Canada Trades with the Far East (pages 2-39)

FOREIGN TRADE

DEPARTMENT OF TRADE AND COMMERCE OTTAWA

APRIL 22. 61

FOREIGN TRADE

APRIL 22, 1961 Vol. 115 No. 8

Established in 1904. Published fortnightly by the Deparment of Trade and Commerce.
The Hon. GEORGE HEES, Minister.
JAMES A. ROBERTS, Deputy Minister.
Please forward all orders to: Queen's Printer, Government Printing Bureau, Ottawa.
Price: $2.00 a year in Canada; $5.00 abroad
Single copies: 20 cents each.

COMING——HOW TO OVERCOME PROBLEMS IN SELLING TO CALIFORNIA, IN MAY 6 ISSUE

93841-5—1

CANADA TRADES WIT

THE regions which this special issue covers offered in 1960 a market worth nearly $250 million to the producers, manufacturers and exporters of Canada. This was about $60 million, or 32 per cent, more than in 1959. At the same time, imports into Canada from these areas totalled $165 million, an increase of $11.6 million (7½ per cent) over the year before.

The accompanying table shows how our import and export trade with each of these countries of the Far East has fared over the past four years. It reflects a steady and substantial growth in our shipments and an equally impressive increase in our purchases.

Japan's importance as the centre piece of this picture and as an outlet for Canadian exports is immediately obvious, as is Canada's importance as a market for the wide range of manufactured goods that Japan produces. What is not obvious, but none the less significant, is the extent to which Japan depends upon the markets of other Asian countries. Of equal significance is the reliance of most of these other countries on Japan's purchases of the raw materials they can supply. Canada's interest in the development of the relationships, both political and economic, between these far distant markets may not be immediately apparent, but it undoubtedly is considerable. Japan, the industrial giant of the Far East, is by far our largest customer in that area. A prerequisite for the growth of our exports to Japan is a buoyant and expanding Japanese economy. This, in turn, depends to a very large extent upon increasing Japanese exports to world markets generally, and the Asian countries offer an outlet for about one-third of Japanese exports.

Last year, Canadians—

- Sold some $250 million worth of goods to the Far East, 32 per cent more than in 1959.
- Bought goods worth $165 million from these countries, 7½ per cent more than a year earlier.
- Shipped products worth $178 million to Japan, $40 million above 1959, and a new record.
- Doubled their exports to Hong Kong, to $22.5 million.
- Brought sales to Communist China up to $8.7 million, with large shipments of aluminum, plastics and synthetic rubber.
- Increased their sales to each of the Far Eastern countries, with the exception of the Philippines and South Korea.

Trends in Trading

From Canada's point of view, the news from this important market area generally and from Japan particularly is good. With one or two exceptions, the prospect is that our shipments to these countries in 1961 should equal, and in several cases exceed, those of 1960. The conditions that prevailed in the various territories last year are described in the reports which follow and in each case the author has endeavoured to assess future prospects. In these introductory paragraphs it is necessary only to touch briefly upon the most notable features of the year's developments and upon some of the trends in our trading relationships with the Far East which the current year is likely to witness.

Japan: Biggest Market

Despite the political unrest that prevailed throughout its course, 1960 was a highly successful year for Japan from the business standpoint. The economy continued to expand; trade volume, both import and export, continued to rise; foreign exchange reserves increased to over $1,800 million. Exchange controls were eased and the liberalization of import restrictions continued with the transfer of a number of items to the Automatic Approval List, raising the proportion of total imports liberalized to 44 per cent.

As an important trading partner, Canada participated largely in Japan's prosperity; our exports rose nearly $40 million above those for

HE FAR EAST

J. L. MUTTER, *Asia and Middle East Division.*

1959 to a new record of $178 million. At the same time, our imports from Japan, at $110 million, were higher than ever before.

The new Japanese administration's plans, adopted as 1960 ended, to double the national income in the next ten years prompt speculation upon the effort Japan must make to achieve this rate of growth without inflation. Although industrial expansion in the last fifteen years unquestionably has been remarkable, the plan's success must depend to a high degree upon an ever-increasing volume of exports. Japan's ability to expand exports at the necessary rate will be influenced by the financial resources available to Afro-Asian countries for development, as well as by the ability of developed industrial countries in general to absorb low-cost manufactured imports. Other factors which must be taken into account are the reduction in United States foreign procurement and keener competition in world markets from European and North American suppliers. The Japanese are, of course, well aware of these various aspects.

The immediate outlook for Canadian and other exporters to Japan is encouraging. There is every evidence of increasing Japanese interest in the industrial raw materials which Canada can supply. The implementation of Japan's liberalization plans should also have beneficial effects, although these may be qualified by the application of the new customs tariff which is expected to come into force in mid-1961 and to include some features designed to cushion certain domestic industries against the effects of liberalization.

Hong Kong: Continued Growth

Most sections of the economy of Hong Kong showed satisfactory growth in a year in which development continued at a rapid rate. Imports were higher by 18 per cent than in 1959 and exports rose by 20 per cent. Industry showed remarkable progress, activity in building construction was as intense as ever, tourists were more numerous and spent more money than ever before, and notwithstanding the loss of life, property damage and general distress caused by a June typhoon, agricultural and fisheries production increased.

Imports from Canada totalled $22.5 million, double the 1959 figure, reflecting the Colony's industrial expansion and the consequent increased demand for raw materials. Though imports can scarcely be expected to expand at this rate in 1961, it is probable that they will be larger. Hong Kong's exports to Canada, concentrated largely in made-up garments, rose by 25 per cent over 1959.

Philippines: Industrial Promise

Improvement in the economy of the Philippines continued throughout 1960. The favourable balance of payments and a considerable increase in international reserves have enabled the Government to make substantial progress towards the elimination of exchange controls which, it is hoped, may be complete by the end of 1961. The tight money policy introduced in 1959 was maintained and has tended to restrain business expansion. There are short-term uncertainties arising from the recent easing of the complicated exchange control system and engendered by the political campaigning going on in preparation for this year's Presidential election, but in general, the state of the economy is satisfactory. There was an over-all increase in agricultural and industrial output and the total value of external trade was higher than in 1959. The sugar industry, provided it can step up production significantly, stands to benefit from the temporary allocation by the United States of part of the former Cuban quota.

The promotion of industrial expansion will continue to be a major preoccupation. This depends heavily

Canadian Trade with the Far East

	EXPORTS TO				IMPORTS FROM			
	1957	1958	1959	1960	1957	1958	1959	1960
	(in thousands of dollars)							
Japan	139,152	104,891	139,724	178,008	61,605	70,216	102,669	110,382
Hong Kong	7,595	6,054	11,192	22,515	7,223	8,823	13,190	15,534
Philippines	17,540	14,088	14,863	14,809	3,976	2,187	1,449	1,966
Communist China	1,392	7,809	1,720	8,737	5,304	5,376	4,850	5,638
Malaya and Singapore	3,316	3,233	3,258	4,660	27,356	19,904	28,658	28,120
South Korea	7,302	4,308	6,000	3,916	35	24	235	404
Taiwan	1,648	1,167	1,692	2,886	193	159	716	1,150
Thailand	2,046	1,294	1,937	2,710	630	649	652	842
Indonesia	1,633	1,695	1,760	2,110	965	231	156	529
Vietnam,				540				5
Cambodia	1,020	266	385		7	5	12	
and Laos				148				17
British East Indies, n.e.s.	187	113	95	359	120	133	390	261
Totals	182,831	144,918	182,626	241,398	107,414	107,707	152,977	164,848

on foreign investment and the problem for the administration is to reconcile the "Filipino First" policy with legislation designed to encourage an inflow of capital from abroad.

Canadian trade with the Philippines showed little change in volume or value, but there were encouraging increases in our shipments of a number of industrial materials. It is to such exports that we must look to fill part of the gap created by the loss of our trade in flour. This once-important market is about to disappear as flour-milling capacity in the Philippines approaches the point where it can completely satisfy domestic demand, but it is expected that Philippine millers will obtain at least some part of their wheat needs from Canada.

Communist China: Trade Alters

Communist China in 1960 was the victim of a series of natural calamities for the second year in succession. These, combined with other internal factors, have resulted in serious losses in agricultural production. This situation has had a heavy impact on the domestic economy and policy, and on policy governing foreign trade. In brief, it is now necessary for China to concentrate on food production rather than upon the expansion of heavy industry. In external trade, imports of agricultural products are being substantially increased and imports of industrial machinery and other capital equipment are being cut back or are levelling off. Equally important, agricultural exports, normally the principal earners of foreign exchange, will be severely reduced.

These developments have much significance for Canada. Sales of Canadian wheat and barley to Communist China this year so far exceed a million tons. Further grain sales may follow, and there may also be good opportunities for some time to come for our raw or semi-processed materials, since it appears to be the intention of the Chinese to keep their present plant capacity and equipment fully occupied. However, the competition promises to be keen.

Malaya: Record Trade

Last year was one of steady progress for Malaya; it saw the successful conclusion of the first Five Year Plan for economic development and the announcement of a second one. This is expected to accelerate economic growth, and especially rural and agricultural development. The high prices obtained during the last two years for rubber and to a lesser extent for tin have resulted in surpluses on current account and useful additions to the Federation's reserves.

Foreign trade in 1960 achieved a record. There was a slight decrease in the quantity of rubber exported, but tin exports were nearly double those of 1959. Malaya provides about one-third of the world's supply of these two commodities. Japan buys all the iron ore and bauxite produced in the Federation and shipments of these materials were much greater than in the previous year. Trade with Canada showed substantial increases in both imports and exports.

Singapore: More Industry

Fears that Singapore's entrepôt trade might decline markedly because of the diversion of traffic to other ports in the area have not been realized, though this trade shows signs of levelling off. The tonnage handled in 1960 was as great as in 1959, despite the continued decline in trade with Indonesia and the growing tendency for merchants in Malaya to deal directly, (rather than through Singapore) with world markets and to use the facilities of Port Swettenham. However, with no increase in entrepôt trade anticipated, the hope of providing employment for the rapidly growing population rests heavily upon the successful implementation of the Singapore Government's plans to attract investment and to encourage industrial development.

South Korea: Problems

For South Korea 1960 was an uneasy year featured by social and political unrest, and the future is obscure. The magnitude of the country's economic problems is illustrated by the fact that although exports in 1960, at $67.1 million, reached a near record, there was still an import surplus of nearly $236 million.

South Korea's reliance upon foreign aid is obviously great. ICA aid from the United States for 1961 is to total approximately $180 million. An important change for Korea was the resumption at mid-year (after a suspension of over a year) of trade relationships with Japan, which appears likely to offer an ever increasing outlet for the production of the Korean mining industry.

Canadian exports to the Republic of Korea fell from $6 million (mainly chemical fertilizers) in 1959 to $4 million in 1960 and may well decline further in 1961, partly because of competition from Japan and also as a result of the new "Buy America" stipulations governing the use of ICA assistance.

Taiwan: Small Market

Like South Korea, Taiwan relies upon substantial United States aid ($100 million in 1960). The country's acute problems are aggravated by the high rate of increase of an already dense population. Industrial development is regarded as the most effective means of relieving the situation and forms the core of the Government's Four Year Economic Plan, 1961-1964. Exemptions from taxation, abatements, tariff concessions on imported equipment and machinery are among the incentives offered to potential foreign investors in new legislation which went into effect last September. Japan is Taiwan's principal trading partner. Canada is only a nominal supplier of Taiwan's requirements; wood pulp and metals are our leading exports to this market.

Thailand: Larger Reserves

Although Thailand's balance of trade was once again adverse, the deficit at the end of 1960 was lower by about 30 per cent than in 1959, and foreign exchange reserves reached their highest point since 1957, an improvement which permitted some relaxation of foreign exchange controls. Export markets for all rice surplus to domestic needs, (some 1.2 million tons) were found, although the prices realized were lower than in 1959, and there was an encouraging increase in export shipments of rubber, tin, maize and timber. For the first time, the value of rubber exports exceeded that of rice, thanks to the higher prices obtained during the first part of the year. A World Bank survey conducted during 1960 was hopeful about the long-term economic prospects, but the recent trend of events in neighbouring Laos has caused deep concern in Thailand and inevitably casts a shadow over the outlook for the current year.

Indonesia: Financial Measures

A general decline in production, reduced export earnings, increased imports over 1959, the continued strain on the country's resources imposed by military operations against the rebels, the severance of diplomatic relations with the Netherlands—these were among the outstanding features of 1960 in Indonesia.

Indonesia accepted a number of substantial new foreign loans last year and in August certain new financial measures were introduced. These included the scrapping of the existing import and export levies and of the varying exchange rates for different types of foreign business transactions. Increased imports of a number of essential raw materials were permitted with the object of bringing prices down, but success appears to have been limited.

An eight-year development plan drafted by the National Planning Council is to go into effect this year. Its implementation will entail increased procurement abroad and this, with the cost of expanding the armed forces, will mean a sharp increase in the demand for foreign exchange at a time when a proportionate increase in foreign exchange earnings appears unlikely. All this suggests that normal commercial imports, in which Canadian participation is nominal, will continue to move at the low level of the past several years.

Cambodia: Trade Larger

Cambodia's economy improved during 1960. Exports—mainly of agricultural products such as rice, rubber and maize—were nearly 70 per cent greater in volume than in 1959. There was also a substantial increase in imports, part of which were destined for industrial development under project aid programs, such as the extension of the harbour facilities at Sihanoukville. This new port, with the construction of a railway from Phnom Penh, is expected to handle much of the country's export traffic now moving through Saigon.

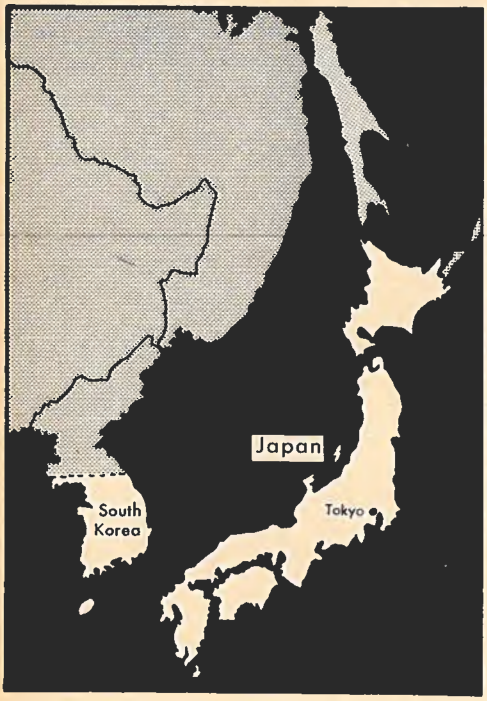
South Vietnam: Improvement

Satisfactory exports of rubber and rice, visible results of the steps taken to diversify agriculture, and further progress in industrial development have all contributed to a modest improvement in the economy of South Vietnam. But events in Laos, the operations of subversive elements in the central and southern provinces, and guerilla activity along the border with North Vietnam have impaired confidence in internal security. As a result, the outlook of the business community generally is short-term and there is a natural reluctance to embark on new projects.

Both Cambodia and South Vietnam rely to a very great extent upon foreign aid, largely from the United States. In Vietnam it is estimated that U.S. aid covers as much as 75 per cent of imports and 50 per cent of government expenditures. The limited Canadian sales of the past few years to the two countries have been financed, in all but a few instances, by ICA funds. Such funds, with minor exceptions, may now be used only to purchase U.S. goods. The implications for our future exports to these two markets are fairly clear.

Did You Read These?

THESE articles dealing with the market for various commodities and aspects of doing business in the Far Eastern countries were published in *Foreign Trade* in recent months.



Japan

A. P. BISSONNET, *Commercial Counsellor, Tokyo.*

THE past year has continued to be an exceedingly successful one for Japan's economy and all indications point to a prosperous 1961 as demand for the country's manufactured products increases in both new and old markets abroad. Japan's position as a leading industrial nation is now evident and its impressive postwar recovery is comparable to that of West Germany.

Industrial production, exports and foreign exchange reserves have all exceeded forecasts. The gross national product, which rose 17.7 per cent in the year ended March 31, 1960, is expected to show a further 11 per cent increase by the end of March this year.

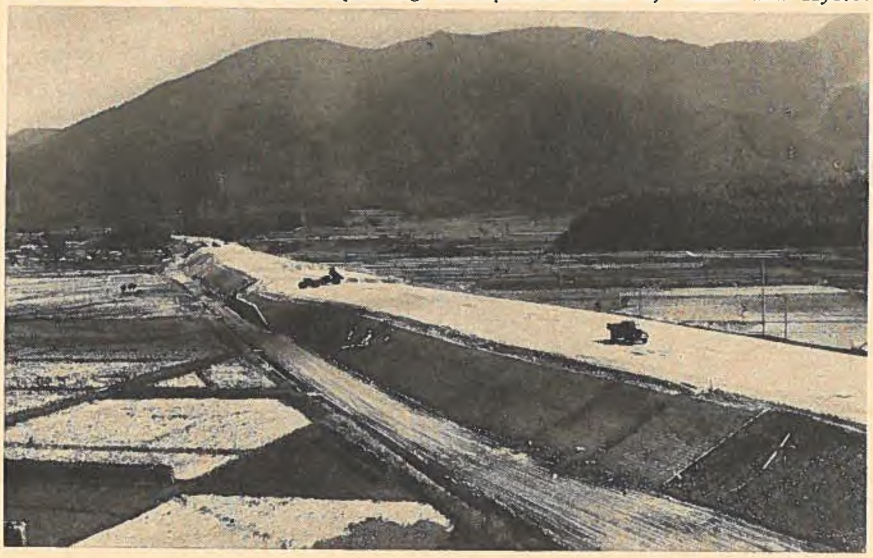
The stability and progress which the economy has shown is the basis on which the Japanese Government has mapped out a program aimed at doubling the national income by 1970. Success will, of course, depend to a large extent on world conditions in the coming years, but there is no doubt that the Government and business are determined to carry out the program if at all possible.

None the less, the Japanese economy is vulnerable in some ways. Most economists tend to minimize the effects of the recent U.S. dollar-saving measures and base this on the fact that the amount of loss that will be involved is a fraction of Japan's total export earnings and at present rates of growth can easily be taken in stride. Perhaps a more important factor in vulnerability is the chronic shortage of domestic capital as it affects the expansion and modernization of industry and increasing competition in foreign markets from Europe and North America. In addition to this, import liberalization is an obligation being pressed on Japan by the opinion of trading partners within GATT and the IMF. And, finally, a rising cost of living could lead to industrial unrest.

