

Current Conditions in Latin America II (pages 2-33)

FOREIGN TRADE

DEPARTMENT
OF TRADE AND
COMMERCE
OTTAWA

DEC. 28. 63

FOREIGN TRADE

DECEMBER 28, 1963

Vol. 120 No. 13

Established in 1904. Published fortnightly by the Department of Trade and Commerce.

The Hon. MITCHELL SHARP, Minister.

JAMES A. ROBERTS, Deputy Minister.

Please forward all orders to: Queen's Printer, Government Printing Bureau, Ottawa.

Price \$5.00 a year in Canada; \$7.00 abroad.

Single copies: 25 cents each.

Material appearing in this magazine may be reprinted, preferably with credit to "Foreign Trade".

Canada's Trade Relations with South America 2

Evolution of the Latin American Free Trade Association will be the major influence upon our trade relations with this area in the next decade, says this report, which also explains the current import policy in ten South American countries.

Argentina 5

Signs of economic recovery are appearing, with good harvests, rising exports. Present government will emphasize agricultural progress, national development of resources; is continuing strict import control until balance of payments improves.

Canada's Trade with Argentina 8

Brazil 10

Our Rio de Janeiro office reviews major Brazilian problems this year—problems compounded by drought that struck the south central states, continuing inflation, decrease in foreign investment, and the mounting backlog of commercial debt.

Chile 15

Social and economic progress continuing within the country but foreign exchange shortage still acute, despite freeing of the escudo. This restricts opportunities for foreign suppliers, even of essential raw materials and capital goods.

Canada's Trade with Chile 16

Colombia and Ecuador 18

Fiscal problems plagued the Colombian economy this year but government is planning expansion carefully and encouraging industrial progress. Business community in Ecuador optimistic about 1964 prospects; improvement began mid-year.

Canada's Trade with Colombia and Ecuador 20

Paraguay 22

Uruguay 24

Venezuela 26

Rising exchange reserves, foreign loans, encouragement of new industry, increase in income from oil marked 1963; improvement expected to continue in 1964.

Canada's Trade with Venezuela 28

Shipping Services from Canada to South America 32

Western Australia's Iron Ore Project 14

Commodity Notes 36

Foreign Exchange Rates 34

Foreign Tariffs and Trade Regulations 30

Trade Commissioners on Tour 31

Canada's Trade Relations with

Latin American Division, Office of Trade Relations and Trade Policy.

In eight years, our sales to the ten countries of South America have risen by \$57 million—to \$142 million last year. With the development of the Latin American Free Trade Association, trading opportunities with the eight member countries may lie in new directions.

CANADA maintains formal trade relations with all ten South American countries. Four of these—Brazil, Chile, Peru and Uruguay—are, like Canada, members of the GATT and our trade relations with them are governed by the principles of that Agreement. With the other six countries—Argentina, Bolivia, Colombia, Ecuador, Paraguay and Venezuela—Canada maintains bilateral trade arrangements that provide for a mutual exchange of most-favoured-nation treatment for each other's goods.

Thus, Canadian exports have been receiving the same rates of duty and terms of entry into South American markets as the products of United States or other overseas suppliers. Under these conditions, Canadian trade with the ten countries of South America rose steadily in the period 1948 to 1962. Exports to these countries increased from \$85 million to \$142 million; imports from them during the same period increased from \$134 million to \$292 million.

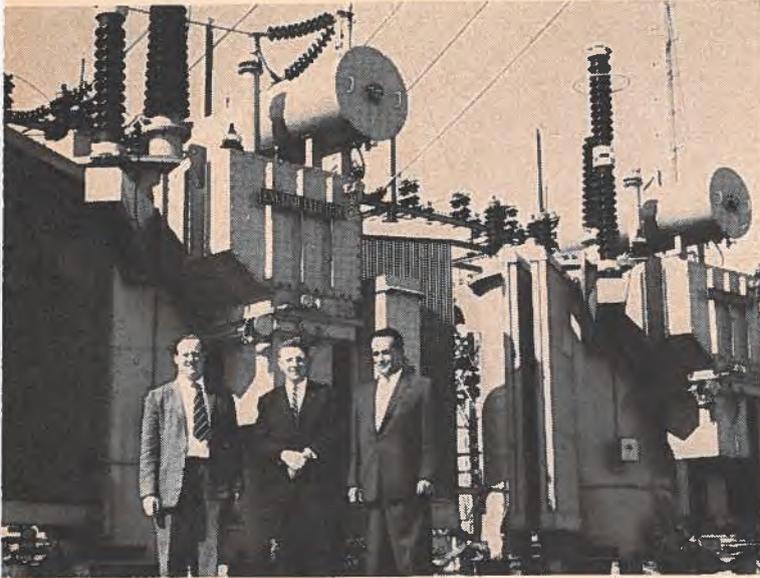
In recent years, there has been a development within South America that affects our trading relations to some extent. Eight South American countries (Argentina, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru and Uruguay) are now members of LAFTA (Latin American Free Trade Association), the principal objectives of which are economic integration and economic development of the area. Under the terms of the LAFTA Treaty, these countries will continue annual negotiations so that by 1973 all items originating in the area will be freely traded among member countries. Mexico is included in LAFTA but Venezuela, our principal market in South America, is not a member of this regional trading group.

The action of the South American countries in establishing a preferential trade situation among themselves changes the trade relations between Canada and each of the members of the new group. Not only have the LAFTA countries granted preferential tariff concessions on goods produced by each other, but they have exempted these goods from the burdensome prior deposit systems and consular fees. In addition, certain items traded between member countries are free from restrictive licensing controls. Moreover, where individual LAFTA members increase their external tariffs, member countries are generally exempted from such increases. These increases have sometimes taken place because the bilateral agreements previously existing between members of the LAFTA were terminated.

Notwithstanding these developments, our trade agreements with the individual members of LAFTA continue to ensure that Canadian exports receive terms of entry equal to those accorded to the goods of all other non-LAFTA countries. It must be expected, however, that the move towards a free trade area by the South American countries is likely to create disadvantages for certain Canadian products that compete with goods produced within LAFTA. On the other hand, opportunities for the sale of Canadian industrial raw materials not available in South America in sufficient quantity to meet the growing demands are likely to increase, and so are chances to sell specialized capital goods, components, and engineering services offered by Canada.

The import and foreign exchange regulations and the special tariff features in force in the South American countries are summarized on pages four and five.

South America



These transformers installed in a substation in Colombia were made by a Toronto firm. In the picture above, the Canadian Commercial Secretary in Bogotá (centre) is shown visiting the installation with two representatives of the Canadian company that supplied the big transformers.



A shipment of Canadian chicks for breeding purposes has just arrived at the Galeao airport in Rio de Janeiro. The Brazilian firm to which they are going has a five-year contract with the Canadian breeder for chicks and knowhow.



This Canadian asbestos fibre being slung ashore at Callao, Peru, is on its way to a Peruvian manufacturer of asbestos cement products. Last year Canada sold \$256,000 worth of asbestos in that country.



On the deck of a ship docked in Montevideo, Uruguay, workers prepare to unload a crate containing a Caesatron beam therapy unit bought from Atomic Energy of Canada by a Uruguayan doctor.

Import and Foreign Exchange Regulations and Tariff Features

Argentina

Import licences: Not required. Imports of certain luxury goods are prohibited and there is a temporary ban on imports of certain types of industrial machinery and equipment.

Special tariff features: In addition to duties, imports are subject to exchange surcharges which vary from 0 to 230 per cent. In addition, there is a statistical tax of 1.5 per cent, a sales tax of 10 per cent, an "emergency" surcharge of 5 per cent, and for certain goods an additional import charge equivalent to 15 per cent of the "basic" surcharge. (This latter surcharge is to end June 30, 1964.) There is a 100 per cent "luxury" surcharge levied on a long list of non-essentials which is due to end on December 31, 1963. A new tariff schedule is being prepared and it is expected that the surcharges will be incorporated into the regular duty schedule.

Foreign exchange market: Foreign exchange is available at the free market rate.

Bolivia

Import licences: No import licences required.

Special tariff features: Machinery and parts destined for manufacturing industries and certain other equipment and materials are exempt from import duties under certain conditions.

Foreign exchange market: Foreign exchange is available at the free market rate.

Brazil

Import licences: All imports require an exchange commitment certificate. Goods considered essential are classified in the general category and do not require an import licence. All others are classified in the special category and require a licence.

Special tariff features: In addition to the import duty, there are import taxes amounting to 6 per cent of the c.i.f. value plus 5 per cent of the ocean freight charges. Imports are also subject to a prior deposit requirement of 100 per cent of the import value for general category goods and 200 per cent for special category items; deposit is held for 180 days.

Foreign exchange market: Foreign exchange for goods classified in both general and special categories may be purchased in amounts not exceeding a temporary limit of U.S.\$30,000 per week per firm at the free market rate of exchange. However, before an import licence can be obtained for special category goods, importers must purchase a "promise of licence" at public auctions held periodically. Only very limited quantities of exchange are made available.



Chile

Import licences: All permissible imports must be registered in advance. Entry of many non-essentials and types of goods produced in Chile is prohibited.

Special tariff features: In addition to the import duty and import tax, most imports are subject to a surcharge of from 5 to 200 per cent of the c.i.f. value. Prior deposits ranging from 10 per cent to 10,000 per cent of the import value are also required for most imports.

Foreign exchange market: Exchange at the "free bank" rate is provided 120 days after the date of the bill of lading.

Colombia

Import licences: All imports require prior registration and this must be accompanied by proof that the advance import deposit that applies has been made. Imports are divided into three categories: prohibited imports, those requiring a specific licence, and freely permitted imports.

Special tariff features: In addition to the import duty, prior deposits of up to 120 per cent are required for most types of merchandise; these are returned 45 days after customs clearance, provided they are used as part of the payment made to the exporter. Otherwise they are retained for 90 days.

Foreign exchange market: Foreign exchange is available at public auctions to cover the f.o.b. value of imports plus 80 per cent of the freight charges. The free market rate applies to most other transactions.

Ecuador

Import licences: All permissible imports require a prior import permit.

Special tariff features: All permissible imports are classified under two headings: essential and non-essential. In addition to the import duty, all imports are subject to import taxes of 4 per cent of the f.o.b. value, 2.25 per cent of the c.i.f. value, 0.10 sucres per 100 gross kilos (minimum charge 1 sucre), and 30 sucres per metric ton. Surcharges are levied on the c.i.f. value at the rate of 7 per cent for essential imports and 18 per cent for non-essential. Prior deposit requirements range from 25 to 100 per cent.

Foreign exchange market: On the basis of an import licence, the Central Bank provides foreign exchange for imports at the official rate of exchange.

Paraguay

Import licences: No import licences are required; a small number of products are prohibited entry.

Special tariff features: In addition to the import duty, imports are subject to a 15, 8, or 5 per cent ad valorem surcharge. Some items are also subject to a prior deposit of 100 per cent of the f.o.b. value, which is retained for a minimum of 120 days. Internal sales taxes of 5 or 10 per cent are also assessed on certain imports.

Foreign exchange market: Foreign exchange is freely available, subject to a surcharge of 24 per cent of the c.i.f. value of most imports. Payment must be made through an authorized bank not later than 90 days from the date of delivery of documents.

Peru

Import licences: No import licences required.

Special tariff features: In addition to the regular specific and ad valorem import duties, most items are subject to a cus-

Argentina

toms surcharge of 50 or 200 per cent of the specific duty. A special tax of 10 to 25 per cent of the c.i.f. value is also levied on many items. Further additional taxes amounting to 4.5 per cent of the c.i.f. value, plus 4 per cent of ocean freight charges, are collected on non-GATT items. Instead of these latter two taxes, GATT-bound items pay a tax of 2.083 per cent of the c.i.f. value.

Foreign exchange market: Foreign exchange is available at the free market rate.

Uruguay

Import licences: All imports are subject to prior registration.

Special tariff features: In addition to the import duty, many imports are subject to ad valorem surcharges of from 40 to 300 per cent of the c.i.f. value. Some imports are also subject to prior deposits of 100 per cent of the c.i.f. value. These are retained for nine, or in some instances twelve, months.

Foreign exchange market: Exchange is available at the free market rate.

Venezuela

Import licences: A few items are prohibited, or may be imported only by the Government. A number of items require a prior import licence from the Ministry of Development or the Ministry of Agriculture. In addition, to qualify for exchange at the low official exchange rate all shipments of goods (over \$2,000) on the Venezuelan list of "Controlled Essential Imports" require an exchange permit.

Import licences for some products are issued on condition that the importer has purchased domestic products equal to a prescribed percentage of the amount imported.

Special tariff features: Total or partial exemption from import duties may be granted under certain conditions for machinery, implements, raw materials and other products needed for consumption or use in industrial and agricultural operations.

Foreign exchange market: Foreign exchange is available at the low official exchange rate for items on the list of "Controlled Essential Imports". Splitting of shipments to avoid the necessity of obtaining an exchange permit is subject to a fine. Foreign exchange available for other imports at free market rate. ●

- Good crops and larger exports helped to brighten a difficult year.
- Cancellation of oil contracts with foreign companies may herald policy of economic nationalism.
- New government tightens import restrictions to help correct payments deficit.

M. B. BURSEY, *Commercial Counsellor, Buenos Aires.*

MOST of 1962 and the first half of 1963 was one of the most difficult periods in recent years for the Argentine economy. The deposing of the former government by the armed forces just after the election of March 18, 1962, heralded the beginning of a period of political and economic uncertainty and industrial stagnation. It lasted nearly 18 months and the country is only now beginning to show signs of recovery.

Fortunately, Argentina produced reasonably good crops and this meant a substantial increase in exports and a much smaller foreign trade deficit. Argentine exports during 1962 totalled U.S.\$1,212.6 million*—a 25.8 per cent increase over 1961—and imports totalled \$1,350.0 million, 7.6 per cent below the previous year. The trade deficit was thus only \$137.4 million compared with \$496.2 million in 1961. However, during the first eight months of 1963, exports totalled \$902.2 million compared with \$841.2 million in the same period of 1962, an increase of 7.2 per cent, and imports \$668.1 million compared with \$931 million in the same period of 1962, a decrease of 28 per cent. The result: a favourable balance of trade during the first eight months of 1963 of \$234.1 million, compared with an unfavourable balance of \$89.8 million in the same period of 1962.

Import Levies

Over half of total imports in 1962 and during the first eight months of

*Figures throughout in U.S. dollars, except where otherwise shown.

1963 consisted of machinery and vehicles. This reflects the low-tariff position of many items of machinery in relation to the various new import charges levied last year. These included a new 20 per cent import charge levied between April and September 1962, a 100 per cent "luxury" surcharge levied on a long list of non-essentials in January 1962, and a 5 per cent "emergency" surcharge in October. The two latter surcharges are still in effect. In March 1963 an additional import surcharge equivalent to 15 per cent of the basic surcharge was levied on a long list of goods. This was in addition to all existing surcharges and is to remain in effect until January 1964. A new customs tariff based on the Brussels nomenclature is scheduled to come into use on January 1, 1964, and customs duties and import surcharges will be totalled, so that a single figure will be shown opposite each item.

Exports and Imports

Exports of livestock products during 1963, at \$539.1 million, accounted for more than half of total Argentine sales abroad and other agricultural products for most of the remainder. Argentina's best customers during 1962 were Britain, with purchases of \$203 million, Netherlands \$170 million, Italy \$140 million, and West Germany \$121 million. Argentine exports during the first eight months of 1963 followed a similar commodity pattern: her best customers were Britain, with purchases of \$135 million, Italy \$132.9 million, Nether-

land \$103.8 million, United States \$100.9 million, and West Germany \$58.6 million.

Principal Argentine imports during 1962 were, in order of importance, machinery and vehicles, iron and steel, fuels and lubricants, chemicals, etc., non-ferrous metals, lumber, textiles and manufactures, food products, paper and cardboard, and rubber and manufactures. Argentina's chief suppliers during 1962 were the United States with \$397 million, West Germany \$184 million, Italy \$121 million, and Britain \$118 million. Although the principal commodities imported during the first eight months of 1963 were similar to those imported during 1962, the chief suppliers were United States \$171.9 million, Italy \$85.1 million, West Germany \$76.2 million, and Britain \$52.2 million.

Industrial Production

Latest official production indices are for the first quarter of 1963. Although these figures have limited value, they show a slight rise in output during the opening months of the year. The general index of production (based on 1952=100) reached 102.8 in March, well below the figure for March 1962, but 1.9 per cent over December 1962. Within the general index, manufacturing output was 4.8 per cent higher than in December 1962, with the improvement concentrated solely in non-durable goods; output of durable goods dropped by 7.4 per cent during the first quarter. This reflects declines in output of building materials, non-electrical machinery and vehicles, and hence a low level of investment demand.

New investment projects recently announced include a further investment of \$5 million by Fiat of Italy in its local motor vehicle manufacturing subsidiary; an investment of \$1 million in foreign exchange, machinery and equipment for a steel-strip plant by August Thyssen of West Germany; an investment of \$420,000 by a U.S. firm in a plant to produce feeds for poultry and

livestock; an investment of \$1.4 million by Associated Commercial Vehicles of Britain in SIAM Di Tella Automotores, to make heavy-duty lorries and chassis, and an Inter-American Development Bank loan of \$2.5 million to Carboclor, Industrias Quimicas, to finance 51 per cent of the cost of a petrochemical plant at Campana in Buenos Aires Province.

