output of meat, milk, corn, tobacco, cotton, sugar and sesame.

It is thus in the fields of electrical energy and agriculture that opportunities lie for Canadian exporters of engineering services, electrical machinery and agricultural equipment.

Tariffs Protect Industry

Venezuela continues to follow a policy of diversifying industry to reduce dependence on oil revenues. It welcomes foreign capital for development of new industries and expansion of existing ones. It encourages private industry to take part in the industrial development of the country, offering tax concessions, credits, and tariff and certain other forms of protection. In addition, the Government is developing



The Venezuelans pictured here are doing their shopping at one of the stalls in the "free market" in Caracas. Although they are not displayed here, Venezuela buys fresh pork, bacon and hams from Canada, as well as other cooked meats and canned salmon.

state-owned and operated petrochemical and steel plants, as well as a national oil company.

During 1960, additional products were added to the restricted import list and those which are of interest to Canadian exporters include eggs in the shell; metal furniture; aluminum extrusions, profiles, bars, beams, angles, tubing and window frames; automobile tires and tubes; wire netting; plastic foam and plastic insulation sheets, plastic tiles; raw hides and leather; prefabricated structures; plywood; artificial thermoplastic and thermosetting resins, and starch. In some instances, it has been found that the import restrictions have not had the desired effect and there is some hesitation about imposing many more. Restrictions on plastic tiles and plywood, for example, are subject to review every three months.

A number of producers of textiles, tires, paper, and animal feeds have been boosting production capacity, and many new industries have been established this year. Among them are factories for glass, canned foodstuffs, powdered milk, automobile parts, lubricating greases and plastic products. It is expected that the Government will soon give final approval to the Reynolds Alu-

minum Company to begin making aluminum and products in this country.

Farm Output Up

The Government's Agrarian Reform Program, which began in 1959 and was extended in 1960, has improved crop production in Venezuela. This has been partly offset, however, by insufficient labour to obtain a complete harvest and by inefficient marketing. According to the Ministry of Agriculture, production of crops in 1960 is estimated at 2.4 million metric tons, against 2 million in 1959. The crops will be supplemented by 600,000 metric tons of imported foodstuffs, mainly powdered milk, eggs, meat, copra, and corn, compared with 753,000 metric tons in the previous year. In addition, about 170,000 metric tons of wheat and some 6,000 metric tons of specialty flours will be imported to meet present consumption.

The program is being followed vigorously and government planners expect that many more people will be placed on farms. State agencies are providing credits and loans for developing land, buying stock and seed and building access roads, and also for housing, farm equipment and irrigation.

Highlights of the petroleum industry in Venezuela, the world's second largest producer of crude oil, during the current year have been increased production, higher operating costs, a decline in exploration, loss of the Cuban market, and dropping world prices. The Government has tried to persuade the oil companies to maintain posted prices; its announced policy is not to permit them to grant discounts greater than 5 per cent below posted prices, this reduction only to be allowed in certain specific contracts. Another development of interest has been the formation of the National Petroleum Corporation. This government company is expected to start operating about the end of 1960 and will engage in exploration, production, refining, and distribution of petroleum and products in domestic and foreign markets.

Venezuelan petroleum output averaged 2.8 million barrels a day during the first nine months of 1960, compared with 2.7 million in the same period of 1959—an increase of 3.9 per cent; this is close to the Government's goal of 4 per cent for the whole year. As a result of the discouraging tax situation and the fact that oil companies will not be granted further concessions during

the present government administration, there has been a drastic curtailment of exploration. In the current year, 244 new wells have been drilled and 44 rigs are in operation; in 1959, some 550 wells were drilled and 50 rigs were in operation; in 1958 the figures were 1,150 and 118.

Large world surpluses of oil, declining world prices and the loss of the nearly Bs.200 million Cuban market (76,000 barrels per day) have severely affected the local industry. This, plus the new labour contract that will cost producers about Bs.500 million over the next three years, is cutting oil revenues this year to both the industry and government; the Government's share, in fact, will be an estimated 7.4 per cent below 1959. In that year, net revenues to the industry declined to Bs.1,344 million from Bs.1,616 million in 1958, and income to the Government slumped to Bs.2,806 million from Bs.3,067 million.

Iron ore production and exports are climbing substantially and for 1960 output should reach 19.6 million tons, against 17.4 million in 1959. At present almost the entire output is exported and it is expected that government income from this source will be close to Bs.110 million for 1960.

Canadian Exports Slump

Venezuela's exports in 1959 rose over 1958 and imports fell slightly, as shown in Table I. No complete trade statistics are available for 1960, but it is estimated that exports will be near the 1959 level and that imports may decline from 20 to 25 per cent. Imports from Canada, accounting for 3.1 per cent of total imports in 1959, showed a gain of 4.5 per cent over 1958. Canada thus held its position among leading suppliers. The United States is in first place with 53 per cent of total imports, followed by West Germany with 9.3 per cent, the United Kingdom 7.1 per cent, and Italy 5.4 per cent.

I—VENEZUELA'S FOREIGN TRADE

	Exports	Imports
	(Bs.'000)	
1957	7,928,361	6,140,318
1958	7,776,875	4,798,126
1959	7,938,008	4,742,163

Reflecting the unsettled economic conditions in Venezuela during 1960, Canada's foreign trade with this country is declining sharply. Table II shows that Canada's exports have dropped 22 per cent below those of 1959 and imports 12 per cent. Shipments from Canada reached a peak of \$46 million in 1959, but for the first eight months of 1960 they totalled \$23.8 million against \$30.4 million in the same period of 1959.

II—CANADA'S TRADE WITH VENEZUELA

	Exports to	Imports from
	(Can.\$'000)	
1957	39,844	208,401
1958	43,654	209,590
1959	46,007	204,697
1959	30,492 (8 mos.)	106,712 (6 mos.)
1960	23,836 (8 mos.)	94,087 (6 mos.)

Agricultural products continue to account for the biggest share of our exports to Venezuela. During the first eight months of 1960 compared with the same period last year, significant gains were recorded in exports of wheat (\$3.5 million to \$4.1 million), skim milk powder (\$125,000 to \$335,000), seed potatoes (\$196,000 to \$348,000), malt (\$269,000 to \$333,000), and whole milk powder (\$5.1 million to \$5.2 million). These, however, were more than offset by declines in shipments of eggs in the shell (\$3.3 million to \$1.3 million), wheat flour (\$658,000 to \$14,000) and oats (\$348,000 to \$203,000).

Industrialization in Venezuela has lessened demand for a number of important Canadian commodities. Our sales to Venezuela have declined for cellulose products, automobiles, lumber, synthetic resin manufactures, copper wire, copper

tubing, and drugs and chemicals. On the other hand, there have been gains for transformers, synthetic rubber, asbestos milled fibres, semi-fabricated aluminum, synthetic fibres, threads and yarn, and domestic washing machines.

On the import side, crude petroleum and products from Venezuela dominate the trade and in fact account for most of it. Shipments of crude petroleum and products to Canada in 1959 totalled \$204 million, followed by green coffee at \$333,000, and cocoa beans at \$166,000. During the first six months of 1960, our imports of crude petroleum and products were valued at \$94 million, green coffee at \$148,000, and cocoa beans at \$40,000.

Future Hopeful

The swing to industrialization, the Four-Year Plan, and the Agrarian Reform Program offer a number of opportunities for increasing exports to this country. Although the Venezuelans will be importing fewer luxury goods, this will be more than compensated by growing demand for raw materials, industrial equipment and non-luxury consumer goods. Competition in this unrestricted dollar market from major suppliers such as the United States, the United Kingdom and West European countries will continue to be keen. Nevertheless, aggressive Canadian exporters who can offer competitive prices, liberal credit terms and personal salesmanship should be able to increase their share of the Venezuelan market.

Things to Come

An up-to-date report on trade controls affecting Canada's exports to the South American countries will appear in our December 17 issue. We hope also to publish an article on business conditions in Argentina, which was not received in time to be included in this number.

Tight credit has slowed up business in Colombia but some expansion apparent now.

J. H. BAILEY, *Commercial Secretary, Bogotá.*

IN September 1959 the appreciation of the Colombian peso by 12 per cent in terms of the U.S. dollar showed in a striking way the resurgence of the Colombian economy after the severe financial troubles that faced the country at the end of the dictatorship. Three years ago, Colombia owed a commercial debt abroad of more than \$493 million. By June of 1960, this debt had been reduced to \$154 million and all foreign obligations, both old and new, were being met regularly. In addition, foreign exchange reserves had increased from \$165 million in June 1957 to \$205 million in June of 1960.

The gross national product has made substantial gains in the past two years and will probably reach a new high in 1960. The rate of increase was 2.3 per cent in 1958, 5.9 per cent in 1959, and estimates based on the figures for the first six months of 1960 indicate that the Government's target, an 8 per cent increase, will be attained this year.

The national income has also continued to expand, with a 10.8 per cent rise in 1958 and 13.0 per cent in 1959. The same rate of progress is expected in 1960. The main qualification of these figures, from the point of view of the expansion of the broad base of this market, is that the workers' share of the national income has actually fallen slightly, in spite of the fact that they are earning more money.

Credit Restrictions Eased

The credit restrictions and other austerity measures that were introduced to place the economy on a

sound basis and brought a return of confidence to the business community (with the result that Colombian capital was repatriated and new foreign capital invested), began to be criticized in 1960 by business as too severe. Faced by this criticism and a slowing down of business during the first six months of 1960, the Government announced a series of measures to "prime the pump":

- In May a change was made in the 1958 regulations that had frozen the earning assets of banks at the 1958 level; this freed about \$20 million for new bank lending.

- At the end of June, import deposits, which range up to 130 per cent of the value of the goods, were returned to importers 45 days after the goods were cleared from customs instead of 90 days as in the past. This was expected to release over \$70 million which had been frozen under the previous deposit system.

- In July the deposit requirements were reduced for a range of products (mainly raw materials). This too was expected to give a further impetus to the economy by easing the credit situation.

Coffee Surplus

Another continuing worry is the coffee surplus. In spite of strenuous efforts at diversification, coffee is

still Colombia's main industry and the revenue from it continues to decline, as the table below reveals.

As a direct result of this decline in coffee revenues, plus the increase in imports mentioned later, Colombia has had a trade deficit of more than \$10 million a month for the first seven months of the year. This is one reason why foreign exchange reserves began to decline after the first six months and totalled \$178 million at the end of September as against the peak figure of \$205 million in June. There does not seem to be much chance of solving this coffee problem in the near future and Colombian revenue next year may not improve very much.

During 1960 the country for the first time produced an exportable cotton surplus, but because of the high cost of production the Government had to subsidize these exports.

The only other product that might become a substantial export is sugar. It is expected that sugar production will increase sufficiently to permit the export of about 25,000 tons next year.

Industrial Development

In October 1959 the Government announced that it would follow a policy of "import substitution" and the effects of this policy became

COFFEE PRODUCTION AND SALES

Crop year (ends in June)	Production (millions of sacks)	Exports	Value (millions of U.S. dollars)	Average price (U.S. cents per lb.)
1957-58	7.5	4.90	415	58.16
1958-59	7.4	6.17	395	48.64
1959-60	7.0 (est.)	6.02	360	45.07

apparent during 1960. The offering of protection against imports brought a rise in domestic and foreign investment in new plants and equipment. Canadian firms, for example, are currently building a tissue mill and an aluminum rolling mill; United States companies are building electrical equipment, pharmaceutical, corn syrup, fertilizer, chemical and many other factories; European companies are investing in plants to manufacture automobiles, cigarettes, electric cables, batteries, plastics and other products. In addition to participation in many of the above foreign investments, Colombian capitalists are setting up new factories and expanding old ones to turn out a wide range of consumer goods.

Imports and Aid

Early in the year the Minister of Finance stressed that the country could safely absorb imports of \$34 million a month. For the first eight months of the year, imports have fluctuated between \$31 and \$42 million per month and the monthly average has recently crept up to \$36.40. During this time exports

have been running at about \$25.50 a month. This trend, if it continues, will lead to a trade deficit of approximately \$100 million for 1960. The accompanying table shows the trade picture for the last three years.

