Trading with the Soviet Union (page two)

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**COMING——BRAZILIANS BUY SEED POTATOES, IN JUNE 17 ISSUE**

**How does the Soviet Union conduct its foreign trade?**

**What opportunities does it offer Canadian exporters and how can these be exploited?**

**The author, who opened the office of Trade Commissioner Service in Moscow last year, discusses these questions.**

# Trading with the Soviet Union

W. VAN VLIET,
*Commercial Counsellor, Moscow.*

THE U.S.S.R. has become one of the world's major trading nations; at present, its foreign trade approximates that of Canada. About three-quarters of it, by value, is carried on with other Communist countries. The Soviet Union's largest non-Communist trading partners tend to be the western industrialized countries but trade with the underdeveloped countries is increasing rather rapidly. A measure of the rate of expansion the U.S.S.R. foresees is given in the Soviet Seven Year Plan, 1959-1965. In this period, they have planned for an increase in foreign trade of 70 per cent; in the first two years the increase reached about 20 per cent (1959) and 5 per cent (1960).

### Canada-U.S.S.R. Trade Agreement

On April 18, 1960, a Protocol was signed extending for a further three years the trade agreement between Canada and the U.S.S.R. concluded in 1956. Under this arrangement, the two countries continue to exchange most-favoured-nation tariff treatment. At the same time, an exchange of letters took place between the Minister of Foreign Trade of the U.S.S.R. and the Canadian Minister of Trade and Commerce, in which the Soviet foreign trade organizations undertook to purchase in each of the three years of the Protocol Canadian goods to a total value of Can.$25 million, including not less than 200,000 tons of Canadian wheat, provided Canadian purchases from the U.S.S.R. equal at least $12½ million a year. If the latter figure is not achieved, Canadian purchases and those of the Soviet Union are to be in the ratio of 1 to 2, with wheat constituting not less than half the value of purchases from Canada.

It is difficult to indicate precisely the volume of trade between Canada and the U.S.S.R. since the beginning of the renewed agreement (April 1960) because Canadian import statistics do not show imports originating from the Soviet Union but shipped to Canada through a third country. For the eight months April 1-December 1, 1960, imports into Canada from the Soviet Union totalled $2.7 million and exports from Canada to the Soviet Union totalled $6.1 million.

The range of commodities entering into trade between Canada and the U.S.S.R. in recent years has been narrow. Canadian exports consist largely of grain, nickel, primary steel and products, synthetic rubber, machinery, and purebred livestock. Imports into Canada from the Soviet Union consist mainly of furs, chemical raw materials, non-ferrous ores and cotton, plus smaller quantities of such products as birchwood veneers, glass and watches.

### Soviet Trading Structure

Before attempting to do business with the Soviet Union, it is important to understand its trading system. Under the constitution of the U.S.S.R., trade is a monopoly of the Ministry of Foreign Trade, which controls all exports and imports. It assists in drawing up and co-ordinating plans for products that will enter into trade, both year by year and in the long term, and also carries responsibility for general trade policy and negotiates trade agreements with foreign countries.

The foreign trading corporations under the Ministry of Foreign Trade do the actual buying and selling of commodities. These corporations are legal entities and each possesses monopoly power to negotiate and conclude contracts for a defined group of commodities. Canadian firms should bear in mind, however, that it is often difficult to establish from the commodity description alone which organization handles a particular product. The Commercial Division of the Canadian Embassy in Moscow can easily help any exporter who is in doubt on this matter by making direct contact with the corporation.

The Ministry of Foreign Trade stations its own representatives in most countries, either as part of Embassy staffs, as in Ottawa, or in separate trade offices, such as Amtorg in New York. The individual corporations may authorize these representatives to negotiate and sign commercial contracts on their behalf.

The Soviet emphasis on detailed planning over a broadly co-ordinated economic field may lengthen the time taken to negotiate import or export transactions. If a commodity has not been included in the annual plan or not in sufficient quantity, this omission may not be remedied until the following year. (Many commodities, incidentally, are not offered for export at all.)

### How Corporations Function

The foreign trading corporations, in a sense, act as the sole export agents for Soviet manufacturers and as the sole import agents for materials needed by Soviet industry and distribution outlets. It is these manufacturers and distributors who must be made aware of commodities available from foreign countries and their special features. In their requests to the foreign trading corporations, they may express commodity preferences and thus influence the choice of imports. Preferred country of supply, payment potential, and justification of the need for importing the product all play a part in the ultimate decision. Technical suitability to the needs and aims of domestic industry may be the decisive factor and it is the specialized technical committee or institute, in consultation with industry, which makes this decision.

All the conventional sales techniques apply to promoting exports to the Soviet Union. Modern technique is in great demand and short delivery terms can be decisive in placing important orders. Keeping constantly in touch with the trading corporation and supplying adequate copies of all descriptive literature for wide distribution is all-important, and advertising can develop product interest among manufacturers and distributors. The ex-

**TRADE WITH PRINCIPAL COUNTRIES**

**(millions of U.S. dollars at the then official Soviet trade rate of 4 roubles to U.S.$1.)**

| | | 1957 | 1958 | 1959 |
|---|---|---|---|---|
| All countries | Exports to | 4,381 | 4,297 | 5,441 |
| | Imports from | 3,938 | 4,350 | 5,073 |
| Principal Communist countries | | | | |
| Communist China | Exports to | 544 | 634 | 954 |
| | Imports from | 738 | 881 | 1,100 |
| German Democratic Republic | Exports to | 862 | 800 | 1,030 |
| | Imports from | 764 | 816 | 889 |
| Czechoslovakia | Exports to | 551 | 447 | 603 |
| | Imports from | 385 | 512 | 582 |
| Poland | Exports to | 431 | 377 | 486 |
| | Imports from | 256 | 265 | 316 |
| Rumania | Exports to | 251 | 251 | 232 |
| | Imports from | 190 | 233 | 249 |
| Bulgaria | Exports to | 172 | 200 | 290 |
| | Imports from | 198 | 203 | 261 |
| Hungary | Exports to | 250 | 200 | 260 |
| | Imports from | 107 | 162 | 206 |
| Other Principal Trading Partners | | | | |
| Finland | Exports to | 150 | 117 | 144 |
| | Imports from | 160 | 137 | 142 |
| United Kingdom | Exports to | 176 | 145 | 166 |
| | Imports from | 112 | 73 | 91 |
| United Arab Republic | Exports to | 86 | 103 | 109 |
| | Imports from | 116 | 130 | 99 |
| Yugoslavia | Exports to | 83 | 51 | 46 |
| | Imports from | 57 | 51 | 53 |
| India | Exports to | 846 | 130 | 68 |
| | Imports from | 42 | 51 | 60 |
| France | Exports to | 67 | 87 | 88 |
| | Imports from | 47 | 80 | 100 |



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change of visits is one excellent way to conclude business.

### Buying from the Soviet Union

According to the terms of the Trade Agreement an increase in imports into Canada of Soviet commodities leads to an increase of twice that value in Canadian exports to the U.S.S.R. Soviet traders are studying the Canadian import market, getting to know Canadian importers and users of foreign commodities, and discovering what products they have available for export will sell in Canada, as well as the quality and other requirements. Canadian firms could well consider investigating the Soviet Union as a source of supply for a broad range of products, including industrial raw materials, plant machinery (particularly for primary industry), machine tools and specialized instruments and some consumer goods. The Commercial Division, Canadian Embassy, Moscow, will bring inquiries from Canadian firms to the attention of the appropriate foreign trading corporations. These corporations enter into agency arrangements with foreign firms very similar to those under conventional trading practices in western countries.

### Exporting to the Soviet Union

The Soviet Union offers a market for virtually all types of commodities, including consumer goods, to varying degrees. To achieve success in building up a continuing market there demands the same attention and methods as are employed in other countries. The volume of Canadian sales will depend on Canadian firms making clear the equality or superiority of their products when compared with those from alternative suppliers.

The Soviets are very bilaterally minded in their approach to foreign trade. The trading corporations negotiating foreign purchases often attempt to obtain assistance from foreign firms in selling Soviet commodities abroad. A Canadian exporter who is in a position to further Soviet sales to Canada may find it easier to make a sale. However, this aspect need not be over-emphasized because Soviet trading corporations buy what they need and are becoming increasingly aware that individual Canadian firms are usually not organized to handle both exports and imports.

Canadian firms with products successfully established in export markets may wish to ensure that Soviet buyers also are made aware of their products. Firms approaching this market for the first time will find that the Commercial Division, Canadian Embassy, Moscow, can be helpful in introducing the Canadian firm and its products to the foreign trading corporation and its officials. Such firms should provide at least three copies of all the normal literature and information that forms the basis for export promotion, plus samples and, at some stage, prices. In addition to its use within the purchasing organization, this material is dispatched to end-users and distributors to obtain their opinion on the suitability of the commodity. It also goes to technical organizations for analysis and recommendations on technical need and suitability for manufacturing or distribution to consumers.

Canadian firms must expect that more time and periodic follow-up, plus normal credit conditions, may be necessary to conclude business.

The bulk of Soviet imports from western industrialized countries consists of raw materials, plant and equipment, specialized machinery, machine tools, and measuring instruments, each of which contains a high degree of technology. The extent to which Canadian firms may consider providing production technique, in whole or in part, may influence sales. The Soviet Union has a patent law administered by the Chamber of Commerce which is a corporation of the Ministry of Foreign Trade; the provisions differ somewhat from the Canadian patent law and companies in western industrialized countries usually prefer to negotiate the outright sale of production technique and knowhow.

### Advertising

Advertising should not be overlooked. Through a corporation of the Ministry of Foreign Trade, Mezhdunarodnaya Kniga, advertising from foreign firms is accepted in about 100 Soviet technical journals and this list is expanding. These are the journals that are widely read by industry, the distribution services, and scientific bodies. The agent of Mezhdunarodnaya Kniga for Canada through which Canadian firms can place advertising is:

F. C. Millington Ltd.,
53 Chandos House,
Buckingham Gate,
London, S.W. 1.

In addition, industrial export interests in several European countries publish technical trade journals in the Russian language specifically directed to the Soviet market; these receive reasonable distribution in the U.S.S.R.

The Soviets are avid readers of foreign material and export manufacturers can expect that information about their products in publications that are available in the U.S.S.R. will receive close attention.

### Trade Fairs

Industrial exhibitions sponsored by foreign countries, associations or individual firms are becoming quite common; usually they are held in Moscow but occasionally also in other major centres in the Soviet Union. There are no fairs in which foreign countries can participate in conjunction with Soviet exhibitors. Accordingly, each foreign group sets up a fair for its purposes alone. This year Britain and France are each holding comprehensive fairs and in 1962 the Federal Republic of Germany will do the same.

Such trade fairs offer a unique opportunity to meet the large majority of technical and scientific personnel in related fields of interest throughout the Soviet Union; Soviet organizations have been co-operating in ensuring that their personnel have opportunities to study the foreign exhibits. Foreign exhibitors appear satisfied with the actual business concluded and the potential for increased orders in the future. Fairs are naturally costly and require careful planning and trade promotion beforehand.

### Visits and Exchanges

In developing trade, the need for personal liaison with the Soviet business and industrial community is probably greater than in non-Communist countries, largely because of the state trading system. It is the combination of visits by Canadian industrialists and businessmen and visits by Soviet trade representatives to Canada that will guarantee the progressive development of Canadian trade relations with the Soviet Union.

A number of visits, either by individuals or delegations, have already taken place. Some Canadian businessmen make regular trips to Moscow. Canadian industry delegations have met with Soviet trade and scientific personnel and toured industrial, manufacturing, and research installations in industries such as hydro-electric power, steel, chemicals, lumber and pulp and paper, asbestos, and grain. Soviet trade delegations have visited Canada and have been received by commercial and industrial people in several primary industries. In addition, Soviet traders have visited Canada individually to develop their sales.

Canadians must have visas to visit the Soviet Union and can apply for them to the Soviet Embassy in Ottawa. The Ministry of Foreign Affairs of the U.S.S.R. issues the visas and the Soviet organization responsible for receiving visitors has a voice in the granting of these. Canadian businessmen interested in promoting the sale of specific products will be received by the appropriate foreign trading corporation. Visits for the purpose of meeting with scientific and industrial organizations and Ministries of Government other than the Ministry of Foreign Trade are usually arranged by the Soviet State Scientific and Technical Committee. The time necessary to secure a visa varies but is usually not long when the Canadian businessman or firm is known to one or other of the foreign trading corporations. The Commercial Division, Canadian Embassy, Moscow, can often facilitate arrangements for Canadian business and industrial visits if the would-be visitors get in touch with it.

Accommodation in the Soviet can be arranged in Canada through travel bureau agents of Intourist, a corporation of the Ministry of Foreign Trade responsible for travel services to foreigners. There are numerous scheduled air flights to Moscow and the cost of including Moscow or other major cities of the U.S.S.R. in a European business trip is modest. The fact that all organizations primarily concerned with foreign trade and industrial interests are in Moscow usually reduces the time needed for a productive visit.

### Trade and Commerce Services

The usual services offered to Canadian businessmen by the Department of Trade and Commerce are available for the development of business and trade relations with the Soviet Union. The Commercial Division, Canadian Embassy, Moscow, was opened following the signing of the Canada-U.S.S.R. trade agreement in April 1960 and has now become acquainted with Soviet personnel and organizations important in furthering Canada-U.S.S.R. trade. Close liaison with this office may prove helpful to those interested in doing business here. ●

*If you would like to have a list of the foreign trading corporations in the U.S.S.R. and the commodities each handles, write to the Editor,* Foreign Trade, *Department of Trade and Commerce, Ottawa.*

## Mexico's New Mining Law

MEXICO recently adopted a new mining law, cancelling and superseding that of August 2, 1930, and aimed at bringing its mining and refining industry under Mexican control within a few years. At the moment, more than 75 per cent of it is controlled by foreign companies. The importance to Mexico of its mineral resources is made clear by the fact that in 1959 they accounted for 26 per cent of its export trade.

Among the main points of the new law are the following:

- The exploitation of mineral resources may be undertaken by three different legal organizations: fully state-owned companies, companies in which government participation is at least 51 per cent, and private companies.
- The Federal Government will grant concessions valid for a period of 25 years.
- Only Mexican citizens and companies with majority control in Mexican hands will have the right to obtain concessions.

The new law will force foreign companies either to sell their interests outright to Mexicans or ensure that, within the next 25 years, 51 per cent of their voting stock is owned by Mexicans. Today, 90 per cent of lead output, 98 per cent of copper, and 97 per cent of zinc comes from foreign-owned mines. Incentive to greater Mexican participation is offered by a tax reduction of 50 per cent on exploitation rights for companies which can prove majority Mexican ownership.

It is expected that the new law and the tax reduction will bring the mining and smelting industry into Mexican control within a few years. The tax reductions should also make Mexican metal prices more competitive on the international market and thus increase general economic activity.

In the last ten years, mining production has risen annually by only 1 per cent, although the gross national product has increased by 4.5 per cent per year during this period. The contraction of U.S. demand for lead, zinc and silver (which, with copper, make up 80 per cent of Mexican metal exports) forced the industry to level off production in 1959-60, because it depends almost exclusively on this market. In 1960, total mineral output, excluding petroleum, rose by 1.5 per cent over 1959.

—GILLES GAGNE, *Assistant Commercial Secretary, Mexico, D.F.*



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D. A. HILTON,
*Vice Consul and Assistant Trade Commissioner, Chicago.*

**The aggressive exporter should not neglect this huge next-door market. With its mail-order houses, wholesalers, large and diversified industries, varied transportation services, and trade shows, it's a place where Canadians can sell competitively a wide range of goods.**

# Chicago Offers Sales Opportunities

SINCE the opening of the St. Lawrence Seaway in 1959, the United States Midwest has become oriented as never before to the world of international trade. Exporters coming into this market for the first time are finding out that the city's unique geographical position, coupled with its excellent transportation and distribution facilities, makes it an excellent place to start doing business in the rich U.S. market.

