

**Canada's Markets in the East (pages 2 to 33)**

# FOREIGN TRADE

DEPARTMENT  
OF TRADE AND  
COMMERCE  
O T T A W A

**FEB. 23. 63**

---

## **Subscribers Please Note**

Effective April 1, 1963, the subscription price for *Foreign Trade* will be raised from \$2.00 to \$5.00 a year for delivery in Canada, and from \$5.00 to \$7.00 for delivery outside Canada. Subscriptions and renewals received before April 1, 1963, will be at the old rates.

# FOREIGN TRADE

FEBRUARY 23, 1963

Vol. 119 No. 4

Established in 1904. Published fortnightly by the Department of Trade and Commerce.  
The Hon. M. WALLACE McCUTCHEON, Minister.  
JAMES A. ROBERTS, Deputy Minister.  
Please forward all orders to: Queen's Printer, Government Printing Bureau, Ottawa.  
Price \$2.00 a year in Canada; \$5.00 abroad.  
Single copies: 20 cents each.  
Material appearing in this magazine may be reprinted, preferably with credit to "Foreign Trade".

## Canada's Markets in the East 2

*These developing countries turn to us mainly for capital goods but they are buying more consumer products as living standards rise. Here is a brief review of the direction and composition of Canadian trade with the major Eastern countries.*

## Japan: Corner Turned 6

*Our Commercial Counsellor in Tokyo sees solid opportunities for expanding and diversifying our exports to Japan this year, with the relaxation of import control, the resumption of economic growth, and the modernization of Japanese industry.*

## Philippines: Sales Up 10

*This group of islands has become Canada's fourth largest market in the East—a market that absorbs bulk commodities and industrial equipment. Exporters must expect keen competition from the United States, EEC countries, Australia, Japan.*

## Malaya: New Directions 15

*Establishment of new industries, expansion of existing plants, encouragement of private investment, larger consumer incomes make the Singapore and Malayan markets promising. What and how can Canadian producers sell in this market?*

## Hong Kong: Diversity 22

*Five commodities made up the bulk of our trade with Hong Kong last year but some new products were introduced. The author analyzes our current exports to the Colony, discusses trading prospects, and pinpoints sales opportunities.*

## Korea: Three Avenues . . . . . 9

## Taiwan: Growing Industry . . . . . 12

## Pakistan: Planned Progress . . . . . 17

## India: Trade Restricted . . . . . 19

## Communist China: Change . . . . . 21

## The Hong Kong Market for Furs . . . . . 26

## Import and Exchange Regulations in Asia and the Far East . . . . . 27

## Shipping Services from Canada to the Far East . . . . . 30

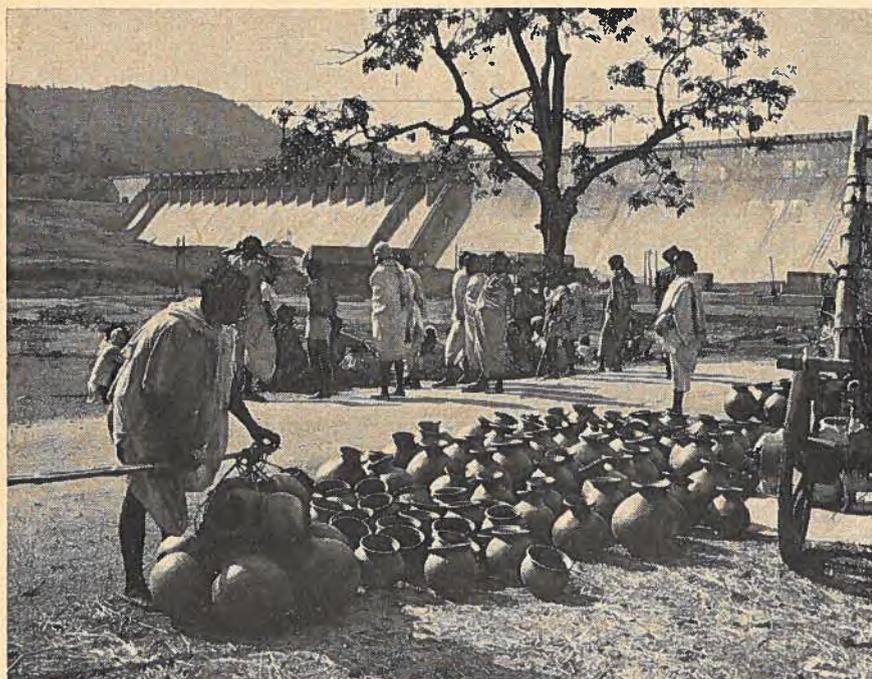
## The Ocean Freight Market . . . . . 35

## Markets in Brief: Hong Kong . . . . . 40

Foreign Exchange Rates 38 Foreign Tariffs and Trade Regulations 33

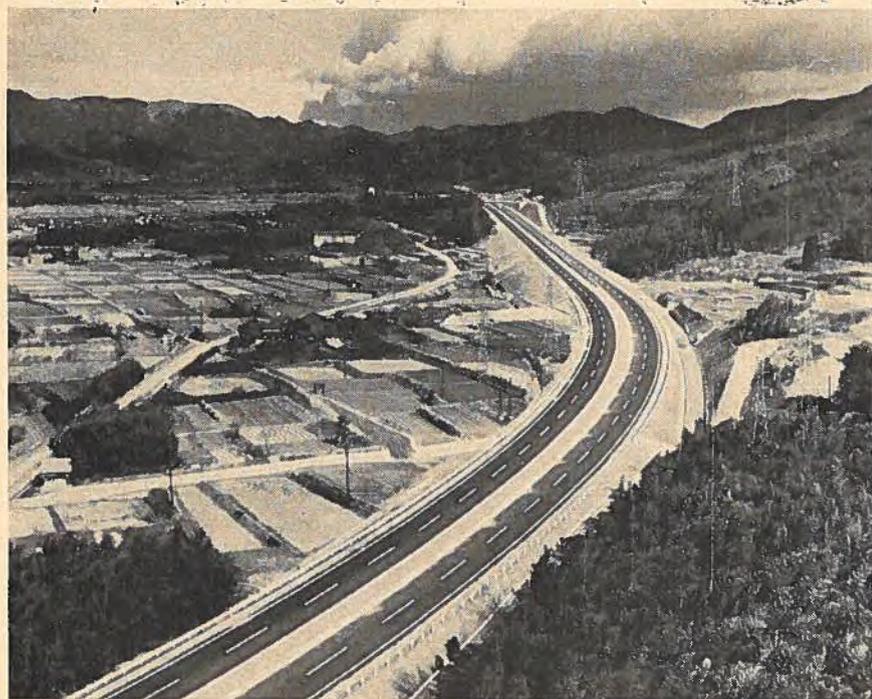
COMING—A CANADIAN VIEW OF THE BRITISH MARKET, MARCH 9

# Canada's Markets in the East



Exports to the ten Asian countries covered in this issue totalled \$463 million in 1961, with Japan far in the lead. This introduction points to major developments in the area affecting trade, discusses certain problems, and examines future prospects for Canadian exporters.

C. L. BLAND and J. L. MacNEIL,  
*International Trade Relations Branch.*



—Photos by NFB and World Bank.

(Above) The traditional and the new India are symbolized by these shoppers at an open air market with the 113-foot granite walls of the Canada Dam at Massanjor in the background. Canada contributed \$17.5 million towards it. (Below) The new expressway between Amagasaki and Ritto, Japan, is being built with World Bank aid.

ASIA and the Far East is an area of great contrasts not only between countries but also, in many instances, within individual countries themselves, where the climate, geographical characteristics, language and historical traditions often vary widely. Asia's billion and a half people make up half the total world population and its total trade (excluding Communist China) approximates 10 per cent of world trade. This percentage has remained unchanged over the past few years, indicating that in the trade field Asia has managed to keep pace with the rest of the world. Total Asian exports and imports increased by almost 25 per cent in the three years from 1958 to 1960, or from \$21 to \$26 billion. Imports stood at \$14 billion in 1960 (an increase of 25 per cent over 1958); almost \$10 billion (or 75 per cent) was accounted for by Japan, Singapore, Malaya, India and Hong Kong. These countries also furnish 70 per cent of Asia's total exports.

### Our Major Markets

Imports cover a wide range, but in Japan and Hong Kong foodstuffs and raw materials predominate and Canada is a major supplier. To a lesser degree, these countries offer important markets for a wide assortment of manufactured consumer and capital goods. The other countries—particularly India, Pakistan, Singapore and Malaya, and the Philippines—are large importers of both primary commodities and finished products. Most Asian countries are in the process of developing their economies and introducing new industries and are therefore large buyers, in the main, of capital goods. However, each year sees bigger purchases of consumer goods that Canada can supply.

Canadian exports to all Central and Far Eastern countries in Asia in 1961 totalled \$472.4 million, a rise of more than 60 per cent over 1960, with the largest increases in shipments to Communist China (up \$114 million, reflecting the large

wheat sales), Japan (up \$53.7 million), India (up \$6.1 million) and Pakistan (up \$3.4 million). Eleven-month statistics for 1962 suggest a slightly lower export total for the year. Of the major Far Eastern countries, only Communist China, the Philippines, Taiwan and Thailand increased their purchases from us over the same period of 1961.

Canadian imports from Asia and the Far East rose only moderately in 1961 over 1960—from \$210.8 million to \$214.6 million, or 2 per cent. Eight-month import statistics for 1962 suggest a slightly larger increase, with imports up from almost every country in the East. Japan had the largest increase, and there were moderate ones for Communist China, India, Hong Kong and Singapore-Malaya. The broad statistical picture of total trade in the Orient and Canada's share of it are shown in Tables I and II.

The following capsule comments deal in a general way with a few of the major developments in the principal Asian markets in 1962 and point to some features likely to affect Canadian prospects in this important trading area. For statistical detail, for analyses of Canadian trade with specific markets, for news of developments in Asian countries of interest and concern to exporters, and for assessments of the outlook for Canadian exports to each area, we suggest a study of the individual reports in this issue prepared by Canadian Foreign Service Officers stationed in Tokyo, Hong Kong, New Delhi, Karachi, Singapore and Manila.

### Japan

The Japanese economy experienced a slight recession in 1962 and although expansion continued, the rate was slower. This was partly responsible for the drop in imports from Canada. Credit restrictions imposed in 1961 were relaxed late last year and economic forecasts for 1963 indicate renewed opportunities for Canadian sales. The major portion of Canada's exports

to Japan consists of foodstuffs and industrial raw materials and thus our sales are largely dependent upon the health of Japanese industry.

Of particular significance to Canada is Japan's continued move towards liberalization of its import trade. In October 1962 some 232 tariff items were removed from the Negative List of restricted items and 88 per cent liberalization, based on the value of private imports during the calendar year 1959, was thus achieved, compared with the previous 73 per cent. For Canadian exporters of manufactured products as well as primary commodities the Japanese market is becoming increasingly accessible. Japan is Canada's third largest customer (after the United States and Britain), and

TABLE I  
ASIAN IMPORTS AND EXPORTS

	1958	1959	1960
	(U.S.\$ million)		
<b>IMPORTS</b>			
All Asia and Far East	11,273	12,009	14,251
Of which:			
Japan	3,033	3,599	4,491
Communist China	N.A.	N.A.	N.A.
India	1,844	1,986	2,258
Pakistan	396	353	654
Philippines	559	524	604
Hong Kong	804	866	1,026
Singapore and Malaya	1,763	1,845	2,035
Taiwan	226	231	297
Korea	378	292	329
Thailand	393	426	453
<b>Total, nine countries above</b>	<b>9,396</b>	<b>10,122</b>	<b>12,147</b>
<b>EXPORTS</b>			
All Asia and Far East	9,287	10,676	11,715
Of which:			
Japan	2,877	3,456	4,055
Communist China	N.A.	N.A.	N.A.
India	1,222	1,304	1,331
Pakistan	302	321	393
Philippines	493	530	560
Hong Kong	524	574	689
Singapore and Malaya	1,642	1,932	2,092
Taiwan	156	157	164
Korea	17	19	32
Thailand	309	358	410
<b>Total, nine countries above</b>	<b>7,542</b>	<b>8,651</b>	<b>9,726</b>

with continued prosperity and progressive import liberalization, will remain a very important outlet for Canadian producers.

### Communist China

Communist China's economic crisis remained a focal point of attention during 1962. Her trading pattern, which was drastically altered by the events of the past several years, showed every indication of continuing in the new channel for some time to come, even though there was evidence that the low point of the crisis may have already been passed. Agriculture is the mainstay of the Chinese economy and recurrent production difficulties have resulted in massive imports of grain. These heavy grain

purchases were accompanied by a reduction in non-essential imports as a result of severe shortages of foreign exchange.

Canadian sales of wheat and barley in the first eleven months of 1962 totalled approximately \$140 million and exceeded in value sales in the same period of 1961. Communist China will probably continue to import grains in the near future.

### Philippines, Taiwan

In the Philippines, the highlight of 1962 was the discontinuing of the multiple exchange rate and the freeing of the peso. This was partly responsible for the fact that Canadian exports to the Philippines for the first eleven months of 1962 exceeded those for the full year 1961.

Canadian exports to Taiwan continued to expand in 1962; in fact, for the first eleven months of 1962 they were more than double the value for the same period of 1961.

### Korea, Thailand

Currency reforms in Korea produced some market uncertainties in 1962 but internal political stability brought an improvement in business conditions. Canadian exports to Korea declined last year but the import requirements of the Five Year Plan will offer considerable opportunity for Canadian suppliers in coming months.

Canadian sales to Thailand increased in 1962, but our shipments are largely confined to foodstuffs and industrial raw materials. Opportunities for stepping up exports therefore depend largely on the expansion of Thailand's industrial base. However, there is room for larger sales of consumer products and more particularly of semi-manufactured goods.

TABLE II  
CANADA'S TRADE WITH ASIA

	1959	1960	1961	11 months	
				1961	1962
(Can.\$ million)					
<b>CANADIAN EXPORTS TO:</b>					
<b>All Asia and Far Eastern</b>					
<b>Countries</b>	<b>259.8</b>	<b>294.1</b>	<b>472.4</b>	<b>433.6</b>	<b>422.9</b>
Of which:					
Japan	139.7	178.9	231.6	209.9	199.7
Communist China	1.7	8.7	125.4	123.7	140.1
India*	53.6	36.8	42.9	37.6	24.8
Pakistan*	17.3	11.9	15.3	12.6	8.9
Philippines	14.9	14.8	15.6	13.6	17.4
Hong Kong	11.2	21.7	19.6	17.5	13.1
Singapore and Malaya*	3.3	4.7	5.7	5.0	4.7
Taiwan	1.7	2.9	2.2	2.2	4.3
Korea	6.0	3.9	2.1	1.7	1.1
Thailand	1.9	2.7	2.9	2.7	3.1
<b>Total of ten above</b>	<b>251.3</b>	<b>287.0</b>	<b>463.3</b>	<b>426.5</b>	<b>417.2</b>
*Including Colombo Plan shipments.					
<b>CANADIAN IMPORTS FROM:</b>					
<b>All Asian and Far Eastern</b>					
<b>Countries</b>	<b>198.1</b>	<b>210.8</b>	<b>214.6</b>	<b>133.8</b>	<b>156.5</b>
Of which:					
Japan	102.7	110.4	116.6	73.4	83.5
Communist China	4.8	5.6	3.2	2.1	3.7
India	29.2	29.4	33.5	20.6	24.6
Pakistan	1.1	1.1	2.4	1.1	1.7
Philippines	1.4	2.0	1.5	1.1	1.0
Hong Kong	13.0	15.5	14.1	9.6	13.5
Singapore and Malaya	28.6	28.1	23.6	14.6	17.0
Taiwan	.7	1.2	1.8	1.0	1.4
Korea	.2	.4	.1	.07	.06
Thailand	.6	.8	.6	.3	.7
<b>Total of ten above</b>	<b>182.3</b>	<b>194.4</b>	<b>197.4</b>	<b>123.9</b>	<b>147.2</b>

### India

The economic problems that India faces were aggravated in 1962 by measures made necessary by the state of emergency which arose during the year. As the strain on her foreign exchange reserves increased, India's imports had to be confined to those products needed by defence-oriented and essential industries. At present, holdings of foreign exchange stand at Rs.92 crores (approximately Can.\$208 million), sufficient to cover only one month's imports. India's Third Five Year Plan, begun in April 1961, has set ambitious targets for both industry and agriculture and attainment of these depends heavily on a substantial inflow of foreign capital and other forms of assistance. Canadian exports to India run at approximately \$37 million a year, \$25 million of which represents Colombo Plan shipments. This figure will be rather lower in 1962. India, like Pakistan, has great potential as a future market for a wide variety of

products made in Canada. At the present time, however, opportunities are limited mainly to capital goods and industrial raw materials.

### **Pakistan**

The Pakistan economy made progress in 1962. The current Five Year Development Plan begun in 1960 has stimulated both industrial expansion and agricultural reform. However, a substantial and constant inflow of foreign aid is required to finance the various development schemes and underwrite the balance-of-payments deficit. Canadian exports to Pakistan, some \$15.3 million in 1961 (including aid), probably decreased over the full year 1962, in part because of the Government's stringent control over imports to protect falling reserves and also because of the increasing competition in this market. Although present conditions are somewhat adverse, the long-term attractiveness of the market in Pakistan should give Canadian producers sufficient incentive to watch closely for export opportunities.

### **Hong Kong, Malaya, Singapore**

There is a high level of economic activity in these areas with the diversification of industry continuing, particularly in Hong Kong. Malaya is making steady progress under a Second Five Year Development Plan. These three areas imported over \$25 million worth of goods from Canada in 1961 and although this figure may be rather smaller in 1962, they remain sizable markets for a wide variety of raw materials, semi-processed and fully manufactured products. The proposed Federation of Malaysia, which is to include British Borneo, Brunei and Sarawak, plus Malaya and Singapore, is expected to add to the trading potential of the area as a whole and improve the climate for investment. Because there are no import or exchange controls to speak of, these three markets are highly competitive and price is extremely important.

The Colombo Plan is Canada's largest bilateral assistance program giving economic aid to less developed countries. The Plan, which has been in operation since 1950, has provided aid to Colombo Plan countries in South and South East Asia in four chief forms: capital aid, commodity aid, grants of foodstuffs, and technical assistance. The Canadian Colombo Plan appropriation has been running at approximately \$50 million a year and Burma, Cambodia, Ceylon, India, Indonesia, Malaya, Pakistan and Vietnam are among the countries that have received assistance. The Republic of Korea became a member of the Colombo Plan last year.

