

**Development and Trade in Latin America—II**

# **FOREIGN TRADE**

**DEPARTMENT  
OF TRADE AND  
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# FOREIGN TRADE

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*Our Latin American Division introduces this annual review with a survey of our export and import trade with the South American continent. It also discusses developments within the Latin American Free Trade Association during the year.*

## Business Conditions in Latin America II

*From six of our offices in South America come these reviews of development and trade in 1962, with special emphasis on trading patterns, problems and prospects.*

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*The Transportation Division lists shipping services between Canadian East and West Coast and South American ports. This listing includes names of agents.*

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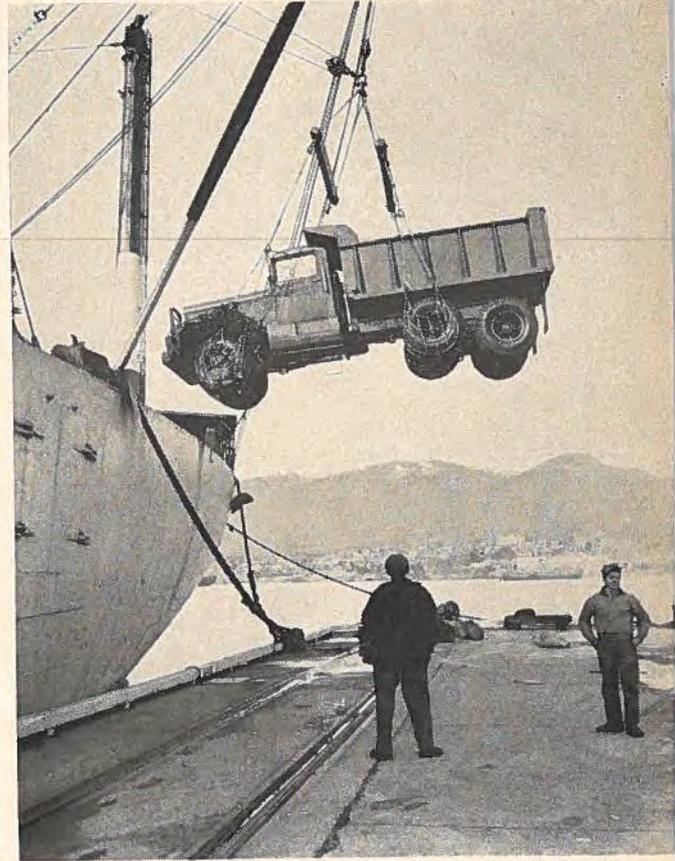
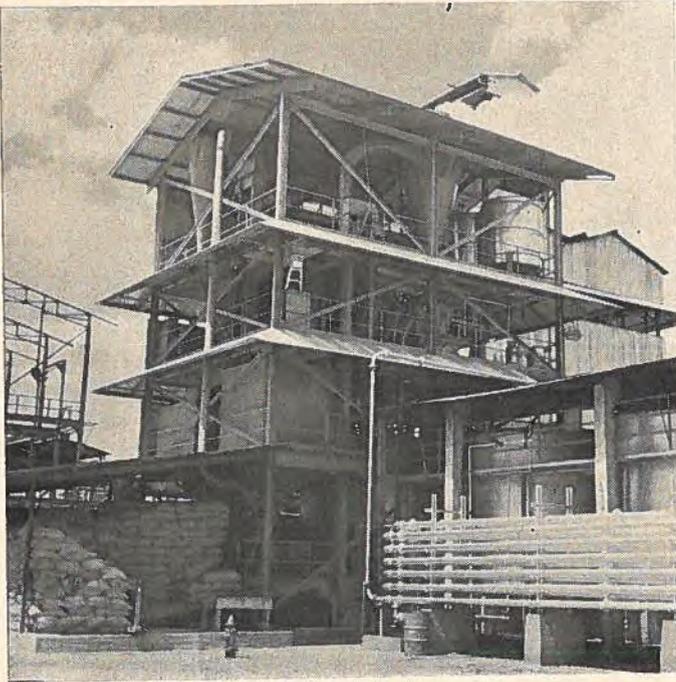
*This useful tabulation covers import and exchange controls in ten countries and also draws attention to special features of the tariff in each. Interested exporters should check it to discover latest changes in the regulations in each market.*

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COMING—SOUTH AFRICA EXPERIENCES ECONOMIC REVIVAL, DEC. 29

*(Below) Canadian capital helped to build this distillery in south-west Venezuela and most of the machinery was imported from Canada. So was the malt shown in bags to the left of the picture and destined to be put to good use in brewing Venezuelan beer.*



*(Above) This truck being swung aboard a freighter in Vancouver is now busy hauling gravel for the Argentine Government's big road-building program. It is one of the 48 diesel-powered dump trucks (and two tractors) made in Vancouver included in this order.*

*(Right) This Canadian-built earthmoving machine has just been loaded on a flat-car after arriving in Rio de Janeiro. Produced in St. Thomas, Ontario, it will be put into service to help develop roads into the Brazilian interior. Inspecting it are the Canadian Ambassador to Brazil (center), the Commercial Counsellor (right) and the Assistant Commercial Secretary.*



# Canada's Trade with South America

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

Last year Canada sold nearly \$140 million worth of goods to the ten South American republics. Bulking large were products designed to meet the needs of growing domestic industry, and some foods. Long-term credits, foreign aid boosting sales of capital equipment.

THE ten South American Republics of Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay and Venezuela cover virtually a whole continent and have a combined population of approximately 140 million. A little under half of this population lives in Portuguese-speaking Brazil and the rest in the other nine Spanish-speaking republics. In an average year they buy over \$5.5 billion worth of goods from abroad and they sell over \$6.5 billion of their own products on world markets.

Canada's export and import trade with South America has assumed increasing importance in recent years. These countries provide valuable markets for Canadian raw materials and semi-processed goods, as well as for certain manufactured products. Latin America has the highest rate of population growth in the world today and consequently there is a constant need for foodstuffs which many of these countries cannot themselves produce in sufficient quantities. In addition, industrial development programs, which most countries in the area are implementing vigorously, are creating an expanding demand for both raw materials and capital equipment of all types. These programs are re-

ceiving increasing financial assistance from the United States and from international banking organizations. At the same time, the South American countries are large exporters to Canada of such important products as bananas, coffee, cocoa, cotton, wool and petroleum. This mutually advantageous interchange has thus created an enduring basis for the greater expansion of trade between Canada and her Latin American neighbours.

## Trade Relations

The Canadian Government is seeking to stimulate the expansion of trade with the area in various ways, such as by the exchange of most-favoured-nation tariff treatment with the countries in Latin America, either by the conclusion of bilateral trade agreements or under the provisions of the GATT. Under these agreements, Canadian exports enjoy no less favourable tariff access to all Latin American republics than that granted to goods from other major trading countries such as the United States, Britain, France, Germany and Japan.

Canadian trade interests in Latin America are promoted by twelve trade offices staffed by experienced Trade Commissioners and com-

## Canadian Trade with South America

Country	EXPORTS TO				IMPORTS FROM			
	1960	1961	1st 9 mos. 1961	1st 9 mos. 1962	1960	1961	1st 5 mos. 1961	1st 5 mos. 1962
	(Can.\$'000)				(Can.\$'000)			
Argentina	19,364	30,893	20,281	15,878	3,611	3,399	978	1,147
Bolivia	323	353	249	299	443	883	404	615
Brazil	19,755	30,076	23,503	19,209	24,883	29,081	10,161	12,518
Chile	6,575	8,225	6,288	6,209	747	1,217	840	872
Colombia	16,590	19,525	14,653	15,063	12,784	13,023	4,990	5,912
Ecuador	3,913	3,922	2,592	2,286	11,018	7,682	3,711	3,343
Paraguay	120	69	54	29	760	874	279	118
Peru	8,891	8,188	6,096	6,203	3,037	4,233	1,122	1,170
Uruguay	2,423	3,039	1,869	1,967	987	1,834	336	246
Venezuela	35,345	34,978	24,585	31,924	195,189	216,640	82,556	85,169
<b>TOTAL</b>	<b>113,299</b>	<b>139,268</b>	<b>100,170</b>	<b>99,067</b>	<b>253,459</b>	<b>278,866</b>	<b>105,377</b>	<b>111,110</b>

petent locally hired commercial assistants. Four of these are located in Mexico, Central America and the Caribbean, and eight in South America. In addition, during the past year six trade missions have visited the Latin American area. The Fisheries Products Mission in February was followed by a Heavy Equipment Mission in May, an Electrical Distribution Equipment Mission in June, an Electronic Products Mission in September, a Forest Products Mission in October, and an Organic Chemicals Mission in November. And to enable Canadian manufacturers of capital goods to compete with foreign producers in the field of long-term financing in Latin America and elsewhere, financing facilities are available to cover acceptable transactions calling for term credit of over five years.

### **Canadian Sales Rose in '61**

In 1961, Canadian trade with South America—as indeed with all of Latin America—showed a satisfactory increase. Our exports to the ten South American republics rose to \$139.3 million, an increase of \$26 million over the 1960 figure of \$113.3 million, and our imports rose from \$253.4 million to \$278.8 million in the same period, an increase of over \$25 million.

The major South American markets for Canadian products in 1961 were Venezuela (\$35 million), Argentina (\$30.9 million), Brazil (\$30.1 million), and Colombia (\$19.5 million). Our principal exports were newsprint, aluminum, unshaped plastics and synthetic rubber, asbestos, industrial and farm machinery, steel, wood pulp and wheat. Also important were exports of purebred cattle, milk powder, wheat flour, malt, yarn and thread, papermakers' felts, copper, nickel, vehicles and aircraft and their parts, office machinery, chemicals, and communications, control and measuring equipment.

In the first part of 1962 Canadian imports from South America have continued to rise but Canadian

exports have declined slightly. In the first five months of 1962, the latest period for which import figures are available, Canadian purchases rose to \$111 million from \$105.4 million for the comparable period last year. Latest export figures, on the other hand, show a slight drop, with exports for the first nine months totalling \$99.2 million compared with \$100.3 million for the similar period of 1961, mainly because the foreign exchange difficulties experienced by some of the South American countries in 1962 have held down imports generally.

### **Future Prospects**

For 1962 and 1963 the outlook is for a continued increase in Canadian trade with the area. Exchange difficulties in certain republics will be balanced by improved marketing conditions in others. Agricultural exports will remain important and some South American countries will continue to offer markets for consumer products. It is expected, however, that the shift in our export trade towards capital goods and industrial raw materials generally will continue. As most governments continue to foster local industry through credits and through tariffs and trade controls, imports of luxury goods and other locally-made products into South America can be expected to change. However, industrialization will result in a greater demand for industrial materials, semi-finished products and equipment for growing domestic industries.

### **Latin American Free Trade Association**

The South American nations are looking towards the formation of a Latin American Free Trade Area to stimulate the economic development of the region. The Association came into effect for Argentina, Brazil, Chile, Peru, Uruguay and Mexico on June 1, 1961. Subsequently Paraguay, Colombia and Ecuador also joined. This Free Trade Association was created by the Montevideo Treaty of 1960, which

provides for the gradual elimination over a 12-year period of tariff duties, import charges and other restrictions between the member states on the bulk of their reciprocal trade. Each member, however, will retain its own individual tariffs on imports from outside countries such as Canada.

Under the terms of the Treaty, internal free trade is to be achieved through a series of annual tariff negotiations. The first of these took place last year in Montevideo, and the first round of tariff reductions for the original seven members (Argentina, Brazil, Chile, Paraguay, Peru, Uruguay and Mexico) went into effect on January 1, 1962. Colombia and Ecuador joined LAFTA too late to take part in this negotiation. The first-round negotiations with Colombia, however, took place at a special session held last spring and the Colombia LAFTA concessions were brought into force on April 1, 1962. Negotiations with Ecuador were postponed until the second general round of tariff negotiations between the whole nine countries. This second round has been taking place in Mexico City and the resulting tariff cuts for all nine republics are scheduled to come into force on January 1, 1963.

### **Demands Individual Attention**

As yet, however, these internal tariff cuts have had little effect on the pattern of South American trade. The bulk of this trade continues to be with the outside world and on it the South American countries depend for almost 90 per cent of their exports and imports. In spite of their initial moves towards a Free Trade Area, these republics remain highly individualistic markets. Each has its own set of tariffs and trade controls. Each presents Canadian businessmen with a separate market, with its own business opportunities and requirements. If sales are to be concluded, Canadians must make a country-by-country approach that takes each separate national market into account. ●

# Argentina

Fall in value of peso, political instability, and severe drought have plagued country through 1962; affected domestic and export business. Canadian sales, however, in 1961 at highest figure since 1947.

C. O. R. ROUSSEAU, *Commercial Counsellor, Buenos Aires.*

LAST year's report on business conditions in Argentina spoke optimistically about the progress made in implementing the basic plan laid down in 1958 to cure the country's economic ills. The present year, however, has done much to temper this optimism and as it draws to a close, the future is clouded. The year 1962—which has seen the downfall of President Frondizi, a succession of military crises, numerous changes in the Cabinet, a fall in the value of the peso from 83 to 140 to the U.S. dollar, and a continued string of strikes in every vital sector of the economy—has been filled with problems. The picture would not be complete without adding the terrible drought that endangered the livestock industry and the cereal crops that traditionally account for over 90 per cent of the foreign exchange revenue. Argentina is today facing an economic and financial crisis that can be surmounted only by the best efforts of every Argentine and generous help from abroad.

## Financial Situation

It was a shock to the Argentines when the Finance Secretary, who took over after the March crisis, declared that the country was facing a budget deficit of 40 billion pesos. The immediate reaction was a tremendous pressure on the peso. The Central Bank, feeling that it did not have the necessary reserves to sustain the onslaught, suspended all foreign exchange trading for two weeks. Trading was reopened on April 4 but the drain on the reserves was such that all efforts to support the peso were abandoned five days later. The peso weakened imme-

diately, reaching the 100 mark at the end of April; it has since maintained a rather jerky course and at the time of writing it is hovering between 136 to 140 pesos to the U.S. dollar.

In keeping with demands made by the International Monetary Fund, the Government has been trying to hold back the amount of currency in circulation and the issue for this year up to November is given as 2,128,100,000 pesos, making a total circulation of 141,630,700,000. This policy on the part of the Government has created a parallel circulation which has taken the form of promissory notes. The last estimate given for these is 300 billion pesos. It is extremely difficult to verify this amount but this figure was published in one of the leading economic papers when making a comparison of the years 1958-62. Two of the leading banks in Buenos Aires report that out of a strict selection of third-party drafts presented to them for discount, from 60 to 70 per cent cannot be met at maturity and are being protested.

One of the main factors affecting the money market at present is the heavy foreign indebtedness, estimated at \$4 billion for both the public and private sector. A large part of this debt, especially the public one, is due to mature between 1963 and 1966 and is owed mostly to the members of the Paris Club, Japan and the United States. The present economic team has been negotiating the refinancing of these debts with the Paris Club. The negotiations have met with some success and the latest information available from the Ministry of Economy at the time of writing is that

of the \$270 million to be paid in 1963-64, 50 per cent has to be paid over two years, 5 per cent in 1965, 15 per cent in 1966, and the balance in 1966-1970. This refinancing is one of the few bright spots in the present economic situation, as it will ease the balance-of-payments position during the next two years and will give a breathing spell to the hard-pressed economy.

## Industrial Problems Acute

Argentine industry, one of the best developed in Latin America, has suffered the most from the present situation. Business failures and bankruptcies have set new records. Few branches of industry have escaped the effect of the financial crisis and some are especially hard hit. Somisa, the largest basic steel company in Argentina, has only sold 65,254 tons (19 per cent) of its total coke production of 334,568 tons. Sales of foundry steel totalled 104,533 tons, or 28.3 per cent of its production of 368,725 tons. Because blast furnaces and coke plants must be constantly in action to keep up the rate of production, it is difficult to co-ordinate output with sales. Stocks have to be built up, therefore, even when they cannot be sold. Other large steel foundries also have big stocks and have had to close temporarily. Retail sales have gone down sharply, especially of consumer goods such as textiles, wearing apparel, household appliances, etc.

