

A Look at Latin America II (pages 2-34)

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Canada's Trade with Latin America 2

Last year our exports to Latin America rose by about 8 per cent; in the first half of this year, they have increased nearly 50 per cent. The Latin American Division discusses our commercial relations with this area and the important factors in the two-way trade between Canada and its Latin neighbours.

Business Conditions in Latin America II 4

The Trade Commissioners review economic progress and problems in nine South American countries during the past twelve months. The consensus: the pace of economic advance should quicken in the next few months, with foreign aid playing an important part in development projects.

| | | | |
|----------------|----|-----------|----|
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Early in October Canada's full participation in the Economic Commission for Latin America was announced. What type of work does ECLA carry on? What value does it have for Canadians? This report from Santiago provides the answers.

The "Alliance for Progress" Program 29

Despite the publicity given to this \$20 billion project, many Canadians are only vaguely aware of its objectives and the problems it is designed to meet. This summary should increase their knowledge of a vitally important project.

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Exporters interested in the Japanese market will welcome the speedup in trade liberalization that the Japanese Government has announced. The import budget for the second half of the Japanese fiscal year is also discussed.

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COMING—HOW "OPERATION EXPORT" HELPED BUSINESS, DECEMBER 2 ISSUE



A smartly mounted gaucho in Argentina reins up for an appreciative look at a Canadian-made tractor in action.

Canada's Trade with Latin America

Rising demand for foodstuffs, raw materials and capital equipment, plus the removal of exchange discrimination and of nearly all quantitative restrictions, have made the Latin American countries an excellent market for Canadian goods. Sales in 1961 have risen.

A. M. BALDWIN, *Assistant Chief, Latin American Division.*

CANADA'S export and import trade with Latin America has assumed greater importance in recent years in the light of the increased assistance to, and investment in, Latin America by the United States and certain European countries on both private and government levels. There are valuable markets in many of these countries for Canadian products such as raw

materials and semi-processed goods, and also for manufactured products. Population is still increasing at a very rapid rate in most of the Latin American countries except Argentina, and there are consequently growing needs for foodstuffs in which many of these countries are deficient. At the same time, industrial development programs vigorously pursued by several of the

larger countries in this area (such as Argentina, Brazil and Mexico) have created a growing demand not only for raw materials but for capital equipment of all kinds.

Two-Way Trade Expanding

Many of the principal exports of Latin American countries—such as bananas, coffee, cocoa, cotton and wool—are not produced in Canada. The importance of the market for these products here has created a continuing basis for the greater expansion of trade between Canada and Latin America. The Canadian Government has stimulated the expansion of trade throughout this area to the fullest extent possible within the framework of our over-

all objectives in foreign trade relations. The exchange of most-favoured-nation tariff treatment between Canada and all countries in Latin America, either by the conclusion of bilateral trade agreements or under the provisions of the GATT that govern Canada's relations with nine Latin American countries (Argentina, Brazil, Chile, Cuba, Dominican Republic, Haiti, Nicaragua, Peru and Uruguay), has facilitated this trade. By virtue of these treaty relations, Canadian exports enjoy tariff access to Latin American countries on the same terms as those granted goods from other major trading countries, such as the United States and Britain.

In exchange treatment and licensing controls applicable to Canadian products in Latin American countries, there is similarly treaty provision for non-discriminatory treatment by virtually all countries. Moreover, with the achievement of external convertibility in Argentina, Chile and Uruguay, followed by the substantial reform introduced by the new Brazilian Government in March 1961, the Latin American

countries have removed exchange discrimination and practically all quantitative restrictions in their trading transactions with Canada and other convertible currency countries, such as the United States and most European countries.

1961 Sales Rising

Canadian exports in the first half of 1961 rose to \$118 million, or approximately 50 per cent, compared with the \$80 million of the same period of 1960; indications are that shipments will continue to be large during the rest of 1961. Canada's exports to Latin America in the full year 1960 increased approximately 8 per cent over 1959; imports into Canada decreased approximately 10 per cent.

The major markets in 1960 were Mexico (\$38 million), Venezuela (\$35 million), Brazil (\$20 million), Argentina (\$19 million), and Colombia (\$17 million). Exports in the first half of 1961 have continued to rise, especially those to Argentina, Brazil and Cuba. Among the principal products shipped were newsprint, wood pulp,

wheat, salt cod, whisky, synthetic plastics and rubber, asbestos, primary aluminum and railway rails and track material. In addition, Canadian exports included other products such as seed potatoes, malt, cured fish, and milk powder.

Commercial Relations

The Canadian Government has taken a number of important measures in recent months to strengthen and improve diplomatic commercial relations with Latin America. In January 1961 the Canadian Government announced the exchange of Ambassadors between Canada and Ecuador and the appointment of a Canadian Ambassador accredited concurrently to Costa Rica, Honduras, Nicaragua and Panama. Later in 1961, diplomatic relations were established with Bolivia, Paraguay and Guatemala and as a result, Canada's representation now covers practically every Latin American country. Recognition of the importance attached to Latin America was also shown by the sending of an observer delegation to the Special Ministerial Meeting of the Inter-American Economic and Social Council at Punta del Este, Uruguay. (See article on the *Alliance for Progress* on page 29 of this issue.)

Earlier in 1961, Canada also participated as an observer in the Ninth Session of the Economic Commission for Latin America (ECLA) held in Santiago, Chile, and on October 6 became a member of ECLA. (Canadian observer delegations had participated in its meetings for a number of years.)

In the field of trade promotion, a program of specialized trade missions has been arranged. In 1960-61, missions covering consulting engineering and construction engineering visited Latin America. In 1962, seven missions will go there: they will cover fisheries products, electronic products, non-ferrous metals, heavy machinery and equipment, electrical distribution equipment, forest products and organic chemicals. ●

CANADIAN TRADE WITH LATIN AMERICA

(Can.\$'000)

| Country | EXPORTS TO | | | | IMPORTS FROM | | | |
|--------------------|----------------|----------------|-------------------|----------------|----------------|----------------|------------------|----------------|
| | 1959 | 1960 | January-June 1961 | | 1959 | 1960 | January-May 1961 | |
| Argentina | 7,002 | 19,363 | 2,975 | 13,338 | 3,380 | 3,611 | 756 | 978 |
| Bolivia | 324 | 323 | 149 | 198 | 166 | 443 | 149 | 404 |
| Brazil | 14,148 | 19,755 | 6,073 | 14,970 | 28,479 | 24,883 | 9,385 | 10,161 |
| Chile | 6,226 | 6,575 | 2,888 | 4,165 | 870 | 747 | 568 | 840 |
| Colombia | 17,668 | 16,590 | 7,341 | 9,767 | 15,827 | 12,784 | 5,339 | 4,990 |
| Costa Rica | 2,633 | 2,983 | 1,487 | 1,576 | 4,810 | 4,345 | 1,358 | 1,782 |
| Cuba | 15,222 | 13,038 | 4,839 | 15,381 | 12,011 | 7,243 | 3,063 | 2,675 |
| Dominican Republic | 5,137 | 5,062 | 2,106 | 2,278 | 1,634 | 1,586 | 635 | 242 |
| Ecuador | 3,864 | 3,913 | 1,603 | 2,193 | 7,623 | 11,018 | 4,171 | 3,711 |
| El Salvador | 2,567 | 2,390 | 1,218 | 1,052 | 3,899 | 829 | 562 | 407 |
| Guatemala | 2,627 | 2,106 | 1,042 | 960 | 2,718 | 3,256 | 1,434 | 1,467 |
| Haiti | 1,319 | 1,529 | 717 | 868 | 1,053 | 982 | 299 | 339 |
| Honduras | 946 | 1,416 | 678 | 503 | 2,905 | 3,352 | 732 | 2,517 |
| Mexico | 27,633 | 38,023 | 15,133 | 19,176 | 34,201 | 21,007 | 11,473 | 9,968 |
| Nicaragua | 1,515 | 1,319 | 648 | 730 | 306 | 170 | 101 | 126 |
| Panama | 4,023 | 3,703 | 1,779 | 1,990 | 8,889 | 6,066 | 3,228 | 2,027 |
| Paraguay | 114 | 120 | 44 | 41 | 746 | 760 | 220 | 279 |
| Peru | 11,632 | 8,891 | 4,287 | 4,294 | 3,978 | 3,037 | 755 | 1,122 |
| Puerto Rico | 10,522 | 11,172 | 5,473 | 6,862 | 1,780 | 2,904 | 625 | 885 |
| Uruguay | 1,656 | 2,423 | 858 | 1,088 | 657 | 987 | 274 | 336 |
| Venezuela | 45,833 | 35,345 | 18,328 | 16,427 | 204,582 | 195,189 | 78,333 | 82,556 |
| TOTAL | 182,611 | 196,039 | 79,666 | 117,867 | 340,514 | 305,199 | 123,460 | 127,812 |

LATIN AMERICA II

Part II of our annual business survey of Latin American business and trading conditions covers South America and completes the two-part review we began in our October 21 issue. Part I covered Central America, Mexico, and the Greater Antilles.

THE Argentine economy has made commendable progress this year, despite the misfortune of a poor wheat crop. This progress resulted from the intensifying of the implementation of the basic plan laid down in 1958 to cure the economy of its ills and restore it to soundness

and sounder economy now being created, it should mean the beginning of general prosperity for all groups, denied to this country for many years.

Oil

Adequate development of the country's petroleum resources was always the prime factor in economic recovery. Following the decision of some three years ago (against the highly vocal opposition of nationalistic groups) to bring in foreign drilling companies to exploit known resources and explore for others, the program has been an outstanding success. Up to that time, crude and refined petroleum products were costing the country as much as U.S. \$350 million a year, or roughly one-third of the total annual foreign exchange earnings. It has just been announced that by the end of 1961 Argentina will be self-sufficient in oil products, on balance, for the first time in its modern history. Certain types, including lubricating oils, will still have to be imported because there is not yet enough domestic refining capacity. However, these purchases will be counterbalanced by expected exports of crude oil, gasoline and other by-products. The result is that this large slice of the national earnings can be diverted to the purchase abroad of other badly needed products.

Steel

The establishment of a basic steel industry has also been an important factor in the hoped-for economic

Argentina

Expanding oil production, a steel mill in operation, rehabilitation of the railways, a huge roadbuilding program—these testify to Argentina's continuing economic recovery. Many projects financed by foreign aid are under way; Canadian firms should watch for chances to sell equipment or services.

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

and sanity. This plan had many facets. All of them were based upon the re-establishment of financial orthodoxy and many of them depended for ultimate success upon substantial foreign loans and credits. This is the field in which notable progress has been made this year. This orthodox financial policy, it is expected, will be continued in the foreseeable future in spite of the substantial internal opposition to the austerity program evident in many quarters. However, should Argentina be favoured next year with a normal wheat crop, this would appreciably reduce the opposition and, working within the

recovery. The steel mill, SOMISA, at San Nicolas, financed jointly by the Argentine Government and private capital, already has two furnaces in production. Output by the end of this year is planned to reach some 665,000 metric tons of steel ingots. This volume is to be doubled in 1962 and trebled by the end of 1965, as new furnaces are successively fired. What is still more encouraging is the fact that two private foreign companies contemplate establishing steel mills to operate from the ore stage up. Present official policy is to sell to private entities all but about 10 per cent of the Government's present majority share holdings in SOMISA. In addition to permitting the diversion of substantial amounts of foreign exchange to the purchase of other needed goods, a successful basic steel industry will foster the growth of an industrial complex based upon it. Substantial credits from the U.S. Export-Import Bank and the Development Loan Fund made possible the creation of SOMISA.

Power

Progress has also been made in reducing the chronic shortage of electric power in Buenos Aires and environs. One new generator installed in the New Port area recently went into operation and a second is planned for 1962. The stalled South Dock generating plant of some 600,000 kw. capacity has again come to life. Negotiations are on foot for a World Bank loan to finish the project and have it operating within a reasonable time. This loan is expected to total initially \$50 to \$60 million, with a further \$25 million later. The Argentine Government has awarded consulting engineering contracts for reports on the El Chocon hydroelectric power project on the River Negro and for the Salto Grande project jointly with Uruguay. The Province of Santa Fé is reported to have signed a contract with a British firm to build the El Cadillal dam. Other hydroelectric projects moribund for some years because of

lack of funds are being revived, based on the expectation of obtaining foreign loans to carry them out.

Transportation

Substantial new purchases of diesel locomotives and railway coaches are to be made abroad. An important order of Japanese coaches has already begun to arrive, and some 215 diesel electric locomotives are to be bought this month. It is fully expected that one Canadian firm will get a third of this business and there is a possibility that Canadian companies will supply half of the total order. Other improvements are being made in rolling stock and other equipment and in roadbeds. The railways, all nationally owned, are the main cause of the chronic and relatively heavy annual budget deficit and serious efforts are being made to place them on a sound financial footing. There is considerable employee opposition to the measures planned to improve the efficiency of both men and equipment.

The planned road program for both federal and provincial highway systems has made appreciable progress*. Paving contracts have already been awarded for a number of important roads and others are in process of negotiation. Improvement of the existing road system is planned before extension is considered. Both the federal and provincial governments are negotiating substantial purchases of roadmaking machinery and equipment; so are a number of private contractors.

The rivers, canals and harbours improvement program is also receiving attention. Tenders have been called for the Bermejo River Canal project which would link northwestern Argentina with the Paraná River and the open sea through the River Plate at Buenos Aires.

A complete overhaul of the national merchant marine is also planned in two stages, 1961-1964

*See "Roadbuilding Equipment and Contracts—Argentina" in the November 4, 1961, issue of *Foreign Trade*.

and 1965-1970. In the first stage 42 ships will be retired from service, including passenger and freight ships and tankers. To replace them, two 9,000-ton passenger ships, four 5,000-ton freighters and 14 light freighters will be incorporated into the fleet. In the second stage, another 18 ships will be scrapped. Added to the fleet will be two 8,000-ton passenger ships, nineteen 8,000- to 8,500-ton freighters and ten 4,000- to 5,000-ton freighters.

Industry and Foreign Investment

According to a Central Bank report, industrial production in 1960 increased by about 9 per cent over 1959. The first half of 1961 also showed a small improvement over 1960 and a further gain is confidently expected in the last half of this year. The comparatively new automotive industry was mainly responsible for the increase. However, if this industry's expansion is ignored, the production index shows a decrease.

Special efforts are being made to introduce new industries which could obtain the greater part of their material needs within Argentina. The steel and petrochemical industries are outstanding examples. Pulp and paper projects are being encouraged, as are the motor vehicle and tractor industries. Many others are receiving similar incentives in the form of a reduction in or exemption from import duties, exchange surcharges and internal taxation, plus high depreciation rates, accelerated amortization and similar devices. However, the virtual freeze on wages and salaries has created a lot of labour unrest and this has retarded industrial progress considerably. The Government is continuing its policy of selling state-owned plants to private companies.

A substantial amount of foreign capital continues to enter Argentina. The industries involved are fairly widely diversified, but probably the most spectacular example is the automotive industry. At least a dozen United States and European

cars are now being made here or soon will be, all with a rapidly increasing Argentine content. This foreign investment is responsible to a pronounced degree for the existing foreign trade deficit. During the January-April period of the present year the Government approved foreign investment projects totalling U.S.\$56 million. In the three years since the new investment law was passed, the investments approved total U.S.\$323 million. In addition to Canada, the United States and Japan, almost every European country is represented among the investors.

Agriculture

Agriculture has had a relatively poor year because of a sharply reduced wheat crop caused by bad weather and insect attacks. However, the corn crop that followed it was more or less normal in yield. Drought affected meat production adversely by reducing the available pasturage. Pork exports dropped substantially, following an embargo established by some European countries against imports from Argentina because of the prevalence of foot-and-mouth disease. The campaign to eradicate this disease is being carried forward and intensified be-

cause its complete elimination is a prerequisite of success in finding new and lucrative markets for uncooked meats in the United States, Canada and many other countries, where they are now barred. Although this program depended entirely on vaccination at the beginning, the slaughtering and adequate disposal of infected animals has now been undertaken in Patagonia. Because the animals and animal products group and the grain and grain products group combined normally account (roughly in equal amounts) for about 90 per cent of Argentina's earnings of foreign exchange, their importance to the economy is evident. Agro-pastoral circles have been beset by the fear that, as the European Common Market develops, Argentina's normal exports will gradually be squeezed out. However, if the ECM should achieve its objective of raising the standard of living of some 200 million persons, it seems likely that the demand created would still require the entire volume of relatively low-cost supplies that Argentina can normally produce.

Financial Indices

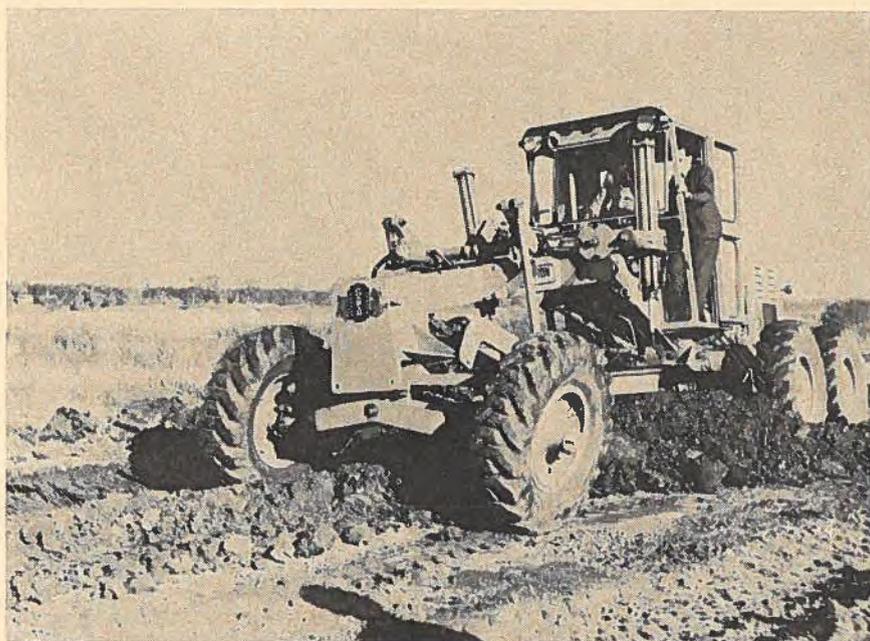
In March the reserves of gold and foreign exchange reached U.S.\$705

million but at the end of May they had dropped to \$647 million. The chief reason was the poor wheat crop. However, this decrease is causing no particular concern in economic circles. The sums available are ample to permit the Central Bank to maintain the stability of the peso.

New loans and credits have recently been negotiated beyond those already mentioned. Chief among these are a credit of U.S.\$48.5 million from the World Bank to finance the start of the road-building program. A further U.S.\$130 million is being negotiated for the same purpose. To finance the El Chocon project, it is reported the Inter-American Development Bank will lend U.S.\$300 million, with a further U.S.\$15 million to finance industrial, mining and agricultural entities. Much the greater part of these credits is designed to permit the purchase abroad of machinery and equipment; costs of labour and local materials are to be financed within Argentina. The IADB has also lent U.S.\$50 million for the housing program and U.S.\$34 million was supplied by the Development Loan Fund for aerodrome construction. Further credits to finance the rehabilitation of the

A Canadian motor grader is put through its paces on one of the provincial roads on the Argentine Pampa. After hard tests, it proved its ability to cope with the muddy and slippery roads in rainy weather.

