

Current Conditions in Latin America I (pages 2-29)

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The first half of our annual review of development and trade in Latin America covers Mexico, Central America, Panama, and the Spanish-speaking Caribbean. The ten countries reported on by our Trade Commissioners in the following pages, plus Cuba and Haiti, bought \$94 million worth of Canadian goods in 1962.

From the Mexico City Office 4-9

Mexico ranked second only to Venezuela as a market for Canada in Latin America last year and sales are rising this year. Composition of our exports is changing as Mexico industrializes and as LAFTA countries remove internal tariffs.

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From the Guatemala City Office 9-23

Five Central American states proceeding with implementing the Common Market; internal trade and economic integration will increase. Exporters who wish to step up sales there should watch development of this Common Market closely.

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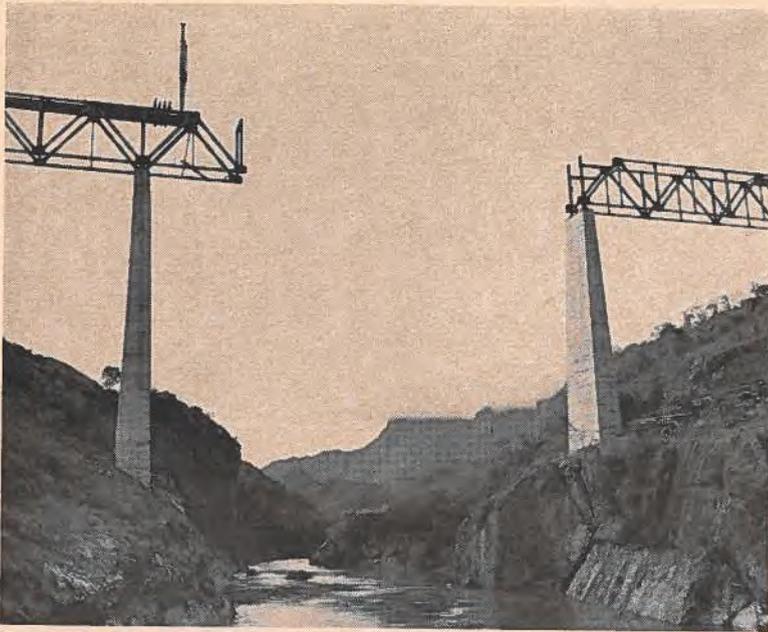
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COMING—OUR STAKE IN THE BRITISH FOOD MARKET, DEC. 14 ISSUE

Markets fo



—Hamilton Wright

In many Latin American countries, improved transportation ranks high among development projects. This railway bridge pictured under construction in Mexico carries trains bound for the Pacific coast over a river in the State of Chihuahua.



Costa Rica, like most of the Central American Republics, depends heavily on two or three agricultural crops to earn foreign exchange. The most important of these is coffee; others are bananas and cocoa. Here green coffee beans are being shovelled out to dry slowly in the tropical sun.

Mexico

Imports from Canada

1961—\$38,529 thousand

1962—\$41,267 thousand

1963, first half—\$19,371 thousand

Panama

Imports from Canada

1961—\$4,578 thousand

1962—\$5,645 thousand

1963, first half—\$2,328 thousand

Costa Rica

Imports from Canada

1961—\$2,930 thousand

1962—\$3,473 thousand

1963, first half—\$2,063 thousand

El Salvador

Imports from Canada

1961—\$2,436 thousand

1962—\$3,353 thousand

1963, first half—\$1,629 thousand

Guatemala

Imports from Canada

1961—\$2,187 thousand

1962—\$2,705 thousand

1963, first half—\$1,516 thousand

Nicaragua

Imports from Canada

1961—\$1,447 thousand

1962—\$2,135 thousand

1963, first half—\$988 thousand

Canada in Latin America

Honduras

Imports from Canada

1961—\$1,061 thousand

1962—\$899 thousand

1963, first half—\$624 thousand

Puerto Rico

Imports from Canada

1961—\$13,108 thousand

1962—\$12,710 thousand

1963, first half—\$7,737 thousand

Dominican Republic

Imports from Canada

1961—\$4,469 thousand

1962—\$8,488 thousand

1963, first half—\$4,507 thousand

U.S. Virgin Islands

Imports from Canada

1961—\$190 thousand

1962—\$283 thousand

1963, first half—\$124 thousand

Haiti

Imports from Canada

1961—\$1,543 thousand

1962—\$1,276 thousand

1963, first half—\$722 thousand

Cuba

Imports from Canada

1961—\$31,104 thousand

1962—\$10,877 thousand

1963, first half—\$4,853 thousand



These impressive modern-style buildings with Latin American touches in the heart of Guatemala City were completed several years ago. On the left the photograph shows the City Hall and on the right, the Social Security headquarters, with the encircling green mountains seen in the distance.



Typical of industries springing up in this area is this shoe factory in El Salvador, where a worker is shaping a leather sole. Many shoe plants use Canadian sole and upper leather; we sold them nearly \$104,000 worth of the two types in '62.

Canada's Trade with Mexico:

Performance and Patterns

Sales to Mexico last year largest since 1957, with emphasis on capital goods, industrial raw materials. Progress of LAFTA and Mexican industrial growth are changing pattern of trade, but prospects good for continued exports of products that are needed for expansion of industry, or the development of transportation.

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

MEXICO vies with Venezuela as the principal market in Latin America for Canadian exports. Purchases in 1962 rose to Can.\$41.3 million, the best year since 1957, and Canada thus became the fourth largest supplier, after the United States, Germany and Britain. Nevertheless, our share is a modest 3.2 per cent compared with the overwhelming United States share of 68.5 per cent. Here is a real challenge to Canadian exporters, for many of our products should be competitive in quality and price with those from the United States.

Mexican trade in 1962 was active, with exports rising to U.S. \$907.3 million, an increase of more than U.S.\$100 million over 1961. Decided improvement in cotton, cattle, shrimp, copper and tomato shipments accounted for the rise. Imports were up only slightly to U.S.\$1,143.1 million, reflecting a growing self-sufficiency in consumer and industrial products and a highly effective protectionist policy. As usual, the merchandise trade gap was more than bridged by net receipts from tourists.

During 1962, Canada was Mexico's fourth largest export market, with purchases valued at Can.\$24.4 million. The best customer, the U.S., remained well in the lead with no real contenders, as shipments in-

creased to U.S.\$552.5 million, or 61 per cent of total exports.

Canadian Sales Rising

Canadian export statistics indicate a 6.8 per cent increase in sales to Mexico during the first seven months of 1963. Projecting these figures, total sales of over Can.\$45 million are expected this year, or we may possibly achieve a new record of Can.\$50 million. The leading supplier, the United States, is headed for a big year also, as sales for the first five months of this year are up 9 per cent (a 71 per cent share of this market). Imports from European suppliers are generally smaller but purchases from Japan have improved considerably, to help reduce a chronic trade deficit.



Table I reflects two success stories in the railway equipment field. Locomotives appear for the first time in a decade as the result

of a Can.\$16.1 million contract signed early this year for the supply of 80 diesel units to the Mexican National Railways. At about the same time, terms were agreed upon for the second half of a four-year U.S.\$50 million contract to supply Canadian rails and track accessories to the National Railways. In both instances, price, specifications, quality and delivery times were right and for the two transactions long-term Canadian Government financing under Section 21A of the Export Credits Insurance Corporation Act made our offers competitive.

Several Canadian products are new in the Mexican market this year and for others, sales are up significantly—for example, motor vehicle engines and parts; aluminum bars, rods, and shapes; special industrial machinery; radio and television equipment, and industrial boilers. Canadian suppliers have also uncovered lucrative opportunities for additional sales of pulp and paper machinery, switchgear equipment, and machinery for the plastics industry as a result of careful attention to initial orders recently received and competitive quotations.

Purchases from Mexico

Mexican sales to Canada for the first six months of 1963 totalled

Can.\$15.1 million, a 10 per cent increase over the same period last year. At present, the largest single item is fresh tomatoes and shipments to the end of May had already exceeded the entire 1962 figure. Our imports of oranges, shrimp, raw cotton and cantaloupes also rose. Mexican exporters and the Mexican Government are both anxious that Canadian importers of fresh fruits and vegetables and other commodities consider Mexican offers favourably, so that the trade between the two countries will come closer to balance.

Because most Mexican exports to Canada are agricultural products and shipments are seasonal, monthly statistics available for 1963 do not provide a proper picture of this

trade. Annual figures are therefore given in Table II.

Pattern Is Changing

Future prospects for Canadian exports to Mexico depend on a number of forces at work which in time are bound to alter the direction of our trade. Sales of some products will disappear and others will continue precariously because of impending competition from local or trading bloc partners. Mexico is one of the original members of the Latin American Free Trade Area, which is gradually moving towards the removal of all internal tariffs and trade barriers between the member nations. Another LAFTA objective is the integration of industry throughout the area. LAFTA differs from the European Common Market in that each member country will retain its own external tariffs and barriers to non-members. And because Mexico is not a signatory

LAFTA when a local company is established, because tariffs are soon raised to prohibitive levels and the need to obtain an import licence is an added deterrent. These import applications take time and patience and are often denied after the boards appointed have made a thorough review.

Outlook Still Optimistic

Although this local competition appears formidable and trade with LAFTA partners has already improved, imports from other trading nations, including Canada, continue to be large. Trade promotion efforts of our major competitors indicate that Mexico is not being written off as exclusively a Latin American importer and exporter. In the past four years the U.S.S.R., Japan, France and the United States have staged well-attended trade exhibits in Mexico City and Spain has just concluded a successful show of this type. Mexico is inundated year-round with foreign trade missions, including this year a number from Eastern Europe and one from Communist China in advance of its trade fair scheduled for Mexico City in December.

On the Mexican side, responsible government officials are gradually recognizing that prolonged continuation of a highly protected market leads to many abuses in price and quality. Another hopeful feature is the realization that trade can be balanced by improving exports as well as by curbing imports, and official efforts to promote Mexican products abroad are being intensified.

With Canada's present competitive credit facilities, proximity, and reputation for prompt delivery of high quality machinery and equipment, we will remain a preferred supplier of the capital goods Mexico needs. In addition, many of the primary materials—forest, mineral, and agricultural—which are not indigenous to Mexico will still be ordered from Canada for industrial needs. ●

TABLE I

WHAT WE SOLD TO MEXICO

	1963 (Jan./ June)	1962 (Jan./ June)	1961 (Jan./ June)
	(Can.\$'000)		
Plastics and synthetic rubber	3,138	3,372	2,785
Newsprint	2,894	2,607	3,939
Aluminum pigs, ingots, slabs	1,954	2,252	1,686
Locomotives	1,693	.....	.....
Railway rails	1,187	3,134	3,306
Asbestos	1,179	760	906
Motor vehicle engines and parts	666	21	22
Card punch machinery, components	515	268	.....
Railway track material	450	1,247	1,350
Pulp and paper machinery and parts	412	.....	.....
Agricultural implements	374	787	.....
Aluminum bars, rods, plates	370	.....	.....



to GATT, tariffs and import controls can be changed promptly without recourse to international negotiations.

Another important development that bears close watching is Mexico's race towards industrialization which so far is proving highly successful. This was slowed up somewhat by the limited demands of the domestic market, which is expanding but still has relatively low purchasing power. Possible trade with LAFTA partners, however, has extended the sales potential and has encouraged otherwise timid investors to proceed. There is little hope for foreign suppliers outside of

TABLE II

WHAT WE BOUGHT FROM MEXICO

	1962	1961	1960
	(Can.\$'000)		
Raw cotton	3,512	604	2,054
Coffee, green	3,269	2,566	3,036
Peanuts	3,135	2,103	2,879
Tomatoes, fresh	3,002	2,350	1,016
Silver, unmanufactured	2,067	1,340	276
Fluorspar	1,629	871	1,242
Shrimps, prawns	1,308	820	523
Cantaloupes, melons	971	794	980
Sisal, ixtle, tapico fibre	888	728	693
Strawberries, frozen	776	627	515



Mexico

- Long-term foreign credits are aiding industrial expansion, improvement of agriculture.
- Record cotton and wheat crops last season; more land put under irrigation.
- Government stressing industrial advance; wide range of inducements offered to investors.

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

MEXICAN business this year is maintaining the favourable position of 1962, because the customary lag in advance of the presidential elections next July is not so pronounced. The business community invariably adopts a wait-and-see attitude towards the end of each term and this prevails until the new president is well established in

office. Sizable government projects are seldom begun during the last year of a term and with both private and public investment somewhat dormant, the usual economic momentum is slowed up.

President Lopez Mateos has tried to overcome this trend with longer-term development programs that will not be susceptible to political

changes. The public is apparently impressed with these efforts and with the current financial strength of the country because most business indicators show a continued upward trend.

In the annual report to the nation on September 1, the President reviewed the economic accomplishments of the previous year. With gold and foreign exchange holdings at a high of U.S.\$510 million, he pledged to maintain the present value of the peso during the current regime, which ends in December 1964. In the past four years, practically unlimited foreign credits with generous repayment terms have been made available to Mexico by many countries and international organizations. Taking advantage of the absence of currency restrictions, a number of Mexican investors shifted to foreign holdings and deposits in 1961 when the Caribbean situation was critical, but most of this money has now come back.

Trade Deficit Reduced

The customary deficit in the balance of payments results chiefly from an unfavourable trade balance. However, the trade deficit was cut to U.S.\$197 million in 1962 and reduced further in the first five months of this year. Increased exports are responsible for this improved picture; imports remained about the same. With tourist expenditures, border transactions, and remittances for services providing additional income, the balance of payments at the end of 1962 showed a credit of U.S.\$55.3 million, compared with a deficit of U.S.\$71 million in the previous year. In addition to the reserves, U.S.\$345 million is available from the International Monetary Fund, the U.S. Treasury and the Export-Import Bank.

Foreign Credits Furnished

Mexico's financial resources are inadequate to pay for the ambitious social improvement and economic development plans of the Govern-

ment and have to be supplemented by long-term foreign credits. These are preferred to equity investment of foreign private capital in industry because the Mexican identity can be preserved. From 1959 to 1962 Mexico received U.S.\$1.3 billion in foreign loans and repaid U.S.\$777 million of previous borrowings. About 80 per cent of these recent obligations are repayable in from ten to forty years. The most important credits arranged are from the Inter-American Development Bank, U.S.\$86.1 million for agriculture, irrigation and industry; the World Bank, U.S.\$213 million for electric power, highways and irrigation; the Export-Import Bank, U.S.\$180.6 million for railroad equipment and capital goods imports. *Alliance for Progress* funds of U.S.\$50 million are being used for housing and agricultural improvement. The most impressive loan from foreign countries is the one obtained in June from the French Government and banks—U.S.\$150 million for the petrochemical and sugar industries.

Earlier this year Mexican Government bonds were offered for sale in the United States and Europe for the first time in fifty years and the entire issue of U.S.\$40 million was promptly purchased.