Generally, however, the Japanese economy can be viewed with nothing short of optimism. This should be encouraging to Canadian sup-

—IBRD Photo.

When the roadmakers have finished the assignment they are working on in the picture below, Japan will have its first express highway. Financed by a World Bank loan, it will cut in half the time it takes to travel through the thickly populated region that lies between the expanding metropolitan areas of Osaka and Kyoto.



pliers to this very large and important market.

Industrial Production Rises

The rate of increase in Japanese industrial production is probably the most striking aspect of the general economic boom. In 1960 output in mining and manufacturing increased by approximately 26 per cent compared with an equally impressive 24 per cent in 1959. This expansion applied to almost every major industry except shipbuilding, in which Japan's output was still the world's highest.

Perhaps the most dramatic of the production increases in individual industries took place in iron and steel. Output of pig iron moved up 26 per cent to 11.8 million tons and of crude steel up 33 per cent to 22.1 million tons. The production target for 1970 is 48 million tons of crude steel. Within the next few years, if the present rate of increase continues, Japan should be the world's fourth largest iron and steel producer, after the United States, the U.S.S.R., and West Germany.

Total production of motor vehicles rose 83 per cent to 481,549 units and production plans for 1961 call for 600,000 units. Other notable increases in production were petroleum products 40 per cent, textiles 17.7 per cent, pulp and paper 16 per cent, machinery 43 per cent.

In most industries, still further increases are planned for 1961. Meanwhile the Government is considering the reorganization and rationalization of industry, especially where this is thought to be in Japan's interests; in some cases this involves creation of larger groupings. To achieve this, financial control of investment plans is being contemplated.

Japan in 1960 Succeeded in:

- **Increasing output in mining and manufacturing by 26 per cent.**
- **Building up foreign exchange reserves to a record $1,824 million.**
- **Selling $4,055 million worth of goods abroad, with chemical and heavy industrial products in the lead.**
- **Importing goods worth $4,492 million; some $178 million worth was bought from Canada.**
- **Setting in motion a three-year plan for liberalizing imports.**

but Faces These Problems in 1961

- **Loss of an estimated U.S.$200 million because of the U.S. "save the dollar" program.**
- **Chronic shortage of domestic capital for industrial expansion.**
- **Increased competition from Europe and North America in export trade.**
- **Faster growth of imports than of exports.**
- **Rise in cost of living that could lead to industrial unrest.**

Tráde and Payments

Japan's foreign exchange reserves surpassed the $1,800 million mark at the end of December to register a new record high of $1,824 million; indications are that this figure continues to rise. It reflects a persisting favourable balance of payments on current account, despite a greater increase in imports than in exports. There was an influx of short-term funds because of high interest rates.

In 1960 Japan's exports and imports both reached postwar highs. Exports totalled $4,055 million, 17.3 per cent above 1959, and imports $4,492 million, 24.8 per cent above 1959.

Among the outstanding features of Japan's export trade in 1960 were the predominance of chemical and heavy industrial products, less reliance on markets in advanced industrial countries (particularly the United States), and a marked decline in exports of ships, with steel products replacing them in importance.

Textile raw materials was still the largest group of imports, followed by mineral fuels, metal ores and scrap.

The table on page eight reflects the conversion of raw materials into manufactures for export and indicates the increased activity in 1960.

North America is Japan's largest foreign market but, as pointed out above, one of the notable features of Japan's export trade in 1960 was that the increase in exports to North America was considerably smaller than the increases in sales to other geographical markets. The increase in imports was more evenly spread among various geographical sources. The United States remains Japan's principal supplier.

93841-5—3

JAPAN'S EXPORTS AND IMPORTS CALENDAR 1960

Exports	($'000)	Increase over 1959 (per cent)
Textile goods	1,223,323	18.7
Machinery	928,266	14.7
Metals and products	561,248	40.1
Food and drinks	267,887	02.7
Chemicals	169,222	01.6
Non-ferrous metal minerals	145,128	15.0
Others	760,282	14.9
Imports	**($'000)**	**(per cent)**
Textile materials	789,610	20.3
Mineral fuels	741,413	33.0
Metal ore and scrap	673,240	35.6
Animal and plant raw materials	604,532	20.3
Food and drinks	547,054	10.1
Machinery	402,306	14.4
Chemicals	264,982	19.9
Non-ferrous metal minerals	103,471	30.4
Others	365,532	53.8

CANADIAN EXPORTS TO JAPAN

	12 mos. ended December 1959	12 mos. ended December 1960
Barley	$ 5,269,850	$
Wheat, except seed, n.o.p.	69,164,925	82,106,011
Flour of wheat, n.o.p.	2,169,843	1,897,130
Whisky	1,624,092	937,620
Flaxseed, n.o.p.	8,831,170	9,360,217
Mustardseed	553,472	264,470
Rapeseed	3,552,866	4,883,642
Seeds, n.o.p.	475,250	207,900
Calf skins and kips, raw	473,298	800,333
Cattle hides, raw	405,256	1,368,329
Tallow	670,072	551,204
Pulp, sulphite, bleached, dissolving	6,856,777	2,037,426
Pulp, sulphite, bleached, paper grade	229,450	950,802
Iron ore, crude concentrated	5,053,579	9,424,029
Scrap iron or steel	4,562,329	5,344,647
Engines, aircraft, and parts	557,009	273,717
Bookkeeping, calculating machines and parts	923,356	2,092,054
Aluminum scrap	846,280	2,047,200
Aluminum in primary forms	4,288,589	6,421,568
Brass scrap, dross and ashes	912,751	3,089,776
Copper, fine, in ore	3,150,125	4,936,447
Copper scrap, slag, skimmings	444,288	833,946
Copper ingots, bars, billets	62,678	2,823,187
Lead in pigs, refined lead	3,694	1,598,054
Zinc spelter	10,817	2,140,592
Ores, n.o.p.		2,235,067
Asbestos, milled fibres	4,726,286	
Asbestos, milled fibres, Gr. 3		654,158
Asbestos, milled fibres, Gr. 4, 5		4,962,052
Asbestos waste refuse shorts	1,987,068	
Asbestos shorts, Gr. 6, 7, 8, 9		2,836,041
Coal, n.o.p.	971,460	4,464,157
Non-metallic minerals, n.o.p.	679,213	1,949,436
Plastics, synthetic rubber, not sheets, n.o.p.		4,588,588
Synthetic resins, n.o.p.	1,284,679	
Drugs and chemicals, n.o.p.	3,350,013	262,648
Sub-total	134,090,535	168,342,448
Total value of all items other than those listed above	5,633,317	9,665,866
Grand total	**139,723,852**	**178,008,314**

Official forecasts suggest that total Japanese trade in 1961 will continue to expand, with the increase in imports slightly exceeding that in exports. Trade statistics for the first few months of this year tend to confirm this forecast.

Tariffs and Import Controls

In June 1960 the Government announced a three-year plan of import liberalization. The proportion of imports free from restriction rose only from 40 to 44 per cent during the year; scrap iron and pig iron were among the important commodities liberalized. In 1961, the proportion is due to rise to 65 per cent. Thus far, raw cotton, wool and steel have been liberalized. The Japanese have promised 80 per cent liberalization by the end of 1962.

The Japanese Tariff Council prepared in 1960 a proposed complete revision of the tariff system. It would appear that this new system is designed, at least in part, to counteract the effects of liberalization in the less competitive domestic industries. The tariff list has been expanded from 943 to 2,183 items, based on the Brussels nomenclature. The Council has recommended tariff quotas for some items and a system of emergency duties to be imposed administratively if an industry is being seriously threatened by imports. If it is approved by the Diet, the new tariff will probably come into force on June 1, 1961.

There has been considerable speculation about the effects on the Japanese economy of the U.S. economy measures designed to "save the dollar". Estimates of the amounts spent by the United States in Japan in 1960 through ICA and other means run at about $540 million. The new U.S. policy will probably reduce this by about $200 million in 1961, and it is the opinion of the Japanese Government that Japan can sustain this loss without too much difficulty.

Canadian Trade

In keeping with Japan's current prosperity and her consequent general large increase in imports, Canadian exports to Japan in 1960 reached an all-time high of $178 million. Similarly imports from Japan, at $110 million, set a record. This makes Japan Canada's third largest customer, after the United States and the United Kingdom.

Following the previous pattern of Canadian exports to Japan, bulk foodstuffs and raw materials for industry comprised almost the entire amount. The table on page eight shows the principal exports and reveals where trade in 1960 made the chief gains.

Because Canadian exports to Japan consist essentially of primary products used in industry, it is reasonable to assume that demand for these products will continue to grow as Japanese industry expands and increases its production. So far in 1961 there is no indication of a let-up in Japanese industrial activity and interest in Canada as a source of supply is growing. Exports of wheat and other grains and seeds should also continue high.

Canadian imports from Japan increased by about 6 per cent over 1959 and consist virtually without exception of manufactured or processed goods. The biggest single group of imports from Japan is textiles, which account for somewhat less than 25 per cent of the total. A system of voluntary quotas imposed by Japan on its exports of certain textile and other products has served to lessen and alleviate the effect of these imports on the Canadian market for such goods.

Today Canada is one of Japan's large markets and, on a per capita basis, Canada imports more from Japan than almost any other country except Australia and Switzerland.

Outlook

Continued expansion is the announced policy of the Japanese Government and in its election program last November this policy was elaborated into a plan to double the national income during the next ten years. This involves, among other things, an economic growth rate of at least 9 per cent in the next three years and 7 per cent thereafter. The success of this policy will be determined in the main by general world economic conditions in the current year and in the years to come.

Although the record of 1960 and the current buoyant conditions certainly make one optimistic about the success of this plan, there are (as suggested previously) undoubtedly some vulnerable points in the Japanese economy. Imports are tending to increase faster than exports and at the same time competition in export markets from other highly industrialized countries is making itself felt.

Despite this, the determination and the ability of the Japanese to achieve their aims are clearly evident and they are so far meeting with success. Continued expansion of the Japanese economy augurs well for a growing market for Canadian products. ●

South Korea

Limitation to U.S. sources of many purchases with ICA funds, resumption of trade with Japan, and changes in exchange regulations lessen opportunities in this market, but certain products still stand good chance to compete.

C. M. KERR, *Assistant Commercial Secretary, Tokyo.*

THE year 1960 for the Republic of Korea was one of unrest, hesitancy, and retrenchment. The unrest that marked the early part of the year led up to the revolution in April and continued during the early months in power of the new regime. Hesitancy and retrenchment characterized the remainder of the year, as the new government sought solutions for problems that have beset the economy since the Korean war ended. The social and political uneasiness following the revolution led to more labour disputes, hesitation in investment and development projects, and a general slackening of the economic growth of recent years.

In spite of these developments, tight controls resulted in general price stabilization, exports increased significantly, and imports remained about the same as in 1959. Official figures indicate a slight increase in foreign exchange holdings, which totalled $154.8 million at the end of November 1960.

Trade Picture

Largely because of increased sales of tungsten, Korea's exports went up sharply in 1960 to $67.1 million. Some $32.5 million of this was accounted for by goods and services provided for the United Nations forces. Exports going out of the country registered a 67 per cent increase over 1959 and were second only to 1953, when they reached $44.1 million (largely because of high international prices for tungsten at that time). The major exports were:

Tungsten	$5.47 million
Grain (rice)	$3.7 "
Cotton cloth	$2.9 "
Iron ore	$2.5 "

Imports in 1960 are estimated provisionally at $302.9 million, or $235.8 million more than exports. DLF and ICA assistance from the United States, plus non-trade dollar

93841-5—3½

KOREA'S TRADE WITH CANADA

Canadian Exports to Korea	1957	1958	1959	1960
	(in thousands of dollars)			
	6,970	3,682	6,000	3,916
Principal Exports				
Ammonium sulphate			2,108	735
Nitrogen phosphate			511	297
Nitrogen fertilizer n.o.p.			607	103
Zinc spelter			554	557
Aluminum in primary forms			95	40
Lead in pigs, refined			55	10
Nickel fine			21	16
Asbestos milled fibres			20	
Asbestos milled fibres, Groups 4 and 5				7
Asbestos shorts, Groups 6, 7, 8, 9			17	77
Mining machinery and parts			8	65
Radio wireless apparatus n.o.p.				276

Canadian Imports from Korea	1957	1958	1959	1959	1960
				(eleven months)	
	34	21	235	235	404

expenditures of the United Nations command in Korea, helped to bridge the gap but the Government was also obliged to divert money from the capital account, thereby reducing the country's net assets.

Changes in Direction

A major change in 1960 was the resumption at mid-year of Korea's trade relations with Japan, at a standstill since March 1959. Exports to Japan in 1960 totalled approximately $20.9 million—compared with exports to the United States of $5.37 million and to Hong Kong of $2.9 million. The present government is generally expected to promote the expansion of trade relations with Japan. Low freight costs make this trade of mutual benefit and given encouragement, this should result in a change in direction and (to a lesser extent) in the type of Korean export trade. As for imports, Japan will probably supply a large share of those purchased on a global basis but the "Buy America" provisions of ICA and DLF assistance will limit the increase. On the export side, Japan's expanding manufacturing industries require large quantities of raw materials and this may stimulate the development of Korea's growing mining industry. This could prove a boon because, indirectly, it would be an incentive to international investment in the development of Korean mineral resources. As far as Canada is concerned, it could provide an important new market for those types of Canadian mining equipment that are competitive in price or quality with equipment from other countries.

Trade with Canada

Canada's trade with Korea has followed a predictable pattern in recent years, with exports from Canada exceeding by a large margin imports into Canada from Korea. Listed above are export and import statistics from 1957 to 1960, together with the principal commodities exported from Canada in 1959 and 1960. Imports into Canada from Korea consist almost entirely of tungsten.

Outlook for 1961

Trade with Canada in 1961 will probably be considerably less than in recent years, primarily because of the "Buy America" provisions of ICA aid from the United States. The United States has set aside approximately $180 million for ICA aid in Korea in 1961, $30 million of which is reserved for exports of surplus agricultural commodities under PL 480. Formerly currency auctions for ICA-financed imports were on a global basis. As a result of a change in the regulations, recipients of ICA aid—such as Korea—can no longer use these funds for imports from Canada, Japan, Britain, most of Western Europe, Australia and New Zealand. Canadian exports that will be affected by this change include pulp, sulphur, fire clay, caustic soda, raw materials for the manufacture of plastics, fishnet yarns, aluminum, zinc, iron and steel, and some types of machinery. Fertilizer—Canada's major export to Korea in recent years—is an exception to the "Buy America" rule. Approximately $44 million in ICA aid is budgeted for fertilizer and 60 per cent of this will be available for currency auctions on a global basis because U.S. producers are not geared to supply more than 40 per cent of what the market requires.

Korean officials state that approximately $50 million will be available for global imports with Korean foreign exchange—that is, exchange earnings resulting from Korean exports. Some $15 million of this was offered at auctions held in January and February of this year. A list of the items which may be imported with these funds was published at the beginning of the year. Among those listed of interest to Canadian exporters are nylon yarn; papermakers' felts; paraffin oil; cedar lumber; limited amounts of fertilizers; certain types of firebrick; steel sheets; limited quantities of non-ferrous metals such as aluminum ingot, zinc ingot, nickel ingot and wire, and copper tubing; asbestos; pulp, newsprint; inorganic chemicals; synthetic resins; beef tallow; industrial chemicals; polio vaccine, and raw materials for pharmaceuticals. The re-entry of Japan into the Korean market and recent changes in the exchange regulations may, however, make it increasingly difficult for Canadian exporters to obtain orders for many of these products.

New Regulations

One change likely to affect Korean imports in 1961 is the change in the exchange rate. Before December 31, 1960, the official rate was 600 Hwan to the dollar. In January 1961 it was increased to 1,000 Hwan and in February it was adjusted to 1,250, with one rate of exchange applicable to all imports and to all earnings from exports.

This and other provisions of the new exchange regulations are expected to lead to increases in the local cost of imports and to make it difficult to finance them. In addition, interest rates are high—ranging from 8 to 15 per cent a month—and because most business is done on letter of credit, a six-to eight-week delivery time can add considerably to c.i.f. prices—a factor, incidentally, that makes it more attractive for Korean firms to import from Japan.

Methods of Trading

Some of the problems of exporting to Korea have been outlined above, but other points worth keeping in mind are:

1. Proceed cautiously and seek reliable advice before entering this market for the first time.
2. Make sure the agent or representative you select has had considerable experience.
3. Conduct transactions on letter of credit unless you know your representative well.

Those with experience in the Korean market agree that it is a risky one, but exporters who proceed cautiously will find that it has its rewards. Readers may obtain additional information about it by writing to the Commercial Counsellor, Canadian Embassy, Tokyo. ●

Philippines

Interested Canadian firms—particularly those offering equipment and services useful in developing natural resources and industry—should study this market now, as gradual reduction of exchange controls promises brighter long-term sales prospects.

T. G. MAJOR, *Consul General of Canada, Manila.*

THE Philippine economy continues to make progress. Basically it is an agricultural country and likely to continue so for a long time to come. It is generally recognized, however, that the dependence on rural industry must be lessened by the establishment of manufacturing plants able to compete with foreign suppliers, not only in the domestic market but also in the nearby Asian countries. This involves the problem of attracting capital from abroad. Although the past fifteen years have seen the springing up of a large number of industries, mainly of United States origin, many more will be required to satisfy the needs of a rapidly growing population.

The principal deterrents to the expansion of industry based on imported capital include the complicated system of exchange controls and the relatively high-cost economy. The first of these is by way of being eliminated by the gradual reduction of the controls. The Central Bank inaugurated last year a four-year program aimed at freeing the peso by 1964. Its implementation has been accelerated during recent months and it is now expected that, despite opposition in some quarters, the exchange control system will be gone by the end of 1961. The so-called margin fee on exchange transactions remains the most controversial element in the control system and its abolition will require congressional action, possibly along the lines of higher customs duties, to cushion the economic impact of its elimination.

Compared with neighbouring Asian countries, the Philippine economy is high cost, and this tends to restrict opportunities for the development of outlets for manufactured goods in areas where they would encounter competition from low-cost producers such as Japan, Hong Kong and West Germany. At the same time, the domestic market is restricted by the low purchasing power of the rural population and of a sizable segment of city dwellers.