Two of these graders are now in operation and more may be sold in coming months.



transport systems are expected to be obtained from the World Bank and the U.S. Export-Import Bank.

A balanced budget of 180,260 million pesos for National Government expenditures only was recently announced for the fiscal year November 1961 to October 1962. However, in the 1960/61 budget, extra-budgetary spending added a further 25 per cent beyond the total originally authorized by Congress. Official circles hope that the balance can be maintained by strict adherence to the estimates of ministerial expenditure, postponing all but the absolutely indispensable expendi-

tures, reducing the unwieldy civil service, sharp reduction of the deficits chronically piled up by state-owned entities, and by more thorough tax collection. The deficit of the railways is estimated at 15,000 million pesos. (Canadian \$1.00 is roughly worth 80 pesos.)

However, of the income budgeted, 13,200 million pesos will be the proceeds of the sale of national bonds and the estimate of the income has been based on the expectation that economic activity will increase substantially. The Central Bank estimated that the gross national product in 1960 totalled

about 715,000 million pesos and predicts 830,000 million for 1961 and 881,500 million for 1962.

Commercial circles expect continued difficulties with inflation and a rising cost of living. The cost-of-living index of the *Review of the River Plate* indicates a rise of 12.1 per cent during the January-August period of this year. This figure is close to the 13 per cent rise during the same period in 1960 and it shows that the bogey of inflation has by no means been banished. ●

A second article, on Argentina's foreign trade, will appear in a future issue.—Editor.

Brazil

Cruzeiro has strengthened, industry continues to expand, though rate of increase in G.N.P. is smaller. Elimination of discriminatory exchange rates should help Canadian sales, which have increased sharply in first half of 1961.

MALCOLM ROWAN, *Assistant Commercial Secretary, Rio de Janeiro.*

SOME order was restored to Brazil's finances during the first half of this year. The recent political disturbances, however, have had an unsettling effect on the economy and some of the progress made by the anti-inflationary and austerity program of the Quadros Administration has been lost.

Contrary to expectations, tight money did not restrain industrial production very much nor affect the high level of employment in the two major labour markets of Rio de Janeiro and São Paulo. Preliminary figures for the first six months give the average increase in industrial output as 14 per cent over 1960; in agriculture, the increase was 11 per cent.

Bank of Brazil 150-day import bills, instituted by SUMOC Instruction 204 in March 1961, helped relieve the pressure on the resources of the Bank by providing U.S.

\$106.5 million to the Bank of Brazil by the end of May; the bills have since become one of its main sources of revenue. At the same time, import bills caused a drain on deposits in the commercial banks as investors purchased them at discounts as high as 30 to 35 per cent. To overcome the resulting credit squeeze, the banks were allowed to maintain lower cash reserves. New issues of paper currency and a more liberal rediscount policy have also eased the tight money supply, but at the cost of rising inflation. From January to August 25, 1961, U.S.\$100 million was added to the money supply; the cost-of-living index increased 16.5 per cent during this period.

Cruzeiro Strengthened

In late August and during September, an additional U.S.\$173.3 million of new money was issued

and the cost of living rose accordingly—about 3 per cent in September. The Minister of Finance promises speedy withdrawal of the new money but the effects in higher prices are already being felt by the consumer. The cruzeiro on the free market, weakening before the political crisis, dropped to slightly over Cr.\$300 per U.S. dollar during the crisis but has since strengthened to Cr.\$287. Banking and business was at a standstill in early September because the banks closed to avoid withdrawal of deposits. Business is now returning to normal although the situation is still fluid; some businessmen are maintaining a "wait and see" attitude.

The new Finance Minister has stated that the policies of the former administration will be retained and built upon. This should mean a suitable climate for investment and the international loans necessary for continued development.

Foreign Investment

Industrial progress in Brazil is by and large the result of foreign investment. From December 1957 to June 30, 1961, U.S.\$513.5 million has been invested without ex-

change cover under former SUMOC Instruction 113 (see *Foreign Trade*, March 11, 1961). Of this, 75 per cent has gone to the State of São Paulo; the States of Rio de Janeiro, Guanabara and Minas Gerais obtained approximately 6 per cent each. The automobile and allied parts industry is currently receiving the most attention, with 48 per cent of the total investment; the chemical, heavy equipment and machinery industries are each receiving approximately 10 per cent.

Canada has invested a little over \$22 million, or about 4.31 per cent, under the above Instruction, mainly in the chemical, petrochemical and non-ferrous metals industries. The United States and Germany have the largest total foreign investment in Brazilian industry under this Instruction.

Profits Bill Drafted

Until recently, profits could be remitted abroad at advantageous exchange rates, but this was changed in March and again in June of this year and remittances may now be made only at the free market rate. A draft bill presented to Congress in August proposes placing limitations on profit remittances and, in effect, states that companies shall pay income tax on profits in the following manner:

1. Thirty per cent income tax payable on contributed profits.
2. Ten per cent income tax payable on profits that are actually invested in or applied to new shares of private service enterprises, mixed economy companies or companies organized in the northeast with the approval of SUDENE (Superintendency for the Development of the Northeast).

Designed to stimulate reinvestment of profits of national and foreign enterprises, to regulate remittances of profits abroad, and to encourage the nationalization* of

*Nationalization in this sense means incorporation under Brazilian law.

enterprises integrated by foreign capital, the bill is still being studied by Congress. It is interesting to note that it does not discriminate solely against foreign capital but covers all capital investment. Income tax on profits remitted abroad (including royalties) before this bill and still in force is 25 per cent, and is in addition to the internal income taxes that apply to all individuals and companies.

Industry Expanding

Brazilian industry is expanding rapidly, with very noticeable growth this year in basic industries, (especially steel, chemical and non-ferrous metals); consumer goods industries show high average increases as well. Unfortunately, only estimated increases in output are available but these average about 14 per cent throughout the manufacturing industries. The greatest increases over last year were in the automobile (35 per cent), electrical (34 per cent), oil-refining (22 per cent), mineral-extraction including oil (19 per cent), beverages (19 per cent), chemical and pharmaceutical (19 per cent), steel and

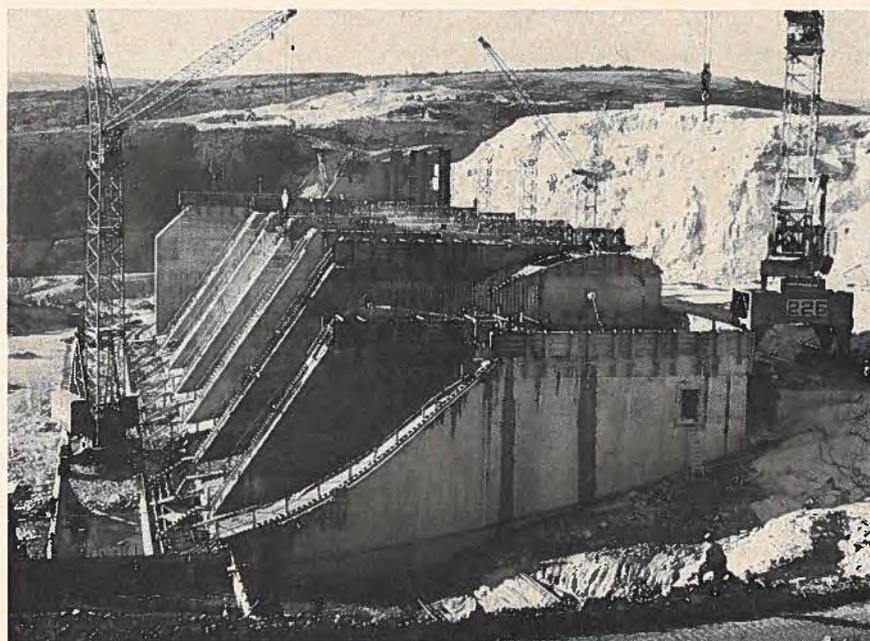
other metal industries (17 per cent). Only the rubber industry, which reportedly encountered initial difficulties in meeting the conditions imposed by Instruction 204, showed a decline in production.

Even though Brazil has had a phenomenal industrial growth during the past few years, the annual increase in gross national product has been declining from a high of 7.8 per cent in 1957 to 4 per cent in 1960, mainly because of smaller earnings from coffee exports. The new Government is planning for an annual increase in G.N.P. of 7.5 per cent.

Canadian-Brazilian Trade

Canadian exports to Brazil have increased during the past two years and trade during the first five months of 1961 exceeded the figure at the end of May 1960 by nearly 140 per cent. What are the main reasons for this increase? The first is a freight rate concession by the Conference Lines on newsprint which, beginning in 1960, made it possible for Canadian pulp and paper mills to compete more successfully with Scandinavian. Our

This concrete spillway going up at the large Furnas hydroelectric power project situated 255 miles from Rio de Janeiro symbolizes Brazil's industrial progress.



WE SOLD TO BRAZIL

| | 1958 | 1959 | 1960 | 1961 Jan.-May |
|--|---------------|---------------|---------------|------------------|
| | (Can.\$'000) | | | |
| Aluminum in primary forms | 2,647 | 1,629 | 5,027 | 2,253 |
| Newsprint paper | 3,684 | 1,643 | 3,225 | 2,785 |
| Asbestos milled fibres | 1,386 | 1,395 | 1,815 | 1,113 |
| Milk powder, whole milk | ..... | ..... | 864 | 523 |
| Milk powder, skimmed | 1,003 | 103 | 426 | ..... |
| Malt | 728 | 459 | 331 | 251 |
| Nickel, fine | 492 | 390 | 568 | 365 |
| Copper | 997 | 196 | 152 | 399 |
| Wood pulp, sulphate bleached | 26 | ..... | 873 | 145 |
| Wood pulp, sulphate unbleached | ..... | ..... | 429 | 298 |
| Plastics, synthetic rubber, not shaped, n.o.p. | ..... | ..... | 766 | 644 |
| Zinc spelter | 275 | 117 | 304 | 169 |
| Light salt cod | 264 | 311 | 13 | 51 |
| Fountain pens and mechanical pencils | ..... | 11 | 13 | 520 |
| Sheet and strip steel, n.e.s. | 52 | 64 | ..... | 343 |
| Heavy salt cod | 44 | 213 | 10 | 84 |
| Total, all exports | 21,169 | 14,148 | 19,755 | 12,311 |

WE BOUGHT FROM BRAZIL

| | 1958 | 1959 | 1960 | 1961 Jan.-April |
|------------------------------------|--------------|--------|--------|--------------------|
| | (Can.\$'000) | | | |
| Coffee, green | 20,131 | 20,477 | 18,541 | 6,573 |
| Cocoa butter | 1,560 | 2,024 | 722 | none |
| Iron ore | 909 | 1,113 | 1,606 | 230 |
| Sisal, istle, tampico fibre | 1,049 | 884 | 653 | 426 |
| Castor oil, not edible | 630 | 558 | 606 | 37 |
| Cocoa beans, not roasted | 734 | 459 | 559 | 21 |
| Wax, vegetable and mineral, n.o.p. | 802 | 346 | 268 | 115 |
| Manganese ore | ..... | 848 | 254 | none |
| Brazil nuts, not shelled | 246 | 272 | 323 | * |
| Brazil nuts, shelled | 237 | 222 | 373 | 24 |

*Value less than \$100,000.

newsprint exports for the first five months of this year exceed our total newsprint exports in 1959 and represent well over half those of 1960. Asbestos milled fibres, copper, synthetic rubber, sheet and strip steel and, to a lesser extent, aluminum in primary forms, fine nickel and malt have shown corresponding increases.

Second, discriminatory exchange rates are gradually being eliminated. These rates have in the past given certain countries which made bilateral agreements with Brazil exchange advantages of 15 per cent or more over Canada and other countries with fully convertible currencies. The exchange advantage for the few countries remaining is cur-

rently about 6 per cent in terms of U.S. dollars. Canadian exports primarily affected by trade agreements have been salt codfish, wood pulp, malt, and a few manufactured goods. Fortunately the trend seems to be toward fewer and fewer of these discriminatory rates.

Following the expiry of the trade and payments agreement between Brazil and Norway on September 28, 1961, payments by Brazilian importers for Norwegian goods will now be made at the free market rate. This places Canadian exporters of salt cod on an equal footing with Norwegian shippers to the Brazilian market, as far as exchange treatment is concerned. The recent trade treaty negotiated with

the U.S.S.R. resulted in Soviet currency being offered at the free market rate. However, at the first offering, no importers were interested in buying. Other Eastern European countries which negotiated similar trade treaties with Brazil are also expected to have their currencies placed on the free market.

Where Opportunities Lie

Canadian exporters can look to Brazil for some time to come as a market for primary and semi-manufactured products. In addition, there are opportunities in the heavy machinery and equipment field for such things as locomotives, track maintenance equipment, hydroelectric turbines and generators, and thermoelectric plants.

There are few opportunities, if any, for consumer goods through normal marketing channels because of the continued policy of industrialization that includes protection of domestic industry through high tariffs and multiple exchange rates. In fact, rather than being an importer of many consumer goods, Brazil is now exporting them in small quantities. One example is the export of limited quantities of small electrical appliances to other Latin American countries. A summary of the current import regulations can be obtained from this office.

Exports Encouraged

Brazil has taken significant steps in the past few months which show that it is embarking on a vigorous export program. These steps include a duty drawback system and the establishment of an organization for financing the export of capital and durable consumer goods.

According to the Finance Ministry, Brazil's balance on current account for the first six months of 1961 shows an estimated deficit of U.S.\$90 million, calculated on the c.i.f. and f.o.b. values for imports and exports respectively. This is U.S.\$22 million more than for the same period last year. The over-all

balance-of-payments deficit would have been larger but for the moratorium on foreign loans obtained earlier in the year that allowed the postponement of U.S.\$272.5 million of repayments due this year. Exports increased to U.S.\$622 million from U.S.\$606 million in 1960, because of larger shipments of cotton, petroleum and its derivatives, iron ore, manganese ore, castor seed, sugar, sisal and menthol. However, exports of coffee, wax, hides and skins, and cocoa butter were smaller during this period. Imports increased by 5.8 per cent, or by U.S.\$38.8 million.

Free Trade Association

Brazil is a member of the eight-nation Latin American Free Trade Association (LAFTA) which is expected to take its first step in the new year toward development of a free trade area. Brazil is probably the most industrialized of the LAFTA countries and will no doubt play a dominant rôle in its future development. It has in recent months made an important concession to imports from member countries at the expense of non-members. This concession was given in SUMOC Instruction 208 of June 28, 1961, and exempts importers from purchasing Bank of Brazil 150-day import bills for all imports from LAFTA countries. Because of the high cost of borrowing money, this is an important consideration to the importer, as these import bills are currently discounted at 30-35 per cent a year.

Some imports from other countries were also exempted; the most important ones, as far as Canada is concerned, are wheat, newsprint, oil-industry equipment and industrial machinery and equipment, plus imports made by government agencies.

There are few Canadian exports that compete directly with exports from LAFTA countries, but they represented 27 per cent of our total trade to Brazil during 1960 and 23 per cent during the first three

months of 1961. Newsprint and wood pulp competition from Chile will probably become keener as that country increases its production, most of which is for export. Already Chilean exports of sulphate pulp in the first three months have surpassed last year's and are twice Canadian exports up to March of this year.

As of August 31, 1961, Argentina's currency is freely convertible and therefore no longer has an exchange advantage. However, it is still too early to foresee the over-all effect it will have on our competitive position vis-à-vis Argentine

exports in our sales of wheat and malt.

Despite difficult and changing conditions during the first half of this year, Brazil has made good industrial progress, with most industries recording increases in output. The third quarter, however, shows a general business slowdown because of the recent political disturbances that resulted in banks being closed for about two weeks. The present economic situation is fluid and calls for a cautious but optimistic approach, considering the declared intentions and programs of the present government. ●

British Guiana

Opening of DEMBA'S \$65-million alumina plant in February will increase exports; important new diamond strike made. Canadian sales up sharply in 1960 because of equipment sold for alumina factory; rise in exports of other products should continue.

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

IT seems strange that British Guiana, the only English-speaking and British-oriented country in South America, is not better known to Canadians. Since World War I, Canadians have made large-scale investments in British Guiana and currently Canada is British Guiana's second most important market. For many years, Canadian exporters have looked upon British Guiana as an extension of the Caribbean market and they have built up sales of a wide range of consumer goods and foods.

Alumina Plant Opened

The Demerara Bauxite Co. Ltd. (DEMBA), British Guiana, was

Note: Unless otherwise indicated, values are in West Indian dollars. W.I.\$1.00=Canadian 60 cents.

established in 1916 by the predecessor of the present Aluminum Company of Canada Ltd. for the strip mining, processing and export of bauxite. In 1956, DEMBA started planning and then construction of its new \$65 million alumina plant at Mackenzie. Production got under way in March 1961 and the first export shipment marked the completion of the largest single industrial project in the history of British Guiana. Today DEMBA, with the much smaller production by Reynolds Metal Company on the Berbice River, is the source of about 15 per cent of the free world's supply of bauxite.

Unfortunately, a bar at the mouth of the Demerara River permits the passage of only shallow draft vessels to Mackenzie, 50 miles south

and up river from Georgetown, the capital and business centre of the country. Trinidadians thus participate in the business of exporting British Guiana's bauxite and alumina. A large-scale transshipment and topping installation at Chaguaramas deep-water harbour (near Port-of-Spain, Trinidad), provides employment and government revenues, a critical need in most parts of the Caribbean. Cargoes of bauxite and alumina, partially or fully transhipped at Chaguaramas, are then sent to Port Alfred, Quebec, destined for Arvida and the world's largest alumina smelter. Chemically processed calcined bauxite is also shipped directly to a number of industrialized countries.

Mining Industry Vital

Mining in British Guiana employs only about 4,000 of its population of 561,000—of which roughly 50 per cent are of East Indian extraction, one-third of African origin, and the remainder European, Chinese and Amerindians. Nevertheless, the miners' income and living conditions are far above the average. Union Carbide Corporation, with headquarters in New York, produces manganese from a mine in the northwest part of the country. The mining and export of diamonds, with manganese and bauxite, account for one-third of the total exports of British Guiana and are important sources of revenue to the government.

Those Canadians living in mining areas can readily appreciate the excitement caused by news of a diamond shout (new strike, or discovery). Last June 15 at least 20 porknockers (sourdoughs) living in the East Demerara district and 25 others from other adjacent areas left abruptly for the new B.G. shout at inland Kurupung. In 1957, 28.4 carats of diamonds were exported. In 1960, these exports rose dramatically to 96.9 carats, valued at approximately \$5.5 million. On the other hand, the more important but prosaic bauxite exports were valued at \$31.3 million in 1960, represent-

ing about 26 per cent of total exports.

