

**MAY 30. 64**

# **FOREIGN TRADE**

**DEPARTMENT OF TRADE AND COMMERCE, OTTAWA**

**India: Plans, Performance, Prospects (pages 2-22)**

**Pakistan Programs Its Progress (pages 26 to 35)**

**Ceylon's Problems Persist (page 23)**

**U.S. Announces New Wheat Program (page 37)**



# FOREIGN TRADE

MAY 30, 1964

Vol. 121 No. 11

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".

## Introducing India 3

*Several months ago, with the co-operation of the New Delhi and Bombay offices, we planned this series of articles to give Canadians an understanding of India today: the progress it is making despite thorny problems, the shaping influence of the successive Five Year Plans, the opportunities offered to and the restrictions faced by Canadian traders. Included too are several vivid pictures of modern India.*

## What India Buys and Sells 4

## India: Finishing the Third Plan 6

## Bombay: Gateway to India 9

## What's Current in Commodities in India?

## Aluminum, Zinc, Copper 12-14

## Industrial Opportunities in India 15

## Gujarat: India's Pilot Plant 18

## Canada Aids Chambal River Projects 21

## Ceylon's Problems Persist 23

*Canada has become Ceylon's sixth best customer—but would-be exporters to Ceylon are hampered by import restrictions and the shortage of foreign exchange. Why does this island, rich in resources, find obstacles in the path of progress?*

## Introducing Pakistan 26

*Pakistan too is relying on Five Year Plans to develop industry and continue agricultural advance. The three articles from the Karachi office give basic information on modern Pakistan, the pattern of its trade, where Canadian opportunities lie.*

## Pakistan Programs Its Progress 28

## What Canada Trades with Pakistan 32

## Pakistan's Cottage Industries 34

## Afghanistan: Progress Is Slow 35

## United States Announces New Wheat Program 37

## The Ocean Freight Market 44

## B. C. Butler Talks about Trade with Britain 48

Commodity Notes 41

Foreign Exchange Rates 46

Foreign Tariffs and Trade Regulations 43

Trade Commissioners on Tour 40

COMING—BUSINESS AND TRADE IN GHANA AND NIGERIA, JUNE 13 ISSUE



Landing on the dock at Bombay, one of India's busiest ports, is a coil of aluminum EC grade wire stock from Canada, destined for Faridabad. Both India's limited foreign exchange and the grants and loans it receives from other countries are spent largely on imports that will help it to achieve its objective of planned industrial expansion.

# Introducing India

**Area:** 1.26 million square miles (world's seventh largest country).

**Population:** 1961 census—439.2 million; annual rate of increase—2.4 per cent or 8 to 10 million; rural—82 per cent; literacy—24 per cent; life expectancy—45 years.

**Major Commercial Cities:** Greater Calcutta (population 5.55 million), Greater Bombay (4.15), Greater Delhi (2.36), Madras (1.73), Hyderabad (1.25), Ahmedabad (1.21), Bangalore (1.21), Kanpur (0.97).

**Cycle and Voltage:** 50 cycles, 220 volts.

**Natural Resources:** coal, iron ore, bauxite, mica, ferro-manganese.

**National Income:** 1961-62—\$32.18 billion; national per capita average \$68 (urban \$115, rural \$50). Sources—agriculture 46.8 per cent, mining and manufacturing 19.1 per cent, commerce and transport 16.9 per cent, others 17.2 per cent.

**Economy:** primarily agricultural, but industrialization developing rapidly under Five Year Plans; Third Five Year Plan began in April 1961. Industrial demands under plans have outstripped foreign exchange available to pay for needed capital goods, components and industrial materials. Exchange reserves now critically low. Aid and long-term loans compensate for present imbalance of trade.

**Trade Balance:** (Can.\$ million) 1962—1,166 (imports 2,625, exports 1,459); 1963—692 (imports 2,369, exports 1,677).

**Chief Imports:** (per cent) 1963—machinery 34, base metals 13, petroleum and products 9, wheat 9, textile fibres 6, transport equipment 5.

**Chief Suppliers:** (per cent) 1963—United States 32, Britain 16, West Germany 8, Japan 6, Soviet Union 5, Canada 2, Australia 1.5.

**Value of Imports from Canada:** (Can.\$ million) 1962—29.63, 1963—53.90.

**Chief Imports from Canada:** (Can.\$ million) 1963—copper 8.5, steel rails 7.8, electric machinery 5.0, asbestos 4.2, newsprint 3.9, zinc 3.8, aluminum 3.7, wood pulp 3.1, aircraft and parts 2.6, nickel 1.8, wheat 1.5.

**Chief Exports:** (per cent)—jute products 20, tea 17, vegetable oils and oilcakes 7, cotton textiles 6, leather and leather goods 5, iron ore 4.5, sugar 3.

**Canadian Trade Offices:** North India—Commercial Counsellor, Office of the High Commissioner for Canada, 13 Golf Links Area, New Delhi; mail—P.O. Box 11; cable—CANADIAN. South India—Canadian Government Trade Commissioner, Gresham Assurance House, Mint Road, Fort Bombay-1 (BR); mail—P.O. Box 886; cable—CANADIAN.

**Correspondence:** all correspondence should be sent airmail (25 cents for first half ounce, 10 cents for each additional half ounce), because surface mail usually takes six to eight weeks to reach India.

**When to Visit:** visits during October through March suggested. Hotel accommodation during this season is usually difficult to obtain and advance reservation is strongly recommended.

MAY 30, 1964

90191—1½

# What India Buys and Sells

Strict controls limit imports to essentials for the Five Year Plan; Government encourages exports, still mainly agricultural. Canada caters to this expanding market, with many sales under grant aid or long-term financing facilities; straight commercial trade limited.

GERALD A. NEWMAN, *Commercial Counsellor, New Delhi.*

INDIA has a planned imbalance of trade. Estimates in the Third Five Year Plan put this unfavourable balance at \$5,720 million for the full period 1960-61 to 1965-66. In the period 1962-63, the imbalance reached \$844 million—the difference between exports valued at \$1,526 million and imports valued at \$2,370 million. At present this imbalance is being compensated largely through foreign aid in various forms, ranging from straight grants such as the Colombo Plan provides to long-term loans of varying degrees of softness and latitude provided by other countries and the World Bank. To ensure that all foreign exchange is put to the best possible use, India maintains severe restrictions that limit imports to absolute essentials for maintenance and development under the Five Year Plans. According to India's Minister of International Trade, the country will have to double its exports by 1970-71 if it is to become self-sustaining.

## Agricultural Exports Vital

As Table I indicates, approximately 85 per cent of Indian exports consist of traditional products, primarily agricultural, and the remaining 15 per cent of new items such as footwear, light engineering goods, iron and steel structurals, metal and metal manufactures, rubber manufactures, chemicals, fish and seafood, garments, wool, and silk and art silk manufactures.

The Minister of International Trade considers the best prospects lie in the export of sugar, oils and

oil cakes, tobacco, fish and fish products, fruits and vegetables, and iron ore, rather than in the traditional exports of jute, tea and cotton which are encountering increasing competition from suppliers in other countries. These traditional exports, however, are expected to expand. He further considers that the major export development must come in products made by the expanding industrial complex into which India is pouring money under the Third Five Year Plan. He hopes to see India exporting to world markets such products as iron and steel castings, structurals, light engineering goods, chemicals, paints and varnishes, machinery, transport equipment, garments, hosiery, made-up fabrics—to mention only a few.

To this end, the Indian Government is directing its attention to reducing costs, establishing enforceable export standards, and creating export incentives. The primary difficulty lies in the heavy demand in India itself, where even goods of secondary quality sell readily under the protected conditions provided by the prohibition of competing imports. This also leads to high prices and lack of initiative in export fields.

Beginning with the Second Five Year Plan in 1955-56, India's imports have exceeded exports in value by a wide margin. Initial imports of heavy machinery and equipment for basic industries have expanded into a wider demand not only for capital goods but for the industrial materials and components needed to

TABLE I  
INDIA'S PRINCIPAL EXPORTS  
percentage distribution 1962-63

Item	Per cent
Jute manufactures	22.2
Tea	18.8
Cotton manufactures	6.8
Oil cakes	4.6
Leather and leather manufactures	3.3
Iron ore and concentrates	2.9
Cashew kernels	2.8
Tobacco	2.8
Cotton (raw)	2.5
Spices	2.0
Hides and skins (undressed)	1.6
Mica	1.5
Manganese ore	1.2
Wool (raw, including wool tops)	1.0
Others	26.0
<b>Total</b>	<b>100.0</b>

TABLE II  
INDIA'S PRINCIPAL IMPORTS  
percentage distribution 1962-63

Item	Per cent
Machinery, electrical	5.8
Machinery, other than electrical	22.9
Foodgrains	10.9
Mineral oils	8.2
Iron and steel	8.0
Transport equipment	5.9
Cotton (raw)	5.3
Non-ferrous metals	5.1
Chemicals	3.5
Fertilizers	2.8
Fruits, nuts and vegetables	1.7
Artificial silk yarn	1.2
Paper and paperboard	1.2
Dyeing, tanning and colouring materials	1.1
Medicinal and pharmaceutical products	0.9
Others	15.5
<b>Total</b>	<b>100.0</b>

support this newly created industrial complex. The percentage distribution of principal imports into India in 1962-63 is shown in Table II.

### Exchange with Canada

Because India's exports are almost entirely on a commercial basis but its imports include grant and aid supplies, a comparison of Indian import and export statistics to determine the balance of commercial trade with any one country is not realistic. This is borne out by looking at India's trade with Canada in the past three years; Table III suggests that only in 1962-63 did India achieve a favourable balance.

India's exports of commercial goods to Canada during these years are given in Table IV.

India's imports from Canada during the same period are given in Table V. As the asterisks indicate, most of the commodities supplied were imported partially or fully under the Colombo Plan. When Colombo Plan supplies are deducted, Canada's commercial trade

dwindles to about \$12 to \$16 million a year, which places India in a position of having a continuous and expanding favourable balance of trade with Canada in recent years.

### What Can Canada Sell?

In the light of these conditions, what are the prospects for Canadian exports to India during 1964?

Surprisingly, from the Canadian exporter's point of view, they are quite good. Here is a quick totting-up of possibilities: Colombo Plan imports \$19.5 million; purchases under three long-term loan agreements signed recently, \$16.7 million; normal commercial sales and possible purchases under barter deals, \$12 to \$16 million. These add up to \$48.2 million, and to this can be added possible successful tenders under World Bank loans made to Indian projects. Some of the contemplated purchases may run over into 1965, but in any event there is reason to expect that Canadian exports of all kinds should total between \$40 and \$50 million in 1964.

The products and commodities likely to be supplied are wheat, copper, lead, aluminum, zinc, nickel, asbestos, synthetic rubber, dissolving pulp, newsprint, sulphur, electrical component parts, hydroelectric equipment, plant and machinery, locomotives, iron and steel products and cobalt units.

Canadian firms should be on the alert to secure business through their established agents in India, through tenders from the External Aid Office, and through tender notices released through the Department of Trade and Commerce, Ottawa. The latter will include tender notices for products to be supplied under long-term Canadian loans and tender notices on projects supported by World Bank loans.

This leads to the final question: is India a market worth visiting? In view of the aid funds of various kinds which are likely to flow into India in the foreseeable future, the answer is yes—for those firms who supply materials and equipment for industrial use and for allied services.

When? If you wish to be comfortable and prefer cool weather, come any time between October and March. Hotel accommodation is often difficult to obtain so it is advisable to make reservations well in advance. Inform the Counsellor (Commercial) in New Delhi or the Trade Commissioner in Bombay about your plans and reservations, because you may need their help.

TABLE III

#### INDIA: TREND OF TRADE\* WITH CANADA

	1960-61	1961-62	1962-63
	(millions of Can. dollars)		
Imports	43.78	40.70	32.34
Exports	38.72	38.72	49.28
Balance	- 5.06	- 1.98	+16.94

\*Indian trade figures.

TABLE IV

#### INDIA: EXPORTS OF SELECTED COMMODITIES TO CANADA

Item	1961	1962	1963
	(Can.\$'000)		
Walnuts (mostly shelled)	1,234	827	544
Peanuts green	1,602	1,266	521
Cashew nuts shelled	1,677	1,450	1,758
Sugar raw	.....	8,069	16,655
Pepper unground	698	848	807
Tea, all black	8,869	7,283	7,356
Cotton textiles	3,126	3,929	3,815
Jute textiles	11,974	15,775	16,779
Wool carpets	1,174	1,370	1,442
Animals (rhesus monkeys for making polio vaccine)	160	152	83
<b>Totals of above</b>	<b>30,514</b>	<b>40,985</b>	<b>49,760</b>
<b>Grand total (including other items)</b>	<b>33,465</b>	<b>43,479</b>	<b>53,002</b>

TABLE V

#### INDIA: IMPORTS OF SELECTED COMMODITIES FROM CANADA

Item	1961	1962	1963
	(Can.\$'000)		
Wheat*	13,010	153	1,500
Asbestos*	819	2,200	4,185
Sulphur raw	.....	85	583
Wood pulp	4,172	3,308	3,046
Newsprint paper	1,283	2,744	3,907
Plastic materials and synthetic rubber not shaped, n.e.s.	1,020	1,317	930
Iron and steel items	1,602	1,841	646
Steel rails†	.....	.....	7,824
Aluminum*	7,436	4,184	3,673
Copper*	3,874	2,059	8,503
Lead	801	932	769
Nickel*	570	715	1,834
Zinc spelter	2,882	3,182	3,835
Locomotives and parts*	1,689	13	2
<b>Totals of above</b>	<b>39,158</b>	<b>22,733</b>	<b>41,237</b>
<b>Grand total (including other items)</b>	<b>43,331</b>	<b>29,633</b>	<b>53,900</b>

\*Shipments wholly or partly under Colombo Plan.

†Global tender won by Canadian firm.

### The Post Office Says . . .

**Special delivery service** between Canada and Australia, West Germany, the Netherlands and Switzerland for items prepaid at the letter rates of postage was introduced on April 1. When mailed in Canada, such items must be prepaid 25 cents in Canadian postage stamps or postage impressions in addition to the surface or airmail postage rate. They must also bear a "Special Delivery" sticker or endorsement on the address side. Prepaid letter-rate items from the four countries mentioned, bearing a "Special Delivery" or "Express" sticker or endorsement, will be given special delivery treatment at offices in Canada where there is letter carrier delivery.

# INDIA: Finishing the

How is the all-important Third Five Year Plan, which terminates in 1965-66, progressing? What must be accomplished in the last two years—and what are the implications for Canadian trade and aid?

GERALD A. NEWMAN, *Commercial Counsellor, New Delhi.*

IT cannot be repeated too often that India's main burden is the 439 million population, increasing at the rate of 2.4 per cent (or 10 million) a year. Couple this with a per capita income of about \$5 a month and you will have the beginning of any assessment of Indian needs and prospects and will understand the constant demand for rapid economic improvement.

It is also important to recognize that despite recent efforts in industrialization, 80 per cent or more of India's people depend directly on agriculture. It is only as agricultural production is stepped up that improved standards of living in a broad sense will be possible. Agriculture not only supplies the essential foodgrains for a cereal-eating people, but also provides most of India's exports—jute, tea, cotton, oilseeds and sugar.

## Agricultural Production Lags

India received a sharp reminder of the significance of agriculture when, after a gradual rise in wholesale prices over the past three years of about 8 per cent, they increased sharply by 7.2 per cent between March 1963 and January 1964. The reason: unfavourable weather in 1962-63 which cut agricultural output by 3.3 per cent. The harvests of foodgrains, rice and wheat were down and foodgrain imports rose by a million tons to 4.6 million tons last year.

One of the immediate results has been the reassertion of the importance of agricultural improvement through irrigation and use of fertilizers for the remainder of the Third Five Year Plan. It is esti-

mated that fertilizer consumption in terms of nitrogen will rise to 750,000 tons by 1965-66. Domestic production is being stepped up steadily but it is unlikely that output in 1965-66 will exceed 400,000 tons. Consequently, there will be a pressing need for imported fertilizers over the next two years and this need will be met to the degree that exchange can be made available. The establishment of fertilizer plants is expected to have a high priority.

## Industrial Output Expands

In its efforts to establish a broad base for industrial development under the Five Year Plans, India has drawn heavily on its vast resources

of coal and iron to set up steel plants, on bauxite to make aluminum, and on its monsoon-fed rivers and coal to provide power.

While the agriculture-based industries tended to lag, newer industries expanded. In the first two years of the Third Plan, output of metal products rose 26 per cent, organic chemicals 39 per cent, and industrial machinery 47 per cent.

By the middle of the Third Plan, the three major steel plants of one million tons each (built in collaboration with Germany, the Soviet Union and Britain) were fully established and in production, and plans are in hand for the extension of existing plants and establishment of another Indian-sponsored one. The railways, which have had to bear the brunt of rapidly enlarged transport demands, are now, thanks to World Bank loans, in good shape to meet further industrial expansion. The supply of coal, at least the lower



—IBRD Photo.  
Steel plays an important role in India's industrial drive; three new steel mills have been built and existing ones expanded. Here a technician in an Indian Iron and Steel Company plant checks the dimensions of a roller on a new rolling mill.

# Third Plan

grades, is reported to be reasonably adequate.

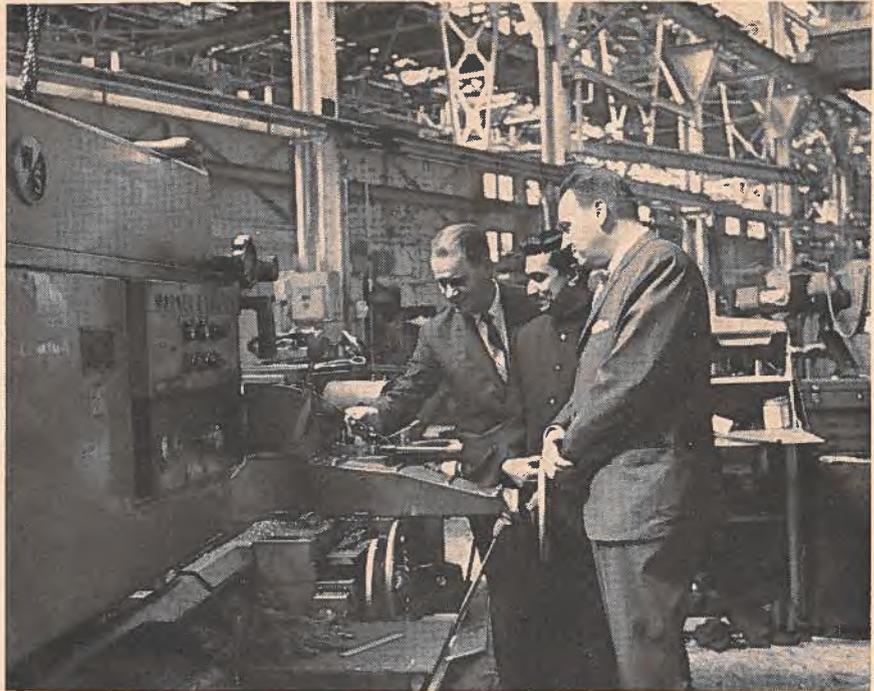
On the other hand, there are a number of factors which suggest that for the next two (the final) years of the Third Plan, the emphasis will be on the more adequate use of existing projects as much as on the establishment of new ones.

The supply of steel is not likely to rise dramatically until the expansion program is carried out. Foreign aid, so essential for the supply of capital goods and industrial materials, appears to be stabilizing at about the same rate as in the two previous years, although in response to strong Indian insistence, it is changing in character to include increased provision for non-project aid. And there is the impact of defence needs which, after the conflict with Communist China, claimed a share of the national income and also a certain amount of foreign aid.

**Power**—The generating capacity at the beginning of the Third Five Year Plan was 5.6 million kilowatts; by 1965, it is expected to be 12.5 million. To reach this, about \$420 million in foreign exchange will have to be spent over the next two years to cover the 6.9 million kilowatts still needed. India's power ratio is roughly 60 per cent thermal and 40 per cent hydro. As Canada is already engaged in a number of hydro projects with one or two others in prospect, the most interesting possibilities from our point of view may be in the thermal field.

At the same time, power survey committees and the World Bank have been emphasizing the need for more adequate power distribution. It is likely that there will be a greater demand for transmission and distribution equipment financed either under country or World Bank aid.

**Railways**—Eighty per cent of the freight traffic and 60 per cent of the



*G. A. Newman, Commercial Counsellor in New Delhi and author of this report, (left) photographed in the Montreal Locomotive Works plant in Montreal, during ceremonies marking the completion of the first in a shipment of 37 Canadian locomotives going to India. With him are (centre) A. K. Gupta, Acting High Commissioner for India in Canada, and H. Valle, President, Montreal Locomotive Works.*

passenger traffic are carried by Indian Railways. Between 1951 and 1961, freight traffic jumped from 93 million to 156.2 million tons. At the beginning of the Third Five Year Plan in 1961, the railways had become a bottleneck. But with large amounts of foreign aid from the World Bank and from foreign countries to provide more domestic and imported locomotives and more domestic rail cars, and with improved mileage, the railways expect to be able to handle traffic of about 260 million tons in 1965.

To do this, in the second half of the Third Five Year Plan there will be additions to the rolling stock, more electrification and dieselization, and the laying of a further 800 kilometers of track. All this means a continuing need for diesel locomotives, rails, steel billets, and electrical and communications equipment.