Argentine industry is working behind a high protective wall of customs tariffs and surcharges, but its high production costs result not only from low productivity but also from the fact that most of the machinery and spare parts and a large percentage of the raw materials are imported, very often on credit, and dollar payments have to be met with devalued pesos. Purchases made before April of this year at a rate of 83 pesos to the dollar now have to be paid for at a rate fluctuating between 135 and 140 pesos; this means an increase of over 60 per cent in terms of pesos.

## Argentina Faced These Problems in 1962

- A budget deficit of 40 billion pesos.
- Fall in the value of the peso to 100 per U.S. dollar at end of April; now ranges between 136 and 140.
- Heavy foreign indebtedness, estimated at \$4 billion in public and private sectors. Government is negotiating refinancing of these debts.
- High industrial production costs, because machinery, spare parts and many raw materials must be imported and productivity is low.
- Drought in early part of year that affected wheat sowings and livestock production.
- Need for imports of machinery for industry, etc., which drains off foreign exchange reserves.
- Business failures and bankruptcies that reached a new high; textile and metallurgical plants particularly hard hit.
- Reappearance of the unemployment problem.

The Union Industrial Argentina, the counterpart of our Canadian Manufacturers' Association, has made a strong appeal to the Government to reduce taxes and government expenditures, pointing out that if the situation does not improve soon, many industries will have to close down. The Union stated that this could create the problem of unemployment which in the past has been almost non-existent. It has already raised its ugly head because many of the large firms have had to retrench and, in some cases, to close down indefinitely. It is difficult to give any statistics on current unemployment, but it is a problem that is gathering momentum and creating unrest in labour ranks, as evidenced by the numerous strikes which have plagued both industry and the public services since the March political crisis.

Lack of electric power has contributed to industry's difficulties but the Government and the government-owned public utility companies, as well as private electric power

companies, are implementing a crash program to meet the shortage. It is expected that by the end of 1963 there will be ample power to take care of the industries in Buenos Aires and greater Buenos Aires.

### Agriculture Now Recovering

Argentina has always looked to its agriculture for most of its wealth and it has always accounted for some 90 per cent of the foreign exchange revenue. The over-all picture at the beginning of 1962 was bright, as a wet spring and early summer helped towards the full recovery of the herds in drought-stricken areas. The harvesting of winter-sown crops was in full swing and corn and other summer crops were growing normally.

In early autumn\*, however, the situation worsened. Although the wheat crop of 5,100,000 tons was a fairly good one and well above the 3,960,000 tons of the previous

\*Because of reverse seasons, autumn is from March 21 to June 21 in Argentina.

season, it was unable to match the extraordinary export flow which from January to June reached 1,891,662 metric tons. In May a gentleman's agreement between the National Grain Board and the exporters was reached whereby wheat export sales were suspended (except those for Brazil and Spain) for 60 days until the supply position could be assessed. In April the weather turned and the country faced another severe drought. This greatly affected plans for increased sowings which the Government had been urging on producers and resulted in a decrease of 7.9 per cent in the official acreage estimates from the crop year 1961/62. The news from the corn belt, however, was good and as wheat exports were halted, the corn crop came to market and contributed heavily to over-all grain exports of 4,401,530 tons during the first six months of 1962. This figure compares favourably with the 2 million tons exported during the same period of 1961 and the 3.3 million tons in 1960. It was, therefore, corn and a newcomer among Argentine foreign exchange earners, grain sorghum, that really helped to maintain the grain export figures and provide direly needed exchange. In the first nine months of 1962 corn exports totalled 2,431,744 metric tons compared with 1,522,000 in 1961, and sorghum exports 444,000 tons as against 210,274 in 1961.

The drought that affected particularly the grain-growing regions of the Provinces of Buenos Aires and La Pampa also seriously damaged some of Argentina's best pasture lands in the same provinces. As the winter continued, the lack of water became critical and many of the pastures were grazed almost bare. Many of the livestock breeders and fatteners were forced to get rid of their stocks at a loss until finally the Government had to come to the rescue. Emergency fodder stocks were provided at low prices and special railway rates and transportation facilities provided to move livestock to non-drought areas. For some of the worst hit regions an

emergency air-lift was instituted. During this period extraordinarily large numbers of animals, even breeding and foundation stocks, were sent to various markets, thus depleting the herds.

At the end of the winter, especially in October, heavy rain brought full relief to all the affected areas and livestock breeders and grain producers are now facing brighter times. It is expected, however, that the wheat crop will not be as large as last year's. Present estimates are some 4½ million tons, which would leave only some 700,000 available for export. Flax, on the other hand, offers more promise and the present forecast is for one million tons as against last year's 818,000. Prospects for summer-sown crops appear excellent and sowing of corn, sorghum and sunflower seed is now in full swing.

The policy of the Government during the year has been to help in every way possible the development of agriculture; several tax relief measures have been adopted, interesting basic prices for grains and oilseeds established, and some export retentions have been abolished. The heavy demands of the chronic budget deficit have, however, precluded the giving of more extensive tax relief.

### Foreign Trade

Since 1955, the last year of the Peron regime, the total trade of Argentina has hovered around the \$2 billion mark, as Table I shows.

TABLE I  
ARGENTINA'S FOREIGN TRADE

Year	Exports	Imports	Balance
	(millions of U.S.\$)		
1955	929	1,173	-244
1956	944	1,128	-184
1957	975	1,310	-336
1958	994	1,233	-239
1959	1,009	993	+ 16
1960	1,079	1,249	-170
<b>Provisional Data</b>			
1961	964	1,460	-496
1961 (8 mos.)	708	929	-229
1962 "	841	932	- 90

Except for 1959, when Argentina had a small surplus of \$16 million, it has had annual trade deficits. For most years these deficits have been kept within manageable limits, but in 1961 the deficit of \$496 million caused the financial authorities some anxiety. In 1962, state organizations were asked to replace imported goods with those of local industries and the Ministry of Economy subjected official purchases to strict control. The Government has not succeeded entirely in its efforts to curb imports but has barely been able to hold the line, as Table I shows. But because of higher exports during the first eight months of 1962, the deficit in the trade balance has dropped from \$229 million in 1961 (eight months) to \$90 million for the same period in 1962.

### Exports and Imports

Large exports of grains were the main factor in helping the balance of trade; in the first eight months of 1962, these exports reached \$280 million as against \$147 million for the same period in 1961. Except for wool shipments, which fell by \$17 million, most of the other traditional exports approximated the 1961 figures. Britain continued to be the number one importing country in 1961 with \$173 million, followed by the Netherlands with \$141 million, Italy \$106 million, U.S.\$84 million and West Germany \$76 million. By area, Continental Europe takes 45 per cent of Argentina's exports as against the sterling area 19.2 per cent, Latin America 11.7 per cent, U.S. and Canada 8.9 per cent, Soviet Bloc 5.7 per cent. The principal products exported were meat, cereals, linseed, wool, vegetable oils, hides, dairy produce, live animals, flour and other wheat products, animal byproducts, and fresh fruit.

### Imports

Because of the industrial development that has been taking place in Argentina, imports of machinery have been large. In 1961 they reached \$661 million, or 45.3 per

cent of total Argentine imports. These were closely followed by iron and steel manufactures at \$216 million or 14.8 per cent, fuel and lubricants \$130 million or 8.9 per cent, chemicals \$90 million or 6.2 per cent, and non-ferrous metals and manufactures \$81 million or 5.5 per cent. The two most important suppliers of machinery were the United States and West Germany; West Germany and Belgium were the main sources of supply of iron and steel; fuel and lubricants were imported mostly from Venezuela and the Netherlands Antilles, and the United States and West Germany supplied most of the vehicles and parts. In 1961 the main exporters to Argentina were the United States with \$383 million, West Germany \$211 million, United Kingdom \$140 million, Italy \$101 million, France \$79 million, Brazil \$78 million, Venezuela \$66 million, Sweden \$34 million, Japan \$33 million and Canada \$30 million. It is gratifying to note that Canada has now joined the group of the ten leading suppliers to Argentina.

### Trade with Canada

In the last three years Canadian exports to Argentina have increased considerably. From \$7 million in 1959, exports nearly trebled in 1960 to \$19.3 million and reached \$30.8 million in 1961. This is within \$800,000 of the all-time high of \$31.6 million attained in 1947. The products that have increased most sharply are shown in Table II.

Our sales of steel and steel products have remained about the same, at approximately \$6 million. As the

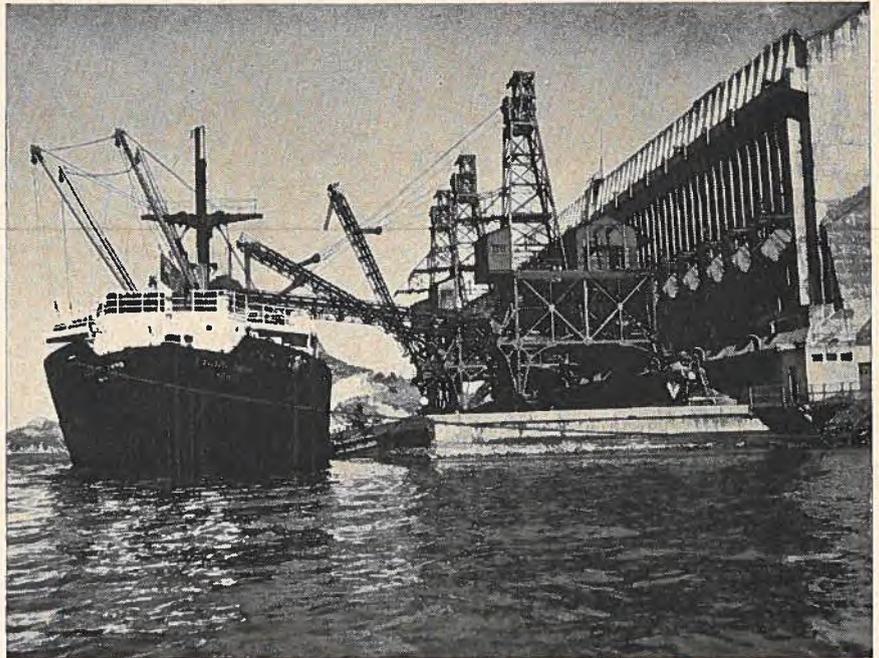
TABLE II  
LEADING CANADIAN EXPORTS  
TO ARGENTINA

	1960	1961
Newsprint	\$4.5 million	\$8.4 million
Pulp	935,000	3.4 "
Aluminum	2.2 million	4.6 "
Chemicals	.....	2.5 "
Asbestos	763,000	1.31 "
Synthetic rubber	409,000	648,000
Computing machines	.....	641,000

list illustrates, our main exports consist of raw and semifabricated products needed by Argentine industry. The tariffs and high surcharges that protect the Argentine industries preclude our entry into the market with consumer goods. In 1962 the trend has remained much the same and although Argentina is going through a very difficult period and the authorities are desperately trying to curb imports, Canadian exports have shown only a small decline—from \$13.3 million in the first six months of 1961 to \$12.3 million in the same period of 1962. This year a few new products, such as 50 heavy-duty trucks, 53 motor graders, a large tonnage of seed and table potatoes, and some hatching eggs have been added to the list of our exports. Our sales of table potatoes are unlikely to be repeated because in normal times Argentina produces more than enough for its needs; however, there is reason to believe our seed potato exports will continue in the future and so will those of hatching eggs. The future sales of heavy-duty trucks and motor graders will depend to a large extent on the road development program and the financial situation.

Although our exports to Argentina have been rising rapidly, our imports have not followed the same trend. In 1960 they increased by \$231,000 over 1959 (\$3,611,919 in 1960 and \$3,380,005 in 1959) but the trend was reversed in 1961, when our imports reached only \$3,399,304. The main products we import are corned beef extracts, skins and hides, fresh fruit, cheese, seeds and tungsten-bearing ore. Some tea has been imported in 1962.

The difficult situation in Argentina makes any forecast for 1963 nearly impossible, but assuming that our traditional exports of newsprint, pulp, steel, aluminum, asbestos, chemicals, etc., hold firm, the value of the large locomotive and boiler contracts, both due for delivery next year, should push our export figures to a new high. ●



*Long-term contracts to supply iron ore to Belgium, Italy and Japan will help to increase Brazil's foreign exchange income in the future. The photograph shows iron ore being loaded from the silo (right) into a freighter at the dock in Vitoria.*

## Brazil

Rampant inflation, continuing shortage of foreign exchange, rising labour costs make short-term prospects unpromising, but country's resources and buoyant industry promise well for future. Canadians can sell raw materials, heavy equipment if offer long-term credits.

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

POLITICAL and economic crises have been Brazil's lot for the past year and as of the middle of November, it appears that the economic situation will worsen. However this country, with half of the land area and population of South America and estimated to produce more than half of the continent's industrial goods, has an impressive potential for recuperation. Nevertheless, those concerned with exporting to and investing in this part of the world cannot help but be dismayed at Brazil's present internal economic and for-

eign exchange position and the non-appearance of a firm over-all plan to deal with these problems. Although some worthwhile moves have been made and some signs of a consciousness of the need for action have appeared, the immediate economic future does not look too bright.

Even the strongest critics of Brazilian policies and the most pessimistic analysts of the Brazilian scene all are agreed that Brazil does have the potential to straighten out its problems in relatively short order

once the political decision to do so is taken. This belief is probably based on a knowledge of the causes of the economic problems and the resulting drain upon the country's relatively young industrial economy. The economic difficulties largely result from political developments and activity or, if one prefers, inactivity.

As background, a short summary of internal developments of the past two years may be helpful. In October 1960 Janio Quadros was elected President with an overwhelming majority. He took office only at the end of January 1961. Meanwhile, the outgoing Administration further compounded the extremely difficult foreign exchange situation by selling, at low rates, promises to provide foreign exchange after its demise. Thus, when the new Administration took office it was faced with a payment schedule for foreign debts impossible to meet. Fortunately, it was able to revive confidence in foreign creditors by a series of bold economic and financial moves and promises and, as a result, was able to re-schedule for payment over a number of years all the foreign debts (totalling \$2.8 billion on December 31, 1961) officially registered with the Government. Partly because of the strains and stresses caused by drastic devaluation and other economic steps but also for political reasons not yet fully explained, President Quadros resigned on August 31 last year. His resignation caused a loss of confidence in the business community and plunged the country into economic and political chaos. With the assumption of the Presidency by former Vice President Goulart, a compromise system of government was adopted.

Many logical and expected economic and financial moves by the present Government have been either postponed or only partly made. Other specific economic measures that have been implemented and some continuing policies are said by many to be disastrous to the best interests of the country.

### **Brazil Has Problems Today . . .**

- Foreign debts of \$399 million scheduled for repayment in 1962.
- An expected budget deficit for 1963 that may equal 100 per cent of revenue.
- Steady devaluation of "official" cruzeiro in relation to U.S. dollar throughout the year.
- A \$162 million deficit in trade account for first nine months of 1962.
- Shortage of loan funds and high interest rates.

### **but Good Potential for Tomorrow . . .**

- Impressive natural resources, particularly iron ore, water-power, etc.
- Growing industry that produces half of South America's industrial output.
- Big domestic market, with insatiable demand for goods.
- Important iron ore contracts, many of them running for ten years, which will bring in foreign exchange.
- Stabilization plan that has been submitted to the President and his Cabinet.

### **Foreign Investment Bill**

Perhaps the most important of these moves was the introduction in Congress in November 1961 of a law to regulate the remittance of profits abroad by foreign investors in Brazil. This law was vigorously opposed, (not as a whole but in its various parts) by many of those who were conscious of the dire foreign exchange and development problems and of the negative impact that the law would have on their solution. After much discussion, the bill with some amendments finally became law on September 4, 1962. The basic provisions are that investors in Brazil may only remit 10 per cent of the value of their "registered" investment abroad as profits and may withdraw only 20 per cent of such investment in any one year. This 10 per cent is said to be somewhat more than such in-

vestors have remitted on the average in recent years, because many reinvested their profits. However, uncertainty about the final wording of the law and subsequently on how it would be administered and later interpreted by the courts has drastically reduced new foreign investment. The result is that there has probably been a net foreign disinvestment (both visible and invisible) so far this year.

