

Canada in the Markets of the Orient

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Canada in the Markets of the Orient

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Sharp rise in our sales to this area from \$180 million in January-September 1960 to \$311 million in 1961 points up trade potential there. Where were the increases most significant? What were the underlying reasons for them? Are they likely to continue? This introduction to our annual trade review answers these questions.

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COMING—FLORIDA: FAST GROWING MARKET, IN APRIL 7 ISSUE

Canada in the Markets of the Orient

Big grain shipments to Communist China and greater sales to Japan have increased Canada's exports to this area by 72 per cent. Will these and the adjoining markets continue to buy more from us? The author's analysis of the problems and achievements of the 13 countries covered in this issue will help to answer that question.

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

CANADIAN exports to the Far East in 1961 showed a monumental increase. Shipments for the first nine months, valued at \$311 million, were no less than 72 per cent greater than those for the same period of the previous year. Final figures for the full twelve months will almost certainly bear the same relationship to the 1960 total.

This notable change in the position directly reflects much greater exports to two countries in the area—Japan, which is solidly entrenched as Canada's third largest market, after the United States and Britain—and Communist China. Our sales to Japan for January-September 1961 came very close to equalling those for the whole of 1960. Our shipments to Communist China, comprised almost entirely of wheat and barley, rocketed to \$102 million in the first three quarters from \$8.6 million. Changes in the volume of our exports to other Asian markets were not, on the whole, significant. It seems likely that the full year's exports to Malaya, Singapore and Taiwan will show an improvement, but otherwise our performance should compare rather closely with that of 1960. Shipments to South Korea, Vietnam and Cambodia have fallen off as expected because of the mounting effect of the purchase limitations of United States Agency for International Development (AID) assistance programs extended to these countries.

Imports into Canada from the Asian countries to which this issue is devoted declined by about 6 per cent—from \$125 million to \$118

million—on the basis of nine-month totals. This shortfall was fairly generally distributed among the supplying countries. An exception was Japan, whose shipments to this country in 1961 have been running slightly ahead of 1960.

The broad statistical position of our trade with the Far East is given in the adjoining table, which covers the calendar years 1958-1960 inclusive and compares the January-September periods of 1960 and 1961. This provides a compact picture of Canada's current trade with each of these countries. Similarly, this preamble merely touches on a few of the major developments in the principal Asian markets in 1961, and points to some features likely to affect Canadian prospects in this important trading area in 1962.

For statistical detail, for analyses of Canadian trade with specific markets, for news of developments in Asian countries of interest and concern to exporters, and for assessments of the outlook for Canadian exports in each, readers are referred to the individual reports in this number prepared by Canadian Foreign Service Officers stationed in Tokyo, Manila, Hong Kong, Singapore and Jakarta.

Japan Checks Boom

Fairly early in 1961 there were unmistakeable signs that the Japanese boom, after three successive years, had got out of hand. With some preliminary hesitation because of reluctance to alter the planned economic program or retard the re-equipment of export industries,

corrective measures were imposed by the Government. That they were needed is evidenced by the fact that during the last eight months of the year the deficit on visible trade was running at an annual rate of \$1.8 billion. Concurrently, foreign exchange reserves fell from about \$2 billion to less than \$1.5 billion. This deterioration was principally due to a 30 per cent increase in imports. This increase to some extent resulted from strong consumer intake, but mainly from first, the very active demand of Japanese industry for capital equipment required to increase efficiency in anticipation of further import liberalization, and second, the pace of economic growth called for under the ten-year plan to double the national income. On the other side of the ledger, the rate of export increase was relatively sluggish, reflecting the recession in the United States, a market which absorbs about one-quarter of total Japanese exports.

The corrective measures took the form of a severe restriction of credit. The effects of internal monetary measures do not show up immediately in statistics of foreign trade, but according to a recent report of the Economic Planning Agency of Japan, the influence of the measures of adjustment has now permeated deeply and widely into the economic fabric of the country. Current export performance is improving, export prospects are brighter, and the downward trend in imports has become more apparent. Simultaneously, \$300 million in loans from United States banks last November and a one-year standby credit of \$305 million granted in January by the International Monetary Fund have eased the immediate strain on exchange reserves.

Will Liberalization Proceed?

Japanese business now hopes for a resumption of buoyant economic

activity by, say, next autumn. On the extent to which these hopes are realized much depends. For example, the principal target in the Japanese trade liberalization program has been advertised as 90 per cent liberalization (on a 1959 basis) by October 1962. Additionally, an intermediate step in the program, which would bring the free ratio from its present 70 to 75 per cent (and would affect commodities of interest to Canada), has been scheduled for April. There is now growing speculation that this step may be postponed for two or three months. Such a postponement would not be unrelated to Japanese interest in the progress made by other countries, notably in Europe, in removing restrictions against Japanese exports.

At the same time, the Japanese Government is continuing its announced policy of raising tariff rates to cushion the initial impact of foreign competition on sensitive domestic industries as quantitative restrictions are removed. The new Japanese customs tariff which went into effect in June last year raised the rates (in some cases temporarily) on numerous items coming up for subsequent liberalization. Last December the Tariff Deliberative Council recommended to the Finance Ministry that duties on 133 items be revised upwards on 68 items and downwards on 32. These

revisions, which require the approval of the Japanese Diet, are admittedly designed to protect domestic producers of commodities expected to be liberalized this year.

Japan, a country small in area, with a large population and limited natural resources is perpetually confronted with the need to expand exports to sustain a high level of imports. This requires that Japan be fully competitive. In the present situation the restrictive measures imposed on the economy last year must be retained until the trade deficit is substantially reduced. For the short term, some of the crucial questions for Japan which must occur at this time are—"Can exports be increased sufficiently, while the credit squeeze continues in effect, to permit the progressive dismantling of trade barriers according to schedule?" "Will increased demand in the United States be great enough to affect significantly Japanese exports as a whole?" (There is already speculation in some quarters that "saturation point" in the North American markets has been reached.) "In this event, what of the prospects for greater sales to Europe, where the rate of expansion is slowing down?"

New Trade Groupings?

As for Japan's export prospects in the developing countries of Asia, a recent publication by the Japan

External Trade Organization draws attention to the shrinkage of substantial markets for Japanese chemical fertilizer in South Korea and Pakistan, because U.S. assistance funds granted to these countries must be used for the purchase of U.S. products. And as a background to these more immediate concerns, there is for Japan the fear of economic isolation, arising out of the rapid consolidation of the Common Market in Europe and possible related developments involving Britain and the United States. This in turn has engendered discussion about various groupings in which Japan might participate, as, for example, an Asian Common Market or a Pacific Common Market. These alternatives, whether realistic or not, emphasize the extent of Japanese concern. The outcome of such developing situations as these can be of considerable significance for Japan and her trading partners, including Canada.

Communist China's Problems

In spite of the industrial growth of recent years, agriculture continues to be the mainstay of the Chinese economy. Consequently, the failure for the third year in succession of agricultural output to measure up to expectations was a serious setback. Although indifferent weather conditions throughout the year adversely affected all crops in

Canadian Trade with the Far East

	EXPORTS TO					IMPORTS FROM				
	1958	1959	1960	Jan.-Sept. 1960	Jan.-Sept. 1961	1958	1959	1960	Jan.-Sept. 1960	Jan.-Sept. 1961
	(in thousands of dollars)									
Japan	104,891	139,724	178,008	129,451	172,009	70,216	102,669	110,382	83,645	84,796
Communist China	7,809	1,720	8,737	8,584	102,186	5,376	4,850	5,638	4,033	2,322
Hong Kong	6,054	11,192	22,515	17,710	12,600	8,823	13,190	15,534	12,424	10,952
Philippines	14,088	14,863	14,809	11,886	10,643	2,187	1,449	1,966	1,449	1,302
Malaya and Singapore	3,233	3,258	4,660	3,244	4,207	19,904	28,658	28,120	21,091	16,580
Taiwan	1,167	1,692	2,886	2,280	3,521	159	716	1,150	821	1,223
Thailand	1,294	1,937	2,710	2,149	2,121	649	652	842	588	374
Indonesia	1,695	1,760	2,110	1,461	2,041	231	156	529	322	208
South Korea	4,308	6,000	3,916	2,770	1,239	24	235	404	401	66
British East Indies, n.e.s.	113	95	359	211	270	133	390	261	170	212
Vietnam	266	385	540	444	194	5	12	5	5	8
Cambodia and Laos	*	*	148	39	71	*	*	17	15	2
	144,918	182,626	241,398	180,229	311,102	107,707	152,977	164,848	124,964	118,045

*Included with Vietnam figure before 1960.

varying degree, it now appears that the grain harvest at least was somewhat better than in 1960, although industrial crops were smaller. However, it may well be that the major efforts concentrated on agriculture during 1961 will bear fruit this year. Much will of course depend on climatic conditions, but it is clear that surpassing the agricultural production of 1961 by as large a margin as possible is the most important task for China in 1962. Industrial retrenchment continues and there appears to be a nearly complete shutdown of new construction.

The fall in agricultural output was reflected in a drop in exports of agricultural products which normally are Communist China's principal foreign currency earners. The loss of exchange earnings, coupled with the need to import large supplies of foodstuffs, called not only for a wholesale revision of the import pattern but for a considerable amount of dexterity and ingenuity in setting up deferred purchase arrangements and in making provision for the coverage of settlement commitments on due dates.

Canadian exports to Communist China climbed to a new high of \$102 million for January-September as the wheat and barley contracted for early in 1961 moved to its destination. Included in this amount is a number of shipments of metal products in which increasing interest has been shown in recent years, but in view of China's preoccupation with foodstuff imports at this time, sales of such Canadian materials for industry have fallen far short of those of 1960. The prospects are for some improvement in this category in 1962. There is no present indication of less Chinese interest in Canadian grain.

Hong Kong's Markets

Continued industrial expansion characterized the economy of Hong Kong in 1961 and, generally speaking, production levels in individual industries were high as the year ended. Some branches of manufacturing, however, suffered setbacks

during the year. Textile clothing exports fell by some 16 per cent, mainly as a result of the decline in sales to North America, and this was reflected in a proportionate decrease in output by garment manufacturers. The rubber footwear industry likewise returned lower production figures. The total value of Hong Kong exports reached about \$688 million, roughly \$1.5 million less than in 1960; imports, at approximately \$1,088 million, were up by 1.8 per cent.

All the principal European markets except West Germany bought more from Hong Kong last year, but United States purchases were down from 1960 by 12 per cent. There was a sharp drop in imports from Communist China, but this was just about made up by imports from Southeast Asian countries. The Colony promises to continue to be an attractive market for Canadian aluminum in primary forms, steel, zinc, and wheat. Prospects for plastic raw materials, especially polyethylene and polystyrene, are less encouraging.

Philippines Makes Adjustments

Unsatisfactory, uncertain, disappointing—these are among the words that have been used to describe the economic situation in the Republic in 1961. It was an election year and political preoccupations resulted in the postponement of Congressional action on a number of important measures of adjustment. A new administration took office at the beginning of this year and some of its financial policies have been implemented—an increase in the bank rate from 3 to 6 per cent, abolition of exchange control, customs tariff revision, and negotiations with the World Bank and the International Monetary Fund for a loan of \$250 million to stabilize the economy. The effect of these moves will emerge as the year unfolds. An indication of some of the Republic's more serious problems is the sharp deterioration in the exchange situation in 1961. Between the beginning and the end

of the year the foreign exchange reserves fell from U.S.\$198 million to U.S.\$106 million. Concurrently, the Central Bank's reserves declined from U.S.\$120 million to U.S.\$44 million.

Canadian shipments to the Philippines in the first nine months of 1961 fell to \$10.6 million from \$11.9 million. The difference just about equals the net loss in Canadian sales to this market resulting from a drop in flour exports from \$5.5 to \$3.5 million and an increase in wheat exports from \$1.9 to \$2.2 million.

In Other Countries

Taken as a whole, our exports to the remaining markets covered in this special issue rose by \$1 million—from \$12.6 million in January-September 1960 to \$13.6 million in the first nine months of last year. This improvement is largely accounted for by increased exports to the Federation of Malaya, Singapore and British Borneo. (These three territories, incidentally, are currently preoccupied with the examination of a proposal to merge themselves into a new state—Greater Malaysia.) Our shipments to Taiwan also showed a sharp rise, in which wheat and crude sulphur figured largely. Political instability hampered the economic development and trade of South Korea. This, and the stipulations tying Agency for International Development procurement to United States sources, contributed to the substantial shrinkage in Canada's share of the Republic's imports. Similarly, AID purchase limitations steered the major proportion of the import orders to United States suppliers.

The Cambodian market for Canadian products is small, but if gift shipments in 1960 are deducted from our exports to this country in that year, then the 1961 total represents quite a sharp increase. There are opportunities for further growth as economic progress engenders more expansive and sophisticated tastes among consumers. ●



Greater output in the machinery industry accounted for more than half the rise in production in Japan in the first nine months of 1961. Here a Japanese-made mechanical shovel is seen hard at work on an important land-reclamation project.

Japan

- ★ Trade deficit causes concern; brings on corrective measures.
- ★ Ninety per cent liberalization of imports still expected October 1.
- ★ Canada's sales reached \$172 million in first nine months of '61.

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

THE Japanese economy has for the past three years been experiencing a boom that by any standards seems remarkable. In 1961 this boom, characterized by a continued rapid expansion, reached a point where experts considered that the economy was "overheated". By mid-year the Government was obliged to impose certain corrective measures and as a result the rate of economic growth has levelled off in recent months. There is no reason for pessimism, however, for the current rate of growth is estimated at more than 5

per cent above the previous fiscal year, employment is high, and there is every visible evidence of prosperity.

Corrective Measures

The adverse effect, such as it is, of three successive years of prosperity has appeared mainly in the international balance of payments. The over-all balance, which continued to show a surplus until April 1961, became adverse and this resulted in a substantial drop in the foreign exchange reserves for the

remainder of the year. This reflected a trading situation in which the rate of increase in export sales declined and imports rose substantially, mainly because of large investment in equipment, coupled with a growing consumer demand.

The corrective measures that the Government imposed included the raising of the bank rate to the point where it now stands—at over 7 per cent. Deposits required of importers have also been raised and the banks have been asked to restrict their advances. Industry has been requested to scale down investment plans on the premise that imports of capital goods and raw materials are largely responsible for the over-all increase in imports. All of these measures have begun to show results, and the feeling is that this phase of the economy is now more healthy.

The immediate and long-term outlook for the Japanese economy points to continuing buoyancy and the troubles of the past year, it is believed, should not be regarded as growing or insurmountable. Balance-of-payments difficulties have arisen before in recent years and, as in any expanding island economy where the population is large and industrious and raw materials scarce, the question of balance of payments and trade is always a delicate and vital one.

Industrial Production Up

Industrial production for the 1961-62 fiscal year is estimated to be running at an average rate of increase of 18.5 per cent above 1960-61, when it went up by 26 per cent over the previous year. It is therefore evident that although the increase is smaller than in the past year, it is still a significant one and perhaps more than any economic indicator shows the continued advance of the Japanese economy. The mining and manufacturing industries achieved an average advance over nine months of 1961 of 22.1 per cent compared with the same period in 1960, exceeding the government forecast of 14.7 per cent. Further

comparisons with 1960 reveal that the following industries showed more-than-average increases: iron and steel 26.8 per cent; machinery 36.7 per cent; leather and leather products 26.0 per cent; non-ferrous metals, petroleum and coal products, crude rubber, paper and pulp 15-20 per cent; textiles less than 10 per cent.

More than half of the expansion in output, it is estimated, resulted from greater production in the machinery industry. Production of automobiles, a significant indicator in Western economies, increased by 35 per cent to the point where Japan is rapidly overtaking Italy as one of the world's leading manufacturers of motor vehicles. In steel Japan appears to be exceeding Britain in volume of production. One can go on making similar comparisons, for Japan's manufacturing industries are forging ahead by any standards, as the nation proceeds by its own efforts and skills to consolidate its position as one of the world's industrial giants.

Trade and Payments

The past year has seen the Japanese balance of international payments deteriorate seriously. From about April 1961 until the end of the year, Japan ran a visible trade deficit at an annual rate of about \$1,800 million. Foreign exchange reserves simultaneously fell from a high of \$2,035 million in April 1961 to below \$1,486 million at the end of December. This could not be allowed to continue. The corrective measures mentioned earlier seem to have had the desired effect and the latest reports indicate that by the end of February 1962 the reserves should have recovered to \$1,570 million. It is worth noting, however, that December, January and February are usually the months in which imports are lowest.

The basic cause for this balance-of-payments situation is the unfavourable trade balance. Imports and exports have been running at record high levels, but the drain on exchange reserves caused by the

	Unit	1961		Compared with 1960	
		Volume	Value (U.S.\$'000)	Volume (per cent)	Value (per cent)
EXPORTS (f.o.b.)					
Iron and steel	metric tons	2,310,534	380,417	99.9	98.0
Cotton fabrics	1,000 sq.m.	1,178,927	347,705	99.0	98.9
Ships	gross tons	1,070,188	278,349	114.6	96.6
Clothing	.....	.....	191,114	.....	86.7
Fish and shellfish	metric tons	298,775	162,729	97.4	93.2
Radio receiving sets	units	18,051,597	160,143	136.9	110.8
Metal products	.....	.....	152,621	.....	103.3
Spun rayon fabrics	1,000 sq.m.	515,327	103,752	92.2	88.1
Optical goods and parts	.....	.....	83,467	.....	112.2
Toys	metric tons	72,453	83,336	86.5	92.6
Others	.....	.....	2,294,167	.....	.....
Total	.....	.....	4,237,800	.....	104.5
IMPORTS (c.i.f.)					
Petroleum	kilolitres	48,222,797	721,737	130.8	123.1
Raw cotton	metric tons	868,184	529,687	115.3	122.8
Iron and steel scrap	metric tons	7,098,725	387,264	160.0	168.6
Raw wood	metric tons	258,500	344,625	135.5	129.9
Iron ore	metric tons	21,247,434	302,051	141.3	141.3
Wood	cubic metres	9,682,420	260,214	151.6	152.8
Coal	metric tons	11,147,558	188,158	134.4	133.2
Wheat	metric tons	2,620,015	179,429	97.8	101.5
Non-ferrous metal ores	metric tons	3,949,865	170,957	118.5	109.9
Soybeans	metric tons	1,155,199	128,535	102.4	119.6
Others	.....	.....	2,598,743	.....	.....
Total	.....	.....	5,811,400	.....	129.4

excess of imports gives the Government much concern. Recent restrictive measures have brought down imports of late months and will continue to do so. Prospects for increased exports are less encouraging than the Government could wish. The United States remains Japan's largest market and the outlook for substantial increases there is not considered good. The concensus is that the rise in Japanese sales abroad over the next year will be comparatively small.

