Development and Trade in Latin America—I

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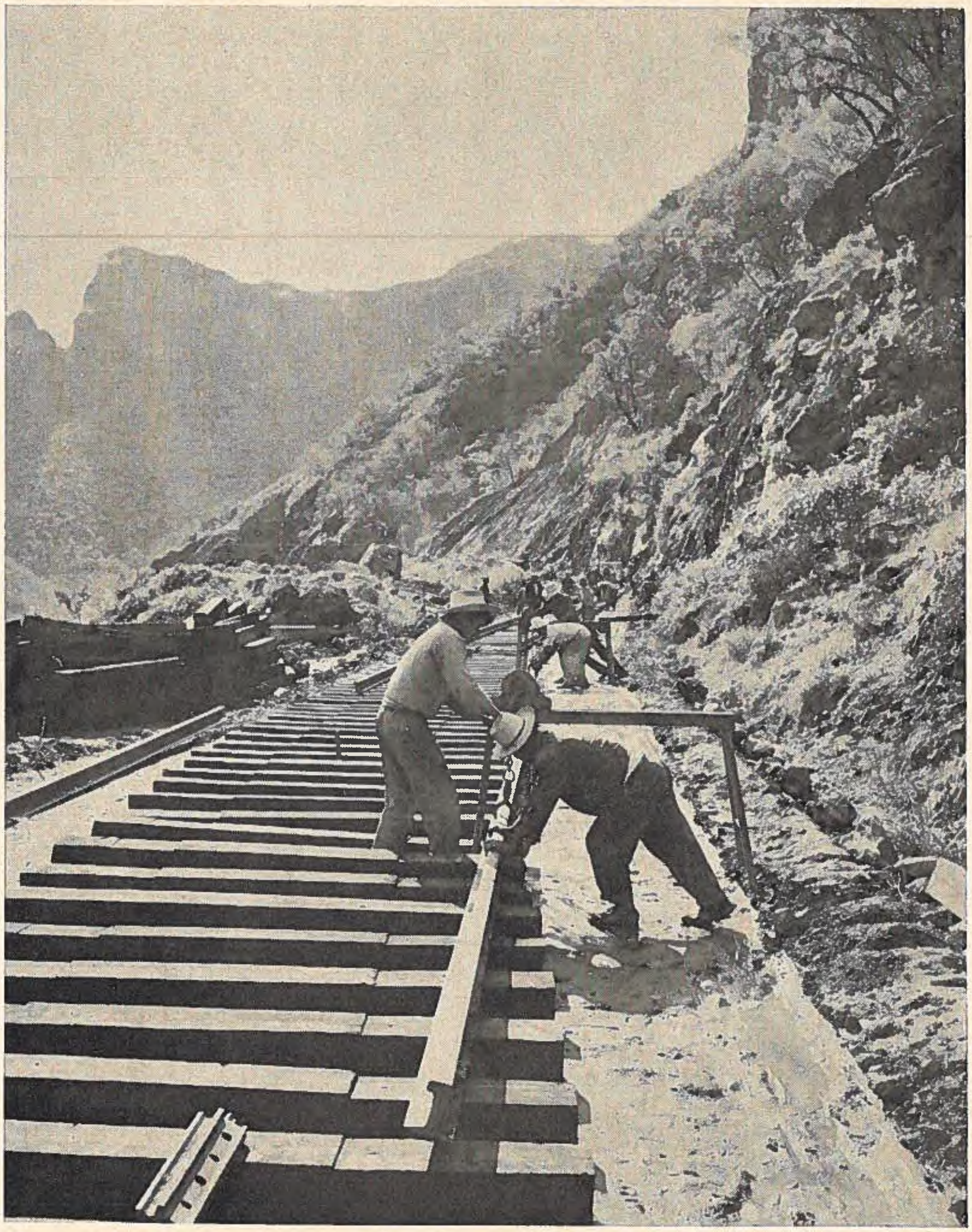
COMING——NEW ZEALAND CONTINUES IMPORT CONTROLS, NOVEMBER 3



This photograph of Canadian track being laid on the Chihuahua-Pacific Line in northwest Mexico typifies the transportation and industrial advances being made today in many parts of Latin America.

Trade and Development in Latin America—I

Mexico

Business is picking up, but less private investment has slowed up economic growth. Government plans incentives to speed industrial expansion. Exports rose last year but imports fell; trade with LAFTA partners increased. Capital goods present best opportunities for Canadians who wish to sell in this market.

F. B. CLARK, *Commercial Counsellor, Mexico, D.F.*

BUSINESS has improved in Mexico this year compared with 1961, but nevertheless there have been more prosperous times. The gross national product is expected to increase by the customary 5 per cent in contrast to the low 3½ per cent expansion last year. Because the population rises at the rate of over 3 per cent a year, any significant improvement in living standards requires a higher rate of production.

The successful visit of President and Mrs. Kennedy to Mexico City at the end of June helped to restore confidence abroad in the economic and political stability of this country. As a result, new loans have been obtained from international sources for public works projects and additional foreign investment in private enterprise is expected to follow. President Lopez Mateos reviewed his fourth year in office on September first on the occasion of the annual State of the Union address, and he appealed for co-operation from all sectors to help achieve the ambitious economic objectives planned for the final two years of his term.

The Financial Picture

Supported by international loans, the public sector of the economy has kept the pace of business at a reasonable level. Less investment from private sources, both local and foreign, however, has slowed the expected rate of economic growth. This year, the World Bank has loaned U.S.$130 million for electric power projects and U.S.$30.5 million for roads and bridges. U.S.$20 million in *Alliance for Progress* funds has gone to Mexico to provide medium-term credits to small farmers. Pemex, the government oil monopoly, has received U.S.$50 million from a consortium of U.S. banks. The Export-Import Bank again showed its confidence in Mexico with a further U.S.$14.9 million credit to the National Railways for the purchase of locomotives.

At mid-year the internal debt reached the peso equivalent of U.S. $800 million and the foreign debt (which includes government guarantees for federal agency loans) amounted to U.S.$754 million. Mexico reduced its usual unfavourable balance of goods and service payments to U.S.$68 million in 1961, down from U.S.$171 million in the previous year. With encouraging first-quarter 1962 results already recorded, payments are expected to be in balance this year because of improved exports, a decline in imports, and a good tourist season. The peso appears to be stable at Ps.12.50 to the U.S. dollar. It is supported by gold and dollar reserves of U.S.$147 million and a credit of U.S.$345 million from the International Monetary Fund.

Fiscal reform has resulted in a 10 per cent increase in tax collections and these funds will be needed for the record revenue of U.S.$928 million budgeted for 1962. Total federal spending increased 13 per cent in 1961 and by another U.S. $72 million in the first six months of this year. Considerable financing is required to complete the various basic development projects that the Government has begun under President Lopez Mateos.

Significant Public Works

A three-year program by the Federal Electricity Commission calls for the construction or expansion of 13 thermal plants and 10 hydro plants with a combined capacity of 2.39 million kw. Transmission lines over 2,800 miles long will have to be set up.

Credits are available for new roads to add to the present all-weather system of 28,500 miles. In the last year alone, new highways with a combined length of 1,625 miles were opened to traffic. Maritime repair docks and wharf installations are planned or in progress in the principal ports on the Atlantic and Pacific. Approximately U.S. $6 million is budgeted this year for these necessary marine projects.

Mexico will have one of the world's great dams at Malpaso, in the southern state of Chiapas. On completion, 350,000 hectares of land will be irrigated and 2.49 billion kilowatts of power per year generated. Over U.S.$16 million has already been spent on this project, which is well under way. Five other dams are also being built, three of them in the northwestern states.

Farming, Fishing and Forestry

Mexico relies on agriculture to feed its growing population and to earn foreign exchange through exports. Farming and livestock raising comprise 20 per cent of national output and are by far the principal sources of employment. Tilled land in 1961 totalled 12,600 hectares and over half was planted to corn, the staple crop. Yields have doubled since 1958, thanks to more mechanization and better pest control. Beans are another important crop for local consumption and this year the harvest is sufficient to allow modest export sales.

The cotton crop is expected to reach two million bales this year and 70 per cent will be exported.

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Sugar exports earned U.S.$37.6 million in the first four months of this year, up from U.S.$24 million for the same period in 1961. Other agricultural products exported included coffee, live cattle, tomatoes, citrus fruits, melons and henequen.

The present administration does not forget the farming community because it realizes that the rate of productivity is still extremely low. Chronic disabilities are being cured, more credits are available for equipment, fertilizer and insecticides, irrigation is being extended, and a more equitable distribution of land is in progress.

Forestry and fishing have been rather neglected and this is unfortunate as both have potential for export sales. The forest wealth has never been fully surveyed but the existence of valuable stands of tropical hardwoods and of usable tracts of softwoods in the northwestern region is known.

Fishing should be big business in Mexico, with thousands of miles of coast on the Atlantic and Pacific, but other industries have offered better opportunities. A National Commission for Fishery Consultation has now been appointed and industrialization of sea products is to commence. Shrimps are the only fisheries product important in the export trade; value of shipments abroad, mostly to the United States and Canada, reached U.S.$34 million last year.

Mining News

The mining industry is still in the doldrums because low world prices for the principal metals, lead and zinc, have led to reduced production. The Mining Law passed earlier this year requires majority Mexican capital for new operations and a gradual shift of existing companies to Mexican ownership, but it has not brought any great influx of local investment. High taxes on both production and exports are blamed for the lack of interest. Under government sponsorship, Belgian interests are building a zinc smelter at Saltillo, near Monterrey, and providing the capital for it. Zinc metal production, with gold, silver and cadmium byproducts, will amount to 30,000 metric tons per year starting in 1964.

Although silver prices are high, output has not increased significantly because it is chiefly a byproduct of lead and zinc mining. Mexico is the world's number ten gold producer; output dropped to 269,000 ounces in 1961 compared with 329,000 ounces in 1960.

Pemex, the government oil monopoly, produced 116.8 million barrels of crude oil in 1961, a 7.4 per cent increase over 1960. Refining capacity has increased 13 per cent in the past year. Natural gas output is now over 10,000 million cubic metres a year. Pemex is associating with various private interests to develop the petrochemical industry and two anhydrous ammonia plants have been opened this year. The final payment for expropriation of the foreign oil companies in 1938 was announced by the Treasury Department during 1961.

Industrial Picture

Industrialization in Mexico is to be accelerated within the next two years of the present administration, and the Department of Trade and Industry has released a list of 500 products with manufacturing possibilities. To stimulate private industry to take advantage of these opportunities, various incentives are to be announced. The Government has been concerned about the cautious attitude of private investors towards industrial ventures. High-level discussions have taken place between government officials and members of the business community to iron out any difficulties in the way of greater private investment.

Statistics on industrial production are not too accurate, but no spectacular advances were made in any particular field. One of the old trades, textiles, is in need of modernization but funds are hard to find, even though complete protection against lower-cost imports is provided. Twelve automotive assembly plants turned out 62,563 units in 1961, over 12,000 more than in 1960. A determined drive to "Mexicanize" automotive production further is in progress to ensure that 60 per cent of the parts at least will be made locally by 1964. Construction has been slower than usual and sales of cement, steel and other building products have not increased appreciably. Practically all consumer products are now made in Mexico and all receive any protection needed to compete with imports. At least 90 per cent of the merchandise displayed in supermarkets and department stores is made in Mexico—a notable shift in the past ten years.

The business community complains that sales are satisfactory but collections are slow. Retail inventories are low because many wholesalers, distributors and manufacturers now insist on cash payment with order. Importers rely on the foreign supplier to extend generous credits because financing costs are high in Mexico. By mid-year business improved, but it is too soon to confirm a decided upward trend.

Foreign Trade

The trade picture was more favourable in 1961, as exports increased and imports decreased. Raw cotton led the list of exports, with a value of U.S.$159.5 million. Coffee was next and showed a slight increase to U.S.$74.5 million. Sugar exports jumped to U.S.$68.6 million from U.S.$52.9 million in 1960 and shrimp sales also improved, from U.S.$20.4 million to U.S. $33.8 million. For the first three months of 1962, export sales by volume were well above those for the corresponding period in 1961.

The United States remained Mexico's principal customer in 1961, taking 57 per cent of its exports. Japan came second because of its raw cotton purchases, although imports from Japan declined 20 per cent, to U.S.$45.7 million. Ger-

TABLE I

CHIEF MEXICAN EXPORTS—1961

(millions of U.S.$)

Raw cotton	$159.5
Shelled coffee beans	74.6
Sugar	68.8
Shrimp	41.5
Live cattle	41.5
Petroleum fuel	33.8
Metallic lead and concentrates	30.6
Sulphur	29.1
Metallic zinc and concentrates	29.1
Metallic copper and concentrates	18.9
Fresh and frozen meat	15.8
Tomatoes	14.1
Binding twine	13.7
Natural or synthetic hormones	12.7
Fluorite	11.9
Cotton fabrics	8.4
Henequen manufactures	6.0
Forage crops	5.5
Henequen	4.7
Manganese	4.1
Bismuth	4.0

TABLE II

PRINCIPAL MEXICAN IMPORTS—1961

(millions of U.S.$)

Machinery installations	$82.7
Automobiles for private use	59.1
Metal spare parts for machinery	48.8
Trucks	40.7
Petroleum and byproducts	33.3
Automobile parts	30.6
Machines, mechanically operated	27.3
Chemical fertilizers	22.9
Organic and chemical mixtures	22.8
Natural or artificial crude rubber	18.0
Tractors	17.7
Railway rolling stock	15.3
Iron and steel ingots and scrap	14.8
Spare parts for tractors	14.2
Newsprint	12.4
Automobile engines and spare parts	12.2
Natural or synthetic resins	12.0
Wool	10.0
Automobile chassis	10.0
Iron and steel pipes and fittings	9.3
Bulldozers and shapers	9.3
Insecticides	7.6
Railway track material	7.6
Spare parts for aircraft	7.5
Cellulose pulp	7.1

many, the Netherlands and Britain followed, in that order, according to statistics published by the Mexican Government. According to this source, purchases by Canada totalled only U.S.$5.8 million; Canadian figures give the value as Can.$18.18 million. Based on these figures, Canada is Mexico's number three customer.

Imports were down slightly in 1961 to U.S.$1.1 billion, with the U.S. continuing to be by far the principal supplier (68 per cent), followed by Germany, Britain, Canada and France. Total imports again declined in the first quarter of this year. Capital equipment made up the biggest group of imports, followed by motor cars, commercial vehicles and motor car spares. Imports are expected to decline further because this year another 202 items were added to the list of tariff classifications that require import permits.

Effect of LAFTA Reductions

As one of the original members of the Latin American Free Trade Area, (LAFTA), Mexico is already pleased with the results obtained from the first round of tariff reductions made a year ago. Member countries reduced tariffs and restrictions on 300 items that Mexico can export. During the first five months of 1962, exports to the LAFTA partners jumped 75 per cent over the same period in 1961. Nevertheless, the volume is still negligible compared with exports to the U.S. and Europe. Mexican shipments to LAFTA members in 1961 totalled U.S.$7.8 million.

At the second session for negotiating LAFTA tariff concessions, which began in Mexico City in August, the Mexican delegation is requesting reductions on 1,100 items.

Certain Canadian products now exported to this market will undoubtedly be affected by tariff concessions extended by Mexico to LAFTA members. Newsprint from Chile may eventually be a threat, Mexico will be self-sufficient in aluminum ingot by mid-1963 and production may be available for other LAFTA countries. However, most of the Canadian exports to Mexico are not available from the countries farther south and as Canada is one of the principal markets for Mexican products, our present exchange of trade is expected to continue for some years.

Canadian exports in 1960 increased 37 per cent over 1959. A smaller advance of Can.$500,000 was recorded in 1961, when the value reached $38.5 million. Sales were up again in the first three months of 1962 and a more significant increase is expected for the entire year. Newsprint remains the perennial leader, topping all previous years in 1961, with a value of Can.$9.8 million. Rails and track material were next, (Can.$6 million), followed by aluminum ingot, asbestos, tin and sheet steel. Sales of a variety of industrial machinery and equipment were recorded and most classifications showed improvement over 1960 figures.

Within the area of capital goods lies the best opportunity for a continued rise in Canadian sales to Mexico. Our quotations are more competitive since the dollar devaluation and Canadian credit facilities are in line with those of other countries. The outlook for consumer products, luxury goods and industrial products of simple construction is not too promising because domestic producers have only to compete against other Mexicans; imports are either prohibited or exorbitant duties imposed. The long list of materials, metals, machinery and instruments still being purchased from Canada, however, will continue as Mexico proceeds to industrialize.