Internal Financing

Government revenues increased 12.7 per cent over the 1961 fiscal year because more people and companies were added to the tax register and collections were enforced. Nevertheless, there was a budget deficit as expenditures rose by 9.3 per cent to U.S.\$1.13 billion. Education received 20 per cent of this amount but the Ministry of Defence got a mere 10 per cent to cover all military expenditures.

Private investors were not certain of their rôle or destiny in industrial development because of the increasing intervention of the Government in industry and funds from this source were scarce during early

1962. This prompted an appeal from government officials for a united effort to improve the economy, with the assurance that public funds would only be used for industrial investment when private capital is not interested and the product or service is essential. The business community reacted favourably and private investments have increased significantly this year.

With an influx of investment funds from the public and private sector for economic improvements, the gross national product advanced 4.8 per cent in 1962 to a new high of almost U.S.\$12 billion. This is no more than the average achieved over the past five years but a noticeable improvement over 1961. Government planners calculate that a 5.4 per cent rate of growth of the GNP is required to improve living conditions, because the population rises at the high rate of 3.1 per cent each year. The accelerated pace of business this year may result in a growth rate for the GNP of 5.5 or 6 per cent.

Distribution of Income

All of these positive factors have resulted in higher national income, but equitable distribution has yet to be achieved. Per capita income is about \$300 a year, which is average for Latin America but low compared with Argentina and Venezuela. Industrial development has resulted in more and better employment opportunities, yet 49 per cent of the 38 million population still depend for their livelihood on low returns from agriculture. However, skilled industrial workers are increasing in numbers and the professional groups that an industrial society requires are multiplying—both important factors in achieving more buying power for more people.

Agricultural Production Rising

Agriculture, still the mainstay of the economy, has achieved a rise in production of 5.3 per cent and with abundant rainfall during the summer, a larger increase is expected

this crop year. About 10 per cent of Mexican land is under cultivation and heavy investment in roads, irrigation and services is required to extend this area. Over five million hectares are now being irrigated and in these regions harvests have improved 31 per cent over the 1958-59 crop year. The present government has been more active than previous regimes in distributing land to the small farmers. Absentee ownership of large holdings is disappearing; 12.1 million hectares have been distributed in the past five years under the Agrarian Reform Law.

A record cotton crop of 2.4 million bales was harvested in 1962-63, with 1.9 million bales destined for export markets. The next crop is estimated at two million bales because less land is under cultivation. Coffee exports were down to 838,000 bags for the year ended April 1963, compared with 1,143,000 bags for the preceding period. Fiber exports were resumed when the drought finally ended in Yucatán. Sugar production is up 10 per cent to 1.6 million tons and another increase to 1.7 million tons is expected this year. A record crop of wheat, 1.55 million metric tons, is reported. Corn production for the current year is estimated at six million metric tons and government production goals are established at 7.5 million metric tons for 1964. The livestock census is an estimated 40 million head, mostly dairy and beef cattle, followed by pigs and goats.

Forests and Minerals

The forest industry is still rather neglected, with only four million hectares of an estimated 34 million hectares of forest land in use. Mining is not too active because world prices for the principal minerals—lead, zinc, and copper—hardly provide incentive for increased production. A better price for silver has improved production but only slightly, because most of this metal is extracted from lead and zinc ores.

The Mining Law of 1961 with regulations enacted in 1962 was designed to Mexicanize the industry but local investors have shown little interest in the present low returns or in the future prospects. A series of concessions were announced in May and July of this year which alleviate some of the hardships on foreign owners. A method of transfer of control to Mexicans was devised in the form of a deposit in trust until a buyer comes along.

Mexico continued to hold second place in world production of sulphur. Pemex, the government oil monopoly, discovered eight new oil fields, some offshore, and daily production of 340,000 barrels was maintained. Reserves of oil and gas are estimated at 814 million cubic meters. Self-sufficiency has practically been attained this year, the 25th anniversary of the nationalization of the petroleum industry.

Industrial Development

The Government has concentrated its time, energy and investments on economic development. So far this year U.S.\$1 billion has been allocated to the following areas:

Industries, including oil and electric power, U.S.\$328 million

Transportation and communications, U.S.\$248 million

Health, education and housing, U.S.\$264 million

Agriculture, U.S.\$160 million.

To attract new industries and permit expansion of existing enterprises, five electrical plants have recently been completed and two huge hydro projects, Infernillo and Malpaso, are in progress. Improved marketing is possible with an additional 2,000 miles of roads built this year for a total network of 30,000 miles. The National Railways have been rehabilitated with new track, diesel locomotives, and all types of freight cars (which are entirely made in Mexico).

With this support from the Central Government, states and municipalities are busy promoting new industries and a wide range of inducements is offered. Aside from a loosely defined list of basic industries (which includes transport and communications), equity investment by foreigners is invited but preferably in association with Mexicans and also on a minority basis.

Automotive Investment

There are plenty of opportunities for private investment in industry, particularly for products related to the automotive trade. Vehicles, parts and accessories usually top the list of imports and to reduce this dollar drain the Government is determined to produce vehicles, rather than assemble imported parts. By October 1964 a 60 per cent Mexican content is to be the minimum requirement for car manufacturers who wish to remain in this market and by mid-1963, eight foreign companies had presented acceptable plans to the authorities. This program has encouraged the formation of several independent companies to make parts and accessories. Most of these companies are affiliated or have licensing agreements with foreign manufacturers but Mexican capital predominates.

Other Industries Growing

The steel industry is expanding to meet the increased demand, particularly from the automotive trade. Steel consumption in 1962 totalled 1.9 million tons, with imports providing 200,000 tons. Production this year will advance 15 per cent and further increases are expected later when expansion plans now in progress are completed.

The industrial chemical industry has also received special attention from the Government to stimulate expansion. Pemex, the national oil monopoly, has been responsible for promoting petrochemical production. Some of these plants are state corporations and others are associated with private investors both

foreign and local, but the majority interest must always be Mexican. More than 1,000 plants now turn out practically all of the basic chemicals required. The old-line industries like textiles, food processing and paper converting are modernizing to provide more and better products at lower prices.

The prosperity of Mexico has depended for long on the state of agriculture. Now, with industry on the move, the economy is better balanced and business cycles are not so pronounced. This development promises well for the future.

IBRD Aids Latin America

IN recent months the World Bank has made loans totalling \$90.0 million to Mexico, El Salvador and Costa Rica. These loans are intended to cover the foreign exchange requirements for basic communication and power projects.

Mexico is the major recipient, with \$40 million to assist in a highway program and \$12.5 million for the improvement of irrigation. Upon completion, the irrigation project will ensure adequate irrigation for 820,000 acres of farmland. The highway program will provide better communications with certain rural areas and improve existing routes to meet the demands of increased traffic.

El Salvador is using a World Bank loan of \$6.0 million to help finance the installation of an additional 43,000 kilowatts of generating capacity. With the demand for electricity increasing at an average annual rate of 12 per cent, the country will need additional capacity by 1968. A modern telecommunications system is also being developed, assisted by a \$9.5 million loan from the World Bank. The loan will help to finance automatic exchange equipment for 26,000 telephone lines in the three principal cities—San Salvador, Santa Anna and San Miguel. The project also includes a microwave system linking these three cities and several smaller communities. Contracts for construction and the supply of equipment will be awarded on the basis of international competition.

Costa Rica is also expanding its electric power capacity and constructing a modern telecommunications system. A \$22 million loan will help finance a 56,000 kilowatt hydroelectric power plant, with associated transmission facilities. It will also cover the foreign exchange requirements of a 26,000-line automatic telephone exchange and auxiliary equipment. ●

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

A number of developments that will affect Central American trade with the outside world in the long run have taken place in recent months and brief comments on them should be useful background information for Canadian exporters.

Canada's Trade with Central America and Panama

How will the fast developing Common Market affect Canadian trade with this area? Can we increase the 2.7 per cent share of its import trade we held last year—and along what lines?

Several months ago, the five Central American states signed a new document known as the Charter of San Salvador which replaces a somewhat similar document signed in 1959. The new charter provides for the setting-up of an organization similar to the Organization of Central American States (ODECA). The Charter calls for the formation of a Supreme Council of heads of member states and of a Central American Court of Justice, as well as the creation of legislative, executive, economic and educational councils. This Charter must be ratified by the separate governments before it becomes effective.

During the meetings of the heads of the Central American and Panamanian Governments with President Kennedy in San José, Costa Rica, last March, a number of economic and trade matters were given top priority on the agenda. Among these were increased trade between the Central American and the Caribbean regions; the creation of a fund of at least \$20 million* for

*All values are expressed in United States dollars.

the Central American Common Market Bank to promote industrial expansion; the establishment of a \$150 million fund within the Common Market Bank to promote economic stability in the area, and the according by the United States of preferential tariff treatment to Central American staple export products.

This historic meeting culminated in the signing of the Declaration of Central America by the seven Presidents. The features of the Declaration of more immediate interest to readers of this report are: agreement on acceleration of *Alliance for Progress* assistance in Central America, the decision that the United States will help finance regional projects to a value of up to \$200 million to be made available through the Common Market Bank, and agreement on means and ways to stabilize prices of coffee and other export products.

The Central American Common Market

The fast-developing Common Market is so important that it is essential to comment on it in giving a fair indication of the prospects for Canadian goods in this area.

It is even more important to keep in mind that although only 60 per cent of the NAUCA customs tariff items (NAUCA is the new Common Market tariff) has been equalized to date, agreement has been reached on 95 per cent of the entire tariff. By 1966, all products will enjoy complete freedom of movement within the Central American Common Market. The articles that follow will illustrate the ever-increasing importance of internal trade among these Central American countries.

This development naturally has and will continue to have a direct bearing on the pattern of Canada's trade with this area and especially on the nature of the products traded. This is the reason why in-

dustrial development is emphasized in the following articles. Clearly Canadian exports to this area, like those of competing countries, will consist more and more of semi-manufactured products and raw materials and less and less of consumer goods, because local production of these is increasing under industrial promotion legislation.

It is also of interest to note that last August a clearing house agreement was signed between the five members of the Central American Clearing House and the Banco de Mexico. Central America will soon have its own common currency—the Central American peso, the value of which is set at par with the United States dollar.

In a recent study by the Central American Secretariat for Economic Integration, the number of industries reported for each country were as follows:

Costa Rica	5,784
El Salvador	2,385
Guatemala	2,140
Honduras	616
Nicaragua	1,575
Panama	169

Although up to now most of these industries have been turning out consumer products, such as processed food and drink, clothing, and footwear, diversification has been increasing since the inception of the economic integration program. A considerable number of secondary manufacturing plants have been established and there is an incipient chemicals and pharmaceutical industry.

Since its setting up in May 1961, the Central American Common Market Bank has granted a number of loans, and these too indicate in what direction industrial progress is moving. Table I gives these loans from May 1961 to June 1963.

Central American Foreign Trade

The over-all trade of this area is increasing rapidly, continuing the trend of the past several years. Table II gives a fair idea of the values involved and their rate of increase.

Total foreign trade for the area increased from \$1 billion in 1961 to over \$1.2 billion in 1962, or

TABLE I
LOANS GRANTED BY THE CENTRAL AMERICAN COMMON MARKET BANK
MAY 1961-JUNE 1963

Industries	Million U.S.\$	Per Cent of total
Building and related activities	1.8	30
Galvanized tubing	0.9	15
Electric materials	0.7	12
Textiles	0.6	10
Food packaging	0.5	9
Hard-fibre processing	0.2	5
Chemicals and pharmaceuticals	0.2	4
Furniture, etc.	0.2	4
School equipment and pencils	0.2	3
Footwear	0.1	2
Pre-Investment Loans	0.4	6
Total	5.8	100

Source: The Central American Common Market Bank.

TABLE II
CENTRAL AMERICAN FOREIGN TRADE

	Imports		Exports	
	1961	1962	1961	1962
	(millions of U.S.\$)			
Guatemala	133.6	132.9	110.2	109.3
El Salvador	108.7	124.8	118.7	136.3
Honduras	65.1	79.8	71.4	77.2
Nicaragua	74.4	98.2	70.2	90.2
Costa Rica	107.1	113.5	84.1	93.0
Panama	124.0	147.0	†25.0	*36.0
Total	612.9	688.2	479.6	550.0

Source: Local Bureaux of Statistics.

†All figures for Honduras and imports for Panama are f.o.b., Nicaraguan exports are f.o.b., all others are c.i.f.

*Estimates only.

TABLE III
CANADIAN TRADE WITH CENTRAL AMERICA AND PANAMA

	Imports		Exports	
	1961	1962	1961	1962
	(Can.\$'000)			
Guatemala	2,536	1,796	2,188	2,705
El Salvador	1,307	1,848	2,436	3,354
Honduras	7,391	7,617	1,061	897
Nicaragua	208	107	1,448	2,135
Costa Rica	4,227	6,259	2,931	3,473
Panama	6,168	8,321	4,578	5,645
Total	21,837	25,948	14,642	18,209

Source: DBS. All values are f.o.b.

nearly 20 per cent. Imports alone in 1962 were \$75 million higher than in the previous year, an increase of about 12 per cent in a single year.

