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FOREIGN TRADE

DEPARTMENT OF TRADE AND COMMERCE, OTTAWA



**Markets in
the Far East**

FOREIGN TRADE

APRIL 18, 1964

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OUR COVER shows the shy satisfaction that a Hong Kong lad feels as he tries on a windbreaker imported from Canada. Although raw materials and agricultural products bulk large in our exports to the Far East, there are also limited opportunities for selling consumer goods in many of these markets, as the reports in this issue show.

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They are expanding and diversifying, especially in the areas where industrial progress is creating new opportunities. This introductory article discusses the pace of development in the various countries of the Orient, their foreign trade and trade policies, and the prospects for expanding and diversifying our exports.

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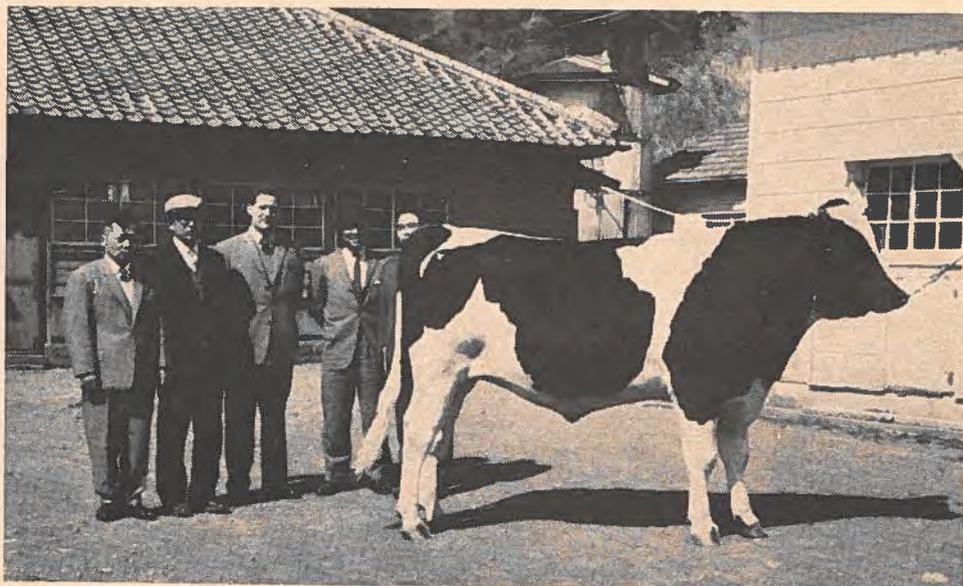
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Japan—Canadian farmers are benefitting from the demand for purebred stock. This Holstein bull from Canada, being admired by Japanese dairy industry officials and a Canadian Trade Commissioner (centre), is being used to improve the breed of dairy cattle in Chiba Prefecture.



Hong Kong—The booming plastics industry in the Colony has made plastic resins, and particularly polystyrene, one of Canada's biggest sellers there. It is used mainly by the toy industry. On the right, the Assistant Trade Commissioner in Hong Kong.



Malaysia—Yes, Canada exports golf clubs to the Federation, as this display in the store window of Winston's Sporting Goods, Singapore, proves. Retail business continues to be brisk, the Trade Commissioner reports, despite some unemployment.

Canada already has three sizable markets in the Orient, and sales to the thirteen countries covered in this issue totalled \$648.3 million last year. Here is a review of what we sold and where, a look at developments afoot that will increase export opportunities, and an assessment of prospects for expanding this trade.

IONA SKUCE, *Asia and Middle East Division.*

WHENEVER anyone mentions the Far East to me, I recall the old saying—"Far from where, and east of what?" In this issue of *Foreign Trade* we are highlighting Canadian market opportunities in the islands of Japan, the Philippines, Taiwan and Indonesia; Communist China, Hong Kong, and Korea on the Asian mainland; and the Southeast Asian nations of Burma, Malaysia, Thailand, Laos, Cambodia and Vietnam. Last year when Canadian Trade Commissioners from all posts were assembled in Ottawa for the Second Export Trade Promotion Conference, Asia was described as the forgotten area. Since then the winds of change have blown lightly and

Canadian businessmen are now showing more interest in the Orient.

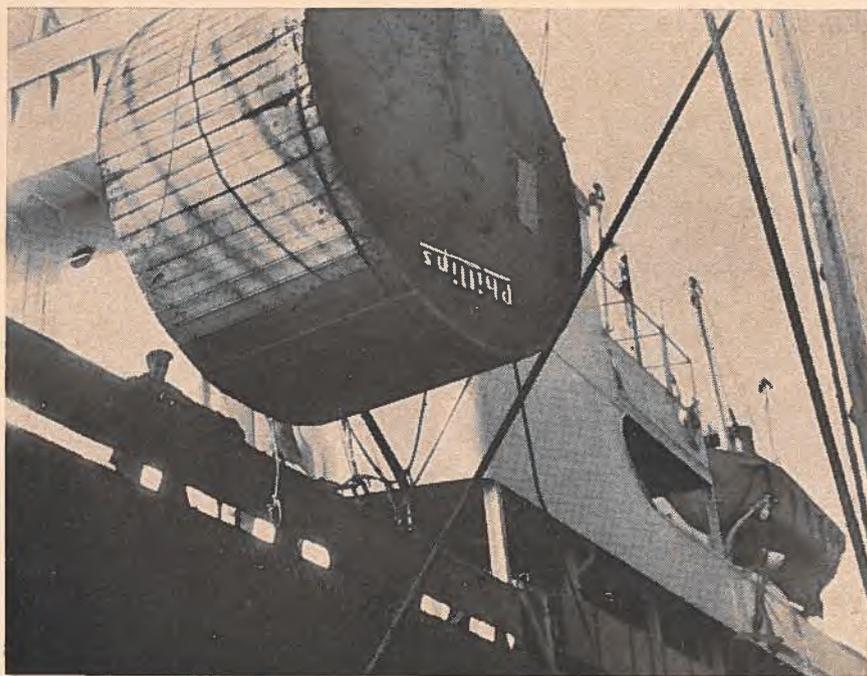
The level of economic development and the potential of the countries in this area differ considerably. Many have substantial natural resources, in addition to rubber and tin, which are not yet fully exploited. Most of them—especially Thailand, South Korea and Taiwan—are on the threshold of implementing development plans that call for substantial imports of plant and equipment as well as technical knowhow. Although other countries in the area, such as Burma, Indonesia and Vietnam, have also formulated development plans, internal conditions have limited their

implementation. Japan, Malaysia, and the Philippines continue to have great success in improving and developing their economies on the whole, while Hong Kong is continuing to diversify its industry.

From the over-all viewpoint, 1963 was a relatively prosperous year for the entire region, notwithstanding political unrest in some parts, and the advances made on the economic front last year should be further consolidated in 1964. A growing awareness of the needs of developing countries in Asia and the Far East the world over is reflected in the national and international assistance being offered to them. Certain countries in the area, such as Burma, Malaysia and Indonesia, are eligible for assistance from Canada under the Colombo Plan. Canadian exporters stand to benefit from the development of countries in the Orient.

Development Plans

All countries in Asia and the Far East are attempting to increase and diversify exports to obtain more foreign exchange for much-needed imports, and most of them require substantial foreign national and international financial support to achieve an expanded and viable economic base. It follows that the Five Year Development Plan is a predominant feature in most of them. Usually these plans are carefully prepared by national governments in consultation with international authorities and agencies, such as the International Bank for Reconstruction and Development. Japan, because it is at a higher level of economic development than the other countries in the area, has a program for modernization and rationalization of existing industries that calls for substantial imports of capital goods. Malaysia is progressing under a plan designed to encourage diversification in both industry and agriculture. In the Philippines, some progress has been made in the execution of the Socio-Economic Program of 1962-66. Projects in the planning stage emphasize the de-



Philippines—The last of 150 tons of Canadian-made power cable is swung aboard ship, destined for the island of Bataan. This company also ships to Taiwan. Since the population is expected to top 35 million by 1968, large additional supplies of power will be required and this is a prime concern of the Philippine Government.

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velopment of industries such as steel and associated metalworking, machinery, fertilizer, cement, aluminum, plywood, pulp and paper, food processing, and textiles.

Thailand, Hong Kong and Malaysia are the three countries in the area that have had particularly impressive records of economic growth throughout the past decade. Over the last two years, gross capital inflow into Thailand alone has amounted to over \$100 million a year. Some of this has helped in accumulating exchange reserves, which rose from \$300 million at the end of 1959 to \$552 million (equivalent to one year's imports) by the end of 1963. Estimates for 1967 place Thailand's annual exchange earnings at \$600 million. Development projects in Thailand include railways, ports, electric power, mining and manufacturing.

The formation of the Federation of Malaysia last September has expanded the economic base for development in that area. The gross national product has been rising steadily and the average per capita income is estimated to be twice that of Thailand and the Philippines. Total foreign exchange reserves stood at \$1.3 billion in 1962. Industrialization is going forward at a steady pace as a result of both private and public investment. In Hong Kong, nearly every sector of the economy registered sharp gains in 1963. There was significant activity in industry, construction and banking and the major industries made impressive gains.

Korea and Taiwan have successfully pursued national development programs. In Korea at the moment, however, the economic situation is difficult, the Five Year Development Plan is being adjusted downward, and attempts are being made to achieve stability through a new economic stabilization program. More details on the development plans of the individual countries are included in the articles in this issue and the Department will be glad to furnish further information. If Canadian

exporters are to benefit from the import opportunities that these development plans offer, they must make intensive and persistent efforts, because exporters of other countries—such as Britain, France, the United States, Germany and Japan—already have a foot or two in the door.

Where Canadian long-term financing facilities are needed to win contracts for suitable projects in the Far East and Southeast Asia, exporters may apply to the Export Credits Insurance Corporation.

Expansion of Trade

An examination of the import statistics of the countries in this area reveals that without exception their needs have grown by leaps and bounds over the past five years, 1958-1963. Imports into Japan and the Philippines have virtually doubled. Imports into Korea, Taiwan and Thailand are up by more than 35 per cent and imports into Burma, Indonesia and Vietnam have also increased substantially. Malaysia's imports are rising steadily and indications are that the same holds true for Communist China. In many instances, Canadian exporters have not benefitted greatly from these increases, except perhaps in Japan, China, the Philippines, Malaysia and Hong Kong.

There is a strong tradition among countries in the region to take a bilateral rather than a multilateral approach to trade and this has tended to limit its expansion. Through the UN Economic Commission for Asia and the Far East and through other international agencies, attempts are being made to combat this tendency. Trade relations between Canada and a few countries in the region—including Malaysia, Hong Kong, Burma, Cambodia, Indonesia and Japan—as well as between these countries and many of their other trading partners, are governed by the General Agreement on Tariffs and Trade. (Both Malaysia and Hong Kong extend preferential tariff treat-

ment to some Canadian exports.) Vietnam also has indicated its intention to apply for membership in the GATT. As for relations with Japan, the Canada-Japan Ministerial Committee held its first two meetings in 1963.

A number of Oriental countries have representatives in Canada: these include Burma, Indonesia, Japan, the Philippines, Thailand, and the Republic of China (Taiwan). The Korean Trade Promotion Corporation opened an office in Montreal last year. The Burmese Embassy, which also opened in 1963, has been active in advising the Department of export opportunities in that country in which Canadians might be interested. This may result in greater Canadian sales to Burma in 1964, if the foreign exchange situation there improves.

Liberal Import Regimes

At least half the countries in the region have relatively liberal import regimes. Japan removed restrictions during 1963 on a number of goods and the Japanese authorities have stated their intention to liberalize almost all industrial products by October 1964. The Philippines has no restrictions on imports aside from advance deposit requirements which apply to less essential commodities and the prohibition of imports of certain agricultural commodities. In 1963, over half the total import requirements of Taiwan were on the permissible list of freely licensed imports. Although Thailand has a short import control list, most imports enter freely and the exchange system is simple and liberal. In Malaysia and Hong Kong, only a small specified list of goods require a specific import licence.

Other countries in the region exercise restrictive import regimes. A description of the import and exchange control regulations of all countries in the area, their licensing and advance deposit and other requirements are included on page 38 of this issue. Because these regulations are frequently changing, ex-

TABLE I
CANADIAN EXPORTS TO THE FAR EAST AND SOUTHEAST ASIA

Country	1958	1959	1960	1961	1962	1963
	(thousands of Can.\$)					
British East Indies, n.e.s.	113	95	359	457	435	644
Burma	957	817	806	1,405	1,303	703
Cambodia and Laos	*	.....	148	114	2	17
Communist China	7,809	1,720	8,737	125,448	147,438	104,738
Hong Kong	6,054	11,330	21,665	19,604	14,283	17,490
Indonesia	1,695	1,760	2,110	2,463	2,027	1,394
Japan	104,891	139,724	178,008	231,574	214,535	296,010
Korea	4,308	6,000	3,916	2,067	1,492	3,870
Malaya and Singapore	3,233	3,269	4,650	5,696	5,453	6,355
Philippines	14,088	14,863	14,809	15,645	18,545	21,284
Taiwan	1,167	1,692	2,886	2,219	4,387	3,759
Thailand	1,294	1,937	2,710	2,921	3,472	2,823
Vietnam	*	385	540	206	298	250
Totals	145,609	183,359	241,355	409,818	413,671	648,335

*Note: in 1958, exports to "Indo China" i.e., Laos, Cambodia and Vietnam, amounted to \$266,223.

porters are advised to look into the situation at the time they plan to export to the Orient.

Trade with Canada

Table I shows that the value of Canadian exports to countries in the region for the period 1958-1963 has expanded considerably and consistently during the past five years. Exports stood at 145.6 million in 1958, increased to \$241.4 million in 1960 and jumped to \$648 million in 1963. This trend is likely to continue. Wheat sales to Communist China in recent years have accounted for the major share of the increase. The conclusion in August 1963 of a long-term wheat agreement between the Canadian Wheat Board and the Chinese state trading corporations was an important development. Sales to Japan of industrial raw materials have expanded substantially. Larger shipments of a variety of goods to the Philippines, Korea, Malaysia and Hong Kong have also been an important factor in Canada's increased trade with the area. The articles appearing in this issue contain analyses of Canadian trade with the individual countries.

Japan is Canada's most important market in the area and, in fact, our third largest market; Communist China is now our sixth, because of the wheat agreement mentioned

above which provides the framework for additional export sales of wheat worth between \$215 million and \$360 million from August 1963 to July 1966. The Philippines was our third largest market in the region last year (\$21.3 million), followed by Hong Kong (\$17.5 million), Malaysia (\$6.9 million), Korea (\$3.9 million), Taiwan (\$3.4 million), Thailand (\$2.8 million), and Indonesia (\$1.4 million).

What were the main Canadian exports to the region in 1963? Wheat and wheat flour, wood pulp, lumber, newsprint paper, metals and minerals (including copper and iron ore) were the main ones to Japan; iron and steel and copper pipes and tubing to the Philippines; wheat flour, passenger automobiles, marine engines, wheat, fabricated aluminum, oatmeal and rolled oats, and asbestos to Malaysia; aluminum, plastics, wheat flour and wheat to Hong Kong; aluminum to Thailand and Burma; lead, zinc and nickel to Korea. Other important exports were rapeseed and flaxseed to Japan; malt to the Philippines and Korea; files and rasps to Thailand and Indonesia. The diverse products shipped included also agricultural mowers, marine engines, electronic equipment, vehicles, excavating and dredging equipment, materials for papermaking, milk powder, nylon

yarn, machinery and pharmaceuticals. This list could be expanded considerably by energetic sales promotion by Canadian companies.

Imports into Canada from countries in the area traditionally have been far smaller than Canadian exports to the area. In 1963, for example, total imports from countries listed in Table II amounted to over \$197.4 million, up from about \$182.7 million a year earlier. What were some of the main types of goods Canada imported from the Orient last year? Fabrics and footwear from Japan, plus a wide range of other manufactured goods; chrome ore and coconuts from the Philippines; foodstuffs, textile products, and footwear from Hong Kong; rubber and tin from Malaysia; walnuts and furskins from Communist China; garments and fish from Korea; clothing and plywood from Taiwan; teakwood and sago from Thailand, and tea and spices from Indonesia.

Trade Prospects

It is apparent that prospects are reasonably bright for the continued expansion of Canadian sales to markets in the Orient in 1964 and in subsequent years. Our traditional giant market there, Japan, offers opportunities that in some lines are almost unlimited. The Philippines, Malaysia and Hong Kong continue to hold promise. The development of a potential market in Communist China for Canadian export products other than wheat warrants close scrutiny. The year 1964 may well be a good one for exports to Thailand and Taiwan and perhaps to Korea as well. Current conditions in other countries in the area unfortunately give less reason for optimism, but they too could provide opportunities for some exports.

The Department is here to help. Continuing trade promotion is the business of Canadian Government Trade Commissioners in the area located in Tokyo, Hong Kong, Singapore and Manila. Their services and the assistance of the Asia and Middle East and Common-

wealth Divisions of the Department of Trade and Commerce are available to Canadian exporters wishing to investigate further aspects of selling in any of these countries.

Transportation facilities between Canadian West Coast ports and the

Orient are sufficient to meet the requirements of the trade; for details, see the table on page 41 of this issue.

A number of Canadian trade missions and visits to the area are in the planning stage or have already

taken place; the fields covered include aircraft, engineering, and oil-seeds; probably others will be added. All in all, 1964 could be a good year for Canadian exports to the Orient—but it will take persistent effort. ●

Japan's Economy Picks Up Steam

Rising cost of living, deficit on balance of trade, the result of rapid economic growth, now causing some concern. Imports will be liberalized further this year but impact may be reduced by other measures. Effect on Canadian exports not yet clear; may be mixed.

R. G. C. SMITH, *Minister (Commercial), Tokyo.*

DURING 1963, the Japanese economy picked up steam from the self-imposed check in 1962 and ended the year with most indices showing considerable improvement and still 'going away'. The gross national product for the fiscal year ending March 31, 1964, is expected to show an estimated 8.2 per cent rise in real terms, which compares favourably with the relatively small (for Japan) gain in 1962 of 5.9 per cent over 1961. Altogether 1963 witnessed an extension of the extraordinary rate of development that has characterized the Japanese postwar recovery. The growth rate may be better appreciated by emphasizing that for the last five fiscal years the average annual growth of the GNP in real terms has equalled nearly 11.9 per cent.

This extraordinary performance is beginning to create problems that are causing the planners of the Japanese economy some concern. Since the war the Japanese economy has operated in a protected atmosphere fostered by the control of foreign exchange, of internal and external investment, and, to a diminishing extent, of imports. In addition to the official regulation of business, there has been a con-

siderable amount of unofficial guidance from government departments with the purpose of directing foreign trade and economic development. As the recovery gained momentum and Japanese industries first reached and then exceeded prewar output, the official controls were progressively reduced and unofficial guidance has become less important.

Some Pressing Problems

During 1963, the rise in the cost of living, which has been reflected in fairly rapidly rising wage rates, was perhaps the most important question confronting the Government at a time when the over-all balance of payments was causing concern.

On the first of April of this year, Japan is expected to move into Article 8 status in the International Monetary Fund and will then be required to abandon most of its controls on the international movement of capital and money. Since quantitative restrictions on imports into Japan are applied by means of exchange controls, the abolition of these controls should lead to substantial import liberalization.

In addition, Japan is to join the Organization for European Co-



operation and Development, is now a full-fledged member of GATT, and is participating in the preparations for the "Kennedy Round" of tariff negotiations under GATT auspices. These moves, coming on top of the discouragement to U.S. capital investment through the threat of the United States Interest Equalization Tax and the reduction of U.S. military spending in Japan, tend to exert pressure on the balance of payments. Because Japan has few raw materials, it can be assumed that in times of prosperity imports are likely to increase rapidly. And although Japanese exports have shown remarkable resilience, they have not been able to offset fully the upsurge in imports.

The principal preoccupation of the Japanese at the moment, therefore, is how to reconcile growing pressures on the balance of payments and a rapid rise in the cost of living with this tendency of imports to increase faster than exports

at a time when controls are being relaxed or abolished, when defence spending by and military aid from the United States are decreasing, and when the inflow of capital may decline.

Rapid Rise in GNP

As mentioned previously, the Japanese economy continues to show remarkable growth. This is reflected in the considerable increase in the standard of living, an almost unbelievable building and construction boom, the modernization and consolidation of industry—all on the positive side—and rising costs of living and growing pressures on the balance of payments on the negative side. The improvement in the standard of living is illustrated by the fact that, in 1955 prices, the GNP has risen from Can.\$35,368 million for the year beginning April 1, 1959, to an anticipated Can. \$54,051 million for the year beginning April 1, 1963, or over 50 per cent. On a per capita basis, on the average, the GNP per person has risen from the equivalent of about Can.\$381 to about Can.\$561 in five years. (This compares with a per capita GNP in Canada of \$1,997 in 1959 and Can.\$2,176 in 1962.)

Construction Continues to Boom

In 1962, building construction starts were valued at the equivalent of nearly Can.\$4 billion, an increase of about 15 per cent over 1961. During 1963 this boom continued: for the first ten months of the year, starts were valued at nearly Can. \$3,900 million, a rise of about 14 per cent over the same period of 1962. However, there was an almost uninterrupted increase in each month of the year and the months of July to October accounted for nearly half the total of the full ten months. This building activity has included both private residential and non-residential construction. Non-residential construction starts rose in 1961 by about 56 per cent over 1960, in 1962 by 11 per cent,

and in the first ten months of 1963, after beginning slowly, by almost 17 per cent.

