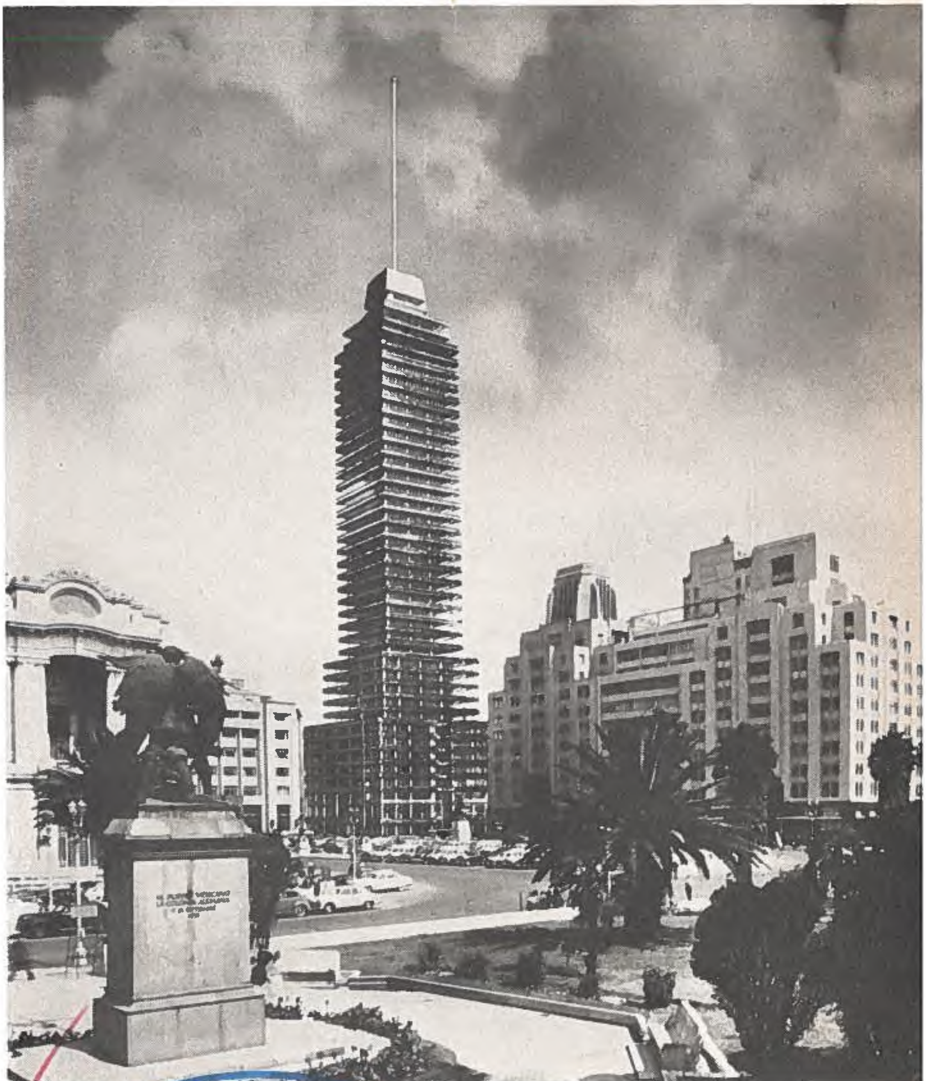
foreign **trade**

NOVEMBER 22, 1952



The "New" MEXICO

. . . . what it means to Canadians

Blueprint of Progress

In Mexico today, the economic pulse is beating fast and strong. Great power projects are taking shape . . . steel mills are expanding . . . industrial production and national income rising rapidly. Highways are being improved, the railways modernized.

Even the peon, in the rearguard of progress, is sharing the economic advance. Machinery is taking over some of his tasks; irrigation is making larger areas productive.

A late-comer to the industrial age, Mexico has made giant strides in the past ten years. Our special issue on Mexico begins with a first-hand report on this great industrial development—because it is the bedrock on which a substantial two-way trade must be built. To sell in the Mexican market today, the exporter must understand the plans and the ambitions of this nation of 26 million people.

The opportunity is there . . . and Canada is already seizing it. Our sales to Mexico rose from \$17·6 million in 1950 to \$29·8 million in 1951; for the first nine months of 1952, they reached \$28·3 million. Heading the list are the products that an expanding economy demands—newsprint, machinery, aluminum, copper, farm machinery, cars and trucks. But that is not the whole story. Altogether, the 1951 export list contains some 308 different items.

It is difficult, says the Commercial Secretary in Mexico City, to be specific about sales opportunities. But Mexico has the money to buy dollar goods, the insistent needs of a growing country, a tariff system that puts all competitors on an equal footing. The following pages give some insight into the possibilities of this market—where Canadian business can have a part in Mexico's progress.

—The Editor.

foreign trade

VOL. 12 OTTAWA, NOVEMBER 22, 1952 NO. 308

:OVER . . . . The steel keleton of a skyscraper, risig on one of Mexico City's est known squares, symbol-es the industrial future to hich Mexico is dedicated. nmediately to the right rises e tower of the first skyscrap-r, now dwarfed, which was uilt twenty years ago. On e left the Teatro Nacional. —Photo courtesy "Business Week"

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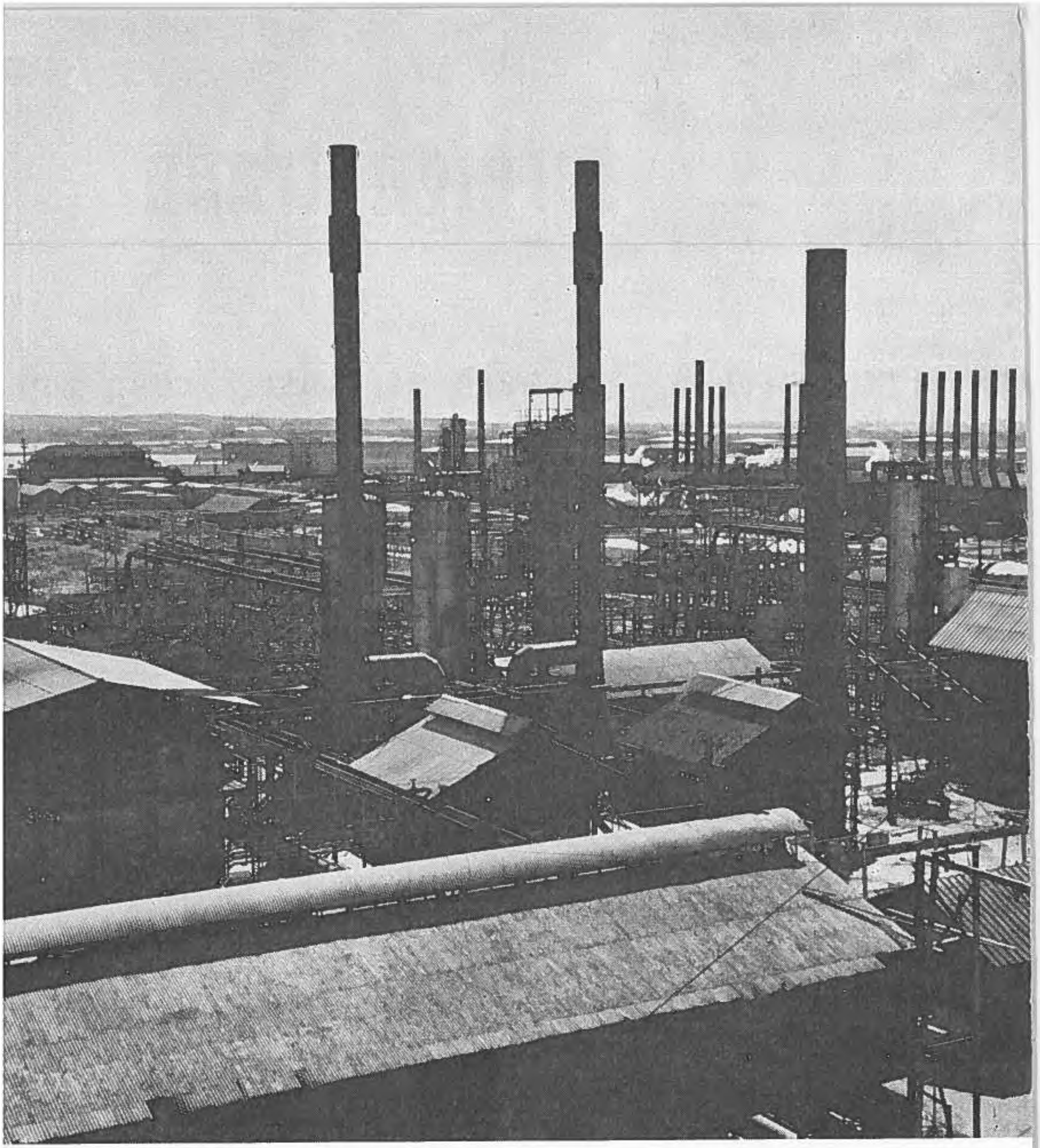


Mexico Moves Forward

. . . . into a future where the smokestacks of industry will multiply, production continue to rise, and trade at home and abroad reflect the coming of the industrial age.

MEXICO, D.F.—In the last thirteen years, Mexico has made remarkable progress. The stage now appears to be well set, politically and economically, for further growth.

The greatest development has gone on in the capital district. However, the Government has carried out an extensive public works program, chiefly irrigation. These irrigation projects have brought into productivity large areas, both in the north and in the south, that were hitherto considered practically useless. The industrial development in the Federal District is remarkable and its industrial production accounts for one-third of the Mexican total. More than 450 new plants are reported to have begun operations during 1951. Among them are a number of branch plants of important U.S. corporations.

Mexico City has practically doubled in population since 1939—to some three million—making it one of the world's leading cities. The face of the downtown district, the old city, is being rapidly altered by the building of modern skyscrapers and the old and the new, side by side, provide a striking contrast. The rapid growth of population in the capital poses many serious social and economic problems and living conditions for the bulk of the population leave something to be desired.

