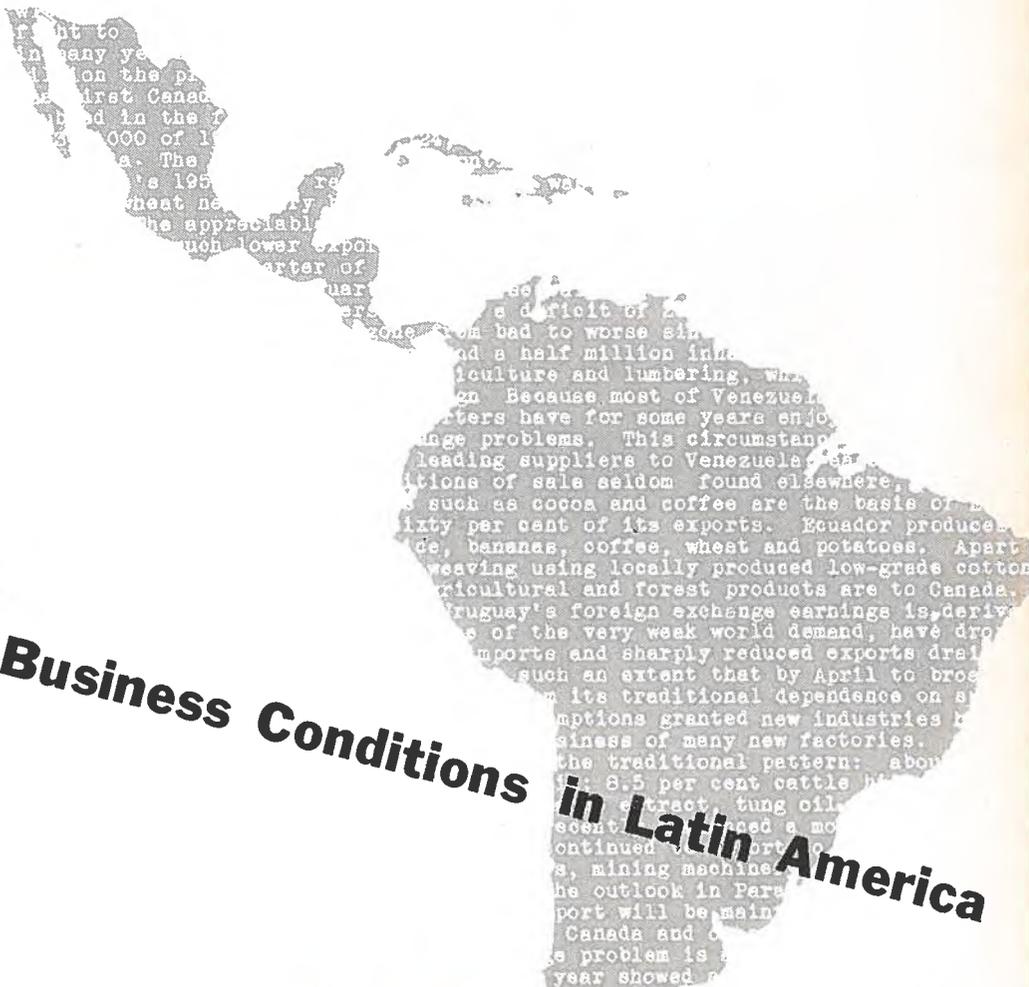




foreign

# Trade

SEPTEMBER 27, 1952



## Business Conditions in Latin America



## **South of the Rio Grande**

*This week "Foreign Trade" turns the spotlight on Latin America—that vast area that stretches from the Rio Grande far south to the Straits of Magellan. From nine offices of the Foreign Trade Service in that area we have gathered reports on 17 different countries . . . reports on how business has been going, on Canada's success in that market, on the outlook for the immediate future.*

*"Business conditions" reports, as we like to call them, have long been a "Foreign Trade" feature. We used to publish them one by one. Now we are combining the reports from each area into a special issue, to appear about every three months. Early January will bring the Asia and Northern Africa number; in March, we shall feature the Commonwealth countries; in June, Europe.*

*This way of presenting these reports should appeal to those with a particular interest in a particular area. But we have no intention of presenting articles on these countries only once a year. We promise interim and special reports to keep our readers abreast of developments.*

*Our Latin American issue comes from the press at a moment when Canada's trade with those countries is climbing steadily. Back in 1950, we sold about \$143 million worth of goods to Latin America; last year, those sales jumped to \$208 million. And in the first six months of this year alone, our exports to Latin America have reached \$148.3 million. We have good grounds for our interest in that area.*

*This issue, we hope, will stimulate that interest . . . answer some of your questions about the business background in Latin America . . . and be a useful reference in the next few months.*

—The Editor.



# foreign trade

**VOL. 12 OTTAWA, SEPTEMBER 27, 1952. NO. 300**

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**COVER** . . . The puzzling—and unfinished—sentences of which our map is composed come from the reports on Latin America which appear in this issue. These reports, written on the spot, give a composite picture of business in that vast area which the map outlines.

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## Argentina and Its Problems

*Three droughts and a dollar crisis have nearly halved Argentina's foreign income; cut off most imports. But there are signs that conditions may slowly improve.*

**B**UENOS AIRES—Serious inflation aggravated by a third successive drought spells austerity for Argentina during the rest of 1952 and early 1953. The lack of exportable surpluses of agro-pastoral products and the resulting shortage of foreign exchange (vitally needed to purchase raw materials abroad) were the fundamental causes of the economic contraction in Argentina during the past twelve months.

### Foreign Trade

Provisional statistics show the aggregate value of Argentine foreign trade during 1951 as 17,189·6 million Argentine pesos,\* an increase of 6,941·2 million pesos over the 1950 figure of 10,248·4 million pesos. However, these totals do not give a dependable indication of the real trend of Argentine foreign commerce. Argentine imports and exports are effected in accordance with a multiple rate of exchange. Without complete and detailed trade statistics, it is impossible to determine what percentage of that trade is transacted at each of the various exchange rates. And these rates vary from five to about 14 or 15 Argentine pesos to the U.S. dollar, or its equivalent in other currencies.

The following table indicates the downward trend in exports. Imports, however, remained fairly high because of fear of continued inflation and the desire to turn currencies into goods.

### Argentine Foreign Trade

Year	Volume of trade (in 1,000 tons)		Value of trade (in million pesos)		Trade balance
	Exports	Imports	Exports	Imports	
1946 .....	8,199·1	8,341·1	3,973·1	2,331·7	+1,641·4
1947 .....	9,305·5	11,103·9	5,504·9	5,348·5	+ 156·4
1948 .....	8,759·4	14,332·6	5,541·8	6,189·7	- 647·9
1949 .....	5,943·2	12,161·9	3,718·9	4,641·7	- 922·8
1950** .....	7,474·0	10,752·3	5,427·3	4,821·1	+ 606·2
1951** .....	5,782·1	12,052·1	6,710·9	10,491·7	-3,780·8
First quarter 1951..	1,402·8	2,581·2	1,653·6	1,681·1	- 27·5
First quarter 1952..	817·1	3,132·8	987·2	2,934·5	-1,947·3

Source: Sintesis estadística mensual, June 1952.

\*\* Figures provisional only.

For purposes of comparison, the price increases in Argentine exports of agro-pastoral products and in goods imported must also be discounted to make any useful appraisal of the current trend.

\* 1 Argentine peso=approx. 6·9 cents Canadian at the free rate of exchange.

During the period under review, Argentina maintained its traditional policy of effecting the bulk of its foreign trade through bilateral trade agreements. The most important trade agreements during the past year were signed on April 23 with the United Kingdom, and on October 26 with the Federal Republic of Germany, both for one year. As in 1950, the United States was Argentina's best customer and supplier, followed by the United Kingdom, Brazil, Germany, Italy, France and Sweden, in that order.

Greater imports and much lower exports resulted in a higher Argentine trading deficit during the first quarter of 1952. In fact, the rate was 600 million Argentine pesos per month for a cumulative quarterly adverse balance of trade of nearly two billion pesos. This compares with a deficit of 27.5 million pesos for the corresponding period in 1951. These figures gain special significance when one remembers that the first quarterly deficit of this year by itself equals roughly 80 per cent of the



—Pan American Union

*These oil wells at the Comodoro Rivadavia field are not the solution to Argentina's critical dollar shortage; the key to her problem is greater agricultural production. This means the present stress on industrial development must be transferred to agriculture.*

total adverse balance during 1951. And 1951 was the worst trading period ever recorded in Argentina. This trend continued into April, when the accumulated negative balance of trade exceeded two billion Argentine pesos.

This negative balance is expected to grow gradually until March or April 1953, when the next year-end crops may possibly yield export surpluses. It is expected that during this year the total foreign exchange income will be only slightly higher than 50 per cent of the country's foreign earnings in 1951. In other words, this country will probably not be earning during the whole of the current year much more than the equivalent of \$600 million U.S. all told, in various types of foreign exchange.

### **Argentine-Canadian Trade**

Total Argentine-Canadian trade during 1951 was equivalent to \$22·8 million; the corresponding figure for 1950 was \$24·3 million. Tighter Argentine restrictions on imports from the dollar area were largely responsible for a \$4·5 million reduction in Canadian exports. However, the decrease in Canadian export values during 1951 was largely offset by an increase in Argentine exports to Canada. In 1951 these rose by \$3 million over 1950 to approximately \$14 million. This resulted in an adverse balance of trade for Canada of some \$5 million. In that period, about 50 per cent of the total Canadian exports to Argentina consisted of agricultural machinery in general, (\$4·2 million); about 15 per cent of asbestos in various forms (\$1·27 million); 12 per cent of lead ingots, and some 7 per cent of aluminum, mainly in primary forms. The remainder was made up of automobiles, brass valves and other metal products, drugs, chemicals, etc.

Canada's import trade with Argentina followed the traditional pattern: about 20 per cent canned meat (\$2·7 million); 12 per cent cotton seed oil (\$1·5 million); 8·5 per cent cattle hides (\$1·13 million), and the balance mainly quebracho extract, tung oil, and wool, in that order.

### **The Dollar Situation**

The dollar crisis which began in the latter part of 1947 continued throughout 1951. In consequence, the country's dollar-earning capacity has been reduced to a minimum, partly because of the international wool market which has become increasingly stagnant since April of last year. At the moment, Argentine wool shipments to world markets (particularly to the United States, the principal buyer of this commodity) are practically at a standstill. Reliable estimates place Argentina's wool stocks immediately available for export at some 200 thousand metric tons, the equivalent of one year's production. A further clip is due in December.

In addition to the sluggish demand, Argentine wool is barred from world markets because the authorities have fixed too high a minimum price on exports of wool from this country. Recently they granted a more advantageous rate of exchange for exports of wool which will, to some extent, eliminate this drawback. The initial effect indicates this wool will move slowly. The difficulty is therefore twofold and Argentina's success in exporting its wool abroad rests largely on its solution. In addition to wool, Argentina might possibly have 200 to 300 thousand tons

of corn for export but, apart from that, she possesses no important exportable surpluses of agricultural commodities. Thus her prospects for earning foreign exchange, particularly dollars, are not promising.

Whatever surpluses the next crop may yield will not be available before February or March 1953. Canadian exporters interested in this market therefore cannot reasonably expect the almost complete prohibition of imports from dollar countries to be lifted before then at the earliest. In the meantime, the little import business with Argentina is being done on a term or credit-financing basis.

#### **Import and Exchange Regulations**

There has been no significant change under this heading during the period under review, except that the Argentine Central Bank has restricted the allocation of import permits more tightly. This curb affected not only dollar countries such as Canada, but many European countries as well. Imports into Argentina continue to require import and exchange permits. Generally speaking, every importer's application for permits is studied closely and granted or refused on its merits. The criterion supposedly employed by the Central Bank continues to be each product's essentiality to the "economic development of the country and the safeguard of its health."

During 1951, the Central Bank implemented its policy, introduced in 1950, of granting import and exchange permits on a deferred-payment basis over a period of two or more years. The most important Canadian commodity involved in this scheme is agricultural machinery and equipment. The system will probably be maintained or even reinforced as long as the dollar scarcity and the need for credit financing remains.

#### **Capital Investment**

In the latter part of 1950, the Central Bank issued regulations for the import of merchandise into the country as capital investment for the account of foreign residents. The bulk of imports under this system was not effected until 1951. Local statistics do not indicate the amount or value of the goods brought in as capital investment, but they are generally believed to be substantial. However, this type of investment—which was made more as a result of the Korean war scare than anything else—can only be considered marginal. These imports consisted principally of agricultural machinery, railway stock, and hydro-electric equipment. The main Canadian item invested in this country under the plan was capsule-manufacturing machinery. Because current regulations do not feature generous enough terms for the repatriation and remittance of earnings on these investments, trade circles generally believe that "capital imports" into Argentina have passed their peak.

As in past years, the Instituto Argentino para la Promocion del Intercambio (IAPI), the state trading agency, continued to exercise control over most of the country's exports and some of its imports. A noteworthy exception is wool, even though IAPI exercises an indirect influence on this by fixing the minimum export price. Furthermore, during 1951 IAPI expanded its import trading operations to include a wider range of products—notably a number of metals, such as tin, copper, sheet iron, zinc, etc., and substantial imports of cement, jute bags, rubber, bananas, timber, motor tires, etc.

In the past year, the value of export trade transacted by this government trading body totalled 4,608 million pesos, or 70 per cent of the total Argentine export trade.

### **Economic Problems**

The Argentine economy continues to suffer from a disequilibrium between prices and wages and the cost of living has spiralled to an all-time high. The cost-of-living indexes disclosed by government and trade sources do not coincide but their average increase is approximately 50 per cent. According to official statistics, the cost-of-living index number in the Federal Capital rose from 296·9 in 1950 to 494·7 in December 1951 (1943, the base year, =100.) The ratio of purchasing power of the peso for 1945 and 1951 is 1:5·6. By presidential decree last February, wages and salaries were hiked up some 50 per cent, on the average. The impact of this on production costs was great and aggravated the already severe inflation. The main difficulty is that the wage increases bear no relation to industrial productivity. On the basis of 1943=100 the volume of industrial production index in 1950 was 146·7, while the corresponding index number for 1951 is up barely 4·1 points to 150·8. Despite repeated urging by government authorities for higher production and less consumption, there is every indication that the differential is widening. Strangely enough, the deterioration of economic conditions in Argentina has not precipitated any labour strikes during the past year. However, unemployment may come.