Foreign Trade Expanding

The following table shows that, with the exception of a depression year in 1958, when bauxite exports fell sharply and exports of rice declined drastically because of drought, the foreign trade of British Guiana has increased significantly. The relatively large deficit in the balance of visible commodity trade reflects a heavy inflow of capital, much of it direct foreign investment in mining. Also important are grants-in-aid funds and Colonial Development and Welfare grants, both from Britain.

BRITISH GUIANA'S IMPORTS AND EXPORTS

| Year | (W.I.\$'000) | | Balance of visible trade |
|------|--------------|---------|--------------------------|
| | Imports | Exports | |
| 1955 | 94,518 | 90,533 | - 3,984 |
| 1956 | 99,877 | 94,692 | - 5,185 |
| 1957 | 118,470 | 108,086 | -10,384 |
| 1958 | 116,026 | 97,228 | -18,799 |
| 1959 | 110,620 | 103,520 | - 7,100 |
| 1960 | 147,799 | 125,728 | -22,071 |

Source: *Quarterly Statistical Digest*, the Statistical Bureau, Georgetown, B.G., March 1961.

Agricultural Products Important

Export sales of British Guiana rice reached approximately \$15 million last year, a \$3 million increase over 1959. The West Indies (particularly Trinidad, Jamaica and Barbados) provide the most important markets but with improved processes for producing white polished rice, it is expected that Cuba will become a good customer. The British Guiana Rice Marketing Board sells all the rice and the yearly meetings of the annual Rice Conference, attended by British Guiana and West Indian delegates, fix agreed government import/export and consumer prices. Exports of rice from British Guiana in 1960 are provisionally estimated at \$14.8 million (12 per cent of total exports) up from the record low of \$4.8 million in 1958.

CANADIAN IMPORTS FROM BRITISH GUIANA

| | 1958 | 1959 | 1960 |
|------------------------------|---------------|---------------|---------------|
| | (Can.\$'000) | | |
| Total imports | 20,644 | 18,033 | 18,921 |
| Of which: | | | |
| Sugar (raw) | 9,758 | 7,999 | 8,276 |
| Bauxite alumina (refining) | 7,623 | 6,929 | 8,199 |
| Alumina and bauxite (n.o.p.) | 1,737 | 1,801 | 1,516 |
| Molasses | 429 | 524 | 487 |
| Rum | 957 | 731 | 373 |

CANADIAN EXPORTS TO BRITISH GUIANA

| | 1958 | 1959 | 1960 |
|---|--------------|--------------|--------------|
| | (Can.\$'000) | | |
| Total exports | 4,066 | 4,392 | 7,428 |
| Of which: | | | |
| Machinery and capital equipment (14 DBS classification numbers) | 68 | 56 | 2,131 |
| Dried pollock | 506 | 540 | 650 |
| Wheat flour | 409 | 489 | 414 |
| Reapers, threshers or combines | 9 | 7 | 323 |
| Tobacco | 229 | 263 | 257 |
| Sardines | 149 | 170 | 187 |
| Split peas | 260 | 289 | 160 |
| Cotton fabrics | 119 | 78 | 138 |
| Newsprint | 99 | 129 | 137 |
| Mining machinery and parts | 19 | 144 | 121 |
| Planks and boards | 91 | 82 | 120 |
| Medicinal preparations | 69 | 78 | 112 |
| Pickled pork | 115 | 146 | 108 |
| Potatoes | 192 | 170 | 60 |

Source: *Trade of Canada*, DBS.

Canadian Trade with B.G.

British Guiana's industry and trade are dominated by two giants, DEMBA for bauxite and Messrs. Bookers Bros. McConnell & Co. Ltd. of Britain and Canada for sugar. Bookers Estates Ltd. produces about 80 per cent of the country's sugar on its southeastern coastal belt lands where about nine-tenths of the people live and work on the sugar estates and small rice farms. The Demerara Company of Liverpool produces nearly all the remainder of the sugar crop.

Britain comes first, by far, in the export and import trade of British Guiana. Canada is its very important second market, taking \$31.4 million (in 1960) of B.G.'s total exports,

compared with \$46.7 million taken by Britain. The table on page eleven of Canada/British Guiana trade shows the value of the few but important commodities (sugar and bauxite) shipped from British Guiana to Canada in quantity.

The phenomenal 70 per cent increase in Canadian exports to B.G. in 1960 over 1959 resulted almost entirely from purchases of machinery and equipment for the new alumina plant. It is impractical to single out these items from trade returns. However, over Can.\$2.1 million is accounted for by taking 14 DBS classification numbers of major products related to an industrial development of this nature. This includes pumps, engines, conveying equipment, miscellaneous machinery, dynamos, generators, and other capital equipment.

Last year, Canadian sales of agricultural products fell by almost 10 per cent, largely because of smaller demand for several major food products, such as flour, split peas, potatoes, onions, mixed feeds and

evaporated milk. Canadian wheat flour has to compete with subsidized flour sales from the United States, and the opening of a split pea mill in Trinidad is having its effect on the nearby B.G. market. To offset these losses to some degree, there were gains in some processed food lines, such as macaroni, spaghetti, cured hams and shoulders, canned meats, apple juice, applesauce and ketchups.

Sales of Canadian rice-harvesting combines made major gains; these purchases were financed by the B.G. Rice Marketing Board in co-operation with the British Guiana Credit Corporation. More modest were increases in exports of pine lumber, paper products, metal furniture, cotton fabrics, paints, medicinal preparations, drugs and chemicals. A lucrative bulk caustic soda contract for the reduction of bauxite was placed in the United States. In this instance, the general tariff of 36 per cent ad valorem applied to imports of sodium hydroxide compared with the British preferential

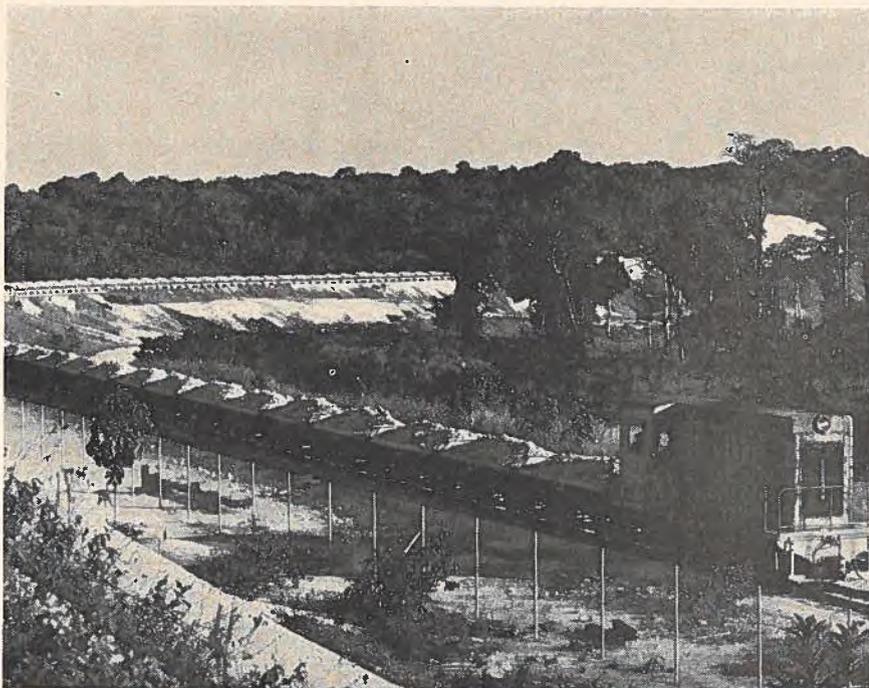
rate of 20 per cent was inoperative because of government approval of duty-free imports.

Many Canadian manufactured goods, including a variety of medicinal preparations, toilet articles, paper products, metal furniture and refrigerators, enjoy a 16 per cent preference in British Guiana (rates on these goods are 20 per cent ad valorem, c.i.f., British preferential, and 36 per cent M.F.N.). Materials used by industries which are encouraged by Government are generally dutiable at lower rates and are in some cases permitted duty-free entry from any source. Import controls were largely abandoned in July 1959, with a further round of liberalization in July 1960. Shirts, pyjamas, underwear, milk products and poultry meats are among the products still subject to import licences and quotas. Wheat flour is also subject to licensing for statistical purposes, and to ensure that British Guiana lives up to its undertaking under the International Wheat Agreement.

Taking into consideration these liberal ground rules, Canadian exporters should be able to continue to sell a wide range of commodities to the grocery, hardware, and department-store trades. Landed prices are all-important in this market and all too frequently the volume of sales is small. Nevertheless, orders for Canadian oats, Ontario winter wheat flour, biscuits, jelly powders, oil cake, rubber hose and wood doors were secured in 1960; they are mentioned as only a few of the products that together represent a 100 per cent increase in Canadian export sales over 1959.

Future large-scale imports of capital goods and equipment are likely to come from those countries that give British Guiana economic and technical aid. The country's domestic investment resources are meagre, unemployment is chronic, and it is the stated policy of the new People's Progressive Party Government to actively seek out extensive aid and investment from whatever overseas sources it can find. ●

A string of cars loaded with bauxite moves down to Demerara Bauxite's new alumina plant at Mackenzie, completed this year, from the company's nearby mines.



Chile

Large development programs, rising production based on resources inspire cautious optimism; Canadian sales on the increase. Opportunities are good for sales of chemicals and other industrial raw materials and of capital goods on long-term credit.

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

ON August 25, President Alessandri addressed the nation on the political and economic pressures that threaten Chile's economic gains of the past. He expressed concern that the country's creditworthiness, upon which so much depends, be maintained.

There have been many indications in the past 12 months that all is not well with the Chilean economy. Foreign exchange reserves were dangerously low a year ago and the situation has not improved. Continual refunding of external debt has created a situation where Chile must finally face the necessity of making unusually large foreign remittances over the next four or five years. Stabilization credits totalling \$135 million had to be obtained this year from the IMF, the Export-Import Bank, the United States Treasury, and U.S. private banks. There will almost certainly be difficulty in maintaining the external value of the escudo, which for nearly three years has stayed pegged at the rate of 1.05 escudos to the U.S. dollar. Many believe it is overvalued and, despite periodic and strenuous denials of any such intention, there are persistent rumours that it will eventually be devalued by about one third.

Industrial Unrest

Reasons for this deterioration in Chile's economic position are many. First and foremost, the present regime inherited a number of serious problems from earlier administrations. A wave of dissatisfaction with current conditions has swept the country. Wage-earners,

their emotions fanned by agitators, have gone on strike for large wage increases to compensate for the now much slower but still real erosion of the currency's purchasing power. The Huachipato steel mill has just undergone a crippling two-month strike. The State Railways have been out for weeks, and coal-miners, teachers, and National Health Service employees have each staged short strikes. More serious because of its effect on the foreign exchange earnings is the month-long strike in the copper mines. The copper companies have announced that this time they are finally determined to resist the workers' demands; a temporary truce has been arranged under which strikers have returned to work but the basic disagreement remains unresolved.

Ten-Year Program

The Government is keenly aware of the size and nature of its problems and is taking as many steps to deal with them as it considers politically possible. Much hope has been expressed that the *Alliance for Progress* program will bring about dramatic economic improvements. Last January the Chilean Government Development Corporation announced the beginning of a ten-year, \$10 billion program aimed at transforming industry. (See *Foreign Trade* of March 11, 1961.) This program has so far moved at a somewhat slower pace than was originally expected. Nevertheless, progress is encouraging, assisted by large amounts of foreign aid—most of it in the form of suppliers' credits offered by various countries follow-

ing the earthquakes of May 1960. Industrial production is rising, other sectors are at least holding their own, but the effect of massive public and private capital investment has yet to be felt. One may still take a cautiously optimistic view of Chile's future.

Development of Resources

● *Forest Products*—The Government Development Corporation, with the financial assistance of the United Nations Special Fund, has set about creating the Institute for the Development of Forest Resources and Industries. This institute will cost nearly \$1.5 million to establish and is intended to furnish the technicians and plans to double the annual output of sawn timber, to increase the annual production of chemical wood pulp from 70,000 to 220,000 tons, and of newsprint from 55,000 to 220,000 tons. It will foster new industries, such as particle board manufacture and additional plywood and prefabricated housing facilities.

● *Oil and Gas*—Crude petroleum output by the Government Petroleum Enterprise (ENAP) in July reached a new monthly high of 132,600 cubic metres. During August, average daily production of natural gas also broke all previous records.

● *Iron Ore*—In 1960, Chile's seven most important iron mines produced 4.06 million metric tons of iron ore and 4.91 million tons were exported. Principal customers were the United States, West Germany, Japan, Argentina, Belgium, Czechoslovakia, and Canada. Production is expected to reach 15 million tons by 1965. A number of important iron ore deposits have been discovered recently and are to be exploited by a new state-controlled mining corporation capitalized initially at 65 million escudos.

● *Copper*—In August the Minister of Mines announced the Government's determination to increase

production by at least 40 per cent by 1970 and to require that smelting and refining be carried out in Chile so that copper can be exported in the most highly processed form commercially possible. The Government is preparing legislation that will have the effect of penalizing producers who do not install refining facilities, of raising taxes on copper production, and transforming producers into nationally constituted companies instead of simply agencies of foreign companies. The companies will be obliged by law to make new capital investments to increase their installed capacity by 15 per cent every three years, and to refine in Chile 90 per cent of their output, or pay higher taxes which in certain circumstances could conceivably reach 100 per cent of profits. Negotiations are proceeding with the Soviet Union for the sale of large quantities of refined and blister copper; an accord will probably be reached in the near future.

Foreign Trade

Imports into Chile in 1960 totalled U.S.\$489.1 million; exports reached U.S.\$489.6 million, leaving the country with a favourable trade balance of less than \$500,000. The United States was Chile's principal supplier and best customer, followed by Germany, Argentina, Britain and Peru. Imports so far in 1961 have increased considerably over last year but exports are down.

There have been many interesting trade developments since our report on business conditions last year. First, the need to obtain consular visas on shipping documents was abolished last January. Second, most of the bilateral trade and payments agreements that Chile formerly maintained with a number of other countries have lapsed and practically all Chilean trade is now carried on in convertible currencies. Third, what remains of the prior deposit system on imports is soon to be replaced entirely by import surcharges. Although from the importer's viewpoint this is every bit

as restrictive as before, it at least has the virtue of diverting badly needed extra revenue to the Government, at the expense of the private banks. The banks have for years profited handsomely by charging interest rates of about 20 per cent a year on import deposits, which ranged from 5 to 1,500 per cent of the c.i.f. value of the incoming merchandise. The change will help the Government to finance the proposed salary increases.

Formal Tariff Soon

The entire import deposit-cum-surchARGE system is eventually to be replaced by a new Chilean tariff expected to go into effect from January 1, 1962. There are indications that this tariff will be quite restrictive and foreign suppliers can expect few if any new opportunities. At the same time, the adoption of a formal tariff will mean, under the

rules of the GATT, much less of the upward and downward manipulation of rates which is so difficult and unpredictable an aspect of the existing system. This should eventually work to the advantage of potential sellers to this market.

Trade with Canada

Canadian exporters to Chile have averaged sales worth approximately \$5.2 million a year over the past five years. In 1960 they reached \$6.6 million, bolstered by slightly over \$1 million worth of gift flour and canned luncheon meat donated by the Canadian Government for earthquake relief. Since late last year, however, normal commercial sales to Chile have increased substantially.

From January to May 1961, Canadian exports totalled \$3.4 million, an increase of \$1.3 million over the same period in 1960. Our sales during the first five months of the year were running, therefore, at an annual rate of over \$8.2 million for the first time in nearly a decade, during which we lost Chile as an important market for wheat, wood pulp and newsprint. Table I gives totals for Canada-Chile foreign trade for the five years 1956-60.

TABLE I
CANADA-CHILE TRADE

| | Exports | Imports |
|------|-----------------------|-----------|
| | (In Canadian dollars) | |
| 1956 | 4,419,553 | 1,703,666 |
| 1957 | 4,360,978 | 1,621,515 |
| 1958 | 4,601,650 | 825,379 |
| 1959 | 6,260,166 | 869,973 |
| 1960 | 6,574,875 | 746,801 |

TABLE II
PRINCIPAL CANADIAN EXPORTS TO CHILE

| | 1958 | 1959 | 1960 |
|--|-----------------------|-----------|----------|
| | (In Canadian dollars) | | |
| Synthetic fibre, thread, yarn, and manufactures | 274,224 | 447,409 | 943,103 |
| Wheat flour | 37,883 | 47,771 | 887,798* |
| Asbestos fibres and products | 778,384 | 620,917 | 824,328 |
| Aluminum, primary and semifabricated | 310,168 | 451,032 | 413,640 |
| Agricultural machinery and parts, including tractors | 113,495 | 185,166 | 370,518 |
| Plastics, synthetic rubber | ..... | ..... | 345,993 |
| Mining machinery and parts | 410,183 | 275,258 | 322,672 |
| Firebrick | 48,957 | 296,437 | 239,567 |
| Meats, n.o.p., canned | ..... | ..... | 204,320* |
| Shoe machinery and parts | 2,361 | 20,775 | 186,319 |
| Red clover seed | ..... | 526 | 141,428 |
| Nets, twine, commercial fishing | 58,033 | 189,518 | 137,017 |
| Drugs and chemicals, n.o.p. | 171,313 | 213,515 | 136,061 |
| Wood pulp | 1,174,733 | 1,619,962 | 76,389 |
| Nitrogen fertilizer | 70,561 | 195,400 | ..... |

*Largely donations for earthquake relief.

Leading exports to Chile from 1958/60 are given in Table II.

The immediate outlook for sales is promising. Shipments in 1962 of pulp and paper machinery should almost double as a result of the recent sale of over \$11 million worth of such equipment. There is a growing market for chemicals, plastics, and other industrial raw materials. The sale of papermakers' felts should increase, and prospects for large sales of telecommunications equipment, grain-handling machinery, trucks and heavy road machinery are good, provided we meet the credit competition that has become a feature of this market.

A number of suppliers of capital equipment have made favourable offers of long-term credit. As a result there is strong competition to supply Chile's capital goods requirements. Practically all government tenders ask for six years and more and state clearly that the amount of credit offered will be a major factor in any decision to purchase.

Most of the credits that have been and are still being negotiated with foreign countries are for certain stated amounts, frequently earmarked in whole or in part for the supply of specific categories of equipment. Offers by private firms

can then be made in terms of the negotiated credits. Canadian exporters of capital goods should become as familiar as possible with the new facilities for long-term and medium-term credit that are available to them now for the first time.

To make sales, manufacturers must also obtain representation in Chile. The supplier must have an authorized agent on the spot and one who is registered with the various public entities that are looking for the equipment he produces, if he is to receive the ever increasing calls for tender. Such a representative is vital for keeping in touch with private industry also. ●

Colombia

Pace of business has slowed down slightly in 1961; is expected to quicken again after the elections. Country will need large volume of capital equipment, raw materials, engineering services in next few years; Canada should seek a large share of this business.

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

IN the three years before 1961, the economic and financial position of Colombia improved each year. By following a prudent monetary policy and restricting non-essential imports, the country achieved substantial balance-of-payment surpluses that enabled it to reduce its external debt, build up its gold and foreign exchange reserves, and maintain the peso at a reasonably stable rate of exchange.