**Roads**—Roads have occupied a secondary place in India's economy. Most of the main paved roads carry single-lane traffic except near the

large cities, where they are double-lane. Truck traffic is inadequate to meet present needs.

At the outset of the Third Five Year Plan, total road mileage was 709,000 kilometers, of which 236,000 kilometers were paved. The Third Five Year Plan program is to increase paved roads to 270,000 kilometers, install 85 new bridges, and improve 4,500 kilometers of existing roads. To complete the target projects, a further 22,000 kilometers of paved roads will be needed. This is expected to mean a demand for aid in procuring construction equipment and bridge steels.

## Industrial Needs

Canada, both commercially and under the Colombo Plan, has consistently supplied India with industrial raw materials, such as non-ferrous metals, asbestos, synthetic rubber, dissolving pulp, and newsprint. The continued growth of the Indian industrial complex en-

tures persistent demand, provided exchange can be found.

It is in industrial machinery and equipment that some prospects for trade expansion are appearing—provided exchange can be found.

In the course of the Five Year Plans, in addition to establishing plants to produce steel, aluminum and chemicals, efforts have been made to increase capacity to produce machinery. As a result, machinery for paper plants, cement plants, sugar plants, and textile making can, within certain limits, now be obtained in India. Indian authorities watch to see that as much domestic machinery as possible will be purchased for any production proposal involving its use.

There are two manufacturers of paper machinery and each can produce one 50-ton-per-day mill each year. Four plants make smaller units in the three-to ten-ton-per-day class. Paper machinery is a high priority item and, with the great need for more paper products, it is expected that equipment and components may be ordered in 1964-65.

India can now turn out about ten standard cement plants of 200,000 tons a year. For each plant \$1 million in equipment and components must be imported. With cement production expected to rise from 9.60 million tons in 1961 to 14.10 million in 1965, demand for plant and equipment should continue.

India can now produce each year about 12 standard sugar plants of 1,000 to 1,250 tons crushing capacity per day. Each plant has to have certain imported equipment and it is possible that business in such imports may reach a considerable volume in 1964-65.

Textile machinery (such as ring frames, carding engines, looms and finished machinery) is now made in India and increasing the capacity to produce it has a high priority. But direct imports of textile machinery are in prospect in 1964-65.

### Heavy Industries

Production of machine tools is being steadily expanded and it is

estimated that imports of components for the industry may be heavy.

Demand for heavy electrical equipment (turbines and generators, large-size motors, transformers, switchgear, etc.) will run to about \$160 million in 1966. India's capacity to supply is expected to be about \$80 million a year and one of the main sources of supply is the heavy electrical equipment factory at Bhopal set up with British collaboration. This factory is now manufacturing transformers, switchgear, control and traction equipment and may be moving into the production of hydro and steam turbo-generators. Significant quantities of components, raw materials and new electrical equipment may be imported.

There is a strong demand for steel pipes for water schemes, boilers, etc. India's present production is about 198,000 tons compared with 100,000 tons in 1961 and additional capacity of 390,000 tons is in prospect. Meanwhile, there is interest in the supply of plant and equipment for pipe production, usually a collaboration scheme.

The automobile industry turned out 37,800 trucks, buses and jeeps in 1963 with an indigenous content of about 70 per cent, but production of cars dropped to 14,100 in 1963 compared with 23,326 in 1962.

Their indigenous content is also about 60 per cent.

The automotive parts industry is of interest to Canadian firms. At present, the major items for which capacity has been established are wheels, dynamos and starters. Orders may be placed in 1964-65 for the manufacture of gear assemblies, gears, pistons and bimetallic strips. This may be financed by foreign exchange obtained from Indian credit institutions.

### Foreign Exchange the Problem

All this advance illustrates the opening up of trade prospects as India expands its industries. The immediate difficulty from a sales point of view is that all imports are under tight control and foreign exchange restrictions. Purchases depend on the available sources of foreign exchange such as a specific country, the World Bank, or Indian credit institutions. For imports financed by the two latter, there may be some opportunity for Canadians to compete. The difficulty is that no import licence holder is willing to risk his limited exchange on unknown suppliers and the established suppliers compete strongly for the restricted business in their fields. But there are opportunities and persistent effort will uncover them. ●

### Joint Ventures in India

BETWEEN January 1957 and September 1963, some 1,639 foreign companies entered into joint ventures with Indian firms. The peak was reached in 1961 when 403 joint ventures were approved. Since then, the number has dwindled to 298 in 1963. Uncertainty because of the conflict with Communist China, stiffening of government policy towards licensing approvals, lack of raw materials and power, and increased taxation following the Budget for 1963-64 all contributed to the decline. At present the Indian authorities are making great efforts to revive interest by revising licensing techniques, easing rupee funds, and seeking to improve transport and power. There is some suggestion of a better atmosphere than last year.

Only eleven Canadian firms entered into joint ventures during this period, compared with 482 from Britain, 270 from the United States, 225 from West Germany, 129 from Japan, and 70 from Switzerland, the leading sources. Areas emphasized were electrical machinery, machinery other than electrical, chemicals, transport equipment, medicines, pharmaceuticals, paper and paper products, cotton textiles, rubber, rubber manufactures, cement.

Royalty agreements have been comparatively small in number compared with joint ventures, because taxation discourages them. It is interesting to note that many of these agreements stipulate terms of 1 to 3 per cent of gross or net sales. The periods allowed for such royalties are usually quite restricted. ●

*"The architecture . . . contributes to the atmosphere of Bombay . . . There are still plenty of the oddly endearing old gingerbread façades, faded and scaly. And the stately public buildings in grey stone . . . remind us of more leisured times." On the left, offices of the Municipal Corporation for Greater Bombay and on the right, Victoria terminus, head office of the Central Railway.*



## Bombay: Gateway to India

How does Bombay, one of India's biggest ports, centre of industry, finance and commerce, impress the Western visitor? The author takes the reader on a stroll to get a vivid picture of Indian life.

**WILLIAM BRETT,**  
*Trade Commissioner, Bombay.*

IF you come to India, there is a better than even chance that business will bring you to Bombay. It is the focus of much of the country's commerce and finance and 45 per cent of its imports and 35 per cent of its exports pass through the city. With about 106 cotton mills within Greater Bombay, it is the centre of a flourishing textile industry. It is the main centre too for engineering activities, the automobile industry, and a sugar industry that produces well over a million gallons of industrial alcohol each year.

The name "Bombay", the story goes, is derived from the Portuguese "bom bahia"—"fair bay". This seems plausible, because one of the city's loveliest features is its waterfront. But Louis Bromfield would scarcely recognize Bombay now. Few of the spacious bungalows of Malabar Hill remain. With apartment blocks jutting up all over the city, Bombayites are becoming cliff dwellers. But in spite of dramatic changes, the city retains a positive personality, a definite if elusive flavour which cannot fail to fascinate.

One factor contributing to the atmosphere of Bombay is the sheer animal warmth of its people. After

all, Bombay and Poona, its industrial satellite, have more people than all of Ontario. The population density is an astonishing 24.5 thousand per square mile. It is no wonder that one of the first things that strikes one here is the fact that someone or something—perhaps a cart, a car or a cow—is always interposing itself between you and whatever you may be looking at. And no city offers more interesting sights than Bombay. The swarms of man-drawn carts being trundled through the streets, usually piled high with gleaming lunch pails, are a sight in themselves. So are the hundreds of sidewalk vendors selling the most

improbable and seemingly useless wares.

I never cease to be astonished at seeing women, young and old, doing road work or construction. Usually they sit chipping away at rocks or moving cement or dirt in head baskets. I remember hearing a few years ago about "hunkering", a fad that swept through American universities. Contestants tried to outlast each other in maintaining a sort of deep squat position. Indians have been unacclaimed world champions at this for centuries. Almost everyone is a hunkerer here. The most varied thing here is the dress of the people and the bewildering swirl of colours—Buddhists in saffron robes, women in beautiful coloured saris, Pathans with khaki and blue turbans and red-dyed beards, gaudy gypsies, and various assorted beggars, holy men, snake charmers and so on.

The architecture too contributes to the atmosphere of Bombay. Unfortunately the city is becoming changed by the hundreds of blocky buildings, but there are still plenty of the oddly endearing old gingerbread facades, faded and scaly. And the stately public buildings in grey stone and such edifices as the Taj Mahal Hotel reminds us of more leisured times.

Nothing is more typical of Bombay than Crawford Market, which is more or less Les Halles of Bombay. It must be one of the most pungent markets in the world, a quite pleasant amalgam of spices, cheese, fruit, animals and people—and an alarming population of skinny cats. Here you can buy almost anything in the way of food and you don't have to buy enough for a week. You can buy one egg, one orange and, I should not be surprised, one peanut. To an extent, this is typical of all business in Bombay. Not too many "stockists" stock anything in quantity.

### Contrasts and Contradictions

There is a kind of *New Yorker* sophistication about Bombay which has endured strict prohibition and



*"Bombay in monsoon time can only be compared with Atlantis. It rains for days on end, everything is damp and musty, and there is no stirring out of doors. The monsoon begins around the 10th of June, howls through July and August, and tapers off through September. Just before and after the monsoon, the heat is intense."*

some years of austere import controls. Here, a pop-up toaster is as "in" as "his 'n her" airplanes. And of course, any seaport has a degree of expansiveness not found elsewhere.

Bombay resists analysis. This applies to all of India but it is particularly true here, where there is a confusing admixture of influences from the West. For example, in trying to understand some of the fundamental facts of India we may try to reconcile high caste with low economic status. Before you know it, you will find yourself completely tangled in other threads such as race, colour, religion, history, sex. Here, all these seem to be aspects of the same thing and one is imponderable without the other. This intricacy is expressed in Hindu art, both classical and popular and, in fact, in all facets of Indian life.

As everyone knows, there are throughout India appalling problems of population density and poverty. Bombay, even though it is a sort of Mecca for many Indians, does not escape its share of filth, squalor and disease. So much depends on the way we approach India. In that very

good book *L'Inde Sacree*, Gilbert Etienne has truly said of India "Elle deconcerte les êtres qui sont plus sensibles a la laideur de l'univers qu'a sa beaute."

### Getting Down to Business

When the visitor lands at the Bombay airport, the first thing to happen is a very thorough sieving by the Customs, the most close-meshed in the world. They have to be. India, as is well known, is bedevilled by a "thing" about gold. The reasons are too complicated to go into here; let it suffice to say that gold commands a very high price. The strict exchange controls and prohibition mean that there are other attractive fields for the smuggler. You can bring in your baggage one bottle of alcohol, 200 cigarettes, 50 cigars, 250 grams of tobacco, typewriter, tape recorder, one movie camera, one still camera and films (8 movie rolls, 15 still rolls). On entering, you must declare your foreign currency.

There are several good hotels in Bombay: the Taj Mahal, the Ambassador and the Nataraj are among the best. In any one of these,

you should book well ahead. Each has a "Permit Room" where at fancy prices you can buy a reliable drink. But remember, you cannot enter without having secured a permit. Usually the hotel will help you to get one.

## Two Monsoons

"Two monsoons are the life of a man", the old proverb runs. Looking back on it, I marvel that I survived from the one monsoon I have endured. Bombay in monsoon time can only be compared with Atlantis. It rains for days on end, everything is damp and musty, and there is just no stirring out of doors. The monsoon begins around the 10th of June, howls through July and August, and tapers off through September. Just before and after the monsoon, the heat is intense.

There are not many other things to consider. One or two local customs may take some getting used to. The most disconcerting of these is the sight of a person wagging his head from side to side in a lateral motion and muttering "Achha". To a stranger, he has an eerie, cretinous look. Never fear, this is just the local affirmative nod. And "Achha" is "O.K." in Hindi. Perhaps you are not familiar with lakhs and crores. A lakh is 100,000 of anything and a crore is 10 million. I still find it difficult to think in these terms. Other expressions not so recondite are "out of station" meaning "away from home", and "side". We say "down Mexico way"; a Bombayite would say "Mexico side". People used only to North American and European scenes will probably be shocked by some of the beggars.

## Pathans and Parsees

Throughout India, there is a definite division of labour by race, sect and family. For instance, most guardians, "chowkidars", are either Pathans or Gurkhas, fighting races from the north. Cooks and musicians are quite possibly Goans. The business community in Bombay is particularly interesting. There are a number of "communities" credited

with or accused of highly developed business acumen. Those most frequently mentioned are the Marwaris and the Sindhis. The Parsees are remarkable in the industrial field. You will usually find that your business dealings are channelled to whichever group you contact first.

The Parsees are particularly distinctive. There are only about 125,000 of them in the world—100,000 in India and 70,000 in Bombay alone. They fled Persia before the Muslim onslaught in the 7th century and found refuge in what is now the State of Gujarat, north of Bombay. As Bombay developed in the late 1600's, they came to the city, where they soon become prominent in mercantile life. Later under British rule they assumed a commanding economic ascendancy which endures to this day. They are an exclusive people whose religion, Zoroastrianism, nurtures a highly developed spiritual faculty. They are renowned for their charity which extends beyond their own community.

## Industry in the Suburbs

Viewing India as a whole, industrialization is almost negligible and certain states are completely without any manufacturing above the cottage level. Maharashtra, the state in which Bombay is located, is described as highly industrialized. This is rather misleading because it implies a fairly even spread of industry, whereas Greater Bombay alone accounts for about 25 per cent of the state's output. The per capita income of this state is well above the national average, Rs.315 compared with Rs.278. It is hoped by further investment of capital to achieve a "leap forward" to Rs.557 by 1975. Still, two-thirds of the population of the state depend upon agriculture and this sector accounts for only 30 per cent of state income.

Industry in Bombay itself is spreading northward because there is simply no land available within the city. Industrial land even at some remove from the city is very expensive indeed but not as expensive as the remaining real estate in

the residential part of the city. Because Bombay is a narrow peninsula jutting southward into the Arabian Sea, there is no choice but to develop northwards. The road north to Poona is strung with industrial plants producing goods ranging from consumer products such as bandages to intermediate ones such as asbestos cement building components. Most of the plants are spanking new in design and provide quite a contrast to the bullock carts and peasants who crowd the road.

There is a tendency to encourage industry to build farther and farther north and in other parts of the state, but the limiting factors are road transport (there is really only one road north from Bombay) and power. In fact, the National Council, a planning and advisory body, has forecast an acute shortage for Western Maharashtra. Nevertheless, the authorities issued licences for no less than 146 large-scale industries (i.e., with capital of over 10 lakh rupees, soon to be changed to 25 lakh rupees) and 115 of these were for Greater Bombay. Small-scale units totalling 3,447 were licensed in the seven months to October 1963. Hothouse development like this cannot help but have far-reaching effects. There will be social consequences as well, and strain on the slender industrial infrastructure.

Whatever the problems, whatever the consequences, India can take them as she has taken so much over the centuries. She does not roll with the blows, she just does not feel them. Here, one develops a faculty for thinking on a scale approaching the historical. And indeed, developments in India have just that sort of rhythm. It is sometimes difficult to understand why things are not done as expeditiously as elsewhere. I lay a lot of it to the penchant for endless paper forms. The other day, I signed my name 18 times to buy five pounds of butter. However, I never could decide what it is that sets the memsahibs screeching and the old colonels roaring. Spoiled, perhaps? ●

# What's Current in Commodities in India?

**Metals**—Aluminum, zinc and copper are all in brisk demand; Canada is supplying all three, chiefly under grant aid. Domestic sources may eventually supply all the aluminum needed and some of the zinc, but copper and zinc imports will continue in the future.

JOHN H. SUGGITT, *Assistant Commercial Secretary, New Delhi.*

## Aluminum

WHEN I speak of the future of the non-ferrous metals industry in India I speak of the future of aluminum—the only non-ferrous metal in which India has any hope of becoming self-sufficient. No other metal except steel attracts as much attention, comment and investment. In the development of new production facilities lies India's main effort to stem the increasing outflow of foreign exchange needed to provide non-ferrous metals for its growing industrial complex.

When the Third Five Year Plan was drafted, the Indian authorities expected that by 1965-66 domestic aluminum production would equal needs and perhaps even permit small exports. These hopes have not been realized. Changes in other Plan targets, particularly electricity requirements, combined with better than expected rates of aluminum substitution for copper, have contributed to an unexpectedly large

domestic demand. To meet the situation, the Government of India issued industrial licences increasing smelter capacity from 87,500 to 110,000 metric tons by 1965-66. But this greater capacity, according to the midterm review of the Planning Commission, will not be commissioned in time to meet the Third Plan production targets. (See Table I.)

Present domestic production of 50,000 tons is featured by small units and high costs. Aluminum ingot is sold in India at Rs.3,600/- per metric ton, (Can.\$790.00) or about 30 per cent above comparable prices in Canada, the United States and Germany. This high cost is a reflection of three principal problems facing the Indian aluminum industry.

The first of these is the uneconomic size of smelters. The industry is working towards increasing smelter unit sizes to the Indian

economic optimum of 25,000 to 30,000 metric tons. Not one smelter in India today is of this size although two come close.

Economies of scale are also available from enlarged or new alumina plants with capacities of 50,000/60,000 metric tons. But these plants are still in the future because considerable work must still be done on alumina plant location in relation to bauxite reserves to keep down the high freight costs.

The supply of power is also a problem because electricity represents 20-25 per cent of the cost of production. The aluminum industry is competing with other users for available hydro power and is being forced to plan a substantial amount of its future capacity using relatively expensive thermal power.

### Producers and Targets

At the moment there are three producing companies: Aluminum Corporation, Indian Aluminum Company, Ltd. (INDALUCO), a subsidiary of Aluminium Limited; and Hindustan Aluminum (HINDAL), a joint venture between the Indian Birla group and Kaiser Aluminum. A fourth firm will come into production in 1965 when facilities of the Italian-aided Madras Aluminum Company are completed. The output of these four companies

TABLE I  
INDIAN ALUMINUM CAPACITY  
AND PRODUCTION  
THIRD FIVE YEAR PLAN

Year	Installed capacity (metric tons '000)	Output
1960-61	18.10	18.20
1961-62	27.50	19.40
1962-63	53.35	41.97
1963-64	53.35	50.00
	(A) 87.50	(A) 80.00
1965-66	(B) 110.00	.....
	(C) 68.85	(C) 68.00

(A) Original target.  
(B) Revised target.  
(C) Likely achievement.

TABLE II  
INDIAN CONSUMPTION OF  
ALUMINUM

End use	(1960-61)		(1965-66)	
			A	B
	(metric tons)			
Building and construction	3,000	10,000	4,000	
Transport	8,000	20,000	15,000	
Domestic products	11,500	25,000	25,000	
Electrical	20,000	50,000	50,000	
Canning	4,000	7,500	4,000	
Fabricated products and exports	.....	30,000		
Miscellaneous	2,500	5,000		22,000
<b>TOTAL</b>	<b>49,000</b>	<b>147,500</b>	<b>120,000</b>	

TABLE III  
INDIAN IMPORTS OF ALUMINUM

Source	Indian Fiscal Year*		
	1960/61	1961/62	1962/63
	(metric tons)		
Canada	14,160	12,420	9,300
Britain	4,250	3,620	3,450
United States	1,590	2,000	20,130
U.S.S.R.	1,000	1,350	3,380
Yugoslavia	3,590	4,080	1,700
West Germany	230	730	390
Others	520	1,290	500
<b>TOTAL</b>	<b>25,340</b>	<b>25,490</b>	<b>38,850</b>

\*April-March.

is expected to reach 75,000 tons by 1966-67 and 115,000 tons by 1968, when a 30,000-ton expansion of HINDAL facilities comes into production.

There is good reason to believe that the Indian aluminum industry will achieve these production targets. India has ample reserves of bauxite and the industry has high priority. Even so, this output will barely keep pace with the growth in demand.

India's aluminum needs have been estimated by the Non-Ferrous Metal Council at between 120,000 to 147,000 tons by 1965-66. By then the biggest user, the electrical conductor industry, which currently consumes about 40 to 50 per cent of available stock, will increase its offtake from 30,000 to some 50,000 metric tons. Two factors account for the increased demand for EC grade aluminum.

- The rapid growth in electrical distribution systems.
- The continuing substitution for foreign exchange reasons of aluminum for copper conductor in the electrical industry.

The substitution of aluminum for other non-ferrous metals is also being encouraged in the domestic products industry (principally cooking utensils), and the transport, canning, building and construction industries.

### Consumption Forecasts

Forecasts prepared by the Non-Ferrous Metal Council shown in Table II compare consumption in 1960-61 with two estimates for 1965-66. Estimate A hopefully provides for maximum substitution of aluminum for copper. The success of this program may well be watched by producers of other non-ferrous metals because India will use indigenous aluminum wherever possible to reduce the foreign exchange expenditure for metals like copper and zinc, in which she has little chance of becoming self-suf-

ficient. If substitution goals are not fully achieved, the expected consumption pattern for 1965-66 will be approximately as shown in estimate B of Table II.

Substitution of aluminum for copper and zinc in industries other than electrical will probably occur to the extent that domestic supplies of non-electrical, conductor-grade aluminum are available. There is little possibility that scarce foreign exchange will be spent on aluminum imports to accomplish substitution—except in the electrical conductor industry—because of priority demands of other industries

INDIA is Canada's third best customer for zinc. According to DBS figures, we shipped to her 15,000 short tons of zinc in 1961, 20,000 in 1962, and 24,000 in 1963. Yet per capita consumption in India is less than 0.4 pounds per head. Indian imports of zinc—summarized in Table I—are growing at a compound rate of 12 per cent a year, rising from 68,000 metric tons in 1960-61 to over 85,000 in 1962-63.