President Peron's second term administration, inaugurated on June 4, 1952, features the creation of two new government departments, the Ministries of Economic Affairs and of Foreign Commerce. These departments will divide the duties of the former Ministry of Economy.

Among other responsibilities, the Minister of Economic Affairs, with a team of four or five experts, will advise the President on economic and financial matters. As its name indicates, the new Ministry of Foreign Commerce is devoted to the promotion of Argentine foreign trade. Furthermore, IAPI, previously supervised by the former Minister of Economy, is now subordinated to the Department of Foreign Commerce.

### **The Outlook**

The Argentine Government recently announced a more liberal agricultural policy. It has increased substantially the prices to be paid to the producers of agricultural commodities and this should be an incentive to greater production. The mechanization of agriculture has made remarkable progress in the past few months and this, in the long run, should mean greater production at lower costs. This program would eventually make Argentine products more competitive on world markets.

The key to Argentina's economic recovery lies in greater agricultural production and this implies in turn a return to the land. If this is to be accomplished, agriculture must be stressed and not, as at present, industry.

The implementation of these reforms, together with good crops and large exportable surpluses, should mean a "come-back" for Argentina. There are, however, a lot of "ifs". In any case, the country's economic recovery is not likely to be spectacular or speedy. Three years' drought cannot be compensated for by one single harvest.

—H. E. LEMIEUX

*Assistant Commercial Secretary for Canada*

## PARAGUAY

**B**UENOS AIRES—Economic and commercial conditions in Paraguay have gone from bad to worse since the beginning of the year. The country's one and a half million inhabitants depend for their living almost exclusively on cattle-raising, agriculture and lumbering and these industries supply 80 per cent of the foreign exchange income. In recent months, exports of forest products have been at a virtual standstill because of the stagnant market in Argentina and a saturated market in Uruguay, Paraguay's main customers for those goods. Meat products, particularly canned beef, and other agricultural produce, the export of which is essential to the country's economic health, have been and are being sold abroad. The values and quantities involved, however, are relatively small because the unfavourable export rates of exchange cut down the incentive.

However, at the end of July this year the Bank of Paraguay, acting on the advice of an International Monetary Fund Commission, authorized the recently organized Central Bank to increase the exchange subsidy applicable to exports by as much as 60 per cent if necessary, in an effort to help Paraguayan producers meet competition in foreign markets. It is too early to forecast how much incentive this move will give Paraguayan exporters but it is a great improvement over the former policy.

### Exchange Rates Modified

One of the principal developments is the modification of rates of exchange which was announced on July 28. These changes are, in effect, a depreciation of the guarani. The new rates applicable to imports are the following:

For commodities included under Group 1 (essential goods), 15 guaranies to the United States dollar, or its equivalent in other currencies; for items listed under Group II (non-essential products), 21 guaranies to the United States dollar. Group III products (i.e., luxuries) are payable at the rate of 30 guaranies to the United States dollar. A special and lower rate of nine guaranies per dollar applies to imports of absolute essentials such as petroleum and wheat flour, but this rate is described as "temporary". The former rates were six and nine guaranies to the dollar. Exports are to be liquidated at the rate of 15 guaranies to the dollar, subject to the "subsidy" already mentioned.

Current curtailment of imports and incentive to export will probably be maintained for several months. Import restrictions on goods from Canada and other dollar countries will continue in force until the dollar exchange position improves. Canadian exporters interested in the Paraguayan market should note that business prospects are not at all encouraging except for absolute essentials.

—H. E. LEMIEUX

*Assistant Commercial Secretary for Canada*

## URUGUAY

**B**UENOS AIRES—Economic and commercial conditions in Uruguay deteriorated rapidly in the last six months of 1951 in sharp contrast to the relative prosperity prevailing during the first half of the year. The main difficulty has been the stagnant international wool market.

Wool is to Uruguay what agricultural and forest products are to Canada. In normal times some 50 per cent of Uruguay's foreign exchange earnings is derived from wool exports. But since April 1951, because of the weak world demand, her wool sales have gradually dropped.

### Import Permits Required

Heavy imports and sharply reduced exports drained the country's foreign exchange reserves to such an extent that by April 1952 the "sworn declaration" system (automatic granting of exchange) was suspended entirely for all imports from dollar and sterling area countries. Since then, all imports into Uruguay, regardless of the country of origin, have been subject to the "previous" import permit requirement. The situation now is that goods can only be imported in accordance with exchange quotas which are opened from time to time, depending on the country's balance of payments and foreign exchange holdings.

Uruguay's trade balance in 1951 showed a deficit of approximately US\$73 million, compared with a favourable balance of US\$53 million for the previous year. The country's foreign exchange income continues to fall short of its disbursements abroad. Statistics show for the first quarter of 1952 an unfavourable balance of trade of US\$42 million, a significant, if adverse, figure when compared with a positive balance of over US\$36 million in the corresponding quarter of 1951. This state of affairs has improved a little in the last month because of some activity in the wool market. However, shipments are moving slowly and prices are much lower than last year.

Exports of wool and other agro-pastoral products should yield, trade sources calculate, the equivalent of about US\$200 million in foreign currencies. This would mean a decrease of at least US\$35 million from last year's foreign exchange income and, in accordance with Uruguayan foreign trade policy, a proportional decrease in the value of imports during 1952 can be expected. Imports in 1951 totalled approximately US\$373 million.

### Importance of Wool

The paramount importance of the international wool market cannot be over-emphasized. It is the determining factor in Uruguayan policy for granting exchange permits for imports from Canada and other dollar countries. Recent developments have allowed Uruguayan authorities to open a small quota of exchange for imports of specified essential goods from the dollar area. Wool movements to hard-currency countries are slowly increasing and it can reasonably be expected that additional and larger exchange quotas will be opened.

The value of Canada's trade with Uruguay rose from approximately US\$3.6 million in 1950 to US\$6.8 million during 1951, a 90 per cent increase. The balance of Uruguayan-Canadian trade has changed drastically. In 1950, it favoured Uruguay, but last year Canada had the favourable balance—over US\$5 million.

Trade figures for the first five months of this year show a marked growth in this trend. Statistics place the value of Canadian exports to Uruguay during that period at roughly \$2 million Canadian, but the value of Uruguayan sales to Canada were a bare \$200 thousand Canadian. In other words, Canada's trade with Uruguay from January to May 1952 has favoured us by ten to one.

The composition of our trade with Uruguay follows the traditional pattern. Canada imports wool, canned beef and hides against exports to Uruguay of newsprint, seed potatoes, agricultural and industrial machinery, asbestos and chemicals.

### **The Outlook**

If the prevailing trend in exports and imports continues, prospects are that Uruguay will, at best, establish an equilibrium in its trade. Everything depends on the country's ability to find markets and good prices abroad for its exportable surpluses and, also, on its ability to maintain the present curb on imports. The prospects for Canadian exporters will continue to depend on Uruguay's dollar exchange position. The improvement in the exchange position in the last two months, while encouraging, far from compensates for the deficit accumulated in the first half of the year. Expectations are that this improvement will be maintained, but import and exchange regulations will probably not be relaxed to any great extent for several months. Even then, the forecast is that only relatively small amounts of dollar exchange will be provided for imports and, generally speaking, only products essential to the economy will be allowed entry. At any rate, the country has large stocks of certain raw materials and the market for many commodities, it is reliably reported, is "completely saturated". Many importers are said to be disposing of their stocks at prices lower than cost, often with large losses. This is particularly true of general consumer goods.

—H. E. LEMIEUX

*Assistant Commercial Secretary for Canada*

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### **What Canada Buys**

Many industrial plants in Canada depend upon raw materials that come from Latin America. From Venezuela we import petroleum and refined fuel oils. Brazil, Haiti and Mexico supply us with coarse vegetable fibres; from Argentina and Uruguay we buy raw and combed wool. Quebracho extract, widely used in the tanning industry, is a product of Argentina and Paraguay; vegetable wax, of Brazil.

## Brazil Faces Exchange Crisis

*A record trade deficit in the first six months of 1952 has brought a tightening-up of import licences, careful consideration of other solutions to this pressing problem.*

SAO PAULO—Brazil is faced with an exchange crisis which in many respects is the worst in its history. Entering 1952 with a backlog in outstanding payments, the country has steadily lost ground in its fight to improve the situation. During the first six months of 1952 the situation has become more serious because of the drop in exports. At the same time imports have increased. The result is a record trade deficit of approximately \$519 million for the first six months of '52, according to statistics from a semi-official source. In the corresponding period of 1951 the deficit was only \$32 million.

General prospects for new business cannot be called encouraging. Nevertheless the situation is better than it was during the first six months because possibilities exist for exporters of essential materials. The extent to which business is realized will depend in large part upon the willingness of exporters to wait for payment.

### The Background

This situation began to emerge in the late 1940's. From the middle of 1949 to the end of 1950, the Export-Import Department of the Bank of Brazil followed a tight policy on imports payable in convertible currencies. These measures were necessary to liquidate the accumulated debts in these currencies. The restrictions imposed, combined with the record prices received for coffee exports, proved so successful that by the end of 1950 all the payments in arrears had been liquidated. Current applications for exchange were being processed immediately.

The improvement in the foreign exchange position, commencing in 1951, brought a more liberal policy on import licences, particularly those from the dollar area. Brazil was worried about the international situation following Korea and felt it advisable to permit stockpiling so that, if war came, the country would not be left without essential raw materials and equipment. Industry and agriculture, which had felt the pinch during the second half of 1949 and throughout 1950, were quick to take advantage of the change in policy and applications for import licences flowed in. The following table demonstrates clearly the greater liberality of the Export-Import Branch of the Bank of Brazil in dealing with these applications.

NOTE: U.S.\$1.00=18.50 cruzeiros.

### Import Licences Granted

Currencies	Cr\$1,000,000	1950	1951*	% Variation
Inconvertible currencies .....		1,370	2,231	+ 63
All convertible currencies .....		1,358	2,742	+102
U.S. dollars .....		1,003	2,633	+163

\* Includes "exchange quotas" granted for products exempt from import licence.

The result of this greater liberality was that imports in 1951 reached an all-time high of over \$2 billion. Although exports also reached a record, they did not keep pace with imports and the year's trade registered an unfavourable balance of \$253,189.

The stockpiling policy affected Brazil's balances abroad which declined from \$240.4 million at December 31st, 1950, to \$2.4 million at December 31st, 1951—a decline of some 238 million dollars. The change which took place in the balances abroad during this period can be seen from the following table:

Currencies	1,000 Cruzeiros			
	30-12-50	31-12-51	31-12-51	31-12-51
	Availabilities	Obligations	Availabilities	Obligations
Arbitrable .....	2,400,039	....	....	559,265
Compensated .....	683,446	....	120,578	....
Blocked .....	1,071,865	....	203,776	....
National .....	291,740	....	278,816	....
	4,447,090	....	603,170	559,265

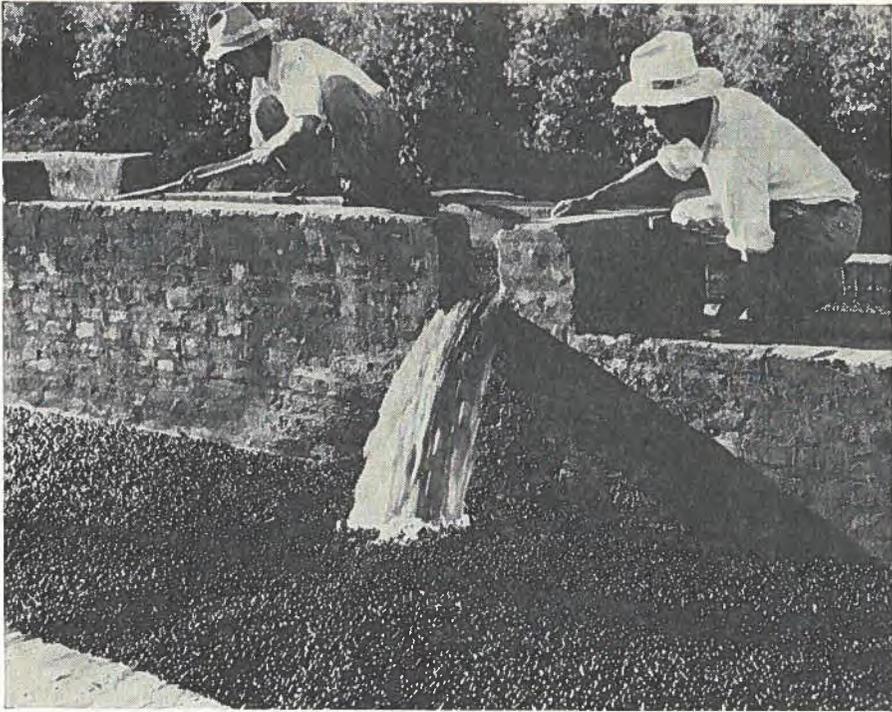
Balance available 31-12-51=43,905.

#### The Present Situation

Since the beginning of the year, the authorities have once again tightened up on import licences. Except for wheat and petroleum products, hardly any licences have been granted and their period of validity has been reduced to 120 days.

In spite of these measures, merchandise covered by 1951 licences has continued to flow into the country. Foreign exchange has not been sufficient and Brazil's outstanding indebtedness has continued to grow. Reports from the Federal Reserve Bank of New York show that outstanding drafts awaiting payment at the end of July were approximately \$200 million. In addition some £36 million was owed to British firms, and there were debit balances with the Netherlands, Belgium, Germany and other European suppliers. The delay in settling outstanding drafts has continued to increase; for preferential category goods, dollar remittances are delayed six to seven months. For merchandise of lower priority, the delay is even longer.