Industrial Production

The index of industrial production in the mining and manufacturing industries showed an almost uninterrupted monthly increase throughout the year from a plateau established during the last half of 1962. Taking 1960 as the base, the index had gone up 20 points by the end of November 1963 to reach 150; manufacturing alone was only slightly ahead of mining. This increase was accomplished by a relatively small buildup of inventories—7.3 points for raw materials in hands of manufacturers (October), 8.3 for finished goods at the factories or smelters (November), and 16 for dealers' inventories (September).

The modernization and expansion of industry may be measured by the orders that manufacturers received for machinery. From 1959 to 1961 these orders showed a spectacular annual increase, reaching a total of Can.\$3,510 million for the three years (about \$1,565 million in

1961 and an average of \$1,170 million over the three years). In 1962 they dropped back to about Can.\$761 million, but investment in machinery picked up last year and for the first nine months totalled almost as much as for the full year 1962.

Cost of Living Rising

The cost of living has begun to reflect this extraordinary economic development. Again using 1960 as a base, the consumer price index rose on the average by 5.3 points in 1961, by 7.2 points in 1962, and by 7.5 points in 1963. Because of this growing prosperity and rising cost of living, the pressure for wage increases has been mounting. It is not possible in a short review to examine real wages and the rate of increase, because in Japan, perhaps more than in other countries, wage rates are only one segment of the worker's total earnings. Industry is accustomed to pay regular bonuses twice a year, expressed in so many months' pay. In addition, fringe benefits in the form of low-cost (sometimes free) accommodation, clothing, meals, medical care, retire-



In this modern, well-lighted factory, Japanese workers are busy turning out radio receiving sets. Production in manufacturing plants increased steadily in 1963.

ment and holiday plans are important considerations in any wage packet. In addition, there is the security of job tenure that is almost guaranteed by any responsible large manufacturing organization or large trading company. It is beyond doubt, however, that the increase in wage rates has been accelerating and that pressure for more rapid increases will become stronger and possibly lead to more labour disputes.

The Japanese economy has two tiers—the modern, highly efficient and tightly organized mass production industries, and the very large number of relatively small and cottage industries. There is a gap between the labour conditions, rates of pay, amenities, and degree of security in these two groups of industry, though this gap is narrowing. Nevertheless, the trend in wages can be indicated by reference to the average daily wages paid to daily workers; these vary widely from those paid to regular workers in the segment of Japanese industry regularly employing substantial numbers.

In 1960, the average wage per day for daily workers was 471 yen. By 1962 this had risen to 597 yen* and by September 1963 to 662 yen—11 per cent in nine months. The actual wage rate in organized industry has probably not increased to the same extent, because much of this rise represents the narrowing of the gap (which is still substantial) between the two tiers of industry.

The average monthly cash earnings by regular workers in industries employing 30 or more increased each month of 1963 over 1962. The average rise compared with the similar month in 1963 was 9.8 per cent for the first eleven months (which includes the midyear bonus payments), with the latter months showing the greatest increases.

Balance of Payments Adverse

The gold and foreign exchange reserves of Japan have been moving upwards and by the end of October

*Japanese yen 0.003001=Can.\$1.00.

TABLE I
JAPAN'S BALANCE OF PAYMENTS

	Anticipated	Revised Estimate	Projected
	(1 Apr. '63-31 Mar. '64)	(U.S.\$'000)	(1 Apr. '64-31 Mar. '65)
Imports	5,000	5,750	6,200
Exports	5,200	5,500	6,200
	+200	-250	0
Invisible Current Account	-320	-410	-550
Total Current Transactions	-120	-660	-550
Capital Transactions	+300	+670	+400
Repayments on Special Borrowings	-92	-90	
Errors and Omissions		-19	
Total Balance	+88	-99	-150

TABLE II
JAPAN'S FOREIGN TRADE

	Imports		Exports		Adverse Balance
	\$'000,000	Per cent increase	\$'000,000	Per cent increase	\$'000,000
1958	3,033	0	2,877	0	156
1959	3,599	18	3,456	20	143
1960	4,491	25	4,054	20	437
1961	5,810	30	4,236	4	1,574
1962	5,637	3*	4,916	16	720
1963	6,737	20	5,448	11	1,289

*Decrease.

Note: In Japanese trade figures, imports are on a c.i.f. basis, exports, f.o.b.

TABLE III
JAPAN'S TRADE WITH CANADA

	Imports from Canada		Exports to Canada	
	U.S.\$'000	Per cent of total	U.S.\$'000	Per cent of total
1958	121,373	4.0	76,308	2.7
1959	153,585	4.3	114,312	3.3
1960	203,719	4.5	119,232	2.9
1961	265,772	4.6	116,637	2.7
1962	254,997	4.5	126,171	2.6
1963	316,021	4.7	124,813	2.3

1963 they had reached U.S.\$1,922 million (about double the 1956 figure). However, it has been becoming clear that by the end of the fiscal year on March 31, 1964, there will probably be an adverse balance of payments because of a considerable increase in imports and in invisible payments. Moreover, it is generally expected that in the next fiscal year the payments position will deteriorate further. Table I shows the position originally estimated for this fiscal year, the revised estimate made in December, and the official forecast for next year.

If these estimates come close to the mark, the reserves at the end of this fiscal year will total about \$1,764 million and at the end of next fiscal year, \$1,614 million.

Table I shows that although exports will exceed the target for the current fiscal year, imports will have outrun the calculations to the point where an anticipated trade surplus will be turned into a deficit of \$250 million. For next year, the estimates see trade in balance. The increase in imports in this fiscal year can be laid to poor crops, especially of barley, to a disproportionate (that is, compared with the price for Japanese export products) increase in the price of raw materials, to the high cost of sugar, but most of all to the increase in consumption brought about by the rapid rise in production. The rate of growth may slow down this year, and presumably the planners are counting on crops returning to normal and on the terms

of trade either improving or remaining the same and bringing about a better trade balance next year. (The Government is planning for an increase in GNP in real terms of 7 per cent for the next fiscal year, compared with an 8.2 per cent increase this year.)

However, the most intransigent problem is the growing imbalance in the invisible trade account; the estimate for the coming fiscal year shows a considerably larger deficit. Going back farther, one finds that for the 1960 fiscal year the invisible account was in deficit by less than \$73 million. This deficit grew to \$139 million in 1961 and to over \$225 million in 1962. The principal net deficits in this account are transportation and insurance costs (about \$230 million for 1962), interest on investment from abroad and external bonded debts (some \$51 million) and fees, royalties and other miscellaneous payments (nearly \$347 million). The only large positive balance is that of U.S. military expenditures in Japan (nearly \$363 million). Donations from abroad equalled nearly \$42 million.

U.S. military expenditures are being cut back fairly rapidly. As for the negative items, there has been a complete regrouping of Japanese shipping lines in an attempt to increase efficiency, but it may take time before this can result in enough modernization and reduction in operating costs to enable the Japanese merchant marine to secure a greater share in carrying Japanese goods. In 1959, Japanese ships handled about 55 per cent of total trade but this declined to 43 per cent in 1962 and seems to have increased very slightly in 1963. In import trade, Japanese shipping has done little better. The peak year was 1958, when it handled 59 per cent of imports. By 1962, this was down to 44 per cent but in 1963 there was a slight improvement.

Foreign Trade

It is foreign trade that has sustained the rapid growth in the Japanese economy. For example, by

1962 total foreign trade had increased by about 78 per cent over the figure five years earlier. However, although the trend is uneven, on balance imports have been increasing faster than exports. The trade deficit in 1958, for example, was only 2.7 per cent of total trade. By 1962 it was 6.9 per cent, and this despite the fact that in 1962 imports declined compared with 1961, whereas exports increased.

Trade with Canada

Canada's trade with Japan consists fundamentally of the exchange of food (wheat) and industrial materials (mainly metals and minerals and their ores or concentrates) from Canada for highly manufactured goods from Japan and it has been consistently in Canada's favour. The picture according to official Japanese statistics is shown in Table III.

In 1962, Canada ranked eighth as a Japanese supplier, coming after the United States (\$1,400 million), Britain and Hong Kong (each with \$192 million), U.S.S.R. (\$149 million), Thailand (\$148 million), Australia (\$139 million), and South Korea (\$138 million). As a market for Japan, Canada ranked fourth, following the United States (\$1,809 million), Australia (\$436 million), and Kuwait (\$262 million).

For the coming year, imports will be further liberalized (see *Foreign Trade*, December 14, 1963), but because of the balance-of-payments problem, the economy will probably be subjected to some restraint through control of interest rates. (In December the Bank of Japan doubled the ratio of all bank deposits with the central bank, and there was talk that the official bank rate would be raised early this year, but so far this has not been done.) Although the planners are clearly hoping for a slowing down in the rate of increase in imports, a fairly substantial rise over 1963 is still being allowed for and expected.

If crops return to normal, imports of grain will be reduced from the abnormally high level of 1963. It is also possible that imports of lum-

ber were unusually large in 1963 and the carryover into 1964 may reduce imports slightly this year. The demand for ores and concentrates is likely to remain strong. Although liberalization will help in the importing of some of these and other products now under control, there have been indications that the liberalization of certain products of agriculture and of some industries such as mining and metal refining may be accompanied by higher duties or other techniques intended to reduce the impact of liberalization.

Outlook for Trade

There is little doubt that there will be stronger pressures for increased wages and demands for protection to meet the new era of liberalization. The paramount need to expand exports and to earn foreign exchange in other ways will be a major factor in deciding the course of events during the year. For example, there is considerable apprehension over the possible drain on the exchange reserves from foreign travel after the first of April, when controls over the use of foreign exchange for this purpose should be removed under Article 8 of the IMF. It has been proposed that each person be limited to \$500 a year in addition to actual costs of transportation. There are also suggestions about certain formalities in obtaining travel funds that would tend to discourage travel. On the other hand, the Olympic Games are expected to bring in considerable foreign exchange that could offset at least partially any sudden increase in spending by Japanese travelling abroad after the controls are lifted in April.

Despite the strong rate of growth and improving standards of living, Japan confronts problems that are worrying and may not be easy to solve. The generally bearish stock market since the first announcement of the proposals for U.S. withholding taxes on capital outflow is undoubtedly a reflection of these uncertainties. ●

Canada's Trade with Japan

Sales to Japan reached a record \$297 million last year, with raw materials for industry and grains the leading exports. Prospects for the coming months appear good; certain products that are still subject to licence may be liberalized during the year.

R. G. C. SMITH, *Minister (Commercial), Tokyo.*

CANADIAN exports to Japan increased in practically every month of 1963 over 1962, and ended the year at an all-time high of Can.\$297 million (DBS figures), a rise of 38 per cent. At the same time, imports into Canada rose to Can.\$130.5 million as against \$125.3 million in 1962. According to official Japanese statistics, which are on a c.i.f. basis, Canada's share of the import trade was 4.7 per cent, making it the third largest supplier. Japanese exports to Canada, on the other hand, based on the f.o.b. figures, equalled about 3 per cent of total exports.

The reason for the spectacular 1963 gain in exports from Canada to Japan fundamentally lies in the expansion of the Japanese economy during the year, which led to a heavy increase in the demand for raw materials readily and economically available in Canada. This demand and the poor wheat, barley and other grain crops boosted Canadian exports to an unprecedented high. There was also an encouraging broadening of the range of exports. Table I gives the picture.

Other interesting exports not included in the table are purebred hogs, live mink, onions, whisky, raw furs, clover and grass seeds, silver concentrates, magnesium, space heaters, chain saws, machine tools and industrial machinery.

Raw Material Demand Basic

Canadian exports to Japan depend chiefly on our ability to supply the raw materials that Japan needs. Thus, in years of contraction or of a relative slowdown in the economy

such as 1962, Canadian exports inevitably suffer. Although the picture given in Table I is most encouraging, on examination the reader will note that the general tendency is for exports of even primary manufactured goods, such as metals, to decline: that is, exports of nickel metal decreased and those of ores and concentrates increased. Similarly, exports of copper and zinc metal lagged behind the general trend.

Nevertheless, although it is unrealistic to hope to sell a wide range of manufactured goods to Japan, some sales are possible. Japanese industry is constantly on the alert for tools to increase efficiency, so that whenever new machine tools or tools with some special feature are developed, or material-handling machines or machinery or gadgets with novel features are offered, they may find Japanese buyers. However, because the Japanese industrial plant is wide-ranging, it may be advisable under certain circumstances to think in terms of manufacturing under licence, or perhaps of joint venture manufacture in Japan.

Agricultural Sales

Japanese agriculture is seeking to become more diversified and more efficient and there is a growing demand for purebred cattle, poultry and hogs. In 1963, imports of these animals increased and breeding stock should continue to move to Japan in greater numbers. Despite poor crops last year, sales of wheat may well remain at the 1963 level

or increase only slightly this year. On the other hand, Canada could have sold more feed barley last year if our stocks had been large enough and sales in 1964 are expected to rise considerably to meet the growing need for animal feed. The Food Agency that imports all grains is planning to bring in 455,000 tons of feed barley in the fiscal year beginning April 1, 1964, as against 258,000 tons last year. This figure could be modified if this year's barley crop is larger but most of the local barley is used for human consumption. There is also a substantial demand for malting barley, but Canada supplies only a small proportion because the Japanese prefer two-row barley malt. Prospects for oilseeds also remain good. Cattle feeds, particularly screenings but also bran, are likely to remain in strong demand. The Canadian share of the hide market is relatively small and could be increased if we could offer more and better quality hides.

Other Exports

Although the demand for lumber is likely to remain good, the extraordinarily large shipments last year may not be repeated because the year ended with heavy stocks on hand. The pulp market is almost certainly going to expand to meet the rapidly increasing consumption of paper, although efforts may be made to find chips to displace some pulp imports.

Imports of coal from Canada currently depend almost exclusively on the amount of freight subvention that the Canadian Government pays. Imports of asbestos are running into stiffer competition from Rhodesia and the U.S.S.R. and may have levelled off, at least for the present.

The fall in imports of biological products from Canada resulted from diversification and larger production

in Japan and sales are not likely to expand unless some new products are developed in Canada.

Contracts have been signed for a considerable quantity of newsprint to be delivered in 1964. The hope is that a reasonable amount will move from Canada to Japan each year, although Japanese production is expanding and the country is basically self-sufficient. For the first time, Canada has sold tobacco to the government monopoly and it is hoped that Japan will be a regular customer in the future.

The methods of doing business in Japan are different and most trade is conducted through trading houses. For a review of this feature of the Japanese market, see the article "How Japanese Trading Companies Function" in the March 21, 1964, issue of *Foreign Trade*.

Liberalization Continues

In preparation for joining the OECD and of moving to Article 8 of the IMF, Japan continued the process of dismantling its import controls. In *Foreign Trade* of December 14, 1963, the system of control and the recent move to further liberalize trade were described. As from February 29, 1964, a further measure of liberalization was put into effect, which freed imports of lead and zinc and some of their products. As a temporary measure, however, the freeing of these items was at least partly countered by temporary increases in duties. At the present time—apart from the controls implicit in the government monopolies which, for example, provide for the import of all wheat and barley by the Food Agency and of all tobacco and salt by the Japan Monopoly Corporation—the majority of imports are free from controls. It is expected that the items still subject to control will be liberalized progressively. It is possible, however, that when this takes place, the duties on some of them will be raised or other arrangements made so that local industries will have time to take steps towards

TABLE I
CANADIAN EXPORTS TO JAPAN

	1961	1962 (Can.\$'000)	1963
Total Exports	231,574	214,573	296,020
Of which:			
Wheat	92,382	87,503	95,588
Wheat flour	2,435	1,250	773
Barley	.....	.....	1,857
Flaxseed	14,301	11,369	13,536
Rapeseed	2,221	4,894	12,259
Pelleted screenings	.....	2,015	2,677
Purebred cattle	10	112	43
Poultry (baby chicks)	.....	.....	97
Fish roe	113	235	417
Skim milk powder	167	63	90
Hides and skins	2,732	2,459	1,997
Calf and kips raw	(1,152)	(1,345)	(1,148)
Logs and pilings	2,934	3,322	4,320
Hemlock	(160)	(538)	(1,154)
Spruce	n.a.	n.a.	(1,476)
Lumber	11,447	8,243	21,529
Hemlock	(6,731)	(5,974)	(16,160)
Wood pulp	2,506	6,656	20,136
Bleached sulphate	(491)	(2,730)	(11,588)
Semi-bleached sulphate	(289)	(1,022)	(1,108)
Dissolving	(888)	(1,948)	(4,189)
Unbleached sulphate	(812)	(509)	(1,688)
Pig iron	3,249	.....	106
Iron ore concentrated	10,152	14,610	20,295
Scrap iron and steel	15,424	2,196	6,547
Aluminum pigs, ingots, slabs	11,679	3,470	8,253
Aluminum scrap	3,095	1,722	2,297
Copper ores, concentrates, matte	971	20,440	28,275
Copper scrap	1,340	871	3,475
Brass, bronze scrap	3,331	2,078	2,500
Copper refinery shapes	6,461	1,863	.....
Nickel ores, concentrates, matte	2,266	1,644	2,586
Nickel anodes, cathodes, ingots	2	1,775	791
Lead pigs, blocks, short	1,000	773	1,338
Zinc blocks, pigs, slabs	2,445	13	356
Platinum metals	151	183	2,159
Coal	6,211	5,946	7,424
Asbestos	11,319	8,215	8,333
Tallow, inedible	756	1,072	1,367
Fertilizers and materials	.....	262	6,486
Plastics and synthetic rubber	4,532	3,363	2,672
Biological products, human use	471	1,132	475
Computers, card punch machines	2,510	3,831	3,712
Aircraft and engines	834	3,050	825
Radioactive elements, isotopes	685	135	86

modernization or regrouping to enable them to meet foreign competition on a better footing.

The following are some of the products of interest to Canada which are still subject to import licensing. passenger automobiles (expected to be liberalized in April 1965, but the date may be advanced)
cattle and swine
processed cheese (not natural cheeses)
apples
vegetable oils and fats
flour
milk products
confectionery

macaroni products
some preserved foods
whisky
oil cake and meals
sulphur
coal and coke
antibiotics
penicillin and vaccines
fertilizers
explosives
typewriters and computers
some machine tools
some communications and electronic equipment.

The fact that these items are on the "negative list" does not neces-

sarily mean imports are prohibited, but their import is subject to individual application for a licence. Applications are approved or rejected according to circumstances, including the volume of domestic production.

Imports into Canada

A preliminary survey of the DBS figures for imports into Canada from Japan for the first eleven months of 1963 does not show much change. Clothing and fabrics continued to make up about 20 per cent of the total and steel about 4.7 per cent. There were significant increases in imports of steel bars, rods and plates (especially the latter), but

the gain was partly offset by a considerable reduction in oilfield steel. Purchases of worsted and synthetic fibre fabrics and of men's trousers increased; those of silk fabrics, cotton broadcloths and poplins, corduroys, shirts, jewellery and cameras all declined. Imports of mahogany lumber and particularly hardwood plywood declined, dropping from about 6 per cent to under 4 per cent. Other products showing increases were electronic tubes, cigarette lighters, and earthenware tiles. Although we import a wide variety of other products from Japan—including mandarin oranges and tuna fish, table flatware, sewing machines, hand tools, tape recorders and ra-

dios (together nearly 6 per cent of total imports), china and porcelain tableware, toys, and footwear (about 4.2 per cent)—there was no significant change in their volume.

Despite considerable capacity to produce and export heavy machinery and equipment, motorcycles, automobiles and trucks, musical instruments, textile machinery and machine tools, in this field Japan has not yet made any large inroads into the Canadian market. However, there is growing interest and some initial sales have been reported. In fact, a considerable variety of machinery is imported, and it adds up to a significant total, but no single item is yet imported in volume. ●

South Korea

Good promotion brought increase in exports last year, but industrial expansion keeps imports high. Stabilization program proceeding, with import austerity stressed. Large shipments of wheat and barley pushed up Canadian sales in 1963.

JOHN D. BLACKWOOD, *Commercial Secretary, Tokyo.*

THE election of President Park Chung Hee and the subsequent victory of his supporters in the elections for the National Assembly late in 1963 has set the stage for economic stabilization in South Korea. Faced by severe economic problems last year, the Korean authorities embarked on an austerity program that enabled the country to achieve its short-term goals—a balanced budget, maintenance of a money supply of under Won 38,500 (120 Won equal U.S.\$1.00), and reserves of foreign exchange totalling more than U.S.\$115 million. Their success shows the Korean determination to strengthen the economy.

Economic problems are probably inevitable in a developing country that has limited natural resources

and maintains one of the world's largest armies. Annual imports cost the Republic of Korea 2½ to 3 times as much as it earns in foreign exchange and it depends on aid, most of which the United States provides, to bridge the gap. Coincident with reductions in U.S. aid in recent years, Korea has expanded its exports and intends to reduce imports to make possible the maintenance of exchange reserves. It has also adopted a stabilization program that features a tight money policy, import austerity, reduced government spending, no recourse to deficit financing, and control of commodity prices.

Preliminary Republic of Korea statistics put the real increase in gross national product in 1963 at 5.9 per

cent, mainly because of larger output in mining and manufacturing and more construction. Consumption increased by 2.4 per cent and the population rose by 2.88 per cent. Inflationary pressures, however, resulted in a substantial boost in wholesale prices. Grain prices in particular went up sharply—in fact, they almost doubled from October 1962 to October 1963. Prices of other foodstuffs increased by almost 25 per cent in the third quarter alone.