### **Trade Problems**

Canada's trading relationships with countries of the Far East are generally good although there are some problems. Lack of satisfactory communication between importers there and prospective Canadian suppliers is still the major factor inhibiting our exports to the Far East. Other limitations on larger sales to some of these markets are the relatively low purchasing power and the strict control over imports maintained by a number of governments in the area for balance-of-payments reasons. In addition, some of these countries finance many of their imports through foreign aid programs which often require that purchases be confined to the donor country. At the same time, however, this aid releases available funds for other imports and strengthens the various economies, thus possibly leading to new demands for products that Canada can supply.

Each country is different and each has different needs. Canadian businessmen who want to sell their products must know the markets individually. Good local representation is the effective way to do business, particularly because government purchases in many of these countries account for a large proportion of total imports. ●

## **INDIA:**

### **Industrial Licences Restricted**

IN order to make the most effective use of its limited supplies of exchange and industrial materials and to place its industry in a position to contribute to defence needs arising from the recent Sino-Indian conflict, the Indian Government has issued a directive, dated December 19, 1962, indicating the industries for which licences will not normally be granted.

In connection with the disposal of applications for licences under the Industries (Development and Regulation) Act 1951, it has been decided that:

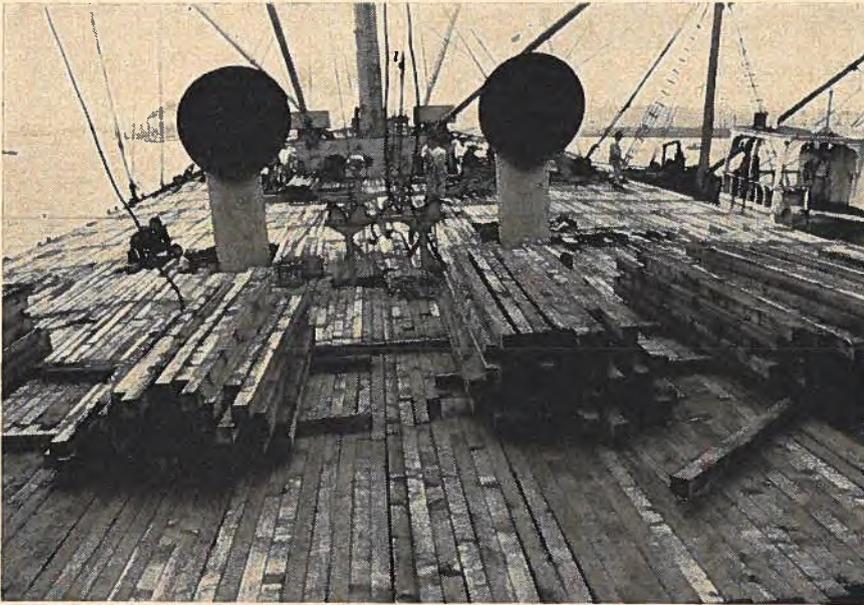
1. Applications for licences relating to numerous industries listed in the directive should in the future ordinarily be rejected without reference to the Licensing Committee during the period October 1962 to March 1963.
2. All applications for licences for industries not listed should be placed before the Licensing Committee for decision.
3. There will be no "free licensing" list.
4. These orders will be in force until March 31, 1963, unless modified earlier.

The industries for which licences will not be issued that are of particular interest to Canadian firms are:

Cast iron spun pipe  
Non-ferrous alloys  
Pulp and papermaking plants  
Newsprint  
Pulp, including rayon pulp  
Chipboard  
Paper insulated cables  
VIR and PVC cables  
Wire rope  
Zinc  
Asbestos cement sheets and pipes  
Calcium carbide  
Carbon black  
Gelatine  
Rayon tire cord  
Refractories  
Synthetic rubber  
Sulphuric acid

Further details may be obtained from the Engineering and Equipment Division and the International Trade Relations Branch, Department of Trade and Commerce, Ottawa, and from the Commercial Counsellor for Canada in New Delhi, India.

—G. A. NEWMAN,  
*Commercial Counsellor, New Delhi.*



*This ship carrying Canadian lumber has just arrived in a Japanese port. Imports of logs and lumber dropped sharply early last year but the market is now recovering.*

## JAPAN: Corner Turned

Japanese economy has turned corner, thanks to steps taken late in '61 to deal with balance-of-payments problem. Trade liberalization, modernizing of industry enhance prospects for our exporters.

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

THE Japanese economy from 1958 to 1961 went through a period of phenomenal growth. During that time the gross national product increased by 68 per cent, a feat unequalled by any country at any period. Canadian exporters found a waiting market here and during the four years our exports rose from \$105 million in 1958 to a record \$232 million in 1961. Japan is now Canada's third largest market.

This period of rapid expansion led to internal fiscal difficulties. Late in 1961, a balance-of-payments

problem brought on a series of government actions designed to "cool down the overheated economy". Today, more than a year since the fiscal control measures were instituted, the economy appears to have turned the corner and the intended slowdown has taken place. Business leaders are looking forward with some optimism to increased activity in 1963, though they are no longer talking in terms of 25 per cent expansion annually. By October 1962 foreign exchange reserves had risen to U.S.\$1.8 billion and

the tight money situation was eased considerably as the Bank of Japan lowered the central bank interest rate twice within a month. The easing of credit was designed to spur further capital investment and came at a time when the Government was implementing a significant relaxation of import control.

### Growth May Be Slower

Coupled with the prospect of further import liberalization, this year could well mark another milestone in Canadian-Japanese trade; there will probably be solid opportunities not only for expanding but also for diversifying our exports to Japan. But as the country opens its door wider to foreign goods and the economy resumes strong growth, Canadian exporters may well find that their market in Japan is subject to strong competitive pressure not only from growing domestic production but also from third-country exporters trying to establish themselves in the biggest market in Asia.

This future growth will probably be at a much slower rate. The rapid expansion of the past five years has left the economy with excess capacity in almost all of its major industries and businessmen may be reluctant to invest in capital expansion until present capacity can be reasonably well employed.

The Japanese economy in 1962 could be termed stagnant only in relation to the earlier years of exceptional expansion. In fact, the gross national product rose over 6 per cent in real terms, industrial production generally remained high, consumer demand continued to expand, and the country ended the year still facing a shortage of skilled labour. However, inventories were accumulating and there was a marked slowdown in the iron and steel industry, the metal refining industry, and the construction industry. This was reflected in Canadian sales of iron ore and scrap metal and non-ferrous metal concentrates. Recovery in the big steel industry particularly may be slower than in the rest of the

economy because production was cut drastically late in 1962 and considerable supplies of ferrous scrap and coal are still on hand.

### **Liberalization to Continue?**

Now that the balance-of-payments problem that precipitated the slowdown in 1962 has apparently been solved, the leading question is what progress Japan will make in trade and exchange liberalization. Although an important step was taken last year (see *Foreign Trade* of November 17, 1962) many products remain under import control. These commodities have long been protected. Although modern Japan has an important stake in international trade, it has also sheltered its domestic economy to some degree.

At the present time, the announced liberalization rate in Japan is given as 88 per cent, but this figure is based on non-government imports into Japan in 1959 from all sources. About 60 per cent of Canada's exports to Japan are still subject to import and exchange restrictions. Wheat, Canada's principal export to Japan, and non-ferrous metals are still subject to exchange control, although it is expected that they will be freed in the near future. The Japanese Government has declared its firm intention to proceed with liberalization.

### **Opportunities May Change**

Japan today might be described as having a "double-deck" economy. On the top level are the large modern enterprises using the latest techniques, skilfully managed, and comparable to big business anywhere in the world. Beneath is the very large number of small enterprises, many of them still at the cottage industry level, whose main asset is manpower and whose survival depends in some instances on their ability to supply components to larger industries. In other fields, their low productivity in face of increasing modernization threatens them with a precarious existence.

### **These Products Should Sell in Japan . . .**

- Wheat; Canada supplies about half the market.
- Flaxseed, mustardseed, safflowerseed, rapeseed, as consumption of edible oil rises.
- Dairy and beef cattle, swine for breeding purposes, and poultry breeding stock.
- Canadian softwood squares and lumber.
- Sulphate pulp, both bleached and semi-bleached grades.
- Soft papers and some heavy industrial papers—opportunities appearing. Newsprint market may develop late in year.
- Asbestos fibres, still in good demand.
- Specialized industrial equipment.
- Consumer goods, such as nylon stockings, home heating equipment, and specialty food lines.

With the prospect of a freer market, there should be greater export opportunities for Canadians. In the past decade, the growth of Canadian exports to Japan has been concentrated in agricultural products and industrial raw materials. With a growing economy, sales of the latter should increase and there is the added possibility of selling machinery, components and other industrial manufactured products to that portion of Japanese industry which is being modernized to make it competitive. A relatively small market for some consumer goods is also developing, especially in food lines where changing Japanese tastes and preferences are for the first time creating opportunities for selling Canadian products.

### **Competition Is Keen**

The Canadian exporter examining Japan as a potential market for the first time will find it a complex but interesting country. Custom and tradition still play their part in the business community. In addition to the language problem, the visitor may find that it takes a little longer to get established in Japan than in

some other countries. At the same time, other exporting nations have set their sights on the rich Japanese market and the Canadian exporter must be prepared to meet sharp competition in all lines—not only in manufactured goods but also in primary products.

Most Japanese economists are predicting that the level of business activity will start to rise about the end of the second quarter. In the light of this, we give below the market outlook for Canadian exports to Japan by commodity groups, as well as an appraisal of existing market opportunities in line with developments in the Japanese market as they are now forecast.

### **Agricultural Products**

Bread made from Canadian wheat is part of Japan's school lunch program and is fast becoming a regular part of the Japanese diet. Wheat is our most important export and Canada supplies over half of Japan's imports. Although there is sharp competition from U.S. suppliers of hard winter varieties, Canadian quality is setting the standard in the market.

The major part of the market for oilseeds is supplied from the United States, but Canada over the past five years has obtained a good share of it. As consumption of edible oil rises, opportunities for Canadian growers of flax, mustard, safflower and rape seed (notwithstanding considerable domestic production of the latter) will increase.

A growing market is also developing for crop and forage seeds and here also Canada's leading competitor is the United States. Demand for these products is still developing and is tied in with the increasing Japanese consumption of meat and dairy products. There are good marketing prospects for Canadian exporters of dairy and beef cattle, swine for breeding purposes, and poultry breeding stock. Imports of livestock are subject to import exchange control and at the present time the amount of foreign exchange allocated is limited. Past trade promotion efforts have created a real interest in Canada as a source.

Although output of leather shoes remains high, large imports last year and a slackening in production of industrial leathers, especially beltings, have affected imports of hides and skins in recent months. The inventory position is expected to be corrected by the third quarter of 1963.

### **Forest Products**

Although there was a sharp cut-back in imports of logs and lumber in early 1962, by the end of the year the market began to recover and the outlook for 1963 appears good. Canadian softwood lumber and squares are now well established in Japan and there are prospects for further sales because importers are now obtaining a wider distribution of imported lumber throughout Japan. There is a large and well established sawmilling industry and importers prefer to bring in softwood in log form. The United States dominates this market.

Pulp and paper imports were liberalized in October 1962 and this

year should see substantial sales of sulphate pulp, primarily in bleached and semi-bleached grades. Japan itself is a large and economical producer of sulphite pulp and the dissolving pulp market has been limited by a sharp cut in rayon production, coupled with the establishment of a Japanese-owned source of supply in Alaska.

Although at the present time domestic production can supply the demand for newsprint, there is a possibility that a market for foreign newsprint might develop late in 1963. Market opportunities in soft papers and some heavy industrial papers are also appearing. Pulp and paper manufacturing has expanded considerably in recent years and at the present time the domestic industry has excess capacity. Early this year the Government requested it to refrain from further capital expansion until 1965.

### **Metal and Minerals**

As mentioned earlier, Japan's large and efficient iron and steel industry was hit harder than any other section of the economy as industrialists cut back their investment in equipment last year. The steel companies hope that things will bottom out by the second quarter of 1963 as easier money stimulates greater capital spending. However, they have had to revise their production estimates for 1963 and this will undoubtedly affect Canadian sales of iron, steel scrap and coking coal. As the growth rate forecast for 1963 is just above 6 per cent, it will probably take some time for the industry to recover to the point where it can open the 36 furnaces that were closed in a production cutback late in 1962.

With liberalization of non-ferrous metals due early in 1963, the outlook is for a period of market unrest that may well affect Canadian sales of copper and copper concentrates. As the general feeling is that the domestic industry may not be able to stand up to stiff international competition, sales of other non-fer-

rous metals will depend to a large degree on the expected upswing in the economy. The market for asbestos fibres, which has been growing steadily, still appears firm.

### **Manufactures, Consumer Goods**

The modernization of Japan's economy has created a demand for up-to-date capital equipment. Now, as liberalization comes into effect, there is more opportunity for Canadian manufacturers to enter the Japanese market. Our best sales prospects are in lines that are allied to the raw materials that we now export.

As agricultural methods are modernized, there will be a greater call for modern agricultural and dairy equipment. Restricting trade is the small size of the average Japanese farm which makes large Canadian-built machinery unsuitable for use in this country.

The Japanese machinery industry has expanded steadily in the past few years. Notwithstanding these advances, the expectation is that capital investment will not reach the levels of 1960 and 1961. There are, however, still good market opportunities for Canadian exporters of specialized industrial equipment. Japan is a modern industrial country and the exporter of machinery must be able to offer the latest in design and application to be competitive, but for the right product there is a substantial market. In consumer goods, Canadian exporters face strong competition from domestic producers but there are sales prospects in such unallied lines as home-heating equipment, women's nylon stockings and some specialty food lines.

If you are interested in studying the changing and expanding market in Japan, the Commercial Counselor and his staff at the Canadian Embassy in Tokyo are ready to help you. Now is a good time to re-examine your export sales program for Japan, because the picture is changing and there may be new opportunities for your products. ●

# KOREA: Three Avenues

Normal commercial imports, imports under tender, equipment needed for Five Year Plan—interested Canadian exporters should explore these three avenues of trade with Korea, making progress again after the currency reform of last June.

J. D. BLACKWOOD, *Commercial Secretary,*

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

A pickup in business activity and the stimulus of Korea's Five Year Economic Development Plan should provide increasing opportunities for Canadian exporters. The economy is recovering from a period of uncertainty caused by the currency reform last June, which was intended to prevent inflation and put hoarded money back into circulation. The currency reform was successful and the Korean Government is now pushing ahead with its development program. The prospects for concluding a reparation agreement with Japan appear good and the resulting payment and assistance from Japan would give a substantial boost to development plans. Most of the foreign aid is now being provided by the United States.

A statistical review of Korea's foreign trade over recent years shows continuing trade deficits, as Table I reveals.

These large trade deficits have been overcome largely by U.S. assistance. In an effort to become less dependent on large-scale foreign aid, the Government last year introduced various measures, including a subsidy scheme, to encourage industry and increase exports. By 1966 shipments abroad are scheduled to reach U.S.\$166 million. For the foreseeable future, however, imports are expected to exceed exports.

Table II shows the composition of imports for the past two years. Not all of this trade was open to

Canadian suppliers because more than half of all imports were financed by the U.S. Agency for International Development (AID) and were subject to its "limited world-wide" procurement policy.

## Canadian Opportunities

Three avenues of trade with Korea, financed by the country's own foreign exchange (KFX) are open to Canadian exporters. They are:

- Normal commercial imports
- Imports under tenders issued by the Office of Supply, Republic of Korea (OSROK)
- Imports of equipment for projects included in the Five Year Economic Development Plan.

*Commercial Imports*—Normal commercial imports have averaged \$100 million in recent years. Some of the products of interest to Canadian traders which may be imported with KFX funds are sawlogs, lumber, fertilizer and feed, steel strip, non-ferrous metals, filament nylon yarn, copper seamless pipe, aluminum foil, waste paper, benzene and naphthalene derivatives. (Major Canadian exports to Korea in 1961 included chemical fertilizers, flaxseed, paper bags, wood pulp, and zinc.)

*Imports by Tender*—All imports for government projects are handed by OSROK through Free World tender invitations. In 1962 tenders were invited for the supply of \$17 million worth of goods, including

lumber, telecommunication equipment, iron and steel products, vehicles, licorice, polio vaccine, railway gondola and passenger cars, and laboratory equipment. In competing for OSROK tender business, foreign suppliers are usually well advised to work through a local firm to learn about chances to tender and meet deadlines. They should pay particular attention to the conditions of tendering and the specifications; any deviation usually makes a bid unacceptable.

*Imports for Five Year Plan*—The second year of the Five Year Plan should give rise to new sales opportunities. Korea's import program is tailored to the Five Year Plan, with emphasis on development needs such as raw materials, machinery and other necessary items. Imports of non-essential consumer goods are usually not permitted. An increasing number of loans from foreign governments and inter-

TABLE I  
KOREA'S FOREIGN TRADE

	Exports	Imports
	(millions of U.S.\$)	
1959	19.1	291.7
1960	31.8	329.1
1961	38.6	299.9
1962 (10 mos.)	43.6	311.9

TABLE II  
KOREA'S COMMODITY IMPORTS

	(1st half)			Percent- age
	1961	1962	Change	
	(millions of U.S.\$)			
Foods	21.6	15.7	- 5.9	-27.3
Wool	3.1	2.7	- 0.4	-12.9
Raw cotton	13.1	14.8	+ 1.7	13.0
Rubber products	2.5	2.8	+ 0.3	12.0
Gasoline and oil	8.9	10.2	+ 1.3	14.6
Wood	3.7	4.6	+ 0.9	24.3
Fertilizer	34.1	47.8	+13.7	40.2
Medicines	2.3	2.6	+ 0.3	13.0
Rayon yarn	3.5	4.9	+ 1.4	40.0
Base metals	5.0	9.2	+ 4.2	84.0
Machinery	23.1	25.3	+ 2.2	9.5
Others	54.9	43.2	-11.7	-21.3
<b>Total</b>	<b>175.8</b>	<b>183.8</b>	<b>8.0</b>	<b>4.6</b>

\*Mr. Kerr visited Korea in November 1962 but was transferred to Liverpool while this article was under way.

national institutions, plus greater private investment (both foreign and domestic) in industry, will help in implementing the Plan. Projects

currently envisaged include energy source development, improvements in transportation and communications, expansion of key industries

such as cement, fertilizer, steel, pulp, and agriculture, and establishment of plants to make certain goods that are now imported. ●

## PHILIPPINES: Sales Up

Brisk demand for consumer goods, industrial equipment, raw materials, means opportunities for more Canadians to sell in this relatively open market. Here is sound advice on how to get started.