Index to *Foreign Trade*

The index to Volume 117 of *Foreign Trade*, covering the issues from January 13 to June 30, 1962, has now been printed. Readers who wish to have copies should write to the Editor.

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Canada's Trade with Central America and Panama

Canadian sales to these six countries continue to rise, but may change in nature as the Central American Common Market brings changes and some tariff increases, spurs industrial development.

H. E. LEMIEUX, *Commercial Counsellor, Guatemala City.*

THE Central American Republics and Panama, with a population of about 11 million, purchase in an average year over U.S.$600 million worth of a wide variety of goods from abroad. It is difficult to gauge the relative importance of the six countries in this over-all import trade because each uses its own method and chooses its own basis for compiling trade figures. It is particularly difficult to evaluate Panama's share of these purchases because it compiles its statistics on an f.o.b. basis, whereas the Central American countries calculate them c.i.f.

Nevertheless, Table I gives the Canadian exporter some indication of the relative importance and potential of these markets, even if some of the data have probably been arrived at by using unusual statistical methods.

If c.i.f. figures were used in compiling Panamanian imports, that country would probably move into second place and might conceivably supplant Guatemala as the principal market. According to the figures available for 1961—and these are issued by each country's Bureau of Statistics or Ministry of Economy—the order of importance remains much the same, except for Panama, whose import figures for 1961 are not yet available. The other exception is Nicaragua, which advanced to fifth place, leaving Honduras in sixth and last place.

TABLE I

IMPORTS INTO CENTRAL AMERICA AND PANAMA*

Destination	1960 (U.S.$'000)
Guatemala	138,000
El Salvador	122,000
Costa Rica	110,300
Panama	109,200
Honduras	65,500
Nicaragua	57,000

*All c.i.f. except for Panama, which uses f.o.b. values.

Canadian Trade

If DBS statistics are used as a yardstick (in all cases the values are f.o.b.), the relative and current importance of these six countries to Canadian exporters (leaving the market potential aside) is more clearly defined. Table II shows the respective positions.

The pattern remained much the same during the first half of 1962 but Canadian exports to this area increased by nearly 25 per cent—to Can.$8.5 million from Can.$6.8 million for the corresponding six months of 1961. Nicaragua became the fifth market in importance, leaving Honduras trailing far behind in sixth place. (See Table III).

TABLE II

CANADIAN EXPORTS TO CENTRAL AMERICA AND PANAMA

Destination	1960	1961
	(Can.$'000)	
Panama	3,702	4,578
Costa Rica	2,983	2,931
El Salvador	2,390	2,436
Guatemala	2,106	2,188
Honduras	1,416	1,061
Nicaragua	1,300	1,448
Total	**13,897**	**14,642**

Canadian purchases from this area have also continued to increase in value and the over-all trade has again been unfavourable to Canada (by Can.$6.2 million in 1961 compared with Can.$4 million during the previous year). The increase in our traditional trade deficit in 1961 resulted almost entirely from much larger imports of bananas from Honduras. These more than doubled during the period under review, when their value soared to Can.$7.4 million compared with Can.$3.3 million in 1960.

In 1960, Panama supplied the largest amount of goods to Canada, followed by Costa Rica, Honduras, Guatemala, El Salvador and Nicaragua. In 1961, however, the heavy purchases of bananas from Honduras placed that country firmly in first place, followed by Panama, Costa Rica, Guatemala, El Salvador and Nicaragua, in that order.

Two-way Canadian trade with the area as a whole is clearly on the increase but the value of Canadian purchases is rising even more rapidly. To balance the trade, Canadian exporters will have to make even greater sales promotion efforts

TABLE III

CANADIAN EXPORTS TO CENTRAL AMERICA AND PANAMA

Destination	Jan.-June 1961	Jan.-June 1962
	(Can.$'000)	
Panama	1,990	2,258
Costa Rica	1,576	1,758
El Salvador	1,052	1,479
Guatemala	960	1,495
Nicaragua	730	1,092
Honduras	503	412
Total	**6,811**	**8,494**

and overcome ever-stiffening competition, not only from the United States but especially from European countries and Japan. Sales potential in the area has been increasing gradually in recent years. All of these countries are receiving more outside financial assistance, not only under the *Alliance for Progress* but from a number of international institutions such as the World Bank, the United Nations Special Fund and other agencies. These new resources should help make economic conditions more buoyant, boost business activity, and thus provide greater sales opportunities for Canadian and other exporters.

Central American Common Market

The years 1961 and 1962 witnessed a number of important developments leading towards a Central American Common Market and Central American economic integration. These are obviously worth mentioning because, in the long run, the association of Central American states in a Common Market is bound to affect the nature and pattern of Canadian trade there. Canadian exports of consumer goods are likely to take second place as the market for them, and especially for foodstuffs, in the less developed countries like Honduras and Nicaragua will tend to decrease as the tariff wall envisaged in the Central American Common Market Agreement rises. The permanent secretariat of the Common Market, which was established in Guatemala City last October in accordance with thc terms of the basic treaty, reports that trade among the five Central American republics between 1950 and 1961 increased from U.S.$8.3 million to U.S.$37.4 million, or some 350 per cent. Most of the increase represented larger sales of agro-pastoral products, especially foodstuffs.

Significant progress has been made under the General Treaty for Central American Economic Integration signed in Managua in December 1960 and ratified by Guatemala, El Salvador and Nicaragua last year and by Honduras this year. Last July, the General Treaty was also signed by Costa Rica, making that country a full member of the Common Market; ratification is expected before the end of the year.

Costa Rica, with Nicaragua, has now become a member of the Central American clearing house which began operations in October 1961. This institution carries on under the aegis of the Central American Common Market Bank (which began operating in September 1961 with headquarters in Tegucigalpa) with an initial paid-in capital of U.S.$1.5 million, contributed in equal shares by the five member countries. Its principal objective is to encourage the use of Central American currencies and it recently began promoting the use of a Central American cheque to simplify banking and business transactions among the Common Market countries.

In 1961, these Common Market member countries agreed to study ways and means of unifying and standardizing tax concessions provided by the industrial development laws now in force in the various republics. This matter is to be discussed at another meeting scheduled for September. This is one of the most complex and difficult problems to be resolved if the Common Market is to make progress. But Central American Governments, inspired by the spectacular achievements of the European Common Market, seem determined to forge ahead and achieve a similar success. ●

Costa Rica

Conditions improving gradually, following plan for economic equilibrium adopted by Government. Foreign exchange reserves have increased, power projects are going forward, and outside aid is stimulating activity. Trade prospects should brighten.

H. E. LEMIEUX, *Commercial Counsellor, Guatemala City.*

COSTA RICA found 1961 a difficult year, mainly because of the continued fall in world prices for coffee and other vital exports. Matters reached the point where, on the recommendation of the International Monetary Fund, the Government took measures tantamount to the devaluation of the colon. It also increased customs duties on semi-essential and non-essential goods and imposed certain surcharges on exchange earnings from principal exports. In an effort to stabilize the foreign exchange position—an effort that proved successful—the Government borrowed about $20 million* from the IMF and the United States Treasury. Government finances were in the red and there was a deficit on both the balance of payments and the balance of trade.

The upshot was the implementation by the Central Bank of Costa Rica late in 1961 of a so-called "General Plan for Economic Equilibrium". By the end of 1961, some relief for the hard-pressed economy was already in sight and recovery continues, slowly and gradually.

This was a pre-election year, and although Costa Rica normally enjoys government stability, it suffered, like most countries, from the usual uncertainties at such times. Early indicators in 1962, however,

*All values are in U.S. dollars unless otherwise specified.

point to an increase in foreign trade and the international monetary reserves held by the Central Bank of Costa Rica have increased appreciably—from $14 million in April 1961 to $20 million in April 1962.

One of the most important recent developments is the Government's decision last July to join the Central American Common Market, a change from the attitude of the previous government.

TABLE I

COSTA RICAN FOREIGN TRADE

	1959	1960	1961
	(U.S.$'000)		
Costa Rican exports, f.o.b.	76,678	84,336	79,852
Costa Rican imports, c.i.f.	102,664	110,388	107,162
Balance of trade	−25,986	−26,052	−27,210

Source: Ministry of Economy and Finance, Costa Rica.

Preliminary export statistics issued recently by the Ministry of Economy and Finance show that Costa Rican sales abroad in 1961 fell nearly $5 million and imports by $3 million, resulting in another adverse balance of trade, a situation that has become familiar in the past six years. The bulk of Costa Rican exports still consists of coffee, bananas, livestock and meat, and cocoa, in that order.

TABLE II

CANADIAN-COSTA RICAN TRADE

	1959	1960	1961
	(Can.$'000)		
Canadian imports from Costa Rica	4,810	4,345	4,227
Canadian exports to Costa Rica	2,633	2,983	2,930
Balance of trade	−1,177	−1,362	−1,297

Source: Dominion Bureau of Statistics.

Again in 1961, and in spite of the comparatively poor business climate in this small, cost-conscious but still attractive market, Canada's balance of trade with Costa Rica showed some improvement over 1960. Table II reveals the pattern of our trade with the country in the past few years.

Canadian figures for the first half of 1962 show that our sales in the Costa Rican market rose to Can. $1.76 million compared with Can. $1.57 million for the corresponding period in 1961. Wheat flour, traditionally the most important Canadian export, as in 1961 accounted for nearly 45 per cent of our exports and newsprint for about 20 per cent. Other commodities worth mentioning are upper side leather, synthetic yarn and thread, and malt.

In the first two months of 1962, our imports from Costa Rica reached $931,907 compared with $843,522 in the same period of 1961.

Hydro-Power Developments

The development of power resources is important if industry is to diversify and expand. This is particularly true of Costa Rica if it is to prosper as a member of the Central American Common Market. Several projects to make hydro-electric power available at reasonable cost are already under way.

In April 1958, the Costa Rican Electrical Institute (it is commonly known by the initials of its Spanish name, ICE), a government entity, launched a program aimed at reaching this objective. Construction work began on the large Rio Macho project which, on completion in 1963, will have a generating capacity of 30,000 kilowatts. Total cost of this development is estimated at $13.5 million, of which approximately half had been spent by the end of 1961, when 700 workers on the average were employed on the project. The cost is being met partly by an $8.8 million long-term loan from the World Bank and the remainder Costa Rica itself is contributing.

A project of even greater importance on which the ICE began preliminary work earlier this year is the Cachi development. The first two hydro-power generating stations to be installed will have a combined capacity of 56,000 kilowatts and this can be doubled as the need arises. The first phase of this development is likely to be completed in 1965. The estimated over-all cost of the Cachi project, including ancillary works, is nearly $21 million. The Government intends to apply to the World Bank for another long-term loan of some $13.5 million to finance this project in part.

Industrial Development

Normal development has taken place in cottage and light industries with new ones being established and existing ones expanded. Perhaps the most noteworthy project is the proposed cement plant. Costa Rica has always depended on imports to fill its cement requirements but it was announced recently that the Inter-American Development Bank has loaned $2.8 million to private interests and Costa Rican businessmen will contribute $2.2 million more to finance a cement plant.

Its annual capacity will be 80,000 tons and this will meet the country's needs. The importance to the economy is obvious from the fact that in the last decade some 550,000 tons of cement have been imported.

The Outlook

Economic conditions in Costa Rica are improving and the rate of improvement should quicken as a result of ample financial aid which has or soon will become available under the *Alliance for Progress.* This aid and financial assistance from United States agencies and from international organizations should ease the prevailing tight credit situation, help make the economy more buoyant and stimulate business activity.

The new government is gradually relaxing some of the stern measures now in force that affect the import trade. Business prospects are becoming brighter but Canadian businessmen will continue to face ever-mounting competition, especially from European countries and Japan. ●

El Salvador

External aid and government austerity measures are bringing economic revival; industrial expansion continues. Newsprint and wheat were Canada's main exports to Salvador last year.

H. E. LEMIEUX, *Commercial Counsellor, Guatemala City.*

EL SALVADOR's new government took office in July and is gradually gaining the confidence of both the influential business community and of the lower classes. The Salvadorean businessman is a realist and, despite the resistance from some quarters to the proposed fiscal and land reforms, he appreciates that these measures will work to the general advantage in the long run.

The year 1961 was a difficult one. Like some of its sister Central American republics, El Salvador suffered political and economic setbacks. It was governed by an interim Directorio Civico-Militar whose leader, Colonel Rivera, now the constitutional president, took energetic measures to extricate the country from a rather precarious position.

Economic Reforms

On the advice of International Monetary Fund experts, the now nationalized Central Bank adopted a policy of credit restrictions and foreign exchange control. This reduced non-essential imports and stimulated the lagging economy. It also stopped the alarming flight of capital and the Central Bank has thus succeeded in maintaining gold and dollar reserves at a reasonably safe level.

As a result of well administered import and exchange controls, the balance of payments swung from a deficit of $5.6 million* in 1960 to a surplus of over $10 million at the end of 1961. This helped increase the net international reserves, which rose from a low of $14 million in April 1961 to an impressive $37.6 million in April of this year. The credit restriction policy is deflationary but will likely be maintained, though it has had the effect of delaying for the time being industrial expansion plans of private investors, especially domestic but also foreign. Business activity has consequently declined and this in turn has adversely affected government revenues.

As a member of the *Alliance for Progress,* El Salvador is receiving considerable financial assistance from the Inter-American Development Bank and U.S. government agencies. Salvadorean financiers and industrialists, however, are still apprehensive about the newly elected government's plans and are taking no risks. They are keeping their capital in the banks. Economic expansion should nevertheless resume at a fairly rapid rate as the confidence of the business sector continues to revive.

External Aid

Last November the Government submitted to the *Alliance for Progress* administration its estimates for projects requiring outside financing. Total expenditures will, if approved, be in the order of $43 million, including funds for education $11 million, health $7.2 million, agriculture and public works about $7 million each, land settlement $5.2 million, and housing $4.3 million.

The Government is also seeking a loan from the World Bank of $12 million to install a countrywide telecommunications system, of $8 million to construct feeder roads, and a long-term $20 million loan for building and improving highways and for communications and power projects. It has already received or negotiated loans from international and United States agencies for expansion work now going on at the commercial airport at Ilopango. The Export-Import Bank has loaned funds to help finance essential imports.

In October 1961 the IADB granted a loan to the Central Bank from the Social Trust Fund to expand and improve water-supply and sewerage systems. It also approved a loan of $1.26 million from its ordinary resources for similar purposes. The National Urban Housing Institute (IVU) will use another IADB loan of $6 million to finance about half the cost of building 5,000 low-cost units.

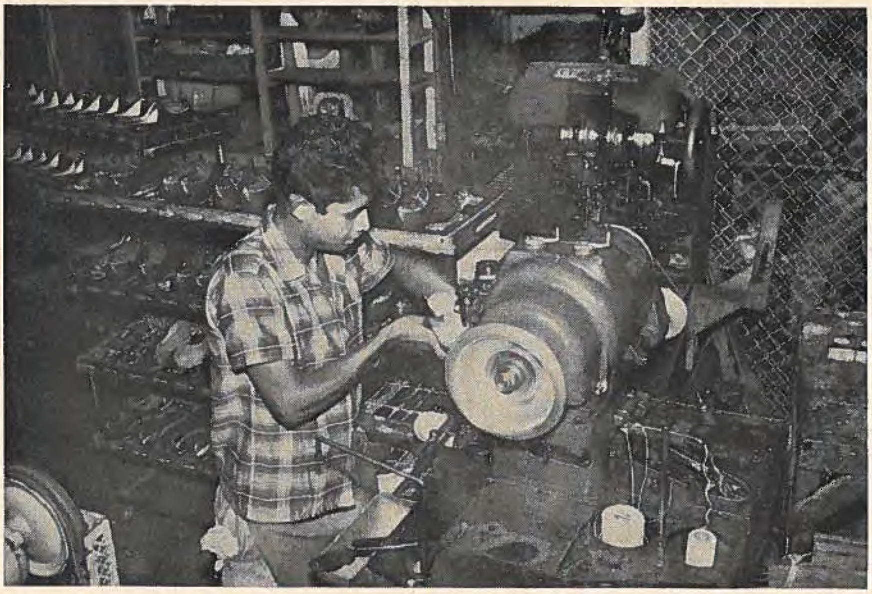
The standby credit of $11.25 million granted by the International Monetary Fund in 1960 was renewed in 1961 and again a few months ago. The effect on the business climate of all these loans, credits and other forms of financial assistance has yet to be seen. It is certain that they will contribute greatly to the financial rehabilitation of an economy that a year ago showed alarming signs of rapid deterioration.