Industrial Advance Stressed

The industrial base of Korea is being broadened even in the face of economic difficulties. The most notable new development is the first oil refinery in which Gulf Oil, backed by investment guarantees from the U.S. Agency for International Development, has taken a 25 per cent interest. Full commercial production is expected to begin shortly. Up to now, Korea's requirements of petroleum products have been supplied under U.S. assistance. These AID funds will now be available to im-

port other commodities and it is understood that a good portion may be spent on fertilizers.

Other industries in process of development or planned include iron and steel, fertilizers, powdered sulphur, cement, nylon, cigarettes, and electric power. The fertilizer industry currently consists of two urea plants but there will be two producers of compound fertilizers with a combined capacity of 289,000 tons a year. The Korean authorities hope to get much of the needed capital equipment through foreign aid or supplier credits. A heavy sulphuric acid plant turning out 150 tons a day was completed recently and one to produce triple superphosphate is being considered.

Payments Deficit Continues

The promotion of exports made a good deal of progress last year but the sharp rise in imports resulted in a depletion of the foreign exchange reserves. Relatively free import policies and the expansion of the money supply, coupled with a poor barley crop, brought a run on exchange reserves at a time when inflationary pressures were gaining momentum. Despite the stabilization program there will be further stresses this year, and it may be necessary for Korea to continue borrowing abroad to meet immediate exchange needs. When an agreement on reparations is reached with Japan, substantial Japanese grants, credits and investment will ease some of these foreign exchange and development problems.

The main feature of the international payments situation in Korea last year was a trade deficit estimated at about U.S.\$372 million. As Table I shows, \$250 million of this was offset by donations and transfers from abroad. The remaining shortfall was covered by mobilizing short-term credits (\$46.3 million against D/A and usance L/C trade and \$43.7 million in the form of bills discounted abroad and bank loans).

Table I gives a simplified version of the estimated balance-of-pay-

TABLE I
REPUBLIC OF KOREA
TRADE BALANCE

	1963	1964
	(U.S.\$ million)	
Receipts		
Exports	83	105
Invisible exports	25	36.7
Sales to UN forces	60	52
Total	168	193.7
Payments		
Imports f.o.b.	470	420
Insurance/freight	40	36
Other services	30	35
Total	540	491
Net balance of trade	-372	-297.3
Donations and transfers		
United States	210	205
Others	40	40
Total	250	245
Net current accounts	-122	-52.3
Net foreign exchange balances (end of period)	129.6	100

ments situation for 1963 and rough unofficial projections for 1964.

Korea's original export target of U.S.\$72 million for 1963 was exceeded and preliminary estimates put export earnings at \$83 million. The objective for 1964 has been raised to \$105 million and export promotion policies, including the export-import link system, will be maintained. (In 1959, by comparison, exports totalled less than U.S.\$20 million.) This remarkable progress has not been without its problems: one is that the export increase is concentrated more and more in manufactured goods made from imported materials.

Financing Imports

Imports into the Republic of Korea are financed partly by its foreign exchange balances (called KFX) and partly through assistance from abroad. Within the authorized over-all figure, U.S. and Korean authorities decide which items are to be financed by AID funds. The import program this year depends on the amount of foreign exchange that can be used and imports will certainly be lower than in 1963; the preliminary figure is \$420 million. Roughly \$130 million will be used for imports by private traders using

KFX; of this, \$40 million may be spent on raw materials needed by export industries or for supplying the UN forces.

The Government through its Office of Supply (OSROK) is scheduled to purchase \$60 million worth of goods. U.S. aid, including commodities, project assistance, and PL-480 shipments, may exceed \$200 million. The remaining imports will come from foreign investors or be covered by supplier credits and foreign loans. Some \$43 million, however, of the funds available for imports must be used to settle for credit transactions (D/A and usance L/C imports) in 1963, although it is expected that this will be offset by suppliers extending similar credits this year.

Trade with Canada

Canadian exports to Korea last year reached \$3.9 million, compared with less than \$1.5 million in 1962, mainly because of large purchases of wheat and barley. Canada also shipped to Korea asbestos, materials for the papermaking industry, milk powder, lead-zinc, nickel, lumber, malt, and small quantities of nylon yarn, machinery, electronic products, and pharmaceuticals.

The Korean emphasis on export promotion last year raised its sales to Canada to \$380,381, compared with only \$99,000 in 1962. The major commodities in this trade were tungsten ore, cotton apparel, footwear, and fisheries products.

Korea's import austerity policy and the large amount of U.S. economic aid that it receives leave relatively few new opportunities for Canadian suppliers. A good deal of business is carried on by tender and the Canadian Embassy in Tokyo receives OSROK tender invitations and forwards them to the Department in Ottawa and to interested exporters. Despite austerity, there is potential business for Canadian firms in Korea, although exporters must expect some importers to ask for credit or deferred payment terms. ●

Hong Kong

Industrial expansion continued last year and trade reached an all-time record. Steps being taken to diversify industry and to produce more high quality goods, to assure continued sales increases.

MALDWYN THOMAS, *Trade Commissioner, Hong Kong.*

HONG KONG, famous for many things, is probably best known to the business world as one of the strongholds of free enterprise and free trade. Since the end of the Second World War, the population of the Colony has increased enormously and the economy has had to expand rapidly to provide for its people. From being a small outpost dependent on regional entrepôt trade, it has been transformed in recent years into a ranking industrial centre and an important international trader. The progress achieved in so short a time is due in no small part to the open nature of its economy.

Traditionally, Hong Kong's trade pattern consists of importing foodstuffs, industrial raw materials, and consumer goods not produced locally and exporting the finished products of its light industries, particularly textiles, clothing and plastics. Approximately 90 per cent of Hong Kong's industrial production is exported, an indication of its heavy dependence on foreign trade. Because it is a free port and has no raw materials of its own, it also provides a lively and accessible market for overseas exporters, well out of proportion to its very small area and its population of only 3½ million.

Despite some fairly serious current problems and the prospect of some long-term ones, the year 1963 was a prosperous one for Hong Kong. The political and economic stability which has characterized the Colony for some years continued in 1963 and reflected general optimism over its future. Activity in both the private and public sectors of the economy remained at a high level.

It was perhaps most readily visible in the large number of commercial and domestic buildings and public works projects in various stages of construction. Existing plants were extended and a number of new industries established; the capital came from outside sources in South East Asia, North America and Europe, as well as from local investors.

Trade Increased Substantially

Up to the end of November, exports reached HK\$3.5 billion and re-exports HK\$1.06 billion, an increase of 15.7 and 7.4 per cent respectively over the same period in 1962 and an all-time record. As most of the Colony's manufactures are exported, it can be assumed that the above figures reflect a commensurate rise in industrial production. Other significant indices also point to 1963 as a year of growth for Hong Kong. Bank clearances were up by 21.91 per cent, employment by 18.96 per cent, shipping cleared by 19.37 per cent, and electricity produced by 16.07 per cent.

Despite the expansion of local industry, Hong Kong was a good place for foreign exporters to do business in last year, as the import statistics show. Imports reached a total of HK\$6.7 billion by November, an increase of 9.04 per cent over the same period of the previous year. A wide variety of industrial raw materials, foodstuffs and consumer goods of all kinds came into the Colony from suppliers in every corner of the globe, who competed freely in this unrestricted market.

The growth in 1963 was achieved despite the worst drought in the Colony's history which, it was pre-



dicted at the outset, would result in a serious recession, particularly in the vital textile industry. Fortunately, stringent rationing was enforced in time and the ingenuity shown by industry in using the available water supply appears to have staved off what could have been a disaster. Two large new reservoir projects—one just completed on Lantau Island and one being started in the New Territories—will, it is hoped, provide Hong Kong with sufficient storage in future years to eliminate any repetition of 1963's restrictions.

Where Exports Went

Not only did the Colony succeed in increasing the volume of exports, but it was able to achieve most of this growth in sales of higher quality products (particularly textiles and clothing) to its larger and more developed trading partners, especially the United States, Britain and West Germany. Sales to the smaller developed countries, such as Australia, Sweden, New Zealand, and Canada, also increased considerably, as did exports to the more important Asian trading partners. Malaysia, for example, is the Colony's third largest customer, buying mainly clothing and textiles; sales to Malaysia grew steadily in the course of the year. Japan, which in many ways competes with Hong Kong, also buys a good deal from her and increased these imports by 42 per cent in 1963. This increase resulted from the growing market for shrimps and the constant de-

mand for scrap metal from Hong Kong's shipbreaking yards. Trade with Communist China, the Colony's biggest supplier, grew substantially as well, solely as a result of increased imports into Hong Kong of Chinese foodstuffs. In this way the Colony continued to be an important source of convertible currency for China. Trade with other Asian and African states expanded gradually, despite import controls that some of these countries placed on Hong Kong products.

Some Problems Persist

Although the water shortage did not prove as crippling as expected, 1963 held a number of other problems for Hong Kong and revealed some that it may have to face in the future. The immediate threat to Hong Kong's preferential trading position in Britain was ended by the rejection in January of the British application to enter the Common Market. However, the British-EEC negotiations, plus the restrictions placed by a number of other countries on the import of certain Hong Kong products, brought home to businessmen, industrialists and government officials alike the Colony's vulnerable position in international trade. Over half of its exports still consist of textiles and clothing and these are subject to an increasing number of requests for restraints and categorization by countries importing them. Although growth factors have been allowed for in the restraint arrangements, there is some pessimism over the prospects for long-term expansion. The Hong Kong textile industry has taken corrective measures, including the production of a wider number of basic materials, particularly synthetic yarns and fabrics, and the manufacture of higher-count piecegoods and better-quality clothing.

The marked growth last year of exports of quality fabrics and clothing indicate that these measures have succeeded, at least in part. There is nevertheless some apprehension that too great success in any

one textile line may result in new requests for restraints from importing countries which feel that their home industries are threatened. Retaliation by Hong Kong against such restraints is impractical because its bargaining position is limited by its small size and free trade practices.

The feeling is that industrial diversification will have to be encouraged to reduce the present great dependence on a limited number of exports and to take advantage of overseas markets for higher quality merchandise. There was much public debate on the subject in 1963 and a number of practical steps were taken. The traditional light industries, such as textiles, clothing and plastic products, increased the quality and variety of their output and in other industries such as shrimp fishing production was stepped up to meet specific market demand. Even more important to the Colony's long-term prospects was the establishment of new industries. This movement made considerable progress and the year witnessed the introduction of a variety of new products, including aluminum extrusions, dental ware, stainless steel, transistors, and routing machines. The most successful of the new undertakings was probably the transistor radio industry, which as of October 1963 had increased exports by 61 per cent to HK\$40 million. The Government and private enterprise also gave greater attention to the question of orderly industrial expansion and quality control. The most notable example was the textile testing service inaugurated during the summer by the Federation of Hong Kong Industries.

Position Still Vulnerable

Despite efforts to improve internal conditions, Hong Kong's trading position still remained vulnerable to the restrictive trade practices of other countries. Some, particularly the under-developed countries, maintained in 1963 partial or total bans on the import of Hong Kong products of any kind. Such restric-

tions emphasized to the Colony's exporters the necessity for diversifying their exports geographically as well as by product. Efforts to explore new markets begun in earlier years were therefore continued and intensified. Official and unofficial trade delegations visited Europe, the Middle East, South America, Africa, Japan and the Philippines, and more were planned for 1964. Hong Kong participated in a number of international trade fairs and manufacturers were urged to undertake thorough market surveys in order to attune their production to the requirements of potential overseas customers. Increasing attention was also paid to the question of attracting suitable investment to the Colony, particularly in the form of joint ventures and licensing arrangements.

Undoubtedly, Hong Kong's problems are fundamental ones. It will always be dependent on the export of converted imported materials for its livelihood and will remain vulnerable to the vagaries of world trade. Nevertheless, within the framework of these limitations the Colony has shown an awareness of its problems and the will to mitigate them by developing new industries to broaden the economic base and by expanding its trade on a genuinely multilateral basis. Hong Kong possesses many advantages in coping with these problems—imaginative entrepreneurs, an efficient administration, excellent financial facilities, good communications, and most important, a skilled, hard-working population. As long as world trade is conducted on a liberal and multilateral basis, Hong Kong should continue to prosper and to provide a free and open market in which overseas exporters can compete.

Index to Foreign Trade

The index to Volume 120 of *Foreign Trade*, covering the issues from July 13 to December 28, 1963, has now been printed. Readers who wish to have copies should write to the Editor.

Canada's Trade with Hong Kong

It's growing, and future prospects are good, with Hong Kong's prosperous economy providing new selling opportunities. Enterprising Canadian firms have proved that competitive prices and quality can sell a wide range of Canadian goods.

MALDWYN THOMAS, *Trade Commissioner, Hong Kong.*

CANADA shared in Hong Kong's general economic prosperity in 1963 and was able to improve its position in this market as a result of the better pricing, quality and availability of our products. Canadian sales reached \$17,489,656* by the end of the year, a 22 per cent increase over 1962, although still about 15 per cent behind the record year of 1960. However, nearly everything sold in 1963 was for use in Hong Kong and not for re-export, whereas a large share of our exports in 1960, including some of our most important commodities, such as aluminum ingot and stainless steel, were destined for reshipment to Communist China.

Canada's Principal Exports

Last year also saw an increasing diversity of Canadian products entering the Hong Kong market, although the bulk of our exports were still concentrated in a relatively small field. The following six groups of products accounted for 74.65 per cent of total sales to Hong Kong for the period January-November 1963 inclusive:

Plastic Resins—As the figures show, plastic resins remained Canada's most important export and sales were 61.6 per cent larger, reflecting continued development in Hong Kong's plastic products industry. Polystyrene shipments rose by over 90 per cent as a result of the rapid growth of the plastic toy industry.

*Note: All values are in Canadian dollars unless otherwise indicated.

There had been some doubt earlier over the prospects for polyethylene, but the recovery of the local artificial flower industry and the development of new applications for polyethylene resulted in a sales increase of 36.7 per cent. The outlook for the Hong Kong plastic industry this year is good and it is expected that Canadian sales may rise a bit above the present figure.

Aluminum—Exports of Canadian aluminum ingot rose by about 10 per cent during 1963 to reach 7,200 short tons, practically all of which was used by Hong Kong's expanding aluminum fabricating industry. A similar increase is expected for 1964.

Wheat and Flour—Canada's exports of flour, which in 1962 temporarily conceded first place in this market to Japan, appear to have recovered their lead in 1963 and are expected to reach approximately 19,000 long tons (or half of the Colony's requirements) by the end of this year. Imports of lower quality Japanese flour were increased in 1962 to supply the traffic in food parcels to Communist China. This traffic has been discontinued and it is felt that the traditional Canadian position based on quality will be maintained and that 1964 will see a further increase in our sales of up to 10 per cent.

Total wheat sales of 15,900 long tons were only 11 per cent larger compared with increases of 100 per cent and 20 per cent in 1961 and 1962. Practically all the Canadian wheat is used by Hong Kong's one

flour mill which last year faced competition from surplus stocks of imported Japanese flour and was unable to raise its production to any extent. As surplus stocks dwindle, the hope is that local flour production will improve. Although rumours that a second flour mill may be established in Hong Kong have somewhat confused the outlook, it has been estimated that Canadian sales could reach 20,000 long tons during 1964.

Textiles—During the past three years, textiles and clothing have come to rank among Canada's more important exports to Hong Kong, despite the Colony's own extensive industry. Sales in 1963 were 15 per cent larger; about 62.27 per cent of this increase was accounted for by knitted terylene fabrics. However, the principal growth took place in a wide variety of other fabrics, yarns and garments and a number of new items were introduced during the year, including hosiery, sweaters and dresses. If Canadian exporters can maintain their price levels, sales should continue to increase with the expanding demand in Hong Kong for more sophisticated semi-processed materials and more expensive clothing.

Synthetic Rubber—Although Hong Kong provides a regular market for only a small quantity of synthetic rubber, shipments from Canada were considerably larger during 1963 because a local warehouse was established to supply the Japanese and South East Asian markets and to take care of possible sales to China. Shipments to the Hong Kong warehouse could total 2,000 tons for the whole year, and may continue at the same level in 1964 if this procedure proves practical.

Forest Products—Sales of Canadian forest products to Hong Kong have expanded considerably in the past

few years and by November had reached \$675,000, nearly 60 per cent higher than in 1962. They included a fairly wide selection of products—lumber, plywood, newsprint, various types of paper, and container board. Newsprint sales at \$373,000 registered the greatest increase, with Canada supplying 10.3 per cent of Hong Kong's total, compared with 2 per cent in previous years. Although this growth resulted partially from distress sales, it also reflected more competitive pricing. In fact, competitive pricing was the basic reason for the improved Canadian performance in all forest products, and this augurs well for 1964 sales, particularly in view of competition from Scandinavia and from the Soviet Union, which is shipping into South East Asia from Vladivostok.

Automobiles—Traditionally, automobiles have been an important Canadian export to Hong Kong, but recently sales have tended to stagnate and for the first eleven months of 1963, at \$460,000, were about 9.5 per cent below the previous year. This was the result principally of the decision of a major vehicle manufacturer to ship its compact cars from Australia. Our sales in 1963 would have been even smaller had it not been for an order for a number of large cars for the hotel trade, a transaction unlikely to be repeated. It is expected that Canadian car exports to this market will fall by up to 20 per cent during 1964 but that they may well level out thereafter.

Steel—Sales of steel in various forms earns Canadian exporters approximately \$300,000 a year and this figure should rise by 10 per cent this year. Approximately half of our exports to Hong Kong consist of stainless steel strip for the watchband industry. This business appears to be stable and should continue at about the same level during 1964.

And . . . The remaining \$3.9 million worth of Canadian exports to

Hong Kong for the first eleven months of 1963 covered a wide variety of consumer goods and equipment and raw materials for light industries, such as the following, which all recorded increases:

- Foodstuffs
- Tobacco
- Plant materials for drugs
- Synthetic fibres
- Scrap metal
- Upper leather
- Dyestuffs and industrial chemicals
- Hardware
- Turbines
- Textile machinery
- Engines and parts
- Radio sets
- Air conditioning equipment
- Battery parts
- Bedsprings
- Tools
- Perfumes
- Toiletries
- Jewellery
- Watch and clock movements

New Products Introduced

A variety of products were introduced for the first time, indicating the wide front along which Canadian exporters are exploring the market potential here. These included:

- Cooked ham
- Fishery foods and feeds
- Cheddar cheese
- Coffee
- Asbestos fibres
- Douglas fir plywood
- Animal glue
- Lacquers and thinners
- Asbestos cement building products
- Tiling
- Flooring and wall coverings
- Natural stone
- Compressors
- Plastic moulding machinery
- Truck tires
- Television receiving sets
- Electric cooking apparatus
- Electric light fixtures
- Sanitation equipment
- Hosiery
- Batteries
- Power-driven hand tools

On the other hand, sales of certain foodstuffs, leather, furs, appliances, toys, chemicals, certain types of yarns, gluten, wheat bran, fresh apples, and malt were smaller. In some instances, the decline was caused by reduced or changed de-

mand, but in most it appeared to be the result of increased competition.

Prospects Good

The outlook for Canadian exports in the Hong Kong market in 1964 and in the future is favourable. Canadian prices generally have become more competitive over the last two years and Canadian exporters are showing greater willingness to meet the demands of this market. Naturally, the major industrial products—aluminum, plastic resins, wheat, textile fabrics, synthetic rubber, and flour—will continue to dominate our exports. But the wide variety of commodities that are currently being sold on a small scale or have just been introduced should also gain ground if Canadian exporters are consistent in their promotion efforts. Certainly, Hong Kong's expanding economy provides plenty of opportunities for business. There are, of course, obstacles to overcome: this market is open to the whole world and competition is fierce. Also, despite its astonishing economic development, Hong Kong's size and structure impose limitations. It is not, for example, a heavy industrial centre and therefore not a market of any size for some industrial raw materials, many types of chemicals, and heavy machinery and equipment, and Canadian exporters should not expect results in these fields. Nor should they attempt to sell mass-produced inexpensive consumer products, because many of these are produced locally or come in from other Asian sources. Instead, they should examine particularly the opportunities for quality textiles and clothing, luxury foodstuffs, building products, and a wide variety of miscellaneous materials for the plastics industry and for the numerous other light industries that are being established. Canadian firms in these fields that can offer the right goods at the right price should be able to find a place for themselves in Hong Kong's expanding market during 1964. ●

Indo-China States

Political and economic problems impeded growth of trade last year, but prospects should improve as these are solved and industrialization proceeds. Import financing by foreign aid, especially from the United States and France, hinders expansion of Canadian sales.

NORMAN GISH, *Assistant Trade Commissioner, Hong Kong.*

THE INDO-CHINA STATES have been only a modest market for Canadian exports in the past and 1963 brought little change. Prospects for the immediate future are not promising because these countries continue to be plagued by serious political and economic problems.

In the last five years, Canadian exports to Laos, Cambodia and South Vietnam combined have totalled only C\$1,963,000—ranging from a high of C\$689,000 in 1960 to a low of C\$267,378 in 1963.

However, long-term prospects are worth watching because the three countries are entering the first stages of industrial development. Should trade be liberalized to any extent, there might be some opportunities for selling light industrial equipment, raw materials, and a variety of unsophisticated consumer goods. The main obstacle to Canadian sales in this early period of industrialization is the heavy dependence of these economies on foreign aid, with its "donor purchase" provisions. For this reason, Canada can more readily participate in trade in the so-called "free imports".