It is doubtful whether Canada's sales to Colombia in 1961 will reach the high of \$17.7 million established last year. The reasons are twofold: first, some of our major exports to Colombia (such as malt, fertilizers, electrical equipment and chemicals) will be replaced by do-

COLOMBIA'S TRADE

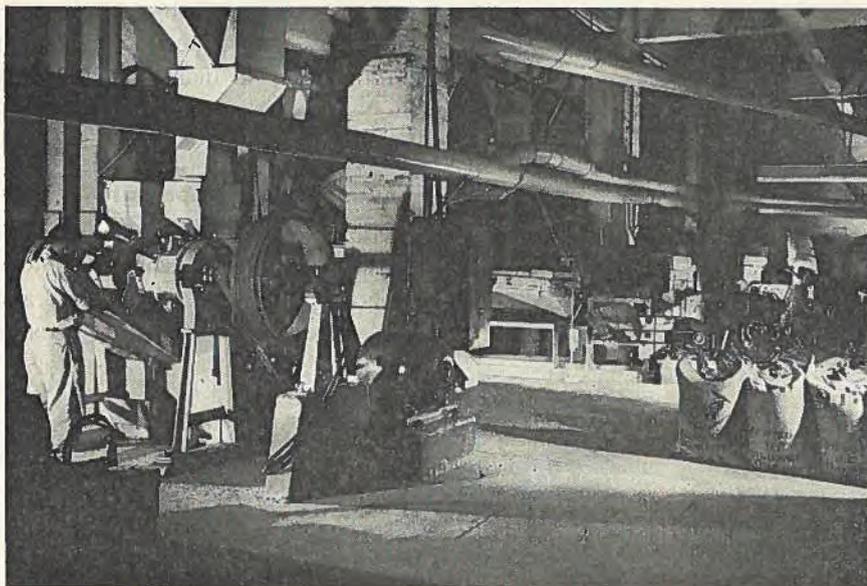
	1958	1959	1960*
(millions of U.S. dollars)			
Imports into Colombia			
Transportation equipment	45.1	83.3	94.4
Capital equipment	63.6	98.9	133.2
Consumable materials	138.0	158.5	185.6
Miscellaneous	29.8	36.4	18.8
Total	276.5	377.1	432.0
Exports from Colombia			
Coffee	350.6	370.6	306.0
Other products	18.7	23.1	26.4
Total	369.3	393.7	332.4
Trade surplus or deficit	+ 92.8	+ 16.6	- 99.6

*Estimates based on figures for first six months for imports and on the first eight months for exports.

mestic production; second, the Colombian Government is diverting more and more purchases to countries outside the North American area and using barter arrangements to encourage sales of coffee and cotton to Japan and a number of countries on both sides of the Iron Curtain in Europe. Unless the Colombians revoke this policy, the only hope of recovering some of these losses lies in increased sales of our forest products and capital equipment. Another new factor—a Canadian export that will not appear in trade statistics—is the possibility of selling engineering services to Colombia as a result of a visit of the mission of Canadian consulting engineers to this country early in October.

In considering the sale of capital equipment and engineering services, however, it should be noted that some of the recent development loans made to Colombia exclude Canadian participation. It was recently stated in an Export-Import Bank and Development Loan Fund announcement from Washington, for example, that a loan of \$70 million that these organizations are making to Colombia for road building, rural settlement, municipal waterworks, etc., is to be used to acquire U.S. equipment, materials and services. Other loans being made include \$25 million and \$12 million by the World Bank for the

At a coffee mill in Ancon, Colombia, an employee operates a grating machine. Coffee continues to be the country's main industry and lower prices on world markets this past year have reduced its export income, brought a trade deficit.



National Railways and the expansion of the Paz del Rio steel mill, and \$25 million by the Development Loan Fund for the improvement of

living standards and for agricultural reform. These are in addition to previous loans totalling \$95.3 million made during the past year for

various projects (hydro development, highways, railways, etc.) requiring capital equipment and engineering services. ●

Ecuador's economy continues sound. Canada appoints honorary commercial agent.

J. H. BAILEY, *Commercial Secretary, Bogotá.*

ECUADOR'S business community is showing a certain amount of caution this year as a result of the change in Government. (Dr. Velasco Ibarra was elected to the Presidency in June and took office in September.) This uncertainty, however, did not cause a decline in imports; these have in fact increased by \$50.6 million, or 38 per cent, during the first seven months of 1960. Exports rose by only 9 per cent during the same period and Ecuador will have an unfavourable trade balance this year. Foreign exchange reserves may decline although on June 30 they totalled more than \$29 million, an increase of 26 per cent over the same period last year.

Emphasis on Agriculture

Ecuador is not promoting industrialization vigorously. The Government feels that the standard of living of the masses, who depend on agriculture, will improve more rapidly and effectively if it concen-

trates on boosting agricultural production. This policy seems to be paying off; during 1959 net national income is reported to have increased by 4 per cent to \$620 million and population by only 3 per cent to about 3.5 million. If this rate of improvement can be maintained in 1961 and the new Government does not encounter any unexpected obstacles, Canadian exporters should be able to make larger sales in this small but expanding market.

Total crop and livestock production last year was valued at \$210 million, an increase of 6.2 per cent

over 1958. Agricultural exports to date in 1960 (mainly coffee, bananas and rice) have risen by 9 per cent and it is expected that over-all agricultural output in 1960 and 1961 will progress at least at the same rate as last year.

Canadian Sales Steady

The accompanying table shows major Canadian exports to Ecuador during the first eight months of 1959 and 1960. With the exception of wheat and newsprint, our sales have risen by over 16 per cent during this period. Declines in wheat and newsprint (which normally account for about two-thirds of our trade with Ecuador) and in a number of other products have brought our over-all exports down slightly. However, wheat shipments are expected to improve considerably before the end of the year (unfortunately, newsprint sales will not be so buoyant because of competition from Chile) and our exports to Ecuador for the year should total close to the \$3.8 million of 1959.

By the appointment in September of a leading businessman in Guayaquil as Canada's Honorary Commercial Agent in Ecuador, the Canadian Government hopes to assist exporters in regaining and improving their normal share of this market. ●

CHIEF CANADIAN EXPORTS TO ECUADOR

	1959	1960 8 months
	('000 Can.\$)	
Wheat	1,633	1,559
Newsprint	320	270
Prepared cereals	75	162
Tires and tubes	138	155
Bond paper	51	99
Marine engines	26	66
Office machines	32	21
Machinery and parts	55	7
Automobiles	16	14
Aluminum products	16	22
Copper products	34	19
Asbestos products	19	29
Drugs	10	10
Total	2,598	2,580

ECUADOR'S AGRICULTURAL PRODUCTION

	1958	1959	Per cent increase
	('000 tons)		
Rice	62.0	78.0	26
Wheat	38.0	47.0	24
Sugar	87.0	100.0	15
Malt	2.5	5.9	135

Stronger currency in Peru, bigger exchange reserves, improve sales outlook.

W. J. JENKINS, *Assistant Trade Commissioner, Lima.*

PERU has regained and should retain economic and monetary stability, from the economist's point of view. Although this stability is partially the result of favourable circumstances, the Peruvian Government is justified in pointing to its sound policy as the major reason. The Peruvian currency has been stable or strengthening in value for more than a year, reserves of foreign exchange are increasing, the volume of foreign trade is greater than in the record year 1957, the balance of payments is favourable, consumer prices have been relatively stable, and for the first time since 1955 the Government is predicting a balanced budget. All exchange and import controls have been removed and the Government is looking to new measures to encourage foreign capital to establish new industries.

The Other Side

All the developments listed above promise prosperity. But an honest assessment of business conditions here must include an appreciation of several unfavourable factors that have deep roots. Despite the economic stability, political unrest is increasing. This is particularly significant because it is occurring when prices are not rising and when unemployment has apparently not increased. The agitation has undoubtedly been accentuated by events in other parts of the hemisphere and, of course, Peru has an enormous social problem. Over half of the population lives at little better than a subsistence level and among the remainder there is a tremendous disparity in the distribution of income.

The Government recognizes this problem and sent an agrarian reform bill to Congress this year. It has also begun low-cost housing schemes. However, until this social problem is solved there are obstacles in the way of long-term economic stability.

Monetary Stability

Since July of last year, when the Peruvian currency reached its lowest exchange level, confidence has been regained and the Peruvian sol has been strengthening or stable. Last May the Government established a completely free exchange market by no longer requiring exporters to surrender foreign exchange to the Central Bank. Peru's Premier and Minister of Finance, Pedro Beltran, believes in a free economy and it is highly probable that there will be no exchange and import controls as long as he is in office. Foreign exchange reserves reached approximately \$50 million at the end of August 1960, compared with \$16 million a year ago.

From mid-1959 until the middle of this year, the money supply increased by 21 per cent and during the first eight months of this year bank deposits expanded by 17 per cent and loans by 15 per cent. A contraction in Central Bank loans offset these increases to some degree, as did a government regulation requiring the commercial banks to hold 100 per cent cash reserves. Interest rates remain high, between 15 and 20 per cent.

Balanced Budget Predicted

The 1961 draft budget, at about \$335 million (dollar equivalent), entails a 15 per cent increase in

government spending but for the first time in six years it is balanced. Although the national income is expected to continue rising, thus providing more government revenue, the Government has requested Congressional approval of additional taxes. Among these is an extension for three years of the temporary surcharges on non-essential and luxury imports.

In September the Treasury redeemed its first series of six-month bonds, valued at approximately \$4½ million. The second series, issued for a like amount with a maturity of nine months, is due in December. This is the first time that government bonds have been floated in Peru.

Final figures for the 1959 budget were recently released. They showed that while revenue increased by 23 per cent over the previous year, expenditures rose 17 per cent and this led to a deficit equivalent to about 20 per cent of revenue. The major part of this deficit was financed through Central Bank credit.

Public Investment Declines

A disconcerting factor is the marked decline in public investment. When one compares government spending from 1956 to 1959, it appears that the Government's role in the development of the country has been declining in favour of the constant growth of bureaucratic expenditure, which is absorbing 80 per cent of annual revenue. In 1959 the Peruvian Government's capital investment totalled only \$34.5 million, compared with \$62.8 million in 1958 and \$91.5 million in 1957. This was equivalent to only 13 per cent of total expenditures in 1959,

as against 23 per cent in 1958, 28 per cent in 1957, and a high of 38 per cent in 1955. This means that the Government will have to rely increasingly on foreign loans or investment for development projects. The external public debt at the end of 1959 stood at about \$157.2 million.

Remarkable Increase in Exports

Peruvian exports increased by a remarkable 42 per cent during the first eight months of this year compared with the similar period in 1959; they totalled \$269 million, a rise of \$80 million. At the same time, imports (\$245 million) were at record-breaking levels, and increased by U.S.\$52 million, or 27 per cent, over the eight months of last year. The trade surplus for this period was \$24 million, compared with a deficit of \$5 million at the end of August 1959.

Because cotton and sugar shipments declined, the aggregate value of Peru's principal agricultural exports decreased during the first half of 1960 by \$2.6 million (5.3 per cent) to \$46.8 million. But when the United States abolished the Cuban sugar quota this year, Peru's quota increased from 86,661 metric tons to about 250,000. Because of the premium price paid by the United States, this further quota will provide Peru with an additional \$7.9 million a year in foreign exchange. This will offset the recent drop in cotton prices.

The 1960 cotton crop is good and has probably set a new record; it should exceed last year's harvest by about 4 per cent. Sugar is also expected to establish a new record—786,000 metric tons, or 11 per cent, above last year. The 1960 coffee crop is estimated at 33,120 metric tons, 20 per cent greater than in 1959. The forecast for the 1960 rice crop is excellent.

The most striking feature of Peru's exports this year is the spectacular growth in mineral shipments. At mid-year the combined value of mineral exports totalled \$85 million,

93 per cent higher than the shipments made during the same period of 1959. Copper sales rose by \$28.3 million alone, this because the Toquepala project in southern Peru came into production. Iron exports grew by almost \$10 million and the value of lead, zinc and silver exports increased slightly.

The largest mining company in Peru, the Cerro de Pasco Corporation, plans to increase its refining capacity from 32,000 to 52,000 short tons next year. This will also add to Peru's foreign exchange earnings, because a larger portion of Peruvian zinc production will be exported in refined form. During the first half of this year, exports of petroleum products totalled \$7.1 million, an increase of \$2.5 million.

Within a few years, the Peruvian fishing industry has risen from insignificance to become one of the principal export industries and now ranks fifth among world producers; the fishmeal industry is now the world's largest. Exports of marine products during the first half of 1960 increased 48 per cent (or \$9.6 million) over sales for the same period of last year. Shipments of fishmeal, which makes up 80 per cent of these exports, increased by \$9.4 million, and fish oil by \$800,000. Sales of frozen and canned fish declined \$400,000. Peruvian production of fishmeal will probably reach 600,000 metric tons this year, which is considerably below the industry's capacity. There are 106 fishmeal plants along the Peruvian coast but it is probable that the present extremely low price of fishmeal will force some of them to close this year.

Imports High

Imports are increasing; they totalled \$245 million at the end of the first eight months of this year, an increase of \$52 million, or 27 per cent, over the same period of last year. Purchases abroad had declined in 1959 and 1958 from the record \$400 million in 1957.

No detailed figures are available for this year but in 1959 one-quarter of Peru's imports consisted of machinery. Foodstuffs, fats and oils accounted for 16 per cent and chemicals and pharmaceuticals for 13 per cent. Transportation equipment and minerals and manufactures of minerals both made up 10 per cent. The United States supplies almost half of Peru's imports, although her large share of the market is gradually declining. Canada is Peru's fifth supplier, following the United States, Germany, Britain and Argentina.

