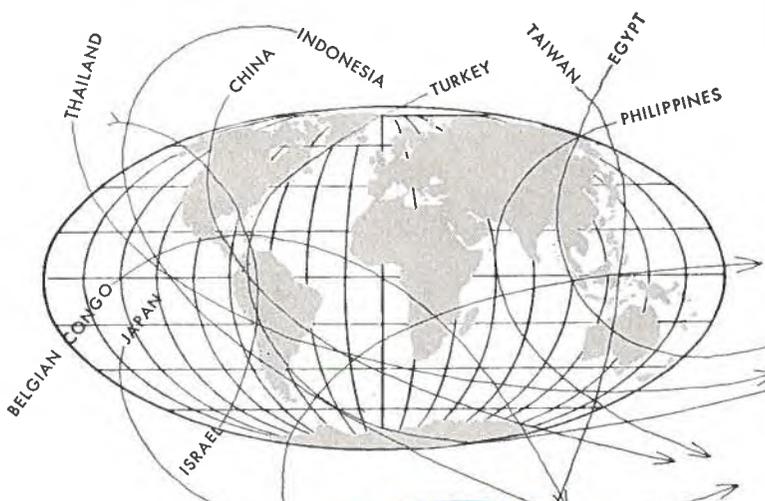


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### **. . . and Points East**

*Early in September, when we first discussed this issue, the difficulties loomed large. Would it, we wondered, be possible to obtain up-to-date, informative reports on 22 countries in Asia and Africa? (The Commonwealth countries we reserved for a later number.) Mentally, we ran over the list, pausing at those which presented special problems—China, Burma, Iran, Taiwan, Indo-China. Would the nearest Trade Commissioner be able to gather material on conditions in, and trade figures for, these countries in the grip of change?*

*Other obstacles presented themselves. The Beirut office was opened in October. With reluctance, we asked the officer there for reports on Lebanon, Syria, and Iraq when he had barely settled in. As it happened, during the time when the reports had to be compiled, a number of routine changes were taking place. The officer in charge of the Athens office, which contributed the articles on Greece and Turkey, had recently arrived. The Trade Commissioner in the Belgian Congo had just returned to his post after home leave. The Cairo office was short of staff.*

*Nevertheless, we sent out letters outlining the type of article we had in mind—and setting a deadline. Before the end of November, long blue envelopes with Asian and African postmarks began arriving. Each office had solved its special problems. As we studied the reports, the picture took shape.*

*We present this Asia-Africa issue conscious, as our contributors are, of the lack of detailed information on some of the territories covered. Yet we feel that it gives a valuable picture of how business is being carried on in a great area . . . and of Canada's trade with "points east".*

—The Editor



# foreign trade

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COVER . . . In this issue, we present reports on business conditions in 22 countries in Asia and Africa. The names of only eleven of these appear on the cover, swirling around our artist's conception of the globe. The others you will find listed above.

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## By Way of Introduction . . .

ASIA and the Middle East have attracted traders from the very beginning of recorded history. In earlier times, their eyes were fixed on the gold, silk and spices of the Orient. Today Canadian importers buy more utilitarian products—oil from Saudi Arabia; rice from Thailand; hemp from the Philippines; tea and rubber from Indonesia; chrome ore from Turkey; dates from Iraq; unset diamonds from Israel.

This enormous land area, which contains half the world's people, faces grave economic and political problems. First of all, the growth in population is outpacing the food supply. This means that many of these countries turn to the West for foodstuffs and Canada sells them large quantities of wheat and wheat flour, barley, and other food products.

Second, many of them rely heavily on the production of one or more primary commodities such as rubber, jute, cotton, tin. Prices of these tend to fluctuate widely with the rise or fall in world demand, and the effect on the Eastern economy is often serious. When prices are low—rubber is a good example just now—many of the countries are gripped by depression.

This situation is not going unremedied. Most of the countries are embarked upon, or have plans for, development schemes to make their economies more productive and diversified or to exploit newly discovered resources. Canada is following these with great interest and is sharing, through the Colombo Plan, in projects in South and Southeast Asia.

Meanwhile, the Canadian exporter is finding in Asia and the Middle East markets worth cultivating. An illustration will show how Canadian products, in increasing variety, are making their way in the East.

Two years ago, on tour in Southeast Asia, I visited a little town, the capital of a colony with a small population, where most of the native peoples live virtually untouched by modern civilization. Yet from the deck of my ship I noticed cases of a well-known Canadian soup being offloaded. A number of small native river craft, practically the only form of transportation in the colony, were being propelled by Canadian outboard motors. When I visited one of the primitive native settlements some distance away in the jungle, I noticed a tin of Canadian herring in the headman's hut. This shows, in a small way, the progress being made in the distribution of Canadian manufactured and processed goods in the area and illustrates how large is the potential market.

True, doing business with the area, with its diverse marketing and trading problems, keen competition, and import restrictions on dollar goods in most of these countries, presents many difficulties. Nevertheless, Canadian products are becoming better known and more Canadian importers and exporters are visiting Asia to study these markets.

The officers of the Canadian Trade Commissioner Service, who have prepared the reports for this special issue, stand ready to advise the intending exporter on prospects for marketing his products in this area, to help him find a suitable agent, and to assist him in other ways.

—R. K. THOMSON

*Area Trade Officer for Asia and Middle East*

## Belgian Congo and Its Trade

*With raw materials selling well, the colony has escaped import restrictions and dollar troubles; is buying goods for long-term development.*

**L**EOPOLDVILLE—In spite of the recent marked decline in world prices for palm oil, the overall economic picture in the Belgian Congo remains good. In fact, it continues to improve, largely because of relatively stable prices for metals, with rising production.

There is still no sign of a real dollar shortage. Import licences are required but they are nearly always granted for goods from most countries, including Canada. The Belgian Congo grants equal tariff treatment to all supplying nations under international treaties entered into before creation of the present colony.

Last year an overtaxed transport system presented difficulties—difficulties which were general to most of Africa. These have now largely been remedied. Serious delays in the handling of merchandise within the colony and at the port of Matadi now seldom occur in spite of rapidly rising volume. The shipping lines, however, continue to impose a moderate surcharge on freight designed for Matadi.

### Development Goods in Demand

In recent months, the value of imports has exceeded that of exports for the first time in many years. This trend is not believed serious and may only be temporary. It has not persisted long enough to be reflected in the 12-month figures which appear in this report.

This reversal of the relationship between imports and exports comes largely from greatly expanded imports of capital equipment to implement the Ten-Year Plan, which has lately emerged from the study and planning stage. At present the Plan is putting emphasis on road-building and hydro-electric power, both of which involve the purchase abroad of heavy and costly equipment on a large scale.

The colony continues to enjoy excellent credit and the International Bank for Reconstruction and Development recently granted loans totalling \$70 million for 25 years at 4½ per cent. Some of this money went to Belgium, but all of it will be used for purchases for the Congo. This is the first time that the Bank has made a loan to an overseas territory of one of its member countries.

Industry is expanding rapidly, with total investment rising some 40 per cent between the years 1949 and 1951.

### Present Problems

Apart from a weakness in palm oil prices, there have been one or two other sources of worry. Notable among these is the rapid rise in the cost of living which has continued until recently, in spite of the

world tendency towards declining prices. The authorities recently started a campaign to make merchants mark the prices on goods in accord with the standard North American practice.

The number of white people arriving in the colony is increasing but it is still small and the policy is that the colony shall remain overwhelmingly native. The alarmingly high costs involved in bringing white personnel to the colony and maintaining them here tends to reinforce this policy.

Housing shortages, both for white and native populations, still plague the Congo. An ordinary two-bedroom house for white people rents unfurnished for \$300 a month. It is expected that the housing shortage for whites will be remedied by late 1954. For the natives—who drift into the great centres at a rapid rate—it will take considerably longer before sufficient houses can be built, but the matter is receiving attention.

### Food Imports Greater

The movement of natives into the cities has resulted in greatly increased imports of certain essential foodstuffs, notably wheat flour, powdered milk, canned horsemeat, canned sardines and herrings, and dried codfish.

Since the Congo's economy still depends largely on exports, the best way to assess its strength is to look at the trade statistics.

### Exports of Chief Commodities Belgian Congo and Ruanda-Urundi (official Belgian Congo statistics)

Product	Value (millions of francs)*	
	Year ending June 30, 1951	Year ending June 30, 1952
Copper .....	4,034	5,153
Cotton .....	1,856	2,292
†Palm oil .....	1,717	2,134
Coffee .....	1,314	1,737
Tin ore .....	1,347	1,333
Cobalt products .....	817	1,286
Palm kernels .....	793	760
Gold .....	692	746
Diamonds .....	535	684
Rubber .....	468	596
Sulphuric zinc ore .....	266	561
Tin .....	383	327
Fibres .....	266	300
Palm kernel oil .....	291	271
Zinc oxide ore .....	190	270
Wood .....	242	256
Manganese ore .....	31	116
<b>Total, all exports .....</b>	<b>15,660</b>	<b>20,399</b>

\* One Belgian Congo franc=1.96 cents Canadian.

† Arbitrary values fixed by the authorities for 1951 do not properly illustrate the drop in prices.

Uranium and one or two other strategic minerals are not itemized in the statistics.

Imports of nearly all kinds have risen to record levels. The following are the principal categories of interest to Canada:

**Imports into the Belgian Congo and Ruanda-Urundi**  
(Belgian Congo statistics)

Product	Value (millions of francs)	
	Year ending June 30, 1951	Year ending June 30, 1952
Mechanical machines .....	2,136	3,474
Vehicles and spare parts .....	1,726	2,885
Metal, worked .....	1,418	2,290
Textiles .....	1,109	1,898
Clothing, lingerie .....	451	627
Hardware, etc. ....	542	521
Ships and spare parts .....	247	369
Fish, shellfish .....	302	357
Lime and cement .....	128	285
Medicines, pharmaceutical products .....	124	248
Chemical products .....	136	226
Cereals .....	109	174
Paper, all sorts .....	83	160
Meat .....	141	152
Luggage .....	143	145
Paints and similar products .....	111	118
Textile threads .....	64	98
Furniture .....	89	96
Arms and munitions .....	21	95
Powders and explosives .....	52	90
Vegetables .....	53	87
Milk .....	80	86
<b>Total, all imports .....</b>	<b>11,901</b>	<b>18,503</b>

Supplying nations in order of importance were:

Country	Value (millions of francs)	
	Year ending June 30, 1952	Year ending June 30, 1952
Belgium .....	4,665	6,881
United States .....	2,799	4,302
United Kingdom .....	998	1,581
Japan .....	232	669
Union of South Africa .....	430	633
Germany .....	364	616
France .....	250	600
Netherlands .....	264	442
Italy .....	192	336
Switzerland .....	234	302
Luxembourg .....	116	299
Netherlands East Indies .....	92	196
Canada .....	107	161
Kenya and Uganda .....	133	148
Angola .....	117	132
<b>Total (including other suppliers)</b>	<b>11,901</b>	<b>18,472*</b>

\* This total differs slightly from the total by commodity. No doubt a rectification will be issued in due course.

Canadian figures (DBS) indicate that Canadian exports to the Belgian Congo increased by 83 per cent—from \$3½ million to \$6½ million—in the year ending June 30, 1952, over the previous 12 months. More than half of this rise stems from the following individual percentage increases:

Trucks and passenger cars .....	847
Wheat flour .....	364
Machinery and parts n.o.p. ....	363
Sardines .....	79
Milk powder .....	21

The Congo appears likely to remain a good market for certain Canadian exports. The list of goods which the natives can afford to buy, however, is still a very short one and the white population is too small (about 65 thousand) and scattered to offer a large market for most consumer goods.

—W. GIBSON-SMITH  
Canadian Government Trade Commissioner

## Burma's Recovery Is Retarded

*Internal disorders have limited the all-important rice crop and production of the forest and mining industries, on which Burma depends.*

**B**OMBAY—Burma's recovery is being slowed down by insurgent activities and other internal disorders. The lack of political stability has limited the output and transport of the agricultural, forest and mining industries on which the economy of the country depends.

Exports of rice, the leading commodity in Burma's foreign trade and the mainstay of the country, have totalled only 1½ million tons since the war, well below the prewar figure of over three million tons a year. Other important exports—timber, minerals and oil—are also far below the prewar volume.

Efforts have been made to re-establish these important industries, through agreements between the Government and private interests. Nationalization has already been applied to a large portion of the timber industry and to the Irrawaddy Flotilla Co. With insignificant exceptions, the Government has reserved to itself the export trade in rice and timber.

The following figures show the recent trend in the over-all value of the country's imports and exports:

	1949-50	1950-51	1951-52 (first 6 mos.)
Exports .....	661,000	997,000	456,000
Imports .....	432,000	681,000	345,000

Making a rough allowance for the difference in price levels, the value of the country's exports in 1950-51 was about 60 per cent of their value prewar. The value of imports in 1950-51 was about 80 per cent of their value prewar. This year imports are running at a rate equal to or slightly above that in 1951. The net result is likely to be a reduction in the country's favourable trade balance but it should still be large.

### Rice Is Leading Export

Since the war Burmese exports have consisted almost exclusively of rice. In spite of the drastic drop in the quantities available for shipment abroad, higher prices have brought a larger return. Total exports of rice and rice products in 1952 are expected to be less than in 1951.

Before the war, Burma exported petroleum products to the value of approximately \$50 million a year, teak and other hardwoods to the value of approximately \$15 million a year, and metals and ores to the value of approximately \$23 million a year. Now she finds it necessary to import petroleum products (the oil industry is far from rehabilitated and mostly cut off by insurgents). Similarly, timber, metal and ore exports amounted to under \$3 million in 1950.

All imports from the "dollar-account" countries are controlled by licences which are issued sparingly, and trade with hard currency coun-



—U.N. Photo

*(Above) Village potters at work in a community southwest of Rangoon. With UN help, Burma is trying to expand and modernize its small industries to give employment to people in rural areas.*

tries is negligible. About half the commodities imported from soft currency areas can be freely imported under open general licence. The remaining commodities are controlled by licence.

Before independence, Burma's import trade was primarily in the hands of British, Chinese and Indian businessmen. Measures adopted by the Government allocated 60 per cent of import business to nationals and the remaining 40 per cent to foreigners. The maintenance of the import licensing controls to the present extent in the case of soft currency countries was probably designed to carry out this policy. Textiles, mainly cotton piece goods, are by far the most important import and amounted to over \$40 million in 1950. Machinery, appliances and vehicles accounted for approximately \$11 million.

Outside of the United Kingdom, Burma's external trade is predominantly with her Asian neighbours. India is the main source of imports, followed by the United Kingdom and Japan. India, Ceylon, Indonesia, the United Kingdom, Malaya and Singapore are the important customers.

Burma's trade with Canada is negligible. The only figures at present available show that in 1951 Burma imported from Canada goods worth Rs.5,000 (approximately \$1,000). In the first quarter of 1952, she imported from Canada goods worth Rs.535 thousand (\$107 thousand) and sold nothing to Canada. Imports from Canada in 1951 fell under the general heads of chemicals, machinery and manufactured goods. As long as exchange difficulties persist, no significant increase in trade between Burma and Canada seems probable.

—BRUCE I. RANKIN  
*Commercial Secretary for Canada*

## China under Its New Rulers

*Here is an interesting analysis of what is happening to trade and industry under the Central People's Government, as seen by a Hong Kong observer.*

**H**ONG KONG—To discuss business and trade in China, as seen from Hong Kong, is necessarily to treat only a fraction of the subject. But even in the absence of full details, a few generalizations can perhaps be made. These all lead to the same conclusion—that China's whole pattern of international trade has changed since the Central People's Government came to power.