"Filipino First" Policy

With the laudable objective of ensuring that, in the development of resources and industry, control should remain in the hands of the Philippine people, the "Filipino First" policy was enunciated some years ago. It has been implemented by a series of congressional enactments which seem to have had the over-all effect of making it difficult for foreign firms to establish plants in the Republic or to develop its abundant natural resources. There is evidence that, in the long run, Government and Congress will rationalize the practical application of the "Filipino First" policy so as to make the Philippines an attractive field for foreign capital. Until local capital and knowhow can be increased, expansion of the economy must depend largely on imported capital and technical assistance.

Current Business Picture

The current business situation is somewhat confused, mainly because this is an election year. The progress of legislation through Congress has been slowed up and both the statement of economic policies and the implementation of existing legislation tend to be affected. For this reason, it is difficult to analyze business trends.

In general, however, the state of the economy during the past eight or nine months has been reasonably satisfactory. Farm production has continued to rise, although a rice shortage has appeared and imports will be necessary. Subsidization of flue-cured Virginia tobacco, plus restrictions on imports for blending purposes, has resulted in the building up of a surplus of low-grade leaf. The sugar industry is healthy and the recent increase in the United States import quota has stimulated efforts to enlarge the area under production and to improve methods of growing cane and the techniques of cane-crushing and sugar-marketing. Despite efforts to bolster the abaca industry, it remains one of the dark spots in the rural picture, because of disease and severe competition from synthetic fibres.

The tight money policy which was put into effect by the Central Bank in 1959 to curb inflation continued through 1960 into 1961. The restriction of bank credit has reduced non-essential imports and held down business expansion in general. The money supply is said to be no greater now than two years ago. Prices have, however, moved up and with the increase in population (now over 28 million) purchasing power has dropped and unemployment and under-employment in the cities have increased somewhat. There are no statistics to show recent trends in industrial production or retail sales, but one gathers the impression that the situation has been stationary during the past year. A few new factories have been opened in the Manila area and early in March the Singer Sewing Machine Co. announced the conversion of its cabinet-making and assembly branch into a Philippine corporation. Within five years it is expected that a sewing machine with an 85 per cent Philippine content will be produced.

Foreign Trade Expanding

During 1960 external trade increased in value although complete figures for the year are not available. During the first half, exports rose 24.7 per cent and imports 18.1 per cent over the same months in 1959. On the export side, sugar,

Building up domestic industries has become one of the chief objectives of the Philippine Government. (Left) Women and girls sort tobacco in a local plant manufacturing cigars and cigarettes.

copra, logs and lumber, and unmanufactured abaca accounted for almost 75 per cent of the total value. The pattern of imports reflected expansion in industry, with increases in imports of non-electrical machinery, transport equipment, base metals, and mineral fuels and lubricants. These four groups made up 44 per cent of total imports. The textile and electrical machinery and appliances groups displayed sharp decreases; imports of cereals and fish products rose. During the first half of 1960, the United States share of total imports rose from 46.7 to 49.8 per cent. Exports to the United States declined from 61.9 to 53.0 per cent; shipments to Northwest Europe and Asia together rose from 35.1 to 43.1 per cent, reflecting a decreasing dependence on the U.S. market. Japan continued to be the Philippines' second trading partner and in December 1960 a treaty of "amity, commerce and navigation" was negotiated between the two countries.

Trade with Canada

The pattern of trade between the Philippines and Canada changed little last year. Canadian exports declined slightly in value—from \$14.86 million in 1959 to \$14.81 million in 1960. Philippine sales to Canada for the first eleven months of the year reached \$1.74 million compared with the \$1.4 million for the whole of 1959. Wheat and wheat flour and newsprint remained the principal Canadian exports, but promising upturns occurred in copper products, zinc spelter, synthetic rubber and malt. Shipments of wood pulp decreased, probably because of the large purchases in 1959. As a result of expansion in the Philippine industry, imports of nitrogenous fertilizers from Canada now are only a small fraction of 1958 shipments. Despite the rise in exports of flour in 1960 (from \$5.3 million in 1959 to \$6.5 million in 1960) this trade must be regarded as near its end. With two mills in operation and two more under construction, domestic production of flour will more than meet Philippine requirements. The situation in wheat is uncertain. In recent months, however, agreements with United States mills have switched the principal source of supply from Canada to the United States. Chrome ore, desiccated coconut, manila fibre (abaca) and lumber products were again the principal commodities brought into Canada from the Republic.

The sound basis of the Philippine economy indicates a growing market potential for commodities and services needed in the development of natural resources and manufacturing industries. The present short-term period of uncertainty—the result of the gradual elimination of exchange control—provides an excellent opportunity for interested Canadian firms to explore the Philippine market thoroughly—and soon. Competition is and will be keen. ●

Taiwan

Government is working on building up industry, attracting foreign capital; economy still bolstered by U.S. aid. Canada is selling wider range of products, with wood pulp and metals in lead.

R. M. DAWSON, *Vice Consul and Assistant Trade Commissioner, Manila.*

THE year 1960 brought steady growth in the Taiwan economy. Although final figures are not yet available, real national income is expected to exceed the average annual increase of 6.2 per cent of the previous two years. Exports, at U.S.\$169.8 million, were the highest since the Nationalist Chinese moved their seat of government to Taiwan. Imports, excluding large amounts of U.S. aid, decreased by 4.7 per cent to U.S.\$143.2 million.

How to balance the economy while reducing the heavy dependence on U.S. aid, which reached U.S.\$99 million last year, remains the major issue facing the Taiwan Government.

Economic progress has not relieved the acute problems facing the country. The population density is even higher than in Japan—and on a predominantly mountainous island with only one-quarter of its area suitable for cultivation. There is little prospect of expanding crop acreage so production must be increased by using improved farming techniques, better seed strains, more irrigation and more fertilizer on land already cultivated intensively. One of the highest rates of population increase in the world, approximately 3.5 per cent a year, adds to the difficulty.

Industrialization is the central theme of the Government's third Four Year Economic Plan, scheduled to run from 1961 to 1964. Featured in this scheme (which will cost N.T.\$45 billion)* will be an allocation of N.T.\$20 billion for capital investment in industry. N.T.\$8 billion will be channelled to agriculture and the remainder used to develop transportation and communications.

*N.T.\$40.03 equals U.S.\$1, throughout this report.

At the present time, government corporations control most of plant capacity. With its resources already taxed, the administration cannot expect to expand the economy without stimulating foreign investment. To help lessen the reluctance of foreign investors to participate in Taiwan's economic progress, a "Statute for Encouragement of Investment" was put into effect last September. Some of the incentives that this law provides are listed below:

- A five-year tax holiday for new enterprises (previously three years).
- A reduced maximum rate of business income tax of 18 per cent (previous maximum was 32½ per cent).
- Revaluation of assets when wholesale price index rises 25 per cent above the base figure of January 1, 1961, or the figure on the date of the last revaluation.
- Import duties on machinery and equipment may be paid in instalments after the machinery has been put into operation.

The security problem still bothers many prospective foreign investors, yet the Government is hopeful that the tax exemption privileges offered under the new statute, reputed to be as attractive as those offered in Hong Kong, will outweigh this factor. Interest on the part of Overseas Chinese, Japanese and U.S. investors has taken a pronounced upturn with the passing of the new law.

Monetary Policy

Business conditions in Taiwan remain buoyant, but concern over inflation is affecting monetary policy. A tight money situation continues, with interest rates (from the most recent statistics we have available) averaging about 20 per cent. Interest rates outside banking circles run much higher and cause considerable pressure on firms hard pressed for operating capital. In spite of the Government's efforts to tighten the credit situation, bank reserves continue at high levels and are a factor contributing to inflation.

IMPORT FOREIGN EXCHANGE SETTLEMENT, JAN.-DEC. 1960*

	Jan.-Dec. 1959	Jan.-Dec. 1960
	('000 of U.S.$)	
Raw cotton	4,808	7,097
Wool and manufactures	2,645	2,878
Silk and manufactures	2,810	4,275
Ores, metals and products	21,401	18,737
Machinery and tools	21,634	20,774
Vessels, vehicles and parts	14,072	9,504
Electrical appliances	4,503	4,146
Rice	753	3,220
Beans and peas	877	4,652
Milk and products	1,733	2,214
Chemicals	4,932	4,819
Chemical fertilizers	22,220	13,875
Paints and dyes	2,640	2,502
Pharmaceuticals	4,475	4,685
Oils and waxes	3,880	4,019
Crude petroleum and fuel oil	13,266	10,827
Paper and pulp	2,328	2,577
Scientific instruments	2,297	2,704
Rubber and manufactures	3,619	2,374
Timber	2,699	2,507
Leather and hide	1,040	1,440
Others	11,734	13,407
Total	**150,366**	**143,233**

*Excludes U.S. aid.
Source: Taiwan *Commercial Bulletin* January 20, 1961.

The campaign for increased industrialization still leaves Taiwan with a shortage of medium and long-term financing. A private company was incorporated in mid-1959 to help fill the vacuum and a government industrial bank was reactivated in February 1960. These, however, can only satisfy part of the demand for funds.

Any sudden reduction of U.S. aid —almost U.S.$100 million in 1960 —would cause a real foreign exchange crisis. Consequently the gradual expansion of exports is not sufficient to permit any relaxation of exchange and trade controls or the setting of a free exchange rate on New Taiwan dollars. The United States, it seems, must continue to bolster the economy through aid programs for many years to come.

Foreign Trade

The table on the left shows import and export trends between 1959 and 1960.

Import requirements for machinery and industrial raw materials will continue to rise as Taiwan's industrial production expands. Land shortage is resulting in a levelling-off in agricultural output, but the bulk of the growing imports of foodstuffs are being supplied under U.S. agricultural surplus disposal programs.

Familiarity with Japanese equipment, in addition to price and barter transactions, continue to make Japan Taiwan's most important commercial trading partner. The United States remains the second largest supplier, with West Germany third, heading a list of nominal exporters including Canada.

Canadian Sales Up

Canadian sales rose 70 per cent in 1960 over the previous year and totalled Can.$2.9 million. Larger shipments of milk powder, presumably under UNICEF, accounted for a good portion of the rise, although it is apparent from an examination of Canadian export statistics that we are selling a wider range of commodities to Taiwan. Wood pulp and metals continue to be our leading exports.

Many Canadian exporters who have focused their sales efforts on Asia continue to ignore the expanding sales opportunities in Taiwan. We recommend that this territory be included in regular sales visits to the Far East. If this is not convenient, the Canadian Consulate General, P.O. Box 1825, Manila, Philippines, will endeavour to assist by exploring market prospects and recommending agents. Officers from the Consulate make periodic visits to Taiwan and will be pleased to follow up any matters of concern to Canadian exporters. •

Indonesia

Eight Year Plan, adopted last December, may stimulate imports from countries which can offer long-term credits. Continuing inflation, budget deficits are among obstacles to economic progress.

C. J. WEBSTER, *Chargé d'Affaires, a.i., Djakarta.*

DURING the past year, the Indonesian Government devoted most of its attention to tightening its controls on trade, to the development of nationalistic land and oil policies, and to the resumption of economic planning, which was disrupted in 1958. The further erosion of rebel strength made conditions somewhat more favourable for production in some areas, but it is doubtful whether smuggling was significantly curtailed. The Government failed to arrest a general decline in production and to check inflation.

Early returns suggest that output of tin, bauxite and coal was up slightly, that production of petroleum, natural gas, and silver held to about the 1959 level, and that manganese and gold declined sharply. Despite a special effort, rice production apparently failed to rise and the output of estate agriculture, except for palm products and tea, sank still further. Smallholder production, which accounted for half of all agricultural exports, held roughly to the 1959 level. Total rubber output declined and that of sugar dropped by about 25 per cent.

Trade and Payments

The budget deficit—the ninth in as many years and probably larger than the Rp.1.9 billion expected—was again financed by advances from the Central Bank. The volume of money in circulation had risen by the end of the year by a further 25 per cent to Rp.34.5 billion. While the "food and clothing" campaign probably slowed up the rise of official prices for these necessities, it failed to prevent recurrent shortages; the distribution system was heavily congested at the end of the year and costs in general continued to climb. Despite high world prices for rubber, exports for the first ten months were down from U.S.$716 to U.S.$700 million; imports for the same period were up from U.S.$335 to U.S.$452 million. Although the resulting surplus on commodities account of $247 million was about 30 per cent below that of the previous year, it was still sufficient to raise gold and foreign exchange reserves by about Rp.3.6 billion.

Canadian trade with Indonesia was slightly larger than in the past three years, as the following table shows.

	Canadian Exports to Indonesia	Canadian Imports from Indonesia
1957	$1,633,330	$964,807
1958	1,694,703	230,628
1959	1,759,987	155,526
1960	2,110,368	507,008 (11 mos.)

As usual, our principal exports were industrial raw materials, automobiles, machinery and spare parts. (Of the $2.1 million total in 1960, some $340,000 represented a gift of wheat under the Colombo Plan.)

Foreign Loans and Credits

Last year, Indonesia accepted several important new foreign loans. These included $33.2 million from the Export-Import Bank for the construction of a fertilizer plant and $14.3 million for a thermal power station. A third PL 480 agreement with the United States provided a further $16 million in aid and the Development Loan Fund supplied $11.6 million for the improvement of land and marine transport. The U.S.S.R. offered $250 million for a number of development projects, and Czechoslovakia and Poland offered $34 million and $2.5 million for cement plants. The U.S.S.R. also provided credits totalling several hundred million dollars to cover the purchase of equipment for the armed forces, and Japan concluded an agreement for the development of oilfields in northern Sumatra. It does not appear, however, that foreign loans were heavily drawn down.

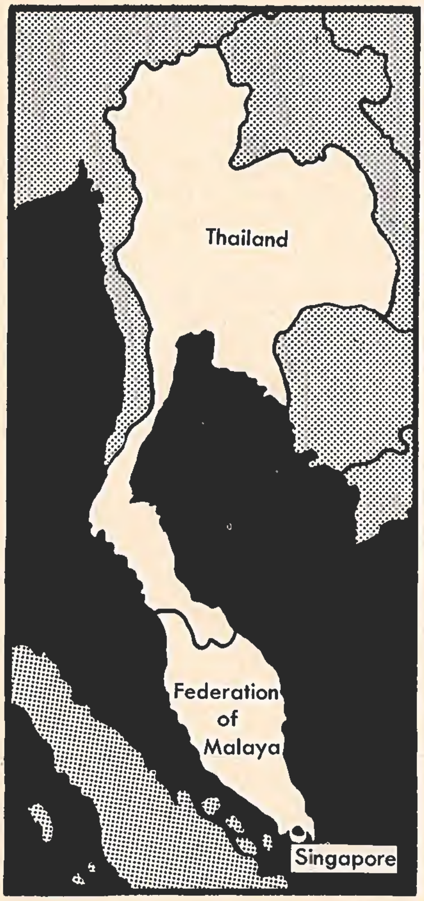
The Government continued the reorganization of its trading apparatus by excluding all Chinese

93841-5—4

businessmen from retail trade in the rural areas and by encouraging the growth of co-operatives. The Big Eight trading corporations (which hold a monopoly on basic imports) reported much larger profits and their tax payments began to make a significant contribution to the national revenue. A relaxation of restrictions on imports in August somewhat improved the supply of industrial raw materials and sharply accelerated the inward flow of less essential goods. The land reform of September abolished all foreign titles and substituted a variety of tenures. Although the implications of the new law were not fully defined, it seemed to point clearly toward the ultimate exclusion of foreign capital from plantation agriculture. In December, the Government adopted a new Eight Year Plan which envisages the investment of Rp.30 billion a year and which may stimulate imports from those countries which have provided, or are prepared to provide, special long-term credits.

Looking Ahead

The outlook for 1961 is for continuing inflation. Whereas revenue is expected to reach Rp.66 billion, expenditure is to total Rp.82.65 billion, of which Rp.30 billion is to be invested. Of the total deficit of Rp.16 billion, Rp.10 billion is to be covered by funds which were frozen in 1959 and which have been assigned as initial capital to the new Development Bank; the remainder is to be covered by advances by the central bank. Because heavy flooding at the turn of the year may increase the need for imported rice, and because the expansion of the armed forces and the inception of the Eight Year Plan will entail increased procurements abroad, the demand for foreign exchange is expected to rise. Yet the production picture does not suggest that earnings will increase proportionately and they might even decline, if world prices for petroleum and rubber do not hold firm. Thus a shortage of foreign exchange and deficits in the balance of trade and of payments are a likely prospect. For this reason, it would not appear that normal commercial imports, which have been held for several years at somewhere near rock-bottom level, are likely to rise significantly. ●



Singapore

Canadians are selling a greater variety and volume of goods to Singapore. Sources of income in the area remain stable, but increasing population heightens need for industrialization.

E. H. MAGUIRE, *Trade Commissioner, Singapore.*

BUSINESS is good in Singapore. Last month the usual Chinese New Year buying spree was as heavy, if not heavier, than in the previous year, when rubber prices were considerably higher. Total tonnage of cargoes loaded and unloaded in Singapore during 1960 was little changed from 1959 figures. Foreign trade was a little higher in value than in the previous year and imports from Canada and the United States increased substantially. It appears that Singapore's role as entrepôt port for South East Asia will not become less important in the forseeable future despite the development of competing ports, such as Port Swettenham and Djakarta. Prosperous conditions in the British Borneo territories also contribute to Singapore's well-being. The Government is adhering to a policy of industrialization to complement entrepôt trade; important industries are being established and work is proceeding on the development of an extensive industrial area. Provided the labour situation remains reasonably quiet, industrial development is expected to progress.

Preliminary figures show that over 9 million tons of cargo were unloaded in Singapore in 1960, of which nearly 4 million tons was general cargo. Outward cargo totalled about 5 million tons, about half of which was general cargo. Singapore's trade in 1960 totalled M$-5,898 million* in value, compared with M$5,826 million in 1959. It was the third best year in the country's economic history. (In 1951, the Korean boom year, trade totalled M$7,723 million and in 1957, M$6,080 million.)

In 1960, the direction of Singapore's foreign trade was as follows: Commonwealth (including Canada) 26 per cent, Federation of Malaya 22 per cent, Indonesia 15 per cent, Europe (including the U.S.S.R) 12 per cent, the Americas (excluding Canada) 7 per cent, Japan 6 per cent, others 12 per cent. Singapore's leading trading partners were the Federation of Malaya, Indonesia, the United Kingdom, Japan, the United States, Sarawak and Australia.