The state of Peru's manufacturing was briefly outlined in the October 8, 1960, issue of *Foreign Trade*.

The volume of Peruvian manufacturing output expanded 4 per cent during 1959 and it is probable that the expansion in 1960 has been even greater. With the start of local production of ammonium, nitric acid, ammonium sulphate and nitroglycerine, and the growth in the manufacture of chlorine, superphosphates, caustic soda and sulphuric acid, the output of basic chemicals rose 50 per cent in 1959. The production of fabricated metal products increased 20 per cent and Peru's steel mill more than doubled its output. Paper and cardboard production rose 18 per cent to 42,000 tons, the manufacture of processed foods 12 per cent, and wearing apparel 7 per cent; output of beverages decreased 2 per cent. The textile, leather, pharmaceutical and lumber industries during 1959 produced about the same as in 1958. Rubber manufactures (80 per cent tires and inner tubes) declined 10 and cement production 6 per cent.

New Industries Wanted

The Peruvian Government is anxious to attract new industries and passed an Industrial Promotion Law late in 1959. But until the regulations implementing the law were published in June of this year, investors could not take advantage of it. Consequently it is too soon to judge its success, although some

changes are practically inevitable. During the year, the Peruvian Government engaged a U.S. firm to recommend changes in the Industrial Promotion Law and to publish a study that would provide foreign investors with a list of industrial opportunities in Peru.

The Industrial Promotion Law provides that new industries will receive adequate tariff protection. To date no import taxes have been increased as a result, and when a local fertilizer manufacturer recently requested a tariff increase he met severe opposition from the agricultural association.

Free Trade Association

Peru was one of the seven South American countries that signed a treaty in February that would make Argentina, Brazil, Chile, Mexico, Paraguay, Peru and Uruguay a free trade area. The contracting parties agreed to eliminate within 12 years all duties and restrictions on imports originating within the member countries. The Latin American Free Trade Association only comes into effect 30 days after three signatory countries ratify the treaty and because of this, it is probable that it will not enter into force before the first quarter of 1961.

The Peruvian Congress has not ratified the treaty nor is it likely to do so during the present session of Congress. The general attitude of the Peruvian business community towards the Association is an uninterested one and there is probably more opposition than support of it. The Government has begun preparing a list of commodities on which it will negotiate tariff concessions for the first year the treaty comes into force.

Large Credits for Housing

In July, Peru received credits of \$28.2 million from the Export-Import Bank and \$25 million from the Development Loan Fund. Of these, approximately \$33 million will be used to construct penetration roads into the Peruvian jungle areas and \$10 million will be reloaned to the

people who are expected to colonize the regions opened up by the new roads. A credit institution for the granting of housing loans will receive about \$7 million and the remainder of the loans will be used to increase the capital of the state Industrial Bank. Peru will also participate in the new mutual aid program proposed by the United States involving an initial allocation of \$500 million for loans to Latin America. Several U.S. housing experts have recently been studying conditions in Peru.

Canada Doing Well

Canadian exports to Peru totalled \$4.3 million during the first half of this year, compared with \$4.7 million for the same months of 1959, a decrease due entirely to a drop in our wheat sales. (Argentina had a good crop of high-quality wheat and Peru bought some of its supplies there.) When wheat, which is our major export to Peru, is not considered, the picture changes entirely. During the same period, our exports to Peru of all commodities except wheat increased from \$2.7 million to \$3.6 million, or more than 30 per cent, because of expanding sales of many products, particularly steel, wood pulp, wood manufactures, barley and mining machinery.

It's Up to You

Whether our exports to Peru continue to expand during the coming year will depend largely on Canadian manufacturers. Conditions for the foreign exporter to Peru should remain favourable and unless there is a change in government, import controls or greatly increased import taxes are unlikely. The Peruvian market will continue to be extremely competitive and price and credit will undoubtedly be more important factors than quality. However, there are several Canadian companies regularly shipping to Peru who have demonstrated that uncompetitiveness in price can sometimes be offset by good service and high quality salesmanship. ●

Inter-American Bank Set Up

THE Inter-American Development Bank, a \$1,000 million regional international lending institution, began its operations on October 1 in Washington. Established to accelerate economic development in member countries, it will make loans and guarantees to public and private enterprises in these countries. Membership in this new Bank is restricted to members of the Organization of American States. Loan applications are now being considered and the first loans should be approved shortly.

This Pan-American bank is expected to pattern itself after the World Bank in channelling long-term development capital to Latin American nations. Loans will be used primarily to implement sound specific projects of high priority in the borrowing country. These loans will be financed from capital subscriptions totalling nearly \$850 million and later from the sale of bonds in financial markets. They will be repaid in the currency lent and interest will include an extra charge in the form of a commission to establish a reserve against bad debts. Unlike the World Bank, government guarantees of loans to private entities will not be mandatory. Therefore, the new institution will be able to consider applications for financing of private industrial development and may become an important source of medium-size long-term capital.

In addition to its ordinary loan operations, the Inter-American Bank will administer a \$150 million Fund for Special Operations. This Fund will be the "soft" department of the new Pan-American bank. According to the Articles of Agreement, the Fund is established "for making loans on terms and conditions appropriate for dealing with special circumstances arising in specific countries as with respect to specific projects." For example, resources of the Fund for Special Operations might be used to finance a high-priority project in a country suffering from foreign exchange difficulties.

Although the Bank's operating policies have not yet been formulated, it is expected that purchases of goods and services financed by the Inter-American Bank will be open to worldwide (non-Communist) procurement.

—J. D. BLACKWOOD, *Assistant Commercial Secretary, Washington.*

Chile tackles earthquake damage; seeks equipment and services from abroad.

J. M. KNOWLES, *Assistant Commercial Secretary, Santiago.*

ON May 21, after 19 months in office, President Alessandri was able to announce in his message to Congress that Chile had attained economic stability after years of inflation and uncertainty. The fall in value of the currency had been halted, confidence had been restored, and industrial production was continuing to rise. Real and effective price stabilization appeared to have been achieved. Although many knotty problems still remained to be solved, the chief executive was confident that the foundations had been laid for solid economic progress and development in reasonably stable conditions. Ironically, on the very day that the President made this speech earthquakes, volcanic eruptions and seaquakes began to devastate large areas in the south.

It is estimated that the cost of replacing Chile's losses in this disaster will total slightly less than \$424 million. This includes agriculture, public and private buildings, transport, livestock, industrial and mining capital, lost profits, and the cost of reclaiming land that has been flooded or washed away. What this means for a country like Chile can be appreciated from the fact that annual gross investment over the past few years has averaged almost \$300 million, including investment of foreign private capital and machinery and equipment imported on long-term credit.

Reconstruction Measures

Immediately after the calamity, the Government ordered its Development Corporation, known locally as CORFO, to draw up an emergency reconstruction plan, to be integrated with the general eco-

nomie development program already in effect. (This program called for an annual increase in gross national product of from 3½ to 5½ per cent, through balanced expansion in public works, agriculture, industry, energy, fuels and other sectors.) On June 30, emergency fiscal legislation was presented to Congress.

As originally drawn up, the bill was intended to give the President power to issue bonds and to contract loans with both Chilean and international financial institutions to a limit of U.S.\$500 million, and to contract with foreign suppliers for food, materials and services needed for reconstruction. Direct and indirect taxes were to be increased. Some of the proposed tax changes were to be permanent, others would be imposed for periods of up to five years. The bill was also to give the President power to revise the customs tariff, replacing the present system of prior import deposits and modifying the regulations governing payment of taxes. Provision was also made to increase Chile's quotas, both with the International Monetary Fund and the World Bank, to U.S. \$100 million.

The Minister of Finance stated that the fiscal measures in the bill would yield, over a period of 2½ years, about 150 million escudos towards the total cost of reconstruction. The remaining 274 million would have to be met from domestic and foreign loans.

The bill had a stormy passage through Parliament and it finally went before the President, who vetoed 90 articles in it. As this report is written, the President's amendments restoring most of the cuts have been largely accepted and

the bill is slated to become law in the near future.

Help from Abroad

The President of the United States recently signed into law a bill to provide U.S.\$600 million for financial assistance to Latin American countries, including a \$100 million credit earmarked for Chilean relief. To qualify for this aid, Chile is expected to present a specific plan showing how the funds would be used. The credit of U.S.\$100 million does not prevent Chile from participating in the distribution of the U.S.\$500 million voted for Latin America generally. In addition to these loans, the United States has made an outright cash grant of \$20 million from mutual security funds.

The Export-Import Bank in the United States has extended a credit of U.S.\$10 million, redeemable in 15 years, with interest at 5½ per cent a year. The same institution granted a further credit of U.S.\$5 million for purchase of equipment and capital goods for small and medium-sized business. These credits are tied to purchases of U.S. goods and services.

The British Government recently extended a ten-year credit of £2 million for purchase of United Kingdom goods and services for the reconstruction program. Italy has increased a previously arranged long-term loan to Chile of the equivalent of about U.S.\$20 million by a further \$5 million, to be used for purchase of Italian products for reconstruction. France has extended a credit of \$4 million, repayable over 15 years, West Germany has loaned about \$2.4 million, and Belgium has promised a credit of

some \$120,000. Other aid measures have been put into effect or are under study by the governments of a number of other countries, including Canada, whose official assistance so far has been limited to substantial gifts of flour, canned pork and medical supplies for the stricken area.

The Economic Commission for Latin America approved a request to the United Nations to place U.S. \$2.2 million at the disposal of Chile from its technical assistance reserve fund. The UN's Economic and Social Council has authorized this expenditure and a detailed program for 1960-62 has already been worked out in co-operation with Chilean authorities. The UN is also providing a substantial number of technical experts in various fields.

Financial Problems Continue

Despite the magnitude of the new problems brought about by the earthquakes, the Government's stabilization program has largely been a success. Nevertheless, a pattern of massive, across-the-board periodic pay increases has been established which, especially with the congressional elections due next March, is becoming increasingly difficult to control. Costly strikes over large wage demands are now under way in the copper and nitrate industries and further strikes are in the offing. The consumer price index climbed by 1.1 per cent in September 1960 over the previous month. Living costs in the first nine months have gone up 6.4 per cent, according to official statistics. Although this is relative stability compared with the 38.6 per cent rise during 1959, it still causes grave concern.

The outlook for the future is therefore mixed. The already delicate problem of expanding production without inflation has now been enormously complicated by reconstruction needs, which cannot be put off indefinitely. Foreign investment in Chile's primary resources industries is being maintained at a high

CANADIAN EXPORTS TO CHILE

	1959 (6 mos.)	1960 (6 mos.)
(Canadian dollars)		
Asbestos milled fibres	68,848	355,685
Synthetic fibre thread and yarn	177,198	345,311
Aluminum in primary forms and semi-fabricated	128,573	293,876
Meats, n.o.p., canned*		200,000
Mining machinery and parts	129,858	183,668
Plastics, synthetic rubber		168,269
Shoe machinery and parts	17,388	112,760
Electric meters	29,960	96,665
Fire brick	137,832	80,706
Nets, twine, commercial fishing	52,533	80,439
Felts and jackets, papermaking	12,336	79,103
Wood pulp, sulphate, all kinds	981,250	76,389
Machinery and parts, n.o.p.	84,203	71,384
Cloverseed, red		67,463
Nickel, fine	19,114	62,140

*Represents gifts of canned pork made by the Canadian Government to Chile for disaster relief.

level and industrial production continues to increase steadily.

Export prospects in the long term are fairly good. Increasing shipments of copper and iron ore, plus paper and other miscellaneous products, may be counted upon to raise Chile's annual foreign exchange earnings from U.S.\$350 million in 1959 to an estimated U.S.\$450 million by 1965. Nevertheless, external debt payments even before the earthquakes were already high in relation to foreign exchange earnings. Additional foreign commitments to be undertaken for reconstruction must affect Chile's creditworthiness, no matter how generous the terms of repayment. Increased exports and continued responsible management of Chilean financial affairs may boost economic growth and make the country more capable of sustaining external debt. There are indications of a large budget deficit and the new Minister of Finance (who is also President of the Bank of Chile) recently stated publicly that there is no reason to expect devaluation of the escudo.

Trade Restrictions Relaxed

The Central Bank recently reported that for the first six months of 1960 Chile earned U.S.\$208.4

million, and spent U.S.\$210.4 million on purchases abroad. The slight deficit of \$2 million was more than offset by \$27.2 million received up to June 30 in donations from foreign countries for disaster relief.

Copper, at an average price of 31.46 cents per pound, earned most of the foreign exchange. The major copper companies turned out 247,800 tons in the period January-June, up slightly from the 243,200 tons in the same period last year. Copper prices have recently fallen and exchange earnings for the rest of 1960 may be down as a result.

Despite possible storms ahead, Chile has continued to relax trade restrictions by progressively lowering import deposit requirements on many categories of goods. Its proposed new tariff schedule, intended to replace the present system of customs duties combined with import taxes and deposits, will in all likelihood not be ready for presentation to the next general meeting of the signatories of GATT next January.