Japan must export to live and her economic well-being depends on world trading conditions and her capacity not only to maintain but to expand her exports. To do this, she must be competitive and achieve satisfactory trading relations with the rest of the world. Internally, with her large and skilled population, she can apparently accomplish this. The problem is an external one. Left alone in a world where she sees other industrialized coun-

tries (some of which are her important trading partners) forming trade groupings, Japan, the only highly industrialized country in the East, is searching for a solution to her isolation. Already in some circles mention is being made of closer trading relationships with the United States and Canada, as well as possible membership in the OECD.

Japan's trade with Asia during the past year about equalled her trade with North America, followed by trade with Europe, Latin America, Oceania and Africa. The United States supplies about 35 per cent of Japan's imports and takes 25 per cent of her exports. Exports to Europe account for about 14 per cent of the total and imports from Europe for about 10 per cent.

Table I reflects the conversion of raw materials into manufactures for export and indicates the increased activity in 1961.

TABLE II
CANADIAN EXPORTS TO JAPAN

	12 months	9 months	
	1960	1960	1961
(Can.\$'000,000)			
Wheat, except seed, n.e.s.	82.10	61.82	72.33
Iron ore, crude, concentrated	9.42	6.64	6.75
Flaxseed	9.36	6.71	11.39
Aluminum in primary forms	6.42	1.36	.....
Scrap iron and steel, n.e.s.	5.34	3.52	9.94
Asbestos milled fibres, groups 4, 5	4.96	2.45	3.60
Copper, fine in ore	4.93	4.32	.....
Rapeseed	4.88	4.52	2.03
Plastics, synthetic rubber	4.58	3.38	3.77
Coal	4.46	3.13	4.53
Asbestos shorts, groups 6, 7, 8, 9	2.83	1.56	2.22
Copper ingots, bars, billets	2.83	.96	.....
Brass scrap, dross and ashes	2.23	2.03	.....
Ores, n.o.p.	2.23	1.56	.....
Zinc spelter	2.14	.73	.....
Bookkeeping, calculating machines and parts	2.09	1.48	.....
Aluminum scrap	2.04	1.36	2.43
Pulp, sulphite, bleached, dissolving	2.03	1.87	.....
Non-metallic minerals, crude, n.e.s.	1.94	1.42	.90
Lead in pigs, refined lead	1.59	.73	.....
Cattle hides, raw	1.36	.86	1.17
Pulp, sulphite, bleached, paper grade	.95	.81	.....
Whisky	.93	.48	.27
Copper scrap, slag, skimmings	.88	.57	.....
Calf and kip skins, raw	.80	.58	.73
Asbestos milled fibres, group 3	.65	.34	.39
Tallow, inedible	.55	.55	.52
Piling of wood	.39	.23	.42
Mustardseed	.26	.08	.29
Lumber	.18	.13	6.25
Logs	.15	.14	1.21
Uranium ores and concentrates	.14	.12	.....
Rye	.12	.05	.77
Sub-total	165.76	116.49	131.91
Total value of all items other than those listed above	12.24	12.20	40.14
Grand total	178.00	128.69	172.05

At the end of September last year the Japanese Government announced plans for acceleration of trade and exchange liberalization (see *Foreign Trade* of November 18, 1961). This program is being implemented although there have been a few delays, chiefly because of Japan's bilateral position with certain trading partners. It calls for 90 per cent liberalization (based on 1959 imports) by October 1 of this year and it is assumed that this will be carried out. The remaining 10 per cent of unliberalized items will be those products of her industry or agriculture that Japan considers particularly uncompetitive.

A related move was a major revision of the Japanese tariff early in 1961. Duty rates were moved up or down, according to the industry's competitiveness. The result is a modernized tariff with rates of duty on a varying scale.

These measures should mean greater possibilities for the sale of Canadian products in Japan, but interested businessmen should consult the International Trade Relations Branch of the Department of Trade and Commerce in the first instance to ensure that their products are in fact able to enter the Japanese market free of quantitative or any other restrictions.

Final figures for Canadian exports to Japan in 1961 are not yet available. Table II does, however, indicate that Japan continues to be a growing market for Canadian products, notably raw materials, and that it is now Canada's third largest customer.

Provided the current levelling-off in the Japanese economy only limits the rate of growth, there is no reason why Japan should not continue to be an expanding market for the raw materials that her industry needs. Indeed, there is frequent evidence of greater Japanese interest in Canadian resource materials.

Although there is a continued imbalance of visible trade in Canada's favour, it is interesting to note that over the more than six years since the "Agreement on Commerce between Canada and Japan" was signed in 1954, Japanese exports to Canada have increased in value by more than 400 per cent and Canadian exports to Japan by somewhat more than 100 per cent.

The largest single group of imports from Japan is textiles—about 23 per cent of the total by value. In the interests of orderly marketing, a system of voluntary quotas is applied by Japan to its exports to Canada of these and certain other products. On the other hand, about 70 per cent of Canadian exports to Japan in 1961 were subject to quantitative import restrictions.

More than 60 per cent of Canadian exports to Japan consist of agricultural products and more than 30 per cent of industrial raw materials. Over 80 per cent by value of these exports come from Western Canada.

As a market for Japanese exports in 1961, Canada ranked sixth and of Japan's important export markets on a per capita basis Canada ranked second, after Australia. It is evident that each country is highly important to the other as a trading partner. With the economic expansion in both and continued cordial trading relations, Canadian-Japanese trade should reach unprecedented highs during this decade. ●

South Korea

- ★ Exports are rising, aided by subsidies, but far below imports.
- ★ Japanese exporters, with low freight rates, offer stiff competition.
- ★ Canadians precluded from supplying goods under U.S. aid funds.

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

INTERNAL unrest and uncertainty disrupted trade with Korea in 1961, just as it did in 1960, but the military government also took some unusual steps to accelerate a business recovery. Among them were a raising of the ceiling for loans to cover imports financed by the Agency for International Development (AID) in the United States, temporary reduction of customs duties for some AID imports, and the raising of the ceiling on loans by commercial banks. Foreign exchange holdings at the end of September 1961 totalled \$198 million, compared with \$154 million at the end of November 1960.

A good rice crop and record fish catches, combined with a limited public works program, incentives to export, and the announcement of an ambitious five year economic development program, brought some measure of social and business stability to South Korea by the end of the year.

Exports Increase

One of the encouraging aspects of Korean trade in 1961 was that exports rose by 30 per cent to \$42.4 million compared with \$32.3 million in 1960. Purchases of goods and services for the United Nations forces, which are considered as export earnings, totalled approximately \$24 million at the end of September and will probably reach about \$32 million for the full year. The major share of South Korea's exports—\$20.8 million—went to Japan and some of the major commodities exported were:

tungsten	\$5.7 million
iron ore	5.3 "
livestock (swine)	3.0 "
raw silk	2.7 "
anthracite coal	2.3 "
cuttlefish	1.9 "

Improved mining facilities and larger production probably accounted for some of the increase in exports, but export subsidies introduced by the military government also helped. Generally speaking, Korea has had little experience in exporting and the export subsidy is almost a necessity.

Imports continued to outstrip exports by a wide margin. In the eight-month period January-August 1961, they totalled approximately \$212 million. It is estimated that the year-end total may reach about \$300 million, a decrease from the \$329 million of 1960. Korea depends heavily on AID and DLF assistance from the United States, but there are indications that, starting in 1962, other countries will provide aid or financing for specific development projects.

Trade with Canada

The Agency for International Development purchase limitations that preclude the use of these funds for imports from Canada have closed the Korean market to a number of products bought from Canada in the past, such as aluminum, zinc spelter, and most types of synthetic fibres and yarns, as the statistics in Table I show. One exception to the limitation in 1961 was fertilizer. Approximately \$44 million in AID funds was budgeted for

fertilizer imports and some 40 per cent of this business was available for global tenders. Canadian producers supplied a part of this fertilizer in the fourth quarter of 1961, but AID officials state that in future it too will be subject to limited procurement.

Final figures on trade between Canada and South Korea are not available for 1961, but indications are that exports from Canada have fallen somewhat below 1960. Imports into Canada from Korea consist largely of tungsten ore and kolinsky skins. However, they vary a great deal from year to year, as Table I, which shows a large decrease in imports in 1961, confirms. A large part of Korea's production consists of raw materials that are also produced in Canada and, in

TABLE I
KOREA'S TRADE WITH CANADA

Canadian Exports to Korea	1958	1959	1960
	(Can.\$'000)		
Total, 12 mos.	3,682	6,000	3,916
		9 mos. 9 mos.	
		1960	1961
Total, 9 mos.		2,770	1,239
Of which:			
Ammonium sulphate	580		417
Flaxseed, n.e.s.	46		169
Wood pulp, sulphate semi-bleached	....		78
Wood pulp, sulphate kraft unbleached	121		....
Pulp, sulphate bleached, paper grade	51		....
Paper bags and multiwall sacks	59		40
Zinc spelter	182		....
Zinc anodes, bars, sheet, slabs	....		79
Milk powder, whole milk	3		42
Radio, TV equipment and parts, n.e.s.	275		3
Asbestos shorts, groups 6, 7, 8, 9	77		2
Mining machinery and parts	61		....
Synthetic fibre thread and yarn	772		15
Textile fabricated materials, n.e.s.	....		25
Plastics, synthetic rubber, not shaped, n.e.s.	....		20
Inorganic chemicals, n.e.s.	....		42
Canadian Imports from Korea			
	1958	1959	1960
Total, 12 mos.	21	235	404
		1960	1961
Total, 8 mos.		401	66

addition, lack of incentive and experience in exporting have limited imports into Canada from South Korea to one or two items.

Over-all trade prospects for Korea in 1962 appear encouraging. A trade plan has been announced for the first half of the year setting a target of \$56.5 million for exports. To accomplish this, the following proposals have been made:

- Increased funds to promote exports.
- Market research visits abroad by Korean commercial attachés.
- Conclusion of new trade pacts.

Five Year Plan Inaugurated

In addition, the 1962 budget of hwan689 million is well above that of 1961 (hwan614.2 million). It should be noted, however, that foreign aid will account for almost 46 per cent of the total. An important part of the budget increase, hwan 217 million, resulted from the inauguration this year of the five year economic development plan. The plan is centred around the improvement of telecommunication facilities, railways, and hydroelectric resources; it also calls for further development of the cement and fertilizer industries. Initial reports indicate that the plan depends heavily on foreign investment or long-term loans to supply the capital needed for these projects. It seems doubtful whether funds from overseas will be made available to the extent anticipated, in spite of changes in the country's foreign investment law, and it may be necessary to revise the plan by the end of this year. The ultimate goal is to make the Korean economy self-sufficient through investment in key industries, modernization of existing industries, promotion of exports, and improvements in agriculture and the fisheries.

Market Prospects

Provisional estimates show that \$196.5 million will be available in

TABLE II
JAPAN'S TRADE WITH KOREA

	1960	1961
	(11 months Jan.-Nov.)	
	(Hwan '000)	
Exports to Korea	31,356,637	41,291,207
Imports from Korea	5,696,392	7,505,534

the first half of 1962 for imports—\$114 million in AID funds and \$82.5 million in Korean free exchange or Bank dollars. AID funds cannot be used for imports from Canada but Canadian exporters should be able to obtain a larger share of the market for manufactured goods. Improved trade relations with Japan (see Table II),

will undoubtedly make it difficult for Canadian exporters to develop sales in South Korea without personal visits. Japanese firms have the advantage of familiarity with the needs of the market, proximity to it, and consequent low freight rates. Complete information is not yet available on the list of products which may be imported into Korea on a global basis, but answers to inquiries about specific products may be obtained by writing to the Commercial Counsellor, Canadian Embassy, Tokyo. Officers from the Embassy make periodic visits to Korea and will be pleased to investigate market prospects on request. ●

Indonesia

- ★ Foreign exchange shortage aggravated by need to buy rice abroad.
- ★ Trade deficit forced drastic curtailment of import licences.
- ★ Short-term outlook for Canadian suppliers rather unpromising.

C. S. GADD, *First Secretary and Consul, Djakarta.*

INDONESIA'S new Eight Year Development Plan began in 1961—a difficult year that seemed to reveal certain weaknesses in the economic structure and to point up the need for greater co-ordination and more realistic planning. The country was plagued also by a prolonged drought that added to existing inflationary pressures.

By the end of the year it was apparent, however, that the Government was aware of the need for retrenchment and it is probable that the 1962 budget will include measures for greater austerity. There were also indications that the Government might revise its development program, establishing new priorities in the light of the experience gained during the first year of operation. The virtual elimination of rebel activity also gave promise

of future increases in production, once abandoned estates have been rehabilitated and communications restored. Continuing tension over West Irian, however, made unlikely any significant reduction in budgetary expenditures for the Armed Services.

Money and Banking

At the end of the year rupiahs in circulation had risen by an estimated 30 per cent—from approximately 46,200 million to about 60,000 million. Outstanding bank credits continued to increase throughout the year. In an effort to curtail the amount of currency in circulation, the Government in August issued regulations aimed at fostering greater use of banking facilities in the conduct of day-to-day business. It also took steps to

More settled conditions in Indonesia have led the Government to take steps to rehabilitate abandoned tea and rubber estates. The picture shows plantation workers busy tapping rubber trees on a government estate at Serpong. Larger rubber exports would help to boost foreign exchange earnings.



encourage co-operative bodies and state enterprises to develop saving schemes. Exchange rates continued to be fixed according to the use for which foreign exchange was sought. The official basic rate remained at 45 rupiahs to the U.S. dollar but a rate of 200 to the dollar for certain imports was also maintained. During the year a special "tourist" rate of 90 rupiahs to the dollar was introduced. A rise of approximately 82 per cent—from rupiahs 165 to rupiahs 300 per U.S. dollar—in the "free" market rate reflected heavy inflationary pressure. Cost-of-living figures issued by the Central Bureau of Statistics (using 1953 as a base) almost exactly paralleled this movement, with an increase of 81 per cent—from 379 at the end of 1960 to 687 in November 1961.

Production Record Good

A prolonged drought lasting more than seven months seriously affected production in a number of important fields. It is estimated that the 1961 crop of rice may have been reduced by as much as 400,000 tons. The diversion of foreign exchange to emergency purchases of this staple aggravated the shortage of foreign currency. The aftermath of the drought may continue to be felt in 1962 because of delayed

plantings. Other food crops also suffered from the drought and a smaller electricity supply contributed to decreases in industrial production.

Output of estate rubber showed some increase during the year (167,149 metric tons January-September compared with 165,367 for the same period in 1959 and 155,503 for this period in 1960) but a drop in world prices reduced export earnings. Production of tea for the period January to September 1961, at 31,566 metric tons, was slightly below the 1960 figure for the same period of 32,810 metric tons. The easing of the security situation enabled the Government to take more positive steps toward the rehabilitation of abandoned tea and rubber estates.

Production of petroleum and petroleum products for the first nine months of 1961 gained 14 per cent over the same period in 1960. Discussions with the major producers (Shell, Caltex and Stanvac) on the basis of an Indonesian offer of a 60-40 split in profits had not been concluded by the end of the year. There were indications, however, that these talks might be wound up satisfactorily early in 1962. Surveys were carried out during 1961 aimed at the rehabilitation and

modernization of tin and coal production.

Communications Improved

Under the Eight Year Development Plan, long-term credit agreements were signed with a number of countries, including West Germany, Japan and Poland, to acquire new rolling stock as a step toward the general rehabilitation of the railway system. The internal shipping situation improved, thanks to deliveries of new equipment, and shipping between Indonesian and European ports in Indonesian bottoms was inaugurated. Negotiations with the Soviet Union resulted in an agreement with Aerflot to provide service between Moscow and Djakarta, beginning in January 1962. In December the Government announced an increase in fares for all rail, sea and domestic air travel by amounts ranging from 100 to as much as 265 per cent.

Trade Deficit Substantial

Unconfirmed figures for the first nine months of 1961 indicate that the year will show a substantial trade deficit, with total exports (including oil) for this period valued at U.S.\$569 million and imports at U.S.\$607 million for a net deficit of U.S.\$38 million.

A drastic curtailment of import licences probably will result in a more balanced picture for the final quarter, with no substantial increase in this deficit. It was clear, however, that by the end of the year foreign exchange reserves were severely depleted and circumstances suggest that 1962 may be an even more difficult year. Among various measures that the Government adopted to stimulate exports and to discourage smuggling (which continues to be a major problem) were regulations permitting exporters to retain abroad a percentage of their export earnings. A considerable proportion of the 1961 imports consisted of machinery and equipment brought in under economic assistance programs or long-term credit arrangements delaying payment for several years.