The importance of Chicago as a market centre can be measured by the wholesale sales figure, which in 1960 reached an estimated $21.8 billion. Retail sales during the same period amounted to an estimated $9.4 billion. The Chicago market draws its strength not only from its large metropolitan population (6,839,400 in the 1960 census) but also from the big important adjacent markets. Within 500 miles of the city lies 37 per cent of the population of the United States and included in this is 43 per cent of the country's farm population. The complexity of the distribution system centered in Chicago is illustrated by the fact that in 1960 there were 12,300 wholesalers in the city and some of these firms carry as many as 30,000 items in stock. Ranked in dollar value, the leading lines in the Chicago wholesale trade are groceries, farm products, automotive equipment, machinery, paper, electrical goods, drugs and drug sundries, lumber, tobacco products, dry goods and hardware.

Much of the wholesale trade in some lines is confined to a Chicago specialty—huge buildings called

*Active in the campaign to promote Canadian-U.S. trade is the Chicago Association of Commerce and Industry. Photographed at a recent meeting are (left to right): T. Coulter, chief executive officer of the Association; Harry J. Horne, Canadian Consul and Trade Commissioner in Chicago; Nelson White, chairman of the Canadian-American Committee of the Association, and Stan Roush, its past chairman.*

Marts. Most famous of these is the Merchandise Mart, second only to the Pentagon in Washington for area covered by a single structure. Inside the 25-storey Mart is centered the city's wholesale trade in home furnishings and apparel. Almost as well known is the huge American Furniture Mart, with its two million square feet of showrooms open to retail buyers every week in the year. Other industries have smaller permanent Marts located in the city.

**If You Want to Sell in Chicago . . .**

1. Consider entering a trade show as your first step in this complex market.
2. Investigate warehousing service, once you have established sales outlets and a reasonable turnover.
3. Approach the large mail-order houses, if you are offering consumer goods.
4. Study Chicago industry as a market for semi-processed materials and components for further manufacture and assembly.
5. Look into the possibility of shipping your product by truck, if you export in small amounts.

### Warehousing Service Offered

The Chicago wholesaler is a specialist. He will advise manufacturers on insurance needs, will furnish credit information, recommend selling agencies, and supply shipping and traffic data. As sales are made, the manufacturer or his local sales representative notifies the warehouser; he in turn, on receiving shipping instructions makes out the bill of lading in the name of the manufacturer, marks or tags the packages, turns the shipment over to the carrier, and sends the signed bill of lading to the manufacturer.

Under instructions from the manufacturer, on local deliveries the warehouseman will make C.O.D. collections of the invoice price of goods and of freight, express shipping or other items. On out-of-town shipments, "order" bills of lading can be executed and sight drafts drawn. Many manufacturers furnish their warehouseman with a list of customers, authorizing him to accept direct orders in quantities specified for each of them. The use of this "credit list" procedure saves the time it would take to get orders from customers to the manufacturer and back to the warehouseman. It also makes large open accounts unnecessary.

This warehousing service is open to the exporter as well as to the local manufacturer. The warehouseman generally, however, handles only lines that have a reasonable turnover and therefore limits his services to clients that have established sales outlets in the market area. The Canadian exporter should look upon local warehousing as a second step in entering the Chicago market, following the establishment of steady sales outlets.

### Mail-Order Opportunities

To many Canadian firms, the Chicago market means just one account—that of one of the many large mail-order houses that make their headquarters in the city. Montgomery Ward, Sears Roebuck, Aldens Inc., Spiegel Inc., and John Plain all have their head offices in Chicago as well as their major buying offices*. These five firms account for 95 per cent of the country's catalogue business. In 1959 total sales from Chicago's 180 mail-order firms amounted to $6 billion. The national mail-order houses are so large that they warehouse throughout the country, but to a large extent they still concentrate their buying at head office.

### Supplying Chicago Industry

But if the Midwestern market offers sales opportunities to the manufacturer of consumer goods, it offers just as good a market to the fabricator of semi-processed materials and components for further manufacture and assembly. The city of Chicago is one vast industrial complex. On the basis of the 1960 U.S. census of manufacturers, Dun & Bradstreet rated Chicago as the number one industrial market in the country. The U.S. Department of Commerce calculated that in 1960 the added value of manufacture in metropolitan Chicago was $9.5 billion.

This net figure is calculated on the basis of subtracting from the total value of shipments of manufactured goods the cost of raw materials, parts, components, supplies, fuels, goods purchased for resale, and contract work.

Gross sales of manufactured products last year in Chicago reached just over $24 billion. The difference between the two figures gives a rough indication of the amount of trade in raw materials, semi-finished goods and component parts which takes place in this manufacturing complex. In sales value, the city is the centre for eight industries whose sales exceed

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*See "How to Sell to John Plain" in the July 4, 1959, issue of *Foreign Trade* and "How to Sell Montgomery Ward", August 13, 1960.

a billion dollars a year, and altogether an estimated 6.75 per cent of the total manufacturing strength of the United States is located in Chicago.

The strength of industry in Chicago is based not only on its gigantic size but also on its diversification. There are almost 14,000 plants in the city, producing everything from axles to zippers. Most diversified of all are the fabricated metal products and plastics industries, both of which are large purchasers of completed components for use in assembly and further manufacturing.

### Shipping Costs Low

To the Canadian exporter, the accessibility of Chicago is just as important as the size of the market. The city owed its remarkable growth in the late nineteenth century to its location, which made it a transportation hub for the railroad industry. Today some twenty major on-line railroads serve the city. Its canal system makes it the anchor point for trade on the Mississippi Waterway, and its airports are the busiest in the world. But to the Canadian exporter, especially to the exporter shipping in small amounts, Chicago is a prime target because of the low cost of shipping by truck into the market. About 500 common-carrier truck lines operate in the Midwest and each day about 12,000 trucks roll in and out of the city of Chicago.

For most Canadian shippers, Chicago delivery is only about two or three days away from their factory door. For volume shippers, local truckers offer overnight delivery within a radius of 500 miles of Chicago. Many of the major trucking lines have facilities for customs clearance at their freight depots in the city, and shipments to Chicago, properly documented, are no more difficult than shipments to your closest customer. Many of the large freight terminals in the city are integrated operations, thus offering the shipper the facilities for transhipment at the lowest possible cost. Transportation rates within the Midwest are among the lowest in the country.

### Trade-Show Centre

All the world knows Chicago as a centre for conventions and trade shows. Each year millions of businessmen travel to the city to check on the new developments in their industries, observe new product lines, and most important of all to the exhibitor, to place orders. The city of Chicago, jealously guarding its reputation as the number one convention city in the United States, late last year proudly opened the new $35 million McCormick Place Exposition Centre. Already this huge building has proved its value and exhibitors at the opening trade fairs have been loud in their praise of its facilities. With the present space at Navy Pier, International Amphitheatre, and the many hundreds of hotel showrooms, Chicago offers a great opportunity for the first-time exporter to come in and test his product within the industry by exhibiting it at an appropriate trade show.

For many manufacturers, exhibiting at a trade fair is the easiest way of entering this rich market. Within four or five days the exhibitor has an opportunity of meeting almost all the major buyers of his product. He can also check on the prices and design of competing lines, and do all this at a relatively small cost. Each year scores of Canadian firms display their goods at trade fairs in Chicago, some under the auspices of the Department of Trade and Commerce in selected trade fairs, but many more of them exhibiting independently in shows particularly suited to their products.

### Canadians Are Selling

The Chicago market is big and sophisticated. It is complex and competitive. Sales are rarely made overnight (many of the trade-show exhibitors didn't click until their second or third trip to the city) but the Canadian exporter has the advantage of proximity, similarity in product design, and low shipping cost.

It is difficult to do business in the United States by mail. Personal contact is important and here the Canadian exporter has the advantage of being just a few hours away from his potential customer.

Canadian makers of sporting goods, processors of specialty goods, and manufacturers of automotive equipment can boast of their success in the Chicago market. Even Canadian clothing manufacturers, whose lines face a fairly high tariff, have found that they can compete in Chicago.

The Canadian Government Trade Commissioner's office in Chicago is equipped to help the Canadian exporter wishing to sell in this rich market. Businessmen are invited to make the Chicago office a regular port of call on their trips to the city. Those planning to enter this market for the first time should write to the Trade Commissioner, outlining the products or services they have to offer.

The spadework may be arduous, but the reward is great. The market is stable—and unlimited.

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## Selling to the Seychelles

AN enterprising Canadian exporter has found a market for his vinyl fabrics in the Seychelles Islands—thanks to his fondness for reading about faraway places. One evening at home he settled down comfortably with a copy of the *National Geographic* and turned to an article on the Seychelles, a tiny island group in the Indian Ocean. Scanning a picture of the market square in Victoria, the capital, he made out the name of a general merchant on one of the storefronts. Next day he dispatched a letter to the merchant, containing an offer of his company's printed vinyl film goods and enclosing samples. Several months later (there is no airmail service to the Seychelles) there came a reply, accepting the offer. Soon a shipment of multicoloured vinyl printed materials for drapes, home furnishings, tablecloths, and nursery needs was on its way. Result: continuing business with a remote importer.

# How Chartered Banks Help the Exporter

**The former assistant general manager of the Imperial Bank of Canada, recently appointed general manager of the newly established Export Finance Corporation of Canada Ltd., draws upon his experience in discussing the ways in which the bank manager, and the International Department at head office, can advise and assist the foreign trader.**

H. DUKE SCOTT, *General Manager,*
*Export Finance Corporation of Canada, Toronto.*

THE Canadian chartered banks are the equal of banks in any country in the facilities provided for and services given (many of them without charge) to both importers and exporters. This article, however, will discuss specifically the banks' relationships with exporters and the techniques and expertise they employ.

Speaking generally, Canadian international bankers have learned their trade through day-to-day experience. Few of them have been recruited from banks abroad, except for certain young men who have emigrated from the United Kingdom or perhaps from the Continent, where they may have had some elementary experience. On the contrary, a number of Canadian-trained bankers have in the past been sought by United States banks which feel that the experience gained in international business in Canadian banks has great value.

## Foreign Exchange

The Canadian dollar has not been an international medium for the financing of foreign trade and Canadian banks have therefore built up their foreign exchange departments and procedures to a higher degree of efficiency than those in most other countries. In the days of the gold standard before 1914, the Canadian dollar was practically interchangeable with the United States dollar because of the small cost of shipping gold between Toronto, Montreal and New York. Since 1914, however, the fluctuations in the value of the Canadian dollar have resulted in the continued development of the foreign exchange market. It has involved the maintenance of accounts in foreign countries—in many cities in the United States, in London, and in most countries with free exchange rates. The return to convertibility in Western Europe in 1958 has further enlarged these facilities. Communication with all principal branches is done by a network of private wires and phones and banks here keep in instant touch with New York, London, and Continental centres in Europe in the same way. All these arrangements are naturally costly but despite this, the Canadian banks have maintained their competitive position vis-à-vis New York and London and business is handled in volume at almost infinitesimal percentage margins.

Exchange covering the export of bulk merchandise such as grain is handled on very small margins and the exchange rate is an important influence, perhaps the controlling factor. A fluctuation of $\frac{1}{16}$ of 1 per cent in the exchange rate may mean to an exporter the difference between a profit and a loss. The exchange rates on large blocs of grain business are quoted by all the banks both for "spot" and "forward" delivery. It must not be assumed from this that in the matter of exchange rates the banks are indifferent to the small exporter. As in the domestic departments, they cater to the small exporter also and he can always secure close rates from his banker on any amount of exchange for spot or forward delivery up to about six months.

## Forecasting Trends

This is not the place to describe in detail the workings of the foreign exchange markets, but I wish to make the point that a fluctuating exchange rate is no handicap to an exporter. The bank will take care of it and in most cases that have come to my notice where an exporter complains that he cannot take the exchange risk, what he really means is that the existing rate does not suit him. A bank can, of course, do nothing about this. In Canada the exchange rate for all countries is a reflection of demand for and supply of Canadian dollars for all purposes, including imports, exports, investment, and so on. Much has been written about the handicap to exporters of the premium on the Canadian dollar that has developed over the past ten years and the statement is made that something should be done about it. We seldom hear just exactly what should be done. Like Mark Twain and the weather, everyone talks about it but nobody does anything.

It is definitely not the function of a bank to forecast future movements in exchange rates, but an exchange trader must face the fact that customers tend to think that a dealer must have some view and he must realize the necessity of giving an intelligent answer to such questions. My advice to the exporter customer is not to be too importunate in seeking the opinion of his banker on the probable trend of the exchange market. The banker is doing his best to help and if he has no view at a particular moment, leave it at that and try again later.

The experienced exchange trader will tell his customer what he knows about the influences that are currently affecting the market and what he knows about influences that may have a bearing on rates in the near future—for example, movements of short- and long-term capital between the principal financial centres of New York, London, Germany, Switzerland, etc. In the short-term field, these will be associated with the current levels of money rates in those centres. In the long-term field, these influences include whether or not large longer-term flotations of securities (provincial, municipal or corporate) are pending in the New York market, whether the movement of capital to Canada for equity investment appears to be waxing or waning, or whether there seems to be some tendency for foreigners to liquidate. The published gold and foreign exchange reserves of Canada, the United Kingdom and the United States are also useful figures to bear in mind.

The Bank of Canada is in the market continuously and its operations are basically twofold: first, the carrying out of a stabilizing policy and second, acting for account of others ("others" being the Canadian Government and other central banks). The Bank of Canada is not able by its charter to do business with commercial companies.

Generally, in this question of foreign exchange I would advise the exporter to maintain more or less continuous contact with his banker, seek all the information he can get about current movements and conditions, and then make up his mind on policy. He should, however, review the situation fairly frequently. This advice may seem elementary but it is just as valid for the importer as the exporter.

## Documentation

The banker does not profess to be an expert on shipping, customs regulations, etc., but he can help the exporter a good deal in keeping clear of problems resulting from faulty documentation. This applies not only to shipments made under letters of credit but also to bills with documents attached and lodged with the bank for collection. With letters of credit the exporter must satisfy himself that the opening bank is responsible and if he has any doubt, he should ask for a letter of credit to be confirmed or guaranteed by a Canadian bank. He must, of course, be sure that the wording of the letter of credit makes it clear that it is irrevocable and that he can furnish the complete set of documents called for within the time allowed under the letter of credit. The letter of credit should be examined carefully as soon as it is received and if there are any conditions that the exporter cannot meet, he should seek an amendment from his customer. The bank can, of course, help him in interpreting or explaining the wording of the letter of credit.

A word now about exports paid for by a draft, either at sight or term and with or without documents attached. In the course of their business, Canadian banks have built up a network of correspondent banks throughout the world, or at least in every country with which Canada does an appreciable amount of business. In all cases, they have carefully selected responsible institutions and have made detailed arrangements for the handling of Canadian business—including, of course, the important duty of the collection of clean and documentary drafts. These facilities are kept up-to-date at considerable expense. The importer abroad, influenced possibly by his own banker, does from time to time ask the exporter to instruct his bank to send the draft for collection to his (the importer's) bank. If this is done, the Canadian exporter sacrifices considerable advantages and perhaps incurs unnecessary risks and only in very special circumstances should he accede to this request. This is not the place to discuss in detail the many ramifications of documentary letters of credit. Books have been written on the subject and it is enough to say that the chartered banks have had long and varied experience in this field and are well qualified to help their exporter customers with any problems that arise.

## Credit Reports

A credit report from a bank is in rather a different category from a report made by a mercantile agency. Both are necessary when one is dealing with new customers. The bank report will probably not be as detailed as the mercantile agency report, but at the same time the bank can advise the customer of government financial restrictions, such as foreign exchange control in the country in question. These controls vary considerably from country to country but full information about them is usually on file in the International Departments at the banks' head offices.