Trade with Canada

Our trade with Chile represents only a small fraction of its total foreign trade. Canadian imports from Chile for the first six months of 1960 totalled only \$578,860 and

consisted mainly of fruits and vegetables. Our sales to the Republic in the first six months of this year were valued at about Can.\$2.89 million, up slightly from Can.\$2.7 million for the same period in 1959. The accompanying table shows the 15 largest categories in this trade.

The drop in pulp shipments and the rise in sales of papermakers' felts accurately reflects the growth of Chile's pulp and paper industry. This has not only deprived Canada of a market but has also begun to cut into our pulp and paper exports to neighbouring South American countries. The proposed Latin American Common Market, scheduled to come into existence in January 1961, can only accelerate this trend.

Among products not listed in the table, skimmed milk powder

dropped to nothing from \$90,032 a year ago, reflecting the growth in the local powdered milk industry. Other unlisted exports that dropped sharply this year were nitrogen fertilizers and synthetic resins, both of which slumped to nothing from \$101,255 and \$44,508, and transformers and parts, which dropped to only \$26,917 from \$136,902 for the same period last year. Conversely, sales of electrical apparatus rose to \$42,149 from \$13,168, and a number of other commodities listed in the table increased sharply.

Canadian Prospects Good

We can expect wide fluctuations in the pattern of our trade with Chile as a result of its diversified industrial development. The best opportunities for Canadian exporters lie in catering to the needs

of an expanding economy with forest and mineral resources similar to our own. The country is at a stage of resource development roughly comparable to Canada's 35 or 40 years ago.

The recent visit of a Canadian mission of consulting engineers demonstrated clearly that there is a market in Chile for Canadian knowhow of a special type. Canadian secondary manufactures of certain kinds have been able to gain ground in spite of strong European competition, and the outlook for the future is not unfavourable. Most foreign aid to Chile is, of course, in credits tied to the goods and services of the creditor country. This naturally may be expected to put Canadian suppliers at a further commercial disadvantage over the next few years. ●

Bolivia still faces serious problems; mining and manufacturing depressed.

W. J. JENKINS, *Assistant Commercial Secretary, Lima.*

CANADA'S exports to Bolivia totalled about \$300,000 in 1959 and it is unlikely that they will exceed a quarter of a million this year. Economic conditions in Bolivia do not give much reason for optimism about increasing our sales. The principal industry, mining, is losing money and working at a fraction of production. Manufacturers are operating well below capacity because of the absence of a local market and, for some food processors, because the raw materials they need are not available locally. Some manufacturers are in serious financial condition, squeezed between low income from sales and high costs because labour laws limit the dis-

missal of unnecessary workers. Smuggling is rampant, adding to the difficulties of legitimate importers and local manufacturers. Collections are slow and money tight.

But there are grounds for believing that conditions will not deteriorate further. The Bolivian currency remains stable at approximately 12,000 Bolivianos to the U.S. dollar. Prices have not varied and apart from seasonal changes in food products, the cost of living has not risen markedly. Government revenue from internal taxes is reported to have increased and collections during the first half of the year totalled probably about one-third above those of the corresponding

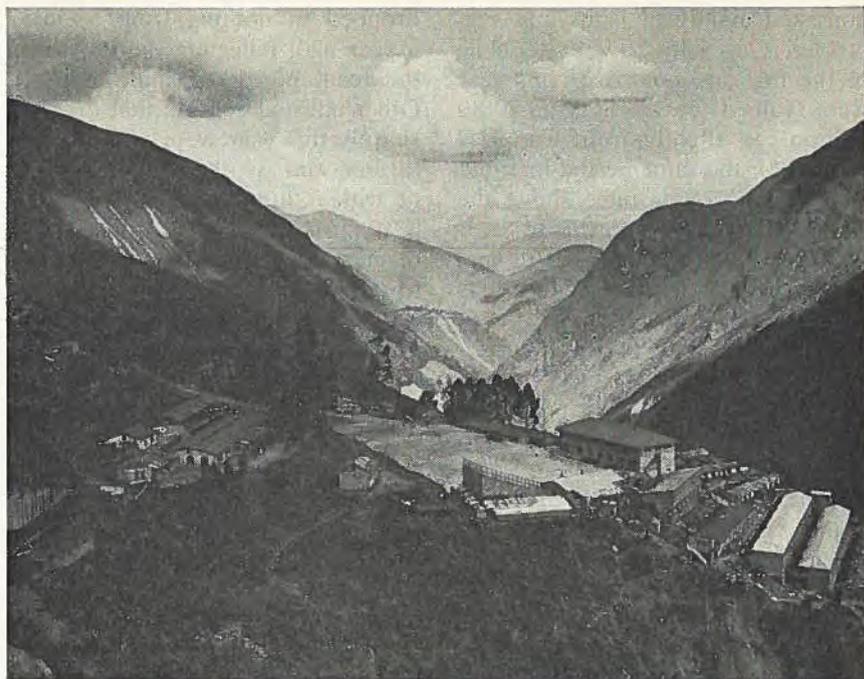
period in 1959. Forecasts of sugar and rice production for 1960 are encouraging.

With the country's major industry, mining, in a serious state and the economy depressed and lacking vitality, a new government took office in August. The President, Victor Paz Estenssoro, returns for a second term; he took office immediately following the revolution in 1952. It was he who nationalized the largest tin mines and formed the State Mining Corporation (COMIBOL).

The serious situation of the State Mining Corporation is one of the first problems that the new government will try to solve. The govern-

—W. R. Grace & Co.

This tin and tungsten mine is far up in the Andes, east of La Paz, Bolivia. (Note the football field, centre, hacked out of the mountain-side to provide recreation for the employees.) Output continues to decline in most Bolivian mines and money is lacking to carry out prospecting for new ore reserves.



ment mines are losing over one million dollars a month and COMIBOL's geological department has reported that there is an urgent need for fresh exploration to discover new ore reserves. According to this department, if mineral output continues to decline at the same rate as it has since the mines were nationalized in 1952, production will reach zero in 1968. However, COMIBOL is so short of funds that it has had to suspend some wage payments and cannot undertake exploration. A commission was established to make recommendations for the reorganization of COMIBOL but the union leaders refused to consider its proposals. Because these included the dismissal of about 4,000 surplus workers, the removal of subsidized food prices, and the re-establishment of labour discipline, it will be difficult to obtain the workers' approval.

The private mines are in slightly better condition but they have complained that their operations are becoming increasingly uneconomic. They attribute their difficulties mainly to heavy government taxes and social security payments, lack of freedom to take on and dismiss workers, the non-availability of

development capital, thieving by workers, and uneconomic railway freights, specially on low-grade ores.

Petroleum Exploration Continues

Since the promulgation of a Petroleum Code in 1955, about 14 foreign oil companies have obtained concessions. Several of these have begun drilling and their total investment in 1959 was estimated at more than U.S.\$25 million.

The government petroleum company, YPF, has developed two fields almost to capacity and a third partially. It has drilled approximately 200 wells, built two refineries, and installed a series of pipelines. For several years it has lacked capital resources for urgent investment, but this difficulty was eased to a degree earlier this year when it received a U.S. credit of \$2.7 million.

Manufacturing Depressed

In his annual review of the manufacturing industry in Bolivia, the President of the National Chamber of Industries said that present conditions were such that industrial enterprises were virtually wasting away. Factories were working well under their capacities and the twin

problems of decapitalization and the absence of a worthwhile local market were threatening to become chronic. In some lines—such as preserved foods, knitted fabrics, soaps, perfumes, and liquors—contraband imports were making trade in local products impossible.

The government milk factory in Cochabamba went into operation during the first half of the year. Its capacity is 40,000 litres a day, but it is running at 6,000 litres per day because it cannot obtain enough fresh milk. A cement factory at Sucre jointly owned by COMIBOL, the municipality of Sucre and Sucre University began operating early this year. The government development corporation signed a contract with a Canadian engineering company to carry out a detailed study of the possibilities offered by a hydro-electric scheme to provide additional power in the Cochabamba district.

U.S. Aid Important

Bolivia continues to receive considerable United States aid, although the amounts have been decreasing—\$26 million in 1958, \$21 million in 1959 (which included a carry-over of \$2 million), and \$17 million

in 1960. Of this latter figure, about \$7 million will be used to support the government budget. The remainder will go to purchasing agricultural commodities, the internal resale of which will produce counterpart funds for various development projects. The most valuable contribution has probably been in agricultural development, but roads, public health and education have also benefited. No flour or wheat has been provided during recent years under a U.S. aid program.

Bolivia was invited to join the Latin American Free Trade Area, but although it attended the signatory meeting of the treaty, it did not sign at that time and is now not expected to join.

Canadian sales to Bolivia totalled only \$149,000 during the first half of this year, compared with \$173,000 for the same period of 1959. In 1952 Canadian exports to Bolivia were valued at \$6.4 million but this included \$5 million worth of wheat. Our current wheat sales there are

nil because the Bolivian flour mills are barely operating. The best customers for Canadian goods are the mines, but because they lack funds, their purchases too have dropped sharply.

The scarcity of money means that foreign manufacturers have to offer credit if they wish to sell. But with collections slow, many prefer to bypass these sales and content themselves with trying to obtain whatever business they can for cash. ●

Economic stability achieved, Paraguay concentrates on expanding production.

BLAIR BIRKETT, *Commercial Counsellor, Montevideo.*

THROUGHOUT 1959 and so far in 1960, Paraguay has maintained its position as a country which has recovered in good measure from the severe plight of three years ago. The economy has been stabilized and although much must still be done to assure future progress, the definite start made augurs well. The success of the exchange control system introduced in 1957 is reflected in a favourable balance of trade, in the stability of the currency and the cost of living, and in an increase in the convertible foreign currency reserves. These rose from a small deficit at the end of 1958 to U.S. \$2.7 million by December 1959. However, the strict monetary policy has created some problems for both the public and private sectors of the economy. Imports have levelled off as the result of tighter credit and many traders find themselves with large stocks, thus experiencing for the first time in several years stiff competition in a buyer's market.

On the other hand, the climate for attracting foreign capital and loans has continued favourable. During 1959 Paraguay received loans for industrial purposes from the Export-Import Bank, the Development Loan Fund, and the World Bank, as well as credits in connection with the proposed Development Bank of Paraguay.

The 1959 budget was balanced without recourse to borrowing from the Central Bank, as in former years. It is fully expected that the 1960 budget will also balance.

Foreign Trade

Paraguay finished 1959 with a small favourable balance again in terms of foreign trade—U.S.\$5 million, compared with U.S.\$1.5 million for 1958 and U.S.\$5.5 million for 1957. Exports, at U.S.\$31.2 million, were down slightly from the U.S.\$34.1 million of 1958 and imports, at U.S.\$26.2 million, declined appreciably from the U.S.\$32.6 mil-

lion of the previous year. The drop in exports resulted entirely from less interest in timber on the part of the Argentines, who cut their purchases from U.S.\$9.7 to U.S.\$4.0 million. However, thanks to a substantial increase in the export of meat products (which became for the first time Paraguay's principal export) and the decline in imports, the export surplus was maintained. Exports of cotton too were smaller; the crop was disappointing and restrictions on exports were necessary to safeguard supplies for domestic industry. Exports of hides, quebracho, oilseeds, and some essential oils increased.

Why Imports Dropped

The drop in the value of imports was largely the result of less need for equipment and supplies on the part of the newly established water-supply authority and the Pure Oil Company—the latter ceased its oil-exploration work during the year.

EXPORTS FROM PARAGUAY

Destination	1957		1958		1959	
	Value*	%	Value	%	Value	%
United States	8.27	25.1	8.29	24.3	10.29	33.0
Argentina	10.91	33.2	13.22	38.8	6.44	20.6
United Kingdom	5.15	15.7	4.07	11.9	3.00	9.6
Netherlands	2.09	6.4	2.09	6.1	2.66	8.5
Germany	1.12	3.4	1.57	4.6	1.42	4.6
Uruguay	1.29	3.9	0.54	1.6	0.86	2.8
Belgium	1.04	3.2	0.65	1.9	0.63	2.0
Spain	0.39	1.2	0.33	1.0	0.55	1.8
France	1.01	3.1	0.70	2.1	0.54	1.7
Italy	0.15	0.5	0.09	0.3	0.18	0.6
Others	1.48	4.5	2.55	7.5	4.63	14.8

*millions of U.S. dollars.

IMPORTS INTO PARAGUAY

Sources	1957		1958		1959	
	Value*	%	Value	%	Value	%
Argentina	10.48	38.3	7.19	22.1	7.42	28.3
United States	6.47	23.6	8.90	27.3	5.30	20.2
Germany	2.35	8.6	3.71	11.4	3.25	12.4
Netherlands Antilles	2.10	7.7	2.45	7.5	2.38	9.1
United Kingdom	2.13	7.8	2.53	7.8	2.29	8.7
Spain	0.80	2.9	0.66	2.0	0.67	2.6
Sweden	0.50	1.8	0.59	1.8	0.63	2.4
Belgium	0.59	2.2	0.63	1.9	0.40	1.5
Netherlands	0.39	1.4	0.58	1.8	0.39	1.5
Uruguay	0.02	0.1	0.79	2.4	0.19	0.7
Others	1.53	5.6	4.56	14.0	3.27	12.5

*millions of U.S. dollars.