Last year brought a further expansion of state enterprises into the export/import field and the establishment of state purchasing agencies in several countries. Imports are divided into "essential" and "free list" categories. Generally speaking, most essential goods are imported by state trading organizations using the basic exchange rate of 45 rupiahs to the U.S. dollar. "Free list" imports are permitted on the basis of an exchange rate of 200 rupiahs to the U.S. dollar. State enterprises are granted a specific quarterly allocation of foreign exchange. Private enterprises, on the other hand, must apply to the Foreign Exchange Control Bureau for import licences which are issued in the light of the nature of the product and the availability of exchange. To obtain import licences, private firms must be able to quote competitive prices and short delivery times for the goods that they intend to purchase.

Trade with Canada

Figures for the first nine months of the year indicate that Canadian trade with Indonesia continued to expand during 1961 (see table).

As in past years, the principal Canadian exports were industrial

raw materials, automobiles, machinery and spare parts. (The 1961 total includes a \$350,000 gift of Canadian wheat under the Colombo Plan.)

A number of new trade and aid agreements were concluded or extended during the year. In general, the agreements called for provision of plant machinery, vehicles, wheat, cement, etc., in exchange for rubber, copra, spices, tin and similar products. Credit or loan agreements were concluded with West Germany, Czechoslovakia, Poland, Communist China, Hungary, Britain, Italy, the United States and the U.S.S.R., among others.

Development Programs Begun

The first year of the Eight Year Development Plan, which envisages an eventual expenditure of 240,000 million rupiahs plus an investment of U.S.\$175.26 million in foreign exchange, was necessarily a year of preparation. Consequently only an estimated 15 billion rupiahs were disbursed out of planned development expenditures of 30 billion. The rupiah shortage that developed during the year, difficulties in coordinating imports, plus supply and transportation problems made it clear that further careful planning will be needed if the development program is to remain within the absorptive capacity of the Indonesian economy. Toward the end of the year, public statements by responsible Ministers indicated that some aspects of the program were being reconsidered and new priorities established.

The Eight Year Development Plan is based on the twin concepts of a socialized state and a guided economy and the Government therefore continued to develop measures

for increased control and the establishment of "functional" associations, with compulsory membership drawn from most of the local and consumer industries. Major changes have also been accomplished in the organization of government industries and functional state enterprises have been concentrated under General Management Bodies. These bodies are answerable to their respective Ministers and are aimed at achieving co-ordination and uniformity of policy in the management and control of state enterprises.

Population Is Increasing

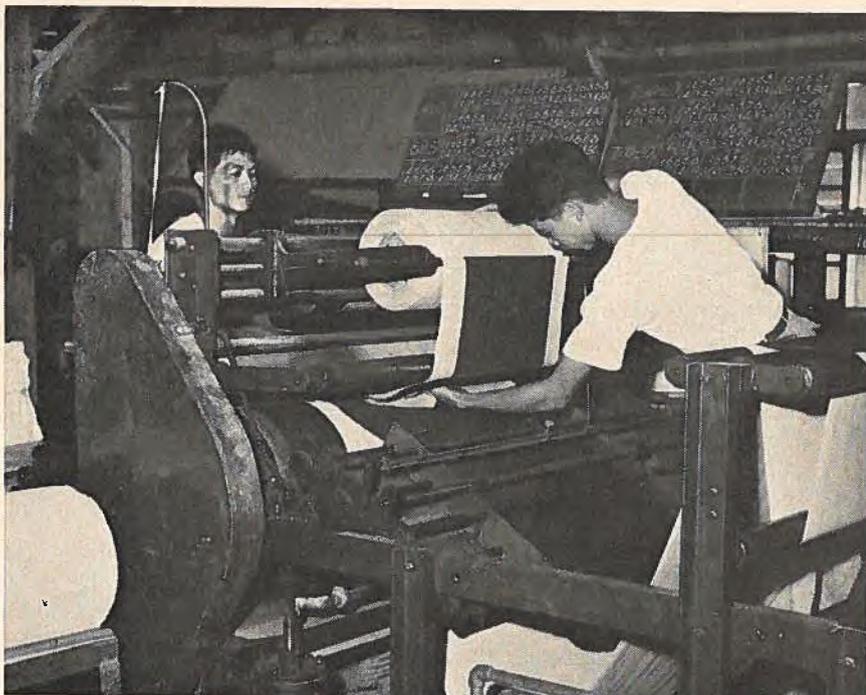
Early results of the census taken in October/November (the first since 1930) indicate that Indonesia now has a population of 96 million, which makes it the world's fifth largest nation. On the basis of a growth rate of 2.3 per cent, it is estimated that the population will reach 100 million by the end of 1963. Because economic planning has been based on a somewhat smaller population figure, the results of the census may force changes, particularly in planning for food production and imports. The census will also enable the Government to plan on a much more realistic basis.

Outlook

The outlook for 1962 is for increased austerity and continued balance-of-payments difficulties. It will take several years before the new plant and equipment being imported is established on a productive basis. Provided, however, that internal stability is maintained, that world prices for Indonesian exports remain at reasonable levels, and that productive capacity can be increased, there is no reason to believe that Indonesia cannot improve its economic position in the long run. The short-term economic outlook, however, is not encouraging and for this reason Canadian exporters of normal commercial products will probably continue to experience difficulty in the Indonesian market. ●

CANADA'S TRADE WITH INDONESIA

	Exports to Indonesia	Imports from Indonesia
1958	Can.\$1,694,703	\$230,628
1959	1,759,987	147,491
1960	2,110,368	529,418
1961 (9 months)	2,041,403	192,800



Two Filipinos work with rubber-impregnated fabric in a Philippine tire factory. In the first half of 1961, the production of rubber products increased over 1960.

Philippines

- ★ Foreign exchange reserves dropped sharply last year.
- ★ New Government takes measures to bolster economy.
- ★ Canadian exports down slightly, as flour sales decrease.

T. G. MAJOR, *Consul General and Trade Commissioner, Manila.*

ECONOMIC progress in the Philippines during the past year has been disappointing. The uncertainties that arose from a long election campaign were responsible in part. Preoccupation with the campaign prevented Congress from dealing with the many important measures deemed

necessary before the final stage of exchange control could be put into effect. Tight credit and government indecision on decontrol held back commercial and industrial expansion and although there was a reasonable amount of building activity in the Manila area, much of

it was either the result of insurance fund investment or residential construction.

A serious aspect of the situation was the sharp deterioration in the foreign exchange position. Foreign exchange reserves fell from U.S. \$198 million at the beginning of 1961 to U.S. \$106 million at the beginning of 1962, and those of the Central Bank itself dropped from U.S. \$120 million to U.S. \$44 million during the same period. This resulted partly from the relaxation of controls early in the year, partly from a decline in export returns, and partly from a rice shortage that made necessary the import of some 200,000 tons. The appropriations approved by Congress totalled 1,190 million pesos, of which some 510 million was earmarked for public works, a high figure usually associated with an election year. Other features of the economic picture in 1961 were the rapid increase in the money supply and a further rise in unemployment. Available production data seem to indicate an over-all stationary situation.

New Financial Measures

The election took place in November and since taking office at the beginning of 1962, the new administration has begun implementing some of its policies. Following an increase in the rediscount rate from 3 to 6 per cent, it abolished exchange controls, revised the customs tariff (mainly upward), obtained support in the United States for the peso, and took other stringent measures to restore international confidence in the Philippine economy. Before exchange and import decontrol there had been a marked movement of capital funds abroad and the black market value of the peso had fallen to at least 4.50 to the U.S. dollar. After decontrol, the free market value rose during the first three weeks from 4.50 to approximately 3.40 pesos. This increase appears to have taken place for several reasons, including support for the exchange reserves and tight internal

credit. Because of this tight credit position, it was found necessary on February 10 to reduce the rediscount rate from 6 to 3 per cent. It is too early to judge where the exchange rate will settle, and the policy of the Central Bank governing future operations in the exchange market has not been clarified.

Food Imports Needed

Agriculture is the foundation of the economy and the rapid increase in population makes a continued rise in production essential. The best available information indicates that about 75 per cent of the present population of over 27 million depends upon the land for a livelihood. There is evidence that expansion in agriculture is not keeping pace with population growth, however. This is true of food crops, both for domestic industry and for export. Last year there was a shortage of rice and indications are that a similar situation will develop in 1962, even though production of food crops and livestock is greater than in past years. Despite abundant resources in the surrounding waters and expanded fishpond culture, the fishing industry produces only about 60 per cent of national requirements. The movement to the cities and the perennial rice shortages have brought a notable rise in the consumption of bread and other wheat products. The result has been the erection of several flour mills and a rise in wheat imports.

Production of food crops as a whole during 1961 increased by 3.1 per cent, meat and poultry by 4.9 per cent, fish 3.3, root crops 3.0, rice 2.3, and fruits and nuts 2.1. Output of corn and vegetables declined. Export crops dropped by 3.8 per cent, including abaca down 10.5 per cent, tobacco leaf 9.4, desiccated coconut 7.1, and copra 5.4. Production of lumber increased 14.8, logs 4.5, and sugar 5.7 per cent. Sustained effort will be needed to carry out the improvements in production methods and marketing

necessary if the Filipino farmer is to achieve greater production and improve his economic status.

Industry Marks Time

In industry, the consensus is that the rate of expansion has declined. Most capital investment still goes into wholesale and retail trade, real estate and banking. Less than 20 per cent of new paid-up capital went into manufacturing during the first half of 1961, and it is doubtful whether this figure was maintained in the second half. The credit squeeze and higher import duties will probably deter expansion during the coming months.

Trends in the production of manufactured goods during 1961 were mixed but it is doubtful whether, on balance, output increased over 1960. Statistics for the second half of the year are not available but earlier figures showed increases in the manufacture of food products, tobacco products, textiles, leather (other than footwear) products, rubber products, chemicals, non-metallic products (other than petroleum and coal), and machinery. Production of footwear, wearing apparel and other made-up textile goods, paper products, petroleum and coal products, and transport equipment declined. Mineral output, including iron and chromite ore and copper concentrates, decreased during the first half of the year. The 1961 session of Congress passed legislation that provided for a subsidy on gold mining but towards the end of the year withdrew certain privileges respecting foreign exchange. No significant developments took place in oil exploration but refining continued to expand. Several new ships were added to the merchant marine, a new international airport at Manila was opened, Philippine Air Lines services improved, and work on railroad extensions began.

Foreign Trade

During the first six months of 1961, imports rose to U.S.\$288.6 million, compared with U.S.\$275.0

million for the first half of 1960, an increase of 4.9 per cent. Exports in turn declined from U.S.\$304.5 million to U.S.\$259.7 million, a drop of 14.6 per cent. These trends probably continued throughout the year. Principal imports comprised machinery (other than electric), transport equipment and base metals; these three accounted for over 50 per cent of the trade. On the export side, sugar, logs and lumber, copra and unmanufactured abaca accounted for 61.5 per cent of the total by value. Others included chromite ore, copper concentrates, canned pineapple, desiccated coconut, coconut oil and iron ore.

As in the past, the largest proportion of both imports and exports flowed between the Philippines and the United States. During the first half of 1961, the U.S. share of imports stood at 48.5 per cent, down from 49.8 per cent for January/June 1960. Exports to the U.S. rose from 53.0 to 59.8 per cent. Other important trading partners continued to be Japan, the Netherlands, Germany and Britain.

Trade with Canada

Canadian exports to the Philippines in the first nine months of 1961 declined to \$10.6 million, down from \$11.8 million in the same period of 1960. The continued drop in sales of flour has not been counterbalanced by increased wheat sales. Flour exports fell from \$5.5 million to \$3.5 million, but wheat sales rose from \$1.9 million to \$2.2 million, for a net loss of \$1.7 million. Larger sales of newsprint, wood pulp, synthetic rubber, malt, asbestos, zinc products and other commodities helped make up this loss.

Imports into Canada from the Philippines increased slightly—from \$1.01 million during the first seven months of 1960 to \$1.07 million for the same period of 1961. Chrome ore was the principal import, followed by desiccated coconut, manila fibre (abaca), mahogany, veneers, rattan, cigar leaf, canned pineapple, shirts and dresses. ●

Taiwan

- ★ Imports and exports achieved record high last year.
- ★ Problem of maintaining economic expansion causing concern.
- ★ Wheat and sulphur major contributors to larger Canadian sales.

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

RECORD imports and exports accompanied by steady expansion were features of Taiwan's continued economic development in 1961. The country appears, however, to be approaching the stage where expansion will begin to taper off unless new policies are adopted. Throughout the year, government economists, bankers and U.S. aid officials debated vigorously the directions in which future efforts must be channelled to permit continued expansion. The consensus appears to be that most of the attractive investment opportunities have been exploited. Efforts are being made to increase efficiency and to encourage production for export, which is essential to Taiwan's survival. A United States research team is investigating industrial potential to select new areas for investment.

The low rate of capital formation is a deterrent to accelerated economic development and a tendency toward over-consumption has become apparent. The director of the U.S. Aid Mission recently pointed out that, although the economy had expanded 33 per cent since 1954, private consumption had increased 40 per cent and government consumption 50 per cent. Net savings average 6.4 per cent of the gross national product—very low compared with countries such as Japan (23.6 per cent), Italy (13.3) and the United States (10.3).

In spite of the problems facing Taiwan, business conditions continue to be satisfactory. Although 1961 was considered in some quarters to be a period of adjust-

ment and correction, others saw it as the most stable year since the Nationalist Chinese Government moved to Taiwan. The relative price stability was significant.

A major revision of the income tax law, put into effect on January 1, 1962, is intended to encourage investment and accelerate economic development. It reduces the highest taxation rate to 18 per cent of income.

Foreign interest in investment appears to be growing following the passing of legislation in 1960 to improve the Island's investment climate. A record 100 investment applications from abroad, valued at U.S.\$32 million, were approved last year.

Production Rises

The index of industrial production reportedly rose 13.3 per cent in 1961.

Power—The new 125,000 kw. generating unit at the Sherao thermal station and two 45,000 kw. units at Kukuan hydro station, completed late last year, will help to regulate the supply of power for industry. In the past, power has been affected by dry seasons.

In June the United States Development Loan Fund signed a \$40 million loan agreement with the Taiwan Power Company. The loan will be applied against the \$110 million project to build the Tachien dam and powerhouse, scheduled for completion by 1967. This project will produce over 1.4 million kwh. of power, almost double Taiwan's present generating capacity.

Fertilizer—Production of fertilizer is increasing. An ammonium sulphate plant is expected to reach an output of 70-80,000 tons this year; a urea fertilizer factory should almost double last year's output of 40,000 tons. Construction of a joint Chinese-U.S. project, a \$22 million, 10,000-metric-ton capacity urea fertilizer plant, is expected to begin some time this year. But because of its intensive use of fertilizer in agriculture, Taiwan will still have to import large quantities.

Plywood—The plywood industry has also demonstrated its ability to grow: estimated production for 1961 of 230 million square feet was approximately 110 per cent above the previous year's output. Exports of plywood were valued at \$7 million last year.

Rice—Bumper rice crops harvested during the recent season are expected to keep the country self-sufficient and prevent a recurrence of the 1961 situation, when some \$8 million worth of rice had to be imported.

Trade Achieves Record

Volume of trade reached record levels last year. Exports increased 17 per cent to a reported \$215 million and at the same time, Taiwan stepped up its participation in trade fairs and its trade-mission program.

UNITED STATES AID, 1961

Selected Commodities	Value (U.S.\$'000,000)
Machinery and tools	21.4
Wheat	15.6
Raw cotton	12.0
Metals and manufactures	11.9
Soybeans	11.3
Vehicles and parts	9.9
Pharmaceuticals	4.3
Electrical materials	3.4
Tallow	2.7
Rubber and products	2.6
Chemicals	2.6
Tobacco leaf	1.8
Chemical fertilizers	1.6
Telecommunications equipment	1.2
Barley	1.2

Source: Taiwan Commercial Bulletin.

Nevertheless, imports (including U.S. economic aid) are reported to have approached \$350 million.

The United States increased its economic aid by 10 per cent to \$111 million in 1961. The most important items supplied under this program are listed in the accompanying table. Many of these products Canada could supply under normal trading conditions.

The Japanese-Chinese Trade Agreement was revised last year from an open account to a cash payment system. Little change is anticipated in the volume and direction of trade with Japan, which

continues to be Taiwan's most important trade partner. Japan and the United States together account for over 75 per cent of Taiwan's imports.

Canada Sold More

Canadian exports to Taiwan during the first three quarters of 1961 exceeded any previous year in volume. Sales to the end of September, at \$3.5 million, had already passed the 1960 twelve-month total of \$2.8 million. Wheat shipments accounted for the bulk of the rise, with crude sulphur also contributing substantially.

It is difficult to predict whether Canadian sales will rise by as large an amount again this year. However, it is interesting to note that a direct freight service from Vancouver to Taiwan offered by a Chinese shipping line has been a factor in our improved exports. Fractional increases in Canadian sales to Taiwan should occur over the next few years. After that time, if U.S. aid is gradually reduced as expected, Canadian exporters should find this a lucrative market, particularly for the products listed in the table, many of which Canada can supply competitively. ●

Federation of Malaya

- ★ Rubber exports increased but lower prices reduced sales returns.
- ★ Proposed creation of "Greater Malaysia" receiving attention.
- ★ Build-up of industry should provide opportunities for Canadians.