These are only a few of the specific ways in which the chartered banks can help and are helping Canada's exporters. A closer liaison between the exporter and his bank is useful in many other ways. The exporter's main contact is, of course, the manager of the branch where he maintains his account. In addition, in all banks the advice and counsel of the specialized International Department at head office are always available to him. ●

# Australia in 1960

**Economic boom, removal of import restrictions have brought some problems in their wake but prosperity continues. Canadian sales almost doubled in 1960; should increase this year also, but probably not at the same rate.**

R. B. NICKSON, *Commercial Secretary, Canberra.*

AUSTRALIA achieved in 1960 exceptionally high levels of economic activity and growth. New money raised on the stock exchange by Australian companies increased substantially. In the first three quarters of 1960, retail sales rose by about 8 per cent over the same period of 1959. Sales of motor vehicles increased by 16 per cent over the previous year. Industrial production made impressive gains: for example, output of radios increased by 76 per cent, electric motors by 37, blankets by 11, paints by 6 and tobacco by 4.5 per cent. At the end of November 1960, slightly more than three million people were employed in non-rural industries in Australia, 100,000 more than in the same month of 1959. There were only 4,300 registered at that time as awaiting placement—or about 1.5 per cent of the labour force. Wages went up by over 6 per cent in 1960.

For most of 1960, in fact, Australia was in the midst of a boom. This was reflected in a considerable amount of land speculation, high stock-market prices, and price rises at both the retail and wholesale levels. Under these circumstances, the Government has since early 1960 stressed the importance of keeping inflation in check.

### Exports Down, Imports Up

With the notable exception of wheat, certain sectors of rural output declined in 1960. Australian production of wool, it is estimated, will reach about 1,600 million pounds in the year ending June 30, 1961; actual production in the previous year totalled 1,689 million. Production of meat in the five months to November 1960 fell by 13 per cent compared with the similar period of 1959.

To some extent, these declines in production were reflected in generally smaller exports last year; in the second half of 1960, for example, these reached only £417 million, compared with £467 million in the same period of 1959. Imports, by contrast, increased substantially—to £561 million in the second half of the year, compared with £429 million in the same period of 1959. Main reason for this rise was, of course, the high level of economic activity, combined with the almost total removal of import restrictions in February 1960. As a result, the balance of payments became increasingly adverse and the foreign exchange reserves declined by £35

**PRINCIPAL CANADIAN EXPORTS TO AUSTRALIA**

| Commodity | 1959 (in '000 $) | 1960 (in '000 $) |
|---|---|---|
| Newsprint | 13,021 | 19,552 |
| Automobile and truck parts | 5,723 | 16,054 |
| Aluminum | 6,940 | 11,255 |
| Softwood lumber | 6,381 | 9,389 |
| Synthetic rubber and basic plastic materials* | | 5,398 |
| Automobiles and trucks | 3,130 | 4,967 |
| Sulphate pulp | 1,706 | 3,556 |
| Asbestos | 3,535 | 3,477 |
| Steel plate and sheet | 1,232 | 1,963 |
| Nickel | 733 | 1,594 |
| Motor vehicle engines and parts | 651 | 1,231 |
| Copper | 176 | 1,167 |
| Steel bars | 672 | 1,136 |
| Plastic film and sheet* | | 945 |
| Synthetic fibre yarn | 232 | 900 |
| Chain saws and parts | nil | 877 |
| Marine engines and parts | 54 | 823 |
| Ball and roller bearings and parts | 629 | 735 |
| Bookkeeping and calculating machines and parts | 729 | 727 |
| Scientific apparatus | 295 | 682 |
| Canned salmon | 561 | 631 |
| Combines and parts | 413 | 581 |
| Canned sardines | 264 | 504 |
| Packages | 439 | 461 |
| Other machinery and parts | 582 | 459 |
| Electrical apparatus and parts | 76 | 401 |
| Aircraft and aircraft parts | 51 | 378 |
| Sausage casings | 234 | 369 |
| Parts of farm implements | 226 | 358 |
| Sandpaper and emery cloth | 286 | 315 |
| Farm tractors | nil | 259 |
| Papermakers' felts | 124 | 245 |
| Paper and pulp mill machinery | 161 | 228 |
| Canned ham | nil | 221 |
| Other motor vehicles and parts | 113 | 218 |
| Taps and dies | nil | 208 |
| Typewriters | 71 | 203 |
| Metalworking machinery | 99 | 189 |
| Sulphite pulp | 6 | 178 |
| Calcium compounds | 170 | 175 |
| Synthetic fibre fabrics | 79 | 154 |
| Manufactures of non-ferrous metals | 54 | 136 |
| Aircraft engines and parts | 99 | 133 |
| Cotton fabrics | 31 | 108 |
| Clocks and watches and parts | 25 | 99 |

*Not separately shown before 1960.



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million in the first half of 1960 and by £136 million in the second half. At the end of December the reserves stood at £376 million.

### Controlling Inflation

In announcing the removal of import licensing in February 1960, the Government stated that one of its intentions in taking this step was to attempt to control inflation to a greater extent and to permit a rise in imports to meet real deficiencies in local requirements. In the Budget in August, it provided for a close balance between expenditure and income and for some increase in revenue by a slight rise in income tax. In November, following a continued substantial deterioration in the overseas reserves, it introduced a number of measures designed to slow down the rate of growth of the economy and decrease imports. The principal ones were a substantial increase in credit restrictions, a rise in the motor vehicles sales tax, and the refusal to permit any longer the deduction from income tax on corporations of interest on convertible notes.

There is evidence that the measures adopted in November are beginning to take effect. Sales of motor vehicles have slumped and this has resulted in some layoffs in the industry. The rate of housebuilding has declined and stocks of timber, both locally produced and imported, have increased. The volume of new consumer credit outstanding has contracted and appliance sales have gone down. The amount of land speculation has declined. There is evidence also of an accumulation of inventories for a range of goods in addition to timber. There has been some dropping off in industrial production in recent weeks.

So far the government measures and their effects have not been reflected in the import figures. In the three months, December 1960 and January and February 1961, imports reached an annual level of £1,144 million. However, some evidence is developing that import levels too should decline relatively soon. Importers have been slower in moving goods out of the bond warehouses in recent weeks and the import community has become increasingly reluctant to undertake new overseas commitments.

### Will Import Controls Return?

There has been some pressure in recent weeks for the reimposition of import controls, on the grounds that the measures taken by the Government have had an adverse effect upon economic activity within the country but have not had a direct and favourable effect upon the balance of payments.

The Government has stated that it does not intend to alter its basic policies, which are to provide for stable economic growth, and that it will not reimpose import restrictions in present circumstances. Ministers have asserted that the Government will, however, modify its program as changed economic conditions warrant. For example, the extra sales tax on motor vehicles that was introduced in November was removed late in February. Government spokesmen have stressed that most of those who were laid off in the motor and other industries recently have found jobs elsewhere and that in the last few months quite serious shortages of labour have cropped up in some sectors.

### Canada Doubles Sales

As a result of the economic boom and the removal of import restrictions, Canadian exports to Australia in 1960 increased substantially—to \$99 million from \$54 million in 1959, or almost 100 per cent. Australia now ranks as Canada's fifth export market. As the attached table shows, there have been substantial gains in exports of long-standing importance in Canadian trade with Australia, such as lumber, pulp, newsprint, aluminum, motor cars and parts, and a range of raw materials. In addition, however, Canadian sales to Australia of producers' goods such as machinery, chemicals, and components for industry have also expanded greatly.

Not only has there been a substantial increase in exports but also an increasing diversification. The number of commodities exported to Australia in 1959 was 176; in 1960, the figure climbed to 287. The Australian market is therefore not only of special value and importance to Canada as an outlet for raw materials but (in contrast to most other export markets) is also of particular importance for manufactured goods. The preferential tariff system appears to be a major factor in the diversification of Canadian exports to Australia.

### Prospects in '61

In 1961 Canadian exports to Australia are expected to be influenced by the Government's recent credit and other restrictions; indeed, there was a small decline in the fourth quarter of 1960 compared with the third quarter. It is, however, a cardinal element of the present Government's policy to promote a continued growth of the economy and there appears to be a sound basis for such growth. In the circumstances, therefore, Australia will continue to offer an especially important and favourable market for Canadian goods, although some Canadian products will be affected by the growth and diversification of domestic industry and the rate of increase in Canadian exports will probably not be as great in 1961 as it was in 1960.

### Going to Copenhagen?

Canadian businessmen who wish to visit Copenhagen, Denmark, during the summer should book hotel accommodation well in advance. Recently visitors have found it difficult to get a hotel room. Our Commercial Counsellor in Copenhagen suggests that visitors make early arrangements for hotel accommodation through travel agencies or by writing to the Central Booking Office: Hotelcentralen, Kiosk P, Hovedbanegaarden, Copenhagen, Denmark.

# Advertising Abroad

**In France,** **advertising copy must cater to the Frenchman's strong individuality and sense of good taste—and bear in mind his lack of interest in "keeping up with the Jones's".**

A. G. KNIEWASSER, *Commercial Counsellor, Paris.*

THE advertising business in France has made rapid strides over the past few years. Economic recovery, import liberalization, and the accelerated implementation of EEC trading arrangements have made thousands of new products available to French consumers. The age grouping of the French population is now heavily weighted in favour of young people, and consumers are becoming receptive to new ideas and to new patterns of living. The time is ripe for Canadian exporters interested in this market to reappraise their selling arrangements and to consider appropriate advertising campaigns.

There are over 4,000 individual firms in the advertising business in France today; 600 of them employ more than six people and 120 firms are equipped for market research. All the large agencies are located in Paris. It is estimated that over $325 million was spent in advertising and related services in France last year, or 0.6 per cent of the gross national product; this works out to about $7.00 per capita. These expenditures will double over the next ten years as an increasing percentage of personal income is spent on branded goods and consumer durables—a trend that is already well established.

Many of the large international advertising agencies well known in Canada are active in France. They have found Paris an effective centre for their operations and a number of them use their Paris offices as a base of operations for the six countries making up the European Economic Community. All of them have developed close and useful relations with the offices of the many foreign governments and international agencies located here. Through these


*Among the Canadian enterprises making good use of advertising media in France is Trans-Canada Air Lines, stimulating business for its new DC-8 jets. Here is a typical advertisement that appeared a short time ago in a French newspaper.*




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contacts, new business is being developed in other European countries and elsewhere.

### How the Industry Works

Naturally, an industry like advertising, which must be sensitive to national psychology and predilections, has developed along traditional French lines. The standard of workmanship is high. Advertising copy, films, posters, and radio spot announcements are carefully and artistically prepared. A strong effort is made to appeal to the unshakeable individualism of the French consumer and to his sense of good taste. The industry is not as high pressure as in North America nor does it move as swiftly. In recent years it has made rapid progress in bringing into effect modern advertising techniques but to be rewarding, these must always be adapted to a French context. An appeal to consumers is apt to be more successful, for example, if it stresses quality rather than common use. What the next-door neighbour and his family buy is of much less concern in France than it is in North America.

Canadian businessmen who advertise here must keep in mind that advertising copy suited to Canadian tastes may well be ineffective or even detrimental in France. The services of a reliable and experienced French advertising agency are indispensable. Appropriate arrangements can be made through Canadian agencies which have correspondents in France or directly with the industry centered in Paris.

### Decentralization Recommended

Another important point to keep in mind is that, although Paris is the business and administrative centre of the country, advertising in the provinces can often bring good results. The Parisian is overwhelmed daily with advertising from all sides and by the innumerable trade salons and expositions for which this city is famous. Generally speaking, one must spend a great many advertising dollars in Paris to make an impression. A local airline, for example, reports considerable success as a result of a revised advertising campaign based on limited poster and point-of-sale advertising in Paris and an intensive newspaper and direct mail effort in selected provinces.

The important thing to keep in mind in these matters is that, for the first time in twenty years, French consumers in such cities as Marseilles, Lyon, Strasbourg, Lille and Bordeaux can now buy from Canada almost any product they wish. During 1961 import controls are scheduled to be removed on all non-agricultural products. Businessmen in the provinces no longer have to deal through importers or distributors in Paris who have been successful in securing import licences. They can now make their own arrangements and their decisions can be affected by well conceived advertising.

### Trade Press Important

Another way of stretching advertising dollars in France is by making use of the trade press. Industry here is highly organized. Most French trade associations or "groupements" publish monthly reviews which include advertising material. Rates in these publications are low in relation to Paris dailies and promotion material stands a good chance of reaching prospective buyers. Support of local industry associations in this way can also be good public relations. Industry yearbooks are common and have a high prestige value.

### Newspapers and Periodicals

Newspapers and periodicals are the most widely used media for advertising in France. The *Annuaire de la Presse,* the French press directory, lists 15,000 newspapers and periodicals which are published regularly.

### Advertising Rates for Leading French Periodicals

| Title | Circulation | Black & white full page (new francs) | Colour page (new francs) |
|---|---|---|---|
| *Paris-Match* | 1,564,000 | 21,500 | 35,000 |
| *Jours de France* | 427,000 | 5,000 | 10,000 |
| *Sélection* | 1,216,000 | 7,600 | 8,900 |
| *Constellation* | 532,000 | 3,100 | 4,500 |
| *Noir et Blanc* | 291,000 | 4,000 | |
| *Point de Vue (Images du Monde)* | 237,600 | 3,000 | 5,000 |
| **Women's Magazines** | | | |
| *Marie Claire* | 1,065,000 | 18,700 | 32,000 |
| *Marie France* | 717,000 | 11,500 | 21,000 |
| *Elle* | 638,000 | 8,100 | 19,500 |
| *Echo de la Mode* | 963,000 | 10,000 | 15,000 |
| *Bonnes Soirées* | 609,000 | 6,600 | 10,000 |
| *Femmes d'Aujourd'hui* | 834,000 | 8,800 | 14,500 |
| *Nous Deux* | 1,449,000 | 15,000 | 26,000 |
| *Intimité* | 651,000 | 7,000 | 9,000 |
| *Confidences* | 448,000 | 7,500 | 9,000 |
| *Vie Catholique Illustrée* | 565,000 | 6,500 | 15,000 |

| Title | Weekend Papers Circulation | Price per printed line (new francs) |
|---|---|---|
| *France-Dimanche* | 743,000 | 4.00 |
| *Ici Paris* | 835,000 | 5.00 |
| *La Presse* | 200,000 | 3.50 |
| *Journal du Dimanche* | 644,000 | 9.50 |

Current rates subject to change.

Generally speaking, to be effective newspaper advertising must be intensive. Local advertising agencies are in a position to advise on the selection of an appropriate publication and can arrange for the preparation of appealing copy.

The tables accompanying this article list the principal newspapers and periodicals and give an indication of circulation and advertising costs.

**ADVERTISING RATES FOR PARIS DAILIES**

| Titles | Circulation | *Price per printed line (paid space) (new francs) |
|---|---|---|
| *Figaro* | 405,000 | 9.50 |
| *l'Aurore* | 372,000 | 9.00 |
| *Parisien Libéré* | 759,000 | 14.00 |
| *Combat* | 65,000 | 6.00 |
| *Libération* | 116,000 | 6.00 |
| *Paris Jour* | 175,000 | 6.00 |
| *France Soir* | 1,138,000 | 25.00 |
| *Paris-Presse* | 105,000 | 25.00 |
| *Le Monde* | 156,000 | 4.50 |

*Current rates subject to change.

## Radio, Television, Cinema

Advertising is not permitted on the French radio or television networks, which are government controlled. However, French-language transmitters in Luxembourg, The Saar, Monte Carlo and Andorra do a booming business in advertising products to French listeners. These stations maintain business offices in Paris which arrange for advertising spots. The peak listening periods are between 12.30 and 1.30 p.m. and between 7.30 and 9 p.m. Advertising rates vary greatly, depending on the length of time, the hour of broadcasting, and the station. They tend, on the whole, to be slightly lower than in Canada.

Advertising in French cinemas is now well established and is effective for many products. It is the practice to show promotion slides or films before feature presentations and during intermissions in regular programs. Close to 70 per cent of French moviegoers are under 40 and cinema advertising is consequently designed to appeal to the young and has a high entertainment value. Advertising slides and films are skilfully prepared, usually in colour, and often humorous. They are also expensive. One theatre chain, for example, charges $16,000 for the right to show a one-minute film for eight weeks in its 405 theatres in the Paris area.

There are three experienced firms in Paris in the business of preparing slides and films for cinema advertising.

## Outdoor Advertising

Posters and billboards are used, but not as much as in Canada. Prices vary enormously with the desirability of the location and the season. Some three million people leave Paris during July and August and advertising rates decline sharply. During the peak winter season, a painted textile panel 25 by 20 feet in the Champs-Elysées costs about $4,500 per month. Billboards along national highways are strictly controlled.