Another reason was that imports were abnormally large in 1958, following the removal of restrictions the year before. Large-scale buying in that year replenished a starving consumer-goods market; ample supplies were built up and demand fell in 1959. Furthermore, the Central Bank does not allow imports to be made on credit terms of more than 90 days without prior approval, and local banks are not permitted to provide credit to be used for prior deposits.

Details of the direction of imports and exports for the years 1957, 1958, and 1959 are shown in the tables above.

Destinations of the principal exports followed the traditional pattern: meat products to the United States and the United Kingdom, timber to Argentina, hides to the Netherlands, quebracho extract to the United States and Canada, cot-

ton fibres to Germany, United States and France.

Canada's Share

Canada's participation in the trade of Paraguay was confined mainly to the purchase of quebracho extract, corned beef, and chinawood oil and to the sale of agricultural machines and equipment, calculating machines, metals, chemicals, pharmaceuticals, and milk powder. In 1959 our imports from Paraguay totalled in value Can.\$746,496 (\$347,480 in 1958) and our sales Can.\$121,272 (\$184,166). The steep rise in purchases is entirely accounted for by an increased interest in Paraguay's corned beef.

Trade Agreements Concluded

Trade agreements were concluded with the following countries:

Argentina—Paraguay agreed to join the Latin American Free Trade

Area in September 1959, and just recently has ratified the Treaty of Montevideo—the first country to do so. Of special interest to Paraguay is the fact that Argentina consents to payments of all kinds between the two countries being made in any free currency.

Spain—For the purchase of two motor cargo craft and an oil tanker to be built in Spanish yards. More craft are likely to be ordered later this year. Provision is also made for the establishment of a free depot for Spanish goods in Paraguay and of a free zone for merchandise and raw materials of both countries.

Japan—For the entry of 80,000 Japanese immigrants over the next thirty years, in exchange for a credit to cover cost of construction in Japan of several river craft.

Italy—Payments between the two countries now to be made in free currencies.

Brazil—For establishment of a second free port area in Paraguay for both Brazilian and Paraguayan imports and exports.

Relations with Neighbours

Although in the long term the future economy of Paraguay will depend to a great extent on the country's ability to attract foreign investment, in the short term much will depend on events in Argentina. There is no doubt that a renewal of construction activity in Argentina would mean a great deal to Paraguay's ailing timber industry and through it would stimulate the whole economy. Stabilization has been achieved and Paraguay's chief need now is for increased and diversified production.

Both Argentina and Brazil are courting Paraguay—the one with better river communications from the River Plate to Asunción, and the other with communications through the Atlantic. Stroessner is successfully playing one country against the other, but Paraguayans realize that there are economic advantages and benefits to be gained from both. ●

Import restrictions in Uruguay removed; surcharges and prior deposits remain.

BLAIR BIRKETT, *Commercial Counsellor, Montevideo.*

URUGUAY can point to three outstanding achievements during the past year. The first was a balanced national budget for the first time in many years, the second the stability of the exchange rate, and the third the gradual lessening of import restrictions, culminating in their final removal last September. For exports, the elimination of artificial exchange rates has meant the freer movement of wool and meat abroad, though not yet in the volume desired because of low production.

On the other hand, Uruguay is still plagued with a balance-of-payments problem and was running an unfavourable balance of some U.S. \$30 million at the end of the first nine months of the current year.

A standby credit of \$30 million from the International Monetary Fund and the promise of further credits from the United States are encouraging indications of the confidence felt in Uruguay's efforts toward recovery.

Foreign Trade

Unofficial figures on Uruguay's foreign trading operations during the first nine months of 1960 show an unfavourable balance of payments of U.S. \$33.6 million—exports at U.S.\$101.4 million and imports at U.S.\$135.0 million. Unless shipments of wool are stepped up smartly, the position at the end of the year will be worse than at December 31, 1959.

Details of imports and exports for the first six months of 1960 (the latest breakdown available), showing their direction are given in the table.

As usual, raw materials, fuels and lubricants made up over 50 per cent in value of all imports, with con-

sumer goods well down on the list. The United States maintained its position as the chief supplier and

URUGUAYAN TRADE

January to June 1960

Imports		
	U.S.\$'000	Per cent
Raw materials	31,742.2	37.0
Fuels and lubricants	14,961.9	17.3
Motor vehicles and spares	9,738.8	11.3
Electricity in general	6,473.4	7.5
Construction materials	4,784.3	5.6
Groceries	4,768.0	5.6
Machinery and accessories	3,964.1	4.5
Vegetables	3,471.9	4.0
Seeds, forage, etc.	2,257.8	2.6
Drugs and chemical products	1,329.8	1.5
Radio, photography, etc.	759.1	0.9
Merchandise specially authorized	486.9	0.6
Stationery and office equipment	436.9	0.5
Ironmongery in general	417.2	0.5
Optical, surgery, etc.	232.8	0.2
Household goods and china	124.3	0.1
Leather goods	110.7	0.1
Animals on the hoof	102.9	0.1
Drapery and haberdashery	80.2	0.1
Jewellery, watches, etc.	7.7	
Total	86,250.9	100.0
Exports		
Wool, greasy	18,405.8	22.9
Wool, scoured	6,231.7	7.7
Meat and byproducts	24,367.9	30.3
Textiles	15,909.4	19.7
Hides and bristles	9,313.5	11.5
Industrialized agricultural products	4,576.9	5.7
Sundry industrial products	1,064.0	1.3
Natural agricultural products	525.8	0.6
Animals on the hoof	104.0	0.1
Pharmaceutical products	75.5	0.1
Sand and stone	66.3	0.1
Sundries	58.7	
Total	80,699.5	100.0

the United Kingdom as the chief buyer. Canada in this period exported goods to Uruguay to the value of U.S.\$1,159,800 (U.S. \$372,900 in the same period of 1959) or 1.5 per cent of all imports. Canada's imports from Uruguay, on the other hand, totalled U.S.\$421,100 (U.S.\$232,100) or 0.5 per cent of all exports.

This large increase in Canadian exports to Uruguay resulted from a renewal of interest in our nylon yarn, paper felts, wood pulp, farm implements, calculating machines, lamps and lanterns, aluminum ingot, metal rods, asbestos fibre, lenses, sandpaper, synthetic rubber—in turn, the result of the liberalization of imports in December 1959. An additional factor was the move away from bilateral trading, particularly with Eastern European countries, which in 1959 and 1958 made serious inroads into our trade in aluminum ingot, asbestos and farm implements. Other products which showed improvement suffered previously from Western competition. One commodity which has still to appear in the records again is newsprint; in the past three years it has come mainly from Finland, Sweden and Chile. Payments agreements with these countries, now being dropped, precluded Canadian participation. It is now entirely a question of price.

Liberalization of Trade

The most important event since my last report was the lifting of all remaining restrictions on imports on September 30 last, plus fixing of the rate of exchange applicable to all transactions with the IMF at 7.40 pesos (previously 6.50 pesos) to the U.S. dollar, as required by the Fund.

This was the result of negotiations with a delegation from the IMF over Uruguay's request for a standby credit of U.S.\$30 million—the equivalent of the Uruguayan quota. This credit, to be used for balance-of-payments purposes, is a forerunner of other credits of some U.S. \$50 million from U.S. private banks and U.S.\$15 million from the U.S. Treasury for development purposes.

The operation of the new system was described in a letter of intention from the Uruguayan Minister of Finance to the authorities in Washington. The salient points are as follows:

- Uruguay's objective in implementing the new Exchange Reform Law is the freedom of trade, the stabilization of the peso and the simplification of exchange procedure.
- All remaining restrictions on imports to be lifted September 30. At the same time, prior cash deposits to be simplified and surcharges reduced to three—namely, from up to 40 per cent to 75 per cent for such goods as are manufactured locally, and 150 per cent for luxury goods. Goods that pay a surcharge of 150 per cent also have to pay a prior deposit of 100 per cent. All retentions on exports are to be eliminated at an early date.
- Goods imported in Uruguayan vessels shall be exempted, so far as freight charges are concerned, from payment of prior deposits and surcharges.
- Existing bilateral agreements, with the exception of those with the two neighbouring countries, will be dropped within a period of approximately one year.
- A balanced budget for the period 1960-63 is at present under study by Parliament and will probably be approved shortly. New legislation introducing income tax is included.
- Bank credit expansion is to be limited and rediscount to be severely restricted.



These beef cattle penned outside a Uruguayan packing plant are awaiting slaughter.

On October 3 a list of most imports was published showing the surcharges and the prior deposits where applicable. Detailed information on specific products covered by these lists is available from the International Trade Relations Branch of the Department. All imports not included in the list are to pay 150 per cent surcharge and 100 per cent prior deposit. All prior deposits are to be retained for nine months except for motor cars, for which the minimum period is twelve.

Thus anyone can now import anything from anywhere. Most of the previous second and third category goods, however, will come very high in price when one considers, say, a 150 per cent surcharge and a 100 per cent prior deposit *plus* customs duties. The expression "free import" is rather a misnomer because restrictions will continue to operate in another form. But those who can afford the cost, as in Paraguay, can have what they want. It is not expected, however, that Uruguay will experience any appreciable increase in imports. The restriction is still there.

In fact, the extent of the prior deposits and surcharges on products similar to those produced locally is under fire from local industry, which regards them as too low.

The present import lists cannot be taken as final; many alterations are inevitable. Canadian principals should urge their representatives to review the situation in the light of the new regulations.

Agriculture and Industry

Wool—Exports of wool, including tops, between October 1, 1959 and September 30, 1960, totalled 108,558 bales compared with 181,835 bales exported in the same period of the previous season. Some 40,000 bales of the 1959-60 clip remain unsold.

The season just ended was regarded as one of the worst in the past ten years. Mainly the result of the floods in May and June of 1959, the quality of the clip taken in October of that year was generally poor. Prospects appear excellent for this year's clip; quality and yield are reported as high. Sales, however, have been slow, with producers—as they have been since February—preferring to await a recovery in the world price.

Through the 1959-60 season Russia did not buy Uruguayan wool. During the previous season she purchased 26,500 bales, but since then has preferred to offer oil in exchange for wool. Such offers were not accepted. In all, the Iron Curtain

countries purchased 83,000 bales of the 1958-59 clip and only 16,000 of the 1959-60 clip. Though the United Kingdom, Germany, France and the Netherlands bought during last season on a larger scale, they did not absorb the remainder and there is a heavy carryover—a situation detrimental to the proper operation of the nation's monetary program. The fall in earnings of foreign exchange through decreased wool sales has been serious. It is to be hoped that producers will dispose of their stocks within the next few months rather than hold for better prices. The recent reduction in export retentions from 54 to 46 pesos per 10 kilos should encourage this.

Meat—Exports of meat and meat products during the first half of 1960 were relatively larger and were responsible for a smaller deficit than would have been the case with the wool market paralyzed.

As the foregoing table shows, Uruguay exported meat and meat products during January through June to the value of U.S.\$24.3 million, as against U.S.\$12.9 million during the corresponding period in 1959. This improvement resulted partly from a drought that forced producers to lighten pastures and partly from higher prices and from strikes in Argentine packing plants which increased British purchases from this country.

Since July, however, the situation has deteriorated. Well prepared stock are now in short supply and the import of 10,000 tons of meat from the Argentine to meet a shortage is being considered. It appears that the meat export industry has shot its bolt for this year. With no increase in production of cattle, the early pace of killings could not be maintained. It is even possible that the increase in killings this year may reduce slightly the number of cattle available next year.

These two industries, wool and meat, the mainstay of the nation's economy, have still to increase production considerably before Uruguay's income can meet and surpass outgo.

Weather conditions have been favourable during the past few months and land that suffered from drought during the first half of the year has recovered. The prospects for wheat and linseed harvests are reported as excellent.

To date Paraguay, Argentina and Mexico are the only three countries of the seven which have ratified the Treaty of Montevideo. In Uruguay the Treaty is still before Parliament where it is meeting considerable opposition.

The Provisional Committee that is sitting in Montevideo has made progress in compiling the general information and statistics required for the first round of negotiations. However, the lists that form the basis for negotiating tariff concessions, originally called for September 15, are well behind schedule. A meeting of customs and transport experts has made useful recommendations towards the simplification of tariff nomenclature and transport problems. ●

Brazil's trade policy stresses industrial build-up; exchange problem persists.