During 1961 the picture began to change. Although business remained buoyant in most sectors and manufacturing output this year will probably achieve an increase of about 8 per cent as in the past few years, some disturbing factors became apparent. Most of these problems resulted from a lack of confidence in the future political

stability of the country. The free rate of the peso, for example, declined steadily from below Ps.7.30 per U.S. dollar at the end of last year to Ps.8.70 per dollar in September, a depreciation of about 20 per cent. The gold and foreign exchange reserves, which stood at \$198.2 million in August 1960, declined to \$171.3 million by the same date in 1961, in spite of withdrawals from the International Monetary Fund of \$75 million for foreign exchange stabilization. Finally, the cost-of-living index continued to go up: from 160.8 in 1960 to 177.8 in June 1961 (1954/55 equals 100). At the time of writing the Government was trying to introduce measures that would keep prices from getting out of hand, because a rapid rise in the cost of

living could have serious social repercussions.

Business continued to be handicapped during 1961 by a lack of credit facilities. As the year progressed the Government took steps to prime the pump by making more pesos available to the business community through a reduction in deposit requirements for imports, a change in the requirements for bank assets, and so on. However, the flight of capital and other factors have tended to offset these government moves and the tight credit situation remains one of the most difficult problems facing the business community.

Business Is Optimistic

The outlook for business in 1962 is difficult to forecast. The feeling is that many businessmen will mark time in the early months of the year until the political future of the country becomes clearer. As the Presidential elections take place at the end of the first quarter and Congressional elections follow in the second, there will probably not be the same increase in business

A street scene in central Bogotá, capital of Colombia, and a city of over a million people. Two Canadian trade missions have visited Bogotá in the past 13 months, plus a good number of Canadian businessmen who are following up earlier contacts or making new ones.



activity during the first six months of 1962 as there has been in similar periods in the last few years. If the changeover of Presidents is carried through successfully, the country should then see the beginning of another business boom during the last half of the year. The injection of additional U.S. funds during the year under the *Alliance for Progress* program will be a great help; so will a repatriation of Colombian capital once the election hurdles have been safely passed. All in all, Colombian businessmen on whom we have called recently seem to share a large degree of optimism about business conditions next year.

Loans for Development

As an indication of the faith that international lending organizations have in Colombia's future, and as a rough guide to some of the fields where Canadian exporters and engineers may find new business opportunities during 1962 and succeeding years, a review of the foreign loans already approved or currently being negotiated may be useful. The breakdown of the \$119 million in loans approved up to

July 1961, for example, is as follows:

- International Bank for Reconstruction and Development (IBRD): a total of \$59.5 million to be spent on roads (\$1.69 million), railways (\$8.1 million), and energy (\$49.4 million).
- Inter-American Development Bank (IADB): a total of \$14.6 million to be used for the Cartagena waterworks (\$6.3 million), Medellín waterworks (\$6.3 million), and the Bogotá and Medellín finance corporation for making loans to qualifying industries (\$2.0 million).
- Export-Import Bank: loans of \$44.9 million for agrarian reform and housing, but these loans will be restricted to U.S. products and services.

Loans under negotiation in July and with a good chance of being granted later this year or early in 1962 are as follows:

- IBRD: loans totalling \$162.1 million for the following uses: railway equipment (\$85.1 million), highway development (\$27.0 million), renovation and expansion of

Paz del Rio steel mill (\$12.0 million), the Cartagena power project (\$4.0 million), the Medellín power project (\$22.0 million), and other public works (\$12.0 million).

- IADB: a total of \$36.4 million, to be used for housing programs (\$19.3 million) and waterworks and drainage (\$17.1 million).
- Development Loan Fund (DLF): \$25.0 million for housing, agricultural settlements and waterworks in various parts of the country.

Some people have been concerned about the ability of the country to meet the repayment obligations of all these various loans. Colombia ranks just after Brazil and Mexico in total dollar value of development loans received; on a per capita basis, of course, it outranks all other countries in Latin America. Perhaps some indication of the terms in some of the agreements will interest exporters. The latest loans actually approved, for example, are for \$19.5 million by both the IBRD and its sister organization, IDA, for building or repairing 1,275 kilometres of Colombian highways, preparing plans for building another

500 kilometres of roads, and for studying maintenance operations and the type of maintenance equipment required. The IDA credit is for 50 years, free of interest charges (except for a service charge of $\frac{3}{4}$ per cent) and the first repayment is not due until June 1971. The IBRD loan, on the other hand, is for 15 years, with interest rate of $5\frac{3}{4}$ per cent and repayments to begin in September 1965.

Foreign Trade

At the beginning of the year the Minister of Finance forecast imports at the rate of \$34 million a month but the actual average has worked out at \$43.1 million for the first five months. Colombia had an unfavourable trade balance during this period of \$68.9 million, with imports totalling \$215.5 million and exports only \$146.6 million. This compares with an unfavourable balance of only \$21.4 million during the same period in 1960, when imports reached \$200.7 million and exports \$179.3 million. (In 1959,

the favourable balance was \$57.4 million.) It may be some time before the country regains this latter position in spite of putting on a drive to increase and diversify its exports by exempting from taxation income derived from new exports and by other means.

The move to diversify exports is an attempt to avoid too much dependence, as in the past, on coffee as the main commodity for earning foreign exchange. The program seems to be showing signs of success; during the first five months of 1961, coffee sales accounted for only 69 per cent of the total value of exports as against 75 per cent during the same period in 1960. With increasing production of exportable commodities such as cotton, bananas, refined sugar, shrimp, lumber and cement, it is possible that the percentage of the country's foreign exchange gained from the sale of coffee will drop again next year.

Because the feeling is that Canadian export prices are not very dif-

ferent from those quoted by U.S. producers in many lines (in fact, we may have a slight advantage in some fields in view of certain low prices on raw materials and the discount on the Canadian dollar), the table on the left of U.S. and Canadian sales to Colombia has been prepared as a rough guide to Canadian businessmen to areas in which increased sales may be possible.

Although there was a great fanfare earlier this year about increasing the percentage of trade done through barter with "new coffee markets" such as Japan, Britain, etc., (Canada, with the U.S. and other traditional coffee customers, was not permitted to make such arrangements), the Colombian authorities now seem to have dropped this emphasis on barter. Similarly, although Colombia has taken all the necessary steps to become a full-fledged member of the Latin American Free Trade Association, it is felt that it will be some years before this move will cause any noticeable changes in the pattern of its import and export trade.

During the first five months of 1961, Colombian imports from Canada rose 36 per cent (up to \$8.2 million from \$6.0 million during the same period of 1960). It is expected this rate will improve still further during the remainder of the year, as a result of the new contacts established following the Export Trade Promotion Conference in Ottawa, the visits of two Canadian Trade Missions during the past twelve months, and the drive put on by established Canadian exporters to increase their share of this growing market.

COLOMBIAN IMPORTS 1959

(values in U.S.\$'000)

| | Total Colombian Imports | Share of Colombian Market | | | |
|-------------------------------------|-------------------------------|---------------------------|-----------|---------------|----------|
| | | United States | | Canada | |
| | | Value | % | Value | % |
| Grain (mainly wheat) | 9,358 | 7,254 | 78 | 2,100 | 22 |
| Flour and other milled products | 8,176 | 7,579 | 93 | 471 | 6 |
| Oilseeds | 9,492 | 7,998 | 84 | 4 | .... |
| Animal oils and greases | 8,721 | 8,270 | 95 | 15 | .... |
| Mineral products | 3,433 | 1,148 | 33 | 1,561 | 46 |
| Coal and other combustibles | 11,947 | 8,305 | 70 | ..... | .... |
| Chemicals and pharmaceuticals | 46,671 | 26,584 | 57 | 1,796 | 4 |
| Tanning and colouring agents, etc. | 6,637 | 2,943 | 44 | 77 | 1 |
| Fertilizers | 7,139 | 2,259 | 32 | 1,861 | 26 |
| Rubber and rubber products | 8,387 | 5,708 | 68 | 200 | 2 |
| Paper (mainly newsprint) | 16,604 | 7,724 | 47 | 2,638 | 16 |
| Pulp | 4,867 | 3,653 | 75 | 608 | 13 |
| Artificial fibres | 4,036 | 2,034 | 51 | 117 | 3 |
| Iron and steel | 40,832 | 20,121 | 49 | 606 | 1 |
| Copper | 3,867 | 1,635 | 42 | 192 | 5 |
| Nickel | 723 | 95 | 13 | 26 | 4 |
| Aluminum | 3,318 | 2,267 | 68 | 60 | 2 |
| Machinery, instruments and parts | 73,422 | 49,088 | 67 | 1,071 | 1 |
| Electrical equipment | 29,887 | 12,960 | 44 | 75 | .... |
| Automotive vehicles | 45,963 | 38,603 | 84 | 78 | .... |
| Aircraft and parts | 7,127 | 4,912 | 69 | 67 | 1 |
| Precision and measuring instruments | 4,648 | 2,218 | 48 | 470 | 10 |
| Miscellaneous | 60,333 | 15,235 | 25 | 464 | 1 |
| Total | 415,588 | 248,593 | 60 | 14,557 | 4 |

Bolivia and Uruguay

THE Assistant Commercial Secretary in Peru is visiting Bolivia late this month and will prepare a report on business conditions there for publication in *Foreign Trade* in the near future. A report on the improvement in business conditions in Uruguay was published in our July 29, 1961, issue.

Ecuador

New controls brought in to increase exchange holdings; foreign exchange rate fixed for imports and exports; loans obtained for development projects; business climate optimistic and progressive.

ROGER A. BULL, *Assistant Commercial Secretary, Bogotá.*

THE past year brought economic and financial difficulties to Ecuador after a decade of stable prices (increasing by only 2 per cent a year), rising gross national product, (nearly 5 per cent a year), and steady development. The net gold and foreign exchange reserves of the Banco Central del Ecuador on June 30, 1961, stood at 160 million sucres (less than U.S.\$10 million at the free exchange rate) compared with 513 million (U.S.\$30 million) a year ago. Foreign exchange transactions resulted in a deficit of \$19.1 million on the balance of payments in the

first half of 1961. The free market rate for the sucre, which has varied between 16 and 18.5 sucres to the U.S. dollar for ten years, fell from 18.70 in May to nearly 22 in September.

Exchange Reform

The Government attributes the foreign exchange problem to the gradual fall in prices for Ecuadorian agricultural exports and the increased cost of imports. On July 14, after consultations with the International Monetary Fund, it established a new single exchange rate

of 18 sucres to the U.S. dollar for all imports and exports. This replaced the multiple rates in effect since 1947. However, the aim of multiple exchange rates—to encourage those imports and exports considered desirable—has not been abandoned; it is entrusted now to the import and export licensing arrangements and tariffs.

The foreign exchange reform has not proved popular but it is only part of a series of financial reforms that included tax increases on beer, soft drinks and cigarettes, on imports in general (on some, in particular automobiles, 20 per cent), on unearned incomes and inheritances, and an increase from four to six sucres on the National Public Works stamp required on all contracts and other documents. Businessmen and labour leaders are both opposing the new taxes.

Nevertheless, the Ecuadorian economy remains sound and well organized. Provided an atmosphere of crisis and uncertainty does not develop, Ecuador should come out of the current situation stronger than ever.

Development and Investment

One cause of the Ecuadorian payments crisis and a problem in itself is that of financing development from a small capital base. International capital assistance is essential. Since last December, Ecuador



—IBRD Photo.

A time-consuming method of loading ocean ships which is being eliminated by the construction of new docks at Guayaquil. The bananas are going onto lighters and will have to be transferred to ships anchored thirty miles down river.

has drawn a standby loan of \$10 million from the International Monetary Fund to support the exchange reserves; Development Loan Fund loans of \$1.8 million for surveys and \$5 million for low-cost housing; Inter-American Development Bank loans of \$2.4 million for African palm research and development, and \$2.3 million for the import of pedigree sheep.

A list of Ecuador's proposed projects under the *Alliance for Progress* was published by the Government in July. It included U.S.\$36 million for highways, \$25.5 million for power stations, \$25 million to promote private industry, \$20 million to begin land reform, \$12 million for irrigation, \$2 million for building schools, \$4 million for drinking water supplies, and \$70.7 million for other projects—a total of over U.S.\$200 million.

Projects already under construction or being tendered for include a tire factory to make 40,000 tires and tubes a year; a cement factory costing \$4.2 million (to be the largest in Ecuador); port improvements at Esmeraldas costing over \$3 million; a bridge over a mile long across the Guayas River above Guayaquil, and a \$1.3 million reorganization of the telephone system outside the main cities, involving the construction of 17 telephone exchanges and five telecommunications circuits between cities. The latter will use large quantities of Canadian equipment supplied by a Canadian company. The major industries of Ecuador, based on preliminary figures of the 1958 census of value of production, are as follows: food products U.S.\$53 million, textiles \$18.5 million, beverages \$15 million, petroleum products \$8 million, chemicals and products \$7 million, non-metallic minerals \$5.5 million.

Foreign Trade

Ecuador's business community has long been accustomed to stability. Foreign trade averages between U.S.\$90 and \$100 million a year each way and reflects clearly

ECUADOR'S EXPORTS

| | 1959 | 1960 |
|--------------------------|------------------|------|
| | (U.S.\$'000,000) | |
| Bananas | 44.3 | 46.3 |
| Coffee | 17.6 | 22.4 |
| Cocoa | 21.8 | 21.6 |
| Rice | 2.3 | 2.8 |
| Balsa wood | 1.5 | 1.4 |
| Panama hats | .9 | 1.0 |
| Pharmaceutical materials | .9 | 1.0 |

PRINCIPAL IMPORTS INTO ECUADOR, 1960*

| | (in U.S.\$'000) |
|---|-----------------|
| Wheat | 4,202 |
| Tallow | 1,275 |
| Lubricants | 1,352 |
| Antibiotics | 1,410 |
| Other medicines | 2,699 |
| Tires (not tubes) | 3,591 |
| Newsprint | 1,400 |
| Kraft paper | 1,024 |
| Yarns of artificial silk and synthetic fibres | 1,868 |
| Iron and steel sheets | 1,800 |
| Iron and steel bars and sections | 2,064 |
| Milling machinery | 878 |
| Telephone equipment | 2,649 |
| Roadbuilding and construction machinery | 1,531 |
| Tractors | 891 |
| Trucks, etc., under 3 tons | 1,077 |
| Trucks, over 3 tons | 1,302 |
| Chassis for trucks over 3 tons | 3,227 |
| Automobiles | 2,374 |
| Spares for tractors and other vehicles | 3,227 |
| Aircraft and parts | 865 |
| Cigarettes | 1,975 |

*Provisional figures based on import licences and may exceed by 2-3 per cent the final figures issued by Banco Central del Ecuador.

in its ups and downs the movement of world prices for Ecuador's staple exports—bananas, coffee and cocoa. In 1960 (as in every year except one since 1950) the balance of trade was favourable—exports \$104.7 million, imports \$102.2 million, favourable balance \$2.5 million.

The first six months of 1961 brought an unfavourable balance of \$13 million and imports and exports were down by over a million dollars each. But the usual heavy exports of the second half of the year, when over 90 per cent of the coffee and

CANADIAN IMPORTS FROM ECUADOR

| | 1959 | 1960 |
|----------------------------------|----------------|-----------------|
| | (Can.\$'000) | |
| Bananas | 7,145.5 | 10,405.1 |
| Cocoa beans not roasted | 200.7 | 317.3 |
| Coffee, green | 237.1 | 281.8 |
| Hoods and shapes, knitted | 2.9 | 5.1 |
| Shrimps, prawns, fresh or frozen | 5.3 | 4.1 |
| Teak, amaranth, tropical woods | 20.5 | 2.7 |
| Others | 10.5 | 2.0 |
| Total | 7,622.5 | 11,018.1 |

CANADIAN EXPORTS TO ECUADOR

| | 1959 | 1960 |
|---|----------------|----------------|
| | (Can.\$'000) | |
| Wheat, except seed, n.o.p. | 2,346.4 | 2,346.1 |
| Newsprint | 515.1 | 399.5 |
| Cereal foods, prepared | 121.3 | 188.3 |
| Pneumatic tires for trucks, buses | 166.3 | 166.4 |
| Bond and writing paper, uncut | 88.4 | 142.0 |
| Tallow, inedible | ..... | 64.9 |
| Asbestos milled fibres groups 4, 5 | ..... | 53.5 |
| Bookkeeping, calculating machines and parts | 35.8 | 32.5 |
| Pneumatic tires for passenger autos | 25.3 | 29.3 |
| Nets, twine, commercial fishing | 22.1 | 25.5 |
| Mining machinery and parts | 14.6 | 23.4 |
| Medicinal preparations | 19.2 | 23.2 |
| Aluminum, semi fabricated | 22.6 | 22.8 |
| Copper wire, insulated | 29.8 | 22.3 |
| Asbestos brake lining facings | 21.3 | 22.2 |
| Others | 436.1 | 351.0 |
| Total | 3,864.3 | 3,912.9 |

rice crops are shipped, will probably correct this situation.

Preliminary total for the 1960/61 coffee crop is 498,000 bags of 60 kilograms each, or about 30,000 tons. The Ecuadorian export quota of 455,000 bags under the International Coffee Agreement will be fully taken up.

Import Controls

Imports have been divided into three lists: List I, essential imports, List II permissible imports, and a Prohibited List that includes all products not in the other two lists. Products may be moved from one list to another to meet the changing

needs of the Ecuadorian economy, but when goods are moved from List I to List II, sales arranged before the shift may be completed on the original terms.

All permissible imports are subject to both import licensing and prior deposit requirements. As of August 18, these prior deposits range from 25 per cent for List I imports to 50 per cent or 100 per cent for List II imports. In addition, List I imports are now subject to supplementary ad valorem taxes of 7.25 per cent of the c.i.f. value and List II to similar taxes of 17.25 per cent of the c.i.f. value.

On May 22, foreign exchange for List II imports was pegged at a selling rate of 18.20 sucres to the U.S. dollar although List I imports continued to be paid for at 15.15 sucres. On July 14 the new rate of 18 sucres to the U.S. dollar was established. All exports and imports are subject to this rate but provision has been made for importers of some especially essential List I items and for importers who did not use their List I import licences before July 14 to be reimbursed by reduction in import duties and taxes for their losses on the 20 per cent change in the rate of exchange. The new rate, by favouring exporters, should not only reduce foreign exchange expenditures on imports but, by cutting contraband exports, increase the Central Bank's exchange reserves and perhaps reduce the f.o.b. cost of Ecuadorian exports.

A small group of "marginal" products have been exempted from the 5 per cent export tax added in July and the foreign exchange they earn may be converted (August 8) into sucres at the free market rate (which stood at over 21 sucres to the dollar in early September). Marginal exports total about U.S.\$20 million a year and include straw Panama hats, shrimps, castor oil, pharmaceuticals and balsa wood.

Eighty per cent of all goods actually imported into Ecuador are on List I. In the table of principal im-

ports on page 19, only cigarettes and most iron and steel products are found on List II.