Government Purchasing

The outgoing provisional government of President Guido, which relinquished power on October 12, recently issued a series of decrees affecting the banking system, commercial policy, government purchasing policy and the taxation system. The most important measure as it affects future production is probably the one on government purchasing policy. The decree provides that government departments, autonomous agencies, state-controlled companies and contractors to these bodies must purchase goods and services locally, provided the price is reasonable and the quality satisfactory. The price will be considered reasonable when it does not exceed the price of comparable imported goods, inclusive of duties and surcharges. This "Buy Argentine" policy, in conjunction with a Central Bank move to make credit arrangements available for government purchases of locally manufactured goods, should create new opportunities for Argentine industries, particularly those making oilfield equipment and pipelines.

Agricultural Production

The first official estimate of the area sown to wheat, for harvesting in a few months' time, is 5.25 million hectares, almost 14 per cent above the 1962/63 figure and 9 per cent above the last five-year average. The 1962/63 maize crop will total about 4.4 million tons, according to the third official estimate, a disappointingly low figure that would mean an exportable surplus of only two million tons for 1963/64. Production of linseed in 1962/

63 is estimated at 838,600 tons, or 2.5 per cent more than in 1961/62 and 21.4 per cent more than the past five-year average. Because world stocks of linseed are exceptionally heavy at present, local market prices are comparatively weak.

Negotiations are now taking place in Buenos Aires between British and Argentine officials over stepping up the quota of 203,500 tons established earlier this year for Argentine beef shipments to Britain. Trade circles expect a rise of some 20,000 tons. As a result of the active campaign to increase sales of beef to other European countries, chilled beef has been shipped to Spain, frozen beef to West Germany and Poland, and live animals on the hoof to Italy. The long-term outlook for Argentine meat exports to Britain is also encouraging, because reports indicate that consumption of beef is rising there and Argentine exporters may reasonably expect to profit from the steady expansion. Prospects are also favourable in other important beef markets. According to a recent report published jointly by the National Meat Board and the National Development Council, world demand for Argentine beef will increase by almost 75 per cent over the next 12 years. Argentina's ability to meet this demand, however, is open to question. The same report suggests that rising domestic consumption could reduce supplies for export to less than half the present figure by 1975. Although some feel that the report has taken a deliberately gloomy view of production prospects based on a continuation of present conditions, it does emphasize strongly the need to give more incentive to cattle breeders, expand cultivated pastures, and take all possible steps to increase herds.

Budget Deficit Continues

The budget deficit in the fiscal year just ended (October 31) was recently estimated at 44,500 million pesos (\$325 million) by the Secretary of the Treasury. This compares with an original official esti-

TABLE I
ARGENTINA'S OVERSEAS INDEBTEDNESS

	1963	1964	1965	1966	1967
	(millions of U.S. dollars)				
I. In freely convertible exchange	425.3	475.1	404.3	264.4	187.0
(a) Central Bank	207.2	232.0	170.7	55.8	19.1
(b) National Government agencies and purchases	174.9	197.9	180.6	161.8	138.1
(c) Provincial Governments	18.9	16.0	16.7	15.7	14.5
(d) Special private to Export-Import Bank	24.3	29.2	36.3	31.1	15.3
II. In bilateral currency	10.4	9.8	9.9	8.0	3.6
(a) National Government agencies and purchases	10.0	9.4	9.5	7.6	3.6
(b) Provincial Governments	0.4	0.4	0.4	0.4	.....
Total	435.7	484.9	414.2	272.4	190.6

mate of 5,700 million pesos and shows little improvement in public finances since 1961/62, when there was a similar deficit. The inflationary pressures generated by this deficit, plus wage and other cost increases in industry, are clearly reflected in the rise of wholesale and retail prices during the first half of this year: (based on 1958=100) wholesale price index January 1963, 450, May 473; cost-of-living index, January 1963, 444, July 489.

Balance of Payments

Last year Argentina had a deficit in its balance of payments of \$385.6 million, compared with \$225.5 million in 1961. Principal factors in this were a current account deficit of \$272.8 million, (\$137.4 million of which represented an unfavourable trade balance), a short-term private capital outflow of \$329.3 million, and amortization of long-term public debt \$74.8 million. As a result, gold and foreign exchange reserves decreased by \$340.3 million and the short-term foreign indebtedness of the Central Bank by \$45.3 million.

Table I shows Argentine overseas indebtedness as of December 31, 1962, according to a recent bulletin issued by the Central Bank.

Argentine gold and foreign exchange reserves stood at \$100 million in January 1963; by November 7, 1963, they had risen to \$207.6 million.

Government Policy

On October 12, a new government was inaugurated under the

presidency of Dr. Arturo Illia. The new President in his inaugural address made the following statements of policy:

● **Economic Development** — Government efforts would be directed towards the achievement of two intimately related basic objectives—the creation and development of a continually growing economy, and a more adequate distribution of wealth in which workers would share.

● **Unemployment** — Measures are planned to bring about the early elimination of unemployment and to take advantage of productive factors in defence of Argentina's economy.

● **Petroleum, etc.**—Petroleum, electric power, transport, steel and public services are activities in which the State must play a fundamental part, but the Government will insist on a high degree of efficiency in state organizations. The already announced policy on petroleum contracts will be duly carried out. In fact, on November 15 the Government issued a decree cancelling oil contracts signed since May 1958 with 13 United States, British-Dutch, Italian and Argentine firms, which have been exploring and developing oil holdings in Argentina under state contracts.

It is estimated that, under these contracts, foreign oil companies have invested about \$450 million (\$397 million by U.S. firms) in oil operations in Argentina. On November 18 the Argentine Government instituted court action against the companies with a view to determin-

ing what, if any, indemnification may be owing for actual investment in installations, works and services since the signing of the contracts. It is officially estimated that these proceedings will take about a year to complete.

The cancellation of these oil contracts has caused much concern not only among the companies involved but also among other sectors of the Argentine business community.

● **Agricultural Development**—Agricultural activities will be moved into top gear. It will be necessary to improve the present technology and reform the land system to enable working farmers to become owners of the land they cultivate. For this purpose, adequate credits will be made available.

● **Trade Policy** — Argentina must sell more to pay for its industrial development. The *Alliance for Progress* program will be developed but will be run on self-help lines. Argentina will support fully the Latin American Free Trade Association, as a further step in ensuring that Latin Americans assume full responsibility for their own development.

Import Policy More Stringent

Since 1958, surcharges in addition to normal customs duties have been imposed on imports, based on the c. & f. value of goods imported. These surcharges have been altered on several occasions and now range on most items from 0 to 230 per cent, plus the various other import charges. As a result, most imports have been drastically reduced or excluded entirely and those with low surcharges are narrowed down to raw materials, newsprint, certain industrial and processing machinery, special types of steel and steel products, and certain specialized equipment and materials for government use not obtainable locally.

On November 12, 1963, the Government issued a decree prohibiting import of a wide range of goods. The purpose of this measure,

according to the decree, is to save foreign currency because of the balance-of-payments situation, and to enable local industry to find jobs for some of the unemployed.

Prohibited imports are chiefly luxury articles but machinery and industrial equipment are also included, except where they are expressly authorized under industrial promotion schemes or other special arrangements. Apart from machinery and industrial equipment, the prohibition governing imports of luxury

articles covers cigarettes, beverages, wearing apparel, cosmetics, tea, preserves, porcelain, crystal, sports materials, etc. However, the complete list has not yet been published and is eagerly awaited by the business community.

Trading Prospects

At the time of writing this report, prospects for the Argentine economy in the foreseeable future were somewhat unclear, although some feel that recent happenings should

not be regarded too pessimistically. Some circles express concern that the new government may follow the path of economic nationalism and cite as an example the cancellation of the petroleum contracts.

As for future trading prospects, it is evident that the present government intends to promote export trade vigorously. On the import side, however, the situation is extremely confused and will remain so until government policy is more clearly defined. ●

Canada's Trade with Argentina

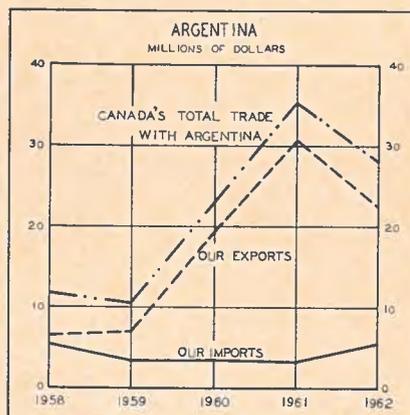
Canadian sales are up this year, thanks to exports of railway equipment, road machinery and equipment under long-term financing. Tight import restrictions limit other opportunities and relaxation of these controls appears unlikely in the coming year.

M. B. BURSEY, *Commercial Counsellor, Buenos Aires.*

SINCE 1958, when Argentina restricted imports by imposing surcharges in addition to normal customs duties, foreign sales to this country have been limited to a narrowing list of products. The most important of these are machinery and vehicles, iron and its manufactures, fuels and lubricants, chemicals, and non-ferrous metals and their manufactures. Total Argentine imports dropped from U.S.\$1,460.3 million in 1961 to \$1,350 million in 1962.

In spite of this, Canada's exports to Argentina in 1960 more than doubled over 1959 and increased considerably in 1961 to Can.\$30.9 million. They dropped slightly last year to Can.\$22.5 million. Our principal exports to Argentina in 1961 and 1962 are listed in Table I.

The table confirms that most of our exports to Argentina during the



two years consisted of semi-manufactured and raw materials, and machinery and equipment. During the first six months of 1963 our shipments to Argentina totalled Can.\$10.9 million, compared with Can.\$12.4 million for the same period of 1962. In spite of this

decrease, it is expected that our total exports to Argentina for 1963 will be substantially higher than those for 1962, because of large contracts made last year and early this year by some Canadian manufacturers with the Argentine Federal Government and Provincial Governments to supply locomotives and rolling stock, and road machinery and equipment. These shipments were being made in the later months of 1963. Canada's main exports to Argentina for the first six months of 1963, with comparative figures for the same period of 1962, are given in Table II.

Future Prospects

Because of the recent government decree prohibiting imports into Argentina of a fairly long list of consumer goods and some machinery and equipment, and the prevail-

TABLE I
CANADA'S MAIN EXPORTS
TO ARGENTINA

	1961	1962
	(Can. dollars)	
Potatoes, seed	.....	1,168,843
Potatoes n.e.s.	.....	959,716
Asbestos milled fibres, group 3	188,992	.....
Asbestos milled fibres, groups 4, 5	910,709	873,540
Asbestos shorts, groups 6, 7, 8, 9	219,439	163,027
Wood pulp, bleached sulphate	650,461	847,985
Wood pulp, bleached sulphite	513,402	213,813
Wood pulp, sulphate semi-bleached	428,724	882,781
Wood pulp, sulphate unbleached	1,128,217	252,623
Wood pulp, sulphite unbleached strong	295,120	100,950
Wood pulp, sulphite unbleached news	211,165	92,099
Newsprint paper	8,460,261	3,630,115
Fine paper n.e.s.	.....	276,818
Chemical elements n.e.s.	83,259	283,290
Organic acids and derivatives	289,137	89,009
Plastics and synthetic rubber, not shaped n.e.s.	648,948	302,843
Blooms billets and slabs, steel	2,081,618	.....
Sheet and strip carbon steel HR	1,277,496	.....
Sheet and strip steel n.e.s.	3,056,740	3,843,464
Pipes and tubes iron steel n.e.s.	197,641	.....
Aluminum pigs ingots slabs	4,663,921	2,191,279
Copper refinery shapes	397,864	271,825
Nickel anodes cathodes ingots	704,642	182,788
Construction maintenance machinery and parts	76,703	1,117,021
Textile industrial machinery and parts	163,764	61,052
Shoemaking industrial machinery and parts	300,097	.....
Special industrial machinery and parts n.e.s.	76,056	265,849
Trailers commercial, semi-trailers	.....	211,343
Engines, motor vehicle and parts	354,817	124,677
Road motor vehicles n.e.s.	18,487	712,120
Road motor vehicle parts n.e.s.	266,080	185,425
Aircraft complete with engines	135,362	114,450
Engines, aircraft, and parts	235,035	140,846
Card punch machinery, computers and parts	641,892	618,590
Biological products for human use	91,355	201,509
Prefabricated buildings, structures and parts	.....	150,891

TABLE II
PRINCIPAL CANADIAN EXPORTS
TO ARGENTINA

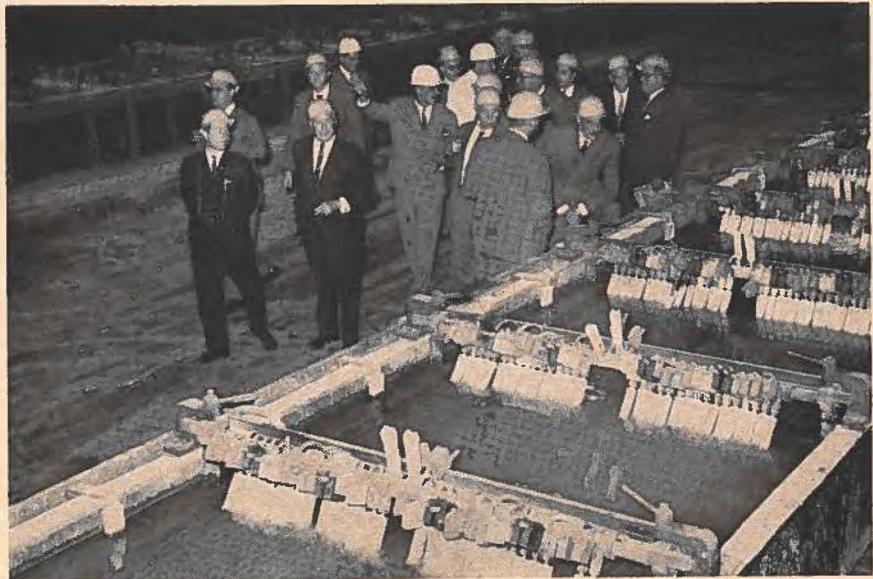
	January-June	
	1962	1963
	(Can. dollars)	
Locomotives, engines and engine parts	.....	2,509,416
Sheet and strip steel n.e.s.	2,101,719	1,542,282
Newsprint paper	2,219,950	1,351,074
Plastics and synthetic rubber,* n.e.s.	227,764	1,059,547
Aluminum pigs, ingots, slabs	1,932,907	568,494
Card punch machinery, computers and parts	303,624	457,765
Wood pulp, sulphite unbleached strong	45,026	387,906
Power boilers, equipment and parts	.....	320,823
Railroad rolling stock, including street	.....	303,611
Asbestos milled fibres, grades 4, 5	381,999	288,760
Wood pulp, sulphate semi-bleached	500,415	193,053
Potatoes, seed	27,175	189,270

*Not shaped.

ing high rates of surcharges on practically all imported products comparable with those manufactured locally, the prospects for selling general lines of goods here, particu-

larly consumer products, are not bright for the immediate future. This does not apply, however, to certain types of machinery and equipment of a kind not made locally, newsprint and pulp, special primary types of steel and steel products, some raw materials and semi-manufactured products required by local industry, and heavy goods such as railway equipment and machinery, roadmaking machinery, etc., which the Federal and Provincial Governments may need from time to time. Such purchases by government organizations will require, in all probability, medium to long-term financing.

It is difficult to forecast how long present import barriers will remain because government policy is not yet clearly defined. The announced policy of trying to promote and expand productive capacity and industrial development rapidly, plus Argentine membership in LAFTA and the resulting lower tariffs applying on trade between LAFTA countries, suggest that opportunities here should not be viewed too optimistically. ●

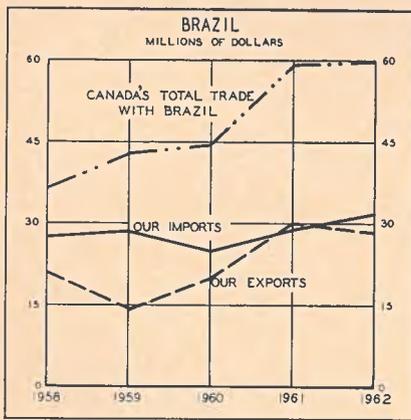


From October 5 to 30, 1963, an eight-member Steel and Steel Products Trade Mission visited Venezuela, Chile, Uruguay and Argentina, in search of markets for Canadian steel and steel products. The picture above shows members of the mission visiting a steel fabricating plant in Argentina. The mission was composed of senior executives of Canadian steel companies and a T. and C. officer.

Brazil

- Continued inflation, strikes, less foreign capital have cut back industrial expansion.
- Drought and fires will reduce next year's coffee crop, but effect will be mixed.
- Growing backlog of commercial debt to overseas suppliers has led to stiff payment terms.

W. JONES, *Commercial Counsellor, Rio de Janeiro.*



BRAZIL in 1963 offered a sad spectacle from the business or economic viewpoint. A land of great resources, generally favourable climate and people with ability, it has great expectations and should forge ahead at a rapid pace. Unfortunately, administrative and business indecision (because of a loss of optimism on the part of producers resulting from unsettled political conditions) contributed by the end of the year to the stagnation of industry.