The present crisis has been compared with that of 1948 and 1949. Observers point out, however, that the present crisis is much more serious because, with the exception of Argentina, Brazil now is a debtor to all of the countries with whom she trades. In the last crisis she had large sterling balances and credit balances with the majority of the European countries. Consequently, she was able to restrict her purchases from dollar sources and divert them to other sources of supply. This is not possible now. In addition, because of the Argentine crop failure last year, Brazil must seek her wheat needs from dollar sources, to the extent of about \$200 million.



—Pan American Coffee Bureau

*Workers wash the coffee beans on a Brazilian plantation. Canada buys large amounts of coffee from Brazil; in the first six months of 1952 alone, coffee imports from that country had a value of over \$10.3 million.*

Nor can the same measure of relief be expected from coffee this time. In the last crisis, coffee prices were beginning to rise and this factor, more than any other, was responsible for the rapid settlement of the outstanding payments. The average price per bag of coffee jumped from 599 cruzeiros in 1949 to 1,072 cruzeiros in 1950, an unparalleled increase of 79 per cent. This meant a very considerable increase in the foreign exchange forthcoming from the coffee exported, in spite of a 23 per cent reduction in volume. Present coffee prices are excellent, but there are no prospects of any appreciable increase in prices to provide additional exchange which could be applied against outstanding payments.

However, the most serious aspect of the present crisis is the fact that only a very limited number of the principal export products can meet world prices. Important products such as cotton, rice and lumber can no longer be sold abroad except under special barter arrangements or with government subsidy. Because the present government has discouraged barter transactions, and because it has not yet undertaken to sell these products abroad at a loss to the Treasury, these products have not entered into foreign trade on any major scale this year. With the country in need of every dollar of foreign exchange it will have to find a solution for the problem created by these products, which under ordinary circumstances produce 30 to 35 per cent of the foreign exchange.

Since August 1951 there has been considerable discussion about the establishment of a free rate of exchange. The various projects presented

provide that the present official rate of exchange would continue in effect and would be used for sales of coffee and the few other products which can compete on world markets. It would also be used to import essential industrial raw materials and equipment. The free market rate of exchange would be used for the export of those products which are now above world market prices and for the import of less important products.

It would also apply to the import of new capital and the subsequent remittance of profits and dividends.

Four different bills for the establishment of a free exchange market have been presented to the Brazilian Congress. Up to the present, it has made no decision but some action will probably soon be forthcoming.

Another possibility is a return to barter transactions. There are many advocates of this solution. However, because the present government has put itself on record as being against barter, it is not considered probable that there will be a return to this system.

Short-term loans from the United States to pay off commercial dollar debts are a third possibility. The Brazilian Ambassador to the United States returned to Rio de Janeiro unexpectedly in the latter part of August and it has been rumoured that a loan of up to \$200 million may be forthcoming from U.S. financial institutions. At the present time there is no definite news of this. However, it would only be a stopgap.

#### **New Licensing List**

The authorities have taken steps to check the flow of imports and to reduce the outstanding debts. Since the beginning of the year, it has been practically impossible to obtain import licences or to renew them. The results of this policy will not be felt until the second half of the year. A further measure was taken on August 1st when the Bank of Brazil issued a new list of goods for which applications in dollars will be considered. More than 200 items have been removed from the previous list. The new list is confined to materials rated as indispensable. Applications had to be submitted by August 29th and had to cover six months' supply. Although it was not explicitly stated, presumably no applications will be accepted during the following six months.

#### **Effect on Our Trade**

Paradoxically, despite all these difficulties, Canadian-Brazilian trade for the first six months of the year has been on a record level. Our exports to Brazil during the first six months reached a total of nearly \$50 million, practically as much as our exports in the entire year of 1950 when a new record was established. However, these exports have been based almost entirely on licences issued in 1951. Imports into Canada during the first six months were approximately \$19 million which compares favourably with the figure for the first six months of last year.

Our exports to Brazil during the next six months will very likely show a considerable drop, reflecting the licensing policy followed in the first half of the year. However, Canadian exporters of essential materials whose representatives have submitted applications in accordance with the new licensing list will undoubtedly receive orders for shipment in the latter part of the year. As a result, our exports for the year will probably reach a new high.

At present dollars issued by the Bank of Brazil for payment against collections are six months in arrears. With import licences valid only for 120 days and renewals practically unobtainable, it will not generally be possible to open letters of credit before the import licence expires, and insistence upon these terms can only result in losing the business. In most instances, therefore, Canadian exporters, even of essential materials, must be prepared to offer adequate terms for financing or even arrange independent financing if they wish to participate in this market.

—C. J. VAN TIGHEM

*Consul of Canada and Trade Commissioner*

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## **Canada's Treaty Relations with Latin America**

CANADA exchanges most-favoured-nation customs treatment with all countries of Latin America (except Honduras) and also has comprehensive trade agreements in effect with most of these countries. In addition, a number of Latin American countries (i.e., Brazil, Chile, Cuba, Dominican Republic, Haiti, Nicaragua, Peru) are parties to the General Agreement on Tariffs and Trade. The latter countries have in recent years engaged in tariff negotiations with Canada under this Agreement, granting concessions on many items of interest to us.

As a result of these treaties and agreements, Canadian products benefit, in most Latin American countries, from the same reduced rates of duty and customs charges that apply to goods from other countries—such as the United States and the United Kingdom—and from equal treatment on customs formalities. The only exceptions are Honduras and Cuba.

Canada and Honduras exchange general tariff treatment. In the case of Cuba, although Canada exchanges full most-favoured-nation treatment, preferential tariff rates are granted by Cuba to the United States on a wide range of products. Many of these margins of preference, however, have been substantially reduced or eliminated as a result of negotiations under the GATT.

A number of Latin American countries such as Mexico, Cuba, Dominican Republic, Peru and Venezuela are virtually free of import and exchange restrictions and thus offer open markets to Canadian goods, subject only to existing tariffs and customs charges.

Because of exchange difficulties, several other Latin American countries have in recent years imposed import and exchange restrictions and these have adversely affected Canadian products. This is particularly true of Brazil, Argentina and Chile. Under the provisions of the trade agreements in force between Canada and these countries, any such import and exchange restrictions must be applied in a non-discriminatory manner as between Canada and other dollar-area countries. Thus no import or exchange restrictions imposed for currency reasons may apply to Canada that do not equally apply to the United States, Canada's chief dollar competitor in this area. Similarly, any relaxation or removal of such restrictions against dollar goods will apply automatically to Canada.

—MAURICE SCHWARZMANN

*International Trade Relations Branch*

## Chile: Inflation Takes Its Toll

*Agricultural production has declined; inflation has ravaged the economy; but Canadian-Chilean trade is holding up well.*

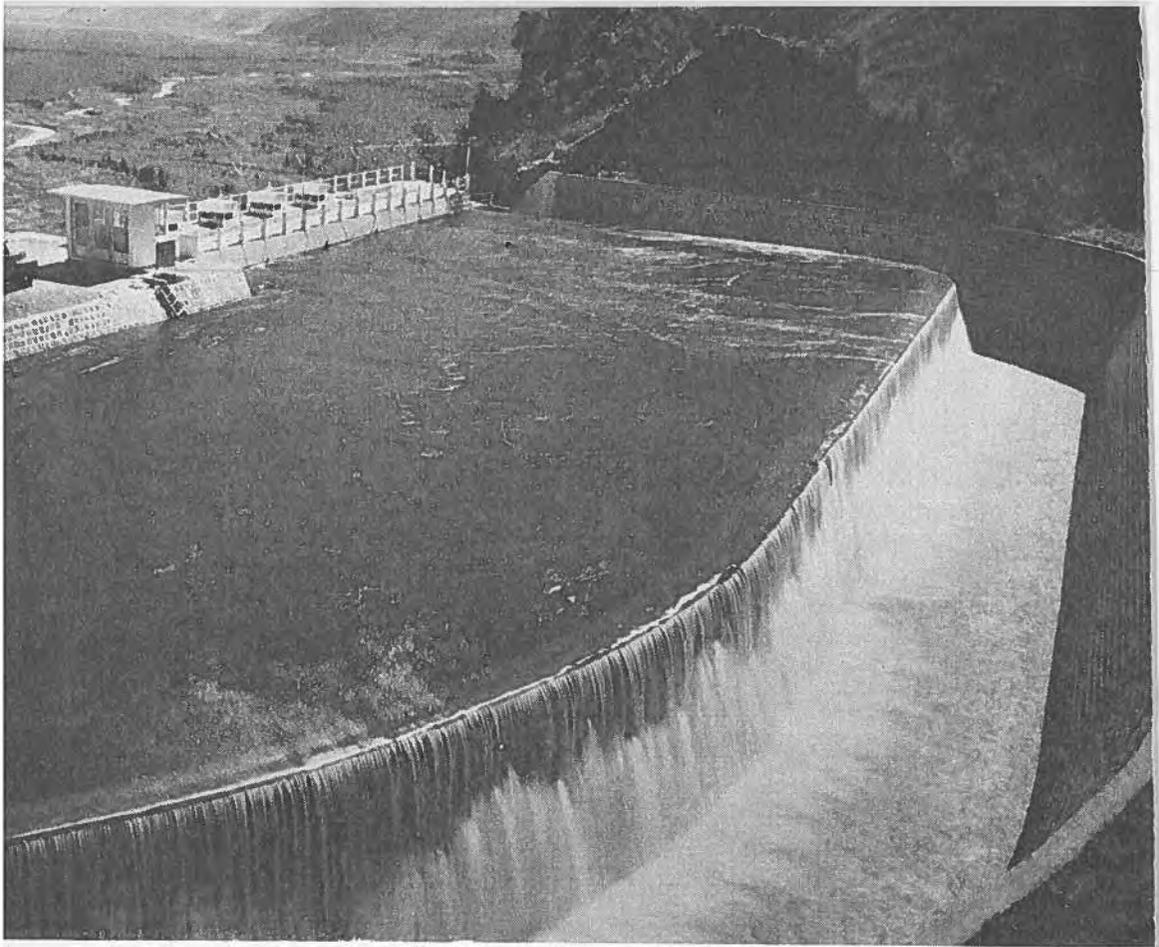
**S**ANTIAGO—The appreciable increase in the level of Chilean industrial production during the past few years has been more than offset by a drastic agricultural decline. All the classical impulses towards inflation are present and have found fertile ground in Chile. External and internal forces have depreciated the purchasing power of the peso greatly. Budget deficits, the diversion of labour from agriculture to industry, and the high costs of domestic production have each made their contribution. Government spending has contributed to an unprecedented increase in the volume of money in circulation.

### Dollar Deficit and Controls

The Chilean Foreign Exchange Budget for 1952 balanced at US\$447.6 million, an increase of more than US\$100 million over last year. Since the Budget was published, there have been several reverses and probably Chile will have a 1952 deficit on total balance of payments of US\$85 million in all currencies.

Shortage of hard currency and import controls have forced Chile to continue the 16 effective multiple exchange rates. Preferential rates for government purchases and highly essential materials have been maintained only at the expense of income from exports. (The preferential exchange is earned largely by the export of farm products.) The trend from early 1951 was towards a freer system of exchange and import. However, because the 1952 Foreign Exchange Budget proved too optimistic, the A.1 or Free Import List was suspended in April to enable the Government to appraise the dollar potential again and re-assess the essentiality of various commodities. The further depreciation of the peso since April indicates that licences will again be required for all imports from hard currency countries. Generally speaking, the now familiar rule of dollar-short countries applies—permission to import from dollar areas highly essential materials only, and only if similar or substitute articles cannot be procured from soft currency countries.

Chile's barter exchange provides more ready funds for a wide variety of less essential and even luxury articles. Because of high profits, the demand for these articles is greater than the desire of Chilean producers to export. In the case of gold dollars, officially listed at Ch.\$135 per dollar, importers must pay upwards of Ch.\$180 per dollar. On the



*Hydro-electric installations like this have made possible growing industrial production in Chile, though power rationing is still in force. Chilean industry employs about 18 per cent of the working population and wages have risen.*

other hand, Chile's compensation and barter agreements with a number of European countries have failed to satisfy many of her capital and consumer requirements.

#### **Government Spending**

The 1952 Budget balanced at \*Ch.\$29,000 million, compared with Ch.\$23,000 million in 1951. There was a deficit at the end of last year of almost \$1,351 million. Early in the year, the Government was studying ways and means of regulating inflation through economies in public spending and sought the co-operation of business men to regulate prices as well as salaries. However, little was heard of the anti-inflationary program during the pre-election months.

More external capital is needed for both agricultural and industrial expansion although at present the service of foreign loans takes up more than US\$54 million or its equivalent. The annual report of the Central Bank refers particularly to the progress of decapitalization in private industry brought about by the inflation. This factor, and the fear of government expropriation, has deterred the inflow of private capital from abroad, so essential for new industries and for the expansion of existing ones.

\* Chilean peso=approximately 3.1 cents Canadian at the official rate of exchange.

External trade showed an appreciable expansion in 1951. Exports increased from 1,374.7 million gold pesos\* to 1,802.6 million compared with 1950. Imports jumped from 1,200.4 million to 1,593.4 million. However, agricultural products exported decreased by Ch.\$4 million to \$72.9 million over the same period. Imports remained more or less constant at US\$167 million, emphasizing once again Chile's lack of agricultural production. The United States continues to be Chile's principal customer and source of supply, with the United Kingdom in second place with approximately one-quarter of the American total. Chile's trade within South America has increased during the past year and Germany, whose trade here since the war has been negligible, now is in fourth place.