Laos

Canadian sales to Laos are minimal, and there are no separate Canadian statistics on exports to this small state. The Laotian Government licenses all imports and no definite commercial import program has been formulated. Purchases from abroad are financed mainly through foreign aid of one kind or another, and this situation is likely to continue as long as political problems remain unsettled.

The economic situation in Laos deteriorated progressively in 1963. Crops were poor and practically no development was undertaken. Prices and the cost of living rose by 300 to 400 per cent. Reserves of gold and foreign exchange were insignificant and there was a continuing drop in the value of the currency (Kip). The main support came from the release of U.S. aid dollars, although in late October four Western countries (U.S., Britain, France and Australia) agreed to create a stabilization fund for the Laotian currency and the value of the Kip steadied.

Imports far outdistanced exports. The leading imports were mineral products, cereals, textile fabrics, food products, machinery, cattle, road transportation equipment, chemicals and base metals. Most imports come in by rail through Thailand and the high freight charges add considerably to their cost. Laos' main suppliers are Thailand, Indonesia, the U.S., Japan, France and Hong Kong.

Principal exports by value are tin ore (all production goes to Malaysia), unroasted coffee, cardamom, hides and timber. Tobacco production developed well with the expansion of cigarette factories and existing plants. Timber production also went up sharply.

Until the politico-military situation changes, there appear to be few prospects for Canadian exporters.

Cambodia

As the year ended, Cambodia was in a state of flux. In November the Government stated that it would



renounce all Western aid, nationalize the export-import trade as of January 1, 1964, and also nationalize the banks on July 1, 1964. A period of grace has been granted for the nationalization of the export-import trade, but apparently the policy will be carried out once the proper government machinery is set up. It is still too early to tell whether the banks will be nationalized on schedule and what effect these two decisions will have on the economy.

It is said that 1963 was the poorest year economically since independence. Although foreign exchange reserves remain relatively high, development was considerably slowed down for budgetary reasons. The five year plan launched in 1960 proved too ambitious and was not followed. Aid from the United States, France, the Soviet Union, Czechoslovakia, Communist China and Japan continued. Except for the United States and France, most of this aid took the form of educational, industrial or capital projects. The rice crop was average but rubber plantings increased and rubber continued to be the backbone of the economy.

Cambodian exports, which had been sliding downward since 1960, improved slightly last year but there was still a large trade deficit. Imports consisted mainly of metals and manufactures, textiles, agricultural food products, mineral products (including petroleum), chemicals and pharmaceuticals. The suppliers were France and its overseas territories, Japan, Malaysia,

the U.S., and Communist China. U.S. sales decreased considerably but Communist countries increased theirs. Cambodia now has bilateral trade agreements with a number of Communist countries and those with Bulgaria, Communist China and the U.S.S.R. were extended for another year.

The principal exports are rice, rubber and maize and the principal markets for these products are France and its overseas territories, Hong Kong, Malaysia and the U.S.

Canadian sales to Cambodia and Laos in 1963 totalled about \$17,484, with the larger share going to Cambodia. These exports consisted mainly of laboratory equipment, gin, switchgear equipment and cereals. Prospects for larger sales in the year ahead are not encouraging.

South Vietnam

Although South Vietnam experienced political difficulties during the year it also made a number of economic gains. The rice crop, (rice is an important export) was

said to be the best in recent years and there were also significant developments in industry and infrastructure.

The country remained heavily dependent on U.S. aid; a significant portion of this was for the commercial aid program and was used to help finance imports. Canada is not at present shown as a source of supply under this program and imports from Canada depend on the release of funds independent of it. A further hindrance from the Canadian point of view was the granting of long-term loans by France, West Germany and Japan; these loans are tied in with the supply of goods from these countries. The main imports are metal manufactures, glassware, petroleum products, fertilizers, yarns, motor cars, pharmaceuticals and chemicals, dairy products and electrical equipment. The principal suppliers are the United States, France, Taiwan, Japan, Indonesia and West Germany. Exports are concentrated on rice and rubber and the main markets are in Asia and Europe. There was a large trade deficit last year.



Last year's rice crop in South Vietnam was one of the best in recent years and this will boost export earnings, because rice continues to be both a staple food and a sizable export. Here harvested paddy rice is being dried outdoors in the sun.

Canadian sales to South Vietnam over the past three years have remained fairly steady; they totalled \$249,894 in 1963. The principal exports were industrial materials and equipment, construction machinery, engines, telephone apparatus, radio and TV equipment, pulp and paper machinery, asbestos fibre, and Canadian whisky. Sales of files and rasps, which had been a mainstay of our exports to South Vietnam, decreased steadily from 1960 on and disappeared entirely in 1963. Increased sales of other products compensated for this.

With continued industrialization and an improvement in the political and military situation, prospects for Canadian sales in 1964 to South Vietnam might improve, particularly in the field of industrial raw materials and equipment.

Japanese Market Growing Fast

THE Japanese have been rapidly changing their way of life since World War II and their new buying habits and larger incomes have created one of the fastest growing markets in the world. There has been an extraordinary increase in the sales of domestic electrical appliances, TV sets, refrigerators, radios and washing machines. The average city householder is estimated to have almost tripled his spending on durable consumer goods during the five years 1955-1960—for example, 90 out of 100 households owned TV sets in August 1963.

Eating habits are changing also. Consumption of rice (although it is still the basic food) is not increasing, but the Japanese are using more milk, dairy products, meat, poultry, confectionery, fruit and liquor. Instant foods are in greater use also, reflecting the desire for more leisure and the growing number of working wives.

Japan is one of the most densely populated countries in the world, with 260 persons per square mile. The rate of population increase, however, is one of the lowest, at about 10.3 persons per 1,000 population. Incomes of male city workers have risen by 70 per cent since 1955. Farmers also are earning more, helped by government price supports for rice and wheat.

Communist China

New emphasis on agriculture has led to concentration on industries that produce farm tools, implements, machinery, fertilizers. Demand for imported grain expected to continue as harvests fall short of domestic needs. Trade pattern shifting; Chinese shopping for best prices and terms and for goods best suited to their needs.

DANIEL MOLGAT, *Assistant Trade Commissioner, Hong Kong.*

COMMUNIST CHINA has a relatively undeveloped economy based on agriculture and oriented by state planning aimed at making it a major industrial power. After 1958 both agriculture and planning encountered difficulties and the story of China's economy over the last three years is one of recovery from the resulting crisis that reached its most serious point in 1961.

Harvests Now Better

One major cause of the crisis was three consecutive years (1959-1961) of bad weather which had an adverse effect on agricultural production. The other major cause of the crisis was the difficulty encountered in economic co-ordination during the first years of intense economic activity—the "Great Leap Forward" that began in 1958. The result was a certain degree of economic dislocation, but since the beginning of 1962 a realistic effort has been made to repair this dislocation and get the country moving along a more conservative road of economic development. Industrial growth will be based on agricultural advance because in China's present state agriculture is the only major source of capital for national investment. The planners faced this fact and in 1963 (the first year in which national economic expansion was resumed on a significant scale) industry was developed with the aim of serving agriculture. Priority was given to those sectors of heavy industry that provide farm tools, implements and machines, chemicals for making chemical fertilizers and

insecticides, and plastics for the consumer goods industries.

Agricultural production, in response to a combination of somewhat better weather, improved management, and incentives to farmers, has shown a slow but steady increase. The 1962 grain harvest was fairly normal and was estimated (in the absence of Chinese statistics) at about 180 million metric tons. The output of cotton (China's main industrial crop) also improved, at an estimated 980,000 metric tons of lint. The 1963 grain harvest was probably marginally better (possibly up by one million metric tons) and the cotton harvest may have been about 5 per cent larger than in 1962. Although these figures show progress they must be viewed in proportion. They must be related to a population of more than 700 million and to past harvests. The above estimate of the 1963 grain harvest, if correct, represents a recovery almost to the level of 1956, but the estimate for cotton is still below the 1956-1957 level. In the meantime, the population has increased by about 50 million.

This situation has two main implications for Communist China's immediate economic future. One is that the country, in terms of the needs of its people, will for the moment continue to have a shortage of grain and cotton. If we add that China finds it advantageous to import wheat so that it can export other foodgrains such as rice and soyabeans, we can conclude that it should remain a significant market



for wheat exporters in the foreseeable future.

The second conclusion from our assessment of the current situation is that the fundamental task of industry (more particularly of heavy industry) for the foreseeable future will be to help the development of agricultural production. The immediate points of concentration by the Chinese authorities will probably continue to be the mechanical, chemical and consumer goods industries (the last for incentive). But this emphasis indirectly involves basic industries such as iron, steel, timber, coal and petroleum, and the expansion of basic construction such as irrigation, electrification and road systems.

More Purchases from West?

The Chinese authorities have indicated that they propose to resume rapid industrialization as soon as the establishment of an adequate agricultural base makes this course possible. There is room for doubt whether this condition can be met in the near future. But when a new program of rapid industrialization does come into effect, China can be expected to become an important buyer of industrial goods, a large share of which it might obtain from the West. In the meantime, its purchases from non-Communist countries are limited by a shortage of foreign exchange.

A senior Chinese official is reported to have said during a visit to Europe last spring that China's

purchases of industrial goods from Western countries would increase when she could cut down her imports of grain. Although there was no sign of such a reduction last year, China had enough foreign exchange to show a new and serious interest in buying capital goods from countries outside the Sino-Soviet Bloc.

When Chinese officials visited Europe in April 1963, their interest appeared to be directed mainly at sophisticated equipment for industries capable of aiding agriculture and for the chemical industry (including those sectors producing plastics and synthetics of all kinds) and at machine tools and agricultural goods. One of the major developments of 1963 in this field was the purchase from non-Communist countries of complete industrial plants. Eight such installations were bought in 1963: a vinylon plant from Japan (a contract for the purchase of a second plant of larger capacity has been signed and awaits Japanese Government approval); a urea plant from the Netherlands; a chemical fertilizer plant from Britain, to be operated in conjunction with the urea plant; two complete sets of chemical fertilizer equipment from Italy, and an n-butyl alcohol and ethyl hexyl alcohol plant from France.

Trading Pattern Altered

A crucial element in the trading prospects for Western exporters of industrial goods is the shift in China's trading pattern in recent years. Its over-all purchases from the U.S.S.R. (still by far its largest trading partner) declined by more than 55 per cent from 1960 to 1961 and fell again by more than 36 per cent from 1961 to 1962, the last year for which official statistics are available. The decline in purchases of machinery (including complete plant) from the Soviet Union in 1961 was 79 per cent and in 1962 75 per cent. China appears to be in the process of shifting its sources of supply for various imports and if Canadian exports can compete,

TABLE I
CANADA'S TRADE WITH COMMUNIST CHINA

	1959	1960	1961	1962	*1963
	(Can.\$'000)				
Metals, processed metal and metallic minerals	3,493	9,662	1,250	185	2
Plastics, synthetic resins, synthetic rubber, polystyrene	96	3,058	202	14	1
Drugs and chemicals; dental, surgical, hospital and laboratory equipment and scientific apparatus	756	409	50	5	20
Lumber, wood pulp, paper and container board			1,616	3	285
Engines and parts				105,000	
Foodgrains			120,201	147,157	84,012
Total Canadian sales to China	4,370	13,148	125,942	147,575	84,331
Total Chinese sales to Canada	4,840	5,638	3,233	4,521	

*January-September.

there are substantial sales prospects on a scale governed largely by Chinese success in earning foreign exchange.

Apart from the Communist countries, China's foreign exchange earnings have normally come from Asian countries. In recent years, it has consistently run large favourable balances of trade with Hong Kong (annual surpluses of from U.S.\$178 million to U.S.\$197 million from 1960 to 1962, with a surplus for 1963 in the neighbourhood of U.S.\$250 million) and Malaysia (from U.S.\$35 million to U.S.\$74 million) and—to a lesser degree and somewhat less consistently—with Burma, Japan, Macao and Cambodia.

Britain and the Netherlands are the only European countries outside the Soviet Bloc with which China has achieved a favourable balance of trade (U.S.\$50 million in 1961 and U.S.\$40 million in 1962 with Britain; U.S.\$10 million and U.S.\$11 million for the same years with the Netherlands). China runs unfavourable balances of trade mainly with its major grain suppliers: Canada, Australia, France and, more recently, Argentina. Broadly speaking, China's trade surpluses with Hong Kong and Malaysia combined have been sufficient to offset its deficits with the major grain suppliers. The country is making a serious effort, however, to expand

its foreign sales in order to earn more foreign exchange. It is offering mainly clothing, textiles, footwear, foodstuffs, machinery, light mechanical goods, tungsten and other metallic ores and concentrates, tin, antimony and other non-ferrous metals, cement, steel, oilseeds, bristles, tea, tobacco and a wide variety of handicrafts.

Long-Term Prospects

Many Western countries which produce capital goods are cultivating the Chinese market, partly in the hope that the Chinese will be able to buy more capital equipment in the near future, and partly with an eye to sales prospects in the long term when, because of its program of economic development, China may become a large market. Exhibitions of industrial equipment and measuring instruments were held in China last year by British and Danish firms and a large Japanese industrial exhibition was held in Peking and in Shanghai. Britain plans to hold three industrial exhibitions in China in 1964, France one in 1964 and another in 1965, and Sweden one in 1965. In addition, a few countries and many private companies are sending exploratory trade delegations to China to assess or in some instances to begin to develop the market.

For Canadian exporters, there are some prospects for sales to China of

products other than foodgrains, but it would be over-optimistic to think that because China has 700 million people, it has unlimited market possibilities. Demand will probably be restricted for some time to come by foreign exchange problems. Within the limits set by those problems, however, there should be some prospects for Canadian sales, not only of such traditional items as metals, synthetic resins, leather, drugs and chemicals, wood pulp and lumber,

but perhaps also in the field, relatively new in Sino-Canadian trade, of specialized machinery and equipment. (See also "Selling to Communist China" below.)

Table I gives six main categories of goods that Canada has exported to Communist China over the last five years, with the approximate value of trade in each. It is possible that the imbalance since 1961 may exercise a restraining influence on further Chinese purchases from

Canada. In spite of this, however, China can generally be expected to buy where it can find the best prices, the best terms, and the most suitable goods. Canadian exporters will probably discover that the Chinese market is a difficult one, demanding a sustained effort to keep buyers informed—an effort that may remain unproductive over long periods. When results are achieved, however, they should be worth the time and trouble. ●

Selling to Communist China

What is the right way for a Canadian company to introduce its products to the Chinese? What are the trading techniques used?

R. K. THOMSON, *Senior Trade Commissioner, Hong Kong.*

THE market in Communist China for Canadian products has received considerable attention in the past three or four years, principally because of substantial Canadian shipments of wheat and other foodgrains to that country. These imports were needed because of unfavourable harvests that affected the whole economy. During this period, China found it necessary to reduce drastically imports of other commodities but the past year has seen some economic improvement and a resumption of purchases abroad. The direction of China's overseas trade has altered to some extent: the country appears to be turning more for import requirements to the Western world instead of depending heavily on the Soviet Union and the Eastern European countries, as it did earlier.

It is expected that China will continue to look to Canada for wheat and other foodgrains and possibly for other import needs. The extent to which Canadians can expect to increase their exports to Communist China of products other than wheat and grain cannot be readily fore-

seen. Many factors will influence future Chinese purchases in Canada; the most important is probably the heavy imbalance of trade in our favour. China is hoping to increase its own exports to the Canadian market and representatives of several Chinese state trading corporations have visited Canada for this purpose in recent months. Although China's over-all import requirements are extensive, the large population and development plans make it likely that imports will increase only gradually as the economy improves and as export earnings rise.

What Can Canada Sell?

What can Canadians sell to Communist China and how should Canadian exporters approach this large market? In previous years China bought a considerable variety of industrial products from Canadian companies. Among these were steel, aluminum, copper, nickel, zinc and magnesium metals, pharmaceuticals, chemicals, hospital equipment, leather, synthetic resins, wood pulp and lumber. As a result of the economic crisis, most of these im-

ports were curtailed and they now provide no more than a general indication of the potential needs of the Chinese market. But the gradual revival of industrial production currently taking place in China and the emphasis on bolstering agriculture do suggest possibilities in certain fields. To improve agricultural output the Chinese have stressed the need to use more fertilizer, insecticides and agricultural equipment on the land, and have already purchased complete fertilizer plants and chemical fertilizers from Western suppliers. Other branches of industry and the transportation and communications system are now being developed.

In addition to showing renewed interest in metals and minerals, machinery, chemicals and other industrial materials, the Chinese have recently concluded negotiations with suppliers in Japan, the Netherlands, Britain, Italy and France for complete plants to make chemicals and artificial textile fibres and are believed to be shopping for other types of plants as well. Recent visits to the state trading corporations have resulted in interest being shown in geological and drilling equipment, communications equipment, large diesel engines, food-processing equipment, automobile

spare parts and precision machine tools.

Rôle of Trading Corporations

In China, as in other Communist countries, trade is a monopoly of the State and is conducted through a small number of large state trading corporations. Each corporation is completely responsible for foreign trade, both import and export, in a group of related commodities. One corporation, for example, is responsible for the import and export of all chemical products and another for minerals and metals. The head offices of these corporations are in Peking but most have active branches in other important centres, such as Shanghai, Tientsin, Canton, Wuhan, Tsingtao and Dairen. (A list of the foreign trade corporations and the products that each handles is given on the right.) The branches in centres other than Peking are important for certain specialties and for the requirements of the areas in which they are located and Canadian exporters should not overlook them.

The state trading corporations, although they import in their own names, really act on behalf of the end-users — state-owned factories, trading companies, and production ministries. The corporations are naturally large and trade officials are generally able and well-informed.

China's import programs are usually planned well in advance and in relation to the country's requirements and (a most important factor) the availability of foreign exchange. It is rarely possible to obtain more than a general indication of China's import plans and of its needs. Few production or trade statistics are published so that needs are difficult to estimate or assess.

Trade with Communist China is difficult and time-consuming. Those Canadian exporters whose products are competitive and in demand in China, who have studied the Chinese market and Chinese requirements, and who have kept in regular touch with the appro-

Chinese Foreign Trade Corporations and the Products Each Handles

China National Chemicals Import and Export Corporation

Head Office: Erh Li Kou, Hsi Chiao, Peking.

Rubber, rubber tires and other rubber products, petroleum and petroleum products, chemical fertilizers, insecticides and fungicides, pharmaceuticals, medical apparatus, chemical raw materials, dyestuffs, pigments, etc.

China National Machinery Import and Export Corporation

Head Office: Erh Li Kou, Hsi Chiao, Peking.

Machine tools, presses, hammers, shears, forging machines, diesel engines, gasoline engines, steam turbines, boilers, mining machinery, metallurgical machinery, compressors and pumps, hoists, winches and cranes, transport machinery (motor vehicles and parts thereof, vessels, etc.), agricultural machinery and implements, printing machines, knitting machines, building machinery, machinery for other light industries, electric machinery and equipment (motors, generators, transformers, rectifiers, etc.), telecommunication equipment, scientific instruments (optical, physical, electronic, navigation, meteorological, etc.), electric measuring and testing instruments, laboratory equipment, precision measuring tools, metal cutting tools, hand tools, ball and roller bearings, tungsten carbide, cinematographical equipment and supplies, photographic equipment and supplies, etc.

China National Metals and Minerals Import and Export Corporation

Head Office: Erh Li Kou, Hsi Chiao, Peking.

Steel plates and sheets, steel sections, steel tubes and pipes, special steels, railway materials, metallic products, ferro-alloys, pig iron, ferrous minerals, non-ferrous metals, precious rare metals, non-ferrous minerals, non-metallic minerals, hardware, etc.

China National Technical Import Corporation

Head Office: Erh Li Kou, Hsi Chiao, Peking.

Whole-plant projects and equipment, etc.

China National Cereals, Oils and Foodstuffs Import and Export Corporation

Head Office: 48 Tung An Men Street, Peking.

Cereals, edible vegetable oils, vegetable oils for industrial use, oilseeds, seeds, oil cakes, feedingstuffs, salt, beans, canned foods, spirits of various kinds, animal tallows and fats, sugar and confectionery, etc.

China National Tea and Native Produce Import and Export Corporation

Head Office: 48 Tung An Men Street, Peking.

Black tea, green tea, Oolong tea, scented tea, white tea, compressed tea, coffee, cocoa, rosin, nuts, wood and timber, spices, essential oils, tobacco and its manufactures, bast fibre and its manufactures, porcelain and earthenware, arts and crafts, other native produce, etc.

China National Animal Byproducts Import and Export Corporation

Head Office: 48 Tung An Men Street, Peking.

Bristles, horse tails, fur, fur plates, skins, hides, feathers, carpets, brushes, leathers and leather products, etc.

China National Textiles Import and Export Corporation

Head Office: 48 Tung An Men Street, Peking.

Cotton, cotton yarn, raw silk steam filature, wool tops, rayon, synthetic and other manmade fibres, cotton piecegoods, silk piecegoods, woollen piecegoods, linen, various kinds of cotton, linen, silk and woollen ready-made articles, etc.

China National Light Industrial Products Import & Export Corporation

Head Office: 48 Tung An Men Street, Peking.