### **Inflation Continues**

The Federal Government continued to resort to extensive deficit financing to meet its commitments. In 1961 deficit financing equalled 43 per cent of actual revenue and in the first seven months of this year 40 per cent. The pace of this deficit financing (which is almost completely covered by additional new money) appears to be accel-

erating and the anticipated budget deficit for 1963 is greater than ever (approximately 100 per cent or more of total revenue unless taxes are greatly increased and expenditures reduced). In September Cr. \$40 billion in new paper currency was issued, bringing the total in circulation to Cr.\$413.8 billion, an increase of 30 per cent for the year. Many observers believe that by the end of the year the total increase in currency will have exceeded 60 per cent.

The most obvious effect of all this is the rising cost of food, which from January to the end of August increased by 36.5 per cent. The Government, through its price control organization, has endeavoured to maintain price ceilings on a large number of basic products and services. That it has been unsuccessful in this is witnessed by periodic shortages of basic foodstuffs throughout the year because producers withheld supplies in anticipation of a raising of the price ceiling and subsequent price increases.

#### Labour Costs Increase

Because of the rise in the cost of living, the Government has had to increase the legal minimum wage. The minimum wage is the maximum paid for most types of manual labour but practically all salaries are related to it. The minimum wage was last increased on October 16, 1961, by 40 per cent. At the end of July a new law required employers to pay a thirteenth monthly wage each year just before Christmas. Many employers who voluntarily provided a thirteenth monthly wage as a Christmas bonus to their employees will now provide it by law. Others have not provided a bonus and its payment will give additional impetus to the inflationary spiral. There is some disagreement about the total additional amount which will be paid out in December, about how the payment should be calculated, and about the legality of basing it on the calendar year rather than from the time the law was enacted. Another increase

in the minimum wage is expected shortly. The Minister of Labour has said that this will be approximately 56 per cent (from Cr.\$13,440 to Cr.\$21,000 in the Rio area) and that the Government expects to make it effective early in 1963. Labour spokesmen wish to have it effective December 1, presumably to increase the size of the thirteenth month payment.

#### Expropriation of I.T. & T.

The expropriation in February of the U.S.-owned International Telephone and Telegraph Company by the State of Rio Grande do Sul probably made the greatest impression on potential foreign investors. Governor Brizzola of São Paulo is the brother-in-law of the President and although the latter has made several allusions to fair reimbursement for the expropriation, there has been no announcement of arrangements for payment. This is important because subsequent to and probably as a result of that expropriation, the U.S. Congress amended the Foreign Assistance Act of 1961 by requiring the suspension of assistance to any country which, beginning with expropriations of this year, fails to take appropriate steps towards reimbursement within six months of any new expropriation or of the enactment of the amendment. This amendment became effective on August 1, 1962; accordingly it is expected that Brazil will take suitable action by February 1, 1963.

#### Foreign Exchange Situation

In September the retiring Prime Minister, summarizing the foreign exchange position, stated that the country was then \$80 million behind in foreign exchange remittances of short-term debts. Foreign debts scheduled for repayment in 1962 amounted to \$399 million and at the time it was estimated that at least \$200 million of this remained to be paid by the end of the year. As there has been no basic change in the foreign exchange policies since that statement, some sources

now estimate that the backlog of current commercial payments is at least \$120 million, with the balance of scheduled long-term debt remaining unpaid.

The Government, as the following table shows, has devalued the "official" cruzeiro in relation to the U.S. dollar by successive steps over the year.

#### BANK OF BRAZIL U.S.\$ SELLING RATE

		(Cr.\$)
December 31	1958	138.00
December 31	1959	203.00
December 31	1960	204.00
December 31	1961	318.00
May 21	1962	359.30
July 9	1962	367.00
August 16	1962	412.00
August 30	1962	415.00
September 6	1962	475.00
November 13	1962	475.00

Many exporters, however, claim that the devaluation this year has not kept pace with the increase in internal costs nor does it compensate for the costs and difficulties of making an export shipment. It certainly has not been sufficient to overcome the current deficit in the trade account alone during the period. In 1961 the trade account showed a \$111 million surplus; in the first nine months of 1962 this was turned into an estimated \$162 million deficit.

The extent of this foreign exchange shortage can be judged by the action of a foreign supplier of petroleum in September. At that time the company moved to divert an oil tanker, essential to uninterrupted supply of petroleum products from the refineries here, unless it received some \$40 million due for past shipments. The government-owned oil monopoly PETROBRAS stated that it had paid into the Bank of Brazil the cruzeiros necessary to provide that foreign exchange. The problem was apparently solved in short order because oil shipments were resumed; however, it also became known toward the end of October that Brazilian gold reserves worth \$60 million were transferred to the Federal Reserve Bank of New York as security for commercial debts, including those for oil.

This type of problem is reflected in the attitude of a number of foreign suppliers to private importers here. Delays in payments have caused some to indicate that they are unwilling to provide Brazilian customers with further supplies until they receive long overdue payments for past shipments. As most Brazilian firms, through long experience, maintain substantial reserves of raw materials and prefer to have raw materials rather than cash on hand in an inflationary situation, these restrictions of shipments by foreign suppliers or threats of restrictions have not yet made any noticeable impact. Pockets of production difficulties have appeared, however, and probably will increase unless the rate of remittances accelerates.

### **Business and Production Buoyant**

In the face of the difficulties and uncertainties mentioned above, plus numerous others, Brazilian business and production appear to be going ahead at full steam. Many producers are hard put to meet the demand and in turn create their own demand. All of this apparently is the result of an insatiable domestic market reflecting an inflationary situation where people prefer to spend their money as soon as (or even before) they get it—that is, before prices go up and the money loses its value.

### **Loan Funds Short**

Because of the demand for credit, funds are in short supply. The principal function of Brazilian bankers today appears to be to choose among applicants for loans those who provide the best prospects for long-term business and who are at the same time most likely to be able to repay the loan. There is a ceiling of 12 per cent on the interest that banks may charge on loans; however, they normally charge up to an additional 6 per cent for various commissions and related services. This total per annum rate hardly reimburses them for the declining value of the money lent and

of course the interest that they can pay depositors causes many of the latter to seek other depositories for their funds which will pay higher interest rates. Non-bank money available to well-secured borrowers costs in many cases from 36 to 40 per cent a year and funds for those not as well secured are of course relatively more expensive. The average cost of commercial debt financing is estimated to be 25 per cent per annum.

### **Positive Factors**

During the latter part of the year, the Minister of Finance submitted to the President and the Cabinet a stabilization plan. Full details were not revealed but it is said to contain provisions for increased taxes and collection of them, reduction of new expenditures, strict fiscal control of payments, postponement of some of those payments, abolition of subsidies on staple products, and increases in tariffs for public services, thereby reducing those subsidies. In October the Minister of Transportation announced that a determined effort would be made in 1963 to reduce the deficits of the federal-owned railway system. Subsidies to the railways are responsible for a large part of the total federal deficit.

Meanwhile, the Minister of Mines and Power has signed an agreement for the export of iron ore to Belgium valued at \$1.2 billion over a 15-year period and has just returned from Italy, where he contracted to supply 800,000 tons, valued at \$10 million, over the next four years. These agreements, plus a contract signed with Japanese importers to supply 50 million tons, valued at \$600 million, over ten years beginning in 1966, will contribute greatly to Brazilian foreign exchange income from exports over the next few years. Of course iron ore exports cannot be boosted so rapidly as to affect the immediate foreign exchange problem and it is probable that the company will have to find additional credits abroad to set up the new iron ore shipping facilities

it is planning. The important point is the apparent recognition of the fact that Brazil's massive iron ore deposits can contribute substantially to its balance of payments and future progress and that they are so large that huge shipments of high-grade ore can be made over decades without affecting its availability in the future.

Over 50 per cent of Brazil's export income comes from coffee and therefore the recent International Coffee Agreement is considered to be an important stabilizer for the Brazilian economy. The limitation of supplies to world markets by coffee-producing countries should stabilize prices, to the benefit of coffee growers in Brazil and elsewhere.

### **Market for Canadian Products**

Canada is at the moment mainly concerned with the Brazilian market as an outlet for raw or semi-manufactured materials. Because of the rapid development of Brazilian industry during the past five or ten years, many Canadian industrial products can no longer find a market here. Brazilian domestic production is protected by high rates of duty and a foreign exchange system that classifies imports of non-essential goods, or of goods produced locally in adequate amounts, in a Special Category. This makes the cost of foreign exchange with which to buy them approximately three times as high as that for normal imports. This system of course makes legitimate imports of Special Category goods prohibitively expensive.

Canadian exporters of raw materials may expect to find a continuing and perhaps increasing market for many of their goods; however, exporters of light industrial goods, unless these are highly specialized, will find that what little market they had in Brazil will disappear.

Producers of heavy equipment, on the other hand, can find a large market in this country if they can provide it on medium or long-term credits, preferably with no payment necessary for the first three years

from the date of placing of the order. Some Canadian manufacturers have succeeded in doing this, either with private financing insured for a five-year period by the Export Credits Insurance Corporation, or with long-term financing provided by the ECIC and in some cases by private sources. There is still an

enormous potential here for such sales but they cannot be achieved without intensive effort. Brazilian buyers of such equipment are normally good negotiators and have in the past been reasonably successful in obtaining this long-term financing. They are therefore accustomed to having the exporter either meet

or compromise with their terms. Accordingly, Canadian suppliers often experience what to them are frustrating and seemingly inexplicable delays, combined with requests for terms which at first glance appear completely unacceptable. Nevertheless, patience and perseverance can pay big dividends. ●

## Colombia

Up to mid-November, economy was expanding rapidly but recent announcement of proposed 34 per cent tax on dollars for imports and other tax increases has caused some apprehension. Issuing of import licences suspended temporarily. Favourable factors, including foreign aid and Coffee Agreement, point to long-term growth.

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

MOST economic indicators during the first ten months of 1962 showed that business conditions in Colombia were good. Construction was booming; electric power output was increasing at an annual rate of 12 per cent; employment was up; capital investment was showing substantial gains, and industrial output was expected to increase by at least 8 per cent for the year. Although the economy had also been contending with two problems for some time—a tight credit situation and an extreme shortage of dollars—there was a general feeling of optimism throughout the business community.

Then on November 8 the Minister of Finance announced a series of proposed fiscal measures which threw the business community into a turmoil.

● A tax of pesos 2.30 per U.S. dollar on imports, which brought the official certificate rate for imports from Ps.6.70 to Ps.9.00 per dollar.

● Increases in taxation on corporations, on individuals and on various products (e.g., a tax of 58 per cent was placed on gasoline).

● A request for freedom to raise duties on imported goods as required.

Steps were taken by the Central Bank to reduce still further the availability of credit as a means of offsetting the inflation that the above measures would cause.

### Effect of Announcement

To try and avoid speculation, the Minister of Finance announced that the issuing of all import licences would be suspended while Congress was considering the above measures. This procedure in turn led to further problems for the business and banking community. Many firms stopped all sales because they had no idea of what their true costs would be. Others raised prices indiscriminately (the President announced that strong action would be taken against speculators and charges were laid against two large North American firms and several Colombians for raising prices) and there was a general run to convert pesos into dollars. This sent the free rate to over Ps.11.00 to the U.S. dollar.

If the Government can surmount the current difficulties and put its

fiscal reforms into effect without causing a political and social upheaval, the economy of the country may benefit in the long term. Many persons feel, however, that the next few months will be fraught with danger and that industry, in addition to being faced with higher costs, will be plagued by strikes as workers try to compensate for the increases in the cost of living that are bound to follow. As a result of these current dislocations and problems in the business community, it is likely that business activity will be depressed during the first quarter of 1963. Assuming that some form of stability will replace the present uncertainty, however, business in Colombia should achieve its former buoyancy by the latter part of the year.

### Long-Term Prospects

Three factors favour the long-term development of this market.

The first of these is that Colombia has produced a ten-year development plan, as required under the U.S. *Alliance for Progress* program. The World Bank has approved it and it has been favourably received by other international organizations. As a result, the country is now working on detailed plans for concrete projects in transportation, housing, power development and sanitation. This means that Colombia will receive large dollar loans—estimated at \$200 million a year—during the next few years from important lending agencies. These will



*A downtown street, Avenida Jimenez de Quesada, in Bogotá, capital of Colombia and a city of over a million people. Note the blanket cape worn by the Indians in the center of the picture and the contrasting traditional architecture (on the right) and the modern business blocks in the distance.*

supplement the already large investments being made in the private sector.

In addition to this, the new International Coffee Agreement that was worked out during the past summer should bring some relief. In the past few years Colombia has had to face a steady loss in dollar revenue because of continually falling coffee prices; under the Coffee Agreement, it is expected that this decline will end. This is of the utmost importance because 70 per cent of the economy is still based on coffee, in spite of the Government's great effort to diversify industrial production and promote other exportable commodities.

The third and final external influence is the role that the Latin American Free Trade Area will play in the economies of the various members. Only about 2.0 per cent of Colombia's total imports come from LAFTA countries and hence the concessions on 260 items that she has already granted to the other members should not have too serious an effect on Canadian trade. It seems certain, however, that additional quantities of newsprint and copper will be shipped into this country from Chile and we may lose

our business in oats to Mexico and the Argentine. The complete LAFTA situation may become a little clearer after the results of the present round of negotiations in Mexico City are known. It is likely, however, that some years will pass before the full effects of the LAFTA agreement on Canada's trading pattern with this country will be apparent.

### Current Trade Picture

During 1961 Canadian exports to Colombia reached approximately \$20 million and there is every indication that we will maintain this figure in 1962. If the capital investment and industrial expansion plans mentioned above are implemented, it is likely that our sales to Colombia will surpass the \$20 million mark by at least 5 per cent during 1963. Because of the Colombian Government's policy of protecting domestic industries and encouraging new ones by a system of import licensing controls, our trade with this country is bound to move away from consumer goods (almost completely prohibited at the present time) and semi-manufactured products and we shall have to rely more and more on shipments of raw ma-

terials and capital equipment to make up the loss. Table I indicates those fields where the best opportunities lie.

To view the Canadian figures in the right perspective it should be

TABLE I  
PRINCIPAL CANADIAN EXPORTS  
TO COLOMBIA, 1961

Products	Total (Can.\$'000)
Newsprint	3,898
Chemicals	3,545
Wheat and oats	2,159
Paper pulps	1,994
Asbestos	1,868
Aluminum	890
Farm machinery	763
Steel and tinplate	690
Machinery	647
Copper and brass	562
Office machinery	410
Miscellaneous papers	382
Photo films	208
Electronic equipment	176
Edible and other oils	118
Synthetic fibres	103
Electrical equipment	100
Miscellaneous	1,012

Note: These items total \$19.5 million; the largest items under "Miscellaneous" are dried milk for relief agencies, papermakers felts, pipes and valves, engines and parts, and a variety of industrial and medical instruments.

noted that total Colombian imports are expected to be close to \$500 million in 1962 and should increase at least 5 per cent a year thereafter. Although the United States will probably continue to be the major supplier (in 1961 it provided \$261 million worth or more than 60 per

cent of total Colombian imports) Canada's share of the market could be increased by aggressive salesmanship. Colombia, the northernmost country in South America, is a prime target for U.S. export houses but, by the same token, it is no farther from Montreal to Bogotá

than from Montreal to Vancouver. If Canadian firms have products that are competitive with those manufactured by our neighbour to the south, we strongly recommend that such companies consider trying to obtain a share of the growing Colombian market. ●

## Ecuador

Unsettled conditions have made 1962 a difficult year for business. Country is now embarking on national development plan, exports are expanding, and long-term prospects seem encouraging, in face of gradual improvement. Canadian exporters should benefit.

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

ECUADORIAN businessmen are inclined to be pessimistic about prospects for an improvement in the country's current economic difficulties. Since the U.S.\$12 million low point in June 1961, the international reserves of Ecuador have increased gradually. They were stabilized at over U.S.\$20 million through most of the year, rising to over U.S.\$25 million as a result of loans received at the end of August and beginning of September. But there has been no sign of any corresponding return of flight capital. A slight decrease in imports and a strong increase in the value of exports, together with government controls on the import of motor cars, coin-operated gramophones and games, etc., have served to stabilize the free rate of the sucre at between 22 and 23 to the dollar. (Certificate rate for imports and exports is 18 to the U.S. dollar.)