Consumption forecasts prepared by the Non-Ferrous Metal Council predict further growth over the remaining years of the Third Five Year Plan and are useful in estimating future imports. However, the amounts given for 1965-66 in Table II include quantities of zinc intended for substitution with aluminum. In addition, the huge quantities needed for electrical transmission tower and power poles are subject to reduction because this industry is actively exploring ways and means of reducing its zinc needs. It has been proposed, for example, to galvanize only the top portion of the tower and to paint the lower sections. The steel industry is being encouraged to attempt aluminizing rather than galvanizing. Considering these factors, it is not likely that India will con-

sume 187,000 metric tons in 1965-66 but a minimum demand of 120,000 metric tons appears assured.

Although zinc is not produced in India now, centuries-old slag piles for these metals and India's limited foreign exchange. By and large, future requirements of other users will either be met by domestic production or demand will be restricted as it has been in the past. India will probably be forced to import electrical-grade aluminum for at least the next five years in about the same tonnages as in the past few years (see Table III). Demand forecasts for 1970-71 predict total aluminum consumption of 260,000 metric tons—about double 1965-66 figures—with a corresponding increase in requirements for the electrical conductor industry. ●

## Zinc

summe 187,000 metric tons in 1965-66 but a minimum demand of 120,000 metric tons appears assured.

Although zinc is not produced in India now, centuries-old slag piles

TABLE I  
ZINC IMPORTS, 1962-63

Source	All forms (metric tons)	Spelter, Ingots and Cakes (metric tons)
United States	31,200	30,200
Australia	17,300	16,700
CANADA	15,900	15,100
Belgian Congo	9,100	8,600
U.S.S.R.	8,500	8,500
Others	6,200	6,100
<b>Total</b>	<b>88,200</b>	<b>85,200</b>

TABLE II  
ZINC CONSUMPTION

Uses	1962-63 (metric tons)	1965-66 (metric tons)
Sheets and strips	11,300	15,500
Alloys, etc.	3,700	7,500
Others	3,000	9,500
Chemical industry	6,500	14,000
Engineering industry	23,500	96,000
Galvanizing	25,000	30,000
Small-scale industry	11,000	15,000
<b>Total</b>	<b>84,000</b>	<b>187,500</b>

TABLE III  
IMPORT FORECAST

Requirements/ Production	1962-63 (metric tons)	1965-66 (metric tons)
Requirements	84,000	120,000
Domestic production	.....	18,000
<b>Imports</b>	<b>84,000</b>	<b>102,000</b>

at Zawar in Rajasthan testify to the existence of the world's oldest zinc industry. The ancients used a crucible type of furnace for refining and traces are still discernible. But primitive technology was not capable of extracting all the metal from this vast ore body. Today the private-sector Metal Corporation of India, with French assistance, is erecting a zinc smelter near Udiapur in Rajasthan which is expected to reach full rated capacity of 18,000 metric tons by 1965-66. It will be based on ore drawn from new mines

at Debari and upon the large reserves of ore still available at Zawar.

India's second and largest zinc smelter will have a distinctly Canadian flavour. At Alwaye in Kerala, Consolidated Mining and Smelting Company of Canada limited, in collaboration with the Binani interests of Calcutta, is erecting a smelter with an annual capacity of 20,000 metric tons. It will use imported concentrates but will not come into production until the Fourth Five Year Plan.

During the first three years of the Third Five Year Plan, India created a substantial demand for zinc. But for the next two years the country will find it more difficult to import the large quantities of zinc necessary to maintain the development program. Not only will industry require a minimum of 120,000 tons (see Table III), some 30,000 tons more than at present, but this larger quantity must also be obtained in the face of rising international prices and continued shortage of foreign exchange.

## Copper

**THIS YEAR** India's over-all requirements for copper will set a new record. Industrial consumption, up 30 per cent over 1960, will reach 100,000 metric tons, or about 70 per cent of present Canadian consumption.

Trends established by the Non-Ferrous Metal Industry Panel (see Table I) predict a 50 per cent surge in copper demand over the next three years to 155,000 metric tons by the end of the Third Five Year Plan. By 1965-66, requirements of the high-priority electrical

conductor industry, the largest copper user, are expected to reach a minimum of 50,000 or a maximum of 75,000 metric tons, depending on the success of the aluminum conductor substitution program.

Development authorities are devoting considerable attention to substituting aluminum for copper, thus saving foreign exchange, because India can look forward to the day when it will be self-sufficient in aluminum but not in copper. At the moment, there is only one copper producer in the country.

About 9,300 metric tons of fire-refined copper are produced annually by the Indian Copper Corporation, which is expanding its

capacity and will shortly be making electrolytic grades. The public-sector National Mineral Development Corporation is planning for a second producer of electrolytic copper to exploit a large but low-grade ore body that has been outlined near Khetri in Rajasthan.

But even if these new projects are completed by the end of the current Plan period, raising domestic production to 35,000 metric tons, the problem of demand increasing faster than domestic supply will remain unsolved. In spite of anticipated success in the aluminum conductor substitution program, India will still need to import 120,000 tons of copper to satisfy

**TABLE I**  
**COPPER CONSUMPTION FORECAST**  
**1965-66**

	Industry use (metric tons)	Copper content (metric tons)
<b>Copper</b>		
Hot and cold rolled sheets, circles and strip	8,000	
Electrolytic wire rods and wire	75,000*	
Extruded rods and sections	2,000	
Pipes and tubes	2,800	
	87,800	87,500*
<b>Brass</b>		
Hot and cold rolled sheets, circles and strip	47,000	
Extruded rods and sections	10,000	
Pipes and tubes	6,000	
Non-electrical wire	3,500	
	66,500	
<b>Copper-base alloys and castings</b>		
	30,000	
	96,500	82,500
		170,000

\*Includes 25,000 metric tons for which it is planned to substitute aluminum.

**TABLE II**  
**COPPER IMPORTS BY COUNTRY OF ORIGIN**

Country	1960-61	1961-62	1962-63	1963-64*
	(metric tons)			
Canada	8,900	6,330	3,590	6,190
Rhodesia and Nyasaland	32,750	32,230	9,200	2,820
United States	7,050	19,030	50,230	26,320
Others	7,980	6,970	6,040	1,440
<b>Total</b>	<b>56,680</b>	<b>64,560</b>	<b>69,060</b>	<b>36,770</b>

\*For 7 months April-October 1963.

**TABLE III**  
**COPPER IMPORTS BY KIND**

Kind	1960-61	1961-62	1962-63	1963-64*
	(metric tons)			
Electrolytic wire bars	30,360	36,320	33,570	17,340
Unwrought ingots and billets	26,230	28,240	35,490	19,430
<b>Total</b>	<b>56,590</b>	<b>64,560</b>	<b>69,060</b>	<b>36,770</b>

\*For 7 months April-October 1963.

its minimum 1965-66 requirements. Long-range forecasts for 1970-71 suggest that copper imports of 185,000 tons will be necessary to meet a demand of 235,000 metric tons.

#### **Financed by Grant Aid**

Because of India's continuing foreign exchange difficulties, copper imports for the licensing period just ended—October-March 1963-64—

were restricted to aid sources, principally the United States under AID and Canada via Colombo Plan grant aid, except for small quantities purchased by the Directorate General of Supplies and Disposals through global tenders financed by the World Bank. Prospects for any relaxation of these stringent import controls appear remote.

Changes in the composition of India's imports will undoubtedly

continue as more fabricating capacity is created within the country. Table III shows clearly the declining importance of wire bars in relation to imports of unwrought ingots and billets.

Import of other copper shapes and alloys have also been reduced. In 1960-61 they accounted for 10 per cent of total imports but by 1963-64 their share had declined to 7 per cent. ●

# Industrial Opportunities in India

G. A. NEWMAN, *Commercial Counsellor, New Delhi.*

CANADIAN businessmen are now visiting India regularly to explore prospects for new business. Apart from opportunities which are derived from Colombo Plan aid and certain aid-loan projects, one of the most attractive fields for exploration lies in joint business ventures for industrial production. List A gives the key industries in which the Indian Government welcomes foreign participation.

At the same time, India's limited supply of foreign exchange and of materials and components makes it necessary that there be no duplication of established

capacities where these are sufficient to meet essential needs. In addition, India's capacities in industrial production have expanded greatly in recent years with the result that applications for establishing new industries (or possibly the expansion of existing ones) in the fields shown in lists B and C may not be approved, and at any rate will be very carefully reviewed.

Although industrial projects in pulp, paper and paperboard, and newsprint are listed as unlikely to be approved or subject to careful review, we have reason to believe that the Indian authorities are willing to consider proposals within the capacities already sanctioned.

#### **A. Foreign investment will be welcomed in—**

- Alloy steel
- Automobile ancillaries
- Caustic soda and soda ash
- Cement
- Coated abrasives
- Cranes
- Electric winding wires
- Ferro-chrome and other ferro-alloys, except ferro-manganese and ferro-silicon
- Fertilizers
- Industrial machinery
- Machine tools, including small tools, dies, jigs and fixtures
- Malleable iron castings
- Paper and paperboard
- Pesticides
- Petrochemicals, including synthetic rubber
- Pig iron
- Pulp, cellulosic
- Rubber chemicals
- Steel castings
- Steel forgings
- Structurals, heavy
- Sulphuric acid

#### **These may not be approved**

##### **B. Engineering Industries**

- Agricultural implements, except tractor-drawn
- Air compressors (existing plants will be permitted to expand up to 700 cfm)
- Air-conditioners, room
- Aluminum strips, sheets, circles, sections, foils, rods (extruded)
- Antimony
- Appliances, household, such as electric irons, heaters and the like
- Arc carbons, cinema
- Automobile ancillaries (consideration will be given to expansion or diversification of existing plants only in the same range of products they are now making)
- cylinder liners
- dynamos
- electric horns
- fuel injection equipment
- gaskets
- head, tail and side lamp fittings
- inlet and exhaust valves
- jacks, hydraulic, mechanical, manual, up to 100 tons capacity
- king pins

- leaf springs
- oil seals
- panel instruments
- piston assembly, including piston rings and pins
- push rods
- radiators
- rocker arms
- shackle pins
- sparkplugs
- starter motors
- tappets
- thin-walled bearings
- valve springs
- valves for tires and tubes
- Bearings, ball and roller (except expansion schemes)**
- Belting**
  - conveyor
  - cotton
  - hair
  - rubber ply transmission
- Bicycles and parts (except expansion of bicycle tube valves by existing units)
- Bolts and nuts, and H.T. bolts and nuts
- Brass extruded pipes, tubes, rods, sections, sheets, circles, strips
- Cables, V.I.R. and P.V.C. (except power cables)
- Calculating machines
- Chaff cutter blades
- Cleaners, vacuum
- Conductors
  - bare copper
  - A.C.S.R./A.A.
- Containers
  - rigid
  - drums, barrels and tin, except those for manufacturers' own requirements
- Copper
  - bare strips
  - extruded pipes, tubes, rods, sections, sheets, circles, strips
  - virgin and wire for non-electrical purposes
- Diesel engines, stationary, below 50 h.p., excluding marine (except expansion schemes)
- Drills, twist
- Earthmoving equipment, heavy, shovels only
- Electrodes, welding
- Fans, electric
- Ferro-manganese
- Ferro-silicon
- Flashlight and torch containers
- Lanterns
  - hurricane
  - miniature, except automobile headlight lamps
  - photoflash
- Lead, virgin
- Lifts, car
- Mesh, welded wire
- Metal
  - expanded
- Meters
  - single and polyphase
  - water
- Nails, wire
- Non-ferrous alloys
- Non-ferrous castings, including pressure die castings
- Pipes
  - cast iron spun
  - conduit
- Plants, pulp and paper making, large and small scale, including wire-cloth for paper machinery
- Plates and sheets, M.S. (except for main producers)
- Pumps, curbside petrol

- Railway freight cars (except expansion schemes)
- Razor blades
- Refrigerators, domestic
- Refrigeration plant for industrial use
- Rivets and bifurcated rivets
- Road rollers (expansion and diversification of existing units will be considered)
- Rope, wire
- Saws, all types
- Screws, wood
- Shutters, rolling
- Solvent extraction plant
- Steel
  - circles, sheets, rods and utensils of stainless steel
  - doors and windows
  - measuring tapes
  - rerolled products, including wire rods
  - sheets, black, galvanizing and corrugation of (except for main producers)
  - strips cold rolled, M.S., alloy steel and box strapping
  - welded pipes and tubes
- Sugar machinery (except milling plant and centrifugals)
- Switchgears, H.T., 33 kv. and above
- Tea-processing machinery
- Tools, drop forged
- Tractors, crawler
- Trailers (except expansion of existing units)
- Tubes, collapsible
- Tungsten carbide tips and intermediates thereof
- Utensils, domestic
- Vehicles
  - commercial (except expansion schemes)
  - fork-lift trucks and the like
  - jeep type and station wagons
  - motor scooters, autocycles, moped, three-wheelers
  - passenger cars
- Washing machines (except industrial washing and dry-cleaning machines)
- Water coolers
- Wire
  - barbed
  - drawing of, mild and special steel
  - M.S. Med/H.C. and special
  - stranded
- Zinc
  - sheets and strips
  - virgin

### C. Non-Engineering Industries

- Abrasive grains, including silicon carbide
- Acetic acid
- Alcohol, power and industrial
- Asbestos cement sheets and pipes
- Barium carbonate
- Barium chloride
- Barium nitrate
- Barium sulphate
- Bases, fast colour
- Beer
- Beta naphthylamine
- B.H.C.
- Bichromates
- Blanc fixe
- Bleaching earth, activated
- Borax and boric acid
- Bottles and vials, including penicillin vials

- Calcium carbide
- Calcium carbonate, precipitated and activated
- Camel back
- Camphor
- Carbon black
- Carbon dioxide gas, other than byproduct carbon dioxide
- Carboxy methyl cellulose
- Cashew kernels (applications from new areas to be considered on merits)
- Cellulose acetate flakes for moulding powder
- Cellulose film (cellophane)
- Chipboard (particle board)
- Coke, calcinated petroleum
- Copper sulphate
- Cosmetics and toiletries
- Cotton mesh fabrics
- Cotton textiles, processing of (excluding printing)
- D.D.T.**
- Detergents, synthetic
- Drugs and pharmaceuticals
  - antibiotics—penicillin, streptomycin, tetracycline
  - anti-dysentery drugs which are quinoline derivatives
  - bismuth salts
  - chloral hydrate
  - cough syrup
  - gelatine capsules, hard, empty
  - P.A.S. acid and salts
  - salicylic acid—sodium salicylate, acetyl salicylic acid
  - sulpha drugs
  - surgical adhesive tapes
  - synthetic hormones and intermediates
  - vitamin A
  - vitamin C
- Dyes
  - azo
  - basic
  - sulphur
  - vat
- Electrodes, graphite
- Fibreboard/hardboard (including insulation board)
- Fireworks and paper caps
- Gases**
  - dissolved acetylene
  - refrigeration
- Gelatine, edible, photographic, technical
- Glass
  - bottles
  - fibre and products thereof
  - hollow ware (semi-automatic)
  - mineral wool and allied products
  - sheet
  - table and pressed ware
  - tubes and rods, handmade
  - wire/figured and rolled
- Hoses, vacuum brake and other types
- Hydrogen peroxide
- Insulators H.T./L.T.
- Laminates, industrial and decorative, including melamine laminates
- Lead oxides
- Leather
  - East Indian tanned (semi-tanned) kips and skins
- Manganese metal and manganese dioxide
- Match
- Menthol
- Methanol
- Myrobalan extract
- Naphthols
- Newsprint
- Nitric acid
- Oil, vegetable other than cottonseed oil
- Oxygen gas, as applied for cutting and welding of steel only
- Paper and paperboard**
- Pesticidal formulations, except those based on B.H.C., malathion, zineb and D.D.T.
- P.F. moulding powder
- Phenol
- Photographic raw film and paper
- Phthalic anhydride
- Pigments, organic
- Plasticizers
- Polyethylene
- Polystyrene
- Polyvinyl acetate
- Potassium chlorate
- Potassium permanganate
- P.V.C. resins/compositions
- Pulp, paper and rayon grade
- Refractories**
- Rubber
  - reclaimed
  - synthetic (SBR type)
- Sanitary ware
- Soap
- Sodium bicarbonate
- Sodium hydrosulphite and derivatives
- Sodium sulphite, bisulphite and sulphide
- Sodium thio sulphate
- Sulphuric acid
- Sulphur black
- Sulphur dioxide
- Superphosphate, single and triple
- Textiles**
  - art silk
  - woollen/worsted
- Tiles, glazed
- Tires, automobile
- Tops
  - synthetic
  - wool
- Vacuum flasks
- Vanaspati (except expansions of small and medium size units to achieve economic capacity)
- Yarn, crimping/stretching**
  - art silk weaving
  - hosiery
  - twisting
  - doubling
  - synthetic
  - rayon tire cord
  - viscose filament
  - woollen and shoddy (except expansion schemes)
  - worsted
- Zinc oxide



*A woman worker at a cotton mill in Gujarat. About 53 per cent of the arable land of this region is under commercial crops—chiefly cotton and groundnuts.*

**WILLIAM BRETT,**  
*Trade Commissioner, Bombay.*

CREATED only four years ago, Gujarat has become one of the most vigorous and promising states in all India. Everywhere the observer sees great projects, many of them daring enough to transform a smaller land. But too often the drama is lost against the wide, rich backdrop of the country as a whole. In examining Gujarat separately, we may see in microcosm the adventure and challenge of modern India.

Until May 1960, Gujarat formed part of the huge Bombay State that covered most of central-west India and extended east past the centre of the subcontinent. Within this sprawling state there was dissension, basically ethnic, between the Gujaratis, who were mainly in the north, and the Maharashtrians. In 1960, the Central Government sundered the state along the border of dissension and created modern Gujarat and Maharashtra. Lacking much of the equipment for survival, it was the northern state, Gujarat, which felt this separation most. Previously the area was naturally tied to Bombay as an administrative capital and a port. Resources were undiscovered or undeveloped. The north had only the rudiments of a transportation system. Yet four years have wrought a transformation.

Modern Gujarat has been built on varied historical accretions. The Bhils, an aboriginal tribe, are still there in spite of waves of Greeks, Aryans, Muslims and other peoples

washing over the Himalayas. One of the most pertinent intrusions was that of the Gujars, a migrant people who entered India with the Huns and settled on the west coast. Hence Gujaratta—"Land of the Gujars". Later came a backwash of people from the south and much, much later the Portuguese and the British.

### **Distinctive Personality**

There is something stern about much of Gujarat. The ungenerous land and its harsh history have moulded a distinctive Gujarati personality, apparent in the vivid, lively features of the people and their alert, flashing eyes. It seems to me that dry lands are good at producing both mystics and businessmen. Gujarat, which some hold to be the birthplace of Lord Shiva, produced the soaring spirit of Gandhi and an outpouring of business brains. Jawaharlal Nehru in his *Discovery of India* remarks, "The people of Gujarat, Kathiawar and Kutch (modern Gujarat) were traders, manufacturers, merchants and seagoing folk from ancient times. Many changes took place in India but they carried on with their old business, adapting it to new conditions. They are now among the most prominent leaders in industry and commerce. Religion or a change of religion made no difference."

Some of the traditionalism of Gujarat can be sensed in the abounding religious shrines and the wealth of local mythology. Even the

## **Gujarat: India's Pilot Plant**

Gujarat, carved out of Bombay State in 1960, combines a centuries-old rural tradition with an enterprising, energetic business community. The result: a transformation is being wrought, as modern technology is put to work to build a new India.

dress—the wide use of the home-spun khadi and the distinctive regional costumes—tells us something about the innate conservatism of India. Prohibition of alcohol is nowhere more rigorously enforced and nowhere in India have I felt so much the need to speak an Indian language.

Yet in Gujarat, particularly in Ahmedabad and Baroda, I felt the surge of business enterprise, an impression shared by almost every foreign visitor to this state. After all, here a fresh political-economic being is developing. Over 72,000 square miles, more than 20 million people, psychologically adapted to the task, are building an economy and making a state. Because of its relevance to the Indian situation as a whole, let us examine the raw materials that will form and the skills that will accomplish the new Gujarat.

### **Agriculture: Uneven Progress**

As in most new economies, in Gujarat there is a great awareness of industrialization which has led to interesting accomplishments in that field. But as in the rest of India, agriculture is still the mainstay. Even with the recent urban growth, only about one quarter of the people live in towns. Gujarat has always been deficient in foods but even under this spur there have been lamentable shortfalls in recent years. These are attributed partly to freakish monsoons but deeper causes such as land and water utilization still operate. The State Government has tried demonstration plots but the lack of adequate extension facilities is apparent because over 50 per cent of the farmers were ignorant of the scheme.

Approximately 22.5 million acres of Gujarat (or 53 per cent of its area) is under cultivation. An interesting feature is that 53 per cent of the arable land is under commercial crops, chiefly cotton and groundnuts. This compares with an all-India average of less than 25 per cent.

There are plans for land reclamation. One particularly daring

scheme involved the Little Rann of Kutch, a large desert enclave stretching in from the sea, but this has been indefinitely postponed. Of the present target of 12,000 acres, 9,000 are to be allotted to afforestation. There has been growing emphasis on an increase in yields. One scheme to attain the target of 10,000 new wells is a subsidy of Rs.500 (\$100) per well. Oil tanks and water tanks are also subsidized. Because most of the land is under dry farming, there is a great awareness of soil conservation through contour bunding. (Bunding is the practice of erecting low dams between different sections of the field at varying altitudes.)