General merchandise, paper, paperboard, stationery, toys, musical instruments, sports goods, sanitaryware, building materials, electrical appliances, etc.

appropriate trade corporations and their branches have succeeded and can succeed in selling. However, it calls for a good deal of patience. Experience has shown that when a sale is concluded, it is usually substantial enough to justify the trouble and expense and the length of negotiations.

How to Approach Them

Because the trading corporations are relatively difficult of access, it is important that Canadian suppliers hopeful of selling to them keep in regular contact with head offices and branches. Sales literature and latest prices should be sent to them at regular intervals. (Some Canadian companies may consider it worthwhile to have this literature translated into Chinese.) This information should be provided in quantity to enable maximum circulation within the large corporations; they may, in turn, pass it on to end-users, such as factories or other producing or consuming bodies. Otherwise, Canadian suppliers have little or no access to end-users; even if they visit China, Canadian exporters or importers rarely meet anyone but officials of the foreign trade corporations. But in this way information about the product and its advantages may reach end-users and those in the foreign trade corporations responsible for influencing purchases.

As in other parts of the world, personal visits and direct discussions with state trading officials can be of vital importance—particularly if they have shown interest in a particular Canadian product as a result of prior correspondence. Indeed, prior correspondence is essential because visas are issued to a Canadian only after a particular trade corporation has sponsored his visit and extended an invitation. Preparations for a visit to China should be undertaken at least several weeks in advance to ensure that an entry visa will be forthcoming. The office of the Canadian Government Trade Commissioner in Hong Kong can sometimes be helpful in this matter.

It would be a mistake for a Canadian businessman to arrive in Hong Kong expecting to be able to visit China without prior correspondence with one or more state trading corporations and without evidence, in the form of a clear invitation to visit the corporation concerned, that a visa will be granted. Even then, there may be a two or three-day delay in Hong Kong for the completion of visa formalities. Travel to and within Communist China is not difficult and transportation and other travel facilities are good.

Other Approaches Possible

A preliminary visit to China and investigation of its import requirements by Canadian businessmen might take the form of attending either the spring or fall trade fairs held at Canton, only a few hours by rail from Hong Kong. The Canton Fair (held from April 15 to May 15 and from October 15 to November 15) was described in *Foreign Trade* of January 11, 1964. It is a semi-annual occasion for the display of Chinese export products of all types. In attendance at these fairs are senior executives of all the state trading corporations, many of whom travel to Canton from head offices in Peking. Although the fair is primarily an occasion for negotiating sales of Chinese exports, state trading officials are usually willing to discuss imports. Businessmen visiting the Canton Fair occasionally go on to Peking and other centres as well.

Another approach to trading with China is through the China Resources Company, located in Hong Kong. The China Resources Company is an agency of the Government of China and acts for the Chinese state trading corporations in making sales and purchases. In most instances, however, decisions are made by head offices in Peking.

The businessman will realize that in a Communist country where practically all production and trading entities are owned by the State and where there is almost no private enterprise, there is no possibility of

appointing agents or representatives within the country. In fact, the Canadian exporter must in many ways act as his own agent or representative by keeping in regular and close touch with the buying agency, the state trading corporation. This can be done, as I mentioned earlier, by providing the corporation regularly with sales literature, price and other information, and samples and, where appropriate, by personal visits.

In Hong Kong there are a number of established trading firms which have traditional trade relations with China. These firms can undertake representation for the sale of certain Canadian products there and can conclude business with the state trading corporations on behalf of Canadian producers. It is known, however, that the Chinese corporations prefer to deal directly with overseas suppliers and on the whole, this approach is to be recommended. On the other hand, some of the Chinese state trading corporations have appointed Canadian agents for the sale of particular Chinese products in Canada.

Transacting business with the Chinese state trading corporations is not handicapped unduly by language barriers. The corporations will carry on correspondence in English or French and during a personal visit to the head or branch offices, competent interpreters are available for discussions or negotiations. But because of the translation problem, correspondence tends to be somewhat slow and letters rather brief and not always as informative as an exporter might wish.

Payment and Contract Terms

The Chinese normally like to purchase from Canada on an f.o.b. basis and arrange their own shipping and insurance, but for small orders, purchases may be made on a c.i.f. basis. On both import and export shipments, the Chinese insist that the China Commodity Inspection and Testing Bureau, the official Chinese inspection service at port of shipment or entry, make the final inspection. Although the Bureau's

inspectors have generally proved to be fair and efficient, traders should make sure that specifications are clearly defined and that both sides understand them before orders are confirmed.

For Chinese exports, contracts always contain an arbitration clause to the effect that arbitration shall take place in China and that the decision of the Foreign Trade Arbitration Commission of the China Council for the Promotion of Foreign Trade shall be accepted as final.

Payment for both imports and exports is nearly always made in convertible sterling. For exports to China, payment is generally made by irrevocable letter of credit through the Bank of China in Pek-

ing. These letters of credit cannot be confirmed by outside banks.

For exports from China, quotations are almost invariably c.i.f. Canadian port. Although the Chinese corporations usually request payment by irrevocable confirmed letter of credit, there are occasions when they appear to be willing to extend D/P and 90-day terms and even ship on consignment.

A large part of the trade between Canada and Communist China is carried on by direct shipment between Chinese ports and Vancouver, principally in vessels chartered by the Chinese Government. Otherwise transshipment may take place in Hong Kong or in European ports—particularly shipments to and from Eastern Canadian ports.

Canadian Government Trade Commissioners at Hong Kong visit Canton, Peking, Shanghai and other principal Chinese trade centres regularly; they have made four such tours in the past twelve months. The Senior Canadian Government Trade Commissioner at Hong Kong will be glad to provide as much information as possible on the Chinese market for Canadian products and will be glad to discuss particular products with the state trading corporations during visits to China. Advance information about these tours is invariably published in *Foreign Trade* and exporters contacting the Hong Kong office before such a tour are requested to provide full information about particular products and sales literature. ●

Malaysia

Low rubber prices and external threats to the Federation are chief problems facing the new state. Development plans based on free enterprise are proceeding, especially in rural areas. Canada's exports rose to \$6.4 million last year, with wheat flour in the lead.

MALAYSIA, created only seven months ago out of the fully independent Federation of Malaya, the semi-independent Singapore, and the British colonies of Sabah (North Borneo) and Sarawak, is making progress despite the many political and economic problems besetting it. Malaysia was formed without any illusions about the difficulties inherent in bringing together countries with populations of complex racial, cultural and linguistic backgrounds and in different stages of social and economic development. Indonesia's policy of confrontation towards Malaysia, however, and the break in natural rubber prices to the lowest in years are making the task of getting the new nation off the ground all the more difficult.

The various governments of Malaysia, in concert with the cen-

tral government, are making determined efforts through long-range development programs to raise the standard of living of the people (particularly those in rural areas) and to eliminate widespread unemployment or under-employment. Above all, they are trying to diversify the economy and thus lessen dependence on the production of rubber, which accounts for about one quarter of the national income. To achieve these aims, rural families are being settled on virgin lands and subsidized over a period of time, irrigation projects are being carried out to increase the productivity of existing farm lands, roads are being built, and electricity is being brought to the remotest villages. Industrial estates are being created and new industries given solid encouragement.



All this activity is being financed, in the face of large budgetary deficits, by internal and external borrowings and the running down of reserves. It is hoped and expected that over the long term the inflow of foreign investment funds will soften the effects of this policy on the balance of payments. The free enterprise climate of Malaysia is being carefully preserved. This, together with sound and stable government, is expected to attract an ever-increasing amount of invest-

ment capital. The more prosperous parts of Malaysia are helping to finance the development programs of the less prosperous. Singapore, for instance, is lending to the Borneo territories at low interest rates M\$150 million of its reserves of M\$400 million, built up over the past four prosperous years.

One of the mainstays of the Malaysia agreement is the provision for the setting-up of a common market in progressive stages through the advice of a Tariff Advisory Board. Steps have not yet been taken to initiate this. As matters now stand, the tariff structures of the countries comprising Malaysia are all quite different—ranging from the comprehensive structure of the former Federation of Malaya (now designated Malaya or Mainland Malaysia) to that of Singapore, in which duties are assessed on only two items.

Trade with Canada

Canada's exports to Malaysia are again expanding after levelling off. According to DBS statistics, our exports to Malaya and Singapore in 1963 reached Can.\$6.35 million, compared with \$5.45 million in 1962. The largest single export from Canada to Malaysia is wheat flour. Unfortunately, this business will soon dry up. A flour mill began operations in Singapore last August and a second is scheduled to be in production momentarily. A large mill is being built in Malaya and others are planned. Malaysia will soon have the capacity to provide for its flour requirements. However, the mills will be using Canadian wheat in their mix. The value of Canadian wheat entering Malaysia in 1963 was C\$365,665. Other items of importance from Canada are rolled oats, automobiles, out-board motors and manufactures of aluminum. Sales of Canadian raw and semi-manufactured materials, machinery and equipment to this market are growing and this trend is bound to continue as Malaysia industrializes.

Some of the more interesting highlights of economic progress in the countries forming Malaysia are given below.

Malaya

Malaya is making solid progress under the Second Five Year Plan, which began in 1961. Investment in new facilities, both public and private, is much larger than ever before in its history. Farms, estates, mines, factories and other productive units are raising their output year by year. The gross national product (M\$5,786 million at end of 1962) is rising at the rate of 4½ per cent a year, which, with prices remaining stable, is 1 per cent more than the rate of population increase. Merchandise foreign trade is in surplus, but only just, because import requirements, now running at about M\$2,700 million a year, are steadily increasing. The annual balance-of-payments deficit was M\$200 million in 1962 and 1963 and is expected to total about M\$400 million in 1964 and 1965.

Agriculture is making outstanding progress. In 1963 rubber production reached 784,699 tons, an all-time record. Thanks to the replanting program, output is expected to increase year by year to an estimated 1.1 million to 1.2 million tons in 1970. Over this period a steady decline in the rubber price to M\$0.55 a pound (today's price: M\$0.66) is expected. Rice production is expanding steadily and Malaya now grows about 70 per cent of its needs. When irrigation projects currently being undertaken are completed to permit two crops a year in certain areas, domestic requirements will be covered. Palm oil production is also rising: in 1963 output was estimated at 115,000 tons.

Current high prices are giving the Malayan tin industry a boost; production is at the rate of over 60,000 tons a year. The richer ore deposits are being depleted but high prices

are permitting the working of marginal ores. Iron ore production is steady at about 6.5 million tons a year, and so is bauxite, at about 300,000 tons a year. Producers of these two materials depend entirely on the Japanese market.

Transportation and Communications

Transportation and communications are also making progress. Television broadcasting commenced in Kuala Lumpur last December and a chain of television transmitters is being installed along the whole west coast; a similar chain is planned for the east coast in the near future. There will be microwave links between Kuala Lumpur and Kuantan on the mainland and between Jesselton and Kuching in Borneo. The power of existing radio transmitting stations is to be stepped up and a new central studio in Kuala Lumpur built and equipped. New roads are being completed at the rate of about 750 miles a year. The recent addition of five modern aircraft to the Malayan Airways fleet has greatly improved air services throughout the country.

The expanding economy makes necessary large expenditures on electric power generating facilities and generating capacity is now 75 per cent greater than it was in 1960. Work is proceeding on the Batang Padang hydro and the Prai thermal plants. When these plants and the projected Perak River hydro development are completed, there will be enough capacity to meet needs until 1975. Nuclear power generation is being studied for needs beyond that date.

New industries are being started up in ever-increasing numbers and a wide range of products is or will be manufactured. So far 99 firms have been granted pioneer certificates. The feasibility of establishing an integrated steel industry in the Kuala Lumpur area, using local iron ore and coal from Sarawak, and of setting up pulp and paper plants is being studied.



A scene on the busy docks of Singapore, one of the world's major ports. The current hostile attitude of Indonesia towards Malaysia is seriously affecting Singapore's entrepôt trade and Indonesia's own exports, especially of the low grades of rubber.

Singapore

Singapore has entered the last year of its Four-Year Development Plan. In the public sector, investment is being concentrated on low-cost housing and slum clearance, schools, electricity and water supplies, roads, rural development, and facilities for new industries. Investment funds from abroad have been increasing and a real estate boom is in progress. Indonesia's confrontation policy is having an adverse effect on business in Singapore, particularly the entrepôt trade; over 100 coastal vessels are tied up and over 8,000 workers are directly affected. The Government estimates the cost at 8 per cent of the gross national product, or about M\$212 million a year. However, it fully expects that new wealth created through industrial expansion will soon overcome the effects of confrontation.

Apart from these losses, business is good in Singapore and merchants are not complaining. Pre-Chinese

New Year retail sales, an accurate gauge of business conditions, were as good as in any previous year. The delay in setting up the common market tariff structure is naturally causing uncertainty among importing firms. Public finances are in good shape and reserves have been built up to about M\$400 million, despite the expenditure of M\$100 million a year for the past three years on development.

Unemployment a Problem

Providing jobs for the large pool of unemployed and the young and growing population is Singapore's greatest problem. An industrialization program aimed at creating 80,000 jobs within the next ten years is in progress through the Economic Development Board. The Board, which was set up in 1961, is backed by M\$150 million of public funds. It is in a position to offer many types of incentives to new industries, including loans and, in some instances, equity participation. The Board's activities are

meeting with success and diversified industries are being or will be established. These include enterprises in the textile, chemical, iron and steel, food processing, plastic and rubber manufacturing fields. Pioneer certificates have been issued to 119 firms. The Board is engaged in the development of five industrial estates and the largest of these, the Jurong estate of 9,000 acres, is an ambitious project. Development includes the construction of deepsea and coastal wharves, a railway, roads, and bulk loading and unloading facilities. A steel plant and ship-building yard are already operating on the estate and many plants are under construction.

One of the features of development in Singapore is the provision of housing units for low-income families. By the end of 1964 the Housing and Development Board will have achieved its target of 52,000 units within four years of commencing operations. Building will continue at the rate of 12,000 units a year. Entrepreneurs are developing a number of housing estates for higher income families.

Water and Power Needed

Singapore's burgeoning population and industrial expansion are requiring ever-increasing amounts of electricity and water. Electricity supplies have kept pace with growth but water has been rationed for the past year. With the aid of a World Bank loan, the thermal power station servicing the whole of Singapore is being extended to cover needs until 1972, and nuclear power is being considered to meet requirements beyond that date. The water shortage will be partially eased in June when works for additional supplies from Johore are completed. Singapore is negotiating with the World Bank for a loan of about U.S.\$67 million to help pay the cost of a project that will ensure sufficient supplies of water until 1982.

—E. H. MAGUIRE,

Trade Commissioner, Singapore.

Sabah

Like neighbouring Sarawak, Sabah has an agricultural economy dependent upon the production of timber, rubber, copra and rice. Sabah has a more viable economy than Sarawak, however, with a shortage of labour rather than unemployment, considerable domestic and foreign capital, and a higher standard of living for its 500,000 inhabitants.

The Government's development plans call for stepped-up roadbuilding schemes to open up the interior for logging operations, mineral exploration, and particularly development of agricultural land. The Government is also backing experiments with new crops, such as palm oil and cocoa, while it encourages the extension of rubber and copra estates. It is expected that public expenditures on basic economic development will total M\$150 million a year.

Logging Equipment Needed

Despite the stress on opening up new agricultural land, the logging industry is of overriding importance to future economic advance. It has the greatest potential for employment and as a means of earning foreign exchange and is also the largest user of heavy machinery. And it offers the only significant sales prospects for Canadian exporters.

Some Canadian manufacturers have already been successful in selling logging equipment to Sabah. Opportunities are increasing as the timber industry expands to meet the world demand for tropical hardwoods and as modern methods and equipment come into use. Heavy logging trucks and chain saws have a ready market and in the near future there will be a demand for mobile spares, yarding engines, and other heavy equipment.

There should also soon be opportunities for the sale of roadbuilding machinery as main roads and feeder roads are built to link up the coastal

regions with the fertile valleys of the interior.

Sarawak

Sarawak's economy is the least developed in Malaysia and the average income compares poorly with the rest of the country. The population of 800,000 depends primarily upon agriculture, with timber, rubber, rice and pepper of fundamental importance. The annual increase in the gross national product barely exceeds population growth because of under-employment of labour, the lack of general education, insufficient capital, and under-exploited natural resources.

Consequently, the 1964-1968 Five-Year Plan aims at raising the average income through increasing public expenditures on roads and communications, rubber replanting, virgin land development, resources surveys and agricultural research. In addition, foreign capital is being encouraged to exploit the known natural resources, such as coal and bauxite. The Central Government

of Malaysia, the Government of Singapore and the British Government will also assist with long-term loans and grants.

The greatest single problem facing Sarawak, however, like the adjoining State of Sabah, is not economics but defence. Malaysia's dispute with Indonesia has slowed down the influx of foreign capital at a time when the state has had to marshal its slender resources to meet the threat.

What to Sell

The best prospects for Canadian exporters lie in servicing the logging industry, with its needs for bandsaw milling machinery and chain saws. As access roads are pushed through the jungle into the mountainous interior, demand for roadbuilding equipment and logging trucks will arise. Prospective exporters would do well to establish contact with local agents in anticipation of the increasing need for heavy equipment.

—D. S. McCracken,
*Assistant Trade Commissioner,
Singapore.*

Portugal's Power Projects

THE World Bank has made two loans totalling the equivalent of U.S.\$12.5 million for the development of electric power in Portugal. These loans, the first made by the Bank to Portugal, will help to finance both hydroelectric and thermal projects. Power consumption by manufacturing industries has quadrupled during the past ten years but per capita consumption in Portugal is still one of the lowest in Europe. Priority has therefore been given to generation and distribution projects.

One loan for \$7.5 million will go toward financing a 210,000-kilowatt hydroelectric plant at Bemposta in the northeastern part of the country. Construction started in 1960 and all three 70,000-kilowatt units should be in operation by the end of this year. Most of the equipment was procured in Portugal

but all major contracts were awarded after international competitive bidding. Total construction costs of the development are estimated at \$35 million, of which the Bank loan will finance 21 per cent. The loan is for 25 years with amortization to begin in September 1965 and is guaranteed by the Government of Portugal.

Part of the second loan of \$5 million will help to finance a 50,000-kilowatt unit being built to complete a thermal plant near Oporto and part will finance preliminary engineering studies for another thermal plant in the Lisbon area. The loan is for 20 years with amortization starting in September 1967, and will cover 55 per cent of the total costs of the Oporto unit. All important contracts will be awarded following international competitive bidding.

Thailand

Development plans, now co-ordinated by one Ministry, emphasize power projects, irrigation, roadbuilding, and transportation. Best opportunities for Canadians lie in supplying capital goods, raw materials, and engineering services; wheat also in demand.

GEO. HAZEN, *Assistant Trade Commissioner, Singapore.*

THE changeover in Thailand to a new Prime Minister following the death of Field Marshal Sarit Thanarat last December has had little effect on the pace of business or economic development. Some investors showed a temporary hesitation about committing large amounts of capital to new projects but stability has been maintained and confidence in the new regime has increased steadily.

In October, on the recommendation of the International Monetary Fund, a par value for the Baht was established at 20.80 to the U.S. dollar (Baht 19.24 to the Canadian dollar), with a permissible 1 per cent fluctuation between the upper and lower limits of Baht 21.01 and 20.59. This action did not have a far-reaching effect because the value of the Baht has remained stable at a figure close to this for the last two years.

Thanks to a surplus on capital account, Thailand's balance of payments in 1962 showed a surplus of Can.\$67 million, notwithstanding a trade deficit of \$102.6 million. The 1963 position was not expected to be as favourable, mainly because of increased imports and somewhat smaller exports of rice. The exchange reserves totalled Can.\$571.4 million at the end of November 1963.

GNP at New High

The gross national product is expected to rise by just short of 6 per cent to a new high of Can.\$3.4 billion for 1963, a continuation of the trend that began early in the 1950's. Despite the rise in the population, per capita income too has

climbed, reaching Can.\$114 for the country as a whole in 1962, an increase of 4½ per cent over the previous year. Per capita income in the Bangkok-Dhonburi metropolitan area is higher, about Can.\$172, according to a survey published last June.

Production in the private sector is basic to Thailand's economy, but it is the public sector that has made the greater advance and it will be the mainstay of future development.

To channel and supervise development projects, a Ministry of National Development was set up in May 1963. It was designed to bring together those bodies responsible for new development projects, principally the Irrigation Department, the Department of Highways, the National Power Commission, and a new National Telecommunications Authority not yet set up. It is in these spheres that the greatest advances have been and will be made.

Power Development Basic

Even though hydroelectric power capacity has increased greatly, new industries and other projects are hungry for power and additional sources will be developed. Bangkok itself now has adequate power. The northwest part of the country will be served by the big Yanhee multipurpose dam and power project which, when completed in 1975, will have a generating capacity of 560,000 kw. Transmission lines are now being installed.

In the south, Malaysia and Thailand are seeking to co-operate in building a hydro plant at Bang Rang on the Pattani River with a capacity of 27,000 kw. When complete, it



will be coupled with a 40,000 kw. thermal plant now under construction at Krabi. In the area surrounding Khon Kaen in the northeast, a dam at Nam Pong is being financed with the aid of a German loan.

The most ambitious scheme is the development of the Mekong River basin by Thailand in concert with Laos, Cambodia, and Vietnam. This project will extend over many years and feasibility studies are now under way. The Nam Pong project is a part of this larger development.

Irrigation for Agriculture

Irrigation of farmland is also proceeding apace. Nearly all of the major power projects include a component for irrigation; in some, this is so large that the whole project has been placed under the supervision of the Irrigation Department.