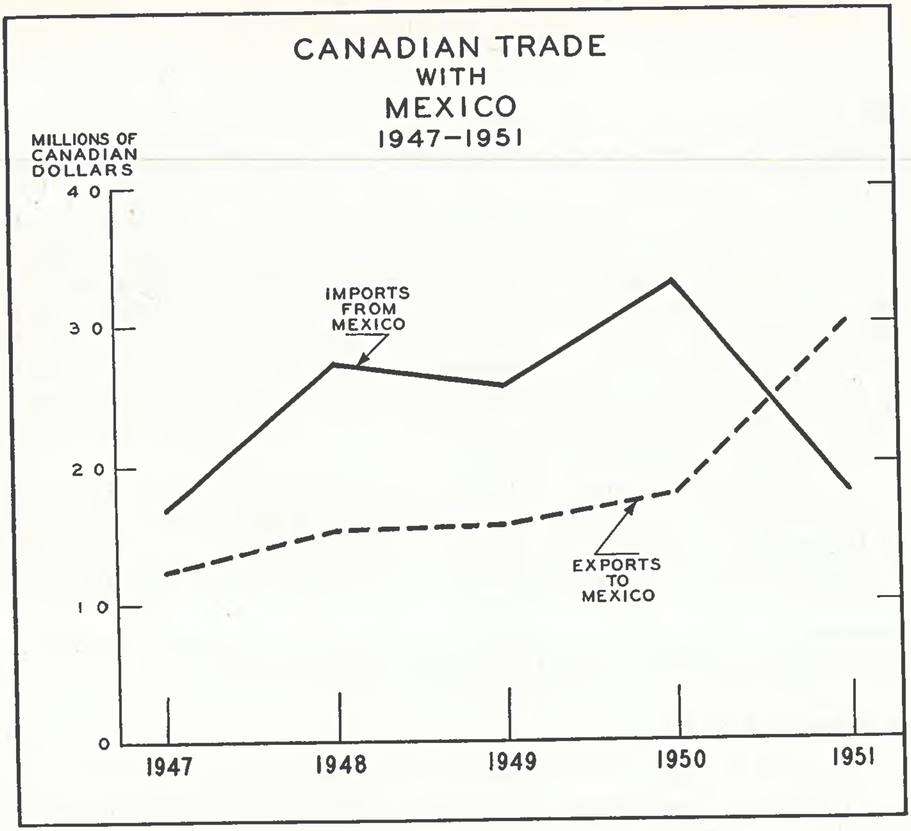
Signposts of Progress

A study of official statistics confirms the progress made since 1939.

- Industrial production, 1939, 2,113 million pesos; in 1946, 9,514 million pesos; in 1950, 16,794 million. (The devaluation of the peso in 1947-48 must be taken into account here.)
- Volume of manufactured goods (eliminates the devaluation of the peso) was 174·6 in 1946, and 228·2 in 1950. 1939=100.
- Electrical energy, 134·7 in 1946; 179·1 in 1950.
- Oil production, 128 in 1946, 171·2 in 1950. (Before expropriation in 1938, oil production was much higher.)
- Real national income, 4,460 million pesos in 1939, 7,900 million in 1946; 9,270 million in 1950.
- Real per capita income (1939=100) 147 in 1946 and 161 in 1950—up 15 per cent in the last five years.
- Profits equalled 26·10 per cent of total national income in 1939, 45 per cent in 1946, and 41·4 per cent in 1950.
- Wages and salaries represented 30·5 per cent of the national income in 1939, 22·5 per cent in 1946, and 23·8 per cent in 1950.

Public Works Program

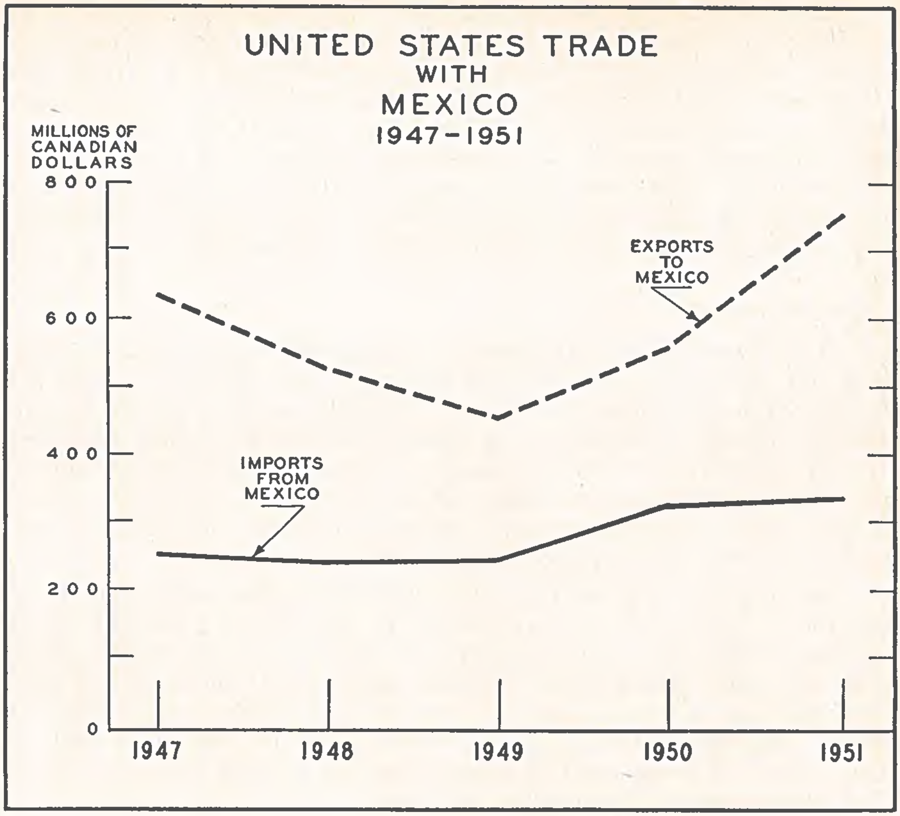
Outstanding examples of public works programs well on their way towards completion include the new University City on the outskirts of Mexico City, the new railway passenger terminal in Mexico City and the freight terminal outside of the city, and the Papaloapan River development in the State of Vera Cruz.



—Dominion Bureau of Statistics.

The new University City occupies a 170-acre site on a lava bed, formerly wilderness, and represents an investment of about 200 million pesos. A spectacular stadium has already been built, with seating capacity for 110 thousand. When it is completed, the new University City will provide facilities and accommodation for 30 thousand students. The new railway terminals, comprising a completely modern installation, will cost more than 250 million pesos and will effectively speed up the handling of freight by rail throughout the Republic.

The Papaloapan project, by far the most ambitious development undertaken by the Aleman regime, is a Mexican TVA. The Government is developing an area about twice that of the State of New Jersey, until now mostly an unhealthy wilderness. Rainfall in the mountains in this district runs as high as 200 inches a year, which at times turns the otherwise sleepy river into a raging torrent, causing vast destruction. The President Aleman Dam, being built across a mountain gorge, will be the largest in Latin America and the reservoir back of it greater than the Shasta Dam in California. This provides for an important waterpower development—the first installation for 100 thousand kilowatts—and water to irrigate 400 thousand acres. In the same development, four main dams are projected; when they are completed, will mean additional water-power and water for 1·2 million acres. The population in the area, now



—Dominion Bureau of Statistics.

about 3,000, is expected to reach 50 thousand within ten years. The investment in the project to date totals nearly 400 million pesos and vast sums will be needed to complete it.

Industrialization Encouraged

The policy of the present government has been to encourage local manufacturing in every way possible and the results have been most satisfactory. The industrialization program has been promoted by granting government loans through Nacional Financiera, giving new industries tax exemptions for a period of years, setting up highly protective tariffs, and using import licensing to restrict and suppress imports.

The trend towards industrialization makes Mexico less attractive as a market for imported consumer goods but, on the other hand, it has greatly enhanced the market for capital goods and component raw and semi-manufactured materials for use in Mexican industry. Although Mexican import statistics still show large quantities and a wide range of consumer goods, select any group at random and you will find that, in certain sections at least, some local manufacturing or assembly operation has been set up which is operating profitably under tariff protection. The opportunity for finished imports in this line is thus limited and may vanish entirely. This puts up cost to the consumer and fosters uneconomic operations, but the main emphasis is on industrialization.

Local assembly operations take care of practically the entire market for automobiles and trucks (see report on page 24), refrigeration equipment, washing machines and electrical household appliances, radio sets, water heaters and many lines of tools and equipment. In some instances, American corporations have established their own branch plants here; in others, Mexican companies are working independently or under a royalty arrangement. Local assembly operations provide a continuing market for component parts, spares and replacements. Few Canadian companies have shown interest in local manufacturing arrangements.

Capital Goods Sell

Government policy will probably continue to encourage industrialization and the greater opportunities lie in the sale of capital goods and equipment and component materials. Industrial projects of all kinds are actively promoted and there is a wide market for plant and equipment of every description. The incoming government will doubtless continue the vast public works program which includes many hydro-electric projects, the modernization of the railways, irrigation projects, etc., and which involves huge capital expenditures.

The industrial field in Mexico is attractive and the returns to investors generous. Forty-two companies which in 1950 had a combined capital of over 717 million pesos and obtained profits of 109·8 million pesos, reported a total capital of 752·8 million pesos in 1951 and profits of 169·4 million pesos. Average profit rose from 15·3 to about 22·5 per cent. Of the 42 companies studied, only one, a textile firm, lost money in 1950 and 1951. Only 28·04 per cent of profits obtained in 1950 were re-invested, 73·2 million pesos being paid in dividends.

Foreign Trade

Mexico's foreign trade has expanded from 1,204 million pesos in 1938 to 12,220 million in 1951. Imports in 1938 totalled 494 million pesos and exports 710 million. In 1951, imports equalled 6,773 million pesos and exports 5,447 million, making the adverse balance in 1951 greater than the total trade in 1938. Mexico achieved a favourable balance of trade during the war years, but at the end of the war heavy imports were resumed and in both 1946 and 1947 there was an adverse balance of more than 1,000 million pesos.

The consequent depletion of the U.S. dollar reserves had a disturbing effect on the peso and on July 21, 1948, the peso was set free to find its own level in the free market. The day after, it dropped from 4·86 to the dollar to 6·80. It continued to weaken spasmodically and in June 1949 stood at 8·20 to the dollar. The Mexican Government, on June 18th, officially fixed the new rate at 8·65 to the U.S. dollar and this rate has remained in effect.

Drastic import restrictions were imposed in the second half of 1947. By 1949 a small favourable trade balance was achieved. In 1950 it reverted to an unfavourable one, with imports at 4,403 million pesos and exports at 4,339 million. However, in 1950, following the outbreak of the Korean War, heavy imports of capital goods commenced and have more or less continued to the present. A large percentage of these purchases are made against credits from the World Bank and the Export-Import Bank and they do not constitute a current drain on the peso although they influence the adverse balance of trade greatly.