Efforts are being made to replace ammonium sulphate by calcium ammonium nitrate. Use of fertilizer will no doubt change drastically for the better when local sources come into production. However, even the immediate target for fertilizer use calls for an increase of 50 per cent. Later on we will deal with some aspects of irrigation. To round out this survey, it is probably sufficient to state that plans call for 5.4 million acres under irrigation by 1975. Gujarat has a well-developed livestock industry which contributes no less than 14.6 per cent of state production.

Basically the stubborn soil of Gujarat has continued to balk man's efforts. The rural population, up to 75 per cent of the total, enjoys only 27 per cent of the state's production and the productivity per acre and per person is lower than the national average. Another remarkable statistic: 30 per cent of the state's food production is lost because of insects, rats and bad handling.

### **Industry Is Advancing**

There have been so many startling developments in Gujarat's industrial potential that we can be forgiven for overlooking the fact that she has long been industrially important in Indian terms, ranking after Maharashtra and West Bengal. In fact, Gujarat claims 8 per cent of all registered industrial enterprises, 9 per cent of all industrial workers, and 7.4 per cent of all

capital invested in large-scale industry.

Traditional industry encompasses the long-leading textile industry, food preparations, basic chemicals, structural clay, non-electric machinery and railroad equipment. There is a certain amount of industrial dispersal but there is more and more grouping around Ahmedabad. Almost half of Gujarat's "working units" are either in Surat (south of Ahmedabad) or in Ahmedabad itself, and 40 per cent of all industrial workers are in Ahmedabad. The textile industry deserves separate and extensive treatment. It is almost entirely a tribute to the thrust of Gujarati enterprise for, with its dry climate, lack of power and distance from a port, Gujarat does not seem promising for the textile industry. Yet there are some 85 mills in and around Ahmedabad and hundreds of looms at the cottage industry level. Exports do not make up an important percentage of total production but they are, in absolute terms, substantial exchange earners. ATIRA (Ahmedabad Textile Industry's Research Association), a workmanlike institute, is one manifestation of determination to hold this hard-won place.

Gujarat is going ahead also with small-scale industry. Development here is fostered by the government-sponsored Small Industries Service Institute, using such aids as free economic surveys and field training centres. The outstanding success of this endeavour is perhaps best exemplified in the machine tool field, which represents 10 per cent of the national total. There are some 80 units whose output is valued at \$1.5 million. With such scattered industrialization, quality control and standardization are difficult to achieve but the authorities are persisting in their attempts to encourage and stimulate good design and boost technical competence. About 80 per cent of Gujarat's light industry is allied with the textile industry.

Many factors limit the even development of Gujarat, particularly the lack of power. Viewing the state

as a whole, there is definite progress. Between 1956 and 1960, the number of "registered working units" increased by about 20 per cent. Large-scale industry registered a 5 per cent increase and small-scale 29 per cent. An examination of the last few years would no doubt show a more rapid relative increase in large-scale installations.

### Transport Facilities Needed

Efforts are being made to remove another obstacle to development—lack of transport. For a number of reasons, physical and historical, there are not enough transportation facilities in Gujarat. It has no large inland waterway and until recently Bombay was the established port for this northern hinterland. And until 1947 Gujarat (particularly the part known as Saurashtra) was a mosaic of small princely holdings resisting all attempts at co-ordination. In addition, uneven weather made roadbuilding difficult. Total railway mileage works out to 4.7 miles per 100 square miles of area. Yet in the last decade the annual increase in freight carried was about 6.3 per cent and in passengers about 7 per cent.

In 1964 a conference at Nagpur established targets for road construction throughout India. The rest of India has over-shot the target by about 14 per cent, but Gujarat has a shortfall of about 41 per cent; it has 21 miles of road for every 100 square miles of area against the national average of 36 miles. Only about one third of the mileage is paved. The new political fact of Gujarat makes immediate improvement imperative and efforts are being increased at all levels.

### Development at Kandla

The establishment of a free trade zone at Kandla on the Gulf of Kutch is particularly interesting and promising. It holds the possibility of local industrial development and the hope of increased exports. This port, when linked by direct rail and highway with Ahmedabad and the developing hinterland, could also

become a cohesive factor in the new state. Nevertheless, a more pervasive rôle is forecast. With congestion in Bombay port and given the rate of development in western India as a whole, Kandla should rise to meet the needs of Rajasthan, the Punjab and central India.

### New Resources Discovered

So far we have outlined the problems Gujarat faces and traced its development over and around them. This type of progress is shared to some degree by many other parts of India. But there are more recent developments that are particularly Gujarati and from which the whole state derives hope.

Recent years have seen the emergence of mineral riches there and the prospect of resource development schemes which could change the cast of the region and the scope of its contribution to India. The names are heady stuff—oil, gas, petrochemicals, irrigation and power, bauxite and coal. Stirring progress is already taking place, though some of these resources are still undeveloped.

One example of progress is the Narmada Project, named for the sacred river which drains much of northwest India and reaches the sea at Gujarat's Gulf of Cambay. It involves damming the river for an initial catchment area of about 34,000 square miles. The first stage is a dam at Navagam in the Broach district, making it possible to irrigate annually over one million acres. The second stage involves raising the dam to extend the irrigation area and make possible hydroelectric power of up to 370,000 kilowatts. Since we have already tabulated some of the basic needs of Gujarat, the impact of this project will be apparent.

In a land more accustomed to blight than to blessing, the discovery in 1959-60 of substantial oil and natural gas resources in the same general area was almost too good to be true. However, good-quality oil with a high aromatic content has been found in 94 per cent of the

test wells. The responsible authority, the Oil and Natural Gas Commission, forecasts a production of four million tons of oil by the end of the Third Plan in 1966. The implications for agricultural advance through fertilizer production and the contribution of other petrochemical products are only now becoming plain. Recently it was reckoned that at the present rate of consumption of petrochemical products, over \$200 million in imports would be saved by 1970-71.

These developments invite detailed analysis on their own but we have yet to mention bauxite and coal, both of which have been found in the arid Kutch area. The hope is that the six million tons of proven resources of bauxite will eventually result in aluminum production, perhaps in conjunction with operations already under way in Kerala in South India.

### India in Microcosm

We have been hitting the high spots and personally I find them encouraging. We could probe into some of the other mineral resources such as manganese ore and limestone, whose value and place in the new pattern cannot yet be established.

Perhaps I am not justified in calling Gujarat India in microcosm. Perhaps there is more stirring here than elsewhere. But in essence the pattern is the same—the application of modern technology, administration and financing to a centuries-old rural society. It is a test of the efficiency of our methods of production and an immediate challenge to Gujarat, to India, and the world.

### Visiting Bombay?

OUR Bombay office suggests that businessmen avoid visiting Bombay next November and December because the International Eucharistic Congress is being held there from November 28 to December 6, 1964, and all available accommodation has already been reserved.

# INDIA



*This is the site of the 200,000-kilowatt Rana Pratap Sagar atomic power plant for which Canada is providing \$37 million in long-term ECIC loans. K. S. Sivaprakasam, Additional Chief Engineer of the project, is shown at the extreme left. Standing beside him is G. A. Newman, Commercial Counsellor for Canada in New Delhi.*

## Canada Aids Chambal River Projects

The swift waters of the Chambal are being harnessed at Rana Pratap Sagar and Kota to provide power and irrigation, with the aid of long-term loans from Canada. More important, Canada is lending \$37 million to put up a nuclear power plant on the same river, and providing engineering and consulting services.

GERALD A. NEWMAN,  
*Commercial Counsellor, New Delhi.*

ON the southern border of the Indian states of Rajasthan and Madhya Pradesh, the Chambal River drops through a deep gorge on its way to join the Yamuna. By agreement between the two states, which are in urgent need of both power and irrigation, the swift waters in the gorge are being harnessed to meet this need.

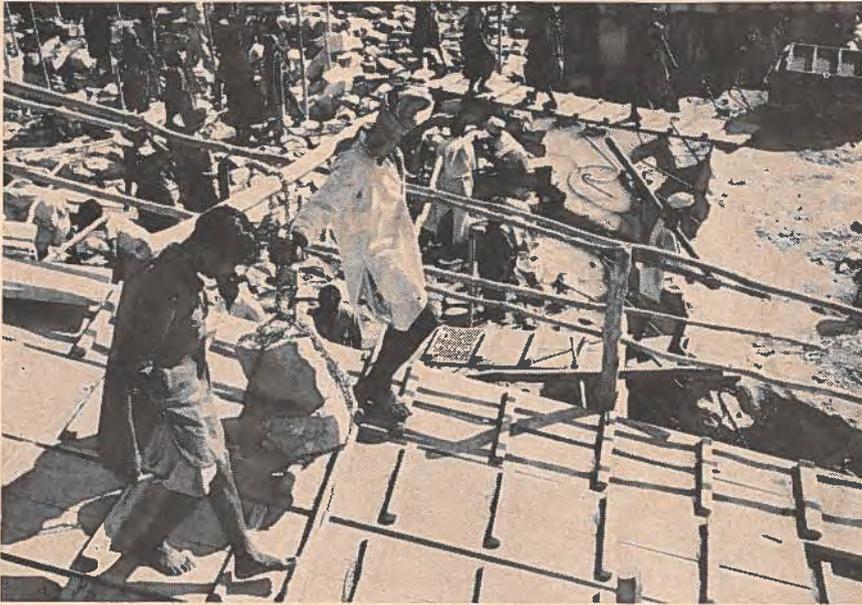
### **Nuclear Power Project**

The first hydro power project, the Gandhisagar at the entrance of the gorge, was completed in 1960. The

high dam, 1,685 feet long and 212 feet high, has thrown back the waters of the river into a lake and catchment area of 8,700 square miles and about 110 feet deep. The impressive powerhouse at the foot of the dam has five generating units of 23,000 kw. each to provide a total power of 115,000 kw. Nestling on the hill to one side of the dam is a modern, well-built town of stone and concrete houses, water plant, school and other amenities, which at the height of the construction period housed about 16,000 people. It is semi-deserted now but it may become the home of some forty or more Canadian families drawn to India to undertake the

construction of Canada's first nuclear power plant abroad at a site 24 miles below Gandhisagar in the same gorge. Canada had nothing to do with the Gandhisagar power project, but it is providing \$37 million as a long-term loan for the 200,000 kilowatt nuclear power project. It is also extending long-term loans for two hydro projects farther down the gorge—the Rana Pratap Sagar and Kota projects—each costing \$8 million.

A direct hardtop road from the Gandhisagar hydropower project to the nuclear power project is being built. At present the site of the atomic project is marked by nothing more than a clearing in the shrub



*Indian workers are shown at the Rana Pratap Sagar hydro-power project. To be completed by 1966, the plant will have four 43,000-kilowatt units generating a total output of 172 megawatts. Canada is providing equipment, also under long-term loans.*

and rocks and some tentative markings for the site of the plant. It is expected that construction will get under way in time to permit the project to begin functioning in 1969.

#### **At Rana Pratap Sagar**

The Canadian projects become dramatic as one approaches the Rana Pratap Sagar hydropower site, six miles by direct road below the atomic power site. Here the dam and spillways are nearing completion. A complete town has been built and, in Indian tradition, thousands of women and men are carrying cement and rock by hand to construct this very modern development. It is expected that the Rana Pratap Sagar project will be completed by 1966, at which time four 43,000 kw. units will provide a total power of 172 megawatts. In this and the Kota power project another 20 miles downstream the civil works are being undertaken by the Indians and Canada is providing the power plant equipment.

#### **Kota Project**

The Kota power project is just beginning. The waters in the gorge

were diverted in the last week of February but because its civil works are not as extensive as those of Rana Pratap Sagar, it is expected that this fourth and last power project of the Chambal Valley system will be in operation by 1967. At that time, the power plant of four units of 33,000 kw. each will be producing a total of 132 megawatts.

The procurement of supplies and equipment for both the Rana Pratap Sagar and Kota power projects has

ALL new industrial projects of any significance are subject to approval under licence by the central Indian Government, and the securing of the necessary licences has in the past been fraught with delays and resulting frustration. To correct this, the Indian authorities have announced a new procedure.

Applicants whose proposals the Government is inclined to consider favourably will be given a letter of intent, plus a specified period of validity. Within this period they will be expected to finalize other aspects of the scheme, such as foreign collaboration, arrangements for im-

been carried out by tenders released under the authority of the Chambal River Board through the Department of Trade and Commerce, Ottawa, to interested Canadian suppliers. Orders for the Rana Pratap Sagar project have already been placed and, at this writing, the responses to the tenders for Kota are being examined. The procedure for the nuclear power plant has not yet been announced.

As in all long-term Canadian loans, the requirement is that a minimum of 80 per cent of the content of the equipment must be of Canadian origin. This means that in the course of the next two years or so, Canadian equipment to a total value of about \$51 million will be coming to India.

From the Indian point of view, the projects will provide power for a relatively isolated area. They will also mean brighter industrial prospects for the two states with a population of about 52 million, over 80 per cent of whom work on the land. It will also, through water diversion, step up irrigation to about 1.4 million acres. It is hoped that eventually the Chambal Valley will take the lead in agricultural development for the two states.

Thus, under long-term loans as under Colombo Plan grant-aid, Canada is contributing directly to India's progress and potential prosperity. ●

### **Industrial Licensing in India**

ports of capital goods, proposal for issue of capital, etc., and submit details to the authorities for clearance. If adequate progress is not made, the letter of intent will automatically lapse and requests for extension will not ordinarily be entertained.

For key industries (see list on page 15) a revised procedure will be followed after the issue of the letter of intent. For them, the application for subsequent clearances such as import of capital goods, approval of foreign collaboration terms, and consent to issue capital will be considered simultaneously. ●

# Ceylon's Problems Persist

W. F. S. BEATTIE, *First Secretary,  
Canadian Embassy, Colombo.*

Foreign exchange problems became more acute at turn of the year and import controls had to be tightened. But there are still opportunities for Canadians to sell foodstuffs, raw materials, capital goods and engineering services to the Ceylonese.

CEYLON'S ten and a half million people are among the best fed, most healthy and best educated in South and South East Asia as a result of its well-developed plantation economy. The relatively high earnings from exports of tea, rubber and coconut products have made it one of the more advanced countries in this region and provided the income to import a quarter of the total goods that the economy absorbs. Yet Ceylon faces difficult economic problems. It must divide its resources between satisfying the immediate desire to maintain the standards of nutrition, health and education of one of the most rapidly increasing populations in the world, and the long-term goal of diversifying and enlarging the economy to provide more employment and ensure future improvement in the standard of living.

Ceylon must obtain enough income from its exports to purchase from abroad its capital goods for development and half of its food requirements. And in spite of an increase in the volume of exports, its ability to pay for needed imports has remained more or less static since 1956 as a result of adverse terms of trade. The resort to deficit financing to meet the increasingly heavy cost of social welfare, food subsidies, and capital development created monetary pressures which had the effect initially of increasing imports at the cost of running down external reserves. Since 1961, increasingly tight import controls have had to be imposed to stop the drain on foreign exchange. As a result, the expansionary financing of the government budget is now beginning to create strong inflationary pressures on the domestic economy. Notwithstanding these problems, Ceylon's long-term prospects could be bright, with a reduction in the fiscal and monetary imbalance and a re-direc-

tion of more of its resources towards investment in domestic food production and light industry.

In 1963 Ceylon's economic problems were aggravated. The over-all growth rate was low. In terms of constant prices, the increase in gross national product was 1.8 per cent compared with the average of 3.5 per cent for the previous three years. When allowance is made for the increase in population, real product per person declined last year by 0.8 per cent compared with an increase of 1.0 per cent in the previous year. The fall in GNP resulted from the decline in production in the export sector for the first time in recent years and from the slower rate of growth in production in the domestic sector. Agricultural production for export fell by 3.9 per cent against an increase of 7.2 per cent in 1962, and rice production for domestic consumption increased by only 2.3 per cent as against 11.3 per cent in 1962. The rate of growth in industrial output dropped from 14.9 per cent in 1962 to 11.3 per cent in 1963. The per capita real product in 1963 was estimated at Rs.617 (Rs.5 less than in 1962) and the income per month of the average salaried worker was put at Rs. 133.70.

One of the developments in 1963 that adversely affected the economy was the deterioration in the terms of trade by 9.2 per cent as a result of a rise in import prices, particularly of foodstuffs. This has further weakened Ceylon's external reserves which at the turn of the year were the lowest in two decades. They declined from Rs.1,275 million at the end of 1955 to Rs.504 million at the end of 1962, to Rs.536 million in October 1963, and to Rs.395 million in January 1964. The chief cause of the drop was the rise in the price of foodstuffs during 1963 (and particularly of sugar at the

end of the year.) Also contributing to the critical drop in foreign exchange reserves was the strike in the port of Colombo at the end of 1963 that reduced the flow of exports and increased foreign exchange outlays on demurrage and freight charges. An effort is being made to recover the foreign reserve losses, but the level of reserves remains low to meet possible adverse fluctuations in the terms of trade in the future. Notwithstanding the rise in world prices of its imports, Ceylon's merchandise deficit of Rs.129 million in 1963 was Rs.14 million less than in 1962 as a result of the intensification of import restrictions.

### Import Controls Intensified

In 1963 Ceylon's import restrictions were further intensified. The import of cars, soap, refrigerators, clocks and watches, apples and many other luxury and semi-luxury goods has been banned completely. On luxury and other non-essential goods the duty was raised in 1963 to very high levels—in many instances, about 200 to 300 per cent. The Government maintains a monopoly of the import of flour, rice, sugar and dried fish so that the import of these is also closely controlled. Open General Licences are still available, however, to import a wide range of foodstuffs and drugs.

By the end of 1963 individual licensing arrangements had been extended to over approximately 62 per cent of imports if measured in terms of 1962 imports. Imports in 1963, according to Ceylon Customs returns, totalled Rs.1,500 million—25 per cent less than in 1959 and 1960. Although imports of consumer goods and especially textiles have been cut appreciably by import controls, it is important to note that the decrease in imports of intermediate and investment goods has been comparatively small. Indeed, since 1961 imports of machinery and equipment, fertilizers, transport equipment and some foodstuffs such as milk products have increased in value.



*This is a typical scene in a Ceylonese market area. In the background is a hardware store which sells appliances imported from Canada. Maintaining the country's high standard of living depends on a continuing industrial and agricultural expansion.*

### Development, Industrialization

In a desire to free itself from its heavy dependence on agricultural exports, Ceylon's development plans have two objectives: to develop domestic food production and to industrialize. Infrastructure development projects accordingly aim at bringing ancient agricultural lands back into production by irrigation and at increasing the island's electric power resources. A large part of Canada's \$28.7 million in grant aid to Ceylon under the Colombo Plan has gone into such projects. In the industrial field the Government has sought to create a publicly-owned sector which will play the leading rôle in industrial development. State corporations are already producing cement, chemicals, textiles, sugar, plywood, leather footwear, paper, tiles and other products. Publicly-owned plants now being built or planned will produce iron and steel, tires and tubes, hardware, petroleum products, fertilizers and flour.

In the private sector, light manufacturing has developed significantly during the past three years to pro-

duce import substitutes, and the work force has increased over 30 per cent. Nearly two thirds of this increase has taken place in the manufacture of garments, soap, cosmetics and drugs, food preparations, biscuits and confectionery. Manufacturing, excluding construction materials, contributed 7 per cent of gross domestic production in 1963 as against 5 per cent in 1960.

Foreign investment in Ceylon is substantial, particularly in the tea and rubber plantations, engineering and manufacturing companies, and the export-import trade. Foreign banks also hold over a third of deposits. British investment has predominated in all these fields but German and Japanese capital has been introduced in recent years in the private industrial sector. The year 1963 saw the first recorded instance in many years of a net inflow of foreign private capital into Ceylon. Although the Government has recently nationalized the insurance business and most of the petroleum distribution business, it maintains that foreign private investment is welcome in approved

fields of industrial development. Canadian international companies with interests in Ceylon include the Bata Shoe Company and Massey-Ferguson.

Ceylon received aid from foreign governments for capital expenditure in 1962-63 of nearly Rs.100 million, mostly in the form of credits. Foreign aid expected in 1963-64 totals Rs. 175 million. Canada and Communist China are the largest sources of grant aid.

### Ceylon Trading Patterns

Of the major monetary areas, the sterling area continues to account for half of Ceylon's foreign trade. Although its exports to the area have remained large, its imports declined sharply in 1963. The European Economic Community's share of Ceylon's exports in 1963 was 9.2 per cent and of its imports 11.1 per cent. Ceylon's trade deficit with the EEC was reduced last year. Exports to Asian countries, including Communist China, made up 16.6 per cent of Ceylon's total exports in 1962 and 13.8 per cent in 1963. Imports from China also declined. Eleven per cent of Ceylon's exports now go to the Soviet Union, Communist China and Eastern European countries; they supplied 17 per cent of its imports in 1963. Imports from the Communist countries increased sharply in 1963.

Ceylon's major customers in order of importance are Britain, the United States, Communist China, Australia, South Africa, Canada and West Germany. Ceylon's major suppliers after Britain are India, Communist China, Burma, Japan, Australia and West Germany. Britain continues to be Ceylon's chief trading partner by far, supplying roughly 20 per cent of its imports and buying 30 per cent of its exports. By comparison Communist China, the next largest trading partner, supplies 9.2 per cent of Ceylon's imports and buys 5.9 per cent of its exports.