The only major irrigation project nearing completion is that on the Chao Phya River near Chainat in central Thailand; some 2.2 million acres are now being irrigated. The World Bank has underwritten much of the \$33 million cost of this project. More World Bank money has been used to finance the Petchaburi project southwest of Bangkok, a \$12 million scheme to improve an existing system. Three smaller schemes to irrigate about 118,000 acres in all are making use of AID funds.

An important adjunct of irrigation schemes is the development of

secondary roads for access to newly opened farmland, and the Irrigation Department is nearly as large a user of construction equipment as the Highway Department. The big schemes for roadbuilding, however, are in the hands of the latter. At present there are 5,580 miles of highway in Thailand but less than 30 per cent is paved. Another 1,070 miles are under construction or planned. An eight year plan calls for building 910 miles of new roads and the repair of 2,490 miles of existing ones, at a cost of nearly \$400 million.

One project to be undertaken with the aid of a \$20.5 million Export-Import Bank loan is the widening and improvement of the existing 42-mile road from Bangkok southwest to Sriracha. The latter has a new oil refinery erected in co-operation with the Shell group and is expected to be the site of a new port to supplement Bangkok and to serve the hinterland of the northeast.

Port Facilities Needed

Bangkok's situation on the relatively shallow Chao Phya River limits the volume of cargo that it can handle. Immediate plans call for a 900-meter extension of the existing quay to meet needs for the next nine or ten years. Concurrently, plans are being laid to develop a new deepwater port at Sriracha. Economic studies on both schemes are complete and tenders will shortly be called for the Bangkok work. Sriracha is a little farther in the future and engineering feasibility studies are not yet finished.

Other port development projects are intended to serve the rubber-producing and tin-mining area in the Kra Peninsula. A new port is planned at Nakorn Srithamaraj and existing facilities at Songkhla, Patani, Narathiwat, and Phuket are to be improved and extended.

Railways, Telecommunications

Thailand has a well-developed railway system but this will be ex-

tended and some track will be straightened and grades reduced. There is considerable work going on in modernizing and extending telecommunications. Inter-regional microwave facilities are the subject of long-term planning and more regional television stations will be set up.

Industrial Expansion

The Government is giving increasing attention to the development of industry in Thailand. Progress to date has been largely confined to light industry, and a great variety of products are made or assembled locally—automobiles, clothing, glassware, dry batteries, footwear, sporting goods, matches, toiletries, housewares, and a number of food products, to mention a few.

The more important industries currently turn out cotton textiles, gunny sacks, sugar, cement, paper, tobacco, beer, and whisky. With

cement production already high at one million tons last year, the continuing demand from the construction industry is spurring further increases in capacity. There is also talk at the moment of establishing a steel industry based on iron ore finds in the west and the northeast.

Work is now under way to determine the most suitable sites for a number of industrial estates. The Government hopes to attract many new industries under the Promotion Certificate plan of the revised Industrial Investment Act and is offering various incentives. Among these are privileged tariff treatment, remission of income tax on profits for five years, and the right to repatriate investment capital and some profits. The Industrial Finance Corporation of Thailand is also working to expand industry. Its share capital was recently increased to Can.\$5.2 million, and loans outstanding now amount to about \$2.8 million.

TABLE I
THAILAND—PRINCIPAL SUPPLIERS
1962

Country	millions of	
	Baht	Can.\$
Japan	3,357.4	174.5
United States	1,950.8	101.4
Britain	1,024.0	53.2
West Germany	827.8	43.0
Indonesia	809.5	42.1
Netherlands	570.1	29.6
France	406.5	21.1
Hong Kong	317.7	16.5
Switzerland	301.4	15.7
Taiwan	270.0	14.0
Canada	86.5	4.5
Other countries	1,582.1	82.2
Total imports	11,503.7	897.9

TABLE II
THAILAND—PRINCIPAL EXPORT
MARKETS 1962

Country	millions of	
	Baht	Can.\$
Japan	1,353.0	70.3
Hong Kong	1,055.7	54.9
United States	824.6	42.9
Singapore	821.1	42.7
Penang	728.8	37.9
Malaya	655.7	34.1
Indonesia	562.4	29.2
West Germany	522.9	27.2
Britain	470.3	24.4
Netherlands	417.9	21.7
Canada	8.3	0.4
Other countries	2,108.4	109.6
Total exports	9,529.2	495.3

TABLE III
CANADA'S EXPORTS TO THAILAND

	1961	1962	1963
	(Can. dollars)		
Wheat flour	678,154	735,991	811,431
Files and rasps	75,526	248,877	350,382
Asbestos milled fibres, grades 4, 5	134,226	346,961	225,100
Aluminum pigs, ingots, slabs	231,442	252,940	214,684
Aluminum fabricated materials	178,992	333,985	156,914
Asbestos shorts, groups 6, 7, 8, 9	148,193	37,872	130,462
Fountain pens, mechanical pencils	169,200	158,726	122,358
Tire cord fabric	.....	.....	78,185
Insulated wire and cable	660	15,794	67,294
Passenger autos and chassis	57,824	143,746	63,828

All these activities are part of the Government's Six Year Development Plan inaugurated in 1961 to develop established industries and to inject funds into underdeveloped areas, particularly in the northeast.

Despite all this emphasis on industry, the backbone of Thailand's economy is still rice—and will be for a long time to come. Production and yield per acre have increased each year and in 1963/64 the harvest is expected to reach nearly 9.6 metric tons. In an effort to keep prices stable, the Government introduced measures in June 1963 requiring exporters to obtain prior approval for shipments to other than regular customers. This has resulted in a slight decline in exports.

Most other agricultural production, it is estimated, increased in 1963 over 1962. Rubber output rose to a new high of 202,000

metric tons in 1963 but a decline in prices offset this gain. Maize production rose sharply to about 750,000 metric tons and it replaced tin as the third largest export. Tin continues to earn substantial amounts of foreign exchange, with production and exports up over 1962; production for 1963 was estimated at over 21,500 metric tons.

Trade with Canada

Although Thai exports fell off somewhat in 1962 compared with 1961, total trade increased because of the sharp upturn in imports. The latter totalled nearly Can.\$600 million in 1962, and the main products imported were machinery, textiles, metal manufactures, chemicals, and petroleum products. Exports for the same year totalled Can.\$495 million and rice, rubber, tin, and maize were the leaders. Principal buying

and selling countries are shown in Tables I and II. Canada ranked 18th (Can.\$4.5 million) as a supplier and 44th (\$400,000) as a customer.

Canada faces stiff competition in seeking a share of the market in Thailand. Shipping costs are heavy compared with those of other suppliers, such as Japan, Hong Kong, and Taiwan, and their labour costs too are lower. Many government tenders are for goods financed by foreign aid and are thus tied to specific countries. But some Canadian goods can compete in the open market either because they are better or because the price is competitive. (See Table III.) Probably the most fruitful fields are custom-made engineering and construction equipment, electrical and electronic equipment, and management and engineering consulting services. ●

Burma

Socialization of industry and commerce practically completed; private commission agents forbidden to receive payments from abroad; government is buying directly through international tenders. Canada's sales consist mainly of raw materials and equipment.

GEO. HAZEN, *Assistant Trade Commissioner, Singapore.*

THE year 1963 brought a number of changes to Burma—commercial, industrial, and private—as the Burmese “Way to Socialism” became a reality. General Ne Win, whose Burmese Socialist Program Party has been in control since the coup of March 1962, is transforming his plans to nationalize the economy into reality and private industry and business, except on the simplest level, will probably cease to exist within a year. Not only is there nationalization of industry by edict, but a new income tax with confiscatory rates in the upper range is expected to bring to an end the activities of private operators.

The People's Stores Corporation Administrative Council has been

made responsible for all imports and domestic distribution of capital and consumer goods, except books and stationery. This body was formed by merging the three Civil Stores Committees which formerly imported various classes of goods. Within the People's Stores Corporation, the Myanma Export-Import Corporation appears to be functioning as an agent for some foreign firms, although its responsibilities are not yet well defined. Private commission agents are no longer allowed to receive payments from abroad and all Open General Licence imports were suspended in October. The Government hopes to obtain the lowest possible prices by going directly to the supplier,



usually through international tender. Within this framework, new methods are needed to promote the sale of goods and Canadian suppliers should seek the advice of the Trade Commissioner.

Government Control Increases

In January 1963 the Burmah Oil Company was nationalized and compensation payments have now been agreed on. The 31 banks operating in Rangoon were placed under government control in February; compensation amounted to

3.4 per cent of total assets, including cash. The Burma Economic Development Corporation, even though it was already state-owned, was disbanded in September and its 39 constituent firms transferred to various government departments and boards. A Road Transport Board was formed at the beginning of September to take over the City Transport Company at once and eventually all Rangoon's bus services. Nine joint venture corporations, already 52 per cent owned by the Government, went into voluntary liquidation at the beginning of July and their affairs were placed in the hands of what is now the People's Stores Corporation. The Government has also taken over the purchase and distribution of all the major crops.

All these developments in such a short period of time have inevitably caused dislocations in various sectors of the economy. Unemployment has become more widespread as private firms have ceased operations. There have been serious shortages of food, especially rice and cooking oil, possibly because the staffs of the responsible government organizations are only now becoming familiar with their new functions. And—important from the standpoint of the foreign supplier—difficulties appear to have arisen within the organizations—chiefly the People's Stores Corporation—that deal with tenders. Deadlines have been very short, specifications sometimes not clear, and results not always available.

In the cultural sphere, an agreement was made with the international wire services—Reuter's, U.P.I. etc.—whereby the News Association of Burma distributes all incoming material and originates all outgoing dispatches. Libraries, museums, and the import and distribution of films are now supervised by a government committee.

Budget Is Larger

It is often impossible to obtain statistics on production or trade, nor would they be meaningful in

TABLE I
BURMA'S PRINCIPAL IMPORTS 1962

Commodity	millions of	
	Kyats	Can.\$
Milk, tinned or dried	52.1	11.8
Sugar and sugar products	6.3	1.4
Coffee and tea	0.6	0.1
Meat and meat products	0.5	0.1
Fish and fish products	17.5	4.0
Spices	2.8	0.6
Groundnut and hydrogenated oils	6.2	1.4
Tobacco and tobacco products	0.9	0.2
Chemical elements and compounds	22.8	5.2
Pharmaceutical products	35.2	8.0
Cotton yarn and thread	63.8	14.5
Cotton fabrics	101.7	23.1
Silk and synthetic fabrics	6.7	1.5
Soap	0.4	0.1
Gunnies and sacks	28.3	6.4
Rubber manufactures	17.7	4.0
Paper and paper products	34.5	7.8
Coal and coke	24.3	5.5
Mineral oils, refined	20.7	4.7
Base metals and products	122.8	27.8
Cement	10.9	2.5
Machinery and transport equipment	199.9	45.3
Other products	264.2	59.9
Total	1,040.8	235.9

TABLE II
BURMA'S PRINCIPAL EXPORTS 1962

Commodity	'000 tons	millions of	
		Kyats	Can.\$
Rice and rice products	1,714.7	802.2	181.9
Other agricultural products	432.2	229.3	52.0
Teak	133.1	141.5	32.1
Other hardwood	26.6	10.2	2.3
Base metals and ores	36.2	35.8	8.1
Other products		36.5	8.3
Total exports		1,255.5	284.6

assessing future trends because of the major reorganization of the economy described earlier. But it is interesting to note that the National Budget for 1963/64 introduced in October indicated a rise of more than 100 per cent in government expenditures and receipts. This reflects greater government participation in all sectors of the economy. Production of rice is forecast to rise by 20 per cent and exports of rice by 8 per cent. Total budget receipts are estimated at Can.\$1,791 million and expenditures at \$1,859 million; the deficit of \$68 million will be financed by

foreign aid and credits and direct deficit financing. The consumer price index has dropped slightly in the last year, the money supply is expected to contract, and foreign exchange reserves, already in good shape, should rise further. Large expenditures on the armed forces, however, are a heavy drain on Burma's funds.

During the year, export earnings rose and imports were permitted to increase moderately. Estimated totals for 1963, based on movements through the Port of Rangoon, are exports, Can.\$328.6 million and imports, Can.\$277.5 million. Principal imports and exports for 1962 are shown in Tables I and II.

Commercial Exports Small

Canada's share of the Burmese market has declined. Shipments in 1962 totalled \$1.3 million (DBS) although nearly half consisted of commodities and materials associated with the Colombo Plan and shipped during the first nine months of the year. For 1963, the total was Can.\$703,029. Major exports to Burma last year were hot rolled steel bars; aluminum pigs, ingots, and slabs; agricultural mowers; marine engines; electronic and X-ray equipment.

The future for Canadian exports to Burma cannot be described as bright, but perseverance in submitting bids against invitations to tender issued by the Government may ultimately bear fruit. For information on the tender system and for assistance in exploring the market for specific products, exporters should write to the Trade Commissioner in Singapore.

Taiwan Coming

A report on current conditions in the Republic of China (Taiwan), received too late to be included in this issue, will appear in *Foreign Trade* in the near future.

Indonesia

Break with Malaysia has affected export trade; import program has been cut back. Canadian sales declined last year. Best opportunities lie in dealing with exporters permitted to retain part of foreign exchange earnings to spend on approved imports.

Djakarta, Indonesia

INDONESIA is a potentially rich country with a population of over 100 million and considerable natural resources. Although eventually it should provide a good market for Canadian products, sales prospects at present are limited by the shortage of foreign exchange and domestic economic difficulties.

At the start of 1963, the Government recognized the need for a revision of Indonesian economic policy. Accordingly in May it adopted a series of regulations designed to improve the economy generally and foreign trade in particular. Although the foreign exchange rate was pegged at Rupiahs 45 to the U.S. dollar, exporters were offered a premium of a further Rupiahs 270 to the dollar. In addition, they were allowed to retain 5 per cent of their foreign exchange receipts to be used as they wished. They also received a further automatic allocation equivalent to 10 to 15 per cent of their export pro-

ceeds to be used to import items in approved categories.

Imports were divided into three groups: essential, semi-essential and luxury, for which dollars were to be obtained at the rates of Rupiahs 315, Rupiahs 540 and Rupiahs 810 and duties paid at the rate of 0, 50 and 100 per cent respectively. Assisted by foreign aid and International Monetary Fund drawings, the regulations had a stimulating effect on both production and trade. Indonesia's economic position benefited further from the conclusion of new agreements with the three major companies engaged in oil production.

Imports Cut Back

The Government's program was seriously affected by its decision in September to oppose the formation of Malaysia and to break trade relations with it—particularly because, according to Indonesian statistics, nearly one-third of its exports were channelled through that country. Although new markets have been



found for many of Indonesia's exports, satisfactory alternative arrangements have not yet been made for others, particularly the lower grades of rubber for which Malaysia had provided shipping and processing facilities as well as markets. When other hoped-for sources of foreign exchange did not materialize, the Government's import program had to be cut back. Emphasis has been placed on imports of the most essential goods, particularly food and clothing.

The difficulties in foreign trade have served to reinforce the internal economic problems. During 1963 Indonesia suffered from severe inflation: it is estimated that the amount of money in circulation has nearly doubled. The Indonesian Central Bureau of Statistics index for food prices in Djakarta increased from 2,319 to 5,290 during the year

TABLE I

WHAT INDONESIA EXPORTS

	January-September	
	1963	1962
	(millions of rupiahs)	
Total exports	23,819	22,568
Of which:		
Rubber—estate	3,019	3,363
Rubber—smallholders	5,501	6,314
Petroleum	9,277	7,681
Tin ore	644	1,045
Copra	495	379
Coffee	658	386
Tea	594	648
Tobacco	766	656
Palm oil	628	524

TABLE II

WHAT INDONESIA IMPORTS

	January-August		
	1963	1962	1961
	(millions of rupiahs)		
Total imports	13,652	19,847	23,792
Of which:			
Consumer goods	4,355	6,027	8,250
of which, rice	1,761	2,225	2,551
Raw materials and auxiliary	5,753	7,326	9,897
of which oil, etc.*	706	990	1,277
cambric shirtings	252	567	515
Capital goods	3,544	6,494	5,645
of which machinery and parts, non-electric	1,491	2,825	1,808

*Excluding kerosene.

(1953=100). Industry was affected by a shortage of spare parts and raw materials and many plants were reported to be working far below capacity. Both industry and commerce have continued to experience difficulties because of deficiencies in internal transportation. To add to the problems, 1963/64 crops have suffered from lack of rainfall and pests, so that the country must continue to import substantial quantities of foodstuffs.

Tables I and II give the latest available Central Bureau of Statistics figures for exports and imports. They are expressed in millions of Rupiahs at the basic rate Rps.45= U.S.\$1 and are f.o.b. for exports and c.i.f. for imports.

Canadian exports to Indonesia in 1963 declined to \$1.4 million from \$2 million in 1962. The main items exported last year were wheat flour \$312,906; passenger autos and chassis \$245,787; excavating, dredging equipment and parts \$156,269, and files and rasps \$110,404. The chief reason for the drop in exports last year was a decline in shipments of vehicles and of sheet and strip steel. Canadian imports from Indonesia totalled \$139,000 in the period January to November 1963, and consisted mainly of black tea, spices, herbs, seeds and kapok.

Despite Indonesia's economic and foreign exchange difficulties last year, the composition of its trade with Canada did not differ substan-

tially from the pattern established over the previous five years.

Opportunities Are Limited

The Government has announced that new regulations to supersede those issued in May 1963 will shortly be released but the economic situation will obviously restrict the extent to which imports can be increased. Under the present regulations there are limited prospects, particularly in dealing with exporters who have retained foreign exchange. The Indonesian Department of Trade is most co-operative in providing advice about Indonesian firms specializing in imports of specific commodities. ●

Philippines

Policy of liberalization adopted in 1962 brought economic changes in 1963. Exports have risen, exchange reserves are up, industry is expanding. Small output of food crops continues to be problem. Canadian sales, especially of wheat, are increasing.

W. B. WALTON, *Consul and Assistant Trade Commissioner, Manila.*

A BOLD policy of trade and exchange liberalization, adopted on January 21, 1962, marked the beginning of significant changes in all sectors of the Philippine economy. The abolition of exchange controls, accompanied by a more restrictive credit policy and increases in rates of duty on a number of imports, continues to make itself felt.

Earnings from exports increased in 1963, partly because of the devaluation of the peso (two pesos to the U.S. dollar before January 1962 and currently 3.90 pesos to the dollar). Another factor in the increase was rising world prices for the country's major export commodities, such as sugar, copra, abaca, copper concentrates, coconut

oil, logs and timber, iron ore and chromite. Merchandise trade balances were unfavourable in 1961 (U.S.\$112 million) and in 1962 (U.S.\$31 million), but 1963 may well see a trade surplus. One direct result of larger export sales abroad has been an increase in the foreign exchange reserves, which rose from an all-time low of U.S.\$103 million in 1961 to U.S.\$160 million by the end of 1963. The over-all balance of payments at the end of June 1963 showed a surplus of U.S.\$16.38 million; 1962 ended with a favourable current account balance of U.S.\$22 million.

Agriculture Still Important

Agriculture continues to be the most important sector of the Philip-



pine economy and over 60 per cent of the population depends on it for a livelihood. Production of the commercial crops for export—copra, coconut oil, abaca fibre, tobacco and pineapple—is generally high: it rose by 11.4 per cent in the 1963 crop year and did much to turn the balance of trade in favour of the Philippines during the first half of 1963. Growing demand from Japan and South Korea encouraged a significant rise in the output of logs

(16 per cent) and lumber (33 per cent).

The major economic problem, and the principal weakness of Philippine agriculture, is the small production of food crops. With a population expansion averaging 3 per cent a year the 1963 increase of only 4 per cent in food production is not sufficient to meet needs. Rice, meat, fish and dairy products must be imported regularly.

Last summer a moderate land reform act was pressed through Congress. It is designed to change the landholding pattern, to increase agricultural productivity, and to improve the economic and social standards of the many small tenant farmers. This act, which declares all forms of share tenancy illegal, is meeting much opposition and it will undoubtedly take a number of years to implement it fully. There may well be some agricultural dislocation for the next few years and a possible decline in production of food crops.

Industry Developing

The steady growth of secondary and light industries has continued in spite of the 1962 changes in the import system which increased the cost of imported equipment. The manufacturing index rose from 160.5 in 1961 to 169.2 in 1962 and to 181.3 in March 1963. The country is practically self-sufficient in beverages, tobacco products, textiles and footwear. The establishment of flour mills, dairy and pharmaceutical plants, and paper mills has raised imports of raw materials and reduced those of finished products. The electrical appliance, automobile assembly, petroleum refining and textile industries are well advanced. Expansion in pulp and paper production, mineral refining and steel fabrication is under way.

The biggest production gains in 1963 were in the pulp and paper, textile, transportation equipment and glassware industries. Mineral output rose by 23 per cent in 1962 but more moderately during the first half of 1963. Output of gold,



Over 60 per cent of the people of the Philippines continue to earn their living from the land, raising crops like rice and sugar cane (which is being planted in the picture above) and also abaca, tobacco, pineapples, coconut oil and copra.

chromite, mercury, lead and iron ore fell off, but copper was up 14 per cent and zinc 140 per cent.

The Philippines has an abundance of waterfalls and swiftly running rivers and several hundred power plants located throughout the country. The eight large thermal plants that produce most of the power are operated by the Manila Electric Company for the Manila area. The company plans to build at least one additional plant every two years to meet the needs of Manila's expanding industry and commerce.