W. B. WALTON, *Assistant Trade Commissioner, Manila.*

THE expanding Philippines market needs imported products of many types. Relatively underdeveloped but potentially wealthy, the Republic has a large and growing population and a standard of living that is probably the highest in the Far East after Japan. The demand is brisk for consumer products (both soft and durable), industrial machinery, plant equipment, raw materials, and engineering and contracting services.

### What Kind of Market?

The 28.5 million people of the Philippines are distributed throughout 7,000 islands and depend mainly on agriculture. The chief population centres are Manila, Davao, Cebu, Iloilo, and Legaspi.

The climate is tropical, hot and humid the year round. Air-conditioning and refrigeration equipment is therefore much in demand. However, competition between the local industry and manufacturers in Japan and the United States is keen.

The Philippines is richly endowed with natural resources, including minerals such as iron, gold, silver, copper and nickel; fertile fishing grounds; forests; hydroelectric potential; a fertile soil and a good climate, conducive to volume production of sugar, rice, corn, tobacco and coconuts, etc., and a large labour force in the process of becoming skilled. Exploitation of these

resources has begun but is still limited. Foreign capital and technical knowhow are slowly finding their way into the country. The inflow will undoubtedly increase when government legislation is passed by Congress adequately defining the rôle and the rights of foreign investors. It is expected that this legislation may be enacted in the not-too-distant future—perhaps during 1963.

In Manila, the main market centre, sizable numbers of people have a relatively high income, which they spend partly on consumer goods, both essential and luxury. This includes a group of Americans and Europeans, numbering over 7,000.

There are many schools and universities and the rate of literacy in Manila is 77.4 per cent. Many persons speak and read English, which is used extensively in business and in the Federal Legislature (House of Representatives and Senate). Manila alone has six English-language newspapers, seven English-Tagalog television stations, and many English-Tagalog radio stations. Advertising is widespread and public relations firms are used extensively.

### Industrial Progress Planned

To date, there is little heavy industry in the islands but secondary and light industry is varied and

includes automobile assembly, food and tobacco processing, papermaking, petroleum refining, brewing, and the manufacture of furniture, plywood, textiles, rubber products, soft drinks and whole milk from imported milk powder.

Industries being planned or built include pulp and paper, mineral refining, fertilizer and cold rolling plants, a coconut oil refinery and manufacture of bathroom ware.

### Foreign Trade

Principal exports are copper, sugar, abaca, logs and lumber, desiccated coconut and coconut oil, iron ore, chromite ore, canned pineapple, and copper concentrates.

Since the decontrol of the peso in January 1962, the Philippine market has become relatively accessible to Canadian suppliers. Imports exceeding \$100 in value must be covered by a letter of credit. Importers of essential producer and consumer goods and decontrolled items, however, are permitted to purchase on a "documents against payment" or 90-day (maximum) acceptance basis. Banking services are adequate and reliable.

Canada and the Philippines accord each other most-favoured-nation tariff treatment. The preferential tariff that the United States enjoys in the Philippines should be mentioned. This tariff advantage of 25 per cent less than the normal rate of duty will be reduced to 10 per cent on January 1, 1965, and disappear on January 1, 1974. The (selling) rate of exchange on the Canadian dollar, at present pesos 3.64 as against pesos 3.92 to the U.S. dollar, helps the Canadian ex-

porter to overcome this disadvantage to some extent.

### Canada's Opportunities

Canadian exports to the Philippines rose from \$14 million in 1958 to \$14.9 million in 1959, fell slightly to \$14.8 million in 1960, and increased to \$15.6 million in 1961. Sales from January to November 1962, at \$17.4 million, indicate that the rise is continuing.

Canadian products being sold regularly and in volume to the Philippines include wheat, malt, wood pulp, newsprint, copper pipe and tubing, metallic salts, and base metals. These bulk commodities are brought in by a few large customers within an established market pattern. Other important items are chemicals, fertilizers, electrical measuring instruments, telephone apparatus, mining and drilling machinery, and synthetic rubber.

There are a number of other products that Canada could supply in greater volume, such as milk powder; automotive spare parts; mining, logging and sawmill equipment; structural steel; paper products, including sensitized film and paper; temperate zone fruits, canned foods, breeding livestock; chemicals, fertilizers, pigments and dyes, pharmaceuticals; optical lenses and sun glasses; industrial machinery; electrical equipment; plastic laminate board, plastic raw materials, and hardware items, such as wire and cable, screws, bolts and hand tools.

The demand for engineering and contracting services is gradually increasing, though Canadian firms are hampered by the 15 per cent competitive price advantage given to local and U.S. participants in international tenders. However, the increasing number of development projects being planned both by the Government (under its current five-year socio-economic program) and private investors (including a number of foreign firms), makes it worthwhile for Canadian consultants and contractors to keep in



*This shipment of more than 2,000 chicks of special breeding stock from Canada is being sped on its way in Manila. The chicks will be used to boost local poultry production. On the left is a Canadian poultry-breeding specialist and on the right the author of this report, W. B. Walton, Assistant Trade Commissioner, Philippines.*

touch with the Canadian trade representative in Manila. Companies seriously interested in selling their services in the Philippines should also reach a working agreement with qualified and reliable local representatives.

### Entering the Market

If a number of Canadian goods are currently being imported into the Philippines, why are other Canadian products not selling to this market though other countries are supplying them? There are several probable reasons; among them are:

- Lack of interest. Some Canadian exporters may concentrate their promotion efforts on markets they know better—or those closer to home.
- Lack of knowledge. Many firms don't know enough about the Philippines, but this can be remedied.
- Price. Some Canadian products are too high-priced for this market, which is wide open to all but Communist-made goods. Have you done

all you can to make your export quotation competitive?

- Shipping. Shipping services may not be the best possible. There are, nevertheless, regular sailings to the Philippines from Vancouver and from St. Lawrence, Atlantic and Great Lakes ports.

You—the Canadian exporter—can ascertain sales possibilities in this market by writing (airmail, please) to the Canadian Consulate General, P.O. Box 1825, Manila, or to the Department of Trade and Commerce in Ottawa. If the Trade and Commerce representative in Manila has reason to believe, after making preliminary inquiries, that there is a chance for your product, he may:

- (1) request literature and samples (if practicable) to help him in locating importers
- (2) forward the addresses of reliable local agents or marketing survey firms
- (3) suggest that you make a personal visit to the Philippines—per-

haps as part of a Far East tour (Japan, Hong Kong, Singapore, Taiwan, etc.) or as part of a round-the-world trip covering Europe and the Middle East.

Firsthand experience of local conditions and personal contact with buyers is still the best way of obtaining and maintaining sales. The Manila office will do everything it can to make your visit a fruitful one. Don't forget to:

- Write well ahead of time, so that we can give you the general picture.
- Cable details of your itinerary, when dates have been definitely set. We will be pleased to make appointments and reserve accommodation, at your request. Hotels, although not of European standard, are adequate.
- Obtain a visa (where necessary) for all the countries on your itinerary.
- Bring your health certificate, indicating smallpox vaccination and a recent cholera vaccination.

### The Outlook

A number of developments should favour progress in the Philippines this year. For example, accelerated reparations payments by Japan in goods and services may total \$55.8 million for July 1962 to July 1963. The larger portion of this is allocated to productive private enterprises. A good part of the \$73 million reparations payment recently granted by the United States is expected to be paid to the Philippines during the course of this year. These funds will help the Government to make progress with the development program.

Throughout 1962, the peso and domestic prices were relatively stable. The balance of payments showed a surplus of U.S.\$29 million for the year, compared with a deficit of U.S.\$77 million in 1961. Domestic and export crops increased and industrial production rose 7.3 per cent. All this, coupled

with the development program of President Macapagal, gives grounds for optimism about 1963. However, the Canadian exporter will have to make a wholehearted attempt to sell

successfully in this market, which is visited regularly by businessmen from Japan, the United States, Australia, Britain, West Germany, the Netherlands and Belgium. ●

## TAIWAN: Growing Industry

Building up of new export industries increases demand for materials, equipment; Canadian sales are increasing. Canadian consulting engineers should investigate industrial expansion opportunities.

W. B. WALTON, *Assistant Trade Commissioner, Manila.*

ARE Canadian exporters overlooking sales opportunities in Taiwan? Recent foreign trade statistics of the Republic of China (Taiwan) can help us to assess the market potential.

As Table I shows, Taiwan's exports in 1952 were valued at U.S.\$119.5 million and its imports at U.S.\$207 million, of which U.S.\$89.1 million was in the form of U.S. aid. The corresponding figures for 1961 were U.S.\$214 million for exports and U.S.\$323.6 million for imports, of which U.S.\$108.2 million was U.S. aid.

Exports during the period January to November 1962 totalled U.S.\$214.8 million. The estimated export figure for the whole of 1962 is U.S.\$240 million, despite drought and restrictions imposed by the United States on textile imports and by Japan on imports of bananas from Taiwan. Imports from January to November 1962 totalled over U.S.\$280 million; of this, U.S.\$207 million worth was purchased through normal commercial channels and about U.S.\$73 million was in the form of U.S. aid shipments.

Table II classifies imports by value and as a percentage of the total.

Table III gives a commodity breakdown of commercial pur-

chases by Taiwan during the period January to November 1962 and 1961.

### Foreign Trade Increases

A study of these tables indicates that:

1. Taiwan's foreign trade has increased markedly over the past decade. Exports have gone up by about 100 per cent and imports by 50 per cent.
2. The trade deficit, which totalled U.S.\$87.5 million in 1952 and U.S.\$68.4 million in 1958, rose to U.S.\$109.6 million in 1961. For the period January/November 1962, it fell to approximately U.S.\$65.5 million.
3. Approximately three-quarters of all imports in 1960 and 1961 consisted of capital goods or raw materials.
4. U.S. aid arrivals increased annually in absolute value up to 1961, but decreased as a proportion of total imports from 43 per cent in 1952 to 33.4 per cent in 1961. A further drop occurred in January/November 1962, when U.S. aid shipments amounted to 26 per cent of total imports.

The great increase in foreign trade has come about as a direct result of the rapid industrial expansion within the framework of Four Year Development Plans initiated by the Chinese Government. The third plan, which began in 1961, continues to encourage private industry through investment and export incentives.

Taiwan has limited natural resources and does not yet produce sophisticated machinery and equipment. Because of its many import needs and the limited home market (11.5 million population), the country must export. To export competitively, it must increase and diversify its industries. Imports of both capital goods and raw materials are therefore needed and foreign investment is of course encouraged.

The biggest foreign investment project under way is a urea plant, built jointly by the Chinese Petroleum Corporation, American Mobile Chemical, and the Allied Chemical Company. Seventy per cent of the capital (U.S.\$22.5 million) will be supplied by the U.S. firms. Other projects in progress are an ammonium sulphate plant (Taiwan Fertilizer Corporation), a pharmaceuticals plant (Charles Pfizer), a heavy electrical machinery project (Tokyo Shibaura), a new cement plant (Universal Cement), a cannery (Taiwan Pineapple Corporation), and a window and polished glass factory (Shinchu Glass Works).

The expansion of electric power and transportation facilities has also received emphasis. In December 1961, installation of the Taiwan Power Company's second turbine generator at the Shenao Thermo Station increased the company's installed capacity to 924,000 kw., more than three times the 1951 figure of 305,000 kw. Present planning calls for a further increase of a million kw. within the next six years.

The average annual increase in electric power sales has equalled about 18 per cent during the past

TABLE I  
FOREIGN TRADE OF TAIWAN  
(millions of U.S.\$)

Period	Total Exports	Total Imports, of which:	Exchange Settlement	U.S. Aid	Others
1952	119.5	207.0	115.2	89.1	2.7
1953	129.8	190.6	100.6	84.0	6.0
1954	97.8	204.0	110.2	87.9	5.9
1955	133.4	190.1	91.6	89.2	9.3
1956	130.1	228.3	114.4	96.5	17.4
1957	168.5	252.2	138.8	98.7	14.7
1958	164.4	232.8	127.7	82.3	22.8
1959	160.5	244.4	150.4	73.4	20.6
1960	169.9	252.2	143.2	90.9	18.1
1961	214.0	323.6	191.9	108.2	23.5

Source: Bank of Taiwan.

TABLE II  
IMPORTS INTO TAIWAN

Year	Value of imports (millions of U.S.\$)				Per cent of total imports (per cent)			
	Capital goods	Raw materials	Consumer goods	Total	Capital goods	Raw materials	Consumer goods	Total
1958	69.1	115.0	48.7	232.8	29.7	49.4	20.9	100
1959	77.5	122.9	43.9	244.3	31.7	50.3	18.0	100
1960	70.2	120.2	61.8	252.2	27.8	47.7	24.5	100
1961	97.0	152.5	74.1	323.6	30.0	47.1	22.9	100

Source: Bank of Taiwan.

TABLE III  
TAIWAN'S IMPORTS THROUGH EXCHANGE SETTLEMENT\*

Items	Jan.- Nov. 1962	Jan.- Nov. 1961	Items	Jan.- Nov. 1962	Jan.- Nov. 1961
	(A)	(B)		(A)	(B)
	(000 U.S.\$)			(000 U.S.\$)	
<b>Total</b>	<b>207,357</b>	<b>172,902</b>	Earth, stone and products	1,079	1,349
Capital goods	43,783	36,031	Gypsum and asbestos	686	643
Of which:			Consumer goods	30,315	34,176
Machinery and tools	26,534	19,781	Of which:		
Vessels, vehicles and parts	9,990	11,889	Cotton piecegoods	109	100
Electrical materials	7,259	4,361	Marine products	398	426
Raw materials	130,070	102,143	Food, drinks and seeds	499	616
Of which:			Wheat, flour and cereals	631	1,354
Ores, metal and products	34,882	25,318	Beans and peas	3,533	1,019
Chemical raw materials	8,722	6,725	Edible oil	2	666
Chemical fertilizer	10,215	14,437	Milk and its products	3,102	2,934
Paints and dyes	3,336	2,808	Tobacco and wines	2,020	995
Oils and waxes	4,140	4,011	Photographic materials	1,214	972
Crude oil and fuel oil	16,544	12,440	Pharmaceuticals	8,729	7,149
Plastic and products	2,952	1,815	Office requisites	443	399
Paper and pulp	3,792	2,346	Scientific instruments	3,349	2,681
Rubber and products	3,133	1,577	Printing materials	99	120
Timber	7,031	3,950	Hides and leather	1,233	1,231

\*That is, other than U.S. aid shipments.

sixteen years, indicating regular and rapid growth of industry and of electric utilities.

On the transportation side, the development program being undertaken by the Ministry of Communications during the Third Four Year Plan comprises:

- Construction of ocean-going and coastal vessels—U.S.\$17 million (about one-half of the eventual cost). The remainder is to be paid in subsequent instalments.
- Harbour improvements — U.S. \$152 million.
- Civil aviation—runways, buildings and radar or radio equipment —U.S. \$47.5 million.
- Railways — electrification, locomotives, passenger and freight cars, traffic control systems, etc.—U.S. \$242.75 million.
- Highways—construction, improvement, and transportation equipment (buses and trucks)—U.S.\$193.8 million.

Industrial projects completed in 1961 and 1962 include a bagasse shavings board factory at Kaoshiung (Taiwan Sugar Corporation); a pharmaceutical plant at Hsinchu (Taiwan Sugar Corporation and American Cyanamide Company) producing antibiotics, vitamins and hormones; expansion of production at the Taiwan Cement Corporation Kaoshiung plant to its present capacity of 600,000 tons a year; a second cement plant producing 150,000 tons a year (Asia Cement); a glass container plant (Young Brothers); replacement of the Taiwan Aluminum Company's potline; two agricultural machinery plants (joint ventures with Japanese firms).

French, Japanese, United States, German and other engineering firms are taking part in this economic development and Canadian consulting firms might well look more closely at this area.

The fastest growing industries in Taiwan are the manufacture of

cement, P.V.C. resins, plywood and canned mushrooms—all private enterprises. These industries, all looking to export markets, indicate the increasingly important role given to private enterprise by the Government. In 1952, production in the private sector amounted to 40 per cent of total industrial production; this has gradually risen to 61 per cent.

### Foreign Investment Encouraged

The Government of Taiwan is anxious to encourage foreign investment in industrial production and has established regulations and facilities designed to attract it. Lines of production considered profitable investment opportunities are:

steel mill products	electronics
chemicals— natural gas	small compressors
plastics	sewing machines
resins and synthetic fibres	fabricated metal products
water pumps	glass products
chemicals— petroleum	farm machinery
optical products	watches, clocks and parts
	hand tools

Industrial investment in Taiwan is favoured by a good supply of relatively cheap and skilled labour, adequate electric power at reasonable rates, comparative security of investment, the strategic location of Taiwan vis-à-vis South East Asian markets, good shipping facilities and the stability of the currency. But there are also two restricting influences: the limited domestic market and the high interest rates.

### Trading Partners

Taiwan's principal customers are Japan, the United States, Hong Kong, Vietnam, West Germany, Thailand, South Korea, Britain, Singapore, the Philippines, Morocco, Malaya and Iran. The principal exchange earners were sugar, chemicals, textiles, agricultural products, ores and metals.

Its main suppliers include Japan, the United States, Kuwait and Iraq (oil), West Germany, Thailand, Australia, the Philippines, Britain and Hong Kong.

Canadian exports to Taiwan have risen steadily during the past few years, from about Can.\$1.2 million in 1958 to Can.\$2.9 million in 1960. In 1961 they showed a slight decrease to \$2.2 million and for the first eleven months of 1962 rose to \$4.3 million, a substantial increase over the same period of 1961.

The more important commodities sold to Taiwan during 1962 were: wheat; wood pulp; primary zinc, nickel, lead and aluminum; chemicals and sulphur; asbestos fibres; synthetic rubber; copper pipe and tubing; fire brick; aircraft; switchgear protective equipment; plastics and resins; radio/television equipment, and card-punch machinery, computers and parts.

Taiwanese exports to Canada totalled Can.\$716,000 in 1959, \$1.5 million in 1960, and Can.\$1.8 million in 1961. The most important items were canned pineapple and vegetables, mahogany, hardwood plywood, tea, cotton clothing and menthol.

### Prospects Are Good

Many Canadian businessmen have not yet investigated Taiwan as a potential market. This brief review of its foreign trade and industrial development during recent years will make it clear that Taiwan is buying from many countries, in addition to the United States. Capital goods and raw materials, especially those for processing into export products, are required by a developing industry. There is also a demand for certain consumer goods that cannot be supplied locally. A population growing by 3.5 per cent a year and a rising standard of living (the national income is expected to increase by 8 per cent a year and per capita income by 4.8 per cent) should maintain this demand.