### ● Government Controls Business

First of all, there is only one buyer and one seller in China today: the Government. It is true that there are state trading monopolies only for certain commodities—for example, export staples such as bristles, tung oil, metal ores, soybeans, furs and hides, etc.—and that private merchants may properly act as agents of such monopolies. It is also true that the state buying agencies established in certain foreign trading centres such as East Berlin, Hong Kong, Macau, Colombo, etc., are not exclusive import channels through which goods can pass into China and that private merchants may import on their own account. But there is so much detailed government control behind every import or export transaction that in reality the private businessman has little freedom of action.

Whatever the proposed business deal, it is subjected to the most detailed examination. The commodity concerned is first considered in the light of trade control commodity lists, to determine whether it is a permissible, a specially permissible (i.e., in certain circumstances), or a prohibited item. The cost price is reviewed to be checked against any existing government export floor prices, if it is an export transaction. If it is an import deal, the price is checked against the Government's information on relevant market prices in major foreign centres of supply.

Terms of delivery are investigated, with attention paid to stated costs of insurance and freight. The Chinese firm's profit or markup is reviewed and, where necessary, adjusted to government opinion on the subject. Documentary evidences of offer, acceptance and confirmation are checked one against the other. Terms of payment must be satisfactory to the authorities. Finally, when everything has been approved and the goods have moved to the export or import point in China, the Chinese Customs Service again looks into everything to check reality against undertaking. With such control, it is really the Government which has done the business.

### ● Traditional Trade Altered

Second, it appears that deliberate policy has wrought a permanent change in the makeup of China's import trade. A number of the traditional commodities have vanished. Their disappearance does not arise from lack of sufficient foreign exchange to warrant their continued purchase, nor from their possible inconsistency with the austerity program set up earlier by the Central People's Government. Both factors have a bearing, of course. The authorities undoubtedly are trying to balance trade better and clearly China is short of foreign exchange, so that most imports must be reduced to the planned minimum and exports stimulated. But the change in import trade is not a negative one in this sense.

Rather, the Government has been putting into practice its positive—and somewhat startling—conviction that China could be nearly self-sufficient, given enough incentive. The authorities argue that many things that China imported for years were brought in quite unnecessarily, that the country's production potential has never been properly organized, and that in the past when something was produced in surplus quantity it was inevitably wasted because of inefficient distribution aggravated by indifference and poor communications. All this can be changed with proper organization and the Communists have embarked upon an intensive program of encouraging many a familiar Chinese occupation, agricultural and industrial.

It is certainly not too soon to say that, from the beginning of 1950, Hong Kong's traditional exports to China of canned foods and groceries, flour and cereals, fishery and sea products, cotton piece goods, manufactured tobacco products, cosmetics, wines, spirits and table waters, expensive foreign clothing, etc., have virtually vanished. As far as Hong Kong at least is concerned, China is making-do with her own resources, or is substituting products, or is doing without.

### ● Commerce with West Diminishes

Third, China's commitments to the Soviet and other Eastern Europe "People's Democracies", combined with the West's refusal to provide her with many things, have effected a profound reorientation in her international trade. The Chinese Commerce Minister has stated that, in 1951, 70 per cent of China's trade was with the USSR and Eastern European countries and only 30 per cent was with the West. This almost exactly reverses the position before 1950. The claim is also made that this proportion will grow larger. In 1951, it is said, China received from the Soviet bloc 65 per cent more strategic materials than the West supplied in 1950.

Such statements are hard to verify in the absence of official statistics. It is known for a fact in Hong Kong, however, that ships from Russia, Poland and other Eastern European countries are regularly sailing direct to Canton, Tientsin, and Manchurian ports with heavy cargoes both ways. The railway link between Russia and China across Siberia is also bearing heavy traffic. Hong Kong's own trade with China in 1952 is only about half that of 1950 and 1951, though much of the decrease is due to Hong Kong's withholding strategic materials, and not so much to China's ceasing to buy. Despite the reorientation, the Chinese Government asserts that volume of trade doubled between 1950 and 1951 and that the trend continues.

### ●Bilateral Technique

Fourth, China's technique of international trade seems to be more and more bilateral trade agreements with a large element of barter. Again this may be explained by the overall shortage of foreign exchange and the desire to get certain commodities by forcing a *quid pro quo* exchange. Certainly the Central People's Government has actually concluded, or is negotiating, a number of deals with other governments or responsible trading interests in other countries; e.g., with the USSR (probably war materiel, strategic materials, machinery, in exchange for wolfram, tin, China produce in general); Ceylon (rubber for rice); Pakistan (cotton for coal); Eastern Germany et al (industrial chemicals, machinery, dyestuffs, for China produce); United Kingdom (wool tops, textile machinery, dyestuffs, for China produce); Japan (textile machinery, iron and steel, for rice, soybeans, etc.).

It is interesting to speculate on China's success with these barter agreements, particularly those with the Soviet and Eastern European countries. In a large number of cases China produce has been offered to Western European buyers from the Soviet and its satellite states at prices much below those quoted to the same buyers from China ports—i.e., much below Chinese export floor prices.

### ●General Economy Improved

Fifth, such information as can be gleaned about the internal policies of the Central People's Government gives credence to these generalities on her international trade by indicating the domestic basis for such policies. The general example of integrity set by government officials, plus the famous purges of the "Five Antis" and the "Three Antis" of early 1952, have contributed to internal stability. The purges were aimed against bribery, tax evasion, theft of state property, failure to fulfil contracts, theft of state economic secrets on the one hand, and against corruption, waste and evils of bureaucracy on the other. High and realistic taxes have been levied and are being collected. Sales of bonds have siphoned off surplus funds. Inflation is under control and financial stability seems achieved. The budget has been balanced and it is said there was a surplus in 1951. The Government is directing an extraordinary scheme of reconstruction and public works—railway building, industrialization, irrigation and flood control projects, housing developments—and having some success.

There has been a tremendous upsurge in internal trade and the boast of efficient internal distribution of essential items for the first time in China's history appears substantiated by the cessation of imports of food and many other items. Agricultural crops this year—rice, wheat, maize, cotton, soybeans, etc.—are said to be bountiful and certainly provided an export surplus of foods. All in all, there seems to be an undoubted improvement in the general economy.

### ●Trade through Hong Kong

Finally, the prospects of Canadian firms doing business with China are temporarily limited to the narrow overlap of commodities which Canada will release to China and which China will import, on the one hand, and those products which China will sell to the West on the other.

Since, in any event, such trade would probably be conducted indirectly through Hong Kong, a brief survey of Hong Kong's recent experience may be of value.

The Colony's trade with China has been halved since 1951, when Hong Kong began to refuse to re-export strategic materials to the mainland. Gross figures, corrected for 1950 by an estimate of the value of Hong Kong's dealings with Formosa, but accurate exclusive of trade with Formosa in 1951 and 1952 to date, follow:

Year	Imports	Exports *(HK\$ million)	Total
1950 .....	800	1,350	2,150
1951 .....	863	1,604	2,467
9 mos. 1952 .....	582	319	901
(Est. 12 mos. '52) .....	(776)	(424)	(1,200)

\* One Hong Kong dollar=approx. 15 cents Canadian.

The principal items imported from China were swine (alive), poultry (alive), eggs in the shell or dried, dried albumen, fresh vegetables, fresh fish, peanuts, various other nuts, bristles, feathers, vegetable oils (cottonseed, teaseed, peanut, tung), oranges and tangerines, tea, soybeans, fuelwood, linen embroideries, carpets and rugs, pine resin, oilseed cake, silk fabrics.

The major commodities exported to China from the Colony were gunny bags, caustic soda, textile machinery, surgical instruments, watches, plants and seeds, inorganic chemicals, refined sugar, chemical fertilizers, general machinery, scientific instruments, sheep's wool (scoured), dye-stuffs, pharmaceuticals, synthetic yarns and threads, hand tools of iron and steel.

—T. R. G. FLETCHER

*Canadian Government Trade Commissioner*

## Egypt

**C**AIRO—Business in Egypt has been stagnant for most of 1952 and trade virtually at a standstill, although the market has been well stocked. An abrupt and unfavourable shift in the balance of trade, beginning early in the year, drained the dollar and sterling balances until, at the end of September, Egypt's free sterling resources were exhausted. Principal cause was a sharp decline in exports because of the falling off in demand for Egyptian cotton and the decline in prices. Cotton makes up more than 80 per cent of Egypt's exports.

This serious trade deficit led, in June, to restrictions on imports of luxury and non-essential goods. Further measures taken on October 7 established general import licensing control. These restrictions, however, do not affect goods imported by the Government, such as wheat, flour, fertilizers and fuel. Liquid fuels, travellers' effects, samples of no commercial value, scientific and cultural books, and gifts are also exempt from the regulations.

The result of these restrictions is apparent from Egyptian trade statistics, which show a substantial reduction in imports, starting in August. However, the June import restrictions did not apply to Western Germany, Bulgaria, Poland, Czechoslovakia, France, Switzerland and several other countries which have a special payments agreement with Egypt. They can also obtain import permits more easily.

The Egyptian market is well stocked with certain commodities, especially woollens and worsteds. Many lines, however, are in short supply and will remain so unless import restrictions are soon relaxed. A substantial movement of Egyptian cotton at the end of the year might earn sufficient foreign exchange to permit the import licensing regulations to be relaxed.

Canadian exports to Egypt do not reflect the trends outlined, largely because of the need for Canadian wheat and flour. In 1950 and 1951, Canadian exports to Egypt were valued at \$3.7 million and \$2.46 million respectively, compared with \$5.5 million for the first nine months of 1952. Approximately \$4.5 million of this 1952 figure represents wheat and flour sales. Egypt also has been buying from Canada milk powder, newsprint, automobiles and trucks, and asbestos.

Canada's imports from Egypt are on a smaller scale, totalling \$659 thousand in 1950 and \$711 thousand in 1951. Cotton and rice are the principal purchases.

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## Ethiopia

**C**AIRO—Business conditions in Ethiopia have been dull during 1952, largely because of high domestic prices and severe competition in world markets for some of its major exports, such as hides, sheep and goatskins. However, exports of cereals, coffee and oil products attained a good volume during the year. Foreign exchange earnings are strictly controlled and import licences granted only for essential goods. The recent federation with Eritrea will, it is hoped, have a favourable effect on Ethiopia's economy.

A recent proclamation of the Ethiopian Government extends the application of all Ethiopian customs duty proclamations, regulations and all taxes, duties and imposts on imports throughout the Ethiopian Empire to include Eritrea.

In-transit goods through the Empire to or from countries having a common land boundary with Ethiopia are not subject to customs duties or taxes. However, payment of a transit fee amounting to 1½ per cent of the value of the goods is required. The value of such goods is determined in the same manner as the value of goods imported into Ethiopia.

—W. H. HOPPER

*Office of the Canadian Government Trade Commissioner*

## French Equatorial Africa

**L**EOPOLDVILLE—This colony still depends largely on agriculture for its livelihood and, in recent months, has suffered from declines in the export prices for some of these products.

The colony is closely controlled by France and is affected by the same severe dollar shortage. Of the products imported during the first seven months of 1952, only 9 per cent came from the dollar area. This is a decline from approximately 12 per cent in the same period a year ago and partly reflects a reduction in Marshall Aid.

Canada supplies only a very small percentage of imports—naturally enough when one remembers that 88 per cent of the dollar imports consisted of fuel (chiefly gasoline), raw materials and heavy equipment. As a rule, imports from the dollar area are permitted only if they are completely unobtainable from France or other soft currency areas.

Exporters have the right to 25 per cent of U.S. or Canadian dollars earned from their exports. This money may be used to pay incidental export expenses or to buy certain products, raw materials, or equipment necessary to the territory's economy. A definition of what is necessary for the economy must be obtained from Paris in each case. Approval is withheld if the material or merchandise can be supplied in sufficient quantities by Metropolitan France. Nevertheless, exporters to the dollar zone can use freely 3 per cent of the money their exports bring.

Barter transactions are possible but a special inter-ministerial commission in Paris must approve each deal.

For the guidance of any Canadian exporters or importers who may wish to look further into these two schemes, given below are the principal exports during the first seven months of 1951 and 1952.

Product	Exports 7 months (millions of francs CFA) *	
	1952	1951
Cotton .....	1,284	1,092
Logs, okoume .....	959	1,118
Coffee, green .....	420	405
Plywood and veneers .....	253	169
Diamonds .....	207	141
Cocoa beans .....	204	218
Cattle .....	185	139
Gold .....	184	167
Palm oil and kernels .....	179	276
Total (including others) .....	4,690	4,400

### Progress in Colony

A serious effort is being made to industrialize the colony. A large new plywood plant is already in operation and projects to introduce pulp mills and turn out cellulose, wallboard, etc., are being studied. Pulp may be made from the enormous quantities of papyrus in certain regions, following the success achieved in the Belgian Congo.

In mining, only precious metals are being produced in substantial quantities. Lack of suitable electric power handicaps the production of lead and zinc. Prospecting is being carried on around newly-formed deposits of manganese, copper, and petroleum.

In general, however, this colony does not yet present interesting possibilities for Canadian exporters.

—W. GIBSON-SMITH

*Canadian Government Trade Commissioner*

\* One million CFA francs=approx. \$5,611 Can.

## **Indo-China: Progress Is Slow**

*The shadow of civil war darkens Indo-China's present and future, but the economy has improved slightly in the last two years.*

**H**ONG KONG—The gigantic burden of the civil war against the Viet-Minh rebels still overshadows the economy of Indo-China\* and hinders its recovery. During 1951 and early 1952, according to available statistics, economic activity did inch upward from previous postwar levels because of the improved military and political situation. But the country-wide disruption and the destruction caused by the bitter hostilities have continued to limit progress.

Production and export figures are still dishearteningly below those of 1938, and further recovery will depend directly on the success of the combined French and Indo-Chinese forces in restoring peace and security. Viet-Minh guerillas have terrorized and scattered the vital manual labourers and skilled workmen, damaged agricultural plantations and other basic installations such as irrigation works and collieries, and disrupted transportation and communications. Somehow, though, tonnages have managed to creep higher.

### **A Primary Producer**

Indo-China is basically a primary producer. Agriculture is fundamental and mainly carried on by the plantation system. Rice is the staple and most important crop. Traditionally, foreign trade consists of the export of raw materials in exchange for imports of manufactured goods, and agricultural products are the predominant export. The leading foreign exchange earners are rubber, rice, maize and pepper, in that order, followed at a considerable distance by hides and skins, kapok, tea and dried vegetables.

### **Production Low**

But production of these important products, and of almost every other, last year fell well below the 1938 figures. Rubber production was only 51,600 tons in 1951, compared with 60 thousand in 1938, and the area under cultivation had shrunk to 112 thousand acres from 250 thousand. Prewar, over six million tons of paddy rice were grown each year on eleven million acres, and exports averaged 1.3 million tons a year. Last year, however, only 3.5 million tons were harvested from 8.8 million

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\* Indo-China is the present name of that portion of Southeast Asia which now consists of the territories of the autonomous states of Vietnam, Laos and Cambodia, which before 1949 were part of the French Colonial Empire and called French Indo-China—Editor.

acres, and only 360 thousand tons could be exported. The story for maize is the same; the 1951 crop, from a much reduced acreage, was only 58,500 tons, compared with 632 thousand tons from 1.3 million acres in 1938.

Anthracite coal is the principal mineral product and export. (The country also has workable deposits of tin, lead, zinc, iron, bauxite and antimony.) Coal production too has suffered from the civil war, although new machinery has helped toward its recovery. The mines are in a guerilla-disturbed area and output last year reached only 650 thousand tons compared with 2.5 million in 1938.

Cement manufacturing is Indo-China's leading industry, followed by cotton textiles, alcohol, sugar refining, soap, salt and cigarettes. Most of the cement made is used for military purposes; the building industry comes second. The 202 thousand tons of cement produced in 1951 were well below 1938's 270 thousand tons.