Ceylon maintains bilateral barter trade agreements with Communist China, the Soviet Union, and certain

other East European and Middle East countries.

### Canadian Trade with Ceylon

Canada is Ceylon's sixth best customer, buying principally tea, but also coconut oil, rubber and desiccated coconut. Canadian imports from Ceylon in 1962 totalled Rs. 77.6 million and in 1963 Rs.69.1 million. Ceylon's imports from Canada in 1963, according to the Ceylon Customs returns, amounted to only Rs7.7 million, leaving a trade balance of roughly ten to one in Ceylon's favour. Table I compares our main commercial exports to Ceylon in each of the last three years. It will be noted that of Canadian exports to Ceylon, asbestos fibre has been the only one with increased sales. Newsprint exports to Ceylon fell in 1963 and will be adversely affected by the Ceylon Government's decision early in 1964 to cut newsprint imports in half this year. Government restrictions have also checked Canadian sales of automobiles, refrigerators, synthetic textiles, clocks and other finished products. Although import controls and high tariffs may continue to block

the sale of Canadian luxury and semi-luxury consumer goods to Ceylon for some time to come, there is an unrealized, if limited, potential for Canadian exporters of foodstuffs, raw materials, capital goods and engineering services to Ceylon.

Although Ceylon is currently faced with serious economic policy problems, it remains a country with a well-established export trade earning substantial income and the potential for development is high. For this reason, it is a buyer's market and competition is keen. The prospects for Canadian exporters establishing themselves in the Ceylon market will depend upon their competitiveness with other suppliers, some of whom have long-standing connections with the market and are closer to Ceylon. Although Canada is halfway round, the world from Ceylon and high freight costs are a limiting factor, most of the Canadian products that might be sold are bulk items enjoying lower freight rates.

### Purchases by Tender

The Government of Ceylon is the largest buyer and many of its requirements are purchased by worldwide calls for tender. In tender calls for capital goods and services, offers of credit are usually requested. The chances of Canadian firms bidding competitively on tender calls for equipment and engineering services for the publicly-owned industrial sector and for power, transport and telecommunications projects appear to be quite good. With the assistance of a \$10.8 million ECIC long-term credit, a Vancouver engineering firm, together with a Canadian manufacturer, has negotiated a contract to provide the engineering design, construction supervision and equipment for a 75-megawatt power station. One of the state industrial corporations employs a Canadian firm as consultants.

Canadian exporters should not ignore Ceylon in their search for new markets, particularly in view of the gains made in many remote markets in recent years. ●

TABLE I  
WHAT CANADA SELLS TO CEYLON\*

Commodity	Value in Can.\$		
	1961	1962	1963
Asbestos fibre	299,909	588,557	747,812
Newsprint	209,246	140,349	408,943
Rasps and files	54,558	107,481	52,322
Outboard motors	56,712	151,291	73,349
Motor spares	11,904	25,260	12,916
Malt	37,904	36,691	28,031
Chemicals	27,758	25,989	19,638
Cereals	17,690	32,917	26,195
Woodpulp	92,326	41,711	83,489
Canned fish	39,575	16,555	7,981
Clocks	29,005	25,189	680
Dried fish	11,709	26,659	26,369
Medicinal and pharmaceutical products	16,725	23,088	2,722
Fountain and ballpoint pens	9,297	15,717	1,037
Machinery and appliances	1,065	20,940	63,724
Hand tools	87	36,683	.....
Synthetic resin	1,898	19,910	32,374
Spectacle lenses	3,288	10,215	8,534
Crown corks	6,004	3,221	5,878
Motor vehicles	19,994	.....	10,920

\*Note: Figures from Ceylon Customs Returns.



*Merchants and their customers throng through a vegetable market in Karachi. Agriculture is the keystone of the economy: jute and cotton provide nearly 90 per cent of foreign exchange earnings. Other crops, such as rice, are grown for local use.*

## Introducing Pakistan

PAKISTAN consists of two distinct units—East and West Pakistan—separated from each other by over 1,000 miles. The main force binding them together and, in fact, the reason for Pakistan's existence is the Muslim religion, shared by a majority of the inhabitants, which led to partition and the creation of Pakistan on August 14, 1947. Since that time the new nation has been confronted with many obstacles—including the obvious one of the lack of transportation and communication facilities—and has had to contend with the problems of two very different economic regions. An attempt has been and continues to be made to bolster the development of each sector equally although this is not easy. In both, there was

virtually no industry at the time of partition.

### West Pakistan

West Pakistan with an area of 310,403 square miles (almost the size of British Columbia), although much of the terrain is arid desert, has succeeded in developing agriculture mainly because of a major river system. It has also succeeded in attracting more secondary industry than East Pakistan because the area is better known and more accessible. Two of its natural features—the Khyber Pass and the Indus River valley—play key rôles in development today as they have for centuries.

The Khyber Pass carries a heavy volume of overseas freight through the port of Karachi to and from Afghanistan. A cross-border railway is now being considered to improve a trade route vital to Afghanistan, a landlocked country.

The Indus River valley has been a major factor in the development of West Pakistan. It has almost been its "raison d'être" because it has acted as a lifeline, providing water, transportation and food. In a sense the Indus, which bisects the region in a southwesterly direction, can be compared with Canada's St. Lawrence in its impact on development. A dramatic example of its contribution to agriculture (which employs over 75 per cent of the area's 42.9 million people) is found

in the Punjab: a mammoth irrigation scheme developed under British rule and reaching its peak of productivity in 1909, with approximately 46,000 square miles under cultivation. As one of the most fertile wheat-growing areas in the world, the Punjab (today divided between India and Pakistan) was one of the breadbaskets of the British Empire. Today the picture has changed as the land has been damaged by salinity and waterlogging at the rate of at least 150 acres per day. This problem is now being tackled successfully by the extensive and imaginative Indus Basin project (over \$1.8 billion) under the auspices of the World Bank and contributing foreign nations. Under this program the waters of the Indus itself, plus two of its five tributaries, will be freely

used in Pakistan and the waters of the other three tributaries will be used in India.

Karachi, until recently the capital of Pakistan and still the largest city with over two million inhabitants, lies close to the mouth of the Indus, and is well located to serve as a port. Industry and commerce have accordingly established themselves there and because of the advantages this modern port offers (with an area of 2.5 square miles, it handles well over three million tons of cargo a year) they can be expected to expand further. Chemicals, pharmaceuticals, automobile assembly, cables, textiles, etc., are among the industries found in this city.

Lahore, the capital of West Pakistan (population 1.296 million) is situated 750 miles inland from Karachi and relatively close to the

Khyber Pass. It is also a large industrial and communications centre and will be even more important when the new capital is fully established at Rawalpindi (population 340,000), 180 miles away. Industry within a fairly wide radius includes sugar mills, plants making textiles, cutlery and surgical instruments, cement and tobacco products, and breweries. Canada's most notable contribution to the development of West Pakistan was the \$40 million 80 mw. Warsak hydro project near the border of Afghanistan, covered by grant aid and completed in 1961.

## East Pakistan

East Pakistan, by contrast, is largely an alluvial basin extensively watered by a series of rivers and



*Tea is loaded at Chittagong; the principal port of East Pakistan; other export products shipped from this port include cotton, hides and newsprint. Chittagong was recently devastated by a cyclone, and is now being rebuilt and enlarged by means of foreign aid.*

canals and with many low-lying swampy areas. Its main bisecting streams are the Ganges and the Brahmaputra. Vegetation is lush but irrigation and flood-control techniques must be perfected before its agricultural potential can be exploited to the full. Jute is the major crop and accounts for 60 per cent of Pakistan's over-all export earnings. Other exports from the area include cotton, hides, newsprint and sometimes tea and they bring East Pakistan's contribution to export trade to close to 80 per cent.

In spite of this contribution to foreign exchange earnings, the per capita income in East Pakistan (approximately \$50.00) is about 25 per cent lower than in West Pakistan. Part of the problem is population pressure. Fifty-one mil-

lion people are crammed into an area of only 55,126 square miles (one third the size of Newfoundland), making it one of the most densely populated regions in the world, with approximately 930 people per square mile.

Dacca, East Pakistan's capital (557,000 people), is really the hub of transportation, communications and industrial development. New industries have been established here in recent years and more incentives (such as tax holidays of up to eight years) are being offered to attract others. Canada is making a substantial contribution to the development of industry and the area as a whole in establishing thermal power sites, installing transmission lines, making land-use surveys, and putting in newsprint,

kraft and hardboard mills (mostly under Colombo Plan aid and ECIC long-term credit programs).

Chittagong, the second most important city (population 364,000) is Dacca's main port although it is about 200 miles away. At present the port is congested because of inadequate inland transportation (single-track railway) and the lack of sufficient berthing and lighterage facilities. These deficiencies are now being remedied. Chittagong and Khulna, a third important centre in East Pakistan with extensive Canadian participation in the newsprint and hardboard industry, are important parts of a growing industrial base.

—R. DOUGLAS SIRRS,  
*Commercial Secretary, Karachi.*

## Pakistan Programs Its Progress

Agricultural problems are being attacked and industrial advances stimulated by government planning and foreign aid. Gross national product is rising 5 per cent a year, new industries are springing up, pattern of trade is changing. Imports, mainly of industrial products, were liberalized slightly for first half of this year.

R. DOUGLAS SIRRS, *Commercial Secretary, Karachi.*

AFTER partition in 1947, the Pakistani economy had to face a series of economic and administrative setbacks. In recent years, however, reforms have been pressed and programs established designed to assure accelerated economic growth.

One of the first and most urgent steps was to eliminate what amounted to virtually "galloping" inflation. This was effected initially by reducing the money supply which in the three years before 1958 had

increased six times as fast as the national income. The increase in 1960-61 was kept down to \$5.9 million as against Can.\$80.8 million in 1957-58. Subsequently the money supply expanded faster but this time more in keeping with economic expansion. In December 1963 it totalled Can.\$1,702 million. The new Government also alerted the State Bank to keep a watchful eye on commercial credit.

In addition, the Central Government's revenue budget was better tailored to current and anticipated conditions. During the 1957-58 fiscal year expenditures rose 5.5 per cent and revenues only 5.2 per

cent. However, the trend was reversed in 1963-64, when revenues increased by 46.8 per cent and expenses by only 36.5 per cent, (revenue Can.\$553 million; expenses Can.\$516.1 million). Estimated government capital expenditures over and above the revenue budget totalled Can.\$207.1 million and these were largely covered by foreign aid and loans.

The economy as a whole has made significant progress. The gross national product today, at approximately U.S.\$5,500 million (Can. \$5,800 million) is increasing by approximately 5 per cent a year and the population is growing by

Note: All statistical information included in this article has been obtained from the Central Statistical Office of the Government of Pakistan.

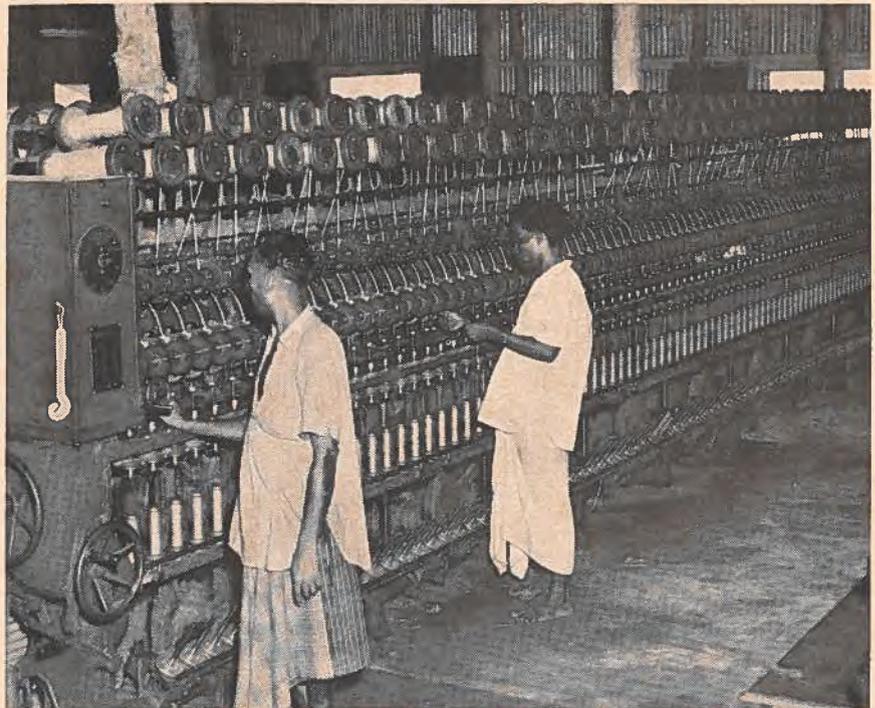
roughly 2.2 per cent (births 5 per cent, deaths 2.8 per cent). Per capita income today is \$60.00—approximately 25 per cent lower in East Pakistan—but a rise is in sight as expansion continues.

### **Agricultural Progress**

Agriculture, on which 80 per cent of the population depends for its livelihood, has made notable advances. This is important also because jute and cotton provide close to 90 per cent of Pakistan's foreign exchange earnings. Towards the end of 1963 the rice crop rose sharply and food shortages are not expected, at least during the first half of 1964. Because of surplus supplies of wheat the East Pakistan Government has requested the suspension of wheat imports from the United States under PL 480 during this period. Greater technical skills and the advances made in irrigation and flood control have also helped agriculture. A dramatic scheme (U.S.\$1,800 million) is now under way under the auspices of the World Bank to develop the power and irrigation potential of the Indus River and two of its tributaries, as pointed out in the preceding article. Efforts are also being made to solve the problem of waterlogging and salinity through the use of tubewells, drainage and irrigation facilities, under the Water and Power Development Authority's ten year master plan. The agricultural production index (1957-58=100) rose from 108 in 1958-59 to 131 in 1961-62, but in 1962-63 it fell to 126 because of less favourable weather. A semi-autonomous Agricultural Development Corporation is providing the farmer with technical information and facilities to obtain the supplies needed for greater production.

### **Industry Emphasized**

The Government is conscious of the need to stimulate industry, which barely existed in 1947 and today accounts for roughly 15 per cent of the national income. With 1959-60 equalling 100, industrial



*Workers operate a spinning machine in a new jute mill in East Pakistan. Canada bought over \$1.5 million worth of fabrics and jute products from Pakistan last year. ECIC loans and grant aid are other Canadian contributions to the country's economy.*

production rose in 1960-61 to 107.8, in 1961-62 to 119.2, and during the last quarter of 1962 alone to 134.6. In bringing about this increase, the official policy has been to encourage free enterprise. Today approximately 70 per cent of industry is in the private sector; the remainder consists of publicly (government) owned firms which could not normally attract private capital, at least in the initial stages. These firms are nevertheless considered important and when they become profitable are often auctioned off to private interests. Industry has recently received a further boost from an import liberalization decree which permits increased imports of raw materials and capital equipment for January-June 1964. This list is subject to review every six months. Other incentives to new industry include tax holidays of four to eight years, depending on location, plus provision for full remittance of the original capital investment as well as dividends and profits.

The Government has set up a National Investment Trust to channel money from small investors into industrial undertakings. This tends to further the policy of discouraging by tax measures ownership by any one person or family of more than 50 per cent of the total stock.

Most industries are currently working under capacity, either because they are geared to meet future demand or because they lack raw materials. The latter problem is being partially solved by the new import procedures. Industries in Pakistan are turning out cotton yarn, jute manufactures, textiles, cables, cigarettes, foodstuffs, pharmaceuticals, newsprint, paper and chipboard, beer, chromite, chemicals, cement, jute, sugar, tea, tires, etc., and refining oil and assembling automobiles.

In the public sector, government agencies such as PIDC (Pakistan Industrial Development Corporation), PICIC (Pakistan Industrial Credit and Investment Corporation Limited), and WAPDA (Water and

Power Development Authority) are extensively involved, usually with some form of aid, in promoting power sites, steel mills, machine tools, electrical industry complexes, a newsprint mill, cement factories, fertilizers, etc.

Foreign investors have been relatively active in Pakistan, with more emphasis on the Western sector. Foreign investments from April 1959 to June 1963 were as follows (not including local financial participation, which usually forms part of the transaction):

	(Can.\$ million)
Total	804.5
Britain	284.9
United States	119.0
East Germany	102.9
Switzerland	33.7

Control of the local company can and often does remain with the principal abroad.

#### Balance of Payments

In Pakistan's foreign trade picture the balance-of-payments position is all-important. On current account in terms of "goods and services" it consistently runs a deficit (1959-60—Can.\$198.9 million; 1961-62—Can.\$214.7 million) which has been largely offset by official donations (extensive aid in one form or another) which in 1959-60 totalled Can.\$227.4 million and in 1961-62, \$191 million. However, the liability being incurred—some Can.\$1,587 million as of March 1963, mostly U.S. AID funds with a cumulative service charge—imposes some strain on the economy. Because of long-term credits, it is estimated that by 1970 Pakistan will be paying out 25 per cent of its foreign exchange earnings to service this debt. The Government must keep a careful check on its buildup of debt to make sure that the situation does not get out of control. It is thus impossible to liberalize imports extensively without jeopardizing this fine balance. However, existing controls on exchange transfers and licensing

TABLE I  
PAKISTAN'S TRADE WITH MAJOR SUPPLIERS

	Imports from	Exports to	Imports from	Exports to	Imports from	Exports to
	1957-1958*		1960-1961		1962-1963	
United States	124.43	37.9	175.4	37.9	358.5	40.7
Britain	86.7	59.3	136.8	64.6	135.9	71.7
West Germany	38.4	31.7	63.0	20.9	91.3	20.4
Japan	24.1	32.6	57.9	28.2	59.3	38.1
Burma	27.8	5.2	25.0	15.6	15.6	6.6
Canada	16.7	.46	17.0	1.7	17.4	2.7
Total, including all others	471.5	326.9	733.2	313.7	878.3	467.8
Deficit	144.6		419.5		410.5	

\*Fiscal years, July 1 to June 30.

TABLE II  
PAKISTAN'S TRADE BY COMMODITY GROUPS

	Imports		Exports	
	1957-58	1962-63	1957-58	1962-63
Food, drink, tobacco	158.4	115.9	10.8	70.38
Raw materials	62.3	155.5	279.7	286.12
Manufactured articles	246.56	606.9	34.2	110.8

have made it possible to build up foreign exchange reserves so that at the end of 1963 they stood at U.S.\$281.6 million (a \$26.5 million increase over 1962).

#### Import Liberalization and Credit

Taking advantage of this rise and in an effort to build up more local industry, which in itself can alleviate the exchange problem, the Government decreed a liberalization of imports for the January-June 1964 period. The items placed on Open General Licence were mainly industrial, such as nylon twine for the fishing industry, brake fluid, marine engines, books, pharmaceuticals, scientific instruments, tractors, typewriters, office machinery, dyes, varnish, steel, cement, etc. Many if not most of these products will still come in under some aid program.

The Government has also sought methods of building up industry without impinging on the foreign exchange reserves. Straight barter and "barter-credit" arrangements have been established with several Communist countries (Yugoslavia, Czechoslovakia and Poland) which call for shipments to Pakistan of ocean-going vessels, industrial plant (such as a heavy electrical complex), buses, drydock, etc. In exchange,

Pakistan is to supply an established equivalent in jute, chrome ore and other local products.

#### Export Bonus Vouchers

Ironically enough, imports of consumer goods have benefitted at least potentially from advances made by Pakistan's industrial ventures. An Export Bonus Voucher System was instituted in 1959 as an incentive to export. It allows an exporter of manufactured or semi-manufactured products to receive vouchers entitling him to up to 40 per cent of his exchange earnings. These vouchers have a high market value and are currently being traded at 150 per cent of face value. The purchaser can use these to import consumer or other goods (luxuries, automobiles, etc.). The value of the imported commodity will then usually approximate three times its original cost. Exports of bonus-earning products increased by about Can.\$441 million in 1962 over 1959, which illustrates Pakistan's improved export position in certain products. Raw materials are not usually eligible for vouchers.

#### Foreign Trade Picture

Table I gives figures on Pakistan's trade with its principal sup-

pliers. The most conspicuous feature of the trade pattern is probably the imbalance. This, of course, results from the extensive aid shipments, most of which are applied directly to economic development. This feature of Pakistan's foreign trade picture is also reflected in the type and volume of products interchanged each year. See Table II.

The trend towards industrial imports can be illustrated in another way. In 1962, 31.6 per cent of all imports consisted of capital goods, 35.5 per cent of industrial raw materials, and 32.8 per cent of consumer goods. In 1958 consumer goods alone accounted for 57.2 per cent of total imports. Major imports now include chemicals, drugs, machinery, electrical goods, oil, transport equipment, non-ferrous metals, etc. Exports consist mainly of jute (60 per cent of total value), cotton, hides, skins, wool and tea. Frozen fish products (such as shrimp) provide a dramatic example of an item which is starting to make a sizeable contribution to export earnings. In 1962-63 Can.\$24 million worth of shrimp were shipped, mostly to the United States. This year the hope is that overseas sales will bring in \$46 million.

### Foreign Aid

Foreign aid, so important to Pakistan's economic progress, is roughly estimated at over \$400 million a year. For the year 1964-65 it is expected to be even higher—possibly U.S.\$500 million. Pakistan government statistics (see table) do not, however, show the full amount because they seem to take into account chiefly grant aid and the virtually non-interest-bearing loans. Other forms of aid (credits)

TABLE III

#### FOREIGN AID TO PAKISTAN

	1952-53	1957-58	1961-62
	(millions of Can. dollars)		
United States	7.5	246.0	178.5
Canada	6.4	22.9	12.5
Britain	.138	.736	.....
Japan	.....	.046	.....