The Trade Commissioners stationed in Manila are responsible for trade with Taiwan; they visit it regularly and endeavour to keep Canadian businessmen informed of sales opportunities in that country. Inquiries from exporters of goods and services are welcomed. ●

# MALAYA: New Directions

Birth of Malaysia Federation, expected this year, should benefit both Malaya and Singapore, open up new avenues to Canadian exporters. Some consumer goods may face tariff barrier as industries advance.

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

THE short and long-term outlook is for continued economic growth in the Malayan Peninsula, although the rate of expansion may be slower than was earlier predicted. Despite determined and moderately successful efforts to diversify production of export commodities (examples are palm oil and iron ore) Malaya still depends heavily on rubber and tin for its livelihood. These two products account for 75 to 80 per cent of total export earnings and the export taxes levied on them make up a sizable portion of government revenues.

The price of natural rubber sank to Can.\$0.25 a pound in the spring of 1962 but there has been a gradual recovery since and the current price is about Can.\$0.28. The intense competition from synthetic rubber is expected to result in somewhat lower prices over the

coming months. However, because of systematic replanting with high-yielding stock, Malaya is now the world's most efficient producer of natural rubber and sales prospects are not viewed with too much concern. The world price of tin has also weakened, principally because of the large quantities held in the U.S. Government stockpile and the uncertainties of disposal. The weakness in prices of these two key commodities is causing the Federation Government to modify to some degree certain of the development schemes in the Five Year Plan.

Malaya is, however, still in a sound financial condition and foreign exchange reserves are considered adequate. Although the country is operating with a modest balance-of-payments deficit on current account (which is expected to become larger as the Five Year Plan

progresses) there is no talk of import restrictions because the hope is that the inflow of investment funds will eventually close the gap.

## Malaysia Being Created

This year will be one of exceptional importance in this area because it is virtually certain that by August 31 the new Malaysia Federation—embracing the Federation of Malaya, Singapore, North Borneo, Sarawak, and perhaps Brunei—will come into being. Malaysia will have a population of ten million, a good portion of which already enjoys the highest living standards in Asia. Eventually Malaysia will be surrounded by a common protective tariff. The main economic benefit of the merger is expected to be that the larger internal market and the chances of greater political stability will attract more foreign investment to the area as a whole. In addition, the pepper, timber and petroleum of the Borneo Territories will help to diversify export production.

The creation of Malaysia will bring Singapore far-reaching benefits. The prospects of greater political and industrial stability and the large pool of unemployed workers will undoubtedly attract new industries to the choice tidewater industrial sites now available. Although details of Singapore's entry into the Federation are still being worked out, it is generally agreed that it will continue to function as an entrepôt port but at the same time industries will be given tariff protection. In fact, Singapore has already moved in this direction because tariff protection has for some time been given to the paint and soap industries. The newly-formed Tariff Advisory Commission has just announced that it is considering, at the instigation of the government, 30 products for tariff protection. These are chiefly the more common consumer goods but the list includes electric motors up to two horsepower and insulated electric wire. As time goes on, additional prod-

*These "tappers" on a rubber estate are bringing the liquid latex to the factory. Synthetic replanting with high-yielding stock has made Malaya the world's most efficient producer of natural rubber and has improved its future sales prospects.*



ucts will be brought before the Commission and it is likely that, if tariff protection is given, the rates of duty for the sake of conformity will be similar to those imposed by the Federation of Malaya.

### **Private Investment Encouraged**

The economic success of the new Malaysia and the successful carrying out of the Five Year Plan (which is to be extended to include the new members of the Federation) will depend to a large degree on the rate of private investment. Although the Federation of Malaya has been reasonably successful in promoting the establishment of new industries over the past four years, at present manufacturing activity contributes less than 6 per cent of the gross domestic product. To stimulate private investment, the Government is considering certain measures. These include a revision of the tariff structure, creation of new industrial estates and extensions of existing ones, and additional loans to, and reorganization of, the Malayan Industrial Development Company Ltd., whose prime task is to make loans to small and medium-size businesses. With the new loans from the Government and the expected contribution from the World Bank, the total resources of the company will increase from the present equivalent of Can.\$6.1 million to Can.\$87.5 million. The Government intends to continue its policy of championing private enterprise and encouraging the investment of foreign capital. "Pioneer status" (relief from income tax) will continue to be granted to appropriate new industries.

### **Canadian Sales Prospects**

The establishment of new industries and the expansion of existing ones throughout Malaysia will mean opportunities for increased Canadian exports to the area. Many of the manufacturing plants will be set up with the intention of replacing imported goods and exports of some Canadian consumer goods may

suffer. But the growing demand for materials, components and industrial machinery should more than offset any decline. Canadian components, materials and equipment are already finding their way into this market. To give a few examples, Canadian materials are being used in the sulphuric acid, glass container, electric wire, dry cell battery, paint, asbestos cement and aluminum industries. Canadian-made steel buckets are being installed in tin dredges and Canadian equipment is going into the steel plant now being built in Singapore.

### **Doing Business**

The advent of Malaysia should not bring about any change in trading conditions from the Canadian exporter's point of view. The area that will make up Malaysia is already served by a common currency, the Malayan dollar, and most agency houses and import firms cover the whole region through their various branches. However, in looking at the Malayan market Canadian exporters should bear in mind that it is, and will continue to be, extremely competitive because it is open to all the world and there are no import or exchange restrictions.

Just about anything can be sold that is in keeping with the tropical climate, provided the price is right, and there is demand for both low and high-quality goods. For historical reasons, demand is slanted towards British-style goods and equipment but American-style goods and equipment are becoming increasingly popular. Consumer goods are distributed in the same manner as they are in Canada; the importer-wholesaler-retailer pattern is the same. The large agency houses usually handle a full range of goods, from hairpins to locomotives, but there are some firms which restrict their activities to a narrow range of goods. Most business conducted in Malaya involves the granting of credits of up to 90 days. The larger trading firms have the resources to finance these credits but some of the

smaller ones, particularly those newly established, attempt to obtain corresponding credits from their overseas suppliers. Canadian exporters should never give credit unless they are absolutely sure of their customer. This office can advise them.

The major suppliers to the Malayan market are Britain, Japan, West Germany and Australia. Imports from the United States are increasing, especially in heavy road-building, construction, and transport equipment. Although Canada is still a minor factor in the market, during the first six months of last year over 200 classes of goods (DBS) were exported. This wide range gives some idea of the scope of the market. The most important exports by value were wheat flour, rolled oats, asbestos fibres, plastic materials, automobiles and marine engines.

### **What to Sell**

In dealing with the Malayan market, Canadian exporters often find themselves at a freight-rate disadvantage compared with European, Australian and Japanese suppliers. The Conference lines are always open to suggestions and are willing to reduce rates if continuing business will result. In judging his competitive position, the Canadian exporter should not overlook the fact that the Federation of Malaya grants preferential tariff rates on certain goods originating in Commonwealth countries and presumably these rates will be incorporated into the common tariff for the whole of Malaysia. Canadian exporters might well examine the following list of commodities, or groups of commodities, which are produced in Canada and which are granted preferential rates of duty, because it is in these lines that they have, other factors being equal, a competitive advantage over exporters in non-Commonwealth countries.

Spiritous beverages and beer  
Unmanufactured and manufactured tobacco  
Cigars  
Cigarettes

Waste and used leather  
 Mineral waxes  
 Perfumes  
 Sporting ammunition  
 Rectangular flooring tile of artificial plastic material  
 Imitation leather  
 Composition leather  
 Calf, cow, sheep and goat leather in general  
 Dressed leather in general  
 Canned milk  
 Powdered milk for human and animal consumption  
 Canned fish in general  
 Canned crustaceans and molluscs  
 Canned fruits in general  
 Canned vegetables in general  
 Margarine  
 Leather articles or composition leather for industrial purposes  
 Prepared parts for footwear of leather (rubber soles, heels, etc.)  
 Rubber flooring tiles  
 Automobile and cycle tires and inner tubes  
 Newsprint in rolls or sheets  
 Uncoated and coated printing paper  
 A wide range of textile fabrics and cloths of natural and manmade fibres  
 Asbestos clothing  
 Domestic water heaters non-electrically operated  
 Radio and TV receiving sets  
 Flashlight batteries and parts  
 Radio valves in general  
 Cathode ray tubes  
 Electrical capacitors  
 Indoor lighting fittings of copper  
 Travel goods  
 Handbags, wallets, briefcases, etc., of leather, imitation leather or textiles  
 Clothing in general  
 Footwear in general  
 Musical instruments  
 Protective masks for welders  
 Articles for sports and outdoor games  
 Candles, tapers, etc.

Canadian exporters have lost business in Malaya because their goods have taken too long to arrive—in some instances, as long as five months. As a result, importers lose interest and understandably do not wish to place repeat orders. Before placing a shipment on any particular vessel, the exporter should inquire when the vessel is scheduled to arrive in Malaya. There are frequent fast sailings from the east and west coasts of North America and these vessels should be used whenever possible. This is particularly essential for high-value goods. ●

## PAKISTAN: Planned Progress

Five year plan, with foreign aid, nearing objectives; leads to emphasis on imports of capital equipment, raw materials. Best Canadian opportunities lie in these fields, plus engineering services.

J. E. LANCASTER, *Commercial Secretary, Karachi.*

PAKISTAN offers the Canadian exporter a market of 94 million people increasing by 2 per cent a year. The economy, progressing under a five year economic development plan (1960-65), is approaching the targets set, assisted by substantial amounts of foreign aid. The International Bank for Reconstruction and Development (World Bank) and the six countries of the Washington consortium (including Canada) have pledged aid totalling \$945 million in the fiscal years 1961-62 and 1962-63. More aid funds will be needed to cover the final years of the Plan. Paralleling these developments is the \$1.8 billion Indus Basin development scheme being carried out under the aegis of the World Bank and with financial assistance from certain friendly countries, including Canada. Projects under this scheme are open to qualified Canadian firms who can compete for international tenders. A comprehensive multi-million dollar project is being coordinated to attack the twin curses of waterlogging and salinity that are estimated to be eroding 100,000 acres of arable land every year in West Pakistan. These developments are counterbalanced to some extent by the limited purchasing power of the masses and the severe import restrictions that the Government of Pakistan maintains.

### Achieving Economic Objectives

The Canadian businessman, to appreciate the Pakistani market, must have some understanding of the fundamental basis of the economy and the current trends. Pakistan is basically agricultural, with 80 per cent of its population living on the land. Nevertheless, industri-

alization has made progress in recent years. The establishment of light industry (including the manufacture of textiles) has advanced sufficiently to permit the Government to emphasize now the development of heavy industry. The surge forward has been great enough to enable the Pakistani authorities to claim that the "population barrier has been broken" with a 3.7 per cent increase in national income per year 1960-1962 compared with a 2 per cent annual increase in population.\*

According to a midterm review of the Five Year Plan the economy is demonstrably nearing the established objectives as the following figures from a report of the Planning Commission show.

	Five-year target	Two-year growth
	(per cent)	
National income	24	11
Foodgrains production	21	20
Industrial production	60	23
Power generating capacity	55	30

### The 1962 Picture

Last year industrial production continued to rise and totalled 14 per cent over 1961. A number of new industrial plants are being planned, are under way or are on stream, including oil refineries, steel mills, fertilizer plants and others. The Government's financial policy has led to stable money and prices and a balanced budget so that there is little evidence of inflation. These and other factors have encouraged foreign investment, which has averaged Can.\$20 million a year in the

\*State Bank of Pakistan figures.

period 1957-62. Official holdings of gold and foreign exchange declined throughout the year and fell to a new low in the third quarter. With the seasonal recovery they were equivalent to Can.\$264 million at mid-December.

Crops last year (including cotton and wheat) were good to excellent, with the exception of rice and jute, which suffered losses from extensive flooding in East Pakistan. The tea crop too was smaller; tea export quotas had to be halved and finally government authorization was obtained for imports of tea to meet domestic needs.

### Trading Position

As a developing country and raw material producer, Pakistan has suffered from adverse terms of trade with the fall in world prices of such important exports as jute and the income of producers has consequently decreased. Britain's negotiations for possible accession to the European Economic Community created uncertainties over Pakistan's present and potential export market there. In the circumstances Pakistan is making efforts to develop alternative markets, especially among its Asian and African neighbours, including Communist China. Large supplies of raw cotton that have been overhanging the market will be purchased by Communist China according to a trade agreement signed between Pakistan and that country in January 1963.

Trade deficits have been increasing: Rs377 million (Can.\$85.3 million) for January-March 1962 to Rs.437 million (Can.\$98.9 million) April-June 1962. Year-end figures show that although exports have remained at the 1961 level with particularly disappointing results from cotton textiles, imports increased by 31 per cent over 1961.

### Possibilities and Problems

The major limitations on building up an export market in Pakistan are the low purchasing power of the population and the import restrictions maintained by the Govern-

ment. The average Pakistani has a purchasing power of only \$60 a year, about one-thirtieth of that of the individual Canadian. This means that the majority of Pakistanis are not in a position to buy anything but the simplest imports. In addition, with the shortfall of gold and foreign exchange holdings and the heavy foreign exchange expenditure for the many development projects, the Government of Pakistan has had to enforce import control measures that not only restrict imports but serve to channel them into certain categories.

Current official import policy is announced for successive six months' "shipping periods"; the most recent is for the January 1-June 30, 1963, shipping period. According to the official statement "... the basic idea underlying the import policy for the next shipping period (first six months 1963) is one of meeting essential requirements, particularly those in the industrial sector, by devising a policy aimed at boosting indigenous manufacturing." Thus, emphasis is being placed on the licensing and availability of industrial raw materials (these may include semi-manufactured and manufactured goods) and spare parts needed by Pakistan's secondary industry. Conversely, there is a further squeeze on the import of consumer goods. Many products can only be imported under the bonus voucher scheme. This scheme is part of an export promotion arrangement that permits Pakistani exporters of certain manufactured and processed goods to retain a percentage of their foreign exchange earnings in the form of bonus vouchers. These vouchers are legally transferable on the market and sell at a premium. Importers use them to bring in goods they cannot otherwise import commercially, but the landed cost of goods purchased under this scheme is effectively trebled. Canadian exporters, although they appreciate the export openings provided by the bonus voucher system, have often found in practice that orders

filled on this basis are too small to be worthwhile.

### Import Pattern Affected

In effect, Pakistan's present import policy is liberal in the sense that it serves to assist the development of secondary industry by providing sufficient raw materials and spare parts. It also maintains a substantial number of essential commodities on Open General Licence (certain items for industrial use and consumer goods, such as automotive vehicles for East Pakistan, chemicals, office machines, etc.) and permits the import of otherwise unlicensable goods under bonus vouchers. Nevertheless, the policy is both restrictive and protective as it tends to freeze the pattern of consumer goods imports and to restrict the import of both consumer and capital goods that may be obtained from Pakistan's expanding domestic industry. To meet this challenge effectively, exporters long established in this market have sometimes found it necessary to set up production facilities, frequently as joint ventures with Pakistani capital. The pharmaceutical industry is a case in point.

The vast amounts of foreign assistance in the form of grant aid and long-term credits flowing into Pakistan naturally affect the pattern of imports one way or another. For practical purposes, aid supplied by the countries of the Washington consortium is "tied"—that is, reserved for firms or suppliers based in the donor country. There is thus a tendency for trade, especially in certain categories, to be diverted towards suppliers in the aid-giving countries. Furthermore, a number of agricultural and industrial commodities and capital equipment are being supplied under the various aid programs and this lessens the possibility of marketing them on a commercial basis.

### Market Prospects for Canada

Among the circumstances that reflect on Canada's ability to sell in Pakistan is our geographical re-

moteness and the shipping problems which distance raises. Canada is a relative latecomer to this market and is not widely known as a supplier. Canadian aid-financed projects in Pakistan, however, have tended to focus official attention on our capabilities, particularly as producers of complex engineering equipment, including that for hydro and thermal electric stations, long-distance transmission lines, plant equipment and machinery.

Pakistan is a price market, especially for consumer goods. Because of import restrictions and other reasons, prospects for selling these goods are limited. Canadian exporters find that it is nearly always essential to appoint an agent to look after their interests, whatever type of product they hope to sell. This is particularly true in selling to government and semi-government organizations, collectively the largest importers.

Because of the shortages of foreign exchange and the intense international competition in this market, it is practically always necessary to offer credit terms in selling capital equipment. For this reason, the financial arrangements available from a consortium of Canadian banks and the Export Credits Insurance Corporation should be of increasing importance.

Because of the tremendous engineering developments already outlined and because Pakistan lacks sufficient trained personnel to meet all its requirements, prospects for experienced Canadian engineering firms selling their services here are favourable. However, interested Canadian engineering firms, in consultation with the Department of Trade and Commerce, Ottawa, and the High Commission, Karachi, should be prepared to have a senior official visit Pakistan to make contacts and size up the market. This visit should be followed as soon as practicable by the establishment of a permanent representative in Pakistan.

In attempting to assess Pakistan's economic future and the prospects

for Canadian export sales, it must be realized that the country still confronts economic problems of serious proportions. On the other hand, the Pakistani authorities have been prepared to face the situation squarely and, with the help of certain friendly nations, the economy

is undoubtedly making progress. Given continuing political stability, the formulation and execution of wise economic policies, and more favourable world conditions for primary producers, Pakistan may well become an attractive outlet for Canadian exporters. ●

## **INDIA: Trade Restricted**

**Import demands for the Third Five Year Plan, plus defence requirements, bring severe shortage of foreign exchange, stringent trade controls. Canadians might supply needed goods under aid programs.**

GERALD A. NEWMAN, *Commercial Counsellor, New Delhi.*

CONFRONTED with the second largest population in the world (nearly 440 million—1961 census), increasing by 8 to 10 million a year, the Indian Government in 1951 began the first of its Five Year Plans designed to raise the per capita income of \$60 a year to \$110 within 25 years. In the succeeding decade of the First and Second Five Year Plans, \$15 billion was poured into projects for all-round development with special emphasis on industry. It resulted in a 30 per cent increase in real income, or a per capita rise of about 1.5 per cent a year. An industrial complex began to take shape around the major commercial cities, headed by three new steel plants with an annual capacity of one million tons each. In the course of this effort India exhausted its foreign exchange reserves and came to rely heavily on foreign aid imports and long-term loans to finance its capital projects. For the most part, these were tied to countries supplying the aid.