### Export Figures

The export tonnages of key products in 1938, 1945, 1950 and 1951 listed below show clearly the decline during the postwar period. The year 1945, nearly the end of the Japanese occupation, is included because, being the lowest point, it shows the progress that has since been made.

#### Key Indo-Chinese Exports

	1938	1945	1950	1951
	metric tons	metric tons	metric tons	metric tons
Rice .....	1,016,282	44,817	134,129	360,525
Coal .....	1,578,038	95	58,520	203,305
Maize .....	548,010	12,134	40,059	63,925
Rubber .....	58,023	69	52,417	53,575
Cement .....	144,576	130	17,108	12,147
Pepper .....	5,521	206	1,015	643

### Imports Have Risen

By contrast, Indo-China's import statistics reveal considerably increased imports of those items she needs most, the result of the demands of war, the need for reconstruction materials and re-equipment, and for commodities like cotton textiles in which Indo-China, in happier times, was virtually self-sufficient. The table below compares the import tonnages of some key imports in 1938, 1945, 1950 and 1951.

#### Key Indo-Chinese Imports

	1938	1945	1950	1951
	metric tons	metric tons	metric tons	metric tons
Gasoline .....	72,552	64	94,132	131,768
Heavy oils .....	28,478	438	49,531	58,356
Flour .....	24,204	18	30,896	50,212
Iron and steel .....	45,150	7	47,742	44,163
Sugar .....	1,440	540	28,971	37,841
Paper .....	11,712	197	23,018	26,345
Potatoes .....	4,644	6	15,271	15,962
Milk products .....	5,724	24	10,648	14,857
Cotton textiles .....	8,070	5	11,612	13,453
Machinery .....	5,836	....	10,836	8,518
Pharmaceuticals .....	389	....	1,565	2,346

The net result of abnormally low exports and abnormally high imports has been to upset the balance of trade. Prewar, Indo-China enjoyed a surplus on trading account, but since 1947 she has had a serious deficit each year. The accumulated deficit for 1947-1951 is ten thousand million piastres.

### **France Bears the Burden**

Indo-China's economy is incapable of coping with the circumstances it faces today. Of necessity France is bearing the strain. The French budget has financed most of the cost of the war effort. In addition, France has indirectly covered Indo-China's adverse balance of trade, has made further direct contributions to the costs of civil government and advances to the treasuries of Vietnam, Laos and Cambodia, and has voted funds for reconstruction and rehabilitation, etc. Her total military support alone is estimated in 1951 at an average 60 million piastres per day.

Though the three new states, Vietnam, Laos and Cambodia, are legally independent, they have not yet taken over all the reins of government and therefore Indo-China is effectively still within the French orbit. For example, the piastre, the common unit of currency of all three states, is legally tied to and convertible into the French franc at the statutory rate of one piastre equals seventeen francs, and the currency issue of the country must be 50 per cent backed by French francs. Indo-China is, therefore, part of the French franc area. Because France is footing the bills, but also because of this basic economic policy, needed imports come under an import control program and French franc sources get the first opportunity. French foreign exchange controls apply to Indo-China's import financing and export earnings, and Indo-China therefore feels the shortage of hard currency common to the French franc area. The two countries award tariff preferential rates to each other's products.

The United States is second in importance as a trading partner, but a poor second, even with allowance made for MSA aid (1950-51, direct aid US\$9 million, counterpart aid US\$11 million). Trade with Canada is negligible and the only immediate prospect for improvement is for Canada to share in MSA procurement purchases.

—T. R. G. FLETCHER

*Canadian Government Trade Commissioner*

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### **NOTE ON ANGOLA**

The Portuguese colony of Angola has seen its export income fall by about one-sixth during the first seven months of this year. Principal reason: smaller shipments of coffee and diamonds. The price obtained for sisal has also fallen drastically, though a greater volume of sales has kept the gross value high. Imposition of substantial export taxes, when world markets permit it, is common in African territories. Idea behind it is that in this way, reserves can be built up against the lean years.

## Indonesia's Economic Problems

*Internal problems in the new republic have forced the Government to impose strict financial controls which may reduce Canadian sales.*

**S**INGAPORE—Indonesia, with a population of 70 million, is by far the largest country in Southeast Asia and in many respects the most important. It is the world's largest rubber producer, with a slight edge on Malaya; the second producer of tin; East Asia's largest source of petroleum products (and incidentally the birthplace of the Shell Oil Company), and an important producer of copra, tobacco, pepper, tea, coffee, and spices. Under favourable conditions, Indonesia should be an excellent market for Canadian manufactured goods and certain foodstuffs.

Unfortunately, the Government of this new republic faces many difficulties. Nearly four years of Japanese occupation, followed by years of intermittent strife before gaining independence, left the country with grave economic and political problems. These problems include low production of many of the major commodities; the drop in the price of rubber and tin; inflation; the presence of lawless elements creating disorder in several parts of the republic, and the overall problem of rehabilitating an economy ravaged by war and the establishing of a new self-governing state.

The boom in raw materials after the Korean War broke out was, on the whole, a blessing. It brought high returns for the country's exports. The subsequent decline in raw material prices, particularly of rubber, however, cut Indonesia's earning power at a time when the country had heavy overseas commitments. The present government has been forced to adopt an austerity budget and to take stern measures to meet a balance-of-payments crisis.

### **New Financial Controls**

Government financial controls promulgated in August have made things difficult for the importer. Before he can obtain a foreign exchange licence from the authorities, he must deposit 40 per cent of the c.i.f. & c. value of the goods to be ordered. This regulation puts a heavy strain on the working capital of importing firms, particularly those who buy capital goods and, where possible, importers demand payment of the 40 per cent from their customers. The new Indonesian national firms particularly will find it difficult to operate because of insufficient financial resources. As the Government's declared policy is to foster an Indonesian mercantile society, it is likely that it will have to take special measures to assist this group.

With the new finance regulations, the lists of essentials, useful goods, non-essentials and luxuries were revised. The list of essentials incorporates 95 per cent of all imports and virtually all the needs of the masses.

Foreign exchange for the import of these goods is available at the officially quoted exchange rate of US\$1.00=rupiah 11.40. For useful or "less necessary" goods—e.g., biscuits, jams and clothing—foreign exchange is provided at the official rate plus 100 per cent of the c.i.f. & c. value as an "inducement" or luxury tax.

Foreign exchange at the official rate plus an inducement of 200 per cent is charged for non-essentials such as cars, refrigerators, and radio-grams. No foreign exchange is provided for luxuries—for example, cars over \$2,100 c.i.f. Jakarta.

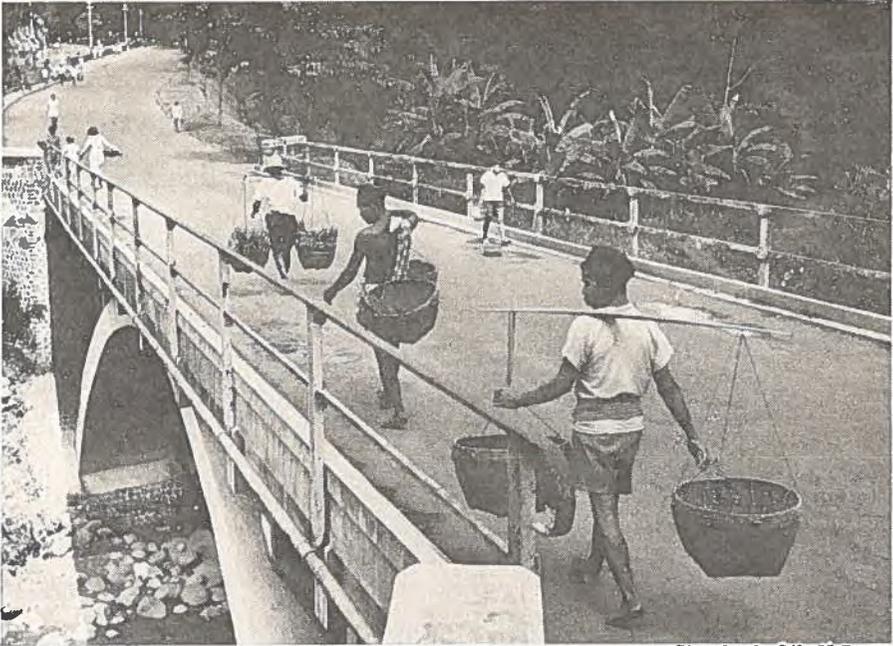
### Production and Exports Declining

Production and exports of Indonesian produce continue well below prewar levels; copra and copra cake are the only exceptions. Rubber, the main foreign exchange earner, fell in production from 440 thousand tons in January-June 1951 to 350 thousand in the first six months of 1952. Sugar, exports of which totalled over a million tons in 1941, is now barely sufficient for domestic requirements. Prewar Indonesia was self-sufficient in rice, exporting high grades and importing low grades. This year the rice harvest will be only half that expected and efforts are being made to obtain 600 thousand tons from Burma, Thailand, Italy, United States and Brazil. Declining productivity is the most serious threat to the economic welfare of the new republic.

### Exports of Indonesia

(Quantity in metric tons; value in 1,000 rupiahs)

		1941	1950	1951	Jan.-June 1952
Rubber .....	Quantity ...	692,965	641,889	756,934	451,860
	Value .....	463,135	1,146,274	2,379,410	2,068,984
Petroleum and products .....	Quantity ...	5,703,806	5,896,295	1,245,913	2,883,907
	Value .....	123,591	538,865	633,427	778,812
Tin ore .....	Quantity ...	80,969	44,308	44,930	22,930
	Value .....	105,372	185,254	308,435	374,667
Copra and copra cake	Quantity ...	216,963	338,795	589,930	240,478
	Value .....	4,500	222,090	503,158	329,041
Tobacco .....	Quantity ...	12,211	12,375	12,915	6,468
	Value .....	18,632	70,734	103,484	128,776
Tea .....	Quantity ...	85,236	31,099	45,337	18,319
	Value .....	76,616	101,002	138,907	126,484
Palm oil .....	Quantity ...	196,725	97,096	97,621	42,106
	Value .....	7,277	81,798	125,504	113,295
Coffee .....	Quantity ...	27,469	13,560	24,225	6,206
	Value .....	9,016	55,689	80,692	64,141
Hard cordage, includ- ing manila fibre....	Quantity ...	105,077	5,371	14,065	11,531
	Value .....	13,278	8,642	26,553	54,131
Pepper .....	Quantity ...	42,543	7,239	3,284	1,447
	Value .....	4,718	80,269	43,941	41,974
Kapok .....	Quantity ...	27,301	7,198	5,313	1,782
	Value .....	8,067	20,846	17,597	14,108
Gums and resins ...	Quantity ...	35,933	11,500	9,720	3,359
	Value .....	6,693	13,221	13,438	9,689
Spices, cloves, mace, nutmeg, cinnamon.	Quantity ...	8,501	7,986	6,643	1,696
	Value .....	2,213	9,559	10,732	7,354
Essential oils, citronella, etc. ....	Quantity ...	2,573	407	416	223
	Value .....	4,938	6,050	12,397	5,761
Sugar .....	Quantity ...	1,050,070	2,492	6,405	570
	Value .....	64,767	1,415	4,554	400
Tapioca .....	Quantity ...	206,702	17,529	24,264	174
	Value .....	14,673	6,067	9,367	384
Rice .....	Quantity ...	122,309	518	73	....
	Value .....	10,250	418	29	....



—Standard Oil N.J.

(Above) *Indonesian farmers in Bandoeng, Java, on their way to market. They transport their produce in a characteristic way.*

Canadian exports to Indonesia during January-June 1952, at \$5.2 million, were almost exactly double the figure for the same period in 1951, and almost equal to the value for all of last year. Flour has continued to be the item of main interest, with exports at 173,802 barrels during the first six months compared with 118,487 barrels during 1951. The demand for the 1952-53 International Wheat Agreement allocation has been so great and the strain on the import licensing system so heavy that the issue of licences was put in the hands of the government rice agency.

Indonesia's critical rice shortage is the main reason for rapidly increasing flour imports. One unfortunate feature of the trade is that, in the last year or two, a large number of speculators without previous experience in the commodity have entered the trade with the idea of making a quick profit rather than building up a steady business. These importers trade in flour as they do in cement and wire nails, with price a more important factor than quality. Nevertheless, when the Indonesian flour market returns to normal, those exporters who concentrate on quality will be in the best position to serve this market.

Canada's exports of motor cars, trucks, tires, sparkplugs, brake lining and parts increased from \$1,342,000 during 1951 to \$1,493,000 during the first six months of 1952. Vehicle exports will be cut because of the new import regulations but the trade in accessories and parts should not be affected.

Exports of newsprint and other papers, at \$336,246 for January-June 1952, are about equal to the value of exports during 1951. There has been some increase in our sardine and herring exports but Japanese competition and Indonesian import controls will make sales difficult.

—D. S. ARMSTRONG

*Canadian Government Trade Commissioner*

## **Iran: the Situation Today**

*What has happened to this country of 19 million since the oil dispute broke out? Here is a partial answer to that timely question.*

**K**ARACHI—The tragic drama resulting from the dispute over Iran's oil industry, with all its political repercussions, has become well known to readers of the daily press during the past year and a half. Actual economic conditions within the country during that time have received far less publicity.

Contrary to the expectation of some, Iran has failed to collapse, despite the loss of oil revenues and external pressures. It is a fact, however, that its economy has been immeasurably weakened.

### **Agriculture Basic**

Perhaps the fundamental reason why Iran's economy has survived—and will probably continue to survive notwithstanding the tremendous blow it has received—is that it is basically agricultural. Over eighty per cent of the country's 19 million people till the soil. Most of them are peasants whose standard of living is so low that they are little affected by economic changes, external or internal. The small percentage of wealthy landowners, merchants and others are the people who are most affected—and, it should be added, the government employees whose pay is in arrears.

Internal economic conditions in Iran have changed little over the past year. The efforts of the Iranian Oil Commission to keep the former Anglo-Iranian Oil Company's refinery at Abadan in operation have succeeded, but only on an exceedingly small scale. Foreign assistance is definitely needed to bring it into full operation.

The outlook for the masses improved considerably in the spring when heavy rains promised a bumper wheat harvest. This hope was later realized. The usual locust threat to the crops was prevented by timely assistance from the Food and Agricultural Organization, Russia, the United States, Pakistan, and India. Further improvements in the lot of the peasants came with the decision of the Shah to distribute his estates among them, a decision which is actually being implemented. The Government's decree forcing reluctant landowners to give ten per cent of the crops to the peasants was also a boon.

### **Money Shortage**

Business and industrial activity in Iran has suffered considerably from a shortage of money and consumer demand is low. A decline in exports has been evident in recent months, and in an effort to remedy this the Government has been trying to improve the quality of exports. Although recent trade figures are not available, indications are that Iran's

exports are greater in value and volume by a small percentage, compared with the same period last year. The efforts to improve the quality of exports may thus be bearing some fruit.

Although the shortage of money in Iran was a problem even before the oil dispute broke out, the dispute and its effects have served to emphasize this. There are constant rumours that the Government will print more notes. However, at the moment the shortage is critical and is being felt particularly by unpaid government employees. There have only been a few minor strikes.

#### **Development Plans**

Development plans for Iran, which got off to a good start in July 1949 under the Seven Year Plan Organization, have largely been abandoned, although some projects are said to be proceeding sluggishly. The Organization is responsible for running the coal, silk, and chemical industries, all of which are showing a loss. However, the cement and sugar industries, for which it is also responsible, are said to be making a slight profit.