As of the middle of November, there were on balance few signs that the financial and political uncertainties would be resolved during 1964. Brazil's major problem is an apparent inability or unwillingness to control inflation. During September, Cr.\$120 billion (or about 20 per cent of the money already in circulation) was poured into the economy. Some of this has been withdrawn,

but the inflationary effects have yet to be fully felt. Combined with the payment by law of a one-month salary bonus in December to all employees and the resulting upsurge in demand, it will cause price increases impressive even by Brazilian inflationary standards. A relative measure of inflation is the 60 per cent increase in the cost of living for the first ten months of the year, compared with 36.2 per cent in the same period of 1962. Organized wage demands throughout the year have ranged in the vicinity of 100 per cent increases and settlements of 70 per cent and more have not been uncommon. It is reported that the minimum monthly wage of Cr.\$21,000 (which the lowest level of workers earns) will be increased to Cr.\$34,000 in January, a jump of about 62 per cent.

Slight Rise in GNP

An authoritative preliminary estimate of the gross national product for 1963, based on first-quarter results and made in September, shows a growth rate of about 2.4 per cent for the year. Setting aside the influence of the small coffee crop, the increase for the rest of the economy was to be about 4 per cent. With a population growth of about 3.1 per cent, a calculation based on the over-all figure reveals a decline in per capita income for the year. However, this calculation is subject to argument because in past years coffee has been produced in excess of requirements and the surplus

stocks purchased by the Government made no contribution to real income. In any event, the whole calculation is probably optimistic because the second half of the year saw a series of disruptive events which must have brought a substantial decrease in production. During the last four years, the rates of increase in the GNP were estimated as follows:

1959	7.3 per cent
1960	6.3 " "
1961	7.7 " "
1962	3.5 " "

Strikes Hamper Production

Unfortunately, labour unrest, resultant supply difficulties and power shortages (during September and October because of prolonged drought) delayed the hoped-for substantial increases in industrial production.

The main cause of production difficulties has been strikes. Brazil has seen this year extensive shipping, port workers, bank employees, railway and utility strikes and several attempts at general strikes (one at the end of October in the industrial state of São Paulo). The impact of these on industrial supplies is apparent in a statement in October by a São Paulo spokesman for industry that the Port of Santos, which handles 35 per cent of Brazil's ocean cargoes and which is essential to the supply of much of the raw material needed by the industrial city of São Paulo, had been closed for 120 days of the previous eight months (240 days).

Drought brought power shortages and rationing (a 20 per cent reduction of supplies) in the major producing cities of São Paulo and Rio de Janeiro. In the latter power was cut off completely for six hours a day for a short period to reinforce the rationing. Fortunately, rains at the end of October brought relief and industrial plants were able to resume normal operations.

Drought Affects Agriculture

Notwithstanding its industrial development, Brazil is basically an

agricultural country. Performance in this sector has varied during 1963. A bumper crop permitted significant exports to Europe, but shipments would have been larger but for port strikes.

The main agricultural producing areas, the south central states, were hit by the longest and worst drought in 72 years. As a result of this and of the frost that the southern coffee plantations suffered in August, the quality and quantity of the coffee crop declined this year. These setbacks, in combination with the fires which raged in the state of Paraná in September, presage further decline in the coffee crop next year, plus a substantial increase in the international price of Brazilian coffee. Exports of coffee in October, the first month of the new International Coffee Agreement year, were the highest in Brazilian history, a total of 2,650,000 bags. Although Brazil can probably meet its agreement quota of 18 million bags this quota year with good-quality coffee from the current crop and from surplus stocks in storage, there is some question about whether it will be able to do this during the next quota year.

This coffee shortfall, although a calamity for the affected producers, probably will benefit the Brazilian economy as a whole. One of Brazil's balance-of-payments problems over the past decade has been a decline in the international price of its major exports, of which coffee provides half. Thus the foreign exchange earnings should increase, assuming all other factors remain the same, by a percentage equal to about half the increase in the coffee price.

There are other benefits from the disasters to the coffee crop. The Brazilian Government has stockpiled large quantities of surplus coffee, and it will now be able to dispose of some of these stocks and recapture some of the funds invested. This should have a deflationary effect. To the extent that second quality trees have been killed off, presumably less money will have

In 1963, Brazil . . .

- Saw the cost of living increase 60 per cent in the first eight months.
- Increased the gross national product by about 2.4 per cent, according to preliminary estimates.
- Suffered extensive labour strikes that cut down production.
- Experienced the longest and most severe drought in the south central states in over 70 years.
- Did not permit foreign investors to transmit profits to their principals.
- Accumulated a large backlog of current commercial debt to overseas suppliers.
- Shipped record amounts of coffee to export markets, stocking up in anticipation of shortages.
- Received less foreign aid because of threat to development posed by inflation.

to be spent on their eradication. In addition, affected producers are to some extent diverting their lands to the production of other crops, such as soybeans. This should have a good effect on next year's agricultural production.

Another serious effect of the drought was smaller output of dairy products and of meat; the hope was that there would be sufficient supplies of the latter to permit a substantial increase in exports. No such exports materialized.

City Dweller Benefits

Measurement of the national income of Brazil is confused by inadequate statistics and the rapid price increases. Inflation seems to have taken a firm hold and measures to reduce or contain it have been, by and large, offset by government actions with an inflationary effect. The major internal effect of the inflation has been, over the years, a tendency toward an improved standard of living for the city as compared with the rural dweller. The

impressive industrial expansion of the past ten years has resulted in a large and well-organized labour movement. Because most of its products are free of price controls and are in ever-increasing demand, it has been possible for industry in the past to increase wages in accord with demands. Meanwhile the Government, in an endeavour to prevent a rise in the cost of living of these employees, has clamped ceilings on rents and basic food-stuffs and has refused rate increases to public utilities, except to the extent that increases in wages have had to be covered by rate increases.

Balance-of-Payments Picture

During 1963 Brazil's balance of payments, if measured strictly by accounting practice of balancing payments out against income, did not deteriorate; in fact, at the end of the year it may show a slight improvement. The exchange reserves (if the amount of foreign exchange in the control of Brazilian authorities at the end of the year can be

described as a reserve) will perhaps be higher than in 1962, although still minimal. Unfortunately, this does not provide a true picture of the exchange situation because foreign indebtedness has increased throughout the year.

The simple fact is that in 1963 the Brazilian Government has not allowed foreign investors to transmit profits to their principals through official channels. It has allowed the transfer of some interest and principal payments but these have been restricted, by and large, to some foreign creditors who had in hand a Brazilian government guarantee of principal and interest payments. Even many of these are awaiting developments that will permit Brazil to pay what has been guaranteed to them.

Commercial Debt Increases

Meanwhile the backlog of current commercial debt to overseas suppliers has risen sharply throughout the year and is believed to be in excess of \$180 million. (Reportedly \$100 million of this is owed to suppliers of oil.) In practice, therefore, there are at present payments overdue and delayed without approval of the creditors—or an unsatisfied balance-of-payments deficit, that cannot be covered if Brazilian imports and exports continue at present rates. In fact, they cannot continue because an increasing number of foreign suppliers are now offering their products to Brazil only on letter of credit, against sight draft collectible through private commercial banks, or against sight draft only if past overdue drafts to an equivalent value are paid up.

In practice, foreign exchange availabilities have been so short this year that Brazil has been unable to meet lump-sum debt payments due to overseas lenders of amounts as low as \$25 million. Recent examples of how such payments due are handled were the postponement for six months of payments due to the IMF in an amount of \$26.5 million and to the U.S. Treasury in an amount of \$25.5 million in Sep-

tember and October. On the surface, it would seem that these overseas creditors learned that Brazil simply did not have the funds on hand to pay and at the same time meet payments then due to private foreign banks and oil companies of \$28.5 million and \$17 million respectively.

Foreign Trade

Brazilian trade over the year appeared to be following its usual pattern of a substantial deficit. During the first half of 1963, imports exceeded exports by U.S.\$108 million compared with \$110 million during 1962. During the past 12 years, foreign trade has averaged a yearly deficit of \$90 million. Except for three years when there was a positive balance, this deficit has in past years been covered by foreign aid and loans, as well as by substantial investment in Brazil by foreign enterprises. Unfortunately, this year investments and foreign financial support at past levels have not materialized. This explains the increasing commercial backlog.

There may nevertheless be a complete reversal of the normal foreign trade trend in the making for the second half of the year. Because of the shortfall of the Brazilian coffee crop, foreign demand for Brazilian coffee in anticipation of shortages has increased substantially; so have prices. In fact, coffee exports in October broke all-time records and export quotas have been established. These record exports should contribute substantially toward a balancing of trade for the year as a whole. Of course, considering the International Coffee Agreement quota limits, total coffee shipments over the quota year to markets paying cash will not rise. Thus current coffee exports will tend to reduce total coffee exports during the first nine months of 1964 and Brazil's current high export earnings in this field are at the expense of future earnings.

For Canada's trade with Brazil, we expect that during 1964 it will average about the same as in 1963—assuming, of course, that there is

no violent political upheaval and no economic collapse during or just before the coming year. It may well be that a number of our minor exports will be hit by increased Brazilian restrictions; however, as our exports expand in variety and tend to become more competitive internationally, we hope that some Brazilian orders for essential imports will be shifted from other countries to Canadian suppliers.

Trade Policy More Restrictive

Brazilian trade policy on imports from countries other than those in the Latin American Free Trade Area is becoming more restrictive. At the same time, efforts are being made to encourage exports by incentives and removal of administrative impediments.

Among recent policy decisions restricting imports are the increasing of the prior deposit requirement on most imported goods from 80 to 100 per cent and subsequently on a selected but large group of imports to 200 per cent. Most essential imports—such as wheat and oil and some favoured ones such as newspaper and government requirements—are exempt from prior deposits, as are imports from the LAFTA countries. These exemptions reflect a desire to postpone internal price increases on basic foods and materials and to foster trade with other members of LAFTA.

The liberal Brazilian import attitude to the LAFTA area, although the country had a large deficit with LAFTA last year, reflects the desire to ensure reciprocal treatment for its industrial products entering the other LAFTA countries. Some interesting examples of exports of industrial goods to the area have appeared and although these are important to individual companies, they are not yet of international significance.

Recently, Brazil established an official rate for travel and a variety of other non-merchandise transactions at Cr.\$900 to the U.S. dollar. However, it has not yet altered the rate for imports and exports of

merchandise of Cr.\$620 and Cr. \$600 respectively. Recent rumours are that the authorities are contemplating a revision of these rates to Cr.\$730 and Cr.\$700 respectively. However, in the opinion of many, this level would be too low because it would not, considering the increasing rate of inflation, be sufficient to encourage exports greatly nor to discourage imports. Brazil could produce a positive balance in foreign trade if the authorities permitted the exchange rate to find its own level. This it has done in the past, with favourable results from the international financial point of view. However, the objection to free exchange rates is that, if they were applied to all transactions, internal prices would increase substantially, contributing further to the inflationary spiral.

Foreign Investment Lags

During the second half of the last decade Brazil benefitted from a wave of investment by U.S., Japanese, German and other West

European manufacturers. This investment has been made chiefly in the chemical, heavy and light industry, and consumer goods fields. It is largely on this new investment that Brazilian prosperity has depended. After the United States, the largest investor in Brazil is Canada, because of our extremely heavy investment in public utilities. Canadian-controlled companies provide most of the electricity consumed as well as most of the telephone services. They also provide metropolitan transportation and household gas in the major cities but their share of this has been continually declining. West German investment until a year or so ago rose impressively and is probably third on the list of total foreign holdings in this country at present. Practically all foreign investors now appear to be holding back in the face of Brazilian political and financial uncertainties.

These uncertainties are directly related to a law the Brazilian Congress passed in September 1962 which governs the transmittal of

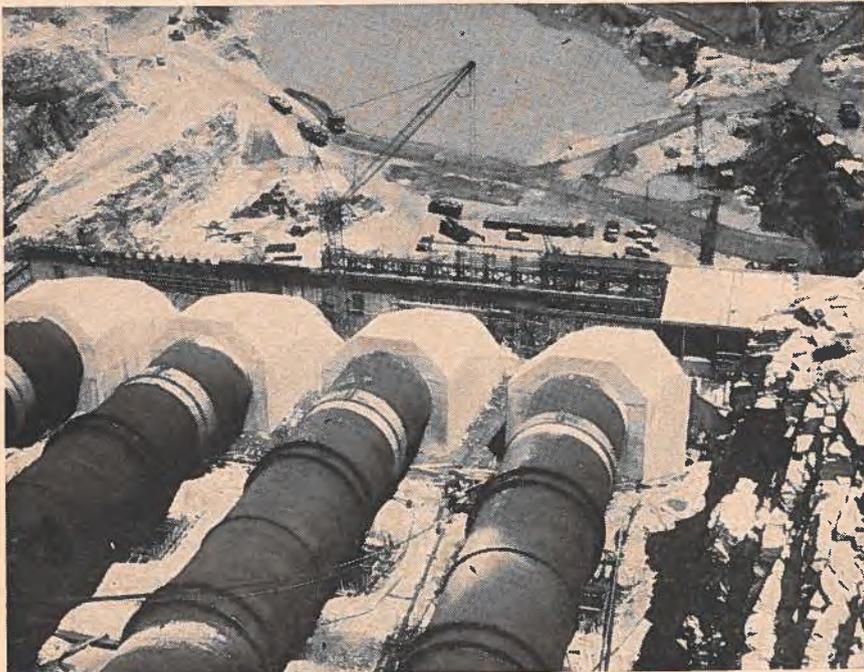
interest, profits and royalties abroad. The law includes a provision limiting the rate at which invested capital can be recovered by foreign investors to 20 per cent and profits to 10 per cent. The impact of this law on Brazilian industrial development and subsequent production was extremely damaging. Many foreign investors with plans to provide additional capital for their subsidiaries here shelved those plans, pending a clarification of the procedure to be followed in administering the law. As of the middle of November 1963, this clarification has not appeared. A number of firms had planned, as an alternative to an injection of foreign capital, to use the profits from their organizations to finance expansion.

There are, of course, significant exceptions to this general rule—mainly where expansion plans had progressed to such a point that the firms involved could not, without significant losses, cancel the development and had no internal profits available to apply.

Foreign Aid Decreases

Compared with past years, the foreign aid, whether grants or loans, that Brazil has received in 1963 has been small. This decline in available foreign funds reflects mainly the lack of faith in the effectiveness of such development programs in the face of Brazilian inflation. The U.S. Government has contributed the major portion of aid to Brazil, either directly from the U.S. Treasury, through the AID, by loans from the Eximbank, through international organizations such as the Inter-American Development Bank, or by encouraging U.S. private banks to make loans available. This American aid has made possible most of the giant strides in development.

Since mid-March, as a result of the Brazilian Government's inability or unwillingness to meet its commitments on compensation for an expropriated American & Foreign Power subsidiary here and because of the inflation, U.S. aid to the Federal Government has, by and



Among the largest of Brazil's hydroelectric developments is the Furnas project on the upper Rio Grande, 200 miles north of São Paulo, still under construction. This view is taken looking down the penstocks and the tailrace of the development.

large, been restricted to the signing of a PL480 agreement to provide \$92.2 million worth of wheat and transportation for that wheat, a small loan to develop private small industries, and the postponement of debt payments. There have been agreements to provide aid directly to certain state governments. This type of aid is, of course, subject to approval by the Federal Government when any type of repayment is required. In some instances, approval has been unaccountably delayed.

A \$50 million aid offer to Brazil by the West German Government is pending. When this offer was first made, the West Germans insisted upon agreement about the nationality of the ships that would transport the equipment and the rapid conclusion of a few minor agreements on West German interests. The Brazilians apparently objected strenuously to some of the requirements and so far the offered aid has not become available. In the interval the Brazilians have gradually found it politic to drop one after another of their "minimum" requirements and agree to German requests to the point where they believe that, with a few minor misunderstandings yet to be ironed out, they will receive the aid shortly.

Little of this will affect Canada's present trade with Brazil. Most of the supplies will be equipment obtained from the countries where the funds originate and in many instances will be of the type that we do not normally supply competitively. It is probable too that, if foreign financing were not provided, Brazil would be unable to purchase most of this equipment.

Industrial Development

Industrial development over the past year has been, generally speaking, restricted to those new plants in the planning stage for many years. Some power projects have come into production and new ones are being planned, but all of the latter are under the control of the federal or state governments. Al-

though private enterprise provides most of the power used in Brazil, its return on capital invested in recent years has been insufficient to permit planning for or investment in new production facilities. In heavy industry, the 1963 emphasis has been on new iron and steel complexes. Although there have been major contributions, both technical and financial, from foreign organizations to these developments both in the technical and financial areas, control of the developments rests with Brazilian government enterprises. Plans for new steel mills in Brazil are in good supply. If all of these plans bear fruit, Brazil will be one of the world's major steel

producers within a decade. Unfortunately, funds for all of them do not seem to be forthcoming.