Selected List of Mexican Imports, 1951

Commodity	(in dollars) Total Imports (Mexican statistics)	Principal Supplier	Canadian Exports (D.B.S. figures)
Malt	2,019,266	U.S.A.	689,391
Whisky	1,114,695	U.K.	801,630
Bicycles	2,050,135	U.K.	1,793
Ferro-manganese	166,218	Canada	129,500
Other ferro-alloys	379,467	Canada	338,251
Washing machines and parts	130,567	U.S.A.	209,697
Ammonium sulphate	144,363	U.S.A.	3,804
Fertilizers	419,774	U.S.A.	84,257
Iron and steel wire and cable	4,180,281	U.S.A.	29,670
Copper wire	1,436,993	Canada	1,106,791
Copper tubing	726,119	U.S.A.	94,555
Copper bars, rods, sheets and ingots	486,107	U.S.A.	20,151
Soda and sodium compounds	2,087,344	U.S.A.	327,569
Natural and artificial abrasives	379,195	U.S.A.	Nat.—1,844 Art.— Nil
Breeding cattle and milk cows	540,080	U.S.A.	277,331
Abrasives mfd.	875,704	U.S.A.	110,248
Asbestos fibres, milled and shorts	333,121	Canada	839,599
Asbestos mfrs.	596,667	U.S.A.	110,853
Newsprint	6,798,133	Canada	4,462,375
Cigarette paper	916,072	U.S.A.	Nil
Tissue and toilet paper	492,592	U.S.A.	21,010
Cellophane	2,006,138	U.S.A.	Nil
Milk powder	2,333,907	U.S.A.	222,388
Industrial machinery	16,419,499	U.S.A.	....
Motors, electric generators and dynamos	2,445,308	U.S.A.	16,250
Threshers, binders, reapers and sowers	1,166,856	U.S.A.	180,089
Harrows	530,038	U.S.A.	58,455
Ploughs	4,292,266	U.S.A.	415,682
Tractors (farm)	16,472,989	U.S.A.	252,394
Deep well pumps	8,143,093	U.S.A.	27,498
Aluminum (raw)	117,050	Canada	1,129,814
Aluminum (semi-mfd.)	134.651	Canada	531,191
Aluminum (mfd.)	78,243	Canada	64,860

The Second World War altered the trend and pattern of Mexico's foreign trade. Before 1939, about one-third of this trade was with Europe. In 1950 and 1951, approximately 85 per cent of Mexico's total trade was with the United States. Trade with Europe, however, can be increased and barter deals in Mexican raw cotton may be significant here, as they were in 1951.

—M. T. STEWART
Commercial Secretary for Canada

Progress on the Land

With 62 per cent of its people engaged in agriculture, and with the population growing rapidly, the Government is trying to step up food production.

MEXICO'S foreign trade in agricultural and food products in 1951 showed a favourable balance of 830 million pesos. Undoubtedly this achievement reflected the emphasis which the Government has been putting on agricultural improvement and expansion. Much remains to be done, and the Government recognizes the urgent need for increased food production, both to feed a rapidly growing population and to keep up exports.

Mexico has long been regarded as an agricultural country and about two-thirds of the population still depend on the land. However, large quantities of basic foodstuffs have to be imported to provide a mere subsistence diet for the struggling masses. In 1940, food product imports totalled 22·4 million pesos and this figure increased spectacularly to 377·7 million in 1950.

Agricultural Production Low

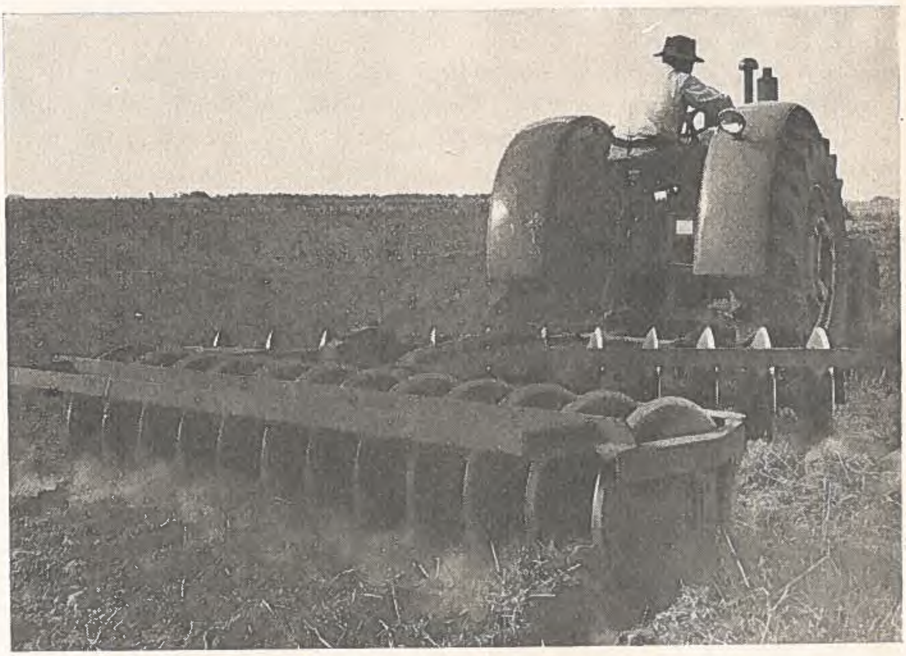
Although the land area is great, only about 15 per cent of it is suitable for agriculture, even if every feasible irrigation project is developed. The Government estimates that 15 million hectares (one hectare=2·47 acres) is now available for agricultural production; of this, 1½ million hectares is new land opened up within the past six years. In this period, about a million hectares was irrigated to some extent. Investment in irrigation works totalled over two billion pesos.

Statistics show, significantly, that 62 per cent of the total population is engaged in agriculture. But this 62 per cent produces only 16 per cent of the national income; the remaining 38 per cent engaged in industry, commerce, mining, etc., produce 84 per cent. The FAO index of total agricultural output shows average 1934-38 at 100, 1946 at 124, and 1949 at 149, which compares with a population increase during the same period of about 30 per cent.

Grazing land is said to comprise approximately 30 per cent of the total area of Mexico, but the greater part of this, particularly in the north (the main cattle-raising area) is deficient in rainfall and permanent rivers are few. Consequently, the resources for livestock production are considerably smaller than they might appear. However, in normal years Mexican exports of live cattle to the United States average about 500 thousand head and this trade may be resumed now that the ban on imports to the U.S., imposed because of hoof and mouth disease in Mexico, has been lifted.

Mexico's agricultural output could be vastly improved. The solution lies in the increased use of modern scientific methods. A peculiarity of Mexican agriculture is the "ejidal" system, under which about half of the land is cultivated by communal groups called "ejidos". The ancient system, which does not lend itself to modern ways, is extremely difficult to reform because it goes back to the early days and the peasant farmers regard it as their constitutional right. The "ejido" is a tract of land which was originally seized from the land-owner or the church in the early days of the revolution and was formed into an "ejido" under the Cardenas regime in the thirties. Each farmer is allocated a plot of land to work but he does not own it. Usually the plots are too small to apply modern methods successfully and the peasants have no resources to purchase modern equipment. The return per acre is pitifully small. A large percentage of the farm population of Mexico work these small holdings and live in dire poverty.

Large sections of the north which benefit from the modern irrigation projects are developing well. Here the holdings are large and operated by owners with money to purchase modern equipment and employ scientific methods, which yield excellent results. The export crops—principally cotton, rice, tomatoes and oranges—are produced on these large holdings. In 1951, tomatoes, raw cotton, peanuts, and coffee ranked high among Canada's imports from Mexico.



(Above) A Canadian-made disc harrow, tractor-drawn, at work on a Mexican farm. Faced with the imperative need to increase food production to feed a growing population, Mexico is introducing modern methods.

The agricultural production figures recently released are encouraging. During the 1951-52 crop season, a total of 9·5 million hectares was sown, an increase of 470 thousand hectares.

Production of Selected Crops

	1951	Est. 1952
Corn	3,400,000 tons	3,750,000 tons
Wheat	587,000 metric tons	585,000 metric tons
Beans	274,000 metric tons	316,000 " "
Rice (clean)	119,000 tons	128,700 tons
Cotton	1,200,000 bales	1,000,000 bales
Fats	219,000 metric tons	250,000 metric tons
Sugar	752,000 tons	790,000 tons
Fruits	1,200,000 metric tons	1,700,000 metric tons

Some Production Up

The sugar industry has set itself a production goal of one million metric tons a year by 1955. The Government is actively assisting the expansion program and 30 million pesos are being spent to open 75 thousand acres of new land to the cultivation of sugar cane, ten million pesos on mechanized equipment for farms and plantations, 30 million pesos on new irrigation works, and 100 million pesos on construction of new mills or the improvement of existing ones. Domestic consumption rose from 362,737 to 584,191 metric tons between 1940-50 and it may exceed 950 thousand metric tons by 1955. Excess production for export is expected to remain under government licensing control.

The production of vegetable and animal fats and oils has increased so rapidly in recent years that, with the notable exception of hog lard, a once large import trade in fats has almost disappeared. Per capita consumption of fats and oils was only 16·5 grams a day in Mexico in 1948, as compared with 57·0 grams in Canada. And, despite the expanding national economy, it may not exceed 30 grams a day at the end of the next decade.

The following production and consumption figures have been issued by the Secretariat of National Economy:

	Production 1951 (metric tons)	Domestic Consumption 1948-1950 Annual average (metric tons)
Cottonseed Oil	57,000	32,000
Sesame Oil	44,650	40,000
Peanut Oil	9,500	7,000
Coconut and Palm Oil	30,000	26,500
Tallow	12,800	12,500

Imports of hog lard in recent years have represented 96 per cent of all imports of animal and vegetable oils and fats, and came entirely from the U.S. They were valued at 25·1 million pesos in 1950 and at 37·2 million pesos in 1951. The sole importer is CEIMSA, the government agency.

—M. T. Stewart

The Mineral Story

Copper, lead, silver and zinc continue to be Mexico's main mineral exports, but some new minerals are gaining ground.

MEXICO ranks high as a mineral producer; last year, minerals accounted for 30 per cent of her total exports. Among them, the "Big Four" are silver, lead, copper and zinc, both in volume of production and in their importance in international commerce. In 1951, they represented 25 per cent of total Mexican mineral production and 84 per cent of the production value.