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

ECONOMIC conditions in the Federation of Malaya are not as favourable as they were a year ago. However, there is general optimism about future prospects, tempered with some misgivings over the long-term outlook for natural rubber. The Government is firmly behind the proposal to merge the Federation, Singapore, and the British Borneo territories into a Greater Malaysia; if this becomes a reality, it is expected to increase economic and political stability in the area. The foreign trade surplus decreased considerably in 1961 compared with the previous year, because imports rose in value and exports fell. However, trade prospects for the short term at least are not viewed with too much concern. Trade with Canada is steadily increasing. Gov-

ernment accounts for 1961 are expected to show a moderate surplus on current account, which will be turned into a moderate deficit when development expenditures are included.

Proposed Federation Explored

It is hoped that the merger of the Federation, Singapore, and the British Borneo territories into one state will be accomplished by June 1963 at the latest, despite the opposition of certain leftist groups in Singapore. The British Government has appointed a Commission to sound out the feelings of the inhabitants of British Borneo. Some of the more obvious economic benefits of federation would be the rationalization of export industries, diversification of production, and the creation of a

larger internal market to absorb the production of local industries. The setting up of a Greater Malaysia would also solve the problem of the note issue, as it would permit the establishment of a Central Bank to control the issue for the whole area. At present these powers are vested in the Currency Board. The fact that the area now administered by the Board consists of an independent Federation, a semi-independent Singapore, and territories still under colonial rule creates many problems which, it is felt, cannot be ignored indefinitely.

Rubber Prices Vital

Natural rubber is as important to the Federation of Malaya as wheat, timber and newsprint are to Canada. The export tax on rubber and the taxes levied against the profits of rubber-producing companies make up a sizable portion of the Government's revenue. Exports of rubber account for about 60 per cent of total exports by value. Consequently, the Federation's economy is extremely sensitive to the level of rubber prices. Moreover, future

Canned pineapple has become one of Malaya's leading exports; in 1960, Canada bought \$1.1 million worth. This modern cannery in Johore Bahru employs large numbers of Malayan men and women.



development depends on adequate returns for rubber exports; the Second Five Year Plan for development is based on a rubber price of at least M\$0.80 a pound.

During the first three quarters of last year the Singapore price of natural rubber was fairly stable, at an average of M\$0.85 a pound for R.S.S. No. 1. However, in October the United States stockpile authorities announced that up to 5,000 tons a month would be sold when the price was below U.S.\$0.32 a pound (M\$0.96) and unlimited quantities when the price was higher. The British Board of Trade announced the disposal of 1,000 tons a month on a similar basis. This news caused consternation in Malaya's business and official circles and the price broke to as low as M\$0.72. Urgent representations were made to the United States and British Governments. Early last month the United States announced that not more than 5,000 tons of stockpile rubber would be sold in any calendar month when the average price in the preceding month was between U.S.\$0.28 (M\$0.84) and U.S.\$0.32 (M\$0.96); unlimited quantities would be sold when the price was above U.S.\$0.32. However, only deteriorated rubber would be sold when the price was below U.S.\$0.28. The British Board of Trade announced that it would sell 1,000 tons a month on a similar basis. These announcements have restored confidence and the price is currently quoted at M\$0.84 a pound.

Exports of Malayan-produced rubber in 1961 are estimated at 730,000 tons, about 20,000 tons higher than the 1960 total, and

shipments went to industrialized countries throughout the world. The principal customers were Britain, the United States and the U.S.S.R.

Mineral Output

The Federation of Malaya is the world's largest producer of tin, and tin exports account for about 20 per cent by value of total exports. The mining of tin is a declining industry in Malaya and production has increased only moderately in face of the world-wide shortage of the metal and the resulting higher prices. During the past year the price has risen from M\$439 a picul to about M\$480 a picul. Exports in 1961 are estimated at 56,000 tons.

The mining of iron ore, on the other hand, is a fast-growing industry; production has risen from 2.7 million tons in 1958 to 6.7 million last year. Exports in 1961 reached 6.5 million tons, nearly all of which was shipped to Japan.

Financial Situation Good

The final outturn of the 1961 internal budget is expected to be surprisingly good, despite a sharp drop in revenue from the rubber export tax. Income is estimated at M\$1,071 million and expenditures at M\$944 million, leaving a surplus on current account of M\$127 million. Increased collections from

other sources—notably income tax and the export tax on tin—made up for the decrease in tax collections on rubber exports. Capital expenditures for development are estimated at M\$288 million, leaving an overall deficit of M\$116 million. In 1960 the surplus on current account amounted to M\$213 million and the over-all surplus to M\$97 million. However, development expenditures were much lower, at M\$141 million. The budget result for 1961 is considered satisfactory under the circumstances.

Trade Surplus Shrinks

The sharp drop in the 1961 foreign trade surplus resulted from lower prices received for rubber shipments which were not offset by higher returns from shipments of tin, iron ore and other commodities. Exports for the first ten months of 1961 were valued at M\$2,190 million, 11 per cent lower than for the same period in 1960. Imports, valued at M\$1,844 million, were 4 per cent higher than in the corresponding period of 1960. Consequently the trade surplus for the first ten months of 1961 was M\$346 million, compared with M\$683 million for the same period of the previous year.

An analysis of the Federation's foreign trade is complicated because

TABLE I
FEDERATION OF MALAYA TRADE

Main Commodity Groups	Imports			Exports		
	Jan.-Sept. 1961			Jan.-Sept. 1961		
	From Singapore	Direct from overseas	Total	To or via Singapore	Direct to overseas	Total
	(M\$'000,000, c.i.f.)			(M\$'000,000, f.o.b.)		
Food	149.4	273.1	422.5	65.7	17.9	83.6
Beverages and tobacco	28.5	37.6	66.1	0.5	0.1	0.6
Crude materials, inedible	30.0	173.3	203.3	391.5	900.6	1,292.1
Mineral fuels	53.3	57.2	110.5	0.3	6.8	7.1
Oils, animal, vegetable	3.7	6.2	9.9	19.2	46.1	65.3
Chemicals	48.6	72.7	121.3	8.6	5.4	14.0
Manufactured goods	151.4	149.2	300.6	19.6	432.1	451.7
Machinery and transport equipment	134.6	152.7	287.3	20.7	5.8	26.5
Miscellaneous manufactured articles	43.4	49.2	92.6	8.9	4.2	13.1
Miscellaneous transactions, n.e.s.	28.1	7.5	35.6	8.4	8.5	16.9
Total	671.0	978.7	1,649.7	543.4	1,427.5	1,970.9

of Singapore's function as an entrepôt port. Singapore merchants buy goods abroad, land them in Singapore, and sell them to customers in the Federation. In the same manner, they purchase Federation products and sell them abroad. In the first nine months of 1961, Federation imports from Singapore totalled M\$671 million and exports to Singapore M\$543 million, or a total trade of M\$1,214 million. It is estimated that four-fifths of this trade represented goods that came from abroad through Singapore or were re-exported through Singapore to external markets.

Table I illustrates the categories of goods traded by the Federation and their value for the January-September period of 1961.

Britain is the Federation's best customer and leading supplier, although Japan bought more than Britain last year for the first time. The Federation traditionally has a trade deficit with Britain but surpluses with most other countries, including Canada and the United States. The bulk of Federation exports, chiefly rubber and tin, go to the more highly industrialized countries of Europe, North America and Japan. The main sources of imports are Britain, Thailand, Singapore and Japan. The highlights of 1961 trade were the sharp decreases in exports to Britain, the United States and West Germany and the

sharp increase to the U.S.S.R.; the marked increase in imports from Britain, and the continued expansion in imports from Canada and the United States. These increased by 40 per cent over 1960, although the trade is still relatively small.

Table II shows the principal countries trading with the Federation in 1961 and 1960.

Trade with Canada

The main products imported from Canada in 1961 in order of importance were: wheat flour, rolled oats, automobiles and trucks, semi-fabricated aluminum, files and rasps, plastic materials, and synthetic rubber. The main exports to Canada, also in order of importance, were rubber, tin, and vegetable oils. Exports of vegetable oils increased sharply both in volume and value over the previous year, but the value of rubber exports decreased.

Canadian exporters should keep in close touch with the Federation if they wish to take advantage of a rich and expanding market. The population is increasing rapidly and the standard of living rising. There are no import or exchange restrictions, except that South African goods are prohibited entry. Customs duties are moderate and there is a large number of items on the free list. There are Commonwealth preferences on some products important to Canada, such as canned foods

TABLE II
MALAYA'S FOREIGN TRADE

Exports to:	1960	1961
	Jan.-Sept.	Jan.-Sept.
	(M\$'000,000)	
Japan	317	318
Britain	344	279
United States	300	267
West Germany	189	140
Singapore*	111	124
U.S.S.R.	46	111
France	110	95
Italy	98	87
Canada	45	46

*Estimate of goods consumed in Singapore.

Imports from:	1960	1961
	Jan.-Sept.	Jan.-Sept.
	(M\$'000,000)	
Britain	338	373
Thailand	193	185
Indonesia	252	183
Singapore*	136	150
Japan	120	133
United States	60	85
Canada	5	7

*Estimate of goods produced in Singapore.

and trucks and automobiles. Although goods shipped from Canada are generally at a freight-rate disadvantage vis-à-vis similar goods shipped from Europe, Australia and Japan, the shipping lines have shown that they are willing to make reductions when shippers can show reasonable grounds for them. The market is extremely competitive. However, it has been proved that certain Canadian products (rolled oats, for instance) can be sold in volume if attention is paid to market requirements and funds made available for advertising.

As industrialization proceeds, there will be growing opportunities for the sale of raw and semi-processed materials. Development projects in the transportation, energy and industrial fields, both government and private, will offer opportunities for engineering firms and heavy equipment suppliers. Construction will start this year, for example, on a large new airport in Kuala Lumpur. It is encouraging to note that several Canadian firms plan to enter bids on this project. ●

Singapore

- ★ Fall in rubber prices hits export earnings; deficit increases.
- ★ Union with Federation, Borneo territories under discussion.
- ★ Canadian exports to the area rose 30 per cent last year.

KEITH O. HILLYER, *Assistant Trade Commissioner, Singapore.*

THE Year of the Ox, just ended, brought steady improvement to the economy of Singapore. The volume of freight tonnage handled by the port increased, there was concrete evidence of growing industrialization, and large sums went into the expansion and modernization of public services. Only labour unrest during the latter months of 1961 gave rise to anxiety in local business circles. With the prospect of a merger between the Federation of Malaya, Singapore and the British Borneo territories becoming brighter, the existing economic unity of the region may find political expression. This would strengthen Singapore's position as port and warehouse for the area.

In spite of the development of new ports in and better facilities for direct imports into the Federation, Borneo and Indonesia, Singapore retains its importance as a trading centre. Total freight loaded and discharged rose to 11.8 million tons for January/August 1961, 25 per cent above the total for the same period of 1960. The larger volume of oil now being handled by Singapore's refineries and the substantially increased exports and imports helped provide these increased tonnages.

Export Earnings Down

Statistics on Singapore's imports and exports are not readily available nor are they very significant because of the State's entrepôt position. However, it is estimated that over 40 per cent of the Federation of Malaya's imports come in, and almost 30 per cent of its exports go

out, through Singapore. Thus it depends heavily on the economic health of the surrounding areas—chiefly on the price of rubber and tin, the two products that earn most of the foreign exchange for the region.

Although exports from Singapore and the Federation combined fell during the first ten months of 1961 to M\$2,019.4 million* from M\$2,226.6 million for the same period in 1960, this reflected largely falling rubber prices. The volume of rubber shipments through Singapore actually increased by 10 per cent during the period. But as export earnings fell, the trade deficit (M\$600 million in 1960) increased and affected the balance-of-payments position of the entire Malayan currency area.

Purchasing Power Good

Canada continues to sell more goods to Singapore, both for distribution to the 1.7 million people of the State and throughout the Federation and the Borneo territories. Singapore is reputed to have the highest per capita income of any area in the Far East and the local market is extremely important to the importer. For example, in 1960 Singapore imported 9,750 electric domestic refrigerators, of which only 3,099 were re-exported (2,068 went to the Federation). Purchases of refrigerators in the Federation in 1960 totalled only 8,190, although the population there is almost seven million, over four times that of the State. Particularly

*One Malayan dollar=Can.\$0.3430.

in consumer goods, the ability of the Singapore importer to reach the highest per capita income group in Asia concentrated in a small area gives him an advantage over importers elsewhere in the region. Most of the 30 per cent rise in Canadian exports to this area in 1961 resulted from purchases made by the expanding population.

Singapore Industrializes

The tempo of industrialization picked up during 1961. The Government recognizes that the development of facilities for the direct import and export of goods in the adjoining territories may in time diminish the State's importance as trader and warehouse for these nations. It is therefore placing increasing emphasis on attracting capital for the development of local industry. It has introduced an economic development plan, and most of the plan funds will go into the work of an Economic Development Board. A large tract of land is being cleared to form the Jurong industrial estate and plans are under way to construct contiguous harbour facilities, including an 8,400-foot steel wharf. The first industry in this estate will be the National Iron and Steel Mills Ltd., due to start production by February 1963.

The Singapore Government gave pioneer status to twelve new industries in 1961, thus qualifying them for an income-tax holiday in the first five years of operation. Pioneer industries will soon be manufacturing products ranging from gasoline to pharmaceuticals and refrigerators to flour. The major firms are two refineries, a cement plant, an acid plant, two flour mills and a manufacturer of metal louvres.

Existing industry concentrates mainly on the manufacture of soap, rubber footwear, biscuits and cigarettes. With the exception of soap, all these industries achieved record output in 1961; ten-month production in most surpassed full-year 1960 figures.

Rather than abdicate its position as a trading centre for the area,

however, Singapore is expanding and modernizing the financial and freight services it can offer. Under the development plan, new wharves will be built along the banks of the Singapore River and the river will be deepened. This year, work will begin on a new passenger air terminal costing over M\$3 million. Over M\$6.3 million is to be spent on the introduction of a television service, the first in the Malayan area. The plan also calls for the

spending of M\$36 million on roads, sewers and other public services.

Prospects for continued economic growth appear excellent. With the formation of a new Federation of Malaysia, Singapore's trading position vis-à-vis these other areas would be recognized politically. Although the State would retain its free-port status, access to the other areas for both its own industrial products and for its re-exports would be guaranteed. Such a de-

velopment would undoubtedly accelerate industrialization and widen the scope of its traders.

Canadian exporters should find good markets for their products in Singapore in 1962. The State itself provides a stable and, by Asian standards, wealthy consumer market. In addition, its traders, already experienced in servicing the needs of the immediate area, will find increasing opportunities as the economy of the whole region expands. ●

British Borneo Territories

- ★ Rubber, oil shipments decline, timber and bauxite rise.
- ★ Development plans introduced to tap plentiful resources.
- ★ Canadian exports up by 28 per cent in nine months 1961.

KEITH O. HILLYER, *Assistant Trade Commissioner, Singapore.*

THE year 1961 proved a disappointing one for the economies of the three British Borneo territories—Sarawak, Brunei and North Borneo. Because of a drop in rubber prices and shipments, the value of total exports for both Sarawak and North Borneo fell well below 1960 levels. Exports of rubber from Sarawak during the first nine months of 1961 totalled 35,045 tons, compared with 41,089 tons for the same period of 1960. Larger exports of pepper and of bauxite offset this decline only partially.

North Borneo experienced similar difficulties because of its dependence on sales of timber, rubber and copra. Exports totalled M\$145 million* in the first seven months of 1960 but only M\$136 million for June/July 1961. As imports for the first seven months increased dramatically over the same period in 1960 (from M\$127 million to M\$140 million) North Borneo ex-

perienced its first trade deficit in several years.

Canadian Shipments

Canada's exports to the three territories are hard to estimate accurately because many Canadian goods arrive via other markets. Singapore and (increasingly) Hong Kong supply the largest percentage of imports into this area. Direct exports from Canada in the first nine months of 1961 totalled Can.\$270,000, an increase of 28 per cent over the \$210,000 total for the same period of 1960. Major Canadian commodities in the trade included wheat flour, outboard motors, files and refrigerators. The bulk of the imports from Canada come through the port of Singapore, however, and meaningful statistics on the origin of goods are difficult to uncover.

Sarawak

Sarawak, with a population of 744,000 and an area of 284,000 square miles, is the largest of the

three territories. Oil, rubber and bauxite are its most important exports. All the crude oil output of the Brunei fields arrives in Sarawak for refining and is then re-exported. The volume of crude thus imported for refining has continued to decline from the peak reached in 1956. Bauxite shipments (all to Japan) rose to 229,065 tons in the first nine months of 1961, compared with 213,914 tons for the same period of 1960. Hardwood timber production continues to climb and stands now at an average 1.4 million cubic feet a month. (The average was about 800,000 cubic feet in 1956.) Forests cover 22.5 per cent of the land area and this resource has not yet been used to the full.

Development Spurred

In 1959 Sarawak introduced a five year development program which envisaged the expenditure of M\$153 million. Over 23 per cent of this amount will go eventually into agriculture and fisheries, with emphasis on the planting of high-yielding rubber trees. Over 34 per cent will be spent on communications, including expansion and modernization of the ports at Kuching (already finished) and Sibuan. Over 12 per cent is earmarked

*One Straits dollar=Can.\$0.3430.

for expanded educational facilities. Grants from Britain, revenue surpluses, and the country's reserves will finance the scheme.

Five new factories (most of them will turn out wood products) with a reported total capital of M\$300,000 are being built in an industrial estate near Kuching. The Borneo Development Corporation Ltd. administers this estate and extends loans against 60-year leases and in certain cases finances 80 per cent of the cost of land and buildings.

Brunei

Brunei, smallest of the group, has a population of only 68,000. Its entire economy depends on the crude oil production of the Seria oilfield; this commodity comprises over 90 per cent of Brunei's exports. It has become apparent in recent years, however, that the oil reserves are being exhausted and tests for further deposits have yielded negative results. Monthly output in 1961 averaged 388,000 long tons, compared with 462,000 long tons in 1956. The upshot has been increased attention to the task of diversifying the economy, particularly through the investment of oil earnings in domestic industries rather than continuing the practice of investing them abroad.