Although Brazil produced a much publicized Three Year Plan at the beginning of 1963, it now appears to have been discarded. Some cynics have remarked that the only part which was completed—and ahead of schedule at that—was the section that provided for 30 per cent inflation during this year. That objective was achieved during the first five months of 1963.

It is obvious that solutions to Brazil's internal and external problems must be found in the near future. What these solutions will be, no one can predict. ●

Western Australia's Iron Ore Project

A THIRTY-YEAR iron ore development project will be undertaken by the Western Australian Government and Hammersley Iron Pty. Ltd. The Government and the company signed an agreement on July 30 which provides for an investment of not less than £40 million in an integrated iron and steel industry and not less than £30 million in the facilities needed to export the iron ore. The company is a subsidiary of Hammersley Holdings Pty. Ltd., owned 60 per cent by Conzinc Riotinto of Australia Ltd. and 40 per cent by Kaiser Steel Corporation of California.

The project will be developed in four stages:

1. Investigation to prove that markets are available and development of plans for export of at least one million tons of iron ore a year; £800,000 or more has been allocated for this purpose.
2. Construction of facilities for export, including a port, railway, roads, towns, ore extraction and handling plant, involving an investment of not less than £30 million.
3. Erection of a processing plant with a projected capacity of two million tons of ore a year at an estimated cost of at least £8 million.
4. Establishment of a steel industry with a capacity of one million tons of steel

a year. The current investment is estimated at £40 million. The directors of the company say that they have no immediate plans to proceed with this phase of operations, although the agreement calls for complete plans to be submitted in 20 years.

The iron deposits on which the giant project is based are situated in the Pilbara area of northwestern Western Australia, not far from Wittenoom Gorge in the Hammersley ranges, some 670 miles almost due north of Perth, 150 miles from Port Hedland in the north, and 250 miles from Carnarvon on the west coast. Subject to ratification by Parliament, Hammersley Iron Pty. Ltd. will receive prospecting rights over about 2,600 miles in the area, with the subsequent right to take up a lease with a maximum of 360 square miles.

It is expected that the establishment of a fully integrated iron and steel industry will cost a great deal more than the minimum stipulated in the agreement. According to Mr. Nalder, the Deputy Premier, who signed on behalf of the Western Australian Government, the finished project will stand as one of the most substantial single undertakings in the industrial development of Australia.

—H. A. GILBERT,
Commercial Counsellor, Melbourne.

Chile

- Industry is growing, unemployment is at all-time low, inflation is under control.
- Foreign exchange position has improved slightly; further improvement expected in 1964.
- Relaxations in import restrictions, shortening of payment delays not likely in near future.

J. R. MIDWINTER, *Commercial Secretary, Santiago.*

INTERNALLY, the past few years have been among the most prosperous in Chile's history. Following a long period of stagnation, the gross national product has been rising since 1959 at an annual rate of 4.5 to 5 per cent. This rate of growth is improving: in per capita terms, it is about 2.5 per cent. The GNP currently stands at Can.\$4,000 to \$5,000 million. The exact figure depends upon the exchange factor used but in any case it amounts to less than Can.\$500 per person. Unemployment has been at an all-time low. Inflationary pressures have been serious but so far prices have not run wild and social disturbance has been at a minimum.

Much new investment has been going into roads, housing, railway improvement, power developments and the modernization and expansion of industry. At the moment, the industrial areas attracting most interest are fish reduction, pulp and paper, and oil refining. Manufacturing output as a whole is growing at a rate of 6.5 per cent a year.

Chile now has one of the most highly industrialized and diversified economies in Latin America, although admittedly on a much smaller scale than Brazil, Argentina or Mexico. Further progress depends to a considerable extent upon the country's ability to obtain access to the markets of neighbouring countries through LAFTA. The Government is pursuing an outward-looking policy and prospects are promising for pulp, paper and other

wood products, steel and copper products, and some agricultural products such as malt, legumes and temperate-zone fruits.

Agriculture: Progress Stressed

Agriculture has lagged but with the introduction of various price incentives, mild agrarian reforms and new land tax measures, performance could improve. Pending are loans totalling U.S.\$24 million from the World Bank to finance a livestock improvement program and establishment of meat and milk processing plants. The 1963 crops were the best for several years and ample winter rains now promise an even better yield in 1964 of key agricultural products, such as meat, milk, wheat and other grains, oilseeds and sugar beet. Pasturage is particularly good. In 1962 Chile imported U.S.\$60 million worth of cattle for slaughter, beef, dairy products, wheat, vegetable oil and sugar alone, which constituted a serious drain on foreign exchange reserves despite Public Law 480 assistance from the United States. Present prospects are for significant savings over the next year. This will release foreign exchange for imports of other products and improvement of the balance of payments.

Foreign Exchange Still Short

A presidential election is due in September 1964 and this will deflect some attention from economic measures. A shift to the far left in government no longer seems as

probable as it did a year ago and there is little likelihood of any real political disturbance or unconstitutional action.

All in all, Chile's prospects from the domestic point of view seem fairly good over the next few years. Political stability is more assured and social and economic problems more manageable than in most of Latin America.

Externally, however, Chile continues to be hard pressed to find sufficient foreign exchange to pay for imports of essential raw materials and capital goods and to meet external debt obligations. It will be recalled that a heavy import surplus compounded by a flight of capital brought the country to the brink of bankruptcy in its international accounts by the end of 1961. At that time, net foreign exchange reserves were in deficit by U.S.\$161 million. Despite imposition of a maze of import and exchange restrictions, the situation continued to deteriorate in 1962 until by September reserves had fallen to *minus* U.S.\$265 million. In October the escudo was finally freed to find a more realistic level and this measure, plus a new agreement with the International Monetary Fund and balance-of-payments assistance from the United States, Britain and West Germany, brought the situation again under control.

Balance-of-Payments Prospects

During 1963 the foreign exchange position has improved slightly. Although this improvement has not gone nearly as far as the authorities hoped at the beginning of the year, it is still possible to be mildly optimistic. The outlook is for a gradual improvement in the balance of payments over the next few years as new export revenue becomes available from copper, iron ore, newsprint, kraft pulp and other wood products, fish meal and fish oil projects now reaching fruition.

These developments will probably not lessen Chile's dependence on copper and iron ore but should build up the over-all export volume and

somewhat broaden its scope. Assuming no major adjustments in the world copper situation, export earnings could rise over the next year or two by about \$50 million, or roughly 10 per cent. A tax reform bill now under debate will, if accepted, bring massive investments from the major copper-mining companies. The outlook for the bill, however, is still clouded and even if it becomes law, several years will elapse before the investments yield significant returns.

One should not, however, look for any dramatic letup in import or other restrictions nor for an early reduction of the 120- to 150-day delay in payments for imports. Short, medium and long-term obligations, plus social and economic development needs, will continue to absorb all the foreign exchange the country can find. Because of the pressure of short-term obligations, payment conditions will be espe-

cially difficult over the next year or two but thereafter should ease. Long-term creditworthiness seems fairly sound. Currently under debate is a long-awaited bill to update and simplify the somewhat archaic Chilean customs tariff. Its adoption will not bring any immediate reduction in protection but will introduce the Brussels nomenclature and make it easier to ascertain the duties applicable to a given product.

Import Pattern and Prospects

Imports, with a considerable consumer goods content, reached high figures in 1960 and 1961—U.S. \$540 million and U.S.\$614 million respectively (Central Bank figures, which are higher and more realistic than Customs figures, U.S.\$500 million and U.S.\$585 million). At U.S.\$554 million, purchases from abroad remained high during 1962 because of the carryover of orders placed before imposition of restric-

tions and because merchants, fearing further restrictions and exchange shortage, sought to build up inventories.

Upon freeing of the escudo in October 1962, import registrations (imports must be registered before an order is confirmed, thus revealing import intentions) immediately fell and have since been averaging U.S.\$38 million a month, or about U.S.\$460 million a year.

Prospects are that imports will continue at an annual rate of U.S. \$475 to \$550 million during the next few years. Of this, perhaps one-third will represent capital goods, purchase of which will have to be financed by medium- and long-term credits, foreign aid, and new investment from abroad. *Alliance for Progress* and other external aid in sight or already negotiated should fill most of the gap and there continues to be modest interest in Chile on the part of foreign investors. ●

Canada's Trade with Chile

Sales reached \$8.8 million to end of August 1963 (\$13.3 million for twelve months 1962). Rise resulted from larger shipments of capital equipment under long-term financing, and of industrial raw materials. Prospects for these types of products continue to be promising.

J. R. MIDWINTER, *Commercial Secretary, Santiago.*

CANADIAN exports to Chile have been rising for several years, despite severe competition from most other suppliers. Shipments climbed slowly from Can.\$6.2 million in 1959 to \$8.2 million by 1961, then jumped to \$13.3 million in 1962. The sudden increase took place at a time when Chile was stringently restricting imports. In comparative terms, Canadian exports to Chile, which had been running for several years well below 2 per cent of Chile's total imports, bounced ahead in

1962 to about 3 per cent and have maintained this position during 1963. Actually, exports to the end of August totalled \$8.8 million, compared with \$5.5 million during the same period of 1962. However, in 1962 large shipments of pulp and paper mill machinery towards the end of the year brought the total up to \$13.3 million. Additional major shipments took place during the early months of 1963. Accordingly, Canada's exports to Chile for the year 1963 will probably equal

or slightly exceed the figure for 1962.

Why Exports Rose

The main reason for the sudden increase in our exports to Chile in the face of a cutback in the latter's purchases generally is sale of a complete newsprint mill, now almost entirely installed, at Nacimiento in the central valley 300 miles south of Santiago. But this is not the whole story: there are several reasons for Canada's surprisingly good performance.

First, of course, the medium- and long-term export finance facilities available in Canada from the end of 1960 began during 1962 to show results, with the movement of the pulp and paper machinery just referred to. These results continued

during 1963 with the signing of a \$5.7 million loan to Cia. Manufacturera de Papeles y Cartones S.A. for pulp machinery and the sale of a complete small sawmill to another buyer. These financing facilities, with the devaluation of the Canadian dollar and more aggressive and skilled salesmanship, have definitely enhanced the competitiveness of Canadian products. As a result, Chilean buyers have shown greater interest in Canada as a potential source of supply and there have been diversions of existing or new orders to the Canadian branches of international companies. Especially important in this diversion has been the movement of General Motors of Canada knocked-down cars, chassis and parts, Champion spark plugs, and IBM business machines.

Outgoing trade missions sponsored by the Department of Trade and Commerce and "Operation World Markets" are beginning to show some results, especially in boiler equipment, sawmill and forestry machinery, and telecommunications apparatus.

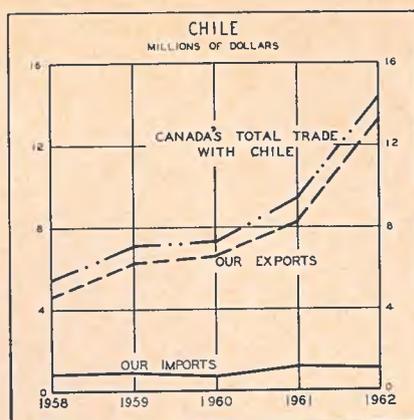
Investment activities of Canadian and affiliated companies have also meant the placing in Canada of many orders for equipment and supplies. Bata of Chile has long been a factor in this and more recently, participation by Canadian companies in Chilean fishing and mining has been especially pronounced.

Finally, our chief exports to Chile have consisted primarily of essential industrial raw materials and special capital equipment not available domestically—nor by and large from the LAFTA area—and therefore relatively little affected by import restrictions.

Main Canadian Sales

Principal Canadian exports to Chile over the past few years are shown in Table I.

In addition to the products listed in the table, Canada has been selling Chile significant quantities of tabulating card stock, boiler equipment, primary zinc and nickel, fish



nets, cordage, special steel, several chemicals, plastic raw materials, and so on. Shipments consist almost entirely of industrial raw materials and capital equipment. It is encouraging to be able to report that a high and growing proportion are the products of Canadian secondary manufacturing.

Export of Engineering Services

Also very important but unfortunately not capable of statistical measurement is the invisible export of engineering services. The gross value of such services, however, has recently been exceeding one million dollars a year.

In the immediate future, Chile will continue to experience severe

TABLE I
PRINCIPAL CANADIAN EXPORTS
TO CHILE

	1961	1962	1963 (Jan.- Aug.)
	(Can.\$'000)		
Pulp and paper mill machinery	5	4,899	3,485
Motor vehicles and parts	53	1,120	1,007
Aluminum in primary forms	691	999	495
Asbestos fibre	770	851	633
Agricultural machinery	754	669	164
Mining machinery	345	624	789
Firebrick, other refractories	201	483	79
Synthetic rubber, plastics	447	426	263
Spark plugs	.....	269	113
Synthetic yarn	1,531	243	34
Papermakers' felts	167	208	161
Office machines	593	192	26

foreign exchange problems. There is little likelihood of any early easing of the restrictive system of import registrations, prior deposits, high customs duties, and effective prohibition of any import available inside Chile or not deemed essential. Payments will continue to be slow, with most transfers effected only after 120-150 days from the date of shipment. It will be at least a year or two before the buildup of new sources of export revenue (notably copper, iron ore, fish meal, pulp and newsprint) and the settlement of short-term obligations will permit a freer import policy.

Best Prospects

Meanwhile, although trading conditions remain difficult and complicated, Canadian exporters can be reasonably optimistic. Prospects are good for the continued movement of pulp and paper mill machinery, mining machinery, sawmill and forestry machinery, and several other items of capital equipment. Industrial raw materials, special steels, chemicals, etc., should also hold up well.

Development projects under way or in the final stage of preparation provide new sales opportunities in hydro- and thermal-electric generation and distribution equipment for the State Electricity Undertaking; telecommunications equipment; purebred and grade cattle for livestock improvement; forage seeds, and boiler and steam-generation equipment.

Some products are beginning to be affected by new developments within Chile and by the multiplying concessions granted to other members of the Latin American Free Trade Association. During 1964 the trend of Chile's trade with its LAFTA partners should become clearer; until now, the practical effects of LAFTA have been minimal. On balance, the growth of industry in Chile, both for internal reasons and because of preferences received, seems likely to increase rather than decrease the over-all demand for Canadian goods. ●

Colombia and Ecuador

- Devaluation of Colombian peso brought slight business slowdown this year.
- Implementing of Ten Year Development Plan will begin in 1964.
- When fiscal problems solved, pace of Colombia's economic development will quicken.
- Business climate in Ecuador improved; foreign exchange reserves rising.

JOHN H. BAILEY, *Commercial Secretary, Bogotá.*

BUSINESS conditions in Colombia in 1963 were not as buoyant as in previous years, although most sectors of the economy showed generally satisfactory activity. The gross national product rose by 5.8 per cent in 1962, exceeding the 5.6 per cent which is the annual target under the Ten Year Development Plan. This year, however, it is expected that the increase will be only about 5 per cent. In 1964 the 5.6 per cent rate of growth should again be achieved or even exceeded.

Why did business activity slow down slightly this year? The main cause was the 34 per cent devaluation of the Colombian peso in November 1962. This devaluation inevitably led to higher prices which, according to official statistics, resulted in a rise of 31 per cent in the cost of living during the first nine months of 1963. This, in turn, brought strikes in industry, greater hardship for the mass of peasants, who already had a relatively low standard of living, a fall-off in wholesale and retail trade because of the higher prices of goods, and a temporary decline in the rate of investment in new industries. Even the construction industry, one of the major supports of the economy in the past three years, slumped during 1963 and added substantial numbers to the already large ranks of the unemployed.

A number of other serious economic problems arose during 1963

and these will likely remain important during 1964. One is the adverse balance of trade and the related adverse balance of payments. Exports have dropped (\$29.2 million between January and September of this year) and imports have increased steadily, in spite of various import restrictions. The deficit on commercial trade alone totalled \$70.5 million at the end of September and as in 1962, will probably exceed \$100 million for the full year. This drain, added to millions of dollars expended by the Central Bank in an effort to hold the free rate of exchange at Ps.10.00 per U.S.\$1.00 (the official rate for imports is Ps. 9.00 per U.S.\$1.00) and the export of capital by private Colombian citizens will leave the country with a serious balance-of-payments problem at the end of the year. With additional aid from the IMF and other foreign bodies, however, it is expected that both the free and official rates of exchange of the peso will remain unchanged at least until well into 1964.

Local Capital Lacking

Some of the measures designed to improve the economy under the Ten Year Development Plan will begin to make themselves felt next year. The last two years have been spent in drawing up plans and negotiating for money to implement them. In fact, one of the main difficulties in this field, which has still

not been resolved, is that there is plenty of external financing available but local and central government budget deficits have led to an acute shortage of pesos for the domestic counterpart of these proffered foreign loans. As a result of these and other problems, and in an effort to put its financial house in order, the Government recently decided to increase taxation and to set up a Monetary Council, which is charged with studying and implementing all monetary and credit measures needed by the Government.