A wide range of advertising appears throughout the national transportation system. Railways, metros and buses are nationalized but are eager for publicity material. Two Paris companies control all advertising for subways, buses and trains.

## Direct Mail

Other forms of advertising—such as direct mail campaigns, point-of-sale displays and handouts—are also important. To be effective, they must of course be done well and capitalize on something distinctive or unusual. A Canadian airline recently sent large imitation telegrams announcing a new jet service to prospective clients, signed "Monsieur Castor". The Canadian "beaver" theme was continued with great success in an intensive direct mail campaign.

A local biscuit manufacturer is currently shipping his products in cartons that convert to shopping bags—an ingenious idea in a country where groceries are generally unwrapped and housewives have to juggle their purchases through busy streets.

## Government Regulations

There are many government controls on advertising. Pharmaceutical advertising is strictly supervised by the Ministry of Health. Alcoholic beverages can be promoted by brand name only. Other regulations prescribe conditions for advertising in theatres and public places. The services of an experienced local agency are needed to avoid difficulties.

A general tax of 9.29 per cent is levied on all advertising appearing in officially registered newspapers and periodicals, at the movies and on billboards. This tax is refundable if the products are manufactured in France.

## Public Relations Important

Canadian businessmen are in a particularly favourable position in France. Historical and cultural ties are close and important. Canadians are warmly received but in turn are expected to sympathize with France in terms of sentiment, language and common goals. Participation in community activities, Chambers of Commerce, trade associations and, above all, the use of the French language whenever possible will be interpreted here as good manners and consequently good business sense.

Effective public relations with the press and trade associations can lead to favourable news stories in influential newspapers and even on the nationalized radio and television networks, which do not accept advertising material.

It is becoming increasingly important to consider advertising in promoting export business in France. There are many new trade opportunities here and Canadian Trade Officers in Paris are convinced that appropriate advertising programs can, in many cases, lead to new sales. They are in a position to assist Canadian businessmen in making suitable arrangements. ●

# Philippines Develops Hydro Power

**Growth of industry has emphasized need and stimulated planning for new hydroelectric projects; market for power equipment and machinery will increase when projects are implemented.**

R. MORANTTE,
*Office of the Consul General and Trade Commissioner, Manila.*

SINCE the Second World War, the Philippines has made good progress in building up more industry. As a result, the need for increasing amounts of electrical power has become acute. Both government and private interests have been devoting considerable attention to this critical problem. Canadian firms might do well to consider opportunities opening up as a consequence of the rapidly developing hydroelectric program.

Electricity has great importance for the Philippines as a source of energy because the islands lack adequate coal and oil deposits. Cost of power generated by thermal units is high because fuel must be imported. Accordingly, increasing emphasis is being placed on developing hydroelectric resources.

The waterpower potential in the Philippines is estimated at 2.3 million kilowatts. The Government owns four major hydroelectric installations with an aggregate capacity of 261,000 kw., built at a cost of about U.S.$133 million. The five privately owned hydroelectric plants have a total generating capacity of about 15,000 kw. One large plant at Botocan, Laguna, accounts for approximately 93 per cent of private output.

The initial major postwar hydroelectric power project was the Maria Cristina Falls plant which harnessed the Agus River. The two-unit plant, located on the island of Mindanao, was completed in May 1953 and began operations in July. It has an installed capacity of 50,000 kw. and available energy of 420 million kwh. per year. It is the first of a projected series of plants along the Agus. When fully developed, they will together have a total maximum capacity of 750,000 kw. and 4.99 billion kwh. of available energy annually. Under the government-owned National Power Corporation's next ten-year power program for the Agus, two 50,000 kw. units will be constructed at the Maria Cristina plant and an additional 100,000 kw. unit is planned.

The second major postwar hydroelectric project to be completed was the Ambuklao plant, located on the Agno River in northern Luzon. It cost U.S.$66 million and has a capacity of 75,000 kw. (the river has a potential capacity of 420,000 kw.). Last year the Binga hydroelectric plant (Agno No. 2) was completed. The cost of building its four units, each with a capacity of 25,000 kw., was U.S.$52.5 million. Plans call for the construction of four additional hydroelectric power plants along the Agno, with planned capacities ranging from 45,000 to 75,000 kw. The Ambuklao and Binga plants provide power for Manila, Baguio, the mines in Mt. Province, and the provinces of La Union, Pangasinan, Tarlac, Pampanga and Bataan.

## Overcoming Future Shortages

The completion of the Binga plant did much to alleviate power shortages experienced by industries in and around Manila during 1959. However, power shortage is expected in the greater Manila area and the Maria Cristina Falls region because of accelerated industrialization and increasing numbers of domestic users. Consequently, three major projects for immediate attention are the Angat River project in Bulacan, Marikina River in Rizal (both on Luzon), and the Lake Lanao-Agus River basin in Lanao on Mindanao island.

Another major project in the ten-year program is the Agus River grid in northern Mindanao, which will interconnect the Maria Cristina Falls in Lanao with the Agusan River power system in Cagayan de

**POWER DEVELOPMENT SCHEMES***

| | No. of Generating Units | Total Capacity (kw.) | Estimated cost U.S.$'000 | Anticipated date of completion |
|---|---|---|---|---|
| Amlan River No. 1 (Negros Oriental) | 2 | 400 | 718 | March 1961 |
| Angat Project (Bulacan) | 4 | 136,000 | 64,500 | December 1963 |
| Tabu (Mt. Province) | 3 | 75,000 | 40,000 | July 1968 |
| Bao River (Leyte) | 1 | 350 | 340 | December 1962 |
| Mantayupan (Cebu) | 1 | 500 | 360 | December 1962 |
| Quinali (Albay) | 1 | 1,500 | 1,350 | December 1962 |
| Talomo No. 4 (Davao City) | 1 | 1,200 | 800 | December 1962 |
| Nalwalan River (Leyte) | 1 | 500 | 425 | December 1964 |
| Mablaran River (Romblon) | 1 | 200 | 180 | July 1966 |
| Cagaycay River (Camarines Sur) | 1 | 400 | 340 | July 1968 |
| Dumacaa No. 1 (Quezon) | 1 | 600 | 500 | July 1970 |
| Maria Cristina Unit 3 (Lanao) | 1 | 50,000 | 9,500 | July 1964 |
| Agus No. 2 (Lanao) | 2 | 100,000 | 26,500 | July 1964 |
| Maria Cristina Unit 4 (Lanao) | 1 | 50,000 | 7,100 | July 1966 |

*Source: National Power Corporation, Manila, Philippines.

Oro. This is in line with the industrial expansion planned for this area with the establishment of the proposed Iligan integrated steel mill, operated by the National Steel and Shipyards Corporation (a government company) as the nucleus; the World Bank has just approved a $70 million loan for this project. At present, the area also has fertilizer, carbide and cement plants which take power from the Maria Cristina Falls. A flour mill and an aluminum plant are planned for the same site in the near future.

### Financing Power Program

The cost of the Philippine power program is estimated at U.S.$314 million. To raise this amount, the National Power Corporation will rely partly on its own earnings, and on increased capitalization, foreign loans and local bond issues. In the past, dollar loans have been obtained from the U.S. Import-Export Bank and the World Bank. The World Bank is said to have approved the loans for the Angat River project but so far no formal agreement between the Philippine Government and the World Bank has been announced.

When dollar loans are obtained from foreign banks to build hydroelectric plants, it is usually stipulated that a foreign engineering consultant be employed. Generally, the lending bodies maintain a list of approved consultants from which the Philippines may choose. Canadian engineering consultants interested may wish to submit their names to the banks mentioned above for inclusion in their lists.

### Import from Many Sources

Tenders are let for machinery and equipment and bids are accepted from any country. The Ambuklao project used equipment, machinery and materials from many sources. French hydraulic turbines are coupled to American generators; floodwaters are released by German-made spillway gates, and water for the turbines is controlled by Swiss valves. The powerhouse crane is Italian and the electric output is transmitted over Canadian aluminum cables suspended over U.S. insulators and steel transmission towers. At the receiving end sub-station, the transformers and switchgear are from the United States and synchronous condensers are French. A major portion of the cement used was from Taiwan and some reinforcing steel came from Japan.

### Opportunities in Future

Opportunities for Canadian participation in the development of the Philippines' waterpower resources seem possible because nearly all machinery and equipment for hydroelectric plants is imported. Canadian exporters interested in supplying products in this field should contact the general manager of the National Power Corporation, Manila, providing full information on their line. They should also establish connections with firms in the Philippines in a position to know the market requirements. Inquiries may also be addressed to the Canadian Consulate General, P.O. Box 1825, Manila, Philippines. ●

# India Expands Fertilizer Industry II

**How can Canadians profit from India's plans to step up fertilizer production and imports sharply in the next few years? In the second part of his study (the first was published in our May 20 issue) the author answers this vital question.**

J. R. MIDWINTER, *Commercial Secretary, New Delhi.*

EUROPEAN, United States and Japanese firms are demonstrating considerable interest in the market provided for equipment and engineering services by the expansion of the Indian fertilizer industry—an expansion, incidentally, that is certain to continue long after the close of the Third Five Year Plan. There are opportunities for Canadian equipment manufacturers and engineering firms, though the competition is severe and the controls resulting from India's foreign exchange shortage present difficult obstacles.

In the private sector, an Indian entrepreneur who wishes to set up a major factory or expand existing facilities substantially must first obtain an industrial licence from the Central Government. Where equipment and/or technical collaboration is required from abroad, as is currently the case with fertilizer plants, the applicant must set out all details and obtain permission for each transaction. Private imports into India may only take place against import licences.

### Importing Capital Equipment

In view of the shortage of foreign exchange, the import control authorities have ruled that applications to import capital equipment will probably be rejected unless either:

• the importer can himself make satisfactory arrangements for raising external finance, or

• the import can be paid for under any loans, payment arrangements or foreign aid grants available to the Government (the U.S. Development Loan Fund, the rupee payment agreements in force between India and the Soviet Bloc, the Colombo Plan. etc.).

So far as the importer arranging his own finance is concerned, the import control authorities in most cases require that this be covered by:

1. Foreign capital investment and collaboration agreements sufficient to cover the cost of the plant, equipment and services required and not likely to be repatriated within ten years.

2. Long-term loans in foreign currency from bodies like the International Finance Corporation, the Commonwealth Development Finance Corporation and the Export-Import Bank.

3. The seller's willingness to accept non-convertible Indian rupees and/or some form of barter.

Of the above, the first alternative is the most popular and, indeed, the joint ventures resulting have become the typical entrepreneurial method in India today. The Indian partner puts up the rupee capital required while the foreign partner provides equipment, knowhow, patents, etc., in exchange for an equity share (almost always less than 50 per cent) in the venture. The foreign partner eventually receives payment in the form of dividends and/or repatriation of capital.

Medium-term credit or other deferred payment arrangements are only approved in exceptional cases, when the Government is satisfied that the savings in foreign exchange resulting from the operation of the capital goods being imported will more than suffice to offset their cost. Because of the priority attached to fertilizers, this criterion might well be applied to imports of equipment for their manufacture. But to qualify, Canadian equipment would have to be very competitively priced or its performance clearly superior.

Throughout, the Government's aim is to keep to a minimum the country's immediate foreign exchange obligations. It must be emphasized that finding foreign exchange financing is the most difficult problem facing Indian promoters of any new project. Whoever provides this financing controls the entire project. Many suppliers in Europe, the United States and Japan (not to mention the Soviet Bloc) seem prepared to accommodate India on this point. For Canadian suppliers, therefore, India must be considered most emphatically a buyer's market. It is to be hoped, however, that Canadian firms will be able to take advantage of the new Canadian export financing facilities to meet the credit competition from other suppliers.

Purchase of equipment and services for fertilizer plants in the public sector, to which the import and industrial licensing requirements do not apply, has generally been on the basis of global tender. However, the objective of minimizing immediate obligations exists as in the private sector and the same principles apply.

## Sulphur Imports Needed

Of the two principal raw materials—phosphate rock and sulphur—which India must import to feed its growing fertilizer industry, the latter is of direct interest to Canada.

India currently imports about 140,000 long tons a year of sulphur, almost all from the United States. The sulphuric acid industry, which now operates almost wholly on imported sulphur, consumes approximately three-quarters of this tonnage. In turn, fertilizer manufacture takes two-thirds of the sulphuric acid produced. Indeed, most Indian acid capacity is found in association with fertilizer factories. Production figures for sulphuric acid therefore provide a good guide to requirements of sulphur on the one hand and its application to the fertilizer industry on the other. These are set out in the accompanying table.

**Production of Sulphuric Acid**
**(in long tons)**

| | |
|---|---|
| 1948 | 80,004 |
| 1951 | 106,932 |
| 1954 | 150,876 |
| 1957 | 196,068 |
| 1958 | 226,584 |
| 1959 | 275,124 |
| 1960 | 360,000‡ |
| 1960-61 | 400,000* |
| 1965-66 | 1,250,000† |

*Fiscal year—planned output.
†This figure represents planned production.
‡Preliminary estimate.

Provided fertilizer and hence sulphuric acid production expand as planned, India's requirements of sulphur may be expected to climb to between 400 and 500,000 long tons by 1965-66.

The Government is endeavouring to meet some of the growing demand from domestic sources but geologists have not so far uncovered commercial deposits of elemental sulphur. Resources of sulphide ores and sulphur-bearing natural gas are also meagre. The Government therefore bases its main hopes on gypsum and pyrites, especially the latter. At Amjor in Bihar State a fairly extensive pyrites ore body has been proven up. The Government has announced that it will develop this ore body as a Third Five Year Plan project. Plans call for extraction of sulphur at the rate initially of 200-300 long tons a day. The Fertilizer Corporation of India Ltd.'s Sindri plant uses gypsum directly instead of sulphuric acid in its production of ammonium sulphate and this gypsum process is planned for one or two other proposed plants. India's gypsum resources, however, are by no means unlimited.

It is doubtful whether exploitation of the Amjor deposits, even supplemented by more intensive use of gypsum, sulphide ores, coke-oven gas, etc., could produce as much as 200,000 long tons a year of sulphur in elemental or contained forms. Adoption of fertilizers that do not require sulphur is possible only to a limited extent. Imports therefore will have to double or triple during the Third Five Year Plan if fertilizer production is to attain the targets set for it.

Indian consumers have been demonstrating considerable interest in the possibility of sulphur becoming available from Canada. They appear anxious to find alternative suppliers to the sulphur export syndicate of the Gulf States in the U.S., although sulphur from that source is currently being landed in Indian ports for as little as U.S. $29-30 c.i.f. per long ton. Canadian producers, if they are able to settle transportation problems and are prepared to meet stiff competition from existing U.S. suppliers (probably from France as well), could find India a potentially significant outlet for many years to come.

Quotations should be for bulk sulphur f.o.b. Vancouver or c.i.f. Indian port; where necessary, bagging of sulphur can be carried out on arrival in India. Import licences are issued mostly to actual users of sulphur; however, appointment of an agent to solicit orders and to supervise unloading and bagging is desirable.

## Import of Fertilizers

The Indian Government dominates import trading in fertilizers through direct purchases, through the activities of the government-owned State Trading Corporation, and through distribution of fertilizers provided under Canadian and United States aid programs.

All indigeneously-produced and imported nitrogenous fertilizers are distributed from a Central Fertilizer Pool operated by the Central Government's Ministry of Food and Agriculture. Once or more each year, after taking into account the availability of foreign exchange, the Government's procurement agency in the Ministry of Works, Housing and Supply issues global tenders for nitrogenous fertilizers to make up the difference between demand and supply. Purchases under these tenders over the past several years are shown in the accompanying table. Principal suppliers have been Japan and West Germany.

**INDIA'S PURCHASES BY TENDER OF NITROGENOUS FERTILIZERS**

**1956-57 to 1960-61**

| Year of tender | Ammonium sulphate | Ammonium sulphate nitrate | Urea | Calcium ammonium nitrate |
|---|---|---|---|---|
| | (in long tons) | | | |
| 1956-57 | 330,000 | 25,000 | 45,000 | 10,000 |
| 1957-58 | 50,000 | 65,000 | 60,000 | 30,000 |
| 1958-59 | 160,000 | 32,000 | 57,000 | 40,000 |
| 1959-60 | 110,000 | 40,000 | 60,000 | 41,000 |
| 1960-61 | 185,000 | 50,000 | 114,000 | 43,000 |

The Office of the Commercial Counsellor, New Delhi, receives all tender notices and is able to give full details to interested Canadians.