Production has fluctuated year by year but only that of silver has fallen to any great extent—and output of silver has declined all over the world. The table below tells the story:

Mineral Production

(metric tons)

	1945	1946	1947	1948	1949	1950	1951
Silver	1,900	1,346	1,830	1,789	1,538	1,528	1,362
Lead	205,315	140,143	223,135	193,317	220,764	238,078	225,468
Copper	61,680	61,053	62,492	59,076	57,246	61,698	67,351
Zinc	209,940	139,535	195,814	179,029	178,402	223,530	180,064

Mexico is still the world's primary producer of silver, with 24·1 per cent of world production (as compared with 26 per cent in the United States), the third producer of zinc, and the sixth producer of copper.

Mineral Exports

(metric tons)

	1950	1951
Silver	1,300	1,000
Lead	261,300	178,000
Copper	69,900	71,500
Zinc	275,200	304,100

Exports of zinc and copper in 1950-51 actually exceeded production.

Domestic and Foreign Markets

In 1951, exports of minerals accounted for 30 per cent of Mexico's total exports. Lead minerals in that year represented 35 per cent of the value of all mineral exports and were second only to raw cotton in importance. Silver accounted for 14 per cent of mineral exports, zinc, 21 per cent and copper, 17 per cent. These four minerals therefore comprised in 1951 some 87 per cent of all minerals exported.

But some new minerals are appearing. The Banco Nacional de Comercio Exterior mentions bismuth, oxide of arsenic, and mica as gaining importance in foreign markets since the war. The United States buys almost all exported minerals, although Britain, Brazil, Belgium and Finland are markets of some importance. Italy and France have bought quantities of copper. In 1950, the United States took 60 per cent of all zinc exports; the remainder was shared among Brazil, Belgium, Chile, Japan and Britain.

Figures on domestic consumption of these minerals are difficult to obtain. The Bank estimates that about 10 per cent of all the lead produced, 20 per cent of the copper, and 10 per cent of the zinc is used at home. The Bank comments unfavourably on Mexico's dependence on foreign markets but observes that, as industrialization progresses, domestic consumption is growing.

—M. T. Stewart

Steel for Development

MEXICO has an important and expanding basic iron and steel industry which supplies a large portion of her domestic requirements. The value of production totalled only 44·8 million pesos in 1940 and 159·5 million in 1945. But by 1950, this figure had risen to 420·2 million pesos. This reflected growing investment in the industry—34 million pesos in 1940; 126 million in 1945, and 500 million in 1950. Output in 1950 was approximately 136 per cent of production five years earlier.

Cost of raw materials in 1940 was 107·2 million pesos, and of wages and salaries, 76·4 million. Production valued in 1950 at 420·2 million, less production costs of 330·8 million, left a gross profit of 89·4 million pesos.

Production of steel at three leading plants was 264,065 tons in 1948, 331,583 tons in 1949, and 332,630 tons in 1950. The total national steel production in 1950 came to approximately 485 thousand tons.

Imports of steel and steel products were:

	1949	1950
Iron and steel and its manufactures	150,000 tons	150,000 tons
Articles of iron and steel	284,884 "	250,197 "
Total	434,884 "	400,197 "

Steel products are consumed largely in the home market. Total exports amounted to only 1,769 tons in 1950.

One of the industry's problems is getting enough scrap. Of a consumption of 388,760 tons in 1950, about 119,354 tons had to be imported.

Six million dollars is being invested in the plant of Cia. Fundidora de Hielo y Acero in Monterrey, to increase production of finished steel goods. The plant will maintain its output of unfinished steel but is placing orders abroad for machinery and equipment valued at four million dollars. The company intends to make large quantities of structural steel and corrugated sheet.

A new plant planned for the State of Durango will produce 300 metric tons of fine steel a day. Mexican private interests are investing an initial capital of 5·5 million dollars in this undertaking. The plant is scheduled for construction close to the Mercado iron ore deposit, according to government sources.

—M. T. Stewart

SALES OPPORTUNITIES

Dairy Cattle, Dairy Products

In demand: pure-bred Holsteins; skim milk powder.

THE Mexican dairy industry is increasing production and improving the quality of its products after emerging from the decline which followed the outbreak of foot and mouth disease in December 1946.

In all the chief producing districts, dairymen are interested in enlarging their herds and improving them by importing good breeding stock and introducing artificial insemination. The Government is making credits available to obtain greater production. New plants for pasteurizing and processing milk are being built in and around the largest urban areas.

The predominating dairy breed in Mexico is the Holstein. Approximately 80 per cent of the grade cows in the country are Holsteins and the only other breeds of some significance are the Brown Swiss and the Jersey. There are a small number of Ayrshires and practically no Guernseys. The most important dairy section is the Mexico City district, with a dairy cattle population of approximately 76 thousand head and a production of something over one million pounds a day. Although production per cow is estimated at 18 pounds a day in the Mexico City area, it probably does not exceed 11 pounds for the country as a whole.

Milk Consumption Low

Currently, consumption of cow's milk in Mexico is some 155 pounds per capita a year, or less than 20 per cent of normal consumption in the United States. On the average, the urban population uses more milk than do the rural areas, some of which use scarcely any. Most of the evaporated and condensed milk is supplied by three local plants, but Mexico still depends on imports for 80 per cent of its powdered milk.

The consumption of butter is extremely low. Outside of Mexico City and three or four other large towns, it is so insignificant that per capita consumption throughout the country is less than $\frac{2}{5}$ of a pound per year. Total production, including factory and farm butter, is only 11 million pounds a year and imports are almost non-existent.

Of the total production of cheese—over 30 million pounds a year—not more than six million pounds represent factory production, which is limited almost entirely to Cheddar and processed cheese. Imports of cheese in 1951 were only slightly over one million pounds.

Chiefly because of the ravages of foot and mouth disease for nearly six years, the latest estimate of the number of milk cows in Mexico dates from 1940 and gives the total number of cows milked regularly at 797,785—of which 75 thousand head were milked in or near the Federal District. The results of a census taken in 1950 will be known before the end of this year.

Holsteins from Canada

The decline in the milk cow population in central Mexico from 1947-49, as a result of foot and mouth disease, was approximately 30 per cent. Imports of dairy cattle virtually ceased between 1947 and early in 1950 and did not exceed 400 head a year. There was a significant increase in dairy cattle imports in 1950, to a total of 1,379 head, of which 162 were purchased in Canada. Holsteins from Canada are well known and highly regarded and sales could be increased, once the Mexican border is again opened to livestock imports from Canada. A ban was placed on such imports last February when foot and mouth disease broke out in Saskatchewan.

Powdered milk for industrial consumption is being produced in four plants, one in the capital city and the others in the central states. Their combined production reaches approximately 550 tons per year. A plant being built in Mexico City expects to produce 1,100 pounds of powdered milk a day, or approximately 200 tons a year. Milk pasteurizing plants recently completed in the provincial capitals of Guadalajara and Torreon may also install equipment for making powdered milk.

Prospects Bright

Mexico is a net importer of dairy products. Imports of all dairy products in 1950 were valued at $2·3 million, as against exports of a little over $1,000. The principal item in the dairy group was powdered milk, to a value of $1·8 million, followed by cheese valued at $391 thousand. Imports in 1951 amounted to $2·98 million, including 12·6 million pounds of powdered milk. The U.S. was the source of 76 per cent of Mexico's imports of all dairy products during 1950, and of 79 per cent in 1951.

The 1951 imports of powdered milk represented 82 per cent of the total value of all dairy products imported. Canada's share of the powdered milk trade has been comparatively meagre: 1·5 million pounds in 1950 and only 500 thousand pounds last year. However, recently CEIMSA, a government organization, has practically taken over the powdered milk trade and the immediate future for Canadian exporters of skim milk powder is very bright.

—M. T. Stewart

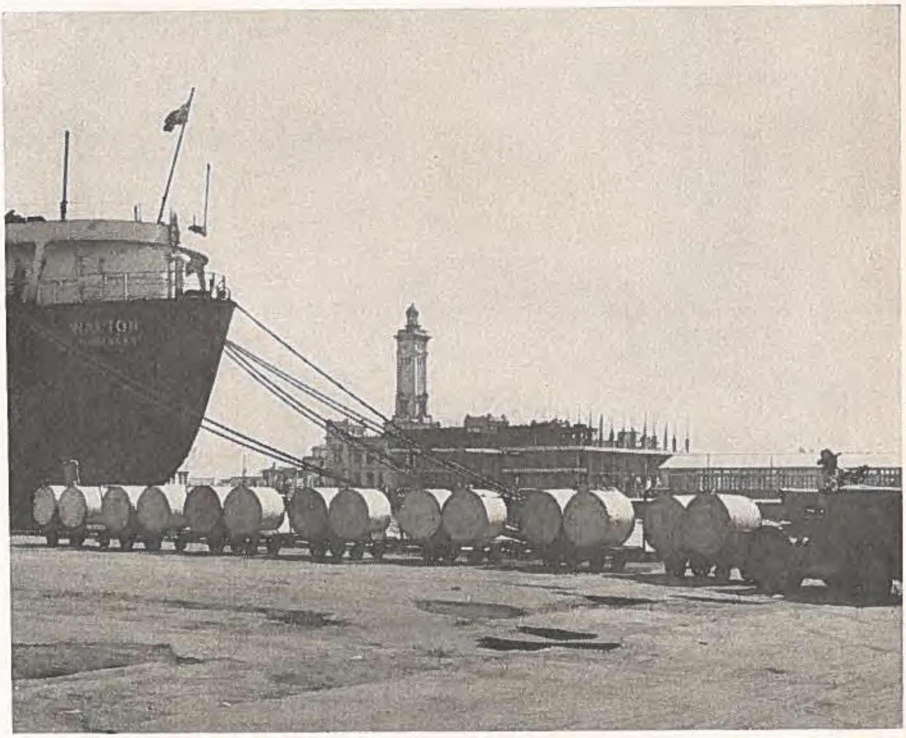
PULP AND PAPER PRODUCTS

In demand: newsprint, sulphite and sulphate pulp, printing papers, special papers.

MEXICO offers one of the strongest markets in Latin America for pulp, newsprint, and a variety of special papers. The country imports 40 per cent of the paper of all types which it consumes, although the local industry's production has doubled since 1947. Chemical pulp, too, is chiefly obtained abroad. Domestic groundwood pulp production, on the other hand, was large enough last year to make imports unnecessary. Canada has long been a leading supplier of newsprint and pulp.