MAY 30, 1964

are, however, recognized in terms of their contribution to the above figure.

The nations contributing to the World Bank consortium for Pakistan are Italy, West Germany, France, Belgium, Canada, United States, Britain, the Netherlands and Japan. Canada, in terms of money given in outright grants, comes second only to the United States. (In making this comparison we are considering the non-existent or reduced interest of U.S. AID loans.)

### Long-Term Government Planning

The greatest single booster of and influence on the Pakistan economy is the series of Five Year Plans. They have a direct effect on all the economic factors discussed, including the extent and direction of development to which the foreign aid programs are geared.

The First Five Year Plan which ended in mid-1960 did not quite achieve its objectives. However, the Second Plan, ending in June 1965, aimed at a 24 per cent rise in the GNP, a smaller rate of increase and more realistic than under the First Plan. Plan Two calls for total expenditures of Can.\$5,200 million (73 per cent higher than under the First Plan) to be allocated to various economic sectors. Thus, agriculture is to receive 14.9 per cent, water and power 19.1 per cent, industry 22.3 per cent, transport and communications 17.6 per cent, housing 14.8 per cent. The remainder is to be used for education and welfare projects. The money to pay for this program includes Can.\$2,500 million in grants and loans. Targets set by the Plan include a 21 per cent increase in foodgrain production, an approximate 60 per cent rise in industrial productivity, a 15 per cent increase in exports, and a 12 per cent increase in per capita income.

A Third Five Year Plan to take effect in July 1965 is already being incubated. The outlay has been tentatively set at U.S.\$11,300 million, almost double that of the former program. The objectives will

also be more ambitious: the hope is to raise the GNP by 30 per cent and per capita income by 15 per cent. The Plan differs from the Second also in that an attempt is being made to reduce to 30 per cent the foreign participation, although in absolute terms the cost will, of course, be higher (about U.S.\$3,020 million) because of the magnitude of the Plan. A larger share of money will be spent in East Pakistan (Can.\$5,400 million) than in West Pakistan (Can.\$4,900 million). The remainder is to be applied to economic infrastructure (transport, services, etc.) The emphasis on the Eastern sector is intended primarily to raise the lower standard of living there.

Although some people have questioned the rather low allocation to the agricultural sector (13 per cent), so vital to Pakistan, the truth is that it will also benefit directly or indirectly from associated enterprises, such as infrastructure, industry, etc. In other words, agriculture's share of the program will in actual fact be closer to 48 per cent. Seventy per cent of the expenditures are expected to be in the public sector.

### Spain Expands Fishing Fleet

SPAIN plans to have by the end of 1967 a fishing fleet of 453,000 registered tons. All boats over 25 years old will be decommissioned and new motorized boats to a total of 86,400 registered tons will be built at a cost of 7.6 million pesetas. Development plans for the fleet also call for the improvement and modernization of the fishing ports of Vigo, Cadiz, Pasajes, La Corunna, Huelva, Malaga, and especially Algeciras, which handles 18 per cent of the industry; 1.3 million pesetas has been allocated for this work. Quays will be lengthened, warehouses built, and refrigeration plants installed.

The Spanish catch increased between 1957 and 1961 by 33 per cent; in 1961, over a million tons of fish were brought in, worth 8.5 million pesetas. If this trend continues, the catch by 1967 is expected to total about 1.5 million tons and 30 refrigerated freight cars and 210 refrigerated trucks will be needed.

# What Canada Trades with Pakistan

Foreign exchange shortage and strict licensing of imports limit what we can sell; raw materials, industrial equipment offer best opportunities. Our purchases consist largely of jute.

R. DOUGLAS SIRRS, *Commercial Secretary, Karachi.*

THE extent to which Pakistan has foreign exchange available largely determines how much we can trade with that country on a commercial basis. In 1962-63, earnings from normal export transactions totalled \$467.8 million. A large part of this went to cover service and repayment

charges on foreign aid, highly essential imports, and many other miscellaneous charges. What was left did not permit a very wide-ranging import program. And to ensure that this exchange is used as advantageously as possible, it is rationed by maintaining strict licensing con-

trols, which tend to keep out most non-essential goods. For this reason, consumer goods from Canada which are potential sellers in Pakistan have scant sales scope here.

## Export Bonus Vouchers

There is, however, one possible but limited avenue of approach to this market. Under the Export Bonus Voucher Scheme (mentioned in an earlier article) almost any type of luxury or other consumer product may enter Pakistan. But these vouchers are only made available in specified amounts to a selected group of export firms, which can later resell them on the open market at a substantial profit. The many individuals who have acquired vouchers may not have enough to cover any substantial purchases. Furthermore, competition for the available vouchers is keen and many items (such as automobiles) take precedence in the use of these expensive "import tickets". Consequently one often finds the splintered use of vouchers: that is, many individuals with enough to cover a number of relatively small shipments which in themselves may not be large enough to satisfy a big supplier. Nevertheless, this consumer goods outlet should not be overlooked.

## Industrial Goods and Services

A far more promising avenue of approach is the supply of capital equipment, raw materials and technical knowhow, although much of this business is financed either by grant aid or long-term loans. Pakistan's current emphasis on industrial development is illustrated in Table I, showing recent Canadian exports to Pakistan.

TABLE I  
WHAT WE SELL TO PAKISTAN

		1962	1963
Total exports		\$10,754,951	\$19,151,866
Of which:			
Aluminum pigs, ingots, slabs	Grant aid	1,688,844	2,840,132
Ammonium sulphate	Grant aid	1,355,048	1,812,274
Copper bars, rods, shapes, n.e.s.	Grant aid	981,033	2,171,866
Insulated wire and cable	Grant aid	.....	152,289
P.W.R. boilers, equipment and parts	ECIC loans	8,435	511,790
Generators and parts	Grant aid	1,585	141,417
Electric motors	Grant aid	.....	234,603
Pumps, pumping systems and parts	Grant aid	8,155	199,553
Pulp and paper industrial machinery and parts	ECIC loans	2,964	1,093,246
Road motor vehicles, parts n.e.s.	Grant aid	94,163	193,306
Aircraft		23,179	237,352
Transformers and parts	Grant aid	1,679	260,857
Switchgear, protective equipment and parts	Grant aid	25,236	424,219
Files and rasps		339,411	164,727
Prefabricated buildings, structures, parts	Grant aid	645,205	405,682
Baby chicks		.....	24,225
Wheat	Grant aid	55,507	749,999
Asbestos milled fibres, grades 4 and 5		218,391	132,761
Asbestos shorts, grades 8 and 9		24,940	22,495
Wood pulp	Grant aid	1,553,270	1,428,416

Note: Items which are probably covered by aid or credits are identified above. However, some of these can and do include commercial sales—it is impossible to isolate the two factors completely.



Seen in front of the 80-megawatt hydro facility at Kaptai is R. D. Sirrs, Commercial Secretary, Karachi (left). With him is J. F. Laurence of Sandwell Limited, a Vancouver firm making a feasibility survey of hydro and land-use potential in the area.

The reader will note that most of the items in Table I have a direct application to industry. They include asbestos, much in demand by the local asbestos cement industry, and files and rasps which have traditionally come from Canada although the proposed establishment of local manufacture could cut down future imports. A variety of other items (such as rulers, radio equipment, pharmaceuticals, miscellaneous instruments, etc.) are shipped in relatively small volume and are covered by Export Bonus Vouchers or are under licence.

In a number of instances our knowhow, experience and reputation have directed engineering contracts to Canada on purely commercial terms. A dramatic example of this was provided by a well-known Canadian consulting engineering firm from Vancouver (Sandwell and Company) which was hired several years ago by the East Pakistan Industrial Development Corporation (a government agency) to provide counsel for the establishment of a newsprint mill in Khulna. The mill

was subsequently built under Sandwell supervision and is today the only newsprint mill in the country. It produces 35,000 tons of paper a year and earns for Pakistan \$3 million in badly needed foreign exchange. A forest inventory survey of the wild Sunderbans region was initially allotted to this firm to determine the feasibility of the project. The management of the mill was also turned over to it—all on commercial terms.

Still another Canadian consulting firm is working on separate commercial contracts. One of these calls for rehabilitating the cyclone-devastated port of Chittagong and environs, and the other covers a water reservoir and treatment plant at Rawalpindi (West Pakistan). Part of the outlay made by the sponsoring Pakistan Government agency will, of course, be in rupees. These projects will also cost an additional 25 per cent and 50 per cent respectively in dollars.

Sometimes projects not included under aid programs, such as a sea wall, railway locomotives, etc., are put up for tender by various Pakis-

tan Government agencies. This office is provided with copies of these notices and makes a point of distributing them, usually through the Engineering and Equipment Division of the Department of Trade and Commerce in Ottawa, to potentially interested Canadian firms. Similarly, new or expanding local industry often needs machinery or raw materials that can be imported under existing licensing provisions.

Canadian purchases from Pakistan consist largely of jute, the country's major export, as Table II shows.

TABLE II

WHAT WE BUY FROM PAKISTAN

	1962	1963
	(Can.\$'000)	
<b>Total imports:</b>	<b>2,561</b>	<b>2,270</b>
Of which:		
Jute and jute butts	617	378
Fabrics, jute, n.o.p.	1,404	1,151
Collections of antiquities	48	.....
Wool in the grease	99	149
Scissors and shears n.o.p.	21	15
Drills, twills, satins	.....	89
Gloves, protective headgear, athletic	26	16
Fur skins, Persian lamb undressed	20	.....
Shirts, sweat shirts, knit cotton	24	48
Rugs, oriental genuine	25	14
Skis, racquets and frame bats	41	42
Balls, all kinds, n.o.p. for sports	22	15
Waste for further preparation	53	20
Printed cloths sheeting, cotton unbleached	34	204
Tea black	33	4

It is certainly the desire of developing nations such as Pakistan to augment and diversify their exports to build up a viable and healthy economy. Naturally, they also use the exchange they earn to pay for the capital equipment and other products they need.

This office will be happy to provide Canadian businessmen or firms with advice on current or future opportunities in Pakistan. A visit to the market is, of course, the most effective way of understanding its problems and its potential. ●

# Pakistan's Cottage Industries



Pakistan makes sporting equipment and surgical instruments and sells them to many countries, including Canada. These cottage-type industries could in turn provide a small market for Canadian suppliers of needed raw materials.

M. H. JAFRI, *Commercial Assistant, Karachi.*

SIALKOT CITY in West Pakistan occupies a significant place in world trade as a producer and exporter of sporting goods and surgical instruments. These include sporting equipment for indoor and outdoor use, scissors, and quality surgical instruments.

## Sporting Goods

According to latest estimates there are about 700 factories organized on a cottage-industry basis and employing about 20,000 workers. Thus, out of Sialkot's total population of 155,000, about 50 per cent depend for their living either directly or indirectly on the sporting-goods industry. The traditional skills are handed down from father to son.

Among the main types of sporting goods produced are field-hockey sticks, cricket bats and balls, tennis and badminton racquets and frames, leather covers for soccer, volley, and rugby balls, and basketballs. Exports also include badminton birds, boxing gloves, polo mallets and balls, shooting sticks and soft balls.

The sporting-goods industry is essentially an export industry; about 85 per cent of total production is sold abroad. Exports of sporting goods during 1960-61 (July-June) totalled approximately Can.\$2.1 million and rose to \$3.1 million in 1962-63. Britain (\$955,200) is the principal buyer, followed by West Germany (\$300,600), the United States (\$266,000), Australia

(\$201,800), Sweden (\$104,000), Canada (\$90,000) and others. Canadian imports of Pakistani sporting goods have risen steadily during 1960, 1961 and 1962, and Pakistani exporters, benefiting from the Government's emphasis on exports, are hoping to secure a greater share of the Canadian market. Table I shows what sporting goods we have bought from Pakistan during the past four years.

Because this is essentially a cottage industry, no major attempt has been made to employ labour-saving devices. Labour is abundant and cheap and only a few factories have installed such innovations as power saws. Nevertheless, to withstand competition from Japan,

TABLE I  
CANADIAN IMPORTS OF PAKISTANI SPORTS GOODS

	1960	1961	1962	1963
Badminton birds	2,441	1,779	1,850	2,442
Skis racquets and frames	34,313	34,801	41,010	41,637
Gloves protective, head gear athletic	.....	15,282	26,173	15,544
Balls all kinds for sports	13,896	15,413	22,261	16,468
Regalia and badges	3,783	9,098	8,537	11,778
<b>Total</b>	<b>54,433</b>	<b>76,373</b>	<b>99,831</b>	<b>87,869</b>

TABLE II  
CANADA'S PURCHASES OF SURGICAL GOODS

	1960	1961	1962	1963
Scissors and shears	14,116	13,656	20,548	18,809
Surgical instruments	17,513	41,597	47,539	125,179
<b>Total</b>	<b>31,629</b>	<b>55,253</b>	<b>68,087</b>	<b>143,988</b>

Communist China and Germany the industry has realized its need to modernize and the West Pakistan Industries Department has established a Research Development Centre at Sialkot. This centre is trying to uncover new uses for local woods as well as planning new items especially for foreign markets. The centre will also prescribe detailed specifications and will attempt to standardize the output and quality of sporting goods.

Almost all the raw materials the industry needs are indigenous. There is, however, a small market for thread, rubber, nickel anodes and nylon gut. Files and rasps are the chief hand tools, and these include Nicholson files from Canada.

### **Surgical Goods**

The surgical-goods industry at Sialkot was established early in 1900 and received a great boost during the Second World War when Germany, the main competitor, had to withdraw from the export field. In fact, the bulk of present production is shipped abroad. Pakistan's total exports of surgical goods during 1960-61 (July-June) reached approximately Can. \$400,000 and in 1961-62 rose to \$860,000—an increase of over 200 per cent.

The main buyers of surgical goods are Britain, the United States and Canada. Imports into Canada of surgical goods from Pakistan during the last four years are given in Table II.

The principal raw materials the industry imports include carbon steel, stainless steel and brass. The manufacturers have been able to compete successfully in foreign markets because of lower production costs resulting from cheap labour. They believe they could offer still better prices without affecting the standard and quality if they could find cheaper sources of raw materials.

Canadian firms would do well to investigate this small but significant potential market although some raw materials are currently supplied under the U.S. aid program. ●

# Afghanistan: Progress Is Slow

**Development projects—especially to provide better transportation—are beginning, thanks to outside aid, mainly from the U.S. and the U.S.S.R. Aggressive Canadian engineering firms might obtain some business, but most imports are tied to aid-supplying countries.**

J. A. ELLIOT, *Assistant Commercial Secretary, Karachi.*

AFGHANISTAN is a strategically located, landlocked mountain kingdom, surrounded by Iran, Pakistan, the U.S.S.R., and Communist China. It is a small country, about 250,000 square miles, with a population estimated at 8 to 14 million (the exact figure is not known, but it is probably closer to 14 million). Politically the country is scrupulously neutral and accepts aid from both the East and the West. Almost all the capital to support its development projects comes from the Soviet Union and the United States. Britain has granted a \$2 million loan for a cottonseed oil mill, and other projects are being undertaken with West German and Czechoslovakian loans. In addition, United Nations agencies—UNTAB, UNESCO, FAO, WHO, UNICEF, etc.—are contributing much-needed technical assistance.

It is difficult to assess Afghanistan's economic position because there are few accurate statistics. Per capita income appears to be between \$50 and \$70 a year. Agriculture is the mainstay of the economy. The only industries are carpetmaking, cotton textiles (about 30 million square metres a year), cement (35,000 tons) and coal (66,000 tons). No petroleum has been discovered yet, but Soviet and Czech teams have found natural gas in the north and a technical assistance agreement has been signed with the U.S.S.R. which will make

possible production of two million cubic metres of natural gas a year, beginning late in 1966. A pipeline will also be built under a similar accord and some 1.5 million cubic metres of gas a year will be exported to the U.S.S.R.

Lack of transportation facilities is the great holdback to economic development. There are no railways or waterways and roads suitable for wheeled vehicles are just beginning to be built between the main centres, with U.S. and Soviet help. The Salang tunnel through the Hindu Kush, financed by the Soviet, will improve communications between Kabul (the capital) and the areas to the north, along the U.S.S.R. border. Afghanistan has only 6,000 trucks and buses and 3,000 passenger cars. The national airline, Ariana, is 49 per cent owned by Pan American which provides technical assistance.

### **Agriculture Provides Exports**

Wheat is the principal crop but last year's harvest was poor. Aggravating the low production was the loss of several thousand acres that were shifted from wheat to cotton in order to meet commitments under bilateral trade agreements with Eastern Europe. Large shipments of wheat under U.S. aid are relieving the situation.

Cotton is becoming a principal export, although 80 per cent of the output (50,000 tons in 1961-62) is

consumed by the domestic textile industry. The Soviet Union has taken about 70 per cent of the exports, and future crops are "mortgaged" under a barter trade agreement concomitant with the Soviet aid program.

*Nuts and Fruit*—walnuts, almonds, pistachios, pomegranates and raisins (made from Afghanistan's 50 distinctive varieties of grapes famous for centuries)—are also important exports, with India and Pakistan the traditional markets. This trade declined seriously when the Afghan-Pakistan border was closed in 1961 following a territorial dispute and the effect on Afghanistan's economy was severe. The border is now open again and trade should pick up.

Karakul (Persian lamb) skins are Afghanistan's most valuable product and principal export; sales in 1963, mainly in New York and London, brought in \$16.8 million. Afghanistan does not appear in Canadian import statistics, but since it is the world's largest producer of Karakul, it can be assumed that it supplies a large part of the \$5.7 million worth

of undressed Persian lamb skins that we import, principally from Britain and the United States. An Afghan official stated that one quarter of his country's Karakul exports go to Canada.

### **Selling Opportunities Small**

Afghanistan's shortage of foreign exchange reduces the market opportunities and it is difficult for countries not providing aid to secure more than bits and pieces of the available business. Banking facilities are inadequate and Afghan importers pay cash in advance for most of their orders. They obtain the necessary exchange by scouring the bazaars for foreign banknotes or travellers cheques which they mail to their suppliers. Foreign exchange is available from two Afghan banks but the paperwork is so involved that letters of credit are usually opened only for large orders.

Afghanistan is not likely to become a major market for Canada within the foreseeable future. However, sales could be increased with more aggressive methods, although they will undoubtedly continue to

be small ones or end products. Price is the most important factor. An official of the Government's trade department mentioned as products which the country needs and which we could supply pharmaceuticals, rubber tires and tubes, synthetic fabrics, metals, automobiles and parts, used clothing, heating equipment. He felt there should be some scope for Canadian engineering firms with the initiative to develop their own contacts in Kabul. (At present virtually all sales of engineering services and capital equipment are being made under a loan or by foreign firms investing in Afghanistan.) Engineering consultants who are willing to visit the country personally and to persist in making and maintaining contacts with officials might win business. This, in turn, might lead to our sharing in the small amounts of capital equipment imported by the Afghans with their own resources. An agent based in Pakistan is practically useless in obtaining business in Afghanistan. Personal calls are essential—this is not a market that can be approached or serviced by mail.

---

## **Attention, Exporters to Britain!**

*THERE have been an increasing number of instances of difficulties encountered with British regulations covering claims to Commonwealth Preference on goods exported from Canada to Britain. Accordingly, we are drawing attention to the British regulations governing this preference.*

*Basically, to claim preference on manufactured goods imported into Britain, the following three conditions must be satisfied:*

- (a) Direct consignment from Canada to Britain.*
- (b) The goods must be manufactured in Canada or elsewhere in the Commonwealth. This means that the goods must have acquired their essential character in Canada and/or the Commonwealth, and not have been merely finished in Canada and/or the Commonwealth.*
- (c) The prescribed proportion of the manufacturing cost (25 per cent, 50 per cent or 75 per cent, according*

*to the class of the goods) of each article claiming preference must be attributable to Canadian and/or Commonwealth labour and/or material.*

*British law provides for heavy penalties when Commonwealth Preference is claimed for shipments which are not entitled to preferential tariff treatment and when difficulties arise, the refusal of the benefits of preference can result in delay in delivery and financial hardship for both the Canadian exporter and the British importer.*

*The regulations covering the requirements for Commonwealth Preference are set out in British Customs and Excise Notice No. 27A. Copies of this notice and any further information needed may be obtained from the Commonwealth Division, Office of Trade Relations and Trade Policy, Department of Trade and Commerce, upon request.*

# U.S. Announces New Wheat Program

The Agricultural Act of 1964, which became law in mid-April, covers the 1964 and 1965 crops. Designed to raise the income of wheat growers, it is also intended to prevent a fall in domestic and international wheat prices.

W. VAN VLIET, *Commercial Counsellor, and*

W. R. HICKMAN, *Commercial Secretary, Washington.*

ON April 11 the President signed the Agricultural Act of 1964 whereby new wheat legislation took effect to cover the 1964 and 1965 crops. The principal objectives are:

1. To raise the income of wheat growers substantially above what it would have been in the absence of new legislation.
2. To avoid increases in the government costs of wheat programs.
3. To maintain the cost of wheat to flour millers and other processors at a level which will not increase the price of bread to consumers.
4. To enable the United States to discharge its responsibilities and realize the benefits of the International Wheat Agreement.