Trade with Canada

Trade with Canada is heavily in Ecuador's favour; we spend over twice as much on bananas alone as Ecuador spends on all Canadian imports. In 1960 exports to Ecuador totalled Can.\$3.9 million; imports reached Can.\$11 million—according to Canadian figures.

To the end of May 1961, Canadian imports from Ecuador totalled \$3.7 million, indicating a better than \$10 million total for the year. Canadian exports to Ecuador are varied and include whisky, apples, purebred cattle, tissue paper, ploughs and harrows, automobiles, asbestos, toys, and rifle ammunition. The principal items are given in the table on page 19. We sold \$2.1 million worth of goods to Ecuador

in the first five months of 1961, a jump from the \$1.5 million for the same period of 1960.

The effect on Canadian exports of the new exchange rate and revised import controls should be small. For the group of List II imports now subject to 100 per cent prior deposits, the present 180-day terms should soon disappear in favour of payment at sight, since the importer, having paid in full when he obtained his licence, will look for discounts on sight payments. But imports subject to lower prior deposits will continue to require 180-day terms for at least the remainder of their costs.

Ecuadorian businessmen are optimistic about the future. Canadian exporters who match their competitors in price and quality can look to this optimism as a sign of increased sales to this country as it continues to develop. ●

Paraguay

Poor crops and increased competition abroad affected Paraguay's economy in 1960; import surcharges on many goods were increased. Canada's small sales to this market went up slightly last year.

J. G. IRELAND, *Assistant Commercial Secretary, Buenos Aires.*

LAST year was a difficult one for Paraguay. Imports exceeded exports for the first time in seven years (imports were up 15 per cent and exports down 13.5 per cent compared with 1959) and the trade deficit of U.S.\$5.48 million was large in relation to the size of the market. Gold and convertible currency reserves fell from U.S.\$2.9 million at the beginning of 1960 to \$467,000 by the end of the year and rumours of a devaluation were rife. However, provi-

sional trade figures for the first six months of 1961 show a marked improvement; there was a favourable trade balance of over U.S.\$300,000 at the end of June and gold and convertible foreign exchange reserves had risen to U.S.\$2.1 million. The exchange rate, which stood at 120.5 guaranies to the U.S. dollar at the beginning of 1960 and depreciated to 123.6 guaranies by the end of the year, has held steady at that level up to the time of writing.

PARAGUAYAN EXPORTS AND IMPORTS

| | 1958 | 1959 | 1960 | 1961 (Jan.-June)* |
|-----------------|------------------|--------|--------|----------------------|
| | (U.S.\$'000,000) | | | |
| Exports, f.o.b. | 34.10 | 31.20 | 26.98 | 14.01 |
| Imports, f.o.b. | 32.59 | 26.19 | 32.46 | 13.69 |
| Balance | + 1.51 | + 5.00 | - 5.48 | + 0.32 |

*Provisional.

CANADIAN EXPORTS TO PARAGUAY

| | 1959 | 1960 |
|-----------------------------------|-------------------|----------------|
| | (in Can. dollars) | |
| Total | 113,824 | 120,257 |
| Of which: | | |
| Whole milk powder | ..... | 30,175 |
| Meats, canned, n.o.p. | ..... | 24,000 |
| Cars over \$1,000 | 14,642 | 14,807 |
| Truck and bus tires | ..... | 13,964 |
| Automobile tires | 1,994 | 8,282 |
| Skim milk powder | 48,505 | ..... |
| Threshers or combines | 10,372 | ..... |
| Bookkeeping, calculating machines | 14,729 | 5,712 |

CANADIAN IMPORTS FROM PARAGUAY

| | 1959 | 1960 |
|---------------------------|-------------------|----------------|
| | (in Can. dollars) | |
| Total | 745,996 | 759,782 |
| Of which: | | |
| Canned corned beef | 352,477 | 499,117 |
| Chinawood oil (inedible) | 171,835 | 130,782 |
| Quebracho extract | 221,657 | 83,101 |
| Meat extracts, fluid beef | ..... | 34,006 |
| Green coffee | ..... | 12,776 |

Paraguayan exports consist mainly of a small number of agricultural and forestry products. Among them are meat products (26.5 per cent of total imports in 1960), lumber (18.6 per cent), quebracho extract (10.9), yerbamaté (9.2), cattle hides (8.2), tobacco (5.9), and oilseeds (5.7). Imports during 1960 by commodity groups included foods, beverages and tobacco (19.2 per cent of total), transport equipment (18.7), machinery and apparatus (16.8), fuels and lubricants (10.6), metals and manufactures (9.8), textiles and manufactures (7.6), and chemicals and related products (4.2). Exports last year went principally to Argentina (28.4 per cent), United States (26.8), Britain (10.6), and the Netherlands (8.2).

Imports originated mainly in the United States (23.5 per cent), Argentina (23.0), Germany (11.4), Spain (7.6), Netherlands Antilles (7.5), and Britain (7.0). In most years Canada has an unfavourable trade balance with Paraguay (see tables).

Difficulties Encountered

Poor crops and increasing foreign competition caused a drop in Paraguayan exports in 1960. Poor crops brought a cattle shortage that cut meat exports, and cotton exports fell to an all-time low. Exports of quebracho declined because of higher costs and growing competition from other producers, particularly Argentina, and the Government has now removed the export tax on this commodity. Lumber exports improved a little but are encountering stiffening competition in some markets, particularly from Paraná pine from Brazil. A drought affected the cotton crop seriously and there was practically no exportable surplus. Unseasonable frosts ruined many banana plantations in June and seriously damaged stands of sugar cane. Agricultural conditions improved late in the year, however, and crop prospects for 1961 are much brighter.

There was little if any expansion in industry during the year. All work by foreign companies on oil exploration ceased and the local textile industry suffered from greater competition from imports. Some quebracho extract mills were forced to close down for varying periods because of excessive stockpiles. The Government offer to purchase the British-owned Central Paraguayan Railroad was accepted,

although details have still to be worked out.

Surcharges Raised

Dollars can be purchased freely in Paraguay but most imports are regulated by a system of prior deposits and import surcharges. During 1960 and early 1961, surcharges were raised to 20 per cent of the c.i.f. value on many goods entering from certain neighbouring countries, and to 24 per cent for imports from other countries (petroleum fuels excluded). To offset these increases, there will be certain reductions in prior deposits but details are not yet available.

Outlook

On June 2, 1961, the Latin American Free Trade Association (LAFTA) came into being between Argentina, Brazil, Chile, Colombia, Mexico, Paraguay, Peru and Uruguay. Of these, Paraguay and Uruguay have the lowest per capita income, about U.S.\$100. This compares with the highest—in Chile—of U.S.\$500 and an average for Latin America of U.S.\$300. Paraguay's foreign trade is strongly oriented toward the United States, Argentina, Britain and certain other European countries; it is difficult to predict how Paraguayan exports will be affected by the new LAFTA program. It seems logical to assume, however, that its future imports from LAFTA trading partners will have considerable bearing on the rapidity of industrialization of its more advanced partners, particularly Argentina, Brazil, and Mexico. ●

The Canadian Trade Commissioner in Buenos Aires, Argentina, has recently assumed responsibility for matters pertaining to Canadian trade with Uruguay and Paraguay. Inquiries from Canadian businessmen should now be directed to:

*Commercial Counsellor
Canadian Embassy
Bartolome Mitre 478
Buenos Aires, Argentina.*

Peru

Peru's foreign exchange holdings rose to over \$60 million last year; credits were received for large development projects. Canadian sales are keeping up to average but not gaining ground proportionately in this growing market.

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

PERUVIAN businessmen regard last year as a comparatively good one and, with reservations, they are optimistic about the future. Monetary stability continues. The Central Bank's holdings of gold and foreign exchange rose to over \$62 million in mid-1961. The balance of payments showed a surplus during 1960 and again during the first half of 1961. A favourable business climate has encouraged investors and 940 new enterprises with a total capitalization of about \$39 million were registered during 1960.

Foreign Trade

Peruvian exports in 1960 reached \$433 million in value, 38 per cent

greater than in 1959. Growth continues and during the first half of this year, exports increased a further 16 per cent over the same period of 1960. As the accompanying table shows, foreign exchange earnings do not depend upon a single commodity. Ten products in three distinct fields—agriculture, mining, and fisheries—are of major importance. This versatility makes Peru less vulnerable to changes in international commodity prices and deepens the roots of her economic stability.

Imports have increased even more rapidly and during the first half of this year Peru bought more abroad than she sold. Last year imports

totalled \$375 million, considerably higher than the \$294 million of 1959. Growth in imports during the past 10 years has roughly paralleled the annual increase of about 5 per cent in the gross national product. The United States share of the Peruvian market is gradually decreasing but it is not likely to lose its predominant position. Forty-four per cent by value of Peru's imports in 1960 came from the U.S., whereas Germany, the second supplier, accounted for only 11 per cent.

PERU'S PRINCIPAL EXPORTS

| | 1958 | 1959 | 1960 |
|---------------------------------------|------------------|------|------|
| | (U.S.\$ million) | | |
| Copper | 22.2 | 24.9 | 94.7 |
| Cotton | 75.6 | 69.6 | 73.3 |
| Fish products (primarily fishmeal) | 20.7 | 45.4 | 52.0 |
| Sugar | 34.4 | 36.3 | 47.7 |
| Iron | 16.5 | 19.4 | 32.7 |
| Silver | 19.0 | 20.4 | 24.1 |
| Lead | 24.5 | 21.2 | 21.7 |
| Coffee | 15.8 | 15.6 | 18.5 |
| Petroleum | 16.6 | 16.1 | 17.9 |
| Zinc | 11.3 | 14.2 | 16.7 |

MAJOR PERUVIAN IMPORTS, 1960

| | (in per cent) |
|---|---------------|
| Machinery and appliances | 25 |
| Foodstuffs | 16 |
| Vehicles and transport equipment | 13 |
| Chemicals and pharmaceuticals | 11 |
| Metals and manufactures | 11 |
| Textiles and manufactures | 6 |
| Fuels and lubricants | 5 |
| Wood pulp, paper, cork and manufactures | 4 |
| Other commodities | 9 |

Canadian Sales Down

Canadian sales to Peru during the past five years have averaged about \$10.5 million a year and the 1961 total should be up to the average. But because purchases from Canada are not increasing, we are in reality losing ground. In 1955, 2.2 per cent of Peru's imports came from Canada, in 1957 the figure was 3 per cent, in 1959, 4 per cent. Last year we slipped back to 2.4 per cent. A few years ago Canada was Peru's fourth supplier, following the U.S., Germany, and Britain. We are now

To Sell in Peru . . .

- Quote prices in your initial letter to a prospective importer.
- Explain what products you have for sale; don't ask the importer what he wishes to buy.
- Correspond in Spanish if at all possible; even if this involves the use of a translation service.
- Quote prices c.i.f. Peruvian port.
- Quote in U.S. dollars.
- Offer terms of at least cash against documents.
- Trust your Peruvian representative. If you do not have one, your Trade Commissioner can help you find one.
- Visit the market and stay long enough to establish the necessary personal contacts. A flying visit may help the Peruvian tourist industry but will not help your business.

seventh, because Argentina, the Netherlands and Japan have moved ahead of us.

Trend Toward Protection

The promise of tariff protection is one of the incentives the Peruvian Government offers to attract foreign and domestic capital into local manufacturing. An Industrial Promotion Law, designed to stimulate a heavier flow of investment capital into basic manufacturing, was promulgated by the Peruvian Government at the end of 1960. In addition to promising new industries "adequate tariff protection", the law provides import duty concessions on new machinery, equipment and industrial raw materials, and tax exemption for from three to 15 years. The Government has already received requests for import duty increases on about 45 items, including nylon twine and rope, powdered milk, car batteries, plastic fishing floats, barbed wire, paints, pigments and varnishes.

Local importers and manufacturers who need these materials may protest these applications for tariff protection and the Government may not approve some or most of them. However, the existence of the Industrial Promotion Law and the treatment of petitions received indicate Peru's future tariff policy.

Manufacturing Is Growing

The manufacturing industry's production has increased from \$143 million in 1950 to \$341 million in 1960 and it is second only to agriculture in importance. Its output is about 20 per cent greater than the total for the mining and petroleum industries and is growing at a slightly faster rate than the economy as a whole. This trend will probably continue. The value of manufacturing output in 1960 was 18 per cent of gross national product, compared with 15 per cent in 1950. One in five of the gainfully employed in Peru works for a manufacturer.

Textiles, petroleum byproducts and basic household items, such as soap, beer, footwear and clothing,

are the principal commodities produced. Several new companies have started manufacturing this year and among the products they are turning out are building panels, lead arsenate, office equipment, pharmaceuticals, electrical machinery and apparatus, industrial gases, kerosene stoves, paints, refrigerators, automobile parts, and steel grinding balls.

Development Credits

Peru, with an external public debt of more than \$200 million, has received and is receiving credits from the World Bank, the United States, Italy, France, Germany, Japan, and Britain. The first credit of the Inter-American Development Bank, for \$3.9 million, was granted to Peru to expand the water and sewerage services of its second largest city, Arequipa. The World Bank has granted several credits for irrigation, hydroelectric projects, port expansion, roads, and industrial plants. In September the Development Loan Fund signed a \$10.8 million loan agreement with the Peruvian Government. This credit will be used to develop unsettled land and to construct access roads; it is part of a \$53.2 million credit that the DLF and the Eximbank approved for Peru in July 1961.

A Japanese company is undertaking a railway development project in southern Peru at a cost of about \$20 million, payable over ten years. An Italian company is building a 20,000 kw. hydroelectric plant near the Inca ruins of Machu Picchu. A French consortium has contracted to complete 24 electrification projects throughout northern Peru (cost, about \$7 million); in May, a German consortium won a contract to design, construct and equip 12 hospitals (\$10 million). Another French consortium will carry out 104 small sanitation projects throughout northern Peru (\$7 million). All these projects were turnkey offers that included credit facilities.

There is a strong possibility that the Peruvian Government will sign



A workman examines the product of a tire factory. Manufacturing has become second only to agriculture in economic importance in Peru, contributing 18 per cent of gross national product in 1960.

a turnkey contract, including financing, with a British-German consortium that will begin immediate hydroelectric development of the Mantaro River. In May the United Nations Special Fund approved a grant of over \$1 million for studies of the hydroelectric potential of the Mantaro, and a natural resources survey of central Peru. If the turnkey contract goes through, the Mantaro portion of the UN grant will probably be cancelled but the natural resources survey may still be made.

Cultivating This Market

Peru is first a price market and second a terms market; quality is of less consequence. Exporters who want to develop or expand their market here should consider these factors. How do Canadians increase

their sales? One obvious and effective way is to reduce prices. If this cannot be done through increased efficiency, it can be done by lowering quality. Manufacturers naturally hesitate to do this because of the fine reputation for quality that Canadian goods have won. However, in the less developed countries of the world, including Peru, customers cannot always afford to buy quality goods. This is not a recommendation to reduce quality for all types of commodities but only for those destined for the mass of con-

sumers, and this includes the raw materials Peruvian manufacturers will use to produce cheap consumer goods. An example is synthetic resins for a Peruvian manufacturer of cheap plastic glasses and dishes.

Another way to reduce prices is to simplify our manufactured goods. Machinery and some consumer products for Peru need not be as refined as those destined for Europe or the United States, where labour costs are higher. Canadian manufacturers seriously interested in export should tailor part of their produc-

tion to suit this area of potential markets.

The letter of credit has practically ceased to be used in financing Peruvian imports, and Canadian companies that continue to demand it greatly reduce their chances of doing business. Most Peruvian trade is done on the basis of cash against documents, or on a credit of from 30 to 120 days upon receipt of documents. Even when making an original offer, Canadian exporters should offer at least cash against documents. ●

Venezuela

Recession continues, but foreign aid expected to bolster economy. Petroleum production running ahead of 1960, iron ore exports down. Canadian sales dropped as Venezuela's imports declined, but prospects for 1962 better, though pattern of trade is changing.

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

THE general economic recession that Venezuela has been experiencing over the past two years continues and no over-all improvement seems likely before early 1962. The excess of expenditure over income, balance-of-payment difficulties, and depleted foreign exchange reserves have all added to the serious economic situation. Foreign investment is at a low level and to some extent reflects the small reinvestment by the international oil companies, particularly in exploration work. Unemployment is a big factor and the construction industry—at one time the major source of employment—continues to face difficult times. Development of new industry has gone on steadily, petroleum production is above 1960 levels, but iron ore output has been cut back. Foreign exchange income remains substantially high, and the Government has taken measures to improve local conditions through foreign exchange control regulations, higher taxes, an

austerity budget, and local and foreign loans. Further assistance is expected when some of the projects under the *Alliance for Progress* program are implemented.

The Government is changing its fiscal year to coincide with the calendar year and has introduced a transitional budget for July-December 1961. This places expenditures at Bs.2,923 million and income at Bs.2,370 million, leaving a deficit of Bs.553 million. Increased taxation and a reduction in salaries of government employees may cut the deficit to Bs.350 million. Gold and foreign exchange receipts at the end of June totalled Bs.1,510 million compared with Bs.1,758 million on December 30, 1960, and Bs.1,419 on June 30, 1960. Bank deposits, at Bs.4,034 million, declined by Bs.34 million from a year ago; bank loans and investments gained by Bs.56 million to Bs.4,392 million. Foreign exchange receipts of the Central Bank for the first half

of 1961 totalled \$748.4 million and sales \$718.9 million, leaving a surplus of \$29.5 million.

Financial Aid

In an effort to bolster the economy, the Government has been endeavouring to arrange for long-term financing from international agencies. Loans approved or being negotiated for social welfare and public works projects are as follows:

● *Export-Import Bank*—A \$100 million loan has been approved for the purchase of equipment for projects being assisted by the Venezuelan Development Corporation and the National Agrarian Institute.

● *Inter-American Development Bank*—A series of loans are under negotiation which include \$7 million for the Venezuelan Development Corporation, \$22 million for waterworks projects under the National Institute of Sanitary Works, \$5 million for the Agriculture and Livestock Bank, two loans of \$12 million and \$16.4 million for rural and urban housing under the Banco Obrero, and a \$20 million loan for the National Agrarian Institute.

● *World Bank*—A loan of \$60 million for highway programs has been

approved, and a second loan of \$45 to \$60 million for irrigation and electric-power projects is under negotiation.

● *Development Loan Fund*—A \$10 million loan has been approved to finance housing developments for the middle class.

● *Bank of Paris and the Low Countries*—A loan of \$20 million has been approved for purchasing French machinery.

● *West Germany*—Financial assistance of \$24 million is under consideration.

In addition, the Government has requested local aid from the oil industry to help the construction industry. The President recently announced that Bs.250 million would be made available for public works projects. Private companies undertaking new construction work are to be granted certain incentives, such as exemption from municipal and income tax for five years and from inheritance taxes for 15 years. The oil companies have agreed to take up one loan of Bs.50 million in seven-year, 6 per cent tax-free bonds for construction work in Caracas, and a second loan of Bs.125 million in ten-year, 5½ per cent tax-free bonds to finance urban housing mortgages. An Export-Import Bank loan is to provide the remainder.