WM. JONES, *Commercial Counsellor, Rio de Janeiro.*

BRAZIL has achieved another notable increase in industrial production this year. This has resulted in part from the completion of new plants and facilities that had been in the construction stage, but also because plants which had already come into production ironed out their normal initial difficulties. A recent estimate of industrial production showed an increase of 9 per cent during the first half of the year compared with 11 per cent in 1959. The automobile industry, a relatively new one for Brazil, has had the highest rate of increase, although the rate was lower in 1960 than in 1959. An agricultural tractor industry is being established and although there has been some token production, no output in volume is expected until at least the middle of 1961.

Basic industries too have increased production. The National Steel Company opened an eighth blast furnace at Volta Redonda during October, bringing its total capacity to 1.35 million tons and the country's basic steel capacity to 2.2 million. (During 1959 national steel production reached 1.87 million tons.) Additional plants that will increase Brazilian steel output to 3.9 million tons a year by 1963 have also been started. The chemical and pharmaceutical industries are expanding production at a yearly rate of 10 per cent. The food-processing industry raised output by 6 per cent in the first half of the year and the oil industry by 15 per cent compared with 10 per cent in the first half of 1959. Only the beverage

and tobacco industries reduced production in the first six months of 1960 compared with 1959.

Currency Issues Continue

However, industry as a whole has been hampered during the year by a shortage of funds, government-inspired and designed to stem the inflation that has resulted from deficit financing and large currency issues. Rates of interest for financing from private sources have shot up; the limit on interest chargeable by banks is 12 per cent per annum and by established trust companies 24 per cent. However, the funds for loan by such institutions are insufficient to meet the demand and some reputable firms are reported to be offering rates of interest of 3 per cent per month for short-term funds.

How the apparent shortage of working capital has affected production during the second half of the year is not yet clear. It may well be, however, that this shortage of funds for loan is temporary, as the Government in September reverted to its 1959 practice of mass currency issues. In September it issued 9.5 billion cruzeiros, bringing the total money supply at the end of the month to Cr.\$176.9 billion, an increase of 5.7 per cent during the month, compared with an issue of Cr.\$12.9 billion during the first eight months of the year and Cr.\$37.8 billion during the whole of 1959. The extent of currency issues during October is not known at the time of writing but informed opinion is that the practice of massive currency issues will continue for the rest of the year.

Agricultural Output Up

Agriculture in Brazil is also stepping up production. Preliminary statistics indicate that although the 1960 crop returns will be only about 1 per cent greater in volume than in 1959 (as compared with a 10.4 per cent increase in 1959 over 1958) the nature of the output benefits Brazil more than it did last

year. The 1959 coffee crop was a bumper one and the resulting coffee surplus very large. Thus the inclusion of coffee as a remunerative crop in the agricultural totals for that year is misleading. If one excludes coffee, agricultural production in 1960 is expected to exceed that of 1959 by approximately 9 per cent, compared with an increase in 1959 over the previous year of only 3.4 per cent. This increase in production, primarily for domestic consumption, has helped to stabilize the economy. Of the major Brazilian agricultural products only two, coffee and cocoa, both predominantly export crops, are expected to decline in the current year compared with 1959. This should not affect total Brazilian coffee exports in view of the surplus, but cocoa exports might decline. Such a decline will probably be offset by increased exports of sugar, a major part of which will be sold to the United States at preferential prices.

Wages Raised

Brazil recently entered a period of uncertainty over the effect that new government policies will have on developments here. We have noted above that massive government currency issues are expected to continue under the present regime. On October 18 the present government raised the minimum wage (the normal wage for manual and semi-skilled labour) by 60 per cent in the Rio and Sao Paulo areas. This, according to industry, increased costs to a point where large price increases are inevitable, and although greater productivity has partly offset these costs, another wage-price spiral already appears to be under way. The foreign exchange problem also gives cause for uncertainty for those firms dependent to any degree on exports or imports. Despite the negative aspects of the present situation, the business community seems optimistic; plans for further expansion of production facilities are proceeding and new plans are being made.

Brazil's foreign exchange problem remains troublesome. A complicated system of administering the use of foreign exchange to discourage unessential imports, of allowing normal but essential imports to enter at an exchange rate determined in part by demand at auctions, and of permitting government imports and those of favoured industries at a rate of exchange fixed unrealistically low, appears to be about to give way to a more orthodox exchange system.

If the present exchange system is continued, the rate of Cr.\$175 to U.S.\$1.00 for preferred imports would probably be more realistic. But the exchange authorities have for the past months effectively maintained the rate for general category imports at approximately Cr.\$230 = U.S.\$1.00, a decline of about Cr.\$15 per dollar from that at the beginning of the year. Meanwhile, the free market rate of exchange (applicable to services and the returns from exports other than coffee and cocoa) has edged upward to the current Cr.\$190 = U.S.\$1.00. This narrowing of the gap between the two rates has caused speculation that at the time of the next alteration of the exchange system, the free market and general category import rates will be merged. It has also been suggested that the cost of foreign exchange for all goods and services, whether required by government or by private organizations, will be allowed to find its own level on the currency market.

Financial Pressures

The incoming administration will have a difficult foreign exchange problem to face during its five years of office. A recent estimate of payments of principal and interest abroad which the Government is committed to meet during those five years is as follows:

1961	U.S.\$342,444,000
1962	281,681,000
1963	266,837,000
1964	212,826,000
1965	156,965,000

The size of such annual payments is substantial when considered in relation to annual exports valued at U.S.\$1,243 million in 1958, at U.S.\$1,282 million in 1959, and probably about U.S.\$1,382 million this year. To these must be added similar financial commitments by the Bank of Brazil, which may be as high as \$300 million and which will probably mature during the period. To offset this, it is pointed out that a large proportion of these Bank of Brazil commitments will probably be converted into direct foreign investment in plant and equipment in Brazil. Moreover, other foreign investment—which totalled U.S.\$400 million in equipment alone during the period 1955-59—will continue to be substantial. However, Brazil still has an exchange deficit—U.S.\$124 million in the first half of this year compared with U.S.\$164 million in the same period of last year. The Finance Minister announced on November 8 that he had reached an agreement with the Export-Import Bank authorities for deferment of payments due them for the next six months.

Effects of Trade Policy

Brazil's current trade policy reflects the Government's industrial development policy. Through its tariff policy and exchange control system, the Brazilian Government has endeavoured to expand exports with a maximum foreign-exchange return through its multiple currency system and to discourage non-essential imports, substituting locally made products.

As a result of these measures, imports of a wide variety of industrial and other goods have declined as Brazilian production has developed. The expansion of Brazilian industry has, on the other hand, brought an increased demand for basic materials. This has been met partly by development of domestic production as in the steel industry, but it has also meant alternative uses for the available foreign exchange. These trends are reflected in the Canadian export statistics

which show a decline in value of highly manufactured goods (with exceptions in the case of special equipment) and a rise in exports of basic materials. Aluminum in primary form is a good example of the latter and it may well be that 1960 will be a record year for Canadian aluminum exports to Brazil. Another example is asbestos, although the increase is not expected to be as great.

Over 50 per cent of Brazil's foreign exchange earnings come from coffee and the Government attempts to maintain the largest possible volume of coffee exports commensurate with ensuring that the total foreign exchange returns are also as high as possible. It also seeks to ensure that high returns from coffee exports do not encourage expansion of uneconomic coffee production. Coffee policy could therefore be considered as the keystone of Brazilian export trade policy. Coffee exports are rigidly controlled and the payments made to the exporting firms for the foreign exchange earned are much less than the rate at which foreign exchange can be sold on the free market. The difference between the rate that the Government pays for the coffee dollar and the rate at which it then sells these dollars provides revenue used in part to subsidize preferred imports and to make payments for coffee production surplus.

Influences on Canadian Trade

In years of a bumper crop, such as 1959, payments for surplus coffee are a heavy drain on the government budget and have encouraged a tendency to conclude bilateral trade agreements with countries that will agree to accept coffee in payment for most of the goods it sells to Brazil. Countries making such agreements with Brazil have received preferential exchange treatment for their products under the Brazilian auction exchange system. During 1960, for free-enterprise countries this differential has taken the form of a 15 per cent reduction

of the exchange rates for general category imports. However, a number of these agreements have not proved effective and have been allowed to lapse; important recent examples are those with Japan and Sweden. (The Finnish and Norwegian agreements also appear to be encountering difficulties.) The termination of these agreements removed the discrimination against Canadian goods and has placed a number of Canadian exports on a more normal competitive footing.

However, the Brazilian Government in December 1959 signed a new trade agreement with the U.S.S.R. Among the products Russia is to supply are oil and wheat, both big Brazilian imports, in return for large amounts of coffee and a few other agricultural products. Approximately 150,000 tons of wheat were supplied this year and the schedule calls for delivery of 200,000 to 300,000 tons in 1961 and 1962. No Canadian wheat has gone to Brazil in recent years. Requirements have been met by PL 480 wheat provided by the U.S. Government, by barter transactions, and by purchase from countries with which Brazil has bilateral trade agreements.

Brazil was an active participant in and promoter of the Latin-American Free Trade Association; the treaty creating this was signed in Montevideo on February 18 of this year. The Montevideo Treaty, however, is not specific as to the steps that each participating country will take to reduce its trade barriers with the others. It is rather an agreement in principle on the over-all objective, what should be done in general, and the objectives of future discussions. Progress has been slow on the part of most participants and Brazil has been no exception, perhaps because of a desire to leave action on specific commodities to the incoming administration.

The Outlook

With a new president to be inaugurated on January 31, 1961,

any prediction about the future of Canada's export trade with Brazil must be qualified at the outset by the statement that the policies of the new administration will have a decisive effect on its nature and volume.

However, it is probable that, whatever changes in policy may be introduced, little effective progress will be made at least until the middle of 1961. In the interim,

barring some sort of major credit extension to potential importers here, with the exception of newsprint the present pattern of imports from Canada will probably remain unchanged. Thereafter, the pattern is unpredictable for the short run. In the long run, if present development plans by private industry are carried through, it seems likely that domestic production within Brazil will meet much of the internal

demand, even for basic materials. Also, productivity on the part of the industrial worker in Brazil is increasing and Brazilian industry, given the relatively low level of Brazilian wages, should be able to meet the country's requirements, except in highly specialized fields. Indeed, it may be able to export some of these products in competition with much more highly developed countries. ●

SHIPPING SERVICES FROM CANADA TO SOUTH AMERICA

FROM

Pacific Coast

Great Lakes

St. Lawrence and Atlantic

TO: Argentina

Daido Line
(*Dingwall Cotts & Co.,
Vancouver*)
Mitsui Line
(*Pacific Export Lines Ltd.,
Vancouver*)
Moore-McCormack Lines
(*Balfour Guthrie & Co.,
Vancouver; Moore-Mc-
Cormack Lines (Canada)
Ltd., Montreal*)
Westfal-Larsen Line
(*Empire Shipping Co.,
Vancouver*)

Brodin Line
(*Montreal Shipping Co.,
Montreal*)
Columbus Line
(*Kerr Steamships Ltd.,
Montreal*)
Moore-McCormack Lines

Bolivia

Via Mollendo:
Grace Line
(*C. Gardner Johnson Ltd.,
Vancouver*)
Grancolombiana
(*Balfour Guthrie & Co.,
Vancouver; Swedish Ameri-
can Line, Montreal*)
Via Antofogasta, Arica:
Chilean North Pacific Line
(*Dodwell & Co., Montreal*)
Grace Line
Westfal-Larsen Line

Via Santos, Buenos Aires:
Brodin Line
Columbus Line
Moore-McCormack Lines
*Via Antofogasta, Arica,
Mollendo:*
West Coast Line
(*Saguenay Shipping Ltd.,
Vancouver*)

Brazil

Daido Line
Mitsui Line
Moore-McCormack Lines

Brodin Line
Columbus Line
Moore-McCormack Lines

FROM

TO:	Pacific Coast	Great Lakes	St. Lawrence and Atlantic
British Guiana			Saguenay Shipping Ltd. (<i>Saguenay Shipping Ltd., Montreal</i>) Royal Netherlands Line (<i>Montreal Shipping Co., Montreal</i>)
Chile	Chilean North Pacific Line Grace Line Westfal-Larsen Line		West Coast Line
Colombia	Chilean North Pacific Line Grace Line Grancolombiana Moore-McCormack Lines Westfal-Larsen Line	Michigan Ocean Line (<i>Kerr Steamships Ltd., Montreal</i>)	Grancolombiana West Coast Line
Ecuador	Chilean North Pacific Line Grace Line Grancolombiana Westfal-Larsen Line		Grancolombiana West Coast Line
Paraguay	<i>Via Buenos Aires, Montevideo, Santos:</i> Moore-McCormack Lines Westfal-Larsen Line		<i>Via Buenos Aires, Paranagua, Montevideo, Santos:</i> Brodin Line Columbus Line Moore-McCormack Lines
Peru	Chilean North Pacific Line Grace Line Grancolombiana Westfal-Larsen Line		Grancolombiana West Coast Line
Uruguay	Daido Line Moore-McCormack Lines Westfal-Larsen Line		Brodin Line Columbus Line Moore-McCormack Lines
Venezuela	Daido Line d'Amico Line (<i>Anglo Canadian Shipping Co. Ltd., Vancouver</i>) Mitsui Line Moore-McCormack Lines O.S.K. Line (<i>C. Gardner Johnson Ltd., Vancouver</i>) Venezuelan Line (<i>Empire Shipping Co. Ltd., Vancouver</i>)	Michigan Ocean Line Saguenay Shipping Ltd.	Michigan Ocean Line Royal Netherlands Line Saguenay Shipping Ltd.