SINGAPORE'S TRADE

	Exports		Imports	
	1959	1960	1959	1960
	(millions of Malayan dollars)			
United Kingdom	274	289	324.7	360
Sarawak	82.1	86	184.4	204
Australia	124	134	111.7	107
West Germany	89	79	60	72
Netherlands	83.7	59	58.5	59
India	57	70	60.2	51
Indonesia	131.3	123	1,135.7	992
Japan	121	158	240	294
Communist China	116	77	131	141
Federation of Malaya	800	850	800	850
United States	292	252	125	157
U.S.S.R.	164.1	66	2.2	6
Thailand	94	1.6	146.5	152
Canada	59.2	49.3	9.9	13.7

Buying and Selling

Imports for 1960 totalled M$-3,225 million and exports M$2,634 million; corresponding amounts for 1959 were M$3,105 million and M$2,720 million. Trade with Indonesia proved disappointing: imports, consisting mostly of rubber and other produce for re-export, dropped to M$992 million from M$1,136 million in 1959, and exports decreased from M$131.5 to M$123 million. On the other hand, entrepôt trade with Sarawak increased; imports rose from M$-184.4 million in 1959 to M$204 million last year, and exports increased from M$82 to M$86 million.

Trade with the Federation of Malaya increased moderately—to about M$850 million each way—but Singapore's share in handling the trade of the Federation fell off. This was because of the increasing tendency in Malaya to buy directly from and sell directly to world markets rather than through Singapore; it also reflects the growing importance of Port Swettenham. During the year Singapore handled 40 per cent of the Federation's imports (42 per cent in 1959) and 29 per cent of her exports (32 per cent in 1959).

A feature of Singapore's trade in 1960 was the substantial increase in imports from the United Kingdom, Sarawak, West Germany, the United States, Japan, the U.S.S.R. and Canada. The increases with Canada and the United States resulted directly from the relaxation of import restrictions on goods

*Three Malayan dollars = one Canadian dollar.

These bales of Malayan rubber, each weighing 250 pounds, are being offloaded in Singapore for transhipment at that port. To the left, a "tongkang" loaded with boxes of pineapple that will be transferred to a ship lying in the harbour and taking on cargo for far-distant destinations.

93841-5—4½

from the dollar area in August 1959.

Singapore's trade with its principal trading partners in 1959 and 1960 is shown in the table on page 17.

Trade with Canada

Imports from Canada rose from M$9.9 million in 1959 to M$13.7 million in 1960, an increase of 38.4 per cent. Exports to Canada—chiefly rubber, tin, vegetable oils and canned pineapple, originating mostly in Malaya and British Borneo—declined from M$-59.2 million in 1959 to M$49.3 million in 1960. It is probable that more than half the goods landed in Singapore from Canada were re-exported to Malaya, British Borneo territories and, in some cases, Indonesia. A breakdown of imports from Canada is not given in local statistics, but Canadian statistics on exports to Singapore and the Federation as a unit can be used as a guide. They show that trade is becoming more widely diversified: about 182 class numbers are listed for 1960 and less than 100 for 1959.

PRINCIPAL CANADIAN EXPORTS TO SINGAPORE AND MALAYA

	1959	1960
	(in Can. dollars)	
Wheat flour	1,011,404	953,527
Passenger automobiles	384,918	767,972
Marine engines and parts	611,868	725,031
Rolled oats	363,813	473,725
Drugs and chemicals	96,360	189,589
Plastics basic shape form		167,729
Asbestos milled fibres	9,050	156,852
Files and rasps	41,442	141,180
Men's cotton shirts and pyjamas	6,571	88,857
Total including all others	3,257,693	4,659,991

Industrialization Needed

Singapore is faced with the problem of a rapidly growing population. Because no large increase in entrepôt trade activities is expected, the Government is keenly aware of the need for industrialization. It is making every effort to attract industry by means of tax and other concessions similar to those granted in the Federation. The undeveloped Jurong area on the southwest corner of Singapore Island is being turned into an 18,000-acre industrial estate. Detailed surveys are being conducted and access roads are under construction. A complete new city will be built around heavy industries set along the waterfront. The Government hopes that an iron and steel mill using ore from the Federation and coal from Indonesia will form the nucleus of the estate, around which shipbuilding, shipbreaking and other industries are planned. A United Nations team of experts is currently in Singapore carrying out studies to determine the size, type and scope of the steel mill to be constructed.

Two new oil refineries, each with a capacity of a million tons a year, are being built. A well-known British-Dutch concern and a consortium of two Japanese oil companies are backing the project. Both groups will be exempt from income tax for five years from the day production begins, and the plants will cater to South East Asia's increasing demand for refined products. ●

Federation of Malaya

Canada's sales to Malaya rose 26 per cent last year, as removal of import restrictions opened up this market. Good rubber prices, bigger tin exports brought prosperity, financed development projects, encouraged private investment in industry.

E. H. MAGUIRE, *Trade Commissioner, Singapore.*

THE Federation of Malaya is continuing to make progress. Business is brisk and prosperous. Foreign trade is being maintained at a high level and returns for 1960 show a substantial favourable balance on commodity trade. The balance-of-payments situation is satisfactory and the financial position strong. The Government is budgeting for a small surplus this year, after realizing a sizable one on current account last year. The first Five Year Plan for economic development has been successfully concluded and a second Five Year Plan has been announced. The flow of investment capital from abroad, so necessary for development, appears to be adequate. Malayan imports from Canada are rising at an encouraging rate and its exports to Canada are increasing.

Rubber and Its Future

Official policy is to diversify the economy, thus lessening its dependence on the two main exports, rubber and tin. The Federation now accounts for one-third of the world's supply of these two commodities. Rubber is the Federation's most important export and accounts for about 65 per cent of the planted area; rubber and tin together make up 80 per cent of the total value of Malayan exports. Because Malaya realizes that its prime dependence on rubber is not likely to change radically in the foreseeable future, the extensive replanting scheme begun just after World War II is still being actively fostered by government and the industry. It is financed by a levy on exports of rubber. At present, roughly half of a total planted area of 3.8 million acres has been planted with high-yielding trees. The Government and industry are keenly aware of the problem of competing with synthetic rubber—particularly the new stereo-synthetics, which are reported to have the same properties as natural rubber. However, there is general confidence that the new high-yielding stock in the replanted areas will reduce costs sufficiently to allow natural rubber to compete successfully with synthetic rubbers in world markets for many years.

Markets and Prices

Rubber production in Malaya (including Singapore Island, which produces only small quantities) in 1960 reached 710,000 tons, compared with 698,000 in 1959. Imports from neighbouring countries (principally Indonesia) for transhipment totalled 418,000 tons. Exports of rubber from Malaya, including re-exports, reached 1,077,000 tons in 1960 compared with 1,201,000 in 1959, because of smaller quantities shipped to the United States and to Iron Curtain countries (whose purchases were only half that of the previous year). Principal markets, in order of importance, were the United States, the United Kingdom and the U.S.S.R.

In 1960 the price of top-grade rubber varied from M$1.40 to M$0.83 a pound. The peak was reached in May and then prices declined steadily until the end of the year, as a result of releases from United States and United Kingdom stockpiles during the first half of 1960 and the smaller purchases of Iron Curtain countries. The average price in 1960 was M$1.09 a pound, compared with M$1.01 in 1959. The price continued to decline early in 1961 and reached a low of M$0.776 in February. There has been a recovery and the price is now M$0.85. There was little change in the Malayan stock posi-

—U.K. Information Office.

These stevedores at Port Swettenham are loading bales of rubber for shipment overseas. This port has expanded its facilities since Malaya became independent, now handles an increasing percentage of its trade.

Federation Frames a Second Plan

THE Parliament of the Federation of Malaya recently approved a second Five Year Plan, to run from 1961-1965. More ambitious than the first one, in which total investment (public and private) reached about M$3,000 million, this one calls for a total of M$5,050 million. Of this, M$2,150 million will be spent in the public and M$2,900 in the private sector.

In shaping the objectives of the new Plan, Malaya has borne in mind its three chief economic problems: the high rate of population growth, the depressed conditions in rural areas, and the need for economic diversification. The announced objectives are:

- **To provide opportunities and facilities for the rural population to improve its standard of living.**
- **To find employment for the working force, which is expected to increase 15 per cent during the period that the Plan covers.**
- **To raise the per capita output of the economy and to protect the individual's living standards against the adverse effects of a possible decline in rubber prices.**
- **To widen the variety of Malayan production of other suitable agricultural products in addition to rubber, and at the same time give reasonable encouragement to industrial expansion.**
- **To improve and extend social services.**

The Plan definitely stresses rural development and this will absorb 25 per cent of the planned public investment. Of a total public investment of M$2,150 million, about M$1,285 million will come from government financial sources and national savings and M$505 million from foreign loans and grants. Borrowing from abroad on the scale proposed would increase annual service charges on the Federation's foreign debt to a figure still less than 3 per cent of earnings from exports.

FEDERATION OF MALAYA TRADE

Main Commodity Groups	Imports, c.i.f. Jan.-June 1960 From or via Singapore	Direct from overseas	Total	Exports, f.o.b. Jan.-June 1960 To or via Singapore	Direct to overseas	Total
	(millions of Malayan dollars)					
Food	100	169	269	40	12	52
Beverages and tobacco	18	24	42			
Crude material, inedible	30	135	165	356	750	1,106
Mineral fuels	29	43	72		4	4
Oils, animal, vegetable	1	6	7	15	26	41
Chemicals	26	46	72	4	4	8
Manufactured goods	88	85	173	8	224	232
Machinery and transport	77	79	156	9	5	14
Miscellaneous manufactured articles	28	29	57	6	2	8
Miscellaneous transactions, n.e.s.	17	5	22	5	6	11
TOTAL	414	621	1,035	443	1,033	1,476

MALAYA'S PRINCIPAL TRADING PARTNERS

Exports	January-September 1959	1960
	(millions of Malayan dollars)	
Singapore	301	500
United Kingdom	242	295
Japan	224	292
United States	209	244
West Germany	88	174
France	59	88
Italy	62	83
India	37	65
Poland	25	47
U.S.S.R.	152	46
Imports		
Singapore		500*
United Kingdom	284	338
Indonesia	146	252
Thailand	144	193
Japan	88	120
Australia	63	77
Communist China	53	64
United States	36	60
Hong Kong	51	59
West Germany	42	58

*Approximately.

tion from one year-end to the next. The rubber trade is optimistic about prospects for the rest of 1961.

Mining Industry Prospers

Tin export quotas imposed by the International Tin Council were abolished in 1960 and resulted in a large increase in tin exports from the Federation compared with the previous year. Tin exports (including re-exports of 20-21,000 tons) rose from 44,671 tons in 1959 to 76,367 in 1960. The average price for the year was M$393 a picul. There was a modest decline in the first two months of this year but the price has now recovered to about M$405 a picul. The stock position has changed little over the past 12 months or so and the trade views prospects to the end of 1961 with equanimity.

Production of iron ore in the Federation increased sharply; the current yearly rate of production approximates 6 million tons. Exports for the first eleven months of 1960—all of which went to Japan—totalled 5.2 million tons as against only 3.7 million in 1959. Output of bauxite is also rising and again Japan is the sole customer. Bauxite exports rose from 364,000 tons in 1959 to 413,000 in the first eleven months of last year.

Financial Position Good

The Federation is in a strong financial position. It shares a common currency (called Straits or Malayan dollars) with Singapore and the British Borneo territories; three Malayan dollars equal one Canadian dollar. The note issue is backed by sterling assets reported to exceed M$1,100 million, equal in value to 100 to 110 per cent of its liabilities. At the end of 1960 the total funded debt stood at M$1,127 million; service charges amounted to less than 10 per cent of the revenues for that year. Foreign exchange held in the Federation, including balances held by banks and the Federation's share of reserves against the note issue, totalled about M$2,100 million at the end of 1960. The official external debt, net of sinking fund, at the end of the year was about M$450 million, equal to a little over half of the Government's sterling holdings.

The final figures on the Federation's 1960 budget are expected to show a surplus on current account of about M$170 million instead of the estimated deficit of M$14 million, because of unexpectedly high rubber prices. The Government has budgeted this year for a surplus of M$13 million, with revenue estimated at M$971 million and expenditure at M$958 million. The reserves are expected to total M$652 million when the accounts for 1960 are closed.

Development Promoted

The Federation's first Five Year Plan (1955-60) did not really get under way until 1956. As a result, total public investment, at M$1,000 million, fell short of the target but only by about 15 per cent. It was, however, nearly double that of the preceding five years and private investment also exceeded the pre-1956 figures. Public investment was devoted to providing basic facilities and services needed for the expansion of the economy—rubber replanting, transportation and communications, electric power facilities, and so on. Total investment, private and public, amounted to about M$3,000 million. Output of goods and services increased about 20 per cent during the period, more rapidly than the rise in population.

Production of rice and palm oil, in particular, showed marked increases. In the non-agricultural section of the economy, there was a boom in iron ore mining and the output of manufactured goods rose sharply.

The main increase in investment in the private sector was concentrated in manufacturing. The establishment of the Petaling Jaya industrial estate near Kuala Lumpur and the incentives to investors offered by the Government attracted industrial investment. More than 150 factory lots in the estate have been sold to companies producing processed foods, beverages, cigarettes, pharmaceuticals, paints and chemicals, printed materials, tin containers, plastics, electrical appliances and construction materials. About 80 factories have begun production. Under the Pioneer Industry policy inaugurated in 1958, which exempts pioneer industries from income tax for from two to five years, more than 50 firms with a paid-up capital of about M$27 million and producing 238 products have been awarded pioneer status. Firms in this category may also petition the Tariff Advisory Board for reductions in duties on components for manufacture and for increases in duties on imports of finished goods. The Board has recommended certain tariff changes and these the Government has made. However, on each application the Board invites comments from those who might be adversely affected and is very circumspect in coming to its decisions.

Trade Surplus Achieved

Preliminary returns indicate that the value of the Federation's foreign trade in 1960 was the highest since the Korean boom years—about M$5,000 million, compared with M$4,150 million in 1959. Imports, c.i.f., were valued at about M$2,150 million (M$1,739 million in 1959) and exports and re-exports, f.o.b., at about M$2,900 million (M$2,470 million in 1959), giving a favourable balance of about M$750 million (M$731 million in 1959).

An analysis of the Federation's foreign trade is complicated because of Singapore's function as an entrepôt port. Singapore merchants buy goods abroad, land them in Singapore, and sell them to customers in the Federation. In the same manner, they purchase Malayan products and sell them abroad. In 1960, the value of the Federation's trade with Singapore was about M$850 million each way, or a total trade of about M$1,700 million. It is estimated that four-fifths of the value of total trade with Singapore represented goods that came from abroad through Singapore or were re-exported from Singapore to overseas markets.

The accompanying table illustrates the categories of goods traded to and from the Federation and their values for January-June 1960.

The United Kingdom is the Federation's best customer and leading supplier; it is the source of about 21 per cent of the Federation's imports, about 10 per cent more than any other country. The Federation traditionally has a trade deficit with the United Kingdom but surpluses with most other countries, including Canada and the United States. The bulk of its exports, consisting chiefly of rubber and tin, go to the more highly industrialized countries of Europe and North America and to Indonesia, Thailand and Japan. The highlight of 1960's trade was the marked increase in imports from the United States and Canada resulting from the relaxation in August 1959 of import restrictions on goods from dollar countries. Although this trade is still relatively small, in 1960 the value of imports from the United States increased by 75 to 80 per cent and from Canada by about 26 per cent.

The accompanying table shows the principal countries trading with the Federation in 1960 and 1959.

Trade with Canada

The latest official Malayan statistics show that imports into the Federation from Canada amounted to M$3.5 million in the first six months of 1960, compared with M$1.8 million in the same period of 1959. In addition, goods of an unknown value were imported into Singapore from Canada and re-exported to the Federation. Exports to Canada during these six-month periods rose from M$14.8 million in 1959 to M$18.3 million in 1960. Principal products sold to Canada were crude rubber, tin, and vegetable oils. Principal purchases from Canada were motor vehicles, wheat flour, cereal preparations, marine engines, power generators, aluminum and chemicals.

The market is wide open to Canadian goods but it is highly competitive. Malayans are extremely brand-conscious and brand names that are household words in Britain and in some cases in the United States are just as well known in the Federation. Sales in volume can only be made by extensive advertising and close attention to market requirements. A well known Canadian brand of rolled oats and a Canadian brand of household wash bleach are successfully marketed in the Federation as a result of good promotion. In other words, Canadian exporters of consumer goods, if they wish to gain entry into this market, must be prepared to regard it the same way as they would the Canadian market. This includes a willingness to contribute adequate sums of money for advertising and to sell what the market wants.

THE Export Credits Insurance Corporation reported to Parliament recently that last year its insured exports valued at $63.5 million, some $16 million, or 34 per cent, more than in 1959. In addition, it insured goods valued at $38.2 million under authority of Section 21 of the Act. At the end of the year it had 247 policies in force, covering a wide variety of products shipped to some ninety countries. Liabilities under these policies totalled $63.4 million. The Corporation was set up at the end of the war in 1945 and since then has insured export sales valued at $920 million. It has paid out $10.3 million in claims to Canadian exporters and has recovered $7.4 million.

Thailand

Thailand's Six-Year Development Plan, with its emphasis on more industries, should create better markets for raw materials and semi-manufactured products, improve opportunities for Canada.

E. H. MAGUIRE, *Trade Commissioner, Singapore.*

LAST year was a good one for Thailand and the prospects for continued economic growth are bright. Foreign exchange reserves, bolstered by loans and grants from the United States and loans from international organizations, have reached a safe level. Government revenues have increased. The International Bank for Reconstruction and Development has declared Thailand creditworthy. The chronic deficit in visible foreign trade has been sharply reduced and a wider range of commodities are now earning foreign exchange in export markets, thus making the country less vulnerable to the vagaries of the world rice market.

Imports, including those from Canada, have also risen. Credit has remained tight and importers have been asking for and obtaining longer credit terms from overseas suppliers; restrictions on imports have been reduced to a mere formality. A Six-Year Development Plan has been put into effect, but progress toward industrialization has been slow.