Foreign aid has come from the United States Point Four program. In 1951-52 the U.S. allocated \$23.5 million, of which approximately half went into rural improvement schemes, \$4 million to industrial projects, and the remainder into health, transportation, and mineral exploration schemes. In all, about \$9 million of the 1951-52 allocation went into capital works and equipment. The United States Point Four budget for Iran for the 1952-53 fiscal year is between \$20 and \$22 million, \$1½ million of which has already been advanced.

Germany is showing renewed interest in Iran and has proposed a scheme by which agricultural students will be trained in Germany.

#### **Foreign Trade**

With severe restrictions on imports, the gap between imports and exports has been reduced. However, it is improbable that exports and imports will be balanced.

The chief commodities which Iran imports are sugar and tea; cereals in deficit years; cement when local production does not satisfy development needs; tires; paper; cotton and woollen piece goods; pharmaceuticals and dyes; glassware; iron and steel; electrical appliances; machinery, including agricultural machinery; and vehicles. The principal and traditional exports are animal casings, gum tragacanth, dried fruit, medicinal opium, rice, hides, lambskins (caracul), wool and hair, cotton, and above all carpets, which is the most valuable export with the exception of oil.

The pattern of Iran's export trade during the past year shows Soviet Russia as the largest buyer, with Germany second and the United Kingdom third. Germany's second place indicates that it is again resuming its prewar importance as one of Iran's best customers.

Largest suppliers during the past year were the United States, the United Kingdom, Russia, and Germany, in that order.

Barter trade agreements have been signed or discussed during the past year with Czechoslovakia, Poland, and Japan. Trade agreements with Germany and Russia (which together account for one-third of Iran's total import-export trade) were concluded in June. However, negotiations with Russia were temporarily interrupted when Iran accepted U.S. military aid.

Canada's trade with Iran is certainly not large but Canadian products are known and have a good reputation for quality. Canada's exports to Iran in 1951 reached approximately \$1 million and consisted mostly of manufactured products, such as tires for motor vehicles, agricultural machinery, kerosene pressure lanterns, pharmaceuticals, etc. For the first half of 1952, our exports were at about the same level and with no change in commodities.

Canadian imports from Iran in 1951 were valued at \$520 thousand; the major items were dates, walnuts, and carpets. Imports for the first half of 1952 are showing a slight increase, with the emphasis on the same commodities.

The outlook for the future, economically or politically, is difficult to predict, but obviously will depend on future developments in the oil dispute. If a satisfactory settlement is achieved, then Iran should again have foreign exchange to spend and offer good prospects for Canadian export trade.

—A. P. BISSONNET

*Commercial Secretary for Canada*

## **Iraq Stresses Development**

*With immense oil resources and sound long-term plans for the development of the country, Iraq seems headed for a bright future.*

**B**EIRUT—Iraq is essentially an agricultural country dependent on an extensive irrigation system, and it is estimated that approximately 80 per cent of the population of five million get their living directly or indirectly from the land. The principal crops are barley, rice, wheat and dates.

As in other countries of the Middle East, the discovery and exploitation of oil resources have radically changed the economic outlook. The oil reserves are considered to be immense and development has been planned along sound lines.

However, recent political events in Iraq have been responsible for the suspension of the Development Board Law. Under this law, the program recommended by the Development Board of Iraq, on the basis of a survey made in 1951 for the International Bank for Reconstruction and Development, was put in hand. Seventy per cent of the oil royalties were devoted to carrying out the program. Although royalties averaged about I.D.10 million before 1951, the new 50/50 agreement with the oil companies ratified in February means improved conditions for Iraq. On the basis of planned expansion of production and increased pipeline capacity, the following royalty payments are scheduled:

1952	.....	I.D. 23 million	
1953	.....	I.D. 45	" (approx.)
1954	.....	I.D. 54	" "
1955	.....	I.D. 59	" "

The program envisages a total expenditure of I.D.168.5 million, of which I.D.55.2 million will be devoted to flood control, irrigation and drainage; I.D.7.5 million to agriculture and forestry, including grain storage; I.D. 37 million to industry (petroleum refinery, ammonium sulphate and carbon black factory, sulphur recovery, cement plant, industrial bank, etc.); I.D.31 million to transport and communications (railways, roads, port development, airports, telegraphic and telephone services); I.D.23.2 million to water supplies, electricity, sewage; I.D.6.1 million to education; and I.D.5 million to hospitals and public health projects.

#### **Financing Development**

Key to the financing problem is the planned and rapid expansion of oil production. The three major oil companies—Iraq Petroleum Company, Mosul Petroleum Company and Basrah Petroleum Company—have undertaken to increase output to 30 million tons a year by the end of 1955. Progress towards this goal has been rapid. To give an example, Iraq Petroleum Co. increased production from 4.1 million tons in the first half of 1951 to 6.1 million tons in the same period of 1952. The new 30-inch pipeline from Kirkuk to Banias, Syria, was formally opened by King Feisal at the end of November. It raises the former capacity of eight million tons to 22 million tons a year.

A certain proportion of the royalties which are paid in sterling is released to Iraq, as a member of the sterling area, in the form of dollar exchange. It must be used only for products which cannot be obtained in soft currency countries or when the delivery date is important and delivery from a dollar country will be much quicker. Although there is no information on the amount of hard currency released in 1952, in 1951 the program for importing from scarce currency countries amounted to nearly \$16 million. The principal items were trucks, cars, tires, tubes and batteries, lubricating oils, agricultural machinery, industrial and drilling machinery, cotton piece goods, and milk. Lesser amounts were spent on household electrical appliances and apparatus, typewriters and office materials.

#### **Foreign Trade**

Little statistical information is forthcoming on the foreign trade of Iraq for the last few years. In 1949, however, the United Kingdom supplied nearly half the country's imports and the United States, Italy and Syria each supplied about 10 per cent.

Germany has increased its trade with Iraq notably. A report gives exports to Germany in 1951 as the equivalent of \$32.9 million. The corresponding figure for the United Kingdom is \$43 million and for the United States, \$16.5 million. For the same period, Iraqi imports from these countries were: U.K. \$47.1 million, U.S. \$28.7 million and Germany \$2.3 million.

#### **Canadian Trade with Iraq**

Dates are the only export to Canada and shipments totalled \$2,129,925 in 1951. The export monopoly held for many years by a British firm was terminated this year. The concession has been awarded to a government-sponsored company, the Iraq Date Trading Co. Ltd., of Basrah, which is reputed to be taking over a considerable portion of the organization and personnel of the former holder.

### Exports to Iraq

	1950	1951	Nine months to Sept. 30, 1952
Total exports .....	\$70,127	\$1,062,498	\$271,106
Principal exports by commodity:			
Tires and tubes .....	258	681,357	94,254
Planks and boards .....	3,774	81,563	33,230
Agricultural machinery .....	10,143	105,390	16,607
Wrapping paper, coated .....	.....	65,538	.....
Automotive vehicles .....	.....	46,578	74,423
Metal lamps .....	.....	1,994	12,772
Radio apparatus .....	1,230	16,630	5,570

Despite Iraq's situation within the sterling area, the marked increase in total oil royalties may well mean that, over the next few years, dollar exchange will be available for a greater variety of goods than formerly, even though they will be of the "essential" type. Subject to favourable conditions, the economy of Iraq should expand rapidly in the next few years, both agriculturally and industrially. Dollar imports of consumer goods will probably continue to be severely restricted, but sales opportunities should be promising for capital goods such as agricultural machinery, petroleum refining plant, and other machinery, where price and delivery are important factors.

When the large-scale investment program is resumed, its progress will be accompanied by a general increase in the people's buying power. The demand for consumer goods, both local and imported, should rise. The obvious conclusion is that, from the Canadian exporter's point of view, Iraq is a market well worth watching.

—G. F. G. HUGHES

*Canadian Government Trade Commissioner*



(Above) Typical hut of a farm worker in Egypt. Bulk of Canada's exports to this country consists of wheat and wheat flour, to augment local foods.

## Israel

### The Present and the Future

*Israel is surmounting immediate economic problems, with outside aid; needs raw materials and foodstuffs in volume, as her trade with Canada shows.*

**A**THENS—A series of financial crises in Israel's international balance of payments position, overcome only by drastic expedients, has hindered business activity during the Jewish calendar year 5712, ended September 30, 1952. The receipt of the first U.S. economic aid at the beginning of the year and the successful conclusion of protracted negotiations on German reparations at its close gave Israel the strength to weather the immediate economic storm. The prospect for a few years hence, however, still remains clouded.

#### Recent Trade Developments

The outstanding developments during the past year affecting Israel's trade are:

- The new economic policy introduced in February with its triple rates of exchange.
- A greatly reduced flow of immigrants.

The new economic policy was designed to stabilize the currency and arrest inflation, encourage foreign capital investment, speed up production, and increase exports by making Israeli products more competitive on world markets. Imports are now being charged for at three separate rates: US\$2.80, US\$1.40, and US\$1.00 to the Israeli pound, in inverse ratio to their essentiality. The object is to reduce the demand for less essential commodities and, at the same time, aid deflation by mopping up surplus currency in circulation through higher costs for less essential imports.

The second important government decision made necessary by economic difficulties involved a radical change in the attitude towards mass immigration. Once this was determined by humanitarian principles only. Now, however, selective immigration is the policy. This permits entry only to immigrants who will quickly become productive. Hence the demand for consumer goods, estimated at I£10 million a year for every 100 thousand new arrivals, will not continue at the same accelerated pace as in 1951, when the population increased by over 15 per cent.

A third factor of immediate importance is increased foreign aid. Last year's U.S. grant-in-aid of \$65 million for industrial and general development purposes and consumer goods (mainly foodstuffs), has been followed by one of \$73 million for the 1952-53 U.S. fiscal year.

Finally, under the terms of the recently signed restitution and reparations agreement, the German Federal Republic has agreed to supply



(Above) One of Israel's development projects is the replanting of eroded areas with sturdy young trees. Photo shows the activity in a government tree nursery where the seedlings are raised.

Israel with a wide range of industrial products and raw materials—to a total value of \$715 million over the next twelve years, including goods to the value of \$42 million during 1953.

Israel's balance of payments position will thus be safeguarded for at least another year, despite the exhaustion of U.S. Export-Import Bank credits and of most sterling balances and foreign security holdings, and the slackening-off of receipts from North American Jewry through outright gifts and sale of an "Independence Bond" issue.

#### **Import Practices**

Because of uncertain foreign exchange revenues, Israel does not have a formal published import licensing program against which foreign exchange is allocated in advance. Instead, each item is judged for essentiality in the light of available foreign exchange and alternative sources of supply at the time. This uncertain method of procurement has resulted in basic food rations of some items not being available for many weeks. It has also meant irregular supplies of essential raw materials for industry reducing production, export deliveries and employment, and some delays in receiving capital equipment for industrial, agricultural and general development projects.

Dollar purchases are already confined to products which cannot be obtained through other means—such as loans and credits, soft currency payments and barter transactions. Barter assists the sale of Israeli products which otherwise would find little demand on world markets because of their high prices. Israel has concluded bilateral clearing and

payments agreements providing for the exchange of listed goods with many European and some South American countries. Canada does not engage in such transactions.

### **Raw Material Shortages**

In general, Israel's diversified industry has expanded satisfactorily, particularly textiles, metal, electrical and rubber goods, pharmaceuticals, chemicals, cement and foodstuffs. However, with the exception of the latter three, restricted raw material supplies stemming from periodic shortages of foreign exchange are affecting production adversely. Many factories have been compelled to reduce output and lay off workers. Worthy of note in the recent industrialization of Israel are two rubber tire plants whose products, in addition to covering local requirements, will be used for Kaiser-Frazer cars earmarked for export and an assembly plant for Mack trucks and Chausson buses. Local potash and phosphates have been developed and used for an expanding chemical fertilizer industry which will serve both the home and export markets.

### **Citrus Trade**

Sales of Israel's main export, citrus fruit, which accounts for over 50 per cent of exports by value, totalled I£5.6 million for the season ended May 1952. This was a decline from the previous year's figure of I£6.1 million, with the number of cases down by over half a million to 3,634,927. The United Kingdom continues to be the principal purchaser with 2,105,907 cases, compared with 2,642,120 cases during the 1950-51 season. Initial sales of 166,680 cases were made to Soviet Russia. Despite the expectation that the pending citrus season would be the best in years, reliable estimates do not place this year's total crop above last year's 8.2 million cases, of which less than half were exported. However, the Government's recent agreement to pay one Israel pound for every dollar equivalent of foreign currency earned from citrus exports, and small export premiums per case, should help to boost sales abroad above the estimated 4 million cases. A 2½ time increase in domestic citrus prices may counteract these export inducements.

The agricultural picture is particularly bright this year, with a bumper harvest estimated at from two to four times the poor 1951 crop and almost double the average harvest. It is reported that Israel is already well on the way to being self-supporting in dairy products. The Government plans that, by 1955, the country will grow sufficient food to support two million people (present population 1.6 million) except for bread grains, especially wheat. Canadian wheat exports should therefore be needed for some years to come.

### **Foreign Trade**

Like other young countries facing immigration and development tasks, Israel continues to have an adverse balance of trade, but this trade deficit has largely served the investment needs of the economy. It has been met by contributions and loans of international Jewry, foreign government loans and credit facilities, investment capital, trade credit, sterling balances, sale of foreign securities, etc.

The following official trade statistics show the external trade of Israel for the calendar years 1950 and 1951 and the first five months of 1952 (latest available):

Year	(In million Israeli pounds)			
	Total imports	Exports and re-exports	Trade deficit	Exports as % of imports
1950 .....	102.6	13.2	89.4	12.8
1951 .....	122.6	16.7	105.9	13.6
Jan.-May 1951 .....	42.4	10.3	32.1	23.8
" " 1952 .....	52.6	9.5	43.1	18.1

Official sources estimate provisionally that the trade deficit for the year 1952 will be about I£ 110 million, with imports approximating I£ 130 million and exports I£ 20 million.

### Import Picture

This import level of I£ 130 million is considered the minimum necessary to meet the needs of an increasing population and an expanding economy. The main commodity groups in Israel's import trade include grain and flour; meat, including canned; dairy products; feeds; fruits, nuts and vegetables; wood and timber; textile materials; seeds, beans and nuts for oil; oils, fats, gums and resins; hides and skins; miscellaneous raw materials; iron and steel and manufactures thereof; non-ferrous metals and manufactures thereof; hardware implements; electric goods and apparatus; machinery; cotton, woollen, silk and rayon yarns; wearing apparel; chemicals, drugs, dyes and colours; oil, fat and wax manufactures; leather; paper and board; rubber manufactures; aircraft, ships and vehicles.

For the immediate future, the import pattern will no doubt follow the past, with the value of total imports divided almost evenly between capital equipment for industrial and agricultural development and expansion; essential foodstuffs, largely wheat and flour, and other consumer goods on the one hand, and raw materials for both industry and agriculture on the other. It is, however, possible that future imports will favour larger supplies of raw materials at the expense of development goods, as the need for raw materials to maintain full production in present industries is being generally realized.

The United States continues to be Israel's leading supplier, providing over one-third of total imports. The United Kingdom retains second place, supplying approximately ten per cent. Other important supplying countries include Canada, South Africa, France, Italy and Belgium.

### Problem of Exports

There is little chance of a substantial increase in the value of exports until Israeli products become more competitive on world markets. This goal cannot be reached until inflation is overcome, production costs and methods streamlined, and regular supplies of raw materials assured. A step in the right direction is the recent introduction of the tender system of contracts and price control which is gradually replacing the inefficient "cost-plus" system previously in effect. Meanwhile Israel is relying largely on barter trade to dispose of her soft goods such as textiles and wearing apparel, chemicals, pharmaceuticals including antibiotics, etc.