Nineteen of Mexico's 22 papermaking plants are located in or near the Federal District. Six plants also produce cardboard and paperboard. During recent years there have been several announcements that newsprint will be produced in domestic mills from sugar cane waste (bagasse) with the addition of other tropical vegetable fibres. Although these plans have not yet developed, there are reports (chiefly from government sources) that newsprint will soon be produced in the valley of the Papaloapan River, where a miniature TVA project has been started. A newsprint plant which, according to the Secretariat of Hydraulic

(continued on page 18)



(Above) Bales of Canadian newsprint being unloaded in Vera Cruz.


118°
114°
110°
106°
U N I T E D
MEXIALI
Ensenada
Nogale
El Poso
CIUDAD JUAREZ
Hermosillo
Guaymas
CHIHUAHUA
R. Conchos
Jimenez
Sierra Mojada
R. del Fuerte
Tepehuanes
TORREON
CULIACAN
La Paz
Durango
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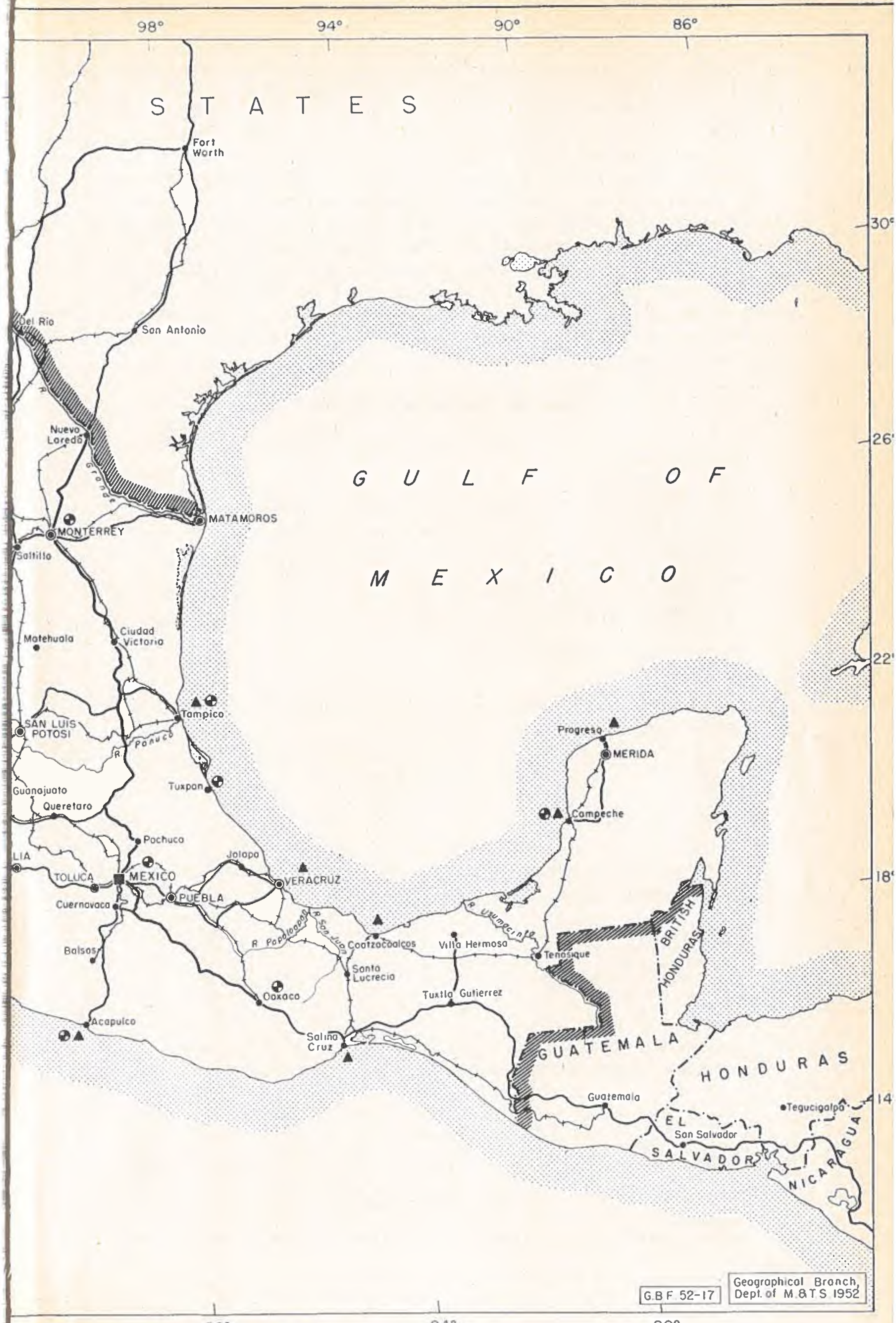
LEGEND
International Boundary
Pan-American Highway
Other Selected Roads
Selected Railways
National Capital
Cities over 100,000 Population
Other Cities
Main Airports
Main Ports
Scale in miles
80
0
80
160
240
320
114°
110°
106°


98°
94°
90°
86°
30°
26°
22°
18°
14°
S T A T E S
Fort Worth
Del Rio
San Antonio
Nuevo Laredo
Grande
MATAMOROS
MONTERREY
Saltillo
G U L F O F
M E X I C O
Matehuala
Ciudad Victoria
Tampico
SAN LUIS POTOSI
R. Panuco
Tuxpan
Guanajuato
Queretaro
Pachuca
LIA
TOLUCA
MEXICO
Jalapa
VERACRUZ
PUEBLA
Cuernavaca
R. Papaloapan
R. San Juan
Coatzacoalcos
Villa Hermosa
R. Usumacinta
Balsas
Santa Lucrecia
Oaxaca
Tuxtla Gutierrez
Acapulco
Salina Cruz
Progreso
MERIDA
Campeche
Tenosique
BRITISH HONDURAS
GUATEMALA
HONDURAS
Guatemala
EL SALVADOR
San Salvador
Tegucigalpa
NICARAGUA
G.B.F. 52-17
Geographical Branch, Dept. of M.&T.S. 1952

Resources, will have a yearly production of about 70 thousand metric tons is to be built near the Presidente Miguel Aleman Dam, across the Papaloapan River. This dam will be the largest in Latin America, but it is not yet certain whether it can produce electric power sufficient for a newsprint plant and other plants promised for the area.

Mexico offers a good market for chemical pulp because only two small local plants are producing it. Sulphate pulp imports last year of 45,454 metric tons were valued at 99·6 million pesos ($11·9 million). Sweden was the principal supplier, according to government sources. Canada supplied most of the 2,827 metric tons of bleached sulphite pulp purchased abroad in 1951. (The Mexican official total of imports conflicts with Canadian statistics.) Imports of mechanical wood pulp were nil last year, as in 1947, and in the three intervening years they totalled only 1,578 metric tons.

Canadian Pulp Sales to Mexico*

	1950		1951		1952 (6 mos.)	
	Cwt.	Dollars	Cwt.	Dollars	Cwt.	Dollars
Wood pulp, sulphate, kraft, bleached	....	....	....	....	13,732	228,151
Wood pulp, sulphate, kraft, unbleached	2,534	26,315	25,945	274,226	....	....
Wood pulp, sulphite, bleached, dissolving	42,971	308,194	57,948	492,321	48,607	308,941
Wood pulp, sulphite, bleached, paper grade..	....	....	69,045	977,752	24,133	351,891
Pulp, sulphite, unbleached, strong.....	18,150	80,965	....	....	43,124	502,388
Pulp, sulphite, unbleached news grade	22,563	111,687	....	....	25,442	329,201

* Dominion Bureau of Statistics figures.

The growth of the Mexican papermaking industry is shown by these production figures:

1947	110,000 metric tons	100 per cent
1948	130,000 " "	118 " "
1949	160,000 " "	145 " "
1950	180,000 " "	164 " "
1951	220,000 " "	200 " "

Principal paper imports of 1951, according to the Secretariat of National Economy, were:

	Pesos	Dollars
Newsprint	49·9 million	5·9 million
Writing paper	11·8 "	1·4 "
Cigarette paper	8·9 "	1·1 "
Gummed and waxed paper	24·7 "	2·9 "
Books, printed	15·0 "	1·8 "

Canada has not enjoyed a large share of the market for paper. Sales in past years, apart from newsprint, have been, according to the DBS.

	1950		1951		1952 (6 mos.)	
	Cwt.	Dollars	Cwt.	Dollars	Cwt.	Dollars
Paperboard	665	9,588	701	9,488	1,593	27,066
Wrapping paper	....	....	108	2,919	61	1,433
Bond and writing paper..	761	11,115	890	16,774	1,439	32,032
Toilet paper	....	....	2	51	1,268	17,964
Paper, n.o.p.	2,162	22,168	1,481	21,010	....	20,279
Book paper	627	6,962	1,191	16,371	....	....
Hanging or wall-paper (rolls)	11,568	3,319	3,221	1,744	1,556	763

Canadian Newsprint Sales to Mexico

	Cwt.	Dollars
1949	682,567	3,292,059
1950	658,172	3,288,660
1951	830,840	4,462,375
1952 (6 mos.)	616,978	3,428,174

Until plans which have been in existence for several years materialize, Mexico will continue a good market for paper products. Certainly, the consumption of paper will probably increase as rapidly as it has in every postwar year.

—C. B. SMITH
Office of the Commercial Secretary

Agricultural Machinery

In demand: tractors, combines, reapers, mowers, plough disc harrows, deep well pumps, irrigation equipment.

THE modernization of Mexico's agriculture provides a good opportunity for Canadian manufacturers of tractors and farm implements.

Canadian tractors and equipment are well known and highly regarded, and there is a potential market for many thousands of tractors. The number and types in agricultural use at January 1, 1952, were: wheel-type, 34,300 and track-laying 3,700; for non-agricultural use, 4,000. Imports of all types of tractors during 1951 totalled 9,710, of which 8,495 came from the United States (843 crawler tractors and 7,652 wheel-type), and 1,215 from other countries.

The Mexican Association of Machinery Importers (AMIM) estimates that it requires immediately 200 million pesos worth of tractors, but the main difficulty is credit. The farmers simply do not have the cash for such costly equipment and it is expensive and difficult for them to obtain credit from the banks. However, substantial credits are in force. The Banco Nacional de Credito Ejidal advanced credits of 397,500,000 pesos in 1951. The Banco Nacional de Credito Agricola, which operates in the interests of large rather than small farmers, reported credit advances amounting to 311 million pesos.

Credit for the farmers is the bottleneck which limits sales of agricultural equipment and, until the incoming government outlines its credit policy for agriculture, the position will be uncertain. Agricultural production must be increased and the new government is committed to further this project in every possible way. Thus, although the present outlook is not good, the long-range prospects are hopeful.