Industry Developing

It has been said that from the standpoint of industrialization El Salvador is to Central America what West Germany is to Europe, and this is a fair comparison. Despite the comparatively unfavourable climate for investment that prevailed during 1961, industrial expansion did not come to a standstill. The following are examples of the new industries the enterprising Salvadoreans are setting up.

- A plant to manufacture insulated copper and aluminum wire and cable, capitalized at $2 million, and being built by Phelps Dodge Copper Products Corp. with financial support from the Central American Common Market Bank (BCIE) and the Salvadorean Institute for Indus-

*Values in U.S. dollars.



A worker in a Salvadorean shoe factory shapes a new leather sole, using imported equipment. Canada shipped $81,000 worth of upper leather to this market in 1961.

trial Development (INSAFI). Each is contributing about $700,000. Operating at a normal rate, the plant will meet the country's estimated annual requirements of 1,200 tons of wire and cable; at full capacity, it is expected to produce 2,000 tons a year. The excess production will meet the needs of the other Central American countries.

• The Bank for Central American Economic Integration has made its first loan to El Salvador for the establishment of a pencil factory. The project is financed largely by Salvadorean interests and has been granted customs duty exemptions under the Industrial Development Law. INSAFI is also expected to lend financial support to this plant.

• A new plant to produce caustic soda, capitalized at $4 million, will manufacture pesticides and insecticides at the rate of ten tons a day. Most of the capital is coming from foreign investors but INSAFI is also contributing and there is hope that the Central American Common Market Bank will help. The plant is expected to meet part of the Common Market requirements.

• Fertilizantes de Centro America, commonly known as Fertica, was organized in September 1961 and backed by United States, West German and Central American capital; it will supply chemical fertilizers to Central American Common Market countries. Its plant will be erected at the port of Acajutla on the Pacific and should begin production by the end of this year.

• There are plans to expand further the rapidly developing shrimp industry which has received generous support from FAO. Exports in 1961 rose to 18.2 million pounds and continue to increase.

Work on new power-generation programs is also going ahead. The Commission Ejecutiva del Rio Lempa (CEL) is progressing rapidly with the large Rio Lempa hydroelectric project, financed jointly by CEL and the World Bank. In August 1961 the contract for construction of the Rio Guajoyo 15,000 kw. turbo-generator unit went to a United States firm. The Rio Guajoyo project will cost about $5.6 million, of which the World Bank is providing $3.8 million and CEL the remainder. Hydroelectric output in El Salvador during 1961 totalled 203 million kwh., an increase of 17 per cent over 1960.

TABLE I

EL SALVADOR'S FOREIGN TRADE

	1960	1961
	(U.S.$ million)	
Imports	122.4	108.4
Exports	116.8	119.0
Balance of trade	−5.6	+10.6

Source: Ministry of Economy.

El Salvador had an adverse balance of trade in 1960 but a favourable one in 1961, though exports increased only slightly in value. (See Table I.) This development is attributed to a substantial drop in imports resulting from the new controls.

The trend continued in the first quarter of the current year, with imports totalling $28 million and exports $38.4 million, leaving a favourable balance of $10.4 million. Present indications are that the complete returns for the current year will show a further improvement. A breakdown of Salvador's foreign trade in 1961 is not available, but it is known that the principal markets and suppliers were, as in the past, the United States, the European countries led by West Germany and the Netherlands, and Japan. Coffee (averaging 60 per cent of the total) and cotton are still the two main exports.

TABLE II

CANADA'S TRADE WITH EL SALVADOR

	1959	1960	1961
	(Can.$ '000)		
Exports to	2,567	2,390	2,436
Imports from	3,900	829	1,307
Balance	−1,333	+1,561	+1,129

Source: DBS.

Slightly higher Canadian exports and sharply increased imports characterized our trade with El Salvador in 1961. The balance of trade was once again in Canada's favour though not to the same degree as in previous years. (See Table II.)

Newsprint was our principal export in 1961 (over 25 per cent) but wheat (over 20 per cent) supplanted wheat flour (slightly over 11 per cent) in second place, largely because Salvador now mills its own flour. Canadian wheat exports increased substantially.

Returns for the first half of this year are encouraging; Canadian exports increased to Can.$1.48 million, compared with $1.05 million for the corresponding period in 1961. Salvador's coffee exports are expected to earn less foreign exchange in 1962 but there are compensating factors. These should make prospects for Canadian sales to El Salvador in 1962 as good if not better than they were in 1961. The key to success in selling here is competitiveness, alertness and the ability to offer attractive terms of payment. ●

Guatemala

Foreign exchange reserves continue to fall; business community lacks confidence. But industrial expansion continues and foreign loans and credits are flowing in for development projects. Canada's sales rising, despite European competition.

H. E. LEMIEUX, *Commercial Counsellor, Guatemala City.*

THE Guatemalan economy proved rather sluggish during 1961, even though indicators at the beginning of that year justified some optimism. But as the months passed, business activity slowed down and the investment climate worsened, possibly because of the deteriorating political situation.

The growing lack of confidence on the part of the business community, the continued fall in world prices for Guatemala's principal exports and severe crop damage were all contributing factors. Last fall Hurricane 'Hattie' completely destroyed 500,000 banana stems and about 10 per cent of the cotton crop, causing losses estimated at from $3 million* to $5 million.

Official Guatemalan statistics show that the gross national product at the end of 1961 was $12 million below the $646.5 million of a year earlier. The same sources indicate that the gold and foreign exchange reserves which totalled $55.3 million in May 1961—a remarkable recovery from a low of $40.3 million at the beginning of 1960—fell sharply again to $45.2 million in May 1962 and there is no sign of improvement. Foreign trade again produced an unfavourable balance, though it was somewhat smaller than in previous years. However, the Government has not drawn on the $15 million standby credit granted by the International Monetary Fund in June 1960 and renewed for another year in August 1961.

Income Tax Law Delayed

The Government continues to encounter strong opposition in Congress. Key legislation such as the Income Tax Law and laws to protect foreign investments against unlawful expropriation have still to be ratified by Congress. These are some of the measures which President Kennedy has mentioned as conditions for participation in the *Alliance for Progress*. The long proposed Income Tax Law was approved in general by Congress over a year ago, but the legislative body insists on a further study of it to satisfy, it claims, all pressure groups in industry, commerce and agriculture. Prospects that Congress will ratify this important legislation this year are considered good. In the meantime, agrarian reform is making some progress.

Industry Expands

Despite the failure to adopt and put into effect measures affecting economic development, Guatemalan industry continues to expand at a fair rate, considering the prevailing investment climate. A good deal of assistance in financing public works and industrial projects has come from various United States and international agencies.

As of last February, over 300 industries were enjoying benefits under the Law for Industrial Development, which includes certain tax and import duty exemptions. Among the principal beneficiaries are plants producing textiles, paper products, foodstuffs, clothing and pharmaceuticals. Incentives are also provided for agriculture, with the result that Guatemalan agriculture is fast becoming diversified. Cotton, sugarcane and rubber plantations are all expanding and the 1961-62 cotton crop is expected to be about 60 per cent larger than last year.

The diversity and scope of industrial development in Guatemala are illustrated by the following.

● Industrias Electricas Centroamericanas was recently organized to manufacture electric light bulbs and hopes eventually to supply the requirements of the Central American Common Market. Initial production will be 100,000 units a month.

*All values are in U.S. dollars unless otherwise indicated. One quetzal equals U.S.$1.00.

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• In October 1961 a new fish-packing plant, COPESGUA, was opened at the Pacific port of Champerico. It is financed jointly by Guatemalan and Japanese capital. It already supplies frozen shrimp and fish for both domestic and foreign markets.

• A new factory to produce enough margarine to meet domestic requirements began operations last October. It is financed by Guatemalan and Salvadorean capital.

• The Fabrica de Insecticidas Liquidas Sapei will soon begin turning out liquid insecticides for agriculture at a new plant near Guatemala City.

• A new meat-freezing plant was opened last December at Escuintla. (A similar plant was set up in 1960). Guatemala's cattle population has risen from 800,000 head in 1954 to 1.4 million at the end of December 1961.

• A plant using locally produced rubber has started to make camelback under licence from a West German firm.

• Industria Guatemalteca de Refrigeracion (INGUAR) is now manufacturing refrigerated display counters, cold storage rooms and icemaking plants, and expects to export its products to other Central American countries.

• GINSA, a firm already producing tires, has expanded its operations to include the manufacture of some 1,500 pairs a day of all types of rubber boots in a new plant. It too is planning to export part of its output to other Central American Common Market countries.

• Ensambladora Electrica America will soon begin to assemble television and radio sets, with cabinets made of local woods.

• Morsac of Mexico is scheduled to start work on a $10 million project to build 1,500 medium-cost houses over the next ten years.

• Univex of Guatemala, a Canadian-Guatemalan company, was organized this year. It will specialize in the manufacture, assembly and installation of electrical equipment.

Last November, the Secretary of Guatemala's National Economic Planning Council submitted to officials of the *Alliance for Progress* in Washington details of 17 development projects, calling for a total expenditure of $81.5 million. How much financial assistance will be forthcoming remains to be seen.

A year ago the World Bank granted a loan of $5 million to the Banco de Guatemala (the Central Bank) for specific agricultural and industrial projects and for livestock improvement. The Inter-American Development Bank has extended a loan of $3.5 million for sewerage projects and improvement of the water distribution system in 70 towns. This will provide safe drinking water for an additional 80,000 people; over 60 per cent of Guatemala's urban population still lacks good drinking water. The Guatemalan Government will contribute $1.5 million towards these projects.

Negotiations have now been completed with the Export-Import Bank and the Development Loan Fund for loans amounting to $18 million to finance highway construction. Part of these funds is earmarked for completion of Guatemala's share of the Inter-American Highway.

The Inter-American Development Bank has granted a $5 million loan to finance housing for lower and middle-income families and another $5 million to assist in the expansion and improvement of agriculture, livestock and light manufacturing industries.

Hydro-Power Developments

Industrial development requires power supplies and, as reported in the October 21, 1961, issue of *Foreign Trade,* H. G. Acres and Company Limited of Niagara Falls, Ontario, has been engaged to make a survey of Guatemala's hydro-electric power resources. It is expected that, with long-term financing to be extended by international organizations, several projects will be undertaken within the next few years involving expenditures of over $25 million.

TABLE I

GUATEMALAN FOREIGN TRADE

	1959	1960	1961
	(in U.S. $ million)		
Imports (c.i.f.)	134	138	133
Exports (f.o.b.)	103	113	110
Balance of trade	−31	−25	−23

Preliminary figures released by the Guatemalan Bureau of Statistics show a deficit on the country's foreign trade in 1961, as in the past several years. However, the gap is gradually narrowing, as Table I confirms.

Guatemala's principal market in 1961 continued to be the United States, which took approximately 55 per cent of its total exports. Germany was the second best customer, purchasing somewhat less than 18 per cent of the total (compared with 20 per cent in 1960), followed by Japan, El Salvador, the Netherlands and Sweden, in that order.

Foreign trade statistics are compiled by Guatemala and Canada on different bases and are therefore contradictory. The Guatemalan Bureau of Statistics reports that Canada took slightly more than $850,000 worth of its exports; but Canadian statistics, based on country of origin, show that in the same period Canada purchased over Canadian $2.5 million worth of Guatemalan goods f.o.b. If the Canadian data are used as a basis of comparison, Canada ranked seventh among Guatemala's principal customers in 1961, one notch down from the sixth place occupied during the previous year.

Guatemalan imports were slightly lower in 1961 than in 1960. Principal suppliers were the United States, as usual, (about 48 per cent of the total), West Germany, the Netherlands Antilles, El Salvador, Japan and Britain. Canada, according to Guatemalan statistics, ranks as a supplier after the Netherlands, Italy, Mexico, Belgium and France. This is evidence of the ever-increasing competition in the Guatemalan market from European countries.

TABLE II

CANADA-GUATEMALA TRADE

	1960	1961
	(Can.$'000)	
Canadian imports from Guatemala	3,256	2,536
Canadian exports to Guatemala	2,106	2,187
Balance of trade	−1,150	−349

According to DBS statistics, Canada in 1961 again bought more from Guatemala than it sold to her, but the trend is towards equilibrium. Table II shows this trend clearly.

It is worth noting that although over-all Guatemalan imports decreased in 1961 from 1960, Canada's share in that trade increased. The value of Canadian imports from Guatemala has diminished significantly.

During the first half of 1962, (DBS figures) Canadian exports to Guatemala rose sharply to Can.$1.5 million compared with Can.$960,000 for the corresponding period of last year. Canadian import statistics for the first quarter of 1962 are not available yet but the trend is definitely towards an improvement in Canada's trading position vis-à-vis Guatemala, even without taking into consideration such factors as Canadian engineering services sold to Guatemala, which are steadily increasing in value. It is worth repeating that Canadian exporters must continue to devote more and more attention to this market, if we are to maintain our position here. Competitiveness in price and quality, good delivery and, above all, attractive terms of payment are decisive factors. Though the political situation is not too stable, there is reason to believe that Canadian exporters should continue to fare reasonably well in the Guatemalan market, provided they continue with aggressive sales promotion. ●

Honduras

External aid, increasing production, diversification of agriculture, and stability in the business community are combining to brighten the long-term outlook, improve sales opportunities.

K. D. TAYLOR, *Assistant Commercial Secretary, Guatemala City.*

REVITALIZATION of the banana industry, diversification of agriculture, and greater foreign aid should stimulate economic growth in Honduras. Over the past eight years the rate of increase in national output has averaged 2.8 per cent a year, but the population increase has kept pace with this expansion. The Government feels, however, that development currently under way will eventually produce a rise in output and thus improve the standard of living.

Banana Industry Optimistic

After years of research, the two banana companies in Honduras have developed a banana with high resistance to disease and within the next several years they will plant considerable acreage with the new variety. Most of the bananas now shipped from Honduras are packed in boxes and this has cut down the high distribution cost per unit. Labour strife has generally disappeared and a recently negotiated long-term labour contract will provide more stable conditions for long-range planning and for meeting the strong competition from Ecuador.

Crops Diversified

Although bananas still account for about half of Honduras's export earnings, sales of coffee, lumber, cattle, cotton and tobacco have increased gradually since 1950.

Coffee output has risen from 14,000 metric tons in 1950 to 24,000 in 1960, despite a sharp drop in world prices. Inefficient harvesting techniques and careless drying processes have decreased the value of the coffee, however, and the National Development Bank is making strong efforts to improve the quality and handling of the export crop.

Cuba's withdrawal from the United States tobacco market has stimulated experiments in growing Havana leaf in Honduras. The country is currently growing black, burley and Virginia tobaccos and the crop increased to 7.5 million pounds in 1961 from 5 million in 1960.

A bright future for cotton is predicted now that the industry has recovered from the market collapse in 1958. Over-optimism, faulty techniques and lack of financing disrupted production and sales and caused the sharp drop in planting for the 1959-60 crop year. The National Development Bank is now extremely selective in extending credit and production and marketing techniques are improving.

Honduras, like neighbouring Nicaragua, is rapidly developing its livestock industry. The aim is to capture a larger share of the market for frozen meat in Florida and Puerto Rico; neighbouring El Salvador is also an inviting market for livestock.

Industry Developing

Further examples of the diversification of the Honduran economy are the several new industries in the planning stage or recently established. These include a chemical plant to produce detergents and plastics; a *$1 million powdered milk plant; expansion of Central

*Values in U.S. dollars, unless otherwise indicated.

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America's largest shirt manufacturing plant, and proposed factories to process pine resins and to make beer bottles. The collapse of negotiations between the Government and National Bulk Carriers over the proposed pulp and paper mill was disappointing, but the Government is now considering a much smaller mill.

Public Investment Schemes

The National Economic Council has drawn up an ambitious four-year public investment plan for 1962-65. The funds for it will be raised both at home and abroad, with 40 per cent allotted to roads and communications and 30 per cent to education and social welfare.

Most of the aid so far received has been used to underwrite development programs, such as power projects and road construction. During the last decade the production of electricity has increased by more than 200 per cent to 100 million kwh. a year. The Inter-American Highway has been completed and work is under way to improve roads between the major marketing centers. Some diversification in the aid pattern is evident in the loan of $6 million that the Inter-American Development Bank granted recently to the National Development Bank. It will be used to provide credits for agriculture, livestock raising, and industry over the next three years.