Diamond exports rank next to citrus fruit as a foreign exchange earner. Fruit juices have maintained their position high on the list of exports. Sales of motor cars, Israel's newest export, produced by the

Kaiser-Frazer factory inaugurated early in 1951 have made steady progress. On the other hand, sales of textile products, which showed such promise during 1951, declined seriously following the general world textile depression.

The United Kingdom continues to be Israel's best customer, taking approximately 40 per cent of total exports, including over half of all citrus sales. The United States is the second largest purchaser of Israel products, taking the bulk of diamond exports.

#### **Israeli-Canadian Trade**

Canada was Israel's seventh most important supplier during 1951, and from January-May 1952 was surpassed only by the United States, the United Kingdom and Belgium. On the other hand, Canada dropped to fourteenth place in Israel's export trade during the first five months of 1952 from eleventh place in 1951.

Canada's favourable balance of trade with Israel—at a ratio of 13 to 1 during 1951—has continued and even increased during the first six months of 1952. Exports totalled about \$7 million against imports into Canada of just over half a million dollars, compared with \$5.7 million and half a million respectively for the corresponding period of 1951. However, allowance must be made for Canadian exports to Israel of over \$1.5 million worth of arms and ammunition from January-June 1952, (items which did not enter into the previous year's trade for that period) for an increase of \$1.5 million in wheat and flour shipments, and for small increases for aluminum and other non-ferrous metals.

Taking all this into account, it is clear that there has been some slackening in demand for other staple Canadian products, including lumber and plywood, paper products, agricultural machinery and parts, antibiotics, and plastic raw materials, all of which are now being obtained from European sources under the terms of clearing and payments agreements. German reparations will result in further competition with these Canadian exports. Canadian shipments of truck tires will be reduced by the recent inauguration of two Israeli factories producing most types of tires.

Diamond sales continue to provide the main source of revenue in Israel's trade with Canada and the market for non-sparkling wines continues fair. Last year's considerable shipments of yarns, worsteds and serges have not been repeated, though exports of cotton raincoats and women's clothing have increased.

#### **Outlook**

There is little chance of any noticeable improvement in Israel's economic position until the new economic policy of last February has proved successful. Although there are some encouraging signs, the outcome is still far from clear. It is certain, however, that Israel will be dependent on outside assistance for many years to come.

Apart from such basic products as wheat and flour, and probably canned meat, lumber, newsprint and non-ferrous metals, reliance on alternative sources of supply in Europe, with more credit facilities assisted by bilateral commercial agreements, may further reduce Canadian exports to Israel.

—H. W. RICHARDSON  
*Commercial Secretary for Canada*

## Japan

### Foreign Trade Slackens

*Export totals failed to reach the planned objective for 1952; imports too were well below '51 figures. Canadian sales to Japan, however, continued high.*

**T**OKYO—The slackening apparent in the volume of Japan's foreign trade during the last half of 1951 continued throughout 1952. Japan's economy rises and falls with her foreign trade and both domestic and export business were therefore depressed. Most categories of industrial and trading firms were affected by the business decline but the textile and allied trades suffered most. Textiles form an important percentage of Japan's exports and the import and other restrictions imposed by Japan's traditional markets forced the industry to reduce its output.

The economic recovery program was naturally influenced by the business slump but continued on a somewhat smaller scale. Efforts were directed to modernizing and improving the competitive position of other industries to take up the slack created by the fall in textile exports. Japan's dollar-earning capacity, however, was not appreciably impaired because expenditures by the Armed Forces in Japan and for Korean rehabilitation remained high. This permitted some flexibility in the purchase from dollar countries of raw materials, plant and machinery.

#### Foreign Exchange Position

Japan's foreign exchange position at the end of this year was considered favourable because her accumulated dollar balances exceeded \$700 million and sterling holdings were about £80 million. Import restrictions continued in 1952 but considerable leeway was allowed, except in manufactured products of types which were available from domestic production. Because Japan's exports to sterling area countries exceeded imports, efforts were made to increase purchases from sterling supplies. Imports from countries in the dollar area, including Canada, were largely restricted to raw materials and foodstuffs.

#### Import Procedures Improve

The import systems followed in 1951 were used again in 1952 and proved sufficiently elastic to cover most types of imports. The foreign exchange budget, previously fixed quarterly, was changed to six months, with satisfactory results. The procedures covering imports have become standardized to the point where most importers are familiar with the regulations. The foreign exchange budgets, furthermore, set up allocations for essential imports in most categories, with provision for special

imports as the need arises. Importers negotiating with shippers in overseas markets for commodities specifically listed in the half-yearly foreign exchange budgets now have reasonable assurance that the necessary foreign exchange will be forthcoming.

The encouraging increase in Japan's export trade during the past few years was checked in 1952. At the beginning of the year exports were expected to be well above the creditable total of \$1,350 million in 1951, but in the first nine months of 1952 reached only \$1,003 million. The usual rise in exports in the latter part of the year failed to materialize and, consequently, the objective of \$1,500 million for 1952 was revised.

Imports in 1952 were well below those of 1951; the value for the first nine months of the year was \$1,225 million, compared with \$2,050 million for the calendar year 1951. But this was expected because of the large stockpiles of high-priced commodities purchased last year.

#### **Sterling Markets Important**

Sterling area countries again constituted Japan's most important market. In the first nine months of 1952, their purchases were valued at \$504 million, compared with \$610 million for the whole of 1951. Imports from the sterling area for the period January-September 1952 totalled \$376 million, compared with \$470 million in the previous twelve months.

#### **Trade with Dollar Areas**

Japan's imports from countries in the dollar area in the first nine months of 1952 were valued at \$685 million; exports at \$278.1 million. The 1951 totals placed exports to dollar areas at \$320 million and imports at \$1,200 million.

One other important group of markets is the "open account" countries, including Sweden, Denmark, the Netherlands, France, West Germany and Indonesia. The imbalance in trading accounts between Japan and open account countries must, under the trade agreements, be settled in dollars

(Right) Young Japanese girls at work in one of the great silk plants, tending the machines which reel off the silk from cocoons. The textile trade in 1951-52 has suffered from lack of markets and output was reduced.



at stated intervals. Most of these accounts are out of line and to adjust the balance without paying over dollars, a number of "switch" transactions have been instituted.

Japan's exports to open account areas in the first nine months of 1952 were valued at \$221 million and imports at \$163 million. The figures for 1951 were exports, \$420 million, and imports, \$370 million.

The raw materials Japan needs she is purchasing, in some cases, at lower prices from dollar suppliers. Her traditional markets, however, are in the sterling area and other countries with inconvertible currencies.

No radical change in Japan's trading pattern is indicated for the near future. Measures to increase exports to markets such as India, Pakistan, Indonesia and other countries in the Far East and Southeast Asia have been considered. The quality of some Japanese exports, such as plant and machinery and electrical items, has been improved but no sustained, intensive efforts have been made to expand exports to dollar markets.

Largely because of external factors and the slump in international trade, plans to increase exports have not brought the hoped-for results. Japan has trade and payments arrangements with a number of countries and is trying to conclude commercial and navigation treaties with leading trading nations. It is unlikely, however, that exports will reach the desired goal until the international trading position improves.

#### **Trade with Canada**

Canada's position in Japan's import trade has improved considerably in comparison with prewar, largely because of increased shipments of wheat and flour and substantial quantities of barley and iron ore. Canadian exports to Japan in 1952 continued at the same rate as in 1951, when Canada was in fifth place and supplied 3.9 per cent of Japan's total imports. For the first nine months of 1952 imports reached \$58 million, compared with \$81 million for the previous twelve months. Principal products shipped to Japanese markets were wheat, barley, flour, whisky, tallow, hides and skins, pulp, iron ore, brass scrap, iron and steel scrap, lumber and asbestos.

The value of Japan's exports to Canada in 1952—\$10,133,000 in the first nine months—did not increase over the previous year (\$14.8 million for the 12 months; 1.1 per cent of total exports). The products shipped to Canada covered a wide range—toys, sewing machines, porcelainware, canned and frozen fish, cotton piece goods, silk fabrics, optical goods, tea and sodium glutamate. Shipments of steel plate and oil well casings also increased.

#### **Immediate Prospects**

There is a continuous and substantial demand in Japan for raw materials and foodstuffs. The country badly needs grains, including rice, and other commodities required to maintain industrial production and ensure a reasonable standard of living for a growing population. The rate at which imports from dollar sources of supply such as Canada will continue depends on the country's dollar-earning capacity. This is satisfactory for the moment, but the present business depression is expected to restrict purchases during the next few months.

—J. C. BRITTON

*Commercial Secretary for Canada*

## Jordan

**C**AIRO—The foreign trade of Jordan has not been active during the past year, because of a money shortage and the aftermath of the poor 1951 harvest. The harvest in 1952 was good, however, and provided a small export surplus of certain grains.

The Government has set Jordan's import program for the year 1952 at JD10 million.\* Though official imports cannot exceed this amount, it is possible to import other goods "illegally" on the payment of a fine of 15 per cent of value for goods from the soft currency area and 25 per cent of value for goods from the hard currency countries. The exchange for such imports is obtained on the free market, usually of the Lebanon. The cost of these "illegal imports" is obviously very heavy.

### Imports and Exports

The volume of Jordan's imports has changed little. They totalled over JD12 million in both 1949 and 1950 and JD15 million in 1951. Exports, principally fruit and vegetables, go mainly to neighbouring countries, with some movement of barley to the United Kingdom and rock phosphates to the Netherlands and Italy.

Heavy cost of transport to the seaboard handicaps exporters. The development of the Port of Aqaba on the Red Sea is progressing and when bulk cargoes can be handled effectively there, the price of both imports and exports should be reduced considerably.

The United Kingdom is, as always, Jordan's principal supplier, but Germany, Italy and Japan are now obtaining a larger share of the market, particularly for textiles and machinery.

### Trade with Canada

Canadian exports to Jordan in 1951 totalled over one million dollars in value, compared with the very modest figure of \$46,338 in 1950. Wheat largely accounted for this rise. Canadian exports to Jordan for the first nine months of 1952 include no wheat but rather commodities such as tires and tubes, milk powder and automobile parts. The total value of these exports was \$78,106.

One of the serious problems confronting Jordan is the plight of the large number of Arab refugees from Palestine at present in the country. In 1951, the United Nations voted to provide \$250 million to carry out a three-year aid program to re-establish these refugees in Jordan and adjoining Arab states. An extensive investigation of all available lands and irrigation possibilities has been carried out by the United Nations Relief and Works Agency for Palestine Refugees. It is now apparent that not all of them can be settled in Jordan.

Initial expenditures by this United Nations Agency, with headquarters in London, may include funds for the establishment of farms and small experimental villages and the setting up of small industries, such as fruit and vegetable canning, oil pressing, a tannery, and two small chemical plants.

—W. H. HOPPER

*Office of the Canadian Government Trade Commissioner*

\* 1 Jordan dinar=£1.

## Lebanon: Trends and Developments

*This small country has become an important financial, shipping and transit centre of the Middle East; offers Canadians an attractive but competitive market for certain products.*

**B**EIRUT—Noteworthy developments of 1952 in Lebanon were:

- Market conditions varying from fair to dull.
- Serious threat to Beirut importers from a Syrian decree which severely curtails the activities of foreign merchants dealing in Syria.
- The change of government in September, as a result of which new policies are already emerging. Most important to the trading community is the possible switch from the "open door" policy to a system of controlled imports.
- Maintenance of the value of the Lebanese pound as an international currency, despite the heavy foreign trade deficit.

### Transit Trade

From Biblical times the people of the area now comprising the Lebanon—not quite twice the size of Prince Edward Island—have been traders. Since the war, the importance of the Lebanon and particularly Beirut, its capital and port, as the financial, shipping and transit centre of the Middle East has become more and more apparent. The maintenance of a free currency market in which all currencies are convertible has given Beirut merchants a marked advantage over their competitors in other mercantile centres hampered by strict exchange controls.

This transit trade, usually about three times the value of imports for domestic consumption, brings prosperity to importers and to certain others associated with commerce far beyond that normally expected in a community the size of Beirut. Because of the widespread practice of townspeople maintaining their contacts with rural area, some, if not much, of this prosperity eventually finds its way back to the Lebanese villages, where the standard of living is higher than in neighbouring countries.

Although Lebanon is inextricably bound to Syria economically, both governments agreed on March 14, 1950, to sever the customs union arrangement which was made following the end of the French mandate in 1944. This move, understood to have been largely at Syria's instigation, is considered unfortunate for both countries. After protracted negotiations, an economic agreement involving special customs concessions was signed in March 1952. In line with its nationalistic policy, however, the Syrian Government passed a decree, made effective in September, which severely curtails the activities of foreign merchants in Syria. The transit trade was thus dealt a heavy blow. The tourist season, on which the Lebanon depends for a significant part of its foreign exchange earnings, was below expectations.



(Above) A native Lebanese gazes across at the St. George's Hotel in Beirut, the busy capital of Lebanon and transit centre of the Middle East.

A recent pronouncement by the Minister of National Economy indicates a possible change in economic policy resulting from the change of government in September. The Minister stressed the importance of continuing the transit and re-export trade, but also pointed to the large trading deficit and the desirability of ending the "open door" policy of freedom of trade, doubling the production of wheat, and reinstating economic union with Syria. Much is heard of the "austerity" method of closing the trading gap. This possibility is, of course, most unpopular with the business community and should be watched closely by Canadian businessmen who desire to export to this area.

#### Economic Aid

The agreement with the United States Government, signed on June 28, is significant. Under this, the Lebanon will receive technical assistance through the Point IV program amounting to \$3.1 million. The largest project being considered is the development of the Litani River for irrigation, domestic water supply and power generation. Other projects include rural development, promotion of health, sanitation, and educational improvements.

#### Foreign Trade

The following brief extracts from official statistics illustrate the wide discrepancy between imports and exports and the country's dependence on transit trade and invisible earnings.

	1951	1st quarter	1952 2nd quarter	3rd quarter
		(in millions of Lebanese pounds)*		
Imports .....	321	83.9	73.3	82.8
Exports .....	98	21.9	14.1	13.4
Re-exports .....	8	5.5	6.2	4.6
Transit (including gold and oil)	1,137	285.5	250.2	257.1

\* One Lebanese pound=approx. 28 cents Canadian.

The importance of oil and gold in the transit figures can be seen in the third quarter of 1952. Of the total of 257.1 million pounds, oil accounted for 118.6 million and gold for 64.1 million. Transit gold in the second quarter, mainly from the Netherlands, the United Kingdom, France and the United States, went to Saudi Arabia and "other countries", believed to be chiefly India.

Principal imports in the second quarter of 1952 were sheep and cattle, gold, petroleum products, cheese, pharmaceutical products, sugar, skins, radios. The chief exports include citrus fruits, apples, vegetables, cement, raw wool and raw cotton.

#### Imports by Principal Countries

	1951 (millions)	1952	
		1st quarter of Lebanese	2nd quarter pounds)
Syria .....	90	9.0	14.2
United States .....	85	17.1	13.8
France .....	60	7.7	8.5
United Kingdom .....	50	7.7	8.6

Except for a general reduction in value, there has been no significant change in the import pattern. The export picture, on the other hand, has changed. Exports to the United States fell from 12.6 million pounds in the second quarter of 1951 to 0.6 million in 1952. Syria, Egypt and Saudi Arabia continue to be the best customers, with France, Iraq and the U.K. of secondary importance.

#### Canadian Trade with Lebanon

Official Canadian statistics show the following trade between Canada and Lebanon:

	Syria and Lebanon		Lebanon
	1950	1951	First 9 mos. 1952
Exports to: .....	\$1,462,395	7,036,445	4,022,955
Imports from: .....	62,134	16,380,883	10,216,000

(The 1950 and 1951 figures are misleading because the figures for Syria are included.)