Foreign Credits Forthcoming

During the first two years of the Development Plan, foreign investment in private enterprises helped to buoy up the economy and make up for the balance-of-payment difficulties and the flight of local capital. Now, although the economic climate that encouraged the investment of private capital in new plants and equipment is considerably cooler, the drop in private investment may be more than compensated during the next few years by investment in the public sector. It is sometimes difficult to clarify the amount of foreign loans extended because there is often a large difference between the amounts under negotiation and the amounts actually borrowed and put into concrete projects. Using signed contracts for loans as the criterion, however, it is reported that Colombia obtained foreign credits of \$143.5 million during the first nine months of 1963, of which \$104.0 million was for the public sector. These amounts will probably rise to about \$114 million and \$138 million respectively during the next two years and the following table shows some of the major fields in which this money will be used:

Field of Investment	Current Projects	Future Projects
	(millions of dollars)	
Electric power	53	30
Telecommunications	26	6
Transportation	18	37
Agriculture	4	25
Civic, health, etc.	13	40

In the private sector, the Government will continue to offer full protection against competing imports and some tax concessions to firms wishing to establish local plants. Credit from a government-sponsored Private Investment Fund may be easier to get where the product being manufactured uses mainly national raw materials and/or may develop into an exportable commodity. This is part of the Government's policy to push industrialization and diversify exports. A program to aid diversification in agriculture and minerals is also being pursued, because the administration does not wish to depend on coffee and petroleum as the only large-scale earners of foreign exchange.

As all this demonstrates, Colombia is planning carefully to try and ensure that the economy will become strong enough in the future to be self-sustaining, even to the point of some day being able to generate most of the capital needed for its own development. Therefore, even though it may be marking time until it has had an opportunity to "shake down" the various fiscal problems (tight credit, higher prices, increased taxes, shortage of foreign exchange, etc.) now plaguing the economy, it is expected that 1964 and succeeding years will see business activity and the economy in general once again on the upswing.

Ecuador: Improvement Apparent

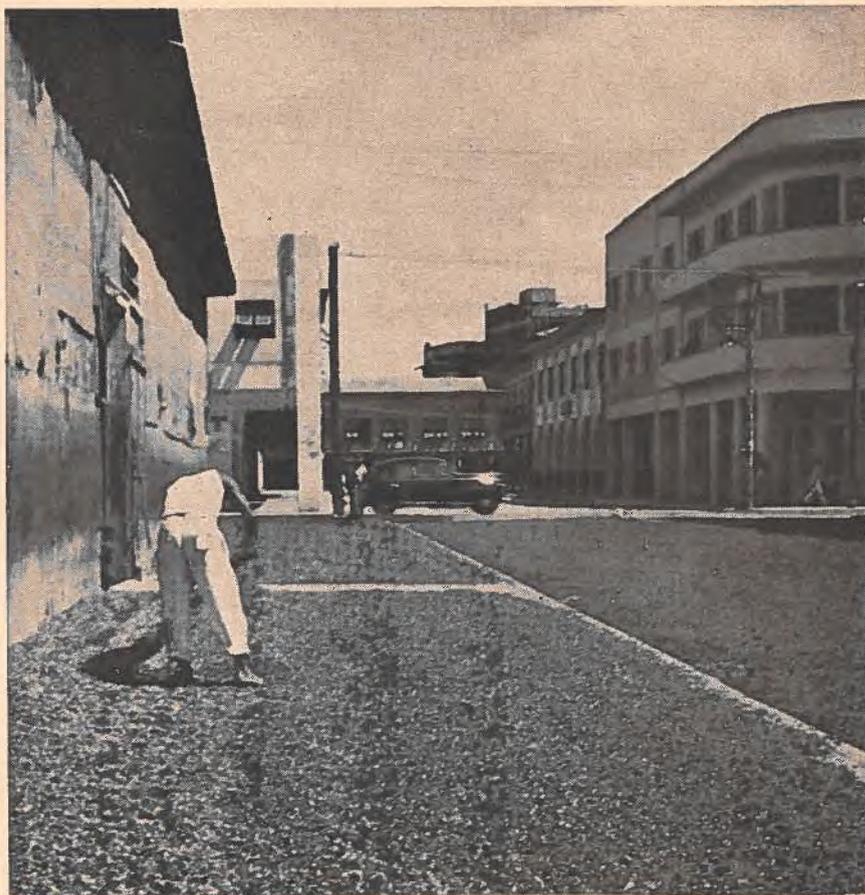
Business conditions have improved in Ecuador since mid-year. Our representative who visited Quito and Guayaquil in October, for example, reported that many businessmen, bankers and government officials told him business was steadily improving. He added that there was an air of confidence and optimism pervading all sectors and this augurs well for business in '64.

Ecuador's basic problem is that its small population (four million) and low per capita income (estimated at \$163 by the IMF) does not provide a large or dynamic market. In addition, credit is still

tight, and this will have a restraining effect on any sudden rise in business activity. Nevertheless the new Ministers of Development, Finance, and Commerce and Banking (the latter replacing the former Ministry of Economy), and the manager of the Central Bank, are all capable and experienced and the mere fact that such responsible men have taken over the economic and fiscal reins of government has restored confidence to the business community. Two of the most obvious and favourable results of the change in the business and economic climate is that the foreign exchange reserves are again rising (from \$23.8 million at the end of August 1962 to \$28.3 million at the end of August 1963). Ecuador once again has a favourable balance of trade, with exports at \$81.6 million and imports at

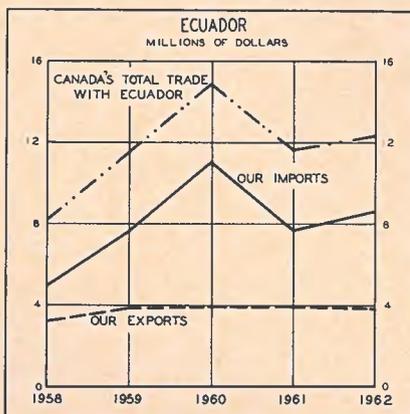
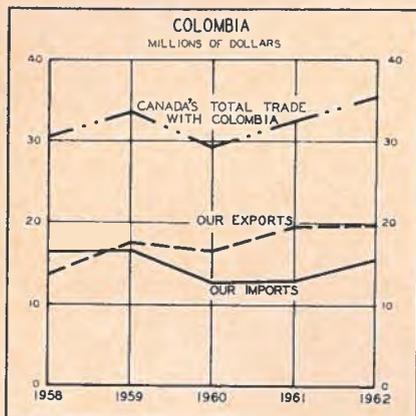
\$76.9 million for the first eight months of 1963.

In addition, the new group of Ministers has completed Ecuador's Ten Year Development Program as required under the *Alliance for Progress*. It is expected that this will mean an ever-increasing flow of AID funds during 1964 and succeeding years. This foreign aid in the public sector, coupled with a new law to give incentives to investment in the private sector, should keep business activity at a high level. There is every likelihood that the annual increase in Ecuador's gross national product will at last begin to outstrip the 3 per cent yearly increase in population. Barring further political upheavals, this should provide a basis for a steady improvement in business conditions for some years to come. ●



On one of the main streets of Guayaquil, Ecuador's chief seaport and largest city, cocoa beans are spread out to dry in the sun. Cocoa ranks with bananas and coffee as a leading earner of foreign exchange for Ecuadorians in the export market.

Canada's Trade with Colombia and Ecuador



Sales to Colombia estimated at \$23 million this year, but commodity pattern changing. Smaller Ecuadorean market open to almost any product that is well designed and competitively priced.

JOHN H. BAILEY, *Commercial Secretary, Bogotá.*

THE rapid expansion of industry in Colombia in the past few years has resulted in a substantial 38 per cent increase in Canadian exports to this country: they rose from \$16.6 million in 1960 to an estimated \$23.0 million in 1963. There is every indication that they will continue to increase and will reach \$25 million in 1964.

Trade Pattern Changing

With the exception of newsprint, which has remained a staple and important part of Canadian sales to Colombia, the pattern of our trade has changed considerably during the last four years. Up until 1958, for example, we sold large quantities of Canadian semi-manufactured and consumer goods, such as flour, malt, apple juice, whisky,

drugs, finished and sanitary paper, copper wires and tubes, hardware, farm machinery, cooking appliances, and so on. More and more, however, our exports to Colombia are, of necessity, concentrated in the raw materials field—chemicals, asbestos, pulp, aluminum, copper bars, nickel—and in capital equipment, such as boilers, transformers, and industrial machinery.

This change results from the Colombian Government's decision in 1959 to encourage the establishment of local industries by giving full protection (through a stringent import licensing system and other import restrictions) to those companies, local or foreign, which were willing to set up new plants or expand old ones. This move was

perhaps not economically sound in some instances because the goods manufactured behind this protective wall often turned out to be much higher in price than the equivalent imported product. Nevertheless, the main purpose of the Government's policy was achieved: hundreds of new factories were established, the industrial base of the country was widened and progress was made towards self-sufficiency, and thousands of new industrial jobs were provided for the under-employed labour force. This policy decision was, and still is, important from the economic and political points of view. The authorities do not want the economy dependent on one crop (coffee) and are anxious to provide more jobs because of the ever-present danger of a serious social upheaval stemming from unemployment and a relatively low standard of living.

Industrial Progress Rapid

During the past four years industrial output has increased 6 to 8 per cent a year and the major cities—such as Bogotá, Medellín, Cali, Barranquilla and Cartagena—are now ringed with modern plants which read like a "Who's Who" of North American, European and Colombian industries. These range from the subsidiaries or affiliates of internationally known firms (Alcan, General Electric, British Motor Corporation, Canada Wire and Cable, Quaker Oats, Abbott Laboratories, Kruger Paper Company, etc.) to hundreds of smaller firms in electronics, electrical equipment, pharmaceuticals, household equipment and furniture, food products and other consumer goods. Each new plant usually means that the door is closed to imports of another class of goods but, in many instances, Canada can supply the machinery or the raw materials the new factory needs. Because there is little likelihood of the Government changing its policy of forced-draught industrialization in the next few years, Canadian exporters in the consumer goods field should probably concentrate on other markets

TABLE I
CANADIAN EXPORTS TO COLOMBIA
1962

Product	Amount	Product	Amount
(Can.\$'000)		(Can.\$'000)	
Cattle	42	Tinplate	1,537
Oats	432	Steel bars, sheets, etc.	154
Wheat	276	Aluminum	1,305
Asbestos	2,176	Copper	481
Belting	20	Nickel	23
Pulp	1,142	Zinc	134
Newsprint	4,123	Valves	154
Other paper	248	Brake linings	34
Felts (for paper, etc.)	211	Boilers and machinery	327
Tire cord	430	Farm machinery	430
Tallow	140	Vehicle parts	82
Oil and fats	227	Engines and parts	270
Metallic salts	20	Telephone equipment	164
Inorganic chemicals	90	Radio equipment	89
Alcohols	45	Transformers	391
Organic acids	122	Instruments	111
Resins	72	Office machinery	709
Synthetic rubber	1,743	Films	187
Plastic film	477	Oil lamps and parts	186
Dyestuffs	12	Miscellaneous	545
Other chemicals	457	Grand total	19,887
Ferro compounds	69		

TABLE II
CANADIAN EXPORTS TO ECUADOR
1962

Product	Amount	Product	Amount
(Can.\$'000)		(Can.\$'000)	
Canned salmon	3,500	Drilling equipment	14,600
Wheat	2,306,000	Farm machinery	6,200
Apples	19,000	Tires and tubes	43,800
Oat products	55,000	Cooking appliances	5,400
Asbestos	46,000	Telephone equipment	28,100
Tire repair materials	7,800	Spark plugs, etc.	14,100
Newsprint	468,400	Instruments	28,000
Bond paper	138,300	Office machines	29,800
Kraft paper	18,400	Cleaning materials	5,100
Toilet paper	42,600	Tableware	2,400
Oilcloth	13,300	Antibiotics	4,200
Tallow	81,000	Vitamins	9,500
Sheet steel	19,500	Other medicines	23,700
Copper tubing	12,100	Printed matter	76,000
Wire and cable	51,400	Miscellaneous	164,700
Brake linings	32,100	Grand total	3,776,800
Electric motors	6,800		

that have more potential (see "Ecuador" below) and leave Colombia to the suppliers of engineering services, capital equipment, and raw materials. Table I, showing Canadian exports to Colombia, indicates what Canadian products are being sold in volume and can serve as a guide to firms considering this market.

Watch Developments Closely

In conclusion, Canadian firms which are now selling in Colombia (and this applies to newcomers as well) would be well advised to keep abreast of developments in their particular field through their agents or the Commercial Division of the Embassy. If it appears that some foreign competitor is going to start up a plant in Colombia to make a product now being imported from Canada, the Canadian supplier should consider moving in first, either with a licensing arrangement or a branch plant which could then be used to supply at least part of the Latin American Common Market. Otherwise, he may suddenly find his product completely excluded from the Colombian market

and endangered in the other LAFTA countries.

Ecuador—a Test Market

Ecuador provides one of the few remaining test markets in the world. Because it has a population of only four million, with a relatively low per capita income, it is not a large volume market. It is, however, a place where you see everything from the latest automated North American appliances or office machines to simple hand tools, toys or ballpoint pens from Asia or Europe. When you walk into a department store, supermarket, drug store or hardware store in Quito (population 300,000), Guayaquil (500,000) or Cuenca (70,000), the brand names seen on the shelves look like home. This means that if a product is well designed and competitively priced, it can be sold in Ecuador. Now that business conditions (see page 19) in Ecuador are again on the upswing, importers are seeking new and attractive lines from abroad. During a visit in October our representative was asked for sources of supply of such diversified items as toys, automotive

parts, writing paper, and packaged foods. As a matter of fact, trial orders have already been placed for some of these products with Canadian suppliers from Halifax to Vancouver. A glance at Table II will show better than any words the breadth of the Ecuadorian market and the volume of sales active Canadian exporters already enjoy. Altogether Ecuador imports over \$100 million worth of goods each year but up to now Canada has only obtained about 4 per cent of this, the largest proportion (60 to 70 per cent) being wheat. The remainder of the business has gone largely to U.S. exporters, with European and Japanese firms getting a smaller share.

We are most anxious to increase our share of the Ecuadorian market and if you feel you have a product that can be sold advantageously against worldwide competition, we will be pleased to try and find a suitable agent for you. Simply contact the Commercial Division of the Canadian Embassy in Bogotá or the Honorary Commercial Agent for Canada in Ecuador, Luis Vallejo Araujo, P.O. Box 717, Guayaquil. ●

Paraguay

- Difficult conditions in Argentina and Brazil depressed Paraguayan business in 1962.
- Foreign loans being used for improved transportation, power projects, agriculture.
- Canadian exports up this year, with large sales of newsprint, sheet and strip steel.

J. G. IRELAND, *Commercial Secretary, Buenos Aires.*

THE Paraguayan economy displayed signs of strength in the first half of 1962 but by the end of the year it had deteriorated sharply; it showed little improvement during the first half of 1963. The near chaotic conditions in Brazil and Argentina which brought sharp reductions in their purchases of Paraguayan commodities were a major factor in this situation. Devaluation of the Brazilian cruzeiro and the Argentine peso resulted in substantial increases in contraband trade in goods from those two countries, particularly clothing, cosmetics and foodstuffs from Brazil. The prolonged drought of 1962 and the extremely low level of the Paraguay River—the main transportation artery—did nothing to improve matters.

Guarani Not Devalued

During the past 18 months, gold and foreign exchange reserves have fluctuated widely and although the guarani has been under considerable pressure and the IMF recommended devaluation in November 1962, the Government has stood fast in its policy of monetary stability. After a slight drop in early 1962, reserves increased to U.S.\$3.65 million by the end of August but fell off rapidly and by the end of 1962 had decreased to U.S.\$779,000. After a further drop in January 1963 Paraguay entered the main exporting season, and by the end of July reserves stood at \$921,000. Preliminary figures indicate a balance-of-payments deficit of \$1.6 million

for 1962, compared with \$1.1 million in 1961 and \$990,000 in 1960. The deficit on foreign trade account, \$796,000 in 1962, rose to \$1.1 million for the first seven months of this year.

Drought Affects Crops

With few exceptions, returns from the 1962 harvest were good but during the latter part of 1962 and up to September/October 1963, very dry to drought conditions prevailed in many parts of the country. There is little detailed information yet on the '63 harvest, but because of the drought, lower yields of a number of crops, particularly fruits and peanuts, are expected. To compensate for these expected losses, the Government encouraged cotton production by distributing 1.4 million kilograms of seed to growers under liberal credit terms. This year, 90,000 hectares were planted to cotton compared with 50,000 the previous year, and although the crop got off to a good start, recent rains are reducing quality. The sugar crop is expected to reach 35,000 metric tons (slightly above the previous year) and some of this should be available for export. Wheat production during 1962 totalled 7,200 metric tons and the current crop is expected to reach 9,000 tons. This, with 25,000 tons obtained from the U.S. under Public Law 480 and 10,000 tons to be purchased from Argentina, should cover Paraguay's needs for the year. Cattle slaughterings during 1962 totalled 161,600

head compared with 180,300 head in 1961. Although the Government authorized the slaughter of 180,000 animals in 1963, the trade believes that actual slaughterings will be lower than in 1962.