North Borneo

North Borneo (population 430,000) is the least developed of the three, although it appears to possess the greatest natural resources. Major exports are rubber and timber. Monthly production of timber has now reached 3.9 million cubic feet, over twice the 1959 monthly average. Timber now accounts for more of North Borneo's export earnings than rubber does.

The territory appears to have substantial mineral resources, as yet untouched. Oil exploration has so far been unsuccessful but prospects of finding commercially significant reserves of copper and chromite are good. In December the Government announced plans for a three-year survey of the Labuk Valley, financed

partly by the UN Special Fund. The plan includes soil surveys over a 3,000-square-mile area; irrigation, road and settlement studies; geological and geochemical surveys over 900 square miles, and general development of the area.

Trade Prospects Good

Although the economic outlook for any one territory may seem restricted, opportunities for the entire area are virtually unlimited. In 1961 Sarawak and North Borneo announced the formation of a Free Trade Area, effective January 1, 1962, which will help foster interdependence. Goods manufactured in, or the produce of, either state now move between them free of duty and are taxed only once in either country. On a few products a common external tariff has been applied.

The proposed merger with Singapore and the Federation of Malaya to form a "Greater Malaysia" is one of the main topics of interest at the moment. A commission appointed by the British Government is currently touring the area to obtain the views of the inhabitants, and it is generally felt that its findings will favour establishment of the new Federation of Malaysia.

Demand for imported goods is rising rapidly here. As each of the economies develops (the rate of growth will certainly be accelerated if the proposed merger goes through), new and valuable outlets for Canadian exports, particularly of manufactured goods, will open up. The Canadian businessman would be wise to include these large but as yet underdeveloped areas in his search for markets in South East Asia. ●

Thailand

- ★ Foreign trade values rose in '61, trade deficit was reduced.
- ★ Government wants to attract industry; offers incentives.
- ★ Canadian sales continue small; more effort could improve them.

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

THE economy of Thailand continues to improve and as a result business activity is brisk. The chronic deficit on foreign merchandise trade has been sharply reduced. Reserves of gold and foreign exchange have never been higher, thanks to the inflow of aid funds, loans from international bodies, and some private capital. Although lower prices have meant a drop in export earnings from rubber and teak, the higher prices realized for tin and rice have resulted in a net increase. The favourable world outlook for tin and rice prices should

ensure continuation of this trend to higher export revenue.

Because government income is closely linked to export earnings, there is reason to expect that the Government will spend more on development projects. The new Six Year Plan came into effect last October, giving additional impetus to industrial growth and agricultural diversification. The Government is anxious to promote the establishment of manufacturing industries and offers incentives to local and foreign capital. So far the results have been disappointing, perhaps



A Thai girl practises the ancient craft of silk weaving in Lamphoon Province. Side by side with traditional handicraft industries, the Government is stressing development of manufacturing and is now offering incentives to both domestic and foreign investors.

partly because of the uncertain political situation in neighbouring countries. However, plants are coming into production, including one for automobile assembly. Factories now being built will produce electric light bulbs, pharmaceuticals, and coconut-fibre products. A contract was recently signed for the construction of an oil refinery with a capacity of 30,000 barrels per day. The State Railways are being modernized with the aid of a large World Bank loan, and thermal and hydro power plants are being established with Export-Import Bank loans.

Foreign Trade

Thailand's imports and exports both rose in 1961 and the trade deficit was reduced substantially. Imports were valued at baht 10,256

million* and exports at baht 9,972 million, leaving a deficit of baht 284 million compared with nearly baht 1,000 million in 1960. Last year, the value of rice, tin, jute and tapioca exports increased, but earnings from rubber and teak exports fell.

The Government's policy of diversifying export production is meeting with success; exports of maize, jute and tapioca flour, products comparatively new in this field, each exceeded in value shipments of teak, a traditional export. The volume and value of Thailand's exports for 1960 and 1961 are compared in Table I and its principal markets shown in Table II.

In recent years Japan has been Thailand's main supplier, followed

*One baht = Can.\$0.05.

TABLE I
THAILAND'S PRINCIPAL EXPORTS

	1960		1961	
	(baht '000,000)	(tons '000)	(baht '000,000)	(tons '000)
Rice	2,570	1,203	3,555	1,561
Rubber	2,579	170	2,130	185
Tin	537	17	627	18
Teak (cu. m. '000)	445	209	312	126
Maize	551	515	597	573
Jute	230	62	626	143
Tapioca flour	270	241	427	415

by the United States and Britain. In the first nine months of 1961, Japan increased its sales both in value and as a per cent of Thailand's total imports. Imports from the United States and Britain lost ground in value and as a per cent of total imports.

Thailand's principal suppliers in the first nine months of 1960 and 1961 are listed in Table III.

Canadian Sales Small

Canada's exports to Thailand did not increase in 1961 and, comparatively speaking, they remain small.

TABLE II
THAILAND'S PRINCIPAL MARKETS

	1960	1961
	(Jan.-Aug.) (baht '000,000)	
Japan	1,530	904
Malaya	1,352	991
South Africa	1,204	591
Singapore	966	650
Hong Kong	753	667
West Germany	431	367
Britain	377	566
Indonesia	350	615

TABLE III
THAILAND'S MAIN SUPPLIERS

	1960	1961
	(Jan.-Sept.) (baht '000,000)	
Japan	1,736	2,154
United States	1,236	1,102
Britain	713	698
West Germany	647	526
Singapore	448	425
Hong Kong	439	440
Netherlands	315	326
France	143	139
Italy	96	101

Hong Kong

Closer attention to the market by Canadian exporters would possibly bring about an increase. Canadian statistics show the value of our exports for the first nine months of 1961 as Can.\$2.1 million, equal to the total for the same period in 1960. In return, Canada takes Thai goods—chiefly crude lac, rubber, and teak lumber—worth only Can.\$600-\$700,000 a year. Principal Canadian exports to Thailand for January-September 1960 and 1961 are shown in Table IV.

**TABLE IV
PRINCIPAL CANADIAN EXPORTS
TO THAILAND**

	(Jan.-Sept.)	
	1960	1961
	(Can.\$)	
Wheat flour	425,937	487,429
Aluminum ingots	396,761	306,556
Zinc blocks, pigs, slabs	.....	234,548
Zinc spelter	253,351	.....
Fountain pens and mechanical pencils	54,709	141,470
Asbestos fibre	6,989	69,722
Files and rasps	154,908	67,255
Wood pulp	.....	56,200

Japan dominates the consumer and capital goods market in Thailand. Canadian exporters are at a disadvantage in competition with U.S. exporters too, because a large portion of the U.S. goods imported is paid for with United States aid funds. Certain U.S. semi-luxury goods (including household detergents and toothpaste) with internationally known brand names enjoy a large sale in Thailand and substantial sums are spent in advertising them. As far as Canada is concerned, Thailand is primarily an outlet for raw materials and semi-manufactured goods, and the opportunities for these will improve as the industrial base of the country gradually widens. Canadian consumer goods cannot be excluded, (our pens and pencils, files and rasps are being sold in some quantity) but exporters should bear in mind that Thailand is essentially a price market and quality comes second. ●

- ★ Expansion of industries continued; production in most improved.
- ★ Exports to Asia, Western Europe up; to North America, down.
- ★ Canadian exports decreased in value but widened in range.

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

FREE enterprise and prosperity continue to characterize the economy of Hong Kong and despite a brief slowdown in the early months, 1961 proved to be another year of progress. Industrial expansion continued, with the number of registered factories and industrial undertakings increasing by some 10 per cent during the year. Direct industrial employment rose by some 35,000 to over 250,000, or nearly one-twelfth of the Colony's population. Conditions in the various sectors of industry varied considerably throughout the year but by the close of it, most industries had regained or exceeded the high levels of annual production established in 1960. The notable exceptions were the rubber footwear industry and the garment sector of the textile complex, in which annual production decreased by between 20 and 30 per cent. None the less, judging by trends established by December, virtually all industries entered 1962 at near-capacity production levels. And despite Hong Kong's large and rapidly growing population of over three million, full employment was regained by the year's end.

Record Budget Announced

The Government announced a record 1961/62 budget, forecasting expenditures of more than HK \$1,000 million for the first time in the Colony's history. Revenues are also expected to increase to HK \$915 million, with greater returns from internal revenues, land and share transaction duties, property taxes, vehicle registration taxes and certain import duties. Public works

—including water-development schemes, refugee resettlement, land reclamation and government building plans—are expected to account for at least one-third of budgeted expenditures. By the middle of the financial year, however, revenues collected exceeded expenditures by over HK\$50 million, and it seems possible that the budget deficit may not be as large as originally expected. At the time the budget was released, the higher government expenditures were believed to indicate concomitant increases in personal and corporate taxation (at present gradually progressing to a maximum 12½ per cent). No announcements to this effect have been made, however, and in view of the present modest surplus, this action may be deemed unnecessary. Hong Kong's moderate taxation is considered a prime contributor to prosperity and the Government appears loath to increase it unless this becomes absolutely necessary.

The high rate of industrial and residential construction established over the past few years continued in 1961, although at a slightly lower rate. During the first ten months, new buildings valued at HK\$260 million were completed, contributing nearly HK\$900,000 a day to the bustling local economy. Tourists are estimated to have added about U.S.\$100 million to the Colony's earnings.

Trends in Trade

The postwar pattern of larger exports of domestic manufactures paralleled by a decrease in the importance of entrepôt or re-export

TABLE I
HONG KONG'S PRINCIPAL TRADING PARTNERS

Exports to	1960	1961
	Jan.-Oct.	Jan.-Oct.
	(HK\$'000,000)	
United States	658	546
Britain	505	521
Malaya	357	371
Japan	191	193
Indonesia	100	188
Thailand	120	114
West Germany	97	92
Communist China	109	83
Australia	98	73
Canada	78	65
Imports from		
Communist China	947	819
Japan	781	701
Britain	553	638
United States	610	636
Thailand	175	207
West Germany	150	158
Taiwan	102	131
Switzerland	114	131
Australia	107	123
Malaya	110	115
Netherlands	95	96
Belgium	69	84
Cambodia	60	77
Canada	99	77

Based on Hong Kong Department of Commerce and Industry statistics.

TABLE II
PRINCIPAL CANADIAN EXPORTS TO HONG KONG*

	1958	1959	1960	Jan.-Sept.	
	(Can.\$'000)				
	1958	1959	1960	1960	1961
Plastic, synthetic rubber raw materials	1,651	2,369	4,920	3,507	4,900
Primary aluminum	1,020	4,274	7,327	6,868	2,956
Wheat flour	835	1,294	1,283	832	1,012
Wheat	301	261	1,511	1,356	654
Automobiles	231	270	512	360	353
Synthetic fabrics and clothing	70	149	829	727	316
Engines (air and marine), parts	69	100	224	173	265
Plant materials for drugs (roots, herbs, barks)	217	214	182	167	215
Steel strip, sheet, bar	150	222	939	159	211
Unbleached wrapping paper	21	125	100	76	171
Oatmeal and rolled oats	44	99	121	97	114
Shirts (cotton—not knitted)	8	14	316	230	106
Cameras, lenses and parts	106	61	74	32	93
Furs	19	38	53	33	77
Medicinal preparations	142	177	66	63	76
Files and rasps	37	74	94	83	65
Whisky	36	75	42	31	55
Newsprint	76	59	46	34	45
Nickel	260	28	1,107	710	45
Motion picture film	153	251	132	132	31
Container board	.....	.....	17	12	25
Leathers	1	6	8	5	15
Fountain pens	56	55	168	118	24
All others	551	977	2,465	2,661	776
Total	6,054	11,192	22,515	18,466	12,600

Source: Dominion Bureau of Statistics.

*Note: In view of the changes in DBS commodity classifications, several items in this table have been grouped together where necessary to indicate the comparison of over-all trade with previous years.

trade continues. During ten months of 1961, exports of Hong Kong manufactures accounted for nearly 80 per cent of total exports; some ten years ago, entrepôt trade accounted for 80 per cent of total exports—a direct reversal. Exports for ten months of '61, at HK\$3,245 million, were down slightly, largely as a result of a further 8 per cent decline in transshipment trade. Exports of local manufactures, however, achieved a modest 2 per cent increase to reach HK\$2,432 million. Imports also rose by 2 per cent to HK\$4,940 million; the visible trade deficit thus totalled HK\$1,700 million. Capital-account transactions are not recorded, but it is estimated that the large flow of investment funds more than balanced this account.

The general pattern in export trade was a sharp decline in sales to North America, largely compensated by increased sales to Western Europe and Asia. Imports were evenly spread among Hong Kong's traditional suppliers, with the notable exception of Communist China, whose sales (largely of foodstuffs) decreased by HK\$130 million, leaving the market open to greater participation by neighbouring South-east Asian countries. Principal suppliers, however, were still Communist China (HK\$819 million), Japan (HK\$701 million), Britain (HK\$638 million), and the United States (HK\$636 million). Hong Kong's leading markets were the United States (HK\$546 million), Britain (HK\$521 million), Malaya (HK\$371 million) and Japan (HK\$193 million). (See Table I.)

Trade with Canada

Canadian trade with Hong Kong decreased appreciably during the first ten months of the year, with Canadian exports to Hong Kong (excluding gold shipments) dropping from HK\$99.0 million to HK\$77.0 million (see Table II), and Hong Kong exports to Canada declining from HK\$77.5 million to HK\$64.5 million. Re-exports to Canada also declined slightly—from HK\$10.1 million to HK\$9.8 million. Although Canadian sales to Hong Kong fell by approximately Can.\$4 million, this figure does not indicate the trend of our exports to this market accurately, because the decrease stemmed almost entirely from smaller sales of Canadian aluminum to Communist China out of stocks maintained in Hong Kong.

Annual figures covering over-all Canadian shipments for consumption in Hong Kong are expected to show moderate increases in most major items, including plastic raw materials, wheat and wheat flour, and metals. In addition, a large number of new products were added to the list of Canadian exports, including domestic electrical equipment, selenium metal and other non-ferrous metal powders, veterinary biologicals, dental drills, vulcanizing equipment, refrigeration equipment, frozen and tinned foodstuffs, and confectionery items (including chocolates and cigarettes).

Canadian purchases from Hong Kong were concentrated in a narrow range of commodities, including garments (imports of which declined 30 per cent from 1960), canvas and rubber footwear, plastic manufactures and Chinese foodstuffs. As Hong Kong's industrial base has expanded, however, she has sold us more furniture, flashlights, toys and dolls, small metalwares, transistor radios, handicrafts and ornaments.

What We Sell

Taken together, plastic raw materials (especially polyethylene and polystyrene) have emerged as the largest single export from Canada to Hong Kong. The Colony's imports of Canadian polystyrene during the period remained approxi-

mately the same as in 1960, but sales of polyethylene during January-October 1961 increased by about 20 per cent to approximately Can.\$3 million. The main reasons were greater efforts by Canadian suppliers, the resumption of large-scale manufacture of plastic flowers, and the continued brisk demand for polyethylene bags for packaging. It is not possible, however, to forecast the trend of this market in 1962; consumption may decline as overseas markets for plastic products become saturated.

Aluminum sales to Hong Kong for local consumption in 1960 totalled approximately 6,000 tons and are expected to exceed this figure in 1961. The rise should continue in 1962, when sales should come close to 8,000 tons.

Apart from aluminum (and gold bullion), Hong Kong is not a sizable market for Canadian metals. Sales of steel have never been large and in the past have been confined almost entirely to stainless steel strip.

In 1961, however, although exports of stainless steel strip dropped, total sales of Canadian steel doubled, indicating a diversification of demand. Canada participated in the growing market for zinc for the first time in 1960 and sales in 1961 have continued to grow—to over six times those of 1960. Exports

of nickel declined as a result of smaller transshipments to Communist China.

As a direct result of the higher protein content, sales of Canadian wheat almost doubled—to nearly 12,000 tons during the first ten months of the year. Sales of flour increased by some 25 per cent, although our share of the market dropped to about 42 per cent from just over 50 per cent because of sizable imports from Japan. Consumption is still increasing and Canadian sales should rise.

More Canadian automobiles were sold to Hong Kong in 1961; both unit sales and values were 30 per cent above the corresponding period of 1960. These increases resulted primarily from the popularity of the compact cars. One Canadian manufacturer, however, at present responsible for about 65 per cent of compact car sales, may supply the Hong Kong market from his Australian plant.

Hong Kong remains Canada's largest export market for terylene fabrics, but our share of sales declined from one quarter to one tenth (from HK\$4 million to HK\$2.2 million) primarily as a result of threefold increases in both Japanese and British sales.

Hong Kong during 1962 appears to hold promise of greater industrial expansion, employment, production

One of Hong Kong's problems in recent years has been providing employment and accommodation for a growing population, including the refugees that continue to stream in. This big apartment development was built to resettle thousands of these refugees.



and exports and therefore holds out attractive opportunities for not only maintaining but increasing Canadian sales. It must not be forgotten, however, that it is virtually a free port and that despite its status as a British Colony, Canadian products

by and large face stiff competition from all countries. As local industry and population grow and standards of living improve, competitive suppliers are paying more and more attention to the requirements of this market, such as competitive pricing,

attractive payment terms, and assistance in sales promotion and advertising. In this, one of the world's most competitive and open markets, attempts to develop or increase sales must be conscientiously and aggressively pursued. ●

Cambodia

- ★ Larger sales of rice increased export earnings, reduced deficit.
- ★ Trade with Communist Bloc declined; franc zone leading market.
- ★ Canadian sales small but prospects good for gradual expansion.