Thailand's Foreign Trade

Thailand's foreign trade can be expected to improve as the economy expands. In 1960, imports totalled Baht 9,537 million,* and exports Baht 8,617 million, leaving a trading deficit of Baht 920 million, compared with Baht 1,266 million in 1959 and Baht 1,577 million in 1958. (Imports in 1959 totalled Baht 8,842 million and exports Baht 7,576 million.) In 1960 for the first time the value of rubber exports exceeded the value of rice exports, and exports of maize, tapioca and jute earned large amounts in foreign markets. In recent years the Government has encouraged larger plantings of these products. Production of maize rose from 22,000 tons in 1950 to an estimated 400,000 tons last year, of which 350,000 tons were exported. Exports of rice reached 1.2 million tons, compared with 1.1 million in 1959 and 1.6 million in the peak year 1957. Rubber exports decreased from 174,409 tons in 1959 to 159,000 tons in 1960, but higher prices more than offset the difference. Tin exports increased to 16,400 tons from 13,549 in 1959. The Thai teak industry is reportedly declining because of over-cutting of accessible timber and the supply of good logs coming to market is steadily diminishing.

Japan and the United States dominate Thailand's import trade. In the first nine months of 1960, imports from Japan totalled about Baht 1,700 million, an increase of about Baht 250 million over the first nine months of 1959. Imports from the United States reached some Baht 1,200 million for the nine-month period—about Baht 100 million more than the comparable 1959 figure. The United Kingdom ran a poor third, supplying goods worth about Baht 700 million. Other important suppliers were Singapore, West Germany, Hong Kong and the Netherlands. Japan holds by far the largest share of the consumer goods market but transportation, road construction and agricultural equipment originate mostly in the United States because most imports of this type are purchased with U.S. aid funds.

*One Canadian dollar=approximately Baht 20.5.

Trade with Canada

Thailand's trade with Canada is small but is increasing year by year as the country becomes more industrialized. Canadian statistics show that Thai exports to Canada run at more or less Can.$600,000 to $700,000 a year—principally crude lac, rubber and teak lumber. Canadian exports to Thailand in 1959 totalled Can.$1.9 million, but in 1960 they rose to Can.$2.7 million. The principal exports for 1959 and 1960 are listed in the accompanying table.

PRINCIPAL CANADIAN EXPORTS TO THAILAND

	1959	1960
Total exports of which:	$1,937,095	$2,709,504
Wheat flour	617,404	561,418
Semi-fabricated aluminum	247,606	390,925
Zinc spelter	35,385	298,414
Files and rasps	147,169	184,276
Polystyrene	42,914	107,539
Sheet and strip steel		89,278
Fountain pens	1,536	85,016

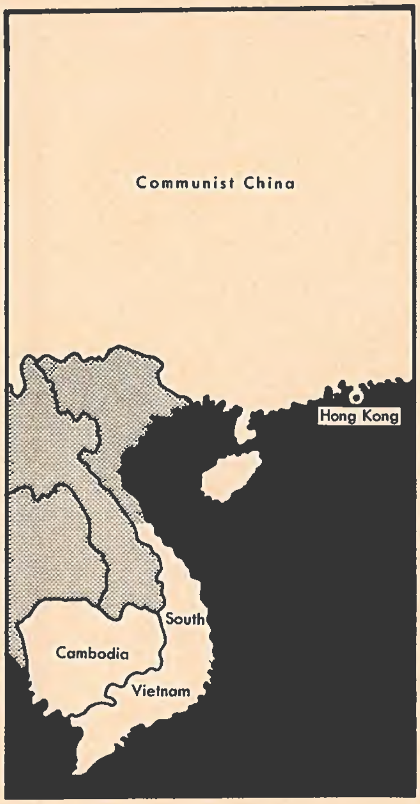
Thailand is primarily a market for Canadian raw materials and semi-manufactured products. However such things as fountain pens and files can be sold, as the accompanying table shows. Canadian exporters of consumer goods should bear in mind that Thailand is essentially a price market—quality is of secondary importance. Exporters of raw materials and semi-manufactured products are urged to look again at the market; for instance, there are opportunities for the sale of asbestos fibre and wood pulp. The country is changing over its electrical wiring system from 110 to 220 volts and this is creating a heavy demand for copper wire and cable.

New Industrialization

The Thai Government is anxious to attract industrial development capital but there has so far been little response, partly because of the uncertain political situation in neighbouring countries. An Industrial Promotion Act enacted last year offers incentives to foreign capital, and a Board of Investment guides the admission of new industries. Last year new plants for making or processing sulphuric acid, dry cell batteries, pharmaceuticals, tinplate and galvanized iron sheet went into operation. Two automobile assembly plants are being built and a paper plant will start producing soon. An asbestos pipe mill is being installed in an existing asbestos roofing plant. Factories to manufacture nails, sewing machines, bicycle tires and tubes, detergents and toothpaste are being built. The Board has recently approved the establishment of plants to make light bulbs, car batteries, and earthenware.

The Six-Year Development Plan (1961-1967) announced last fall calls for expenditures equivalent to Can.$1,000 million, to be financed two-thirds from government revenues and one-third (it is hoped) by foreign aid. It is designed to increase gross national product by 5 per cent a year instead of by 4 per cent, the present rate. Although the Plan mainly emphasizes greater agricultural production, it will also boost the processing of local raw materials and the extension and modernization of communication systems. ●

Hong Kong



Canadian sales to the Colony doubled last year, as rapid rise in manufacturing increased demand for raw materials. Enterprising exporters are also selling Canadian-made consumer goods in a market that offers rewards to those who cultivate it intensively.

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

THE year 1960 brought an unprecedented boom to Hong Kong and virtually all sectors of the economy registered substantial gains. On the fiscal side, government revenues increased by some 25 per cent over the previous year and the Financial Secretary's estimated deficit of H.K.-$267 million turned into a small surplus. Government expenditures also rose by about 30 per cent, mainly because of increased activity in public works, principally new water-supply schemes, the city hall extension, improvement of the Colony's airport, new hospital and school projects, and greater emphasis on provision of resettlement estates and low-cost housing for the Colony's poor.

The budget announced on March 1 calls for further expansion in government spending to a total of H.K.$1,072 million, compared with H.K.$936 million last year. Because of this higher expenditure, a deficit of H.K.$194 million is envisaged and increases in taxation to raise an additional H.K.$35 million have been announced. Despite these, over-all taxation in Hong Kong remains moderate by world standards; in fact, this is an important contributing factor in the continued economic expansion because it encourages the inflow of large amounts of investment capital.

Factors in Prosperity

Financial indicators of the Colony's 1960 boom were a 34 per cent increase in cheques cleared through banks, a 19 per cent rise in currency in circulation, and a stock-exchange turnover more than three times as high as in the previous year. Wage levels in industry increased by about 20 per cent during the year, despite a slight fall in the retail price index. Banking business flourished: about

—H.K. Govt. Information Service.
These Hong Kong workers are smoothing master models of a doll's head and of a dog. The rapid build-up of the plasticware industry in the Colony has created a market for imported plastic raw materials; they ranked high among Canada's exports to Hong Kong last year.

ten new banks opened for business and many others established new branches in various parts of the Colony. Capital continued to flow in from various parts of South East Asia for investment in real estate, the stock market and local industries, and capital inflow from Japan and the United States increased to a marked degree.

Agricultural and fisheries production also shared in the greater prosperity, despite a severe typhoon that destroyed many crops and took its toll of the fishing fleet. Vegetable, rice and livestock production expanded and the Colony's increasingly mechanized fishing fleet brought in bigger catches.

Industrial Exports Increased

It was, however, the industrial sector that made the most remarkable gains. Exports of Hong Kong manufactured goods during the first eight months of 1960 increased by some 26 per cent over the previous year and accounted for close to 80 per cent of total exports. The textile industry provided some 55 per cent of the Colony's exports: sales of garments went up by 53 per cent and of other textiles by about 27 per cent. Other industries showed marked progress, although many suffered from a shortage of skilled and at times unskilled labour, which partly explains the sharp rise in wages. Industries established for the first time in the Colony included transistor radio assembly, the manufacture of stainless steel cutlery and other tableware, and the production of cultured pearls.

Construction Boom Continues

The construction boom evident over the past few years continued in 1960 and activity in the building trades was stimulated further by the increased tempo of public works projects, large-scale hotel construction, and a high rate of port activity which resulted in a shortage of warehouses and consequent expansion in the construction and modernization of these facilities. Activity in the Colony's dockyards was also satisfactory, mainly in the repair sector, although some new tonnage was launched. The aircraft overhaul and repair facilities are becoming more widely known and aircraft (mainly from Asian countries) are using them more and more. Greater interest is being shown from farther afield, however, and during 1960 a DC-4 was flown from Britain to be repaired in the Colony.

The tourist industry has been growing rapidly in recent years and again achieved records in 1960, both in the number of visitors and estimated revenue. The hotel shortage that has hampered this industry is fast being overcome with the building of several large luxury-type hotels and numerous smaller ones. Indications are that there will be further progress in attracting larger numbers of tourists during 1961.

Record Trade Achieved

The Colony's trade during 1960 achieved a record, with an increase in total trade of about H.K.$1,574 million over 1959. Imports rose by 18.5 per cent—from H.K.$4,949 million in 1959 to H.K.$5,864 million in 1960. Exports rose by 25.6 per cent—to H.K.$2,867 million compared with H.K.$2,282 million in 1959. Re-exports increased by 7.5 per cent, reaching a total of H.K.$995 million. Principal suppliers to the Colony were Communist China (H.K.$1,186 million), Japan (H.K.$942 million), the United States (H.K.$720 million), and the United Kingdom (H.K.$664 million). Hong Kong's main markets were the United States (H.K.$745 million), the United Kingdom (H.K.$585 million), Malaya (H.K.-$243 million), and West Germany (H.K.$107 million).

Trade with Canada

Trade between Canada and Hong Kong increased even more than Hong Kong's over-all trade. Canadian sales to Hong Kong reached an all-time record of H.K.$119 million, compared with H.K.$65 million in 1959; Canadian purchases from the Colony, including re-exports from Hong Kong, totalled H.K.$89 million compared with H.K.$74 million in 1959. The following table indicates progress in this trade over the past five years.

	Canadian Imports from Hong Kong	Canadian Exports to Hong Kong
	(in millions of Can.$)	
1956	5.7	7.0
1957	7.2	7.6
1958	8.8	6.1
1959	12.6	11.2
1960	14.3	22.5
	(11 months)	

Principal exports from Canada were metals, plastic raw materials, wheat and flour, synthetic fabrics and chemicals; Hong Kong's exports to Canada continued to be heavily concentrated on a narrow range of textiles (principally garments) although the variety of her sales to us has increased in recent years and includes, among others, such products as plastic flowers, rubber footwear, flashlights and furniture.

The growth in exports of Canadian goods can be attributed in large measure to the industrial expansion in the Colony which resulted in greater demand for many of the metals, chemicals and other raw materials that Canada has to offer. It is also due in some measure to more interest by Canadian businessmen in Hong Kong as a market and greater efforts to study the Colony's needs. Each year larger numbers of business visitors from Canada call at the Trade Commissioner's office and these visits have an important bearing on trade development. Although the bulk of our exports consist of raw materials, it is interesting to note that Hong Kong is one of Canada's most diversified markets. Among consumer goods sold by enterprising Canadian exporters here over the past twelve months are canned foods, textiles in the form of fabrics and knitted garments, confectionery, household goods such as blankets, pots and pans, and toys.

Cultivating This Market

Canadian exports to Hong Kong in 1961 cannot be expected to show the same percentage rise as in 1960, but there seems no reason why they cannot be increased in absolute terms as well as in terms of percentage of the Hong Kong market. Canadian exporters exhibited keen interest in Hong Kong as a market at the Export Trade Promotion Conference held in Ottawa in December. Of some 250 firms interviewed at the Conference by the two Trade Commissioners from Hong Kong, it was estimated that almost 80 companies not currently exporting to this market could do so, provided they were prepared to expend the necessary effort. Some companies were quick to follow up after the Conference and about ten of them have already received sample orders; others are still exploring possibilities and deciding on the best choice of agents. Many of these are expected to contribute to Canada's continued increase in exports to Hong Kong.

The response from some of the company executives interviewed has, however, been disappointing. Some have failed to send follow-up literature which would assist the Trade Commissioner in interesting local importers; others attempt to correspond by seamail, with resulting delays of up to two months, and still others do not reply to correspondence. Hong Kong is a free port and consequently the world's traders are knocking at its door; this makes it one of the most competitive markets in the world. Attempts to enter the market must therefore be wholehearted and aggressive.

The outlook for the Hong Kong economy during 1961 is uncertain. Soft spots have appeared in recent weeks in some sectors, notably the garment and plastic flowers industries, because of a falling-off in orders received from abroad and threatened restrictions on imports in some markets. Despite this, however, there is considerable optimism and prospects are that business activity will continue at close to the 1960 level.

Lead and Zinc Study Group Meets

Canada was represented at the third session of the International Lead and Zinc Study Group which met in Mexico City in March to consider the problem of an over-supply of lead and zinc. Canada had previously announced her intention of curtailing production of lead in the forthcoming year and at the meeting a number of other countries agreed to do likewise. The Group expressed the expectation that countries other than those announcing cutbacks would take no action that might nullify the effect of these curtailments. It was estimated that world consumption would be approximately 3 per cent higher in 1961 than in 1960, while production after the curtailments will be about 2 per cent lower than in 1960.

There are no serious surpluses of zinc except in the United States and with an expected increase in demand of approximately 4 per cent in 1961, there should be no problem.

The group was informed of the latest results of research into ways of increasing the uses of both lead and zinc. A special Study Group was set up to examine methods of coping with possible future problems of over-supply, including possible inter-governmental commodity agreements.

Communist China

Two bad harvests in succession have meant diversion of foreign exchange to buying food, including wheat from Canada, at the expense of imports of machinery and equipment. Demand for bulk raw or semi-processed materials should continue good, but competition will increase.

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

COMMUNIST CHINA'S foreign trade pattern altered radically towards the end of 1960 and a new trend is developing that will probably persist over the next two years or more. The major departure from past practice so far is the beginning of substantial grain imports; formerly the primary emphasis was on capital goods, industrial equipment and raw materials. This development is the result of adverse conditions for agricultural production and other internal factors which combined in 1959 and 1960 to reduce harvests below total needs and made important policy changes necessary. These were announced at the conclusion of the session of the Chinese Communist Party's Central Committee in January and entail concentration in 1961 on agriculture, light industry, secondary production of foodstuffs and consumer goods, a cutback in capital construction, and readjustment of the rate of industrial development.

Domestic Situation

Serious losses in agricultural production for two years running have had important repercussions on both domestic economic and foreign trade patterns. Internally, shortages of food and light industrial raw materials have appeared and steps have been taken to expand home production of these and to import wheat, flour and barley. In practical financial terms, the purchase of substantial quantities of grain (more than two million tons to date from Canada and Australia) has put pressure on Communist Chinese holdings of foreign exchange. In trading terms, this has meant a diversion of exchange allocations from industry to food and agriculture. For this reason, the officially announced cut in capital construction and rate of industrial development will mean a substantial reduction in imports of machinery, plant and equipment, and a levelling off in imports of raw materials. At the same time, agricultural exports, upon which Communist China depends for a major share of its foreign exchange earnings, will decline in 1961. This will compound the adverse effects of the fall in agricultural production and lengthen the period of recovery needed to overcome present difficulties.

Industrial production, on the other hand, fared better last year and official reports state that 1960 targets for steel (18.4 million metric tons), pig iron (24.5 million tons), coal (425 million tons), machine tools (90,000 units), tractors (9,000 units), electricity (55,550-58,000 million kwh.), and petroleum were reached or surpassed. In addition, official reports have said that iron ore, copper, lead, zinc, non-ferrous metals generally, and crude oil output reached or greatly

Canada's Exports to Communist China . . .

- Reached a record \$8.7 million in 1960, as against \$1.7 million in 1959 and \$7.8 million in 1958.
- May rise to \$80 million this year, with about \$60 million worth of grain already sold.
- Generally consist of a narrow range of bulk commodities, with two or three large sales making up most of the business (\$3 million worth of aluminum, \$3 million worth of plastics and synthetic rubber in 1960).
- Include certain products shipped through third countries, such as Hong Kong.
- May soon have to meet competition from Japan, which seems to be regaining a foothold in this market.
- May be affected by pressure on Communist Chinese exchange reserves in 1961, but major items in trade should hold their place.

exceeded the final targets established for the Second Five Year Plan which ends in 1962. Chemical fertilizer production has also gone up substantially. In contrast, the same official reports have simply stated that the agricultural production plan was not fulfilled in 1960.

Economic Policy Reshaped

Traditionally, economic activity in Communist China has increased in the year immediately following bumper crops and has declined after bad harvests. The past decade has been no exception to this general rule. Consequently, it is not surprising that Communist Chinese leaders, after two successive lean years, are now speaking of two or three years of consolidation. Thus, the chairman of the National Economic Commission in February spoke of reducing the scope of industrial capital construction to concentrate on the completion of essential projects. To this end, he said, the main task in industrial capital construction in the next two or three years "proceeding from the productive capacity of *existing* equipment", is to fill up the gaps and achieve a proper balance, manufacture complete sets of equipment, and raise capabilities for multi-purpose production. He made it clear that forces should be concentrated upon strengthening the agricultural sector. At the same time, in the heavy industrial sector, emphasis should be placed upon the extraction industries so that the output of coal, petroleum, iron ore, non-ferrous metals, chemical raw materials, non-metallic minerals and timber could be raised to meet the developing needs of the processing industries. Communications and transport are also to be strengthened.

Effect on Foreign Trade

What is the significance of all this to Communist China's trading partners? In the first place, it has already meant a switch in emphasis from industrial to agricultural imports. Second, it means industrial retrenchment or, in practical terms, a drastic cutback in imports of machinery and equipment from Western industrial suppliers such as the United Kingdom, West Germany, France, Switzerland, Sweden, and other West European nations. On the other hand, exporters of bulk raw or semi-processed materials should fare better, because it is the announced intention to maintain production with existing capacity and equipment. As Canadian exports to Communist China in recent years have been largely limited to this field, we should not be affected by these changes to the same degree as exporters of machinery and equipment will be.

Trade with Canada

With Canadian sales of grain already over one million tons, worth approximately $60 million, 1961 is assured of being the second record year in succession in our trade relations with Communist China. Canadian exports to Communist China in 1960 climbed to $8.7 million in direct sales compared with the previous record in 1958 of $7.8 million (only $1.7 million in 1959 and $1.4 million in 1957). In addition, shipments via third countries raised the 1960 total to approximately $20 million compared with an estimated $12 million in 1959 and $11 million in 1958. The 1961 total, including both direct and indirect shipments, could approach $80 million—or more if additional grain sales are made. Further, in the light of continuing official Communist Chinese reports on drought there and the view of the chairman of the National Economic Commission that a two to three-year period will be required to overcome current difficulties, Communist China could continue to be one of our large overseas markets in the years ahead.