Industrial Picture Mixed

Paraguay does not publish indices of industrial production, and although available data indicate that output of a number of industries during 1962 compared favourably with the previous year, it is evident that some of the more important areas have not fared too well. This is particularly true of the textile, cigarette, cosmetic and candy industries, which have suffered from the greater flow of contraband goods, mainly from Brazil but also from Argentina. The Government has taken measures to tighten up control of frontier areas and in early 1963 suspended temporarily the import of a number of items that compete against local industry. The lumber and maté industries continue to be affected adversely by the unstable economic situation in Argentina.

Foreign Aid Received

In the past two years, Paraguay has received considerable attention from foreign lending organizations. During the five-year period ended June 30, 1962, U.S. aid to Paraguay totalled some \$26 million, of which \$9 million was granted during the July 1961 to June 1962 period. Some of the more important loans since the beginning of 1962 include:

From the World Bank—\$6 million for asphaltting the road from Asunción to Encarnación; 555 million guaranies to help develop the cattle-raising industry.

From the UN Special Fund—\$392,000 for an aerial survey of the triangle formed by the Parana River and the highways from Asunción to Encarnación and Puerto Stroessner.

From the Spanish Government—\$4.5 million for the purchase of a drydock.

From the Inter-American Development Bank—\$2.9 million for aid to small farmers; \$400,000 for pre-tender technical studies for the Acaray River hydroelectric project (another IADB loan has since been approved, leaving a further \$12 million to be raised elsewhere, plus a further sum in guaranies for local costs); \$800,000 for studies in land colonization, and \$5 million to promote industrial production.

Foreign Trade in Deficit

During 1962, Paraguayan exports and imports were maintained at satisfactory levels, but during the first five months of 1963, both exports and imports fell below those of the same period of the previous year. For the past several years, Paraguayan trade has been close to balance, with both exports and imports running just over \$30.0 million a year. A small favourable trade balance in 1961 was followed by a deficit of \$796,000 in 1962 and of \$1.1 million for the first seven months of 1963. Total Paraguayan imports during 1962, valued at \$34.3 million, were slightly below the \$34.7 million of the previous year, and imports for the first seven months at \$19.3 million were less than those during the corresponding period of the previous year. The most important groups of commodities imported during 1962 were:

- Foods and beverages (including wheat)—22 per cent of total imports;
- Machinery—16 per cent;
- Vehicles—15 per cent;
- Fuels and lubricants—10 per cent;
- Textiles and manufactures—9 per cent;
- Metals and manufactures—8 per cent.

Purchases in 1962 from the United States represented 31 per cent of total Paraguayan imports

(only 15 per cent in 1961) but much of this increase was accounted for by wheat shipments under PL 480 which, although they appear in the statistics, do not represent an expenditure of foreign exchange. Paraguay's second most important supplier in 1962 was Argentina, with 15 per cent of total imports, compared with 24 per cent the previous year. Once again wheat accounted for an appreciable percentage of this difference; up to about two years ago Argentina supplied practically all of Paraguay's wheat needs. The next most important suppliers during 1962 were West Germany 14 per cent, Britain 8 per cent, Netherlands Antilles 7 per cent and Sweden 3 per cent—much the same as in 1961. Details on Paraguay's foreign trade in 1963 have not yet been released.

Paraguayan exports consist essentially of agricultural and forest products and the export pattern changed little during 1962; 27 per cent of total exports consisted of meat and byproducts, 20 per cent wood products, 9 per cent tobacco, 8 per cent quebracho extract, 7 per cent cotton, 7 per cent oilseeds, 3 per cent essential oils, and just under 3 per cent maté. Paraguay's most important customers in 1962 were Argentina, (29 per cent of total exports) the United States (21), Britain (10), and the Netherlands (8).

Trade with Canada

As Table I shows, Canada's trade with Paraguay is not large, rather erratic, and always in Paraguay's favour. Our purchases from Paraguay consist essentially of canned corned beef, quebracho extract, beef extract, chinawood oil and green coffee.

In recent years Canada has sold to Paraguay small quantities of a wide range of goods, with emphasis on fully manufactured products (such as machinery for farm and forest operations), pharmaceuticals, tires, brake linings, cars, electrical equipment, newsprint, toilet paper, office machines, and certain metals and their manufactures. Important

TABLE I
CANADIAN TRADE WITH PARAGUAY*

Year	Exports to Paraguay	Imports from Paraguay
	(Canadian dollars)	
1959	113,824	745,996
1960	120,257	759,782
1961	68,670	874,437
1962	40,695	377,618
1963 (7 mos.)	161,045	385,592

*DBS statistics.

sales of milk powder during 1959 and 1960 and shipments of canned meats during 1960 have not been repeated. The exceptionally large value of Canadian exports during the first seven months of 1963 resulted from sales of sheet and strip steel n.e.s. valued at \$113,300, and newsprint valued at \$12,380; before this year, neither of these figured prominently in the export pattern.

The population of Paraguay equals approximately that of greater Montreal and the economy is one of the least developed in Latin America. Nevertheless, it does offer a small market for a wide variety of goods, ranging from raw materials and machinery for the few industries to consumer goods and some foodstuffs. Competition is stiff because of the long established trading connections with Europe and the United States and because these countries have direct shipping services to Asunción.

Canadian exporters who wish to explore the Paraguayan market should write to the Commercial Counsellor, Canadian Embassy, Bartolomé Mitre 478, Buenos Aires, Argentina.

Bolivia and Peru

We regret that the reports on Bolivia and Peru were lost in the mail. Duplicates were received just before we went to press and they will appear in an early issue of Foreign Trade—Editor.

Uruguay

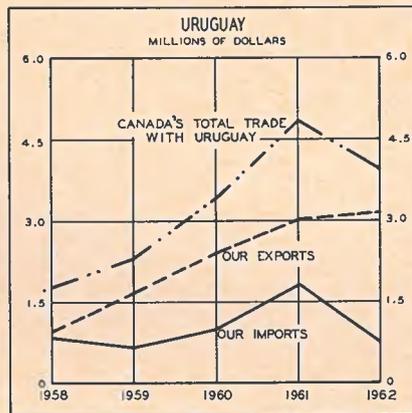
- Good wheat harvest, sales to Brazil increased export earnings.
- Wool season 1962-63 saw exports rise by nearly 20,000 bales.
- International lending organizations financing a number of development projects.

G. TYRRELL, *Commercial Division, Canadian Embassy, Montevideo.*

MOST industrial and commercial interests in Uruguay continue to mark time, and few changes in overall levels of activity took place during the period under review. The construction industry remained stagnant, and the issue of dollar bearer bonds by the state-owned mortgage bank, the proceeds of which were intended for the construction industry, failed to relieve the situation. In June, the Government decreed price controls on many articles, including construction materials, agricultural implements, and certain household goods, because the devaluation of the peso (from pesos 11.00 to pesos 16.50 to the dollar) had touched off a wave of price rises on imported goods and some locally produced items. Sales are now increasing, though very gradually.

In some instances, the new high import surcharges, designed to stimulate exports and reduce imports, have affected industry adversely. A comparatively new Fiat assembly plant in Carmelo closed down in August, adding 200 more workers to the ranks of the unemployed. The Volkswagen plant, another flourishing enterprise, has also run into difficulties, and over a thousand cars are impounded in the Free Zone, unable to enter Uruguay because their shipment, though in line with previous requirements, does not now conform to current requirements.

Though there are no reliable statistics on unemployment, estimates range from 100,000 to 150,000 out of a total labour force of 800,000, but Uruguay's extensive social security system continues to insulate



the population from the full impact of this situation. The local branch of the Royal Bank of Canada closed its doors at the end of April, after forty years in Uruguay.

Merchant Fleet Discussed

In an endeavour to assist domestic shipping interests, a decree was promulgated in the first half of June whereby certain goods are exempt from one half of the applicable surcharges if carried in Uruguayan vessels. This affects merchandise which accounted for over 50 per cent of Uruguay's imports in 1962, and many maritime nations have formally objected to such measures as a means of protecting the Uruguayan national merchant marine. A special commission is studying the renewal of the merchant fleet, particularly the proposed purchase of refrigerated vessels—in addition to six mixed cargo ships from the United States—which would, of course, strengthen Uruguay's position. In addition, there are some moves towards an eventual intra-zonal merchant marine service for

the LAFTA countries, discussed at the meeting of ship owners in Valparaiso last July.

Agricultural Development

So far nothing has been heard of the progress of the Agrarian Reform Bill which was submitted for government approval last year, but the National Council of Government has sent to Parliament an extensive development plan to cost Pesos 111.4 million. It comprises:

	(millions of pesos)
Subsidies for purchases of fertilizers	30
Contribution to the special UN agricultural and pasture improvement program	25
Animal health campaign	20
Research	12
Subsidies for baby-beef production	10
Complementary program related to poultry and market garden production	4.7
Conditional contribution to cover the deficit on the 1962 plan	9.7
Total	111.4

Foreign Aid Substantial

Uruguay has received or will receive shortly considerable foreign aid to assist in development projects of various types.

Loans from the Inter-American Development Bank, destined for low-cost housing and extensions to the Montevideo sewerage network, total some \$11.16 million; discussions have been held on a \$10 million loan to the State Bank to be used for reloaning to industrial and agricultural borrowers, and a further loan of \$10 million is to be negotiated for road developments. Parliament approved two loans that had been already negotiated for highway projects—\$18.5 million from the World Bank and U.S.\$4.6 million from the IADB. A loan of \$6 million from AID to the State Mortgage Bank for low-cost housing has already been received.

Financing of \$6 million for the National Federation of Agricultural Co-operatives (FENACOA) to assist in its agricultural development plan has been promised by the French Schneider group, and it is understood that the money will be

used principally for developing the dairy and horticultural activities of the co-operatives.

A report of the Comisión de Inversiones y Desarrollo Económico (CIDE) estimates Uruguay's short-term and long-term external debt at \$447.5 million at May 31, 1963. This figure is broken down as follows (in millions of U.S. dollars):

Exchange liabilities of the Banco de la Republica	\$184.9
Foreign financing of imports	60.0
Long-term debts of official organizations	187.6
International Monetary Fund	15.0

Foreign Trade Shows Deficit

The latest figures (September 30) on Uruguayan trade give exports for the first nine months of the year at \$125.45 million and imports at \$128.71 million, leaving an adverse balance of \$3.3 million.

With a bumper wheat harvest, it was possible to ship 40,000 tons of wheat to Brazil during July and August as the result of the award of a public tender and there is a possibility that further shipments may follow. The latest figures on summer crop production show 411,464 hectares sown, (432,963 in 1962), total production of 444,029 tons (374,620 in 1962), and a yield of 6,894 kilograms per hectare (6,191 in 1962). The citrus fruit crop has also been satisfactory and 30,000 cases of oranges were shipped to England in June in a renewal of this export trade. Regular shipments continued until the end of the season and a trial shipment of orange concentrate went to Canada for the first time.

Demands for wool, Uruguay's chief export commodity, increased early in the year but, as expected, exports decreased in May following the devaluation of the peso, but by that time most of the clip had been disposed of. The 1962/63 season concluded with a total export of 171,497 bales, compared with 153,461 bales the previous season.

A new plant to make wool tops, CUOPAR S.A., came into produc-

tion early in the year with a capacity of 13,000 kilograms of tops a day. It is equipped with the latest type of Belgian and French woolworking machinery which consists basically of fourteen carding machines. The plant and machinery are said to represent an investment of some \$3 million.

The year opened badly for the meat packing plants—and meat is the second most important dollar earner. High local costs, an unfavourable rate of exchange, and depressed prices in international markets reduced export activity drastically. Later, with an improvement in prices and the depreciation of the peso, plus a lower export tax, the meat packing plants were able to resume more normal operations. Provided that no unforeseen difficul-

ties arise, meat exports should bring in between \$30 and \$40 million this year. The supply of fat cattle remains plentiful and with possible new contracts from abroad in addition to shipments to traditional markets, local packing plants have been encouraged to operate later than is usual.

One commodity which has caused considerable concern this year to both the Government and the domestic industry is sugar. Drastic shortages were alleviated by importing 5,000 tons of refined sugar from Argentina, 15,000 tons of crude from Brazil and 20,000 tons of crude from Cuba. The latter transaction was in the form of a barter deal, with Uruguayan rice, jerked meat and malt barley exchanged for Cuban sugar. ●

For Further Information . . .

. . . See these articles in earlier issues of *Foreign Trade*.

Argentina

How Drought Affected Argentina—June 29, 1963

Argentina's Pulp and Paper Industry—September 7, 1963

Argentina's Steelmakers Face Problems—September 21, 1963

Bolivia

Toronto Firm Has IADB Contract—October 19, 1963

Brazil

Northeast Brazil: Planning for Progress—May 4, 1963

Trade Prospects—May 18, 1963

Equipment for Ships, Market for—June 1, 1963

LAFTA Membership and Brazil's Trade—September 21, 1963

Brazil's Cement Industry—October 5, 1963

Big Power Study in Brazil—October 19, 1963

Brazil Expands Automotive Production—November 16, 1963

Chile

Chile Faces Up to Financial Problems—June 1, 1963

What Chile Buys and Sells—June 15, 1963

Chile Expands Oil Industry—August 24, 1963

LAFTA Membership and Chile's Trade—September 7, 1963

Chile's TV Goes Commercial—November 16, 1963

Colombia

Colombia Plans Better Transportation—June 15, 1963

Trade Prospects—June 15, 1963

Power Equipment, Market for—June 29, 1963

LAFTA Membership and Colombia's Trade—July 13, 1963

Ecuador

Trade Prospects—June 15, 1963

Hydrological Resources Survey—October 19, 1963

LAFTA Membership and Ecuador's Trade—July 27, 1963

Peru

A Letter from Lima—May 4, 1963

Postscript from Peru—July 27, 1963

Peru Studies Newsprint—August 10, 1963

Peru Modernizes Railways—September 7, 1963

LAFTA Membership and Peru's Trade—October 5, 1963

Peru Plans Hydroelectric Projects—October 19, 1963

Peru Tackles Telecommunications—November 16, 1963

Venezuela

Trade Prospects—June 1, 1963

Businessman Abroad—Venezuela—July 27, 1963

The Changing Venezuelan Market—July 27, 1963

Debt Responsibilities of Venezuelan Firms—July 27, 1963

Venezuela Shapes a New Plan—July 27, 1963

Christmas Trees, Market for—August 24, 1963

Venezuela Develops Petrochemicals—September 21, 1963

Venezuela

- New Four Year Plan introduced this year to lessen dependence on oil and provide jobs.
- Foreign exchange reserves rose, reversing a decline begun in 1958.
- Oil production up this year; net income shows little change.

W. D. WALLACE, *Commercial Counsellor, Caracas.*

THE economic strides made in Venezuela in 1962 continued into 1963 but at a slightly slower pace, reflecting the preparations for the election held on December 1 and the unsettled security situation. Nevertheless, all segments of the economy, with the exception of mining, continued to improve, with manufacturing output making the biggest advance. The construction industry recorded a small gain and employed more people. Nevertheless, unemployment remains a serious problem. The balance of payments and foreign exchange reserves have both improved. Two important developments were the introduction of a new Four Year Plan (1963-1966) to replace the former development program of 1960-1964, and the signing of an agreement with the World Bank for an \$85 million loan for construction of the Guri dam.

According to the annual report of the Central Bank of Venezuela for 1962, the gross national product, at bolivars 28,585 million, was 6 per cent above that of 1961, and the gross national product per capita increased by 2.4 per cent to bolivars 2,600. The National Treasury had a surplus of bolivars 650 million for the year, and the balance of payments had a small surplus as against a deficit in 1961. Investments for the year increased by 7 per cent and foreign investments by 1.85 per cent, to a total of bolivars 21,526 million. Exports, at bolivars 8,688 million, showed a rise of bolivars 592 million over the 1961 total of bolivars 8,092 million, almost entirely because of larger exports of

oil. Imports reversed the down-trend of the past few years and totalled bolivars 3,900 million, compared with bolivars 3,581 million in 1961. The favourable balance of trade in 1962 totalled bolivars 4,788 million compared with bolivars 4,511 million in the previous year and bolivars 4,929 million in 1960.

International Reserves Increase

The outstanding financial development was the reversal in the down-trend of international reserves that began in 1958. The Central Bank of Venezuela reports that as of September 30, 1963, international reserves amounted to U.S. \$684 million, an increase of U.S. \$130 million over a year ago. By October 15 they had risen to U.S. \$735 million as a result of payment of U.S.\$104 million in income tax by the oil industry. The over-all increase in the current year is thus U.S.\$194 million. Gold and foreign exchange reserves on September 30 amounted to bolivars 2,068 million as against bolivars 1,779 million at the end of December 1962. The balance of payments for the period showed a surplus of U.S.\$94 million. The Government's outstanding obligations totalled bolivars 2,289 million, consisting of external debts of bolivars 599 million and internal debts of bolivars 1,690 million, compared with bolivars 2,563 million in 1962, a decrease of bolivars 274 million.

The Venezuelan budget for 1964 is placed at bolivars 6,349 million; a deficit of bolivars 164 million is expected and will be supplemented

by international credit. Revenue from income tax is estimated at bolivars 2,158 million, of which bolivars 1,528 million will be paid by the oil companies. In addition, about bolivars 1,815 million in royalties will come from these companies. Income from foreign exchange transactions is placed at bolivars 1,120 million, the same as in 1963. The remainder of the income, bolivars 1,256 million, is expected from customs duties, excise taxes, and miscellaneous taxes.