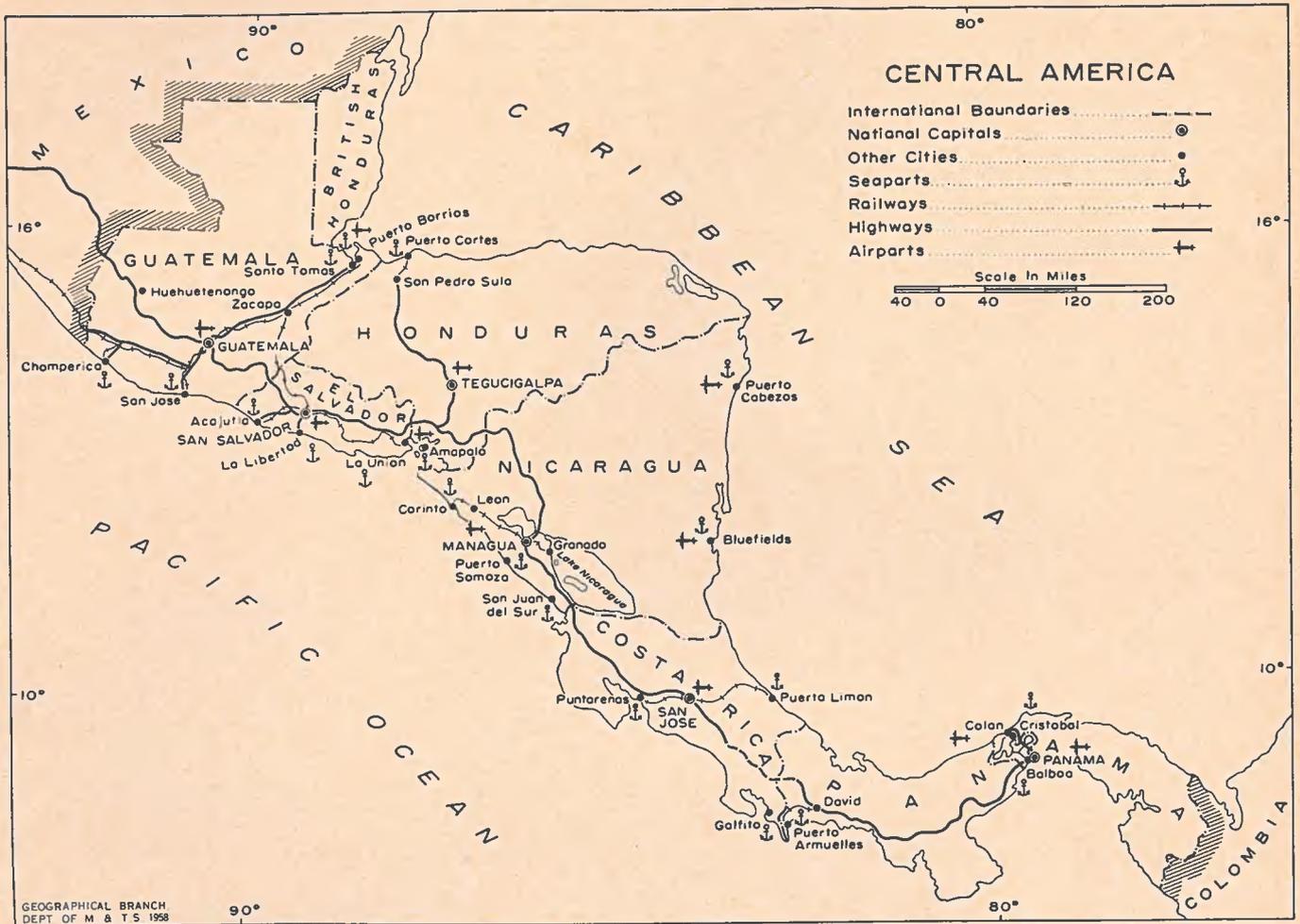
The distribution of both import and export trade is given in some detail in the accompanying reports. The United States, West Germany and, to an increasing extent, Japan are sharing most of that trade and other European countries are increasing their stake in it. But the influence of the Central American Common Market is being felt more and more. The permanent Secretariat of the Common Market (whose statistics are considered reliable) has already reported that in the 1950-1960 decade trade among the five Central American republics increased by 350 per cent, reaching a value of \$37.4 million in 1961. For the first quarter of the present year, Common Market internal trade amounted to \$15 million, 36 per cent higher than the figure for the corresponding quarter of 1961. As of July 1, 1962, the population of this area had increased to nearly 11.5 million, and their purchasing power is rising steadily. The nature of this trade is changing too. Until recently it was restricted chiefly to agro-pastoral products but it is swiftly being diversified and now includes chemicals and a wide variety of manufactured goods.

Canadian Trade with Area

A comparison of Table II with Table III will reveal interesting facts about Canada's share of this market and the general pattern of our import and export trade with this area.

As in past years, our best markets in this territory in order of importance are Panama, Costa Rica, El Salvador, Guatemala, Nicaragua and Honduras. Our largest suppliers are Panama and Costa Rica, followed by Honduras, El Salvador, Guatemala and Nicaragua.

Canada's share of imports totaling \$688.3 million in 1962 for the



whole area was somewhat less than 2.7 per cent, an encouraging increase over the 2.3 per cent of 1961. Much more encouraging is the rise in the value of the two-way trade by more than 20 per cent in 1962 over the 1961 total of \$36.4 million. Still more notable is the fact that our exports in 1962 were worth 25 per cent more than in the previous year, but the value of our imports during the same period rose less than 20 per cent. In other words, our adverse balance of trade with the area is decreasing.

During 1962 our balance of trade with Nicaragua, El Salvador and Guatemala, in that order, improved and we had a trade surplus. Our trade with Honduras, Costa Rica and Panama was in deficit. The total trade deficit with the area in 1962 was \$7.7 million, because the sur-

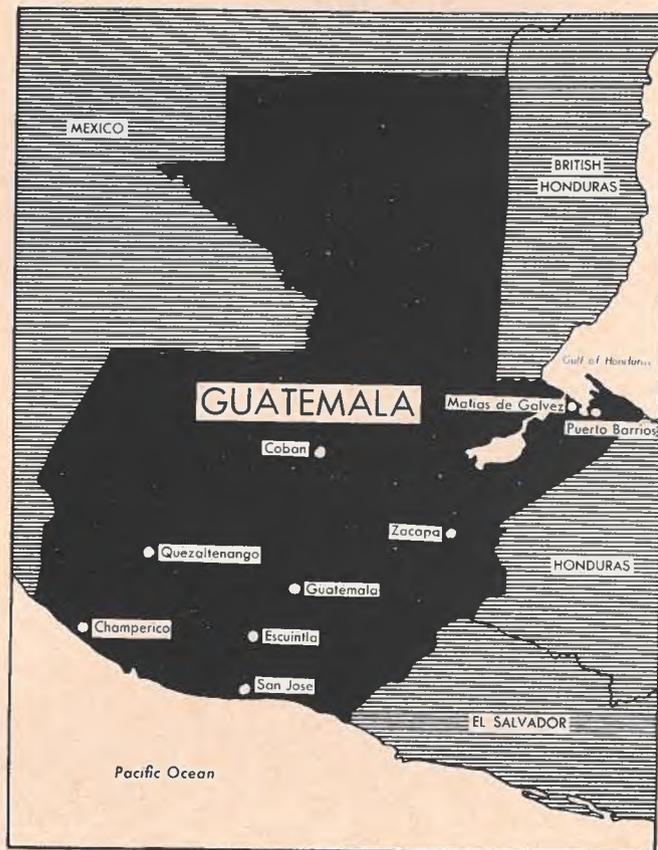
plus on trade with Guatemala, El Salvador and Nicaragua was cancelled out by our deficit with Costa Rica and Panama. By far the largest single adverse factor was our heavy purchases of bananas from Honduras and as a result our trade balance with that country was unfavourable by \$6.7 million.

TABLE IV
CANADIAN EXPORTS TO
CENTRAL AMERICA AND PANAMA

	January-June		
	1961	1962	1963
	(Can.\$'000)		
Guatemala	960	1,495	1,516
El Salvador	1,052	1,479	1,629
Honduras	503	413	624
Nicaragua	730	1,092	988
Costa Rica	1,576	1,758	2,063
Panama	1,990	2,258	2,328
Total	6,811	8,495	9,148

DBS statistics for the January-June period 1961 to 1963 confirm that our exports to this part of the world are increasing steadily. (See Table IV.)

Clearly, Canadian trade with Central America and Panama is increasing quite rapidly but obviously there is also ample room for further improvement. This should encourage Canadian exporters to take a closer look at this territory in the light of what is happening within the Central American Common Market. The information contained in this series of articles should provide useful clues on where the most promising sales opportunities lie. Canadian exporters are once again exhorted to explore them fully. In doing so, they can count on the full co-operation of the Guatemalan office. ●



Guatemala

- New government has brought political stability, increased business confidence.
- Single exchange rate set up; payments for non-essential goods now unrestricted.
- Trade deficit expected to be smaller this year, with exports up.

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

THE event that will probably influence business conditions in Guatemala most during the remainder of the current year and the coming one is the overthrow last March 31 of the Government of President Ydigoras by a military coup. The takeover by the civic-military junta was officially proclaimed "Operation Honesty". Certainly, progress in that direction is already evident. The business community, however, which generally endorsed the change of government, shows signs of frustration and impatience because of the slowness in bringing about the necessary reforms and the over-cautiousness of the new government.

Nevertheless, despite these signs of anxiety, the climate in general is one of moderate confidence in the new leadership and of relative political stability. After years of instability and maladministration, Guatemalan businessmen feel relieved and are looking forward to a much improved political and business climate. The next five or six months should reveal whether their hopes are well founded.

Exchange Position Improves

The substantial improvement in the foreign exchange position since the imposition of exchange controls in October 1962 is continuing at a rather spectacular pace. At the end of last April, the net foreign exchange reserves stood at \$59.3 million*, the highest figure since 1958.

As a result, the new Government took steps on May 25, 1963, to relax the exchange controls partially. (See article "Guatemala Imposes Exchange Control", in *Foreign Trade* of December 29, 1962). Restrictions were removed on payments for non-essential goods and the free exchange system was eliminated completely. Exchange operations are now carried on only at the official rate. However, financial remittances, such as capital

*All values are in U.S. dollars unless otherwise indicated. One quetzal equals one U.S. dollar.

transactions, are still subject to restrictions.

The spectacular rise in the value of certain staple exports, especially coffee and cotton, is the chief underlying factor in the much improved foreign exchange situation, although controls have also played a part. These controls are likely to remain in force for the time being to help strengthen the balance of payments further. Cautious economic policies are and will likely continue to be adopted to maintain domestic monetary stability.

Raising Revenue

The Income Tax Law passed by Congress last December became effective July 1 of this year. The income tax scale begins at 5 per cent on annual incomes of \$1,000 and progresses until it reaches a rate of 48 per cent on incomes of \$500,000 and over. The Government, apparently convinced that revenues derived from income taxes are unlikely to be substantial for some time to come, imposed new and rather unpopular taxes on such exports as cotton and essential oils and at the same time increased present taxes on fiscal property, fiscal stamps, diesel oil and gasoline.

To be sure, the new de facto government inherited from its predecessor nearly empty coffers. To remedy this, it is planning drastic reductions in current expenditures and the 1963/64 budget has been balanced at \$114.3 million; there will still be a deficit, but a smaller one. It seems that deficit financing in Guatemala is not a policy but a tradition.

Trade in Deficit

From 1945 to 1961, Guatemala accumulated foreign trade deficits totalling \$202.9 million. The year 1954 was the last one to produce a favourable balance—a mere \$9.3 million. In 1959, 1960 and 1961, for example, the adverse balances of trade were \$32 million, \$25 million and \$23 million, respectively.

Preliminary figures for 1962 show imports at \$132.9 million and exports at \$109.3 million, leaving a deficit of \$23.6 million. The corresponding figures for 1961 were \$133.6 million and \$110.2 million, with a deficit of \$23.4 million. The Minister of Finance estimates that the international reserves have declined by \$40 million chiefly because of a persistent adverse trade balance averaging \$27.5 million a year in the last five years.

The significant increase in the output of cotton, sugar, meat, shellfish and essential oils, among other products, should enable exports to reach \$128 million in 1963, thus reducing the foreign trade and services deficit to about \$12 million—a result that compares favourably with the average deficit of the past five years.

The pattern of Guatemala's foreign trade in 1962 followed closely that of previous years, with West Germany maintaining its position as second only to the United States as a supplier to and customer of Guatemala. Japan also improved its standing. The United States sold \$65.3 million worth of goods during 1962 compared with \$63.4 million in 1961; West Germany's share was \$13.8 million (\$14.7 million in 1961) and Japan's \$7.1 million (\$6.5 million). (All figures are on a c.i.f. basis.) The United States purchased \$55.7 million worth of Guatemalan goods in 1962 (\$58.8 million in 1961), West Germany \$21.5 million (\$19.4 million in 1961) and Japan \$10.9 million (\$8.5 million), all calculated on an f.o.b. basis. Other important suppliers and customers were Britain, the Netherlands, Belgium, Canada and France. Canadian trade with Guatemala is discussed in a separate article appearing in this issue.

Other Economic Indicators

Guatemala's gross national product decreased by 5 per cent, back to the 1960 level, mainly because of slashes in government spending and public investment. Here are

figures, using 1956 as base year, giving a fair indication of the situation prevailing in various sectors of the Guatemalan economy. (Corresponding data for 1961 are shown in parentheses.)

	\$ million	
Gross national product	658.7	(662.1)
Private consumption	515.1	(504.4)
Government expenditures	90.7	(79.4)
Public investment	18.0	(13.2)
Private investment	36.4	(42.9)
Net foreign investment	12.6	(8.1)

The forecast is for an increase in both public and private investment because of stricter administration of government funds and greater public confidence in political stability. A high-powered Guatemalan government delegation is at present spending several weeks in the United States negotiating with AID and other international agencies. The expectation here is that important decisions will be taken soon to start the economy moving at an accelerated pace.

Industrial Development

Despite the caution that has characterized the present regime to date—and which is the main cause of the impatience prevailing in the business community—there have been sound developments in the industrial field in 1962 and 1963. Among these are:

- The Government has applied to the World Bank for a \$9 million loan to finance the extension of the telephone system.

- The National Planning Council has approved the construction of a hydro-power plant on the Los Esclavos River at a cost of approximately \$5 million. The Intituto Nacional de Electrificación (INDE) to which H. G. Acres International of Niagara Falls, Ontario, is acting as consultant, will finance this with a contribution of \$1.3 million and a loan of \$3.8 million from the IADB. The plant will have an installed capacity of 13,000 kw., which should be sufficient to meet

the requirements of the entire south-eastern part of the country.

- The Central American Common Market Bank (BCAIE) has extended a loan of \$140,000 to help finance a new plant to make office and school equipment.

- The UN Special Fund has loaned Guatemala \$767,000 for preliminary studies on forestry development. The Government's own contribution will be \$893,000.

- A project still in the exploration stage might culminate in the investment of some \$60 million for the exploitation of nickel deposits.

- A sugar refinery is being built at a cost of \$3 million with an annual capacity of 30,000 metric tons of sugar. The mill will process some 300,000 tons of sugar cane, likely to be grown locally. The mill should reduce Guatemalan imports from El Salvador of about 10,000 tons of sugar a year.

- The classification of "new industry" under the Industrial Development Law has recently been given to a cotton processing plant with a \$200,000 capital investment; a cottonseed treatment plant (capital \$40,000); an asphalt plant (capital \$62,500); a clothing manufacturing plant (capital \$33,000), and a plant to produce plastic foam (capital \$30,000).

- A nylon stocking factory, capitalized at \$200,000, began operations in March.

- A large food-processing plant, representing an investment of \$1 million, is currently under construction.

- Westinghouse proposes to manufacture electric ranges and washing machines here as a result of negotiations with the Central American Common Market Bank.

- The Common Market Bank has granted loans totalling \$1.2 million

to various Guatemalan industries since 1962. It is now studying applications from no less than ten other industries for a total of \$2.5 million. The manufacture of clothing, lace, synthetic fibre fabrics, aluminum pots and pans, cotton hose, plastic goods and canned food-stuffs is planned; so is expansion of existing cotton ginning, spinning and weaving plants.

The Outlook

Prospects for the remainder of 1963 and for 1964 are far brighter than they have been in the last few years. Progress should be marked, provided that the current political stability is maintained and the present government carries out its promise to put the economy on the move again, in an atmosphere of honesty and confidence. ●

N.B. Sources of statistics: the Banco de Guatemala and the Guatemalan Bureau of Statistics.

Honduras

— Progress good during 1962, with gross national product up 5 per cent.

— Recent coup has brought political instability; downtrend in business expected to follow.

— Some business opportunities continue, but should be followed up cautiously.

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

THERE are signs that economic growth in Honduras quickened in 1962 compared with 1961. Until now, the country has been plagued with more economic ills of all kinds than the neighbouring Central American republics. A chronic problem was that year after year the rate of population increase, at

about 3 per cent a year, exceeded the rate of economic growth.