Without this legislation, domestic prices to United States producers for the 1964 crop would have declined to their lowest postwar level and probably would have been somewhat lower than international prices. This uncertainty had been hanging over the market since producers voted down a wheat referendum in May 1963, which called for mandatory compliance by all producers with acreage and marketing quota controls. In this situation the Administration showed determination to prevent the downward pressure

on domestic prices from pulling down with it the international price structure. In addition to the usual subsidy program allowing exporters to be paid to make the higher domestic-priced wheat competitive in the export market, the Administration put into effect a system which permits the obtaining of a refund from exporters should domestic prices drop below those abroad. The U.S. Administration believes that thereby the consequences of domestic programs should be effectively isolated from affecting the international grain trade.

## **New Element Introduced**

Basically, the new program accomplishes the same ends as were envisaged in the rejected wheat referendum. The difference is that the latter would have imposed controls on all producers, whereas the present voluntary program has compliance incentives which the vast majority of producers are bound to accept. The new element in the system is the introduction for the first time in U.S. history of marketing certificates whereby millers and exporters pay an amount additional to the domestic price; these payments are made to the producer on a pro-rated basis.

The opposition to this type of program, whether voluntary or not, is intense and has been pressed particularly by the American Farm Bureau Federation. The alternative foreseen is the gradual equating of domestic and world prices, together with a different structure of acreage diversion incentives and land retirement. The Administration must seek new legislation for the 1966 wheat, feed grain, and cotton production and is likely to introduce bills in Congress early in 1965. This again presents an opportunity to press for revision of the present wheat legislation which applies to the 1965 crop as well as this year's crop.

## **Probable Results**

The precise impact of this program remains difficult to assess but probably the results will be:

- Some reduction in carryover stocks by the end of the 1964/65 crop year. The legislation offers producers sufficient compliance incentives to permit 1965 production to be kept at or below anticipated domestic and export requirements.
- Somewhat higher prices to millers and probably somewhat lower prices to producers during the 1964/65 crop year than during the present one.
- A domestic price during 1964/65 probably kept very close to the \$1.30 per bushel support level by Government selling into the domestic market to contain prices to millers, as well as to keep wheat competitive with feed grain.
- Continued effort by the Administration to keep domestic and export prices divorced in impact by applying either an export subsidy or rebate, in addition to the export certificate.

## **Program Began in '54**

Under authority of the Agricultural Act of 1949, acreage allotment and price support programs for wheat have been in effect in the United States each year since 1954.

In combination with the increased wheat yields of recent years, however, these programs have not prevented the accumulation of stocks well beyond domestic and export requirements. By June 30, 1961, the wheat carryover into the new crop year had reached a record 1.4 billion bushels and for 1962, Congress authorized a temporary wheat stabilization program reducing acreage allotments by 10 per cent from the minimum national allotment of 55 million acres previously in effect. Payments were made to growers for diverting acres to approved soil-conservation uses and penalties for exceeding farm acreage allotments were increased. Harvested acreage in 1962 dropped to 43.5 million acres from the average of 52.3 million for the previous nine-year period.

### **1963 Wheat Program**

The Food and Agriculture Act of 1962 established a modified version of the 1962 wheat program for the 1963 crop. This gave growers a basic support price of \$1.82 per bushel and provided for diversion from wheat acreage of not less than 20 per cent and not more than 50 per cent of their share of the national allotment of 55 million acres. Diversion payments were made at the rate of 50 per cent of the price-support rate times normal yield—or about \$22.75 per diverted acre—plus 18 cents per bushel above the support price for normal production on the remaining acreage, giving an effective support price to co-operators of \$2 per bushel. Under this program, harvested acreage in 1963 was 45.3 million acres and the season average farm price for the 1963 crop is estimated at \$1.87 per bushel. Based on anticipated exports of 850 million bushels, it is expected that about 890 million will be carried into the new crop year on June 30, 1964.

For 1964 and subsequent years the Food and Agriculture Act of 1962 provided authority, subject to referendum, for mandatory production and marketing controls “de-

signed to bring production into balance with needs, reduce surplus stocks to prudent reserves, support farm income at reasonable levels and reduce program costs to the taxpayer.” Essentially, the program involved a mandatory system of marketing quotas and acreage allotments, combined with relatively high support prices and acreage diversion payments. Although it was strongly supported by the Administration and most farm groups, it failed to get the required two-thirds majority vote of wheat growers in the referendum held in May 1963, with the result that alternative provisions of the law became applicable to the 1964 crop.

In the absence of new legislation before 1964 spring planting time, wheat growers would have been confronted under the existing law with a national acreage allotment of 49.5 million acres, 10 per cent less than in 1963, and the same as would have applied to the mandatory 1964 program. Price support would have been cut to 50 per cent of parity (about \$1.26 per bushel national average) and no diversion payments would have been made. Non-compliers would have lost their eligibility for price support and acreage history on which farm allotments are based. Although the reduced level of price support in itself offered little incentive to keep within acreage allotments, fall seeding was not unusually high, suggesting that farmers attached some importance to preserving acreage history against the possible emergence of a new wheat program. In the view of U.S. Department of Agriculture officials it also demonstrated that runaway wheat production is not a necessary consequence of low price supports, given an effective program for feed grains and provided that there is significant competition for acreage between the two crops.

### **Export Program Adjusted**

Meanwhile the United States was faced with a decline in domestic wheat prices for the new crop year beginning July 1, 1964, resulting

from the sharply reduced price-support level and there was a distinct possibility that domestic prices would be lower than international prices. To prevent a possible lower domestic price from pulling down international prices, the United States took steps to adjust its export program. The Secretary of Agriculture announced shortly after the wheat referendum last May that: “The United States expects not only to fulfill its obligations by not exporting at prices below the IWA minimum, but also to continue to realize the benefits of the Agreement by exporting at prices in line with those at which other countries are selling wheat.” Accordingly, the USDA recently issued regulations providing for an export subsidy refund system, whereby exporters of wheat and flour would be required to reimburse the Government for any difference between the domestic price and a higher world market price. These regulations remain in force, even though the new legislation for the 1964 crop provides for domestic prices which may remain above international prices.

### **Wheat Program for 1964**

Following a lengthy and closely drawn battle in Congress on farm legislation, a combined wheat-cotton bill was passed on April 9 and signed into law by the President on April 11 as the Agricultural Act of 1964. The law provides for a voluntary marketing certificate program for the 1964 and 1965 wheat crops, patterned along similar lines to the program rejected by referendum last May but with the mandatory features removed. Although marketing quotas and penalties are therefore not in effect, the program incorporates a national acreage allotment and marketing allocation system, with diversion payments and marketing certificates as the incentive for producer compliance. The USDA estimates that the new program will increase farm income by \$400 million, reduce program costs by \$300 million from 1963, and cut

carryover stocks by 100 million bushels.

### **Acreage Compliance Features**

A national wheat acreage allotment of 49.5 million acres for the 1964 crop was determined last year by the Secretary of Agriculture and is based on total estimated requirements of 1.2 billion bushels. On 90 per cent of this acreage, co-operating producers receive the benefit of the certificate payment. Producers can receive payment for diverting up to 20 per cent of the 49.5 million acreage but, in view of the lower incentive payments that apply this year, it is doubtful whether appreciable further acreage will be diverted. Actual acreage harvested in 1963 was 43.5 million. In addition, in both 1963 and 1964 there was comparable exemption provision for farms having less than 15 acres in wheat. Announcement of acreage allotments for the 1965 crop is expected well before 1964 winter wheat planting.

Co-operating wheat producers in 1964 will be eligible for price-support loans at a national average of \$1.30 per bushel, plus acreage diversion and marketing certificate payments. Diversion payments, at 20 per cent of the county support rate times normal yield, work out to an average of \$6.50 per diverted acre. This is sharply reduced from the 1963 diversion payments (50 per cent of the former support rate of \$1.82 times normal yield—or \$22.75 per diverted acre—plus 18 cents per bushel above the support price for normal production on 1963 acreage), but the great majority of producers are nevertheless expected to comply with their farm allotments in order to qualify for certificate payments. Producers have been given until May 15 to sign up for participation in the 1964 voluntary diversion program.

### **Marketing Certificates**

Marketing certificates will be issued to co-operating producers on 90 per cent of the normal production on their acreage allotments.

Forty-five per cent of this production will be covered by domestic marketing certificates valued at 70 cents per bushel, and up to 45 per cent by export marketing certificates valued at 25 cents per bushel. For under-planting or extra diversion, the 70-cent domestic certificates will be paid on the first 45 per cent of normal yield on allotted acres and 25-cent export certificates will be issued on the next 45 per cent. For the remaining 10 per cent of normal yield, producers will get the market price, which USDA officials expect to be at or about the \$1.30 support level. Certificate payments to producers are expected to bring the average farm price for wheat up to an estimated \$1.70 to \$1.75, compared with the \$1.87 season average farm price for the 1963 crop.

### **Market Prices**

The marketing certificate program goes into effect on July 1, 1964, the beginning of the marketing year. Processors will be required to buy certificates at 70 cents and exporters at 25 cents to cover their requirements of wheat for milling and export. The Commodity Credit Corporation has announced that it will make wheat stocks available at the market price or the statutory minimum resale price of 105 per cent of the new price-support level of \$1.30, plus reasonable carrying charges, whichever is higher. The CCC thus has the power to impose a ceiling on domestic prices. Prices are expected to be held at or near the \$1.30 support level to minimize the upward pressure on milling wheat and bread prices. Accordingly, and because wheat prices are a relatively small factor in retail prices of bakery products, the USDA has stated that there will be no significant effect on retail prices as a result of the certificate program. Based on these domestic price expectations plus domestic certificate cost of 70 cents, it would appear that some increase in milling wheat prices is inevitable relative to the current season average price to farmers of \$1.87 per bushel.

The USDA has reconfirmed that prices for export will be at world price levels. Although export certificate payments of 25 cents are intended to bring prices approximately to international levels, the use of either export subsidies or drawbacks will be the mechanism to ensure export prices consistent with United States obligations under the International Wheat Agreement. The Agricultural Act of 1964 states:

*"In order to expand international trade in wheat and wheat flour and promote equitable and stable prices therefore the Commodity Credit Corporation shall, upon the exportation from the United States of any wheat or wheat flour, make a refund to the exporter or allow him a credit against the amount payable by him for marketing certificates, in such amount as the Secretary determines will make United States wheat and wheat flour generally competitive in the world market, avoid disruption of world market prices, and fulfill the international obligations of the United States."*

Under authority of the International Wheat Agreement Act, regulations were issued and the USDA announced that: "The provisions announced March 24 will enable the United States to obtain the benefits and fulfill its obligations under the International Wheat Agreement in the event new legislation is not in effect on the 1964 crop. If the legislation now pending in Congress is adopted, these provisions would be discontinued as soon as the new legislation went into effect." Subsequently, however, USDA officials have advised that these regulations remain in effect in the event they are needed.

### **Flexibility for 1965**

Under the new law, the Secretary of Agriculture is given authority to proclaim a national acreage allotment for 1965 of not less than 49.5 million acres. By the Agricultural Act of 1962 the Secretary is authorized as well to determine the level of

acreage diversion payments up to 50 per cent of the county support rate applied to normal production on the diverted acres, and to permit additional diversion, as in 1963, equal to 20 per cent of the farm allotment. In addition, the Secretary has authority to exercise wide discretion in establishing the value of marketing certificates, the quantity of wheat

on which certificates are paid, and the level of price support. The latter can be anywhere from 65 to 90 per cent of parity for wheat accompanied by domestic certificates, and from 0 to 90 per cent of parity for wheat accompanied by export certificates or non-certified wheat (depending in the latter case on the feeding value of wheat in rela-

tion to feed grains and the level of price support for feed grains). Thus, while the main lines are set for the voluntary 1964 wheat program, there is scope for flexibility through CCC sales and subsidy operations as the marketing year progresses, and there is substantial room for adjustment in setting up the program for 1965. ●

## TRADE COMMISSIONERS ON TOUR

### In Canada

The following officers are undertaking tours of business centres throughout Canada as detailed below. Businessmen who wish to see them should get in touch with the Board of Trade or Chamber of Commerce in the cities mentioned, with the following exceptions: Toronto, Canadian Manufacturers Association; Windsor (Ontario), Greater Windsor Industrial Commission; St. John's, Halifax, Ottawa, Winnipeg and Vancouver, Department of Trade and Commerce; Fredericton, Department of Industry.

**Britain**—B. C. Butler, Minister (Commercial) in London.

Winnipeg—May 29-June 2	Montreal—June 22-26
Toronto, Brampton—June 3-9	Thetford Mines—June 27
Hamilton—June 10-11	Quebec City—June 28-29
St. Catharines, Welland— June 3-9	Fredericton—June 30
Brantford—June 15	Saint John—July 2
London, Stratford—June 16	Halifax, Kentville— July 3-6
Windsor—June 17-18	St. John's—July 7-10
Kitchener, New Hamburg— June 19	Ottawa—July 13-

E. J. Ward, Commercial Secretary (Timber) in London.

British Columbia—May 11-27	Churchill—May 30-June 1
Edmonton—May 28	Winnipeg—June 2
Calgary—May 29	Toronto—June 3-10

**Jamaica**—R. W. Blake, Commercial Counsellor in Kingston.

Saskatoon—May 29-June 7	Winnipeg—June 9-11
Regina—June 7-9	

**Lebanon**—L. A. Campeau, Commercial Counsellor in Beirut.

Toronto—June 15-19	Windsor—June 25
Niagara Falls—June 22	Hamilton—June 26-27
St. Catharines—June 23	Winnipeg—June 29
Brantford—June 24	Vancouver—July 2-9

**Pakistan**—J. A. Elliott, Assistant Commercial Secretary in Karachi.

Quebec City—June 8	Toronto—June 15-19
Montreal—June 9-13	

### Temporary Duty in Ottawa

**R. W. Blake**, Commercial Counsellor in Kingston, Jamaica, June 11-24. Contact Commonwealth Division, phone: 99-22421.

**L. A. Campeau**, Commercial Counsellor in Beirut, Lebanon, June 1-12. Contact Asia and Middle East Division, phone: 99-25642.

**J. A. Elliott**, Assistant Commercial Secretary in Karachi, Pakistan, May 25-June 5. Contact Commonwealth Division, phone: 99-22421.

### Tours of Territory

**Costa Rica**—P. D. Donohue, Assistant Commercial Secretary in Guatemala City, will visit San Jose June 10-12.

**El Salvador**—H. E. Lemieux, Commercial Counsellor in Guatemala City, will visit San Salvador June 15-18.

**Honduras**—H. E. Lemieux, Commercial Counsellor in Guatemala City, will visit San Pedro Sula and Tegucigalpa June 8-13.

**Iraq**—V. G. Lotto, Assistant Commercial Secretary in Beirut, Lebanon, will visit Baghdad and Basra June 19-29.

**Korea**—J. D. Blackwood, Commercial Secretary in Tokyo, Japan, has postponed indefinitely his visit to Seoul.

**Nicaragua**—P. D. Donohue, Assistant Commercial Secretary in Guatemala City, will visit Managua June 7-9.

**Pakistan**—R. D. Sirrs, Commercial Secretary in Karachi, Pakistan, will visit Lahore and Sukkur, West Pakistan, during the week of June 22.

**Panama**—P. D. Donohue, Assistant Commercial Secretary in Guatemala City, will visit Panama City and the Canal Zone June 13-17.

**Poland**—K. O. Hillyer, Acting Commercial Secretary in Copenhagen, Denmark, will visit Warsaw June 4-17.

**Saudi Arabia**—C. E. Rufelds, Assistant Commercial Secretary in Beirut, Lebanon, will visit Jeddah and Riyadh June 6-17.

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

# COMMODITY NOTES

## Automatic Laundry Equipment

WEST GERMANY—The increasing number of high-rise apartments in German metropolitan areas is resulting in more interest in the corner laundromat and automatic dry-cleaning establishments. The apartments are much smaller than those in North America and the average householder has limited space in which to install his own laundry equipment. Also contributing to the increased interest is the lack of labour in regular laundries and dry cleaning establishments—Duesseldorf.

## Automobiles

AUSTRALIA—General Motors-Holden's Pty. Ltd. plans to spend £22 million (about Can.\$53.5 million) on a three-year expansion program to boost production of the Holden car to 200,000 units a year. Cumulative expenditure since the Holden project was started in 1948 will total £135 million (Can.\$328 million) by the end of 1966.

Highlights of the expansion program are: (a) building of a new body and vehicle assembly plant near Brisbane, Queensland, estimated to cost £7 million, (b) expanding plants at Fishermen's Bend and Dandenong, Victoria, £7 million, (c) enlarging manufacturing facilities at Woodville and Elizabeth, South Australia, £8 million, (d) expanding body assembly plant at Pagewood, New South Wales—Melbourne.

JAPAN—Japanese production of all types of motor vehicles reached 1,283,533 units in 1963—862,783 trucks, 407,830 passenger cars and 12,920 buses. Passenger car output was 51.7 per cent larger than in 1962. Noteworthy in this increase is demand from private owners as distinct from purchases by corporations for executive or fleet use. In 1952, private owners accounted for only 3.4 per cent of over-all demand, but by 1962 this proportion had risen to 14.3 per cent (30,595 cars) and by 1963 driver-owners accounted for about 17 per cent of sales—Tokyo.

## Electronics

SWEDEN—At the end of 1962 Sweden had 402 phones, 388 radios, and 215 TV sets per 1,000 inhabitants compared with 385,377 and 180 at the end of 1961. Some 240,000 TV sets and 400,000 radios were sold in 1962 and sales were valued at \$115 million—Stockholm.

## Gold

SOUTH AFRICA—During 1963, gold production rose 8.4 per cent to establish a record of 27.4 million fine

ounces. The value of the output, at almost \$1.3 billion, is about 7.8 per cent above the figure for 1962—Johannesburg.

## Hydroelectric Project

URUGUAY—Sofrelec, the French firm of consulting engineers, has submitted a report on the proposed Salto Grande hydroelectric project to the joint Argentine-Uruguayan technical committee. The cost is estimated at U.S.\$408 million. Preliminary negotiations on financing the scheme have already been under way with the IBRD. Sofrelec has been active in recent years in Uruguay's power expansion program—Montevideo.

## Insecticides

GHANA—The Minister of Industries has opened the new £50,000 factory of Johnson's Wax International which will produce initially household insecticides and disinfectants. Annual imports of insecticides and disinfectants cost over £350,000 and it is hoped that the products of this factory will replace a good portion of these, thus conserving foreign exchange—Accra.

## Lead

BRAZIL—According to official reports, Brazil's domestic production of lead supplies 50 per cent of the demand. Annual production has risen from 2,470 tons in 1950 to 14,000 tons in 1963, an increase of about 567 per cent. The recently discovered deposits of lead in Bahia, which now produce some two-thirds of total output, largely account for the rise. Imports of lead have fallen proportionately by 49 per cent—from 22,700 tons in 1950 to about 11,200 tons in 1962—Rio de Janeiro.

## Orange Concentrate

URUGUAY—One hundred and twenty tons of orange concentrate have been shipped to Canada by the Uruguayan company Embotelladora Orange Crush S.A. of Montevideo. As the purchaser stipulated a concentration of 6½ to 1, this represents a total of 780 tons of orange juice—Montevideo.

## Paper

SWITZERLAND—Paper production in 1963 totalled 550,000 metric tons, of which 395,000 were paper and 160,000 cardboard. Exports of 9,000 tons remained at the 1962 level but imports rose from 55,000 to 80,000 tons, mainly because of increased newsprint

imports. The effects of lower EFTA tariffs are beginning to be felt in the Swiss market for certain types of paper, with increased competition coming from the Scandinavian countries. Paper consumption per capita in 1963 amounted to 240 pounds, placing Switzerland fourth in the world behind the United States (429 pounds), Canada (290) and Sweden (288). Paper prices remained stable—Berne.

### Petrochemicals

ITALY—Montecatini and Royal Dutch Shell will hold equal interests in a petrochemical firm named Monteshell-Petrolchimica. Ownership of the Montecatini plants at Ferrara and Brindisi, valued at about \$300 million, will be transferred to the new firm. The Brindisi plant can refine about 1½ million tons of crude a year and produce about 700,000 tons of plastic materials. The Ferrara production totals about 140,000 tons a year. This is the third joint company Montecatini and Shell have formed: the other two are Rotterdamse Poliolefyen M.N.V., producing plastic materials, and Monteshell, which makes pesticides.

A \$200 million petrochemical plant is nearing completion at Gela in Sicily. The plant belongs to ANIC, a member of the Italian government-owned ENI group. The new complex will produce oil products, fertilizers, aromatic hydrocarbons and plastics, and will include a refinery with a processing capacity of three million tons a year (60,000 barrels a day)—Rome.

### Potash

ISRAEL—The Sdom Dead Sea Works is completing a new U.S.\$16 million plant that will double production of potash to 300,000 tons initially, with the prospect of 400,000 tons in three years. The Dead Sea Works has developed a green dye which, when introduced into the evaporation pans, speeds up evaporation by 15 per cent. Of total production in 1962, 98½ per cent was exported—Tel Aviv.

### Sheep

COLOMBIA—To help reduce the domestic wool shortage in Colombia, the Ministry of Agriculture is importing 2,500 more sheep from New Zealand. Earlier, 2,000 Corriedale sheep were successfully introduced into the Province of Santander. These livestock imports are made under INCORA (Institute for Agrarian Reform), a Colombian government entity, and financed by government agricultural credit facilities—Bogotá.