There have been no changes in the foreign exchange control system. The current complex system of multiple exchange rates has benefited the Government by providing a substantial profit from exchange trading, improving the balance-of-payments position, and increasing the foreign exchange reserves. The authorities realize the need for a unification of the rates and this would have advantages for Venezuela. The International Monetary Fund has extended until June 30, 1964, the agreement whereby it "has no objection" to the present system operating in Venezuela.

Foreign Loans Received

A large number of foreign loans have been negotiated or are being considered for various projects—including housing, waterworks, agrarian reform, bridges and electric power projects. It is estimated that from July 1961 to November 1963 Venezuela has applied for loans totalling \$431 million, of which \$122 million has actually been dispersed, as follows:

Agency	Amount	
	of Loan	Disbursed
	(million \$)	
AID	55	4.6
Eximbank	113	75.0
IADB		
Social Progress Trust Fund	53	11.0
Ordinary and Special Operations	24	2.6
World Bank	144	3.0
Foreign Banks	41	27.0

Two important loan agreements in recent months were the Eximbank loan of \$13.3 million for building the Orinoco bridge near Ciudad

Bolivar, and the World Bank loan of \$85 million for the construction of the Guri dam and power plant on the Caroni River. This is the largest potential project in which the Bank has participated. The Venezuelan Government will more than match the loan by contributing over \$85 million towards this development. The World Bank has also approved a loan of \$14 million to CADAFE for power transmission lines but the agreement has not yet been signed.

Four Year Plan

Through the new Four Year Plan the Government hopes to "eliminate the dependence on a petroleum economy" and to reduce unemployment. It calls for an expansion in industrial production, petroleum production, the mining industry, electric energy, construction and agriculture. Most of the money is to come from Venezuelan sources rather than from abroad and private industry is to do most of the investing. The gross national product is expected to increase at an annual rate of 8 per cent and reach bolivars 38,750 million in 1966. Per capita income is expected to reach bolivars 3,953 by 1966, a rise of 21.4 per cent. Total investment is estimated at bolivars 28,041 million, of which bolivars 18,608 million would be financed from domestic savings and bolivars 3,378 million from foreign loans and investment. The proportion of gross investment to the gross national product would rise from 18.4 per cent in 1962 to 20.2 per cent in the four-year period.

Industrial Development

Venezuela followed last year its policy of encouraging local industry through technical assistance, credits, and tariff and trade controls. The Venezuelan Development Corporation assisted some 39 new firms and this trend is evident also in the current year. As a result, it is estimated that manufacturing output increased by almost 15 per cent during 1963. The rising output of the Matanzas steel plant, expected to reach over

500,000 tons in 1963, was the chief factor. In addition, automobile assembly and accessories manufacture and the pulp and paper, textile, paint, household appliance and chemical product industries expanded considerably.

In October it was announced that a private development finance company, C.A. Venezolana de Desarrollo (Sociedad Financiera), had been formed in Venezuela by the International Finance Corporation of the World Bank in conjunction with the Venezuelan Development Corporation and some 80 Venezuelan and foreign investors. The new company, capitalized at bolivars 36.5 million, and in which C.A. Inversiones Shell de Venezuela is the largest shareholder, will assist in the creation, expansion and modernization of private industrial enterprise, including agriculture and livestock raising. It will not finance public works, mining or oil enterprises nor will it provide short-term funds.

Oil Industry

The Venezuelan Government is maintaining its policy of supporting a fixed rate of growth in oil production, stabilizing the world market price, limiting price discounts, and letting no new concessions. As a result there has been little change in the oil industry. Lower prices and severe competition from other supplying countries have had a slightly adverse effect. A new collective labour contract was negotiated this year by the three major oil companies, which will set the pattern for the industry during the years 1963-65. It is estimated that implementation of the new contract will add about bolivars 100 million (or 13 per cent) to the industry's annual costs as established under the previous contract made in 1960.

Oil production for 1962 was placed at 3.2 million barrels per day compared with 2,919,881 barrels per day in 1961, an increase of 9.6 per cent, well over the Government's goal of a 4 per cent annual increase. During the first ten

months of 1963 production has been averaging 3,243,850 barrels per day, or 1.64 per cent over the corresponding 1962 period.

Income from oil production in 1962 totalled bolivars 8,500 million, a gain of 6 per cent over the previous year. The Government's share in profits, including royalties, increased by 11.4 per cent to bolivars 3,171 million and stands at a ratio of 67/33 for the year. Net profits to the industry reached bolivars 1,622 million, a gain of 11 per cent, and gave a return of close to 16 per cent on total investment by industry. Capital expenditures by the industry continued their downward trend and amounted to bolivars 467 million compared with bolivars 500 million in 1961. It is expected that for 1963 there will be little change in net income of the oil companies but government income and capital expenditures will rise.

Iron Ore Industry

The decline in the demand for iron ore in the United States, coupled with competition from other sources of supply that developed during 1962, continued into 1963 and is reflected in the drop in demand for Venezuelan iron ore. Production for the first nine months of 1963 totalled 8.63 million metric tons, or 13.4 per cent below the 9.96 million produced in the similar period of 1962. Exports of iron ore for the period totalled 9.9 million metric tons as against 10.3 million in the previous year, a decline of 4 per cent. Domestic consumption of iron ore, mainly by the Matanzas steel mill, reached 352,000 metric tons for the first nine months of the year compared with 340,000 in the corresponding period of 1962. A small increase in production and exports is expected in the remainder of this year.

Agricultural Reforms Continue

The Venezuelan Government has continued its intensive efforts in the field of agrarian reform through the distribution of land, farm credit and

technical assistance. It is difficult to assess the effect on agricultural production but it is reported that during the 1959-1962 period 56,402 families have been settled on some 3.9 million acres of land. It is estimated also that under the program bolivars 382 million have been spent to buy land, bolivars 203 million to consolidate peasant settlements, and bolivars 287 million for credits for the purchase of seed, fertilizers, livestock and machinery for the peasants. In addition, the program has benefited from other loans for housing, irrigation and technical assistance.

Venezuelan agriculture increased its production by 7 per cent during 1961 and 1962. This rise resulted

from an increase in field crops of 8 per cent and in livestock and animal products of 6.6 per cent. The rice, corn and potato harvests were very good in 1962 but the tobacco and cotton crops declined because of poor weather. Production of cocoa and sugar cane increased in 1962 but that of coffee declined. In the livestock and animal products sector, milk increased from 444 million litres in 1961 to 481 million in 1962. Numbers of chickens and eggs increased in 1962 by 17 and 16 per cent respectively and the 1962 gain apparently continued at the same rate in 1963. Early reports for the current year indicate that the rice, corn and cotton crops will be sufficient to meet domestic require-

ments, as will the sugar crop. Coffee and cocoa production was better than in 1962.

Outlook

The improvement in economic conditions recorded during the past two years will extend into 1964, but any large gain may hinge on policies to be followed by the newly elected government. Nevertheless, the Government will carry on its efforts to foster new industry, improve agricultural conditions through agrarian reform, and achieve the objectives of the Four Year Plan. This could lead to increased trade opportunities for Canadian exporters able to offer competitive prices and terms on products that Venezuela needs. ●

Canada's Trade with Venezuela

Canada has retained fifth place among Venezuela's major suppliers in recent years, with peak exports in 1959 worth \$45.8 million. Since then, import restrictions have kept us from reaching that figure again but many good sales opportunities remain, especially for raw materials, semi-finished products, and industrial equipment.

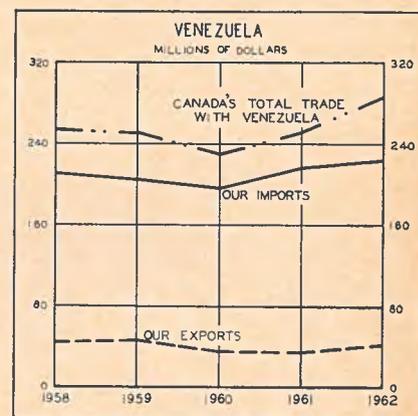
W. D. WALLACE, *Commercial Counsellor, Caracas.*

ONE of Canada's major export markets in South America during the past ten years, Venezuela, has in turn found an important outlet for its oil and products in Canada. Throughout these years Canada has maintained its position as fifth among Venezuela's major suppliers and in the last two years we have become third and fourth among its best customers. The net result is the very large favourable trade balance for Venezuela, ranging from \$158 million in 1959 to \$182 million in 1962, as shown in Table I. There will probably be little change in this trend in the future. However,

the pattern of our exports is showing certain changes as a result of Venezuela's efforts to conserve foreign exchange and to develop local industry through government protection, credits and technical assistance.

Imports Are Declining

Venezuela's exports have risen steadily from 1959 to 1962, as Table II shows, but imports have declined, as a result of the recession in 1960 and 1961 and the policy of developing an industrial economy and so becoming less dependent upon oil. The United States is the



leading supplier, followed by West Germany, Britain, Italy and Canada. When comparing the bolivar value of imports it should be realized that because of Venezuela's complex multiple rate-of-exchange system, more than 60 per cent of Canada's sales are valued on the basis of bolivars 3.35 to the United States dollar. The other leading countries supply principally manufactured goods, which are purchased at the

TABLE I
CANADA-VENEZUELA TRADE
(Can.\$'000)

Year	Exports	Imports	Balance in favour of Venezuela
1959	45,833	204,582	158,749
1960	35,345	195,189	159,844
1961	34,978	216,640	181,662
1962	42,328	224,275	181,947
1962	31,923*	124,423†	.....
1963	33,887*	140,710†	.....

*Nine months.

†Seven months.

bolivars 4.54 rate. Insofar as Venezuela's exports are concerned, oil and products account for 92 per cent of the value and the oil companies receive only bolivars 3.09 to the U.S. dollar when they convert their dollar proceeds in Venezuela.

Canada's exports to Venezuela reached a peak in 1959 of \$45.8 million and declined in 1960 and 1961. This trend was reversed in 1962 when exports reached \$42.3 million and in the first nine months of 1963, when they totalled \$33.9 million. On the import side, shipments received from Venezuela have increased steadily each year with the exception of 1960 when they dropped to \$195 million (see Table I).

What Canada Sells

Canada exports a wide range of commodities to Venezuela but the twenty products shown in Table III accounted for 73.7 per cent of total shipments in 1959, 62.3 per cent in 1960, 79 per cent in 1961, and 83.7 per cent in 1962. For the first nine months of 1963 these products provided 85 per cent of the total value of shipments. The remainder was made up of a large number of products that individually have a small value but when grouped together represent a fair proportion of total export value. Agricultural products dominate our sales but a shift is developing toward raw materials and semi-finished products needed by Venezuela's growing industry.

The formerly large market here for poultry and eggs, pork, flour,

TABLE II
VENEZUELA'S FOREIGN TRADE
(millions of bolivars)

	1959		1960		1961		1962	
	Per cent of total	1959	Per cent of total	1960	Per cent of total	1961	Per cent of total	1962
IMPORTS		4,742		3,571		3,581		3,900
Total imports								
Of which:								
United States	52.0	2,510	54.0	1,845	54.0	1,933	52.0	2,049
West Germany	9.3	443	9.4	316	8.6	308	8.7	340
Britain	7.1	338	6.3	215	5.3	192	6.0	237
Italy	5.8	279	6.7	224	5.7	203	5.3	209
Canada	3.2	157	3.9	131	4.1	148	4.5	176
Japan	2.5	123	3.7	127	3.7	133	4.1	161
France	2.3	114	2.4	81	3.2	117	3.0	116
Netherlands	2.6	126	2.6	88	2.2	81	2.3	92
EXPORTS		7,938		8,500		8,092		8,688
Total exports								
Of which:								
United States	38.0	3,024	35.0	3,456	35.0	2,860	37.0	2,665
Netherlands Antilles	24.0	1,916	25.0	1,966	25.0	2,049	23.0	2,073
Canada	2.8	227	3.0	259	3.8	312	8.5	742
Britain	7.0	556	7.5	641	8.4	650	7.9	687
Brazil	3.5	285	3.3	284	3.3	274	3.7	330
Puerto Rico	3.6	286	3.2	276	3.2	288	3.7	324
Netherlands	1.6	125	1.5	136	2.6	223	2.9	252
Trinidad	2.6	204	2.8	241	2.9	238	2.4	215

TABLE III
CHIEF CANADIAN EXPORTS TO VENEZUELA
(Can.\$'000)

	1959	1960	1961	1962	Jan.-Sept. 1962	Jan.-Sept. 1963
Wheat	5,304	4,980	4,574	11,802	9,907	11,684
Whole milk powder	7,685	7,821	9,057	8,708	6,243	5,390
Newsprint	2,358	2,320	2,449	2,701	1,734	1,765
Wood pulp	1,685	673	1,816	2,155	1,842	1,114
Sheet and strip steel	526	223	401	1,630	806	1,079
Plastic and synthetic rubber not shaped, n.e.s.	n.a.	n.a.	1,542	1,537	1,207	1,429
Aluminum and products	898	669	724	1,015	951	285
Copper and products	1,189	318	538	853	612	1,078
Bond and writing paper	725	593	908	745	567	370
Motor vehicles	1,624	863	1,324	667	466	1,129
Seed potatoes	749	686	1,227	662	382	510
Malt	377	505	463	583	469	438
Asbestos fibres	383	475	616	531	396	246
Oats	466	.....	334	407	309	460
Oatmeal and rolled oats	161	102	463	327	272	378
Washing machines	406	280	322	308	219	423
Insulated wire and cable	606	286	212	244	192	187
Skim milk powder	216	431	204	229	213	157
Pharmaceuticals and drugs	925	612	212	216	149	114
Marine engines	526	170	332	200	181	315

lumber, copper wire, aluminum products, bond and writing paper, kraft paper, pharmaceuticals and drugs, and many consumer products (with the exception of domestic washing machines) has been stead-

ily shrinking as agriculture and industry develop. In fact, at this point, the market for some of these is negligible. On the other hand, imports of such products as wheat, wood pulp, whole milk powder, as-

bcstos, tin plate, nuts and bolts, chemicals, copper rods, radio and electronic equipment have increased substantially and sales of newsprint, canned salmon, seed potatoes, plastic and synthetic rubber, malt, automobiles, marine engines, and explosives have remained fairly steady. Exceptionally large sales develop once in a while, such as cast iron pipe in 1958 and 1959, railway rails in 1959, and the large order for prefabricated trailers which will be delivered in the closing months of 1963.

What Canada Buys

Each year Canada is becoming a more important market for Venezuela. In 1959 our purchases accounted for 2.8 per cent of the total value of Venezuelan exports and in 1962 for 8.5 per cent, placing us

third among Venezuela's foreign markets. We buy principally crude oil and products (required by the Canadian refineries in the Montreal area and the Maritimes)—\$197 million worth in 1959, \$224 million in 1962, and \$141 million in the first seven months of 1963. Next in importance are green coffee and cocoa beans. Our coffee purchases have averaged \$337,000 over the past four years, but our imports of cocoa beans have declined steadily—from \$166,000 in 1959 to \$71,000 in 1962.

Canada and Venezuela have a Modus Vivendi that is renewed each October and provides for most-favoured-nation treatment. Consequently, Canada is in a position to take advantage of the lowest tariffs Venezuela grants to any one country. Although Venezuela has re-

stricted imports of many commodities through a system of compulsory import licences and increased tariffs, many opportunities remain for developing exports, particularly of raw materials and semi-finished products, machinery and equipment for the expanding local industry, and also feed grains, chemicals, electronic equipment and technical products. It must be remembered, however, that Venezuela is a price conscious market where the competition from the major sources of supply is very severe. Canadian exporters must be able to offer competitive prices and credit terms in order to compete. The market requires personal visits, the selection of responsible and aggressive agents, and effective sales and promotion literature and advertising in Spanish. ●

FOREIGN TARIFFS AND TRADE REGULATIONS

Argentina

NEW IMPORT RESTRICTIONS—Our Commercial Counsellor in Buenos Aires has reported that Argentine Government Decree No. 626 of November 8, 1963, establishes that, effective from that date, there is a complete ban on imports of a wide range of luxury and other goods. The ban covers the following categories of goods:

(a) Cigarettes, whisky, textiles, articles of cotton, wool and synthetics, certain beverages and foodstuffs, cigars, furs, furniture, shoes, leather goods, cosmetics, stationery, toys, sports equipment, household goods, china and porcelain, glassware, crystal, jewellery, refrigerators, ceramics, walnut and mahogany wood.

(b) Industrial machinery and equipment.

It is understood that the ban on imports of industrial machinery and equipment, which includes both ordinary imports of machinery and equipment and imports of such items made under the foreign capital investment law, is a temporary measure and that future acquisitions of machinery and equipment will be established by the Secretariat of Industry and a special commission set up to control such imports.

The decree exempts the following from the ban:

(a) goods afloat with Argentina as their destination

(b) goods covered by irrevocable letter of credit covering the total cost and freight value

(c) imports made under laws and decrees coming into effect before the date of the present decree, provided such goods were exempt from payment of surcharges, or when goods are importable under the special authorizations of Decree No. 5338/63 (decree permitting surcharge-free import for the following industries: metallurgical, petrochemical, pulp and paper, machinery for the construction of low-priced houses, and the mining industry).