In 1962, however, the gross national product and national income increased by at least 5 per cent, compared with only 2 per cent in 1961. This means that the net increase in gross national income was 2 per cent greater than the rate of

population growth—a very encouraging development, especially in Honduras.

Government Financing

Government finances are still in poor shape and this seriously restricts the borrowing capacity of the country. The U.S. Agency for International Development has granted a \$2 million* loan to the Honduran Government to help reduce the budget deficit. The loan is supposed to be used to expand educational services and promote agricultural and industrial projects. Nevertheless, the over-all deficit during the 1962 fiscal year totalled

*Note: All values are in United States dollars.



\$4 million, up another \$1.8 million from 1961. By February 1963, the internal public debt had reached \$18.5 million compared with \$17 million a year earlier. The external debt was also up in the last year: in April 1962, it stood at \$14.5 million. The cost of living rose slightly during the year.

In an attempt to cover some of its excess spending, the Government, in addition to increasing customs duties, last June approved a surtax of 20 per cent on incomes of \$10,000 and above. The country continues to suffer from sporadic but frequent labour difficulties.

Trade Surplus Achieved

Final statistics for 1961 show that the trade deficit of 1960 and previous years was finally converted into a surplus, chiefly because of better earnings from banana exports. But unfortunately this healthy state of affairs was not repeated in 1962. Honduran imports for 1962 were valued at \$79.8 million and exports at \$77.2 million, producing once again an adverse balance of \$2.6 million. The main causes this time were labour troubles and the failure of the government to clarify its policy under the Law of Agrarian Reform. In 1962, the country's

best customers and suppliers were the United States, El Salvador, West Germany and Guatemala, in that order.

One encouraging development is the granting of a \$5 million loan by the IADB to the National Development Bank to promote agricultural production. This should go a long way toward helping Honduras' agropastoral economy, especially at a time when economic difficulties are compounded by a confused political situation.

One encouraging development was the 1962/63 crop of 400,000 quintals of raw cotton and 225,000 quintals of cottonseed which combined should yield about \$3.5 million in foreign exchange.

The National Economic Council, with the co-operation of the Economic Commission for Latin America and the Organization of American States, has designed a plan of financial aid for 1963-64 under which priority will be given to roadbuilding, telecommunications and hydroelectric projects; assistance to industry and agriculture will also be increased. Investments are expected to total \$30 million and foreign financing \$22.5 million during the current year. However, because of the recent political up-

heaval, it is no longer possible to determine what amount of foreign assistance Honduras will receive within the foreseeable future. The current political climate is not conducive to greater foreign investment.

Industrial Development

The Government, for all its lack of financial resources, has continued to aid industrial development. Foreign aid and private investment are also fostering progress in industry. Among current projects are:

- A plant to produce yarns, under a \$200,000 loan to the Fabrica de Textiles de San Pedro Sula by the National Bank of Honduras.
- A candy factory, to be financed partly by a \$170,000 grant from the Central American Common Market Bank.
- A plant to make glass and bottles for Honduran breweries and soft drink distributors is being sponsored by local capital.
- A group of U.S. investors is planning to build a brick factory in San Pedro Sula to make 10,000 bricks an hour—enough to meet domestic needs and leave a surplus for export.
- A loan of \$1.5 million from the Central American Common Market Bank to Cementos de Honduras will help to double the present capacity of its plant to 90,000 metric tons a year. The Bank has also loaned Dania, S.A., a shoe factory, \$108,900 to expand its production.

The protracted negotiations with Crown Zellerbach and National Bulk Carriers over building a pulp and paper mill have ended in failure partly, it appears, because present forest laws and government policy make it impossible to build a large mill. FAO and other agencies are still interested in preliminary and feasibility studies.

Public housing projects, road building and the Rio Lindo hydroelectric development are all making some headway. The need for spending on education, health and other

social programs continues to be pressing. In fact, the money supply for any purpose is short.

The Outlook

The prospects for 1963 were for a modest over-all improvement in

business conditions but with the recent military coup, political instability is the order of the day. The coup has further blurred an already confused picture and a reasonable forecast at this time is not possible; a general downtrend in business ac-

tivity and economic development seems likely. Nevertheless, Canadians should go on watching for business opportunities in this small market, but in following them up, they should exercise more than the usual degree of caution. ●

El Salvador

- Political stability has inspired confidence among businessmen.
- Industry is developing rapidly, with growing domestic and foreign investment.
- Excellent crops and larger exports of coffee and cotton have increased favourable trade balance.

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

BUSINESS confidence, severely shaken by the political disturbances of 1960 and 1961, has now been largely restored in El Salvador.

Apart from a few attempts against the Government which were quickly suppressed, this country has been enjoying political stability since President Rivera took office on July 1, 1962.

Most indicators reflect improvement in varying degrees in all sectors of El Salvador's economy. Both industry and agriculture registered significant gains. Statistics issued by the Central Reserve Bank of El Salvador speak eloquently for the progress achieved in the last three years. One of the problems that continues to cause the Government some worry is balancing the budget.

VOLUME OF PRODUCTION INDEX (Base: 1956=100)

	1960	1961	1962
Agriculture	99.59	112.54	122.69
Manufacturing	120.34	124.66	140.21
Electric Power	161.31	173.56	194.39

Gold and foreign exchange reserves held by the Central Bank totalled \$24.8 million* at the end of 1962, a slight drop from the \$27.2 million of a year earlier. But there were compensating factors, such as the more favourable balance of trade. (See Table I.) Salvadorean exports in 1962 rose 14 per cent in value over 1961.

TABLE I
EL SALVADOR'S FOREIGN TRADE

	1961	1962
	(millions of U.S.\$)	
Exports (f.o.b.)	118.7	136.3
Imports (c.i.f.)	108.7	124.8
Balance of trade	+10.0	+11.5

Source: Central Reserve Bank of El Salvador.

Cotton production, which totalled 310,000 bales during the 1962-63 crop year, is expected to reach a record 400,000 bales in the 1963-64 season. All of the output except the 40,000 to 50,000 tons needed

*All values are in United States dollars.

for domestic consumption will be exported—helping to improve the balance of trade further. The three ginning plants being established will bring the total number in operation to 17 by the end of this year.

Net international reserves, which declined to a low of \$8.8 million in November 1961, rose to \$16 million in November 1962 and in January 1963 climbed to a comfortable \$29.6 million. This remarkable recovery (aside from the seasonal spring rise) resulted chiefly from the excellent crops of cotton and coffee, even though world coffee prices kept on falling. The volume of cotton exports was up 34.8 per cent over 1961 and that of coffee 5 per cent. The exchange controls introduced in April 1961 continue in force, but last June some of them were removed for trade in a limited range of goods between El Salvador and certain Central American countries. Principal products affected were cigars, cigarettes, shoes, perfumes, cosmetics and textile goods.

Preliminary figures for the first four months of 1963 indicate a favourable balance of \$32.8 million, compared with \$17.9 million in the same period of 1962. (These early figures include advance sales of the 1962-63 coffee crop.) There is one significant change in the pattern of foreign trade: the other Central American countries are becoming more and more important both as markets and sources of supply for



Salvador. Table II reveals this trend.

TABLE II

SALVADOR'S FOREIGN TRADE

	1961	1962
Principal Suppliers (millions of U.S.\$)		
United States	42.6	41.5
Central America	14.7	22.0
West Germany	10.6	11.8
Netherlands	10.2	11.6
All others	30.6	37.9
Total	108.7	124.8
Principal Markets		
United States	40.2	46.0
West Germany	36.3	35.3
Japan	18.7	26.2
Central America	15.0	18.7
All others	8.5	10.1
Total	118.7	136.3

Industrial Expansion Encouraged

As confidence is restored and Salvadoreans are encouraged to invest in their country's progress rather than keep all their savings in banks, industry will expand more rapidly and the economy will recover much of its buoyancy. In fact, there are already sure signs of this —both international and private investments are rising.

Loans by the Inter-American Development Bank, the U.S. Agency

for International Development, the Export-Import Bank, and other international agencies are growing in size and number.

Here are some of the significant developments in Salvadorean industry:

- Industrial production rose 17 per cent in value from 1961 to 1962, with the main increase in clothing and vegetable oils.

- A new \$10 million oil refinery was opened at the port of Acajutla last April, with a daily capacity of 14,000 barrels. Domestic consumption is about 6,000 barrels a day, leaving a sizable surplus for export to other Central American republics.

- A fertilizer plant is being built also at Acajutla, with United States, West German and Central American capital estimated at \$4.4 million.

- Progress has been made with the Government's proposed investment of \$18 million in 22 projects planned for 1963. These include social welfare, building of roads and highways, and the housing development at the port city of Acajutla where 2,000 homes for workers are being built.

- A new company was formed recently, owned jointly by Unilever and the wealthy Salvadorean de Sola group. At present the firm is expanding its output of margarine and toilet soap; next year it will begin production of detergents, toothpaste and other products in quantities sufficient to supply much of the demand in the other Central American Common Market countries.

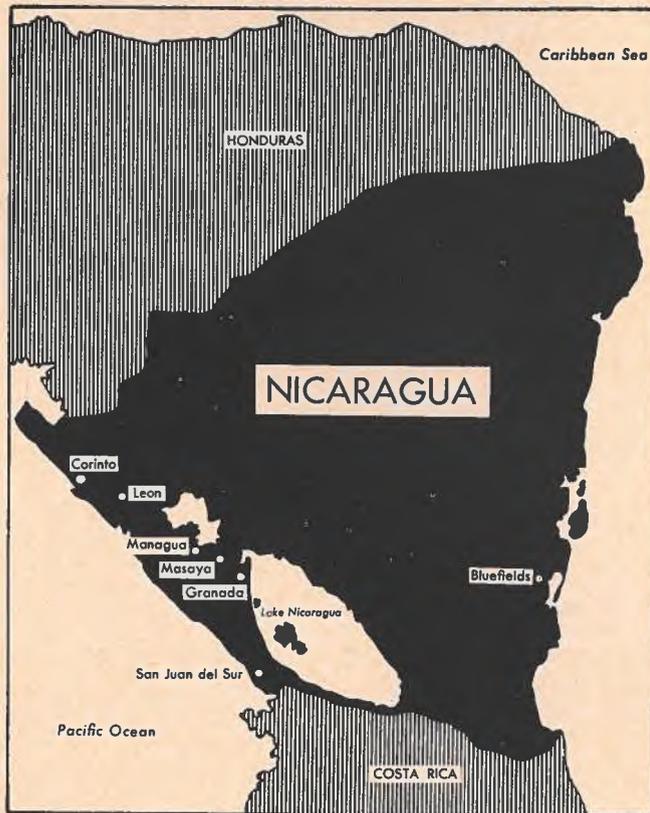
- A plant is being established at a cost of \$1.2 million to make seven million litres of industrial alcohol a year.

- The Philips organization has announced plans to invest \$500,000 in a factory to make electric light bulbs.

- Reynolds International of New York will invest in a plant to make aluminum products.

A number of other industries are either developing new facilities or expanding existing ones, taking advantage of the benefits extended under the Industrial Promotion Law. There has been a marked increase in this activity since the beginning of the year, and the industries include plants to produce pencils, yarns and nylon stockings, foodstuffs (including soup and molasses), and glass, and to assemble motorcycles. One company is investing \$3.2 million in a sugar mill and another \$6 million in a fish-processing plant.

This is merely a partial list of what is being done or is planned for the near future. It is not surprising therefore that the value of industrial production jumped from \$53.2 million in 1961 to \$62.4 million in 1962, and that foreign capital investment, which was valued at \$18.9 million in December 1960, soared to a high of \$25 million by the end of 1961. Nor is it surprising that the CEL (the state-owned Rio Lempa Hydro-Power Institute) produced 230 million kwh. in 1962, pushing its sales revenue up 13.6 per cent from the previous year. ●



Nicaragua

- Bumper cotton crop has boosted exports, improved foreign exchange earnings.
- Cordoba made fully convertible, but prior deposits on imports still required.
- Industrial build-up continues, with emphasis on chemicals, textiles, consumer goods.

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

CURRENT business conditions in Nicaragua are good and the prospects for the coming year are bright. Presidential elections were held early in the year and although there were a few incidents, political stability was fairly well maintained. The 1962/63 cotton crop reached a new peak and, combined with the bumper crop harvested during the 1961/62 season, helped boost exports substantially. To make matters even better, exports of bananas and beef increased further.

The international reserves increased from \$29.5 million* on March 31, 1962, to a new high of \$37.7 million on the same date this year. Exports and imports, although still producing an adverse balance of trade in 1962, were both 32 per cent higher in value than in the previous year.

Table I shows how rapidly Nicaragua's foreign trade is expanding.

TABLE I
NICARAGUA'S FOREIGN TRADE

	Imports (c.i.f.) (millions of U.S.\$)	Exports (f.o.b.) (millions of U.S.\$)
1961	74.4	70.2
1962	98.2	90.2

The most important exports were cotton, beef, sugar, coffee and bananas; the chief imports were chemicals, pharmaceuticals and insecticides. The United States, Germany and Japan were again the chief trading partners, both as suppliers and customers. Canada's trade with Nicaragua is discussed in detail on page 10; there is a good possibility that our exports for 1963 will exceed those of 1962.

The main reason for the current prosperity is increased production and exports of agro-pastoral products, even though other sectors also registered gains. To spur small farmers to greater production, the National Bank of Nicaragua granted, as of last July, over \$1.3 million in loans under its Rural Credit Program.

*All values are in U.S. dollars.

The Bank also had loaned some \$11.7 million to help finance the last cotton harvest. Cotton plantings this year have been increased well over 10 per cent above last year and a proportionate increase in foreign exchange earnings is expected.

Foreign Exchange Laws

The healthy state of the economy undoubtedly made possible the free convertibility of the cordoba, accomplished by the new Exchange Law which became effective on March 1 of this year. This law does not alter the import regulations under which importers must make prior deposits of 40 per cent of the c.i.f. value of goods included on List 2 (semi-essentials) and 100 per cent of the value of those on List 3 (non-essentials). Interested readers should look up the article "Nicaragua's Import Licensing System" published in the September 9, 1961, issue of *Foreign Trade*. It should be noted, however, that prior deposits are not required on imports from Central American Common Market countries.

On March 1, the Nicaraguan Government issued a decree giving the Central Bank the exclusive right to buy and sell foreign exchange. The Bank is empowered, however, to operate through specially authorized agents. Buying and selling rates must be kept within 1 per cent of par value, which remains at seven cordobas to the United States dollar. Exchange for invisible imports may be purchased from an authorized agent but exchange to pay for visible imports must be bought from a bank.

As a result of the Tripartite Agreement for Regional Integration signed in August 1961 between Nicaragua, Costa Rica and Panama, some 100 products may now be traded freely among the three countries. Chief products are canned meat, non-metallic minerals, scrap iron, textile fibres and agricultural machinery.

Preliminary figures of the census taken last May show Nicaragua's

population as over 1.5 million, with 61 per cent living in rural areas. Managua, the capital, has a population of over 230,000, a 100 per cent increase in the last thirteen years. Industrial expansion has been keeping fairly well in step with the population increase.