Canadian export trade with Communist China in the past decade has been characterized for the most part by shipments of a narrow range of bulk commodities, with two or three outstanding sales comprising most of the business. Thus, in 1957 fertilizer (ammonium sulphate) and pulp and paper were the main items. In 1958, wheat was the outstanding commodity, with nickel, scientific equipment and magnesium making their first appearance. In 1959, the range of significant sales widened slightly to include, in addition to nickel, scientific equipment and magnesium, several new products such as copper rods, drugs and chemicals, and plastic raw materials. In 1960, the range of products shipped in useful quantities was again extended slightly by the addition of major shipments of aluminum, plastics and synthetic rubber, steel (special steels), pulp, selenium and zinc, in addition to larger sales of nickel, magnesium and scientific equipment. Not all of these exports to Communist China are recorded in the accompanying table because they were shipped via third countries—for example, the pulp and a substantial proportion of the aluminum and steel.

Future Prospects

As the Communist Chinese state trading corporations* have become increasingly aware of Canadian capabilities, quality and competitiveness, especially in the field of bulk raw and semi-processed materials, both the volume and variety of Canadian shipments have increased. There is no reason why this process should not continue in the long run, to the mutual benefit of both countries. In the short run, Communist China's domestic difficulties may result in a temporary falling-off in purchases in some fields but in the main should not seriously affect the major items bought from Canada in the past two years. Nevertheless, Canadian suppliers will have to maintain their competitiveness in terms of quality, price and delivery dates in order to

---

*For an up-to-date list of the state trading corporations in Communist China (recently reorganized and reduced to twelve) and the products they handle, write to the Editor, *Foreign Trade*.

DIRECT CANADIAN EXPORTS TO COMMUNIST CHINA

	1957	1958	1959	1960
		(in Canadian dollars)		
Essential oils				1,862
Wheat		6,991,183		
Wheat flour		20,160		
Wool, rags, waste		2,500	7,679	
Wood pulp	128,237			
Wrapping paper, kraft	296,795			
Synthetic fibres, thread, yarn				15,420
Aluminum, primary				3,016,214
Nickel		562,077	166,506	720,864
Magnesium		65,909	63,701	198,761
Zinc spelter				141,412
Selenium and salts				196,592
Copper rods, strips, sheets			613,402	
Plate steel				895,796
Pipe and tubing, iron				81,130
Synthetic resins			12,622	
Polystyrene			83,704	
Plastics, synthetic rubber, n.o.p.				3,057,997
Scientific equipment (including medical)		147,162	221,760	307,270
Electrical and radio apparatus		2,805	15,827	
Ammonium sulphate	868,147			
Medicinal preparations, drugs, chemicals, acids	90,121	7,000	533,907	101,740
Piano parts		5,675		
All other exports	8,363	4,374	925	2,305
Total	1,391,663	7,808,965	1,720,033	8,737,363

Source: Dominion Bureau of Statistics.

retain their position in this market, where more suppliers will be angling for a smaller share of foreign exchange than has been the case recently. In other fields that Canadians have not entered in the last year or two, the best opportunities for sales in 1961 appear to be fertilizers, insecticides, agricultural machinery and equipment (especially tractors and possibly irrigation pumps or other drainage and irrigation equipment), agricultural breeding stock, flour, industrial chemicals, steels (black plate, tinplate, tubes), copper (unwrought, refined; rods), synthetic fibres and paper products (kraft, liners, etc.).

In assessing Canadian export prospects in the Communist China market in 1961 and for the following year or two, a number of factors should be borne in mind. Among these are:

- One, the Soviet bloc will continue to account for the lion's share of the business—something in the neighbourhood of 75 per cent of the total.

- Two, Communist China is gradually expanding the scope and scale of its trade agreements with Afro-Asian and Latin American countries and this reduces the field for Western traders still further. Pertinent examples of this trend are the exchange of its rice and other commodities for 5,000 tons of copper and one million tons of sugar from Cuba, and an anticipated 230,000 tons of rice (up from 205,000 tons in 1960) for 28,000 tons of natural rubber (17,000 tons in 1960) from Ceylon.

- Three, Japan, after being excluded from the Communist Chinese market for nearly three years, appears to be on the verge of regaining a foothold, especially for fertilizers, steel products, machinery and equipment. When these three factors are combined with the two mentioned earlier—that is, the redirection of China's import purchases and the reduced availability of foreign exchange for essential purchases—it becomes very clear that competition for what remains of the Communist China market will be keener than ever in 1961.

Imports from Communist China

Communist Chinese exports to Canada, after dropping back in 1959, advanced again in 1960 and final figures, when available, should indicate that they have regained the 1957-58 level by topping the $5 million mark. The principal commodities shipped last year were again walnuts and peanuts (nearly $2 million to the end of October), fur skins (nearly $1 million), cotton manufactures such as pillowcases, tablecloths, overalls, shirts and towels ($½ million) and rice ($110,000). Small shipments of linen (tablecloths, towels, sheets), carpets, bristles, hoods, canvas shoes, paint brushes, turpentine, antimony regulus, sodium glutamate and tea were also made, plus a number of other articles in extremely small quantities. To recoup the extraordinary outlays required for grain imports this year and subsequently, Communist China will be anxious to build up its exports to Canada and other hard currency areas. Nevertheless, progress will be slow because its best sellers abroad include a number of commodities that have been affected by production difficulties.

Index to *Foreign Trade*

The index to Volume 114 of *Foreign Trade*, covering the issues from July 2, 1960, to December 31, 1960, has now been printed. Readers who wish to have copies should write to the Editor.

Cambodia

With purchases under ICA allocations now tied to U.S. suppliers and increase in bilateral trade agreements, opportunities for Canadian trade are shrinking, though development is progressing.

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

FOLLOWING the death of King Suramarit in 1960, Prince Sihanouk as Chief of State guided the development of this small country along the previously determined path of economic and political neutrality. Economically, last year was a good one for Cambodia, despite the fact that it continues to depend almost entirely on earnings from a few agricultural crops and on foreign aid. Both exports and imports increased and industrial development made modest progress. Nevertheless, for a variety of reasons, prospects for Canadian participation in this market remain extremely limited.

Trade Pattern

The important export commodities continue to be rice, rubber, maize and (to a lesser extent) pepper, cattle and wood. Exports for the first half of 1960 totalled 973 million riels*. This slight improvement over the 932 million for the same period of 1959 was largely the result of better rubber prices and larger maize shipments. The major markets were France, the United States, Singapore, Hong Kong and Japan (in that order). Imports in the first six months of last year increased to 1,614 million riels from 1,050 million for the first half of 1959. Subsequent figures when released are expected to show that this trend toward increased imports continued during the rest of the year. Cambodia's principal suppliers were France 28 per cent, Japan 14 per cent, Hong Kong 13 per cent, United States 7 per cent, West Germany, Singapore and Communist China, each 6 per cent. France is expected to remain the principal supplier as long as Cambodia continues to accept non-convertible francs in payment for her exports. There are the added factors of a common language and a traditional consumer preference. Communist China and other Communist-bloc countries, however, will probably continue expanding their share of the market at the present rapid pace.

Bilateral Trade Developed

Cambodia continues to make bilateral trade agreements with various trading partners, particularly Communist countries. She now has agreements with Czechoslovakia, the U.S.S.R., Poland, Communist China, East Germany, the United Arab Republic, and West Germany. In addition, negotiations have been conducted with Denmark, North Vietnam and Japan. Most of these agreements place trade between the two signatories on a bilateral basis, with the result that a substantial share of Cambodia's export earnings is not available for world-wide procurement. Under the terms of most of these agreements, Cambodia extends the minimum rate of tariff, which also applies to members of GATT, with the exception of Japan. All other countries pay the general rate, which is three times the minimum.

Aid Props Budget

Despite increased exports in the first half of last year, Cambodia's rapidly increasing imports resulted in a six-month trade deficit of 640 million riels, twice the imbalance incurred during the calendar year 1959. However, the flow of foreign aid funds more than compensates for these merchandise deficits and assists materially in balancing the budget. In 1959, for example, only 70 per cent of a total public expenditure of 4,300 million riels was covered by domestic receipts. Budgetary expenditures were made as follows: 44 per cent on administration, 26 per cent on defence, 20 per cent on capital expenditures,

Rice continues to be one of Cambodia's leading exports; here it is being cleaned and bagged in a local plant before being shipped to waiting customers abroad.

*Official rate, 35 riels=U.S.$1.

and 9 per cent on external debt repayments.

Aid funds received from many sources continue to bulk large in the support of the economy. Total U.S. aid during 1960 approximated U.S.$25.5 million, including $18.6 million under U.S. Commercial Import Procurement. This sector is estimated at U.S.$15 million for 1961. Communist Chinese aid under the existing bilateral agreement calls for expenditure of an amount equivalent to U.S.$28 million during the years 1956-62. French aid for the same period will total U.S.$23.5 million. Soviet aid, running at about U.S.$4 million a year, is expected to increase; the Japanese entered the picture for the first time in 1960 with an initial U.S.$4 million. Colombo Plan aid averages U.S.$1 million a year.

Exchange Reserves Increasing

Cambodia's reserves of foreign currency and specie continue to increase, despite smaller U.S. commercial aid allocations. Current reserves are estimated at 3,700 million riels and the note issue stands at 2,700 riels—giving this small country what appears to be one of the most strongly backed currencies in Southeast Asia. Although no official announcement has been made, the riel is expected to be revalued from its present artificially high rate, possibly by the introduction of a free exchange market. Business generally, and exports particularly, would in all probability improve as a result.

Development Plans

The Five-Year Development Plan which came into effect in January 1960 is aimed at lessening the country's dependence on foreign aid through increased investment of Cambodian funds. The proposed expenditures are set out in the accompanying table.

These expenditures are earmarked for such projects as enlarging production capacities, for transportation and communications, education and health, and administrative services. As much as 40 per cent of the total will go to stepping up production, with the emphasis on agricultural output. As the plan progresses, the previous net balance-of-payment surpluses should not recur and a higher level of imports is anticipated.

APPROPRIATIONS UNDER FIVE-YEAR DEVELOPMENT PLAN

	Foreign Aid Funds	Cambodian Funds
	(U.S.$'000,000)*	
1960	18.2	23.8
1961	15.4	23.8
1962	14.0	30.8
1963	12.6	35.0
1964	9.8	40.6
Total	70.0	154.0

*Converted at official rate, 35 riels=U.S.$1.

Progress in industrial development has been due largely to project-aid programs; though modest, this development has had considerable importance in the growth of the country. First phase of the development of the port of Sihanoukville has been completed at a cost of about 4,000 million old French francs obtained through French aid. Present wharfing facilities offer berths for four 10,000-ton ships; a second stage of expansion under the Five-Year Plan will provide harbour facilities to handle some 150,000 tons of freight a year. At present, Cambodia's exports are shipped largely through Saigon, but when Phnom Penh and the new port are linked by rail, as the plan is, Cambodia hopes to handle more incoming and outgoing shipments at her own port.

A paper mill, a plywood plant and a cotton mill, all financed by Chinese aid funds, were completed during the year. Expansion of the Phnom Penh airport, development of a water supply system for the capital, construction of a cement plant, development of a television network, and expansion of road and irrigation facilities are under way. To help build local industry and to cut expenditure on non-essentials, several commodities have been added to the list of prohibited imports. They include matches, cigarettes, salt, household soap and plywood.

Canadian Trade Prospects

The events of 1960 have virtually closed the Cambodian market to Canadian exports. Our previous small sales were usually the result of ICA allocations; these have now been tied almost exclusively to U.S. suppliers. Furthermore, because of Cambodia's expanded trade agreements, more trade is now on a bilateral basis and not open to Canadian participation. Although there are ways for Cambodian importers to obtain hard currencies to finance imports on a worldwide basis, these funds must be purchased on the open market at more than double the cost of those allocated under the Government's annual foreign trade plan. Extremely few goods are therefore imported in this manner because official government allocations have not been fully used for all commodities.

Canadian exporters also encounter extreme difficulty in locating suitable agents or representatives. The well-established French companies, probably still the best contacts, nevertheless tend to conservativism in the development of new lines. There are no U.S. or British houses and reliable Cambodian or Chinese firms are rather few and not particularly competent. Invitations to bid on government tenders, if not bilaterally arranged, are neither published nor open. As a result, Canadian companies cannot expect to be successful in obtaining such business.

Therefore, despite Cambodia's large currency reserves, continued inflow of aid funds, internal development programs and reasonable economic progress, Canada's trade with this country is expected to remain negligible. ●

South Vietnam

Directive limiting purchases under ICA Commercial Import Program to U.S. suppliers will hamper Canadian sales, because some 75 per cent of Vietnamese imports are financed by U.S. aid.

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

MANY elements in the economic picture in South Vietnam improved during the past year and some progress was made towards economic viability. Vietnam still depends heavily on foreign aid to finance her import program, development projects and government expenditures. However, the growth and diversity of industry and increased agricultural output are gradually lessening this dependence. Total trade, both import and export, increased. Exports rose at a rate roughly three times that of imports, resulting in a small decrease in the now traditional trade deficit. Despite recent reductions in U.S. aid, the continued inflow of foreign funds more than compensated for the merchandise deficit and again resulted in a net increase in foreign exchange reserves. Nevertheless, the internal economy is characterized by lack of business confidence. The outlook of most firms is extremely short-term and there is a notable hesitation about increasing investment or exploring new lines. Private purchasing power remains sluggish and commercial turnover is correspondingly low. Although the security problem posed by greater guerilla activity did not directly limit economic progress, it is believed that unless a solution is found, the effects will become more pronounced in the future.

The Trade Pattern

Vietnamese imports during the first eight months of 1960 rose some 15 per cent over the same period in 1959 to 5,500 million piastres, and revealed a continuing shift from non-essential consumer goods towards machinery, equipment and other capital goods. Imported commodities in order of importance were: metals and metal products, foodstuffs, textiles, minerals, pharmaceuticals and paper products. The main suppliers during the eight months were the United States 27 per cent, France 23 per cent, Japan 18 per cent, Indonesia 8 per cent and West Germany 6 per cent. These percentages are expected to change considerably during 1961 as the effects of the recently announced "Buy America" policy become apparent. It is estimated that 75 per cent of Vietnam's imports are financed by U.S. aid funds and will be directly affected by this policy.

During 1960, several commodities—notably textiles, sugar, petroleum products, tires, paper and glassware—were transferred from the list of commodities financed under the ICA procurement program to the Vietnamese government import plan. As imports financed with Vietnam's reserves are, in effect, subject to exchange rates 40 per cent higher than those bought with ICA funds, this action immediately brought substantial increases in the domestic prices of these commodities. It should be noted that many of the transferred items are now being produced in Vietnam and therefore the increased cost of imports gives a considerable measure of protection to domestic industries.

Rice and Rubber Earnings

Vietnam's exports of rice and rubber accounted, as usual, for more than 90 per cent of total export earnings. By October 1960, sales of rice reached 340,000 tons compared with 250,000 for the calendar year 1959. Export demand became so buoyant during the latter part of the year that domestic prices rose substantially and a ban on future exports was imposed. None the less, it is estimated that shipments during 1960 reached a record 400,000 tons. Sales were made largely to Indonesia, France, Hong Kong, Malaya and Ceylon. Rubber production remained steady at the 70,000-ton mark, nearly all of which was exported to traditional markets—including France, West Germany, Hong Kong, the United States and Singapore. A weakening of prices towards the end of the year, however, resulted in a decline in earnings. Forecasts for the 1960/61 year are that the rice and rubber crops will be of similar proportions and will earn about the same amounts of foreign exchange as in the past year.

Finance and Foreign Aid

Large amounts of foreign aid continue to be vital, with U.S. aid funds financing some 75 per cent of Vietnam's imports and 50 per cent of government expenditures. Despite larger reserves of hard currencies—now amounting to roughly U.S.$250 million, or the equivalent of more than a year's imports—the Government has not eased import licensing restrictions. United States economic aid for the fiscal year ended June 1960 totalled U.S.$160 million, comprising U.S.$130 million for commercial aid and U.S.$30 million for specific projects, mostly highway improvement. This compares with U.S.$180 million in the previous year and an estimated U.S.$144 million for fiscal 1960/61. In addition to these aid appropriations, Vietnam received during 1960 loans from the Development Loan Fund of U.S.$40 million for the rehabilitation of Saigon's water-supply system, construction of a thermal generating station, and purchase of new railway equipment. The year 1960 also witnessed an agreement between France and Vietnam under

Imports Financed by Vietnam's Exchange Reserves

The following commodities not covered by ICA allocations may now be imported, payment for them to be made from the country's foreign exchange reserves. Their import must first be approved by the licensing authorities.

cereal products	*petroleum products*
vegetable oils	*malt and hops for brewing*
glucose	*raw sugar*
butter, cheese	*preserved meats*
frozen fish	*powdered milk*
yeasts	*dry and preserved vegetables and fruits*
raw jute	*liquor*
industrial oils	*raw silk*
arabic gum	*non-edible animal and vegetable products*
cellophane	*Chinese medicines*
dyestuffs	*paints*
linseed oils	*detergent powders*
paper	*plywood*
porcelainware	*glass and glassware*
textiles	*cement products*
office machinery	*household electrical apparatus*
5 and 10 cent store novelty items	*passenger automobiles*
photographic equipment	*sporting goods*
watches and parts	*cinematographic equipment*
bicycles and scooters	*rubber goods*

which France has granted loans totalling 70 million new francs and export credit guarantees up to 110 million new francs, to be applied against purchases of capital goods from France.

Under the Vietnamese budget for 1959/60, expenditures were set at 15 billion piastres, 8 per cent above the 1958/59 figure. Some 67 per cent went to finance government outlays (largely defence) and 24 per cent to development expenditures. The budget plan for 1960/61 provides for somewhat smaller outlays and larger revenues, through higher taxes on certain consumer luxuries. Vietnamese reserves of gold and foreign exchange increased by some U.S.$25 million to a point where the foreign exchange backing of the note issue, which increased 14 per cent during the past year, now stands at 70 per cent.