#### Canada's Trade Sets Record

According to Canadian statistics for the year 1951, exports to Chile totalled Can.\$13.7 million compared with Can.\$6.9 million for the previous year. This total included 60 thousand tons of wheat. During 1951 Canada continued to export to Chile newsprint, wood pulp, agricultural machinery, asbestos, mining machinery, iron and steel bars, ferro alloys, soda and sodium compounds, and batteries. In addition, a number of new products were sold, including cotton fabrics, automotive equipment, automotive tires and washing machines. The principal exports from Chile to Canada in the year 1951 were ores, wine, sheepskins, onions, fresh fruits, beans and iodine.

Canada should continue to find a moderate but valuable market in Chile for manufactured products and basic materials, depending largely on Chile's dollar earnings from her foreign trade. While terms of payment must eventually become more flexible, at the present time exporters should be cautious. They should make certain that licences are available and irrevocable letters of credit established before going ahead with orders.

#### Production

The table below shows that industrial production during the past five years has not offset the decline in agricultural products.

#### General Index of Production

(1936/38=100)

Item	1946	1947	1948	1949	1950
Agriculture .....	108.2	109.6	115.9	113.0	100.7
Mining .....	104.6	119.2	124.0	109.0	107.4
Industry .....	150.3	155.6	163.0	170.1	169.7
Building .....	228.3	177.3	161.5	158.4	159.5
Fish and shellfish.....	168.2	175.8	188.7	224.1	255.1
General index .....	119.2	136.7	142.5	141.5	138.2

The Chilean Development Corporation's 1952 Budget balanced at Ch.\$2,680 million. Its chief source of revenue was a grant from the State of Ch.\$1,673 million. Although there is a continued emphasis on agriculture, the principal beneficiaries of the Development Corporation this year are hydro-electric and oil enterprises.

\* Chilean gold peso=20.56 cents U.S. This unit is used exclusively for statistical purposes and customs tariff rates.

The Chilean mining industry showed an increase both in production and employment in 1951. Comparative production figures are:

	1950	1951
Copper .....	363,757 tons	379,725 tons
Nitrate .....	1,614,146 tons	1,684,146 tons
Iodine .....	542,893 kilos	1,298,482 kilos
Iron .....	2,953,233 tons	3,174,338 tons
Coal .....	2,180,923 tons	2,211,295 tons
Gold .....	5,770,423 grammes	5,402,449 grammes
Silver .....	23,094,104 grammes	30,590,019 grammes

Copper, which accounts for 50 per cent of Chile's foreign exchange, is in an improved position in spite of serious labour stoppages earlier in the year. New legislation has given the Chilean Government control of the sale of all copper produced. Acting as an agent of the Government, the Central Bank has sold more than 70 thousand tons of copper since the operations were assumed by the Bank in May. Sales, mostly to the United States, have been at 35½ cents a pound, considered a firm price.

Nitrate sales have increased and the year 1951 saw the first production by the solar evaporation process. Sulphur production is assuming new importance and many marginal mines are being worked because of the attractive world price.

The National Petroleum Company, dependent on the Development Corporation, continues its explorations. This is being paid for largely by sales of crude petroleum to Uruguay. Long-term prospects of the industry include a refinery near Valparaiso and the eventual self-sufficiency of the centre and south of Chile in petroleum products. Radioactive ores have been discovered in the north of Chile.

Fishing and forestry both show substantial increases but their potential, as seen by FAO experts, is 50 per cent above present levels. There is continued interest in the extension of the pulp and paper industry.

#### **Agricultural Production Weak**

Reduced exports of agricultural products, on the one hand, and increased imports of foodstuffs on the other indicate the difficulties of Chile's agriculture. Little capital has been invested in the land. The irrigated surface has increased by only 30 per cent since 1900, though the population has more than doubled.

Chile is being helped by various agencies of the United Nations. The Chilean Development Corporation is also making a serious effort to assist by providing seeds, fertilizers and mechanized equipment, and by extending irrigation.

#### **Secondary Industries**

The limitation of imports, and the protection offered by an excessive customs tariff, has aided the continued expansion of Chilean industry, which now employs about 18 per cent of the working population. The quality of manufactured articles has been causing concern and the Government has requested assistance from a technical committee in establishing a system of standards.

The success of a new steel plant in which the Development Corporation has acquired a controlling interest is a significant development. Although hydro-electric production has continued to increase, the country has rather severe power rationing.

The cost of living rose at an accelerated rate of 25 per cent during 1951. The comparison of annual increases in the "Chilean Minimum Wages" provides a striking example of the extent of inflation. In 1938, according to the formula used for determining the minimum wage, an employee could eat, dress, pay rent, purchase newspapers and medicines and go to the movies twice a week, on a wage of Ch.\$400 per month. Today he requires Ch.\$6,000 to carry out the same program.

Although, at the moment, the Chilean economy is out of balance, the wealth of her natural resources and the industry of her people assure future prosperity. Her economy, however, will not be stable until the workers attain greater purchasing power and a better living standard.

—M. R. M. DALE  
*Commercial Secretary for Canada*

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## **Colombia Makes Steady Progress**

*Exports show a substantial rise; crops are being diversified; international loans are speeding up industrial progress.*

**B**OGOTA—Conditions in Colombia have shown a steady but unspectacular improvement in the past twelve months, principally because of good coffee crops selling at high prices on the New York market. Agricultural and industrial production increased and new factories, electrical and irrigation projects were inaugurated.

Exports from this country of some 12 million people earned over \$1½ million a day for the year ended June 30th last, to a total of \$473 million, as compared with \$359 million for the corresponding period in 1950-51. Imports stood at an estimated \$399 million, an increase of \$89 million over the 1950-51 period. The balance of payments picture thus improved by \$25 million. Reserves of gold and foreign exchange at June 30th were officially announced at \$92.4 million, up to \$10.4 million.

The United States continued to be Colombia's best customer and principal supplier. From the beginning of 1951, however, Europe, particularly Western Germany, has played an increasingly important trade role. This trend has been buttressed by a series of compensation trade agreements. These agreements, amounting to \$70 million, have been signed in the past 18 months with a number of Western European countries including Britain, Western Germany and Italy. They assure a wider market for coffee, bananas, rice and sugar in exchange for automobiles, machinery, tools and industrial equipment.

A major overhaul in the country's exchange and tariff system in March 1951 brought about the abolition of cumbersome exchange certificates, the pegging of the national currency at the realistic rate of 2.50 pesos to the U.S. dollar, and higher import duties on many commodities.

This had such a salutary effect that important reductions in the list of prohibited "luxury" goods were announced in February and in August. If the foreign exchange position continues to improve, the Government is hopeful of lifting all prohibitions. Though foreign exchange is still controlled, applications are being approved without delay.

### **Domestic Progress Hindered**

The greatest hindrance to orderly economic progress continues to be the sharp cleavage between the two main political parties. Instead of diminishing, this clash appears more acute than ever; disorders in some districts have reached the point where business as usual is almost impossible. Yet despite this, there have been many indications of internal progress in recent months. The cost-of-living index—which rose from 183·5 in June 1946 (July 1940=100) to a high of 379·0 in May 1951—seems to be levelling out on a slightly lower plane, with May 1952 being recorded at 373·4. Contributing factors are the plentiful supply of goods, the abolition of price controls in November 1951, and the easing of lending restrictions of commercial banks. Currency in circulation increased from 423·9 million pesos in June 1951 to 497·5 million in June 1952. The 1952 budget of 632 million pesos is the largest in the country's history.

### **New Production Emphasis**

Investments in industry are moving upward and foreign capital registered in Colombia at the end of February 1952 amounted to \$457 million, of which \$257 million was held by petroleum companies. A substantial number of new industries were launched in the past 12 months, including Laboratorios Frosst de Colombia, a subsidiary of the well-known pharmaceutical company in Montreal. A soda ash plant financed by the Colombian Government, large enough to supply domestic needs, was opened near Bogotá at the end of 1951 and a plate glass factory is almost completed.

Also on the list of newly-opened industries are a bicycle plant in Cali (the first in Colombia) and a vegetable fat factory in Barranquilla, capitalized at \$1 million. In Barranquilla, too, the Sears Roebuck organization hopes to open its first department store in Colombia in the early part of 1953. Scheduled for completion in the next two or three years are a 100 thousand tons a year steel mill at Paz del Rio, a starch factory in the Cauca Valley, and a synthetic ammonia plant at Barrancabermeja. Both the cement and textile industries have reached the point where they have surpluses available for export.

Colombia's economic destiny is still centered in coffee; of total exports in 1951 of \$421 million, coffee accounted for \$340 million. The country fully appreciates the drawbacks of a one-crop economy. It is therefore not surprising that, with the assistance of the Department of Agriculture, intensive efforts are being made to build up production of other crops, particularly rice, sugar and cotton. Many areas are so well suited to these products that both rice and sugar are now in surplus and determined steps are being taken to find foreign markets for them. That is why a few weeks ago the government decreed that certain prohibited items, including medium-priced automobiles, canned fish and meats, would henceforth be allowed in if they were purchased with foreign exchange

earned from the sale of rice, sugar, tobacco and hides, or the two industrial products, cement and cotton textiles. How well this succeeds remains to be seen. While cotton production is expanding (from 2,800 tons in 1940 to 6,700 tons in 1950) it is still only sufficient to supply a third of the 25 thousand tons required by the well-developed textile industry.

Wheat production still falls far below requirements and substantial quantities must be purchased abroad. Permits to import 30 thousand tons were authorized in 1951 and 1952 imports may be almost as high. The millers are once again free to import their own requirements but must pay a surcharge of approximately \$60 a ton. This will be used by the Government to build silos and improve domestic seed.

Next to coffee, petroleum is Colombia's most important export. Latest statistics show there are now five companies operating in 11 fields in the country, with 15 drilling rigs and employing 7,494 workers. In 1951 production amounted to nearly 39 million barrels of which 32½ million, valued at \$69.4 million, were sold abroad, mostly to the United States. Reserves at the end of 1951 were estimated at from 500 to 600 million barrels.

Petroleum was first exported from Colombia in 1921 and from the beginning has been developed by foreign companies such as The Texas Company, International Petroleum and Shell, operating on concessions from the Colombian Government. Now, for the first time, a wholly owned Colombian company is participating in the petroleum industry—and in a big way.



—Standard Oil Co. (N.J.)

*Making panela in a Colombian raw sugar factory, known as a trapiche. Colombia's efforts to build up her sugar crop have succeeded and foreign markets are being sought for the surplus production.*

In August 1951, when the 30-year concession of The Tropical Oil Company (a subsidiary of International Petroleum) in the huge "De Mares" field expired, it reverted to the Government of Colombia, complete with installations and equipment according to the terms of the original agreement. This was an enlightened and popular move which has served to maintain goodwill towards foreign operators. The "Empresa Colombiana de Petroleos", as the new company is called, is now successfully operating the De Mares Concession with Colombian personnel and, with loans from International, is modernizing and increasing the capacity of its refinery.

Another event of interest was the recent opening of the pipeline from Puerto Salgar to Bogotá, a distance of 85 miles. This permits gasoline to be pumped into the capital at the rate of 365,700 gallons a day; has meant a fall in price of gasoline of 1½ cents a gallon.

### **Foreign Loans Help**

The report of an economic mission sponsored jointly by the International Bank of Reconstruction and Development and the Government of Colombia, which spent many months in Colombia making studies, was published in September 1950. It stressed the great natural wealth of the country in coal, petroleum and hydro-electric potential, basic to future industrial development. It also stressed that, if this development was to be realized, good roads had to be constructed between the principal centres of population. Since then, the International Bank has made loans amounting to \$55 million, of which \$16.5 million is for road construction, \$5 million for agriculture, \$8.5 million for electrification and the most recent, \$25 million in August 1952, for the Magdalena Valley Railway to expedite freight shipments between the Caribbean and the interior. The Export-Import Bank has also made three loans in recent months: \$2.6 million for electrification, \$2.2 million for the construction of silos, and \$1.5 million for diesel locomotives. Valuable assistance is also being received in the form of Point Four aid from the U.S. and includes agricultural surveys, insect control, soil study, afforestation and development of rubber and coal resources.

Colombia is also doing much to help itself. At the time of the International Bank Mission, the Colombian Government also set up its own Committee for Economic Development which has since evolved an elaborate "Five Year Plan" to improve the economy of the country, to begin January 1, 1953. A permanent Office of Economic Planning, consisting of three prominent businessmen to advise the president on carrying out the plan, has now been established. Nor are all large irrigation and electrification projects dependent on foreign loans. Two large dams recently completed—the Neusa and the Sisga, for irrigating the Bogotá plain and furnishing electricity to the capital—were financed from domestic funds.

### **Communications Improved**

Colombia boasts of having the first commercial airline (SCADTA, established in 1919) in America and because the three ranges of the Andes which cover a large part of its surface make highway and railway building difficult, air travel has for years been the most common mode of communication between the principal cities of the Republic. Three

main companies carry the bulk of the traffic and one of them, AVIANCA, offers daily direct flights to New York by Constellation. To keep Colombian airfields and techniques up to date, the International Bank for Reconstruction and Development is providing technical assistance in the organization of a Colombian National Airport Association.

In 1951 the Colombian Highway Association was formed as an affiliate of the International Road Federation to foster the building and upkeep of highways and to work for the completion of this section of the Pan-American Highway. With a loan of \$16.5 million from the International Bank, the key highways are now being improved.

Good highways are considered more essential to economic progress than railways, but nevertheless a loan of \$1½ million was received in 1951 from the Export-Import Bank to buy five new diesel engines from the U.S. The more recent \$25 million loan from the International Bank will provide the funds for the much-needed Magdalena Valley Railway.

The Flota Mercante Grancolombiana merchant steamship line, with headquarters in Bogotá, has enjoyed a signal success since its inauguration in 1947. The company now has, in addition to 13 ships of its own, 13 on charter and four more on order in Montreal. It provides direct scheduled service between the main ports of Ecuador, Colombia and Venezuela, and Montreal, New York, the American gulf ports, and Europe. It has proved, in fact, a great asset to the development of trade in this area.