In June 1962 the bank clerks in Guayaquil organized a union, providing a lead for other white collar workers who began to organize and to present demands for recognition to their employers. Recognition was granted but heavy demands, in some instances involving pay increases of 100 per cent, were beyond the ability of employers to meet. A week-long bank strike resulted. Although the unions are clearly not

yet in a position to bargain effectively because of lack of organization and experience, it seems certain that they may in a relatively short time force on employers considerable increases in costs. Younger businessmen are inclined to feel that trade unions are desirable in principle, but that they must be realistic in their demands if they are to serve their members.

### Development Plan Announced

Ecuador is not advanced industrially. The market is small—only some four million people with a per capita income in 1960 of U.S.\$160—and the total contribution of industry to the gross national product is about 15 per cent.

This year the Junta Nacional de Planificación y Coordinación Económica (the economic planning organization of Ecuador) has published a list of industries that offer opportunities for investment. Among the 44 listed are plants for the manufacture of castor oil, plywood, detergents, disposable containers, structural iron and hand tools, and for the assembly of radios, sewing machines, typewriters, bicycles and refrigerators. Plans are ready for fertilizer and refined salt plants. A small output of oil, some 7,200 barrels a day, provides for 70 per

cent of domestic needs and some is being used to make bottled butane gas for use in the mountain areas. Two of the sugar mills on the coast are producing bagasse and the Ecuadorian Government has indicated interest in the establishment of a paper mill using this raw material.

In July of this year, the Junta Nacional de Planificación y Coordinación Económica announced a national development plan with an over-all investment target of U.S.\$160.2 million. This plan is, naturally, intended to facilitate Ecuadorian participation in the benefits of the *Alliance for Progress*. Included are the building of a coastal highway to cost U.S.\$16.2 million and a motorway to cost U.S.\$54.5 million to join Guayaquil with the foothill road junction of Santo Domingo de los Colorados and Bahía de Caragués, a port to the north of Guayaquil. This motorway would cover all the underdeveloped potential banana-growing region of Ecuador and could in less than ten years from completion lead to the doubling of banana production, now some 35 million stems a year. A hydroelectric development of 200,000 kw. and irrigation projects allied with it would cost U.S.\$60 million and U.S.\$22 million respectively and port improvements in Guayaquil and Bahía de Caragués U.S.\$5 million. This is an excellent program, well designed to develop the resources of Ecuador. Between March and August 1962, loans granted under the *Alliance for Progress* amounted to 22.6 million sucres (U.S.\$1.25 million).

A transportation survey being undertaken by a U.S. firm appointed in August 1962 is being financed by a gift of U.S.\$200,000 from the World Bank and by the Ecuadorian Government. Highways, railways, the completion of the gasoline pipeline from Guayaquil to Quito, and air transport are included in the survey. One particular transportation development, the long-discussed Guayas Bridge, is still under study. It is possible that international financing may be forthcoming, but the Ecuadorian Government is prepared to go ahead immediately on the understanding that the builder will find his own finance and will be reimbursed out of tolls. This could take a long time. A highway feasibility study has been completed and a loan of U.S.\$27 million requested from the World Bank. Tenders should be called before the end of 1962.

A Belgian and German consortium (Combinata) has granted the state railways a loan of U.S.\$20 million to be used to buy rails, rolling stock and ferryboats and to build the Duran-to-Quito oil pipeline. Part of the sum is also to cover operating costs.

A recent revision of the Industrial Law grants broad concessions on customs duties, consular fees, and domestic taxes to new industries to promote industrial development. Companies are classified by the need for their product and/or absence of previous production in Ecuador and relief is granted accordingly.

### Co-operation with LAFTA

In mid-1962, Ecuador became a member of the Executive Committee of the Latin American Free Trade Association. It has named a representative to the LAFTA Committee and the initial list of Ecuadorian concessions to LAFTA members will be published soon.

To join LAFTA, Ecuador must abrogate the Treaty of Friendship, Trade and Navigation with Colombia and replace it with a new treaty that does not discriminate against other LAFTA members. To discuss

**TABLE I**  
**ECUADOR'S PRINCIPAL EXPORTS**

	1960	1961
	(U.S.\$ million)	
Bananas	21.7	31.6
Cocoa	9.6	9.1
Coffee	3.2	2.7
Rice	Nil	.25

Sucre to dollar conversion:  
15:1 Jan.-June 1961; 18:1 Jan.-  
June 1962.

**TABLE II**  
**IMPORTS INTO CANADA**  
**FROM ECUADOR**

	1960	1961
	(Can.\$)	
Bananas and plantains, fresh	10,405,113	7,337,267
Cocoa beans not roasted	317,330	164,034
Coffee green	281,849	153,090
Cocoa butter	Nil	6,972
Shrimps prawns fresh or frozen	4,145	6,553
Teak amaranth tropical woods	2,697	5,621
Hoods and shapes knitted	5,071	5,461
<b>Total, including all others</b>	<b>11,018,218</b>	<b>7,682,314</b>

**TABLE III**  
**EXPORTS FROM CANADA**  
**TO ECUADOR**

	1960	1961
	(Can.\$)	
Wheat except seed n.e.s.	2,346,077	2,242,839
Newsprint	399,492	504,651
Telephone apparatus and parts	Nil	182,350
Writing and reproduction paper	142,026	177,101
Power boilers equipment and parts	Nil	124,140
Insulated wire and cable	22,342	69,206
Truck and bus tires	166,437	51,825
Asbestos milled fibres	53,496	49,546
Card punch machinery computers and parts	Nil	42,135
Asbestos brake linings	22,207	23,481
Toilet paper, packaged	Nil	21,659
Groundwood printing paper n.e.s.	Nil	21,582
Others	760,843	411,344
<b>Total</b>	<b>3,912,920</b>	<b>3,921,859</b>

this new treaty and several other matters of economic and commercial interest, delegates of Ecuador and Colombia met in Bogotá in July to draw up a series of agreements.

### Exports Still Expanding

The first six months of 1961 brought a foreign trade deficit but conditions improved during the second half of the year and when it ended, Ecuador had returned to its customary favourable balance. Imports totalled U.S.\$85.5 million and exports U.S.\$89.5 million. Cocoa, coffee and rice exports all decreased in value. Although banana shipments fell by three million stems compared with 1960, they earned U.S.\$8 million more. (Sucre statistics for 1962 benefited from the 20 per cent devaluation in June 1961.)

Export figures to the end of June 1962 indicate an even better year: first six months 1961, U.S.\$41 million, first six months 1962, U.S.\$49 million, for an increase of U.S.\$8 million. For details, see Table I.

Imports, on the other hand, at U.S.\$46 million, were smaller than in 1961 (U.S.\$60 million), giving a favourable balance on commodity trade of U.S.\$3.2 million. Because the bulk of the coffee and rice crops is customarily shipped in the second half of the year, these are promising figures.

### Trade with Canada

The balance of trade between Canada and Ecuador continued strongly in Ecuador's favour in 1961, with Canadian exports to Ecuador valued at Can.\$3.9 million and Canadian imports from Ecuador at Can.\$7.7 million. (These are Canadian figures, with import values c.i.f. and export values f.o.b.). Ecuadorian figures, based on port of destination, tend to give the United States credit for buying all the bananas shipped to Canada via Miami and New York; we thus are not credited with 95 per cent of our imports and appear to have a highly favourable trade balance with Ecuador. The Central Bank of Ecuador has recognized this problem and for

some years has published, as an appendix to its own statistics, the DBS figures sent to them by the office in Bogotá. Bananas continued to be our one big import from Ecuador last year but there were small increases in some of the other products we buy there. (See Table II.)

Up to the end of May 1962, imports into Canada from Ecuador were valued at Can.\$3.35 million, so this year's total should be about \$8 million.

Because Ecuador is only starting to develop industry, the range of imports from Canada is rather wide: wheat, baby food, lumber, paper, oilcloth, resins, dyes, ferrous and non-ferrous metal products, boilers, compressors, drills, mowers, vehicles and parts, bed springs, razors and blades, clocks, penicillin and hearing aids. (See Table III.)

#### **Sales Prospects**

Newsprint and wheat continued, as in previous years, to constitute 70 per cent of our exports. These two sell on the basis of quality and market experience and there is every prospect that we will continue to hold our share of the market for them. Competition from Chilean newsprint is a threat because of LAFTA discrimination but consumption is rising in Ecuador and therefore pressure from Chile should not be heavy.

New legislation requiring equal use of nationally grown and imported wheat by Ecuadorian millers will probably favour Canadian wheat sales. The climate in Ecuador produces a low-protein (7-9 per cent) low-gluten (18-25 per cent) wheat which has to be mixed with a superior hard wheat for baking.

The new tire factory in Cuenca will gradually eliminate our sales of all but special tires, but our sales of industrial and communications equipment should expand to more than fill the gap as Ecuadorian development progresses. During 1962, for the first time, a Canadian engineering company undertook a supervisory contract on an electrical power project. An awareness of

Canadian technical ability and the quality of our heavy equipment should follow this initial contact.

Reinforced by the presence of our new Embassy in Quito and the regu-

lar visits of commercial officers from Bogotá, our long-term prospects in Ecuador are good once the present period of pessimism and financial stringency passes. ●

## **Paraguay**

**Economic stability in Argentina needed for full recovery of Paraguayan economy, showing new activity after early-1962 slowdown. Canada's sales decreased last year to about \$68,000 in value, because of smaller shipments of whole milk powder, tires, other products.**

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

THE year 1960 was one of the poorest on record for the Paraguayan economy, but 1961 showed considerable improvement and the country entered 1962 in a mood of optimism. During the first three months of 1962 there was a marked slowdown, however, largely because of the confused economic situation in Argentina, Paraguay's neighbour and most important trading partner. In addition, a late start in slaughtering at the meat-packing houses reduced export earnings and the unusually low level of the Paraguay River contributed to the decline by making it necessary to use smaller boats. This increased shipping costs along the country's most important transportation system.

By mid-year 1962 (latest statistics available) there were definite signs of economic recovery, although the extent of this recovery during the rest of the year will depend a good deal on the degree of stability of the Argentine economy. Foreign exchange reserves, which dropped 9 per cent in the first quarter, rose from U.S.\$2.2 million on March 31 to U.S.\$3.5 million on June 30. These reserves are, however, sufficient to cover only a little more than one month's normal imports.

There has been practically no relaxation in the system of prior deposits and import surcharges

which regulates imports of most products, although dollar exchange may be purchased freely. Since the beginning of 1962, import duties have been based on the c.i.f. rather than the f.o.b. value as formerly. The exchange rate remained quite stable during 1961 at about 126 guaranías to the U.S. dollar, but the cost of living rose about 10 per cent. The Central Bank abandoned the publication of cost-of-living indices at the beginning of 1962, pending implementation later this year of a new system of computing indices.

#### **Agriculture**

Over-all returns from the 1961 harvest were good and, except for wheat and corn, most crops exceeded the previous year's totals. Statistics on the 1962 harvest are not yet complete but it appears that yields of cotton, tung nuts and coffee will be higher than in 1961 and that others, including the important rice and sugar crops, will be about the same. The cotton crop of 32,000 metric tons is 30 per cent larger than last year's; the coffee harvest is expected to yield about 55,000 bags, compared with 700 bags from a frost-damaged crop in 1961. Although the meat-packing plants started operations later than usual because of dissatisfaction with taxation policies, it is expected that the three leading companies will slaugh-

ter some 180,000 head of cattle this season—a figure that compares favourably with previous years.

### Industry

Reports (statistics are not available) indicate also that industrial production—mainly processing of agricultural and forestry products—rose substantially during the second quarter of 1962. The lumber industry continued to be hard hit by the unstable situation in its largest export market, Argentina, but sales of quebracho extract continued to improve. About midyear, a contract was signed for the construction and operation of a state-owned oil refinery and pipeline. The refinery will cost some U.S.\$5 million and will have a capacity of 5,000 barrels a day. Bolivian crude will supply the refinery and a U.S.\$10 million pipeline from the Bolivian border to Asunción is included in future plans.

### Foreign Trade

The figures in Table I have been compiled from official Paraguayan statistics and show the country's trade balance for the past four and a half years.

Exports from Paraguay consist largely of agricultural and forestry products, as the 1961 statistics illustrate. They show that 34.7 per cent by value of total exports in that year consisted of meat products and cattle hides and 29.6 per cent of wood products, including quebracho extract. Other leading export commodities were oilseeds 6.2 per cent, cotton fibres 5.2 per cent, tobacco 5.0 per cent, yerba maté 4.9 per cent, and essential oils 3.4 per cent.

Imports consist mostly of foodstuffs and manufactured goods. The most important commodity groups imported in 1961 were foods (including wheat), beverages and tobacco 24.2 per cent; transport equipment 12.8 per cent; machinery 12.7 per cent; fuels, lubricants 11.4 per cent; metals and their manufactures 8.8 per cent; textiles and their manufactures 8.8 per cent; chemicals 4.9 per cent, and paper and manufactures 3.1 per cent.

**TABLE I**  
**PARAGUAY'S FOREIGN TRADE**  
(U.S.\$ million)

	1958	1959	1960	1961	Jan.-June 1962*
Exports (f.o.b.)	34.10	31.20	26.98	30.68	14.75
Imports (f.o.b.)	32.59	26.19	32.46	30.53	16.92†
Trade balance	+1.51	+5.00	-5.48	+0.15	-2.17

\*Provisional figures.

†Includes PL480 wheat shipments.

**TABLE II**  
**CANADA'S TRADE WITH PARAGUAY**

	1960	1961
	(Canadian dollars)	
<b>Exports to</b>		
<b>Total</b>	<b>120,257</b>	<b>68,670</b>
Of which:		
Whole milk powder	30,175	8,372
Meat and meat preparations, canned, n.e.s.	24,000	.....
Passenger automobiles and chassis	14,807	18,331
Truck and bus tires, new	13,964	773
Automobile tires, new	8,282	135
Office machines and parts, n.e.s.	5,712	.....
Radioactive elements, isotopes	.....	6,773
Disc harrow ploughs and parts	.....	5,346
Ploughs and parts, n.e.s.	.....	5,237
<b>Imports from</b>		
<b>Total</b>	<b>759,782</b>	<b>874,437</b>
Of which:		
Canned corned beef	499,117	389,572
Chinawood oil, inedible	130,782	155,278
Quebracho extract	83,101	266,704
Extracts meat fluid beef	34,006	45,543
Green coffee	12,776	4,345

Source: DBS.

Paraguayan foreign trade has traditionally been oriented toward Argentina, the United States and Britain, although West Germany and Japan are making steady gains. Of total exports in 1961 worth U.S. \$30.68 million, 28.4 per cent went to Argentina, 23.3 per cent to the United States, 11.8 per cent to Britain, and 7.4 per cent to the Netherlands. Imports came mainly from Argentina 27.3 per cent, United States 17.5 per cent, Germany 13.7 per cent, Britain 8.7 per cent, and the Netherlands Antilles 7.2 per cent. More than 30 per cent of total imports during the first half of 1962 originated in the U.S., but these consisted largely of wheat shipments under PL480. This is the first time Paraguay has re-

ceived PL480 wheat. These wheat imports are included in the statistics in Table I, but since they do not involve any expenditure of foreign exchange, the figure for the trade deficit at mid-1962 does not give a true picture of the foreign trade account.

### Trade with Canada

Canadian-Paraguayan trade is not large and Canada's regular purchases of substantial quantities of a few typical agricultural products and quebracho extract usually give us an unfavourable trade balance. Table II lists the most important commodities in the trade in 1960 and 1961. The increase in our imports in 1961 resulted mainly from

larger purchases of quebracho extract and the sharp decrease in our exports from smaller shipments of whole milk powder and tires and the disappearance from the statistics of any sales of canned meats and office machines.

Paraguay has a population of just 1.65 million and is numbered among the least-developed countries of the

hemisphere. Nevertheless it does represent a limited market for a wide range of items, as local industry is geared essentially to the processing of the country's natural resources. It is also a competitive market because the United States and several of the more highly industrialized countries in Europe have long-established trade connec-

tions and some also enjoy the advantages of direct shipping service to Asunción; Canadian goods must be transhipped at Buenos Aires. Canadian exporters who would like to examine prospects for their products in this market should write to the Commercial Counsellor, Canadian Embassy, Bartolomé Mitre 478, Buenos Aires, Argentina. ●

## Peru

Revolution last summer had little effect upon business; Peru continues to be an open market, but competition is unrestrained and credit terms have become more important than price in making sales.