The State Trading Corporation was originally organized to carry out transactions between India and the Soviet Bloc. Its operations, however, have steadily expanded into other fields as well. For fertilizers, the Government has named the Corporation the only importer of sodium nitrate, muriate of potash, ammonium sulphate and ammonium nitrate, except for its own purchases by tender. The Corporation's purchases of fertilizers in fiscal year 1958-59 totalled 77,000 long tons, mostly muriate of potash from East Germany.

The only imports allowed through private channels are triple superphosphate (by sugar mills) and sulphate of potash. These currently amount annually to about 5,000 and 10,000 long tons respectively.

Both the United States and Canada have financed a considerable volume of imports through their aid programs. Since 1951 the United States has supplied approximately 500,000 tons of nitrogenous fertilizers, plus, in 1958, 13,000 tons of triple superphosphate and other higher phosphates to introduce these fertilizers on an extensive scale. A considerable proportion of this material has been purchased in Italy, France and Japan with local currencies generated by the sale to them of U.S. agricultural surpluses.

As part of its 1958-59 and 1959-60 Colombo Plan programs, Canada made available to India about 100,000 long tons of ammonium sulphate and 10,000 of ammonium phosphate.

## Prospects for Canadians

Continued imports of nitrogenous fertilizers will probably be necessary for several years. In the long run, however, the Government clearly intends that India's requirements be met entirely from domestic production. This limitation applies also to phosphate fertilizers.

The best long-term prospect for Canadian firms therefore lies in potash fertilizers. Only about 1,500 tons a year of low-grade potash is produced from Indian salt bitterns and little expansion seems possible. In its Third Five Year Plan, the Government bases its potash consumption intentions (200,000 long tons a year in terms of $K_2O$ by 1961-66) on imported potash.

Indian imports, until now very small, have been obtained during recent years mostly from France and West Germany. In 1959, however, East Germany became the chief supplier; purchases were made under a rupee payment arrangement. This makes for stiff competition but nevertheless, India does present a potentially important outlet for Canadian potash. ●

## BUSINESSMAN'S BOOKSHELF

**Guide to Legislation on Restrictive Business Practices, Europe and North America, Volumes I, II and III**

*European Productivity Agency for the OEEC. $6.00 per volume.**

IN February 1960, the first two volumes in a series designed to bring together information on legislation covering restrictive business practices in member countries of the OEEC, and the economic implications of its application, made their appearance. Volume one covered Germany, Denmark, Ireland, France and Italy, and Volume II the Netherlands, Norway, Sweden, the United Kingdom, and the United States. Volume III has now been published; it deals with legislation in Austria, Portugal and Canada and gives information on the regulations drawn up by the European Coal and Steel Community and the European Economic Community. It also includes a useful selected international bibliography on restrictive business practices.

Like its predecessors, the new volume has a chapter for each country, giving the text of current legislation, plus explanatory notes, a digest of administrative and court decisions, and a bibliography.

The creation of wider markets gives special importance to the question of restrictive business practices, including cartels, combines, monopolies, resale price maintenance and other matters coming within this general field. This guide (which will be brought up to date from time to time) is therefore expected to prove valuable not only to government experts responsible for policy in this field, but also to industrialists and to many companies interested in economic developments in and in trade with the countries covered. A fourth volume, scheduled to come from the press this year, will deal with Belgium, Luxembourg and Switzerland.

*Order from: European Productivity Agency, OEEC, 2 rue André-Pascal, Paris 16e, France.*

**Africa in Perspective**

*By H. Wynn Jones. 220 pages. $5.75.*

MR. JONES attempts an ambitious undertaking in tracing the development of the entire African continent from the days of the ancient Pharoahs to the modern independence movements. Tracing the racial, economic and political development of the continent, he presents a readable account of Africa's explorers, its pioneers and even its slave traders. For anyone who is interested in a general account of Africa's progress, the book is an excellent one.

Writing chronologically, Mr. Jones is able to fill in many of the pieces which make up the African puzzle and thus help the everyday reader to understand the forces currently at work in the continent. Perplexed as we are with the numerous emerging states and the continued racial and political strife, he helps to make clear the continent's present status.

Of particular concern to the businessman are chapters 10 and 11, which give a concise summary of Africa's changing and developing economy and venture into the realm of prediction. With a land area three times that of Europe and a population greater than the U.S.S.R., the continent presents a challenge for the rest of the world. Mr. Jones's book can help Canadians to better understand, and possibly deal with, this challenge.

*Order from: Smithers & Bonelli, 266 King Street West, Toronto "B", Ontario.*

**Canadian Economic Policy**

*By T. N. Brewis, H. E. English, Anthony Scott, Pauline Jewett, and J. E. Gander. 365 pages. $5.50.*

WHAT is the Canadian economic policy? Very few Canadian businessmen could answer that question adequately, and yet it is vital that we know and understand it. For this reason, *Canadian Economic Policy* is a welcome contribution in this field.

Each of the four sections explores a significant area. Part I takes a look at how government in Canada affects the way in which human and material resources are allocated among various alternative uses. To what extent, and in what way, does government intervention modify consumer sovereignty?

The influence of government policy on economic stability is the subject of Part II. In the quarter century since Keynes's *General Theory,* fluctuations in the level of national economic activity have been politically unacceptable. Consequently, the role of government has been correspondingly expanded. Does government perform this task adequately?

Part III, entitled "Economic Welfare and International Aspects of Policy", is a comprehensive view of two diverse topics. Professors English and Brewis examine the problems of equitable income distribution. Then Professor Brewis takes a quick look at our international economic relations.

In Part IV, the nature of policy determination is scrutinized. How does government form economic policy?

A useful appendix by J. E. Gander of the Dominion Bureau of Statistics discusses the problems involved in the measurement of employment and income.

This is a book written by university professors for university students. A businessman a bit rusty in economic theory would likely find it difficult reading.

*Volumes I and II must be purchased together.

If he persists, however, he will benefit from a comprehensive discussion of many vital aspects of the Canadian economic scene.

*Published by: Macmillan Co. of Canada, 70 Bond Street, Toronto 2, Ontario.*

### Nigeria—An Industrial Reconnaissance

*Federation of British Industries. 54 pages. 0/7/6.*

UPON Nigeria's emergence as a sovereign nation, a group of British industrialists was invited to study its economy and recommend steps to be taken to ensure orderly, self-sustaining growth. The subsequent report by the Federation of British Industries provides an excellent insight into the industrialization problems facing an underdeveloped country.

Primarily an agricultural economy, this nation of 40 million is at the stage where it could support paper and board, rubber, and iron and steel industries to complement its existing paper conversion, commercial vehicle, and construction industries. All of these are studied in some detail from the investor's and developer's viewpoint. Information given on trade, industrial development, investment incentives and local government policies indicates a stable, free-enterprise oriented development.

This booklet would prove a useful guide to any Canadian manufacturer or investor interested in this African country and particularly to those who intend to participate in the Canadian Trade Fair in Nigeria early next year.

*Order from: Federation of British Industries, 21 Tothill Street, London S.W. 1, England.*

### Overseas Newspapers and Periodicals

*Publishing & Distributing Co. Ltd. 464 pages. 30/-*

THE exporter who is thinking about advertising his product in foreign countries might find this directory a useful addition to his business library. Beginning with Africa and the Middle East, it lists newspapers and periodicals in the various countries in each geographic area. Each listing gives the name of the publication, classification if it is a periodical, language, frequency of issue, circulation, and advertising rates (subject to change). The 69 classifications begin with "advertising" and end with "wood and woodwork".

The publisher points out that certain countries have so many newspapers and magazines that they require individual directories; this accounts for the mere ten periodicals in the "Canada" section—a rather odd assortment. Some of the countries, it seems to this reviewer, are more adequately covered than others; for example, there are no newspapers listed for Ghana and only two for Nigeria. The introduction points out that all the publications included "accept business from our company on behalf of our clients". The directory concludes with a country index of annuals, directories, who's who, and press guides.

*Order from: Publishing & Distributing Co. Ltd., Mitre House, 177 Regent Street, London, W.1, England.*

### Vegetable Oils and Oilseeds, Industrial Fibres

*Intelligence Branch of the Commonwealth Economic Committee. 206 pages and 236 pages respectively. $1.88 each.*

ARE you interested in the production and consumption of and the trade in wool, cotton, coir, kapok, or rapeseed, soya beans, pulghere and babassu? If you are, then *Industrial Fibres* and *Vegetable Oils and Oilseeds* are for you. These two soft-cover volumes present material in specialized fields, according to their prefaces, " in convenient form (with) up-to-date summaries of production, international trade and consumption for a group of allied commodities, with special reference to the part played by the countries of the Commonwealth."

In a clear, concise manner *Vegetable Oils and Oilseeds* deals with groundnuts, cottonseed, soya beans, rapeseed, sunflower seed, sesame seed, olive oil, coconut palm products, oil palm products, linseed, castor seed, tung oil, and more than twenty miscellaneous oilseeds and vegetable oils.

*Industrial Fibres* considers wool, cotton, rayon and acetate, non-cellulosic man-made fibres, silk, mohair and other fine hair, flax, hemp (including sisal), jute (including allied fibres), coir and kapok.

In appendices, the finishing touches are provided. In *Vegetable Oils and Oilseeds* there is a treatment of the harvest calendar for the various vegetable oils and oilseeds; estimated supply and disposal of vegetable oils in principal countries; soap, margarine and compound cooking fat; whale oil, and import duties imposed on vegetable oils and oilseeds by principal countries. In *Industrial Fibres* there is information on government measures affecting industrial fibres (such as cotton, wool and silk) in certain countries; cotton planting and picking dates; fibre lengths and varieties in producing countries; world trade in rayon and acetate yarn broken down into filament and spun yarn; import duties in principal countries; export duties and bonuses in India and Pakistan; prices of fibres in the United Kingdom; and fibre consumption in the United States.

Companies producing or exporting any of the commodities which fall within the subject matter of the two volumes might be interested in obtaining these publications. Both of them are based on material obtainable as of March 1960 and each provides a well-documented review of commodity conditions in its field.

*Order from: United Kingdom Information Service, 119 Adelaide Street West, Toronto, Ont.*

# Latin America's Free Trade Area

## Membership - Objectives - Organization

L. H. BROWN, *Latin American Division.*

ON May 2 the new Latin American Free Trade Area was formally inaugurated. On this date Argentina, Brazil, Chile, Peru, Uruguay and Mexico simultaneously deposited their instruments of ratification of the Montevideo Treaty at the headquarters of the free trade association in Montevideo. By the terms of the treaty, the free trade agreement will formally come into force for these countries thirty days after this event.

### The Montevideo Treaty

The Latin American Free Trade Association (LAFTA) was created by the Montevideo Treaty which was signed in February 1960 by the Foreign Ministers of Argentina, Brazil, Chile, Peru, Uruguay, Mexico, and Paraguay. It was subsequently ratified by the legislatures of all seven. Paraguay, however, has not yet deposited its instruments of ratification.

The Montevideo Treaty grew out of studies that the United Nations' Economic Commission for Latin America initiated in 1956 with a view to the establishment of a common market covering all of Latin America. In keeping with this concept, the Montevideo Treaty provides that membership in the Latin American Free Trade Association is open to all Latin American countries. Bolivia participated in the preliminary conferences but did not sign the Treaty and has recently announced that she will not joint the LAFTA. However, Colombia and Ecuador have now indicated an interest in participating. (The Central American Republics are moving forward with their own regional integration in the form of a Central American Common Market.)

The Montevideo Treaty provides for the gradual elimination, over a twelve-year period, of all tariff duties, import charges and other restrictions (except consular fees and other charges for services rendered) between the member nations on "the bulk of their reciprocal trade". The freeing of trade is to be accomplished through progressive negotiated reductions of tariffs and other barriers over the transition period.

In addition to annual national lists of restrictions, every three years all the members will agree upon a common or Basic List of irrevocable concessions. At the end of three years this Basic List is to include products covering at least 25 per cent of the intra-regional trade. At the end of six years, this is to increase to 50 per cent and at the end of nine years to cover 75 per cent. At the conclusion of the fourth three-year period it is to cover "the bulk of the value of trade" between the Contracting Parties. In the process, each member will retain its own individual tariff on imports from outside countries.

As the first step in tariff negotiation, each member is drawing up a list of its own products on which it would like the other members to grant duty reductions. These lists are being prepared for a formal exchange of national request lists which is expected to take place shortly for the first negotiation of duty reductions.

### Governing Bodies

The Treaty also provides that the governing bodies of the Free Trade Association shall be a Conference of the High Contracting Parties and a Permanent Committee. The Conference of the High Contracting Parties is the supreme authority of the Association and is empowered to supervise the implementation of the Treaty, to take all decisions that require combined action by the Contracting Parties, and to settle matters of common interest. It will be composed of delegations from the member countries and will meet once a year— or more frequently if the Permanent Committee or one or more of the member states desire a special session. The Permanent Committee is the executive body and will be charged with the administration of the Treaty and the implementation of the decisions taken by the Conference of the High Contracting Parties. In addition it will represent the LAFTA countries in dealings with third countries or international organizations when matters of common interest under the Treaty are involved. Its headquarters will be in Montevideo and it will be composed of a permanent representative of each member country, an executive secretary nominated by the Conference, and a permanent secretariat. The executive secretary will be director of the secretariat, a non-voting member of the plenary committee, and secretary general of the Conference of the High Contracting Parties.

### Future Prospects

The Montevideo Treaty looks towards economic integration and could lead to an eventual common market among its members. The LAFTA countries are planning to adopt a common customs terminology in the form of the Brussels Customs Tariff Nomenclature. At present only Brazil uses the Brussels Nomenclature, but Argentina, Chile, Peru and Uruguay are reportedly rewriting their tariffs.

The existing trade between the six LAFTA countries is composed almost entirely of primary commodities and accounts for only 10 or 12 per cent of their total export trade. Although there has been considerable industrialization since the war, much of it has been established behind high tariff walls. This protectionism, coupled with inadequate intra-regional transport facilities, has been a serious barrier to area trade in industrial products. Now the LAFTA agreement provides a free trade region possessing rich natural resources and a population of about 140 million as a base for future regional development.

The formation of the LAFTA follows the setting up of the two trading blocs in Europe. But under the conditions applying in Latin America, more emphasis is placed on integration as a means of stimulating future economic development and trade.

The Latin American region is an increasingly important export market for Canada. In 1960 our exports to the twenty Latin American republics totalled $185 million, or a little over 3 per cent of our total export trade. Of this, $95 million, or slightly more than one half, was carried on with Argentina, Brazil, Chile, Peru, Uruguay and Mexico. To the extent that economic growth is stimulated in the free trade area, there will be scope for increased and mutually advantageous trade between Canada and the LAFTA countries. ●

# COMMODITY NOTES

### Canned Meat

REPUBLIC OF IRELAND—A joint effort by four meat-canning firms in the Republic has resulted in a contract for the supply of canned steak to the British armed services. The estimated value of this contract is around £1 million—Dublin.

### Comparator

SWITZERLAND—It has recently been announced that a Swiss firm has built and sold an interferential photo-electric comparator which is accurate to a few millionths of a millimeter. The machine will be used to compare the old international meter standard with the new definition of the meter recently adopted by the eleventh General Conference on Weights and Measures—Berne.

### Fertilizer

ECUADOR—Plans for the construction of a fertilizer plant in Guayaquil using sewage waste are being considered by a group of investors. If built the factory may reduce imports of fertilizer which, according to the latest statistics, amounted to $1.4 million, including $464,000 from the United States, $540,000 from West Germany, and $267,000 from the Netherlands—Bogota.

### Freezers

WEST GERMANY—Some 60,000 West German grocers will install deep freezers in the next two years, predicts the German Deep Freezing Institute. Less than one quarter of the country's 170,000 retail food stores now have freezing equipment, but this is eight times as many as in 1956. The number is expected to rise to 100,000 by 1963 to meet the fast-rising demand for frozen foods. Germans bought $64 million worth weighing 52,000 tons last year, 13 times as much as in 1955. There is no end in sight to this trend—Bonn.