M. T. THOMAS, *Assistant Trade Commissioner, Hong Kong.*

THE year 1961 was a good one for the Cambodian economy. Trade increased and the rise in export earnings contributed substantially to decreasing the traditional trade deficit. Industry and agriculture made progress as well, even though it was a troubled year on the Indo-Chinese peninsula.

Preliminary figures for Cambodian foreign trade during January-July 1961 indicate that exports rose to 1,492 million riels (U.S. \$42.6 million at the official exchange rate), an increase of 17.6 per cent over the same period of 1960. Imports increased by only 3 per cent to 1,982 million riels (U.S.\$66.6 million); the trade deficit was thus reduced by over one quarter to 487 million riels.

Rice Sales Increase

The increase in export earnings stemmed chiefly from rice sales abroad, which rose from 215,000 tons in the first seven months of 1960 to 250,000 in 1961. Over half of the rice exports went to the franc zone. Exports of rubber, the second most important product, also rose but revenue decreased slightly because world prices declined. Rice

and rubber exports between them accounted for three-quarters of total export income. Corn, the third most important commodity, which normally accounts for one-fifth of exports, fell off considerably as Japan, the biggest buyer, switched its purchases to Thailand where prices were lower. Other exports remained at the level of previous years except for livestock, which became an important commodity as the Hong Kong market developed.

Customers and Suppliers

The franc zone remained Cambodia's biggest customer, taking 45 per cent of its exports as of July

1961. The other principal markets in order of importance were Hong Kong, Malaya and Britain. Of these, Hong Kong expanded most and in the first seven months of 1961 took nearly 20 per cent of Cambodian exports. The United States, which only three years ago bought nearly one-quarter of Cambodia's exports, dropped to fifth place. Cambodia's imports, which rose only slightly during the period January-July 1961, exhibited much the same pattern as in previous years. The table below gives a breakdown of imports by commodity groups during this period.

The only changes of any note were increases in purchases of petroleum products and automobiles and a reduction in textile imports.

France, Japan, Hong Kong and the United States supplied respectively 27.1, 14.2, 13.1 and 7.6 per cent of Cambodia's imports. But France's position weakened considerably compared with previous years and purchases from the other three countries (particularly the United States and Japan) rose sharply in 1961. Although a "Buy American" policy under ICA is in effect, it has had a smaller impact in Cambodia than in Vietnam because ICA credits finance less than 16 per cent of Cambodia's imports.

In the years up to 1960 bilateral trading agreements were signed with various countries, especially with the Eastern Bloc, but these agreements do not seem to have channelled Cambodian trade to the

PRINCIPAL IMPORTS

January-July 1961

Commodity	Value (riels '000,000)	Per cent of total
Agricultural and food products	244.8	12.35
Mineral products	200.7	10.12
Textiles	254.8	12.86
Pharmaceuticals	81.5	4.11
Chemicals	64.1	3.24
Metals and manufactures thereof	806.8	40.70
Others	329.4	16.62
Total	1,982.1	100.00

degree expected. In fact, trade with Communist countries, after rising rapidly during 1958-60, declined in 1961. During the first seven months of the year the Eastern Bloc supplied less than 10 per cent of Cambodian imports and took only negligible quantities of its exports.

Foreign Aid Obtained

The Cambodian budget for 1961 was estimated at 4,887 million riels, a 10 per cent increase over 1960, with 25.9 per cent allotted to military expenditures, 33.3 per cent to development, and 40.8 per cent to general administration. Cambodia continued to be successful in obtaining financial aid from both the East and the West. The United States remained the principal contributor, although the Communist countries have played an ever-increasing role in recent years. As of the middle of 1961, U.S. aid totalled U.S. \$220.5 million versus U.S. \$155 million from the Communist Bloc. In 1961 the United States contributed U.S. \$11.7 million in military aid and U.S. \$25.5 million in economic aid. Of the latter, U.S. \$21.2 million was for commercial purposes and the remainder in support of industrial and other projects.

French aid, apart from military credits used for the training of the Cambodian forces and cultural credits for educational purposes, was limited to technical assistance, as the economic aid program has ended. However, France promised credits totalling NF2.5 million for the delivery of additional equipment for Sihanoukville Harbour, Cambodia's deepsea port now under construction. The first Communist Chinese project aid program of riels 800 million, begun in 1956, was almost completed in 1961. The Chinese promised an additional riels 400 million but no specific agreement was signed. Other aid either materialized or was promised by the U.S.S.R., Japan, Czechoslovakia, and under the Colombo Plan. On August 31, 1961, gold and foreign exchange reserves stood at 30 per cent of the total money supply, giv-

ing Cambodia one of the strongest-backed currencies in Asia.

Rice Crop Good

The principal industry in Cambodia is agriculture, from which four-fifths of the population derives its livelihood. Nearly 90 per cent of the land under cultivation is devoted to growing rice and this crop therefore plays an important rôle in the country's economic welfare. In 1960-61 rice production increased by over 12 per cent to 1.5 million tons, of which over 20 per cent was exported. The October floods along the Mekong River inflicted some damage but this was offset by the excellent prospects in the provinces unaffected. Rubber production rose by 8 per cent to 15,800 metric tons. The corn crop, however, was considerably smaller because of export difficulties. Last year witnessed the beginning of an agricultural diversification program, with marked increases in the production of livestock, cotton, sugar, timber and charcoal.

Government Fosters Industries

In the industrial field, private enterprise made little headway but government activity financed through foreign aid was considerable. It included a paper plant and a plywood plant built with Chinese credits, the completion of the second stage of the development of the port of Sihanoukville, and the installation of a television network and a new water supply for Phnom Penh by Japanese firms. Among projects planned under various foreign and Cambodian aid schemes are a brewery, a tire plant, a slaughtering and refrigeration plant designed for meat exports, and a plant for cotton ginning to process Cambodia's newest export crop. The lack of local capital means that the Cambodian Government is playing an increasingly important rôle in industrial development. For this purpose, two new companies involving almost equal portions of Cambodian government, Cambodian private, and foreign private capital

were formed in 1961—one to exploit forest reserves and one to build a phosphate plant with a planned production of 12,000 tons a year.

Canada's Sales

The trade statistics reveal that Canadian participation in the Cambodian market decreased in 1961. Up to the end of September only \$70,700 worth of goods were exported to Cambodia compared with \$148,200 worth for the year 1960. However, over \$100,000 of the 1960 exports consisted of milk powder (whole milk), and wheat, which were given to Cambodia as aid. With the exception of milk powder valued at \$3,500, no further grants were made in 1961. Thus purely commercial exports rose last year. The most important increases were in plastics, construction and maintenance machinery, and aluminum ingot.

Although Cambodia with its population of five million will not develop into a large market in the near future, Canadian exporters can afford to be cautiously optimistic about prospects there. Cambodia is one of the most stable countries in Southeast Asia and although it is still in an early stage of development, it is making steady economic progress and is gradually creating a larger and more sophisticated market for imported goods.

Although the ICA "Buy American" policy and the bilateral trade agreements influence trade, they have by no means closed the market to non-participating countries such as Canada. The biggest problems facing Canadian exporters are probably the remoteness of Cambodia, the smallness of the market, and the difficulty of locating suitable agents. The leading import houses are French companies and they tend to favour French lines and to be conservative in their attitude towards new products. Chinese and Cambodian firms are not considered suitable and there are no U.S. or British houses. Furthermore, French is the business language and exporters

must bear this in mind when conducting correspondence. In addition, imports of many commodities, especially equipment, are tied to aid projects that favour the donors.

Canadian exporters interested in trading in Southeast Asia, however, should not overlook the Cambodian market because of these problems. There are trading oppor-

tunities, but the scale is modest and the exporter must be prepared to expend a lot of effort and to be content with the gradual development of a market for his products. ●

South Vietnam

- ★ U.S. aid financed about 80 per cent of country's imports last year.
- ★ Import duties increased in '61; tariff system was simplified.
- ★ Canadian participation limited by ICA's "Buy American" policy.

M. T. THOMAS, *Assistant Trade Commissioner, Hong Kong.*

SOUTH VIETNAM continued to make economic progress in 1961 despite the general deterioration in security as a result of increased activity by Communist guerilla forces. Growth in industrial production kept pace with 1960 and, with the exception of rice, agricultural output expanded. Foreign trade increased, although the ICA "Buy American" policy was beginning to affect the position of other traditional suppliers. As of June 1961, imports had expanded more rapidly than exports, slightly increasing the traditional trade deficit. United States economic aid was reduced somewhat and, with the trade deficit, caused a small decrease in the foreign exchange reserves—which, however, remained in good shape.

In addition to supporting industrial projects, it is estimated that U.S. economic aid of U.S.\$122 million financed about 80 per cent of Vietnam's imports last year. There were difficulties in the operation of the ICA program and numerous changes in the structure of the Vietnamese tariff system over the past twelve months further confused the import picture. As a result, importers at the moment hesitate to commit themselves. Canadian participation in the Vietnamese market became smaller and prospects for the future have not improved.

Although the Viet Cong guerillas have so far not succeeded in causing a breakdown of economic life, it is feared that if they increase their penetration of the countryside, they may isolate urban centres and interfere with industrial and commercial activity.

Foreign Trade

During the first half of 1961 imports rose to U.S.\$124.7 million and exports to U.S.\$40.4 million, compared with U.S.\$118.2 million and U.S.\$39.3 million for the same period in 1960.

Vietnam's most important customer continued to be the franc zone, which took over 30 per cent of exports. Sales to Hong Kong and Britain doubled, but sales to the United States and Japan declined. Rubber and rice—between them they accounted for 80 per cent of Vietnamese exports—maintained their position as the main export products. Rubber sales actually increased in volume but not in value because world prices declined. Rice

These girls are boxing cigarettes as they come from the packaging machine in a South Vietnam factory. Industrial expansion there is proceeding slowly.

exports were forecast at 350,000 tons for 1961 but political insecurity and severe flooding depleted the crop and 7,000 tons had to be imported from Thailand in November. As of September 1961, only 146,000 tons had been sold abroad and soon after exports ceased.

In June 1961 the "Buy American" features of the ICA program had not yet made themselves felt statistically and although 24.4 per cent of Vietnamese imports came from the United States as of the end of June 1961, Japan and France were the sources of 24.1 per cent and 18 per cent of purchases from abroad.

The structure of Vietnam's imports in 1961 did not vary greatly from previous years, although the



gradual shift towards capital goods continued. The more important commodities imported were metals and metal products, 28.4 per cent of total imports, chemicals and pharmaceuticals (17.4 per cent), textiles (16 per cent), and food-stuffs (11.2 per cent).

Foreign Aid Vital

Expenditures under the Vietnamese budget in 1961 were cut slightly to 14.9 billion piastres (U.S.\$428.1 million). Reserves of gold and foreign exchange fell from U.S.\$214 million in December 1960 to U.S.\$191.7 million in September 1961, but this figure was sufficient to more than balance the trade deficit. The 1962 budget was estimated at 23.5 billion piastres.

Vietnam's principal source of foreign exchange continues to be U.S. aid. This aid in 1961 totalled U.S.\$196 million, of which U.S.\$74 million represented military and U.S.\$122 million economic aid. Of the U.S.\$122 million, U.S.\$12.8 million was used for specific projects and U.S.\$109 million to finance imports.

Project aid from other sources included a U.S.\$14 million 15-year loan from France to build a fertilizer plant and a power plant; a Japanese war reparation grant for the construction of a 16,000 kw. power dam in central Vietnam at a cost of U.S.\$40 million, and DM 50 million in payment facilities granted by West Germany for projects to be determined by the two countries. In addition, the Development Loan Fund furnished a U.S.\$12.7 million loan for the construction of a 33,000 kw. thermal power plant near Saigon.

Of major interest was the "New United States-Vietnam Joint Economical and Social Program" made public in January 1962, under which the U.S. announced its intention of increasing both economic and military aid to Vietnam, to help it combat security and economic problems. This new program resulted from a report by the Staley Mission, a team of U.S. financial

and economic experts who visited Vietnam following U.S. Vice-President Lyndon Johnson's visit in the spring of 1961. It has been indicated that the plan will include a military build-up of the Vietnamese army and a rush program to improve the rural standard of living and assist small industries.

Industrial Progress

Industrial development in South Vietnam is financed largely by foreign and Vietnamese government funds, as both domestic and foreign private capital are still lacking. In 1961, industrial progress was on a scale comparable with the previous year. The more important new projects brought into production included a paper mill producing brown kraft paper with a potential annual production of 9,000 tons, two new cotton mills, a vehicle batteries plant, a tire factory, a duck-egg processing plant, and a modernized coal mine. Construction was under way on a newsprint plant, a wood chip factory, a cement plant and the major hydroelectric project at Da Nhim, financed by Japan. Among the projects planned are a bicycle tire and tube factory, and a fibro-cement factory to be financed by French capital. In addition, a French loan is to be used to build a thermal power plant.

Rice Crop Down

Agricultural production was affected by the drastic reduction in the rice crop, partly as a result of smaller acreage because of security problems, but mainly because of the disastrous floods in October. Rubber production increased to a record 46,600 tons for January to September 1961, but prospects for 1962 are less favourable as planters are reluctant to carry out new acreage extensions, for security reasons and also because the Government is discontinuing the aid program. Production of several secondary crops, including sugar, tea, coffee, soybeans and kenaf, increased in 1961. Agricultural credit and rural re-

TABLE I

IMPORTS FINANCED BY SOUTH VIETNAM'S EXCHANGE RESERVES

The following commodities not covered by ICA allocations may now be imported; payment for them is made from the foreign exchange reserves. Import must first be approved by the licensing authorities.

cereal products	raw sugar
vegetable oils	preserved meats
glucose	powdered milk
butter, cheese	dry and preserved vegetables and fruits
frozen fish	liquor
yeasts	raw silk
raw jute	non-edible animal and vegetable products
industrial oils	Chinese medicines
gum arabic	paints
cellophane	detergent powders
dyestuffs	plywood
linseed oils	glass and glassware
paper	cement products
porcelainware	household electrical apparatus
textiles	passenger automobiles
office machinery	sporting goods
5 and 10 cent store novelty items	cinematographic equipment
photographic equipment	rubber goods
watches and parts	industrial alcohols
bicycles and scooters	chemical products
plastic raw materials	optical instruments
iron and steel products	rubber products (except tires)
bronze	steel scales
nickel	upholstery materials
zinc	cork and cork products
brass	coarse ceramics
lead	non-metallic mineral products
tin	
chromium	
petroleum products	
malt and hops for brewing	

settlement programs continued but the latter was slowed down by insecurity in the countryside.

Obstacles to Trading

Trading with Vietnam has not become easier during the past year. The system of import controls and tariffs grew more complicated during 1961. Several increases in import duties during the year were followed by a simplification of the tariff system announced at the end of December 1961. The details of this system are not yet known but

TABLE II
EXPORTS FROM CANADA
TO SOUTH VIETNAM

	1960 Jan.- Sept.	1961 Jan.- Sept.
	(in Can.\$)	
Aid (flour, milk powder, butter, etc.)	280,806	78,547
Files and rasps	78,558	24,160
Aluminum ingot and manufactures	3,374	16,509
Rolled oats	24,735	691
Synthetic resins and man- ufactures thereof	14,653	80
Asbestos brake linings	12,967	1,722
Wood pulp, sulphite, unbleached		49,986
Others	29,016	22,678
Total	444,109	194,373

the net result is expected to be an over-all increase in the duty on imports. It has been reported that in future all imports will be subject to a uniform surcharge and this will in effect increase the exchange rate from VNP35 to VNP60 to the U.S. dollar. Other features of the new legislation are reported to be a special austerity tax to reduce luxury consumption and protect local industries, and a unification of the various export taxes into a single tax. The purpose of the new regulations is said to be to increase government revenue rather than to limit imports.

As far as Canada is concerned, the most effective barrier to the Vietnamese market is the ICA "Buy American" policy, beginning to make itself felt. So far few exceptions have been granted and the list of commodities that may be imported remains limited. This list is shown elsewhere (Table I). The only temporary exceptions to the program were for U.S.\$500,000 worth of pharmaceuticals, U.S.\$1 million worth of metal products, U.S.\$209,000 worth of special papers, and occasional purchases of spare parts for the maintenance of existing equipment.

Trade with Canada

Canadian exports to Vietnam have been adversely affected by

developments over the past year. Sales for the first nine months of 1961 totalled Can.\$194,300, compared with Can.\$444,100 for the same period of 1960. Table II gives a comparative breakdown of exports by commodity groupings for January to September 1960 and 1961. Almost every category registered decreases; the only exceptions were wood pulp and aluminum manufactures. The figures for aluminum manufactures represent old procurement authorizations and imports are not expected to continue, as they come under the ICA program. The wood pulp was supplied to the new Vietnamese paper mill that began production this year, but this commodity now comes under ICA and no further Canadian sales are expected.

Generally speaking, however, Canadian export prospects in this market are not bright because of the difficult conditions within the market itself and the uncertainties about economic development in view of the security situation. The free list (see page 28) does not offer many possibilities for Canadian exporters. Nevertheless, Canadian exporters should study the free list and the temporary exceptions to the ICA program made from time to time, as they provide the only means of access for the time being. Exporters who feel they have commodities to offer under the free list or the ICA exceptions should write to the Canadian Government Trade Commissioner in Hong Kong and ask for introductions to suitable importers in Vietnam. ●

Communist China

- ★ Greater emphasis placed on improving agricultural output.
- ★ Import program altered to permit large food purchases.
- ★ Canada's grain sales up sharply but sales of other products down.