K. G. RAMSAY, *Commercial Secretary, Lima.*

THE stability of the Peruvian economy was well illustrated by the events that followed in the wake of the revolution. On July 18 last, the military took over the Government by force and have been ruling ever since. The revolution, however, made little or no difference to the life of the country. The flight of dollars on the days immediately following was surprisingly small, bearing in mind that there was no control over the export of capital. One of the factors that contributed to this was the situation existing for a long time before the revolution and still present—the scarcity of capital of any kind. It is this scarcity that makes the terms offered by Canadian exporters to Peru of far more importance than the price of the goods.

### Credit Terms Vital

Competition in this market is fierce and unrestrained. The successful exporter to Peru is the manufacturer who can grant the most favourable credit facilities, who can offer the best bargain in quality and price, and who has the best knowledge of Peruvian requirements. The growing number of Canadian businessmen visiting Peru is encouraging evidence of an

awakening interest in this market on the part of Canadian exporters. Peruvian businessmen welcome these visits both because the visitors can take back to Canada a better knowledge of this country and because they themselves can gain first-hand information on products made in Canada suited to Peru's needs. Our exporters are able to see for themselves the extent to which they must modify their products to introduce them into Peru.

Let us take a quick look at the Peruvian market and what prospects it offers for the Canadian exporter.

Peru is a little smaller than the Province of Quebec, with a population of somewhere between 11 and 12 million people. Two thirds of the population is outside the money economy and does not participate in the economic life of the country. This important fact is often forgotten by exporters interested only in short-term markets. As this two thirds is gradually absorbed into the economy, the market will become much larger. If successive governments continue to create and maintain an economic climate favourable to the foreign investor, then cultivation of this market now could well mean good returns on a broad base in twenty or thirty years.

Peru can be described as three strips of country running north to south. The first is the coastal strip, a desert interspersed with verdant oases irrigated by streams running down from the mountains. There are about 40 of these oases, of which the biggest is Lima. Nearly all the consumer population lives on the coast, which also accounts for the most important oil deposits (in the north), practically all the cotton, sugar and rice, the iron ore mines (central Peru), the copper ore deposits (in the south), and finally, 90 per cent of the manufacturing industry. There is also a burgeoning Peruvian fishmeal industry. In 1950 Peru's output of fishmeal was relatively insignificant; today it is the world's largest producer. Canadian manufacturers of accessories for the fishing industry have been participating in this boom for some time. More of them, I hope, will eye this still growing industry carefully to see where and how they can adjust their manufacturing program to meet its demands.

The second strip is the mountain area, about 30 per cent of the country. (These mountains, the Andes, are a geological continuation of our own Rockies.) Sixty per cent of the population of Peru lives in this region under conditions that can at best be described as primitive. In spite of irregular topography, poor soil, primitive methods, and a difficult climate, agriculture in these mountains is able to supply most of the cereals and vegetables used



*Stripping operations at the Acari iron ore mine, some 250 miles south of Lima. Peru's second largest iron ore producer, it provides over a million tons a year for shipment abroad, mainly to Bethlehem Steel.*

in the country. Extensive cattle and sheep raising provides meat, butter and cheese for internal consumption and wool for export. This mountain area has presented and presents the leaders of all Peruvian governments, past and future, with their biggest challenge. How can it be integrated smoothly into the country's economy?

The third strip is the jungle area, a region of tropical forests which, though it covers 30 per cent of the area, harbours only 13 per cent of the country's population. It is rich in lumber, fruits, tropical plants and oil, all of which are relatively undeveloped because of the lack of satisfactory transportation facilities. The Amazon River through Brazil is a highway to the Atlantic more than 2,000 miles long. Roads penetrating into the jungle are expensive to build and even when they have been built, must still cross the Andes at heights of 15,000 feet before they descend over a winding, dangerous course to the profitable market areas of the Pacific coast.

### **Foreign Trade**

Peru's exports are fairly widely based and include minerals, cotton, fish products, sugar, oil, etc., listed

in order of their importance. Rarely has Canada been a market for more than one per cent of Peru's annual exports (in 1952 it was 1½ per cent) and our purchases thus have always been much smaller than our sales. Canadian exports to Peru have decreased in value recently because of the drop in our wheat exports (we are not able to deliver the lower grades of wheat that this country requires).

Canada's exports to Peru warrant close scrutiny to see if we are really giving this market all the attention it deserves. In 1961—and this is a pattern that has been more or less constant—our exports to Peru were made up as follows: grains 25 per cent, forest products and asbestos 25 per cent, and the remainder a number of items such as fishnets, gold bars, aluminum ingots, tinplate, steel bolts and nuts, manufactured copper, and lastly (about 12 per cent of the total) machinery of all kinds. Most of this machinery appears to be for the mining industry, a customer that we have been supplying for some time. The value of our exports to Peru in this last category during 1961 was about \$1 million; in this same period, Peru's imports of heavy machinery totalled

\$192 million and we supplied a little less than 1 per cent. Peru's imports of machinery are and have been growing rapidly for some time. The figures quoted above indicate that there is room to examine whether or not Canadian manufacturers are going after this market sufficiently.

### **Approaching the Market**

The policy of LAFTA and of the Peruvian Government is clearly headed towards the intensification of national manufacturing and the displacement of many imports. On the other hand it is plain that, to achieve this, machinery and technical knowhow will be required for many years to come. It would seem logical to recommend that Canadian exporters concentrate their attention on equipment and materials required by producers of consumer goods. One of the biggest stumbling-blocks to success here is insistence on cash against documents or irrevocable letter of credit terms. There are no import restrictions or currency controls in Peru and hence the world's manufacturers are well represented and competing on payment terms. Given that a Canadian product is as good, as cheap, as available and as well known as its United States or European counterpart, the question to be asked and answered before attacking this market seriously is, "Are you willing and able to offer competitive credit facilities?"

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*We regret that a report on Chile had not been received by the time this issue went to press—Editor.*

# Uruguay

Industry has slowed up, inflation and shortage of credit continue, balance-of-payments deficit has increased, and agricultural output has declined. Foreign loans should spur development. Canadian sales up this year over last, with newsprint and aluminum in lead.

C. O. R. ROUSSEAU, *Commercial Counsellor, Buenos Aires.*

G. TYRRELL, *Commercial Division, Canadian Embassy, Montevideo.*

THE year 1961 promised to be a good one for Uruguay, but the reality fell short of expectations, although conditions on the whole were fairly satisfactory. Hopes for a general improvement in trade and an upturn in the economy after the abolition in 1960 of the drastic restrictions that had cut off all imports except of essentials proved to be short-lived. High surcharges and prior deposits were soon imposed on all products likely to compete with similar ones made domestically. Nevertheless, trade increased and consumer goods in particular found a ready market despite high prices.

## Industry and Commerce

Production of the main export commodities, wool and meat, reached a high level and for the first half of 1961 exports were very satisfactory. In the latter half a five-month strike of meat-packing plant workers brought meat exports to a standstill and adverse weather delayed shearing.

The situation deteriorated considerably during the early months of 1962. The industrial sector became sluggish; there was an increase in the country's balance-of-payments deficit; price inflation accelerated, and a continuing severe shortage of credit and currency affected adversely retail sales and collections of accounts payable. Stock prices have suffered seriously as quotations fell by an average of 60 per cent during the twelve months July 1961-June 1962. The unstable conditions in Uruguay's important neighbours, Brazil and Argentina, have played a part in this general deterioration.

From all reports, most Uruguayan industries are operating considerably below capacity, although no official statistics on industrial output in 1962 are available. A large number of firms have been forced to close their doors and all sectors of commerce and industry face steadily increasing costs and diminishing receipts. Interest rates are so high that industrial investment is not attracting available capital, because a better return may be obtained in the money market. There is a great shortage of pesos among banks and similar organizations and private banks are experiencing a decline in deposits. Retail sales of foodstuffs, clothing and primary necessities are falling, while sales of luxury goods continue to be steady. Many such sales have been made on extended credit. Purchasing power has therefore been diverted from articles like textiles and household supplies and demand for them has fallen.

A series of labour strikes has helped undermine Uruguay's economic stability. One of the most serious was that of the packinghouse workers, already mentioned, which lasted for five months and was only settled in mid-March 1962. With the approach of the elections in November, most sectors of labour made the usual demands for wage increases and went on strike if these were not immediately granted. One of the most prolonged was a strike of the metallurgical workers from early March to late May, which was only settled by the granting of a 41 per cent wage increase. Unemployment is becoming an ever-increasing problem.

A slackening in industrial activity began last year and continued into 1962. The construction industry was one of the most seriously affected. At its peak, this industry employs some 50,000 workers and allied trades and businesses give work to another 30,000. A fall-off commenced during the early months of 1961 when the market for luxury apartments became saturated. In January 1960 the value of all buildings under construction was almost 11 million pesos; the figure had dropped to about 3 million pesos by April 1962. However, the Inter-American Development Bank has granted a credit of U.S.\$8 million for the construction of houses for families in the low-income bracket. This should provide a useful stimulant to the industry.

Metallurgy, closely connected with construction, has been operating at about 50 per cent of capacity for some time. A substantial increase in activity may be expected with the anticipated revival of building.

Textile manufacturers also suffered heavily in the general depression and in March of this year mills were working at about half capacity. One problem affecting the trade is the gradual switch in consumer demand from clothing to television sets and automobiles. Textiles, particularly worsteds, are gradually becoming a useful export commodity, however, and shipments to several foreign countries, including Canada, are growing.

## Development Programs

Uruguay's industrial potential will probably increase, following the loan of U.S.\$4.6 million by the Inter-American Development Bank to ANCAP, the government fuel, alcohol and cement organization. This will help finance (among other projects) rolling stock and equipment for the extension of ANCAP's Portland cement plant, construction of a desulphurization plant; expansion of the existing oil refinery, and development of supergas production and distribution, which may include

a gas pipeline to the gas company's plant in Montevideo.

The Government itself plans a ten-year economic development program, including enlargement of the airport at Carrasco (serving Montevideo) to accommodate jet planes; draining of swamp land in the Department of Rocha, and the improvement of two of the main roads between Montevideo and the Brazilian frontier. For these and other projects the Government is negotiating loans with IADB.

Still awaiting final government approval is a ten-year power expansion program by Las Usinas Electricas y los Telefonos del Estado (UTE), the state-owned light and telephone organization. This program includes installation of gas turbine stations, a fuel-oil-fired unit of 80,000 kilowatts, a giant steam thermal plant of 600,000 kilowatts, and a new hydroelectric plant on the Rio Negro with a capacity of some 240,000 kilowatts.

The state-controlled fishing monopoly, SOYP, plans to build a new terminal costing 80 million pesos in the port area of Montevideo for receiving and processing catches.

In addition to a loan of some U.S.\$100 million that private banks in the United States have made, the IMF renewed its standby credit of U.S.\$30 million in October. This would appear to demonstrate confidence that the country will slowly regain its economic stability.

### Agricultural Output

A severe hailstorm in January 1962 caused over 100 million pesos damage to crops and the livestock industry, and the Government had to make 20 million pesos available to farmers in emergency relief funds. One of the driest autumns of recent years followed and the drought in the northern two-thirds of the country delayed drastically the sowing of winter crops (the winter months here are June, July and August). The 1961/62 crop year was on the whole a good one and farmers showed increased interest in the use of fertilizers and pesticides to

improve productivity and marketability. Nevertheless, feedgrains were in short supply by the end of June and free imports of feeds and forage were officially authorized for a 60-day period.

Official estimates of the 1961/62 wheat crop show that a smaller area was sown to wheat compared with 1960/61, and that output is considered insufficient to meet domestic needs, despite a higher yield per hectare. Latest estimates of summer crops show that the area sown to corn, sunflower seed, groundnuts, rice and cotton was practically unchanged from that of the 1960/61 season, but over-all production was 10.7 per cent lower. This is chiefly because corn yields fell to 548 kilos per hectare from 795 in 1960/61.

Flax production from the 144,000 hectares planted in 1962 (up from 117,500 in 1960) is expected to reach 95,800 metric tons.

Exports of wool (including tops) between October 1961 and August 1962 totalled 150,681 bales, compared with 198,816 in the same period of the previous season. Canada took 462 bales this year (908 in 1961), the U.S.S.R. 9,581 (842), and Britain, always the main buyer, 29,865 (50,547).

Although adverse weather delayed shearing, the first arrivals of wool are of high quality and heavier than usual and prospects for this year's clip are good. The clip, plus a normal carryover from the previous season of some 8 million kilos, totalled approximately 87 million kilos. Local industry is expected to absorb some 12 million kilos, leaving an exportable surplus of roughly 75 million. The usual reluctance of sheep farmers to sell their wool in expectation of better prices has delayed exports, however.

After the settlement of the strike, meat-packing plants operated at full capacity as supplies of cattle were plentiful. From March until the end of the packing season in September 1962 exports reached 53,612 metric tons, compared with 36,578 tons during the previous packing season. In addition to the traditional mar-

kets, the U.S.S.R. early this year contracted to buy 15,000 tons of beef from the state packinghouse and one of the privately owned plants. Most of this has already been shipped. Other important shipments went to Poland, Czechoslovakia and East Germany. However, the industry still faces difficulties. The severe autumn drought seriously affected winter pastures and the supply of prepared cattle. Some 500,000 head, mostly cows, had to be slaughtered for canning.

### Foreign Trade

As Table I shows, Uruguay's foreign trade suffers from a chronic deficit; provisional figures for the first six months of 1962 indicate that the trend is continuing.

Exports do not differ much from year to year, with wool in first place, accounting for 49 per cent of the total in 1961; meat products 15.7 per cent; combed wool tops 13.9 per cent; hides and skins 9.6 per cent; linseed oil 3.7 per cent; others 7.6 per cent. For wool and meat the principal markets were as usual Britain and the United States, with the Netherlands the main buyer of combed wool tops.

Chief imports were raw materials such as sugar, cotton and newsprint 34 per cent; vehicles and parts 16.1 per cent; fuels and lubricants 12.9 per cent; machinery and apparatus 10.5 per cent; radio and photographic equipment 3.7 per cent; construction materials 5.2 per cent, of which timber makes up 2.3 per cent; chemical products 1.9 per

TABLE I  
URUGUAY'S FOREIGN TRADE

	Exports	Imports	Balance
	(U.S.\$ million)		
1955	183.1	228.5	- 45.4
1956	210.7	212.6	- 1.9
1957	128.1	254.7	-126.6
1958	138.6	151.3	- 12.7
1959	97.8	159.7	- 61.9
1960	129.4	228.6	- 99.2
1961*	174.7	207.6	- 32.9
1961, Jan.-June*	106.8	66.0	+ 40.9
1962, Jan.-June*	87.4	98.1	- 10.7

\*Provisional unadjusted data.

cent; others 12.4 per cent. Main supplying countries were the United States 22.6 per cent, West Germany 12.5 per cent, Britain 10.3 per cent, Brazil 8.4 per cent, Venezuela 5.8 per cent, Argentina 5.7 per cent, Italy 4.4 per cent, and France 3.8 per cent. Canada came thirteenth with 1.2 per cent.

### Trade with Canada

Canada's trade with Uruguay increased from \$2.4 million in 1960 to \$3.04 million in 1961. In the first six months of 1962 the figure was \$740,100, compared with \$677,700 for January-June 1961. Our chief exports last year were newsprint \$588,509; aluminum pigs, ingots, slabs \$502,584; plastics \$466,552; seed potatoes \$399,549; asbestos \$199,593, and wood pulp \$89,715. We also sold to Uruguay yarn and thread of synthetic fibre, papermakers' felts, wool, generators and parts, copper pipe and tubing, card punch machines and parts, office machines and parts and drugs and chemicals.

Imports from Uruguay in 1961 totalled \$1,834,004, compared with \$987,496 in 1960. Chief commodities were uncleaned rice \$1,163,933, washed or scoured wool \$279,847, cleaned rice \$148,576, noils wool \$85,182, and canned corned beef \$83,500.

It is practically impossible to make predictions about trade between Uruguay and Canada next year because the country is going through a difficult financial period. Our traditional exports will probably continue and our timber sales, which have picked up in 1962, may help to get export figures up. Uruguay has been a relatively good market for our seed potatoes and this year there have been opportunities for selling table stock; it is too early yet to give statistics.