Industrial Expansion

Here are some of the developments on the industrial scene.

- French telecommunications experts working under the sponsorship of the UN Special Fund in cooperation with the IADB and the Nicaraguan Government conducted a feasibility study in Nicaragua during the past year, looking towards the eventual installation of a uniform network of automatic telephones for all of Central America.

- Westinghouse International has joined with Nicaraguan and other Central American interests to establish a \$2 million plant. The new firm, Electra de Centro-America, will make four different types of refrigerators and eventually deep-freeze and air-conditioning units. This factory will employ 250 workers and expects to produce from 15,000 to 18,000 units a year.

- The Tropical Development Co. of Cleveland is building a diesel-powered sawmill.

- The \$8 million ESSO refinery in Managua is now in operation; the daily capacity is 5,500 barrels of oil.

- Building is progressing on a \$1.5 million plant to produce dacron and rayon fabrics.

- Under the Central American Common Market agreement for integrated industries, Nicaragua will set up a plant to produce caustic soda, detergents and insecticides. European and U.S. investors are contributing \$4.5 million. Completion is planned for 1965.

- Another plant capitalized at \$500,000 is being built to make sacks and bags for industrial use.

- Nestlé intends to set up a modern milk-processing plant.

- The new flour mill at Chinandega is expected to be in full operation shortly; capital was provided by Nicaraguan and U.S. sources.

Among the public works projects making progress is the large Rio Tuma hydroelectric development. AID has granted Nicaragua a loan of nearly \$1 million to extend the runway at Las Mercedes International Airport in Managua by 3,000 feet to accommodate jet traffic, and the World Bank has loaned \$2.6 million for a large irrigation project. The plan calls for the irrigation of 22,000 acres of agricultural land at a total cost of \$4.6 million. The INVI (National Housing Institute) is to build 2,850 low-rental houses at an estimated cost of nearly \$8 million.

Obviously the Nicaraguan economy is progressing well. Despite the limitations of the market because of the small population, Canadian exporters are encouraged to take a good look at this market at a time when business conditions augur well for the future. ●

For Further Information . . .

. . . see these articles published in earlier issues of *Foreign Trade*.

Central America and Panama
Prospecting in Central America
and Panama—Aug. 10, 1963

Dominican Republic
Making Sales in
Santo Domingo—Sept. 7, 1963

Guatemala
Guatemala Imposes
Exchange Controls—Dec. 29, 1962
How's Business
in Guatemala?—June 1, 1963
Power and Irrigation
Study—Oct. 19, 1963

Mexico
LAFTA Membership and
Mexico's Trade—Aug. 10, 1963
Mexico's Dynamic Chemical Industry
—Part I—Oct. 5, 1963
—Part II—Nov. 2, 1963

Panama
New Public Warehouse Opened
in Panama—Dec. 29, 1962



Costa Rica

- Financial problems remain serious, with trade deficit continuing.
- Coffee exports down in first quarter of 1963, but may improve slightly next season.
- Industrial expansion, development projects planned or under way with aid of international loans.

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

BUSINESS in Costa Rica had a difficult year again in 1962. The Government is facing serious financial troubles as it struggles to increase revenue to help right a lopsided budget. As in past years, there was a trade deficit of \$20.5 million* (1961, \$23 million). Prospects for improvement during the remainder of this year are not bright: during the first three months

the deficit reached \$732,000, compared with a trade surplus of nearly \$6 million for the same quarter of 1962. Imports in 1962 were valued at \$113.5 million and exports at \$93 million; the figures for 1961 were \$107.1 million and \$84.1 million.

The decrease in exports during the first quarter of this year is largely the result of smaller coffee exports, compared with sales abroad from the bumper crop harvested

during the 1961-62 season. However, slightly larger exports of bananas, cocoa and frozen meat partly offset this decline. Forecasts are for somewhat higher foreign exchange earnings from the 1963-64 coffee crop. Exports of bananas should stay at about the same level, but the cattle industry has been severely hampered by volcanic ash from the erupting Irazu volcano. The agricultural forecast for the remainder of this year and for 1964, therefore, is for only a slight improvement at best—and that is probably an optimistic view.

Government Financing

Foreign exchange reserves which stood at \$26 million at the end of June 1962 had declined to \$23 million by the end of last June.

Credit is still tight. The International Monetary Fund signed an agreement with the Costa Rican Government early this year establishing credit facilities of up to \$11.6 million for a period of twelve months. The previous standby credit agreement, which expired in October 1962, was for \$15 million; Costa Rica drew \$10 million but repaid \$6.6 million.

Internal finances have been in such poor shape that the Government has sought a loan of \$7.6 million from AID to finance projects for housing, road construction, hydroelectric power and an improved water-supply system. The cost of living continues to rise. Earlier this year the Government raised import duties on liquor and gasoline, and increased taxes on soft drinks, cigarettes and beer.

Although current business conditions are not very encouraging, there are some developments which give cause for hope. The World Bank is arranging to grant a \$22 million loan to Costa Rica for the expansion of existing and installation of new hydroelectric power facilities and the establishment of a badly-needed modern telecommunications system, designed to be integrated with the proposed uniform auto-

*All values in United States dollars.

matic system for all of Central America.

In September, at long last, the Costa Rican General Assembly ratified the Central America Common Market treaties and protocols and the Government paid its contribution to the Central American Common Market Bank. Costa Rica thus became a full-fledged member of the fast-developing Common Market.

Development Projects

The Instituto Costarricense de Electricidad (ICE) is making progress with the Cachi hydroelectric development which should have a capacity of 70,000 kw. The World Bank has recently approved a \$12 million loan to assist in its financing. The 37,500 kw. hydroelectric project has been completed and its output is available for consumption.

The ICE has successfully negotiated another \$9 million loan from the World Bank to finance the purchase abroad of a national automatic telephone system, the total cost of which is estimated at \$11 million. Some of the invitations to bid on the equipment have already been issued.

The IADB has granted Costa Rica a loan of \$1 million to help finance agricultural, industrial and fishing co-operatives. Costa Rican participants will provide \$500,000 towards the project; so will the National Bank.

Industry Encouraged

As in most Central American countries, businessmen here seem to be strongly stimulated by the benefits granted under the various industrial promotion laws. Under the Costa Rican Industrial Development and Protection Law, a great many industries have received these benefits. The principal products manufacture of which will be encouraged under the law are:

Wire springs

Plastic bags, tubes and sheets

Knitted textiles and underwear

Synthetic resins and polyvinyl acetate emulsions

Plywood, paper bags, toilet paper, paper towels and napkins

Gramophone records

Cotton wool and sanitary towels

Polyethylene bags and plastic containers

Non-galvanized iron and steel wire for the manufacture of nails, staples and wire netting

In addition, there are plans to expand a carbonated soft drink plant, and to establish assembly plants for Renault automobiles and General Electric and Admiral television sets.

An important industry scheduled to begin production about June 1964 is a cement plant with an initial capacity of 90,000 metric tons, which will permit substantial savings of foreign exchange now being spent on imports of cement.

Another interesting project is the nitrogenous fertilizer plant which Fertica, S.A., (the same interests as Fertica of El Salvador) has built at Puntarenas on the Pacific. It should be in production by the time this article is published.

Last June the Government finally approved the contract for the installation of an oil refinery at Puerto Limon, financed principally by the Allied Chemical Corporation of the United States.

To summarize, current business conditions in Costa Rica are not too promising but they have not deteriorated to an alarming extent and there is some hope for mild improvement during the coming year. ●

Panama

- Eight year development plan began this year; foreign aid to finance about 50 per cent of it.
- Imports exceeded exports by \$111 million in '62 but other sources of income made up for deficit.
- New tax levied on imported goods to bring in more revenue.

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

THE Panamanian economy continues to expand and business conditions are good. Presidential elections are due in 1964 and this could mean a period of instability. But at the time of writing, prospects for the coming year are bright.

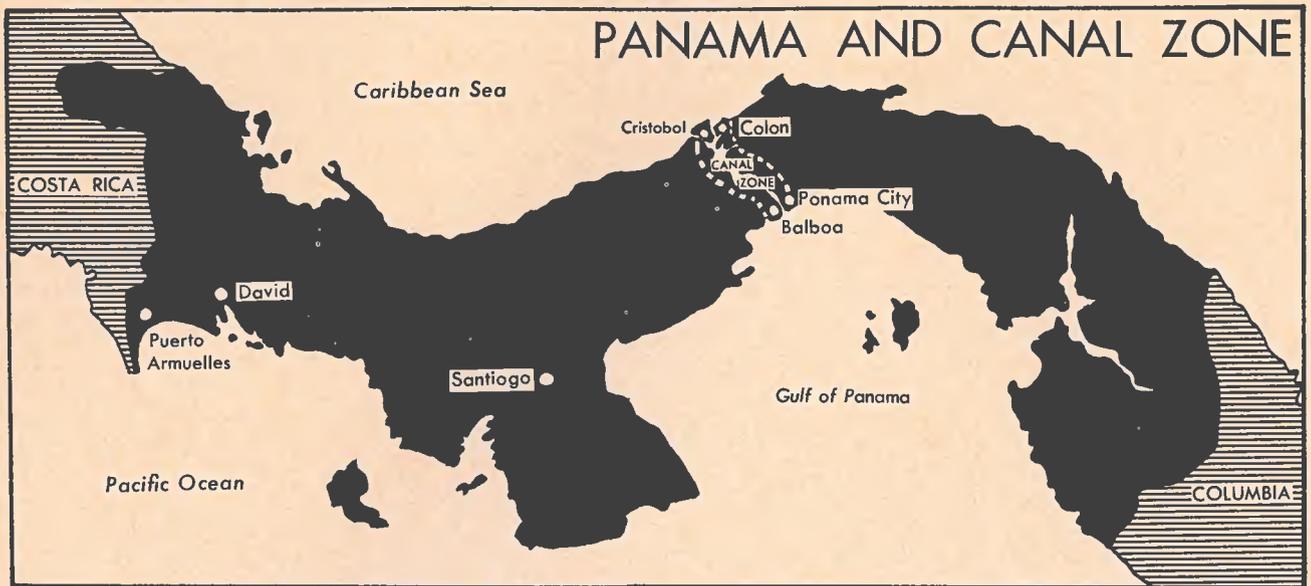
The gross national product increased by 5.4 per cent in 1962, and according to a United Nations survey, this was the third highest rise in GNP in Latin America. Bank deposits are increasing steadily, credit is easing, the index of industrial production is up, and exports are increasing. The most evident clouds in an otherwise confidence-inspiring business climate are the

high unemployment and the attendant labour difficulties, and the deficit in government finances.

It is true that traditionally Panama has large trade deficits but this is more than compensated by the increasing income received from Panama Canal operations and military expenditures by the United States.

The most important development is the eight year Panama development plan, with a total planned expenditure of \$437.3 million* between 1963 and 1970. Of this, \$243.2 million would be in the form of loans and credits under the

*All values are in United States dollars.



Alliance for Progress and from international agencies. These funds would be applied to agrarian reform, roadbuilding, urban development, the building of seaports and airports, electrification programs, public and private building, industrial development, the tourist trade, and reforms in government administration.

As of this year, the Panamanian fiscal year will begin March 1 and end February 28, instead of being based on the calendar year.

For the current year, the Government has proposed a balanced budget but there are already good reasons to expect the usual deficit. The plan is to increase revenues through improved tax-collection methods. Of interest to Canadian exporters is the additional 1 per cent tax levied on the f.o.b. value of imported goods. Thus, this tax is now 1½ per cent of the f.o.b. value, a factor to be considered when preparing quotations for Panama. In addition, the Government is now levying a \$2 tax on all passengers leaving the country by air, except on holders of tourist cards.

Imports Outpace Exports

Exports last year were estimated at \$36 million, but imports soared to a high of \$147 million, nearly

\$23 million above 1961. This created a trade deficit of \$111 million but as already pointed out, this is a normal situation for Panama. The principal exports were shrimp and bananas; the 1962 shrimp catch totalled over 13.2 million pounds, or 12 per cent more than in 1961. Most of the catch is exported and thus shrimp have become one of the country's top dollar earners. The chief import was fuel, followed by foodstuffs, chemicals, motor cars, electrical and industrial machinery, textiles, and metal manufactures, in that order. The United States is by far the leading trading partner, normally providing half of Panama's imports and buying nearly 90 per cent of her exports. Other main suppliers are Britain, West Germany, and Japan.

Industrial Development

In Panama, as in the Central American republics, interest in industrial expansion is quickening. Among the interesting developments are the following:

- A British company has acquired a one-third interest in Refineria Panamá. This Panamanian refinery was established early last year and by the end of December, it was producing 38,000 barrels of oil a day —27,000 barrels for local consump-

tion and the rest for export. Last June, a floating tank with a capacity of 18,000 barrels was installed to service ships passing through the Canal. The firm will also install two storage tanks for jet fuel and will invest a further \$2 million in expansion.

- The St. Regis Paper Company of the United States has an interest in a plant built recently to make cardboard boxes used to ship bananas. Other factories to make paper cups and sanitary tissues are projected.

- Gases Industriales S.A. is building a \$250,000 plant to produce oxygen, nitrogen and acetylene.

- Fibrolite, a subsidiary of Cia. Cemento Panamá, began operations earlier this year and makes building materials from local wood and cement.

- A large plant to produce canned orange juice is under construction. Of a total capital outlay of \$20 million, \$4 million has already been invested in the factory, which should be in a position to enter the export market in 1966. This U.S.-backed company will eventually employ 700 men and proposes to plant a million orange trees. Orange peel and pulp will be used for cattle food.

The Agency for International Development is providing \$255,000 to build 125 new classrooms but the objective is to build 3,000 by 1967. AID assistance with the larger project will depend on future Panamanian government policy.

AID has also extended a loan of \$6 million to expand Panama City's water and sewerage system. This undertaking should be completed by 1967 and the system should take care of the entire city's needs.

The Canal Zone

The Canal Zone plays a prominent rôle in the economy of Panama and comments on developments there are relevant.

As of July 1, 1963, minimum wages of all government agencies in the Canal Zone were increased from 60 to 70 cents an hour and a further increase to 80 cents an hour is due on July 1, 1964.

The Panama Canal Company has purchased from Japan 53 electric

towing locomotives at a cost exceeding \$4 million to replace the obsolete donkey tractors. The company will also be spending well over \$1 million on housing projects.

The company's annual report shows that for the year ended June 30, 1962, the number of ship transits reached a new record of 11,149 and the net revenue was \$7.3 million. Ships flying the flags of the United States, Britain and Norway were the best customers.

The Colon Free Zone

During 1962, the Colon Free Zone handled goods valued at some \$177.4 million, or nearly \$20 million more than in the previous year. The favourable balance of trade reached \$35.7 million.

Port facilities at Colon Bay are being developed further at a cost of \$3.5 million.

The Compagnie Générale d'Entreprises Electriques is investing \$1.3 million in the Zone to build

an abattoir, cold-storage facilities, a tannery and a footwear factory. This French firm has also expressed interest in financing and establishing a textile factory and canning plants for fish, soup and pork products.