Honduras had a favourable balance of trade in 1961 of $5.8 million, but this was not sufficient for a balance-of-payments surplus for the year. Since 1954, balance-of-payments deficits have totalled about $13 million, despite the efforts at stabilization in the past four years. Net international reserves of the banking system sank to a new and dangerous low of $5.9 million in December 1961.

Table I shows total imports and exports for the past three years. Imports are expected to remain at roughly the same level, in spite of congressional ratification on

TABLE I

HONDURAN EXPORTS AND IMPORTS

	1959	1960	1961
	(U.S.$'000,000)		
Exports, f.o.b.	70.3	64.4	71.4
Imports, f.o.b.	63.4	65.5	65.7
Trade balance	+6.9	−1.1	+5.7

March 30, 1962, of the Agreement and Protocol of the Central American Agreement for the Equalization of Import Duties. Consumer-goods imports from the other contracting Central American countries should increase steadily.

Cotton, livestock and lumber exports are expected to rise substantially this year over 1961 and banana and coffee sales will probably increase slightly.

Trade with Canada

Canadian sales to Honduras declined from Can.$1.4 million in 1960 to Can.$1.06 million last year. Upper leather, malt and flour continued to be our leading exports; sales of flour rose from $131,000 to $174,000 and of malt from $51,000 to $64,000. Shipments of upper leather, however, declined from $451,000 to $373,000. In the first six months of this year, our exports to Honduras declined from $503,000 to $412,000.

Canada bought more from Honduras in 1961 than from any other Central American country and Panama—$7.4 million worth of goods compared with $6.2 million in 1960. Bananas accounted for over 90 per cent of the total.

In the short term, Canadian sales to Honduras should remain stable or perhaps drop slightly if conditions deteriorate. Ratification of the Equalization Agreement, however, has ended a period of uncertainty and unrest for the business community and this, combined with the brighter long-term outlook for the economy, makes it imperative that Canadian exporters maintain and intensify their efforts in this market if they wish to benefit from future sales opportunities. •

Nicaragua

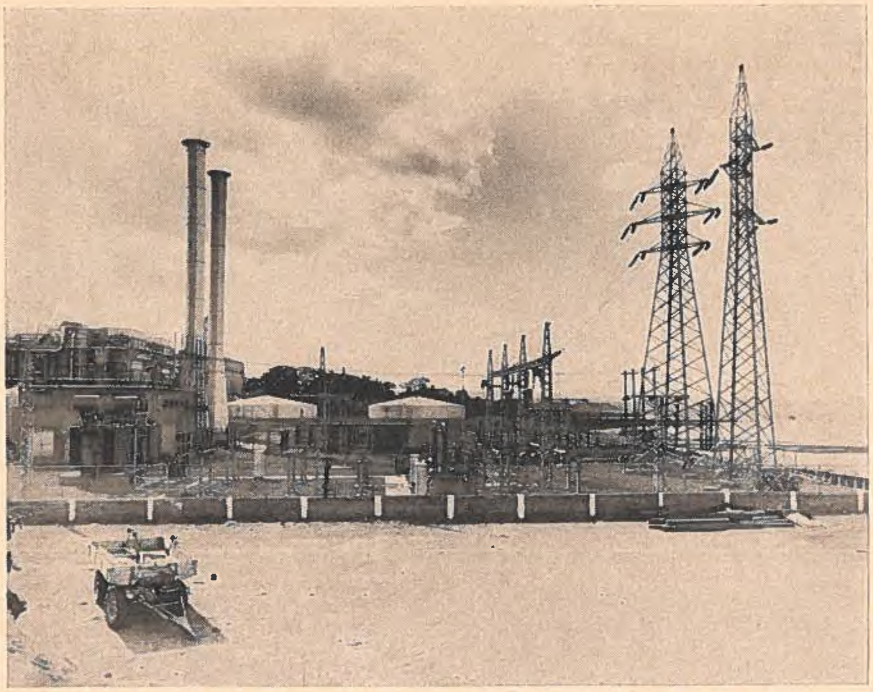
Good cotton crop, greater livestock exports, venture into banana growing should increase foreign exchange earnings, make this a more attractive market. Canadian sales on the increase.

K. D. TAYLOR, *Assistant Commercial Secretary, Guatemala City.*

A record cotton crop in 1962 has improved Nicaragua's economic prospects compared with 1961. The cotton crop, combined with the steady increase in livestock exports and the successful new venture into the banana industry, should help offset and possibly overcome the lethargy and deflation apparent from time to time during the past few years. Now that Nicaragua has ratified the Central American Agreement for the Equalization of Import Duties of June 1961, the country is successfully adapting to the terms of the Agreement and showing encouraging industrial growth. Nicaraguan businessmen are expecting long-term benefits from the Treaty and are less apprehensive about the effect of the Central American Common Market.

Export Pattern Changing

The 1961-62 cotton crop is estimated at 240,000 bales, compared



This substation of the 30,000 kw. thermoelectric plant at Managua demonstrates Nicaragua's need for one of Canada's chief exports to that country—cable. Demand should continue as the expansion of industry increases need for electric power.

with 147,000 for the 1960-61 crop year. Better grading standards and improved harvesting methods have enhanced the acceptability of Nicaraguan cotton (staple) on world markets.

In contrast, the 1961-62 coffee crop of about 560,000 quintals (1 quintal equals approximately 100 pounds) was down from the 1960-61 crop of 640,000 quintals. Nicaragua has not been a member of the International Coffee Agreement, partly because of disagreement over the size of the quota to be allotted to it. The only encouraging factor in the coffee trade is the soluble coffee plant, whose exports reached $1.3 million for the first quarter of 1962.

The livestock industry is playing an increasingly important role in the economy and reliable sources forecast that its products will become the leading exports. Sales of cattle abroad for the first nine months of 1961, for example, reached $4.9 million, compared with only $1.7 million in 1960. Last year the cattle population totalled about 1.5 million head, of which 65,000 head were exported.

Bananas will soon become a new source of foreign exchange. The Government Development Institute has joined with private enterprise to grow bananas on the Pacific coast. The current crop of 10,000 stems is expected to reach 20,000 by 1963 and earn roughly $2 million in foreign exchange.

Foreign Trade

In 1961 Nicaraguan imports (c.i.f. basis) totalled $74.4* million and exports (f.o.b.) $70.2 million, an improvement over the $9 million deficit on the balance of trade in 1960. The better balance of trade is reflected in the higher gold and foreign exchange reserves. In September 1961 these stood at $17.5 million, a 52 per cent rise from the same period in 1960. The forecast for 1962 is for a surplus on both the balance of trade and the balance of payments.

The United States, with sales of $36.4 million to Nicaragua and purchases of $32.5 million, was the country's most important trading partner by far in 1961. Japan ranked second, with exports to Nicaragua worth $4.5 million and purchases worth $13.3 million. Germany was third, supplying $6.1 million worth of goods and buying $8.4 million worth. Machinery, chemicals, pharmaceuticals, iron and steel products and foodstuffs are Nicaragua's chief imports.

Canadian-Nicaraguan Trade

Canadian sales of wheat flour increased from Can.$696,000 in 1960 to Can.$776,000 in 1961 and aluminum from Can.$6,000 to Can. $42,000. These larger shipments accounted for much of the rise in total Canadian exports to Nicaragua in 1961—from Can.$1.32 million to Can.$1.45 million. The increase continued in the first six months of 1962, with exports to Nicaragua valued at Can.$1.09 million in comparison with $730,044 for the corresponding period in 1961. Although wheat flour, newsprint, building materials and cable will probably remain our chief exports to Nicaragua for the next few years, the market for chemicals, raw materials and certain consumer goods is broadening.

Canadian purchases from Nicaragua consisted mainly of coffee and cotton; they increased slightly from Can.$169,000 in 1960 to Can. $208,000 in 1961.

Industrialization Proceeding

The fairly large Central American market envisaged by the various trade treaties is enabling domestic industries to set up more economical production schedules. A number of industries have recently been established or are in the planning stage in order to take advantage of neighbouring markets.

One of the largest projects is a chemical plant called Soda e Insec-

*All values are in U.S. dollars unless otherwise shown.

ticidas de Centro America, with a capital of $6 million and an estimated daily production of 9.3 tons of caustic soda, 8 tons of chlorine, 2.7 tons of DDT and 3.3 tons of other chlorinated insecticides. Another important development is a steel fabricating plant that was recently awarded the contract for a major part of the materials for the new Guatemalan National Theatre. In conjunction with the cultivation of kenaf, a $2 million sack factory is planned at Leon. Plans for the building of a new and larger flour mill are still uncertain.

Market More Attractive

Improvements in the domestic economy and larger export sales are making the current market in Nicaragua more attractive for Canadian exporters. As an indication of the growing strength of the economy, the tight import controls have been relaxed* slightly. For products in List No. 2 (semi-essential products) the prior deposit has been lowered from 100 to 90 per cent of the c.i.f. value of the shipment. For products in List No. 3, a prior deposit of 100 per cent of the value of the goods is still necessary but import licences covering products in this list are no longer subject to a 30-day delay until approval is granted. Nevertheless, prompt delivery and competitive prices are still important in the low-income and price-conscious Nicaraguan market. ●

*See article "Nicaragua's Import Licensing System", September 9, 1961, issue of *Foreign Trade*.

Panama

Canada's biggest customer in this area, Panama has stepped up its purchases in 1961 and 1962, despite a fall in exchange reserves. Industrial development continues; free trade treaty with Costa Rica and Nicaragua has been ratified.

K. D. TAYLOR, *Assistant Commercial Secretary, Guatemala City.*

STABILITY and a moderate rate of growth have characterized business conditions in Panama for the past two years. During the meeting between President Kennedy and President Chiari this spring, a number of co-operative measures to accelerate economic expansion and improve social conditions in Panama were discussed.

Canal traffic and toll collections set a new record for the sixth straight year in 1961 and transits for the first three months of 1962 increased over the first three of 1961. Work on widening some sectors of the Canal and efforts to facilitate night traffic are continuing. Rising revenues from the Canal have stimulated all sectors of the Panamanian economy.

Exchange Reserves Decline

Canal revenues also play a vital role in supporting Panama's foreign reserves. Each year Panama has a large balance-of-trade deficit and 1960, with exports worth *U.S. $21.1 million and imports worth $109.2 million, was no exception. However, even Canal receipts, tourist expenditures and other invisible items have not been able to halt the decline in Panamanian gold and foreign exchange reserves. By the third quarter of 1961, these reserves had slumped to $29 million in contrast to $45 million for the corresponding period in 1959.

The United States is by far Panama's leading customer and supplier, with sales of $58.8 million and purchases of $18.8 million in 1960. West Germany was the second ranking supplier with sales of $5.5 million, followed by Britain and Canada.

Bananas were still Panama's leading export in 1960 although blowdowns and disease cut the value of the export crop by $1.5 million. Shrimps, with total foreign sales valued at $4.9 million, were the second ranking export.

A normal crop of bananas is forecast for 1962 and export sales should reach about $13.5 million. The shrimp industry, although under-financed and in a weak credit position, will probably continue to provide about 20 per cent of Panama's export earnings. A promising development is the growth of the livestock population, up 35 per cent during the last decade.

Trade with Canada Up

Panama is by far Canada's best customer in this area. In 1960 its purchases totalled Can.$3.7 million* and in 1961 they reached Can.$4.6 million. Leading purchases included wheat flour (Can.$680,000), antibiotics (Can.$404,000), newsprint (Can.$289,000), razor blades (Can.$651,000), canned sardines (Can.$107,000) and whisky (Can.$97,000). The figures for the first six months of 1962 show a rise over 1961 from Can.$1.99 million to Can.$2.26 million.

*All values in U.S. dollars unless otherwise shown.

*Statistics for this section of the report are those issued by DBS and are not likely to agree with Panamanian data.

Canadian purchases from Panama also climbed last year from Can. $5.9 million in 1960 to Can.$6.1 million in 1961. Bananas were the chief purchase, as in our trade with Honduras.

Free Trade Treaty

The Governments of Costa Rica, Nicaragua and Panama recently ratified a tripartite Free Trade Treaty between the three countries. Lists of goods that will qualify for free entry are currently in preparation. Although this Treaty in itself is not of overwhelming importance, the general feeling is that it marks a first step towards the entry of Panama into the Central American Common Market. Should Panama accept membership in the Common Market, there will no doubt be some change in the types of Canadian products now being sold in this part of the world.

A larger market for raw materials and semifabricated goods is probable, accompanied by a change in the demand for consumer goods and finished products.

Foreign Aid

Authorities in Panama have put forth a number of proposals for using *Alliance for Progress* funds. In order to play its role in the Alliance better, it has revamped its tax collection system. The revised system, based on ability to pay and efficient collection, resulted in increased tax revenues in 1961 compared with 1960. Most of the aid that the country has received up to now has been used for low-cost housing and roadbuilding.

Canadian exporters should benefit from the over-all development of Panama's economy. Although local industrialists are currently unwilling to build plants with sufficient capacity to supply all of Central America and Panama because of the uncertainty surrounding the Central American agreement on so-called "Integral Industries" and the Panamanian attitude towards the Central American Common Market, plans for increased asbestos-cement production, for the establishment of a paper-bag plant, for the expansion of oil-refining capacity, for tin-can manufacturing and for a pulp and paper mill are all progressing. The pulp and paper mill would be a joint Canadian-Panamanian venture. All these industries offer ready markets for Canadian raw materials to supplement the current large sales of consumer goods and foodstuffs. ●

Puerto Rico

Continued investment, both local and foreign, in industry is compensating for smaller export returns; materials and equipment for new factories and foodstuffs offer best sales potential to Canadians.

J. CLARK LEITH, *Acting Commercial Secretary, Santo Domingo.*

PUERTO RICO'S spectacular economic progress continues without interruption. Despite some weaknesses in its export markets, substantial foreign and local investment permits the island to sustain the rate of economic development. A few significant indicators (see Table I) illustrate this, by showing increases from April 1961 to April 1962 in manufacturing employment and payrolls, construction, and bank activity, with only a moderate rise in consumer prices. The value of total production increased by almost 9 per cent in 1961 and reached $1.8 billion.

TABLE I

SELECTED ECONOMIC INDICATORS, PUERTO RICO

Indicator	Aprli 1961	April 1962	Increase (per cent)
Manufacturing employment (thousands)	86.7	96.3	11.1
Manufacturing payrolls ($'000)	11,860.3	14,191.0	19.7
Value of construction permits ($'000)	11,398	15,917	39.6
Bank deposits ($'000)	621,251	757,009	21.9
Bank loans ($'000)	496,429	538,803	8.5
Consumer price index (1957 to 1959=100)	107.7	109.1	1.3

In agriculture, the sugar crop dropped to 505,000 tons in the first quarter of 1962 from 530,000 tons during the corresponding period last year. Rum distillation increased slightly in 1961. The latest tobacco crop was up about 9 per cent over the previous one and yields of coffee, mainly for local consumption, have continued to edge upwards. This year's pineapple harvest is also larger than last year's.

Political Changes

Since 1952 Puerto Rico has been an "Estado Libre Asociado" or a "Commonwealth" associated with the United States. The Government of Puerto Rico has all the powers and responsibilities of a state of the Union, with two exceptions: Puerto Ricans do not vote in national elections nor do they pay federal taxes.

In August of this year, Governor Luis Münoz Marín, after ten years of the present Commonwealth status, began a movement to reach a final settlement of Puerto Rico's political status. A plebiscite is planned for December in which the people of Puerto Rico will be offered three choices—national independence, statehood, or permanent Commonwealth status. Governor Münoz is seeking the backing of the voters on the third choice, because he wishes to increase Puerto Rican autonomy and at the same time obtain for the island's people the right to vote in U.S. national elections.

Trade with Canada

Canadian exports to Puerto Rico have risen steadily over the past few years. The 1959 total of $10,521,-559 increased to Can.$11,171,852 in 1960 and to Can.$13,108,923 in 1961. Construction lumber and dry salt fish continue to dominate Canadian exports and newsprint is also significant. Steel slabs, aluminum ingots, malt, copper pipe and automobiles also add substantially to the total. In the first half of 1962, exports fell slightly—to $5.5 million from $6.9 million for January-June 1961.

In the course of our periodic visits to Puerto Rico, we have encountered interest in many Canadian products. Construction materials of all types, hardware, and staple food products all have good potential and supplies for factories established with "Fomento" assistance should not be overlooked. These include plants for the processing of local agricultural products, textile mills, chemical plants, metal fabricators, and producers of electrical machinery.