—M. T. STEWART

CHEMICALS

In demand: soda ash, caustic soda, key ingredients for chemical industry.

THE chemical industry in Mexico, which was controlled by German capital early in the century, has made great strides since 1939. Between 1930 and 1944, the number of workers employed rose by 156 per cent, although employment in manufacturing industries generally during the same period rose by only 85 per cent. Despite this development, imports of chemical products went up in 1945-1948 by 122·7 per cent over those of 1925-1929.

Largely through the activities of the Government's "Nacional Financiera", Mexico is developing a basic chemical industry to make use of ample natural resources. It has taken the three initial steps—establishing production of alkalis, sulphuric acid and fertilizers. Already production of these three is considerable.

In the fertilizer field, 70 thousand metric tons of ammonium sulphate are being produced in one plant near Mexico City, using gas piped in from the Poza Rica oilfield.

Output of standard superphosphates (less than 25 per cent concentrate), using mineral phosphates which are imported chiefly from the United States, is also being increased.

Sulphuric Acid—Enough sulphuric acid is probably being made to supply the domestic market. Production is being increased to ensure the output of larger quantities of fertilizer. Manufacture is centred in nine major plants at the moment, fairly well distributed throughout the country.

Four new plants were established between 1947-1951, with a combined capacity double that of all the plants in operation up to 1947. At present, these four plants account for 70 per cent of total national production, and several of them intend to enlarge their production capacity. The demand for sulphuric acid is increasing constantly and important new discoveries of sulphur deposits will encourage this development.

It is estimated that capital investment in plants to produce sulphuric acid is 30 million pesos, the largest single investment being 10·2 million. Approximately 49 per cent of this total capital is owned abroad, according to Mexican sources.

Most of the sulphuric acid produced is the 98 per cent industrial grade. The industry has been using 15 per cent of imported sulphur, but the need for these imports is disappearing. The price of sulphuric acid is frozen by the Government at 214 pesos per metric ton.

Fertilizers—Before 1939, Mexico imported between 12 and 15 thousand metric tons of fertilizers a year, principally Chilean nitrates, which were used almost entirely for cotton, sugar and winter vegetable crops.

However, with the rapidly expanding production of all these, fertilizers have assumed a new significance and the demand in the north of Mexico is increasing rapidly. In 1946, total yearly consumption of fertilizers was estimated at less than 30 thousand metric tons for the whole country.

A large producer, Guanos y Fertilizantes, S.A., organized by Nacional Financiera with a capital of ten million pesos, later increased to thirty million, has built three plants which produce separately chemical fertilizers (ammonium sulphate), standard superphosphates, and fertilizers of guano mixtures.

Total annual capacity of these three plants is 70 thousand metric tons. Other plants already in operation produce about 8,000 metric tons of standard superphosphates a year. The total capacity of 80 thousand tons of fertilizers includes about 40 thousand tons of standard superphosphates. Although Mexican agriculture is using twice as much fertilizer as before World War II, production is considered to be under requirements.

Alkalis—The production of alkalis was not established in Mexico until recently. Total capital investment in the production of alkalis is 25 million pesos—20 million in one plant, Sosa Texcoco, S.A., and a total of five million in three other plants, all of them situated close to or in the capital district of Mexico.

Total installed capacity is :

	Metric tons a year
Caustic soda	15,000
Sodium carbonate	38,500
Bicarbonate of soda	59,000
Sodium chloride	3,600
Potassium chloride	360
Hypochloride of calcium	16,000
Lime	18,000

Most of the caustic soda is produced as a 40 per cent solution, and 50 per cent solution occasionally. Solid sodium carbonate is available with a purity of 98·5 per cent.

The production of alkalis does not satisfy domestic demand. During 1949, a year of peak production, only 33 per cent of the domestic market was supplied by Mexican plants. The production of caustic soda will be increased by 2,000 metric tons a year with the establishment of Celulosa Nacional, S.A. The price of alkalis produced in Mexico is considered high.

—M. T. Stewart

TRADE STORY

In August 1952, Mexico's foreign trade figures were in the black for the first time since 1949. Exports reached a value of 508·8 million pesos, and imports totalled 490 million pesos. Trade deficit for the first six months of 1952 stood at approximately 1·1 billion pesos. The need for raw materials for industry, industrial machinery, and foodstuffs keeps imports high.

Pharmaceuticals

BEFORE 1939, the old-established German houses dominated the pharmaceutical market in Mexico. Several of them are still quite prominent, although they now operate under the control of the Mexican Government.

Mexican companies and branches of the leading American, British and European drug houses produce many lines of ethical drugs, and the industry is well organized. Large wholesale houses give national distribution.

The buying public prefers drug products manufactured abroad and the leading U.S. drug manufacturers are cashing in on their prestige value by operating local companies. In this group are Parke Davis, Squibb, Sharp & Dohme, Abbott Laboratories, Chas. Phizer Inc., and Lederle.

Today in the antibiotic and sulfa field, as well as for ordinary products, the ingredients are imported in bulk, mainly from the U.S. and some from Europe, and packaged locally under high tariff protection. In fact, it is difficult to find any retail drug article for sale that is not packaged in Mexico.

Canadian drug manufacturers contemplating this market should remember that Mexico has established exacting marking requirements. These can be taken care of by their agent or distributor. Moreover, price control is in effect on sales of drug products.

Paints and Varnishes

THE Mexican paint industry has expanded tremendously since 1939 and now can take care of practically all local requirements. Under its policy of developing local industry, the Mexican Government placed a high tariff on imported paints and varnishes in 1947 and many of the large U.S. paint corporations subsequently set up branch plants in Mexico. This tariff protection insures profitable operations and the local subsidiaries get the full benefit of the parent company's research facilities and technical advice. However, specialties and certain key ingredients must be imported but no significant import statistics are available.

Imports of pigments include lithopone, titanium dioxide, barytes, mica, talc, carbon black, etc. Chrome pigments (yellow and orange) are made in Mexico but the quality is inferior. Green chromes, iron blues and ultramarine blue are imported. Synthetic iron oxide (of ordinary quality) are imported and the use of synthetic oxides is growing.

Natural resins have been largely replaced by synthetic resins and these are all imported, although they may soon be manufactured to some extent in Mexico. Solvents and thinners, nitro-cellulose for auto lacquers, metallic driers and plasticizers are also imported. The United States is the leading supplier for the entire paint industry.

Insecticides

MEXICO needs large quantities of insecticides but does not import them ready for use. Most of the mixing is done in this country, using imported dry ingredients (DDT and BHC) mixed with sulphur dust, most of which is imported, although it can now be produced in Mexico. Several United States companies are prominent in the insecticide field, notably Dupont, Anderson, Clayton, Matheison Chemical Corporation and Stauffer Chemicals.

The expanding cotton-growing industry has given the insecticide business an impetus. The greater part of the market is in Northern Mexico. Mexico is not a market for completely manufactured insecticides except in the border country, but it is an important market for key ingredients. U.S. exports to Mexico in 1951 included: DDT (25 per cent or more DDT), $3,217,000; agricultural insecticides (not elsewhere specified), $10,300,000, which includes BHC and practically everything else in insecticides.

Hand Tools

MEXICO provides a rather good market for imported hand tools. In 1951, about 46 million pesos worth of various kinds were imported, some ten million pesos above the 1950 totals. The leading tool manufacturers of the United States take the bulk of the trade and enjoy an enduring market here, as Mexican workers are very brand conscious. Germany is securing an increasing percentage of the market in which she held a prominent position before the war. Imports of hand tools from Canada are so far negligible.

There are two fairly well established local firms making a variety of hand tools; one more or less specializing in agricultural tools and the other in mechanics' and carpenters' hand tools. The local firms are operating under ample tariff protection: e.g., hammers carry 50 per cent ad valorem, axes and choppers 20 per cent ad valorem, plus a small specific duty in both cases. Hand tools not separately classified are dutiable at five centavos per gross kilogram plus 5 per cent ad valorem, and this applies to tools that are not as yet made in Mexico.

The annual sales of locally made hand tools probably total a few million pesos, and it is expected that the sale of the local articles will expand at the expense of imported hand tools. Mexican mechanics are good workmen and they can readily be taught diemaking, the proper operation of forging tools and tool finishing. A skilled mechanic in Mexico earns about 25 pesos a day, several times less than a similar workman earns in Canada, and labour is an important component in the cost of making hand tools.

—M. T. STEWART

The Automobile Industry

In ten bustling plants, Mexicans assemble 86 per cent of the automobiles and 92 per cent of the trucks and buses sold in that country.

BACK in 1926, the Ford Motor Company erected the first assembly plant for motor vehicles in Mexico, at a cost of some 300 thousand pesos. In the ensuing years, this industry has grown remarkably. Today ten automobile assembly plants are operating and they put together 86 per cent of the automobiles and 92 per cent of the trucks and buses sold in Mexico. These plants represent a capital investment of 300 million pesos and employ 14 thousand persons. It is estimated that an equal amount is invested in dealer and service operations throughout the country.

During 1951, 45 thousand vehicles were assembled in Mexico, of which one-half were automobiles and the remainder trucks, buses and tractors. In 1950, the number assembled was only 22,235 and in 1949, 22,047. The value of vehicle parts imported into Mexico for these years was 750 million pesos in 1951, 319 million pesos in 1950, and 270 million pesos in 1949.

Potential Capacity

In addition to Ford, the following are the principal assembly plants operating at present:

General Motors, Mexico, D.F.
Fabricas Auto-Mex (Chrysler products) Mexico, D.F.
Armadora Automotriz (Nash, Studebaker, Willys) Mexico, D.F
Packard Motor Company, Puebla
Equipos Automotrices (Reo products) Monterrey
Automotriz de Mexico (Hudson & Renault) Mexico, D.F.
International Harvester (International trucks) Saltillo, Coah.
Diesel Nacional (Fiats & Diesel trucks) Mexico, D.F.

Diesel Nacional has erected a large assembly plant on the outskirts of Mexico City and Fiats will be assembled during 1952. In addition, European cars (Austin, Hillman Minx, Skoda, Renault, Opel and others) are being assembled either in the major local assembly plants or in smaller ones.

The potential capacity of the assembly plants in Mexico is approximately 50 thousand units a year. Until 1951, because of economic restrictions resulting from the stabilization of the peso, production was low but it has since expanded greatly.

Fundamentally, Mexican production is for national consumption but some cars have been exported to Caribbean countries and to Central and South America. European manufacturers who have begun assembly operations in Mexico are hopeful that they will supply the Latin American market from Mexico.