The building of a pipeline across the Isthmus to decrease tanker traffic on the Panama Canal is being studied. The Free Zone's budget for 1963 provides for loans totalling \$16.3 million for that purpose.

Outlook

The economic stability characteristic of Panama should continue to prevail in 1964. Canadian exporters are encouraged to take a greater interest in the rapidly expanding market for goods of all categories, including consumer goods. It is significant that Panamanian imports have increased by more than 25 per cent over the period 1957-1961. This confirms that prospects in Panama for alert exporters are better than ever. ●

Puerto Rico

- Industrial build-up goes on; 82 new plants already established in '63.
- Sales of cigars and rum to the U.S. growing, with Cuba out of the American market.
- Canadian exports up 41 per cent in first half of this year.

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

"NOSOTROS AMERICANOS . . ." a Puerto Rican businessman began in answer to my question. These two words, spoken in Spanish, mean "We Americans". They explain much of the Puerto Rican business climate. The Commonwealth is firmly tied into the U.S. system but retains much of its Latin American charm. In this environment, the island continues to make impressive economic progress. Information

covering the first seven months of 1963 indicates that this year will be no exception, with industry, the tourist trade, and most of agriculture doing well.

Puerto Rican industry continues to expand. The major force behind this development is the "Fomento" program for attracting industries to the island. Although the program is more than a decade old, it has by no means reached saturation point.

Up to the end of July 82 new plants had been opened under Fomento auspices and 42 expanded with Fomento aid.

Despite Fomento's achievements, unemployment remains a problem. During the first seven months of this year, average unemployment ran at 12.6 per cent of workers, even though during this same period employment rose by 3.5 per cent.

Usually a good indicator of industrial activity, consumption of electric power by manufacturers rose by 12.2 per cent. Another indicator of activity, cement production, was up 7.9 per cent in the same period.

Because of some changes in building regulations, construction permits were held up at the beginning of this year and as a result construction has not kept pace, but private construc-



Puerto Rico has already exceeded Cuba's former record as a tourist magnet in the Caribbean. Hotels like La Concha in San Juan, the capital, pictured above, helped to attract some 572,000 tourists to the island from January to June this year.

tion was up 7.5 per cent in value over the first seven months of 1962.

Tourists Encouraged

The tourist trade, one of the island's major sources of income, is also expanding, thanks to efforts on the part of both the private tourist industry and the Government. Hotel registrations in the period January to July 1963 were up 12.8 per cent over the same period in 1962. Arrivals numbered 572,000, an increase of 18.7 per cent over the similar period in 1962. It is interesting to note that Cuba during its best season attracted about 400,000 tourists.

Agricultural Exports Changing

Although Puerto Rico is emphasizing its progress as an industrial and tourist centre, agriculture remains important. Sugar production is gradually falling off, but the island is still the largest single source of sugar for the United States. In addition, Puerto Rico is capturing the former Cuban position in the U.S. cigar and rum markets. Cigar sales to the continental United States are more than double the value of only two years ago and rum sales are

also moving ahead, an indication of increased acceptance in the U.S. market. Other agricultural products,

including coffee and pineapple, are also doing well.

Relationship with U.S.

Puerto Rico's status as a Commonwealth associated with the United States exerts a significant influence over its trading pattern. United States goods entering Puerto Rico are not subject to duty because the Commonwealth is within the U.S. customs area. However, foreign goods entering Puerto Rico must pay the U.S. customs duty. Canadian shippers who find themselves excluded from the U.S. market because of high tariffs will encounter the same problem in Puerto Rico. On the other hand, Canadian firms successful in the U.S. market will find it worthwhile to look into the potential in Puerto Rico for their products.

Canadian Sales Rising

Many Canadian companies, aware of the continuing growth of the

CANADIAN EXPORTS TO PUERTO RICO

	1963		Change (per cent)
	Jan.-June	1962 Jan.-June	
	(Can. dollars)		
Cattle purebred	218,678	15,800	*
Cattle dairy	31,849	5,300	*
Cod boneless salted	107,969	128,984	-17
Cod salted	1,601,138	1,206,860	33
Pollock dried salted	63,301	38,287	40
Oats n.e.s.	63,590	63,458	.....
Malt	241,886	261,811	-8
Potatoes, seed	79,897	.....	*
Potatoes n.e.s.	312,700	215,332	45
Dog and cat foods	30,243	32,381	-7
Whisky	49,992	36,451	37
Glove and garment leather	67,054	27,750	142
Lumber	2,365,044	1,998,594	18
Newsprint	798,784	437,408	83
Industrial chemical specialties and explosives	53,998	28,420	90
Aluminum pigs ingots slabs	25,194	28,725	-12
Copper plates sheet strip	54,194	39,513	37
Copper pipe and tubing	246,270	189,161	30
Copper alloy shapes sections	41,575	41,161	.....
Copper alloy pipe and tubing	14,976	81,812	-82
Firebrick and similar shapes	111,042	56,146	98
Packaging machinery and parts	17,165	57,108	-70
Passenger autos and chassis	106,060	123,740	-14
Rubber and plastic footwear	18,120	22,523	-20
Switchgear protective equipment and parts	397,920	.....	*
Passenger car tires	45,542	5,269	*
Total imports, including all items	7,737,066	5,469,236	41.47

*Indicates new item or substantial increase.

Source: DBS.

Puerto Rican economy, are already making record sales. Our exports to Puerto Rico during the first half of 1963 are up 41 per cent over the same period last year. Although our exports last year slumped slightly, the spectacular rise so far this year points to a record.

The staple items, lumber and dried salted fish, are making solid advances. Canadian lumber sales have continued to be good because of competitive prices, quality and service. Sales of dried salted fish, while meeting stiff competition from Europe, more than held their own during the first half of the year.

Canadian exporters have also emphasized some relatively new products, both agricultural and industrial. Cattle sales have done well this year and both seed and table potatoes have been in excellent demand. Industrial products such as switchgear, fire brick and explosives have also met with an encouraging reception during the first half of this year. Purchases of leather, another relatively new item, are up substantially.

Canadian products well known in Puerto Rico for some time are also selling better. Newsprint exports which, because of an increase in the price of daily newspapers, fell off last year, have quickly recovered lost ground. Sales of copper pipe and tubing for the sugar industry and construction continue to mount. Shipments of Canadian whisky, primarily for tourists and resident foreigners, are on the rise.

What is Canada *not* selling to Puerto Rico? There are, of course, a number of products not listed in the accompanying table being sold in smaller quantities. However, there are many manufactured products that Canadian firms are marketing successfully in the continental United States but which they have not yet introduced into Puerto Rico. It is in this field that the greatest potential for expansion for Canadian trade with Puerto Rico lies. Because the economy is integrated with that of the U.S., obtaining for-

foreign exchange is no problem. There are no limitations on converting or remitting foreign exchange.

Annual imports into this small island total about U.S.\$385 per capita. Many of these come in duty-

free from the United States, but with aggressive salesmanship more of them could come from Canada. The Santo Domingo office would be pleased to help you find the proper outlet for your product. ●

U.S. Virgin Islands

THE U.S. VIRGIN ISLANDS are known to many as a tourist paradise; income from the tourist trade totalled \$30.4 million in 1961 and \$41.4 million in 1962. The islands also carry on a substantial import trade: last year imports totalled over \$63 million. With a population of about 33,000, this means imports per capita of some \$1,900 a year. Tourist purchases reach about \$15 million a year, imports of raw materials for manufacturing products for export about \$4 million, and goods to be transhipped to neighbouring islands about \$1 million.

FOREIGN TRADE OF U.S. VIRGIN ISLANDS

	1962	1961
	(millions of U.S.\$)	
Total imports	63,364,567	50,208,444
Of which:		
United States	42,154,526	38,725,786
Foreign*	21,210,041	11,482,658
Total exports	19,789,808	8,396,847
Of which:		
United States	18,789,808	7,581,141
Foreign*	1,000,000	815,706

*Estimated.

The accompanying table shows that the United States dominates the market, supplying traditionally about 66 per cent of total imports. However, foreign suppliers sold \$21 million worth of goods there during 1962, particularly Britain, France, West Germany, and Japan, in that order. Canada sells about \$200,000 to \$250,000 worth each year; last year, the purchase of two aircraft pushed the total up to \$284,000. The biggest item is whisky.

Although most of the imports are for the tourist trade, the U.S. does supply many basic commodities: in order of importance they are food, metals and manufactures of metal, electrical equipment, industrial machinery, motor vehicles, building materials, lumber, chemicals, and clothing. Goods from the U.S. enter duty-free, but there is a uniform tariff of 6 per cent ad valorem on foreign goods. This tariff is not prohibitive for some of the items mentioned above, and this market merits examination by Canadian firms.

The major share of exports from the U.S. Virgin Islands goes to the continental United States and Puerto Rico (see accompanying table). The small remainder destined to foreign countries consists chiefly of transshipments to the neighbouring British and French islands.

In order of importance, the chief products sold to the United States are jewellery and metal articles, sugar, and rum. A provision in the U.S. tariff law which allows goods from the Virgin Islands with up to 50 per cent foreign content to enter duty-free is largely responsible for trade in jewellery and metal articles.

Until recently only one local bank, the Virgin Islands National Bank, and one U.S. bank, the Chase Manhattan, operated in the islands. However, a Canadian bank, the Bank of Nova Scotia, recently opened a branch in St. Thomas.

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

Dominican Republic: the Foreign Exchange Picture

Canadian firms selling in this market have a vital interest in the state of the Dominican foreign exchange reserves and the delays in making remittances. Here is a review of the situation in the last two years, the current picture, and some useful statistics.

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

THE unstable situation preceding and immediately following the assassination of Trujillo in May 1961 and the subsequent departure of his family in November 1961 left the Dominican Republic in a very difficult foreign exchange position. During 1962, with the economic recovery, imports rose substantially. Although the foreign exchange reserves were built up gradually, delays in remitting foreign exchange increased. In the spring of 1963, however, foreign exchange reserves began to go up substantially and remittance delays, which at one time reached six months, were maintained at about three months during the summer. The two factors largely

responsible for this foreign exchange recovery were U.S. aid funds and larger receipts from exports, particularly sugar.

The accompanying table gives net foreign exchange reserves and collections pending remittance during 1962 and 1963.

Procedure for Remitting

The procedure for remitting foreign exchange for imports is as follows:

● **Sight Draft Terms**—The supplier's draft is submitted to the importer by the collecting commercial bank. When the importer accepts the draft he pays in pesos, and gen-

erally the collecting bank requests him to sign a statement assuming liability for the exchange risk. However, it is wise for the exporter to specify this on his draft. The collecting bank then applies to the Central Bank for the foreign exchange. The Central Bank in turn grants foreign exchange in lump sums which the collecting bank remits in chronological order of payment in pesos. Terms of 30, 60 or 90 days are handled in the same manner, with the collecting bank presenting the draft for payment in pesos when it is due and then soliciting foreign exchange.

● **Letter of Credit**—An importer wishing to obtain a letter of credit must first obtain the approval of his commercial bank. The bank then applies to the Central Bank for permission to open a letter of credit in a foreign currency. Because a letter of credit means that the Central Bank must commit foreign exchange in advance, this permission is generally forthcoming for highly essential goods only.

It should also be borne in mind that a sight draft collection costs the importer one half of 1 per cent (the commission, which amounts to five-eighths of 1 per cent, is for the account of the shipper), but opening a letter of credit costs 1 per cent, if it can be obtained.

Current Situation

At the end of September this year, immediately following the

DOMINICAN FOREIGN EXCHANGE RESERVES AND COLLECTIONS
PENDING REMITTANCE 1962-63

End of Month	1962		1963	
	Net Foreign Exchange Reserves	Collections Pending Remittance	Net Foreign Exchange Reserves	Collections Pending Remittance
	(millions of U.S.\$)			
January	5.3	14.9	9.5	24.9
February	5.5	14.3	7.8	29.0
March	8.0	8.6	12.7	35.5
April	9.4	11.9	18.6	40.4
May	13.2	13.2	29.9	24.2
June	19.1	16.3	31.6	27.7
July	14.9	14.3	33.3	23.2
August	14.2	14.7	32.0	25.4
September	10.8	15.2	28.4	22.4
October	11.4	19.4	.....	.....
November	14.5	24.9	.....	.....
December	11.5	23.5	.....	.....

Source: Boletines Mensuales, Banco Central de la Republica Dominicana.

coup d'etat of September 25 and the establishment of a civil triumvirate to rule the country for two years, net foreign exchange reserves stood at \$28.4 million and collections pending remittance in foreign exchange \$22.4 million. Delays amounted to about three months. At the time of writing, four weeks after the coup, delays are still running about three months, with the reserves down slightly.

At the present juncture an accurate prediction of foreign exchange developments over the next few months is difficult if not impossible. However, the following factors will have a significant bearing on developments:

1. **Withdrawal of U.S. aid.** With the overthrow of the elected government of President Bosch, diplomatic relations with and aid from the United States were suspended. Subsequently the U.S. began to withdraw its AID personnel, emphasizing the firmness of its decision. U.S. aid dollars have since early 1962 provided an important supplement to the foreign exchange earnings. Although several million dollars committed before the coup will be taken up by U.S. shippers in the near future, U.S. firms which used foreign exchange provided through AID will now have to rely on foreign exchange made available through regular channels. The withdrawal of American aid will thus have a significant bearing on the Dominican foreign exchange situation.

2. **Sugar earnings.** During the past two years sugar has provided slightly over 50 per cent of Dominican foreign exchange earnings. Grinding and export of sugar goes on for seven to nine months of the year, leaving a slack season in the last quarter. As a result, sugar earnings are currently small and will not rise until late this year or early in 1964. Because of the present high world sugar prices, however, once this commodity begins to move sales

should contribute substantially to foreign exchange recovery.

In the above circumstances, caution is the word but Canadian firms established in the Dominican market must balance this against their desire to retain the goodwill of long-established customers. To demand letter-of-credit terms generally means that the customer will look elsewhere. If he cannot find another supplier he may return to you, but there is no guarantee of this. A policy that a number of foreign suppliers have adopted is to place

a limit on the value of pending remittances. This, when explained to the customer, helps to retain his goodwill because he is not to blame for the slow remittances and at the same time prevents the supplier's risk from becoming too great.

Canadian firms who are investigating the Dominican market should be fully aware of the potential remittance delays before committing themselves. Our office in Santo Domingo will be pleased to provide up-to-date information. ●

The Greek Customs Tariff

THE current tariff system in Greece, based on the Brussels nomenclature, has been in force since April 1960. Generally speaking, it is designed to reduce duties on raw materials (unprocessed raw materials not manufactured in Greece are duty-free) and on capital goods essential for the development of Greek industry and for the mechanization of agriculture. At the same time, the tariff gives reasonable protection to domestic producers.

It is a two-column tariff. The general column, with treaty rates of duty, applies to goods originating in countries entitled to most-favoured-nation treatment, including Canada.