—WILEY J. MILLYARD

*Canadian Government Trade Commissioner*

## ECUADOR

**B**OGOTA—Economic conditions in Ecuador have improved considerably over last year. The first five months of 1952 show the favourable balance of trade stood at US\$2.7 million as compared with an adverse balance of US\$7.6 million during 1951. This has meant a marked increase in the Central Bank's holdings of foreign exchange, which on July 10th totalled 481,141 thousand sucres.\*

The major crops this season seem to promise well, and the forecast is that the favourable trend in foreign trade should continue to the end of the year. Commercial activity is increasing with the improvement in payments in place of the rather sluggish business conditions at the year's end. The excessive inventories which local merchants built up are now falling to reasonable proportions.

Crops such as cocoa and coffee form the basis of Ecuador's wealth and provide some 60 per cent of its exports. The range of climate means that the country can produce a diversity of crops including rice, bananas, coffee, wheat and potatoes. Apart from flour milling, and spinning and weaving utilizing locally produced low-grade cotton, there is little industry except local breweries, sawmills, foundries and machine shops. Ecuador depends largely on imports to meet its requirements of manufactured goods. It is trying to broaden its economic base by exploiting resources other than agricultural land.

\* Sucre=approx. 6.4 cents Canadian at the official rate.

Production of cocoa beans during the calendar year 1951 was 20,700 tons, down 10 per cent from the previous year. Exports were estimated at 19,872 tons. Although the export market is fairly active and stocks in the hands of Guayaquil exporters are negligible, prices have gone down considerably.

The 1951 coffee crop was hard hit by heavy rains. Estimates at the year's end placed the crop at a low of 275 thousand bags of 60 kilograms each (1 kilo=2.205 lb.) one-third lower than in 1950. Only 240 thousand bags were available for export compared with 335 thousand bags in 1950. Coffee production this year is estimated at 500 thousand quintals (a quintal=approximately 101 lb.) with prices favourable.

Banana exports have increased remarkably during the first five months of 1952—to 6.7 million stems, compared with 3.2 million during the same period last year. In 1950 bananas constituted 15 per cent of total exports compared with 4 per cent before World War II.

### Transportation

To assist internal production and develop international trade, plans are going forward to modernize transport facilities and improve ports. A contract has been signed with a French company to complete the Quito-San Lorenzo railway and improve the port of San Lorenzo at a total cost of US\$10 million. The leading port, Guayaquil, may also get new installations paid for by a loan of US\$8 million from the International Bank of Reconstruction and Development.

### Trade

During the first five months of 1952, Ecuador's exports amounted to US\$23.7 million and imports to US\$21 million. Ecuador is thus in a better position to pay for her needed imports. Imports are still controlled, however, to encourage the entry of essential rather than luxury goods. According to the latest information available, the official selling rate of sucres per U.S. dollar is 15.15. On this official rate, imports are permitted entry on the following basis:

List A—15.15 for "essential" goods.

List B—15.15 plus tax surcharge of 33 per cent for "semi-essential" goods.

List C—17.35 plus tax surcharge of 44 per cent for "luxury" goods.

(Free rate of sucre to the U.S.\$1 as of July 15th=17.30/17.55)

Canadian trade with Ecuador in the first five months of the year, ending May, in 1,000's of Canadian dollars:

	1938	1951	1952
Canadian imports .....	11	840	807
Canadian exports .....	19	1,155	854

—JOHN E. LANCASTER

*Assistant Canadian Government Trade Commissioner*

## Cuba's Exports Reach Record

*The huge 1951 sugar crop, sold at record prices, has brought Cuba prosperity, but certain economic re-adjustments must be made in the coming months.*

**H**AVANA—Cuba's post-war prosperity appears to have reached its zenith during the past twelve months. The record-breaking sugar crop of 7,011,498 long tons (previous high was 5,876,671 tons in 1948) brought problems in its train. Moreover, the change of government on March 10th by a coup d'état left conditions unsettled.

All signs point to a period of levelling-off and economic adjustment. However, government revenues remain at satisfactory levels, although expenses have increased substantially, because of raises given to the armed forces, the police and other civil servants. Banks are adopting a cautious policy towards credit. Retail sales have slumped. Inventories are not too unwieldy, but accounts receivable are substantial in many cases. Volume of private construction has fallen and public works are being carried on at a slower tempo.

### Foreign Trade

With sugar prices in 1951 at their highest in many years, Cuban exports hit a record of \$766 million, compared with \$642 million in 1950. This trend has continued into 1952 with exports for the first three months at \$172 million, compared with \$163 million for the same period in 1951. Imports for the first two months were practically the same as in 1951, roughly \$105 million.

Sugar continued to hold first place among exports, accounting for 89 per cent of the total value. Tobacco, in second place, accounted for about 5 per cent.

The principal imports were foodstuffs and beverages, machinery, automobiles, trucks, drugs and chemical products, minerals, glass and ceramics, metals and metal manufactures.

### Trade with Canada

Canada's trade with Cuba for the first six months of the year showed a satisfactory increase. Exports of wheat to the new Cuban flour mill, which recently started operations, accounted for a large part of this. Exports to Cuba for the six months, according to DBS, amounted to \$13.6 million, as compared with \$9.3 million in 1951. Principal items were wheat flour, wheat, newsprint, dried salt codfish, brewers' malt, copper wire, machinery and parts, and seed potatoes.

As a result of the agreement whereby Canada has undertaken to buy 75 thousand short tons of sugar each year, Cuban exports to Canada showed an appreciable gain. Total for the first five months this year was \$7.8 million, as compared with \$2.3 million for the same period last year.

### **Agriculture**

Satisfactory weather conditions, larger cane plantings and a longer grinding season led to the production of Cuba's all-time record sugar crop. A desire to maintain the price in the world market at about the present level led the Cuban Government to announce that 1,750,000 tons of sugar will be carried over this year and the coming crop restricted to five million long tons. This surplus is to be disposed of over a period of five years in equal parts of 350 thousand tons. It is being financed by private banking channels on the basis of 3.08 cents a pound or \$10 a bag, as laid down by government decree. The maximum rate of interest that can be charged for this financing is 4 per cent a year. In the meantime, Cuba is agitating for an International Sugar Agreement.

Weather conditions have been normal and there is little doubt that Cuba could produce much more than the five million long tons.

### **Tobacco**

Weather conditions for the tobacco crop being harvested are favourable and it is reported to be of good quality. Sales appear to be taking place at prices slightly below last year's. Production from the Vuelta Arriba districts is estimated at 271 thousand bales compared with 142,287 bales in 1951. No estimate is available from the Vuelta Abajo district. By government decree, tobacco plantings for the 1952-53 crop are restricted to 650 thousand quintals net of sun-grown tobacco. Shade-grown production is estimated at 80 thousand quintals and is not restricted. Tobacco purchased by the Tobacco Stabilization Fund of 1951 and prior crops are being destroyed because of poor quality, except for approximately 100 thousand quintals, worth between three and four million dollars, for which a buyer has apparently been found.

### **Cattle**

Poor pasturage conditions in March, April and May led to a shortage of cattle for sale and holders were not willing to sell at the official price. The Government tried unsuccessfully to solve the problem by subsidy and finally raised the price from 12 cents to 13½ cents a pound on the hoof f.o.b. Camagüey. At the same time, killing and selling on Fridays was forbidden, and this restriction is still in force. During the shortage, meat was brought in duty free. Meat is now plentiful but a severe shortage next year is feared. Supplies of milk and cream have also improved and factories producing condensed milk, butter and cheese are operating at capacity.

The coffee crop now being harvested is estimated at 650 thousand quintals, some 10 thousand quintals less than anticipated consumption during the next twelve months. As the carry-over from the last crop amounted to about 413 thousand quintals, supplies are more than ample.

Coffee prices have been steady at about \$48 to \$49.50 per quintal according to quality, but demand from the roasters has been somewhat slow. This should improve from now on.

Supplies of oranges and plaintains are plentiful, with prospects good for the next crop. Black beans are in poor supply; stocks of corn are dwindling. Small spring plantings of corn and beans are reported doing well. Prospects for the rice crop appear good, but the slowly increasing production is far from meeting consumption.

#### **Industrial and Other Developments**

The new Cuban flour mill, scheduled to start production in mid-January, actually began operations early in April. A new detergents plant, a subsidiary of a U.S. company, recently commenced manufacture. Now, a well-known U.S. garment manufacturer has announced that his company will manufacture its products in Cuba for the Island market. The largest Cuban brewery, already operating two plants located at each end of the Island, is completing construction of a third brewery in the middle of the country. The development program carried on by a government loan raised by the previous administration is drawing to a close as funds are becoming exhausted. Much useful work has been accomplished including roads, bridges, waterworks, cold storage facilities, tourist development, etc., all of which will prove valuable in developing the economy of the Island.

Private building has fallen substantially in the first six months of 1952 and is about 16 per cent lower than in the first half of 1951. Uncertainty about the Government's intention on rents accentuated the problem. Public works are being carried on at a fast tempo in Havana but in the rest of the country little progress is being made and many projects are completely paralyzed.

#### **Public Finances and Banking**

Total government revenues for the fiscal year ended June 30, 1952, reached the record figure of \$347 million, compared with \$322 million for the previous fiscal year. This trend has levelled off. Revenues for the fiscal year 1952-53 are estimated at \$336 million and the expenses at the same figure. Bank clearings for the first six months of 1952 were a record breaking \$2.4 billion compared with \$2 billion for the same period the previous year. Money in circulation increased to \$858 million at the end of March 1952, compared with \$709 million for the same month in 1951. Bank loans at the end of May reached a record \$365 million, compared with \$307 million the year before.

Although Cuba is faced with readjustments, the country should remain relatively prosperous. There are many uncertain factors in the situation but no cause for immediate alarm. When it is remembered that before the war Cuba's average sugar crop was under three million tons, the restriction of the forthcoming crop to five million tons should not have too great an economic impact. However, the lack of development of secondary industries may accentuate the difficulties to be faced in this period of readjustment.

—A. W. EVANS

*Commercial Secretary for Canada*

## **DOMINICAN REPUBLIC**

**H**AVANA—A record sugar crop, combined with good prices for other exports, kept business activities brisk in the past twelve months and produced a record favourable balance of trade. Sugar prices fell considerably from last year, but the drop was offset to some extent by the volume of production. This was estimated at 660 thousand short tons, some 12 per cent greater than last year's bumper crop. Inventories were still unwieldy. Bank collections were slow, but they showed definite signs of improvement towards the end of this period.

Prosperous conditions helped to keep government revenues well ahead of expenditures and the public debt decreased. Bank deposits and bank loans, inflated through financing heavy inventories, were at an all-time high. The tourist business prospered; retailers suffered from the usual summer slump.

Private construction decreased, though the volume of public works showed no sign of diminishing. The main project at present is the rebuilding of the highway between the capital, Ciudad Trujillo, and the other principal city, Santiago de los Caballeros. This project, to cost \$7,500,000, will take three years to complete. Work is progressing on other roads, waterworks, bridges and government buildings.

### **Foreign Trade**

The record favourable balance of trade achieved in 1951 continued through the first four months of 1952. Exports for the four months, at \$42.7 million, were some 10 per cent over last year's figure of \$38.9 million. Imports for the same period were \$19.5 million compared with \$17.3 million. The increase in exports stemmed from larger sales of coffee, sugar and cocoa, which offset a decrease in the other commodities. The United Kingdom and the United States were the Republic's main markets. Exports to Great Britain consisted chiefly of raw sugar and molasses; purchases by the United States covered a wide range of commodities. There were no changes in the pattern of trade and the principal imports continued to be machinery, foodstuffs, iron and steel products and cotton textiles.

### **Canada's Share**

Canada's share of the trade increased substantially; Canadian exports for the first six months of 1952 totalled \$2.6 million compared with only \$1.8 million in the same period last year. Leading items in Canada's trade continued to be food products, aluminum and other metals, agricultural and other machinery, manufactures of iron and steel. Similarly, Canadian imports from the Dominican Republic for the five months ending May 31 rose to \$1.7 million as compared with only \$625 thousand in the corresponding period of 1951.

Expanded sugar plantings with the opening of new mills resulted in an estimated production of 660 thousand short tons, an all-time high—12 per cent over last year's crop which, in turn, was 11 per cent more

than the average output for the preceding five years. As usual, the British Ministry of Food contracted to buy the 1952 production after deducting local requirements of 64 thousand tons, the United States quota of 21,500 tons, and the Canadian quota of 64,500 tons. The contract price was US\$5.10 f.o.b. per hundredweight for the first 100 thousand tons, with the remainder to be priced on the basis of the monthly average of the daily spot quotations on the New York coffee and sugar exchange. The average price so far of about \$4.50 per hundredweight has been well below last year's average of \$5.75. However, this still allows a satisfactory profit.

#### **Other Export Crops**

The last coffee crop produced about 300 thousand bags of 75 kilos each. Demand has been good, though the quality of the crop made marketing difficult and prices ran slightly lower than the previous year. Some unsold stocks are still in the hands of the dealers, and although Puerto Rico has often taken much of the poorer grades in toasted form, it may not be in the market this year. Prospects for the new crop are excellent. The cocoa crop is good and prices higher than last year; the tobacco harvest equal to that of 1951 and of better quality. Marketing the tobacco presents a problem because of the carry-over from last year and the shortage of dollars in the principal European markets. However, a gradual movement is now under way indicating that this situation has eased. The cultivation of tobacco in the Dominican Republic is receiving technical assistance from the Point 4 program; this should mean better grades and higher yields in the future.

Business prospects for the next twelve months are good, but depend on the price of sugar. If sugar prices hold, the Republic is assured of another prosperous year.

—A. W. EVANS

*Commercial Secretary for Canada*

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#### **Trade Outlook**

A recent survey on trade between Canada and Latin America, put out by the Chase National Bank, ends with a comment on future trade prospects. Says the writer:

"The amazing growth of the Canadian economy points to a continuous rise in the two-way flow of trade between Latin America and Canada. As Canada's population and living standards grow, she will need an increasing flow of petroleum, coffee, bananas and other Latin American products. Canada will be able to supply increasing quantities of wheat, newsprint and industrial equipment.