Compared with the rest of the United States, Puerto Rican consumers have low incomes but in the Caribbean context, this is a wealthy market well worth investigation by Canadian exporters. ●

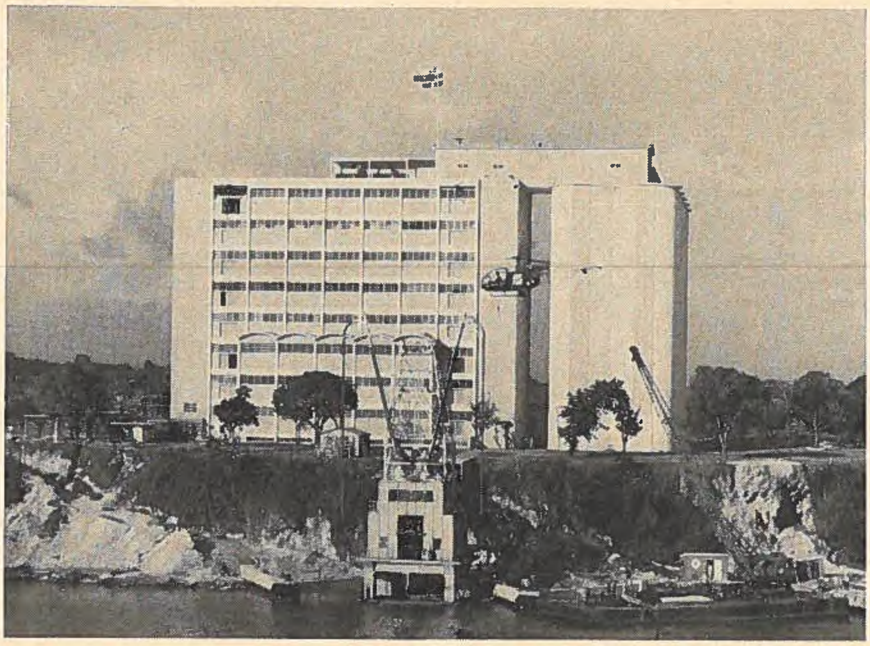


Photo: El Caribe.

Last year Canada sold nearly a million bushels of wheat to be milled in this modern Dominican flour mill, Molinos Dominicanos C. por A. Wheat, grain and products ranked first among our exports to the Republic last year, with fish in second place.

Dominican Republic

Build-up in exchange reserves is cutting down delays in commercial remittances; returning prosperity is increasing demand for imports. Canada is sharing in this market expansion.

J. CLARK LEITH, *Acting Commercial Secretary, Santo Domingo.*

THE unrest and uncertainty in the Dominican Republic throughout last year after the collapse of the Trujillo Government and the extreme political problems that arose naturally had an adverse effect on the economy. Production in most sectors decreased. The foreign exchange reserves, down to less than $7 million at the time of Trujillo's assassination, fell to a low point of $2.3 million last November. Imports were smaller than for the past ten years and Canada was affected by this general decline, with sales figures the lowest in six years.

This year a new feeling has become apparent throughout the country. The United States once again allotted the Republic a large sugar quota for the first half of 1962 at premium prices (this covered 97 per cent of January-June sugar exports), a $25 million AID agreement under the *Alliance for Progress* was signed in mid-February, and wage increases gave workers greater purchasing power. All these events combined to restore confidence in the business community and to increase production and sales substantially.

TABLE I

MAJOR CANADIAN EXPORTS TO THE DOMINICAN REPUBLIC

Products	1960	1961
Fish	$1,722,980	$1,295,084
Wheat, grain and products	1,230,377	1,376,620
Potatoes	39,959	15,520
Asbestos fibres	72,440	155,031
Leather and products	63,951	31,236
Rubber and products	362,256	292,521
Pulp, paper and products	269,197	305,268
Chemicals	34,338	24,193
Aluminum products	63,620	31,250
Copper products	249,687	188,287
Basic iron and steel products	55,814	29,683
Industrial, mining machinery and equipment	5,175	87,843
Vehicles and parts	22,770	68,377
Telephone apparatus	9,369	12,821
Pharmaceutical products	15,114	10,632
Petroleum products	555,333	....
Others	289,508	614,800
Total	**$5,061,888**	**$4,469,166**

Greater prosperity has brought a new demand for imported products. The value of imports for the first half of the year is estimated at about $50 million. If purchases abroad continue at the same rate, this year's total may be the largest since the depression began in 1959.

Exports too are up over last year and may well reach a record by the end of 1962; preliminary January-July figures give the value as $107,-222,000. Chiefly responsible for this rise has been a large U.S. premium-priced sugar quota, but larger shipments of coffee, cocoa and bauxite have also contributed to it.

Foreign exchange reserves are being rebuilt and delays in commercial remittances are gradually becoming shorter. Reserves at the end of August stood at $14.2 million and outstanding commercial arrears totalled $13.7 million. Compared with the beginning of the year, this represents an improvement in the amount of money owing in relation to the amount of money available for paying these debts. By early 1963 continued large exports and moderate imports should mean adequate foreign exchange to cover normal commercial transactions without delay.

Trade with Canada

Canadian exporters too have profited from the revival of business confidence and activity in the Republic. Last year our exports, at $4.47 million, were down 11.7 per cent from 1960, though not all sectors of our trade were affected. (See Table I.) The figures for January-June of this year show an encouraging expansion—to $4.23 million, compared with only $2.28 million for the first half of 1961.

In most instances, the increased sales were made by Canadian firms who had patiently maintained their relationship with Dominican businessmen during the difficult times and were in a position to benefit from the changed circumstances. However, Canadian participation in the economic revival is not and need not be limited to firms previously doing business in this market. Already we have a number of success stories of Canadian products selling in the Dominican Republic which had not previously found customers there. Canadian firms which have not tried selling in the Republic or which drew a blank a few years ago will find it worthwhile to re-examine the potential for their products in this growing market. ●

U.S. Virgin Islands

THE U.S. Virgin Islands is a small Caribbean dependency of the United States purchased from Denmark in 1917. The group, composed of three major islands, (St. Thomas, St. John and St. Croix) is located approximately 70 miles east of San Juan, Puerto Rico, and 1,500 miles southeast of New York. The islands cover only 132 square miles and have a population of approximately 32,000.

The tourist trade, rum, sugar and a few small industries established under the Industrial Incentive Program provide a high standard of living for the islands. The annual per capita income is about $775, the highest in the Caribbean.

The local government is making an effort to encourage industrialization and increase investment from abroad through its Industrial Incentive Program. Tax exemptions and subsidies are granted to new industries and businesses. United States goods enter the islands duty-free. In addition, foreign goods—in contrast to Puerto Rico where all foreign imports pay the U.S. duty—are duty-free or subject to a low uniform duty of 6 per cent of the f.o.b. value. Another unique feature of the islands' position under U.S. laws is that goods produced there may enter the United States duty-free, provided foreign components used in their production constitute less than 50 per cent of the finished value.

In this U.S. territory, dollar exchange is freely available. One U.S. bank (the Chase Manhattan) and one local bank, (the Virgin Islands National Bank) operate in the islands.

For the Canadian exporter, the U.S. Virgin Islands provides a potential market not only for products suited to the tourist trade, such as liquors and perfumes, but also interesting possibilities for sales of industrial machinery and construction materials. Quotations to inquirers should be made in U.S. dollars, preferably c.i.f. Charlotte Amalie, St. Thomas, which is the chief port.

Canadian firms exporting from the West Coast can obtain monthly shipping service to the U.S. Virgin Islands on East Asiatic ships out of Vancouver. There is no direct service from the East Coast of Canada, but Alcoa Steamships sailing from New York provides general cargo service twice a month to St. Thomas and St. Croix.

—J. CLARK LEITH,
Acting Commercial Secretary,
Santo Domingo.

The Businessman Abroad

Visit it yourself—that's the best way to get the feel of a foreign market and succeed in selling there. Your business trip will run more smoothly, bring better results if you rely on the Trade Commissioner Service to help you with your plans. In this series of articles Trade Commissioners in many countries will tell you, drawing on their experience, how to line up and carry out a productive business visit.

Mexico

H. S. HAY, *Assistant Commercial Secretary, Mexico, D.F.*

A business visit to Mexico is easily arranged and relatively inexpensive. Many Canadian businessmen plan a Mexican trip just as they plan trips to other parts of North America. After all, Mexico City is closer to either Toronto or Montreal than Vancouver is, and transportation services are excellent. Other Canadian businessmen make Mexico the logical first or last stop on a circuit of South America, Central America, or the Caribbean. Still others find it pleasant to combine business with a vacation.

Planning Your Trip

To begin with, write the Commercial Division, Canadian Embassy, Apartado 25364, Mexico 5, D.F. Tell us you are planning a trip, give full details of your products, let us know what you would like to accomplish, and provide names of present or potential contacts in Mexico. From our knowledge of the Mexican market and of local buyers and business practices, we should be able to suggest short-cuts. We can also make a preliminary market survey and talk to prospective customers or agents.

The first stop and focal point on a business trip to Mexico is Mexico City, a bustling metropolis with five million people and the head offices of almost all Mexican companies. On a first visit, it could perhaps be the only city on your itinerary.

Mexico City, now a metropolis of five million, is by far the most important commercial, industrial, and distribution centre in the country, with head offices and buying offices of almost all Mexican companies.

It is usually unnecessary to visit other centres on a first visit, unless you are interested in supplying specialized equipment for certain mining and construction projects, paper mills, etc., located some distance away.

Any season is appropriate for a visit to Mexico City, because the climate is pleasant and spring-like the year round. The coastal areas and northern and southern parts of the country tend to be hot in summer and in northern Mexico, occasionally cold in the winter. Some rain generally falls each day in Mexico City from May to September.

How to Get There

Canadian Pacific Air Lines has several flights a week to Mexico City from Vancouver, Montreal, Toronto, and Windsor. It offers an interesting triangular trip that enables a businessman on a cross-Canada return journey to make one leg of it via Mexico City for a nominal additional fare.

Sabena-Aeronaves flies twice a week from Montreal to Mexico City and a number of other airlines offer service from United States cities.

If time permits (and especially if you are combining business with a holiday) consider driving. Main Mexican highways are excellent and the scenery spectacular. Mexico City is 635 miles from Brownsville, Texas; 750 miles from Laredo, Texas; 1,245 miles from El Paso, Texas, and 1,470 miles from Nogales, Arizona. Obtain Mexican insurance and maps before you cross. The Pan American Highway is scheduled to be open for traffic all the way to the Panama Canal by the end of the year.

There are no passenger liner services from Canada, though a regular cruise runs from Los Angeles to Acapulco. Pullman trains connect with U.S. services at Nogales (Arizona), El Paso (Texas), and Laredo (Texas). One through service (the Aztec-Texas Eagle) runs daily from St. Louis, Missouri, to Mexico City.

Why Visit Mexico?

If you are not already doing business in Mexico, remember that:

- **Annual imports are valued at an impressive $1.1 billion.**
- **Mexico was Canada's largest Latin American customer in 1961 and Canadian exporters should be able to top last year's sales of $38.5 million in this market.**

To determine Mexican sales prospects:

- **Read the reports on market conditions and opportunities carried regularly in *Foreign Trade*.**
- **Get in touch with the Department of Trade and Commerce, Ottawa, for general information on the market and on tariffs, import controls, shipping services, and so on.**
- **Contact the Commercial Division, Canadian Embassy, Apartado 25364, Mexico 5, D.F., for an assessment of specific sales possibilities for your products.**

Where to Stay

Mexico has many excellent commercial hotels in the larger centres and modern motels on the main highways. Among the Mexico City hotels popular with Canadian businessmen are the Alameda, Bamer, Continental Hilton, Del Paseo, Del Prado, El President, Maria Isabel, and Reforma. Rates approximate those for similar accommodation in Canada. Bookings should be made well in advance through a travel agency or transportation company, or if necessary, through the Commercial Division of the Canadian Embassy.

Travel Documents

The documents required for a trip to Mexico are few. If the visitor only wants to survey the market and make contacts, a Mexican tourist card, valid passport and valid vaccination certificate are all that is required. If he intends to write orders or engage in any other remunerative activity, a business visa may be necessary. It should be obtained from the nearest Mexican Consulate (or the Mexican Embassy in Ottawa) well in advance.

There are three types of tourist cards: a multiple entry card valid for six months that costs U.S.$5.00, and a five-day card that costs fifty cents. None of these can be renewed inside Mexico. Tourist cards may be obtained upon presentation of a valid passport from any of the Mexican Government offices in Canada, from Canadian Pacific Air Lines for its flights, and from Mexican Consulates and certain transportation companies in the United States. As these cards must be presented on leaving Mexico as well as on entering, don't discard them after crossing the border.

Car entry permits, valid for six months, are issued free of charge at the port of entry.

What You May Bring

Normal personal effects are free of duty. These include one still camera and one movie camera, with six rolls of film for each; a tape recorder, and personal clothing. All baggage should accompany the visitor to avoid the delays, frustrations and possible expense of clearing it later. Luggage of visitors holding tourist cards is usually not opened if the written customs declaration appears to be in order.

Air travellers may bring with them up to six gifts with a combined value of not more than pesos $1,000 (Can.$86.50). All other imported gifts are subject to duty.

Samples of most merchandise with no commercial value are admitted duty-free. It may be necessary to mutilate them at the time of customs inspection to make them unusable or unsalable. Samples subject to duty under any circumstances include food, beverages, cosmetics, drugs, and jewellery. Samples of commercial value may be temporarily imported for a period not exceeding one year upon the posting of a bond equal to 110 per cent of the normal duties and should be accompanied by the usual import documentation. Most catalogues and sales promotion material are dutiable at high rates and should not be brought in or sent later unsolicited or in large quantities.

Currency and Banking

Any quantity of any currency may be taken into and out of Mexico without restriction because there are no exchange controls. The Mexican unit of currency is the peso, currently worth approximately Can. 8.60 cents (11.60 to the Canadian dollar). It is divided into 100 centavos. The dollar sign is used for pesos, so don't be alarmed at what first appear to be startling prices.

It is suggested that Canadians carry funds in U.S. travellers cheques and currency, because the Canadian counterparts are not well known or recognized. Mexican currency should be obtained at any of the many commercial banks, at the airport, or from reputable dealers at the border. Don't count on cashing personal cheques, for if they are accepted at all, they must be put through for clearance and this takes several days or possibly weeks. Even telegraphic transfers may take several days. Banking hours are 9 a.m. to 1 p.m. on weekdays and 9 a.m. to 12.30 p.m. on Saturdays.

Many hotels, restaurants, night clubs, and gift shops accept the better known North American credit cards, but automobile service stations do not. Carry small bills at all times because taxidrivers and others giving small services often can't change anything larger than ten pesos (only 86 cents in our money).

Working Hours and Holidays

Working hours vary considerably. Most businesses open at 8.30 a.m. or 9 a.m. and close between 5 p.m. and 7 p.m. Monday through Friday. The long lunch hour is popular—possibly two hours or more, from 1 p.m. to 3 p.m.—and affords an excellent opportunity for business discussions under agreeable circumstances. Government offices tend to open early and close early—often at 2.30 p.m. for the day. Hours of the Commercial Division of the Canadian Embassy are 8.45 a.m. to 1.00 p.m. and 2.45 p.m. to 6.00 p.m. Store hours are normally 10 a.m. to 6 p.m. and to 8 p.m. Wednesdays and Saturdays. Saturday business appointments are the exception rather than the rule. The following are national holidays in Mexico and business itineraries should be arranged with these in mind.

January 1—New Year's Day
February 5—Constitution Day
March 21—Juarez's Birthday
Easter Week
May 1—Labour Day
May 5—Puebla Day
September 16—Independence Day
October 12—Columbus Day
November 1—All Saints Day
November 2—Day of the Dead
November 20—Anniversary of the Revolution
December 12—Guadalupe Day
December 25—Christmas Day

Clothing, Food and Health

Mexicans are more conservative in their dress than Canadians. Dark suits are appropriate both for business calls during the day and for social events in the evening. Sportswear is worn only at the resorts. Canadian spring and fall weight suits are appropriate the year round. Good laundry and cleaning facilities are available at better hotels. Bring a raincoat or umbrella for sudden showers during the May to September rainy season.

There are many excellent eating places throughout Mexico which serve good food, either bland or spicy. The better hotels have some of the nicest restaurants but guidebooks available at any hotel newsstand will direct you to others. Service is more leisurely, so allow plenty of time for dining.