United States Sponsors Social Progress

Housing, education, agriculture, health services—the Latin American countries expect improvements in all these from a new program, financed mainly by a U.S.\$500 million fund.

MAURICE SCHWARZMANN,
Minister-Counsellor (Economic), Washington, D.C.

THE new aid plan for Latin America, sponsored by the United States and adopted at the Bogotá Inter-American Conference last September, marks an important step in the social and economic development of the area. This program, embodied in the Act of Bogotá, envisages co-operative efforts by the Latin American countries, with financial support from the United States, specifically directed to social improvement—including housing, land and tax reform, education and health. The basic purpose of this program is to raise the standard of living of the mass of the population and to modernize the social and institutional structures, with a view to making more effective the financial assistance and capital investment going into the development of resources and of industry.

Social Reform Stressed

The U.S. proposals which formed the basis for the Act of Bogotá should be seen against the background of a variety of recent developments in the foreign aid field. The growing recognition of the need for increased international develop-

ment capital has led, for example, to substantial increases in the resources of the International Monetary Fund and the World Bank. Similarly, the International Development Agency was recently established as an affiliate of the World Bank to provide additional development capital on more flexible terms. Early this year a number of important capital-lending countries, including Canada, established the Development Assistance Group for increased consultation among the industrial countries on assistance to under-developed areas.

The capital resources of existing international agencies (to which Canada and many other countries contribute), U.S. loans from the Export-Import Bank and other U.S. aid programs are, of course, available to Latin American countries on the same basis as to other under-developed countries. However, there have been growing demands in Latin America for regional assistance programs (Operation Pan-America), tailored to the special needs of that area. In response to these pressures, the member countries of the Organization of Ameri-

can States have now established the Inter-American Development Bank to channel long-term development capital for economic projects in Latin America. The new Latin American aid program in the Act of Bogotá will supplement these increased efforts towards economic development through basic measures of social reform. In the words of U.S. Under-Secretary Dillon: "It is not enough only to construct modern factories, power plants and office buildings. These things are essential to the development process but it often takes many years for their benefits to reach down to the ordinary citizen. We must therefore broaden our efforts to help all of the people. The task is nothing less than to lift whole segments of the population into the 20th century."

Objectives Stated

The Act of Bogotá had its origin in the request by President Eisenhower last August that the U.S. Congress authorize \$500 million designed to develop co-operative programs to foster social progress in Latin America. On the basis of this authorization, U.S. Under-Secretary Dillon put forward the U.S. proposals at the Bogotá Conference of the "Committee of 21" of the OAS. In presenting these proposals, Mr. Dillon indicated that the \$500 million authorized would have to be appropriated at the next session of the U.S. Congress in 1961. He also indicated that, as and when progress in social development is made, the U.S. would expect to continue its financial support with additional funds.

The main provisions of the Act of Bogotá are as follows:

Measures for Social Improvement

Under this broad heading, countries undertake to re-examine their existing policies and practices in a wide variety of fields and to carry out appropriate reforms and improvements, in line with detailed recommendations listed in the Act. These recommendations cover:

1. The improvement of rural conditions and land use, including reforms of land-tax structure, land ownership, land reclamation and resettlement, agricultural credit and marketing services.

2. Improvement of housing and community facilities, including investment in low-cost housing, housing loans, financial assistance for water supply and other public works.

3. Improvement of educational systems and training facilities. This envisages the eradication of illiteracy and practical training in industrial and agricultural techniques.

4. Improvement of public health, including health insurance systems, public medical services and training of technicians.

5. Mobilization of domestic resources, with particular emphasis on the review of taxation systems, assessment and collection procedures.

Special Fund for Social Development

This section notes the U.S. decision to establish a special Inter-American Fund for Social Development, with the Inter-American Development Bank to become the primary mechanism for the administration of the fund. The purpose of this special fund would be to contribute capital resources and technical assistance on flexible terms, including repayment in local currencies, to support the efforts of Latin American countries which are

prepared to carry out effective institutional improvements.

Economic Development

This section of the Act of Bogotá reaffirms the need for continued and expanded capital assistance and investment for economic development in Latin America.

Multilateral Co-operation

This section provides that the Inter-American Economic and Social Council, which is a body of the OAS, should conduct periodic consultations and reviews to analyze the progress achieved in social reform. It also provides for the reorganization and strengthening of this body to help it to give technical assistance to Latin American Governments in this field. ●



Trade and Tariff Regulations

India

IMPORT POLICY FOR IRON AND STEEL—The Iron and Steel Controller, Ministry of Steel, Mines and Fuel, Government of India, Calcutta, has announced the import licensing policy for the period October 1, 1960, to March 31, 1961, with respect to certain iron and steel items. During this period, import licences will be issued to established importers for the following items to the extent of 7½ per cent of the base quota:

Industrial scrap
Tool and alloy steel, including stainless steel sheets thicker than 18 G.
Wire of all types
Box strappings

Imports by actual users will be permitted for the following items:

Tinplate, prime and secondaries
Terneplates
Wire of all types

Box strappings
Steel strips, tapes, skelp, etc.
Tool and alloy steel, including stainless steel sheets for users other than utensil industry
Industrial scrap
Forgings, unmachined
Swedish charcoal iron bars and other wrought iron bars
Nose bars for ring frame for textile and jute industry
Wheels, tires and axles
Electrical steel sheets
Cold-rolled and deep-drawing quality sheets
Hot-rolled black and galvanized plain sheets, 24 G. and thinner

As regards stainless steel sheets for utensil manufacturers, it has been decided that no import licences should be issued for the current licensing period but that the requirements should be met from barter imports.

The policy for import, distribution and price control of items other than the above continues to be the same as for the preceding licensing periods.

South Africa

REPRESENTATIONS RESPECTING THE TARIFF
—The South African Board of Trade announced recently that it has received the following representations respecting the tariff:

Increase in duty on:

1. Infant-carrying baby shawls
2. Fireworks of all descriptions
3. Motor car, truck and tractor tire pumps
4. Potteryware with an f.o.b. price not exceeding 10s. each
5. Children's rubber beach thong sandals
6. (a) Stearic acid and/or stearine
(b) Tall oil
(c) Oleic acid/oleine
7. Assembled or unassembled fibre sliver cans or bins, with or without metal fittings
8. Four-wheeled hydraulic trolley garage jacks and four-post hydraulic car lifts
9. The following, as an extension of the application mentioned in *Foreign Trade*, October 8, 1960:
(a) Diesel locomotives (mechanical, hydraulic and electric) of 100 to 300 brake horsepower

Note: Brake horsepower to be defined as in British Standard Specification 2953: 1958 paragraphs 5(ii), 6 and 8 at 29.5 inches Hg; air temperature at inlet 85°F, 50 per cent humidity.

(b) Steam locomotives of up to 55 tons

10. (a) Paper for processing into domestic toilet rolls, facial tissues (handkerchiefs) and serviettes
(b) Cellulose wadding for processing into sanitary pads

Reduction in duty on:

1. Rigid, pure polyvinyl chloride pipes and fittings, with diameters from 2 to 8 inches measured externally, for overhead irrigation or piping corrosive liquids
2. Flannelette and winceyette, of an f.o.b. price not exceeding 8s. per lb. by weight of material
3. Tomato paste-puree
4. Non-slip aluminium oxide floor tiles and mosaics

Rebate of duty on:

1. Glass fibre strain cord for the manufacture of electric cable
2. Chain and chain with clasps, glass chatons, earclips, earhooks, glass or metal or plastic findings and beads, brooch pins, bolt or jump rings, and wire for use in the manufacture of imitation jewellery including costume jewellery (excluding any articles made of precious metal)
3. Woven cotton piecegoods, plain or twill weave, and woven piecegoods made from man-made fibres, plain or twill weave, for the manufacture of filter cloths
4. Soda ash for the manufacture of sodium carbonate and washing soda
5. Technical malathion for the manufacture of insecticide
6. (a) Linseed acid oil for the manufacture of distilled fatty acid
(b) Nickel catalyst for the purposes of hydrogenation in manufacturing stearic acid
7. Raw chrysotile asbestos fibre for the manufacture of asbestos-cement products
8. The following for the manufacture of synthetic resins:
Methyl methacrylate monomer
Butyl methacrylate monomer
Methacrylic acid
Benzoyl peroxide
Butyl benzyl phthalate
Ethylene glycol monoethyl ether acetate

9. Reactor and tangential oils for use in the manufacture of oil furnace carbon black
10. Components as listed below for the manufacture of shock-absorbers for motor vehicles:
Rod and can assemblies
Bodies
Bottom fittings
Pistons and diaphragms
Sacs
Seals and O rings
Seal springs
Rod and seal guides
Seal caps
Valves and washers
Collars and nuts
11. Marine plywood for the manufacture of boats of all types
12. Woollen yarns for the manufacture of melton cloth

Refund of duty on:

1. Cotton yarns for the manufacture of knitted pure cotton fabrics for export

Withdrawal of rebate on:

1. (a) Stearine wax (stearic acid) where it may be interpreted as permissible under rebate under tariff item 683(2) for the electric cable manufacturing industry
(b) Stearine and stearic acid, soyabean oil, fatty acids of linseed and soyabean oils under tariff item 725 for the synthetic resins, synthetic resinous emulsions and synthetic resinous solutions manufacturing industry
(c) Soyabean and cottonseed oils under tariff item 748(1)(b) for the paint, thinner, varnish, polish and putty manufacturing industries
(d) Stearine wax (stearic acid under tariff item 748(1)(c) for the paint, thinner, varnish, polish and putty manufacturing industries. The request is that "waxes" be qualified by the words "excluding stearine wax (stearic acid)"
(e) Stearine acid under tariff item 756 for the metal stearates manufacturing industry
(f) The fatty acids of the oils of sunflowerseed, soyabeans, maize germ, cottonseed, linseed, palm, coconut, and of tallow; also oleic acid/oleine (if made dutiable); and tall oil under tariff item 758 for the dips, disinfectants, insecticides, fly papers, pest remedies and weed-killers manufacturing industry
(g) Soyabean oil, fatty acids of soyabean and cottonseed oils under tariff item 762 for the soap and candle-making industries
(h) Reagents consisting entirely or for the greater part of the fatty acids of the oils of sunflowerseed, soyabeans, maize germ, linseed, coconut and of tall oil; also oleic acid/oleine (if made dutiable) and tall oil (if made dutiable) under tariff item 811(2) for the mining industry
(i) Cottonseed oil under tariff item 851(2) as material for general industrial purposes
(j) Soyabean oil under tariff item 851(5) as raw linseed and other vegetable oils for processing into paint and varnish oils

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

Venezuela

EXCHANGE CONTROL IMPOSED—On November 8 the Venezuelan Government established controls on the sale of foreign exchange. The value of the Bolivar for almost all transactions has not been changed, but remains at Bs.3.35 to the U.S. dollar.

The Central Bank of Venezuela will allocate foreign exchange to the banks to be sold for normal business purposes at the official exchange rate of Bs.3.35 to the U.S. dollar. A small free exchange market will also be established with limited supplies of exchange for those unable to obtain an allocation of foreign exchange at the lower official exchange rate.

For sales of exchange at the official rate a permit is required and the importer must deposit with his bank,



Aluminum Sheeting

JAMAICA—The Aluminum Company of Canada has established a plant in Jamaica for corrugating aluminum sheeting. The new factory, known as West Indies Aluminum Products Ltd., will produce about 1,500 tons of aluminum sheeting a year. In addition to meeting Jamaica's needs the factory will export to British Honduras, the Bahamas and other neighbouring territories—Kingston.

Apples

UNITED STATES—United States apple consumption figures for 1959 show that 75 per cent were eaten fresh, 15 per cent as canned applesauce or canned apples and 10 per cent as canned juice and dried apples. The 1955-59 average for apples processed was: canned 18 million bushels, dried 4 million, frozen slices 3 million, vinegar, cider, juice and other products 12 million. Following are the apple-producing states in order of size: Washington, New York, Michigan, Virginia, California, Pennsylvania and West Virginia. Since 1935 the pack of canned apples for pies and pastries has nearly doubled and the pack of applesauce has increased eightfold—Detroit.

Beryllium

BRAZIL—Brazil is the world's largest producer of beryllium, according to statistics published by the Bra-

over and above the cost of the exchange, up to 20 per cent of the value of the foreign exchange for open account transactions, and up to 40 per cent for advanced drafts and letters of credit. The deposits are refunded after the goods have been delivered in Venezuela.