"However, the path toward expanding Canadian-Latin American trade does not promise to be smooth and even. Latin American wheat imports may drop next year. Western Germany and Japan are offering intense competition in machinery markets. And the current premium of the Canadian dollar boosts Canadian export prices."

## Haiti Depends on Coffee

*. . . and high prices for this product have given her a prosperous year. Canadian exports to this country doubled in the first six months of 1952.*

**H**AVANA—High prices for coffee—backbone of the economy—have kept Haiti relatively prosperous during the past twelve months. Weather conditions so far have been good and crops should be average. Although government revenues have been buoyant, heavy expenditures on the five-year development program meant a small budget deficit for the seven-month period ending April 30, 1952.

Foreign trade was brisk and inventories were large. Retail sales took their customary drop during the summer, but no violent swing was evident. The tourist trade continued to be a steady income producer. Under the "new industries" law several small industries were set up which, with the development program, helped to reduce unemployment. Labour troubles were negligible and the dock-workers' union succeeded in obtaining higher wage rates. The cost of living continued its steady advance.

### Trade with Canada

The record totals for imports and exports during the period October to April 30, 1952, totalled gdes.\*154 million and gdes.189 million respectively. These compare with gdes. 131 million and gdes. 160 million for the period ending April 30, 1951. The chief export by a large margin was coffee, followed by sisal and sugar. Banana exports fell to a relatively minor place. Haiti's chief customer was the United States which took about 60 per cent of exports. Belgium with 23 per cent was the only other major buyer. Main imports were foodstuffs, textiles and machinery; the United States was the chief supplier with approximately 70 per cent. Canada was in second place with nearly 7 per cent.

Canada's exports to Haiti in the first six months of this year almost doubled—according to DBS figures—to Can.\$2 million against only Can.\$1 million in the same period last year. Canadian imports from Haiti fell from Can.\$1.3 million in the first five months of 1951 to Can.\$1.1 million in the same period of 1952. Principal exports to Haiti were wheat, flour, fish (bloaters, alewives, codfish), blank books, and trucks. The chief imports into Canada from Haiti were sisal, coffee and bananas.

The most important contribution to Haiti's agricultural progress during the period was an increase in the U.S. loan (from US\$4 to US\$14 million) to help finance the Artibonite Valley Project, a combined irrigation and power development on the country's longest river. When completed, this project will make possible a gradual expansion in agricultural

\* Five gourdes equal US\$1.00.

production. Also important was the establishment of an organization with an authorized capital of gdes.10 million which will make loans to small landholders for machinery and improvements to their holdings.

Haitian farmers have found the past twelve months good ones. The yield of all the crop except bananas and cotton was normal. Bananas have been hit by the Panama disease, and cotton is suffering from boll weevil infestation. However, favourable prices for other agricultural exports have more than offset the decline in these two crops.

#### **Coffee, Sisal and Sugar**

Production of coffee, Haiti's number one crop, will be satisfactory again this year. The sisal crop has expanded steadily as a result of favourable prices. Production did fall from 75 million pounds of fibre in 1950 to about 58 million pounds in 1951, but it is expected that 1952 will see a substantial increase. Sugar production is about the same as last year. However, two new sugar mills should be ready to grind by the end of 1952 and they will add substantially to Haiti's small production, now about 65 thousand short tons.

#### **Cacao, Bananas and Oils**

Cacao exports at well over 1½ million kilos are proving very remunerative at today's prices. The decline in banana production continued until this product barely ranked sixth among exports by value, compared with second place a few years ago. A combination of prices,



—Office National du Tourisme

*One of the main crops in Haiti is the American aloe, from which comes sisal fibre, a major export. This native girl is hanging the sisal out to dry.*

disease, and the lack of a settled government policy on concessions have caused the decline. Production of essential oils has increased steadily, and the opening of a new distillation plant for processing oil of lemongrass will assure its growth. Cotton output has dwindled to the point where cottonseed for crushing has to be imported to provide sufficient supplies of edible oil. Practically the whole of the Haitian cotton crop is used in the textile factory opened two years ago.

Haiti has received considerable technical assistance from the United States in her efforts to improve agricultural methods and increase production. While this work is necessarily slow, its effect should be seen in gradually increasing yields.

### **Industrial Development**

The Government has had some success with the "new industries" law which grants exemptions from duties on machinery and raw materials for five years. Since the law was passed, some 21 industrial plants have been authorized and others are being studied. Among the former are a plant to make work clothes, a nail factory, a vegetable and alkaloidal oil plant, and a sugar mill which represents an investment of several hundred thousand dollars.

### **Transportation Inadequate**

The greatest drawback to Haiti's economic development is inadequate transportation. However, the Government has announced a five-year project to pave 500 kilometers of road at a cost of gdes.40 million. Although construction of approximately 100 kilometers a year was scheduled, only 36 kilometers had been completed at the end of 1951. At that time it was estimated that Haiti had only 120 kilometers of paved all-weather highways. In spite of this, automobile registrations increased during the year by 60 per cent. Some 1,200 vehicles were imported and registered during the year; 700 were new passenger cars and the remainder were trucks. Car and truck imports in 1950 totalled 754.

The budget for the 1951-52 fiscal year of gdes.124.5 million sets a new record. This is in addition to a capital budget of gdes.200 million to finance the Government's five-year development plan which includes new roads, urbanization projects, agricultural, health and education improvements. Government expenditures for the period October to April 30, 1952, were gdes.88 million compared with gdes.65 million in the previous comparative period. Revenues at gdes.89 million were running well ahead of last year.

### **No Exchange Controls**

The value of the Haitian gourde is fixed by law at five to one U.S. dollar and is freely convertible. There are no exchange controls at present and none are expected because of Haiti's favourable trade balance.

The excellent outlook for coffee prices and the Government's development policy should make 1952 a year of prosperity and expansion for Haiti.

—A. W. EVANS  
*Commercial Secretary for Canada*

## **PUERTO RICO**

**H**AVANA—The Puerto Rican economy has remained relatively prosperous during the past twelve months. Practically the only unsettling feature was the announcement that next year's sugar crop will be restricted to 1,100,000 short tons, as compared with the recent crop of 1,359,840 tons.

Other crops, with the exception of coffee, have enjoyed favourable weather conditions. The coffee harvest, however, is expected to drop well below last year's figure. Government revenues are buoyant and bank loans remain high.

A large volume of both public and private construction is being carried out. The aggressive policy of the Government Development Corporation on new projects to broaden the base of the Puerto Rican one-crop economy is having a fair measure of success. Tax exemptions granted new industries have encouraged private business to establish many new ventures, and labour conditions have been fairly settled in the period under review. Minimum wages have now been set up for most industries in the Island, but labour costs in practically all cases remain well below those in continental United States.

### **New Constitution**

Puerto Ricans feel a considerable amount of pride about the passage by the United States Congress of a law approving the new Constitution of Puerto Rico. Under it, the Island will have virtually the same powers as a state but without many of the responsibilities that statehood would involve. Thus Puerto Rico will continue to enjoy the economic benefits that states, as such, do not receive.

The restriction of the forthcoming sugar crop by such a substantial amount has somewhat clouded the bright picture. No serious repercussions are expected but a period of adjustment to the changed conditions seems inevitable. The sugar industry is by far the largest employer of labour and the Island's economy is therefore vulnerable not only to the price of sugar but also to the size of the quota given by the United States to the Puerto Rican producers.

—A. W. EVANS

*Commercial Secretary for Canada*

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### **MARKET FOR MANUFACTURES**

Canadian manufactured goods are finding a growing market in Latin America. In 1951, non-farm machinery ranked as the leading manufactured export to that area; was bought mainly by Brazil, Chile and Mexico. Exports of farm machinery last year went largely to Argentina and Uruguay; Brazil made larger purchases of electrical apparatus.

## GUATEMALA

**GUATEMALA CITY**—The Agrarian Law, enacted in June, may prove a turning-point in the history of Guatemala. It enables the Government to expropriate privately-owned lands which are not being worked now or may not be worked in the future if the present owners cannot hire the required number of farm workers. These lands become the property of the State and will be rented to anyone who wishes to become a farmer on his own account. Owners of the expropriated lands are paid in long-term government loans, redeemable annually at a rate varying with their value.

### The Business Reaction

When the law was sent to Congress, there was a run on the banks. During the months of May and June deposits dropped from \$25,285,000 to \$18,787,728 and deposits with the Banco de Guatemala decreased from \$11,338,000 to \$5,796,644. These funds were converted into American exchange, mostly by travellers' cheques, or kept at home. During these months, sales by the banks of U.S. dollars exceeded purchases by \$6,090,000 (\$5,671,600 in May) compared with \$403,700 for May 1951 and against an excess of purchases over sales during January, February, March and April 1952 of respectively \$5,001,000, \$3,263,100, \$3,847,400 and \$87,300. The consolidation balance of all banks dropped from \$70,606,047 to \$63,163,063.

In the trade, large orders for machinery, mostly agricultural, and for other agricultural supplies, were delayed or cancelled; so were contracts for buildings and residences and for building materials. The banks, with a reduced portfolio, were unable to finance certain imports. Collections from good names became difficult, especially in the rural centres where the opinion prevailed that a stock of quetzales was preferable to a stock of goods. Retail sales dropped sharply. During May and June representatives of foreign firms found difficulty in meeting current expenses. General retail business, however, soon picked up slightly.

There is some question whether the Government may lack the necessary financial resources to put the law into effect. The national budget for 1952-53 passed by Congress on the last day of June contained no appropriation for the DAN (Departamento Agrario Nacional), the body appointed to administer the Agrarian Law. A special and extraordinary budget for that new entity, to be added to the annual budget, was promised for July 15 and then postponed to August 31. In the meantime, the DAN is in the organization stage.

Receipts will be limited to the rent paid by the new tenants—three per cent of their crop—the house rent paid by the employees of the large landowners using expropriated accommodations, farms, etc. Disbursements will include the cost of redemption of the bonds given as cash payment for the expropriated lands, the financial assistance which must be given to the new tenants who will need money to maintain their

families and an advance to pay the cost of the first installation, tools, seeds, machinery, etc. No supplier will grant credit for these purposes and it will represent a substantial sum for the Government to pay.

To meet current expenses the Government has had to issue treasury notes to the extent of 10 per cent of future receipts—i.e., \$5 million at 2 per cent. Subject to correction, this is the first time in many years that the Government has had recourse to treasury notes. Data on the external debt of the country have not been published since June 1950 but may be estimated from the figures published by the Bureau of Statistics. According to that institution, receipts and expenditures by calendar years since 1949 have been as follows:

	1949	1950	1951
	(in thousand quetzales)		
Expenses .....	49,133·3	49,826·7	51,082·8
Receipts .....	40,429·9	45,298·6	49,297·1
Deficit .....	8,704·4	4,528·1	1,785·7

Revenues are not expected to increase; on the contrary, imports and the production of beer, cigarettes, alcoholic beverages, the main sources of revenue, are decreasing. It is therefore difficult to see how the Government can balance the budget at \$63 million.

—J. C. DEPOCAS

*Canadian Government Trade Commissioner*

## **COSTA RICA**

**GUATEMALA CITY**—Costa Rica's financial situation has improved markedly in the past two years. In fact, it is now so sound that the Government has not felt it necessary to negotiate the loan which was recommended by the International Bank for Reconstruction and Development mission that surveyed the country.

As in the other Central American countries, the two most important Costa Rican products are coffee and bananas, followed by lumber, abaca, pineapple and coconuts, all products of lowlands with a tropical or semi-tropical climate.

### **Coffee Research Favoured**

The Government realizes that the prosperity of the country depends on these agricultural products. It also feels that efforts towards self-sufficiency in certain products (wheat, for example) would be expensive and futile. Its program of agricultural development is therefore aimed at improving the products which are native to Costa Rica. This explains why coffee, which is already the best source of foreign currency, receives the greatest attention. The Government is interested not only in its protection and conservation but also in its improvement. At several points, studies and experiments are being carried on covering rotation, nature of soil, fertilizers, pests, etc. Careful study is also made of methods used in other coffee-producing countries. Bananas receive similar attention from the fruit companies, which co-operate with the Government in their program.

Rice, corn, cotton, soya and cane sugar are also subjects of special government study, with the co-operation of the international bodies appointed to assist under-developed countries in making use of their resources.

Imports during 1951 totalled \$55.7 million, as compared with \$46 million in 1950, an increase of 21 per cent. Exports rose from \$34.7 million in 1950 to \$39.3 million in 1951. These statistics take into account the nominal export value of bananas and not the actual export value. On the latter basis, the value of exports would jump to \$62.3 million in 1951 and \$55.7 million in 1950.

According to DBS figures, Canada bought some \$4.4 million worth of products from Costa Rica during the first six months of 1952, as compared with \$4.0 million during the first six months of 1951. Canada sold Costa Rica about \$1.3 million worth of goods during this same period, mainly wheat flour, newsprint, and aluminum manufactures.

—J. C. DEPOCAS

Canadian Government Trade Commissioner

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## Mexico's Expansion Slows Down

*. . . but the lull appears purely temporary as long-term development projects move forward, labour troubles are few, and the Government encourages foreign investment.*

**M**EXICO, D.F.—Business was generally less active during the first six months of 1952 compared with the high level of 1951. A seasonal slump can usually be expected during the first few months of the year, but a serious adverse trade balance, an extended drought in the northern states, a fall in wholesale and retail sales, and a drop in commercial construction aggravated it. On the other hand, Mexico's industrialization program showed no slackening of pace. Federal public works progressed farther than at any time in the past six years, in an effort to complete construction before President Aleman's term expires on December first.

Federal elections are held in Mexico every six years and on July 6 Mexico elected its new president. The candidate of the Party of Revolutionary Institutions (P.R.I.), Adolfo Ruiz Cortines, was elected over the candidates of the three opposition parties. He will succeed President Miguel Aleman, of the same party, who has held office since 1946.