Visitors notice the 7,500-foot Mexico City altitude and should slow down accordingly. Check with your physician before leaving Canada if you suffer from a heart or serious nervous condition. Because of the altitude, moderation in eating and drinking is recommended.

Getting Around

Use taxis in Mexico City and other centres to beat the traffic and parking problems, even if you bring your own car. They are plentiful and cheap—less than ten cents a mile. Write out your destination in full unless your Spanish is good or the hotel doorman is on hand to instruct the driver. By law you are required to tip a reasonable fifty centavos above the fare shown on the meter if you hail a cab, or one peso if you take it from a stand. If you take a cab with a covered meter, negotiate the fare before you set off.

Good air services operate daily to all major Mexican cities. For more leisurely travelling, chauffered or U-drive cars may be hired for inter-city journeys. First class buses are available and trains to some centres.

Tipping for services other than taxis conforms to Canadian standards—10 per cent or at the most 15 per cent. For porters, one or two pesos per bag is sufficient. Uniformed parking attendants who assist you on the downtown streets expect a peso.

The Mexico City telephone directory contains a special English-language section (green pages) listing services most often required by visitors. There is also an English-language daily newspaper.

Business Calls and Entertaining

Fewer business calls per day are possible in Mexico than in Canada. Best hours for appointments depend on the particular firm. In general, the day's first appointment is usually 10-10.30 a.m. and the best time in the afternoon is 4-4.30. Appointments with government officials are usually morning ones. Punctuality is not as important as in Canada and you will sometimes have to wait. However, Canadians should still arrive punctually. Allow driving time of 30 to 45 minutes for getting to factories and offices in the suburbs of Mexico City.

Most leading businessmen speak some English or have staff capable of interpreting. English is also spoken in leading hotels, restaurants, and gift shops. Nevertheless, it is a good idea to carry a pocket English-Spanish dictionary obtainable at any newsstand.

The most acceptable ways of entertaining Mexican businessmen are at lunch or dinner at a better restaurant, or for cocktails or the evening at a lounge or night club. Mexicans are proud to show visitors the major attractions in their country but seldom entertain foreigners in their homes. Some Mexican businessmen entertain at luncheon clubs but otherwise these are not normally accessible to Canadians.

How the Embassy Can Help

The Canadian Embassy, particularly the Commercial Division, can offer a variety of services to the visiting Canadian businessman. Among these are conducting market surveys, obtaining customs rulings, recommending and following up with contacts, and arranging appointments. Businessmen should make the Embassy their first stop and enlist our assistance in arranging itineraries and appointments. On some calls it may be desirable for a staff member to go along. Unfortunately we cannot provide translations but there are many commercial translation services.

Should travel documents be lost or any type of emergency arise, call the Embassy. Our address may also be used for forwarding mail but not dutiable merchandise, unless you are willing to pay all costs.

Leisure Time

There are almost unlimited diversions in Mexico for weekends and other leisure hours. These may well provide insight into the market as well as prove interesting in their own right. Reliable guides are always available on recommendation from hotels or travel agencies, or you may explore on your own.

Mexico City has a variety of cosmopolitan entertainment, plus much of historical and cultural interest. Other historic and resort centres are within a day's journey.

Following Up

As part of your on-the-spot investigation, inquire about the most suitable methods of delivery for potential Mexican customers and then compare the relative merits of all forms of transportation between Canada and Mexico when you return home. Regular rail and road services operate to Mexico and may serve better than ocean shipment if speed is important or the customer is far from a port.

Use airmail for follow-up correspondence and write in Spanish if appropriate, as a courtesy. Send a copy to the Commercial Division of the Embassy if you would like us to follow up. Obtain detailed shipping instructions from your Mexican contacts before despatching samples or trial orders.

A personal investigation of any market is, of course, the fastest and most effective way of assessing prospects and pushing sales. Mexico is more accessible than most markets and is a particularly pleasant place to do business. We hope that the suggestions in this article will add to the effectiveness of your forthcoming Mexican business trip. ●

If you want further information on Mexico, two leaflets are distributed by the International Trade Relations Branch, Department of Trade and Commerce, Ottawa. "Information on Mexico" provides general information on the Mexican economy and foreign trade, opportunities for Canadian products, export techniques and business practices. "Mexico: Shipping Documents and Customs Regulations" provides up-to-date information on Mexican customs regulations and documentation requirements.

Detroit's Business Picture

A STUDY of statistics and business indicators recently published shows that Metropolitan Detroit's economic health during the first half of 1962 improved markedly over the first half of 1961.

New passenger car sales in the metropolitan area—particularly important to Detroit—totalled 106,818, up 34 per cent from the figure for the same period in 1961. Car and truck output throughout the country (also dear to Detroit's heart) stands at 4,259,447, 29 per cent higher than in 1961. This indicates that 1962 will probably be the second best year in automotive history, with close to seven million units rolling off the production lines.

Factory employment increased 6 per cent, and non-manufacturing employment also rose. The figures show 29,417 more persons at work in these categories in the first six months of 1962 than in the same months last year. The reverse of the coin is equally attractive: unemployment is down by 73,667, a decrease of 41 per cent. Nevertheless, the Michigan Employment Security Commission reports 108,166 jobless for the six-month period.

Weekly factory earnings rose by 8 per cent to $127.01 and hourly factory earnings by 3 per cent to $3.04. The Consumer Price Index showed a 2 per cent drop, indicating that the increased earnings were real. Retailers in the area reported sales which boosted that index by 8 per cent, and banks showed a 19 per cent increase in debits.

New building value in Detroit proper, at $45,123,261, is 22 per cent above last year. Construction contracts awarded totalled $187,372,000, a 5 per cent increase.

Significant indicators in the industrial field during the six months included a rise in power consumption of 15 per cent and in steel output of 25 per cent.

Model changeovers traditionally disturb the Detroit picture at this time each year, but once production of 1963 automobiles is in full swing, the city's economy should continue to show improvement over last year.

—BLAIR BIRKETT,
Consul and Trade Commissioner, Detroit.

SHIPPING SERVICES FROM CANADA TO THE CARIBBEAN

TO	FROM Pacific Coast	FROM St. Lawrence and Atlantic
British Honduras		Canada Jamaica Line *(Kerr Steamships Ltd., Montreal)*
Costa Rica	Grace Line *(C. Gardner Johnson Ltd., Vancouver)* Grancolombiana Line *(Balfour Guthrie (Canada) Ltd., Vancouver)*	Grancolombiana Line *(Swedish American Line, Montreal)*
Dominican Republic	"K" Line *(Johnson Walton Steamships Ltd., Vancouver)*	Saguenay Shipping Ltd. *(Saguenay Shipping Ltd., Montreal)*
El Salvador	Grace Line Grancolombiana Line	*Via Puerto Barrios:* Canada Jamaica Line Grancolombiana Line (with transhipment at Cristobal or Cartagena)
Guatemala	Grace Line Grancolombiana Line	Canada Jamaica Line Grancolombiana Line (with transhipment at Cristobal or Cartagena)
Haiti	"K" Line	Saguenay Shipping Ltd.
Honduras	Grace Line	Canada Jamaica Line
Mexico	Daido Line *(Dingwall Cotts & Co., Vancouver)* Grancolombiana Line Grace Line Mitsui Line *(Pacific Export Lines Ltd., Vancouver)* Westfal-Larsen Lines *(Empire Shipping Ltd., Vancouver)*	Grancolombiana-Swedish American Line—Joint Service *(Swedish American Line, Montreal)*
Nicaragua	Daido Line N.Y.K. Line *(B. W. Greer & Son Ltd., Vancouver)* Grace Line Grancolombiana Line	Grancolombiana Line (with transhipment at Cristobal or Cartagena)

TO	Pacific Coast	FROM St. Lawrence and Atlantic
Panama	Daido Line Grace Line Grancolombiana Line "K" Line Mitsui Line Moore-McCormack Lines *(Balfour Guthrie (Canada) Ltd., Vancouver)* N.Y.K. Line	Grancolombiana Line West Coast Line *(Saguenay Shipping Ltd., Montreal)*
Puerto Rico	"K" Line	Saguenay Shipping Ltd.

COMMODITY NOTES

Aluminum

NORWAY—The Ministry of Industries, the Swiss company Aluminium Industrie Aktien Gesellschaft (AIAG), and the French financial group Compadec have agreed on the building of a new aluminum plant at Husnes, south of Bergen. Of the Norwegian kroner 100 million needed, AIAG and Compadec will subscribe half and the rest will be raised on the Norwegian capital market. The plant itself will cost some kroner 360 million and hydroelectric construction (950 million kwh. a year are needed) a further 200 million. Building is scheduled to start in 1963 and production early in 1966, with a labour force of some 500 men and an initial output of 60,000 tons a year. Plant design will allow for expansion later on—Oslo.

Barley

IRAQ—The surplus of barley this year is officially estimated at over 400,000 tons. Last year exports totalled over 200,000 tons. Apparently Iraqi barley has consolidated its position in the European market, largely because of new silo facilities in Basrah—Beirut.

Dynamite

PAKISTAN—Pakistan's first dynamite factory is expected to be in operation by the middle of 1963 at Wah, West Pakistan. It is a joint venture by Pakistani and Swedish interests—Wah Industries Ltd. and Bofors. The plant will produce an estimated 1,500 tons of dynamite a year. Pakistan at present imports nearly $1 million worth of commercial explosives a year and the demand is likely to increase as the Indus Basin project and oil exploration progress—Karachi.

Electric Furnaces

NORWAY—Elektrokemisk A/S, Oslo, makers of electric smelting furnaces, has obtained a 40-million-kroner contract to supply four Elkem electric pig-iron furnaces of 26,000 kw. each, for an integrated iron and steel works currently being built at Skoplje in southern Yugoslavia. The contract is the second Elektrokemisk has secured for equipment for the Skoplje plant; the first involved delivery of electric smelting furnaces and auxiliary equipment worth kroner 50 million and was concluded about a year ago. The work will also mean orders for Norwegian subcontractors, as Elektrokemisk designs and constructs furnaces but does not make all the components. The Norwegian Export Credit Guarantee Institute will underwrite the long-term credits that Elektrokemisk is granting—Oslo.

Electronic Components

IRELAND—Philips Electrical (Ireland) Ltd. has purchased a 15-acre site in the northern part of Co. Dublin, where the erection of a new factory will begin this autumn at an approximate cost of £1 million. The firm will make electronic components, chiefly for export. A pilot plant is already in production in Dublin and has begun shipments. There is also a Philips radio and television factory at Clonskeagh, Co. Dublin—Dublin.

Forest Products

SWEDEN—Current expansion projects in Sweden's pulp and paper industries will increase pulp output from 5.5 million tons in 1960 to an estimated 7.5 million in 1965, says the *Swedish Timber and Wood Pulp Journal.* Between 1955 and 1959, exports accounted for about 60 per cent of total pulp output. The proportion is expected to decline to a little more than 50 per cent by 1965; an increasing share will go to domestic paper mills, resulting in a steep rise in paper exports—by as much as 90 per cent from 1959 to 1965. Over-all pulp exports are expected to rise by about 30 per cent.

The *Journal* estimates the production increase for sawn timber, plywood, etc., at some 30 per cent between 1959 and 1965, or 3.1 per cent a year. Exports will remain more or less unchanged, which means that the proportion of exports to total production will drop from 83 per cent in 1955 to 77 per cent in 1965. Representatives of the timber export trade consider this latter forecast too pessimistic, however.

For the woodworking industries, including furniture and timber house manufactures, the forecast is for an increase in production of 6 per cent a year, or 42 per cent between 1959 and 1965—Stockholm.

Furniture

UNITED STATES—Special services and luxurious surroundings for the display of furniture are features of the National Furniture Mart now nearing completion in the heart of New York. The building's twenty-one floors, enclosed by steel and glass, are air-conditioned and served by automatic elevators. There will be round-the-clock guard service, a repair and refinishing workshop with a cabinet-maker in attendance, a message centre, and lounges and meeting rooms. Furniture manufacturers with their eyes on the second largest furniture market in North America have already contracted for most of the display space. Retail furniture sales in New York City alone exceed $100 million a year.

Canadian furniture manufacturers or groups of manfacturers interested in this market might usefully display their lines in the new Mart. For information on rates for the remaining space, write to the Commercial Division, Canadian Consulate General, 680 Fifth Avenue, New York 19—New York.

Lathes

BRAZIL—The first shipment of Brazilian lathes to Mexico has arrived in the port of Vera Cruz—reportedly Mexico's first purchase of basic machinery from a Latin American country and a promising start to trade between the two within the framework of the Montevideo Treaty—São Paulo.

Peat

IRELAND—Production of machine turf (peat) briquettes and peat moss in the year ended March 31, 1962, achieved new records, according to Bord na Mona. Revenue totalled £4.3 million. Production for 1962 reached 2,179,923 long tons of machine turf and milled peat, 207,465 tons of briquettes, and 258,746 bales of peat moss. Over 80 per cent of the peat moss was exported and some 1.3 million tons of turf went to local electricity generating plants—Dublin.

Petroleum

ITALY—Gasoline consumption in June was 26.4 per cent higher than in June 1961 and rose a further 20.9 per cent in the first six months of this year to 1,715,000 tons, compared with 1,418,000 in the first half of 1961. Consumption of other petroleum products also increased; consumption of oil went up 13.5 per cent in June, diesel oil 12.2 per cent, and fuel oil 18.3 per cent—Rome.

NEW ZEALAND—Work on the New Zealand Refining Company's £20 million oil refinery at Whangarei will begin this fall. The plant is scheduled to be in production by February 1964, with a capacity of 55,000 barrels a day. The contract has gone to a consortium of Bechtel-Fletcher-Wimpey, with Bechtel organizing the complete project—Wellington.

Steel Sheet

COLOMBIA—A group of Colombian businessmen has announced plans to construct a U.S.$4 million steel-fabricating plant in the free port area of Barranquilla on the Caribbean coast, to be called Siderurgica del Caribe. The plant will produce steel sheet and tinplate. Among the investors are several breweries, the Siderurgica de Medellin, and Cementos del Caribe. Natural gas will be used for fuel. Because there are no other tinplate manufacturers in Colombia, the plant should enjoy a good market locally, and possibly in certain LAFTA countries—Bogotá.

Sugar

NEW ZEALAND—Prospects this year for Fiji's sugar industry appear good, with production estimated at 240,000 tons, the second largest total on record. The objective for 1963 is 255,000 tons. The sugar industry is the backbone of the Fijian economy, with exports worth more than NZ£8 million a year. It accounts for more than half of the colony's exports—Wellington.

Colombia Encourages Cotton Production

Cotton production is increasing as Government attempts to push other export crops, lessen dependence on coffee. Canada now is buying some raw cotton from Colombian growers.

R. A. BULL,
Commercial Secretary, Bogotá.

COFFEE still dominates the Colombian economy. In 1961, sales of coffee abroad brought in more than U.S.$300 million, out of total exports worth $434.9 million. But coffee is not the "brown gold" it used to be and Colombians are thinking seriously about their coffee problem and how to solve it.

Lately the price of coffee on the New York market, where Free World prices are set, has fallen steadily. According to the Federación Nacional de Cafeteros, each drop of one U.S. cent in the New York market price of coffee means a loss of U.S.$5 million in Colombian export earnings. In barter trade, coffee prices are even lower because of the high cost of financing and discounting.

Coffee Problems Studied

Colombia is using three methods to try and solve the coffee problem. The first, to be realized under an International Coffee Agreement between coffee producers and consumers now open for signatures, is to stabilize the world price of coffee and ultimately, by controlling production, to raise it. Green Colombian coffee in New York sells at about 39 cents a pound. A more reasonable figure by Colombian estimates would be about 55 cents a pound.

Second, in an effort to offset the fall in export earnings, the Colombian Government has been trying with some success to replace imported goods with local products. Industries (not always economic) have been encouraged by tax benefits and other forms of assistance and by prohibiting imports of goods also made in Colombia. Good examples include the Grace International Paper fine paper mill near Cali, the national steel mill at Paz del Rio in Boyacá, and the completely protected textile, clothing and processed food industries. The replacement of agricultural imports or obtaining them under special conditions (such as PL 480 wheat purchases, and the recent sugar-for-wheat barter deal with the United States) have also received attention.

Finally, arising naturally from the policy of national self-sufficiency, a search for new exports has begun. Because the protected industries are not too well-equipped to compete in world markets, exports have been small, though refrigerators, for example, have been shipped abroad in recent months. The part of Ecuador that borders on Colombia is well supplied with Colombian clothing, footwear, textiles and hardware, most of it contraband. The two countries are now studying this contraband problem. Colombian hopes for future development of industrial exports are pinned on the Latin American Free Trade Area but for the present, agricultural exports seem to have the best prospects. Replacements for coffee include bananas, sugar, timber, tobacco, and cotton; these five provided about 10 per cent of export earnings in 1961. Of these, cotton has shown the most striking growth in the last four years and appears to have the best immediate prospects.