Wheat and flour form the bulk of the exports. In 1951, for instance, value of these two commodities was nearly \$5 million and from January to September 1952, \$2.88 million. Other items of importance were:

Milk powder .....	\$500 thousand
Cars and trucks .....	190 thousand
Aluminum .....	120 thousand
Brake linings and asbestos products .....	85 thousand
Tires .....	45 thousand

A significant proportion of the exports of wheat, flour and dried milk represented purchases by the United Nations Relief and Works Agency for Palestine Refugees (UNRWA), which has its head office in Beirut. The agency undertakes to provide food, medical and other needs for more than 800 thousand refugees from Palestine who are maintained in large camps in Jordan, Syria, Gaza and Lebanon. The agency imports food supplies direct but medical supplies (including vitamin oils) are supplied by UNICEF, whose headquarters are in New York.

Canadian imports from Lebanon rose dramatically from 1950 to 1951 because of crude petroleum shipped from the port of Tripoli, the terminal of the pipeline from Kirkuk, Iraq.

#### **Opportunities for Exporters**

The Lebanese market offers opportunities to Canadian exporters of the following: wheat flour and wheat; motor cars; lumber and plywood; pharmaceuticals; paper and paper manufactures; tires and tubes; radios and household electrical appliances; cheese; fertilizers; wire and cable; paints and varnishes; canned meat; dried milk; canned fruit including baby food; canned fish; rubber footwear; used clothing. But it must be emphasized that the Lebanon is a difficult market, still open to the world because of the comparative freedom from import licensing and exchange problems. Canadian exporters labour under the disadvantage of a long freight haul, and direct sailings from the East Coast are infrequent and undependable. On the other hand, the market is an attractive one where price, quality and service, and not import licences, are the factors making for success. There is encouraging evidence of genuine interest in and appreciation of Canadian goods.

—G. F. G. HUGHES

*Canadian Government Trade Commissioner*

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## **Macau**

**H**ONG KONG—No survey of Southeast Asia would be complete without reference to Macau (Portuguese South China), located 40 miles west of Hong Kong. Established about 1557, Macau is undoubtedly the oldest foreign colony in the Far East. Surprisingly small, it covers only eleven square miles which include a peninsula, jutting southward from the Chinese island of Chung-Shan in the delta of the Canton and West Rivers, and two tiny nearby islands called Taipa and Coloane. The great majority of Macau's 375 thousand people (98 per cent Chinese) live on the peninsula, which is entirely built up.

#### **Free Port**

Macau is a free port except for excise duties imposed on a limited group of items to raise revenue. Its harbour, however, is poor—merely the estuary of the West River—and cannot take vessels of more than 17 feet draught. Nevertheless, it is quite suitable for the myriads of junks which ply from far within the China hinterland and from Hong Kong. They bring to Macau essential fresh foods and all manner of China produce; from Macau they sail home with merchandise from overseas.

In its diminutive size and its great age lie the clues to a proper understanding of the Colony. To exist at all, Macau has had to be resourceful, and as a result has become a self-governing expatriate trading community constantly adapting itself to its changing environment. The Colony

depends upon peaceful relations with China for its livelihood and, accordingly, its liaison with the Chinese Government is much closer than that of Hong Kong.

### **Entrepôt Trade**

Macau's actual importance is quite out of proportion to its physical dimensions and lies primarily in its entrepôt trade with China and its flourishing free gold market, which supplies bullion to Southeast Asia. In comparison, the market represented by the Colony's day-to-day needs, or the output of local industries—fish products, firecrackers, joss sticks, matches, Chinese wines, packing tea—are much less important. The legal gambling facilities which attract hundreds of thousands each year from South China and Hong Kong play an important part.

### **No Exchange Problems**

Entrepôt trade, according to Macau's statistics which are published much in arrears, averaged 250 million patacas in 1946-48. (The pataca is the Macau unit of currency; one pataca is the equivalent of one Hong Kong dollar or 17 cents Canadian.) No official figures are available for more recent years. Macau's trans-shipment potential is substantial and operates under a system of import and export licensing, as well as transit control on cargoes. Incidentally, Macau has no foreign exchange problems because it has access to Hong Kong's open money market.

### **Free Gold Market**

Macau's free gold market has operated for years. Chartered planes regularly fly in from Saigon or other points bringing gold bars to the gold syndicate which has bought the import monopoly from the Macau authorities. From Macau the gold goes out all over Southeast Asia. No precise figures are available on the actual traffic in gold, but official statistics for 1946-48 suggest an average annual import value for bullion of 165 million patacas.

During the same period, 1946-48, the Colony's trade showed a deficit. Invisible earnings from the gold monopoly, income from the gambling monopoly, etc., undoubtedly produced a surplus on overall balance of payments.

### **Plans for the Future**

Macau has big plans for its future as a trading centre. A proper deep-sea harbour, with all the usual facilities, is planned for the seaward side of Coloane Island. A new first-class airport is to be constructed on land reclaimed from the shallows between Taipa and Coloane. The scheme will take ten years.

In the meantime, trade prospects for Canadian business are confined to the possible supply of gold, materials for the Colony's small industries (e.g., phosphorus for the match factories) and daily necessities (probably indirectly via Hong Kong).

—T. R. G. FLETCHER

*Canadian Government Trade Commissioner*

## The Philippines

### The Export Slump and Its Effects

*The fall in prices for leading exports, such as copra and hemp, has depressed trade, cut dollar earnings, brought import and exchange controls.*

**M**ANILA—Business in the Philippines during the past year has been in the grip of a recession that began in the latter part of 1951. It seemed to stem from a decline in world prices and markets for this country's principal exports, particularly copra and hemp. Export trade slumped badly, foreign exchange receipts declined, the money supply contracted. Credit became tight and further import controls were imposed.

In the last half of 1952, two new developments adversely affected business. The implementation of the 50 per cent reserve clause of the Import Control Law is creating hardships for importers and the enforcement of the Minimum Wage Law is seriously injuring the gold mining and lumbering industries.

The recession, however, is not general. Other sectors of the economy have shown improvement over a year ago. The output of foodstuffs and certain goods for domestic consumption has increased over 1951. Rice production, though above that of 1951, still does not cover domestic requirements. The output of sugar, lumber and base metals has been noteworthy. Investments in manufacturing enterprises have gained considerably over the previous year. The Mutual Security Aid program has contributed substantially to the economy.

#### Money and Banking

The money supply has declined steadily since May 1951 and reached a low of 1,128.5 million pesos\* in August of this year. This contraction has been attributed to the decrease in import credits and to a budget surplus.

The international reserves of the Philippines have continued to follow the downward trend that started in July 1951. In the first week of November 1952, they totalled \$303.3 million. Reserves of the Central Bank were placed at \$243.8 million.

#### Foreign Exchange Position

The Central Bank of the Philippines estimates for the first nine months of this year place foreign exchange receipts at \$342.6 million and disbursements at \$341.6 million. This is an improvement over the position in December 1951, when total disbursements exceeded receipts by \$49.7 million, but it does not take into account about \$6 million owing on the import of petroleum and products.

\* One peso=50 cents Canadian.

The favourable balance is attributed to increased U.S. Government expenditures in the Philippines and to the Central Bank's policy of reducing the amount of dollar exchange available for controlled imports. The allocation of dollars in the first half of this year amounted to \$190 million, as compared with \$221.5 million for the same period of 1951. For the second half of 1952, the allocation was cut to \$160 million. The amount of foreign exchange for the first half of 1953 is not yet known.

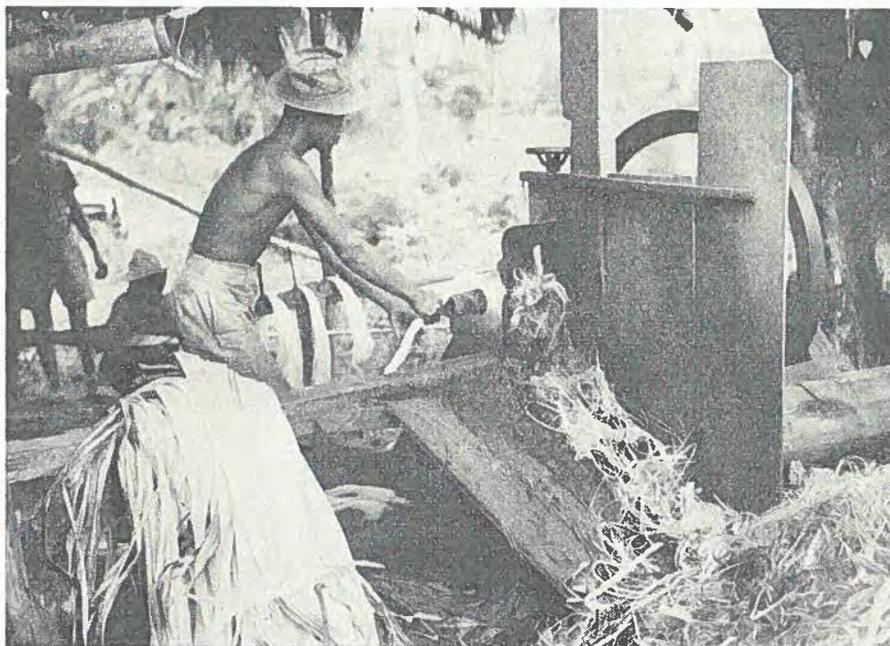
### Import Controls

With a reduction in the foreign exchange allocation, the Import Control Commission had to establish new allocations for controlled essential and non-essential imports. These regulations have worked a severe hardship on many importers. In addition, the implementation of the 50 per cent reserve clause of the Import Control Law, effective September 1, 1952, has increased the problems of local importers. Under this law, 50 per cent of the imports have to be held for Filipino merchants.

### Foreign Trade

Philippine foreign trade for the first half of 1952 reversed the trend of a year ago and recorded an adverse balance of 80.4 million pesos, against a favourable balance of 77.3 million pesos for the first half of 1951.

Total imports for the first six months of this year were valued at 473 million pesos as compared with 409 million pesos a year ago. Exports totalled 392.6 million pesos, as against 487.2 million pesos in the first half of 1951. More than 73 per cent of the imports came from the United States. Some 68 per cent of exports went to the U.S., which thus occupies a dominant position in Philippine foreign trade.



*(Above) A Filipino in Mindanao strips abaca, to be used to make manila rope. Abaca is one of the Philippines' main exports and foreign exchange earners and means much to the economy of the islands.*

Canada ranked fourth as a supplier to the Philippines. Shipments for the six-month period totalled 15.5 million pesos, slightly under the 15.7 million pesos for the same period of 1951. Flour continues to be the principal product bought from Canada, followed by newsprint, fertilizers, malt, copper wire, and soda and sodium compounds. Philippine exports to Canada, at 3.8 million pesos, were more than 50 per cent below the 7.9 million pesos for the first half of 1951. The decline was attributed chiefly to smaller sales of copra, desiccated coconut and hemp, at lower prices.

Imports into the Philippines increased during the first half of this year, but it is expected that they will drop considerably in the second half because of the smaller allocation of foreign exchange for purchases abroad. With the continued decline in demand and prices for Philippine goods in foreign markets, the outlook for the rest of this year is not bright.

### **Main Commodities**

#### *Coconut Products*

Copra production declined by 20.7 per cent—from 1.1 million metric tons in 1951 to .85 million metric tons in the first half of 1952. The downward trend of copra prices, which started in the last half of 1951 and continued through August 1952, was directly responsible for the decreased production. On the other hand, low prices for coconuts encouraged the production of coconut oil, which rose 9 per cent during the present year. Copra shipped abroad in the first eight months of 1952 totalled 394,031 long tons as against 484,206 tons in the same period of 1951.

In the latter part of September, copra prices rose. The local market in Manila followed world markets and copra is now being quoted at 36 to 37 pesos per 100 kilos as compared with 24.50 pesos in January and 22.50 pesos in September 1952. With increased demand for copra, the market will continue strong and should rise.

The desiccated coconut industry has been adversely affected by competition from other countries. Production during the first eight months of this year totalled 51.2 million pounds, as compared with 94.2 million pounds for the whole of 1951. Prices for desiccated coconut have followed the trend of copra prices and have just begun to be more firm.

#### *Manila Hemp*

Output and shipments of manila hemp have fallen, because of lower world prices and reduced demand. Balings for the January-August period of 1952 amounted to 611,445 and shipments to 516,469 bales. For the same period of 1951, balings were 715,043 and shipments 778,792 bales.

#### *Sugar*

Sugar production for the crop year ending September 30, 1952, reached 1,078,000 short tons—279,505 short tons for domestic consumption and the remainder for export to the United States. The Philippines since the war have not been able to fill their annual sugar export quota of 952 thousand short tons. First estimates for the 1952-53 crop year place

production at 1,333,573 short tons, of which 300 thousand tons will be for domestic consumption, 952 thousand tons for export to the United States, and a possible 100 thousand tons for export to other markets.

#### *Mineral Output*

Production of minerals for the year ended June 30, 1952, showed a substantial increase over 1950-51. Output of metallic and non-metallic minerals reached a new high of 130.6 million pesos. Base metal output amounted to 53.3 million pesos and gold and silver to 44.2 million pesos.

The Minimum Wage Law, which became effective on August 4, 1952, is working a hardship on the mining industry. Many of the mines, particularly the gold mines, are marginal producers and increased operating costs may force them to close down.

The Central Bank of the Philippines, in an effort to give some relief to the gold mines, has announced that until further notice gold producers will not be required to sell 25 per cent of their gold output to the Central Bank at a fixed price of 70 pesos per fine ounce. This will reduce the increment to the nation's gold reserve by about 7,500 ounces a month.

#### *Lumber*

From January-October 1952, lumber shipments increased to 54.6 million board feet from 49.5 million board feet for the same period of 1951. On the other hand, exports of logs and timber declined to 184.2 million feet from 216.8 million feet for the corresponding period of 1951. The Minimum Wage Law is affecting the industry and a large number of small operators are going out of business.

#### *Rice*

Production of rice for the 1951-52 crop year was estimated at 2.8 million metric tons, or 7.1 per cent over the previous crop of 2.6 million metric tons. The increase came from a higher yield rather than larger acreage. More land has been planted to rice for the 1952-53 crop year than in previous years and production should be close to three million metric tons, about enough for domestic requirements.

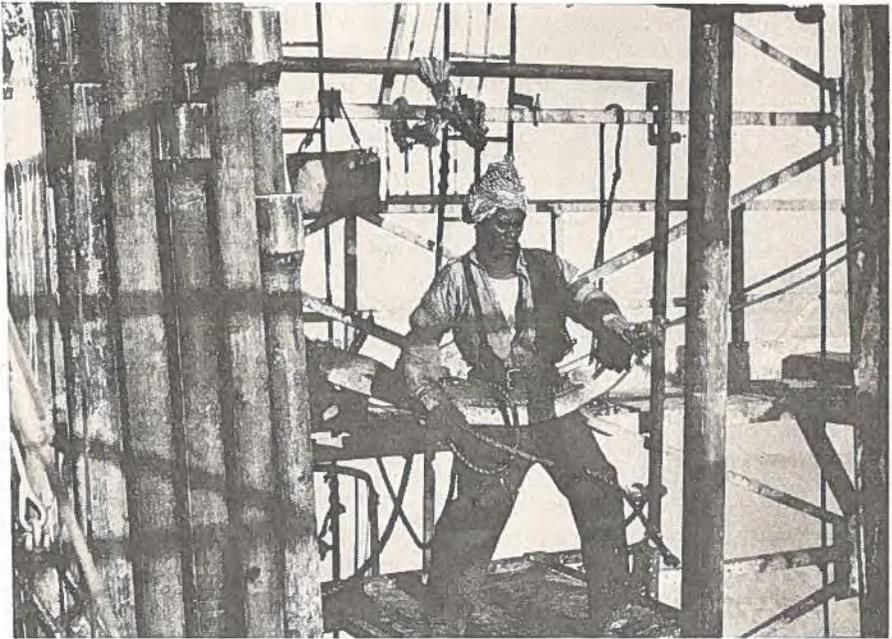
#### **Mutual Security Aid**

For the fiscal years 1951 and 1952, Mutual Security Aid to a total of \$47 million has been authorized for the Philippines. For the present fiscal year, the program calls for an allocation of \$30 million. MSA has announced that there will be no allocations for essential commodities other than those required for its own projects.