Foreign Exchange Control

The introduction of foreign exchange control in November 1960, followed by a number of revisions in the current year, has succeeded in slowing down the flight of capital and reducing imports, as well as bringing a change in the trend of payment terms. The country now has four rates of exchange for the bolivar: the oil companies receive Bs.3.09 for their dollars from the Central Bank; the official rate is Bs.3.35 for the import of items on the "List of Imports of the Controlled Market", including raw materials, basic foodstuffs, pharma-

ceuticals, and equipment for industry and agriculture; the "controlled free" rate is Bs.4.58, fixed by the Central Bank, for imports of non-essential products, remittances, travel, etc.; the true free market rate, recently fluctuating around Bs.4.58 to Bs.4.60, is used for all other transactions. The latter is negotiated on the Caracas Stock Exchange and neither the Central Bank nor the commercial banks deal in this market.

During the past few months the administration of the foreign exchange control system has improved and delays in remitting have been cut down considerably. More time can be saved if the customer is prompt in applying for foreign exchange, depositing the bolivar equivalent, and producing the necessary documents. This often requires a careful selection of customers before granting credit terms.

The introduction of foreign exchange control, plus the fact that importers wish to avoid losses that may arise from sudden changes in the valuation of the currency, has brought a change in payment terms. Shipping on open account has virtually ceased. The use of the letter of credit has increased, particularly by importers who sell locally on credit terms. Some banks, however, place limits on the number and value of the letters of credit they will accommodate. There has been a substantial increase in the use of 30-, 60- and 90-day term drafts, and a tendency to make less use of 120- and 180-day drafts.

Industrial Development

With government financial aid and various forms of protection, industrial development in Venezuela has gone steadily forward. The Ministry of Development, through its Venezuelan Development Corporation, expects to give some Bs.4 billion of assistance to new industry over a period of four years, with a view to displacing many imports. In the current year, and with assistance from the Export-Import Bank,

the corporation will make loans of over Bs.50 million, of which Bs.22 million has been allocated.

Further protection to local industry in 1961 included the addition of the following commodities to the list of goods requiring import licences: fresh eggs, soups, textile machinery, paper handkerchiefs, sanitary equipment, lumber, prefabricated buildings, and aluminum extrusions.

The Guayana Development Corporation was formed in late 1960 by the Government to administer the development of the Guayana area in Eastern Venezuela. The corporation will operate the government steel plant at Matanzas. This plant is now producing some steel products, but will be completed in 18 months and operating at full capacity (600,000 tons of steel products) in four years' time. The hydroelectric plant at Macagua on the Caroni River will come under the corporation's jurisdiction, and its present capacity of 200,000 kw. will be increased to 400,000. In addition, the corporation expects that building of the Guri dam and power plant will begin in 1963. In partnership with Reynolds International, the Aluminio del Caroni S.A. has been formed to build a 25,000-ton aluminum ingot plant in the Guayana region. Building of this plant is to start early in 1962.

In the private investment sector, the Creole Petroleum Corporation has formed the Creole Investment Corporation which, in association with other interests, will make investments in local industry and agriculture that are not related to the petroleum industry. A fund of \$10 million has been set up for this purpose and the company is now processing applications for assistance. A number of firms in the textile, paper, and food industries have been enlarging their present plants and several new factories have been built for the production of paper products, textiles, pharmaceuticals, milk processing, automobile parts, carbon black, cement products, dry cell batteries, and



A research worker candles eggs in an experimental laboratory of the Venezuelan Ministry of Agriculture and Livestock. Domestic egg production has risen rapidly in the last year.

wire and cable. The Ford Motor Company, the Rootes Motors Limited, and Fiat Motors have announced plans to build assembly plants. Reynolds Metals is building an aluminum rolling mill as an addition to its extrusion plant at Maracaibo; it will come into production by the end of this year.

Petroleum Industry

The past year has seen little change in Venezuela's petroleum industry, which contributes close to two-thirds of the country's income. Although production is running ahead of 1960, the country has been surpassed by the U.S.S.R. as the world's second largest producer. The Government decided to refrain from enforcing the dividend tax of up to 6 per cent on oil companies that was approved under the Law of Urgent Economic Measures, effective June 29, 1961. The oil companies continue to be plagued by world surpluses, declining prices, and high operating costs. Little is

being done in the way of new exploration work and the Government continues to follow its policy of granting no new concessions. The National Petroleum Corporation, established in 1960, started drilling operations this year and has completed two producing wells. It plans to engage in the marketing and distribution of petroleum and products, but has not yet negotiated any sales contracts.

Petroleum production for January-September 1961 averaged 2.9 million barrels a day, an increase of 1.32 per cent over the 1960 corresponding average, but below the Government's aim of a 4 per cent annual increase. Some 272 wells have been drilled to date and another 26 wells are in the process. The total for 1961 will in all probability be less than the 456 wells completed in 1960.

Higher operating costs are reflected in a decline in profits for the oil companies to Bs.1,256 million in 1960 from Bs.1,344 million in 1959. Government income from royalties and taxes totalled Bs.2,613 million as against Bs.2,704 million in the previous year, and investment in the industry declined to Bs.697 million from Bs.1,224 million in 1959. The results for 1961 are expected to include small gains in profits and government income, but a further drop in investment.

Iron Ore

The production and export of iron ore in Venezuela has now reversed the upward trend of the first six months of 1961, reflecting the depressed conditions in the steel industry in the United States. Output for 1960 reached a record high of 19 million tons, but in the first half of 1961 amounted to 7.5 million, a decrease of 24 per cent from the corresponding 1960 total of 9.9

million. Exports for the six months reached 7.9 million tons as against 10.3 million in the first half of 1960. It is expected that for the whole of 1961 production will be 20 to 25 per cent below the 1960 level. Income to the Government from the iron ore industry for the first half of this year totalled Bs.296 million, an increase of 155 per cent over the like period of 1960, mainly because of the payment of taxes for the years 1953 to 1959 by one of the iron companies.

Agricultural Situation

The Agrarian Reform Program inaugurated in 1959 continues to be the main force in the agricultural industry. Some 35,000 peasant families have been resettled on new lands and additional credits for farm equipment, seed, livestock and dwellings have been extended to the small farmers. The program has succeeded in raising crop production, but the increasing population creates additional demands that have to be met through imports. Although drought earlier in the year hampered plantings, a substantial harvest is expected. The chief export crops—coffee, cocoa, sesame, and copra—have declined, but other major field crops of rice, corn, black beans, and vegetables are reported as satisfactory. Production of milk and eggs has gained substantially and output will be well above the 1960 production of 9,437 metric tons of milk and 4,730 metric tons of eggs. Nevertheless, the country is not self-sufficient in foodstuffs and will continue to import ample supplies of wheat, specialty flours, meat, fruits and seed potatoes. Further reductions in imports of processed milk, eggs, poultry meat, and certain other meats, all subject to import licence control, are bound to follow as local production meets the domestic demand.

Trade with Canada

The business recession in Venezuela, together with foreign exchange control regulations and further import restrictions, have

affected foreign trade adversely; however, the favourable balance was maintained. Table I shows that the increase in the value of exports was accompanied by a decline of 25 per cent in imports. Although no 1961 statistics are available, it is reported that this trend is continuing during the present year. Imports from all the major suppliers declined, but it is interesting to note that though shipments from Canada were down, we remained in fifth place among the leading suppliers and accounted for 3.6 per cent of the total value of imports, compared with 3.1 per cent in 1959. The United States was in first place with 52 per cent (53 per cent), followed by West Germany with 8.8 (9.3), Italy with 6.2 (5.4), and Britain 6 (7.1).

Canada's trade with Venezuela for 1960 declined sharply. As shown in Table II, our exports were down 23 per cent from those of 1959 and imports 4.5 per cent. During the first five months of 1961, shipments from Canada, at \$14.3 million, are down 8.8 per cent from the corresponding period of 1960. Most of this decrease took place in the month of May, as exports for the first four months of the year were equal to those in the same period of 1960. Imports for four months, at \$60.9 million, are down 2.9 per cent.

TABLE I
VENEZUELA'S FOREIGN TRADE

| | Exports | Imports |
|------|-----------|-----------|
| | (Bs.'000) | |
| 1958 | 7,776,875 | 4,798,126 |
| 1959 | 7,938,008 | 4,742,163 |
| 1960 | 8,500,480 | 3,571,425 |

TABLE II
CANADA'S TRADE WITH VENEZUELA

| | Exports to Venezuela | Imports from Venezuela |
|------|-------------------------|---------------------------|
| | (Can.\$'000) | |
| 1958 | 43,654 | 209,590 |
| 1959 | 46,007 | 204,697 |
| 1960 | 35,345 | 195,189 |
| 1960 | 15,689 | 62,829 |
| | (5 months) | (4 months) |
| 1961 | 14,296 | 60,946 |
| | (5 months) | (4 months) |

There has been little change in the pattern of our trade with Venezuela and statistics for the first part of 1961 indicate this still holds true. Agricultural products account for the largest proportion, primarily whole milk powder, wheat, eggs in the shell, seed potatoes, malt, oats, and various meat and food products. The decline in the construction industry has reduced demand for such Canadian products as copper wire and tubing, lumber, pipe, and aluminum products. Industrial development is limiting the market for a wide range of finished products and is opening new or larger markets for raw materials.

Crude petroleum and products are the chief imports into Canada from Venezuela and in 1960 they totalled \$189 million, followed by green coffee at \$249,000, iron ore at \$138,000, and cocoa beans at \$96,000. For the first four months of 1961, imports of crude petroleum and products amounted to \$60 million, green coffee to \$255,000, and cocoa beans to \$43,000.

Prospects for 1962

Prospects for the economy in 1962 appear more promising, but will depend largely on the implementation of plans and projects for which financial aid is being sought. Any improvement in the world demand and prices for petroleum will automatically benefit Venezuela. Government protection through higher tariffs and trade controls, together with growing local industry, will mean a further drop in imports of luxury products and of goods also produced locally. On the other hand, expanding industrial development is creating demands for raw materials, semi-processed goods, industrial equipment, and some non-luxury consumer goods. Though competition from the major supplying countries is very strong, Canadian exporters in a position to give competitive prices and credit terms, and to visit the market, will find trade prospects attractive. ●

Using Colon Free Zone

CANADIAN exporters, particularly those selling in Latin America, could benefit from an investigation of the Colon Free Zone and its possible advantages to their trade.

This free zone, situated half a mile from Cristobal dock on the Atlantic side of the Canal Zone, began operation in 1953. It provides a place where, to quote from a pamphlet describing it, "goods of all nations may be stored, repackaged, manufactured, processed, assembled, labelled, exhibited . . . or manipulated in any legal manner and sent on to any foreign destination without payment of local taxes, duties or consular fees." Each year an increasing number of firms doing more and more business are using its facilities, with advantages to both themselves and their Latin American customers. At present the Free Zone is used by one Canadian firm and others are investigating it.

Use of the Colon Free Zone, because it is near the centre of the Latin American market, can often result in lower transportation costs by making possible bulk shipping from source, followed by repackaging for end markets. Some airlines are offering air freight rates up to 50 per cent lower from Panama to Latin American countries, thus enhancing sales prospects because of economical freight rates and prompt delivery. A further advantage of the Free Zone is the good supply of skilled labour at wages substantially below those in the United States and Canada.

Companies who wish to manufacture in the Colon Free Zone receive significant tax incentives from the Panamanian Government. Further advantages to manufacturers include ready financing for plant construction, adequate power and good transportation facilities.

The Colon Free Zone covers 97 acres and is close to the modern deep-water seaport and docks at Cristobal. Reliable trucking services are available for transport across the 50 miles of paved highway to Tocumen Airport. Stockpiling on rented floor space provides the exporter with a formidable sales weapon by speeding up delivery and making it unnecessary for the importer to maintain a large inventory. Other Free Zone facilities offered are public warehousing and handling, land rental for open-air storage, and banking services.

Because of the significant growth of the Latin American market and the increasing competitiveness of foreign trade, the Colon Free Zone warrants serious investigation by Canadian exporters. ●

Canada Joins ECLA

Early last month, Canada became a full member of the Economic Commission for Latin America, based in Santiago. Our Commercial Secretary there explains to Canadian exporters what ECLA is and does, and its significance for Canadians.

J. R. MIDWINTER, *Commercial Secretary, Santiago.*

THE HON. HOWARD C. GREEN, Secretary of State for External Affairs, informed the House of Commons on September 11, 1961, that Canada had applied for admission into the Economic Commission for Latin America (ECLA). On October 6, all formalities having been completed, Mr. Green was able to announce that Canada would now participate as a full member in the work of the Commission.

What is ECLA? Who belongs to it? What does it do? What significance has it for Canadian businessmen with interests in Latin America? These are the questions that this article will attempt to answer.

ECLA, which came into existence in 1948, is one of four regional economic commissions functioning under the Economic and Social Council of the United Nations. Its secretariat is based at Santiago, Chile. A branch office in Mexico City has for some years carried on work of special interest to Mexico, Central America and the West Indies. The Commission has approved and will shortly establish a second branch office in Bogotá, to be responsible for Colombia, Ecuador, Venezuela and British Guiana. There is also a representative in Washington to maintain day-to-day liaison with the Organization of American States, the Inter-American Development Bank, the World Bank and other economic and aid-granting agencies in that capital.

The twenty Latin American republics, the United States and now, of course, Canada are full members

of ECLA as are, by right of their dependent territories in the Western Hemisphere, the United Kingdom, France and the Netherlands. The West Indies Federation, British Guiana and British Honduras are currently associate members.

ECLA's Function

The purpose of ECLA is to assist in raising the level of economic activity in Latin America and adjacent participating territories on the islands and mainland of the Caribbean area.

The Commission's terms of reference call for it to carry out this task mainly through the conduct of investigations and studies of economic, social and technological problems and the collection, analysis and dissemination of economic, technological and statistical information. It is required to give special attention to economic development and to maintaining and strengthening economic relations of the Latin American countries both among themselves and with other countries of the world.

In addition, the Commission has been asked specifically by the Economic and Social Council to assist in carrying out United Nations technical assistance programs in the Latin American region.

To prevent duplication, ECLA maintains close and in some cases formal liaison with the Food and Agriculture Organization (whose regional headquarters for Latin America are also located in Santiago), other UN agencies, the Or-

ganization of American States, and the Inter-American Development Bank. It has a special advisory relationship with the Latin American Free Trade Association and the Central American Economic Integration Scheme.

The Commission is empowered to make recommendations on any matters within its competence directly to governments of members and associate members and other specialized agencies.

Institute in Santiago

The scope of the Commission's operations will soon be enlarged by the establishment early next year of an Institute of Economic Development Planning. This will be located in Santiago and will be closely associated with ECLA, whose director will also head the Institute. This new organization will provide advisory groups to help member governments prepare development plans and carry out other planning activities. It will have a small research section to deal with specific planning problems. Its principal function, however, will be to provide advanced training in economic planning and related subjects for officials of Latin American governments. Creation of the Institute represents an expansion of ECLA's current functions rather than a new departure.

Direct Significance to Canada

Members of the Commission meet biennially in formal session and in the off-years in committee of the whole. These conferences formulate basic policy to guide ECLA's work. Canada will now, of course, have a share in this policymaking.

From time to time ECLA also convenes, alone or in conjunction with other agencies, technical meetings and seminars in specific fields. Of special interest to Canada have

been the seminars on pulp and paper and, just recently, electric power trends in Latin America. In the planning stage is a full-dress seminar on the chemical industry in Latin America.

ECLA since its establishment has been the source of a large part of the advanced economic thinking which has gone on in Latin America. There is no doubt that its initiative and work have shaped basic economic policy throughout the area. Its influence has contributed especially to creation of the Latin American Free Trade Association, the Central American Economic Integration Scheme, and to acceptance of the concept of long-term eco-

nomics planning, both within countries and for the region as a whole. In a very real sense, recent work by the Commission, including the Ninth Session held in Santiago in May of this year, prepared the ground for the recent Punta del Este Conference which gave substance to the *Alliance for Progress* program, and the Commission is expected to play an important rôle in its implementation.

Because of the quality of its work and the prestige it has acquired, ECLA has great significance for Canada and for Canadian exporters. It is a prime source of information on economic trends and events in Latin America, both in general and

in specific fields such as pulp and paper, textiles, iron and steel, chemicals, transportation, power, customs procedures and trade policy, to name but a few. Its findings and recommendations have a way of becoming policy for governments and are therefore of direct interest to Canadian firms dealing with the area.

The Commercial Division of the Canadian Embassy at Santiago maintains close liaison with the secretariat of the Economic Commission for Latin America and is in a position to meet requests from Canadian firms for information on any aspect of the Commission's work. ●

The "Alliance for Progress" Program

—A New Deal for Latin America?

The author of this pertinent article was a member of the observer group that Canada sent to the Punta del Este meeting where the concrete objectives of this ten-year, \$20 billion program were worked out. He discusses what this plan means to Latin America and the trade and investment opportunities for Canadians that may open up as development in these countries proceeds.

J. R. MIDWINTER,
Commercial Secretary, Santiago.

PUNTA DEL ESTE, a Uruguayan summer resort, was the setting in August for a two-week conference attended by representatives of the United States and of the twenty Latin American republics. The meeting was called to consider ways and means of implementing President Kennedy's proposed *Alliance for Progress*. Canada sent to the Conference (known officially as the "Special Meeting of the Inter-American Economic and Social

Council at the Ministerial Level") an observer group led by the Hon. Pierre Sevigny, Associate Minister of National Defence. Observers from the West Indies Federation, most European countries, Japan, the European Free Trade Association, the European Economic Community and other international bodies were also present.

Basically, the *Alliance for Progress* is a ten-year program embodying a massive injection within Latin America of foreign capital (\$20 billion) and technical aid, combined with a variety of self-help measures. The objective is to force

the area into self-sustaining growth and to raise individual living standards. If this objective is achieved, trade and investment prospects for Canadian businessmen will obviously be greatly enhanced.

Raising Living Standards

The Conference accepted as a target for growth in income a rise of 2½ per cent per capita per year. This is not as modest a figure as at first appears. In recent years much of the production gain that has taken place in Latin America has been absorbed by an extremely rapid increase in population—over

2.4 per cent per year. Real national income in some countries, on a per capita basis, has actually declined over the past decade. The aim therefore is an annual rate of growth in gross national income of about 5 per cent, a very ambitious figure. Development efforts under the Alliance are to be spread across industry, agriculture, power, mining, transportation and communications.

On the social side, health, educational and housing programs were stressed and if they are properly carried out, they should have a marked effect on the living conditions of millions of Latin Americans. Targets for 1970 include primary education up to sixth grade equivalent for an additional 45 million children; adequate drinking water and sewerage facilities for 70 per cent of the urban and 50 per cent of the rural population; halving of the infant mortality rate, and lengthening of life expectancy at birth by five years. Though no target was set, housing is also to receive major emphasis.

\$20 Billion Needed

To achieve the above targets for income growth and social capital, it is estimated that at least \$20 billion in external aid, the bulk of it in public funds, will be required. Indications are that the United States Government will be expected to contribute something over half this amount, with the remainder to come from international financial organizations, other governments, and private capital.