Industrial Development

The principal limitation on the industrial development of Vietnam continues to be a shortage of local private and foreign investment capital, with the result that the Government participates directly in many industrial projects and others enjoy either direct or indirect support. Nevertheless, industrial development, after a good start in 1959, continued during 1960; major new projects now in production include three textile mills, a glass bottle factory, a jute mill, a pharmaceutical factory, and an automobile battery plant. Construction is under way on two paper mills, a gunny bag factory, a compressed chipboard plant, and a bicycle tire and tube operation. Current plans envisage several new projects, including: a U.S.$11 million cement plant and a urea and calcium carbide chemical plant to be built with French aid; expansion of railway rollingstock and construction of a new electric plant under DLF loans; the development of a rural telephone system under U.S. project aid, and the expansion of sugar-refining facilities under Nationalist Chinese investment and technical assistance.

Agricultural reform (notably through the extension of government-sponsored agricultural development centres to resettle and co-ordinate the efforts of local farmers) has been reasonably successful. The area under rice cultivation increased 5 per cent and, with increased yields, produced a record crop. Considerable progress was also made in the cultivation and use of several other crops, including kenaf, jute, ramie, tea and cassia. With the continuing replanting and expansion of rubber plantations, somewhat larger production can be expected, although not for some three to four years.

Trade with Canada

Canada's exports to South Vietnam totalled $540,000 in 1960, compared with $385,000 in 1959. These figures, however, do not represent Canada's total sales to Vietnam because substantial shipments were made via third countries, particularly Hong Kong and the United States.

PRINCIPAL CANADIAN EXPORTS TO VIETNAM, 1960

	(Can. $)
Aid (flour, milk powder, butter, etc.)	304,000
Files and rasps	97,000
Aluminum ingot and manufactures	30,000
Synthetic resins and manufactures	27,000
Rolled oats	24,000
Ploughs and parts	20,000
Asbestos linings	13,000
Others	25,000
Total	540,000

At first glance, it would appear that as the United States has become Vietnam's main supplier, Canada should also be able to increase her participation in the market. This assumption, however, is invalidated by the fact that U.S. sales have risen largely as a result of several unnatural factors. These include the previous indirect but now mandatory preference afforded U.S. suppliers on U.S.-financed items, sales of surplus agricultural commodities, and the supply of capital equipment under Project Aid and Development Loan Funds. The operations of U.S. companies in Vietnam, naturally concentrating on the promotion of U.S. products, have also been a significant factor. Over the past several years, Canada's sales to this market have been almost entirely financed by U.S. funds under the ICA Commercial Import Program, so that our trade will suffer because of the recent directive restricting purchases made with these funds to U.S. suppliers.

The Outlook

Although Vietnam's reserves of foreign exchange are being called upon to finance an increasing number of items not covered by ICA allocations (see the accompanying list), these commodities are generally either of a type being produced domestically or are luxury products by local standards that Canada will have difficulty in supplying at competitive prices. Goods imported with Vietnam's reserves are subject to the prior approval of the State licensing authorities. Under this extremely complicated system, importers are required to provide pro forma invoices which are subject to price comparisons on a world-wide basis. As quality is usually not an important factor, only the lowest quotations are accepted. Finally, goods so imported are subject to several taxes and imposts that effectively increase prices several hundred per cent, with the result that trade in such goods is extremely small. All things considered, it will be difficult for Canadian exporters to maintain their previous sales in this market.

Import and Exchange Regulations in the Far East

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

International Trade Relations Branch

BRITISH BORNEO

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

CAMBODIA

Licences are required for all goods imported. These licences are valid for six months and goods must be shipped before the expiry date. Commodities imported into Cambodia are grouped under several categories. To import a specific product, a prospective importer must be registered under that group. The import of certain luxury goods or goods without economic interest is forbidden.

Imports at the official rate of exchange are governed by the annual plan covering imports. Import forecasts are made on a commodity basis and allocations issued in the form of import licences. Most allocations of official exchange specify the countries from which the goods may be purchased. Exporters of Cambodian products may retain or sell to other importers a percentage of their foreign currency earnings. The remainder must be sold to the bank at the official rate of exchange. The retained funds may be used to finance luxury imports not permitted under the Government's allocation system. End-users and industrial undertakings may be granted allocations above the budgeted amount to cover the cost of essential goods.

COMMUNIST CHINA

Licences are required for goods imported into Communist China. The Government has established twelve national export and import trading corporations, each specializing in particular types of goods and trading procedures and acting on behalf of end-users located throughout the country. Import licences are issued automatically for all orders placed by the corporations.

Exporters who desire to ship to Communist China should write directly and regularly to the head offices and branches of the pertinent Chinese National Import and Export Corporations in Peking, Tientsin, Tsingtao, Shanghai, Canton and Dairen, or their agent, the China Resources Company in Hong Kong. It is important to send adequate quantities of literature so that the trading corporations can circulate it to end-users. Price quotations should be f.o.b., with freight, insurance and other costs to Chinese port indicated separately.

HONG KONG

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

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

INDONESIA

Imports are under strict control and may be effected only by officially recognized importers. All goods from abroad are placed in two main categories: goods essential to the economy of the country, and other goods that are still needed. Essential goods will be imported at the official or basic rate of exchange, 45 rupiahs per U.S. dollar. For the time being, essential goods are to be subject to a levy known as a "price component" at the following rates: 0 per cent, 25 per cent and 60 per cent, depending upon their essentiality. All other imports are in the second category and are subject to an exchange rate of 200 rupiahs per U.S. dollar. The second category is composed of two groups: those goods produced in sufficient quantity in Indonesia which may not be imported except under special permit from the Minister of Trade, and those commodities considered luxuries, the import of which is prohibited.

When the import licence application is found to be satisfactory, the Import Licensing Bureau issues a foreign exchange permit. The importer then pays into the authorized bank, within 10 to 15 days, a 100 per cent guarantee deposit in local currency, plus any other charges. If all regulations are met, the Bank opens an irrevocable but unconfirmed letter of credit. Payment by the importer can only take place if and when an import exchange licence has been granted.

JAPAN

Most imports are subject to individual import licences issued by one of the designated and authorized foreign exchange banks. Anyone who has obtained an import licence may, in accordance with the terms of the licence, make arrangements covering foreign means of payment. A foreign exchange budget is drawn up for imports each half year (April to September and October to March) based on the estimated receipts from exports and on other current income and reserves. Commercial imports for the most part are admitted under one of the following import procedures:

1. *Automatic Approval System*—import licences are issued freely up to the over-all budget quota limit, on application to the foreign exchange bank. There is no discrimination as between countries of origin under this procedure.

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

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

LAOS

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

PHILIPPINES

There is no import licensing system as such in the Philippines. However, there is a system of exchange control under which licensing of exchange for imports is in the hands of the Central Bank. Before the beginning of each quarter, the Monetary Board certifies to each authorized agent or bank the total amount of foreign exchange available to importers and producers, based on allocations during the previous period.

All applications for the opening of letters of credit filed with the authorized agent or bank are chargeable to the importer's quota allocation and considered as applications for licences to buy foreign exchange to pay for imports. Separate applications must be filed for each class of imports. A letter of credit is valid for a maximum period of six months from the date of issue. All payments for imports, with a few exceptions, must be effected by letters of credit. No exchange quotas are allocated for certain decontrolled commodities. Qualified importers may apply through the authorized agent or bank for the approval of the Central Bank to import decontrolled items. Goods from abroad will not be released by the Bureau of Customs without the presentation of a release certificate issued by the Central Bank or any authorized agent or bank.

SINGAPORE AND FEDERATION OF MALAYA

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

SOUTH KOREA

Foreign exchange transactions are subject to exchange control regulations administered by the Ministry of Finance and the Bank of Korea. Certain listed goods may be imported freely without a licence. All other goods not included in this schedule require the approval of the Ministry of Commerce and Industry. Imports are divided into two categories: (1) regular items—including certain consumer goods, essential raw materials and industrial equipment—which for the most part do not require an import licence and may be imported with all foreign exchange deposited in the import accounts; (2) special items, including some 40 less essential commodities, that require import licences in every case and may be imported either with foreign exchange earned from exports or with such foreign exchange as the Government designates. Because these products may be sold more profitably, this category is expected to encourage exports.

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

SOUTH VIETNAM

Foreign exchange transactions are subject to government regulations and control. All imports into South Vietnam are subject to licence. Under the import procedure, allocations for essential items are made among some 18 commodity classifications. Only registered importers who have formed groups of a minimum of five may apply for import licences. When a licence is granted, the National Bank reserves the foreign exchange. The time limit within which these licences must be used for opening letters of credit is 15 to 30 days from date of issue. Once the credit is opened, the validity period of the licences ranges between three and four months.

Imports are financed by U.S. aid funds and also with Vietnam's own foreign exchange resources at the official rate of exchange. However, less essential imports are subject to an exchange stabilization tax. Imports must be financed under letters of credit and payment in advance of shipment is not permitted. Goods should be shipped within the delivery period. Goods not covered by a licence that arrive in the country are subject to penalties and must be returned if an import licence is not obtainable.

TAIWAN

All foreign exchange income and disbursements are subject to government control and administered by the Foreign Exchange and Trade Control Commission of the Executive Yuan. The Bank of Taiwan is the only bank authorized to handle foreign exchange transactions. All imports are subject to licence issued by the Bank of Taiwan with the approval of the FETCC. Except in special cases, an import licence is valid for a maximum of six months. Merchandise arriving in the country not covered by an import licence is subject to confiscation.

On July 1, 1960, the exchange system was revised and unified. All exporters and others receive, on surrender of their foreign exchange, negotiable exchange certificates for the full amount of their receipts at the current market rate. The exchange certificates are applicable to all imports and other outward remittances, including government payments formerly made at the official rate.

THAILAND

Imports into Thailand are classified as either essential or non-essential. Imports of essential goods are permitted without an import licence. Non-essential goods—which include some 57 items, most of which are produced locally—may be imported only under licence, provided the local supply is insufficient. Applications for licence may be made to the Ministry of Economic Affairs, the licensing authority. Applications to open letters of credit filed with the Bank of Thailand or authorized agent must be accompanied by pro forma invoices and import licences if required. ●

SHIPPING SERVICES FROM CANADA TO THE FAR EAST

TO:	FROM Pacific Coast	Great Lakes	St. Lawrence and Atlantic
Federation of Malaya	American Mail Line *(Canadian Blue Star Line (1960) Ltd., Vancouver, B.C.)* Java Pacific & Hoegh Lines *(Dingwall Cotts & Co., Vancouver, B.C.)* Klaveness Line *(Balfour Guthrie Ltd., Vancouver, B.C.)* Knutsen Line *(Johnson Walton Steamships Ltd., Vancouver, B.C.)*		Blue Funnel Line *(Cunard Steamship Co. Ltd., Montreal)* Isthmian Lines *(Amalgamated Exporters Co., Montreal)* Maersk Line *(Robert Reford Co., Montreal)*
Hong Kong	American Mail Line Java Pacific & Hoegh Lines Klaveness Line Knutsen Line Maritime Co. of Philippines *(Furness Withy & Co. Ltd., Vancouver, B.C.)* Nissan Pacific Line *(Kingsley Navigation Co. Ltd., Vancouver, B.C.)* P. & O. Orient Lines *(Union Steamship Co. of New Zealand, Vancouver, B.C.)* States Line *(Dodwell & Co. Ltd., Vancouver, B.C.)* States Marine Lines *(Pacific Marine Freighters Ltd., Vancouver, B.C.)* United Philippine Lines *(Empire Shipping Co. Ltd., Vancouver, B.C.)*	Iino Lines *(Watts Watts Shipping Agencies Ltd., Toronto)* Mitsui Line *(Montreal Shipping Co., Limited, Toronto)*	Iino Lines *(Watts Watts Shipping Agencies Ltd., Montreal)* Maersk Line Marchessini Line *(Canada Steamship Lines, Montreal)* Mitsui Line *(Montreal Shipping Co. Limited, Montreal)* Sabre Line *(Keel Shipping Limited, Montreal)*
Indonesia	American Mail Line Klaveness Line	Orient Mid-East Line *(Shipping Limited, Montreal; Montoro Shipping Corporation Limited, Toronto)*	Blue Funnel Line Isthmian Line Maersk Line Orient Mid-East Line

NOTE: The agent for each shipping line is shown in italics below the name of the line where it first appears.

FROM

TO:	Pacific Coast	Great Lakes	St. Lawrence and Atlantic
Japan	American Mail Line	Iino Lines	Iino Lines
	"K" Line *(Johnson Walton Steamships, Vancouver, B.C.)*	Mitsui Line *(Montreal Shipping Co., Limited, Toronto)*	Maersk Line
	Maritime Co. of Philippines		Marchessini Line
	N.Y.K. Line *(B.W. Green & Son Ltd., Vancouver, B.C.)*		Mitsui Line *(Montreal Shipping Co., Limited, Montreal)*
	Nissan Pacific Line		Sabre Line
	O.S.K. Lines *(C. Gardner Johnson Ltd., Vancouver, B.C.)*		
	Pacific Orient Express Line		
	P. & O. Orient Lines		
	Shinnihon Line *(Balfour Guthrie Ltd., Vancouver, B.C.)*		
	States Line		
	States Marine Lines		
	United Philippine Lines		
	Yamashita Line *(North Pacific Shipping Co. Ltd., Vancouver, B.C.)*		
Republic of China (Taiwan)	China Merchants Steam Navigation Co. Ltd. *(Kingsley Navigation Co. Ltd., Vancouver, B.C.)*		Maersk Line
	States Line		
	States Marine Lines		
Singapore	American Mail Lines	Orient Mid-East Line	Blue Funnel Line
	Java Pacific & Hoegh Lines		Isthmian Lines
	Klaveness Line		Maersk Line
	Knutsen Line		Marchessini Line
	Nissan Pacific Line		Orient Mid-East Line
	P. & O. Orient Lines		
South Korea	States Line		Sabre Line
	States Marine Lines		

FROM

TO:	Pacific Coast	Great Lakes	St. Lawrence and Atlantic
South Vietnam	American Mail Lines States Line		Isthmian Lines Maersk Line
Thailand	Knutsen Lines States Line		Blue Funnel Line Isthmian Lines Maersk Line
The Philippines	American Mail Line Java Pacific & Hoegh Lines Klaveness Line Knutsen Line Maritime Co. of Philippines Inc. P. &. O. Orient Line Pacific Orient Express Lines States Line United Philippine Lines		Isthmian Lines Maersk Line Marchessini Line

TRADE COMMISSIONERS ON TOUR

In Canada

K. G. RAMSAY, who will take up his duties as Commercial Secretary in Lima, Peru, in August, will visit Toronto, April 24-28. Businessmen who wish to see Mr. Ramsay should get in touch with the Canadian Manufacturers Association in Toronto.

In Territory

J. H. BAILEY, Commercial Secretary in Bogota, Colombia, will visit Quito and Guayaquil in Ecuador in April.

W. G. BRETT, Assistant Commercial Secretary in Paris, France, will tour the French Community countries in Africa from April 10-May 12. His itinerary covers Nouakchott, Fort Gouraud and Port Etienne in Mauritania; Dakar in Senegal; Conakry, Guinea; Bamako, Mali; Abidjan, Ivory Coast; Lome, Togo; Cotonou, Dahomey; Ouagadougou, Volta; Niamey, Niger.

H. E. CAMPBELL, Trade Commissioner in Kingston, Jamaica, will visit Nassau, Bahamas, from April 23-29.

C. M. FORSYTH-SMITH and C. J. SMALL, Trade Commissioners in Hong Kong, will visit the following cities in Communist China from the middle of May to the first week in June: Canton (they will attend the Spring Fair), Peking, Tientsin, and Shanghai.

P. A. FREYSENG, Assistant Commercial Secretary in Vienna, Austria, will visit Belgrade and Sarajevo in Yugoslavia from May 15-20.

T. F. HARRIS, Consul and Trade Commissioner in New Orleans, will visit Tulsa and Oklahoma City, Oklahoma, Little Rock, Arkansas, and Shreveport, Louisiana, towards the end of April, and Houston, Texas, during the third week of May.

D. A. HILTON, Vice Consul and Assistant Trade Commissioner in Chicago, will visit the following cities in Indiana: Columbus on April 24, Indianapolis, April 25 and 26, and Fort Wayne, April 27.

T. G. MAJOR, Consul General and Trade Commissioner in Manila, Philippines, will visit Taiwan from April 18-29.

R. K. THOMSON, Commercial Counsellor in Vienna, Austria, will visit Zagreb, Ljubljana and Rijeka in Yugoslavia from May 15-20.

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. Bailey at Bogota, Mr. Brett at Paris, Mr. Campbell at Kingston, Mr. Forsyth-Smith and Mr. Small at Hong Kong, Mr. Freyseng and Mr. Thomson at Vienna, Mr. Harris at New Orleans, Mr. Hilton at Chicago, and Mr. Major at Manila.

COMMODITY NOTES

Aluminum

INDIA—The Madras Aluminum Company, a recently-formed Indo-Italian venture with a capitalization of Rs.10 crores (Can.$20 million), will undertake the production of aluminum in the State of Madras. Italy will furnish most of the machinery, estimated to cost Rs.3.8 crores ($7.6 million).

The capitalization is made up of Rs.6 crores ($12 million) in Indian currency, as follows: technical know-how, Rs.45 lakhs ($900,000), designers' fees, Rs.40 lakhs ($800,000), construction costs, Rs.35 lakhs ($700,000)—totalling $2.4 million, which the Indian collaborator will take in equity shares. The Madras Industrial Investment Corporation will purchase shares worth $3 million, the Industrial Finance Corporation of India $2.4 million, and directors and the public, $4.2 million—New Delhi.

Cotton

INDIA—Under an agreement signed in New Delhi, March 9, India will import 300,000 bales of United States PL 480 cotton this year, payment to be made in rupees. These imports will be over and above a commercial quota of 420,000 bales which will undoubtedly come from such traditional sources as East Africa, the Sudan and the United Arab Republic.

Although no official estimate of the 1960-61 crop has yet been announced, the trade estimates approximate 5¼ million bales. This compares with last year's crop of 3.8 million and the average for the previous four years of about 4½ million bales. The reasons given for the agreement are that it "will help fill the gap created by an unusually low Indian crop last year and will assist in the stabilization of cotton prices". Since Indian annual consumption of cotton runs at no more than the expected level of this year's crop, the imports will also permit India to increase her exports of raw cotton; in 1959-60 these declined to 198,422 bales from 460,731 the previous year—Bombay.