Among the requirements for which exchange will be allocated at the official rate is the payment of outstanding debts incurred prior to November 8. We understand that these outstanding debts must be registered with the Central Bank within 60 days from November 8. Canadian firms with outstanding claims in Venezuela should insure that their agents, Venezuelan collecting banks, or importers take the necessary steps to register these outstanding debts.

Commodity Notes

zilian Institute of Geography and Statistics. It accounts for 26 per cent of the world's production, followed by Southern Rhodesia (19 per cent), Argentina (16 per cent) and the United States (8 per cent). In 1959 Brazil's exports amounted to 2,655 tons worth Cr.\$124 million; 2,498 tons were purchased by the U.S.—Rio de Janeiro.

Carnauba Wax

BRAZIL—Exports of carnauba wax (a vegetable wax used in making floor and other polishes) from Brazil have declined by some 24 per cent since 1950. In 1959 exports totalled 9,805 tons valued at \$15.6 million, compared with 12,758 tons worth \$22.2 million in 1950; average price per ton was \$1,600 during the ten years. Chief markets for carnauba wax are the United States, which bought 66.5 per cent of total exports in the last three years, and the United Kingdom with 10.4 per cent—Rio de Janeiro.

Corundum-Sillimanite

SOUTH AFRICA—A deposit of corundum-sillimanite at Pella in Namaqualand is said to be unique in defying all the normal borehole drilling methods—tungsten carbide, diamond bits, oxygen lancing or even shaped charges. This ore, which provides the world with one

of its finest and hardest aluminum refractories, is being mined by Pella Refractory Ores S.A. (Pty.) Ltd. The Pella deposits constitute a total known reserve of 400,000 tons of ore with the following average mineral composition: sillimanite 53 per cent, corundum 41 per cent, ilmenite 2.77 per cent, rutile 1.19 per cent—Cape Town.

Electric Power

COLOMBIA—The Colombian institute for the utilization of hydro-electric power is preparing topographical and geophysical studies for the Rio Mayo (Narino) power plant. It will issue tenders in the near future for the design of this 20,000-kw. plant. Colombia's Rio Prado project in its initial stage will include three groups of generators of 17,000 kw. each and later one group of 5,000 kw. SOGEI of France is carrying out the initial topographical and geophysical survey, after which the Government will obtain necessary financing. Tenders will then be issued for the general design and for supervision of construction—Bogotá.

Iron and Steel

ITALY—A large steel mill complete with blast furnaces is being built near Taranto, Southern Italy, by "Finsider", a financial group controlling a number of leading steel industries. This is part of the plan approved some months ago by IRI (Italian Institute for Reconstruction) to increase iron and steel production in Italy. The plant, which is being built on approximately 200 acres, will be the fourth of its kind controlled by the Finsider group. It is situated near the sea, with port facilities for mooring vessels of up to 60,000 tons. Blast furnaces, a steel mill and rolling mills will enable the plant to produce over one million tons of pig iron and one million tons of steel a year, plus hot rolled and cold rolled mill products of all types and soldered tubes. It is reckoned that the factory will require each year over 2 million tons of iron ore, 1.2 million tons of coal and 400,000 tons of limestone—Rome.

Newsprint

BRAZIL—Brazil consumes about 200,000 tons of newsprint a year and imports 75 per cent of this at a cost of \$25,640,000. In 1952 imports totalled 80,000 tons, and by 1957 had reached 173,498 tons. In 1958 and 1959 they dropped to around 140,000 tons. Principal suppliers of newsprint are Sweden and Finland, followed by Norway, Canada and Chile—Rio de Janeiro.

Nuclear Energy

BRAZIL—The President of the National Nuclear Energy Commission, Admiral Otacilio Cunha, has stated in São Paulo that the main purpose for setting

up an electric atomic plant in Mambucaba, in the Ilha Grande Bay, is to lay the groundwork to enable the Brazilian industry to take part in the international nuclear energy program. Construction of the plant may not begin for a year because of difficulties usually involved in undertakings of such magnitude. Bids are now being accepted for the project, cost of which is estimated at approximately \$60 million. The plant will be built with Brazilian capital and will have a capacity of 200 megawatts—São Paulo.

Oil

PHILIPPINES—Shell Refining Co. (Philippines) Inc. announced on October 12 that Bechtel International will build a 25,000 barrel-per-day petroleum refinery in Batangas Province, Philippines; it is expected to be completed in 1962. This is a joint Philippine-British venture, with Filipino investors providing 25 per cent of the capital. Total cost of the refinery is over 15 million pesos, of which the foreign exchange component (about \$14.5 million) will be put up entirely by Shell. Foremost in the minds of the planners has been the need to conserve the country's dollar reserves—Manila.

Petrochemicals

SWEDEN—A large petrochemical industry is to be built at Stenungsund on the Swedish west coast north of Gothenburg, according to reports in the Swedish press. Standard Oil (New Jersey) and the Swedish Esso, plus some ten other enterprises, have bought a site in the area at a cost of \$1.2 million. Construction is scheduled to start this fall and to be completed within 2½ years. Stenungsund is the site of Sweden's biggest steam power plant and has the deepest oil harbour on the Swedish west coast—Stockholm.

Pulp

SWEDEN—Mo & Domsjö AB, Swedish forest industry group, is to invest about Kr.1.5 million (\$300,000), mainly in the form of machinery, in the Argentine company Papelera Rio Paraná S.A., and to give technical assistance for building a plant for viscose pulp and bleached sulphite. The project will boost the capacity of the Argentine plant from 6,000 tons to 17,400 tons a year. In exchange for its investment, Mo & Domsjö would take over a minority parcel of shares in the Argentine company—Stockholm.

Pulp and Paper

INDIA—Seshasayee Paper and Boards Ltd., a newly organized Indian company, is setting up an integrated pulp and paper mill in Madras State. The mill, to cost an estimated Can.\$12 million, will have an annual capacity of 20,000 long tons of printing and writing papers. Raw material will be local bamboo and bagasse.

Parsons and Whittemore of the United States will handle the engineering, erection and commissioning of the plant and will purchase most of the machinery and equipment. This firm has a 20 per cent interest in the company's capital stock and the Export-Import Bank is providing the foreign exchange financing. The plant, Madras State's first for paper production, is scheduled to be operating in about two years—New Delhi.

Shirts

JAMAICA—Jamaica Associates Ltd., recently set up under the Export Industry Encouragement Law with Canadian and United States capital, exported a consignment of 30,000 boys' shirts to the U.S. last month. The firm began manufacturing in July and hopes soon to complete the installation of equipment for making boys' trousers—Kingston.

Spices

INDIA—India has set up an Export Promotion Council to improve export returns from spices. The council will have members from the central and state governments and from the trade in pepper, cardamom, turmeric, ginger, chillies and minor spices. In 1959 exports of spices were valued at about \$20 million.

The problems facing the spice trade are varied. In pepper, export values have declined because of stiff competition from Sarawak and Indonesia. In cardamom, besides competition from Guatemala, the main problem is the invention of synthetic substitutes. Ginger exports have declined since 1958, mainly because of import restrictions in west Asian countries, increasing competition from Jamaica and Sierra Leone, and changes in consumer preference. The new council will study these problems, undertake market surveys and research, send out trade delegations, prescribe quality standards, attend to importers' complaints, etc.—Bombay.

Steel

IRELAND—The government-sponsored company, Irish Steel Holdings Ltd., Haulbowline, Co. Cork, is planning a £3.5 million expansion. The development includes provision of three new rolling mills, ancillary equipment and soaking pits, and re-equipping the existing mills. When completed in 1962 the staff should reach 700. Expansion will considerably widen the range of products produced and should leave a surplus for export—Dublin.

Steel Mill

BRAZIL—The government-controlled Cia Vale do Rio Doce S.A., has decided to establish a steel mill in Itabira, to use part of the ores extracted from the

company's mines. The new company, to be called Companhia Siderurgica Vatu, would produce sponge iron and special steels—São Paulo.

Wire and Cable

PAKISTAN—The Government of Pakistan has granted permission to a United States firm, Phelps Dodge Copper Products International Corporation, to set up a rod rolling and wire cable plant at Karachi. Investment in the project is estimated at \$6 million, with rupee expenditures to be met by a local partner. Production is expected to start within a year at an annual rate of 6,440 tons. The Second Five Year Plan estimates the demand for wire and cable at 8,000 tons a year. At present there is one cable factory in Pakistan with 4,000 tons capacity—Karachi.

Trade Commissioner on Tour

In Canada



B. HORTH, Assistant Commercial Secretary in The Hague, Netherlands:

Winnipeg—Dec. 12-13

Vancouver—Jan. 20-24

When he completes his tour, Mr. Horth will be posted to New Delhi, India, as Assistant Commercial Secretary.

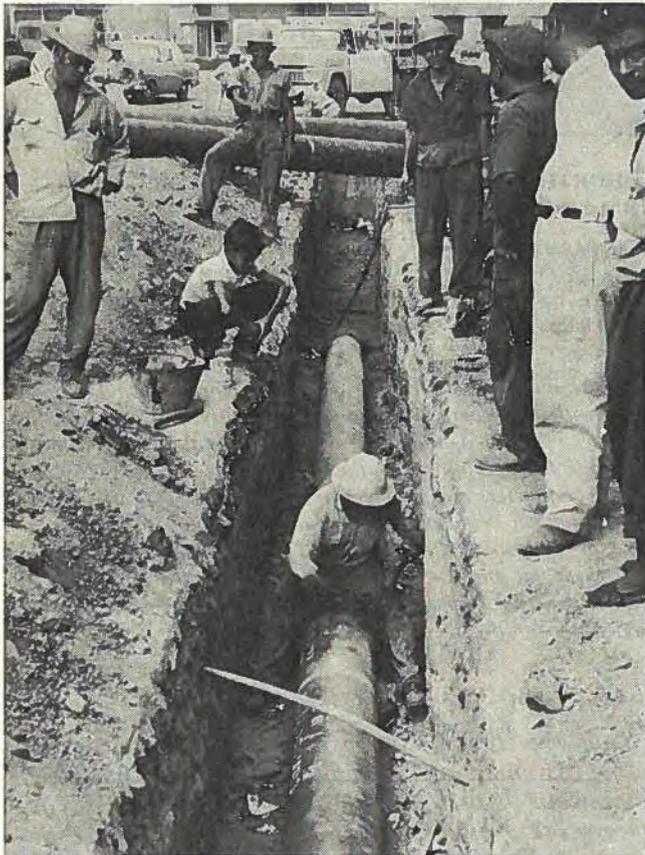
Businessmen who wish to see Mr. Horth should get in touch with the Board of Trade or Chamber of Commerce in the cities mentioned, with the following exceptions. In Toronto, Winnipeg and Edmonton, the Trade Commissioners make their headquarters at the offices of the Canadian Manufacturers Association; 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

Tours by Trade Commissioners in their territories during November and December, which were published in previous issues, have been cancelled because the officers are being recalled to Ottawa to attend the Export Trade Promotion Conference convened by the Minister of Trade and Commerce.

Canada in South American Markets

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



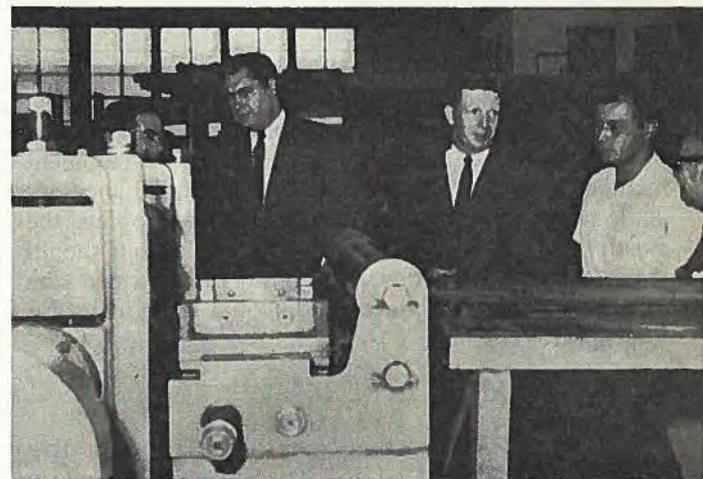
In Venezuela—Small boys in El Tigre, like boys anywhere, are fascinated by excavations. This young sidewalk superintendent watches workers lay Canadian cast-iron pipe.



In Peru—These fishermen are getting ready to unload their catch of anchovy at a packing company's wharf. The nylon nets they use, seen in foreground, come all the way from Canada.



In British Guiana—A shipment of potatoes from Canada has just been unloaded at Georgetown and the consignees are rushing to get them to the market in time for the day's shopping.



In Colombia—The Canadian Commercial Secretary and Consul in Bogotá, centre, visits a steel plant in Medellín. He is watching one of the operations which uses sheet steel from Canada.

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