This much publicized figure of \$20 billion, however, is itself a target rather than a firm commitment. Nevertheless, it does seem reasonable to hope that this target, or something close to it, will be attained. A central fact of the Conference was the position of the United States Administration. The U.S. delegation stressed repeatedly that Latin America could expect to receive much higher priority in U.S. foreign aid plans than in the past and that the Administration at



The social, health, educational and housing programs planned under the Alliance for Progress should improve the opportunities for and living conditions of millions of Latin Americans, such as these happy-looking children in Peru.

least is determined to do everything in its power to ensure that the objectives of the *Alliance for Progress* are achieved.

Willingness of the United States Administration to implement a long-term aid program was one of the decisive factors in the Conference. Nevertheless, it was recognized that there are special situations throughout Latin America where conditions are so unsatisfactory that unless some immediate relief is given, there is grave danger of political unrest of a type that could prejudice the entire *Alliance for Progress*. To deal with this, the United States undertook to organize an emergency or crash program involving the commitment by March 31, 1962, of \$1 billion in aid funds for the most critical areas.

Need for Planning

Delegates at Punta del Este recognized that a successful long-term program on such a large scale would require detailed planning, both at the national and multinational levels. Concrete demonstration of the acceptance by the

United States of this principle was another major event of the Conference.

The Latin American countries undertook to formulate, if possible within 18 months, long-term development programs for expansion of productive capacity and for improvement of the conditions of urban and rural life, including better housing, education and health.

To assist national planning, the Conference approved creation of:

1. Task forces to investigate and make recommendations in the fields of education, land reform and public health.

2. A Standing Committee on Development Plans to review national plans in consultation with the governments concerned.

The Secretary General of the Organization of American States is to organize these task forces immediately. They are to carry out investigations in those countries requesting their help and make recommendations to serve as a

basis for the preparation by these countries of national development plans. In organizing the task forces, the Secretary General is authorized to draw not only upon experts of the Organization of American States and member governments in the fields of education, land reform and public health, but also to retain private specialists.

The Standing Committee on Development Plans, or Central Planning Commission as it is also described, is to be a central clearing-house for national plans and may wield considerable influence. The Inter-American Economic and Social Council of the Organization of American States is to appoint nine high level economic experts to serve on the committee. They may be selected from any country, including those outside Latin America. These experts are to be employed full time for a term of three years (renewable) and are to enjoy complete autonomy in the performance of their duties. The Secretariat of the Organization of American States will provide administrative services and staff.

The committee as a whole constitutes a panel of experts available individually or in groups. At the request of a government, the Secretary General of the Organization of American States will appoint an *ad hoc* committee composed of not more than three members of the panel of experts and an equal number of experts to be co-opted from outside, who may be private specialists.

This *ad hoc* committee will, in co-operation with the interested government, examine the national development program, suggest modifications if any, and then, with the consent of the government, report its conclusions to the Inter-American Development Bank and to other institutions and governments that may be willing to grant financial and technical aid for carrying out the program. The Inter-American Development Bank and the United States Government are at least committed to attaching

great importance to the recommendations of these committees when they are determining the distribution of *Alliance for Progress* funds.

The committee may become in time an important means of coordinating the various economic development programs of Latin American countries and a source of influence in the formulation of these plans.

Reforms Called for

Most attention at Punta del Este was focused on external aid. The Conference emphasized the co-operative nature of the program and recognized that, to be effective, external aid must be coupled with extensive internal reform and a strengthening of administrative machinery.

The Conference adopted resolutions calling upon Latin American governments to follow sound monetary and fiscal policies, to maintain stable foreign exchange, to make a determined attack on the problem of agrarian reform, and to reform tax laws and collection procedures.

Some delegates drew comparisons between the *Alliance for Progress* and the Marshall Plan in Europe and stressed that the Alliance, if it is to be successful, must, like the Marshall Plan, be matched by an effort on the part of the recipients to make the most effective use of their resources.

The final document signed by the delegates to the Conference stressed that aid would only be forthcoming to those countries that make a determined effort to help themselves. The resolution states specifically that "the United States will assist those participating countries whose development programs establish self-help measures, economic policies and programs consistent with the goals and principles of this charter". This proviso offers Latin American governments incentive to implement the domestic policies necessary for the success of the *Alliance for Progress*.

The Conference devoted much attention to the need to stabilize and increase the foreign exchange income of the Latin American countries from their basic exports. It was emphasized that, over-all, the Latin American republics (excluding Venezuela) had lost more foreign exchange in the past five years as a result of a decline in the terms of trade affecting their principal exports than they had received in external aid from all sources during the same period. The problem is further emphasized by the fact that the total foreign exchange reserves of the area are smaller today than they were a decade ago.

The delegates resolved to tackle the problem on two fronts. The first one will be an attempt to induce the main importing countries (inside and outside the hemisphere) to lower trade barriers and to avoid policies that would lead to the accumulation of surpluses within their own borders of products that traditionally are Latin American exports. The second approach will be the study of commodity and related agreements.

In a move of major significance, the United States agreed to subscribe to a "workable" world coffee agreement. The Conference also approved the setting-up of a study group to examine the possibility of an Export Receipts Stabilization Fund and a Compensatory Credit Program, and to draw up a draft plan for the latter to be circulated to member governments before the next meeting of the Commission on International Commodity Trade. Further important developments may be expected.

Economic Integration

Economic integration received relatively little attention at Punta del Este except as a component of economic development, because the Latin American Free Trade Association (LAFTA) was meeting concurrently at nearby Montevideo to organize the free trade area and to carry out the first round of tariff negotiations. Nevertheless, the Con-

ference devoted time to a consideration of basic policy and demonstrated that the regional approach to trade and other economic problems continues to gain ground.

All delegates supported the development of closer trade links among the Latin American countries and gave general endorsement to the creation of LAFTA and the Central American Economic Integration Scheme. Delegates of countries still outside LAFTA indicated their interest in joining the group; the Central American states apparently contemplate eventual adherence as one unit.

LAFTA now numbers eight members: Argentina, Brazil, Chile, Uruguay, Paraguay, Peru, Colombia, and Mexico, with Ecuador's admission expected shortly. There is a real possibility that, within a few years, the system will extend over all or almost all of the hemisphere south of the Rio Grande.

Meanwhile efforts are to be made to ensure that national plans are co-ordinated and economic development urged along complementary rather than competing lines. In particular, Latin American economists wish to see an early end to the area's economic compartmentalization that has given rise to small protected markets and short high-cost production runs, a situation conducive to the growth of inefficient monopolies.

Canadian exporters would be well advised to follow developments closely to take full advantage of changing market conditions. Although some traditional exports may suffer, the larger scale of economic activity should open up many new sales and investment opportunities.

Implications for Canadian Trade

The United States will, of course, contribute the largest part of the external resources of \$20 billion which it is hoped will be made available to Latin America under the *Alliance for Progress*. The agencies that will distribute U.S. aid have not been defined. According to current policy, procurement

under U.S. aid programs is limited to the United States. Business arising from the *Alliance for Progress* would not therefore be open to Canadian firms when projects are financed directly by the United States.

Earlier this year, the Social Progress Trust Fund began operations. This fund draws its resources—initially \$394 million and likely to be increased—from the United States Government but is administered by the Inter-American Development Bank. The fund provides loans and technical assistance on flexible terms for agriculture, low-cost housing, water supply, sanitation facilities, and advanced education and training related to economic and social development. Procurement is restricted to the United States, the recipient country, and (when it is to the advantage of the borrower) other members of the Inter-American Development Bank.

A third major source of financing for the Alliance is the Inter-American Development Bank itself, which began formal operations towards the end of 1960. The Bank's original resources total \$959 million, of which \$813 million consists of paid-in and callable capital for ordinary credit operations, and \$146 million a special fund for "soft" loans. As with the World Bank, the Inter-American Development Bank may add to its resources by floating its own issues on world capital markets.

The Bank's general policy for ordinary credit operations is to lend up to 50 per cent of the cost of a project, with a minimum of \$100,000 and a maximum of \$5 million. Loans are made to governments, to private firms, and to development agencies and banks for relending. To date, special emphasis has been placed on urban water-supply and sewage-disposal projects. Loans are untied: that is, they may be used to purchase Canadian goods and services in exactly the same manner as loans granted by the World Bank.

In addition to its loan operations, the Inter-American Development Bank will now undertake negotiations, when requested to do so, to obtain from other sources financing for national development programs. This will include organization of consortia of credit institutions and donor governments.

The Bank promises to become an important channel through which credit facilities will be made available to Latin America over the next several years. Canadian manufacturers, especially of capital goods, should follow its activities closely.

In addition, the World Bank, the International Development Association, and agencies of the United Nations will continue to provide untied financial aid. Canadian exporters will thus be able to compete for a substantial proportion of the business arising from external aid operations under the *Alliance for Progress*. Because of the emphasis placed on planning, interesting opportunities may emerge for Canadian survey companies and consultants of all kinds. Accordingly, Canadian exporters and other interested parties would be well advised to review their Latin American sales policies to determine how they may best be adjusted to profit from the new opportunities which will appear as the *Alliance for Progress* program proceeds.

IDA Assists Paraguay

THE International Development Association (IDA) has extended a \$6 million interest-free credit to Paraguay for improvements to the Asuncion-Encarnacion highway to all-weather standards. This highway serves the heavily populated eastern section of Paraguay where much of the best farming and cattle-raising land is situated, and it is often impassable during parts of the rainy season. The credit also provides for purchases of maintenance equipment and construction of a 1,100-foot bridge to carry the road over the Tebicuary River at Villa Florida.

SHIPPING SERVICES FROM CANADA TO SOUTH AMERICA

FROM

| | Pacific Coast | Great Lakes | St. Lawrence and Atlantic |
|----------------------------------|--|--|---|
| To: Argentina | <p>Daido Line (<i>Dingwall Cotts & Co. Ltd., Vancouver</i>)</p> <p>Mitsui Line (<i>Pacific Export Lines Ltd., Vancouver</i>)</p> <p>Moore-McCormack Lines (<i>Balfour, Guthrie (Canada) Ltd., Vancouver</i>)</p> <p>Westfal-Larsen Line (<i>Empire Shipping Co. Ltd., Vancouver</i>)</p> | | <p>Brodin Line (<i>Montreal Shipping Co. Ltd., Montreal</i>)</p> <p>Columbus Line (<i>Kerr Steamships Ltd., Montreal</i>)</p> <p>Moore-McCormack Lines (<i>Moore-McCormack Lines (Canada) Ltd., Montreal</i>)</p> |
| Bolivia (via Mollendo) | <p>Grace Line (<i>C. Gardner Johnson Ltd., Vancouver</i>)</p> <p>Grancolombiana Line (<i>Balfour, Guthrie (Canada) Ltd., Vancouver</i>)</p> <p>Via Antofogasta, Arica: Grace Line Westfal-Larsen Line</p> | | <p>Via Santos, Buenos Aires: Brodin Line Columbus Line Moore-McCormack Lines Via Antofogasta, Arica, Mollendo: West Coast Line (<i>Saguenay Shipping Ltd., Montreal</i>)</p> |
| Brazil | <p>Daido Line</p> <p>Mitsui Line</p> <p>Moore-McCormack Lines</p> | | <p>Brodin Line</p> <p>Columbus Line</p> <p>Moore-McCormack Lines</p> |
| British Guiana | <p>Moore-McCormack Lines (<i>transshipment via Port-of-Spain, Trinidad</i>)</p> | | <p>Royal Netherlands Line (<i>Montreal Shipping Co. Ltd., Montreal</i>)</p> <p>Saguenay Shipping Ltd. (<i>Saguenay Shipping Ltd., Montreal</i>)</p> |
| Chile | <p>Chilean North Pacific Line (<i>Dodwell & Co. Ltd., Vancouver</i>)</p> <p>Grace Line</p> <p>Westfal-Larsen Line</p> | | <p>West Coast Line</p> |
| Colombia | <p>Grace Line</p> <p>Grancolombiana Line</p> <p>Moore-McCormack Lines</p> <p>Westfal-Larsen Line</p> | <p>Michigan Ocean Line (<i>The Robert Reford Co. Ltd., Montreal</i>)</p> | <p>Grancolombiana Line</p> <p>Michigan Ocean Line</p> <p>West Coast Line</p> |

| To: | FROM | | |
|------------------|--|---------------------|---|
| | Pacific Coast | Great Lakes | St. Lawrence and Atlantic |
| Ecuador | Chilean North Pacific Line Grace Line Grancolombiana Line Westfal-Larsen Line | | Grancolombiana Line West Coast Line |
| Paraguay | <i>Via ports in Argentina, Brazil and Uruguay</i> | | <i>Via ports in Argentina, Brazil and Uruguay</i> |
| Peru | Chilean North Pacific Line Grace Line Grancolombiana Line Westfal-Larsen Line | | Grancolombiana Line West Coast Line |
| Uruguay | Moore-McCormack Lines Westfal-Larsen Line | | Brodin Line Columbus Line Moore-McCormack Lines |
| Venezuela | Daido Line d'Amico Line <i>(Anglo-Canadian Shipping Co. Ltd., Vancouver)</i> Mitsui Line Moore-McCormack Lines | Michigan Ocean Line | Michigan Ocean Line Royal Netherlands Line Saguenay Shipping Ltd. |

TRADE COMMISSIONERS ON TOUR.

In Territory

D. S. ARMSTRONG, Commercial Counsellor in Cairo, United Arab Republic, will visit Jeddah, Saudi Arabia, and Aden from December 8-16, and Khartoum from January 15-20.

G. E. BLACKSTOCK, Consul and Assistant Trade Commissioner in New Orleans, will visit the following cities in Florida from November 8-22: Jacksonville, Orlando, Fort Lauderdale, Port Everglades, Miami, Coral Gables, Tampa, St. Petersburg, and Clearwater.

F. B. CLARK, Commercial Counsellor in Mexico City, will visit Durango, Torreon and Chihuahua in central Mexico, from January 8-12.

G. L. GAGNE, Assistant Commercial Secretary in Mexico City, will visit Guadalajara and Jalisco, December 5, 6 and 7.

B. HORTH, Assistant Commercial Secretary in New Delhi, India, will visit Kanpur and Lucknow, State of Uttar Pradesh, during November.

B. A. MACDONALD, Commercial Counsellor in Athens, Greece, will visit Cyprus, and Adana and Konya in southern Turkey, between November 15 and December 15.

P. V. McLANE, Trade Commissioner in Glasgow, Scotland, will visit Belfast, Northern Ireland, from November 20-24.

G. A. NEWMAN, Commercial Counsellor in New Delhi, India, will visit Cochin and Trivandrum, State of Kerala, during December.

R. F. RENWICK, Commercial Counsellor in Port-of-Spain, Trinidad, will visit Grenada, St. Vincent, St. Lucia, Dominica, Montserrat and Antigua from November 16-24.

R. L. RICHARDSON, Assistant Commercial Secretary in Port-of-Spain, Trinidad, will visit Bridgetown, Barbados, from November 27-December 1.

K. D. TAYLOR, Assistant Trade Commissioner in Guatemala City, will visit El Salvador from November 29-December 2.

W. R. VAN, Trade Commissioner in Liverpool, England, will visit Manchester from November 22-25.

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. Armstrong at Cairo, Mr. Blackstock at New Orleans, Mr. Clark and Mr. Gagne at Mexico City, Mr. Horth and Mr. Newman at New Delhi, Mr. McLane at Glasgow, Mr. Macdonald at Athens, Mr. Renwick and Mr. Richardson at Port-of-Spain, Mr. Taylor at Guatemala City, and Mr. Van at Liverpool.

Japan Accelerates Liberalization

Recent announcement of speeding up of Japan's import liberalization program promises 90 per cent liberalization by September 1962. Import budget for last half of fiscal year increased 6 per cent over budget for first half.

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

THE Japanese Government on September 26 announced plans for accelerating trade and exchange liberalization. On October 1 it made public the import budget for the six months October to March. Both these published statements are of interest to Canadian exporters because they affect the immediate and long-term trading prospects.

The new liberalization program represents a six-month shortening of the original program presented in June 1960. It provides for 90 per cent liberalization of Japan's imports by the end of September 1962 (liberalization ratio on October 1, 1961, was 68 per cent). Presumably a waiver under the GATT will be sought on some of the remaining 10 per cent still restricted after that time.

Strengthening Economy

In announcing the new program, the Japanese Government set forth a basic policy within the broad lines of which liberalization is to proceed. Although the economy is booming, recent months have seen a continued deterioration in Japan's balance-of-payments position. This is considered to stem largely from increased domestic demand and private industry's heavy investment in plant and equipment. Japan has decided therefore to place greater emphasis on exports while restraining domestic demand through fiscal and monetary policies. The Government is taking measures to intensify development and the use of natural resources and to establish an overall energy policy. The machinery

and chemical industries still lag behind those of the United States and Europe and will receive special attention; it is here especially that a "Buy Japanese" campaign will be instigated.

In forestry, agriculture, fisheries and small business, modernization will be emphasized and attempts made—such as revisions to the customs tariff—to alleviate the hardship that liberalization may mean to them. Some such attempts have already been made and others are planned to meet future situations where liberalization might damage a particular industry. Finally, Japan will urge governments in its present and potential markets to abolish discriminatory restrictions on imports from Japan.

Liberalization Schedule

Canadian businessmen should consult the Department of Trade and Commerce for information concerning the position of specific items under the new liberalization, but the general program and schedule for liberalization of various commodities or commodity groupings is as follows.

Iron and Steel—Pig iron and ordinary steel products now liberalized. Special steels, ferro-alloys, etc., to be liberalized in stages by October 1962.

Machinery—Items included in this grouping will be gradually liberalized by October 1, 1962. At the same time, counter measures will be taken to lower domestic produc-

tion costs and make local industry more competitive in foreign markets.

Chemical Products—Will be liberalized in stages up to October 1, 1962. Rationalization of the petrochemical industry to take place concurrently with liberalization; this includes expansion programs and the creation of combines. Certain protective tariff measures will also be taken. Products not already liberalized in the following categories will experience similar staged liberalization: paints and allied products, rubber products, fertilizers, soda products, inorganic chemicals, medicines and pharmaceuticals.

Ceramics and Sundry Goods—Follows the general pattern of stage-by-stage liberalization. Special mention made of leather products; it is felt that the domestic tanning industry will be hard hit. The same is true of sundry consumer goods where preference may be for the imported product.

Textile Products, Pulp and Paper—Most textile products were freed on October 1, 1961; others will be at an early date. Of particular interest to Canada is the announcement that greater use will be made of domestic broad-leafed pulpwood to supplement softwood pulp production. Chemical pulp will be freed on April 1, 1962; paper pulp on October 1, 1962. Some lined paper and printing paper was freed October 1, 1961; most wrapping and writing papers will be freed by April 1, 1962. Fine paper, corrugated board and kraft papers will be freed by October 1, 1962.