The vehicle assembly industry in Mexico is given liberal protection by the Mexican tariff, which specifies the following rates of duties for various types of vehicles:

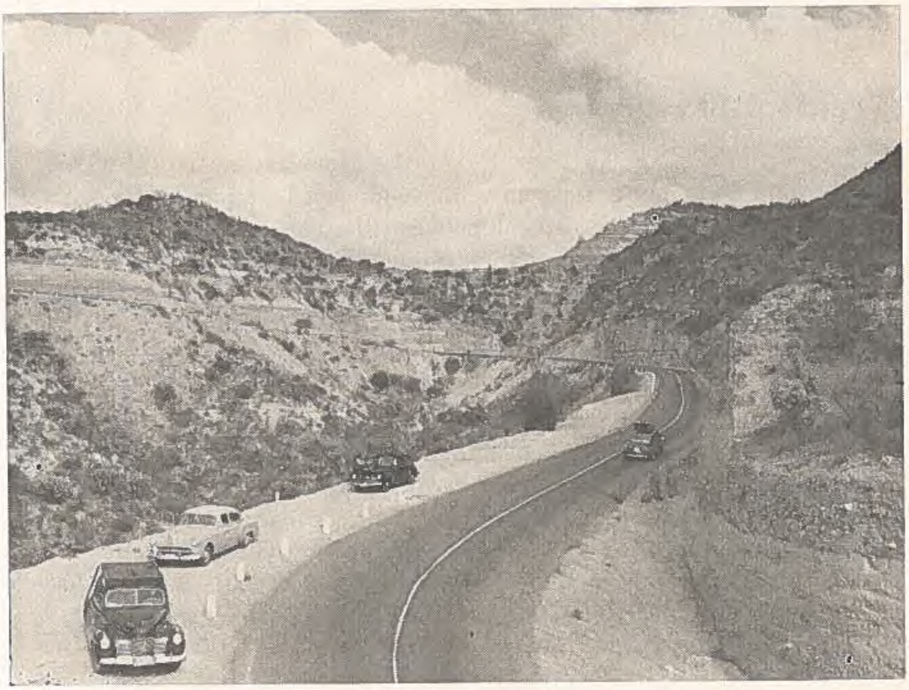
- Passenger cars valued up to 13 thousand pesos, 1,600 pesos each, plus 30 per cent ad valorem.
- Passenger cars valued at more than 13 thousand pesos but not more than 25 thousand pesos, 1,700 pesos each, plus 35 per cent ad valorem.
- Passenger cars valued at more than 25 thousand pesos but not more than 40 thousand pesos, 2,000 pesos each, plus 35 per cent ad valorem.
- Passenger cars valued at more than 40 thousand pesos but not more than 55 thousand pesos, 2,000 pesos each, plus 40 per cent ad valorem.
- Passenger cars valued at more than 55 thousand pesos, 3,000 pesos each, plus 45 per cent ad valorem.
- Passenger buses, 5,000 pesos each, plus 5 per cent ad valorem.
- Trucks, 5,000 pesos each, plus 5 per cent ad valorem.

The ad valorem portion of the duty is levied on the Mexican official valuation or the invoice value, whichever is the higher.

The official valuations for passenger cars under the above-listed categories are:

Category 1	each	12,000	pesos
2	"	17,000	"
3	"	30,000	"
4	"	40,000	"
5	"	50,000	"

Certain models of passenger cars are classified for the purpose of assigning one of the above official valuations. The Prefect, Austin A-70



A section of the Pan American Highway between Mexico City and Zimapan. Increasing production of automobiles in Mexico means more emphasis on improving highways; ten thousand miles of new roads are being built.

and Hillman Minx are all listed under the official valuation Class 1 for 12 thousand pesos, while Austin A-90, certain Chevrolet and Ford, Chrysler and Plymouth models, Henry-J, Nash, Studebaker Champion and Willys are listed under Class 2 for official valuation of 17 thousand pesos each.

Production May Fall

It is expected that this year will see a slight reduction in production and sales from the high level of 1951, unless export markets can absorb the slack. The record production of last year has saturated the market to some extent and consumers are hesitating because of higher prices.

On the other hand, automobile and truck registrations throughout Mexico total 318 thousand units. Normal replacement of these vehicles should amount to over 30 thousand a year, without considering excess demand resulting from the economic expansion of the country. The low price of gasoline in Mexico and the extensive road-building program may also give an impetus to the expansion of the automotive industry. During the past five years, more than six thousand miles of paved roads have been built in Mexico, plus many thousand miles of essential feeder roads.

The vehicle assembly industry in Mexico will probably be stabilized at 30-40 thousand units a year. If export markets are developed, this number will increase substantially.

—S. G. TREGASKES
Assistant Commercial Secretary for Canada

Treaty Relations

CANADA and Mexico exchange most-favoured-nation trade relations by virtue of the trade agreement between the two countries of February 8, 1946. This was the first postwar trade agreement concluded by Canada and was signed in Mexico City by Senator J. A. MacKinnon, then Minister of Trade and Commerce. The agreement was made for an initial two-year period and continues in force automatically until terminated by either country.

Under this agreement, Canada and Mexico exchange m.f.n. treatment in all customs duties and other charges, as well as in customs formalities and in the application of internal taxes. Any tariff reductions or other benefits that Canada or Mexico may grant, or has granted, to a third country are automatically extended to the other. Thus, although Mexico is not a signatory of the General Agreement on Tariffs and Trade, she benefits from all tariff concessions granted by Canada as a result of GATT negotiations with other countries.

—MAURICE SCHWARZMANN
International Trade Relations Branch

Transportation to Mexico

MEXICO forms the greater part of the southern isthmus of the North American continent and, because it is separated from Canada only by the United States, can be reached by land, water or air. Shipping services from both Canadian coasts, rail transportation through the United States, and air transportation via United States air gateways offer a choice of transportation to Canadian businessmen and their goods.

Shipping Services

Two shipping companies provide regular services from eastern Canada to Mexican ports. The Canada Mexico Line, operated by the Federal Commerce and Navigation Company, pioneered liner berth services from eastern Canadian ports to Mexico after the last war. This line maintains regular sailings from Montreal and Halifax to Vera Cruz and Tampico, on the Gulf of Mexico. The other shipping service is provided by the Swedish American Line, with a sailing every three weeks from Montreal, Three Rivers and Quebec. During winter months sailings are from Saint John and Halifax. The Swedish American Line operates two fast cargo vessels on this service, one of which, *M.S. Danaholm,* is equipped with refrigerated cargo space.

From Pacific Coast

Two shipping lines offer regular services to Mexican west coast ports from Vancouver. The Grace Line, in its services to the west coast of Central and South America, has a sailing every two weeks to Manzanillo or Acapulco. Vessels call at each of these ports on alternate sailings. The Independence Line has a monthly sailing to Acapulco on their services to the west coast of Central and South America. Vessels of both these lines provide refrigerated cargo space.

In addition to these services, Saguenay Terminals Limited recently established a fortnightly service between Vancouver and eastern Canadian ports. Calls will be made at Mexican ports, if enough cargo is forthcoming.

Air Transport

Air passenger and cargo traffic from Canada to Mexican destinations moves via various United States air gateways. Airline services from these U.S. points are excellent, with New York, Chicago and Los Angeles providing the best connections for the Canadian shipper or traveller.

From New York, American Airlines and Pan-American Airways operate daily flights to Mexico City and Monterrey. From Chicago, American Airlines serve Mexico City with three flights daily, and Monterrey with one flight a day. Good connections can be made from Canada to each of these cities; Trans-Canada Air Lines operate several flights daily from Montreal and Toronto to New York, and two a day from Toronto to Chicago. In addition, Colonial Airlines have a number of flights each day between Montreal and New York and American Airlines between Toronto and Chicago.

From the Canadian West Coast, best routing is via Seattle and Los Angeles. TACA International Airlines, Mexicana De Aviacion and American Airlines schedule frequent flights from these cities to Mexico City and Monterrey.

When considering air transport, prospective shippers or travellers usually stress the time factor. By air, Mexico is only a matter of hours away from most cities in Canada. It is possible to reach Mexico City the same day as one leaves Montreal, Toronto or Vancouver. Within Mexico, air services are also good. Pan-American Airways and several national airlines operate throughout the country and arrival in any of the principal Mexican cities is never later than the day following departure from Canada.

Within the near future, another air service to Mexico will be available to shippers and travellers in western Canada. Canadian Pacific Airlines are planning to extend their present Hong Kong-Vancouver route via Mexico City to Lima, Peru and Rio de Janeiro, Brazil, thus providing direct, non-stop flights between Vancouver and Mexico City. Present planning points to this service being inaugurated next year.

Rail Transport

Unlike foreign markets across the sea, Canadian exporters or importers looking to the Mexican market have a third media of transport—all-rail—to carry their products. The combined facilities of Canadian, United States and Mexican railways provide good connections and all-rail routings from any point in Canada, along the thousands of miles of trackage within this country, to Mexican destinations. Within Mexico, the main rail routes connect with U.S. railways at four border points and radiate throughout the country.

Since the last war Mexico has made rapid strides in developing its internal railway system. New equipment has been added and narrow gauge rail lines converted to standard gauge. The Mexican railway system is practically all government-owned. Through the years the Republic has acquired a number of privately-owned railway companies and combined these into the National Railways of Mexico. Their latest acquisition, in the latter part of last year, was the properties of the Southern Pacific Railroads of Mexico, including some 1,230 miles of trackage running down the west coast and terminating at Guadalajara.

The National Railways of Mexico operate modern trains with standard Pullman service through from the American border to Mexico City and other Mexican cities. Travelling time from central Canada to Mexico City is about four days.

Railway Cars a Problem

A shortage of railway cars has been one of their chief problems. This led to the American Association of Railroads placing an embargo on railway cars moving onto the lines of the National Railways of Mexico. The embargo affects carload shipments. Of interest to Canadian shippers, the term "carload shipments" includes: any shipment moving on a carload rate; any shipment or shipments from one shipper to one consignee aggregating 20,000 lb. or more, whether moving on L.C.L. or quantity rates; any shipment or shipments from one shipper to one consignee, occupying a car to the exclusion of other freight.

The purpose of the embargo is to enable United States and Canadian railways to limit the number of railway cars proceeding onto the lines of the National Railways of Mexico. In effect, the embargo does not preclude the movement of carload freight to Mexico but rather requires the shipper to first obtain a permit for the movement. Applications for permits should be sent to the Car Services Division, Association of American Railroads, Washington, D.C.