### **Problems Arise**

At the same time, it became apparent that an industrial complex superimposed on a primarily agri-

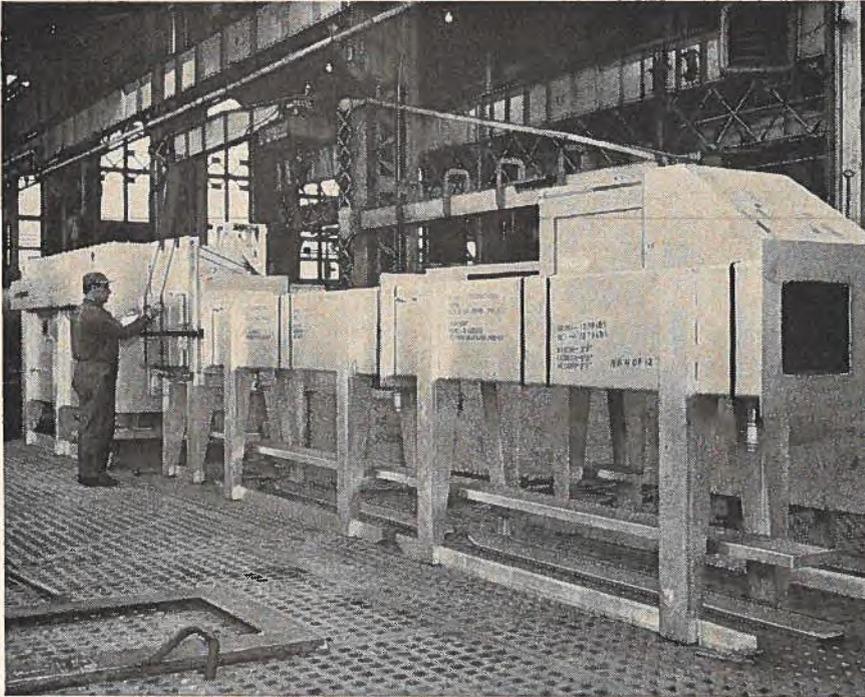
cultural economy was creating needs for imported materials and components far beyond the country's capacity to pay in terms of its exports, which are predominantly agricultural. Import restrictions of increasing severity were imposed, eliminating in the process consumer goods of all kinds and then reducing commercial imports of industrial materials and components.

A slowdown began in some industrial fields—the result of an overburdened transport system, shortages of power and coal, the need for adequately trained technical personnel, and the lack of imported materials because of the serious depletion of foreign exchange.

At the beginning of the Third Five Year Plan in 1961, steps were being taken with the aid of World Bank loans to remedy the transport and coal difficulties and the needs for power were being met under loans and aid from various countries, including Canada. But the foreign exchange position remained serious, with signs of deterioration.

### **Defence Needs Increase**

It is estimated that defence requirements will mean an additional annual expenditure of Rs.400



*India's imports, strictly limited by foreign exchange shortage, are largely confined to badly needed materials and equipment for industry. This Canadian-made electric heat-treating furnace is ready to be shipped to an industrial plant in Poona, India.*

crores and more a year, or about 20 per cent of the annual expenditure under the Third Five Year Plan. At this writing, the Indian authorities are still sorting out the full implications of the new demands and some indication of the financial impact will be given in the Budget which is to be brought down on February 25th. At present, hope is being expressed that foreign financial assistance for defence purposes will be received in addition to the commitments made for the Third Five Year Plan. Foreign missions are visiting India to determine what aid can be supplied to the best advantage. What is already evident from Indian Government announcements is that industrial development will be oriented to defence requirements. It is maintained that a strong basic industrial complex is essential for this purpose—as was already designed under the Third Five Year Plan—and the essential features of the Plan will be adhered to. The 21 industrial fields listed in September 1962 as meriting priority when it comes to expansion are still

recognized and extend from caustic soda through metals and industrial machinery, including paper machinery, to machinery for alloy and special tool steels. But a supplementary list of some 100 industries for which industrial licences will not be issued has now been published. This excludes such industries as durable consumer goods, commercial vehicles, agricultural implements, pulp and paper plants—on the ground that sufficient capacity for the Third Five Year Plan has already been licensed and it is up to those holding these licences to obtain foreign collaboration. (See page 5.)

#### **Import Restrictions Tighter**

The critical position in commercial imports was reflected in the past twelve months in a licensing policy that cut import licences to established importers by 50 per cent and licences to actual users by an undisclosed amount. Although the position has not been publicly indicated, it is known that a shift of imports from cash purchases to

import under aid programs has continued.

Examining India's prospects for 1963, it appears that the total value of agricultural exports will not be significantly different from 1962; that industrial production may be about the same, with a sharp drop in durable consumer goods, and that the value of imports will continue to far exceed the value of exports.

There are indications that joint ventures between foreign and Indian firms, which have been a feature of industry in recent years, will reflect the downturn noticeable in the last quarter of 1962, bearing in mind the smaller latitude for such ventures.

#### **Prospects for Canada**

Against this background, what are the prospects in 1963 for Canadian exports and business with Canada? Assuming that aid and loan programs to India are not reduced in 1963, Canadian firms can expect direct participation in business available under the Colombo Plan and long-term financing provisions.

Participation under tender should be possible in purchases of railway and communications equipment by the Indian Government's Railways and Posts and Telegraph Departments under World Bank loans. There may be also some opportunities in the power fields.

Sales to India under joint company venture arrangements should continue, although on a smaller scale than in 1962. There was considerable exploratory activity in this field (especially in the pulp and paper industry) but with rather modest results because of the difficulties encountered with government controls.

Commercial sales or cash transactions, already at a minimum (restricted entirely to industrial materials from established suppliers), may be further reduced, with certain exceptions such as newsprint and asbestos. The over-all total of these sales, now between \$12 mil-

lion and \$17 million, should remain about the same, allowing for a variation in the pattern of imports.

To sum up, India is going through a difficult period with foreign exchange, as a result of an ambitious plan to expand its capacities, especially in industry. Be-

cause of severe foreign exchange restrictions, trade with India in the foreseeable future is most likely to materialize under Canada's aid programs or World Bank programs. Products that should have the best prospects under these conditions are engineering goods, particularly

in the power and pulp fields; railway engines, supplies and equipment; communications equipment; mining machinery and equipment; non-ferrous metals; asbestos; dissolving pulp, newsprint; synthetic rubber; milk powder; sulphur, and drugs and chemicals. ●

## COMMUNIST CHINA: Change

Food situation seems to have improved but grain imports still needed. Shortage of foreign exchange has led to barring of imports of industrial equipment, complete plants, some raw materials.

PETER M. ROBERTS, *Trade Commissioner, Hong Kong.*

IN 1962 Communist China's economy continued to move in the direction set for it in 1961 and even earlier. Instead of seeking the same rapid development of heavy industry as during the period 1958-60, economic difficulties made it necessary for China's planners to assign first priority to agricultural production and high priority to industries producing raw materials, supplying agriculture, and turning out consumer products that constitute the farmers' incentive to produce. To achieve such a basic change in emphasis, the Chinese Government modified extensively the commune form of organization in the countryside. Peasants were again permitted to cultivate small private plots and to sell the produce on the open market. The "Basic Accounting Unit", which in effect means the basic farm, was reduced from the "production brigade" of as many as a thousand families to the "production team" of only 20 or 30 families—a drastic decentralization and splintering of agricultural production.

### Food Supply Improved

These and parallel measures—such as the transfer of part of the labour force to the countryside and a new emphasis on the need for

careful planning and accounting—seem to have improved the food situation somewhat. Few figures have been published; neither a plan nor a budget has appeared for 1962 and little has been said of the Third Five Year Plan, which should have started in 1963. But certain signs suggest that rice production in 1962, despite increased acreage and the introduction of double cropping, has remained at the level of 1957 and that wheat production has fared less well. The cotton crop, although it is said to have improved a little over 1961, has still been far too small for domestic needs, let alone for export. The reintroduction of private plots has had its effect, however; the larger Chinese cities are said to be well stocked with vegetables, many of them privately grown and sold.

The over-all picture, therefore, is one of very gradual improvement in production. This is stated realistically in the communique of the September plenum of the Chinese Communist Party Central Committee, which claimed that the harvest in 1962 had been "slightly" better than that of the previous year, which was also "slightly" better than its predecessor. This sober appraisal suggests that a new investment pattern, new organizational forms, new

incentives, better management and somewhat better weather have resulted in modest gains in agricultural production. These have clearly not been enough, however, to compensate for continuing population growth or to repair the damage done by the past harvest failures. Heavy grain imports therefore continue to be necessary.

### Industrial Picture

Industry too developed along the lines laid down in 1961. Heavy industry (including the shipbuilding, automobile and tractor industries) apparently stagnated during the year but special steels were still being produced for the manufacture of some farm implements, bicycles, radios, sewing machines and the like. Nothing was said during the year about progress on the nearly-completed Sanman Gorge Dam (1.1 million kw.) but small hydroelectric power stations were being built all over the country to supply power to villages and to run irrigation pumps. The timber industry experienced steady mechanization throughout the year and those sections of the chemical industry (fertilizers, insecticides, plastics) that related either to agriculture or to consumer goods were apparently given high priority.

### Foreign Trade Pattern

The decision to give primacy to domestic agriculture and to supplement its products with imported grain has led to fundamental changes in China's pattern of for-

ign trade. Although it is the stated purpose of the Chinese Government to return as soon as possible to a program of rapid industrialization, the new foreign trade pattern is likely to continue for at least several years.

The problem for Chinese foreign trade in 1962, as in 1961, was that foreign exchange earnings from the traditional source—exports of agricultural commodities—were down, but the need for foreign exchange to buy food abroad was up. Most of the difference had to be made up by suspending imports of industrial equipment and complete plants. Imports from the Soviet Union, the main supplier, fell in 1961 by over 50 per cent from 1960. The 1962 figures are not yet available but there is little doubt that the trend has continued. Purchases from Western Europe, Britain and the East European bloc countries also declined substantially. Although Chinese exports to most of these countries fell off during 1961-62, the decline was not so sharp as that for imports. Substantial favourable trade balances with these countries were the result. It is questionable whether these, together with the proceeds from silver sales abroad, have been enough to meet foreign exchange requirements. The fact that China insisted on making grain purchases on credit would suggest that there is still more strain.

#### **Trade with Canada**

Canadian imports from Communist China, at approximately \$3.7 million for the first eight months of 1962, staged a marked recovery from their 1961 slump (\$3.2 million for the entire year) to reach the highest monthly values in recent years. Shelled walnuts continued to rank as the largest single import but Canadian purchases of peanuts, furskins, certain textile products and articles of clothing increased significantly. China was also successful in marketing smaller amounts of a wide variety of commodities.

Canadian exports to China during 1962 reflected the economic situation outlined above. Sales of synthetic fibres, paperboard, sheet steel and aluminum, which had developed during 1960 and 1961, declined sharply in 1962 although there were a few isolated sales of substantial value. Wheat sales, however, at almost \$160 million, were near the 1961 figure and towards the end of 1962 China contracted for 35 million bushels of Canadian wheat to be delivered in 1963. There is reason to think that the requirement for grain imports will continue for some time, in view of the poor or indifferent crops of the past three years and the growth of population in the same period by perhaps 50 million.

It is impossible to predict when China will again become a large

importer of industrial commodities; probably not for several years at least. In the meantime there will be development of light industry and industry serving agriculture. In any event, the new economic pattern that has emerged in 1961 and 1962 has altered the whole basis of China's commercial relations with other countries. It would be premature to predict now how trade will develop. A relatively new factor which has to be kept in mind, however, is the emergence of Japan as an important Chinese trading partner. The conclusion in 1962 of a private Sino-Japanese trade agreement and the muting of Chinese insistence on political preconditions to trade may perhaps give Japan opportunities to develop a special position for itself in the Chinese market. ●

## **HONG KONG: Diversity**

As Colony widens its industrial base, as its manufacturers take new interest in quality, and as it continues to be tourist mecca, Canadians should be able to market new products here, while maintaining sales of established products, such as plastics, aluminum, and wheat.

MALDWYN THOMAS, *Assistant Trade Commissioner, Hong Kong.*

FOR Hong Kong 1962 was a paradoxical year. On the one hand, it witnessed a growing anxiety among the business and industrial community about the effect of international economic developments on Hong Kong's ability to sell in world markets. On the other hand, it saw an increase in economic activity, accompanied by an 11½ per cent growth in exports and re-exports during the first ten months of the year. At the end of 1962 uncertainties about the long-term outlook still clouded the horizon but business was at record levels and ways of surmounting economic problems were being studied. Ac-

cording to Hong Kong statistics, Canadian sales to Hong Kong for the first ten months of the year, at HK\$77.9 million, were slightly ahead of the same period in 1961 and represented a widening of our participation in this market. Another prosperous year for Hong Kong in 1963 should enable Canadian exporters to expand further and diversify their activities in the Colony.

#### **Colony Faces Problems**

Highly industrialized Hong Kong, with almost no natural resources and a small internal market, depends to a very large

extent on foreign trade for its livelihood. Consequently, restraints requested by other countries on exports of the products of its largest industry, textiles, and Britain's negotiations over accession to the EEC created uncertainties over Hong Kong's present and potential export markets. Increased competition, both from other low-cost producers and from the more industrially advanced countries, were additional factors influencing the mood of the business community in 1962.

To counteract these trends, business and industrial leaders began during the year to look for new fields of endeavour and new markets. Special overseas trade missions, the establishment of trade promotion bureaux, and participation in trade fairs in Nigeria, Australia, Europe and the Middle East were evidence of Hong Kong's efforts. Serious attempts were made to improve quality in many fields and the establishment of a radio industry on a large scale, the construction of new rolling mills, and the first exports of cigarettes gave proof of Hong Kong's determination to diversify its industrial base.

### Progress Made

These efforts met with considerable success and despite the problems, 1962 was a good year. Exports rose during the first ten months of 1962 by 12½ per cent to HK\$308 million. Sales of certain cotton textiles affected by the export restraints imposed during the year fell, but a 32 per cent increase in garment sales more than compensated for this loss. Exports of machinery and cigarettes rose sharply and the only large decreases were in the scrap metal trade and in the footwear industry. During the year, the direction of exports tended to shift, with a noticeable drop in sales to Asian countries (particularly Indonesia and Japan) and a large increase in exports to the more sophisticated markets of Western Europe and North America. The increased export activity was reflected in other economic



*A new airport terminal was opened in Hong Kong last November; the airport handles some 570,000 passengers a year. In the background is the runway, which extends 8,350 feet into the sea. Built on reclaimed land, it was completed in 1958.*

indicators. Government revenue reached a record HK\$1,091.7 million, cheque clearances were up 7 per cent, and currency in circulation rose 6 per cent. The price level declined slightly. Investment in new building projects reached almost \$200,000 a day and direct industrial employment increased by nearly 25 per cent to over 293,000.

### Canadian Sales Analyzed

Canadian exporters benefited from Hong Kong's continued high rate of economic activity. They maintained their position in most traditional lines, increased their sales of numerous commodities, and introduced a number of new products to the Hong Kong market. Of Canada's exports of HK\$77.9 million during the first ten months of 1962, 67.3 per cent was contributed by five commodities, in the following order: plastics 20.7 per cent, aluminum 20.4 per cent, flour 12.1 per cent, wheat 7.7 per cent, and textile fabrics 6.4 per cent. The remaining one-third was

spread over a wide selection of industrial raw materials, semi-processed and consumer goods, with only a few large sales concentrated in automobiles, forest products, steel and furs.

### Plastic Raw Materials

During 1962 plastics surpassed aluminum to become the principal export from Canada to Hong Kong's important plastic products industry. The two principal types sold were polystyrene, of which Canada is the main supplier, and polyethylene, with Canada as the second largest source. Total plastic sales to the end of October reached 8,700 tons, of which about three quarters consisted of polyethylene. Total tonnage was somewhat below 1961 figures but large shipments out of the St. Lawrence at the end of the navigation season are expected to bring sales up to those of the previous year. The outlook in 1963 for Canadian exporters remains good, although increased competition from other suppliers,

COMPOSITION OF HONG KONG'S IMPORTS—JANUARY-OCTOBER 1962

	HK\$ million	Per cent		HK\$ million	Per cent
<b>Food</b>	<b>1,348</b>	<b>24.44</b>	Medical and pharmaceutical products	96	1.74
Live animals	214	3.88	Essence, oils, perfume, cosmetics	41	.75
Meat and preparations	68	1.23	Fertilizers, manufactures	11	.20
Dairy products, eggs	127	2.30	Explosives and miscellaneous	182	3.30
Fish and preparations	88	1.60	<b>Machinery</b>	<b>593</b>	<b>10.75</b>
Cereals and preparations	401	7.27	Not electric	246	4.46
Fruits and vegetables	239	4.33	Electric	206	3.74
Sugar and preparations	92	1.67	Transport equipment	141	2.55
Coffee, tea, cocoa, spices	47	.85	<b>Other Manufactures</b>	<b>2,074</b>	<b>37.61</b>
Animal feed	29	.53	Leather	24	.44
Others	43	.78	Rubber	17	.31
<b>Beverages and Tobacco</b>	<b>122</b>	<b>2.21</b>	Wood and cork	23	.42
Beverages	32	.58	Paper and board	128	2.32
Tobacco and manufactures	90	1.63	Textile yarn, cloth and made-up	793	14.38
<b>Crude Materials</b>	<b>885</b>	<b>16.05</b>	Other non-metallic minerals	106	1.92
Hides and skins	4	.07	Silver, gems, jewels	244	4.43
Oilseeds, etc.	33	.60	Base metals	234	4.24
Rubber, including synthetic	17	.31	Metal manufactures	67	1.22
Wood, lumber, cork	69	1.25	Prefabricated buildings, fittings	18	.33
Pulp and waste paper	1	.02	Furniture and fixtures	6	.11
Textile fibres, waste	343	6.22	Travel goods	4	.08
Crude fertilizers and minerals	10	.18	Clothing	77	1.40
Metal ores and scrap	21	.38	Footwear	17	.31
Mineral fuels, etc.	206	3.74	Professional and scientific instruments	177	3.22
Animal and vegetable crude materials	96	1.74	Others	137	2.48
Animal and vegetable oils and fats	85	1.54	<b>Animals not for food</b>	<b>1</b>	<b>.02</b>
<b>Chemicals</b>	<b>475</b>	<b>8.61</b>	Commodities n.e.s.	8	.15
Chemicals, elements and compounds	88	1.60	Postal packages	8	.15
Mineral tar, etc.	1	.02	<b>GRAND TOTAL</b>	<b>5,515</b>	<b>100.00</b>
Dyeing and colouring material	55	1.00			

particularly Japan, is expected and the Colony's plastic industry is showing some signs of levelling off.