The three major hydroelectric plants are operated by the National Power Corporation at Binga and Ambuklao on the island of Luzon. The Maria Cristina plant is located at Iligan, Mindanao. The Angat River project not far from Manila is scheduled to be completed late in 1965 and will have a capacity of 218,000 kw. Despite expansion of both thermal and hydro power capacity, per capita power generation in the Philippines was only 83 kw. in 1959, compared with 929 kw. in Japan, 385 in Hong Kong and 263 in Taiwan. Since the population, currently estimated at be-

tween 27 and 28 million, is expected to top 35 million by 1968, large additional supplies of power will be required and this is a prime concern of the Government.

Development Program Lags

The goal of President Macapagal's Five Year Socio-Economic Development Program (inaugurated in January 1962) is an annual economic growth rate of about 6 per cent and reduction of serious unemployment. The annual growth in real output between 1958 and 1962 has been 4.3 per cent. The program has been slow in starting and may not be completed within the planned time because the Government is experiencing great difficulty in obtaining Congressional consent to suggested tax measures and economic priorities in the allocation of public resources.

Foreign Investment

Although Congress still has not approved a draft foreign investment law put forward by the Government, observers feel that the climate for investment has improved considerably since the exchange reforms. Both the Government and private

organizations are encouraging foreign investment. However, uncertainties about the direction and degree of economic development and restrictions on credit and on the property and stockholding rights of foreigners have combined to make the flow of foreign investment into the country smaller than it otherwise might be.

About U.S.\$200 million has been invested in various projects since 1962, either in joint ventures with Filipinos or in wholly-owned foreign (U.S.) enterprises. Under arrangements made when the Philippines was granted independence, U.S. citizens are the only foreigners who may own property or have majority control of Philippine companies. Industries already established include those making evaporated milk, household appliances, sanitaryware and automobiles, or refining petroleum or processing foods. Other industries are planned to turn out fertilizers,

chemicals, canned pineapple, paper products and electrical equipment.

Trade Is Growing

Philippine foreign trade continues to reflect the beneficial effects of de-control. Exports in 1962 rose to U.S.\$556 million, a 22 per cent increase over 1961, and in the first nine months of 1963 reached about U.S.\$480 million, 30 per cent above the same period of 1962. This has aided the development and expansion of domestic industries. Table I gives values for the country's ten most important exports.

Imports in the first nine months of 1963 were valued at U.S.\$385 million, down about U.S.\$10 million from the same period in 1962 (total for that year U.S.\$587 million). This decline was due in part to the prolonged strike that took place in the Port of Manila. The 1963 figures are not expected to show much improvement.

The pattern of imports in the first six months of last year remained much the same as in 1962—51 per cent semi-processed raw materials, 15 per cent unprocessed raw materials, 14.5 per cent machinery and equipment. Consumer goods represented only 13 per cent of total imports. See Table II for the principal products imported and their value.

The Philippines' main trading partners continue to be the United States, Japan, West Germany, the Netherlands and Britain. In the first six months of 1963, the U.S. took over half of its exports and supplied 44 per cent of its imports. Japan purchased 26 per cent and supplied 16 per cent.

Trade with Canada

Canada's sales to the Philippines have continued to climb—from Can.\$15.6 million in 1961 to Can.\$18.5 million in 1962 and to Can.\$21.3 million in 1963. Wheat is our principal export; last year the Philippines took Can.\$12.8 million worth, compared with Can.\$6.3 million in 1962. Newsprint sales come next in value.

Canada has also been buying more from the Philippines—Can.\$1.6 million in the first nine months of 1963 compared with Can.\$1.45 million for the year 1962—principally chrome ore, desiccated coconut, Manila fibre, and mahogany and rosewood veneers.

Trade Climate Favourable

The Philippine Government is actively endeavouring to expand trade. In 1963, it sent trade missions to Western Europe, Australia and Indonesia. Visiting trade missions included several from Australia, two from Japan, and others from Hong Kong, Taiwan, Mexico, Italy, Germany, Denmark and the United States. The country is making efforts to expand its trade bilaterally with both European and Asian countries.

At home, the Government is encouraging the manufacture of semi-

TABLE I
PRINCIPAL EXPORTS FROM THE PHILIPPINES

	1961	1962	1962 (six months)	1963 (six months)
	(U.S.\$'000 f.o.b.)			
Copra	88,196	112,955	42,621	69,032
Sugar (centrifugal)	135,076	121,977	89,731	92,931
Logs and lumber	92,423	112,791	44,036	67,314
Abaca (unmanufactured)	28,796	24,704	13,164	15,364
Coconut oil	15,939	31,570	9,216	18,850
Coconut, desiccated	14,529	15,070	5,928	7,620
Plywood	7,950	11,171	5,730	5,785
Iron ore	9,119	9,409	4,058	5,068
Pineapple, canned	10,478	11,387	8,524	4,175
Copper concentrates	17,765	18,482	8,161	13,264

TABLE II
PRINCIPAL IMPORTS INTO THE PHILIPPINES

	1961	1962	1962 (six months)	1963 (six months)
	(U.S.\$'000)			
Textile yarns, fabrics and made-up articles	23,261	26,531	10,728	9,938
Mineral fuels, lubricants and related materials	49,163	59,772	27,101	29,779
Machinery and parts, except electrical	119,860	105,344	56,025	50,624
Base metals	58,832	50,279	27,822	20,834
Cereals and cereal preparations	48,715	28,063	11,816	29,836
Transport equipment	58,624	68,872	36,704	10,581
Dairy products, eggs and honey	24,225	31,130	14,589	12,301
Electric machinery, apparatus and appliances	25,785	21,532	10,921	12,714
Explosives and miscellaneous chemical materials and products	17,604	13,422	8,872	8,533
Textile fibres not manufactured into yarn and thread	22,632	29,151	14,746	14,496

processed and finished goods. Although traditionally an exporter of raw materials, the Philippines, it feels, should export plywood rather than logs, cloth instead of fibre, and furniture rather than lumber. The Development Bank of the Philippines, a government-sponsored organization, has loaned many millions of dollars to domestic processing industries to further this objective. One of the assets—and one of the problems—of the economy is

abundant manpower. Special attention is therefore being given to the development of labour-intensive semi-skilled and cottage industries.

The Philippines enjoys relative prosperity and monetary stability; the per capita income of U.S.\$130 per year is one of the highest in South East Asia outside of Japan, although unequally distributed. Filipinos hope that the capital required to permit moderate economic growth during the next few years

will be available from private foreign investors and through long-term international loans and Japanese and United States reparations payments.

The Philippines is rich in natural resources. Assuming vigorous implementation of the main objectives of the Five Year Integrated Socio-Economic Program and the enactment of a foreign investment law clearly stating the rights and responsibilities of foreign investors, its economic prospects are bright. ●

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, Winnipeg and Edmonton, Canadian Manufacturers Association; Windsor (Ontario), Greater Windsor Industrial Commission; St. John's, Ottawa and Vancouver, Department of Trade and Commerce; Victoria, Department of Trade and Industry; Fredericton, Department of Industry and Development.

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

Vancouver, Victoria, New Westminister—May 11-18

Kelowna—May 20

Edmonton—May 22

Calgary—May 25-26

Regina, Saskatoon—May 27-28

Winnipeg—May 29-June 2

Toronto, Brampton—June 3-9

Hamilton—June 10-11

St. Catharines, Welland—June 3-9

Brantford—June 15

London, Stratford—June 16

Windsor—June 17-18

Kitchener, New Hamburg—June 19

Montreal—June 22-26

Thetford Mines—June 27

Quebec City—June 28-29

Fredericton—June 30

Saint John—July 2

Halifax, Kentville—July 3-6

St. John's—July 7-10

Ottawa—July 13-

Denmark—K. Nyenhuis, Commercial Counsellor in Copenhagen, Denmark. Greenland and Poland are also included in the territory of the Copenhagen office.

Montreal—April 21-28

Halifax—May 1-4

Quebec City—April 29-30

Fredericton—May 7-8

Temporary Duty in Ottawa

R. V. N. Gordon, Commercial Counsellor in Moscow, U.S.S.R., April 19-24. Contact European Division, phone: 99-28727.

M. T. Stewart, Commercial Counsellor in Madrid, Spain, April 22-May 1. Contact European Division, phone: 99-28727.

E. J. Ward, Commercial Secretary (Timber), London, England, May 4-8. Contact Commonwealth Division, phone: 99-22421.

N. L. Williams, Assistant Trade Commissioner in Glasgow, Scotland, May 6-21. Contact Commonwealth Division, phone: 99-22421.

Geo. Hazen, Assistant Trade Commissioner, Singapore, Malaysia, May 18-29. Contact Commonwealth Division, phone: 99-22421.

In Territory

Britain—W. R. Van, Trade Commissioner in Liverpool, will visit Hull April 23 and 24.

Chile—J. R. Midwinter, Commercial Secretary in Santiago, has advanced the date for his visit to Puntas Arenas (Province of Magallanes) to May 11.

Denmark—K. O. Hillyer, Acting Commercial Secretary in Copenhagen, will visit Aarhus and Aalborg (North Jutland) May 11-15.

Ecuador—J. H. Bailey, Commercial Secretary in Bogotá, Colombia, will visit Ecuador April 28 to May 8.

Gibraltar—R. M. Dawson, Commercial Secretary in Madrid, Spain, will visit Gibraltar between April 23 and May 6.

Iceland—J. E. Lancaster, Commercial Secretary in Oslo, Norway, will visit Iceland May 11-15.

Korea—J. D. Blackwood, Commercial Secretary in Tokyo, Japan, will visit Seoul May 11-15.

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

Spain—R. M. Dawson, Commercial Secretary in Madrid, will visit Cordoba, Seville, Huelva, Jerez de la Frontera, Cadiz and Malaga April 23-May 6.

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

Import and Exchange Regulations in the Far East

The import and foreign exchange controls currently in effect in the Far Eastern countries covered in this issue are summarized below.

BURMA

Imports into and exports from Burma may only be effected by registered firms or by joint venture corporations. The joint venture corporations are authorized to accept agencies from foreign firms and to import some items under Open General Licence. Imports are divided into three groups according to essentiality and there is a short list of goods that may be imported under Open General Licence from any country. Licences are issued by the Directorate of Imports and Exports, Ministry of Trade Development, are valid for six months, and may be extended only in special cases at the discretion of the authorities. No tolerance is allowed in the licensed value of the goods imported.

Import licences carry the right to foreign exchange and all exchange is allocated by the Exchange Control Department of the Union Bank of Burma. The necessary exchange permit is issued automatically for authorized imports by the foreign exchange banks upon presentation of an import licence.

CAMBODIA

The Director of Foreign Trade administers the import regulations and issues licences. Licences are required for all commercial imports, are normally valid for six months, and shipment must be effected before the licence expires. Merchandise not covered by an import permit may be confiscated or fines may be imposed if it is not re-exported within a few days. Imports must be cleared through Customs within 19 days of arrival; after that, they are placed in storage and become subject to charges. If goods are not cleared and re-exported within 60 days after placing in storage, they are confiscated and sold at auction, with proceeds going to the Government. The import of certain luxury goods is prohibited.

The procurement of an import licence carries with it the right to purchase foreign exchange, which is obtained from the National Bank of Cambodia. Payment for imports must be arranged by letter of credit. Sight or time draft terms and advance payments require permission from the National Exchange Office.

COMMUNIST CHINA

Trade and industry in Communist China are in the hands of public organizations and imports are handled by the twelve Chinese national import and export cor-

porations, each specializing in particular types of goods. These corporations neither act as agents for overseas suppliers nor import for stock on their own account. They purchase on behalf of end-users throughout the country and place orders abroad only at the request of these end-users.

Import licences are required for all goods but because all trading is carried on by the state trading corporations, import licences are issued automatically for all orders that they place. The issuance of the import licence normally guarantees availability of exchange. Terms of payment vary, but are usually irrevocable letter of credit.

HONG KONG

Goods may be imported into Hong Kong without import licences with the exception of dutiable (only five items), dangerous and undesirable, restricted and strategic goods.

All foreign exchange transactions in currencies other than sterling and currencies linked with sterling are restricted. Official exchange must be purchased from an authorized bank. However, there is an extensive free market for trading in dollars at higher rates and most imports from the dollar area are paid for with dollars bought on that market.

INDONESIA

Import licences are required for all imports and are granted only to established importers recognized by the Government. Imports are classified in three categories, according to essentiality.

Exchange permits are required for all imports. There are multiple exchange rates provided, according to the category of the goods. The rate for category I imports (essential goods) is 315 rupiahs to the U.S. dollar (the official rate of 45 rupiahs plus state trading revenue of 270). This rate also applies to foreign exchange purchases for services. Import subsidies are granted for a few items in category I. The total rate for imports of category II goods is 540 rupiahs and for category III, 810 rupiahs to the dollar. Category I goods are exempt from duty, category II are subject to import duty at the rate of 50 per cent ad valorem, and category III to import duty at the rate of 100 per cent ad valorem.

Indonesian exporters receive 315 rupiahs per dollar for 95 per cent of the f.o.b. value of their export proceeds and may retain 5 per cent. They are entitled to a non-transferable quota for imports in categories I and II of 10 per cent of the f.o.b. value of their

export bills; for exporter-producers, the quota is 15 per cent.

JAPAN

Import controls are administered by the foreign exchange banks under instructions issued by the Ministries of International Trade and Industry and Finance. Licences are required for all imports. Approximately 92 per cent of Japan's import trade has been liberalized and imports may be made under procedures that assure automatic licensing. Importers may apply directly to foreign exchange banks for licences. The licence assures the importer that he may purchase with yen the foreign exchange needed to pay for the approved import. For some 304 items, prior allocation of foreign exchange is required before applying for an import licence. Prior approval of other special government agencies is also required for certain import transactions of a special nature. Import licences are usually valid for six months and imported goods must be cleared through Customs within that time.

Import deposits are required for most imports; the rate is 5 per cent of the value of the licence for industrial raw materials and machinery and 35 per cent for consumer goods and other products.

The U.S. dollar, all other convertible currencies and Japanese yen may be used for payment of imports. Other currencies may be used only with the specific approval of the Ministry of Finance.

LAOS

The Ministry of Commerce and Industry exercises control over foreign trade. Import permits are required for all goods and carry the right to foreign exchange.

All imports are subject to foreign exchange allocation, and foreign exchange is controlled by the Exchange Control Office and the Director of Foreign Finances. Payments for imports in foreign currencies not furnished by U.S. AID are allocated from currencies obtained through the French Stabilization Fund in Paris.

MALAYSIA

Goods may be imported into Malaysia from the dollar area under Open General Licence, with the exception of a small list of products for which specific licences are required.

PHILIPPINES

There is no import control as such in the Philippines and no import licence is required. However, the payment of foreign exchange for imports is subject to letter of credit. Authorized banks may sell foreign exchange at the prevalent free market rate without

prior approval of the Central Bank. Most imports valued at over \$100 must be covered by letters of credit.

Imports are classified into eight categories. Payments for items in the "essential consumer", "essential producer" and "decontrolled" categories may be effected by sight drafts or documents against acceptance, provided the time draft does not exceed 90 days. Imports in the remaining categories, with the exception of shipments valued at less than U.S.\$100, must be covered by letters of credit and prior deposits must be made in accordance with the following schedule: semi-essential producer category, 25 per cent, non-essential producer and semi-essential consumer categories, 50 per cent, unclassified and non-essential consumer categories, 100 per cent. Prior deposits are retained at least 120 days and may be in cash, government notes, or securities. Drawees generally make payment only upon arrival of the merchandise.

SOUTH KOREA

Imports financed by the U.S. Agency for International Development, which constitute a large proportion of the total, require authorization from the Bank of Korea and this authorization is the equivalent of an import licence.

For other imports paid for with Korean earnings, trade programs are issued each half-year by the Ministry of Commerce and Industry, setting out the commodities that may be imported during the period. These imports are divided into automatic approval items for which import licences are issued automatically by the Bank of Korea on the opening of a letter of credit and others for which licences have to be obtained from the Ministry concerned. There is also a list of goods the import of which is prohibited. An import permit automatically entitles the holder to buy the required foreign exchange.

Payment for imports may be arranged on a letter-of-credit or collection basis. Time drafts are limited to 90 days after sight. A separate permit is required for an advance payment. Drawees generally await the arrival of merchandise before making payment.

TAIWAN

Licences are required for all imports except those with a value of not over U.S.\$25. Importers must be registered with the Taiwan Provincial Department of Reconstruction. Applications for import permits must be made to the Foreign Exchange and Trade Control Commission (FETCC) and licences are issued by the Bank of Taiwan. Import licences for Agency for International Development (AID) imports are approved by the Central Bank of China. Imports are classified in one of two categories, permitted and controlled. The permitted list includes capital equipment, raw materials

and essential consumer goods, for which licences are freely available. Goods competing with locally manufactured products are on the controlled list, and the import of certain items from all countries is prohibited. Import licences are generally valid for six months but may be renewed. Merchandise arriving without a licence is subject to confiscation after 3½ months, during which the importer can apply for a licence.

The issuance of an import licence guarantees the right to purchase foreign exchange from an authorized bank. No tolerance in the amount shown on the licence is permitted. Payment is usually made on presentation of the documents.

THAILAND

Import licences are required for only about 75 domestically produced items. Licences are usually valid for six months and are granted by the Ministry of Economic Affairs only if local production is insufficient to meet demand. A few products are prohibited import; all other goods may be imported without a licence. The granting of an import licence implies that foreign exchange will be made available.

Exchange control is administered by the Bank of Thailand and all transactions must be effected through authorized banks. A licence from an authorized bank is required to make any payment but the issue is automatic for a legitimate commercial transaction. Licences are valid for 80 days for sight drafts and until 15

days after due date for time drafts. Authorized banks may grant extensions of one month but the Bank of Thailand must approve further extensions. Exchange control approval is required for advance payments.

VIETNAM

Importers must be registered and all imports are subject to licensing. For import purposes, merchandise is classified into 18 categories and importers may apply for licences in no more than three of these categories. Importers who import merchandise for their own use are required to join groupings or pools importing the same category of goods. Licences for imports made under the Agency for International Development (AID) program are issued by the National Commission for Importation and are valid up to the terminal delivery date specified in the AID procurement authorization. Other licences are issued by the Directorate of External Commerce and approved by the National Exchange Office. Such licences must be used within 15 to 30 days after issuing for the opening of a letter of credit. An import licence entitles the importer to purchase the necessary exchange from authorized banks.

Exchange is available through authorized banks from the National Exchange Office. All imports must be financed under letters of credit, for the opening of which the presentation of an import licence or import authorization is required.

—Office of Trade Relations and Trade Policy

France Produces More Automobiles

THE largest number of vehicles ever produced in one month in France—146,300 cars and 25,840 buses and trucks—rolled off the assembly lines last October.

During the first ten months of 1963, French automobile factories produced 1,410,559 vehicles compared with 1,223,632 for the corresponding period in 1962. This figure included 1,202,369 cars (1,036,758 in 1962) and 208,190 trucks and buses (186,874 in 1962). However, 23,070 cars and 793 trucks sent unfinished to foreign assembly plants are not included in this figure.

The French automobile industry was expected to maintain this pace to give a 1963 production figure of a record 1.8 million vehicles—1,550,000 cars and 250,000 trucks and buses. This would make France the world's fourth largest

automobile producer, after the United States, West Germany and Britain.

Exports during the first ten months of 1963 totalled 489,189 vehicles, compared with 412,378 for the same period of 1962. Exports of automobiles, at 452,157 units, (against 377,834 in 1962) were up 19.6 per cent and of commercial vehicles, at 37,011 units (against 34,544 in 1962) 7.2 per cent. Despite the large increase in production, the ratio of exports to production was greater than in the first ten months of 1962.

On the whole, exports in 1963 accounted for 34.7 per cent of production compared with 33.5 per cent in the previous year—37.5 per cent for cars and for commercial vehicles 17.8 per cent. The 1962 figures were cars 36 per cent and trucks 18.5 per cent.

Imports of foreign vehicles into France were relatively large in October, probably stimulated by the Paris Automobile Salon: 18,639 units, including 17,227 cars and 1,412 trucks and buses.

Imports remain much smaller than exports but have increased more rapidly. In fact, during the first ten months of 1963 imports reached a record 130,218, against 100,795 during the same period of 1962, up 29 per cent. Some 118,856 cars were imported in comparison with 91,059 in 1962, an increase of 30 per cent. Imports of commercial vehicles numbered 11,362 compared with 9,736, an increase of 16.7 per cent. France therefore imports 100 vehicles for every 375 exported.

—GILLES MORIN,
Assistant Commercial Secretary, Paris.