(d) parts and/or components importable under the national plan for the fabrication of tractors, automobiles, internal combustion engines, within the quotas approved previously by the Secretariat of Industry and Mining.

For further details, write to the Latin American Division, Office of Trade Relations and Trade Policy.

Peru

GENERAL INCREASE IN IMPORT DUTY—Our Commercial Secretary in Lima reports that the Peruvian Government has passed Law No. 14729 instituting a wide variety of new fiscal measures to raise revenue and to protect domestic industry.

Among other additional taxes, this law increases the ad valorem duty by an additional 10 per cent of the value for duty purposes.

The increased rates of duty were put into effect on November 27, 1963, and are being applied to imports in general.

South Africa

IMPORT CONTROL 1964—The Minister of Economic Affairs has outlined the country's import program for 1964 in the following terms:

(1) Raw materials, plant and equipment—no initial allocations are required for manufacturers; on application at any time they will be given supplementary import facilities sufficient to keep their stocks of imported raw materials at a six-month level of current consumption.

Where long delivery notice is required, they may place orders in advance, provided they are reasonable. The initial allocations to merchants importing raw materials for resale will be 75 per cent of the value of the import licence they received during the first nine months of 1963.

In so far as plant and equipment is concerned, no initial allocations will be made; applications based on end-user demand will be approved in full.

As in the past, manufacturers and merchants are expected to obtain their requirements of raw materials, plant and equipment from domestic producers whenever possible.

(2) Consumer goods, both Group A and Group B—same initial allocation as that for 1963, with a second allocation to be issued in April next, bringing the 1964 level of issues at that stage to the total level issued for 1963. Importers are advised now of the second issues to enable them to plan their overseas purchases in advance and importers can convert a general merchandise permit to that for goods on the Restricted List

on a Rand 1 for Rand 1 basis for the past R5,000 of permit, R2 for R1 basis thereafter, as was the case last year.

(3) Motor vehicles are to be allocated quotas to ensure that there will be no over-all shortage of vehicles during 1964.

(4) Agricultural wheeled tractors and implements—initial quotas will be based on 75 per cent of the total permits issued during the first nine months of 1963. No new makes of tractors will be approved for import during 1964.

(5) Textile piecegoods—to manufacturers, six months' stock as for other raw materials; to merchants, the initial allocation will be 60 per cent of 1963 issues.

(6) Timber and fertilizer quotas to be issued on a special basis because of increasing local production.

In announcing the program the Minister drew attention to the record level that imports in 1963 are approaching (about \$1,900 million) and observed that any relaxation will have to be handled cautiously.

There are no major changes from the 1963 program; consumer goods have the promise of the same amount of permits as in 1963 but importers will have to wait until at least the second quarter of 1964 to see whether any increase is coming. As in past years, the warning has been repeated that requirements should be obtained from domestic producers whenever possible.

—C. R. GALLOW,

Trade Commissioner, Johannesburg.

Information on licensing treatment of specific products may be obtained from the Commonwealth Division, Office of Trade Relations and Trade Policy, Department of Trade and Commerce, Ottawa, or the Canadian Government Trade Commissioners in Johannesburg or Cape Town.

Trade Commissioners on Tour

Australia—R. L. Richardson, Assistant Commercial Secretary in Sydney, will visit Brisbane and other Queensland centres for ten days beginning February 3.

Communist China—M. T. Thomas, Trade Commissioner, and D. Molgat, Assistant Trade Commissioner, in Hong Kong will visit Shanghai, Tientsin and Canton in March.

El Salvador—P. D. Donohue, Assistant Commercial Secretary in Guatemala City, will visit San Salvador January 13-18.

Honduras—P. D. Donohue, Assistant Commercial Secretary in Guatemala City, will visit Tegucigalpa and San Pedro Sula January 19-23.

DECEMBER 28, 1963

India—W. G. Brett, Trade Commissioner in Bombay, expects to visit the State of Gujarat in the last half of January.

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

Businessmen who would like these officers to undertake assignments for them should write to them at their posts as soon as possible.

SHIPPING SERVICES FROM CANADA TO SOUTH AMERICA

TO	FROM		
	Pacific Coast	Great Lakes	St. Lawrence and Atlantic
Argentina	Daido Line <i>(Dingwall Cotts and Co. Ltd., Vancouver)</i>	Moore-McCormack Lines <i>(Moore-McCormack Lines (Canada) Ltd., Toronto)</i>	Argentine Lines <i>(Shipping Limited, Montreal, Toronto)</i>
	Moore-McCormack Lines <i>(Moore-McCormack Lines, Vancouver)</i>		Brodin Line <i>(Montreal Shipping Co. Ltd., Montreal, Toronto, Halifax, Saint John)</i>
	Westfal-Larsen Line <i>(Empire Shipping Co. Ltd., Vancouver)</i>		Columbus Line <i>(Kerr Steamships Ltd., Montreal, Toronto, Halifax, Saint John)</i>
			Moore-McCormack Lines <i>(Moore-McCormack Lines (Canada) Ltd., Montreal, Toronto)</i>
			Lloyd Brasileiro Line <i>(Shipping Limited, Montreal, Toronto)</i>
			Uruguayan Line <i>(Watts Watts Shipping Agencies Ltd., Montreal, Toronto)</i>
Bolivia	<i>Via Antofagasta, Arica:</i> Grace Line <i>(C. Gardner Johnson Ltd., Vancouver)</i>	Moore-McCormack Lines	<i>Via Santo, Buenos Aires:</i> Brodin Line
	Westfal-Larsen Line		Columbus Line
			Moore-McCormack Lines
			Uruguayan Line
			<i>Via Antofagasta, Arica:</i> West Coast Line <i>(Saguenay Shipping Ltd., Montreal, Halifax; A. O. Minshall Co., Toronto)</i>
			Grancolombiana Line <i>(Swedish American Line, Montreal; Furness Withy & Co. Ltd., Toronto, Halifax, Saint John)</i>
Brazil	Daido Line	Moore-McCormack Lines	Booth Line <i>(March Shipping Agency Ltd., Montreal, Toronto)</i>
	Moore-McCormack Lines		Brodin Line
	Westfal-Larsen Line		Columbus Line
			Lampport and Holt Line <i>(March Shipping Agency Ltd., Montreal, Toronto)</i>
			Moore-McCormack Lines
			Lloyd Brasileiro Line

TO	FROM		
	Pacific Coast	Great Lakes	St. Lawrence and Atlantic
Chile	Grace Line Westfal-Larsen Line		West Coast Line
Colombia	Grace Line Grancolombiana Line <i>(Balfour Guthrie (Canada) Ltd., Vancouver)</i> Moore-McCormack Lines Westfal-Larsen Line	Michigan Ocean Lines <i>(Protos Shipping Ltd., Toronto)</i>	Grancolombiana Line Michigan Ocean Line <i>(The Robert Reford Co. Ltd., Montreal)</i> West Coast Line
Ecuador	Grace Line Grancolombiana Line Westfal-Larsen Line		Grancolombiana Line West Coast Line
Paraguay	<i>Via ports in Argentina, Brazil and Uruguay</i>		<i>Via ports in Argentina, Brazil and Uruguay</i>
Peru	Grace Line Grancolombiana Line Westfal-Larsen Line		Grancolombiana Line West Coast Line
Uruguay	Moore-McCormack Lines Westfal-Larsen Line	Moore-McCormack Lines	Argentine Lines Brodin Line Columbus Line Moore-McCormack Lines Uruguayan Line
Venezuela	Daido Line d'Amico Line <i>(Anglo-Canadian Shipping Co., Ltd., Vancouver)</i> Fern-Ville Caribbean Line <i>(Dingwall Cotts and Co. Ltd., Vancouver)</i> K Line <i>(Johnson Walton Steamships Ltd., Vancouver)</i> Mitsui Line <i>(Pacific Export Lines Ltd., Vancouver)</i> Moore-McCormack Lines	Michigan Ocean Line Saguenay Shipping Limited <i>(A. O. Minshall Co. Ltd., Toronto)</i>	Michigan Ocean Line Royal Netherlands Steamship Co. <i>(Montreal Shipping Co. Ltd., Montreal, Toronto, Halifax; T. J. Knight and Co. Ltd., Saint John)</i> Saguenay Shipping Limited

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 .92619.

Foreign Exchange Rates

Country	Unit	Type of Exchange	Can. dollar equivalent Dec. 16	Units per Canadian dollar	Notes (see below)
Argentina	Peso	Free .....	.007942	125.91	
Australia	Pound .....	.....	2.4158	.4139	
Austria	Schilling .....	.....	.04178	23.93	
Bahamas	Pound .....	.....	3.0198	.3311	
Belgium and Luxemburg	Franc .....	.....	.02168	46.13	
Bermuda	Pound .....	.....	3.0198	.3311	
Bolivia	Peso .....	.....	.09111	10.98	
Brazil	Cruzeiro	Official Free Special Category .....	.001770	564.97	
Britain	Pound .....	.....	3.0198	.3311	
British Guiana	Dollar .....	.....	.6291	1.59	
British Honduras	Dollar .....	.....	.7550	1.32	
Burma	Kyat .....	.....	.2267	4.41	
Ceylon	Rupee .....	.....	.2265	4.42	
Chile	Escudo	Bank rate Free .....	.5195	1.92	
Colombia	Peso	Certificate .....	.3581	2.79	
Congo, Republic of	Franc .....	.....	.1200	8.33	
Costa Rica	Colon .....	.....	.007198	138.93	(4)
Cuba	Peso .....	.....	.1630	6.13	
Czechoslovakia	Koruna .....	.....	†	†
Denmark	Krone .....	.....	.1499	6.67	
Dominican Republic	Peso .....	.....	.1565	6.39	
Ecuador	Sucre	Official Free	1.07969	.9262	
El Salvador	Colon .....	.....	.05998	16.67	
Fiji	Pound .....	.....	.05830	17.15	
Finland	Markka .....	.....	.4319	2.32	
France, Monaco, etc.	Franc .....	.....	2.7205	.3676	
Franco-African Republics, etc.	Franc .....	.....	.3374	2.96	
French Pacific	Franc .....	.....	.2203	4.54	(1)
Germany	D Mark .....	.....	.004406	226.96	(2)
Ghana	Pound .....	.....	.01212	82.51	(3)
Greece	Drachma .....	.....	.2718	3.68	
Guatemala	Quetzal .....	.....	3.0198	.3311	
Haiti	Gourde .....	.....	.03599	27.79	
Honduras	Lempira .....	.....	1.07969	.9262	
Hong Kong	Dollar	Free .....	.2159	4.63	
		Official .....	.5398	1.85	
			.1883	5.31	*Dec. 6
			.1887	5.30	

†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 Dec. 16	Units per Canadian dollar	Notes (see below)
Iceland	Krona	Official .....	.02511	39.82	(4)
India	Rupee .....	.....	.2265	4.42	
Indonesia	Rupiah .....	.....	.003428	291.75	(4)
Iran	Rial .....	.....	.01425	70.16	
Iraq	Dinar .....	.....	3.0231	.3308	
Ireland	Pound .....	.....	3.0198	.3311	
Israel	Pound .....	.....	.3599	2.78	
Italy	Lira .....	.....	.001735	576.37	
Japan	Yen .....	.....	.002999	333.44	
Lebanon	Pound	Free .....	.3468	2.88	
Malaysia	Straits dollar .....	.....	.3527	2.84	
Mexico	Peso .....	.....	.08638	11.58	
Morocco	Dirham .....	.....	.2159	4.63	
Netherlands	Florin .....	.....	.2998	3.34	
Netherlands Antilles	Florin .....	.....	.5725	1.75	
New Zealand	Pound .....	.....	2.9992	.3334	
Nicaragua	Cordoba .....	.....	.1542	6.49	
Nigeria	Pound .....	.....	3.0198	.3311	
Norway	Krone .....	.....	.1509	6.63	
Pakistan	Rupee .....	.....	.2265	4.42	
Panama	Balboa .....	.....	1.07969	.9262	
Paraguay	Guarani	Free .....	.009717	102.91	
Peru	Sol	Free .....	.04025	24.84	
Philippines	Peso	Free .....	.2769	3.61	
Portugal & Colonies	Escudo .....	.....	.03755	26.63	(5)
South Africa	Rand .....	.....	1.5099	.6623	
Spain and Dependencies	Peseta .....	.....	.01799	55.59	
Sweden	Krona .....	.....	.2078	4.81	
Switzerland	Franc .....	.....	.2502	4.00	
Syria	Pound	Free .....	.2825	3.54	
Thailand	Baht	Free .....	.05191	19.26	(4)
Tunisia	Dinar .....	.....	2.6128	.3827	
Turkey	Lira .....	.....	.1200	8.33	(4)
United Arab Republic	Pound	Official	2.4833	.4027	
United States	Dollar .....	.....	1.0796875	.92619	
Uruguay	Peso	Free .....	.06286	15.91	
Venezuela	Bolivar	Controlled market rate .....	.3226	3.10	
		Official Free .....	.2384	4.19	
West Indies	Dollar .....	.....	.6291	1.59	(6)
	Pound .....	.....	3.0198	.3311	(7)
Yugoslavia	Dinar	Official .....	.001440	694.44	

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.

COMMODITY NOTES

Antibiotics

BRAZIL—The general manager of Squibb in São Paulo has announced that the company will produce neomycin, an antibiotic used in the production of approximately 82 drugs. Output is expected to reach 3,000 kilos a year—São Paulo.

Automotive Parts

URUGUAY—A new industry, FURSA (Fabrica Uruguaya Repuestos S.A.), has been established in the city of Florida, some sixty miles from Montevideo, to make brake and clutch linings and other automotive spare parts—Montevideo.

Butadiene

BRAZIL—PETROBRAS, the government-owned oil monopoly, has signed a contract with the U.S. firm FLUOR INTERNATIONAL S/A for the construction of a butadiene unit to supply the raw material for the synthetic rubber plant at Duque de Caxias. The unit, which is scheduled for completion in the first half of 1965, will have a production capacity of 33,000 tons a year—Rio de Janeiro.

Carbon Black

BRAZIL—The Companhia de Carbonos Coloidais of Salvador, Bahia, has received a loan of U.S.\$2 million from the Agency for International Development to build a plant to produce carbon black, used in the manufacture of rubber articles, mainly tires. The plant is to be in full operation by 1966—Rio de Janeiro.

Cellulose Film, Nylon

COLOMBIA—Production of cellophane began in Colombia this fall with the inauguration of the new plant of Celanese Colombiana at Barranquilla. It is expected that by 1964 the country will be self-sufficient in these products. The same company is also expected to invest \$5.0 million during 1964 to build a nylon cord and thread factory—Bogotá.

Cocoa

BRAZIL—Canada is the fourth most important world market for Brazilian cocoa butter. Of total 1962 Brazilian cocoa butter exports valued at U.S.\$16.7 million, the U.S. accounted for U.S.\$6.3 million, Britain \$4.1 million, the Netherlands \$3.1 million, and Canada \$1.8 million.

Brazilian cocoa harvests have decreased from a 1956-60 average value of U.S.\$96 million to \$41 million in 1962. This is attributed to a continuing drought

in northeast Brazil, particularly Bahia State, and to the spread of "podridão pordo", a cocoa-tree disease.

CEPLAC, (Executive Commission for Planning the Economic Recovery of Cocoa) has been organized by the Brazilian Government to provide financial assistance to cocoa producers, to help eliminate podridão pordo, and to accelerate research in seed genetics and soil improvement—Rio de Janeiro.

Plastics

COLOMBIA—It has been announced that a factory will be built near Cartagena to produce PVC plastics. The ownership will be divided among several foreign groups, led by Diamond Alkali of the United States, and production is expected to begin in 1965. Almost simultaneously it was announced that Cyanamid of the United States would build a factory in the same area to manufacture plastics based on melamine and urea. Dow has announced plans to begin making polystyrene plastics in Colombia—Bogotá.

Pulp

BRAZIL—In 1962 the production of pulp of all kinds in Brazil reached 311,000 tons, compared with 105,000 in 1956—only a small part of total demand. There are 13 pulp mills in Brazil. The following raw materials are used: eucalyptus, 115,000 tons, pine 91,000, imbuia 41,000, linter 30,000, sugar-cane bagasse 28,000, and caroa fibre 6,000—São Paulo.

Sewing Machines

COLOMBIA—A company with mixed Spanish-Colombian capital will build a sewing machine factory in Bucaramanga. Initial production will be 80 units per day but this will gradually be increased to 200 units—Bogotá.

Silicalcite

BRAZIL—A Brazilian firm Silicalcito do Brasil S/A is to produce silicalcite under licence from the Soviet firm Vsesojuznoe Exportno Importnoje Objedinenie Raznoexport, of Moscow. The U.S.S.R. firm will also provide some production equipment—Rio de Janeiro.

Tea

COLOMBIA—Production of tea is being increased in Colombia, although it is still small in comparison with world figures. In 1963 it is expected to reach 22,000 kilos and by 1965 about 42,000 kilos—Bogotá.

Roger Duhamel
QUEEN'S PRINTER

If undelivered return to:
The Queen's Printer, Ottawa, Canada