**Aluminum**

In 1960 Canadian sales of aluminum to Hong Kong amounted to nearly 17,000 tons. By 1961 they had dropped to 8,000 and total 1962 sales are expected to be a little over 5,000 tons. The decrease resulted principally from the virtual disappearance of the Communist Chinese market, which had been supplied out of stocks maintained in Hong Kong, and in part, from a fall in the production of the aluminum processing industry because of an over-supply of semifabricated aluminum products. As the stocks of aluminum products in Asia are

used up, the position of Hong Kong's fabricating industry is expected to improve and our sales should rise this year. It is more difficult to predict the trend of sales to Communist China, which depend upon a continuation of the Chinese program of industrial development.

**Wheat and Flour**

Traditionally, wheat and flour constitute two of our most important exports to Hong Kong and sales were maintained in 1962. Sales of wheat doubled during 1961 and a further increase of about 20 per cent (from 14,600 metric tons to over 17,000) is expected for 1962. The slower rate of growth during the past year reflects the depressed flour market in Hong Kong resulting

from incursions by Japanese millers and increased local production in response to the requirements of food-parcel traffic to Communist China. Flour sales are expected to exceed 16,000 tons for 1962 but further growth of wheat and flour exports to Hong Kong during 1963 depends upon the disposition of present excess quantities of flour. Canada's dominant position in the Hong Kong market, which is based on quality, should not suffer in the long run.

**Textiles**

Within the last two years, Hong Kong has become a large market for Canadian textiles and sales should reach almost \$1 million by the end of 1962. Best seller is terylene fabric, which was introduced in 1960 by a consortium of Canadian mills and has provided one of the most spectacular success stories here. Despite competition in terylene cloth and terylene-type cloth from Japan and Britain, our exporters are likely to maintain their share of the market in 1963. Sales of other Canadian textiles (including synthetic yarns, broad-woven fabrics, cotton yarn and embroidery) although small, showed some growth in 1962 and, as quality standards in the large market created by Hong Kong's textile industry improve, there should be worthwhile opportunities for an increasing number of textile exporters.

Hong Kong also represents a market for quality garments. Canadian terylene shirts, introduced here in 1960, enjoyed a good year during 1962, with total sales expected to reach over 50,000 units, a two-thirds increase over 1961. Canadian furs, another newcomer to Hong Kong, have done well since they were first introduced in 1959; they are made into garments sold principally to tourists. Dressed mink constitutes the biggest item and Hong Kong, currently our largest outlet, should provide total fur sales of approximately \$320,000 during 1962, making Canada its most important fur supplier. Indi-

cations are that this favourable growth will continue during 1963.

### **Motor Vehicles**

Motor vehicles have long been important in our sales to Hong Kong, where they enjoy Commonwealth preference. Total sales for 1962 are expected to remain at the 1961 figure of approximately \$470,000, or 233 units. The popularity of Canadian compact cars, plus a particularly heavy demand for larger North American-type sedans, contributed to the maintenance of our position during 1962. The outlook, however, is not as favourable because one of the companies supplying the majority of compact cars to the Hong Kong market will in future ship all the compacts from its Australian factory.

The effect of this transfer will not be felt until 1964, when a drop in Canadian automobile sales of possibly 10 to 20 per cent is expected.

### **Forest Products**

Although Hong Kong is not traditionally a large market for our forest products, 1962 brought an over-all increase in purchases from Canada. The market is relatively small and competition from other sources is keen. Canada tends to be a spot supplier of many items and therefore future sales prospects depend not only on price but on the interest our exporters take in the Hong Kong market. Forest product sales to the end of October totalled HK\$343,000, of which HK\$190,000 was accounted for by newsprint. Normally, we secure less than 2 per cent of Hong Kong's newsprint business, usually in lower quality grades. Since 1961, however, Canadian prices have been more favourable and it is expected that sales during 1962 will be about 2,000 tons, or approximately 6 per cent of total consumption.

During 1961 Canada established itself as a substantial supplier of kraft paper but 1962 saw a sharp drop because of sales by Scandinavian mills of surplus kraft pro-

duction. Some recovery was apparent towards the end of the year and it is possible that 1963 will see sales resumed on a larger scale. Sales of paperboard, a new Canadian export to Hong Kong, will probably reach 1,500 tons for 1962. Although the paperboard market itself is not growing, our share of it is and if our prices remain competitive, we should sell more in 1963.

The outlook for lumber is not as good because the principal sources of supply are the tropical forests in neighbouring South East Asia. About \$100,000 worth of North American softwoods are brought into the Colony annually, 30 per cent of which came from Canada in 1962. Future lumber business will depend on the ability of Canadian suppliers to compete with U.S. West Coast producers.

### **Metals in Primary Form**

The metalworking industries in Hong Kong, although expanding, are still not large by international standards and therefore the Colony offers only a small market for metals in primary forms, other than aluminum. Our sales of steel during 1962 increased somewhat over 1961 and exports for the year (mainly stainless steel strip for watchbands) should reach approximately \$300,000. Efforts by the local metalworking industry to broaden its scope mean greater need for materials and Canada was able in 1962 to export small quantities of such new types of steel as galvanized steel sheet, cold rolled steel bars, and other metal forms including aluminum bars and rods, copper plates, sheet strip tubing and lead pig and shot. If Canadian prices remain competitive, it is expected that exports of these metal forms will continue to rise and be further diversified during 1963.

### **Other Export Prospects**

The concentration of Hong Kong's industrial activity in relatively few fields eliminates it as a market for certain industrial

materials, but on the other hand makes it an outlet for a variety of semi-finished and finished goods that must be imported regularly in fairly small quantities. In addition, the market created by Hong Kong's reputation as the world's biggest department store, which is attracting tourists in increasing numbers (220,000 visitors in 1961), will continue to provide foreign suppliers of luxury consumer goods with a lucrative export market. As a free port, Hong Kong is open to suppliers from every corner of the globe and competition is very keen. Over the years, many Canadian exporters have participated successfully in this business, although sales have not always been large. The variety of goods is almost unlimited and during 1962, for example, Canadian exports of a large number of unrelated products increased. These included fresh frozen poultry, canned pork, malt, tobacco, leather, alcohol derivatives, organic acids, asbestos brake lining, small electric motors, turbines, engines and parts, electronic tubes, refrigerators and freezers, files and rasps, card-punching equipment, jewellery, stationery and office supplies, and motion picture film and photographic equipment. In addition, the following products were shipped from Canada to Hong Kong for the first time: frozen foodstuffs, aluminum scrap, sanitary paper, a variety of textile fabrics, windbreakers, overcoats, embroidery, metallic salts, phenol alcohol, laminated plastic materials, cold rolled steel bars, galvanized steel, copper tubing and equipment for the rubberworking, power transmission, woodworking and service industries, and for the air-conditioning and optical industries.

### **Market Forecast**

Canadian sales to Hong Kong for 1962 will probably not exceed 1961's figure of \$20 million because of the temporary slackening in aluminum and plastic exports. If the Hong Kong economy retains its buoyancy in 1963, our sales

ought to surpass the present annual figure by a comfortable margin. Because of the structure of the Hong Kong economy, Canadian export performance is most impressive in such traditional commodities as wheat, flour, aluminum and in raw materials for the two largest indus-

tries—textiles and plastics. Canada's position in these sectors of the Hong Kong market is well established, our sales should continue to grow with the market, and we may even expect to capture a larger share. On the other hand, the Colony's internal consumption of

many other commodities, coupled with its new interest in quality and in industrial diversification, should provide ample opportunity for additional Canadian products. Numerous aggressive Canadian exporters have already discovered this fact for themselves. ●

## The Hong Kong Market For Furs

Sales of Canadian furs, chiefly mink, have trebled each year for the past three years, as Colony tailors fur garments to sell to tourists with money to spend in this attractive market.

NORMAN R. GISH, *Assistant Trade Commissioner, Hong Kong.*

SELLING furs in the sub-tropics sounds as ridiculous as taking refrigerators to the Eskimos. But it's being done, and done successfully, here in Hong Kong. The formula is a basic mixture of expert tailoring and a lower price for the finished product, to which is added the catalyst "tourist trade."

Hong Kong statistics for the last three years (see table) show a yearly increase of approximately 50 per cent in fur imports. A further study reveals that Canadian sales have almost trebled each year. The reason for this success is a quality product, good pricing, and aggressive salesmanship by a few Canadian firms. The most successful Canadian exporter was introduced to this market as a direct result of the Export Trade Promotion Conference held in Ottawa in December

1960. Canadian sales are principally mink and because Hong Kong imports almost all its mink from North America, the competition is from the United States. This makes Canadian sales difficult because the majority of tourists are from the United States and are aware of the intense advertising campaign there which highlights the principal brands of the American mink breeders. In addition, the local furriers seem to prefer the lighter and softer pelts that result from the method of dressing used in the United States. To overcome this, Canadian exporters must sell hard and keep prices low but quality high.

About a dozen local Hong Kong firms are engaged in selling furs. Of total imports, about half are sold direct to furriers and about half

through importers. The furriers expect good delivery service from both exporters in Canada and importers in Hong Kong and much of the stock is flown in by air freight. Credit terms are long (payment from 120 to 180 days after arrival) and commissions vary. The best retail sales, of course, coincide with the tourist season, which is at its peak from mid-October to the end of February. Sales to the local community are generally centered around Christmas and the Chinese New Year. These sales are small but increasing and, with the continuing prosperity of the people of Hong Kong, the prospects for local sales are favourable. The Asian purchaser prefers sapphire and the lighter shades, and the European and tourists generally prefer the darker ones.

An interesting feature of the fur trade here and one which attracts the attention of the tourist is the ability of a furrier to have his staff produce a tailormade jacket, stole, cape or coat in a matter of three or four days. This costs little more than buying "off the rack" and the results are far more satisfactory to the purchaser. In addition, there is the factor of personal service—always a strong selling point in retail sales.

Estimates of the growth of the tourist trade are optimistic as Hong Kong continues to be a popular stopping and shopping centre for travellers to the Far East. Increased fur sales should go hand in hand with this growth, and we should continue to share in this trade. ●

HONG KONG IMPORTS OF DRESSED AND UNDRESSED FURS COMBINED

Country	First Six Months 1962	Year 1961	Year 1960	Year 1959
	(H.K. dollars)*			
Canada	732,578	462,619	106,491	39,986
United States	378,927	792,962	357,180	242,509
Britain	167,110	339,436	444,021	317,224
Communist China	86,331	242,296	294,389	287,037
Norway	20,574	41,282	35,470	16,419
Japan	.....	39,706	18,256	29,650
Other countries	87,307	159,494	63,707	50,723
<b>Total imports</b>	<b>1,472,827</b>	<b>2,077,795</b>	<b>1,319,514</b>	<b>983,458</b>

\*One Canadian dollar = approximately H.K.\$5.30.

# Import and Exchange Regulations in Asia and the Far East

The following is a summary of the import and foreign exchange controls currently in effect in 16 Asian and Far Eastern countries.

*International Trade Relations Branch*

## BRITISH BORNEO

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

## CAMBODIA

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

## CEYLON

During 1962 import controls were significantly intensified in Ceylon. On October 10, 1962, all imports—excluding food, petroleum, fertilizers and drugs (approved by the Hospitals Formulary Committee)—were brought under import licence control. In effect, only essential imports are now allowed in. However, these are to be regulated in such a manner as to permit their import to the full extent of actual and/or reasonable requirements. Quotas and licences are issued for such items at the discretion of the Comptroller of Imports. The issue of a licence generally carries with it the right to foreign exchange.

## COMMUNIST CHINA

Trade and industry in Communist China are in the hands of public organizations and imports are handled by a number of state trading corporations—the twelve Chinese National Import and Export Corporations, each specializing in particular types of goods. These corporations neither act as agents for overseas sup-

pliers nor import for stock on their own account. They purchase on behalf of end-users throughout the country and place orders abroad only at the request of these end-users. Import licences are required but are issued automatically for all orders placed by the corporations.

## HONG KONG

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

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

## INDIA

India's foreign exchange holdings continue at a very low level and consequently a stringent import control is being maintained. Only those capital goods, components, raw materials and foodstuffs considered essential to India's planned development, or needed by defence-orientated industries, are licensed; most consumer goods and many items also produced in India are not. As in the past, all imports require a licence and importers are divided into three main groups: established importers, actual users and others. Licences are issued to established importers mainly on the basis of quotas calculated on past imports. "Actual user" licences are available, subject to a very strict scrutiny of applications, for imports of certain essential spare parts and raw materials; the import of a wide range of products is prohibited. The issue of a licence generally carries with it the right to foreign exchange.

## INDONESIA

All imports into Indonesia, whether made by private or state-owned firms, are subject to control because of the current shortage of foreign exchange. They have been divided into two groups: essential commodities and non-essential goods. (Non-essential goods include the list of free goods and prohibited items.) State-trading enterprises, nine in all, have the prerogative of importing essential goods on the basis of the official exchange rate of 45 rupiahs to the U.S. dollar. These state-trading firms are granted a fixed quarterly allocation of foreign exchange in line with their requirements. Private import houses, on the other hand, may

import only articles on the free list, on which the exchange rate is 200 rupiahs to the U.S. dollar. Provided that import licences are approved by the Foreign Exchange Control Bureau, the importer may apply for foreign exchange as needed.

## **JAPAN**

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

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

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

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

Each import licence has its own term of validity, usually six months, and the imported goods must be cleared through Customs within that time, upon presentation of the approved import licence and the import declaration form.

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

## **LAOS**

Foreign exchange control is vested in the Laos National Bank, which is authorized to stabilize the rate at 80 kip to one U.S. dollar. All commercial banks and other financial institutions approved by the National Bank are empowered to operate freely in

the foreign exchange market. Imports and exports of merchandise are not controlled. Importers usually pay for goods, or accept time drafts, upon arrival of the merchandise.

## **MALAYA and SINGAPORE**

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

## **PAKISTAN**

The Government of Pakistan recently announced its import policy for the period January to June 1963. The general underlying principle remains the same: to provide maximum facilities for the import of essential goods, industrial raw materials and spare parts. Very little has changed from the past licensing period, although 14 products have been deleted from the list of importable items. As before, many items are importable only under the bonus voucher scheme. This scheme is part of the over-all export incentive program and allows exporters of certain manufactured and processed items to retain a percentage of their foreign exchange earnings in the form of a bonus voucher. These vouchers can then be legally transferred and used to import goods, mainly consumer items, which would not otherwise be importable. Some 49 items may be brought into Pakistan under Open General Licence. The issue of a licence generally carries with it the right to foreign exchange.

## **PHILIPPINES**

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

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

Under regulations effective from January 21, 1962, all imports must be covered by letters of credit, except small transactions involving not more than \$100.00. Import letters of credit must be accompanied by a special time deposit ranging from 25 per cent for decontrolled items and essential goods to 150 per cent

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

## **SOUTH KOREA**

Firms and individuals must register at the Ministry of Commerce and Industry before going into the business of foreign trade.

The following qualifications apply to registered persons:

1. Registered persons are not permitted to import if their exports in the preceding year did not have a value of at least U.S.\$10,000. Persons who have newly registered during the current year become eligible to import when their exports reach U.S.\$10,000.
2. The Ministry of Commerce and Industry may lift the above restrictions for an importer who, with a special permit, will import raw materials to be processed for export. The Ministry may impose a limit on the amount to be imported so that it is in proportion to the export value.
3. Manufacturers are not subject to the foregoing qualifications but they must obtain an import permit from the Ministry case by case.

## **SOUTH VIETNAM**

Foreign exchange transactions, import and export trade are subject to government regulations and control. Imports, which require a prior licence, fall into two main categories: one, those financed with Agency for International Development aid, and two, those financed by Vietnam's own foreign exchange resources. The latter imports are of two different types, according to whether they are imported at the official rate or whether they enter at a penalty rate. Goods should be shipped within the validity period of the licence. The time limit within which the licence must be used for opening letters of credit is 15 to 30 days from date of issue. Once the credit is opened, the validity period of the licence ranges between three and four months. Letter-of-credit financing is usually stipulated in the licence.

## **TAIWAN**

All imports are subject to licences issued by the Bank of Taiwan and Bank of China (for imports under AID procedure only), with the approval of the Foreign Exchange and Trade Control Commission. Only

registered import and export firms may apply for foreign exchange to pay for imports, unless otherwise provided for in the foreign exchange allocation. With certain exceptions, an import licence is valid for a maximum of six months. Merchandise arriving in the country and not covered by an import licence is subject to confiscation. The import licence guarantees the right to foreign exchange. Certain commodities, as announced by the FETCC, may be imported on a consignment basis but are subject to special regulations. The Bank of China may open letters of credit and permit the purchase of exchange for imports under Agency for International Development procedure.

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

## **THAILAND**

The Ministry of Economic Affairs is the licensing authority for imports into Thailand. Control over foreign exchange is administered by the Bank of Thailand. Imports into Thailand are classified into two categories. One consists of goods under import control—about 70 items at present—for which import licences are required and including chiefly goods that are produced locally. Import licences for these goods are only approved if the local supply is insufficient. The second category consists of goods not under import control; this includes all remaining items. Imports should be cleared within three days, after final discharge of goods from vessel, otherwise they are subject to customs godown rent. Delivery of goods from customs godown is only allowed after payment of import duties and storage charges and goods may be delivered only to the consignee named in the shipping documents. If delivery is not taken within four months and 14 days, the goods are liable to confiscation.