Cotton Has Best Prospects

The export of cotton from Colombia is not new but the country has usually been a net importer of cotton, especially as the local textile industry has expanded. In 1952, 640 kilos of cotton linters were exported and 18,235 tons of raw cotton imported. In 1955 and 1958 the figures were: exports nil, imports 2,404 tons of linters and 10,864 tons of raw cotton. However, during the fifties exports of manufactured cotton goods increased, offsetting slightly the absence of raw cotton exports. (Value of cotton manufactures exported: 1958, U.S.$70,000; 1960, U.S. $165,000.)

The growth of cotton production in Colombia is illustrated in Table I.

Colombian cotton is grown in two areas. On the Caribbean coast it has long been a traditional crop. Over the past few years cultivation has spread in the Magdalena and Cauca Valleys in the interior, where the wide and level river plains at low altitudes lend themselves to intensive machine cultivation.

TABLE I

COTTON PRODUCTION AND TRADE IN COLOMBIA

Raw cotton	Imports (tons)	Value (U.S.$'000)	Exports (tons)	Value (U.S.$'000)
1958	10,864	7,800	Nil	....
1959	6,181	4,100	1,003	560
1960	794	807	29,113	15,858
1961 (est.)	....	negligible	24,000	11,100
1962 (est.)	....	negligible	34,000	18,000

Ginned cotton fibre produced	(metric tons)	(ps.'000,000)	Consumption by local industry (metric tons)
1951	6,474	....	22,575
1955	24,672	62	36,682
1957	20,573	67	37,172
1959	56,408	246	43,839
1960	68,732	341	49,079
1961 (est.)	63,000	320	50,000

TABLE II

COLOMBIAN EXPORTS OF RAW COTTON, 1960

Country	(kilos, net)	(per cent)
Britain	6,641,640	22.81
West Germany	4,704,536	16.16
Japan	4,344,876	14.93
France	3,610,922	12.40
Belgium	3,296,499	11.32
Italy	2,288,096	7.86
Switzerland	1,863,048	6.40
Netherlands	1,547,156	5.32
Canada	312,710	1.07
Sweden	299,771	1.03
Others	203,551	.70
Total	29,112,805	100.00

Production tends to be concentrated in the larger units and in the areas where bigger farms predominate. About half the farms are worked by their owners and about half are rented; some farms include both rented and owned land. Many of the farms are operated by substantial farmers with other property interests and capital to finance development; some of these are absentee owners. Equally, much of the land (especially the rented farms) is being cultivated by smaller farmers who rely on the Institute de Fomento Algodonero, a section of the Ministry of Agriculture, for advice and assistance. By North American standards these are small farmers, but in Colombia, where farming is generally on a subsistence level, they represent an agricultural middle class and the sort of development that should help to make the current land-reform program economically feasible.

Institute Aids Cotton Growers

The Institute de Fomento Algodonero is an organization for technical and economic research, an aid to orderly marketing, and the owner and manager of cotton gins, packing facilities and cottonseed oil processing equipment. It publishes an annual economic and statistical review and a monthly research bulletin dealing with fertilizers, pests, varieties of cotton, growing techniques, and so on. The content of this bulletin is made up of studies made at experimental farms in Valle (the Cauca River) Tolima (the Magdalena River) and the coastal zone. In addition to cotton, the cultivation of other plants producing edible oils is studied. IFA operates 33 cotton gins. The main varieties of cotton now grown are Deltapine 15, Earlystaple and Karnak, with maximum staple length 1$\frac{1}{16}$ inches.

As a net importer of cotton, Colombia was not particularly concerned about international quality classifications but the IFA has now established prices for Colombian cotton on the basis of international gradings. Beginning with the 1962 crop, these will apply to all cotton sold locally or exported. Prices to growers for the 1962 crop range from 5,070 pesos (U.S.$596.00) per metric ton for Strict Middling to 3,770 pesos (U.S.$443.00) for Strict Good Ordinary Bright (from 20 to 27 U.S. cents a pound). Export sales are made at auction through licensed Colombian brokers.

Production Is Rising

By world standards, Colombian production is not large. But since 1953 the area under cultivation has increased from 67,000 to 152,000 hectares, 5 per cent of South American and ½ per cent of world acreage. The Federacion Nacional de Algodoneros, the association of growers, has just asked for government aid in financing the planting of 60,000 additional hectares. Between 1953 and 1960, ginned cotton production rose from 17,000 to 69,000 metric tons, .61 per cent of world production and almost 10 per cent of South American output. Percentages for consumption on a world and South American basis are .46 per cent and 10.3 per cent.

Canada a Customer

Canadian purchases of Colombian cotton have not been large. In 1961 we bought 56,900 pounds of raw cotton worth Can.$17,544, 113,300 pounds of cotton linters and fibres worth Can.$8,413, and less than $8,000 worth of cotton products. In 1961 Canada enjoyed a favourable balance of trade with Colombia: imports from Colombia totalled Can.$13.0 million and exports to Colombia Can.$19.5 million. Of our total imports, $12.5 million represented green coffee. Colombia may offer Canadian textile manufacturers a reasonable source of raw cotton as an alternative to United States supplies. Certainly, increased cotton purchases from Colombia might help to stimulate Canadian exports to that country. The Bogotá office can recommend qualified cotton brokers. ●

Trade Fairs and Missions Branch

When and why was the Trade Fairs and Missions Branch set up?

The Trade Fairs and Missions Branch was established in April 1962, because of the increasing emphasis on trade missions, the greater participation in trade fairs abroad, and the need to co-ordinate these allied techniques of trade promotion. The Branch is directed by Dudley Douglas, formerly Chief, Trade Fairs Abroad Division, Trade Publicity Branch.

How is the work of the Branch divided?

The Branch has two divisions, the Trade Fairs Abroad Division and the Trade Missions Division. Each reports to the Director.

Trade Fairs Abroad Division

What is the main function of the Trade Fairs Abroad Division?

The principal functions of the Trade Fairs Abroad Division are the development of the Department's annual trade fair program and the co-ordination of the work of the trade promotion branches of the Department in planning and producing exhibits for trade fairs abroad. The chief of this division acts as chairman of the working committees appointed to organize each participation. The Department is exhibiting in 37 trade fairs this year, with displays designed for solo Canadian trade fairs in selected markets, general trade exhibitions, and specialized trade shows in foreign countries. In addition, trade information booths and touring displays are used to advantage under suitable circumstances. The multitude of detail involved in the planning of this extensive program is scheduled and closely co-ordinated by the Trade Fairs Abroad Division to ensure that Canada's exhibits will be in the right place at the right time and achieve maximum results for Canada's exporters.

What is its role in choosing the fairs in which the Department participates?

The Division collects reports from many sources on the export potential of Canadian industries and on the most promising markets. Trade Commissioners in the field send in information on the trade fairs held within their territory, plus their evaluation of the usefulness of these fairs. Commodity Officers of the Department also make suggestions, drawing on their wide experience with the various sectors of Canadian industry. Keeping in mind the industries to be promoted and the potential of various markets, the Division draws up a list of international fairs it considers best suited to Canadian exporters' needs and presents it to the Committee on Trade Fairs Abroad. This committee, chaired by the Director of the Branch, is composed of the Directors of the Trade Commissioner Service, Commodities Branch, Agriculture and Fisheries Branch, Industrial Development Branch, Canadian Government Exhibition Commission, and the Trade Publicity Branch, plus a representative of the International Trade Relations Branch, and the Comptroller-Secretary of the Department. This committee reviews the list and the supporting recommendations and chooses the fairs in which the Department will participate in the coming year, subject to the approval of the Deputy Minister.

What are the Division's responsibilities in planning exhibits at fairs?

The Division's responsibility is to co-ordinate the work of the departmental officers who help plan and operate a government display. These include Commodity Officers, the Canadian Government Exhibition Commission, Trade Commissioners, Information Officers, and others. The Division obtains the co-operation of these officers in choosing appropriate products from selected Canadian industries, in designing and building displays, renting space, arranging pre-show publicity and advertising, shipping and erecting the exhibit and staffing it throughout the show, and encouraging follow-up on good prospects discovered.

What is the exhibitor expected to do?

The first responsibility of the exhibitor is to provide suitable products for the display and to have these at a central shipping point in Canada by a given deadline. Often he is asked to contribute a small participation fee. He is expected to see that his booth at the fair is manned by his representative or agent who can provide information on the products, take orders, and discuss sales with potential customers. He furnishes the Department with background information on his company and products for use in pre-fair publicity.

How do exhibits at trade fairs help promote exports?

The Division has found that trade fairs are an excellent means of introducing products in a new market, of stimulating greater interest in established lines, of furnishing contacts with agents, and obtaining publicity for Canadian products. Many Canadian participants have obtained increased sales by exhibiting at these fairs.

Trade Missions Division

What is the main function of the Trade Missions Division?

The main function of the Division is to develop an annual program of trade missions in co-operation with other branches of the Department. Previously the Department had sponsored two or three trade missions to important markets each year. However, the program of 24 missions in the 15 months ending in December 1962 has called for the greatest possible amount of departmental assistance in the task of making it possible for businessmen, through the trade mission, to meet their customers overseas, to learn their needs at first hand, and to explore new trading opportunities.

How does the Division carry out these responsibilities?

The Division first develops an annual program of trade missions, working with other branches. It then provides the supervision and co-ordination needed for the planning and preparation of these missions and for obtaining their final report on their return to Canada. Each mission is accompanied by an officer of the Department who serves as secretary, and whom the Division assists and guides. Most of these mission secretaries must proceed with their regular work in addition to the six months or more devoted to planning and carrying out the mission and preparing the report.

What are the different types of trade missions?

First, there are outgoing and incoming trade missions. Both may be either composite or specialized, selling or reconnaissance missions. Each trade mission, however, is distinctive and tailored to specific markets and designed to achieve particular objectives in those markets. Specialized missions represent only one industry or a related group of products; composite missions include representatives of many different export industries with varying interests in the same market. Two highly successful composite trade missions were included in the Department's program this year: one went to Australia and New Zealand, one to Israel. Each had about twenty members. Most trade missions sponsored by other countries and by Boards of Trade and Chambers of Commerce are of this type.

All the other missions in the current program have been specialized, and have covered commodities such as iron ore, salt fish, fruit and vegetables, and such industries as domestic appliances, organic chemicals, manufactured wood products, and heavy engineering equipment. Some of these have been primarily selling missions, with each member spending most of his time overseas on individual sales calls. Most of them, however, have been reconnaissance or fact-finding missions with the members, acting as a team, investigating opportunities for the industry they represent and later reporting on these opportunities.

What are incoming missions?

An incoming mission is one in which foreign businessmen and government officials are invited to visit Canada in small groups to inspect Canadian industries, livestock, or crops. Several of these have come to Canada in recent years and they have proved most effective in promoting our sales abroad.

How is a mission planned?

Many possible missions are considered and studied by the Department and its Trade Commissioners before the annual program is set up. After the program is approved, further research into markets is carried on. First, the markets are defined and grouped to suit the purposes of selling or reconnaissance missions or both. A tentative itinerary is then worked out. The size of the mission, the range of products included, the number of cities to be visited, the timing (and especially possible conflict with other events at home or abroad) must all be considered. At a later stage, hotel and transportation arrangements must be made and schedules of visits and appointments drawn up. The costs of a mission are shared by the Department and the members. The Department pays transportation costs and the members pay for their accommodation, meals, and related expenses abroad.

How are the members of a mission chosen?

For outgoing missions, the objective is to select a small, interrelated and well-balanced group that represents the industry's export potential, the variety of its products, its large and its small firms, and in many instances the regional interests involved. In approaching this difficult task, the Department first establishes the number of people who are to make up the team and then works out the description or category of each position on it. The next step is to develop a list of companies and individuals appropriate to each category or position. From these lists the Department must make the difficult choices that will result in a group in the best position to represent Canada abroad and to report to the industry at home. Each mission has a labour representative who, like the others, brings to it his knowledge and experience of the Canadian industry. Each mission member is expected to make a major contribution to the report for the whole industry.

For incoming missions, the Department must select, in consultation with the Trade Commissioner, a small group to represent the principal importers and government control authorities in the country concerned.

How are the members briefed?

The mission secretary provides all the members with information and reference material both developed within the Department at home and obtained from the Trade Commissioners abroad. In addition, they are kept in touch, through letters and telephone calls, with the progress of the plans. Before leaving for overseas, the members assemble in Ottawa for a briefing by senior officers of the Department, who not only give a resumé of business and political conditions abroad, but also explain the responsibilities of individual members and the importance of the teamwork that has proved so effective in previous missions.

What part does the Trade Commissioner play in the carrying out of the mission?

The most significant contribution from the Trade Commissioner is the making of all the arrangements and appointments for the group overseas. This includes meetings with customers, distributors, engineers and government agencies, and also visits to plants, trade fairs, showrooms, storage facilities and laboratories. In addition, the Trade Commissioner arranges and co-ordinates the appropriate official calls or social engagements. Often he acts as host at a reception or luncheon in honour of the mission, thus giving the members an opportunity to pursue their discussions and to make contacts in an informal atmosphere.

Is a full report prepared?

Yes, a full report is prepared; it serves as a point of reference for future action by the industry and by the Department. Each member submits his own report and the secretary of the mission then incorporates these conclusions, observations and recommendations in the final report. This is published and distributed to mission members, trade associations, the trade press, and exporters who will profit by it. It is also available to the general public.

What is the chief value of the trade mission program?

It opens minds and opens doors to trade and brings people together. It provides meetings and trade discussions with overseas customers that would otherwise be impossible to arrange. It directs the attention of the Canadian business community to potential overseas markets and encourages other exporters to travel abroad. The determination of the export officers of Canadian industry to make use of the information the mission collects and the new contacts it provides is, however, the ultimate test of its success. ●

GENERAL NOTES

Australia

CABLE TO BE EXTENDED—Commonwealth countries have agreed to lay a telecommunications cable from Australia to New Guinea, North Borneo, Singapore and Hong Kong. The project, estimated to cost A£24 million, will start late in 1963 and will extend the Commonwealth telephone cable network which is now under construction between Australia, Canada and Britain—Sydney.

COPPER MINE ENLARGED—Mount Isa Mines Ltd., plans to enlarge the open cut beside its main mine at Mount Isa, Queensland, to increase output of oxidized copper ores. More than ten million tons of overburden and ore will be removed over five years. The development plan follows the discovery that the ore body is larger than at first thought. Work will begin early next year—Sydney.

FOREIGN CAPITAL—Private capital coming into Australia totalled A£92 million in 1961-62, compared with £326 million in 1960-61. Sales of Australian wheat on credit to Communist China caused an outflow of capital (£33 million) in 1961-62, as did repayment of credits on 1960-61 imports. Australia's balance-of-payments deficit on current account in 1960-61 was £369 million; exports that year earned only £936 million and imports cost £1,084 million. In 1961-62 the deficit totalled only £8 million. Higher export earnings (£1,080 million) and a lower import bill (£893 million) brought about this sharp improvement —Sydney.

POTATO FLAKES—Unilever Australia Pty. Ltd. has opened a £750,000 plant at Ballarat, Victoria, for the manufacture of instant mashed potato flakes. The main, 50,000-square-foot factory building includes a raw materials storage area with unloading dock, a processing area, packing room, laboratory, warehouse and boilerhouse. The plant will process more than 6,000 tons of local potatoes a year—Melbourne.

Ceylon

IMPORTED LIQUOR—Sales of imported liquor have slumped, following an increase in duty on them. Duties on whisky, brandy and gin now range from Rs.570

to Rs.620 a case of 12 bottles (one rupee=Can. $0.2264) and the retail price is over Rs.50 a bottle. The prices of all popular varieties of imported beer have also risen; they sell now at Rs.4/25 to Rs.4/50 a bottle. The increase in the cost of foreign liquor was accompanied by a simultaneous decrease in the price of arrack; sales of this locally produced liquor therefore improved considerably. The cheapest brand of arrack is priced at Rs.8/- a bottle and the more expensive double-distilled variety at Rs.16/- —Colombo.