Although the Commercial Section of the Canadian Embassy in Uruguay comes under the jurisdiction of the Commercial Section of the Canadian Embassy in Argentina, Canadians should send their inquiries direct to Montevideo. ●

# Venezuela

Greater financial stability has resulted from larger revenues from oil production, improved management of the public debt, a balanced budget for 1963, and increased foreign exchange reserves. Canadian exports for January-August 1962 are running 31 per cent higher.

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

VENEZUELA'S economy improved during 1962, compared with the past two years of recession. Most outstanding of the changes has been the large increase in the production and export of petroleum, resulting in a larger income for the Government and the producers. There are signs of financial stability, reflecting better management of the public debt, the introduction of a balanced budget for 1963, and a better foreign exchange reserve position. A revision of the foreign exchange control regulations had a favourable effect even if it did mean the devaluation, in all but name, of the bolivar, which was recommended by the International Monetary Fund about two years ago. Other signs of better conditions include a small increase in construction in the second half of the year, more industrial development, and some benefits from foreign aid.

On the other hand, unemployment remains a difficult problem and the expansion of local industry has not been able to absorb the rapidly increasing labour force. There is no indication that the petroleum industry is about to make large new investments, even though this is almost essential if the country is to make a sustained economic recovery. Real estate values continue to be depressed, with little sign of immediate improvement.

### 1963 Budget Balanced

The Government has introduced a balanced budget for 1963 of Bs. 6,225 million—the largest in Venezuela's history. Ordinary income is estimated at Bs.6,104 million and long-term loans at Bs.121 million. Increased income from the petro-

leum industry and profits on foreign exchange control have pushed estimated revenue much higher than originally anticipated and this is expected to provide Bs.673 million toward repayment of the public debt. The national debt as of September 30, 1962, was Bs.2,724 million and included Bs.1,822 million in direct obligations, Bs.680 million in indirect obligations guaranteed by the Government, and Bs.222 million of non-guaranteed indirect obligations.

The budget provides for an increase of Bs.283 million in expenditures, mostly on public works, education, defence and internal affairs. Public works will take Bs. 1,211 million—Bs.971 million for project investments, Bs.80 million to be spent in the metropolitan area, and the remainder spent in other states. Capital expenditures, at Bs. 1,768 million, account for 28.4 per cent of the budget.

On July 31, 1962, gold and foreign exchange reserves stood at Bs. 1,834 million, compared with Bs. 1,772 million at the end of December 1961 and Bs.1,918 million a year earlier. Exchange trading for the first seven months of this year recorded a surplus of U.S.\$21.91 million, compared with U.S.\$5.8 million for January-July 1961.

It is difficult to outline exactly the financial aid Venezuela has received. Between July 1961 and April 1962 foreign loans were estimated at close to \$311 million, of which \$278 million had been approved. This included \$100 million from the Export-Import Bank—\$75 million to finance commercial payments in arrears and \$25 million for the Venezuelan Development Cor-



*Caracas, capital of Venezuela, boasts many modern buildings like this one, in which the Canadian Embassy to Venezuela has its offices. Building activity in the country is reviving but real estate values remain depressed and early improvement unlikely.*

poration. In addition, there was the balance of a loan made in April 1960; this totalled Bs.440 million on June 30 last. In 1961 the World Bank approved a loan of \$60 million for highway programs and a second worth \$45 to \$60 million was under negotiation for irrigation and electrical projects. At present the World Bank is studying a loan of \$80 million for the Guri power project, as well as loans of \$2.7 million for agricultural machinery and \$7.5 million for INOS (Instituto Nacional de Obras Sanitarias) for water projects. Under the *Alliance for Progress* and other programs some \$132 million has been or is being negotiated. Many of these loans have been approved but not yet disbursed.

### **Foreign Exchange Control**

The foreign exchange control system in force since November 1960 seems to have achieved a measure of stability and stopped the heavy flight of capital. It was further revised on April 2, 1962. The most

important change was the reduction to about 100 items of the controlled-market list of goods for which prior import permits are required and for which exchange is granted at the controlled rate of Bs.3.35 to the U.S. dollar. Collections remain slow but the change has resulted in faster transfers of payments for non-controlled imports. The Central Bank also reduced the official free market rate of exchange from Bs.4.58 to Bs.4.54 to the U.S. dollar. Other transactions can be carried out at the uncontrolled free market rate which fluctuates daily but stands at present at about Bs.4.54 to the U.S. dollar. Merchandise accounts due to non-residents on April 14, 1961, and which were duly registered, and previous official market imports shipped before April 12, 1962, or covered by irrevocable letter of credit, qualify for foreign exchange at the official rate.

### **New Industry**

Venezuela continues to encourage local industry through tariff and

trade controls and credits. This policy is expected to continue. Higher tariffs and additional compulsory import licensing can be anticipated as factories bring new products into production. The Ministry of Development has announced that by September 30 of this year 327 new industrial projects had been registered (mainly involving textile, chemical and food products), with investments totalling over Bs.184 million and it expects that by the end of 1962 the total may reach 400. Through its Venezuelan Development Corporation, the Ministry extended some Bs.75 million in credits during these nine months. New factories are making paper products, textiles, processed milk, food products, carbon black, cement products, dry cell batteries, aluminum sheet and extrusions. The Ford Motor Company has just opened a new plant and two other automobile assembly plants are under construction; when finished, there will be seven assembly plants in operation. Effective January 1, 1963, the import of complete automobiles will be prohibited. Imports for the first ten months of 1962 were limited to approximately 16,000 units.

The government steel plant at Matanzas is not yet fully completed although the first steel ingots were poured early in July. This fully integrated mill, built at a cost of over \$312 million, will be capable of producing 700,000 metric tons of steel ingots and 500,000 metric tons of pig iron when it is in full operation and is already turning out steel ingots, pig iron, seamless steel tubing and wire. Trial shipments of pig iron, steel blooms and rods have gone to Japan, Italy and the United States. At present the mill obtains its iron ore requirements from the Orinoco Mining Company and the Iron Mines Company nearby, but it is expected that the Government, through the newly formed Corporación Venezolana del Hierro, will soon develop its Carro San Isidro iron ore reserves, estimated at 400 million metric tons.

The Venezuelan Guayana Corporation expects that the World Bank will soon approve an \$80 million loan for construction of the dam and hydroelectric plant at Guri on the Caroni River. The corporation has already proceeded with the qualification and selection of firms interested in presenting bids on the project. Construction of the proposed 25,000-ton aluminum ingot plant in this area by the Aluminio del Caroni, S.A., a joint partnership of the Venezuelan Guayana Corporation and Reynolds International, has been delayed but should start in 1963.

The Creole Investment Corporation formed by the Creole Petroleum Corporation has invested Bs.18 million during its first year of operation. Sixteen industrial enterprises throughout the country have used its facilities and it has provided jobs for some 1,260 people.

### **Petroleum**

There have been two major developments in the Venezuelan petroleum industry in 1962. The first was the substantial increase in the production and export of petroleum and products. The second was the signing of service contracts between the Venezuelan Petroleum Corporation (CVP) and two private oil companies. The Government has made no change in its policy of no new concessions and limitations on price discounts. In fact, the Government has encouraged foreign oil companies to step up exploration on their own concessions and this action has achieved an estimated 10 per cent increase in exploration activities.

The service contracts went to Mobil Oil Company of Venezuela and the Mene Grande Oil Company and appear to involve little or no risk for the oil companies. They provide for operation, handling and production of CVP petroleum as well as delivery of crude oil by the Mobil Oil Company to the refinery of the Petrochemical Institute at Moron. This move may herald a new government policy and could

mean an approved replacement of the old concession system. CVP has continued its own drilling operations and has completed eight producing wells since it began operations in 1961. It is trying to negotiate contracts for the marketing and distribution of its products and will probably spend some Bs.10 million in 1962 in preparing its 1963 program.

Petroleum output for the first ten months of 1962 averaged 3.19 million barrels a day. This increase of 9.9 per cent over the January-October 1961 average is also well above the 3 per cent increase of the past two years and over the Government's objective of a 4 per cent annual increase. Recent months have also seen increased drilling. From January-September 1962, 400 wells were drilled, 338 of them producing wells, compared with 353 (270 producing) in nine months of 1961.

Net investment in the industry in 1961 totalled U.S.\$3,012 million compared with \$3,162 million in 1960. Profits on this investment reached \$459 million as against \$415 million in 1960, and government income from royalties and taxes rose from \$877 million to \$937 million. Capital expenditures, on the other hand, declined from bolivars 730 million to 556 million. There will be an over-all improvement in profits in 1962, as well as a 15 to 20 per cent increase in capital expenditures.

### **Iron Ore**

The decline in the production and export of iron ore that characterized 1961 continued in 1962. Output for January-August 1962 totalled 8.8 million tons, a decrease of 15 per cent from the corresponding period of 1961. Exports dropped by 4 per cent to 9.6 million tons.

On the other hand, because the government steel mill has come into operation, domestic consumption in the first nine months of this year increased to 259,203 metric tons from only 1,859 tons a year earlier. Domestic consumption is expected

to rise further but little improvement is expected in foreign demand.

### **Agriculture**

The Agricultural Reform Program has made reasonable progress. An estimated 1.2 million hectares of land have been distributed among farmers and some 42,000 families have been settled. Most 1962 crops will record gains, reflecting government assistance through protective import measures, price supports and credits. Yield of corn is estimated at an all-time high of 550,000 metric tons, as against 330,000 tons in 1961. Peas, black beans and red beans are placed at 85,000 metric tons, compared with 48,000 tons, and rice at 95,000 tons, a gain of 18 per cent. Coffee, at 43,500 tons, is below the 1961 output but prospects for increases in 1963 are excellent. Little change is expected in cocoa output this year—about 11,800 metric tons.

Even with this improved agricultural picture, Venezuela will continue to import wheat, meat, fruit and seed potatoes to meet consumer demands. As local output expands, however, further reductions in imports of some products can be expected through application of the compulsory import licensing system.

### **Foreign Trade**

Venezuela's foreign trade in 1961 changed little in total value over 1960 and the country maintained its favourable balance. A full year's operation of the foreign exchange control regulations and increasing import restrictions meant that imports increased only slightly in value (see Table I). Exports fell by 8 per cent.

Imports from all major suppliers except the United States were below those of 1960. Canada again was fifth-ranking supplier, accounting for 4.1 per cent of imports, compared with 3.1 per cent in 1960. The United States was in first place with 54 per cent (53 per cent), followed by West Germany 8.6 per cent (8.8), Italy with 5.6 (6.2) and Britain 5.3 (6.0).

**TABLE I**  
**VENEZUELA'S FOREIGN TRADE**

	Exports (thousands of bolivars)	Imports
1959	7,938,008	4,742,163
1960	8,500,216	3,571,424
1961	8,083,726	3,581,452

**TABLE II**  
**CANADA'S TRADE WITH VENEZUELA**

	Exports to: (Can.\$'000)	Imports from:
1959	46,007	204,697
1960	35,345	195,189
1961	34,978	216,639
1961	21,557*	82,555†
1962	28,419*	85,168†

\*Eight months only.  
†Five months only.

**TABLE III**  
**CHIEF CANADIAN EXPORTS  
TO VENEZUELA**

	1960	1961	Jan.-Aug. 1962 (Can.\$'000)
Wheat	4,980	4,574	8,748
Whole milk powder	7,821	9,057	5,506
Newsprint	2,320	2,449	1,476
Wood pulp	673	1,817	1,341
Plastics, synthetic rubber, not shaped, n.e.s.	1,356	1,342	1,174
Aluminum bars, rods, plates	74	577	700
Automobiles	863	1,324	482
Other papers	666	910	426
Seed potatoes	687	1,227	382
Asbestos fibres	475	646	373

Although no statistics are available for 1962, imports are expected to increase by 5 to 10 per cent over 1961 and exports to rise substantially because of increased shipments of petroleum products.

Reversing the downward trend of 1960, Canada's trade with Venezuela rose during 1961. Imports increased 5 per cent and exports were just under the 1960 level. In January-August 1962, shipments from Canada totalled \$28.4 million, 31 per cent higher than for the corresponding period of 1961, and imports for five months of 1962, at \$85.1 million, were up 3 per cent (see Table II).

Canada exports a wide range of commodities to Venezuela but the ten products shown in Table III

account for 70 per cent of the trade. Our sales are expected to continue rising during the remainder of the year. Although agricultural products predominate, a shift is developing towards raw materials and semi-finished products for Venezuela's growing industries.

Crude petroleum and products are our chief imports from Venezuela. In 1961 these totalled \$215 million, followed by green coffee \$430,902 and cocoa beans \$73,367. For the first five months of 1962, petroleum totalled \$84 million, green coffee \$214,000 and cocoa beans \$43,000.

Economic activity in Venezuela should increase in 1963 because of higher income from the oil industry and the benefits of foreign aid. There is no promise yet of substantial foreign investment, however,

particularly in the oil industry, and it is badly needed to stabilize the economy further. Next year is an election year, which could be a deterring factor but it could also mean large government spending. The slight improvement in the construction industry is expected to continue in 1963. Foreign trade will expand but at a less rapid rate. The Government will carry on in its efforts to foster local industry through credits, tariffs and trade controls. This will reduce imports of luxury goods and products made locally, but will increase demand for raw materials, semi-finished products and equipment. The opportunities for increased trade are improving and Canadian exporters able to offer competitive prices and terms and to visit the country should find attractive prospects. ●

## The Colombian Previous Deposit System

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

ALL goods imported into Colombia are subject to the prior payment of a deposit by the importer to the Bank of the Republic before an authorization for foreign exchange and an import licence may be issued. The procedure begins when the importer applies through his bank to the Bank of the Republic and deposits a sum equivalent to a specified percentage of the value of the goods to be imported. The Bank of the Republic puts this money, in pesos, in a special account and issues a permit for the purchase of the necessary foreign exchange on arrival of the goods. The importer then submits this permit with his application for an import licence to the Superintendent of Imports.

The previous deposit is frozen from the moment the application is

made to the bank and it remains tied up until the import licence is granted or rejected. If it is not granted, the importer has been put to trouble and denied the use of his money to no purpose. If the licence is granted, the deposit is not freed until after the goods are delivered and the documents are presented for payment. Forty-five days from the date on which the goods clear Customs, the Bank refunds the previous deposit as part of the payment to the exporter. If the importer wants his deposit back he must wait 90 days from the date of customs clearance.

Money in previous deposit accounts earns no interest and remains in pesos until converted for foreign exchange on the 45th or refunded on the 90th day.

Current previous deposit rates (November 1962) are as follows:

120 per cent—beer, whisky, tobacco, salt, cement, polyvinyl chloride, plastics, pigments, synthetic rubber, aluminum.

90 per cent—iron or steel profiles over 8 inches, electrolytic copper, crude lead, and tin.

65 per cent—malt, lubricating oils, cellulose acetate, mechanical pulp, kraft paper.

30 per cent—wheat, asbestos, fertilizers, tires, newsprint, most chemicals, machinery, electrical equipment.

10 per cent—breeding cattle, auto engines, tractor and aero engines, ocean tugs, tractors, jeeps.

In general, the less necessary the import, the higher the previous de-

posit, but the 30 per cent rate covers the main groups of machinery and industrial raw materials.

Previous deposits are not applied to goods imported from other members of the Latin American Free Trade Area. This represents an even greater discrimination in favour of importers from these countries than the lower tariffs applied to LAFTA imports, because money to finance previous deposits is only available in Colombia at high rates of interest (12 to 25 per cent) or must be provided by the exporter.