### Motor Vehicles

AUSTRALIA—The Australian Holden car (made by a wholly owned subsidiary of General Motors, Detroit) had 33.9 per cent of the Australian car market last year, compared with 38.5 per cent the previous year, according to figures released by the Commonwealth Statistician. Holdens held 71.4 per cent of the market for station wagons during the year (86.9 per cent in 1959) and 36 per cent of the commercial vehicles market (34.8 per cent in 1959). Although the percentage was down, sales were up. In 1960, 66,799 new Holdens were registered (62,785 in 1959)—34,128 station wagons (29,381) and 23,505 commercial vehicles (a drop from 24,722 in 1959). Following Holdens in the market was Ford, with 15.8 per cent (14.4 in 1959), and Volkswagen, 12.4 per cent (10.9)—Melbourne.

FIJI—Nearly 8,000 vehicles were licensed in Fiji at the end of December, about half of them in Suva. Statistics prepared by the headquarters licensing officer list 3,240 private cars, 593 taxis, 358 buses, 2,412 trucks, vans, etc., 833 tractors, 32 mobile cranes and 256 motorcycles. A total of 920 new vehicles were registered during the year, including 397 cars and 170 taxis.

Holdens topped the list of new vehicles registered —86 private cars and 108 taxis. Morris was next with 72 private cars and 21 taxis, then Ford with 56 private cars and 24 taxis—Wellington.

### Nitrogen

DENMARK—A 25 million Swiss franc (about 40 million kroner) loan, to apply for a period of 14 years, has been floated in Switzerland. It is being raised by the Danish sulphuric acid and superphosphate factory and is to be used for the nitrogen factory at Grenaa established by Danish Sulphuric, the Danish Co-Operative Fertilizer Company, and Norsk Hydro (Norwegian).

This is the first time since the war that a private firm has had permission from the National Bank to raise a loan abroad for investment in Denmark. The reason is that the factory will produce a commodity now imported by Danish farmers, thus saving foreign exchange—Copenhagen.

### Oil

NIGERIA—The Federal Nigerian Government and the Eastern Region Government have agreed to the building by British Petroleum Company and Shell Oil of Nigeria's first oil refinery. An ultimate capacity of 20,000 barrels a day is planned, consuming one million tons of Nigerian crude a year. It will be built at Port Harcourt, the country's second ocean port, at a cost of about $33.5 million.

Nigeria's crude-oil production is increasing steadily and now totals almost a million tons a year, all of which is exported. It is estimated that crude production by 1965 will reach 100,000 barrels a day, or about five times the present flow—Lagos.

### Shipbuilding

SPAIN—Spanish shipbuilding is increasing in importance and several orders for modern merchant ships have been received from a number of countries, including Brazil, Argentina, Mexico, Chile, the United Kingdom and Norway. The latter has just placed an order for 16 merchant ships—nine of 1,900 tons, five of 4,000, and two of 5,000. Spanish ships have become an important export and a new source of hard-currency earnings—Madrid.

### Steel Tube

SWEDEN—The Grängesberg Company, the large Swedish mining, steelmaking and ore-shipping concern, has contracted with the Soviet Foreign Trade Ministry to supply 135,000 tons of welded steel tubes. The tubes will have a diameter of about one meter and will be used for oil and gas pipelines; their aggregate length is reported to be about 300 miles. Deliveries are to be made during 1962-64 at the rate of about 45,000 tons a year; a small consignment will be shipped in December. Value of the order is reported to total approximately Kr.125 million ($25 million).

The tubes will be manufactured at a plant being erected at Jordbro outside Stockholm by AB Bröderna Hedlund. In conjunction with this deal, Grängesberg has acquired all the shares in Bröderna Hedlund. The plate used will be manufactured at the Grängesberg Company's new steelworks at Oxelösund on the Baltic Coast south of Stockholm. When it comes into full operation, the steelworks will have an output of 300,000 tons of plate a year. The latter company, whose manufacturing program includes structural steel for industrial plants and buildings, power dam gates, oil cisterns and heavy welded tubes, will continue its activities under its present management and with a largely unchanged line of production—Stockholm.

### Television Equipment

PHILIPPINES—Plans for construction of a television station on the outskirts of Manila have been announced by the subsidiary of a local radio broadcasting company. The station will be the fourth to be erected in the Philippines and it is expected to be in operation by the end of this year. A contract has been signed with a Japanese company for the television equipment; delivery will be made to the Philippines within three or four months—Manila.

### Thermo-Electric Installations

COLOMBIA—The Ministry of Finance for the Department of Cundinamarca has announced that a study of the coal resources in the northern part of the territory will be made by several European firms with a view to establishing thermo-electric plants in this area. These plants will supply power mainly to the rural areas and towns outside of Bogotá—Bogotá.

### Tinplate

PHILIPPINES—One of the largest industrial concerns in the Philippines is planning to construct a multi-million-peso tinning plant and cold rolling mill in suburban Manila. The tinning plant, which will be constructed first, will have a floor area of 45,000 square meters and will cost 17.6 million pesos. Initial fabrication of the tin plates (hot dip) is expected to start the latter part of this year and electrolytic process equipment will go into operation in the middle of 1962. Investors believe that production will supply the entire tinplate requirements of local industry at a saving of $9 million in foreign exchange.

Once the tinning plant begins operating, construction of the cold rolling mill will be started, at a total investment of 6 million pesos. Production of 72,000 tons a year is planned of which 30,000 tons will be sold to local manufacturers of galvanized sheets, domestic appliances, etc., 30,000 tons will be used to make electrolytic tinplate and 12,000 tons to make hot dipped tinplate—Manila.

### Tires

ECUADOR—A plant of the Ecuadorian Rubber Company, financed by United States and Ecuadorian capital, is to be established during the next 18 months near the city of Cuenca. The initial investment will amount to $1.3 million and the plant is expected to produce 40,000 tires and tubes annually, rising eventually to 100,000 units. Imports of these products in 1959 amounted to $2.8 million, of which the United States supplied $1.9 million, the United Kingdom $273,000 and Canada $68,000—Bogota.

### Transistor Radios

INDIA—Production of transistor radios began on March 21 at Ulhasnagar near Bombay. The factory, established with technical collaboration from Sanyo Electric Corporation, Osaka, Japan, will produce table model domestic radios and combinations, as well as portable transistor sets. It is reportedly the intention of the company to manufacture TV receivers and other electronic equipment in the near future—Bombay.

# TRADE COMMISSIONERS ON TOUR

### In Canada

F. B. Clark

M. R. M. Dale

J. G. Ireland

**F. B. CLARK,** Commercial Secretary in Mexico City:

Hamilton—June 5
St. Catharines, Welland—June 6
London—June 7
Windsor—June 8
Winnipeg—June 13-14
Regina—June 16
Saskatoon—June 19
Edmonton—June 22
Calgary—June 26
Vancouver—July 3-7

**M. R. M. DALE,** Trade Commissioner in Cape Town, South Africa:

Toronto—June 5-16
Peterborough—July 3
Ottawa—July 4-14
Montreal—July 17-28

**J. G. IRELAND,** Assistant Commercial Secretary in Rome, Italy:

Winnipeg—June 5-6

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

### In Territory

**R. M. DAWSON,** Vice Consul and Assistant Trade Commissioner in Manila, Philippines, will visit Tapei, Republic of China (Taiwan), from June 13-23.

**C. R. GALLOW,** Trade Commissioner in Johannesburg, South Africa, will visit Durban from July 10-14, Lourenco Marques in Mozambique from August 28-September 1, and Port Louis in Mauritius from September 25-29.

**P. V. McLANE,** Trade Commissioner in Glasgow, Scotland, will visit Belfast, Northern Ireland, June 19-23.

**R. F. RENWICK,** Commercial Secretary in Port-of-Spain, Trinidad, will visit Antigua from June 12-14.

**R. L. RICHARDSON,** Assistant Commercial Secretary in Port-of-Spain, Trinidad, will visit Georgetown, British Guiana, from July 14-17.

**E. J. WARD,** Assistant Trade Commissioner (Timber) in Glasgow, Scotland, will visit Northern Ireland from June 5-9.

*Businessmen who would like these officers to undertake assignments should get in touch with them at their posts as soon as possible. Write to Mr. Dawson at Manila, Mr. Gallow at Johannesburg, Mr. McLane and Mr. Ward at Glasgow, and Mr. Renwick and Mr. Richardson at Port-of-Spain.*

# TRANSPORTATION NOTES

## Canada

TRUCKING SERVICE—The Florida Frozen Foods Express Limited, a Toronto trucking firm, has recently acquired an extension of its licence to permit the carriage in bond of general commodities between points in Ontario and Florida and Gulf ports for export and import traffic.

Florida Frozen Foods Express Limited can now offer truckload (30,000 pounds) and less-than-truckload service to Jacksonville, Miami and Tampa, and in-volume movements to Gulf ports such as New Orleans and Mobile. Trucks leave Toronto every day and arrive in Florida on the fourth morning. Heated or refrigerated service is available.

The trucks provide a connecting service with air and water carriers at Florida and Gulf ports for further carriage to destinations in the West Indies, Central America and northern South America. The airlines operating out of Miami have established specific commodity rates covering many products as well as "all articles" rates to selected destinations. These include Kingston, Jamaica, at eight cents a pound with a minimum weight of 100 pounds, and Havana at four cents a pound with a minimum weight of 3,300 pounds.

Examples of goods currently being moved by air carriers include foodstuffs, furniture, leather, tobacco, hardware, electrical appliances, machinery, automobile parts and accessories, office equipment, drugs and toilet preparations, printed matter, tires and rubber goods, radios and parts, knocked down cartons and containers.

Florida Frozen Foods Express Limited will undertake analyses of transportation costs for exports on request.

SERVICE TO GUATEMALA—A new shipping service from Eastern Canadian ports to Puerto Barrios, Guatemala, has been established by the Canada-Jamaican Line. The line will continue to operate fortnightly to Kingston, Jamaica, but will schedule alternate sailings to call at Puerto Barrios, thus providing a monthly service to that port. Ships will also call at Belize, British Honduras, if there is sufficient cargo inducement.

Kerr Steamships Limited, Montreal, are agents for the Canada-Jamaica Line.

## Ceylon

PORT IMPROVEMENT—The Ceylon Government is to request a team of consultants to make recommendations for improving the ports of Galle and Trincomalee so that they can handle a larger volume of cargo. The Government has formulated a scheme for modernizing these ports at a cost of about $50 million and a World Bank team has reported on this scheme. The greater portion of Ceylon's tea exports already leave from Trincomalee and it is felt that development of Galle and Trincomalee together would further reduce the heavy pressure on Colombo—Colombo.

## Greenland

AIR SERVICES—It is reported that the Royal Greenland Department of Trade advocates the development of air services within Greenland, using amphibious aircraft. Headquarters would be at Godthaab. The intention is to form the Greenland Air Corporation Ltd. (Grønlands Fly A/S) to take over these internal flights, though negotiations are not yet far enough advanced to divulge details. During the next three financial years, about 4.7 million kroner are intended for investment in fairly extensive works connected with air services in Greenland. Passengers carried on coastal flights numbered about 1,300 in 1959 and about 6,000 in 1960—Copenhagen.

*(The Greenland Flying Company Ltd. was formed last November by Scandinavian Air Services and Kryolitselskabet Øresund A/S, to operate flights in Greenland. The company had concluded agreements with American Federal Electric Corporation to supply services to warning stations in Greenland. See* Foreign Trade, *March 11, 1961, page 26.)*

## Mexico

TANKER FLEET REPLACEMENT—Pemex has announced plans to retire all its oil tanker units and to replace them with modern ships. The oil industry management has told the Oil Workers' Union, Seaman's Division, that arrangements to purchase four tankers from a foreign government have been made and that the oldest of these vessels is only five years old—Mexico City.

## Netherlands Antilles

BUNKERING TERMINAL—The Lago Oil and Transport Co. Ltd. opened a new bunkering terminal at Oranjestad Harbour, Aruba, last December. The terminal is flanked by three storage tanks with a total capacity of 50,000 barrels of fuel oil. Three grades of bunker fuel will be made available to ships calling at Oranjestad Harbour—Caracas.

## Nigeria

AIRWAYS NATIONALIZED—Nigerian Airways has since July 1958 been operated by West Africa Airways Corporation (Nigeria) Ltd., a company owned 51 per cent by the Federal Government of Nigeria and 49 per cent by Elder Dempster Lines Limited and BOAC. Following discussions held in London, Elder Dempster Lines Limited and BOAC offered to sell their shares to the Government of Nigeria and last March Nigerian Airways became a nationally owned company. Besides having a monopoly on internal Nigerian routes, the airline at present maintains services to Ghana and London via Barcelona or Rome —Lagos.

### Portugal

LIQUID FUELS WHARF—A wharf has been completed in the port of Lisbon for loading and unloading liquid fuels, enabling four vessels to be accommodated at the same time. A 40,000-ton tanker using the new installations can unload its cargo in 17 hours. Constructed by Soponata-Sociedade Portuguesa de Navios Tanques at a cost of Can.$3.4 million, the wharf can handle four million tons of liquid fuel a year—Lisbon.

### West Germany

INLAND SHIPPING—The Federal Republic's inland navigation facilities handled a total of 171.3 million tons in 1960. This exceeded the previous year's total by 29.2 million tons or 20.5 per cent, and for the best postwar year, 1957, by 29 million tons or 20.3 per cent. In 1938, the best prewar year, only 119.1 million tons of goods were carried on the waterways of the present Federal Republic—Hamburg.

## FOREIGN TARIFFS AND TRADE REGULATIONS

### India

IMPORT DUTY ON NEWSPRINT—The Indian Finance Minister has announced certain concessions in import duties and excise taxes during the current budget debate. Of interest to Canada is the decision to raise the duty on unglazed or machine-finished newsprint imported in reels from Rs.3.10 to Rs.5 per quintal, rather than Rs.7.50 per quintal as originally announced. For other newsprint imported in reels, the duty is being raised from Rs.3.60 to Rs.5.50 per quintal, rather than Rs.9 per quintal. For newsprint imported as sheets, the duty increase from Rs.4.10 to Rs.10.30 per quintal has been withdrawn—New Delhi.

### Iran

IMPORT QUOTAS FOR IRANIAN YEAR 1340—On March 26, 1961, the Ministry of Commerce of Iran announced the import quota regulations for the Iranian year 1340 (March 21, 1961, to March 20, 1962), effective from the date of announcement. The new regulations were designed to maintain equilibrium in the balance of payments and to adjust the volume of imports. They are also intended to effect an expansion in export trade and at the same time to protect home industries.

Under the new regulations, the import of all goods is permissible, except for those on a list of non-authorized goods. The scheduled banks are authorized to sell 30 billion rials in foreign currencies as a maximum for the import of non-restricted goods through the opening of credits or the settlement of promissory notes. Should the foreign exchange prove insufficient for the import of all authorized goods, the Ministry of Commerce will prepare a list of the essential goods and priority will be given, as far as the sale of foreign exchange is concerned, to essential goods. Customs officials in the capital and provinces will issue, on behalf of the Ministry of Commerce, import permits for authorized goods.

Goods made in countries which have barter agreements with Iran may be freely imported under the terms of the relevant barter agreement, except commodities which are included in the schedule of prohibited goods.

The exchange proceeds from exports to countries whose currencies are not accepted for the settlement of foreign exchange payments may be used for the import of authorized goods from any country. Persons who earn money abroad through any source other than exports may spend their earnings on the import of authorized goods.

Imported goods generally must be new and unused. Authorized goods imported as gifts or souvenirs without any foreign exchange transfer may be released from Customs without permits, provided the value of such goods per person per year does not exceed 10,000 rials.

Imports allowed under the regulations applicable to the previous licensing period but prohibited under the current regulations may be imported provided credit has been opened with an authorized bank or the goods, shipped before the announcement of the new regulations, are landed or delivered to Customs not later than two months from March 26, 1961.

Appended to the regulations are three schedules of commodities. The first schedule includes those commodities subject to export regulations, prohibited exports, goods subject to licence from a statutory monopoly, and goods subject to licence.