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

THE year 1961 proved to be a difficult one economically in Communist China and brought a number of rather drastic revisions in policy. For the third successive year, agricultural production was disappointing because of adverse weather and other factors. Despite the rapid development in industrial activity that has taken place in recent years, agriculture is still the backbone of the Chinese economy and these setbacks have therefore been reflected throughout the entire economy. It appears that the grain, cotton and oilseed crops were the most severely damaged, although most other crops

and livestock were also affected to some degree.

Agriculture Receives Attention

The most important changes in 1961 were connected with efforts to increase agricultural output. These included larger capital investment in agriculture; steps to expand the rural labour force by the transfer of workers from the cities to the countryside; greater priority given to irrigation, flood control and water conservation projects, and the development of uncultivated land in the more remote areas in the north and west of China. This concentra-

tion on agriculture reversed past policy, deeply rooted in Marxist ideology, under which primary emphasis was on developing heavy industry. By the end of 1961 this new policy, it seemed, was beginning to produce results and although accurate statistics are not available, 1961 crops are reported to have improved over the two previous years. This year should give a better indication of the effectiveness of this policy and provided the weather is reasonably good, agricultural output may improve substantially.

Industrial Output Down

On the industrial front, expansion of heavy industry virtually ceased and production in many established plants was cut because of shortages of raw materials and diversion of capital to agriculture. At the same time, emphasis was placed on those industries that would assist agricultural production, particularly the output of fertilizers, insecticides, fungicides, and agricultural machinery and tools. Secondary industries dependent on agricultural raw materials suffered from a shortage of these and the result was a decrease in output. Nevertheless, those secondary industries using non-agricultural indigenous raw materials were encouraged in an effort to improve the supply of consumer goods and light implements for the peasants, thus contributing to their ability to step up agricultural production. According to Chinese reports, the range of commodities manufactured expanded and the quality improved considerably.

Financial policy during the year was also related to the agricultural crisis and was directed to control over new capital construction, emphasis on agricultural production, the provision of consumer goods to the peasants, and austerity in imports.

Commune System Modified

Some internal administrative reorganization took place during the year. Worth noting were modifications of the commune system that

began late in 1960 and continued throughout 1961. The principal aims of the relaxation in commune policy appeared to be to provide more incentive to workers and lead to increased effort, and to enable members to take a more active part in planning and attaining production targets. The relaxation took the form of encouraging private production by individual members, restoration of the right to private ownership of livestock, and the right to sell goods privately produced at rural trade fairs and in urban markets. Control of the communes by political cadres without agricultural experience was modified in the interests of more efficient agricultural practices. Toward the end of the year there was evidence of more centralized control over planning and production.

Communications a Problem

Communications remain a major problem in the Chinese economy and in this field there was little development during the year. The announced policy on communications was one of consolidation and improvement of existing facilities rather than new capital construction. Work on electrification of short-distance railway lines continued but no new major railway developments were begun. In air transport the Chinese have been using Soviet and Chinese planes and it is interesting to note their first small purchase of planes from Britain late last year. Larger imports of motor vehicles, particularly trucks from Britain, were also made. Whether this indicates a change in policy that will lead to future and more substantial purchases of equipment of this type from Western countries remains to be seen.

Communist China has been concentrating in recent years on building up its merchant fleet, now reported to total some 430,000 gross tons, mainly small ships engaged in the river and coastal trades. In 1961, however, the shipbuilding industry suffered the same curtailment in activity as heavy industry. Pur-

chases of ships abroad declined and the rate of development of the merchant fleet was apparently sharply reduced. Because of the small size of its own fleet, Communist China became an important factor in world charter markets for tonnage to transport its large imports of grain.

Trade Pattern Changed

Details on China's trade with Communist Bloc countries are not available, but in the past some 70 per cent of its trade has been carried on with the bloc. It is evident, however that this ratio is beginning to change and indications are that Communist Chinese exports to the U.S.S.R. declined from about U.S.\$840 million in 1960 to an estimated U.S.\$700 million in 1961. Imports from the Soviet Union dropped even more sharply—from about U.S.\$809 million in 1960 to approximately U.S.\$500 million in 1961. Trade with the rest of the Communist Bloc decreased considerably more.

Communist China's trade with the non-Communist world in 1961 reflected its economic difficulties. Although total imports remained close to the levels of recent years, the necessity of purchasing for the first time large quantities of foodstuffs changed the nature of the import program drastically. Imports of wheat, barley, oats, corn, and flour (including freight costs) during the year reached some U.S.\$350 million, or approximately 50 per cent of normal imports of all commodities from all non-Communist countries. At the same time, Communist China's exports to this area, still primarily agricultural products, declined by an estimated 20 per cent, or over U.S.\$100 million. Thus the Chinese had to make adjustments to cover approximately U.S.\$450 million on trade account arising from the combination of heavy food imports and smaller export earnings.

Several devices were adopted to meet the situation. These included:

- Negotiation of credit terms on food imports that deferred payments

of some U.S.\$125 million until 1962.

- Purchase of other products, such as fertilizers and raw materials, on credit.
- Drastic reduction of imports of such commodities as machinery, metals and raw materials.
- Sizable sales of silver and smaller sales of gold to Western countries.
- Sales of fertilizer bonds to overseas Chinese (under this scheme, purchases of bonds entitle friends or relatives in Communist China to extra ration coupons).
- Encouraging overseas Chinese to send duty-paid food parcels to relatives and friends in Communist China. (China thus obtains the duty, often as high as 200 per cent, in foreign exchange.)
- Intensified efforts to increase exports of non-food products.

It is believed that China was able to cover its foreign exchange requirements through the use of these devices and by employing part of its foreign exchange reserves, which were estimated at about U.S.\$300 million at the beginning of 1961.

Trade with Canada

Chinese sales to Canada in 1961, valued at approximately U.S.\$5 million, represented little progress in its efforts to increase exports. This discouraging result was partly due to shortages of commodities acceptable to the Canadian market and partly to lack of knowledge of Canadian requirements. Towards the end of the year, a Chinese trade mission visited Canada to survey the market and as a result of this visit, the Chinese are hoping to increase sales, particularly of such commodities as handicrafts, art works, and other items with good sales prospects. If agricultural production improves as expected, sales of agricultural products such as walnuts, peanuts, etc., should rise substantially.

Canadian exports to China have developed steadily since 1957 and in 1960 reached a record Can.\$22 million. This figure includes goods purchased direct but shipped through third countries, as well as those shipped direct from Canada to Communist China. No grain sales are included. With China's need to import grain, Canadian exports soared in 1961 to about Can.\$150 million, including some Can.\$140 million worth of grain. Canadian sales of other items, principally metals, fell by over 50 per cent, however. On the other hand, several new products were added to our list of exports, including leather, lard, corrugating medium, test jute liner, asphalt laminated paper, vulcanizing equipment, and rayon staple fibre.

Forecasts on China trade are always difficult, but indications are that Canadian sales to this market in 1962 could exceed those of 1961. There seems no doubt of the continued need for large-scale grain imports and Canada is at present the principal potential source for these. Sales prospects for other Canadian goods might well be more promising than in 1961. It is likely that 1962 will see some revival of industrial output as the Chinese become better organized and adjusted to their new circumstances and this should lead to more substantial requirements of raw materials. Already the Chinese appear to be showing renewed interest in metals, our principal non-food export in the past. Apart from the expected revival of effective demand for raw materials that Canada can supply, the Chinese trade mission which visited Canada late last year indicated increased awareness of Canada as a source of supply and sparked Canadian exporters to take a renewed interest in the market in Communist China. Although the Chinese were primarily concerned with increasing sales to Canada, there is no doubt that their visit also created a more favourable climate for the expansion of trade in the other direction. ●

U.S. Customs Official Honoured for Services



SEVERAL years ago, the U.S. Bureau of Customs inaugurated a special advisory service for Canadian exporters. Under this "Canadian Query" (or C.Q.) Program, advisory rulings on the valuation and tariff classification of Canadian products exported or about to be exported to the United States are quickly referred to the U.S. Bureau of Customs for establishing uniform and binding rulings. The program also helps Canadian manufacturers who want general advice, as distinct from written rulings, on U.S. customs procedures.

Recently E. J. Cannon, Appraiser of Merchandise at Buffalo, New York, was given a special award by the U.S. Customs for his services to Canadian exporters during the time C.Q. has been operating. The photograph above shows Mr. Cannon (left) receiving the award from Commissioner of Customs, Philip Nichols Jr., (centre), while Maurice Schwarzmann, Minister Counsellor at the Canadian Embassy in Washington, looks on.

In making the award, Mr. Nichols reaffirmed the U.S. Administration's support of the C.Q. program. To strengthen and enlarge this program, five senior U.S. Customs Appraisers (including Mr. Cannon) have been specifically authorized to advise Canadian exporters on their U.S. customs problems. They are J. J. Garvin (Boston), E. J. Cannon (Buffalo), Joseph Grubach (Detroit), Francis L. Fox (Minneapolis), and James D. MacFarlane (Seattle). Each of them stands ready to serve the Canadian exporting community in the areas north of their posts.

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

Import and Exchange Regulations in the Far East

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

J. M. H. DAVISON, *Asia and Middle East Division.*

BRITISH BORNEO

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

CAMBODIA

IMPORT and export control is administered by the Director of Foreign Trade. All imports into Cambodia require an import licence and the import of certain luxury goods or goods without economic interest is forbidden. Import licences are valid for six months and goods must be shipped before the licence expires; licences may be extended under extenuating circumstances. Goods should not be shipped unless an import licence has been issued. Dollar exchange is readily available to pay for imports as soon as a licence has been obtained.

COMMUNIST CHINA

TRADE and industry in Communist China are in the hands of public organizations and imports are handled by a number of state trading corporations—the twelve Chinese National Import and Export Corporations, each specializing in particular types of goods. These corporations neither act as agents for overseas suppliers nor import for stock on their own account. They purchase on behalf of end-users throughout the country and place orders abroad only at the request of these end-users. Import licences are required but are issued automatically for all orders placed by the corporations.

HONG KONG

GOODS may be imported into Hong Kong without import licences with the exception of dutiable (only five items), dangerous and undesirable, restricted and strategic goods.

All foreign exchange transactions in currencies other than sterling and currencies linked with sterling are

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

INDONESIA

ALL imports into Indonesia, whether made by private or state-owned firms, are subject to control because of the current shortage of foreign exchange. They have been divided into two groups: essential commodities and non-essential goods; (non-essential goods include the list of free goods and prohibited items). State-trading enterprises, nine in all, have the prerogative of importing essential goods on the basis of the official exchange rate of 45 rupiahs to the U.S. dollar. These state-trading firms are granted a fixed quarterly allocation of foreign exchange in line with their requirements. Private import houses, on the other hand, may import only articles on the free list, on which the exchange rate is 200 rupiahs to the United States dollar. Provided that import licences are approved by the Foreign Exchange Control Bureau, the importer may apply for foreign exchange as needed.

JAPAN

WITH certain exceptions, imports into Japan are subject to import licence, generally issued by one of the designated and authorized foreign exchange banks. Anyone who has obtained an import licence may make arrangements for foreign means of payment in accordance with the terms of the licence. On the basis of a semi-annual foreign exchange budget prepared by the Ministerial Council, the Minister of International Trade and Industry (MITI) makes an import announcement from time to time, indicating the commodities to be imported, currencies to be used for settlement, area of shipment, etc. There are three main methods of obtaining import licences under the announcement. They are as follows:

Foreign Currency Allocation System—Under this procedure the importer must first apply to MITI for an allocation of funds and obtain an allocation certificate. The certificates are generally valid for four months, during which the importer may apply to the foreign exchange bank for an import licence.

Automatic Approval System—Under this method, an over-all quota is set up under the semi-annual foreign exchange budgets. Importers may apply for and receive automatically import licences and foreign exchange for payment of goods.

Automatic Fund Allocation System—This procedure includes those items considered as residual under the Foreign Currency Allocation System. Under this system, funds will generally be allocated to applicants at any time up to the fixed amount of the budget for imports under this procedure.

Upon submitting an application for a licence to import goods, the importer is required to deposit guarantee money with an authorized foreign exchange bank, the amount to be determined by the value of the import. The deposit is returned to the importer after 80 per cent or more of the goods are cleared through Customs. Each import licence has its own term of validity, usually six months, and the imported goods must be cleared through Customs within that time, upon presentation of the approved import licence and the import declaration form.

Effective July 1, 1960, foreign exchange restrictions were liberalized and foreign banks abroad and other non-residents are now authorized, under specific conditions, to establish in Japan freely convertible and transferable non-residents' free yen accounts and to settle international transactions through such accounts.

LAOS

FOREIGN exchange control is vested in the Laos National Bank, which is authorized to stabilize the rate at 80 kip to one U.S. dollar. All commercial banks and other financial institutions approved by the National Bank are empowered to operate freely in the foreign exchange market. Imports and exports of merchandise are not controlled. Importers usually pay for goods, or accept time drafts, upon arrival of the merchandise.

PHILIPPINES

THERE is no import control as such in the Philippines and no import licence is required. However, the payment of foreign exchange for imports is subject to letters of credit. Goods are separated into two categories: decontrolled and controlled items. In the controlled group, the goods are classified according to their essentiality—essential producer goods, essential consumer goods, semi-essential producer goods, semi-essential consumer goods, non-essential producer goods and non-essential consumer goods. In addition, there is a list of unclassified merchandise.

All applications for the opening of letters of credit filed with the authorized bank and chargeable to the importer's quota allocations are considered as applications for licences to purchase foreign exchange to pay for imports. A letter of credit is valid for a maximum of six months after date of issue, including extensions.

Under regulations effective from January 21, 1962, all imports must be covered by letters of credit, except small transactions involving not more than \$100.00. Import letters of credit must be accompanied by a

special time deposit ranging from 25 per cent for decontrolled items and essential goods to 150 per cent for non-essential goods and unclassified items. The time deposits shall be kept for periods of not less than 120 days and shall have a reserve requirement of 100 per cent. Authorized agent banks may sell foreign exchange for imports at the prevailing market rate to any applicant, without requiring prior specific licensing from the Central Bank. Imports will be released from Customs only upon presentation of a release certificate issued by the Central Bank and based on letters of credit opened.

SINGAPORE AND FEDERATION OF MALAYA

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

SOUTH KOREA

FOREIGN exchange transactions are subject to exchange control regulations, which are administered by the Ministry of Finance and the Central Bank, the Bank of Korea. Certain listed imports and all goods not listed require the approval of the Ministry of Commerce and Industry. Other listed imports may be made free of licence. The Ministry of Commerce and Industry classifies import commodities into two categories. The first is regular items that may be imported with all foreign exchange deposited in the import accounts; this includes certain consumer goods, essential raw materials and industrial equipment. The second is special items, which may be imported either with foreign exchange earned from exports or with such foreign exchange as the Government decides to treat in the same way as export dollars. The special list includes less essential commodities and the items on it may be sold more profitably; this category is expected to encourage exports. Imports effected with the use of funds of the International Co-operation Administration must be covered by a deposit with the Bank of Korea of more than 60 per cent of their value and are subject to special regulations. Merchandise must be imported and cleared through the Customs within six months from the date of opening of the import letter of credit, regardless of the date the credit expires. Most exports to Korea are financed under letter of credit.

SOUTH VIETNAM

FOREIGN exchange transactions, import and export trade are subject to government regulations and control. Imports, which require a prior licence, fall into two main categories: one, those financed with International Co-operation Administration aid, and two, those

financed by Vietnam's own foreign exchange resources. The latter imports are of two different types, according to whether they are imported at the official rate or whether they enter at a penalty rate. Goods should be shipped within the validity period of the licence. The time limit within which the licence must be used for opening letters of credit is 15 to 30 days from date of issue. Once the credit is opened, the validity period of the licence ranges between three and four months. Letter-of-credit financing is usually stipulated in the licence.

TAIWAN

ALL imports are subject to licences issued by the Bank of Taiwan and Bank of China (for imports under ICA procedure only), with the approval of the Foreign Exchange and Trade Control Commission. Only registered import and export firms may apply for foreign exchange to pay for imports, unless otherwise provided for in the foreign exchange allocation. With certain exceptions, an import licence is valid for a maximum of six months. Merchandise arriving in the country and not covered by an import licence is subject to confiscation. The import licence guarantees the right to foreign exchange. Certain commodities, as announced by the FETCC, may be imported on a consignment basis but are subject to special regulations. The Bank of China may open letters of credit and permit the purchase of exchange for imports under International Co-operation Administration procedure.

All forms of foreign exchange, income and disbursements are, in principle, subject to government control. The Foreign Exchange and Trade Control Commission of the Executive Yuan is authorized to deal with matters of administration of foreign exchange and trade control. The official rate of the new Taiwan dollar was changed from NT\$36.08 (buying) and NT\$36.38 (selling) per U.S. dollar to NT\$40 (buying) to U.S.\$1, effective June 1961. The selling rate was abandoned altogether.

THAILAND

THE Ministry of Economic Affairs is the licensing authority for imports into Thailand. Control over foreign exchange is administered by the Bank of Thailand. Imports into Thailand are classified into two categories. One consists of goods under import control—about 70 items at present—for which import licences are required and including chiefly goods that are produced locally. Import licences for these goods are only approved if the local supply is insufficient. The second category consists of goods not under import control; this includes all remaining items. Imports should be cleared within three days after final discharge of goods from vessel, otherwise they are subject to customs godown rent. Delivery of goods from customs godown

is only allowed after payment of import duties and storage charges and goods may be delivered only to the consignee named in the shipping documents. If delivery is not taken within four months and 14 days, the goods are liable to confiscation.