Importers are inclined to criticize the previous deposits as no more than a form of interest-free loan to the Government. They do serve a useful purpose, however, as one of the tools of the Colombian Government's monetary policy. By varying the previous deposit rates and the speed of payment and repayment, it is possible for the Government to absorb large amounts of capital that might otherwise be competing for restricted imports and contributing to inflationary pressures on the cost of living. ●

## SHIPPING SERVICES FROM CANADA TO SOUTH AMERICA

### FROM

TO	Pacific Coast	Great Lakes	St. Lawrence and Atlantic
<b>Argentina</b>	Daido Line ( <i>Dingwall Cotts and Co. Ltd., Vancouver</i> )	Moore-McCormack Lines ( <i>Moore-McCormack Lines (Canada) Ltd., Montreal, Toronto</i> )	Amerind Shipping Corporation ( <i>Watts Watts Shipping Agencies Ltd., Montreal</i> )
	Moore-McCormack Lines ( <i>Balfour, Guthrie (Canada) Ltd., Vancouver</i> )		Brodin Line ( <i>Montreal Shipping Co. Ltd., Montreal</i> )
	N.Y.K. Line (Nippon Yusen Kaisha) ( <i>B. W. Greer &amp; Son Ltd., Vancouver</i> )		Columbus Line ( <i>Kerr Steamships Ltd., Montreal</i> )
	Westfal-Larsen Line ( <i>Empire Shipping Co. Ltd., Vancouver</i> )		Moore-McCormack Lines ( <i>Moore-McCormack Lines (Canada) Ltd., Montreal</i> )
<b>Bolivia</b>	<i>Via Mollendo:</i>	Moore-McCormack Lines	<i>Via Santos, Buenos Aires:</i>
	Grace Line ( <i>C. Gardner Johnson Ltd., Vancouver</i> )		Amerind Shipping Corporation
	Grancolombiana Line ( <i>Balfour Guthrie (Canada) Ltd., Vancouver</i> )		Brodin Line
	<i>Via Antofogasta, Arica:</i>		Columbus Line
	Grace Line		Moore-McCormack Lines
	Westfal-Larsen Line		<i>Via Antofogasta, Arica, Mollendo:</i>
		West Coast Line ( <i>Saguenay Shipping Ltd., Montreal</i> )	
		Grancolombiana Line ( <i>Swedish American Line, Montreal</i> )	

**FROM**

<b>TO</b>	<b>Pacific Coast</b>	<b>Great Lakes</b>	<b>St. Lawrence and Atlantic</b>
<b>Brazil</b>	Daido Line Moore-McCormack Lines N.Y.K. Line	Moore-McCormack Lines	Amerind Shipping Corporation Booth Line <i>(March Shipping Agency Ltd., Montreal)</i> Brodin Line Columbus Line Lamport and Holt Lines <i>(March Shipping Agency Ltd., Montreal)</i> Moore-McCormack Lines
<b>Chile</b>	Grace Line Westfal-Larsen Line		West Coast Line
<b>Colombia</b>	Grace Line Grancolombiana Line Moore-McCormack Lines Westfal-Larsen Line	Michigan Ocean Line <i>(Protos Shipping Ltd., Toronto)</i>	Grancolombiana Line Michigan Ocean Line <i>(The Robert Reford Co. Ltd., Montreal)</i> West Coast Line
<b>Ecuador</b>	Grace Line Grancolombiana Line		Grancolombiana Line West Coast Line
<b>Paraguay</b>	<i>Via ports in Argentina, Brazil and Uruguay</i>		<i>Via ports in Argentina, Brazil and Uruguay</i>
<b>Peru</b>	Grace Line Grancolombiana Line Westfal-Larsen Line		Grancolombiana Line West Coast Line
<b>Uruguay</b>	Moore-McCormack Lines Westfal-Larsen Line	Moore-McCormack Lines	Amerind Shipping Corporation Brodin Line Columbus Line Moore-McCormack Lines
<b>Venezuela</b>	Daido Line d'Amico Line <i>(Anglo-Canadian Shipping Co. Ltd., Vancouver)</i> K. Line <i>(Johnson Walton Steamship Ltd., Vancouver)</i> Mitsui Line <i>(Pacific Export Lines Ltd., Vancouver)</i> Moore-McCormack Lines	Michigan Ocean Line Saguenay Shipping Ltd. <i>(A. O. Minshall Co. Ltd., Toronto)</i>	Michigan Ocean Line Royal Netherlands Line <i>(Montreal Shipping Co. Ltd., Montreal)</i> Saguenay Shipping Ltd. <i>(Saguenay Shipping Ltd., Montreal)</i>

## Canada's Trade Relations with South American Countries

CANADA has trade agreements with all South American countries, providing for exchange of most-favoured-nation treatment with respect to customs treatment, trade and exchange regulations. Concessions exchanged exclusively between members of the Latin American Free Trade Association, however, are generally exempt from the operation of this most-favoured-nation clause.

South American countries which, with Canada, are contracting parties to the General Agreement on Tariffs and Trade are Brazil, Chile, Peru and Uruguay; Argentina is a provisional member. This agreement provides generally for scheduled tariff concessions and exchange of most-favoured-nation treatment among the contracting parties, and lays down rules and regulations to govern the conduct of international trade. Trade agreements concluded by Canada with individual countries continue in force in conjunction with the General Agreement.

The following table summarizes import and exchange regulations of South American countries that apply to Canadian exports as of November 1962.

Country	Import Licences	Special Tariff Features	Foreign Exchange Market
<b>Argentina</b>	No import licences required.	In addition to the import duty, most imports are subject (since November 1, 1962), to a 5 per cent ad valorem import tax, and many items are subject to a surcharge ranging from 40 to 200 per cent on the c. & f. value. Until December 31, 1962, certain luxury products have also been subject to a temporary additional 100 per cent surcharge.	Foreign exchange is available at the free market rate.
<b>Bolivia</b>	No import licences required.	Machinery and parts destined for manufacturing industries as well as certain other equipment and materials have been exempted from import duties under certain conditions.	Foreign exchange is available at the free market rate.
<b>Brazil</b>	All imports require an exchange commitment certificate. Goods considered essential are classified in the general category and do not require an import licence. All others are classified in the special category and require a licence.	In addition to the import duty, there are import taxes amounting to 6 per cent of the c.i.f. value plus 5 per cent of the ocean freight charges. Imports are also subject to a prior deposit of 80 per cent, which is retained for a period of 150 days.	Foreign exchange for goods classified in both the general and special categories may be purchased in amounts not exceeding a temporary limit of \$30,000 per week per firm at the official exchange rate, which is currently set at 475 cruzeiros to the U.S. dollar. But before an import licence can be obtained for special category goods, importers are required to purchase a "Promessa de Licenca" (promise of licence) at public auctions held periodically. Only very limited quantities of these "promises of licence" are made available.

Country	Import Licences	Special Tariff Features	Foreign Exchange Market
<b>Chile</b>	All permissible imports must be registered in advance. Entry of many non-essentials and types of goods produced in Chile is prohibited.	In addition to the import duty, most imports are subject to both a returnable prior deposit of from 10 per cent to 10,000 per cent of the c.i.f. value and to a surcharge of from 5 to 200 per cent of the c.i.f. value.	Exchange at the recently devalued "free bank" rate is provided 120 days after the date of the bill of lading.  In October Chile devalued its currency.
<b>Colombia</b>	As of November 8, 1962, all imports into Colombia have been temporarily suspended until the Colombian Government approves the adoption of new economic measures, including the introduction of a tax amounting to 2.30 pesos per U.S. dollar applicable to exchange covering permissible imports.  Previously, products were divided into three categories—prohibited, under import licence, or freely importable.	In addition to the import duty, prior deposits of up to 120 per cent are required for most types of merchandise, and are returnable 45 days after customs clearance, provided they are used as part of the payment made to the exporter. Otherwise they are retained for 90 days.	Foreign exchange available at public auctions of exchange certificates to cover the f.o.b. value of imports plus 80 per cent of freight charges. The free market rate applies to most other transactions.
<b>Ecuador</b>	Import licence required for permissible imports.	All permissible imports are classified in two lists: essential and non-essential. In addition to the import duty, all imports are subject to import taxes of 4 per cent of the f.o.b. value and 2.25 per cent of the c.i.f. value. Essential imports are also subject to a stamp tax of 5 per cent of the c.i.f. value and a prior deposit of 25 per cent; non-essential imports are subject to a stamp tax of 15 per cent and a prior deposit of either 50 or 100 per cent.	On the basis of an import licence, the Central Bank provides foreign exchange for imports at the official exchange rate.
<b>Paraguay</b>	No import licences are required; a small number of products are prohibited entry.	In addition to the import duty, imports are subject to a 15, 8, or 5 per cent ad valorem surcharge. Some items are also subject to a prior deposit of 100 per cent of the f.o.b. value, which is retained for a minimum of 120 days. Internal sales taxes of 5 or 10 per cent are also assessed on certain imports.	Foreign exchange is freely available, subject to a surcharge of 24 per cent of the c.i.f. value of most imports. Payment must be made through an authorized bank not later than 90 days from the date of delivery of documents.

Country	Import Licences	Special Tariff Features	Foreign Exchange Market
<b>Peru</b>	No import licences required.	In addition to the regular specific and ad valorem import duties, most items are subject to a customs surcharge of 50 or 200 per cent of the specific duty. A special tax of 10 to 25 per cent of the c.i.f. value is also levied on many items. Further additional taxes amounting to 4.5 per cent of the c.i.f. value plus 4 per cent of ocean freight charges are collected on non-GATT items. Instead of these latter two taxes, GATT-bound items pay a tax of 2.083 per cent of the c.i.f. value.	Foreign exchange is available at the free market rate.
<b>Uruguay</b>	All imports are subject to prior registration.	In addition to the import duty, many imports are subject to ad valorem surcharges of from 40 to 300 per cent of the c.i.f. value. Some imports are also subject to prior deposits of 100 per cent of the c.i.f. value which are retained for nine, or in some cases, twelve months.	Exchange is available at the free market rate.
<b>Venezuela</b>	A few items are prohibited, or may be imported only by the Government. A number of items require a prior import licence from the Ministry of Development or the Ministry of Agriculture. In addition, in order to qualify for exchange at the low official exchange rate, all shipments of goods (over \$2,000) on the Venezuelan list of "Controlled Essential Imports" require an exchange permit.  Import licences for some products are issued on condition that the importer has purchased domestic products equal to a prescribed percentage of the amount imported.	Total or partial exemption from import duties may be granted under certain conditions for machinery, implements, raw materials and other products needed for consumption or use in industrial and agricultural operations.	Foreign exchange is available at the low official exchange rate for items on the list of "Controlled Essential Imports". Splitting of shipments to avoid the necessity of obtaining an exchange permit is subject to a fine. Foreign exchange available for other imports at free market rate.

# TRANSPORTATION NOTES

## Britain

**NEW DRYDOCK**—Completed early this year, the Number 2 Drydock at Vickers-Armstrong (Shipbuilders) Limited Palmers Yard at Hebburn (near Newcastle on Tyne) is the largest on the northeast coast and has the widest entrance in Britain (145 feet) and an over-all depth of 44 feet 2 inches. It will be able to take tankers of 85,000 tons deadweight and practically all passenger liners with the exception of the *Queen* class. Provision has been made for extension to 1,000 feet should the need arise. Equipment to expedite work on ships includes hydraulic bilge blocks and lead-in trolleys—Liverpool.

## Canada

**NEW ROAD IN NEWFOUNDLAND**—On November 2, a 242-mile stretch of road was opened in western Newfoundland. Running up the northern peninsula from Bonne Bay to St. Anthony, the road serves a section of the island that previously had only water and dog teams as means of transportation. The road cost over \$7 million and the Federal Government contributed \$1½ million under the roads-to-resources program.

The land over which the new road runs is mostly flat; however, there are 18 bridges crossing some of the largest rivers in Newfoundland. Most of the road is in good condition and only a few miles remain to be paved—St. John's.

## Ecuador

**NEW PORT AT GUAYAQUIL**—The northwest coast of South America will soon be able to boast of a new port at Guayaquil, Ecuador. Previously bypassed by many ocean steamers because of poor harbour conditions, the new port is being constructed on an arm of the sea only 4½ miles southwest of the city. The opening is scheduled for December of this year.

Initially the port will be able to handle five or six vessels but future plans call for enlarging the facilities so that up to 29 deep-draft ships may be in port at one time. Because the harbour will be freely accessible at all tides to steamers now serving the area, including passenger vessels, it will no longer be necessary to tranship cargoes from the deep-sea port at Punta, 30 miles downstream. By eliminating this transshipment, stevedoring and handling costs should be less and the incidence of damage reduced. Delivery time will also be speeded up.

The first stage of construction includes a 3,000-foot dock, four steel transit warehouses covering over 294,000 square feet, six additional long-term storage warehouses covering 95,000 square feet, and outdoor storage space. All warehousing is protected against

fire by a sprinkler alarm system. In addition, a 100-ton crane will be available for cargoes that cannot be handled by ship's gear.

The access channel to the port will be 400 feet wide and 33 feet deep at the lowest tide. A canal is to be constructed between the new port and the old river port on the Guayaquil waterfront for river-boat traffic—Quito.

## United States

**GREAT LAKES PORT**—The Port of Detroit has registered one of the sharpest increases in direct overseas shipping among Great Lakes ports since the opening of the enlarged St. Lawrence Seaway.

In a report on Detroit, the Federal Reserve Bank of Chicago noted that in 1961, export-import traffic at Detroit totalled 748,000 tons, a sevenfold increase from 1958 (the year before the Seaway opened). Although this increased overseas shipping still represents only 3 per cent of the total freight traffic handled at the port, export-import tonnage is expected to continue its rapid rise in relative importance in Detroit's over-all operation—Chicago.

## Uruguay

**GRAIN MILL**—The opening of a new granary took place recently in the city of Paysandu, an important interior centre on the River Uruguay. Of special interest were the mechanical grain elevators which have been installed for unloading grain from vessels in the port—Montevideo.

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## Trade Commissioners on Tour

### In Canada

**J. J. McEACHRAN**, Assistant Trade Commissioner in Hong Kong:

Vancouver—Dec. 12-21

When he completes his tour and leave, Mr. McEachran will be posted to Lima, Peru, as Assistant Commercial Secretary.

### In Territory

**J. H. BAILEY**, Commercial Secretary in Bogotá, Colombia, will visit Ecuador during the week of January 21.

**J. H. STONE**, Commercial Counsellor in Rome, Italy, will visit Naples for two days in mid-December.

*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 and Mr. Stone at Rome.*

## COMMODITY NOTES

### Asphalt

**BRAZIL**—A new asphalt plant has been constructed in the State of Guanabara. It will produce an estimated 3,000 tons of asphalt a day, representing a saving of some \$1.15 million a year in foreign exchange. Much of the raw material will come from the PETROBRAS (government-owned oil monopoly) refinery in Cubatão—Rio de Janeiro.

### Cement

**COSTA RICA**—The first cement plant in Costa Rica is to be built soon. A loan of \$2.8 million from the Inter-American Development Bank, plus \$2.2 million of private capital, will finance the undertaking. A Danish firm has obtained the contract for the work and will also offer technical help in the future. The cost is estimated at approximately \$1.8 million. Price of the finished product f.o.b. factory will be 94 cents for a sack of 42.5 kilos and 86 cents for the same amount of cement in bulk. This is considerably lower than the current price paid by Costa Rican importers.

Up to now Costa Rica has had to import all its cement from Europe, the United States, Venezuela and Colombia. From 1951 to 1960 the country imported 548,000 tons of cement worth \$14 million—Guatemala City.

### Concrete Products

**GUATEMALA**—A new plant producing prefabricated and post-tensed concrete products has been established in Guatemala. The pre-reinforced concrete structures, combined with steel girders, will enable contractors to avoid the use of wooden forms—Guatemala City.

### Elevators

**COLOMBIA**—A firm in Bogotá has announced plans to build passenger and freight elevators and escalators under licence from a United States company. This will be the first of such equipment produced in Colombia and should fit in well with plans for expansion of Colombian industry within the Latin American Common Market. The company expects to be in full production by the middle of 1963—Bogotá.

### Fish

**SOUTH AFRICA**—A Cape Town industrial fisheries group has acquired a 50 per cent interest in a Chilean industrial organization with a view to developing the fisheries of that country. It will concentrate mainly on anchovies. It is proposed to have a nucleus of South African crew members in the fleet, which is expected to comprise one 73-footer and eight 66-footers. A local

firm is manufacturing the machinery for the fishmeal reduction plant. This venture, including the factory, is expected to be in operation early in 1963—Cape Town.

### Paraffin Wax

**BRAZIL**—The government-owned oil monopoly has announced that paraffin wax is being produced for the first time in Brazil from byproducts of the manufacture of lubricating oils at its refinery in Mataripe. When it is in full operation, the plant is expected to produce 55 tons a day and will supply almost the whole domestic market—Rio de Janeiro.