The second schedule contains some 233 items the import of which is prohibited. The schedule includes: fats, other food products, specified vegetables and fruits, cereal flours, oil tars and other tars, laundry soap, dressed lumber, wood manufactures, certain silk products, woollen blankets, and specified cotton manufactures.

The third schedule contains some 303 commodities which on import are subject to a Commercial Profits Tax or Excise Tax, in addition to the regular Customs duty. The Commercial Profits Tax has the effect of increasing the cost of these articles and thereby restricts their import.

*The complete schedules of imports affected by these regulations may be obtained from the Asia and Middle East Division, International Trade Relations Branch, Department of Trade and Commerce, Ottawa.*

### Japan

IMPORTS UNDER AUTOMATIC FOREIGN EXCHANGE ALLOCATION SYSTEM—In a notice dated May 1, 1961, the Japanese Ministry of International Trade and Industry listed the goods (except machinery) which may be imported under the Automatic Foreign Exchange Allocation System. Under this system of import procedure, imports of specified commodities are permitted without restriction, unless such imports would produce undersirable effects on Japan's balance of payments or seriously hurt related domestic industries. There is no quota limitation and importers may apply directly to the Ministry of International Trade and Industry for an allocation of foreign exchange which will be granted automatically.

According to the notice, there are some 1,570 statistical numbers covering some 543 separate commodities. Among the goods permitted entry, the following are of interest to Canada: sporting goods, stoves and furnaces, drugs and chemicals, certain synthetic resins, asbestos manufactures, semi-fabricated iron and steel.

*Business firms interested in exporting to Japan may obtain the status of any particular commodity under the Japanese import trade procedures by writing to the Asia and Middle East Division, International Trade Relations Branch, Department of Trade and Commerce, Ottawa.*

FURTHER LIBERALIZATION OF IMPORTS—In Import Notice No. 4, dated April 7, 1961, the Japanese Ministry of International Trade and Industry issued a further schedule of commodities to be imported under the Automatic Approval System of import procedure. Some 609 statistical item numbers covering some 513 additional separate commodities have been added to the schedule of imports under the A.A. system.

Under this import procedure there is no individual quota for each separate article, but an over-all quota limit for all commodities. This quota is established under the semi-annual Foreign Exchange Budget for the periods April 1 to September 30, and October 1 to March 31. Importers may apply directly to the authorized bank for the foreign exchange needed to pay for the goods and for permission to import.

The schedule of imports admitted under the Automatic Approval System of import procedure was announced originally in Import Notice No. 2, the latest consolidation of which is dated October 7, 1960. Import Notice No. 2 contained some 977 statistical numbers covering some 701 different commodities. This was amended by Import Notice No. 3 of the same date, in which some 265 statistical numbers covering some 222 additional items were added to the schedule.

With the addition of the statistical numbers and commodities listed in Import Notice No. 4 there are now approximately 1,851 statistical items and some 1,436 different commodities under the Automatic Approval System of import procedure.

*Exporters and other interested business firms may ascertain the status of any individual commodity under the Japanese import procedure by writing to the Asia and Middle East Division, International Trade Relations Branch, Department of Trade and Commerce, Ottawa.*

### New Zealand

LICENSING PERIOD EXTENDED—Import licences originally issued to cover the twelve months of 1961 will now have to provide for imports through to March 31, 1962. In effect, this means that business available in New Zealand during 1961 will be reduced for many commodities by 25 per cent, and the outlook for next year will be less favourable because of the three months' delay in announcing the subsequent import program.

New Zealand will also change the dates of the import licensing year during 1962 and it is probable that fresh import licences will become available during the year rather than at the beginning, as has been the practice in the past.

In addition to items of interest to Canada such as canned fish, combines, saws, asbestos, emery paper and synthetic rubber that were affected by the revision of the Replacement Licensing System reported in the May 6 issue, the following are among the commodities affected by this latest development: lumber, newsprint paper, marine engines, paper-mill machinery, automobiles, aluminum, copper rods and tubing, transformers, and sparkplugs.

## Norway

FURTHER LIBERALIZATION MEASURES—The Norwegian authorities have announced that the following goods were freed from import licensing control as from April 1, 1961. Goods are classified according to the Brussels Nomenclature; the last three numbers represent the Norwegian sub-division of the main commodity heading.

| Commodity No. | Description |
|---|---|
| Ex. 05.07 150 | Cleaned feathers and down for bedding |
| 42.02 | Travel goods (e.g., trunks, suitcases, hatboxes, travelling bags, haversacks, knapsacks, rucksacks, kitbags), handbags, wallets, purses, satchels, brief-cases, collar boxes, dressing cases, pouches, toilet bags, tool cases and similar containers of leather or of composition leather, of vulcanized fibre, of artificial plastic sheeting, of paperboard or of textile fabric |
| | Household and industrial gloves: |
| 42.03 101 | of glove leather, also trimmed with furskin or other materials |
| 109 | other |
| | Other gloves: |
| 201 | of glove leather, also trimmed with furskin or other materials |
| 209 | other |
| 302 | Belts and bandoliers |
| 97.01 | Wheeled toys designed to be ridden by children (e.g., toy bicycles and tricycles and pedal motor cars); dolls' prams |
| 97.02 | Dolls |
| 97.03 | Other toys; working models of a kind used for recreational purposes |

*Further information is available from the International Trade Relations Branch of the Department of Trade and Commerce.*

## Yugoslavia

TARIFF AND FOREIGN EXCHANGE REFORMS —A further step in Yugoslavia's announced program of economic reform measures, outlined in the February 25, 1961, issue of *Foreign Trade*, was the introduction of a Customs Tariff on March 5, 1961. The new Yugoslav tariff is based on the Brussels Nomenclature and its rates of duty (ad valorem) range from 0 to 65 per cent. The average rate on raw and semi-manufactured products is about 7 per cent, with a spread between 0 and 34 per cent; the average duty on finished goods is 35 per cent with a spread between 0 and 65 per cent. Canada, along with other countries which exchange most-favoured-nation-treatment with Yugoslavia, enjoys the lower preferential rates of the tariff.

Within the framework of the reform program, a unitary exchange rate of 750 dinars to the U.S. dollar was established on March 1, replacing the numerous rates which had been variously applied according to the imported product and the exporting country.

Closely related to these measures is a new system of foreign exchange allocation for the payment of imported goods which came into effect in February 1961. Imports are divided in five groups which are listed as follows:

1. "Goods free for import" include industrial materials and consumer goods which can be freely imported and for which the foreign exchange would be readily available to importing Yugoslav enterprises. Canadian exporters may be interested in the following commodities for which the applicable Yugoslav tariff rates are shown: graphite electrodes, 22 per cent; magnesium, 5 per cent; graphite, 25 per cent; dodcey benzole for detergents, 25 per cent; synthetic fibres, 25 per cent; wool rags and waste, free; synthetic yarn, 25 per cent; nylon yarn and orlon, 25 per cent; technical felt, 25 per cent; sieves, mill, 29 per cent; cotton waste, free; codfish, 10 per cent.

2. "Goods imported on the basis of a liberal permit" include commodities which require an import licence from the Foreign Trade Committee before exchange can be allocated. Among commodities in this group are the following items of interest to Canadian exporters: copper and copper alloy, waste and scrap, free; iron ore above 42 per cent Fe., free; grey pig iron, free.

3. "Goods for which import quotas have been set" include imports for which the quantities, the amount of allocated foreign exchange, and the name of the importing Yugoslav organization are determined annually by agreement among interested Yugoslav Ministries. The following articles in this group may be of interest to Canadian exporters: aluminum, free; copper, electrolytic and other, free; nickel, 5 per cent or free if a tariff quota should be established; pig iron, white, free; scrap iron, free; fertilizers, nitrate, 10 per cent; pharmaceutical raw materials, free; asbestos fibres, free; newsprint, free; household electric heaters, 55 per cent; household electric radiators, 55 per cent; household electric hotplates, 55 per cent; electric irons, 55 per cent; household electric kitchen ranges, 55 per cent; household washing machines, 45 per cent; household refrigerators, 33 per cent; medicaments, 30 per cent; medical instruments, 32 per cent; medical dressing material, 30 per cent.

4. "Goods imported on the basis of a restrictive permit" include commodities for which an individual import permit must be obtained. However, allocation of foreign exchange is not guaranteed unless finally approved by the Yugoslav National Bank. This list contains the following items of interest to Canadian exporters: radioactive chemical elements and radioactive isotopes, free; typewriters, 35 per cent.

5. All other goods come under the group "Imports on the basis of general permits", under which no permits for individual shipments are necessary. An over-all general quota of foreign exchange is to be set annually for this group of products.

The various controls set out above do not include imports of capital goods or imports of certain finished consumer goods for which special regulations will be issued later.

*Complete lists of imports under groups one to four, as well as information on rates of duty, are available from the International Trade Relations Branch of the Department of Trade and Commerce.*

## Department of Trade and Commerce, Trade and Commerce Bldg., Wellington St.*

# Head Office Directory

| | Gov. Local |
|---|---|
| Minister: The Honourable George Hees | 2-0337, 2,0336 |
| Executive Assistant: M. R. Jack | 6-7052 |
| Private Secretary: Mrs. Reta Taylor | 2-0337 |
| Deputy Minister: James A. Roberts | 2-2888, 2-5838 |
| Executive Assistants: D. H. Cheney, C. J. MacCallum | 2-2380, 2-0819 |
| Assistant Deputy Minister (External Trade Promotion): H. Leslie Brown | 2-2530, 2-0798 |
| Assistant Deputy Minister (Trade Policy): J. H. Warren | 2-4042, 2-2649 |
| Assistant Deputy Minister (Commodities and Industries): Denis Harvey | 2-5417, 2-7056 |
| Assistant Deputy Minister (Domestic Commerce): B. G. Barrow | 6-8431, 6-8502 |

### Administration Branch

| | |
|---|---|
| Comptroller-Secretary: Finlay Sim | 2-2262 |

### Agriculture and Fisheries Branch

| | |
|---|---|
| Acting Director: R. W. Blake | 2-4301 |

#### Fisheries Division

| | |
|---|---|
| Chief: T. R. Kinsella | 6-7385 |

#### Livestock and Animal Products Division

| | |
|---|---|
| Acting Chief: K. L. Melvin | 2-3172 |
| Livestock, Meats, and Meat Products: J. Kaffezakis | 2-3172 |
| Dairy and Poultry Products: | 2-3172 |
| Furs, Sugar, Beverages: D. H. Burns | 2-4161 |

#### Plant Products Division

| | |
|---|---|
| Acting Chief: A. J. Stanton | 6-7523 |
| Fruits, Vegetables, and Grocery Products: J. B. Mountain | 2-0914 |
| Special Crops, Feeds, Seeds: W. S. Curran | 6-6350 |
| Oils, Fats, and Oilseeds: | 6-7523 |
| Tropical Products, Tobacco, and Confectionery Products: | 2-0914 |

#### Grain Division (Confederation Building)

| | |
|---|---|
| Chief: R. M. Esdale | 2-5830, 2-5648 |

### Canadian Government Exhibition Commission 479 Bank Street

| | |
|---|---|
| Director: Glen Bannerman | 6-7412, 2-3558 |
| Administrative Officer: A. D. Simmons | 6-6795 |
| Chief, Design Section: T. C. Wood | 2-3671 |

### Commodities Branch

| | |
|---|---|
| Director: A. M. Tedford | 6-6905 |
| Assistant Director: E. C. Thorne | 6-7163 |

**Unless otherwise noted, all offices of the Department are in this building. Cable address: COMAGENT, Ottawa. If you are telephoning from out of town, call the government switchboard, CEntral 2-8211, and ask for the local; if you are in Ottawa, dial 9, then the government local.*

| | Gov. Local |
|---|---|
| **Appliances and Commercial Machinery Division** | |
| Chief: G. W. Rahm | 6-6950 |
| Business Equipment and Office Machinery: W. H. Grant | 2-3209 |
| Radio and Television, Scientific Instruments, Hospital Equipment: J. A. Findlay | 6-6958 |
| Hardware, Plumbing and Heating Equipment: D. C. Meyers | 6-6383 |
| Electrical and Gas Appliances: P. C. Fredenburgh | 6-6552 |
| Commercial Machinery Equipment and Supplies: O. A. Sulzenko | 6-6552 |
| **Chemicals Division** | |
| Chief: G. E. McCormack | 2-5993 |
| Fertilizers, Synthetic Resins, Paints: G. A. Ferguson | 6-6075 |
| Pesticides, Adhesives, Cleaning Compounds, etc.: | 6-7601 |
| Petroleum, Organic Chemicals: T. V. Harquail | 6-7601 |
| Pharmaceutical Products, Inorganic Chemicals: J. G. Touchette | 2-5177 |
| Rubber, Sulphur: G. E. McCormack | 2-5993 |
| **Engineering and Equipment Division** | |
| Chief: R. A. Frigon | 2-4082 |
| Consulting Engineering, Aerial Surveying, Nuclear Energy: R. A. Frigon | 2-4082 |
| Engineering Projects and Industrial Electric Equipment: R. C. Wallace | 2-5859 |
| Agricultural and Automotive Equipment, Vehicles, Aircraft, Ships, and Railway Rolling Stock: G. C. Clarke | 2-3873 |
| Communications and Electronic Equipment: D. L. Draper | 6-6479 |
| Machine Tools and Heavy Industrial Machinery: J. R. Johnson | 6-7546 |
| Construction Contracting: David Mott | 2-5382 |
| Light Industrial Machinery, Process Equipment, and Nuclear Reactors: L. T. Hanson | 2-5859 |
| **Forest Products Division** | |
| Acting Chief: M. N. Murphy | 2-0273 |
| Logs, Other Round Material and Lumber: | 2-0273 |
| Lumber and Sawmill Products: O. Hickie | 2-4863 |
| Primary Wood Products: P. H. Jones | 2-5811 |
| Manufactured Wood Products: F. T. Carten | 2-5811 |
| Wood Pulp, Newsprint and Other Papers: M. N. Murphy | 6-6974 |
| Paper and Paper Products: C. M. Shaw | 2-5127 |
| **Metals and Minerals Division** | |
| Chief: J. M. Rochon | 6-8422 |
| Iron and Steel: A. M. MacKenzie | 2-5159 |
| Non-Metallic Minerals: R. P. Mulvihill | 2-5823 |
| Non-Ferrous Metals: R. J. Hurley | 2-3823 |
| Statistics: W. L. Power | 2-3823 |
| **Textiles and Consumer Goods Division** | |
| Chief: A. C. Fairweather | 6-6197 |
| Handicrafts, Chinaware, Jewellery, Photographic Equipment: R. A. Drouin | 2-5337 |
| Ladies' Wearing Apparel, Linens: E. G. Gerridzen | 6-7815 |
| Leather, Rubber and Plastic Products: W. L. Herman | 2-0518 |
| Recreational Supplies, Musical Instruments, Toys: P. G. Jones | 2-4160 |
| Textile Fibres and Fabrics, Miscellaneous Men's Wearing Apparel, Jute Products, Wastes: R. M. Josephson | 2-3004 |