An importer must file an application supported by pro forma invoices with the Bank of Thailand or authorized agent bank for the opening of a letter of credit. If the goods are subject to import control, an import licence must also be produced. Foreign exchange is made available on receipt of the documents. Applications for foreign exchange in payment of documentary collections may be approved by authorized commercial banks on behalf of the Bank of Thailand. Such approvals are valid for 30 days for sight draft and 15 days after due date for a usance draft. An authorized bank may approve an extension of one month but a further extension requires the approval of the Bank of Thailand. ●

## SHIPPING SERVICES FROM CANADA TO THE FAR EAST

TO	Pacific Coast	Great Lakes	St. Lawrence and Atlantic
<b>Burma</b>	American Mail Line* ( <i>Canadian Blue Star Line, Vancouver</i> )	Canada India Pakistan Line* ( <i>McLean Kennedy Ltd., Toronto</i> )	Canada India Pakistan Line* ( <i>McLean Kennedy Ltd., Montreal</i> )
<b>Ceylon</b>	American Mail Line* Java Pacific & Hoegh Lines ( <i>Dingwall Cotts &amp; Co. Ltd., Vancouver</i> ) Kulukundis Lines ( <i>Johnson Walton Steamship Co. Ltd., Vancouver</i> )	Hellenic Lines ( <i>Furness Withy &amp; Co. Ltd., Toronto</i> ) Orient Mid-East Great Lakes Service ( <i>Hurum Shipping &amp; Trading Co. Ltd., Toronto</i> )	Canada India Pakistan Line Hellenic Lines ( <i>Furness Withy &amp; Co. Ltd., Montreal</i> ) Orient Mid-East Great Lakes Service ( <i>Hurum Shipping &amp; Trading Co. Ltd., Montreal</i> )
<b>Federation of Malaya</b>	American Mail Line Java Pacific & Hoegh Lines Klaveness Line ( <i>Balfour Guthrie (Canada) Ltd., Vancouver</i> ) Knutsen Line ( <i>Johnson Walton Steamships Ltd., Vancouver</i> ) Nissan Pacific Line ( <i>Kingsley Navigation Co. Ltd., Vancouver</i> )	"K" Line ( <i>Kerr Steamships Ltd., Toronto</i> )	Isthmian Lines ( <i>Amalgamated Exporters Co. (Canada) Ltd., Montreal</i> ) "K" Line ( <i>Kerr Steamships Ltd., Montreal</i> ) Maersk Line ( <i>Robert Reford Co. Ltd., Montreal</i> )
<b>Hong Kong</b>	American Mail Line Java Pacific & Hoegh Lines Klaveness Line Knutsen Line Maritime Co. of Philippines Line ( <i>Furness Withy &amp; Co. Ltd., Vancouver</i> ) Nissan Pacific Line P. & O. Orient Lines ( <i>Union Steamship Co. of New Zealand Ltd., Vancouver</i> ) States Line ( <i>Dodwell &amp; Co. Ltd., Vancouver</i> ) States Marine Lines ( <i>Pacific Marine Freighters Ltd., Vancouver</i> )	Iino Line ( <i>Watts Watts Shipping Agencies Ltd., Toronto</i> ) "K" Line Mitsui Line ( <i>Montreal Shipping Co. Ltd., Toronto</i> ) Orient Mid-East Great Lakes Service	Iino Line ( <i>Watts Watts Shipping Agencies Ltd., Montreal</i> ) "K" Line Maersk Line Mitsui Line ( <i>Montreal Shipping Co. Ltd., Montreal</i> ) Orient Mid-East Great Lakes Service Pacific Star Line ( <i>March Shipping Ltd., Montreal</i> ) Sabre Line ( <i>Keel Shipping Ltd., Montreal</i> )

\*Accepts cargo for the foreign port of discharge provided sufficient cargo forthcoming from one or more shippers to justify a call at the port.

**FROM**

<b>TO</b>	<b>Pacific Coast</b>	<b>Great Lakes</b>	<b>St. Lawrence and Atlantic</b>
<b>Hong Kong</b>	United Philippine Line <i>(Balfour Guthrie (Canada) Ltd., Vancouver)</i>		States Marine Lines <i>(Amalgamated Exporters Co. (Canada) Limited, Montreal)</i>
<b>India</b>	American Mail Line  Great Eastern Line <i>(Empire Shipping Co. Ltd., Vancouver)</i>  Java Pacific & Hoegh Lines  Kulukundis Lines  Splosna Plovba Line <i>(Sea Freight Ltd., Vancouver)</i>	Hellenic Lines  Nedlloyd Line <i>(Montreal Shipping Co. Ltd., Toronto)</i>  Orient Mid-East Great Lakes Service	Canada India Pakistan Line  Crescent Line <i>(March Shipping Agency Ltd., Montreal)</i>  Hellenic Lines  Isthmian Lines  Nedlloyd Line <i>(Montreal Shipping Co. Ltd., Montreal)</i>  Orient Mid East Great Lakes Service
<b>Indonesia</b>	American Mail Line Klaveness Line Knutsen Line	Orient Mid-East Great Lakes Service	Maersk Line Isthmian Lines Orient Mid-East Great Lakes Service
<b>Japan</b>	American Mail Line  Anglo Canadian Shipping Co. Ltd. <i>(Anglo Canadian Shipping Co. Vancouver)</i>  Magsaysay Lines <i>(Canada Shipping Co. Ltd., Vancouver)</i>  Maritime Co. of Philippines Line  Nissan Pacific Line  O.S.K. Line <i>(C. Gardner Johnson Ltd., Vancouver)</i>  Philippine National Lines <i>(Furness Withy &amp; Co. Ltd., Vancouver)</i>  P. & O. Orient Lines  Shinnihon Line <i>(Balfour Guthrie &amp; Co. Ltd., Vancouver)</i>  States Line  States Marine Lines <i>(Pacific Marine Freighters Ltd., Vancouver)</i>	Iino Line  "K" Line  Mitsui Line	Iino Line  "K" Line  Mitsui Line  Pacific Star Line  Sabre Line  States Marine Lines

**FROM**

<b>TO</b>	<b>Pacific Coast</b>	<b>Great Lakes</b>	<b>St. Lawrence and Atlantic</b>
<b>Japan</b>	United Philippine Line Yamashita Line (North Pacific Shipping Co. Inc., Vancouver)		
<b>Pakistan</b>	American Mail Line Great Eastern Line Java Pacific & Hoegh Lines Kulukundis Lines Splosna Plovba Line	Hellenic Lines Nedlloyd Line Orient Mid-East Great Lakes Service	Canada India Pakistan Line Crescent Line Hellenic Lines Isthmian Lines Nedlloyd Line Orient Mid-East Great Lakes Service
<b>Philippines</b>	American Mail Line* Java Pacific & Hoegh Lines Klaveness Line Knutsen Line Magsaysay Lines Maritime Co. of Philippines Line Philippine National Lines P. & O. Orient Lines States Line United Philippine Line	"K" Line Orient Mid-East Great Lakes Service	"K" Line Isthmian Lines Maersk Line Orient Mid-East Great Lakes Service Pacific Star Line
<b>Singapore</b>	American Mail Line Java Pacific & Hoegh Lines Klaveness Line Knutsen Line Nissan Pacific Line	"K" Line Orient Mid-East Great Lakes Service	Isthmian Lines "K" Line Maersk Line Orient Mid-East Great Lakes Service
<b>South Korea</b>	States Line States Marine Line United Philippine Line	Orient Mid-East Great Lakes Service	Orient Mid-East Great Lakes Service Pacific Star Line* Sabre Line States Marine Lines
<b>South Vietnam</b>	American Mail Line States Line	Orient Mid-East Great Lakes Service	Maersk Line Orient Mid-East Great Lakes Service States Marine Lines

\*Accepts cargo for the foreign port of discharge provided sufficient cargo forthcoming from one or more shippers to justify a call at the port.

## FROM

TO:	Pacific Coast	Great Lakes	St. Lawrence and Atlantic
Taiwan	American Mail Line States Line	"K" Line Orient Mid-East Great Lakes Service	"K" Line Maersk Line Orient Mid-East Great Lakes Service Pacific Star Line States Marine Lines
Thailand	States Line	"K" Line Orient Mid-East Great Lakes Service	Isthmian Lines "K" Line Maersk Line Orient Mid-East Great Lakes Service

## FOREIGN TARIFFS

## AND TRADE REGULATIONS

### Argentina

**IMPORT SURCHARGE ON NON-ESSENTIALS EXTENDED FOR ONE YEAR**—The Canadian Commercial Counsellor in Buenos Aires reports that the Argentine Ministry of Economy has announced that the 100 per cent ad valorem emergency surcharge on a wide range of imported goods has been extended until December 31, 1963. This surcharge was initially imposed on January 25, 1962.

### Cyprus

**CUSTOMS DUTIES INCREASED**—We have received preliminary word from our Trade Commissioner responsible for Cyprus that the Cypriot authorities have announced several changes in rates of customs duties effective January 18, 1963. Apparently the measures incorporate the reduction or abolition of duties on some raw materials coupled with increases in duties on competing imported goods. The fragmentary information so far available reveals only one change of immediate interest to Canadian exporters. The duty on automobiles has been raised from 30 to 40 per cent ad valorem (preferential), and from 45 to 55 per cent ad valorem (general).

Full details when announced will be available from the Commonwealth Division, International Trade Relations Branch, or from B. C. Steers, Commercial Secre-

tary for Canada, Tel Aviv, whose territory includes Cyprus.

### Dominican Republic

**ADDITIONAL TAX ON IMPORTS REDUCED**—The Acting Canadian Commercial Secretary in Santo Domingo reports that the Dominican Republic's combined additional import tax has been reduced from 24 per cent ad valorem to 23 per cent ad valorem, effective January 1, 1963.

This import tax is applicable to almost all imports into the Dominican Republic and is levied on the f.o.b. value. It was temporarily increased from 23 per cent to 24 per cent ad valorem last June and now reverts to its pre-June level.

### South Africa

**APPLICATION FOR INCREASE IN CUSTOMS DUTIES**—We have received word from C. R. Gallow, our Trade Commissioner in Johannesburg, that the South African Tariff Board has recently received an application requesting an increase in the rates of duty on various textile fabrics (woven cotton and synthetic).

Because of the numerous types of fabric involved and the complexity of the present rates of duty it is

impossible to summarize the application in this notice. Any Canadian firm which is currently exporting fabrics of this type to South Africa and which wishes to have its views placed before the South African Tariff Board should contact its agent in the Republic or the Commonwealth Division, International Trade Relations Branch, Department of Trade and Commerce, Ottawa.

## Turkey

**FOREIGN TRADE PROGRAM FOR FIRST HALF OF 1963**—The Turkish Government has issued a decree, dated December 31, 1962, that lists goods for which import licences will be granted freely during the first half of 1963. Compared with the previous list, several items have been added, and certain others have been deleted.

In addition, under the modifications contained in the new decree manufacturer-importers are required to deposit 10 per cent of the value of their import licences for "Free List" imports (previously they made no deposits). Merchant-importers must make a deposit of 20 per cent of the value of their licences for "Free List" imports (previously it was 10 per cent) at the time of their import licence application.

The office of the Commercial Counsellor in Athens is preparing a report on this measure.

The following are among the items of possible interest to Canadian exporters that have been newly placed under automatic licensing from all sources (Free Imports List):

- Seed potatoes
- Soyabean seeds
- Dental cements and fillings
- Special papers for office copying machines
- Crepe rubber (other than crepe sole)
- Chrome acid and trioxide
- Phosphor bronze bars, sheets and strip
- Vehicle tire valve caps
- Calender cylinders for textile machinery
- Parts for aircraft jet and turbine engines
- Special cements
- Electric razor blades
- Parts for railway signalling and control equipment
- X-ray goggles
- Certain drawing instruments
- Resistors, potentiometers and rheostats (other than heating)
- Industrial oil alcohols
- Jet fuel, aviation spirit and SBP

Information on the status of individual items may be obtained upon request from the Asia and Middle East Division of the International Trade Relations Branch.

## Venezuela

**DUTY AND IMPORT CONTROL CHANGES**—The Canadian Commercial Counsellor in Caracas reports that by a joint resolution of the Venezuelan Ministries

of Finance and Development, published in the *Venezuelan Official Gazette* of January 10, 1963, and effective from date of publication, the following products have been made subject to prior import licensing:

Item 681.01	Pig iron in ingots, cast iron and sponge iron, including iron and steel powder
Item 681.03	Iron or steel ingots, blooms, slabs, billets, sheet bars, and tinsplate bars, and equivalent primary forms
Item 681.04	Joists, girders, angles, shapes, sections, bars and rods
Item 681.08	Rails for railways and street-cars
Item 681.11	Railway track construction accessories.

By the same resolution, but only effective from January 22, 1963, the import duty on razor blades has also been increased.

## Notes from the East

### Formaldehyde and Hexamine

**INDIA**—Atul Drug House of India, in collaboration with Karl Fischer of West Germany, has established a plant at Kandla in the State of Gujarat to manufacture 14,000 tons of formaldehyde and 300 tons of hexamine a year. Reported to be the first of its kind in India, the plant is expected to result in a saving of Rs.5 million (approximately \$1,150,000) in foreign exchange—Bombay.

### Soda Ash

**PAKISTAN**—The Government of Pakistan has sanctioned the establishment at Karachi of a soda ash plant costing Rs.40 million (\$9.2 million) with an installed capacity of 120 tons of soda ash per day. When the plant is in production in 1965, foreign exchange earnings are expected to total Rs.14 million (\$3.2 million) a year because of reduced imports. A loan from West Germany of Rs.20 million (\$4.6 million) has been negotiated to finance this project—Karachi.

### Steel

**SOUTH KOREA**—The Ministry of Commerce and Industry is allowing machinery manufacturers to import with Korean Free Exchange Bank dollars 1,600 tons of wire rod, 800 tons of polished steel plate, 500 tons of steel ingots and 100 tons of tinsplate. Another 532 tons of section steel, 1,000 tons of steel bar, and 3,000 tons of billets may be imported for the Korea Iron and Steel Industrial Association. The Ministry also is expected to allow the import of an additional 6,000 tons of polished steel plate, steel bar and tinsplate—Tokyo.

# The Ocean Freight Market

Transportation Division, Trade Services Branch

FREIGHT rates in most trades, including the grain trade, rose moderately during the last quarter of 1962 under the influence of a seasonal expansion in demand. Nevertheless, the level of rates in general remained much below that prevailing in the same quarter a year ago.

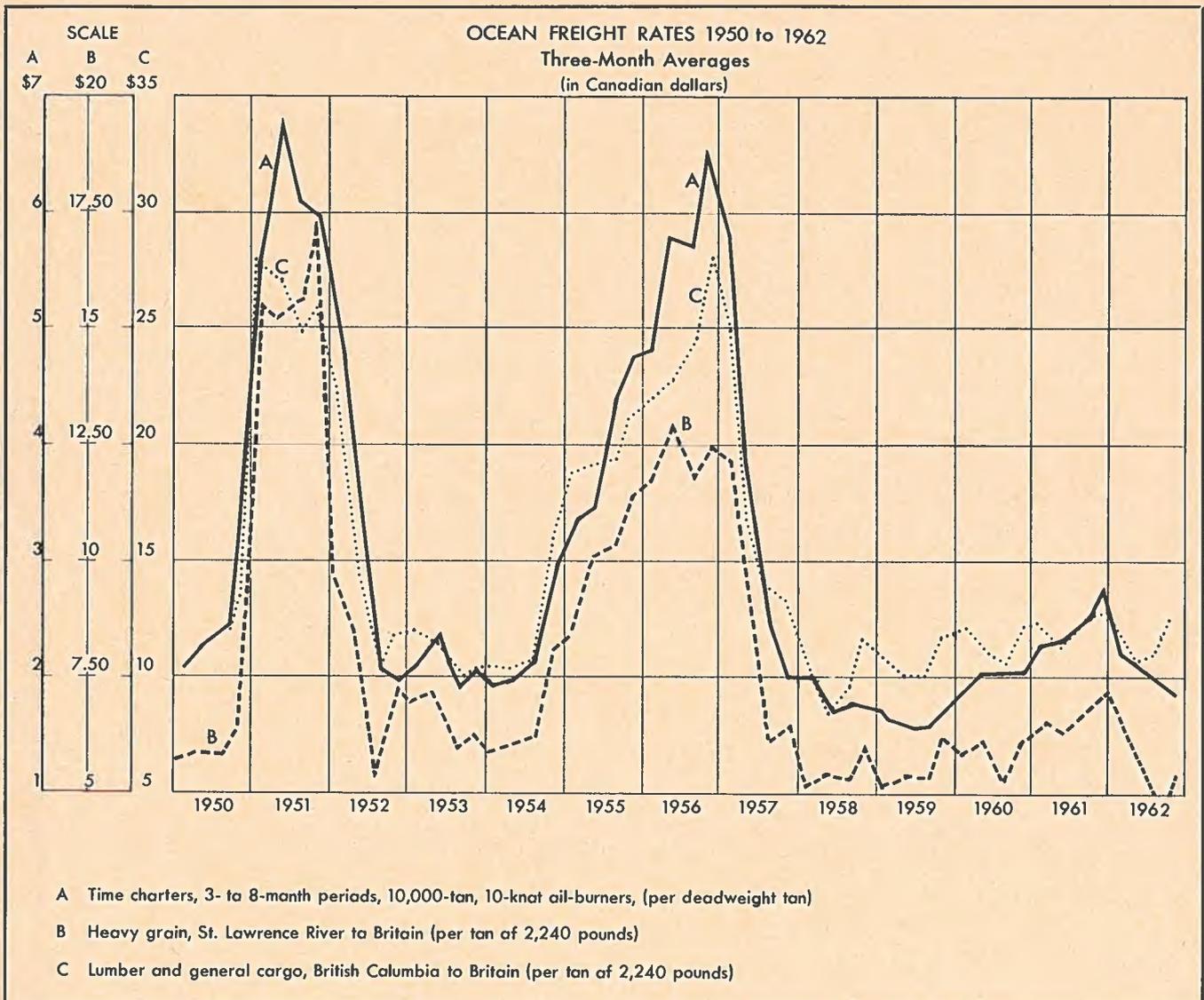
A highlight of the quarter was the increased chartering activity in the Pacific Coast sector of the freight market. The rate for lumber and generals from British Columbia to Britain showed an increase of approximately \$2.00 per ton; the rate for grain from British

Columbia to Japan rose by about the same amount from low points early in the quarter.

Tanker rates for black oil from the Caribbean to the Northern Range of United States Atlantic ports averaged \$1.50, slightly under the third-quarter average despite the seasonal increase in demand.

## Observations in 1962

Tramp shipping freights in many trades dropped in 1962 to the lowest levels recorded in the postwar period and the effect of a depression of five years' standing in tramp shipping is causing steamship owners serious concern. One manifestation of their concern



is the heightened interest in an international tonnage stabilization scheme, intended to bring about a more balanced relationship between supply and demand in the employment of tramp ships by compensating owners who voluntarily withdraw their vessels from active trading. The International Tanker Owners' Association has likewise initiated a study of measures for co-operation among independent owners of tanker tonnage. The international shipping industry is at the same time giving attention to the subject of shipboard automation designed to reduce manning scales and offset increasing operating costs which threaten to make operations uneconomic.

A significantly smaller number of tankers engaged in the grain trade during the year than in the recent past. This change in pattern was the result of greater stability in the oil-carrying trades, with rates in comparison with those in the grain trade holding at relatively more remunerative levels for tanker owners. Offsetting the withdrawal of tankers from dry cargo

trading has been the influx of large efficient bulk carriers.