The economy of the Philippines depends to a very great extent upon world markets for the principal export commodities. Unless there is a substantial increase in both demand and prices for these, there is little likelihood of business picking up in the immediate future. Consequently, the present import control and foreign exchange control regulations cannot be relaxed. Under the protection of import control, further expansion of local industry may be expected. In addition, MSA will continue to assist the development of agricultural, industrial, communication and educational projects initiated during the past year.

—W. D. WALLACE  
*Vice-Consul of Canada*  
*and Assistant Trade Commissioner*

## Saudi Arabia



—Standard Oil N.J.

*(Above) This derrick man's job is stacking drill pipes in racks during trips in and out of the hole. A native Arabian, he has been employed with an oil company for the past five years.*

**C**AIRO—Saudi Arabia's booming oil industry has brought the country economic prosperity. Petroleum and petroleum products account for 90 per cent of its exports and oil royalties are the chief source of government revenue and foreign exchange.

In 1951 crude oil production totalled over 275 million barrels and brought in approximately \$140 million in royalties and tax payments. Greater production and earnings seem assured for 1952.

Saudi Arabia is an arid land and there is little farming. Almost all food must be imported, and practically all manufactured goods too, because industries are few. What little production there is apart from oil consists of minerals, hides, wool, dates and gold. However, a number of small manufacturing plants have sprung up as a result of the oil development. A building boom has produced some tile factories and lumber milling plants which are turning out finished lumber, windows, sashes, doors and furniture. A leather and tanning plant and a soap factory are operating in Jidda.

### Developments

The electrification of Jidda, Riyadh and Mecca, the three principal cities, is progressing. Water systems and other utilities are being expanded in several centres.

The first railway in Saudi Arabia, running from Dammam to Riyadh, a distance of 556 kilometres, was completed in 1951, and the Government's 1952-53 budget provides for an extension to this line. Expansion and development of roads, airports, hotels and port facilities are progressing. Other projects under construction or included in the Government's budget are: army barracks and ammunition factories, hospitals and quarantine buildings, dams and water supply systems, drainage and sewage schemes, and electrical installations.

### **Imports**

Prosperity has brought a greater demand for electrical goods and equipment, transport, construction materials, water pumps, domestic wares, medical products and equipment, confectionery and tobacco. The United States is the major supplier, principally of oilfield equipment, construction equipment, and consumer goods for the oil companies' European staffs. The United Kingdom supplies light machinery, vehicles and parts, and foodstuffs (mostly confectionery).

Canada's exports to Saudi Arabia were valued at \$875 thousand in 1950, at \$1,414,000 in 1951, and at \$1,476,900 in the first nine months of 1952. The principal items included wheat flour, tires and tubes, plywood, automobiles, trucks and parts, milk products, copper wire, soda and sodium compounds. Canadian imports of crude petroleum from Saudi Arabia were valued at over \$28 million in 1950 and \$22.6 million in 1951.

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## **Sudan**

**C**AIRO—The economy of the Sudan is based on agriculture and its exports consist largely of primary and semi-processed agricultural and animal products, such as cotton, cottonseed, gum, hides and skins, and peanuts. The country raises most of its own food, with the exception of sugar, coffee and tea. Although 1952 has seen substantial exports of cotton, the trade deficit stood at £E9 million at the end of the first six months of 1952.

The high floods during the rainy season increased the cotton acreage during 1951-52 from 519 thousand to 550 thousand feddans. (One feddan is approximately one acre.) At the same time, the heavy rains helped to expand the cultivation of maize in certain areas.

The United Kingdom, India, Italy, Egypt and the Netherlands are the Sudan's chief suppliers. Canada's share of this modest market has been small—only \$75 thousand in 1950 and \$34 thousand in 1951.

—W. H. HOPPER

*Office of the Canadian Government Trade Commissioner*

## Syria in 1952

*With good wheat and cotton crops boosting exports, Syria appears prosperous; is undertaking irrigation and other projects.*

**B**EIRUT—Good 1952 crops of cotton and wheat should help Syria overcome the 1951 setback. Last year the wheat harvested was only half of the 900 thousand-ton crop in 1950 and the cotton crop too suffered badly from insect infestation.

A rich agricultural country, Syria has great land resources, largely untapped, but has so far not accepted offers of U.S. assistance under the Point Four program. However, the Government has asked the International Bank for Reconstruction and Development for assistance in drainage and irrigation projects, highway improvement, and the development of the port of Latakia. A Bank representative visited the country in May and the Bank is said to be studying the Government's proposals. Meanwhile, the Ministry of Public Works is continuing its investigations and has already put in hand a number of smaller irrigation projects.

### **Non-Syrian Merchants Barred**

Decree law No. 151, passed on March 3, in effect prohibits any but Syrian nationals from importing into Syria. The decree was made effective on September 12 for normal commercial societies and will affect institutions like banks and insurance companies at a date not yet announced. This drastic measure was designed to eliminate profits formerly going to Beirut merchants who handled most of the import and export trade for both Lebanon and Syria. It is forcing Beirut importers who operate branch offices in Damascus and Aleppo to re-organize their businesses completely. Canadian firms exporting to Syria would be well advised to investigate whether their present representation is adequate to handle their business in Syria, rather than rely on single representation in Beirut for the serving of both areas.

Indicative of the protectionist trend is decree law No. 481, passed in November, which prohibits the import of beer, wines and all spirits. Although Canadian sales of these commodities to Syria are not large, future imports will be limited to diplomatic missions unless an amendment is introduced allowing in whisky and other liquors which do not compete directly with Syrian products.

Under government sponsorship, the cargo tonnage figures for the port of Latakia show encouraging increases. Exports through the port amounted to 43,825 tons in July 1952 and to 80,000 tons in August 1952, against 7,687 tons and 20,000 tons for the same months of 1951. It is estimated that the total for 1952 will reach 450 thousand tons as compared with 250 thousand last year. The Latakia Port Company, charged with responsibility for the improvement of the port, has been studying tenders for the construction of a deep-water harbour, submitted by several Euro-

pean companies. It is understood that the contract has been awarded to the Yugoslav firm Bomorisko Kradvano Bodosige. The project, to be completed in four years, will cost \$11 million.

Cotton, the most important export, has shown a steady production increase over the past few years.

#### Cotton Production

1947	.....	4,784	“
1948	.....	5,444	“
1949	.....	25,296	“
1950	.....	35,495	“
1951	.....	45,000	“ (est.)
1952	.....	55,000	“ to 70,000 “

Cotton exports for the first nine months of 1952 amounted to 28,548 tons, of which the United Kingdom took 10,832 tons, France 10,811 and Lebanon 2,066 tons. Spain, Italy, Poland and other countries took lesser quantities. Although Syrian cotton exporters enjoyed great prosperity as a result of the high prices in 1950, the 1951 crop, much smaller than expected, yielded a lower profit.

No definite figures on grain production are available but the fact that the Council of Ministers has authorized the export of 200 thousand tons of wheat indicates that the following estimates of 1952 production are reasonably accurate:

Wheat	900,000 tons
Rye	550,000 “
Corn and sorghum	100,000 “
Others	200,000 “

#### Imports and Exports

The main imports in 1951 were textiles, with 21 per cent of the total, and machinery, with 17 per cent. Cotton was the principal export (£ S190 million) accounting for 69 per cent of the total, followed by livestock (£ S29·9 million) and grains (£ S28·7 million). Principal supplying countries were the United States, with 18 per cent of total imports; the United Kingdom, 13 per cent; and Lebanon, 11 per cent. Leading customers were Lebanon, (32 per cent of total exports); France (21 per cent); the United States (13 per cent); Iraq, Lebanese Free Zone and the United Kingdom. Leading export to the United States was carpet wool, which in 1950 accounted for nearly £ S19 million of the £ S23 million total.

#### Trade with Canada

Before 1952, Canadian statistics did not differentiate between Syria and Lebanon. However, the trend of Canadian exports to Syria can be discovered in trade returns for the first nine months of 1952. Total value of Canadian exports to Syria for that period was \$511,410. Principal items were: copper wire (\$147,538), agricultural machinery (\$95,196), automobiles (\$79,881), tires and tubes (\$67,495), pharmaceuticals (\$24,521) and wheat flour (\$20,077).

Although a rigid system of import licensing is enforced, foreign exchange is not controlled. The importer purchases his exchange requirements on the free market at the current rate of U.S. \$1.00=£ S3.60.

Canadian imports from Syria consist largely of tobacco and wool; reached \$65 thousand in value for the first nine months of 1952.

—G. F. G. HUGHES  
Canadian Government Trade Commissioner

## Taiwan

### Refashioning the Island's Economy

*MSA authorities and the Chinese Nationalists are co-operating in a long-term, overall plan to make Taiwan self-supporting.*

**H**ONG KONG—During 1951 and for the first nine months of 1952 the economy of Taiwan has recovered remarkably from the depression of 1946-50. More important, the recovery indicates a fundamental improvement.

Superficially, progress is pointed up by the following factors:

- Increased exports founded on bountiful agricultural crops, and the quickening of correlated industrial output.
- Increased imports, which were the Government's quick reaction to improved export earnings.
- Increased control of inflationary tendencies, through the first balancing of a budget (1952) by the Chinese Nationalist Government since 1940.

Basically, however, the recovery is due to the taking effect of the combined United States-Chinese planned program of rehabilitation and re-organization, underwritten by the United States Mutual Security Agency since mid-1950.

Despite this improvement, Taiwan will remain dependent upon the continuation of American aid for two to three years yet. This holds true whether such aid takes the form of further short-term procurement of commodities or sees the fruition of the more important long-term program to rebuild the island's economy.

Without MSA aid, Taiwan would have collapsed economically and perhaps fallen an easy prey to Chinese Communism. It would have been unable to cope with the influx of two million refugees, the support of 500 thousand men in the armed forces, and the expense of a federal government structure—and all in the face of inflation.

Fortunately, the United States Government shouldered much of this load. This freed the Chinese Nationalist authorities to concentrate on other aspects of Taiwan's problems. Together the two administrations seem to be putting Taiwan on its feet and blueprinting its economic future in detail.

#### Civil Aid Program

MSA aid falls broadly into two divisions—military aid and civil aid. The latter is broken down again into commodity programs, industrial programs, rural aid, and technical assistance. Never for one moment has MSA assumed that Taiwan could be made self-sufficient but the planners

do believe that it can be made self-supporting. Exclusive of emergency assistance, the scheme is to complement Taiwan's agricultural economy with related industry. In many respects the proposals simply improve and expand the exploitation of the island's natural resources undertaken by the Japanese between 1895-1946.

### **Imports Would Be Cut**

At maturity, the plan will eliminate much of Taiwan's present expenditure on imports. By using its own resources, the island will produce many of today's imports at economic cost and in sufficient quantity to satisfy its requirements. Examples are chemical fertilizers, cotton yarn and cheap cotton textiles, caustic soda, pyrites, sulphur, etc. Moreover, by a carefully-gauged development of power utilities and communications networks, and the application of scientific production methods, Taiwan's earnings will be enhanced by substantial exports of rice, sugar, pineapple, etc.

MSA (China Mission) is confident that this goal can be reached in a further two to three years. Achievements to date are encouraging. In some instances capital investment is beginning to return increasing dividends. With one exception, 1951 production goals were attained and showed a marked advance over 1950. Statistics so far in 1952 reveal that this trend continues.

The tremendous amount of planning and government control involved affects everything and everyone in Taiwan. Austerity is the keynote. The island is all but on a wartime footing and luxuries and non-essential imports have been cut out. Each year, in advance, the projected economic activity is carefully scheduled. The program covers the goals to be achieved in the domestic development program; the export trade targets, inclusive of barter agreements; the basic essential minimum imports (divided into what MSA will procure and what Taiwan will obtain with its own assets); the cost of defence and general government administration, etc. These programs are then related to anticipated yield from taxes, the sums to be provided by MSA, Taiwan's own foreign exchange earnings, etc. Then the whole program is blueprinted as a minimum effort.

The island's exchange controls, import and export commodity controls, interested government departments and other agencies, etc., all combine to implement the proposals.

### **Prospects for Canadian Business**

The prospects for Canada's sharing in these developments in Taiwan fall into three classes. Canadian suppliers may participate in the MSA procurements or may share in the separate Taiwan procurements, either by private Taiwanese business or by nominated buying agent. Or Canadian importers may afford a sales outlet for Taiwan's export trade.

As for participation in MSA aid, the United States Mutual Security Act provides that American sources must be given first opportunity to supply needed materials. But it may not be generally known that, by administrative decree, the MSA (China Mission) gives Japanese sources second opportunity in Taiwan. The economy of Taiwan was historically integrated with that of Japan and the long-term development plans are not altering this. Much of the island's present industrial equipment is

Japanese and MSA argues that it is logical and expedient to replace it or re-equip it from the original source. The MSA (China Mission) emphasizes that in the future Japan must be cultivated as the major outlet for Taiwan's exports.

### Commodities Traded

Whatever the chances for Canadian business, a brief review of the commodities actually entering into Taiwan's trade will be useful. To assess these, it is necessary to treat both MSA aid procurement and Taiwan's import and export trade, because the two are kept separate in Taiwan statistics.

In 1951 goods arrived valued at \$56.6 million U.S., consisting, in part, of:

#### MSA Main Imports, 1951

	(millions of dollars)
Chemical fertilizers .....	12.3
Raw cotton .....	9.8
Crude and fuel oil .....	6.9
Wheat flour .....	4.7
Soybeans .....	3.4
Railroad supplies and equipment .....	1.9
Machinery, parts and supplies .....	1.4
Power supplies and equipment .....	1.2
Industrial supplies (such as pyrites, tinplate, lumber, hides, sheet and bar steel) .....	1.1

In the first six months of 1952, when MSA deliveries reached \$58.3 million U.S., the following commodities ranked high:

#### MSA Imports, January-June, 1952

	(millions of dollars)
Chemical fertilizers .....	17
Raw cotton .....	7.4
Soybeans .....	6
Crude and fuel oil .....	5.4
Cotton yarn .....	4
Ores, metals and manufactures .....	3.7
Wheat and flour .....	3.7

Taiwan's import and export trade, exclusive of MSA supplies, was as follows:

#### Taiwan's Balance of Trade (exclusive of MSA)

Calendar year	Value of imports	Value of exports (in U.S. millions of dollars)	Total	Balance
1949 .....	60.1	77.5	137.6	+17.4
1950 .....	91.6	72.4	164.0	-19.2
1951 .....	85.5	98.2	183.7	+12.7
1952 (6 mos.)	58.9	69.3	128.2	+10.4

For proper evaluation, this table should be read bearing in mind that imports via MSA in 1950 were estimated at U.S. \$20 million; in 1951, U.S. \$56.6 million, and in the first half of 1952, U.S. \$58.8 million.

Sugar and rice are key items in Taiwan's export trade. Of the 1951 export total of U.S. \$98.2 million, sugar accounted for \$49.8 million, or

53.5 per cent, and rice for \$15.1 million, or 16.2 per cent—i.e., almost seventy per cent of the total export value. Other important items were: tea, \$6.6 million; bananas, \$4.1 million; salt, \$3.3 million; citronella and other essential oils, \$3 million; feathers, \$1.8 million; metals, \$1.7 million; canned pineapple, \$1.6 million. Together, they totalled \$22.1 million, or 23.9 per cent of total export trade.