### Plastic Goods

**PANAMA**—Two local firms, Fontex and Solo Container, plan to invest U.S.\$150,000 in a plant to manufacture plastic toys, dishes and cups—Guatemala City.

### Plywood

**HONG KONG**—A new plywood factory in the New Territories of Hong Kong, the first of its kind in the Colony, has gone into production and will turn out four million square feet a month, 70 per cent of it for export. The remainder will be absorbed easily by the local furniture and building industries. Main markets are expected to be the United States, Britain, Canada, Australia and the Middle East. Because of Hong Kong's free port facilities, the new company expects little difficulty in importing its raw materials and will have the same advantages when it comes to exporting. Most of the raw materials will come from the Philippines and North Borneo, where the semi-hardwood mahogany-type logs are ideal because of their 40-inch girth, which permits good peeling. The factory is concentrating on three ply but later hopes to extend its range to five, seven, and nine ply—Hong Kong.

### Polyvinyl Chloride

**COLOMBIA**—Colombian and United States research organizations, after surveying chemical development possibilities in Colombia, recommended a year ago that the establishment of facilities for the manufacture of polyvinyl chloride be encouraged. The Government invited interested foreign companies to submit tenders outlining what they would be prepared to contribute to a joint venture with Colombian private and government capital. Four bids were submitted and are being considered. Cost of the undertaking would approximate U.S.\$2.5 million and the successful bidder should be in production by the end of 1963.

It is estimated that, if the plant is built, polyvinyl chloride consumption, now estimated at U.S.\$1 million a year, could rise to U.S.\$3.6 million by 1966. In addition, the manufacture of other plastic raw materials would be encouraged—Bogotá.

### Steel

**BRAZIL**—Construction of a steel mill, to be called Siderurgica de Santa Catarina S.A. (SIDESC), has been authorized. The mill will have an initial capital of approximately \$3 million and will be located in the southern state of Santa Catarina, where it can take

advantage of the extensive deposits of low-grade coal. For five years the mill will be exempt from any import or sales taxes on necessary equipment and materials. The Federal Government has a 51 per cent controlling interest—São Paulo.

### Transformers

**BRAZIL**—Central Eléctrica de Furnas has ordered two transformers from Indústria Eléctrica Brown-Boveri in Osasco, São Paulo. One transformer will have 30,000 kva. capacity and the other 60,000. The latter will be the largest ever built in South America—São Paulo.

## FOREIGN TARIFFS

## AND TRADE REGULATIONS

### South Africa

**IMPORT CONTROL POLICY FOR 1963**—South Africa's import control policy for 1963 will follow the general pattern in operation since 1961, although the Government announced on November 7 that, in the light of the improvement in foreign exchange reserves over the past year, a further relaxation in import control was desirable. However, in spite of some easing the restrictions remain stringent. Initial allocations for 1963 are summarized below:

#### (a) Raw Materials, Plant and Equipment

1) No initial allocation issued as far as raw materials for manufacturers are concerned as these will be dealt with on a stock basis. They will receive, on application, facilities to import supplies of raw materials that are not available from local sources to bring their stocks up to a *six months' level*.

2) Merchants who import raw materials for resale will be treated somewhat more liberally in 1963 and their initial allocation is 50 per cent of 1960 imports. This figure excludes structural timber and fertilizers which are to be dealt with on a special basis because of the rapid increase in local availability of supplies. Merchants importing stocks of capital plant and equipment have been extended an initial allocation of 50 per cent of 1960 imports for stock.

#### (b) Consumer Goods—including passenger autos and textile piecegoods

1) *Group A Consumer Goods*—This group, we understand, consists primarily of consumer goods that are not manufactured to any appreciable extent in South Africa. The group includes clocks and watches, vacuum cleaners, air conditioners, cutlery, hairdressing equipment, razors and blades, hotel kitchen equipment, musical instruments, office equipment of all kinds including calculating and duplicating machines, photographic apparatus and outboard motors. First round permits for 1963 amount to 60 per cent of the importer's average annual imports during 1959 and 1960 (last year's figure was 50 per cent).

2) *Group B Consumer Goods*—This group, referred to as general merchandise, principally comprises consumer goods, which for the most part are freely available from domestic sources. In addition to certain specific items, this group covers all other products not specifically mentioned in the various licensing sections. The initial allocation for 1963 is 30 per cent of the importer's assessment basis (last year's figure was 25 per cent).

3) *Textile Piecegoods*—The first round issue to merchants importing textile piecegoods will be sufficient to cover 50 per cent of their average annual imports during 1959 and 1960.

4) *Passenger Autos*—As the demand for motor vehicles has been rising during the past three months, provision is being made for sufficient permits to cover imports of 42,000 units for the first six months of 1963.

In order to enable importers to plan their business, the South African Government has announced its intention to increase its *total allocation* for 1963 to 110 per cent of the average imports for 1959 and 1960 in the case of category A consumer goods, and to 45 per cent of an importer's assessment basis in respect of category B consumer goods. The 1962 issues were 100 per cent and 40 per cent respectively. The Restricted List which covers goods requiring a specific import permit is also being studied with a view to modification. During 1963, permits for Group B consumer goods (general merchandise) may be exchanged for specific permits available for goods on the Restricted List on the basis of Rand 1 for Rand 1 up to the first R.5,000 (\$7,500 Canadian), as against R.3,000 (\$4,500 Canadian) that could be so converted during 1962.

Information on licensing treatment of specific products may be obtained from the Commonwealth Division, International Trade Relations Branch, Department of Trade and Commerce, Ottawa, or the Canadian Government Trade Commissioners in Johannesburg or Cape Town.

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 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 .928613.

## Foreign Exchange Rates

Country	Unit	Type of Exchange	Can. dollar equivalent Dec. 3	Units per Canadian dollar	Notes (See below)
Argentina .....	Peso .....	.....	.007281	137.34	
Austria .....	Schilling .....	.....	.04174	23.95	
Australia .....	Pound .....	.....	2.4148	.4141	
Bahamas .....	Pound .....	.....	3.0185	.3313	
Belgium and Luxembourg .....	Franc .....	.....	.02165	46.19	
Bermuda .....	Pound .....	.....	3.0185	.3313	
Bolivia .....	Potosi .....	Free .....	#	#	
Brazil .....	Cruzeiro .....	Free .....	.002303	434.22	
		Special Category .....	†	†	
Britain .....	Pound .....	.....	3.0185	.3313	
British Guiana .....	Dollar .....	.....	.6289	1.59	
British Honduras .....	Dollar .....	.....	.7546	1.32	
Burma .....	Kyat .....	.....	.2261	4.42	
Ceylon .....	Rupee .....	.....	.2264	4.42	
Chile .....	Escudo .....	Free .....	.4829	2.07	
Colombia .....	Peso .....	Certificate .....	\$	\$	
Congo, Republic of .....	Franc .....	.....	.02165	46.19	
Costa Rica .....	Colon .....	.....	.1625	6.15	
Cuba .....	Peso .....	.....	†	†	
Czechoslovakia .....	Koruna .....	.....	.1496	6.68	
Denmark .....	Krone .....	.....	.1560	6.41	
Dominican Republic .....	Peso .....	.....	1.0769	.9286	
Ecuador .....	Sucre .....	Official .....	.05983	16.71	
		Free .....	.04684	21.35	
El Salvador .....	Colon .....	.....	.4308	2.32	
Fiji .....	Pound .....	.....	2.7194	.3677	
Finland .....	Markka .....	.....	.003365	297.18	
France, Monaco, etc. ....	New Franc .....	.....	.2198	4.55	(1)
Franco-African Republics, etc. ....	Franc .....	.....	.004396	227.48	(2)
French Pacific .....	Franc .....	.....	.01209	82.71	(3)
Germany .....	D Mark .....	.....	.2693	3.71	
Ghana .....	Pound .....	.....	3.0185	.3313	
Greece .....	Drachma .....	.....	.03589	27.86	
Guatemala .....	Quetzal .....	.....	1.0769	.9286	
Haiti .....	Gourde .....	.....	.2154	4.64	
Honduras .....	Lempira .....	.....	.5384	1.86	
Hong Kong .....	Dollar .....	Free* .....	.1880	5.32	*Nov. 9
		Official .....	.1887	5.30	
Iceland .....	Krona .....	Official .....	.02504	39.94	(4)
India .....	Rupee .....	.....	.2264	4.42	
Indonesia .....	Rupiah .....	Official .....	.02393	41.79	(4)
Iran .....	Rial .....	.....	.01422	70.34	
Iraq .....	Dinar .....	.....	3.0153	.3316	

#No quotation available.

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

\$The new effective certificate exchange rate applicable to imports, when approved, will be increased to 9.00 pesos per U.S. dollar.

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

\*Latest available quotation date.

Country	Unit	Type of Exchange	Can. dollar equivalent Dec. 3	Units per Canadian dollar	Notes (See below)
Ireland	Pound		3.0185	.3313	
Israel	Pound		.3590	2.78	
Italy	Lira		.001735	576.37	
Japan	Yen		.002992	334.22	
Lebanon	Pound	Free	.3534	2.83	
Mexico	Peso		.08615	11.61	
Morocco	Dirham		.2154	4.64	
Netherlands	Florin		.2991	3.34	
Netherlands Antilles	Florin		.5710	1.75	
New Zealand	Pound		2.9979	.3336	
Nicaragua	Cordoba	Effective buying	.1538	6.50	
		Official selling	.1527	6.55	
Nigeria	Pound		3.0185	.3313	
Norway	Krone		.1508	6.63	
Pakistan	Rupee		.2264	4.42	
Panama	Balboa		1.0769	.9286	
Paraguay	Guarani	Official	.008728	114.57	
Peru	Sol		.04014	24.91	
Philippines	Peso	Free	.2765	3.62	
Portugal & Colonies	Escudo		.03748	26.69	(5)
Singapore and Malaya	Straits Dollar		.3518	2.84	
South Africa (Republic of)	Rand		1.5093	.8825	
Spain and Dependencies	Peseta		.01795	55.72	
Sweden	Krona		.2079	4.81	
Switzerland	Franc		.2496	4.01	
Syria	Pound	Free	.3012	3.32	
Thailand	Baht	Free	.05067	19.73	(4)
Tunisia	Dinar		2.6080	.3837	
Turkey	Lira		.1197	8.35	(4)
United Arab Republic	Pound	Official	2.4768	.4037	
United States	Dollar		1.076875	.928813	
Uruguay	Peso	Free	.09821	10.18	
Venezuela	Bolivar	Free	.2375	4.21	
		Official	.3215	3.11	
West Indies	Dollar		.6289	1.59	(8)
	Pound		3.0185	.3313	(7)
Yugoslavia	Dinar	Official	.001436	696.38	

## 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 and Tobago, Leeward and Windward Islands.
7. Jamaica.

# Markets in Brief: Union of Soviet Socialist Republics

**Area:** 22,420,200 sq. km.

**Population:** 219,745,000 (1962).

**Climate:** very warm to sub-arctic.

**Topography:** mainly mountainous to the east of the Yenisei River and valley; low-lying plain in the west except for the mountains in the south and the Urals.

**Language:** Russian; sales literature preferably in English, but German and French acceptable.

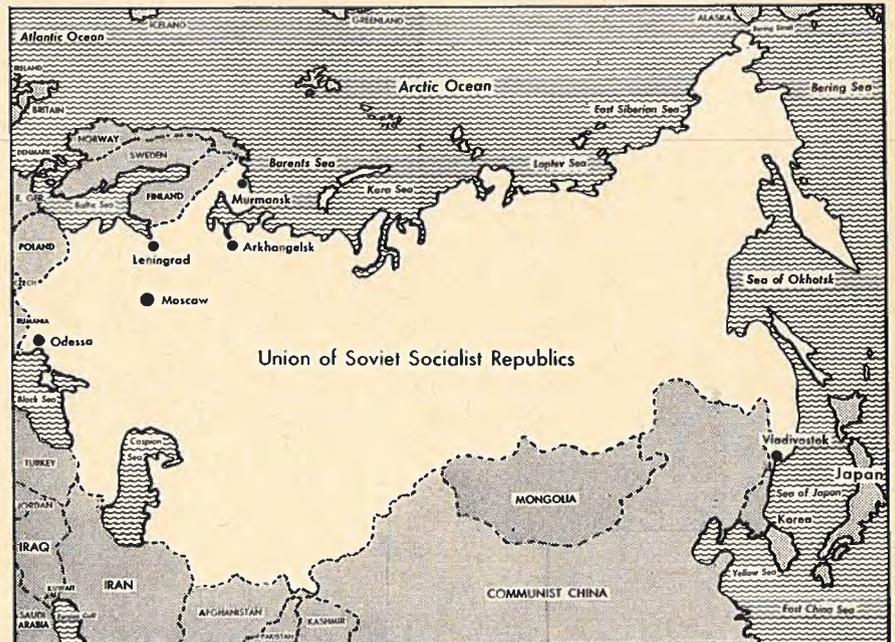
**Currency:** ruble; one ruble=\$0.84 Canadian.

**Weights and measures:** metric system.

**Capital:** Moscow.

**Chief ports:** Odessa, Vladivostok, Murmansk, Arkhangelsk, Leningrad.

**Marketing centres:** Moscow (population 6,262,000).



**Economy:** the Soviet economy and all productive facilities are controlled by the State. Foreign trade is conducted by foreign trading corporations on a monopoly basis; usually each corporation both imports and exports the commodities under its jurisdiction.

**Total Soviet imports:** (million rubles) 1961—5,249; 1960—5,066.

**Chief imports:** (per cent) 1961—raw materials 31.6, machinery and equipment 29.8, consumer goods 17.3.

**Chief suppliers:** German Democratic Republic, Czechoslovakia, Hungary, Poland, West Germany, Austria, Britain, Finland, Italy, Communist China. Soviet Bloc countries supply 65-70 per cent of all imports.

**Value of imports from Canada:** 1961—Can.\$24,275,644; 1960—Can.\$8,233,319 (DBS figures).

**Chief imports from Canada:** 1961—wheat, nickel, synthetic rubber, machinery and equipment.

**Total Soviet exports:** (million rubles) 1961—5,398; 1960—5,006.

**Chief exports:** (per cent) 1961—raw materials 40.5, (including crude oil 5.4); machinery and equipment 16.1; ores and metal concentrates 4.2; lumber, grain, furs.

**Chief markets:** German Democratic Republic, Czechoslovakia, Hungary, Poland, Communist China, Bulgaria, Cuba, Britain, West Germany, Japan, Italy. Soviet Bloc countries take 65-70 per cent of all exports.

**Value of Canadian purchases:** 1961—Can.\$2,754,727; 1960—Can.\$3,209,684 (DBS figures).

**Chief Canadian purchases:** (Can.\$) 1961—fur skins 1,305,147, alloys of steel 449,021, benzol 393,030, muriate of potash 187,555, sheet glass 78,108 (DBS figures).

**Prices:** quote in Canadian or United States dollars, f.o.b. Canadian ports, c.i.f. Baltic ports, or c.i.f. European ports.

**Samples:** samples of no commercial value (those that cannot be used as a commodity or for personal use) are admitted duty-free. Samples of commercial value (instruments and all other tools for scientific research or laboratory tests) are also duty-free if the Soviet organization which receives them undertakes to return them abroad.

**Visa:** required, apply to U.S.S.R. Embassy, Ottawa, well in advance of visit.

**Correspondence:** in English, French or German, by airmail, 25 cents per half ounce.

**Import controls, documentation, customs tariffs, marking and labelling:** consult the International Trade Relations Branch, Department of Trade and Commerce, Ottawa.

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

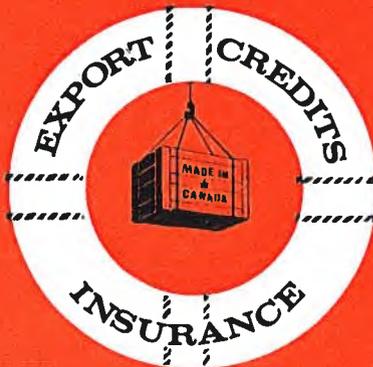
European Division  
International Trade Relations Branch  
Department of Trade and Commerce  
Ottawa

or

Canadian Embassy  
Commercial Division  
23 Starokonyushenny Pereulok  
Moscow, U.S.S.R.



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