Indications are that the traditional general-purpose tramp vessel is encountering difficulty in remaining competitive with modern bulk carriers and specialized cargo vessels that are more economical to operate per ton mile in specific trades. One such vessel loaded a record cargo of more than 42,000 tons of grain at Vancouver in December. Although the "handy-size" vessel of between 8,000 to 10,000 deadweight tons will likely continue to meet a demand in the charter market, its relative importance is diminishing. Ship-owners are becoming more inclined to invest in specialized bulk carriers for long-term time charter than to speculate on general-purpose tramps to operate on a voyage charter basis. ●

*Reprints of an introductory article on this subject, published in the April 21, 1962, issue of Foreign Trade, are available from the Transportation Division, Trade Services Branch, Department of Trade and Commerce,*

### CHARTER RATES—FOURTH QUARTER 1962

The rates shown in column A are in sterling or U.S. dollars with the Canadian dollar equivalent in column B calculated at £=\$3.02 and U.S.\$=\$1.08. For comparison, the rates a year ago are shown in column C with the Canadian dollar equivalent in column D calculated at £=\$2.91½ and U.S.\$=\$1.035.

#### TIME CHARTERS

Average rates per deadweight ton per month for the fourth quarter of the year were as follows:

	1962		1961	
	Fourth Quarter		Fourth Quarter	
	A £ or U.S.\$	B Can.\$	C £ or U.S.\$	D Can.\$
<b>General Trading (approximately 6 months)</b>				
Motorships, 9,000-10,999 dwt., 9-10.9 knots .....			19s. 0d.	2.77
Motorships, 9,000-10,999 dwt., 11-12.9 knots .....	\$2.24	2.42	\$2.73	2.83
Motorships, 9,000-10,999 dwt., 13-15 knots .....	\$2.73	2.95	\$3.60	3.73
Motorships, 11,000-12,999 dwt., 11-12.9 knots .....			19s. 0d.	2.77
Motorships, 11,000-12,999 dwt., 13-15 knots .....	\$2.28	2.46	\$3.33	3.45
Motorships, 13,000-15,000 dwt., 13-15 knots .....	\$2.23	2.41	\$2.98	3.08
Steamships, 9,000-10,999 dwt., 9-10.9 knots .....	\$1.89	2.04	\$2.63	2.72
Steamships, 11,000-12,999 dwt., 9-10.9 knots .....			\$2.44	2.53
Steamships, 11,000-12,999 dwt., 13-15 knots .....	\$2.15	2.32		
<b>General Trading (approximately 12 months)</b>				
Motorships, 9,000-10,999 dwt., 9-10.9 knots .....				
Motorships, 9,000-10,999 dwt., 13-15 knots .....	\$2.53	2.73		
Motorships, 11,000-12,999 dwt., 13-15 knots .....	\$2.24	2.42	\$3.28	3.39
Motorships, 13,000-15,000 dwt., 13-15 knots .....	\$1.96		21s. 2d.	3.08
Steamships, 9,000-10,999 dwt., 9-10.9 knots .....	\$1.92	2.07	\$2.40	2.48
Steamships, 11,000-12,999 dwt., 9-10.9 knots .....			\$2.74	2.83
Steamships, 13,000-15,000 dwt., 13-15 knots .....				
<b>West African Rounds</b>				
Motorships, 9,000-10,999 dwt., 11-12.9 knots .....	15s. 6d.	2.34	21s. 6d.	3.13
Motorships, 9,000-10,999 dwt., 13-15 knots .....	17s. 0d.	2.57	22s. 3d.	3.24
Steamships, 9,000-10,999 dwt., 9-10.9 knots .....				

## TRIP CHARTERS

Average rates for the fourth quarter of the year were as follows:

	1962		1961	
	Fourth Quarter		Fourth Quarter	
	A £ or U.S.\$	B Can.\$	C £ or U.S.\$	D Can.\$
<b>Heavy grain (per long ton)</b>				
St. Lawrence to Britain .....	35s. 7d.	5.37	49s. 2d.	7.16
St. Lawrence to Belgium/Holland .....	\$3.00	3.24	\$6.34	6.56
Great Lakes to Britain .....	55s. 6d.	8.38	81s. 10d.	11.92
Completing St. Lawrence .....	35s. 0d.	5.29	40s. 6d.	5.90
Great Lakes to Belgium/Holland .....	\$6.75	7.29	\$10.00	10.35
Completing St. Lawrence .....	\$2.89	3.12	\$4.95	5.15
Great Lakes to Belgium/Holland (tanker) .....	\$6.25	6.75	.....	.....
Completing St. Lawrence (tanker) .....	.....	.....	.....	.....
Halifax/Saint John to Britain .....	36s. 1d.	5.45	45s. 6d.	6.63
British Columbia to Britain .....	\$6.03	6.51	66s. 1d.	9.62
British Columbia to Belgium/Holland .....	\$5.94	6.42	\$6.77	7.01
British Columbia/North Pacific to Japan .....	\$5.54	5.98	\$6.51	6.74
British Columbia to West Coast of India .....	59s. 6d.	8.98	60s. 0d.	8.74
British Columbia to Communist China .....	43s. 3d.	6.53	48s. 6d.	7.06
River Plate to Britain .....	71s. 3d.	10.76	77s. 6d.	8.99
<b>Lumber and General Cargo</b>				
British Columbia to Britain (per long ton) .....	\$11.52	12.44	\$11.74	12.15
British Columbia to Australia (lump sum, Liberty size) .....	\$110,166.00	118,979.00	\$127,370.00	131,828.00
British Columbia to U.S. Atlantic (lump sum, Liberty size) .....	.....	.....	\$65,092.00	67,370.00
British Columbia to South Africa .....	\$154,333.00	166,680.00	.....	.....
<b>Scrap, Iron and Steel (per long ton)</b>				
U.S. Atlantic to Japan .....	\$9.12	9.85	\$14.65	15.15
California to Japan .....	\$6.39	6.90	\$8.14	8.42
North Pacific to Japan .....	.....	.....	\$10.60	10.35
<b>Coal (per long ton)</b>				
Hampton Roads to Belgium/Holland .....	19s. 6d.	2.94	27s. 6d.	4.00
Hampton Roads to Japan .....	\$5.92	6.39	\$9.06	9.38
<b>Black Oil (per long ton, tankers)</b>				
Venezuela to Portland, Maine .....	\$1.50	1.62	\$1.55	1.60
Persian Gulf to Portland, Maine .....	\$3.17	3.42	\$4.00	4.14

### FOR EXPORT AID, READ FOREIGN TRADE

Supervisor of Government Publications,  
The Queen's Printer,  
Ottawa, Canada.

Please send me *Foreign Trade* for a year. Enclosed is my cheque/money order for \$2.00 (5.00 outside Canada) made payable to the Receiver General of Canada. (Price increase effective April 1: \$5.00 in Canada, \$7.00 outside.)

Firm .....

Name .....

Street .....

City and Province .....

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 .92807.

## Foreign Exchange Rates

Country	Unit	Type of Exchange	Can. dollar equivalent Feb. 11	Units per Canadian dollar	Notes (See below)
Argentina .....	Peso .....	Free .....	.007981	125.30	
Australia .....	Pound .....	.....	2.4169	.4138	
Austria .....	Schilling .....	.....	.04173	23.96	
Bahamas .....	Pound .....	.....	3.0211	.3310	
Belgium and Luxembourg .....	Franc .....	.....	.02164	46.21	
Bermuda .....	Pound .....	.....	3.0211	.3310	
Bolivia .....	Peso .....	.....	.....	.....	
	Boliviano .....	Free .....	.09085	11.01	
Brazil .....	Cruzeiro .....	Official Free .....	.002305	433.84	
		Special Category .....	†	†	
Britain .....	Pound .....	.....	3.0211	.3310	
British Guiana .....	Dollar .....	.....	.6294	1.589	
British Honduras .....	Dollar .....	.....	.7553	1.324	
Burma .....	Kyat .....	.....	.2263	4.419	
Ceylon .....	Rupee .....	.....	.2266	4.413	
Chile .....	Escudo .....	Free .....	.3266	3.062	
Colombia .....	Peso .....	Certificate .....	.1197	8.354	
Congo, Republic of .....	Franc .....	.....	.02164	46.211	
Costa Rica .....	Colon .....	.....	.1626	8.150	
Cuba .....	Peso .....	.....	†	†	
Czechoslovakia .....	Koruna .....	.....	.1495	8.689	
Denmark .....	Krone .....	.....	.1560	6.410	
Dominican Republic .....	Peso .....	.....	1.0775	.9281	
Ecuador .....	Sucre .....	Official .....	.05988	16.706	
		Free .....	.04741	21.093	
El Salvador .....	Colon .....	.....	.4310	2.320	
Fiji .....	Pound .....	.....	2.7217	.3674	
Finland .....	Markka .....	.....	.3367	2.970	
France, Monaco, etc. ....	Franc .....	.....	.2199	4.548	(1)
Franco-African Republics, etc. ..	Franc .....	.....	.004398	227.38	(2)
French Pacific .....	Franc .....	.....	.01209	82.713	(3)
Germany .....	D Mark .....	.....	.2692	3.715	
Ghana .....	Pound .....	.....	3.0211	.3310	
Greece .....	Drachma .....	.....	.03591	27.847	
Guatemala .....	Quetzal .....	.....	1.0775	.9281	
Haiti .....	Gourde .....	.....	.2155	4.840	
Honduras .....	Lempira .....	.....	.5388	1.856	
Hong Kong .....	Dollar .....	Free .....	.1885	5.305	*Jan. 24
		Official .....	.1888	5.297	
Iceland .....	Krona .....	Official .....	.02506	39.904	(4)
India .....	Rupee .....	.....	.2266	4.413	

†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 date.

Country	Unit	Type of Exchange	Can. dollar equivalent Feb. 11	Units per Canadian dollar	Notes (See below)
Indonesia	Rupiah	Official	.02099	41.763	(4)
Iran	Rial		.01422	70.301	
Iraq	Dinar		3.0170	.3315	
Ireland	Pound		2.0211	.3310	
Israel	Pound		.3592	2.784	
Italy	Lira		.001735	576.37	
Japan	Yen		.002993	334.11	
Lebanon	Pound	Free	.3585	2.789	
Mexico	Peso		.08820	11.609	
Morocco	Dirham		.2155	4.640	
Netherlands	Florin		.2994	3.340	
Netherlands Antilles	Florin		.5714	1.7501	
New Zealand	Pound		3.0005	.3333	
Nicaragua	Cordoba		.1539	6.498	
Nigeria	Pound		3.0211	.3310	
Norway	Krone		.1508	6.631	
Pakistan	Rupee		.2266	4.413	
Panama	Balboa		1.0775	.9281	
Paraguay	Guarani	Free	.008734	113.20	
Peru	Sol	Free	.04017	24.894	
Philippines	Peso	Free	.2763	3.619	
Portugal & Colonies	Escudo		.03748	26.681	(5)
Singapore and Malaya	Straits dollar		.3520	2.841	
South Africa	Rand		1.5106	.66199	
Spain and Dependencies	Peseta		.01796	55.679	
Sweden	Krona		.2078	4.812	
Switzerland	Franc		.2492	4.013	
Syria	Pound	Free	.30102	3.322	
Thailand	Baht	Free	.05113	19.558	(4)
Tunisia	Dinar		2.5968	.3851	
Turkey	Lira		.1197	8.354	(4)
United Arab Republic	Pound	Official	2.4783	.4035	
United States	Dollar		1.0775	.92807	
Uruguay	Peso	Free	.09827	10.176	
Venezuela	Bolivar	Controlled market rate	.32165	3.109	
		Official Free	.2374	4.212	
West Indies	Dollar		.6294	1.588	(6)
	Pound		3.0211	.3310	(7)
Yugoslavia	Dinar	Official	.001437	695.89	

## Notes

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

## Markets in Brief

### HONG KONG

**Area:** 398 square miles.

**Population:** approximately 3.5 million.

**Climate:** sub-tropical, with cool winter and extremely hot and humid summer.

**Topography:** large and small islands and Mainland peninsula; rugged coastline.

**Language:** English and Chinese (mainly Cantonese). Because 99 per cent of the population is Chinese, this language used to considerable extent in advertising.

**Currency:** Hong Kong dollar; one HK dollar equals Can.\$0.19.

**Weights and measures:** imperial standard

**Capital:** Victoria, centre of Government.

**Marketing centres:** urban areas of Victoria and Kowloon.

**Economy:** largely based on the import of raw materials and the export of manufactured goods. Entrepôt trade formerly very important but declining. Light industry is now the main element, especially textiles, enamelware, footwear and plastics. Main heavy industries are shipbuilding and shipbreaking. Some fishing and agriculture. Tourist trade very important.

**Total Hong Kong imports:** 1961—HK\$5,970 million.

**Chief imports:** (per cent) 1961—manufactured goods 37.4, foods 23.5, crude materials 12, machinery and transportation equipment 10.4, chemicals 8.9, fuels 3.6, others 4.2.

**Chief suppliers:** (per cent) 1961—Communist China 17.2, Japan 14.4, Britain 12.5, United States 12.2, Thailand 4.3, West Germany 3.1, Switzerland 2.6, Republic of China (Taiwan) 2.5, Canada 1.7.

**Value of imports from Canada:** 1961—Can.\$19.6 million.

**Chief imports from Canada:** (per cent) 1961—polystyrene and polyethylene 37.2, aluminum 27.5, wheat and wheat flour 12.2, passenger autos 2.7, textiles 2.1.

**Total Hong Kong exports:** 1961—HK\$3,930 million; re-exports HK\$991 million, net exports HK\$2,939 million.

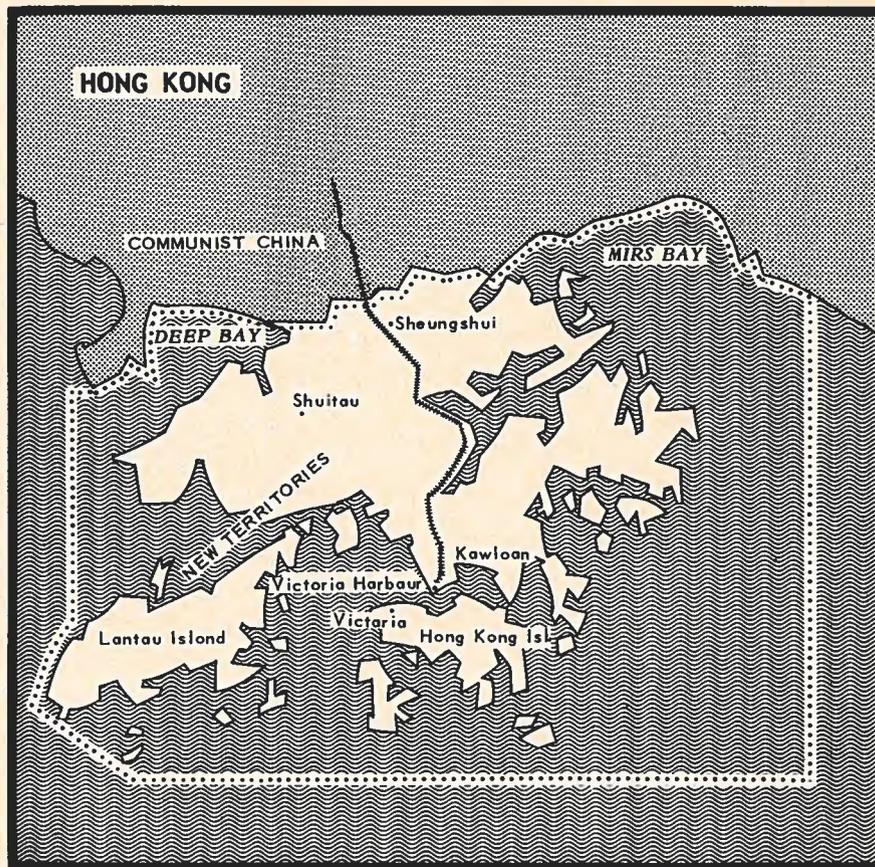
**Chief exports:** (per cent) 1961—clothing 29, textile yarn fabrics 22.8, miscellaneous manufactured articles 15, manufactures of metal 4.1, footwear 3.5.

**Chief markets:** (per cent) 1961—United States 23.1, Britain 20.1, Malaya 9.1, Indonesia 5.8, Japan 3.6, West Germany 3.5, Canada 2.2.

**Value of Canadian purchases:** 1961—Can.\$14.1 million.

**Chief Canadian purchases:** (per cent) 1961—fibres, textiles and products 48.9, rubber footwear 6.9, ornaments 4.1, manufactures of synthetic resins 3.7, toys 3.5.

**Dollar exchange:** freely available; any currency may be bought or sold on the open market in Hong Kong.



**Prices:** quote in U.S. or Canadian dollars, preferably c.i.f.

**Usual terms of payment:** payment terms vary according to the commodity and status of business partner. Letters of credit may be provided but following the establishment of a satisfactory business relationship, D.O.P. and up to 90 days' credit may be requested by some importers here.

**Samples:** may be brought in freely.

**Visas:** no visa is required.

**Trade agreements:** Canada grants Hong Kong most-favoured-nation treatment.

**Import controls, documentation, customs tariffs, marking and labelling:** Hong Kong is a free port and there are no tariffs except on liquor, tobacco and fuel oils. Reduced duties are charged on tobacco and liquor of Commonwealth origin. Imported motor vehicles are subject to a first registration tax of 10 per cent of c.i.f. value, vehicles not of Commonwealth origin are subject to an additional 15 per cent fee on first registration. Import licences are necessary for a few items such as strategic-type goods, coal, firewood, sugar, rice, frozen meat, diamonds, gold, silver, certain insecticides, plants and vaccines.

**Correspondence:** airmail; letters 25 cents per half ounce.

**For detailed information on this market write:**  
Commonwealth Division  
International Trade Relations Branch  
Department of Trade and Commerce  
Ottawa

or

Senior Canadian Government Trade Commissioner  
P.O. Box 126  
Hong Kong





## Around the world in 3 days . . . . on FOOT!!

Yes, you can out-Verne Jules with our package world tour. Of course, it's a particular world we're talking about – the export world in a nutshell at Ottawa where Canadian exporters will meet for private confidential talks about market opportunities and problems with Trade Commissioners from 64 Canadian Trade Offices in 47 countries – gathered under one roof. The amount of corridor walking you do depends on how much of the tour you want to take. Needless to say, you can see as many or as few Trade Commissioners as you wish.



*This offer good from Tuesday, April 16, to Friday, May 3*

### REGISTRATION

*Obtain forms from your trade association, Board of Trade, Chamber of Commerce, or the Registrar, Second Export Trade Promotion Conference, Department of Trade and Commerce, Ottawa 4 (he can give you details and will arrange your interviews).*

**SECOND EXPORT TRADE PROMOTION CONFERENCE**  
*Department of Trade and Commerce, Ottawa*

**FREE**



**No registration fee**  
**No charge for interviews**  
*You pay only your travel and hotel expenses.*