Exports for the first half of 1952 revealed much the same character. Of the total export trade value of U.S. \$69.4 million, sugar accounted for \$51.8 million, rice \$3.9 million, bananas \$3.6 million, tea \$2.1 million, salt \$1.7 million, canned pineapple \$1.3 million, citronella, etc., \$1.1 million, and so on. Imports show much greater variety:

#### Taiwan's Import Trade, 1951

Product	Value (millions of dollars)	Percentage of imports
Ores and metals .....	9.1	10.8
Raw cotton yarn and piece goods....	8.2	9.7
Pharmaceuticals .....	7	8.2
Soybeans .....	6.7	8
Machinery and tools .....	6.3	7.5
Chemical fertilizers .....	4.6	5.4
Rubber and its products .....	3.4	4

These items had a gross value of \$45.3 million, or 53.6 per cent of total imports, which were valued at U.S. \$85.5 million.

#### Taiwan's Import Trade January-June, 1952 (millions of dollars)

	(millions of dollars) Value
Chemical fertilizers .....	7.7
Raw cotton, yarns and piece goods.....	5.9
Ores, metals and manufactures .....	5.3
Soybeans .....	4.8
Machinery and tools .....	4.1
Pharmaceuticals .....	4
Wheat and flour .....	2.9
Rubber and its products .....	2.4

Taiwan is a vital part of Southeast Asia and a review of her trading partners make this clear. Outside Asia, only the United States and the United Kingdom have a sizable share of Taiwan's trade.

#### Taiwan's Trade Partners: 1951 (in millions of U.S. dollars)

	Exports		Imports	
	Value	Per cent	Value	Per cent
Japan .....	47.5	48.3	42.4	49.6
Hong Kong ....	14.4	14.6	10.8	12.6
U.S.A. ....	5.8	5.9	13.5	15.7
United Kingdom	3.2	2.5	3.2	3.8
Other .....	27.3	28.7	15.6	18.3
	<hr/> 98.2	<hr/> 100.0	<hr/> 85.5	<hr/> 100.0

—T. R. G. FLETCHER

Canadian Government Trade Commissioner

## Thailand:

### Where Rice Reigns



*High prices for rice, demand for wolfram ore have boosted export values; trade with Canada reached all-time high in 1951.*

**S**INGAPORE—Economic conditions in Thailand continue to be stable and prosperous mainly because this country, the world's largest rice exporter, has enjoyed a sellers' market. The economy is based on rice, which contributes about half of foreign exchange earnings. Other commodities such as teak, rubber and tin were affected by the post-Korean boom but values in recent months have fallen with world prices. Higher prices for rice will offset somewhat the decline in earnings from other exports.

In addition to favourable economic conditions, Thailand enjoys relative political stability. The country did not suffer unduly during the war, and the postwar internal disorder which has seriously disrupted Malaya, Burma, Indo-China and Indonesia has passed Thailand by. Relatively speaking, therefore, Thailand is today one of the most prosperous of the Asian nations.

Because the climate is tropical, the 16 million Thais need only a minimum of clothing and shelter. Food (mainly rice and fish) is abundant. Even transportation is not a problem. In the vast rice-growing area of the Chao Phra River, canals serve as both roads and railways. In Bangkok—sometimes called "the Venice of the East"—people literally spend their whole lives on the water, either in boats or in simple houses built on stilts over the canals.

#### Record Rice Exports

In 1951 a record 1,555,518 metric tons of rice were exported. The 1952 crop was poor by comparison and exports are not expected to exceed 1.3 million metric tons. Rubber exports during 1951, a boom year, were valued at \$74 million. Thailand's rubber industry consists entirely of smallholders and lacks facilities for producing high grades, so there will undoubtedly be a drop in the value and volume of rubber exports during

1950. Exports of teak, valued at \$7.7 million, were slightly higher than in 1950. Wolfram ore production, reflecting the increase in western defence requirements, jumped from \$275 thousand in 1950 to about \$3.9 million in 1951.

### **Trade with Canada**

Trade between Canada and Thailand reached an all-time high during 1951. Canadian exports totalled nearly \$2.4 million, or double those of 1950, and imports increased from \$1.2 million to almost \$2 million. Figuring largest in Canadian exports were aluminum foil, flour, milk powder, antibiotics and automobiles. There has been a decided falling-off in Canadian exports during 1952 and, for the first half of the year, export values were only \$800 thousand—one-third of the total for 1951. This results first from over-importing during 1951 and second, from the desire of merchants to avoid long-term commitments when they can purchase in Hong Kong or Singapore at a small premium.

On the basis of figures for the first half of 1952, Canadian imports from Thailand are running at less than half the rate for 1951. Canada has bought no rice and has imported smaller quantities of shellac, rubber, teak and wolfram.

### **Conservative Monetary Policy**

Thailand has always maintained an orthodox and conservative fiscal policy and there is a minimum of control on foreign exchange. Thailand is not a member of the sterling area, but traditionally it has carried on a large trade with British territories and colonies. In addition, in recent years the country has been able to sell large quantities of rice, rubber, tin and wolfram for dollars.

The state-owned Bank of Thailand fixes the exchange rate between the tical (or baht) and the pound sterling for all legitimate commercial imports, transfers of capital and profits. With minor exceptions (e.g., government purchases and imports from Japan) there is no fixed rate of exchange between the tical and U.S. or Canadian dollars. Consequently, the cross rate between quotations in ticals for the pound sterling and the U.S. dollar gives values that closely approximate those quoted in the free money markets of New York and Hong Kong.

This system favours imports from the sterling area in comparison with those from the dollar area. For instance, 45 ticals of the local currency will purchase a pound sterling and, at the official rate, US\$2.80. However, merchants importing from the dollar area cannot use the official rate and obtain only US\$2.45. The Canadian dollar is not traded in Bangkok but it bears the same relationship to sterling and our goods are at the same disadvantage as those from the United States.

—D. S. ARMSTRONG

*Canadian Government Trade Commissioner*

## Turkey

### Deficits Are Hampering Trade

*A bumper grain crop is boosting 1952 exports, but the serious trade deficit and decreased U.S. aid are reducing purchases from Canada and other dollar countries.*

**A**THENS—Outstanding economic event in Turkey in 1952 was the record cereal crop. Agriculture provides a livelihood for almost 75 per cent of the Turkish people and the effects of this excellent harvest will be felt throughout the country. Total cereal production in 1952 is estimated as 12,270,928 metric tons, or about 15 per cent above last year's bumper crop. Turkey now has 1.5 million metric tons of bread grains available for export, with important markets already in sight in Pakistan, Italy, Germany and Yugoslavia.

This huge harvest, however, has brought with it a serious transportation and storage problem. The army has been alerted to assist in the movement of cereals to seaports and the Government has rented 1,000 freight cars from Yugoslavia. A further 1,000 new cars are on order. Delivery of steel silos from the United States under the Mutual Security Agency's program has been speeded up. Most of the carry-over, it is hoped, can be stored under cover during the winter months.

#### Balance of Payments Deficit

At the end of September Turkey was running an overall deficit on current account of \*459.8 million liras as compared with 200.5 million liras for the same period in 1951. The year-end deficit will be reduced because the cereal export season normally begins in September. However, 1952 will probably witness a record deficit in the international balance of payments with all countries.

An annual dollar deficit is, of course, nothing new for Turkey. The unusual feature is the tremendous deficit with the European Payments Union. The principal reason for this is the domestic investment program aimed at increasing agricultural productivity and the output of Turkey's extractive industries. Imports of agricultural machinery, industrial machinery and construction equipment and supplies have all jumped this year, because Turkey is making a determined effort to improve and expand its capital equipment and thus its capacity for earning foreign exchange. The maintenance of a large army aggravates the balance of payments deficit.

\* 1 Turkish Lira=US\$2.80.

The seriousness of the balance of payments situation has been reflected in the compensation exchange market (see *Foreign Trade*, July 12, 1952). Hard currencies have become increasingly expensive in terms of Turkish liras and goods imported from dollar countries under compensation arrangements are now extremely high-priced. At the time of writing this article, Canadian dollars on the compensation basis were at a premium of almost one hundred per cent, as compared with very small premiums for the currencies of EPU countries.

#### **Canadian Exporters Face Problems**

It is thus becoming more and more difficult for Canadian exporters to sell products not provided for in the limited dollar import program, and no improvement seems possible in the near future. The bumper cereal crop will be marketed almost entirely for soft currencies. Thus the eventual possibility of Turkey improving her dollar position rests primarily on the prospect of European countries achieving currency convertibility.

#### **Trade Figures**

Canada's exports to Turkey during the first six months of this year amounted to \$2.1 million, as compared with \$1.8 million for the corresponding period of 1951. The improvement stemmed from increased shipments of agricultural machinery and parts (\$1.5 million) financed from funds allocated in the fall of 1951 under the United States MSA program. Other principal items were passenger automobiles (\$173 thousand) and pulpwood (\$158 thousand). Canadian exports will probably soon decline because of exchange difficulties and decreased American aid.

Canada's principal imports from Turkey are dried fruit, and manganese and chrome ores. Total imports for the first six months of 1952 were \$1.7 million, as compared with \$0.9 million last year.

—A. G. KNIEWASSER

*Assistant Commercial Secretary for Canada*

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#### **RICE PROBLEM STUDIED**

Because the shortage of rice, particularly in the East, has become such a problem, the Food and Agriculture Organization is calling a meeting in Bangkok, Thailand, on January 5 to discuss it. Delegates assembled there will examine long-term production policies; economic incentives to increase production; setting up of rice mills near rice-growing areas; more adequate credit facilities; marketing methods, etc. The shortage seems likely to continue for some time, so the meeting will also consider how to step up supplies of other foods to supplement rice.

Of late years, supplies of rice entering the world market have been less than half the prewar total, yet the population of the Far East alone has gone up 120 million. Merely to meet this increase, says FAO, would require an additional 1.3 million tons of rice a year.

## Canada's Treaty Relations with . . .

- *The Belgian Congo, Burma, French Equatorial Africa, Indo-China, Indonesia and Turkey*

These countries are participants in the General Agreement on Tariffs and Trade. Under this Agreement, Canada exchanges most-favoured-nation treatment with them in all matters relating to customs duties, import charges and other related customs formalities. Canada has also negotiated tariff concessions with some of these countries. Provision is also made for the elimination of discriminatory exchange and import restrictions. This allows these countries to discriminate against dollar-area goods under certain circumstances, but not to discriminate between countries within the same currency area—for example, Canada and the United States.

Canada also has separate trade agreements in force, which provide for the exchange of most-favoured-nation tariff treatment with all the countries listed above except Burma and Indonesia. Although the General Agreement on Tariffs and Trade in practice supersedes these agreements, they would automatically come into force again if GATT should cease to operate.

- *Egypt*

By an exchange of notes effective December 3, 1952, Canada and Egypt extend most-favoured-nation treatment to each other's goods. This agreement assures Canada of exemption from a penalty surcharge which the Egyptian Customs Law imposes against the goods of countries that do not have a commercial agreement with Egypt.

- *Iran, Iraq, Syria and Lebanon*

Special arrangements are in force whereby Canada extends most-favoured-nation tariff treatment to these countries by Order in Council, provided that they grant similar treatment to Canada. Syria and Lebanon were members of the General Agreement on Tariffs and Trade but withdrew from it effective March 1, 1951. As a result, the above arrangements automatically came into force again.

- *Israel, Jordan and the Philippines*

Canada exchanges most-favoured-nation tariff treatment with these three without formal agreement, based on arrangements in force before

they became independent. The Philippines participated in the Torquay negotiations of the General Agreement on Tariffs and Trade in 1951 but has not yet become a contracting party. United States imports into the Philippines receive preferential treatment.

● *China and Taiwan (Formosa)*

Canada's treaty relations with these countries are governed by an agreement concluded in 1946 with Nationalist China and extended in 1948 to include Taiwan. It provides for the exchange of most-favoured-nation tariff treatment. China was a member of the General Agreement on Tariffs and Trade but withdrew from it in May 1950. As a result, the above treaty again became fully effective. It is not clear whether Canadian goods entering Communist China actually receive most-favoured-nation treatment. However, because of state trading practices prevalent in that country, tariffs have little significance.

● *Ethiopia, Japan, Macau, Saudi Arabia, Sudan and Thailand*

Canada has no trade agreements in force with these countries and imports from them come under the Canadian general tariff. Macau does not levy customs duties and the other countries have one-column tariffs which apply equally to imports from all countries.

—F. P. WEISER

*International Trade Relations Branch*

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## FOREIGN EXCHANGE RATES

*We regret very much that we have been forced to leave the Foreign Exchange Rates out of this issue because of its unusual size—twice as many pages as we normally publish. Many of our readers consider the Exchange Rates one of "Foreign Trade's" most useful departments, and we want to assure you that they will be back in their usual place next week.*

## **For More Information on**

## **WRITE:**

**Asia and the Middle East**

**R. K. Thomson, Area Trade Officer for Asia and the Middle East, Trade Commissioner Service, Department of Trade and Commerce, Ottawa.**

**Belgian Congo, French Equatorial Africa**

**W. Gibson-Smith, Canadian Government Trade Commissioner, Boîte Postale 373, Leopoldville, Belgian Congo.**

**Burma**

**B. I. Rankin, Commercial Secretary, P.O. Box 886, Bombay, India.**

**China, Indo-China, Macau, Taiwan**

**T. R. G. Fletcher, Canadian Government Trade Commissioner, P.O. Box 126, Hong Kong.**

**Egypt, Ethiopia, Jordan, Saudi Arabia, Sudan**

**Acting Canadian Government Trade Commissioner, P.O. Box 1770, Cairo, Egypt.**

**Indonesia, Thailand**

**D. S. Armstrong, Canadian Government Trade Commissioner, P.O. Box 845, Singapore.**

**Iran**

**A. P. Bissonnet, Commercial Secretary, P.O. Box 531, Karachi, Pakistan.**

**Iraq, Lebanon, Syria**

**G. F. G. Hughes, Canadian Government Trade Commissioner, Boîte Postale 2300, Beirut, Lebanon.**

**Israel, Turkey**

**H. W. Richardson, Commercial Secretary, Canadian Embassy, 31 Vassilissis Sophias Ave., Athens, Greece.**

**Japan**

**J. C. Britton, Commercial Secretary, Canadian Embassy, Tokyo, Japan.**

**Philippines**

**F. H. Palmer, Consul General of Canada and Trade Commissioner, P.O. Box 1825, Manila, Philippines.**

# The Phoenicians

would be  
fascinated by

BEIRUT

THE LIBRARY,  
BANK OF CANADA,  
OTTAWA, ONT.

W.F.

and Phoenicians wouldn't fascinate  
y, because in their time they  
e a very sophisticated lot. Some  
0 years ago, they were number one  
the trading world. Their little  
untry, now known as Lebanon, was the  
cal point of camel caravans bearing  
e riches of the East. From the ports  
f Berytus (Beirut), Tyre and Sidon,  
hey traded with the countries of the  
Mediterranean, and ventured even as far  
as ancient Britain.

Today, Beirut is the commercial  
gateway to Lebanon, Syria and Iraq, but  
business is on a scale that would  
fascinate even the Phoenicians. Along  
the old camel caravan routes, a network  
of pipelines pumps oil from the east  
to the refineries of Lebanon. The man-  
powered trireme has given way to the  
airliner, tanker and freighter, trading  
with countries as far away as Canada,  
thousands of miles beyond the limits  
of the Phoenician world.

To expand today's 25 million dollars  
worth of business with Lebanon, Syria  
and Iraq, the Canadian Government Trade  
Commissioner Service has opened a new  
office at Beirut.