### Ships

SPAIN—Output of the Spanish shipyards during 1963 was the highest to date: 134 ships totalling 188,000 tons (value U.S.\$94.3 million) were launched, a 16.7 per cent increase over 1962. Nineteen of these were for

foreign orders (tonnage 93,900 tons, value U.S.\$20 million), mainly refrigeration and merchant ships and fishing boats, including some with special refrigeration equipment. Twenty-five of these ships registered over 1,000 tons and ten 1,000 tons; 87 were fishing vessels of over 100 tons, and the other 12 included such units as tug-boats. The largest in the over-1,000-ton group is the 48,000-ton oil tanker *Elcano*, the biggest cargo vessel ever launched in Spanish yards—Madrid.

### Steel

SOUTH AFRICA—Major projects within the Republic of South Africa, Swaziland and Rhodesia are imposing a substantial burden on the Republic's steelmaking facilities (ISCOR). Some of the major steel requirements are: the Durban-Rand pipeline 42,000 tons, the Swaziland Railway 22,000 tons of rails, the Umtali-Beira pipeline 15,000 tons, steel piping for other projects between 110,000 and 120,000 tons, Rhodesian Railways 20,000 tons of rails, an increase of 20 per cent in the rail requirements of the South African Railways, 1,000 tons of ship's plates for repairs to one freighter.

Industrial requirements, apart from the foregoing projects, are forecast at 15 per cent higher than last year. Last year the Republic was exporting steel products but this year exports are curtailed and fairly substantial imports of some steel items are being authorized—Johannesburg.

SWEDEN—Oxelösund Steel Works is reported to be making a quality of steel that reduces construction weight by as much as 30 to 50 per cent. Called NIOB steel, it is regarded as a new development. So far, 150,000 tons have been produced since it was first used in a large Soviet order for steel pipeline four years ago—Stockholm.

### Sugar

MAURITIUS—Sugar factories handled 5,747,000 metric tons of cane during 1963, compared with 4,624,000 metric tons during 1962, and realized 686,000 metric tons of sugar compared with 533,000 metric tons. By the beginning of this year, 75 per cent of the crop had been shipped. Of this quantity 75 per cent went to Britain, about 11 per cent to Canada, and 11 per cent to the United States—Johannesburg.

### Textiles

SOUTH AFRICA—About 31 per cent of the Republic's total requirements of all kinds of textile materials can now be provided by the domestic industry. It comprises 25 cotton spinning and weaving plants, 50 knitting factories, ten blanket factories and nine hose spinning and weaving plants. It is estimated that domestic spinning plants can satisfy 50 per cent of the

demand for wool and wool mixtures, 41 per cent of all cotton requirements, and 15 per cent of rayon and cotton mixtures.

Local consumption of textile goods is expected to increase from some 385 million square yards in 1962

to about 500 million in 1970, and some 600 million in 1975. Over the next ten years the total investment in textile manufacture should reach more than \$150 million, providing employment for about 40,000 people—Johannesburg.

## FOREIGN TARIFFS

## AND TRADE REGULATIONS

### Argentina

**BAN ON IMPORTS OF INDUSTRIAL MACHINERY LIFTED**—The Argentine press has announced that Decree No. 3,011 of April 27, 1964, cancels the temporary prohibition on imports of industrial machinery and equipment established by Decrees 626/63 of November 8, 1963, and 448/64 of January 21, 1964.

The minimum surcharge on such imports is increased from 40 per cent to 60 per cent of the c. and f. value.

The additional surcharges established by Decree 1553/63 of February 28, 1963, have been extended to October 31, 1964.

The Central Bank will establish the procedure to be followed in connection with payments of such imports.

### Britain

**ORANGE JUICE CONCENTRATE**—The British Board of Trade has announced that unpasteurized frozen orange juice concentrate from the dollar area has been placed on Open General Licence, which means that all such juice may now be imported from Canada without an individual licence. British importers, when importing this product from the dollar area, must declare on their customs entry that the consignment in question consists only of unpasteurized frozen orange juice concentrate.

All other types of orange juice and all types of grapefruit juice from the dollar area will continue to be importable only against specific import licences issued under quota arrangements.

### Guatemala

**ADDITIONS TO FREE LIST**—The Government of Guatemala has announced the elimination of import duties on various farm implements, including ploughs, cultivators, seeders, harvesters, tractors and accessories. Duty on these items was previously 1 per cent ad valorem on the c.i.f. value.

At the same time, the Government announced the elimination of the 10 per cent ad valorem duty on aircraft for fumigation.

(In 1962 imports of these products totalled almost U.S.\$4.5 million in value and the U.S. had almost two-thirds of this business.)

### Japan

**IMPORT CONTROL SYSTEM REVISED**—On April 1, 1964, Japan formally made its currency freely convertible for all current international payments by accepting the obligations of Article VIII of the IMF.

Before April 1, controls on imports into Japan had been implemented by means of foreign exchange budgets announced every six months. Under IMF Article VIII status Japan is no longer free to maintain this form of control. Accordingly, the system of foreign exchange budgets for imports has been abolished. In its place, an import licensing system has been introduced.

As indicated in the December 14, 1963, issue of *Foreign Trade*, the foreign exchange budget system included a list of restricted goods subject to "Fund Allocation" that required approval of imports by individual application. The goods under the "Fund Allocation" system were listed on a negative list. Under the new system, the negative list of restricted items remains in force and controls on the goods included in it are effected by the Japanese authorities by means of import licences for which individual applications must be made.

Effective from April 7 of this year, certain items of potential interest to Canadian exporters have been removed from the negative list and import restrictions. These are charcoal pig-iron, petroleum gas and other gaseous hydrocarbons, certain petroleum spirits and kerosenes, preparations of insulin, steam and other vapour generating boilers, steam turbines, electric generators.

*Detailed information on the status of individual goods in relation to Japanese liberalization may be obtained from the Asia and Middle East Division of the Department of Trade and Commerce, Ottawa.*

# The Ocean Freight Market

AVERAGE rates for trip charters in the trades under review fell sharply in the first quarter of the year from the high levels attained in the previous quarter. The failure of new demand to develop was particularly evident in the Atlantic trades where tonnage tended to accumulate in anticipation of cargo offerings. Of particular note, three wheat tonnage contracts were reported arranged from the St. Lawrence to the U.S.S.R. Black Sea. Rates under these contracts averaged \$8.75 per ton for a minimum quantity of 100,000 tons compared with the single trip charter rate of approximately \$10 per ton in the same trade.

The decline of rates in the Pacific sector in the market was less pronounced, deriving some degree of support from the steady demand of Japanese grain importers. Even so, the rate for grain from British Columbia to Japan was lower by \$1.50 per ton at the end of the quarter.

There was a flurry of activity in the black oil market in the first month of the quarter, but this was temporary and was followed by unseasonably low rates. Rates for black oil in the Caribbean to U.S. North Atlantic trade fell from a high in January of Intascale plus 40 per cent (\$3.16) to a low in March of Intascale minus 54½ per cent (\$1.10).

## CHARTER RATES—FIRST QUARTER 1964

The rates shown in column A are in sterling or U.S. dollars with the Canadian dollar equivalent in column B calculated at £=\$3.02 and U.S.\$=\$1.08. For comparison, the rates a year ago are shown in column C with the Canadian dollar equivalent in column D likewise calculated at £=\$3.02 and U.S.\$=\$1.08.

### TIME CHARTERS

Average rates per deadweight ton per month for the first quarter of the year were as follows:

	1964		1963	
	First Quarter		First Quarter	
	A	B	C	D
	£ or U.S.\$	Can.\$	£ or U.S.\$	Can.\$
<b>General Trading (approximately 6 months)</b>				
Motorships, 9,000-10,999 dwt., 9-10.0 knots .....				
Motorships, 9,000-10,999 dwt., 11-12.9 knots .....	\$3.14	3.39	\$2.25	2.43
Motorships, 11,000-12,999 dwt., 11-12.9 knots .....	\$3.65	3.94		
Motorships, 9,000-10,999 dwt., 13-15 knots .....			\$2.65	2.86
Motorships, 11,000-12,999 dwt., 13-15 knots .....	\$3.43	3.70	\$2.50	2.70
Motorships, 13,000-15,000 dwt., 13-15 knots .....	\$3.52	3.80	\$2.30	2.48
Steamships, 9,000-10,999 dwt., 9-10.9 knots .....	\$2.35	2.54		
Steamships, 9,000-10,999 dwt., 11-12.9 knots .....	\$3.00	3.24		
Steamships, 11,000-12,999 dwt., 9-10.9 knots .....				
Steamships, 11,000-12,999 dwt., 13-15 knots .....	\$3.45	3.73	\$2.10	2.27
<b>General Trading (approximately 12 months)</b>				
Motorships, 9,000-10,999 dwt., 9-10.9 knots .....	\$2.27	2.45		
Motorships, 9,000-10,999 dwt., 11-12.9 knots .....	\$3.15	3.40		
Motorships, 9,000-10,999 dwt., 13-15 knots .....	\$2.80	3.02	\$2.34	2.53
Motorships, 11,000-12,999 dwt., 13-15 knots .....	\$3.70	4.00	\$2.32	2.51
Motorships, 11,000-12,999 dwt., 11-12.9 knots .....				
Motorships, 13,000-15,000 dwt., 13-15 knots .....	\$3.60	3.89		
Steamships, 9,000-10,999 dwt., 9-10.9 knots .....				
Steamships, 11,000-12,999 dwt., 9-10.9 knots .....				
Steamships, 11,000-12,999 dwt., 11-12.9 knots .....				
Steamships, 13,000-15,000 dwt., 13-15 knots .....				
<b>West African Rounds</b>				
Motorships, 9,000-10,999 dwt., 9-10.9 knots .....	20s. 0d.	3.02		
Motorships, 9,000-10,999 dwt., 11-12.9 knots .....	\$3.55	3.83	16s. 9d.	2.53
Motorships, 9,000-10,999 dwt., 13-15 knots .....	\$3.78	4.08	18s. 3d.	2.76
Motorships, 11,000-12,999 dwt., 11-12.9 knots .....				
Motorships, 11,000-12,999 dwt., 13-15 knots .....	30s. 9d.	4.64		

	1964		1963	
	First Quarter		First Quarter	
	A	B	C	D
	£ or U.S.\$	Can.\$	£ or U.S.\$	Can.\$
<b>West African Rounds</b>				
Steamships, 9,000-10,999 dwt., 9-10.9 knots .....	22s. 0d.	3.32	13s. 9d.	2.08
Steamships, 9,000-10,999 dwt., 11-12.9 knots .....	24s. 6d.	3.70	16s. 0d.	2.42
Steamships, 9,000-10,999 dwt., 13-15 knots .....	.....	.....	18s. 0d.	2.72

### TRIP CHARTERS

Average rates for the first quarter of the year were as follows:

	1964		1963	
	First Quarter		First Quarter	
	A	B	C	D
	£ or U.S.\$	Can.\$	£ or U.S.\$	Can.\$
<b>Heavy Grain (per long ton)</b>				
St. Lawrence to Britain .....	40s. 0d.	6.04	42s. 3d.	6.38
St. Lawrence to Belgium/Holland .....	\$3.89	4.20	\$3.75	4.05
St. Lawrence to U.S.S.R. Baltic .....	\$5.75	6.21	.....	.....
St. Lawrence to U.S.S.R. Black Sea .....	\$10.00	10.80	.....	.....
Churchill to Britain .....	45s. 0d.	6.80	50s. 0d.	7.55
Churchill to Belgium/Holland .....	\$5.75	6.21	.....	.....
Great Lakes to Britain .....	.....	.....	75s. 0d.	11.33
Completing St. Lawrence .....	.....	.....	.....	.....
Great Lakes to Belgium/Holland .....	\$8.96	9.68	\$7.60	8.21
Completing St. Lawrence .....	\$3.89	4.20	\$3.25	3.51
Halifax/Saint John to Britain .....	45s. 0d.	6.80	37s. 7d.	5.68
Halifax/Saint John to U.S.S.R. Black Sea .....	.....	.....	.....	.....
Halifax/Saint John to U.S.S.R. Baltic .....	\$5.70	6.16	.....	.....
Halifax/Saint John to Belgium/Holland .....	.....	.....	.....	.....
British Columbia to Britain .....	\$9.00	9.72	\$6.30	6.80
British Columbia to Belgium/Holland .....	\$7.66	8.27	\$6.33	6.84
British Columbia/North Pacific to Japan .....	\$7.90	8.53	\$6.31	6.81
British Columbia to West Coast of India .....	72s. 2d.	10.90	66s. 3d.	10.00
British Columbia to Communist China .....	48s.2d.	7.30	44s. 11d.	6.78
British Columbia to U.S.S.R. Pacific .....	.....	.....	.....	.....
British Columbia to U.S.S.R. Black Sea .....	.....	.....	.....	.....
<b>Lumber and General Cargo (per long ton)</b>				
British Columbia to Britain .....	\$13.77	14.87	\$11.92	12.87
British Columbia to Australia .....	\$18.18	19.63	\$12.07	13.04
British Columbia to South Africa .....	\$15.14	16.35	\$12.14	13.11
British Columbia to Japan .....	\$7.53	8.13	.....	.....
<b>Scrap Iron and Steel (per long ton)</b>				
U.S. Atlantic to Japan .....	\$14.26	15.40	\$9.49	10.25
California to Japan .....	\$9.04	9.76	\$7.87	8.50
Great Lakes to Japan .....	\$15.92	17.19	.....	.....
<b>Coal (per long ton)</b>				
Hampton Roads to Belgium/Holland .....	24s. 5d.	3.69	24s. 0d.	3.62
Hampton Roads to Japan .....	\$7.55	8.15	\$5.65	6.10
British Columbia to Japan .....	\$4.90	5.29	.....	.....
<b>Black Oil (per long ton, tankers)</b>				
Venezuela to Portland, Maine .....	\$2.19	2.37	\$2.38	2.57
Persian Gulf to Portland, Maine .....	.....	.....	.....	.....
<b>Sulphur</b>				
British Columbia to Bombay .....	.....	.....	.....	.....
British Columbia to Britain .....	.....	.....	.....	.....
British Columbia to Italy .....	\$9.25	9.99	.....	.....
<b>Fertilizers</b>				
British Columbia to Karachi .....	92s. 6d.	14.00	.....	.....

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 .9251228.

# Foreign Exchange Rates

Country	Unit	Type of Exchange	Can. dollar equivalent May 15	Units per Canadian dollar	Notes (see below)
Algeria .....	Dinar .....	.....	.2206	4.53	
Argentina .....	Peso .....	Free .....	.007919	126.28	
Australia .....	Pound .....	.....	2.4208	.4163	
Austria .....	Schilling .....	.....	.04186	23.89	
Bahamas .....	Pound .....	.....	3.0260	.3305	
Belgium and Luxembourg .....	Franc .....	.....	.02712	36.87	
Bermuda .....	Pound .....	.....	3.0260	.3305	
Bolivia .....	Peso .....	Free .....	.09192	10.87	
Brazil .....	Cruzeiro .....	Official Free .....	.0009160	1,091.70	
Britain .....	Pound .....	.....	3.0260	.3305	
British Guiana .....	Dollar .....	.....	6304	1.59	
British Honduras .....	Dollar .....	.....	7565	1.32	
Burma .....	Kyat .....	.....	2270	4.41	
Ceylon .....	Rupee .....	.....	2270	4.41	
Chile .....	Escudo .....	Bank rate .....	4598	2.17	
		Free .....	3352	2.98	
Colombia .....	Peso .....	Free .....	1083	9.23	
		Certificate .....	1201	8.33	
Congo, Republic of .....	Franc .....	.....	.006005	166.52	(4)
Costa Rica .....	Colon .....	.....	.1632	6.13	
Cuba .....	Peso .....	.....	‡	‡	
Czechoslovakia .....	Koruna .....	.....	.1501	6.66	
Denmark .....	Krone .....	.....	1565	6.39	
Dominican Republic .....	Peso .....	.....	1.08094	.92513	
Ecuador .....	Sucre .....	Official .....	.06005	16.65	
		Free .....	.05837	17.13	
El Salvador .....	Colon .....	.....	4324	2.31	
Fiji .....	Pound .....	.....	2.7261	.3668	
Finland .....	Markka .....	.....	.3378	2.96	
France, Monaco, etc. ....	Franc .....	.....	.2206	4.53	(1)
Franco-African Republics, etc. ....	Franc .....	.....	.004412	226.65	(2)
French Pacific .....	Franc .....	.....	.0123	81.30	(3)
Germany .....	D Mark .....	.....	.2719	3.68	
Ghana .....	Pound .....	.....	3.0260	.3305	
Greece .....	Drachma .....	.....	.03603	27.75	
Guatemala .....	Quetzal .....	.....	1.08094	.925123	
Haiti .....	Gourde .....	.....	2162	4.63	
Honduras .....	Lempira .....	.....	5405	1.85	
Hong Kong .....	Dollar .....	Free .....	.1887	5.30	
		Official .....	.1891	5.29	*May 4

‡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 May 15	Units per Canadian dollar	Notes (see below)
Iceland	Krona	Official	.02514	39.78	(4)
India	Rupee		.2270	4.41	
Indonesia	Rupiah		.004324	231.28	(4)
Iran	Rial		.01427	70.08	
Iraq	Dinar		3.0266	.3304	
Ireland	Pound		3.0260	.3305	
Israel	Pound		.3603	2.78	
Italy	Lira		.001730	578.03	
Japan	Yen		.003003	333.00	
Lebanon	Pound	Free	.3470	2.88	
Malaysia	Straits dollar		.3531	2.83	
Mexico	Peso		.08648	11.56	
Morocco	Dirham		.2162	4.63	
Netherlands	Florin		.2994	3.34	
Netherlands Antilles	Florin		.5732	1.74	
New Zealand	Pound		3.0053	.3327	
Nicaragua	Cordoba		.1544	6.48	
Nigeria	Pound		3.0260	.3305	
Norway	Krone		.1513	6.61	
Pakistan	Rupee		.2270	4.41	
Panama	Balboa		1.08094	.92512	
Paraguay	Guarani	Free	.008579	116.56	
Peru	Sol	Free	.04030	24.81	
Philippines	Peso	Free	.2775	3.60	
Portugal & Colonies	Escudo		.03760	26.60	(5)
South Africa	Rand		1.5130	.6609	
Spain and Dependencies	Peseta		.01802	55.49	
Sweden	Krona		.2105	4.75	
Switzerland	Franc		.2504	3.99	
Syria	Pound	Free	.2833	3.53	
Thailand	Baht	Free	.05128	19.50	(4)
Tunisia	Dinar		2.6159	.3823	
Turkey	Lira		.1201	8.33	(4)
United Arab Republic	Pound	Official	2.4862	.4022	
United States	Dollar		1.0809375	.925123	
Uruguay	Peso	Free	.05719	17.49	
Venezuela	Bolivar	Official Free	.2407	4.15	
West Indies	Dollar		.6304	1.59	(6)
	Pound		3.0260	.3305	(7)
Yugoslavia	Dinar	Official	.001441	693.96	

## Notes

1. Franc is also used in French Guiana, Guadeloupe and Martinique.
2. Chad, Central African Republic, Congo, Dahomey, Gabon, Ivory Coast, Mali, Islamic Republic of Mauritania, Niger, Senegal, Upper Volta, Camerons, 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.

# B. C. Butler Talks about Trade with Britain



... in this brief resumé, and personally to businessmen as he makes his way across Canada from the West to the East Coast. If you would like to discuss your particular interest in the British market with Mr. Butler, consult the itinerary on page 40 to find the date when he will be in your area and how to contact him.

**Business is good in Britain** and is likely to continue so in the foreseeable future. Unemployment affects less than 2 per cent of the work force and presents no problem, except in a few areas such as Northern Ireland, certain Scottish towns, and Northeast England. Average personal incomes have never been higher. A recent public statement indicates that about ten million wage earners are getting between £15 and £40 a week; the national average is now about £17 (approximately \$50). With almost half Britain's population of 52 million on a regular payroll, this means that, with several members of a family at work, the total family income in many instances equals that of an average Canadian family. Demand therefore is strong.

**Canadian exports to Britain** reflect this increased demand: our sales, which supply about 15 per cent of Britain's total imports, topped the billion dollar mark in 1963 and set a new record. This represents an increase of \$225 million since 1959, and Britain remains second only to the United States as a market for Canadian goods. Our exports to Britain during the first three months of 1964 totalled \$266.0 million compared with \$209.2 million for the same period in 1963. This increase reflects not only the prosperity of Britain and its demand for raw materials and consumer goods, but also the competitive position of Canadian exporters.

**More than 1,000 Canadian firms** are now represented and selling in the British market and the range of products is remarkably broad. For some Canadian manufacturers, Britain has become a main export market. They visit it regularly to keep in touch with conditions and to maintain close relations with their agents. Most Canadian businessmen who take the time and trouble to come to Britain at least secure trial orders which give them a chance to test the market and acquire some knowledge of the documentation procedures. After that, their future sales depend on how interested they are in exporting just as much as on the competitiveness of their products and prices.

**What will sell in Britain?** The experience of the Canadian Trade Commissioners has proved that it is not possible or even wise to draw up a list of the Canadian products that can be sold in Britain. Certain things might be ruled out by climate, local customs or other factors, but for most products the only way to be sure is to test the market with samples and prices. Our offices in London, Liverpool and Glasgow are at the service of Canadian firms for research of this kind. Of course, a market study is most likely to produce results when the exporter visits Britain and works with us in making contact with potential buyers and agents. ●



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

CANADA  
POSTAGE PAID\*  
PORT PAYÉ