Ecuador

DEVELOPMENT PLAN—The Junta Nacional de Planificacion y Coordinacion Economica of Ecuador has formulated a new national development plan with an investment target of U.S.$160.2 million. Projects include a coastal highway (U.S.$16.2 million), a motorway to join Puerto Nuevo (Guayaquil) with the road junction of Santo Domingo de los Colorados and a connecting road to Bahia de Caraques (U.S.$54.5 million), hydroelectric installations with a capacity of 200,000 kw. (U.S.$60 million), irrigation works associated with the hydroelectric reservoirs (U.S.$22 million), port improvements at Guayaquil and Bahia de Caraques (U.S.$5 million), and preparation of surveys (U.S.$2.5 million).

The motorway and port construction at Bahia de Caraques and Guayaquil are particularly important. The principal undeveloped banana-growing area of Ecuador lies in the coastal plain behind and between these two cities and transportation experts have long urged the development of a first-class road in the area to improve quality and volume of bananas shipped —Bogotá.

Ghana

PEOPLES' SHOPS—The Ghana National Trading Corporation has opened "Peoples' Shops" throughout the country that will help promote the sale of locally made goods. The first opened in Accra in July and the policy is to keep prices comparatively low although the consumers' interests are to be protected by providing the highest possible quality goods from other countries. There are now four such shops in Accra and the Corporation intends to operate mobile shops in rural areas for customers who find it difficult to visit larger centres—Accra.

RESORT PLANNED—A team of Bulgarian designers and architects has arrived in Ghana to help plan a £5 million holiday resort the Government proposes to build at Labadi beach. The design work will be done in Bulgaria and should be completed within a year. The resort will include a 4,000-bed hotel, a restaurant for 2,000 people, a cinema, amphitheatre, tennis courts, zoo, and central cooling station. The project comes under the recent agreement between the Ghana Government and Technoexport of Bulgaria—Accra.

Iraq

FOREIGN TRADE—Imports during 1961 totalled ID.145.7 million (one dinar=approximately Can.$3), an increase of ID.6.8 million over 1960. Exports totalled ID.7.9 million, as against ID.8.0 million the year before. Re-exports reached ID.5.4 million in value, an increase of ID.2.4 million over 1960, and the transit trade earned ID.1.3 million as against ID1.8 million. Over ID.32 million worth of goods were imported from Britain, the country's chief supplier—Beirut.

Norway

HYDROELECTRIC POWER—The largest power project in Norwegian history, a 1,152 million kroner scheme to harness the waters of the Sira-Kvina River systems in southwest Norway, has been placed before the Storting (Parliament). Planned is the construction of three power stations with total capacity of 1.36 million kw. generating 6,000 million kwh. a year, nearly 20 per cent of Norway's present output. Parliamentary approval is sought for the Norwegian State to participate and for the company to regulate the river systems. Power would be delivered both to large energy-consuming industries and to ordinary consumers. Potential customers are Norsk Hydro and Elektrokemisk, both known to have preliminary plans for large aluminum smelters in the area. Another would-be consumer is A/S Titania, Norwegian subsidiary of United States National Lead, which is planning an ilmenite smelter near Jossingfjord where it controls large deposits of ilmenite ore—Oslo.

Portugal

PLAN NUCLEAR STATION—It is reported that nuclear energy is considered essential for the Portuguese economy, and that construction of an atomic station will start in 1964, for completion by 1967—Lisbon.

LOAN TO REFINERY—A consortium of banks headed by the Kredietbank, S.A., Luxembourg, has agreed to lend U.S.$5 million to Sociedade Anónima Concessionária da Refinação de Petroleos em Portugal (SACOR). The loan is for 16 years at 5.79 per cent and was extended without government guarantee or other co-signers. It will provide the necessary funds to expand the SACOR oil refinery—Lisbon.

Sweden

ATOMIC ENERGY—The Swedish Atomic Energy Board has suggested that the generating capacity of the government-owned nuclear power works to be built at Marviken be doubled to about 200,000 kw.

through the use of a more advanced boiler type reactor. At 200,000 kw. the plant would equal half the size calculated to be commercially competitive.

The original plan was for 105,000 kw. at a cost of about $70 million. A second proposed version with a small turbine for testing the boiler principle would have raised output to 146,000 kw. with only a small increase in cost. The Board claims that the third alternative now recommended will reduce building and operating costs and increase output by a further 25-30 per cent. The plan would delay completion of the plant by one year to 1968-69, but could be expected to open up possibilities for more rapid technical advances—Stockholm.

FOREIGN TARIFFS AND TRADE REGULATIONS

Chile

EXCHANGE CONTROLS ALTERED—The Chilean Government has issued an Official Circular (Central Bank Circular No. 224) altering that country's foreign exchange regulations. According to this new ruling, commercial banks in Chile may only provide foreign exchange cover for imports 120 days from the dates of the covering bills of lading or, in their defect, 120 days from the date of arrival of the goods at Customs.

This ruling applies to all goods not covered as of September 20, and supersedes the previous regulation which provided that exchange would be made available 90 days from the date of the respective bill of lading.

This regulation means that, regardless of the sales terms stipulated by the supplier, the Chilean importer cannot obtain foreign exchange to pay for a shipment until 120 days have elapsed from the date of the respective bill of lading. Our Trade Commissioner reports that in effect this delay could be even longer, and that suppliers of merchandise not cleared through Chilean Customs and paid for as of September 20 should now anticipate the elapse of *five months*, and perhaps even longer, between the date of shipment and the date on which payment—in dollars—is remitted to their Canadian banks.

Colombia

NEW IMPORT CONTROLS TEMPORARILY IMPOSED—The Colombian Government has announced that, effective September 18, 1962, all imports with the exception of eleven specified categories will now be subject to prior import licensing. This new licensing requirement was imposed by Decree No. 2551 of September 18 as a temporary exchange control measure and will remain in force until December 31, 1962.

As a result of this Decree, all permissible imports *except* those classified under the following tariff items will now require a prior import licence. Those products still exempt from prior import licences are:

Heading	Article
93	Gums, gum resins, natural resins and balsams: (b) Gum resins: 1) Myrrh 2) Frankincense (olibanum)
214	Alkaline and alkaline-earth metals (lithium, sodium, potassium, calcium, strontium, barium, etc.): (a) Radium
217	Compressed, liquefied or solidified gases: (i) Other, including rare gases 1) Other gases for anaesthesia: nitrous oxide, ethylene, etc.
287	Chemical products and chemical preparations n.e.s.i.: (b) Other 9) Culture media for the development of micro-organisms
288	Alkaloids and glycosides, their derivatives and synthetic substitutes and their salts: (a) Opium alkaloids, their derivatives and synthetic substitutes and their salts: 1) Morphine 2) Diacetylmorphine 3) Codeine 4) Other (b) Cocaine and its salts
289	Organo-therapeutic products, hormones and their synthetic substitutes, enzymes, enzyme salts and other enzymatic compounds n.e.s.i.; semen: (b) Organo-therapeutic products: 1) Natural human plasma 2) Synthetic human plasma substitutes
419	Paper in rolls or sheets, not processed or worked, weighing more than 30 grams per square meter: (e) Newsprint
814	Printing type, of base metal: (a) Typographic and other movable type for printing (b) Typographic dies and punches
815	Clichés and plates, of base metal, for printing on paper
879	Steam rail locomotives, including tank-engines
880	Electric rail locomotives and electric rail diesel locomotives

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 .9291.

Foreign Exchange Rates

Country	Unit	Type of Exchange	Can. dollar equivalent October 5	Units per Canadian dollar	Notes (See below)
Argentina	Peso		.008271	120.90	
Austria	Schilling		.04172	23.97	
Australia	Pound		2.4120	.4146	
Bahamas	Pound		3.0150	.3317	
Belgium and Luxembourg	Franc		.02164	46.21	
Bermuda	Pound		3.0150	.3317	
Bolivia	Potosi	Free	♯	♯	
Brazil	Cruzeiro	Free	.002303	434.22	
		Special Category	†	†	
Britain	Pound		3.0150	.3317	
British Guiana	Dollar		.6281	1.59	
British Honduras	Dollar		.7537	1.33	
Burma	Kyat		.2260	4.42	
Ceylon	Rupee		.2261	4.42	
Chile	Escudo	Bank rate	1.0231	.9774	
		Free	.5335	1.87	
Colombia	Peso	Certificate	.1606	6.23	
Congo, Republic of	Franc		.02164	46.21	
CostaRica	Colon		.1625	6.15	
Cuba	Peso		‡	‡	
Czechoslovakia	Koruna		.1495	6.69	
Denmark	Krone		.1555	6.43	
Dominican Republic	Peso		1.07625	.9291	
Ecuador	Sucre	Official	.05979	16.72	
		Free	.04762	21.00	
El Salvador	Colon		.4305	2.32	
Fiji	Pound		2.7162	.3682	
Finland	Markka		.003363	297.35	
France, Monaco, etc.	New Franc		.2196	4.55	(1)
Franco-African Republics, etc.	Franc		.004392	227.69	(2)
French Pacific	Franc		.01208	82.78	(3)
Germany	D Mark		.2688	3.72	
Ghana	Pound		3.0150	.3317	
Greece	Drachma		.03587	27.88	
Guatemala	Quetzal		1.07625	.9291	
Haiti	Gourde		.2153	4.64	
Honduras	Lempira		.5381	1.86	
Hong Kong	Dollar	Free*	.1878	5.33	*Sept. 17
		Official	.1884	5.31	
Iceland	Krona	Official	.02503	39.95	(4)
India	Rupee		.2261	4.42	
Indonesia	Rupiah	Official	.02392	41.81	(4)
Iran	Rial		.01421	70.38	
Iraq	Dinar		3.0135	.3318	

♯No quotation available.

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

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

*Latest available quotation date.

Country	Unit	Type of Exchange	Can. dollar equivalent October 5	Units per Canadian dollar	Notes (See below)
Ireland	Pound		3.0150	.3317	
Israel	Pound		.3587	2.79	
Italy	Lira		.001733	577.03	
Lebanon	Yen		.002990	334.45	
Japan	Pound	Free	.3532	2.83	
Mexico	Peso		.08610	11.61	
Morocco	Dirham		.2163	4.62	
Netherlands	Florin		.2992	3.34	
Netherlands Antilles	Florin		.5707	1.75	
New Zealand	Pound		2.9944	.3339	
Nicaragua	Cordoba	Effective buying	.1537	6.51	
		Official selling	.1527	6.55	
Nigeria	Pound		3.0150	.3317	
Norway	Krone		.1505	6.64	
Pakistan	Rupee		.2261	4.42	
Panama	Balboa		1.07625	.9291	
Paraguay	Guarani	Official	.008723	114.64	
Peru	Sol		.04012	24.92	
Philippines	Peso	Free	.2777	3.60	
Portugal & Colonies	Escudo		.03743	26.72	(5)
Republic of South Africa	Rand		1.5075	.6633	
Singapore and Malaya	Straits Dollar		.3516	2.84	
Spain and Dependencies	Peseta		.01794	55.75	
Sweden	Krona		.2090	4.78	
Switzerland	Franc		.2488	4.02	
Syria	Pound	Free	.3003	3.33	
Thailand	Baht	Free	.05064	19.75	(4)
Tunisia	Dinar		2.6045	.3839	
Turkey	Lira		.1196	8.36	(4)
United Arab Republic	Pound	Official	2.4754	.4040	
United States	Dollar		1.07625	.9291	
Uruguay	Peso	Free	.09815	10.19	
Venezuela	Bolivar	Free	.2371	4.22	
		Official	.3215	3.11	
West Indies	Dollar		.6281	1.59	(6)
	Pound		3.0150	.3317	(7)
Yugoslavia	Dinar	Official	.001435	696.86	

‡No quotation available.

Notes

1. New franc is also used in Algeria, French Guiana, Guadeloupe and Martinique.
2. Chad, Central African Republic, Congo, Dahomey, Gabon, Ivory Coast, Mali, Islamic Republic of Mauritania, Niger, Senegal, Upper Volta, Cameroons, Togoland, and Malagasy. Also Reunion, Comoro Islands, St. Pierre and Miquelon.
3. New Caledonia, New Hebrides, French Polynesia.
4. Additional rates are in effect.
5. Portugal: approximately same rate for Portuguese territories in Africa.
6. Barbados, Trinidad, Tobago, Leeward and Windward Islands.
7. Jamaica.

TRANSPORTATION NOTES

Canada

SERVICE TO SURINAM—The Royal Netherlands Steamship Company is now offering Canadian exporters a direct monthly service to Aruba (Netherlands Antilles) and Paramaribo (Surinam) from Eastern Canadian ports. Sailings every two weeks from Montreal, Halifax and Saint John will offer alternate calls at these two ports. Montreal Shipping Company Limited, 410 St. Nicholas Street, Montreal, are agents for the Royal Netherlands Steamship Company—Ottawa.

Denmark

FLIGHTS TO FAROES—A new company, Flogfelag Faerøya, has been founded to establish air communications with the Faroe Islands, in co-operation with Icelandair. The company had flights to Sørvaag on Vaagø this summer and three flights scheduled with passengers this autumn, but has had no regular service. The airfield was built during the war and is in need of repair, but the Faroes (off Sweden's southeast coast) do not have the 20 million kronor necessary for the job—Copenhagen.

Ghana

MEDITERRANEAN SERVICE—The Black Star Shipping Line of Ghana has opened a new service to Mediterranean ports. The service reportedly operates to ports in North Africa, Southern France, Italy and Yugoslavia and will extend to ports in Bulgaria, Rumania and the U.S.S.R. as the volume of trade with these Eastern Bloc countries justifies this expansion—Accra.

New Zealand

OCEAN RATES INCREASED—Ocean freight rates from Britain and Continental ports to New Zealand will rise 6 per cent beginning November 1, 1962, on vessels of the New Zealand Shipping Conference Lines, the Dutch Lines and the Scandinavian Lines. The reduction in New Zealand's imports has reportedly affected the freight revenues of shipping companies in the past year—Wellington.

Norway

PORT TRAFFIC—The net tonnage of ships engaged in foreign trade that called at Norwegian ports last year totalled 17.9 million, an increase of 8 per cent compared with 1960. The rise in 1960 was 15 per cent over 1959. Norwegian ships accounted for 37.4 per cent of last year's total, compared with 39 per cent the year before. The percentage carried by ships of West Germany, Sweden and Britain also declined slightly, and Danish, Finnish, Dutch and Liberian ships increased their tonnages. Busiest port was Narvik, then Oslo, Porsgrunn and Tønsberg—Oslo.

Venezuela

LAKE MARACAIBO BRIDGE—The new four-lane, 5½-mile Maracaibo bridge, built entirely of prestressed concrete, was opened late in August. It is the first road link between Venezuela's second city and the surrounding agricultural region and the rest of the country. The bridge took three years to build and cost Can.$80 million. It has 135 spans and achieves a maximum height of 131 feet above water level in the ships' channel. Aside from being an important part of the Pan-American Highway, it will link the westernmost state, Zulia, with the important consumer markets of Valencia, Barquisimeto, Maracay and Caracas. Zulia produces much of the country's milk, beef, butter and sugar. The bridge makes Maracaibo City readily accessible to the petroleum-rich area on the eastern side of the lake. It will certainly benefit the region by opening new markets and should improve domestic commerce throughout the country—Caracas.

Trade Commissioners on Tour

In Territory

G. E. BLACKSTOCK, Consul and Assistant Trade Commissioner in New Orleans, will visit Oklahoma City, Oklahoma, and Memphis, Tennessee, October 20-26.

T. F. HARRIS, Consul and Trade Commissioner in New Orleans, will visit Oklahoma City, Oklahoma, and Dallas, Texas, October 20-31.

G. A. NEWMAN, Commercial Counsellor, and **J. H. SUGGITT,** Assistant Commercial Secretary, in New Delhi, India, will visit Calcutta November 5-9.

W. R. VAN, Trade Commissioner in Liverpool, England, will visit Bradford and Leeds October 30-November 1.

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. Blackstock and Mr. Harris at New Orleans, Mr. Newman at New Delhi, and Mr. Van at Liverpool.

Roger Duhamel
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Have Your Cake and Eat It Too

Defy *them*: *they* always say you can't and you shouldn't. Go ahead, buy two cakes—one to look at and one to slice up.

This reminds us of FOREIGN TRADE. (No matter how far we have to reach, we always get back to FOREIGN TRADE.)

Some of our readers have a problem. They want to keep each issue of FOREIGN TRADE intact. They also want to tear out certain articles and file them for quick reference.

What to do? For them we have the same defiant advice. Go ahead, buy two FOREIGN TRADE's—one to look at and one to slice up.