As of November 1962, when Greece became associated with the EEC, customs duties on imports from member countries were reduced by 5 to 10 per cent. The agreement of association provided for the gradual elimination of the tariff barrier between Greece and the EEC over a period of from 12 to 22 years.

The Dodecanese Islands (Rhodes, Crete, etc.) are not covered by these regulations, and are subject to a different tariff; the Athens office will provide details about this on request.

In addition to basic import duties, various taxes and surcharges are levied as follows:

1. **Turnover Tax—7½ per cent**—applies to practically all products imported into Greece. It is calculated on the duty-paid value plus a 15 per cent contribution or "upmarking" charge. In a few cases the turnover tax is less than 7½ per cent or as high as 30 per cent.

2. **Consumption (Luxury) Tax—10 to 50 per cent**—levied on luxury items specified in the tariff and calculated on the c.i.f. value of the product.

3. **Contribution in favour of Greek universities—0.5 per cent**—applies to all imports; calculated on the c.i.f. value of the products.

4. **Special Import Surcharge Applied against Consumption (Luxury) Tax**—this special levy amounts to 40 per cent of the existing consumption tax and applies to certain luxury goods only, such as whisky and gin; tanned or processed furs, and passenger cars with an f.o.b. factory value exceeding U.S.\$1,800.

Here is how the duties are calculated on a typical import, pneumatic passenger tires—tariff item 40.11 A1b—specific duty rates applicable per 100 kilos (220 pounds).

	Cost
1. c.i.f. value of 10 tires weighing 100 kilograms	\$400.00
2. Duty—Drs.504	\$ 16.80
3. Turnover-tax—7½ per cent on \$479.32 (duty-paid value marked up by 15 per cent)	\$ 35.95
4. Contribution in favour of universities—0.5 per cent on \$400	\$ 2.00
5. Consumption tax—25 per cent of \$454.75	\$113.69
Total landed cost of product	\$568.44

—F. I. WOOD,
Assistant Commercial Secretary, Athens.

SHIPPING SERVICES FROM CANADA TO LATIN AMERICA*

TO	FROM		
	Pacific Coast	Great Lakes	St. Lawrence and Atlantic
British Honduras			Canada Jamaica Line <i>(Kerr Steamships Ltd., Montreal, Toronto, Saint John, Halifax)</i>
Costa Rica	Flota Mercante Grancolombiana Line <i>(Balfour Guthrie (Canada) Ltd., Vancouver)</i> Grace Line <i>(C. Gardner Johnson Ltd., Vancouver)</i>		Flota Mercante Grancolombiana Line <i>(Swedish American Line, Montreal; Furness Withy & Co. Ltd., Toronto)</i> West Coast Line <i>(Saguenay Shipping Ltd., Montreal, Halifax; A. O. Minshall Co., Toronto)</i>
El Salvador	Flota Mercante Grancolombiana Line Grace Line Mitsui Line <i>(Pacific Export Lines Ltd., Vancouver)</i>		<i>Via Puerto Barrios</i> Canada Jamaica Line Flota Mercante Grancolombiana Line <i>(with transshipment at Cristobal)</i> West Coast Line <i>(with transshipment at Cristobal)</i>
Guatemala	Flota Mercante Grancolombiana Line Grace Line		Canada Jamaica Line Flota Mercante Grancolombiana Line
Honduras	Flota Mercante Grancolombiana Line Grace Line	Michigan Ocean Line <i>(subject to cargo inducement)</i>	Canada Jamaica Line <i>(subject to cargo inducement)</i> Michigan Ocean Line <i>(subject to cargo inducement)</i> West Coast Line <i>(with transshipment at Cristobal)</i>
Nicaragua	Daido Line <i>(Westward Shipping Ltd., Vancouver)</i> Flota Mercante Grancolombiana Line Grace Line		Flota Mercante Grancolombiana Line West Coast Line
Panama	Daido Line Fern-Ville Caribbean Line <i>(Dingwall Cotts & Co. Ltd., Vancouver)</i> Flota Mercante Grancolombiana Line		Flota Mercante Grancolombiana Line West Coast Line

*Shipping services from Canada to the countries on the South American continent will be published in our December 28 issue.

TO	FROM		
	Pacific Coast	Great Lakes	St. Lawrence and Atlantic
Panama	Grace Line		
	"K" Line <i>(Johnson, Walton Steamships Ltd.,</i>		
	Mitsui Line		
	Moore-McCormack Lines, <i>(744 West Hastings St., Vancouver)</i>		
	N.Y.K. Line <i>(B. W. Greer & Sons Ltd.,</i> <i>Vancouver)</i>		
Mexico	Daido Line		Flota Mercante Grancolombiana
	Flota Mercante Grancolombiana Line		Line/Swedish American Line (Joint Service)
	Grace Line		
	Mitsui Line		
	Westfal-Larson Line <i>(Empire Shipping, Vancouver)</i>		
Cuba			Mambisas Line <i>(Colley Motorships Ltd., Montreal)</i>
Dominican Republic	"K" Line <i>(Johnson, Walton Steamships Ltd.,</i> <i>Vancouver)</i>	Michigan Ocean Line <i>(Protos Shipping</i> <i>Ltd., Toronto)</i>	Michigan Ocean Line <i>(The Robert Reford Co. Ltd.,</i> Saguenay Shipping Ltd., <i>(Saguenay Shipping Ltd., Montreal,</i> <i>Halifax; A. O. Minshall Co., Toronto)</i>
Haiti	"K" Line	Michigan Ocean Line <i>(subject to cargo</i> <i>inducement)</i>	Mayhaven Shipping Limited <i>(Shaw Steamship Co., Halifax)</i> Michigan Ocean Line <i>(subject to cargo inducement)</i>
Puerto Rico	"K" Line		Saguenay Shipping Ltd.

CORRECTION

In the listing of shipping services from Canada to Jamaica in our issue of November 2, 1963, the Canada Jamaica Line, agents Kerr Steamships Ltd., Montreal and Toronto, was inadvertently omitted. This line continues to offer regular shipping service to Jamaica and also to British Honduras.

Markets in Brief

SOUTH VIETNAM

Area: approximately 66,000 square miles.

Population: approximately 13.8 million.

Climate: tropical; wet May to October, dry November to April. Most pleasant months for visiting, November to March.

Language: Vietnamese; business language French; some English spoken.

Currency: Piastre (VN\$); official rate VN\$35=U.S.\$1.00.

Weights and measures: metric system.

Electric supply: 50 cycles; single and three phase, 120/208 volts in Saigon/Cholon, Balat and Nha Trang, 127/220 in Tourane and Hué. Frequently unstable; neutral wire of the secondary distribution system is grounded. Electric utility system to be standardized at 3 phase 220/380 volts, 4-wires wye., but it will be several years before all of the system is changed over.

Capital: Saigon.

Chief ports: Saigon (45 miles up Saigon River), Tourane, Nha Trang, Qui Nhon.

Marketing centres: twin cities of Saigon-Cholon (combined population two million) most important; Hué, Tourane, Nha Trang, Dalat.

Economy: traditionally based on rice and rubber. Since the war, political events have resulted in lower production and today export earnings meet the cost of only a small part of total imports. Majority of imports paid for with U.S. funds. Development and diversification of agriculture has led to new exports such as tea, kenaf, fish and vegetables. New industries now or soon to be in operation include textiles, plastics, glass, cement, paper, newsprint and tires.

Total Vietnamese imports: 1962—U.S.\$263.9 million; 1961—U.S.\$255.1 million; 1960—U.S.\$240.3 million.

Chief imports: textile fabrics, chemicals and allied products, machinery, metals, minerals, yarn and thread, pharmaceutical products.

Chief suppliers: (per cent) 1962—United States 36.8, Japan 16.9, France 13.2, Taiwan 9.5, Indonesia 5.4, West Germany 3.9.

Value of imports from Canada: (Can.\$) 1963 (six months)—194,385; 1962—298,175; 1961—205,806.

Chief imports from Canada: wheat flour, agricultural products, wood pulp, plastics and synthetic rubber, aluminum, files and rasps, sundry equipment.

Total Vietnamese exports: 1962—U.S.\$55.5 million; 1961—U.S.\$69.8 million; 1960—U.S.\$84.5 million.

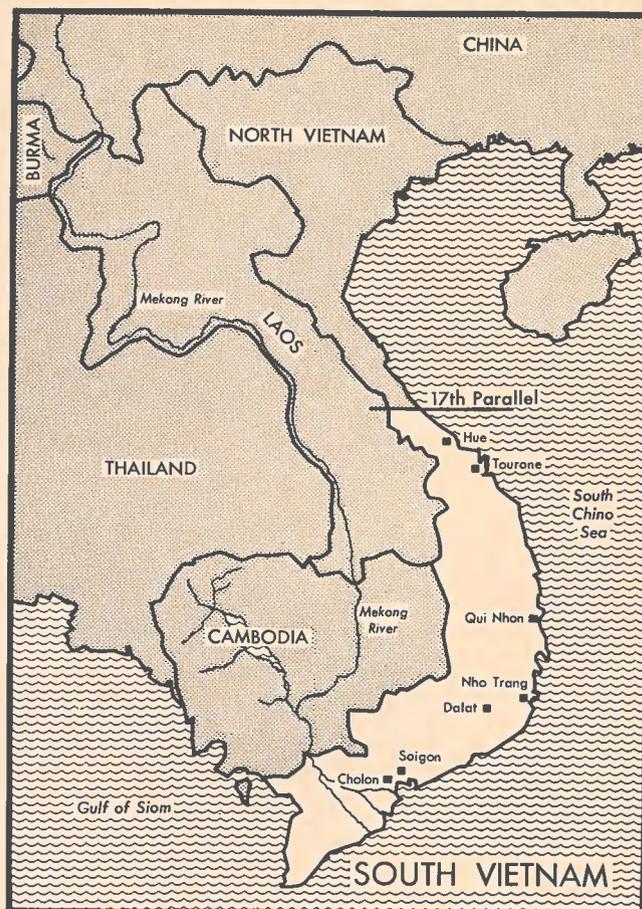
Chief exports: rubber (68.3 per cent), rice (15.8 per cent).

Chief markets: (per cent) 1962—France 36.8, Britain 15.9, West Germany 10.8, Hong Kong 5.6, Japan 5.2, Singapore 3.6, United States 3.2.

Value of Canadian purchases: (Can.\$) 1962—849; 1961—5,022; 1960—4,086.

Chief Canadian purchases: unground spices, postage stamps, coins.

Foreign exchange: the unofficial but effective commercial exchange rate is VN\$60=U.S.\$1.00 achieved through a surtax on imports and subsidy on exports. In addition,



tourists and travellers may change foreign currency at official money changers at the special rate of VN\$73=U.S.\$1.00.

Samples: if of no great commercial value, admitted free of duty.

Payment terms: under present regulations all imports have to be paid for by irrevocable letter of credit. Imports financed by United States aid are invariably paid for in U.S. dollars. Payment from Vietnam's own resources dependent on availability and is made whenever possible in currency of supplying country.

Banks: Hong Kong & Shanghai Banking Corporation, Chartered Bank and several French banks have branches in Saigon.

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

Import controls, documentation, customs tariffs, marking and labelling: consult the Office of Trade Relations and Trade Policy, Department of Trade and Commerce, Ottawa.

For detailed information on this market write to:

Chief, Asia and Middle East Division
Office of Trade Relations and Trade Policy
Department of Trade and Commerce
Ottawa

or

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

COMMODITY NOTES

Aluminum

GREECE—A new aluminum plant is being constructed in Greece at an estimated cost of three billion drachmae (U.S.\$100 million), and should be ready to produce in about three years. It will have an annual capacity of 200,000 tons of alumina and 62,500 tons of aluminum, of which 80,000 tons and 50,000 tons respectively will be available for export. The new installation will provide employment for 1,000 persons. Bauxite requirements, estimated at 450,000 tons per year (equal to about half of Greek exports of bauxite in 1962), will be supplied from nearby deposits. This project is regarded as the biggest industrial plant yet to be established in Greece—Athens.

Bearings

SOUTH AFRICA—Glacier Bearings (Pty) Limited, New Germany, is fully geared to produce all the plain bearing requirements of engine manufacturers in South Africa. The company's present production is one million bearings a year, which is the equivalent of supplying full sets for nearly 45,000 car engines—Cape Town.

Fish

GREENLAND—The Godthaab Fish Industry Ltd., the biggest limited company in Greenland, was set up last August. It has a share capital of Dkr.7.5 million subscribed by Greenland (the Danish State), the Faroese Islands and private Danish interests. The company will operate a new factory at Marinenaasset in Godthaab that will handle 50 tons of fish daily, principally for export in the form of frozen fillets to the United States—Copenhagen.

Flakeboard

AUSTRALIA—A new \$1.8 million flakeboard plant, owned by Associated Pulp and Paper Mills Limited, has gone into operation at Devonport, Tasmania. Initial production of flakeboard (used in the furniture and building industries) is about six million square feet a year and will rise to 10 million as demand increases. This plant is the first stage of a \$50-million integrated pulp and paper project planned at Devonport by APPM to supplement production from its present complex at Burnie, Tasmania, which has a capacity of about 100,000 tons of paper and 25,000 tons of hardboard a year. Next year detailed planning will begin for a pulp and paper mill on the site, costing between \$12 and \$18 million. This project will take five years to complete—Melbourne.

Locomotives

NEW ZEALAND—New Zealand has ordered ten more 78-ton diesel-electric locomotives from Canada, equipped with 1,425 horsepower engines. This is in addition to ten scheduled for delivery late this year.

Tenders will also be called for 27 locomotives of intermediate power and lighter weight than those already ordered. These, of about 1,000 horsepower each, will be suitable for operation on the lighter tracks of some secondary lines—Wellington.

Motor Vehicles

NEW ZEALAND—Assembly of motor vehicles in New Zealand in the first eight months of 1963 increased significantly over the same period in 1962: 27,770 passenger cars compared with 23,261, and 6,146 trucks, vans and buses compared with 5,669—Wellington.

Pulp

SWEDEN—The Scandinavian pulp producers expect export sales this year to be about 3 per cent larger than earlier estimates. For Sweden this would mean approximately 3 million tons, which is roughly 80 per cent of nominal capacity.

In 1964 Scandinavian pulp exports could increase by about 250,000 tons, and therefore Swedish shipments could rise to 3.2-3.3 million tons—still over 500,000 tons below the estimated capacity.

Current prices for most pulp qualities are lower than they were in 1956-57 and 3 to 5 per cent below those at the end of 1960. Some improvement may be expected next year, although it is still uncertain whether the 1960 prices will be equalled. Production is expected to average 80 to 85 per cent of capacity next year; this includes a somewhat higher percentage for bleached sulphate and a below average figure for sulphite—Stockholm.

Sulphite Pulp

SPAIN—A 36,000-ton sulphite pulp mill was opened in September by the government corporation, Instituto Nacional de Industria (INI), at Pontevedra in north-west Spain. Design of the mill permits later expansion in two stages to a capacity of 60,000 tons and 100,000 tons. The plant is now using Galician pine but it is expected that other species found in the region will also be used. Although the large Spanish demand for sulphite pulp will take up most of the production, regular export shipments have begun and will continue—Madrid.