Mineral and Non-Ferrous Metal Products (including ores)—Development of new domestic resources and promotion of the development of overseas sources considered necessary. Specifically, nickel was freed

COMMODITY IMPORTS BUDGET

| | Second half fiscal 1960 | First half fiscal 1961 | Second half fiscal 1961 |
|---|----------------------------|---------------------------|----------------------------|
| | (U.S.\$'000,000) | | |
| Foodstuffs | 199.1 | 206.7 | 153.5 |
| Monopoly goods (salt and tobacco) | 26.5 | 9.2 | 37.2 |
| Coal (including coke) | 60.1 | 80.6 | 105.3 |
| Metal and non-metallic products (including ores) | 83.0 | 99.0 | 94.0 |
| Petroleum | 240.7 | 242.0 | 271.6 |
| Machinery | 365.0 | 480.0 | 450.0 |
| Miscellaneous imports (I)* | (196.1) | (181.3) | ..... |
| | 505.6 | 189.5 | 184.5 |
| Miscellaneous imports (II)** | 50.0 | 115.0 | 220.0 |
| Sub-total of fund allocation items | 1,530.0 | 1,422.0 | 1,526.0 |
| Automatic approval system | 1,100.0 | 1,850.0 | 1,800.0 |
| Ordinary reserve | 170.0 | ..... | 200.0 |
| Grand total | 2,800.0 | 3,272.0 | 3,526.0 |

*Includes the figures for textile raw materials, fertilizers, crude materials for processing, barter trade goods, and medicinal and pharmaceutical goods. These were formerly listed independently. Figures in brackets are for miscellaneous imports (I) as previously listed, only.

**Equal to the automatic fund allocation.

INVISIBLE IMPORTS BUDGET

| | First half fiscal 1961 | Second half fiscal 1961 |
|--|---------------------------|----------------------------|
| | (U.S.\$'000,000) | |
| Planned allocation | | |
| Transportation | 110.0 | 110.0 |
| Insurance | .8 | .9 |
| Overseas travel | 10.0 | 9.5 |
| Gains on foreign invest- ments | 15.3 | 13.3 |
| Expenses incidental to trade | 80.0 | 66.5 |
| Royalties on tech- nological assistance | 8.3 | 8.3 |
| Other services | 47.6 | 53.6 |
| Gifts | 1.1 | 1.1 |
| Long-term capital trans- actions | 97.0 | 83.6 |
| Short-term transactions | 6.0 | 10.4 |
| Commodity transactions | 4.4 | 4.9 |
| Sub-total | 381.5 | 362.0 |
| Freed allocation | | |
| Current transactions | 328.0 | 364.0 |
| Capital transactions | 137.0 | 97.0 |
| Sub-total | 465.0 | 461.0 |
| Ordinary reserve | 20.0 | 50.0 |
| Grand total | 866.5 | 873.0 |

on October 1, 1961; tungsten, molybdenum and manganese ores will be liberalized October 1, 1962. Special tariff arrangements have been made for nickel. Details of other non-ferrous metal liberalizations not yet announced.

Energy Materials—Oil scheduled to be liberalized on October 1, 1962, but before this goes into effect Japan's current balance-of-payments position will be considered. The effect it will have on Japan's already inefficient coal industry is also being studied.

Agriculture—Many of Canada's agricultural exports to Japan are not included in the 90 per cent liberalization program. In the announced program, no mention has been made of such commodities as wheat, barley, flour, rapeseed, mustardseed, milk powder, tobacco and malt. On the other hand, liberalization of some processed fruit and vegetables, linseed oil, livestock, honey, eggs, and certain other food items, such as macaroni and spaghetti, is scheduled for October 1, 1962.

Forest Products—Liberalization of logs and lumber was completed on October 1, 1961, except for coniferous woods which will be freed before April 1962.

While the trade liberalization plan is being carried out, a systematic partial decontrolling of foreign exchange will also take place. It will affect a wide range of usage in foreign transactions, technical arrangements, travel, research, trade fairs, etc.

Import Budget

The Government on September 30 approved a record import budget of \$4,399 million for the second half of the fiscal year 1961/62 (October-April). Of this, \$3,526 million is for import commodities and \$873 million for payments on invisible imports. The total represents an increase of 6 per cent over the working import budget for the first half of the fiscal year. It recognizes the scope of the industrial modernization program and the implementing of the first stage of the accelerated import liberalization program. The Japanese Government

estimates the rate of increase in industrial production at 18.5 per cent for the full 1961-62 fiscal year as against 14.7 per cent in its original estimate. Actual industrial production in the second half will rise 5.9 per cent above the first half. Since 72 per cent liberalization will have been reached by March 31, 1962, (based on net imports in 1959—i.e., total imports minus government imports), this budget no longer is a significant means of import control.

Balance of Payments

The Ministry of Finance has estimated that current accounts will show a deficit of \$880 million for the current fiscal year, and capital accounts should show a \$350 million credit. This will give a net record deficit of \$530 million. Total foreign exchange reserves are predicted to decrease to \$1,460 million by the end of fiscal 1961 from \$1,610 million at the end of September 1961. This amount would represent the value of approximately four months of visible imports at the current rate. ●

FOREIGN TARIFFS

AND TRADE REGULATIONS

Afghanistan

TRADE WITH FOREIGN COUNTRIES BLOCKED

—Early in September, Afghanistan and Pakistan broke off diplomatic relations. Since that time goods consigned to Afghanistan through Karachi, Pakistan, which is the major port for Afghanistan, are beginning to pile up at the port to such an extent that the Pakistani authorities have indicated that these goods may have to be auctioned off to alleviate the congestion.

Canadian companies trading with Afghanistan may be adversely affected by this situation and, before entering into any firm commitments with Afghanistan, they may wish to check with the Commercial Secretary, Office of the High Commissioner for Canada, P.O. Box 3703, Karachi, Pakistan, who is responsible for Afghanistan.

India

IMPORT CONTROLS—The Indian Government recently announced its import trade control policy for the licensing period October 1961-March 1962. The foreign exchange position continued to deteriorate during the preceding period, thus forcing the Government to tighten its import controls.

Established importers and actual users of sulphur, as well as established importers of zinc, can now obtain these commodities only on a basis which does not require the immediate outlay of foreign currency (e.g., under foreign aid or long-term loans). Actual users of zinc, however, will still be able to import on a normal commercial basis.

In order to encourage the establishment of industries producing mainly for the export market, the Government will give special priority consideration to applications for the import of plant and machinery required for these industries.

Established importers' quotas on 117 items have been reduced. Quota reductions of significance to Canada include:

Iron and steel valves, from 30 to 25 per cent
Flexible pipes, from 50 to 20 per cent
Iron and steel wire rope and strand wire, from 10 to 7½ per cent
Copper rods, sections, pipes, etc., from 12½ to 10 per cent
Asbestos manufactures, from 10 to 5 per cent
Cadmium, bismuth, chromium, etc., from 100 to 90 per cent
Aluminum alloy items, from 20 to 10 per cent
Carbons from 75 to 50 per cent
Unexposed cinematograph films, from 40 to 33½ per cent
Agricultural implements, from 15 to 10 per cent
Acetylene black and carbon black, from 40 to 30 per cent
Synthetic resins, from 30 to 25 per cent

Imports of butyl acetate, butyl alcohol, and bicycle parts have been prohibited. Licences for rough optical blanks will be valid also for bifocals and trifocals.

The basic period for establishing import quotas on 19 items has been extended, and the validity period of licences has been extended in the case of ten items. Among the four new items for which applications from actual users only will be considered are hosiery needles and wire and sieve cloth.

The repeat licensing schemes already in existence continue unchanged.

Further details concerning the licensing treatment accorded to specific items may be obtained from the International Trade Relations Branch.

Ireland

APPLE IMPORT LICENSING—Because of the scarce home crop of apples in the Republic of Ireland, the Department of Agriculture in Dublin has decided to issue import licences to the regular apple importers, effective November 1 to December 31, 1961. The amount set for this period is 1,000 long tons. The Department will review the apple situation again in December and further licences will be issued if necessary. Apples produced in Britain and Northern Ireland do not require import licences—Dublin.

Jamaica

IMPORT RESTRICTIONS—Advice has been received that the Jamaican Control Authorities will no longer permit the import of chrome dinette sets in order to protect the local manufacturer.

Mattresses costing less than £14* c.i.f. Kingston are also on the list of prohibited imports. However, mattresses of a type not manufactured locally and costing £14 or over each, c.i.f. Kingston, may be imported under import licence.

*£1 sterling equals \$2.90 Canadian at current rate of exchange.

Sweden

IMPORTS OF FRESH APPLES TEMPORARILY FREED—The Swedish Agricultural Marketing Board has announced that fresh apples may be imported into Sweden without quantitative restrictions during the period December 4, 1961, to June 30, 1962, inclusive. Provided that the date on the bill of lading (or any equivalent date) lies within the above mentioned period, imports may take place up to 60 days after the expiry of the period, that is, August 29, 1962, at the latest.

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 .967937.

Foreign Exchange Rates

| Country | Unit | Type of Exchange | Can. dollar equivalent November 6 | Units per Canadian dollar | Notes (See below) |
|-----------------------------------|-----------|------------------|--------------------------------------|---------------------------------|----------------------|
| Argentina | Peso | | .01248 | 80.13 | |
| Austria | Schilling | | .04000 | 25.00 | |
| Australia | Pound | | 2.3257 | .4300 | |
| Bahamas | Pound | | 2.9071 | .3440 | |
| Belgium and Luxembourg | Franc | | .02076 | 48.17 | |
| Bermuda | Pound | | 2.9071 | .3440 | |
| Bolivia | Boliviano | Free | .00008310 | 11,350.74 | |
| British Guiana | Dollar | | .6056 | 1.65 | |
| British Honduras | Dollar | | .7268 | 1.37 | |
| Brazil | Cruzeiro | Free | .003365 | 297.18 | |
| | | Special Category | † | † | |
| Burma | Kyat | | .2170 | 4.61 | |
| Ceylon | Rupee | | .2180 | 4.59 | |
| Chile | Escudo | Free | .9821 | 1.01823 | |
| Colombia | Peso | Certificate | .1542 | 6.48 | |
| Congo, Republic of | Franc | | .02076 | 48.17 | |
| Costa Rica | Colon | | .1559 | 6.41 | |
| Cuba | Peso | | † | † | |
| Czechoslovakia | Koruna | | .1435 | 6.97 | |
| Denmark | Krone | | .1500 | 6.67 | |
| Dominican Republic | Peso | | 1.03313 | .9679 | |
| Ecuador | Sucre | Official | .05740 | 17.42 | |
| | | Free | .05011 | 19.96 | |
| El Salvador | Colon | | .4133 | 2.42 | |
| Fiji | Pound | | 2.6190 | .3818 | |
| Finland | Markka | | .003229 | 309.69 | |
| France, Monaco, etc. | New Franc | | .2102 | 4.76 | (1) |
| Franco-African Republics, etc. | Franc | | .004204 | 237.87 | (2) |
| French Pacific | Franc | | .01156 | 86.50 | (3) |
| Germany | D Mark | | .2532 | 3.87 | |
| Ghana | Pound | | 2.9071 | .3440 | |
| Greece | Drachma | | .03443 | 29.04 | |
| Guatemala | Quetzal | | 1.03313 | .9679 | |
| Haiti | Gourde | | .2066 | 4.84 | |
| Honduras | Lempira | | .5166 | 1.93 | |
| Hong Kong | Dollar | Free* | .1815 | 5.51 | *Oct. 27 |
| | | Official | .1817 | 5.50 | |
| Iceland | Krona | Official | .02403 | 41.61 | (4) |
| India | Rupee | | .2180 | 4.59 | |
| Indonesia | Rupiah | Official | .02296 | 43.56 | (4) |
| Iran | Rial | | .01364 | 73.32 | |
| Iraq | Dinar | | 2.8928 | .3457 | |
| Ireland | Pound | | 2.9071 | .3440 | |
| Israel | Pound | | .5740 | 1.74 | |
| Italy | Lira | | .001664 | 600.96 | |
| Japan | Yen | | .002870 | 348.43 | |

†Exchange auctions will be held each week for limited amounts of exchange.

‡There is no trading in Cuban pesos in U.S. or Canadian banks at present.

*Latest available quotation date.

| Country | Unit | Type of Exchange | Can. dollar equivalent November 6 | Units per Canadian dollar | Notes (See below) |
|--|----------------------|------------------------|--------------------------------------|---------------------------------|----------------------|
| Lebanon | Pound | Free | .3246 | 3.08 | |
| Mexico | Peso ..... | ..... | .08265 | 12.10 | |
| Morocco | Dirham ..... | ..... | .2066 | 4.84 | |
| Netherlands | Florin ..... | ..... | .2868 | 3.49 | |
| Netherlands Antilles | Florin ..... | ..... | .5478 | 1.82 | |
| New Zealand | Pound ..... | ..... | 2.8872 | .3463 | |
| Nicaragua | Cordoba | Effective buying | .1565 | 6.39 | |
| | | Official selling | .1466 | 6.82 | |
| Nigeria | Pound ..... | ..... | 2.9071 | .3440 | |
| Norway | Krone ..... | ..... | .1451 | 6.89 | |
| Pakistan | Rupee ..... | ..... | .2180 | 4.59 | |
| Panama | Balboa ..... | ..... | 1.03313 | .9679 | |
| Paraguay | Guarani | Official | .008167 | 122.44 | |
| Peru | Sol ..... | ..... | .03851 | 25.97 | |
| Philippines | Peso | Free | .3444 | 2.90 | |
| | | Official | .5166 | 1.93 | |
| Portugal & Colonies Republic of | Escudo ..... | ..... | .03606 | 27.73 | (5) |
| South Africa | Rand ..... | ..... | 1.4536 | .6879 | |
| Singapore and Malaya | Straits Dollar ..... | ..... | .3392 | 2.95 | |
| Spain and Dependencies | Peseta ..... | ..... | .01722 | 58.08 | |
| Sweden | Krona ..... | ..... | .1998 | 5.00 | |
| Switzerland | Franc ..... | ..... | .2390 | 4.18 | |
| Syria | Pound | Free | .2890 | 3.46 | |
| Thailand | Baht | Free | .04887 | 20.46 | (4) |
| Tunisia | Dinar ..... | ..... | 2.5002 | .3999 | |
| Turkey | Lira ..... | ..... | .1148 | 8.71 | (4) |
| United Arab Republic | Pound | Official | 2.9667 | .3371 | |
| United Kingdom | Pound ..... | ..... | 2.9071 | .3440 | |
| United States | Dollar ..... | ..... | 1.033125 | .967937 | |
| Uruguay | Peso | Free | .09422 | 10.61 | |
| Venezuela | Bolivar | Official | .3086 | 3.24 | |
| | | Free | .2260 | 4.42 | |
| West Indies Fed. ... | Dollar ..... | ..... | .6056 | 1.65 | (6) |
| | Pound ..... | ..... | 2.9071 | .3440 | (7) |
| Yugoslavia | Dinar | Official | .001378 | 725.69 | |

Notes

1. New franc is also used in Algeria, French Guiana, Guadeloupe and Martinique.
2. 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.
3. New Caledonia, New Hebrides, French Polynesia.
4. Additional rates are in effect.
5. Portugal: approximately same rate for Portuguese territories in Africa.
6. Barbados, Trinidad, Tobago, Leeward and Windward Islands.
7. Jamaica.

COMMODITY NOTES

Cotton

PARAGUAY—Total cotton production this year is estimated at 22,000 tons, compared with 14,000 in 1960. Of the two annual crops, the first was of good quality but the second was adversely affected by the weather. Planting is expected to increase from the present 60,000 hectares to 80,000 hectares in the next season.

Because of increased confidence among growers, production in 1962 should rise to 35,000 tons, the normal level in the years before 1959. Exports of cotton fibre in the first six months of 1961 reached 3,371 tons—Montevideo.

Gas

BRAZIL—Complete equipment for a gas plant to supply Rio de Janeiro and São Paulo is being sent to Brazil by the U.S.S.R. The plant will be installed in the interior of the state of São Paulo. The order was placed in Leningrad about 18 months ago—São Paulo.

Meat Processing

VENEZUELA—Two new meat-packing plants, one at Maracaibo for processed meats and the other at Maracay for devilled ham, are to be constructed. The former will be situated near the eastern approaches to a bridge being built over Lake Maracaibo and will be partially financed by the Creole Petroleum Company. The latter, owned by Venezuelan interests, plans an intensive program in concert with the Venezuelan Ministry of Agriculture to stimulate the raising of high-grade hogs—Caracas.

Motor Vehicles

COLOMBIA—Ten jeeps a day are now being assembled by a Bogotá company. Only a quarter of the materials now being used are of local manufacture. However, the plan is to raise this proportion to 40 per cent by the end of 1961 and to not less than 75 per cent by the end of 1962.

Another Colombian company is planning to produce motor vehicles in collaboration with a Spanish manufacturer. The machinery for this factory will be imported on a barter basis against shipments of Colombian coffee—Bogotá.

Paper

ARGENTINA—The Ministry of Economy has approved a foreign capital investment of £425,866 sterling by Wiggins Teape Co. Ltd. of London, England, in conjunction with Witcel S.A. of Buenos Aires, to establish a mill to make special types of high-grade paper—Buenos Aires.

Steel

BRAZIL—Cia. Siderurgica da Amazonia in Manaus has made an agreement with KRUPP of West Germany whereby the German firm will furnish equipment and technical knowhow in exchange for iron ore. Part of the equipment will come directly from Germany and part will be manufactured locally by Industrial Nacional de Locomotivas, a Brazilian subsidiary of KRUPP.

This agreement will increase the estimated initial annual production of steel from 30,000 to 100,000 tons, for the supply of the north-northeastern regional market. Eventually steel may be exported, mainly to Peru—Rio de Janeiro.

Winter Service Offered

Canadian Pacific Steamships recently announced that it will offer a general cargo winter service this year between Quebec City, London and Antwerp. The Eskimo and Fort Chambly, reinforced motor vessels of the Canada Steamships Line fleet, will be used to provide this service. The Eskimo is capable of lifting 6,000 tons and the Fort Chambly 8,000 tons. The ships will operate under the Canadian Flag and each vessel will make three westbound and two eastbound voyages.

The J. Lauritzen Line which inaugurated winter service to Quebec City and Baie Comeau three years ago has announced that it will extend its service this year to include the port of Three Rivers. Five heavily reinforced polar vessels will provide seven sailings in each direction between the St. Lawrence and British and European ports.

The Canada-United Kingdom Freight Conference, of which Canadian Pacific Steamships is a member, has announced that the following premiums will be applied to the existing ocean freight rates for cargo moving out of St. Lawrence River ports this winter aboard Conference vessels:

Twenty per cent on all rates up to and including \$25 per ton weight or measurement;

Fifteen per cent over \$25 up to and including \$40 per ton weight or measurement;

Ten per cent on all rates in excess of \$40 per ton weight or measurement.

In addition, an over-all surcharge of 2½ per cent previously announced by the Conference became effective November 1, 1961.

The J. Lauritzen Line is not a member of the Conference. Freight rates may be obtained by contacting its agents, Quebec Terminals Ltd., in either Quebec City, Three Rivers, Montreal or Toronto.

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