An importer must file an application supported by pro forma invoices with the Bank of Thailand or authorized agent bank for the opening of a letter of credit. If the goods are subject to import control, an import licence must also be produced. Foreign exchange is made available on receipt of the documents. Applications for foreign exchange in payment of documentary collections may be approved by authorized commercial banks on behalf of the Bank of Thailand. Such approvals are valid for thirty days for sight draft and fifteen days after due date for a usance draft. An authorized bank may approve an extension of one month but a further extension requires the approval of the Bank of Thailand.

Trade Commissioners on Tour

In Territory

J. H. BAILEY, Commercial Secretary in Bogotá, Colombia, will be visiting Ecuador throughout the month of April.

B. C. BUTLER, Minister (Commercial) in London, will visit Cardiff and district March 26-30.

D. I. CAMPBELL, Assistant Commercial Secretary in Caracas, Venezuela, will visit Maracaibo, April 9-14.

M. R. M. DALE, Trade Commissioner in Cape Town, South Africa, will visit Knysna, Port Elizabeth, Grahamstown, East London, Cathcart, Queenstown, and Aliwal North during April.

R. M. DAWSON, Consul and Assistant Trade Commissioner in Manila, will visit Taipei, Taiwan, April 23-28.

P. V. McLANE, Trade Commissioner in Glasgow, Scotland, will visit Belfast, Northern Ireland, March 26-30.

K. G. RAMSAY, Commercial Secretary in Lima, Peru, will visit La Paz, Bolivia, March 19-29.

N. L. WILLIAMS, Assistant Commercial Secretary in Lagos, Nigeria, will visit Ibadan, Bida, Kaduna, Kano, Zaria, Jos, Makurdi, Enugu, Port Harcourt, Onitsha, and Akure, April 25-May 19.

Businessmen who would like these officers to undertake assignments should get in touch with them at their posts as soon as possible. Write to Mr. Bailey at Bogotá, Mr. Butler at London, Mr. Campbell at Caracas, Mr. Dale at Cape Town, Mr. Dawson at Manila, Mr. McLane at Glasgow, Mr. Ramsay at Lima, and Mr. Williams at Lagos.

Documentation for the Far East*

—Asia and Middle East Division.

THE following data are intended as a guide to the kind and number of documents required by each country and the main basic regulations. The numbers indicated include copies required for the files of the legalizing authorities and consular offices as well as, in most cases, for accounting purposes by the consignee.

Care should be taken in the preparation of shipping documents and exporters should follow explicitly any instructions they receive from their agent or consignee in the importing country. There should be no undue delay in preparing documents. They should be posted promptly, by airmail, so that they will be in the hands of the importer by the time the shipment arrives at the port of destination.

The documentation requirements for the most part are similar for shipments forwarded by freight, parcel post or air cargo. In general, there are no requirements covering the form of the documents or the language

*Borneo Territories, Hong Kong, Malaya and Singapore will be included in "Documentation in the Commonwealth", to be published later.

used. Consular fees are charged for certification or consular legalization of documents for the Philippines and Taiwan.

Duty is levied on the basis of the cost or value of the goods, plus freight and insurance to the destination.

Import restrictions are in force in many of the countries in the Far East and Canadian exporters would be well advised not to ship their goods until they are assured that the importer has obtained an import licence, if one is needed.

Health and pure food regulations often call for the production of additional documents. Many countries require sanitary or health certificates issued by agricultural or health authorities in the country of origin for animals, plants and their products, and processed food-stuffs.

Leaflets on *Shipping Documents and Customs Regulations* (including health and pure food regulations), giving full details of the requirements, have been compiled by the International Trade Relations Branch for most of the countries listed in the table below and are available on request.

ABBREVIATIONS: Com. I.—Commercial Invoice; C.O.—Certificate of Origin; B.L.—Bill of Lading; P/L—Packing List; Cons. I.—Consular Invoice.

Country	Documents Required	No. of Copies	Notes (See below)	Country	Documents Required	No. of Copies	Notes (See below)
Burma	C.O.	3	1, 3, 5, 7, 8, 9	Taiwan	Cons. I.	4	1, 3, 9
	Com. I.	3			Com. I.	4	
	B.L.	2			B.L.	3	
Cambodia	C.O.	4	1, 2, 3, 5, 7	Thailand	Com. I.	4	1, 2
	Com. I.	4			B.L.	3	
	B.L.	2					
Communist China	Com. I.	3	1, 3, 4	NOTES 1. Commercial invoice should be signed and certified as true and correct by the shipper. 2. Commercial invoice should be certified by a Chamber of Commerce or Board of Trade. 3. Each copy of commercial invoice must be signed by the manufacturer or supplier in the country of origin. 4. No statement of origin is required other than that appearing on the commercial invoice. 5. Certificate of origin is not generally required. Customs authorities do require certificates for certain types of goods. 6. Certificate of origin may be combined with commercial invoice. 7. Certificate of origin should be certified by a Chamber of Commerce or Board of Trade. 8. Packing list should be furnished when details of shipment are not available on the invoice. 9. Special certificates such as sanitary certificates are required for certain products. 10. To correct errors in documentation, a letter of correction is required.			
	B.L.	2					
Indonesia	Com. I.	3	1, 2, 3, 5, 9				
	B.L.	5					
Japan	C.O.	4	1, 3, 5, 7, 9				
	Com. I.	4					
	B.L.	5					
Laos	C.O.	5	1, 2, 3, 7				
	Com. I.	5					
	B.L.	2					
Philippines	Cons. I./C.O.	5	1, 2, 7, 8, 9, 10				
	Com. I.	5					
	B.L.	2					
South Korea	C.O.	5	1, 2, 3, 9				
	Com. I.	4					
	B.L.	2					
South Vietnam	C.O.	4	1, 2, 3, 4				
	Com. I.	4					
	B.L.	3					

SHIPPING SERVICES TO THE FAR EAST

FROM

	Pacific Coast	Great Lakes	St. Lawrence and Atlantic
TO: Federation of Malaya	<p>American Mail Line (<i>Canadian Blue Star Line (1940) Ltd., Vancouver</i>)</p> <p>Java Pacific & Hoegh Lines (<i>Dingwall Cotts and Co. Ltd., Vancouver</i>)</p> <p>Klaveness Line (<i>Balfour Guthrie (Canada) Ltd., Vancouver</i>)</p> <p>Knutsen Line (<i>Johnson Walton Steamships Ltd., Vancouver</i>)</p> <p>Nissan Pacific Line (<i>Kingsley Navigation Co., Ltd., Vancouver</i>)</p>	<p>Isthmian Lines (<i>Amalgamated Exporters Co. (Canada) Ltd., Toronto</i>)</p>	<p>Isthmian Lines (<i>Amalgamated Exporters Co. (Canada) Ltd., Montreal</i>)</p> <p>Maersk Line (<i>The Robert Reford Co. Ltd., Montreal</i>)</p> <p>Malaya Indonesia Line (<i>The Cunard Steam-Ship Co. Ltd., Montreal</i>)</p>
Hong Kong	<p>American Mail Line</p> <p>Java Pacific & Hoegh Lines</p> <p>Klaveness Line</p> <p>Knutsen Line</p> <p>Maritime Co. of Philippines Line (<i>Furness Withy and Co. Ltd., Vancouver</i>)</p> <p>Nissan Pacific Line</p> <p>P. & O. Orient Lines (<i>Union Steam Ship Co. of New Zealand Ltd., Vancouver</i>)</p> <p>States Line (<i>Dodwell & Co. Ltd., Vancouver</i>)</p> <p>States Marine Lines (<i>Pacific Marine Freighters Ltd., Vancouver</i>)</p>	<p>Iino Lines (<i>Watts Watts Shipping Agencies Ltd., Toronto</i>)</p> <p>Mitsui Line (<i>Montreal Shipping Co. Ltd., Toronto</i>)</p> <p>Orient Mid-East Great Lakes Service (<i>Montoro Shipping Corp. Ltd., Toronto</i>)</p>	<p>Iino Lines (<i>Watts Watts Shipping Agencies Ltd., Toronto</i>)</p> <p>Maersk Line</p> <p>Marchessini Line (<i>Canada Steamship Lines Ltd., Montreal</i>)</p> <p>Mitsui Line (<i>Montreal Shipping Co. Ltd., Montreal</i>)</p> <p>Orient Mid-East Great Lakes Service (<i>Shipping Ltd., Montreal</i>)</p> <p>Sabre Line (<i>Keel Shipping Ltd., Montreal</i>)</p>
Indonesia	<p>American Mail Line</p> <p>Klaveness Line</p> <p>Knutsen Line</p>	<p>Isthmian Lines</p> <p>Orient Mid-East Great Lakes Service</p>	<p>Isthmian Lines</p> <p>Maersk Line</p> <p>Malaya Indonesia Line</p> <p>Orient Mid-East Great Lakes Service</p>
Japan	<p>American Mail Line</p> <p>Maritime Co. of Philippines Line</p> <p>Nissan Pacific Line</p>	<p>Iino Lines</p> <p>Mitsui Line</p>	<p>Iino Lines</p> <p>"K" Line (<i>John Walton Steamships Ltd., Montreal</i>)</p>

FROM

	Pacific Coast	Great Lakes	St. Lawrence and Atlantic
TO: Japan	<p>N.Y.K. Line <i>(B. W. Green & Co. Ltd., Vancouver)</i></p> <p>O.S.K. Lines <i>(C. Gardner Johnson Ltd., Vancouver)</i></p> <p>Pacific Orient Express Line <i>(Empire Shipping Co. Ltd., Vancouver)</i></p> <p>P. & O. Orient Lines</p> <p>Shinnahon Line <i>(Balfour Guthrie (Canada) Ltd., Vancouver)</i></p> <p>States Line</p> <p>States Marine Lines</p> <p>Yamashita Line <i>(North Pacific Shipping Co. Ltd., Vancouver)</i></p>		<p>Maersk Line</p> <p>Marchessini Line</p> <p>Mitsui Line</p> <p>Sabre Line</p>
Philippines	<p>American Mail Line</p> <p>Java Pacific & Hoegh Lines</p> <p>Klaveness Line</p> <p>Knutsen Line</p> <p>Maritime Co. of Philippines Line</p> <p>Pacific Orient Express Line</p> <p>P. & O. Orient Lines</p> <p>States Line</p> <p>United Philippines Line <i>(Balfour Guthrie (Canada) Ltd., Vancouver)</i></p>	<p>Isthmian Lines</p> <p>Orient Mid-East Great Lakes Service</p>	<p>Isthmian Lines</p> <p>Maersk Line</p> <p>Marchessini Line</p> <p>Orient Mid-East Great Lakes Service</p>
Singapore	<p>American Mail Line</p> <p>Java Pacific & Hoegh Lines</p> <p>Klaveness Line</p> <p>Knutsen Line</p> <p>Nissan Pacific Line</p> <p>Splosna Plovba Line <i>(Sea Freight Ltd., Vancouver)</i></p>	<p>Isthmian Lines</p> <p>Orient Mid-East Great Lakes Service</p>	<p>Isthmian Lines</p> <p>Maersk Line</p> <p>Orient Mid-East Great Lakes Service</p>
South Korea	<p>States Line</p> <p>States Marine Lines</p>	<p>Orient Mid-East Great Lakes Service</p>	<p>Marchessini Line</p> <p>Orient Mid-East Great Lakes Service</p> <p>Sabre Line</p>

	FROM		
	Pacific Coast	Great Lakes	St. Lawrence and Atlantic
South Vietnam	American Mail Line States Line	Isthmian Lines Orient Mid-East Great Lakes Service	Isthmian Lines Maersk Line Orient Mid-East Great Lakes Service
Taiwan	States Line States Marine Lines	Orient Mid-East Great Lakes Service	"K" Line Maersk Line Orient Mid-East Great Lakes Service
Thailand	Knutsen Line States Line	Isthmian Lines Orient Mid-East Great Lakes Service	Isthmian Lines "K" Line Maersk Line Malaya Indonesia Line Orient Mid-East Great Lakes Service

FOREIGN TARIFFS AND TRADE REGULATIONS

Finland

FURTHER LIBERALIZATION OF IMPORTS—By a Government Decree of December 30, 1961, a number of commodities have been exempted from import licensing. Among items of interest to Canadian exporters are the following:

Beverages, spirits and vinegar
Wood and articles of wood
Paper and paperboard, articles of paper pulp, of paper, or of paperboard
Metallized textiles
Paper yarn and woven fabrics of paper yarn
Aluminum and articles thereof
Lead and articles thereof
Zinc and articles thereof
Furniture and parts thereof, bedding mattresses, mattress supports, cushions and similar stuffed furnishings.

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

Mexico

COMMERCIAL INVOICES—Mr. F. B. Clark, Commercial Counsellor in Mexico City, informs us that from March 1, 1962, commercial invoices written in a language other than Spanish must have a Spanish translation attached. This translation may be signed by the shipper, the consignee or the customs broker. It has also been clarified that the customs broker is not responsible for the translation unless he receives written instructions from his principal.

Index to Foreign Trade

The index to Volume 116 of Foreign Trade, covering the issues from July 1, 1961, to December 30, 1961, has now been printed. Readers who wish to have copies should write to the Editor.

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 .952381.

Foreign Exchange Rates

Country	Unit	Type of Exchange	Can. dollar equivalent March 12	Units per Canadian dollar	Notes (See below)
Argentina	Peso		.01273	78.85	
Austria	Schilling		.04062	24.62	
Australia	Pound		2.3660	.4226	
Bahamas	Pound		2.9575	.3381	
Belgium and Luxembourg	Franc		.02109	47.41	
Bermuda	Pound		2.9575	.3381	
Bolivia	Potosi	Free	.08750	11.43	
Britain	Pound		2.9575	.3381	
British Guiana	Dollar		.6161	1.62	
British Honduras	Dollar		.7394	1.35	
Brazil	Cruzeiro	Free	.003344	299.04	
Burma	Kyat	Special Category	†	†	
Ceylon	Rupee		.2205	4.53	
Chile	Escudo	Bank rate	.2218	4.51	
		Free	.9981	1.0019	
Colombia	Peso	Certificate	.7527	1.33	
Congo, Republic of	Franc		.1567	6.42	
Costa Rica	Colon		.02109	47.41	
Cuba	Peso		.1585	6.31	
Czechoslovakia	Koruna		‡	‡	
Denmark	Krone		.1458	6.86	
Dominican Republic	Peso		.1527	6.55	
Ecuador	Sucre	Official	1.0500	.952381	
		Free	.05833	17.14	
El Salvador	Colon		.04552	21.97	
Fiji	Pound		.4200	2.38	
Finland	Markka		2.6644	.3753	
France, Monaco, etc.	New Franc		.003281	304.78	
Franco-African Republics, etc.	Franc		.2143	4.67	(1)
French Pacific	Franc		.004286	233.32	(2)
Germany	D Mark		.01179	84.82	(3)
Ghana	Pound		.2625	3.81	
Greece	Drachma		2.9575	.3381	
Guatemala	Quetzal		.03500	28.57	
Haiti	Gourde		1.0500	.952381	
Honduras	Lempira		.2100	4.76	
Hong Kong	Dollar		.5250	1.90	
		Free*	.1838	5.44	*Mar. 2
		Official	.1848	5.41	
Iceland	Krona	Official	.02442	40.95	(4)
India	Rupee		.2218	4.51	
Indonesia	Rupiah	Official	.02332	42.86	(4)
Iran	Rial		.01386	72.14	
Iraq	Dinar		2.9400	.3401	
Ireland	Pound		2.9575	.3381	
Israel	Pound		.3500	2.857	

*Latest available quotation date.

†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.

Country	Unit	Type of Exchange	Can. dollar equivalent March 12	Units per Canadian dollar	Notes (See below)
Italy	Lira .....	.....	.001691	591.37	
Japan	Yen .....	.....	.002917	342.82	
Lebanon	Pound	Free .....	.3318	3.01	
Mexico	Peso .....	.....	.08400	11.90	
Morocco	Dirham .....	.....	.2100	4.76	
Netherlands	Florin .....	.....	.2904	3.44	
Netherlands Antilles	Florin .....	.....	.5568	1.79	
New Zealand	Pound .....	.....	2.9373	.3404	
Nicaragua	Cordoba	Effective buying .....	.1500	6.67	
		Official selling .....	.1490	6.71	
Nigeria	Pound .....	.....	2.9575	.3381	
Norway	Krone .....	.....	.1475	6.78	
Pakistan	Rupee .....	.....	.2218	4.51	
Panama	Balboa .....	.....	1.0500	.952381	
Paraguay	Guarani	Official .....	.008300	120.48	
Peru	Sol .....	.....	.03914	25.55	
Philippines	Peso	Free .....	.2901	3.45	
Portugal & Colonies Republic of	Escudo .....	.....	.03665	27.28	(5)
South Africa	Rand .....	.....	1.4788	.6762	
Singapore and Malaya	Straits Dollar .....	.....	.3451	2.90	
Spain and Dependencies	Peseta .....	.....	.01750	57.14	
Sweden	Krona .....	.....	.2038	4.91	
Switzerland	Franc .....	.....	.2421	4.13	
Syria	Pound	Free .....	.2932	3.41	
Thailand	Baht	Free .....	.04967	20.13	(4)
Tunisia	Dinar .....	.....	2.5305	.3952	
Turkey	Lira .....	.....	.1167	8.57	(4)
United Arab Republic	Pound	Official	3.0151	.3317	
United States	Dollar .....	.....	1.0500	.952381	
Uruguay	Peso	Free .....	.09576	10.44	
Venezuela	Bolivar	Free .....	.2296	4.35	
		Official .....	.3135	3.19	
West Indies Fed. ..	Dollar .....	.....	.6161	1.62	(6)
	Pound .....	.....	2.9575	.3381	(7)
Yugoslavia	Dinar	Official .....	.001400	714.28	

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.

Roger Duhamel
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