Fertilizers

BRAZIL—The Cia. de Superfosfatos e Produtos Quimicos will establish a plant in Capuava, São Paulo State, to produce an initial 40,000 tons of powdered or granulated triple superphosphates of calcium (45-48 per cent) annually. Production of 150 tons per day of sulphuric and 40 tons of phosphoric acid will also be possible. The French group Etablissements Kuhlmann of Paris, responsible ten years ago for setting up the existing sulphuric acid (120 tons daily) and calcium superphosphate (60,000 tons annually) plants, will furnish plans and technical assistance—São Paulo.

UNITED STATES—Florida leads all states in the production of fertilizers and ranks near the top in consumption of mixed fertilizers and fertilizer materials, according to the Florida State Chamber of Commerce. The value of shipments from Florida fertilizer manufacturing and mixing plants, including byproducts, totalled $165.5 million in 1958. Production accounted for 16 per cent of the national figure and was by far the largest of any state.

Florida also ranks high as a consumer of fertilizer. During the fiscal year 1958-59, 1,296,610 tons of mixed fertilizers were used in the state. In addition, 753,000 tons of related materials were added to Florida soils, principally dolomitic and calcitic limestone, nitrates, phosphates and natural organics—New Orleans.

Iron Ore

SWEDEN—The LKAB Mining Company has announced it will open an iron-ore field, Sweden's third largest, in the Svappavaara district in Arctic Sweden, along the road between the Kiruna and Malmberget fields. The new deposits are estimated at over 300 million tons and are composed partly of high-grade ore. Preliminary plans—which are subject to modification—call for activity to be concentrated on the Leveäniemi deposit and carried out as open-cut mining. Investment for the next five years is estimated at over $20 million (Kr.100 million) for the mining plant proper. Output in the first year of production is estimated at 500,000 tons, increasing to 3 million by 1967 or 1968. The Swedish State Railways plans to build a 25-mile track from Svappavaara to Kiruna at a cost of about $8 million. The line will be electrified and designed for automatic operations, permitting an axle load of 25 tons. Because transportation and shipping facilities are sufficient only for handling current output from Kiruna, the Svappavaara ore will be shipped from the Swedish port of Luleå at the northernmost end of the Gulf of Bothnia, rather than the Norwegian port of Narvik—Stockholm.

Iron, Steel

FRANCE—Iron ore extraction in France rose to 66,910,000 metric tons in 1960, exceeding by 10 per cent the 60,902,000 tons mined during 1959. Exports of iron ore reached 26,834,000 tons compared with 24,503,000 in 1959.

Production of steel rose 14 per cent—from 15.2 million tons in 1959 to 17.3 million in 1960. Pig iron production reached 14.4 million metric tons compared with 12.5 million in 1959, a 13 per cent increase. Exports of French iron and steel rose from 4.8 million tons in 1959 to 5 million in 1960, of which 4.7 million tons were steel. This is a record in steel exports, and an increase of 5.5 per cent over 1959—Paris.

Motor Vehicles

FRANCE—Motor vehicle production reached 1,349,-213 units in 1960, up 5 per cent over 1959. The increase in 1959 over 1958 was 14 per cent. Passenger car production in 1960 totalled 1,115,600 units; in 1959 it was 1,085,777. Some 233,613 commercial vehicles were produced, compared with 198,122 in 1959. Forty-one per cent of total production was exported last year, compared with 44 per cent in 1959—Paris.

INDIA—India's output of motor vehicles reached a new peak last year. The Government's Statistical Organization reports that 52,115 passenger cars, commercial vehicles and jeeps were manufactured, compared with 36,923 in 1959 and 32,138 in 1956—the first year of the Second Five Year Plan. The Third Five Year Plan calls for an output by 1966 of 100,000 vehicles, including 30,000 passenger cars, 60,000 commercial vehicles and 10,000 jeeps. The 1966 target will be greater if government plans to manufacture an inexpensive "people's car" are implemented—New Delhi.

Natural Gas

FRANCE—French production of crude natural gas reached 4.5 billion cubic meters during 1960. The refined commercialized total was 2.8 billion cubic meters, compared with 1.3 billion in 1959—Paris.

Nylon

SOUTH AFRICA—A £250,000 plant has just been opened at Bellville, near Cape Town, by Nylon Processors of South Africa (Pty.) Limited. The firm, a subsidiary of British Nylon Spinners, will manufacture crimped nylon yarn from material supplied by the parent company. Initial production will reach about 500,000 pounds a year—Cape Town.

Paper

UNITED STATES—The Southern Land, Timber and Pulp Corporation has announced plans to construct a $42 million pulp and paper mill on the east bank of the Chattahoochee River at Cedar Springs, Georgia. The plant will manufacture several varieties of paper products which can be produced from Southern pine timber, and will have a daily capacity of about 600 tons of linerboard. It will be the largest single industry capable of providing export shipments down the river system which links the Georgia, Alabama, and West Florida areas. The ports of Port St. Joe and Panama City in West Florida are becoming the main ocean terminals for cargo originating upstream in Alabama and Georgia—New Orleans.

Petrochemicals

SWEDEN—Sweden's first petrochemical industry will be located at Stenungsund on the west coast north of Gothenburg. Negotiations have led to an agreement between Svenska Esso AB, which is to build a steam cracking plant, the forest industry group Mo och Domsjö AB, and Stockholms Superfosfat Fabriks AB, Sweden's largest electro-chemical industry, which is to form a joint company with the U.S. group, Union Carbide Corporation, for this purpose.

Aggregate investment of the three companies is estimated at nearly Kr.200 million ($40 million). Construction is to start on a major scale next spring and the plants are scheduled to go into operation in the summer of 1963. Other processing companies may later join the scheme, because the productive capacity of the cracker will permit such an expansion.

The steam cracker will produce ethylene, propylene and butadiene gases which will be supplied to the manufacturing plants by a tube system. The new subsidiary formed by Fosfatbolaget and Union Carbide will produce polythene plastics, which will be used, among other things, for the manufacture of foils for the packaging industry. Capacity will total about 15,000 tons a year in the initial stage. Fosfatbolaget already has a sizable output of PVC and melamine plastics.

Mo och Domsjö's plant at Stenungsund will have an initial capacity of some 10,000 tons of ethylene oxide a year. It constitutes the raw material for a number of products which, as before, will be manufactured at the company's chemical plant at Ornsköldsvik, North Sweden. These include an anti-freeze and compounds for the manufacture of synthetic detergents—Stockholm.

Pottery

REPUBLIC OF IRELAND—A new company with a capital of £200,000 has been formed to produce pottery at Kilrush, Co. Clare. The new company will be known as Ceramics Limited, and is an associate of the German firm Ueberacher Ltd., Ransbach, Westerwald. Turnover is estimated at roughly £250,000; all the production will be exported—Dublin.

Sugar

INDIA—The crop year ended October 31, 1960, was a favourable one for Indian cane sugar: production rose by 26 per cent over the previous year to set an all-time record of 2.4 million long tons. The chief growing area, Uttar Pradesh, accounted for most of the increase; output there climbed to 1.3 million long tons from less than 900,000 in 1958-59. The increased production is attributed to the Central Government's new sugar policy (which offers special incentive to growers and millers) combined with favourable growing conditions. A further increase is expected during the current crop year, ending October 31, 1961; present estimates place the yield at about 2.6 million long tons. This sudden expansion means that some sugar is available for sale abroad and the Government has already announced an export quota from 1959-60 production of 50,000 long tons. Indian prices are considerably higher than current world prices and some form of government subsidy will be necessary if sales are to result—New Delhi.

FOREIGN TARIFFS AND TRADE REGULATIONS

France

LIBERALIZATION—The Commercial Counsellor for Canada in Paris advises that, effective April 1, liberalization of products under 41 tariff headings has been announced. These include some minerals and chemicals (including synthetic rubber), ferro-silicon, alloy steel, ethylene glycol, nickel in matte, and toys. Refrigerators and refrigerating equipment will be liberalized automatically on June 15.

Further details will be available from the International Trade Relations Branch, Department of Trade and Commerce.

MARKING REGULATIONS—The French Ministry of Finance has announced that each tin of all canned food products entering France must be embossed or stamped with the country of origin. This announcement is based on legislation dated February 10, 1955, enforcement of which has been regularly postponed in the past. However, effective April 30, 1961, full application of the law will be instituted—Paris.

France

TARIFF REDUCTIONS—The Commercial Counsellor for Canada in Paris advises that, effective April 1, new and additional tariff reductions implemented unilaterally by France have been announced. The announced intention of the reduction was to check the upward trend in French prices, particularly of products recently released from price controls.

A 5 per cent reduction applies to imports of industrial goods from all countries. For products on which price controls were abolished on April 1, the reduction amounts to 10 per cent, provided such reduction does not result in lower rates than the proposed EEC Common External Tariff rates.

Price controls were removed on the following categories of goods on April 1: (a) machinery, cars, central heating equipment, castings and aluminum household appliances; (b) electrical appliances, dry batteries, batteries, transformers; (c) textiles: almost all textile products except wool items; (d) chemicals: copper sulphate soaps, dyes and varnishes.

Further details will be available from the International Trade Relations Branch, Department of Trade and Commerce.

United States

TAXABLE STATUS OF COAL, COKE AND BRIQUETTES IMPORTED FROM CERTAIN COUNTRIES—Coal, coke made from coal, and coal or coke briquettes imported from Belgium, Canada, Japan, the Korean Republic, the Netherlands, and the United Kingdom, and entered for consumption or withdrawn from warehouse for consumption during the period from January 1 to December 31, 1961, inclusive, will not be subject to the tax of 10 cents per 100 pounds prescribed in section 4531, Internal Revenue Code of 1954.

DATE OF ALSIKE CLOVER SEED AND CREEPING RED FESCUE SEED HEARINGS CHANGED—The public hearings in connection with the investigations instituted under section 7 of the Trade Agreements Extension Act of 1951 with respect to alsike clover seed and creeping red fescue seed, previously scheduled for 10 a.m. e.d.s.t., on June 6 and June 27, 1961, respectively, have been rescheduled for 10 a.m. e.d.s.t., on June 20 and June 21, 1961, respectively.

Venezuela

CHANGES IN IMPORT LICENSING FOR POWDERED MILK—Under Decree No. 805 of March 22, 1961, issued by the Venezuelan Ministry of Development, the ratio between locally produced and imported powdered whole milk has been reduced to the point where one kilogram must be purchased locally for every 2½ kilograms to be imported—Caracas.

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 1.010420.

Foreign Exchange Rates

Country	Unit	Type of Exchange	Can. dollar equivalent April 10	Units per Canadian dollar	Notes (See below)
Argentina	Peso	Free	.01199	83.40	(1)
Austria	Schilling		.03799	26.32	
Australia	Pound		2.2166	.4511	
Bahamas	Pound		2.7708	.3609	
Belgium and Luxembourg	Franc		.01981	50.48	
Bermuda	Pound		2.7708	.3609	
Bolivia	Boliviano	Free	.00008662	11,544.68	
British Guiana	Dollar		.5772	1.73	
British Honduras	Dollar		.6927	1.44	
Brazil	Cruzeiro	General Category*	.003586	278.86	(2)
		Special Category Official selling	Auctions suspended temporarily	Auctions suspended temporarily	
Burma	Kyat		.2078	4.81	
Ceylon	Rupee		.2078	4.81	
Chile	Escudo	Free	.9408	1.06292	(3)
Colombia	Peso	Certificate	.1477	6.77	
Congo, Republic of	Franc		.01981	50.48	
Costa Rica	Colon	Official	.1763	5.67	
		Controlled free	.1488	6.72	
Cuba	Peso		.9897	1.01041	tax 2%
Czechoslovakia	Koruna		.1374	7.28	
Denmark	Krone		.1433	6.98	
Dominican Republic	Peso		.9897	1.01041	
Ecuador	Sucre	Official	.06598	15.16	
		Free	.05788	17.28	
Egyptian Region, United Arab Rep.	Pound	Official	2.8419	.3519	
		Export account selling	....	....	
El Salvador	Colon		.3959	2.52	
Fiji	Pound		2.4962	.4006	
Finland	Markka		.003093	323.31	
France, Monaco, etc.	New Franc		.2020	4.95	(4)
Franco-African Republics, etc.	Franc		.004040	247.52	(5)
French Pacific	Franc		.01111	90.01	(6)
Germany	D Mark		.2493	4.01	
Ghana	Pound		2.7708	.3609	
Greece	Drachma		.03299	30.31	
Guatemala	Quetzal		.9897	1.01041	
Haiti	Gourde		.1979	5.05	
Honduras	Lempira		.4948	2.02	
Hong Kong	Dollar	Free*	.1695	5.90	*Mar. 24
		Official	.1732	5.77	
Iceland	Krona	Official	.02604	38.40	(7)
India	Rupee		.2078	4.81	
Indonesia	Rupiah	Official	.02199	45.47	(7)
Iran	Rial		.01306	76.54	
Iraq	Dinar		2.7711	.3609	
Ireland	Pound		2.7708	.3609	
Israel	Pound		.5498	1.82	
Italy	Lira		.001592	628.14	
Japan	Yen		.002749	363.77	

*Latest available quotation date.

Country	Unit	Type of Exchange	Can. dollar equivalent April 10	Units per Canadian dollar	Notes (See below)
Lebanon	Pound	Free	.3109	3.22	
Mexico	Peso		.07918	12.63	
Morocco	Dirham		.1979	5.05	
Netherlands	Florin		.2754	3.63	
Netherlands Antilles	Florin		.5248	1.90	
New Zealand	Pound		2.7708	.3609	
Nicaragua	Cordoba	Effective buying	.1499	6.67	
		Official selling	.1404	7.12	
Nigeria	Pound		2.7708	.3609	
Norway	Krone		.1385	7.22	
Pakistan	Rupee		.2078	4.81	
Panama	Balboa		.9897	1.01041	
Paraguay	Guarani	Official	.007824	127.81	
Peru	Sol		.03689	27.11	
Philippines	Peso	Free	.3299	3.03	
		Official	.4948	2.02	
Portugal & Colonies	Escudo		.03454	28.95	(8)
Singapore and Malaya	Straits Dollar		.3233	3.09	
Spain and Dependencies	Peseta		.01650	60.62	
Sweden	Krona		.1915	5.22	
Switzerland	Franc		.2290	4.37	
Syrian Region, United Arab Rep.	Pound	Free	.2762	3.62	
Thailand	Baht	Free	.04681	21.36	(7)
Tunisia	Dinar		2.4049	.4158	
Turkey	Lira		.1100	9.09	(7)
Union of South Africa	Rand		1.3854	.7218	
United Kingdom	Pound		2.7708	.3609	
United States	Dollar		.9896875	1.010420	
Uruguay	Peso	Free	.08973	11.14	(9)
Venezuela	Bolivar		.2958	3.38	(10)
West Indies Fed.	Dollar		.5772	1.72	(11)
	Pound		2.7708	.3609	(12)
Yugoslavia	Dinar	Official	.001320	757.57	

*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.

BUSINESSMAN'S BOOKSHELF

Doing Business in Germany

By Dr. Rudolph Mueller and Dr. Ernest Steefel. 158 pages. $3.75 (approx.).

THE general tenor of this legal manual is well stated by the authors in the preface: "It is a summary of the main features of major questions of German law which should be considered by the foreigner who operates or intends to operate or invest in Germany. The book is limited to the fields of business activities or business interests of foreigners in the German Federal Republic and is written for the foreign reader . . . It is based on practical experience and is to serve practical purposes only."

The manual is a competent job, done by two authors who have previously collaborated on two other legal works, one of which dealt with the status of foreigners in West Germany. The present work was written in association with Dr. Helmut Debatin, an official of the Ministry of Finance in Bonn. As the preface states, it provides summaries of the law on a number of topics of interest to the foreigner: the status of the foreigner; jurisdiction, procedure, arbitration; foreign law and conflict of laws; contract and tort; agents and representatives; branches, subsidiaries, joint ventures; corporations; securities and stock exchanges; trade practices; patents, trade marks, licences; labour law; social insurance and benefits, and taxes.

Doing Business in Germany is not intended as a businessman's do-it-yourself manual for dealing with legal problems that might arise or need to be considered by an individual or firm interested in or concerned with Germany. It does, however, provide a general summary of the law on a wide range of subjects. It should be useful to the lawyer who occasionally is consulted by a client doing business in Germany.

Order from: Fritz Knapp Verlag, Frankfurt Am Main, West Germany.

Mexico 1960—Facts, Figures, Trends

Banco Nacional de Comercio Exterior, S.A. 366 pages. $4.50.

THIS book endeavours to provide concise information on Mexican history, politics, economics and social conditions.

It is divided into four chapters. The first, "Background", gives general information on the legal status of foreigners, economic and social policy, the Government's economic program, and international policy. The Mexican economy as such is described in the second chapter. Accompanying statistical information covers periods up to 1959 and, where possible, 1960.

Of particular interest to the businessman is the third chapter which discusses foreign trade policy and the balance of payments and analyzes imports and exports.

Under the heading of "Directories", four lists appear in Chapter Four; these furnish information on federal government agencies with jurisdiction over foreign trade and on specialized publications on economic affairs or international trade.

Although the book provides the businessman with adequate background material on the country, those who desire more complete knowledge of the economy and of Mexico's political and social life may wish to supplement it with further reading.

Order from: Banco Nacional de Comercio Exterior, S.A., V. Carranza Nº 32, Mexico 1, D.F.

The West German Market

Contimart AG. 67 pages. $10.00.

CONTIMART AG, an international marketing research and advisory organization with headquarters in Zurich and allied with W. S. Crawford Ltd., has prepared a general report on the active West German market. The publication is mimeographed and has a soft-cover binder.

The West German Market considers the Federal Republic under the general headings of population and marketing regions, employment, wages and incomes, consumer saving and expenditure, trade channels, distribution costs, price maintenance and cartel regulations, and advertising media. A brief section gives practical hints to firms entering this Western European market.

Statistical reports are integrated with the text and deal with such subjects as impulse buying, use of selected commodities, retail trade, distribution channels, and periodicals (with their circulation). In some fields the statistics provided are quite comprehensive but the figures are seldom more recent than 1958. The European Common Market and the European Free Trade Area as they affect, or are likely to affect, this market are given rather superficial treatment.

Some of the information provided in the report will be already known to Canadian firms dealing extensively in the West German market but should prove useful to those inexperienced in trade with the Federal Republic.

Order from: Crawfords Advertising Service, 154 University Avenue, Toronto, Ontario.

Roger Duhamel
QUEEN'S PRINTER

If undelivered return to:
The Queen's Printer, Ottawa, Canada

60-6