The newly-elected President and his administration are not expected to make changes in existing government policy. Mexico's industrialization program will be encouraged by granting tax exemption to new industry and tariff protection to local industry. The present heavy public works program will continue or be increased; government aid and assistance to agriculture under private ownership will go on; Mexico's credit and currency will be maintained on a firm basis, with balanced federal budgets. The cordial relationship between Mexico and the nations of the Western world will be maintained.

As in most countries, election year has affected business, both external and internal. Interruptions of international transactions, however, were kept to a minimum and except for a few weeks before and after the elections, foreign capital, particularly U.S., continued to flow into Mexico to form development companies and to purchase raw materials for defence and civilian needs abroad.

The slump in domestic business during the first six months of this year can be only partly blamed on preoccupation with the elections. The high cost of living, a slowdown in exports, a drop in the price of cotton, and crop losses resulting from drought in some areas and torrential rains in others had their effect on wholesale and retail sales. Consumer resistance, a tight money situation, and delayed credit payments have forced many businesses to seek extensive credits to see them through. Imports of consumer goods have declined over the past few months, largely as a result of slow domestic sales and lack of credit, but normal to excellent business conditions are expected to return in early September.

#### **Adverse Trade Balance**

Mexico's imports continued to increase and for the first five months of 1952 had a value of 2.8 billion pesos, against exports of 2.2 billion pesos. This meant an adverse balance of 608 million pesos for the five-month period (in excess of \$70 million U.S.).

Predictions that Mexico's import trade reached its peak in 1951 proved unfounded. An analysis of Mexico's principal imports, however, shows the encouraging fact that three-fourths of the total import value is made up of items of an economically productive nature—capital goods, investment goods and industrial raw materials. The remaining fourth is largely foodstuffs and durable consumer goods.

Mexico's exports continue to be mainly unmanufactured and manufactured raw materials, among which vegetable materials play an important part, though minerals and metals are still predominant in quantity. In the latter classification, minerals in their natural state rank below semi-manufactured and manufactured minerals.

Receipts from the tourist trade and remittances from "braceros" (Mexicans working in the U.S.) will partially offset the adverse trade balance. In spite of this, press editorials, manufacturers and businessmen have expressed the fear that stricter import controls may be required, or the peso devalued to discourage imports.

#### **Petroleum and Steel**

Production of crude oil and distillate by PEMEX, the government oil monopoly, averaged 218 thousand barrels a day for the first quarter of 1952. During this period, the company drilled 69 wells, about the same number as last year, of which 31 were oil producers and three gas producers—a rate well below the estimate made by the Director General, who predicted that 400-500 wells would be drilled during 1952. Exports of petroleum products were slow in January, but rose in February, March and April.

Mexico's steel production, some 500 thousand tons in 1951, will be increased to 575 thousand tons in 1952, and a corresponding drop in

imports of steel products is anticipated. During the past year, Mexico imported 250 thousand tons of steel, most of it from the United States.

### **Electric Power**

Production of electricity in Mexico has increased 300 per cent in twenty years, to 1.4 million kilowatts. However, the increase in demand, estimated at 7 per cent a year, will require doubling of present production within ten years. Works under construction will add about 700 thousand kilowatts, principally from the Papaloapan River basin and from the international Falcon Dam on the Rio Grande River.

### **Other Industries**

Textile exports fell from an average of 23.5 million pesos monthly in January and February to 17.5 million pesos in March. For the first six months of the year, the textile industry in Mexico felt the general depression.

Government protection of timber stands in Mexico resulted in very few permits being issued for cutting pine in the important lumber area of Chihuahua. Lumber exports were practically nil during the first few months of this year.

Mineral and metal production showed slight increases during the first quarter of 1952 over the same period of 1951. Foreign demand for Mexican copper continued strong but interest in lead and zinc lessened, especially in Europe.

### **Agricultural Production**

*Corn.* More than four million metric tons of corn are expected from Mexico's 1951-52 crop, more than one million tons over 1950-51, the result largely of increased acreage and more extensive use of hybrid seed. Though a surplus over public consumption is anticipated, corn will probably not be exported but the surplus will be held for consumption next year in the event of crop failures.

*Coffee.* During the first four months of 1952, Mexico exported 22,116 tons of coffee, principally to the United States, to a value of approximately 172 million pesos.

*Sugar.* Sugar production this year is up to 700 thousand tons, 11 per cent over last year, and three or four thousand tons will probably be available for export.

*Cocoa.* Increases in acreage planted to cocoa in the southern states of Chiapas and Tabasco have meant increased production, estimated at 10 thousand tons for this year. About 3,000 tons will be available for export.

*Henequen.* The state-controlled co-operative in Yucatan reports that farmers have delivered 113,972 bales (408 pounds each) during the first quarter of 1952, compared with 92,042 bales for the same period in 1951. The United States took the total exports of the fibre (13,500 bales) during the first three months of this year.

*Cattle.* On September 1st, the U.S. border was opened for the first time in six years to Mexican livestock, now that the foot and mouth outbreak has been conquered. With an anticipated half million head of

cattle moving to the United States each year, the northern ranch states of Mexico may again become an important cash market for consumer goods.

**Cotton.** The Mexican cotton crop will not be much above a million bales. Drought, followed by excessive unseasonal rains, has reduced the crop from the Matamoros area to possibly less than 200 thousand bales.

Growers believe that improved prices this year will compensate for the fact that the crop will be about one-quarter million bales smaller than was forecast six months ago. Exports of raw cotton during the first six months of this year amounted to 85,034 metric tons, valued at 444.4 million pesos, according to the Secretariat of National Economy. The 350 thousand-odd bales which were held over from the 1951 harvest were sold to Japan and Belgium in May-June in exchange for industrial machinery, but the Mexican growers were reported to have obtained a price of only 19 cents a pound.

#### **Labour Conditions Quiet**

During the period under review there were no strikes or significant labour developments. Labour has been concerned about the rising cost of living which from December 1951 to June 1952 averaged an increase of 1 per cent per month. Labour leaders have attempted unsuccessfully to have wages hitched to the cost-of-living index. Negotiations for renewal of labour contracts have centred around wage increases and in most cases management has been willing to grant a 10 per cent increase and other social benefits to meet higher living costs.

#### **Outlook**

Although the Mexican economy experienced a lull during this period in its economic expansion, the pause seems purely temporary. Mexico, because of its dependence on markets abroad for minerals, metals, vegetable fibres and agricultural products, is particularly sensitive to the international situation, but internally her economy has been strengthened materially during the past ten years. Factors which will result in further improvement in its economic structure are:

- Extension of educational facilities and improved health and social services.
- Relatively stable labour conditions.
- Mechanization of agriculture and improved yields through better farming methods.
- Large-scale irrigation and power projects, to be completed in two or three years.
- Modernization of railways and construction of a network of highways throughout the country.
- An industrialization program which will make Mexico less dependent on countries abroad for manufactured goods; governmental policies, including a taxation schedule which will continue to attract large foreign investments in Mexican developments. If inflationary tendencies can be checked and if Mexico can continue to dispose of her exports at reasonable prices, her economy should become still stronger and make new records.

—S. G. TREGASKES

*Assistant Commercial Secretary for Canada*

## Peru Provides a Free Market

*With import restrictions on goods from all currency areas lifted, Peru has become a valuable market; imports from Canada in 1951 increased to \$5 million.*

**L**IMA—Confidence in the present government, the possibility that its judicious program will be carried out, and increases in domestic production and foreign trade have put Peru in a relatively strong position.

Early in 1951 prices for goods exported rose sharply and foreign exchange holdings increased proportionately. The Government chose this opportune time to abolish all import restrictions on goods from all currency areas. At once—and particularly during the last six months of 1951—there was an exceptional demand for imports, both for articles previously on the list of prohibited imports and those needed for stock-piling. Imports in 1951 reached a new high in quantity and in value. Inventories were soon above normal requirements and in excess of the people's purchasing power. Credit was used to finance a large part of the increased inventories. The resulting shortage of cash and credit facilities slowed down retail sales somewhat and curtailed domestic business.

### Foreign Trade

Peru exports chiefly a wide variety of raw materials and imports an even wider range of manufactured goods, normally of a slightly smaller total value.

Exports in 1951 totalled US\$252 million (1950, \$194 million) and consisted principally of cotton, sugar, coffee, wool, minerals, crude petroleum and petroleum derivatives, fish and cottonseed paste. Exports to Canada amounted to \$5½ million, of which over \$5 million was for ores of metals.

Imports into Peru in 1951 totalled US\$278 million (1950, \$187 million) and were larger for most principal commodities.

### Principal Peruvian Imports

Commodity	1950 (millions of soles)	1951
Wheat .....	308	238
Pulp and paper .....	25	75
Textiles and yarns .....	123	204
Construction metals .....	40	112
Machinery .....	254	357
Agricultural implements .....	39	57
Tractors .....	33	48
Motor cars .....	63	195
Trucks and buses .....	161	202
Automotive spare parts .....	44	70
<b>Total .....</b>	<b>1,090</b>	<b>1,558</b>
<b>Total all imports .....</b>	<b>2,877</b>	<b>4,238</b>

Imports into Peru from Canada increased from \$3.7 million in 1950 to \$5 million in 1951. Values of principal items traded were:

#### Imports from Canada

Commodity	1950	1951
	(thousands of dollars)	(thousands of dollars)
Machinery and parts .....	315	801
Wheat .....	341	352
Unbleached sulphate pulp .....	113	336
Newsprint paper .....	302	318
Mining machinery and parts .....	160	295
Rubber belting .....	10	218
Malt .....	185	190
Copper rods and wire .....	31	155
Aluminum, semi-fabricated .....	111	143
Radio receiving sets .....	.....	134
Asbestos milled fibres .....	155	123
<b>Total .....</b>	<b>\$1,723</b>	<b>\$3,065</b>
<b>Total all exports .....</b>	<b>\$3,744</b>	<b>\$5,054</b>

#### National Production Rises

*Petroleum*—Petroleum production was 7.2 per cent greater in 1951 than in 1950, at over 16 million 42-gallon barrels. Comparative and detailed figures are given in the following table:

#### Peruvian Petroleum Production

	(thousands of barrels 42's)		Percentage Increase or Decrease
	1950	1951	
Crude .....	15,027	16,109	7.2
Casinghead .....	1,057	1,097	3.8
Casinghead by-products..	41	34	-17.2
Domestic demand (all products excluding international bunkers) .....	8,540	9,620	12.6
Exports (all products including international bunkers) .....	8,384	7,817	- 6.8
Imports .....	482	491	1.8



*Drums of oil waiting for shipment on the Ucagali River in Peru.*

During the first five months of 1952, petroleum production increased by nearly 5 per cent. However, domestic demand increased  $7\frac{1}{2}$  per cent so there was no rise in exports. The steadily growing domestic demand, unless curtailed by a price rise (present retail price is six cents Canadian a gallon for gasoline) or other means, will cause exports to fall.

*Agriculture*—About one-half of gainfully occupied Peruvians are in agriculture. Crops in 1951 were excellent; cotton production reached an estimated 1.7 million quintals of 46 kilograms each (1950=1.6 million quintals), the largest return in a decade. Sugar, another principal crop, totalled 489 thousand metric tons (1950=452 thousand metric tons). Returns on maize, rice, potatoes and vegetables were also good.

*Mining*—Minerals and petroleum rank second in value to agriculture and constitute one of Peru's main sources of foreign exchange. The total production value of metallic minerals in 1951 was 1,561 million soles, of which 1,103 million soles was exported. Non-metallic production was estimated at 2,015 million soles, of which 105 million soles was exported. Lead and zinc production increased appreciably, the result principally of the higher prices prevailing. The table gives the estimated production for the past two years:

	1950		1951	
	*(metric tons)	(millions of soles)	(metric tons)	(millions of soles)
Lead . . .	62,118	251	82,350	457
Zinc . . . .	87,879	334	101,300	486
Copper .	29,930	147	32,274	281

\* metal content.

Peru also produces important quantities of gold, silver, antimony, vanadium, bismuth, manganese, tungsten, molybdenum and coal. For 1952, it is estimated that lead production may increase 20 to 25 per cent and zinc 15 to 20 per cent. Copper production will probably remain constant or decrease slightly.

### Canadians Must Be Competitive

Canadian firms wishing to do business in Peru must have products and prices which compare favourably with international competition. Goods from the United States, the United Kingdom, European countries and Japan are being intensively promoted. As in most other markets, a personal visit by a company's export officer is the best means of appraising the market and selecting a local representative. However, if such a visit is not always feasible, exporters should make certain of their prospective client's status before undertaking definite commitments. In estimating the probable demand, the exporter should remember that about two-thirds of the eight million people are of Indian stock, live under extremely primitive conditions, and rarely purchase imported articles.

At the moment, stocks are estimated to be still slightly above normal but buying is again taking place in most lines.

—HARRY J. HORNE  
Acting Commercial Secretary for Canada

## BOLIVIA

**L**IMA—It is difficult to assess Bolivia's domestic economy because no official statistics have been published for four years. In April 1952 the Government was overthrown and the present regime set up. It has strong nationalistic ideas and hopes to nationalize the mining industry. So far, it has not been able to carry out this part of its program.

Bolivian exports are estimated at about \$80 million in 1951, of which \$70 million represents tin sales. All imports, principally manufactured goods, come in under permit and, as foreign exchange is extremely scarce, few licences are being granted.

In 1951, Bolivian exports to Canada amounted to \$1.8 million (1950=\$2.4 million) and consisted mainly of metallic ores. Imports of Canadian produce in 1951 totalled \$3.5 million (1950=\$2.3 million). Principal items were wheat, newsprint and mining machinery.

Canadian exporters to Bolivia should ship goods only to importers who already have a valid import licence and against payment on a secured basis. And they might well consider insuring shipments with the Export Credits Insurance Corporation.