—H. A. Hadskis
Transportation and Communications Division

How the Mexican Tariff Works

THE Mexican import tariff has a single column of duties which apply equally to imports from all countries. The present tariff rates are compound—that is, they consist of specific rates usually expressed in pesos per kilogram, and of ad valorem rates levied on the Mexican official valuation or on the c.i.f. invoice value, whichever is the higher. In addition to these rates, a general surtax of 3 per cent of the import duties has been levied on all freight shipments since 1931, and a surtax of 10 per cent of the duty is collected on all parcel post shipments.

Since 1948, the official valuation ("precio oficial" in Spanish) has been a special feature of the ad valorem duties in Mexico. These official valuations were based on the average unitary price of each commodity as estimated in 1948 and have been increased accordingly as the prices have risen.

The weight for duty, levied on the specific portion of the Mexican tariff, may be either net, legal or gross. Net weight is the actual weight of the goods without cases, containers or packing. Legal weight is considered the weight of the article including that of the ordinary container in which the article is placed inside the outer container which serves as the general packing. Straw, wood chips, waste paper, cross-pieces and lattice work used in packing are not to be included in the legal weight.

The United States Reciprocal Trade Agreement with Mexico of 1942 contained tariff concessions by Mexico on many agricultural and industrial products amounting to some 203 items altogether. Canada and all other countries were able to enjoy the benefits of these reduced or bound rates of duty because of the single column structure of the Mexican tariff. However, Mexico terminated the United States-Mexican Trade Agreement on December 31, 1951. The result was that almost all the items formerly included in it were subjected to greatly increased rates of duty.

Detailed information on Mexican import rates of duty for any product, as well as the official valuations for the specified product, may be obtained from the Foreign Tariffs Division, Department of Trade and Commerce.

—A. M. Baldwin
International Trade Relations Branch

A Word to the Exporter

• *Credit Terms Essential*

Mexico is a hard currency country without exchange control and this fact alone makes it a sought-after and competitive market.

Practically all business in Mexico is done on credit and generous credit terms are frequently more attractive than a competitive cash price. Importers with good credit standing will not put up letters of credit if it can be avoided, and it is almost impossible to transact business on irrevocable letter of credit terms. Some companies of first-class standing—and there are many of them—do practically all their business on open account and to suggest a letter of credit or cash with the order would be considered an insult.

• *Sight Draft Used*

A good deal of import business is done on thirty days sight draft terms. It is really about as safe to sell on this basis as cash against documents because, according to the Mexican Civil Code, the seller assumes the responsibility for any transaction. This makes a signed order worthless. If a client feels at the last minute like not taking up his documents, it is up to the seller to dispose of the goods elsewhere or have them returned. If a 30-day sight draft is presented to the customer through a bank, he invariably accepts it and is grateful for 30-day terms. Should he fail to pay after the 30 days, the factory or agent has a legal document with which to proceed.

• *Tax on Invoices*

There is a 3 per cent federal tax on all invoices issued in Mexico City, D.F. Drop shipments (direct from factory to customer) and direct billing therefore enable the distributor to quote a lower price because these invoices are not taxable. This is very important in sales involving larger amounts of money.

• *Investment Opportunities*

The protective policy of the Government makes normal import business increasingly difficult to develop and many well established importing firms long for the good old days. However, the tariff wall provides many opportunities for local investment and participation in Mexican industry. This should not be lost sight of when Canadian firms with capital to invest are turning their attention to trade below the Rio Grande.

- ***Railway Bill of Lading***

Most rail shipments from Canada come through the United States in bond and the railway bill of lading should cease at the border point of entry. For full protection, the document should be drawn up in such a manner that the merchandise is either paid for or the draft accepted by the consignee before the goods enter Mexico.

- ***Choosing an Agent***

A reputable and well connected agent is of the utmost importance in doing business with Mexico successfully. Any Canadian firm contemplating entering the Mexican market should therefore proceed with the greatest care in the appointment of a representative. The Commercial Section of the Canadian Embassy maintains a confidential file of suitable agents and is glad to make recommendations. The agent, once appointed, should be well supported and his suggestions for doing business taken seriously.

- ***Documentation Note***

The agent can advise on, and assist with, the registration of tinned foodstuffs and pharmaceutical products, etc., on which the Mexican requirements are exacting. Full information on documentation required for Mexico may be obtained from the Department of Trade and Commerce, Ottawa, or from the nearest Mexican Consular office.

For More Information . . .

WRITE your representative in Mexico—
M. T. Stewart, Commercial Secretary, Canadian Embassy, Apartado 126-Bis, Mexico, D.F.

ASK the International Trade Relations Branch, Dept. of Trade and Commerce, Ottawa, for their pamphlet with detailed information on shipping documents and Mexican customs regulations.

REFER to these 1952 issues of *Foreign Trade*—
March 8 and 15; April 5, 12 and 19; August 2; September 20 and 27.

Foreign Exchange Rates

The following nominal quotations may prove useful in checking prices. Canadian traders should consult their banks before making any firm commitments.

Conversions into Canadian dollars have been made at cross rates with sterling or the United States dollar on the date shown.

Except when buying and selling rates are specified, the mid rates only are quoted. The buying rate is that at which banks purchase exchange from exporters. The selling rate is that at which banks sell exchange to importers.

When several rates are indicated, the rate applicable depends on the commodity traded. Information on the rate for any specific commodity may be obtained from the International Trade Relations Branch, Department of Trade and Commerce, Ottawa.

Rates used exclusively in non-merchandise trading are not included in the table.

For conversion to United States dollar equivalents multiply by 1·0152.

Country	Unit	Type of Exchange	Canadian dollar equiv. Nov. 13	Notes (See below)
Argentina	Peso	Preferential buying	·1313	
		Basic buying	·1970	(1)
		Preferential selling	·1970	
		Basic selling	·1313	
		Free	·0709	
Austria	Schilling		·0461	
Australia	Pound		2·2065	
Belgium-Luxembourg & Belgian Dependencies	Franc		·0197	
Bolivia	Boliviano	Official	·0164	tax 5% (1)
		Differential	·0098	tax 3% (2)
British West Indies (except Jamaica)	Dollar		·5746	
Brazil	Cruzeiro		·0532	tax 8% (2)
Burma	Kyat		·2069	
Ceylon	Rupee		·2069	
Chile	Peso	Official	·0317	(1)
		Commercial	·0164	
		Free	·00794	
Colombia	Peso	Basic	·3940	tax 3% (2)
		Coffee Buying	·4275	
Costa Rica	Colon	Official	·1758	(3)
		Free	·1443	*Sept. 30
Cuba	Peso		·9850	tax 2%
Czechoslovakia	Koruna		·0197	
Denmark	Krone		·1426	
Dominican Republic	Peso		·9850	
Ecuador	Sucre	Official	·06566	(4)
		Free	·05661	
Egypt	Pound		2·8285	
Fiji	Pound		2·4848	
Finland	Markka		·00428	
France	Franc		·00282	
French Africa	Franc		·00563	
French Pacific	Franc		·01549	
Germany	D Mark		·2345	
Greece	Drachma		·000066	
Guatemala	Quetzal		·9850	
Haiti	Gourde		·1970	
Honduras	Lempira		·4925	
Hong Kong	Dollar	Free	·1515	*Sept. 29
Iceland	Krona	Official	·0605	
		Special buying	·0465	
		Special selling	·03779	
India	Rupee		·2069	
Indonesia	Rupiah	Basic	·0864	(5)
		With Surcharge I	·0432	
		With Surcharge II	·0288	
		Dollar certificate	·00182	*Oct. 15

* Latest available quotation date.

Country	Unit	Type of Exchange	Canadian dollar Equiv. Nov. 13	Notes (See below)
Iran	Rial	Certificate I	·01193	*Sept. 26
		Certificate II	·01186	*Sept. 26
Iraq	Dinar		2·7581	
Ireland	Pound		2·7581	
Israel	Pound	Basic	2·7580	
		Special	1·3790	
		Investment	·9850	
Italy	Lira		·00158	
Jamaica	Pound		2·7581	
Japan	Yen		·00274	
Lebanon	Pound	Free	·2761	*
Luxembourg (See Belgium)				
Mexico	Peso		·1139	
Netherlands	Guilder		·2592	
Netherlands Antilles	Guilder		·5223	
New Zealand	Pound		2·7581	
Nicaragua	Cordoba	Effective buying	·1492	(6)
		Official selling	·1397	
		With Surcharge I	·1224	
		With Surcharge II	·0980	
Norway	Krone		·1379	
Pakistan	Rupee		·2977	
Panama	Balboa		·9850	
Paraguay	Guarani	Basic	·06566	(1)
		With Surcharge I	·04690	(7)
		With Surcharge II	·03283	
Peru	Sol		·0637	
Philippines	Peso		·4925	tax 17% (2)
Portugal	Escudo		·0343	
El Salvador	Colon		·3940	
Singapore & Malaya	Straits dollar		·3218	
South Africa (Union of)	Pound		2·7581	
Spain & Dependencies	Peseta	Basic buying	·04498	
		Basic selling	·08779	(1)
		Free	·02484	
Sweden	Krona		·1904	
Switzerland	Franc		·2298	
Syria	Pound		·2707	*Sept. 30
Thailand	Baht	Official	·0788	(1)
		Free	·0551	*Sept. 30
Turkey	Lira		·3518	
United Kingdom	Pound		2·7581	
United States	Dollar		·9850	
Uruguay	Peso	Official	·6485	
		Basic buying	·5534	
		Special buying	·4191	(1)
		Basic selling	·5184	
		Special selling	·4020	
Venezuela	Bolivar		·2940	(8)
Yugoslavia	Dinar		·00328	

* Latest available quotation date.

NOTES

1. Additional rates are in effect for specified goods.
2. Tax affects selling (import) rates only.
3. Costa Rica: Official rate applies to all Costa Rican exports.
4. Ecuador: Exchange surcharges of 33 per cent and 44 per cent apply to imports of less essential and luxury items respectively.
5. Indonesia: Effective rate for all Indonesian exports to dollar area is basic rate plus 70 per cent of dollar certificate rate. Cost of imports is increased by full amount of dollar certificate rate.
6. Nicaragua: Effective buying rate applies to all Nicaraguan exports.
7. Paraguay: Basic rate applies to all Paraguayan exports.
8. Venezuela: There are special rates for exports of petroleum, cocoa and coffee.

For additional explanatory note see *Foreign Trade* of October 11.

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For information write The Administrator, Canadian International Trade Fair, Exhibition Park, Toronto 2-B, Ontario.

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