Timber

SWEDEN—Sweden's exports of timber in 1963 are expected to be slightly larger than last year's and to reach a total of about one million standards. Prices have only partly recovered from the sharp drop in 1961.

Sweden's 17 fibreboard factories have an aggregate capacity of 700,000 tons. Two-thirds of the output is sold abroad, which makes Sweden the world's largest fibreboard exporter. At the same time the country is the world's leading consumer of fibreboard at 27 kilograms per person per year—Stockholm.

Tires

ITALY—A motor vehicle tire factory is being built near Bari in the south by the firms Finanziaria Ernesto Breda and Dardanio Manuli of Milan, jointly at an initial cost of \$10 million. The Brema plant will start

with a daily output of 2,500 tires and later increase it to 10,000—Rome.

Tuna

SOUTHWEST AFRICA—A large tuna factory will be established at Walvis Bay by a new company, Kuiseb Visprodukte Beperk, with a capital of R450,000. Seventy-five per cent of the shares will be controlled by Kaap-Kunene Beleggings (SWA) Beperk, and the remaining 25 per cent will be available to residents of South West Africa—Cape Town.

Vitamin-A Extracts

MEXICO—A new plant has been opened at Guaymas on the Pacific coast to manufacture vitamin-A oil and concentrates for the domestic pharmaceutical and poultry feed industries. A ready local market is assured as Mexico has been importing large quantities of this vitamin extract—Mexico, D.F.

FOREIGN TARIFFS

AND TRADE REGULATIONS

Australia

DUTY RATES ANNOUNCED—As the result of recommendations by the Tariff Board, the following duties became effective October 31, 1963.

Engraving Blocks—Zinc plates prepared so as to be suitable for photoengraving will be admissible to Australia at rates of 15 per cent ad valorem British preferential tariff, and 25 per cent ad valorem most-favoured-nation. Other plates included under item 211(C) enter free under b.p.t. and at 7½ per cent ad valorem m.f.n.

Linen Fabrics—Linen fabrics weighing more than seven ounces per square yard are dutiable at 37½ per cent British preferential tariff and 47½ per cent most-favoured-nation, in lieu of the cumulative fixed and ad valorem rates. Prepared painting canvas, which is not produced in Australia, will be permitted free entry under the b.p.t. and will be dutiable at 7½ per cent from m.f.n. sources.

Television Receiver Components—Channel tuners for television receivers (excluding valves) classifiable under Tariff Item 181(E)(2) will be dutiable at 25/- British preferential tariff and 25/- plus 17½ per cent most-favoured-nation. Deflection yokes for cathode ray tubes classifiable under Item 181(K) are dutiable at

10/- b.p.t. and 10/- plus 17½ per cent ad valorem m.f.n. Temporary duties are removed from parts for deflection yokes—Canberra.

TARIFF BOARD INQUIRY—The Minister for Customs and Excise has asked the Tariff Board to inquire and report under the Dumping and Subsidies Act on:

(a) Whether woven cotton tape classifiable under Tariff Item 482(B)(6)(c) has been sold or is being sold to a person in Australia at an export price that is less than the normal value in the exporting country.

(b) Whether, if the answer to (a) is in the affirmative, the import of such goods has caused, is causing, or is threatening injury to an Australian industry.

The evidence in this connection was scheduled to be taken at the hearings on narrow woven fabrics and adjustable shoulder straps being held (as a result of a reference made by the Minister for Trade) in Melbourne on November 14 and in Sydney on December 12—Canberra.

WOOL PIECEGOODS INQUIRY—In view of representations made to him, the Minister for Trade has requested the Special Advisory Authority to undertake an inquiry and report to him on:

(a) Whether it is necessary that urgent action be taken to protect the Australian wool piecegoods industry in relation to the import of piecegoods classifiable under the following tariff items: 460(C)(2)(b)(1); 460(C)(2)(b)(2); 462(C)(3)(a); 462(C)(3)(b); 464(C)(3)(b)(1); 464(C)(3)(b)(2); 465(C)(2)(b)(1); 465(C)(2)(b)(2).

(b) If such urgent action is necessary whether, having regard to the public interest, the protection can appropriately be provided by means of a temporary duty, or if it cannot be so provided, whether it can appropriately be provided—

(i) by means of the temporary restriction of the import of these goods; or

(ii) by means of a combination of both a temporary duty and the temporary restriction of the import of these goods.

(c) Whether any recommended temporary duty, temporary restriction of imports or combination of both should apply to goods in direct transit at the date of this reference—Canberra.

Guatemala

REGISTRATION OF DEBTS—Our Commercial Counsellor in Guatemala City has drawn our attention to decree No. 98 of the Guatemalan Government. The decree states that accounts payable by the Government of Guatemala must be registered by the payee or his agent with the Guatemalan Ministry of Finance and Public Credits before December 5, 1963.

Some government entities such as the Army Commissariat are not affected by this decree.

Ireland

TURNOVER TAX—Effective November 1, 1963, the Republic of Ireland has imposed a turnover tax of 2½ per cent on internal trade and on import trade. The tax of 2½ per cent will be charged on the duty-paid value of imported goods, with specified exceptions listed below:

Goods not chargeable with tax—The tax on imports is not chargeable on the following classes of goods:

- (a) Live animals
- (b) Earth, stone, gravel, sand or cement
- (c) Seeds, fertilizers and animal feeding stuffs
- (d) The following articles when imported as stock for his business by a registered person who is a dealer in such articles—
 - food and drink
 - tobacco
 - furniture and furnishings other than office furniture and equipment
 - pottery, glassware, cutlery and cooking utensils
 - domestic kitchen equipment
 - clocks and watches

- articles for personal use or adornment
- motor vehicles designed for the conveyance of persons by road
- sporting goods
- musical instruments
- radio and television sets and gramophones
- gramophone records
- hydrocarbon oils for domestic use or for road transport

(e) Articles, other than the articles specified in (d) above, imported by a registered person—

- (i) as stock for his business;
- (ii) as materials for manufacture;
- (iii) as furniture, fittings, office requisites, plant or equipment for his business.

The registered persons referred to in (d) and (e) above are those who have been registered by the Revenue Commissioners for turnover tax purposes and who have been allotted a turnover tax registration number.

In addition to the above, there are a few general exemptions from the turnover tax on imports. Exporters interested in these additional exemptions may obtain details by writing to the Commonwealth Division of the Office of Trade Relations and Trade Policy.

Trade Commissioners on Tour

In Territory

J. C. BRADFORD, Assistant Commercial Secretary in Bogotá, Colombia, will visit Quito and Guayaquil, Ecuador, December 9-13.

J. E. G. GIBSON, Assistant Commercial Secretary in Mexico City, will visit Guadalajara, Jalisco and Mazatlan, January 23, 24, 25, 1964.

R. G. GODSON, Assistant Trade Commissioner in Cape Town, South Africa, will visit South West Africa, December 6-17.

M. T. STEWART, Commercial Counsellor in Madrid, Spain, will visit Gibraltar during the first half of December.

M. T. THOMAS, Trade Commissioner, and **D. MOLGAT**, Assistant Trade Commissioner, in Hong Kong will visit Shanghai, Tientsin and Canton, Communist China, for two weeks beginning January 6, 1964.

W. D. WALLACE, Commercial Counsellor in Caracas, Venezuela, will visit Curacao and Aruba, Netherlands Antilles, December 9-19.

Businessmen who would like these officers to undertake assignments should get in touch with them at their posts as soon as possible. Write to Mr. Bradford at Bogotá, Mr. Gibson at Mexico City, Mr. Godson at Cape Town, Mr. Stewart at Madrid, Mr. Thomas and Mr. Molgat at Hong Kong, and Mr. Wallace at Caracas.

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

Conversion into Canadian dollar equivalent and units of foreign currency per Canadian dollar have been made at cross rates with sterling or the United States dollar on the date shown.

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

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

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

For conversion to United States dollar equivalent multiply by .92807.

Foreign Exchange Rates

Country	Unit	Type of Exchange	Can. dollar equivalent Nov. 15	Units per Canadian dollar	Notes (see below)
Argentina	Peso	Free .....	.007472	133.83	
Australia	Pound .....	.....	2.4124	.4145	
Austria	Schilling .....	.....	.04167	23.99	
Bahamas	Pound .....	.....	3.0155	.3316	
Belgium and Luxemburg	Franc .....	.....	.02162	46.25	
Bermuda	Pound .....	.....	3.0155	.3316	
Bolivia	Peso .....	.....	.09093	10.98	
Brazil	Cruzeiro	Official Free .....	.001766	566.25	
		Special Category	†	†	
Britain	Pound .....	.....	3.0155	.3316	
British Guiana	Dollar .....	.....	.6282	1.59	
British Honduras	Dollar .....	.....	.7539	1.33	
Burma	Kyat .....	.....	.2263	4.42	
Ceylon	Rupee .....	.....	.2262	4.42	
Chile	Escudo	Bank rate .....	.5405	1.85	
		Free .....	.3574	2.80	
Colombia	Peso	Certificate .....	.1197	8.35	
Congo, Republic of	Franc .....	.....	.02162	46.25	
Costa Rica	Colon .....	.....	.1626	6.15	
Cuba	Peso .....	.....	‡	‡
Czechoslovakia	Koruna .....	.....	.1496	6.68	
Denmark	Krone .....	.....	.1561	6.41	
Dominican Republic	Peso .....	.....	1.0775	.9281	
Ecuador	Sucre	Official .....	.05986	16.71	
		Free .....	.05819	17.19	
El Salvador	Colon .....	.....	.4310	2.32	
Fiji	Pound .....	.....	2.7167	.3681	
Finland	Markka .....	.....	.3367	2.97	
France Monaco, etc.	Franc .....	.....	.2199	4.55	(1)
Franco-African Republics, etc. ..	Franc .....	.....	.004398	227.38	(2)
French Pacific	Franc .....	.....	.01209	82.71	(3)
Germany	D Mark .....	.....	.2711	3.69	
Ghana	Pound .....	.....	3.0155	.3316	
Greece	Drachma .....	.....	.03591	27.85	
Guatemala	Quetzal .....	.....	1.0755	.9281	
Haiti	Gourde .....	.....	.2155	4.64	
Honduras	Lempira .....	.....	.5388	1.86	
Hong Kong	Dollar	Free .....	.1880	5.32	*Nov. 1
		Official .....	.1885	5.31	

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

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

*Latest available date.

Country	Unit	Type of Exchange	Can. dollar equivalent Nov. 15	Units per Canadian dollar	Notes (see below)
Iceland	Krona	Official	.02506	39.90	(4)
India	Rupee		2262	4.42	
Indonesia	Rupiah		.003421	292.34	(4)
Iran	Rial		.01422	70.30	
Iraq	Dinar		3.0170	.3315	
Ireland	Pound		3.0155	.3316	
Israel	Pound		.3592	2.78	
Italy	Lira		.001731	577.70	
Japan	Yen		.002993	334.11	
Lebanon	Pound	Free	3461	2.89	
Malaysia	Straits dollar		3520	2.84	
Mexico	Peso		.08620	11.60	
Morocco	Dirham		.2155	4.64	
Netherlands	Florin		.2992	3.34	
Netherlands Antilles	Florin		.5714	1.75	
New Zealand	Pound		2.9949	.3339	
Nicaragua	Cordoba		.1539	6.50	
Nigeria	Pound		3.0155	.3316	
Norway	Krone		.1506	6.64	
Pakistan	Rupee		2262	4.42	
Panama	Balboa		1.0775	.9281	
Paraguay	Guarani	Free	.009698	103.11	
Peru	Sol	Free	.04017	24.89	
Philippines	Peso	Free	.2764	3.62	
Portugal & Colonies	Escudo		.03748	26.68	(5)
South Africa	Rand		1.5078	.6632	
Spain and Dependencies	Peseta		.01796	55.68	
Sweden	Krona		.2077	4.81	
Switzerland	Franc		.2497	4.00	
Syria	Pound	Free	.2809	3.56	
Thailand	Baht	Free	.05180	19.30	(4)
Tunisia	Dinar		2.6076	.3835	
Turkey	Lira		.1197	8.35	(4)
United Arab Republic	Pound	Official	2.4783	.4035	
United States	Dollar		1.0775	.9281	
Uruguay	Peso	Free	.06166	16.22	
Venezuela	Bollvar	Controlled market rate	.3215	3.11	
		Official Free	.2375	4.21	
West Indies	Dollar		.6282	1.59	(6)
	Pound		3.0155	.3316	(7)
Yugoslavia	Dinar	Official	.001437	695.89	

Notes

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



H. Leslie Brown Named Commissioner General

"I EXPECT to find my new assignment fantastically interesting," says H. Leslie Brown, whose appointment as Commissioner General for the Canadian Government Participation, 1967 Exhibition, was announced recently. The appointment, of great interest to Canadian businessmen who know Mr. Brown well, becomes effective the first of December. An office will be established in Ottawa until some time in 1966, when it will be moved to Montreal.

"I've always been a promoter," Mr. Brown adds, "spending my time developing things. As a Trade Commissioner for 24 years" (he served in Mexico, South Africa, Argentina, Venezuela, and Britain) "I was busy developing Canada's export trade. As Assistant Deputy Minister (External Trade Promotion) for the last eight years, I called the signals for others who were working towards expanding our trade in various ways. Instead of being on the firing line I was, in a sense, at G.H.Q., training, planning and directing, and occasionally getting into a campaign myself. And this direction included an expanded trade fair program.

"As Canada's Commissioner General, I will be a promoter still. Although the World Exhibition is *not* a trade fair, it—and especially the Canadian participation—will be presenting an image of Canada as a whole, the country and the people. And this Expo '67 and the image it conveys will have a terrific impact on our international relations and, in turn, upon our export trade. It is vital that the picture of Canada we present be a true one. It should not, as it sometimes does, empha-

size unduly colourful but minor aspects of Canadian life."

Mr. Brown's association with plans for the 1967 World Exhibition dates back about 20 months, when preliminary planning began. In December 1962 the Canadian World Exhibition Corporation was set up jointly by the Federal Government, the Province of Quebec, and the City of Montreal. As executive officer for the Federal Government, he helped to establish this corporation and assisted in working out the accompanying agreements.

Later, acting for the Deputy Minister of Trade and Commerce, Mr. Brown was made chairman of a working party to organize the Canadian participation, following a meeting of the Deputy Ministers of all the Federal Departments. Several subcommittees are already hard at work discussing and formulating ideas for the Canadian pavilion and the exhibits to be housed in it.

As the Commissioner General for Canada, Mr. Brown will be responsible for all phases of Canadian participation and will rank with the Commissioners General of other countries taking part. It's a job with plenty of scope—from administering a budget of several millions to getting a pavilion designed and built, exhibits decided upon and arranged, and special events planned. In the process, he points out, he will come into close contact with all aspects of Canadian life and, as he phrases it, "will be learning more about my own country." In fact, he is looking forward to the next four years with the same enthusiasm he displayed in his varied assignments with Canada's Foreign Trade Service. ●

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