—HARRY J. HORNE

*Acting Commercial Secretary for Canada*



*One of the lesser but famous products of Latin America is guano, which comes from the famous guano islands off the coast of Peru. Here workers are engaged in gathering this sought-after fertilizer.*

## Venezuela's Prosperity Continues

*Crude oil production set record in the past twelve months; dollars are plentiful; volume of imports from Canada may reach a new high this year.*

CARACAS—Venezuela was exceptionally prosperous during the fiscal year ending June 30, 1952. Crude oil production—by long odds the main pillar of the Venezuelan economy—increased steadily and reached a record average of 1,781,000 barrels daily. This production rate compares with the calendar-year averages of 1,498,000 for 1950 and 515 thousand in 1938. This indicates clearly the source of increased revenue which has made possible many notable advances in the Venezuelan economy during recent years.

To meet the continuing strong world demand for oil, local producers stepped up their exploration programs and expanded the proven oil reserves to 10 billion barrels. Still further increases are expected this year because the Government is considering the granting of new oil concessions, probably to some of the smaller companies, for the first time since 1945.

Because most of Venezuela's oil is shipped to hard currency areas, Venezuelan importers have for some years been free from exchange problems. This condition has brought representatives of the world's leading suppliers to Venezuela eager to satisfy every need and to accept conditions of sale seldom found elsewhere, thereby creating one of the most competitive markets in the world today.

The dangers inherent in a single-product economy such as Venezuela's are fully recognized by all Venezuelan authorities. The record federal budget for the coming fiscal year totals \$690 million, 18 per cent higher than the previous year, and is again directed largely towards building a more balanced economy through the development of agriculture, industries, and communications. A measure of the progress which has been achieved since 1938 was given in a table recently issued by the Central Bank of Venezuela:

### Factors in Venezuelan Development

	1938	1951
Population .....	3,400,000*	4,960,000
Oil production (millions of cubic metres) ..	29.9	98.2
Government income (millions of bolivares)	340	2,256
Highways (miles) .....	1,726	5,378
Motor vehicles (number) .....	28,000	139,000
Cement production (tons) .....	40,000	621,000
Electricity production (millions kwh) .....	170	618
Gold and foreign currency reserves (millions of bolivares) .....	189.8	1,159
Commercial bank deposits (millions of bolivares) .....	226.8	1,013.9

\* Estimated

Expansion in Venezuelan industries has been noteworthy during the past twelve months. Production of cement, beer, tires, hosiery, rayon textiles, matches and detergents advanced. The government-sponsored power development program progressed and will likely continue to do so because it is generally recognized as important. A new rayon yarn and staple plant is to be opened in Valencia this year and a second automobile assembly plant is operating in Caracas.

#### **Tariff Changes on Fish**

Other industries such as fish canning, tomato products, ice cream, tanning, footwear, and metalworking found conditions difficult because of strong foreign competition and awaited with much interest the results of the negotiations with the United States on a new commercial agreement. This agreement was signed on August 28. Particularly strong representations for additional protection were made to the Venezuelan Ministry of Foreign Affairs by the National Fish Cannery Association. As a result, the new agreement with the U.S. specifically excludes canned salmon and canned sardines from its tariff schedule, and provides for higher duty on canned shellfish. Canada is equally affected by these changes because of her most-favoured-nation arrangements with Venezuela. (See *Foreign Trade* of September 20.)

Throughout the year the Government continued its policy of granting comprehensive aid to Venezuelan industry with the result that an increasing number of foreign firms are establishing branch plants, in conjunction with Venezuelan capital. Numerous inducements are being given, such as exemption from duties on machinery, reduced tax rates, and the free transfer of assets and profits.

#### **Help for Agriculture**

The Government continued its policy of promoting agriculture during the past twelve months. It assisted coffee exports by a premium rate of exchange, maintained domestic demand for cotton by an import quota system, and subsidized fluid milk production. It also restricted imports of rice, sugar, potatoes and onions until the Venezuelan crop had been sold at satisfactory prices, and regulated imports of lard, butter and powdered milk according to a fixed ratio with domestic production.

One of the outstanding features of Venezuela's food trade has been the sharp impact made by Western European suppliers who have recently captured a much larger share of the market. For example, the combined shipments from Denmark and the Netherlands in 1951 provided 83 per cent of Venezuela's butter imports (57 per cent in 1948); 60 per cent of the cheese imports (42 per cent in 1948); 44 per cent of the ham imports (19 per cent in 1948); 7 per cent of the processed milk ( $\frac{1}{2}$  per cent in 1948).

Venezuelan agriculture is responding to the protection provided by the Government but this response has not been up to expectations. Coffee exports, which had declined 44 per cent from 1946 to 1950, showed no appreciable increase and cacao exports shrank a further 11 per cent in 1951 to 14 thousand gross metric tons. Fluid milk production increased 24 per cent and processed milk 13 per cent but butter production dropped

to a ten-year low of 2.3 million pounds, or less than  $\frac{1}{2}$  lb. a year per capita. Poultry and egg production was maintained but because demand was greater, imports of shell eggs for the year amounted to 350 thousand cases.

When producers received government loans the results were notable; cotton production increased 20 per cent, rice almost 90 per cent, and vegetable oils 42 per cent. The goal is to make the country self-sufficient in these products and in refined sugar, and it now appears that this goal is attainable. However, many of Venezuela's other basic agricultural product requirements cannot be economically produced and the dependence on imports will continue.

### Food Imports from Canada

From the Canadian point of view, these restrictions did not hinder trade severely because our agricultural production is largely complementary rather than competitive. This can be noted from the following table showing the extent of Venezuela's principal agricultural imports and the portion supplied by Canada.

Venezuelan Agricultural Imports in 1951\*

Commodity	Total Imports	Imports from Canada (million lbs.)	Imports from Canada as per cent of total
Processed milk .....	70.6	10.2	14
Hams .....	5.0	0.5	10
Flour (exclusive of bonded mills) .....	281.4	125.4	45
Oats (rolled and feed) .....	19.7	9.6	49
Table potatoes .....	85.9	15.3	18
Seed potatoes .....	8.2	8.0	98
Prepared animal feeds .....	10.6	0.1	1
Fresh fruit .....	34.7	4.4	13
Shell eggs .....	19.1	1.4	7

\* Source: Ministry of Development, Caracas.

### Iron Ore Exports Larger

Apart from the all-important developments in petroleum, the rapid strides made in the production and export of iron ore were an outstanding feature of Venezuelan mining activities during the past year. The local subsidiary of the Bethlehem Steel Company, which began exporting ore to the United States in March 1951, had shipped a total of 800 thousand tons by the end of 1951. The company expects that more than two million tons will be delivered during 1952 and that a stabilized rate of three million tons a year will be attained by the end of 1953. The U.S. Steel subsidiary in Venezuela, which has proven reserves of more than 500 million tons of high-grade iron ore, is proceeding with its development plans and anticipates making its initial ore shipments to the United States late in 1954. Extensive preparatory work must first be completed, including the dredging of the Orinoco River, the construction of a new port at the mouth of the Orinoco and Caroni Rivers, and the building of a 110-mile standard-gauge railroad and parallel highway. Iron ore will soon become an important new source of revenue to the Venezuelan Government and possibly the basis for a national steel industry.

In an effort to improve internal transportation, road construction again was given high priority. Approximately 500 miles of new paved roads were completed, together with highway bridges totalling 2,700 yards. The progress made in highway development can be judged by the fact that Venezuela now has 5,400 miles of all-weather roads, compared with 1,700 miles in 1938.

A national network of standard-gauge railroads is also planned. The Government is considering the use of foreign capital for this task and has already received offers from U.S. and European sources.

Venezuela wants to create her own merchant marine, primarily to ensure delivery of vital import requirements. The Venezuelan Navigation Company, a national line, and the Flota Grancolombiana Line, which has 45 per cent Venezuelan capital, are receiving strong support from the Government and from Venezuelan trade associations. Two new 4,500-ton ships were ordered by the Navigation Company from a Netherlands shipyard in April.

Venezuela enjoyed an outstanding year in foreign trade. Total exports of \$1,370 million were the highest in the country's history and exceeded the 1950 volume by more than \$200 million. Imports were also up, and the 1951 total of \$645 million surpassed that of 1950 by \$105 million. The United States was again Venezuela's principal supplier with 67.4 per cent of total imports, followed by 6.5 per cent from the U.K. and 4.2 per cent from Germany.

#### **Trade with Canada Growing**

Canada was Venezuela's fourth supplier with 4 per cent of the import trade, shipping nearly 500 different commodities valued at \$27 million. Canada's \$136 million imports from Venezuela consisted almost entirely of petroleum products. During the first half of 1952, Canadian exports to this country were running 58 per cent higher than the 1951 rate, and it is likely that 1952 will prove to be a record year. Among the principal Canadian exports to Venezuela at present are flour, powdered milk, automobiles, tires and tubes, newsprint, copper wire, farm machinery, aluminum sheeting, wood pulp and canned hams.

Canadian exports will benefit from the reduced tariff rates on a wide range of products (many of particular interest to Canadian businessmen) as a result of the new U.S.-Venezuelan Trade Agreement.

#### **The Outlook**

The outlook for trade development between Canada and Venezuela appears most promising. Government income from the rising Venezuelan oil exports is being invested in projects which require heavy expenditures abroad for capital and maintenance equipment. The increasing population with higher incomes will need additional quantities of foodstuffs and consumer goods. This, together with the demands resulting from the exploitation of new Venezuelan natural resources, should continue to make this country an attractive market for Canadian suppliers prepared to meet strong competition.

—J. A. STILES

*Consul of Canada and Trade Commissioner*

# Trade and Tariff Regulations

## **Ireland Announces Import Quotas**

Dublin, September 3—FTS—By four Quota Orders issued under the Control of Imports Acts, 1934 and 1937, the Government of the Republic of Ireland has announced additional quotas and quota periods as follows:

- Hose (other than half-hose) of silk or artificial silk: 100 thousand pairs, as against 500 thousand for previous six months' quota. The new quota period extends from September 1, 1952, to February 28, 1953.
- Certain laminated springs: £1,000, compared with £3,000 for previous six months. The new quota period extends from October 1, 1952, to March 31, 1953.
- Yarns and rovings of wool and hair: 520 thousand lb. for the first quota period from August 12, 1952, to January 31, 1953.
- Single yarns of cotton: 750 thousand pounds weight for the first quota period extending from August 29, 1952, to November 30, 1952.

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## **Philippines Add to Prohibited Imports**

Manila, September 11—FTS—On the recommendation of the Import Control Commission and the Economic Administrator, the Philippine Cabinet announced on September 9 that seven commodities would be added to the list of prohibited imports, and one other product, upper leather, would be reduced by 20 per cent of the present volume of imports.

The prohibited items are: incandescent bulbs: 115 volt—75 watt, 100 watt, 150 watt and 200 watt, and 220 volt—75 watt, 100 watt, 150 watt, and 200 watt; fluorescent tubes: 14 watt-T-13, 15 watt-T-12, 15 watt-T-8, 20 watt-T-12, 30 watt-T-12, 30 watt-T-8 and 40 watt-T-12; grey cloth; foreign lining; sheepskin lining; sheepskin splits, and tomato ketchup.

The ban on incandescent bulbs does not apply to decorative bulbs for Christmas trees, bulbs for batteries, radio tubes, sealed beams and circline, circlarc and slimline tubes.

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## **U K. Cancels Commodity Arbitrage**

It was announced in *Foreign Trade* of August 23 that the Bank of England had established a scheme at the beginning of August whereby it was prepared, on a temporary basis, to consider applications for residents of the United Kingdom to purchase dollar raw materials for resale to countries of the European Payments Union. After a week of operations, the Bank announced that no new applications would be considered for one month. On September 11, a further announcement stated that the Bank of England would not reopen the facilities for purchase of dollar commodities.

It is understood that this cancellation results from the improvement which has taken place recently in the sterling area's balance of payments with the EPU.

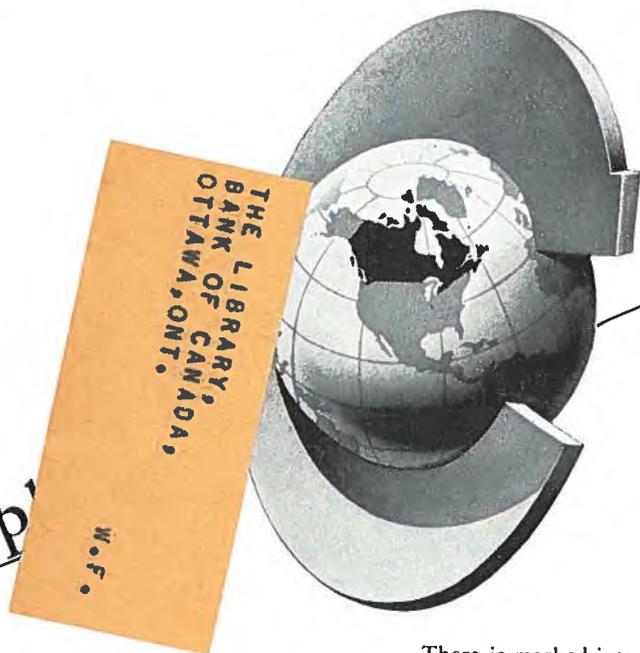
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<b>COLOMBIA</b>	<b>W. J. Millyard, Canadian Government Trade Commissioner, Apartado Aereo 3562, Bogota.</b>
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<b>DOMINICAN REPUBLIC</b>	<b>R. E. Gravel, Canadian Government Trade Commissioner, Apartado 451, Ciudad Trujillo.</b>
<b>GUATEMALA</b>	<b>J. C. Depocas, Canadian Government Trade Commissioner, P.O. Box 400, Guatemala City.</b>
<b>MEXICO</b>	<b>M. T. Stewart, Commercial Secretary, Canadian Embassy, Apartado 126-Bis Mexico, D.F.</b>
<b>PERU</b>	<b>H. J. Horne, Acting Commercial Secretary, Canadian Embassy, Casilla 1212, Lima.</b>
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