## Commodities Branch (continued)

| | | Gov. Local |
|---|---|---|
| | **Transportation and Trade Services Division** | |
| | Chief: G. M. Schuthe | 6-6236 |
| | Assistant Chief: H. A. Hadskis | 2-2737 |
| | Transportation and Communications Section | |
| | Head: J. H. Hiland | 6-6519 |
| | Export and Import Permits Section | |
| | Head: G. L. Tighe | 2-3640 |
| | Directories Section | |
| | Head: R. W. Bedard | 6-6681 |
| **Depreciation Certification Division** | | |
| | Chief: B. F. Armishaw | 6-6904 |
| **Economics Branch** | | |
| | Director: V. J. Macklin | 2-5658 |
| | Assistant Director: D. J. Daly | 6-8900 |
| **Industrial Development Branch** | | |
| | Director: B. R. Hayden | 6-7886 |
| | Research Division | |
| | Chief: W. M. Hall | 2-4143 |
| | New Products Division | |
| | Chief: G. A. Cooper | 2-4181 |
| | Import Analysis Division | |
| | Chief: G. P. Bourne | 2-5909 |
| | Regulations and Publications Division | |
| | Chief: J. H. O'Connell | 2-3713 |
| **International Trade Relations Branch** | | |
| | Director: R. Campbell Smith | 2-2250 |
| | Assistant Director: R. E. Latimer | 2-2981 |
| | Assistant Director: V. L. Chapin | 6-7594 |
| | General Relations Division | |
| | Chief: R. E. Latimer | 2-2981 |
| | Asia and Middle East Division | |
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| | Commonwealth Division | |
| | Chief: A. W. A. Lane | 2-2421 |
| | European Division | |
| | Chief: W. G. Pybus | 6-8727 |
| | Latin American Division | |
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| | United States Division | |
| | Chief: G. A. Browne | 2-5176 |
| **National Design Branch** | | |
| | Director: | 2-0342 |
| **Small Business Branch** | | |
| | Assistant Director: Morgan J. Mahoney | 2-4737 |
| **Standards Branch** Standards Building, Holland Ave., Tunney's Pasture | | |
| | Director: R. W. MacLean | 2-2132 |
| | Assistant Director and Chief, Electricity and Gas Division: E. F. Power | 2-2956 |
| | Chief, Weights and Measures Division: C. S. Phillips | 2-2000 |
| | Chief, Laboratory Division: W. J. S. Fraser | 2-2575 |
| | Commodities and Precious Metals Marking: G. R. Lewis | 6-7075 |

## Trade Commissioner Service

| | Gov. Local |
|---|---|
| Acting Director: T. R. G. Fletcher | 6-8286 |
| Executive Director: T. M. Burns | 6-6835 |
| Western Representative: K. F. Noble, Federal Building, Room 405, 325 Granville Street, Vancouver 2, B.C. | Mutual 1-7161 |
| Newfoundland Representative: Sir Humphrey Gilbert Building, Duckworth Street, St. John's, Newfoundland (P.O. Box E-5374) | 2698 |

## Trade Publicity Branch

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|---|---|
| Director: C. J. Van Tighem | 2-2479, 6-6394 |
| Assistant Director: J. Fergus Grant | 2-2186 |
| *Foreign Trade* and *Commerce extérieur* Editor: Miss O. Mary Hill | 6-6588 |
| Editorial and Art Services Division Chief: F. R. Hamilton | 6-6435 |
| Trade Fairs Abroad Division Chief: D. G. W. Douglas | 6-8269 |

## Dominion Bureau of Statistics Holland Ave.

| | |
|---|---|
| Dominion Statistician: Walter E. Duffett | 2-2529 |
| Assistant Dominion Statistician: J. T. Marshall | 6-7695 |
| Assistant Dominion Statistician: S. A. Goldberg | 2-5458 |
| Publications Information and General Inquiries | 2-2959 |

## Export Credits Insurance Corporation Birks Bldg., 107 Sparks St., P.O. Box 655

| | |
|---|---|
| President and General Manager: H. T. Aitken | CE2-4828 |
| Vice-President: A. W. Thomas | CE2-4828 |
| **Montreal Branch** 607 St. James St. West | UN6-1268 |
| **Toronto Branch** Rm. 1511, 55 York St. | EM4-5778 |

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

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

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

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

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

For conversion to United States dollar equivalent multiply by 1.01266.

# Foreign Exchange Rates

| Country | Unit | Type of Exchange | Can. dollar equivalent May 19 | Units per Canadian dollar | Notes (See below) |
|---|---|---|---|---|---|
| Argentina | Peso | Free | .01196 | 83.61 | (1) |
| Austria | Schilling | | .03787 | 26.41 | |
| Australia | Pound | | 2.2060 | .4533 | |
| Bahamas | Pound | | 2.7575 | .3626 | |
| Belgium and Luxembourg | Franc | | .01976 | 50.61 | |
| Bermuda | Pound | | 2.7575 | .3626 | |
| Bolivia | Boliviano | Free | .00008643 | 11,570.06 | |
| British Guiana | Dollar | | .5745 | 1.74 | |
| British Honduras | Dollar | | .6894 | 1.45 | |
| Brazil | Cruzeiro | Free | .003712 | 269.40 | (2) |
| | | Special Category<br>Official selling | Auctions temporarily suspended | Auctions temporarily suspended | |
| Burma | Kyat | | .2074 | 4.82 | |
| Ceylon | Rupee | | .2068 | 4.83 | |
| Chile | Escudo | Free | .9387 | 1.06530 | (3) |
| Colombia | Peso | Certificate | .1474 | 6.78 | |
| Congo, Republic of | Franc | | .01976 | 50.61 | |
| Costa Rica | Colon | Official | .1759 | 5.68 | |
| | | Controlled free | .1486 | 6.73 | |
| Cuba | Peso | | .9875 | 1.01266 | tax 2% |
| Czechoslovakia | Koruna | | .1371 | 7.29 | |
| Denmark | Krone | | .1425 | 7.02 | |
| Dominican Republic | Peso | | .9875 | 1.01266 | |
| Ecuador | Sucre | Official | .06584 | 15.19 | |
| | | Free | .05333 | 18.75 | |
| Egyptian Region, United Arab Rep. | Pound | Official | 2.8357 | .3526 | |
| | | Export account selling | .... | .... | |
| El Salvador | Colon | | .3950 | 2.53 | |
| Fiji | Pound | | 2.4842 | .4025 | |
| Finland | Markka | | .003086 | 324.04 | |
| France, Monaco, etc. | New Franc | | .2015 | 4.96 | (4) |
| Franco-African Republics, etc. | Franc | | .004030 | 248.14 | (5) |
| French Pacific | Franc | | .01108 | 90.25 | (6) |
| Germany | D Mark | | .2487 | 4.02 | |
| Ghana | Pound | | 2.7575 | .3626 | |
| Greece | Drachma | | .03291 | 30.38 | |
| Guatemala | Quetzal | | .9875 | 1.01266 | |
| Haiti | Gourde | | .1975 | 5.06 | |
| Honduras | Lempira | | .4938 | 2.02 | |
| Hong Kong | Dollar | Free* | .1712 | 5.84 | *May 12 |
| | | Official | .1723 | 5.80 | |
| Iceland | Krona | Official | .02599 | 38.48 | (7) |
| India | Rupee | | .2068 | 4.83 | |
| Indonesia | Rupiah | Official | .02194 | 45.57 | (7) |
| Iran | Rial | | .01304 | 76.71 | |
| Iraq | Dinar | | 2.7650 | .3617 | |
| Ireland | Pound | | 2.7575 | .3626 | |
| Israel | Pound | | .5486 | 1.82 | |
| Italy | Lira | | .001591 | 628.53 | |
| Japan | Yen | | .002743 | 364.56 | |

*Latest available quotation date.

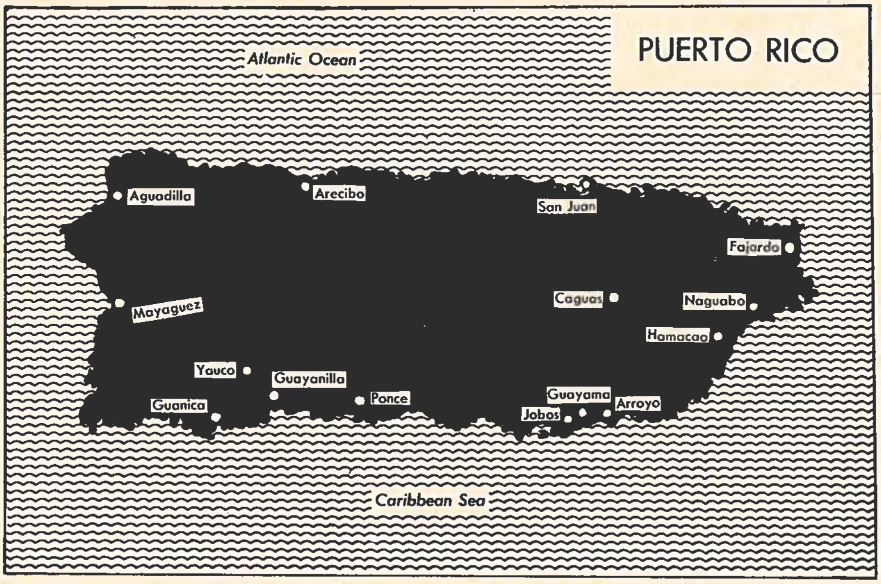
| Country | Unit | Type of Exchange | Can. dollar equivalent May 19 | Units per Canadian dollar | Notes (See below) |
|---|---|---|---|---|---|
| Lebanon | Pound | Free | .3102 | 3.22 | |
| Mexico | Peso | | .07900 | 12.66 | |
| Morocco | Dirham | | .1975 | 5.06 | |
| Netherlands | Florin | | .2748 | 3.64 | |
| Netherlands Antilles | Florin | | .5236 | 1.91 | |
| New Zealand | Pound | | 2.7575 | .3626 | |
| Nicaragua | Cordoba | Effective buying | .1496 | 6.68 | |
| | | Official selling | .1400 | 7.14 | |
| Nigeria | Pound | | 2.7575 | .3626 | |
| Norway | Krone | | .1379 | 7.25 | |
| Pakistan | Rupee | | .2068 | 4.83 | |
| Panama | Balboa | | .9875 | 1.01266 | |
| Paraguay | Guarani | Official | .007806 | 128.11 | |
| Peru | Sol | | .03682 | 27.16 | |
| Philippines | Peso | Free | .3292 | 3.04 | |
| | | Official | .4938 | 2.02 | |
| Portugal & Colonies | Escudo | | .03446 | 29.02 | (8) |
| Singapore and Malaya | Straits Dollar | | .3217 | 3.11 | |
| Spain and Dependencies | Peseta | | .01646 | 60.76 | |
| Sweden | Krona | | .1914 | 5.22 | |
| Switzerland | Franc | | .2281 | 4.38 | |
| Syrian Region, United Arab Rep. | Pound | Free | .2762 | 3.62 | |
| Thailand | Baht | Free | .04671 | 21.41 | (7) |
| Tunisia | Dinar | | 2.3799 | .4202 | |
| Turkey | Lira | | .1097 | 9.11 | (7) |
| Union of South Africa | Rand | | 1.3788 | .7253 | |
| United Kingdom | Pound | | 2.7575 | .3626 | |
| United States | Dollar | | .9875 | 1.01266 | |
| Uruguay | Peso | Free | .08953 | 11.17 | (9) |
| Venezuela | Bolivar | | .2950 | 3.39 | (10) |
| West Indies Fed. | Dollar | | .5745 | 1.74 | (11) |
| | Pound | | 2.7575 | .3626 | (12) |
| Yugoslavia | Dinar | Official | .001317 | 759.30 | |

*Latest available quotation date.

# Notes

1. Argentina: effective Jan. 1, 1959, a single fluctuating exchange rate was introduced. Exports are subject to retention taxes of either 10 or 20 per cent ad valorem under this system.
2. For imports of wheat, newsprint and petroleum, the exchange is fixed at Cr.200 to U.S. dollar.
3. Chile: free rate applies to exports and imports. Chilean importers must make prior deposits in amounts ranging from 5 to 1,500 per cent, depending on product, prior to shipment of goods. Beginning Jan. 1, 1960, one escudo equals 1,000 pesos.
4. New franc is also used in Algeria, French Guiana, Guadeloupe and Martinique.
5. Chad, Central African Republic, Congo, Dahomey, Gabon, Ivory Coast, Mali, Islamic Republic of Mauritania, Niger, Senegal, Upper Volta, Cameroons, Togoland, and Malagasy. Also Reunion, Comoro Islands, St. Pierre and Miquelon.
6. New Caledonia, New Hebrides, French Polynesia.
7. Additional rates are in effect.
8. Portugal: approximately same rate for Portuguese territories in Africa.
9. A new exchange system was introduced in December 1959 under which exchange transactions take place at free market rates.
10. Effective Nov. 8, 1960, Venezuela imposed exchange controls. Exchange at the official rate is available for specified purposes. Otherwise, it must be purchased on the free market at fluctuating rates.
11. Barbados, Trinidad, Tobago, Leeward and Windward Islands.
12. Jamaica.

# *Markets in Brief:* PUERTO RICO




**Area:** 3,423 square miles.

**Population:** 2,317,000.

**Climate:** tropical.

**Language:** Spanish and English.

**Currency:** U.S. dollar.

**Weights and measures:** same as the United States.

**Capital and chief port:** San Juan; population 228,000.

**Economy:** over 50 per cent of the total export values are derived from industry, mainly branch plants of United States firms utilizing low-cost labour, guided by government organizations, and granted property and income tax exemptions. Agriculture important, with sugar and byproducts leading commodity.

**Total Puerto Rican imports:** fiscal year ended June 30, 1959—U.S.$808,722,885.

**Chief suppliers:** (U.S.$ million) fiscal year ended June 30, 1959—United States $671.4, Venezuela 62.8, West Germany 13.4, Canada 12.6, United Kingdom 6.3, Belgium and Luxembourg 5.8.

**Value of imports from Canada:** (Can. dollars) 1960—lumber $3,842,493, salted and cured fish 3,457,512, newsprint 1,079,470, passenger automobiles 486,324, malt 482,155, copper tubing 469,578.

**Total Puerto Rican exports:** fiscal year ended June 30, 1959—U.S.$503,234,777.

**Chief markets:** (U.S.$ million)—United States $482.2, Dominican Republic 4.3, Netherlands West Indies 2.3, Mexico 2.1, Canada 0.9.

**Value of exports to Canada:** 1960—Can.$2,904,028; 1959—Can.$1,780,454; 1958—Can.$1,442,644.

**Chief Canadian purchases:** (Can. dollars) 1959—rum $525,575, ethylene glycol 442,297, electric irons 222,111, machinery and parts 120,097.

**Dollar exchange:** freely available.

**Import controls, documentation, customs tariffs, marking and labelling:** Puerto Rico is part of the United States. No customs duties are collected on goods from the U.S. but for other countries, including Canada, the duties are the same as those of the United States. Certain internal taxes apply to goods from all sources.

**Canadian banks:** Royal Bank of Canada, San Juan and four branches; Bank of Nova Scotia, San Juan and two branches.

**Communications:** Puerto Rico is three-and-a-half hours by air from New York.

**For detailed information on this market write to:**

United States Division
International Trade Relations Branch
Department of Trade and Commerce
Ottawa

or

Commercial Counsellor
Canadian Embassy
Apartado 1393
Ciudad Trujillo
Dominican Republic

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DEPARTMENT OF TRADE AND COMMERCE
CANADA

FOREIGN TRADE SERVICE

OTTAWA, May 12, 1961.

Mr. I.M. White,
President,
Clean-All Limited,
Hamilton, Ontario.

Dear Mr. White:

Thank you for letting us know, in your letter of May 9, of the considerable interest you found in your cleaning paste in the New York market. I am glad you were able to follow through on the plans to explore export markets for your product which we discussed during the Export Trade Promotion Conference, and I am sure that this will be of real benefit to your company.

The careful study you gave to the value for duty problem before beginning your sales campaign has undoubtedly paid off. Without this preliminary study, a most promising product can run into unforeseen and serious difficulties. I am enclosing another copy of the yellow booklet on U.S. Customs valuation procedure which you asked for, and which covers this subject in detail.

I am glad to hear that you were able to substitute for that coal tar derivative in your original mix. It is now confirmed from Washington that, as we had expected, this will change your classification from paragraph 28 (a) of the U.S. Tariff Act of 1930, which is subject to a duty of 7 cents per pound plus 45 per cent ad val., to paragraph 13 at 6 per cent. You will probably agree that this ruling was worth waiting for.

You also asked whether it would be worth your while to visit other parts of the United States to investigate export opportunities there. I would highly recommend that you do so. If you wish to advise our Trade Commissioners at the various United States posts in advance, they would be pleased to make appointments for you with potential buyers. You will find their names and addresses in "Foreign Trade", to which you subscribe. Alternatively, at your choice, we would be glad to write on your behalf to the Canadian Trade Commissioners at the posts you wish to visit.

Yours faithfully,

G.A. Browne,
U.S. Division,
International Trade Relations Branch.

Encl.

**Trade and Commerce Can Help You**