Shipping Services from Canada to the Far East

	From Pacific Coast	From Great Lakes	From St. Lawrence and Atlantic
TO: BRUNEI	No direct liner service; cargo transhipped at Singapore		
BURMA	American Mail Line <i>(Canadian Blue Star Line, Vancouver)</i>	Orient Mid-East Great Lakes Service <i>(Hurum Shipping and Trading Co. Ltd. Toronto)</i>	Canada India Pakistan Line <i>(McLean Kennedy Ltd., Montreal, Toronto, Saint John; Pickford and Black Ltd., Halifax)</i> Orient Mid-East Great Lakes Service <i>(Hurum Shipping and Trading Co. Ltd., Montreal)</i>
CAMBODIA	No direct liner service; cargo transhipped at Saigon		
COMMUNIST CHINA	No direct liner service; cargo transhipped at Hong Kong		
HONG KONG	American Mail Line Klaveness Line <i>(Balfour Guthrie (Canada) Ltd., Vancouver)</i> Knutsen Line <i>(Johnson Walton Steamships Ltd., Vancouver)</i> Nedlloyd and Hoegh Lines <i>(Dingwall Cotts & Co. Ltd., Vancouver)</i> Nissan Pacific Line <i>(Kingsley Navigation Co. Ltd., Vancouver)</i> P & O Orient Lines <i>(Union Steamship Co. of New Zealand Ltd., Vancouver)</i> States Line <i>(Dodwell & Company Ltd., Vancouver)</i> States Marine Lines <i>(World Wide Shipping Ltd., Vancouver)</i>	"K" Line <i>(Kerr Steamships Ltd., Toronto)</i> Orient Mid-East Great Lakes Service	States Marine Lines <i>(Amalgamated Exporters Co. (Canada) Ltd., Montreal)</i> "K" Line <i>(Kerr Steamships Ltd., Montreal)</i> Maersk Line <i>(Robert Reford Co. Ltd., Montreal, Toronto; J. T. Knight Co. Ltd., Saint John; F. H. Warren Ltd., Halifax)</i> Mitsui Line <i>(Montreal Shipping Co. Ltd., Montreal, Toronto, Saint John, Halifax)</i> Orient Mid-East Great Lakes Service Pacific Star Line <i>(March Shipping Agency, Montreal, Toronto)</i>
INDONESIA	American Mail Line Klaveness Line Knutsen Line	Orient Mid-East Great Lakes Service	Maersk Line Orient Mid-East Great Lakes Service
JAPAN	American Mail Line Anglo-Canadian Shipping Co. Ltd. <i>(Westship Ltd., Vancouver; King Brothers Ltd., Victoria)</i> Maritime Company of the Philippines <i>(Furness Withy & Co. Ltd., Vancouver)</i> Mitsui OSK Line <i>(Pacific Export Lines Ltd., and C. Gardner Johnson Ltd., Vancouver)</i> Nissan Pacific Line N.Y.K. Line Mitsubishi <i>(Greer Tidewater Shipping Ltd., Vancouver)</i>	"K" Line	Commerce Marine Line <i>(Keel Shipping Ltd., Montreal, Toronto)</i> "K" Line Maersk Line Mitsui Line Pacific Star Line States Marine Lines

—continued

Shipping Services from Canada to the Far East

	From Pacific Coast	From Great Lakes	From St. Lawrence and Atlantic
TO: JAPAN	P & O Orient Lines States Line States Marine Lines Yamashita-Shinnihon Line <i>(North Pacific Shipping Co. Ltd., Vancouver)</i>		
LAOS	No direct liner service; cargo transhipped at Saigon		
MACAO	No direct liner service; cargo transhipped at Hong Kong		
MALAYA	American Mail Line Klaveness Line Knutsen Line Nedlloyd and Hoegh Lines Nissan Pacific Line	"K" Line	Isthmian Lines <i>(Amalgamated Exporters Co. (Canada) Ltd., Montreal)</i> "K" Line Maersk Line
PHILIPPINES	American Mail Line Klaveness Line Knutsen Line Magsaysay Lines <i>(Canada Shipping Co. Ltd., Vancouver)</i> Maritime Company of the Philippines Nedlloyd and Hoegh Lines P & O Orient Lines States Line	"K" Line Orient Mid-East Great Lakes Service	Isthmian Lines "K" Line Maersk Line Orient Mid-East Great Lakes Service Pacific Star Line
SABAH	No direct liner service; cargo transhipped at Singapore		
SARAWAK	States Line	No direct liner service; cargo transhipped at Singapore	
SINGAPORE	American Mail Line Klaveness Line Knutsen Line Nedlloyd and Hoegh Lines Nissan Pacific Line	"K" Line Orient Mid-East Great Lakes Service Great Lakes Bengal Lines <i>(Colley Motorships Ltd., Toronto)</i>	Isthmian Lines "K" Line Maersk Line Orient Mid-East Great Lakes Service Great Lakes Bengal Lines <i>(Colley Motorships Ltd., Montreal)</i>
SOUTH KOREA	American Mail Line States Line States Marine Lines	Orient Mid-East Great Lakes Service	Maersk Line Mitsui Line Orient Mid-East Great Lakes Service Pacific Star Lines States Marine Lines
SOUTH VIETNAM	American Mail Line States Line	Orient Mid-East Great Lakes Service	Isthmian Lines Maersk Line Orient Mid-East Great Lakes Service

	From Pacific Coast	From Great Lakes	From St. Lawrence and Atlantic
TAIWAN	American Mail Line	"K" Line	"K" Line
	States Line	Orient Mid-East Great Lakes Service	Maersk Line
	States Marine Lines		Orient Mid-East Great Lakes Service
			Pacific Star Line
			States Marine Lines
THAILAND	States Line	"K" Line	Isthmian Lines
		Orient Mid-East Great Lakes Service	"K" Line
			Maersk Line
			Orient Mid-East Great Lakes Service

COMMODITY NOTES

Automobiles

ITALY—During the first ten months of 1963, Italy produced 909,908 automobiles, 27.67 per cent more than in the same period in 1962—the largest percentage increase in any country. Output in Japan rose 25.18 per cent, Canada 21.33, West Germany 16.87, Britain 16.08, United States 11.05. Approximately 26 per cent of Italian automobiles were exported—Rome.

Bauxite

VENEZUELA—Bauxite deposits have been located in five points of the Upata area of Bolivar State. Tests conducted by the Ministry of Mines and Hydrocarbons indicate the existence of over four million tons of bauxite in these deposits. Less thorough tests show that there are large deposits in other parts of the state, but exact quantities are not known. The search for bauxite was started in Venezuela after World War II and the first deposit was found in 1959—Caracas.

Cereal Milling Equipment

COLOMBIA—The Aeroglide Corporation of Raleigh, North Carolina, has completed negotiations for the establishment of a plant manufacturing cereal milling equipment. This new industry, Empresa Metalúrgica Colombiana S.A., is another addition to the important complex of equipment manufacturing developing in the Bucaramanga region of Colombia—Bogotá.

Copper

CHILE—A Japanese company, Dowa of Tokyo, is investing U.S.\$7.9 million to develop a copper property near the port of Chañaral in northern Chile. Mill installations of the new mining enterprise, to be known

as Cia. Minera Dowa Santa Rosa, S.A., will be centered upon a 21,000 ton per month leaching plant, to be followed later by a 15,000 ton per month flotation unit. Output of concentrates will be shipped to Japan for further processing—Santiago.

Electric Stoves

BRITAIN—Singer Manufacturing Company, makers of sewing machines for many years, will soon produce electric stoves as well. It has entered into an agreement with the Tappan Company of the U.S. and they have jointly formed a new company, Singer-Tappan, with a capitalization of \$300,000. Initially it will produce household electric stoves based on successful U.S. styles but modified for the British market. There are plans to broaden the range to include other kitchen equipment—Glasgow.

Ethylene

ISRAEL—Israel has opened an ethylene plant, the first of a chemical complex planned by Israel Petrochemical Industries Limited. When full production of ethylene is reached, the principal consumer will be Petrochemical Industries itself, which will use it to make polyethylene. By the end of 1964, Israel expects to fill the local polyethylene demand and have some for export—Tel Aviv.

Footwear

SWEDEN—Sales of shoes in Sweden reached a peak of 24.9 million pairs in 1963, 9 per cent more than in 1962. This exceeds the figure for the previous record year, 1961, by 900,000 pairs.

Production of shoes has risen by 100,000 pairs to 16.6 million. Imports of leather shoes increased by 600,000 to 5.4 million pairs, rubber and plastic footwear by 200,000 to 1.1 million, and other kinds of shoes by 1.2 million to 3.1 million.

Exports of footwear dropped by 100,000 to 1.1 million pairs; the decline was entirely in rubber and plastic shoes—Stockholm.

Furniture

SWEDEN—The year 1963 was a good one for Sweden's furniture manufacturers. Total production was up by 10 to 15 per cent to approximately \$105 million. Exports of furniture increased by \$1.6 million to \$13.6 million. Imports rose by \$2.5 million to \$9.4 million.

The Swedish furniture industry consists of 700 factories, including approximately one hundred with a turnover in excess of \$200,000 each. Many of the smaller manufacturing units are subcontractors to the larger plants—Stockholm.

Furs

DENMARK—The Danish mink fur January auction, largest in the world, grossed approximately \$12 million from the 750,000 skins offered. A record number of buyers were present, with the U.S., Italians and West Germans the most active.

February 19 marked the opening of the sealskin inspection. There were 17,000 ringed sealskins and 3,000 other species.

Future auctions will take place at the new Danish Fur Sales' premises in the newly built Fur Centre on Langagervej in Glostrup—Copenhagen.

Gold

SOUTH AFRICA—The world's largest gold-producing country increased production by 8.4 per cent last year to establish a record of 27.4 million fine ounces, worth over a billion dollars. Present indications are that, unless important new goldfields are discovered, the rise in output will not continue for more than a year or two—Johannesburg.

Irrigation Systems

MEXICO—A \$20 million loan from the Inter-American Development Bank will be used to construct irrigation and drainage systems in the Guamuchil Valley in the southern state of Tabasco. This is part of the Humaya program which the Government has undertaken to use the hydraulic resources of the Culiacan River. The program calls for a system of dams, irrigation canals, roads and drainage systems. Total cost will be U.S.\$112 million, including the construction of a 40,000-kilowatt hydroelectric plant—Mexico City.

Steel

UNITED STATES—An increased volume of foreign-made steel-mill products is entering the U.S. Imports exceeded 3.5 million tons through the first eight months of 1963 and were expected to total five million at year-end. A monthly high of nearly 600,000 tons was reached in July.

Japan was the largest exporter of steel to the U.S. last year. Other major sources of imports included, in order of sales, Belgium-Luxembourg, West Germany, Canada, France, and Britain—Chicago.

Tea

PAKISTAN—Official estimates of the area under tea this crop year is 84,000 acres against 81,000 in 1962-63, an increase of 3.7 per cent. The increase resulted from extension undertaken by the tea estates.

Tea production is estimated at 55 million pounds as against 52 million pounds in the previous year, a rise of 5.8 per cent, thanks to more acreage and favourable weather—Karachi.

Tobacco

AUSTRIA—In the first nine months of 1963 Austria imported 8,014 metric tons of raw tobacco valued at \$10.5 million, an increase of 9.3 per cent in quantity and of 31.5 per cent in value. Two thirds of the imported tobacco came from the Rhodesias, the United States, Turkey and Bulgaria. Canada exported no tobacco to Austria in this period although in previous years it had made some sales—Vienna.

Watches

SWITZERLAND—Swiss watch exports in 1963 were valued at Swiss Francs 1,497.8 million, compared with 1,428.9 million in 1962, a rise of 4.8 per cent. Of total Swiss exports, watches accounted for 14.3 per cent, or 0.6 per cent less than in 1962. Major customers were: Italy, West Germany, Spain, Britain and Sweden, in Europe; Hong Kong, in Asia; the United States (Sw.Fr.279.6 m) and Canada (Sw.Fr.48.4 m)—Berne.

Wines

SOUTH AFRICA—Because of increased overseas demand, the South African wine industry has decided to adopt bulk handling of wine exports to Britain, its largest market. During the past five years the sale of wines to Britain alone rose from 972,430 to 2,149,958 gallons a year.

Some ships of the Union Castle Line will be fitted with specially lined tanks for carrying a considerable proportion of the wines in bulk to Britain. A receiving tank depot is to be built in Southampton, financed, owned and managed by the South African Wine Farmers Association—Cape Town.

FOREIGN TARIFFS

AND TRADE REGULATIONS

Britain

COMMONWEALTH PREFERENCE DOCUMENTATION FOR HONEY—The Commissioners of H. M. Customs and Excise have reviewed the matter of evidence of origin required to substantiate claims to Commonwealth Preference and announce that in future the proper certificate of origin for all types of honey, irrespective of how it is packed, is a Certificate of Origin D, Form No. 119 (Sale), or in the case where the producer or supplier is also the exporter, a Certificate of Origin D/COM, Form 112 (Sale).

This means that H. M. Customs now considers all honey to be the growth or produce of a country (i.e., unmanufactured goods) and that the content must be entirely Canadian and/or Commonwealth in order to qualify for preference.

Previously, H. M. Customs allowed honey packed in hermetically-sealed containers to claim preference on Certificate of Origin, Form 120 (Sale) with a 25 per cent Canadian and/or Commonwealth content required.

H. M. Customs have indicated that they are prepared to accept Certificate of Origin, Form 120 (Sale), where appropriate (for honey packed in hermetically-sealed containers) until July 1, 1964.

India

IMPORT CONTROL POLICY ANNOUNCED—On March 31 the Indian Government announced its import trade control policy for the fiscal year ending March 31, 1965. The policy reflects the continuing foreign exchange problem and is intended to concentrate imports in those items vital for export and defence-oriented industries and small-scale industries. As in the past, all imports require a licence and importers are divided into three main groups—established importers, actual users and others. Licences are issued to established importers mainly on the basis of quotas calculated on past imports. "Actual users" licences are available (subject to a very strict scrutiny of applications) for imports of certain essential spare parts and raw materials; the import of a wide range of products is prohibited.

The system of annual licensing introduced two years ago is continued with certain modifications outlined below.

● For established importers, quota increases have been granted on 17 items, including steel belt lacings, grinding rollers, penicillin and preparations, arms and ammunition, cartridge cases, and certain automobile parts. Quotas have been reduced on 12 items, including

newsprint, filter paper, nickel catalyst, and certain automobile spares, and have been reduced to zero on oxalic acid, rubber chemicals, polished zinc sheets and several other items.

● Face-value restrictions have been altered in several cases. A significant change is the provision for using import licences for books to import educational filmstrips against firm orders.

● Fourteen new items have been added to the list applicable to actual users. These include asbestos manufactures; blanc fixe; industrial, natural and synthetic diamonds; carbon black; synthetic resin sheets, tubes, rods, etc.

Further details may be obtained from the Commonwealth Division, Office of Trade Relations and Trade Policy, Department of Trade and Commerce, and the offices of the Trade Commissioner Service in New Delhi and Bombay.

Nigeria

IMPORT CONTROL TO BE INTRODUCED—In his recent opening speech to Parliament (equivalent to the Speech from the Throne), the President of Nigeria stated that Nigeria will introduce import controls. It appears that these controls will not be general and that goods under way at the time of the imposition of controls will be accommodated. This announcement should therefore not inhibit Canadian firms from shipping against orders received from reputable Nigerian firms.

Venezuela

COMPULSORY IMPORT LICENSING—Since the beginning of 1964 Venezuela has placed the following products under compulsory import licensing:

Tariff Item	Effective January 18, 1964
599-02-02-1	Fungicides, herbicides, raticides and similar
716-01-03	Pumps for liquids for agricultural purposes
	Effective March 10, 1964
664-07-01	Plate glass superimposed and other safety glass, in any form and size, without frame, for vehicles
716-12-02-2	Soft drink coolers
716-12-02-3	Counters and freezers for meat and fish
716-12-02-4	Refrigerators for fruits and vegetables
716-12-02-5	Refrigerated showcases for flowers and confectionery
716-12-02-6	Cold storage cabinets, assembled or not, with or without refrigeration unit
716-12-02-9	Water coolers
699-29-20-10C	Radiator cores

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 .92539.

Foreign Exchange Rates

Country	Unit	Type of Exchange	Can. dollar equivalent April 6	Units per Canadian dollar	Notes (see below)
Argentina	Peso	Free .....	.007848	127.4	
Australia	Pound .....	.....	2.4197	.4133	
Austria	Schilling .....	.....	.04185	23.89	
Bahamas	Pound .....	.....	3.0246	.3306	
Belgium and Luxemburg	Franc .....	.....	.02170	46.08	
Bermuda	Pound .....	.....	3.0246	.3306	
Bolivia	Peso .....	.....	.09119	10.97	
Brazil	Cruzeiro	Official Free Special Category	\$ \$	\$ \$	
Britain	Pound .....	.....	3.0246	.3306	
British Guiana	Dollar .....	.....	.6301	1.59	
British Honduras	Dollar .....	.....	.7562	1.32	
Burma	Kyat .....	.....	.2269	4.41	
Ceylon	Rupee .....	.....	.2268	4.41	
Chile	Escudo	Bank rate .....	.4701	2.13	
		Free .....	.3361	2.98	
		Certificate .....	.1201	8.33	
Colombia	Peso .....	.....	.007204	138.81	(4)
Congo, Republic of	Franc .....	.....	.1631	6.13	
Costa Rica	Colon .....	.....	‡	‡
Cuba	Peso .....	.....	‡	‡
Czechoslovakia	Koruna .....	.....	.1501	6.66	
Denmark	Krone .....	.....	.1567	6.38	
Dominican Republic	Peso .....	.....	1.08063	.92539	
Ecuador	Sucre	Official .....	.06003	16.66	
		Free .....	.05835	17.14	
El Salvador	Colon .....	.....	.4323	2.31	
Fiji	Pound .....	.....	2.7249	.3669	
Finland	Markka .....	.....	.3377	2.96	
France, Monaco, etc.	Franc .....	.....	.2205	4.54	(1)
Franco-African Republics, etc. ..	Franc .....	.....	.004410	226.75	(2)
French Pacific	Franc .....	.....	.01213	82.44	(3)
Germany	D Mark .....	.....	.2719	3.68	
Ghana	Pound .....	.....	3.0246	.3306	
Greece	Drachma .....	.....	.03602	27.80	
Guatemala	Quetzal .....	.....	1.08063	.92539	
Haiti	Gourde .....	.....	.2161	4.63	
Honduras	Lempira .....	.....	.5403	1.85	
Hong Kong	Dollar	Free .....	.1883	5.31	*March 26
		Official .....	.1890	5.29	

‡No quotation available.

‡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 April 6	Units per Canadian dollar	Notes (see below)
Iceland	Krona	Official	.02513	39.80	(4)
India	Rupee		.2268	4.41	
Indonesia	Rupiah		.003431	291.50	(4)
Iran	Rial		.01427	70.10	
Iraq	Dinar		3.0258	.3305	
Ireland	Pound		3.0246	.3306	
Israel	Pound		.3602	2.78	
Italy	Lira		.001729	578.36	
Japan	Yen		.003002	333.11	
Lebanon	Pound	Free	.3472	2.88	
Malaysia	Straits dollar		.3530	2.83	
Mexico	Peso		.08645	11.57	
Morocco	Dirham		.2161	4.63	
Netherlands	Florin		.2996	3.34	
Netherlands Antilles	Florin		.5730	1.75	
New Zealand	Pound		3.0039	.3329	
Nicaragua	Cordoba		.1544	6.48	
Nigeria	Pound		3.0246	.3306	
Norway	Krone		.1512	6.61	
Pakistan	Rupee		.2268	4.41	
Panama	Balboa		1.08063	.92539	
Paraguay	Guarani	Free	.009726	102.81	
Peru	Sol	Free	.04028	24.83	
Philippines	Peso	Free	.2772	3.61	
Portugal & Colonies	Escudo		.03759	26.60	(5)
South Africa	Rand		1.5123	.6610	
Spain and Dependencies	Peseta		.01801	55.52	
Sweden	Krona		.2102	4.76	
Switzerland	Franc		.2499	4.00	
Syria	Pound	Free	.2833	3.53	
Thailand	Baht	Free	.05195	19.25	(4)
Tunisia	Dinar		2.6151	.3824	
Turkey	Lira		.1201	8.33	(4)
United Arab Republic	Pound	Official	2.4854	.4023	
United States	Dollar		1.080625	.92539	
Uruguay	Peso	Free	.05621	17.79	
Venezuela	Bolivar	Official Free	.2407	4.55	
West Indies	Dollar		.6301	1.59	(6)
	Pound		3.0246	.3306	(7)
Yugoslavia	Dinar	Official	.001441	693.96	

Notes

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

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Useful Trade Directories

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Maclean-Hunter Publishing Company Limited. 284 pages. \$5.00.

THIS survey has become a standard reference book for businessmen and others who need up-to-date information on the Canadian market. Like its predecessors, the 1963 edition provides a province-by-province, industry-by-industry survey of Canada. Information on the Canadian people includes population distribution, sex, religion, and racial origin. Canada's market areas are rated in terms of retail sales per capita in each in comparison with the national average. A series of ten-year population growth rates show, area by area, where this growth is likely to be most rapid. An industry rating compares industrial activity in markets across Canada.

In the national business section, the survey covers foreign trade, gross national product, employment, wages, price movements, public and municipal finance.

Order from: The Financial Post, 481 University Avenue, Toronto 2, Ontario.

Trinidad and Tobago Trade Directory

Diplomatic Press and Publishing Company. 72 pages. 18s.

SECTION I of the *Trinidad and Tobago Trade Directory* gives brief sketches of the economy, the resource base and trade of the country. More useful to the businessman is Section II which contains an alphabetical and classified list of firms.

Order from: The Diplomatic Press and Publishing Co., 13, Cotswold Gardens, London, N.W.2., England.

British Commonwealth and International Trades Index 1963-64

Business Directories Ltd. 891 pages. \$8.00.

CANADIAN businessmen who wish information on British and Commonwealth trading companies can put this useful volume to work in much the same way as the *Canadian Trade Index*. The first two sections are, however, more comprehensive than the final ones.

The Index gives the names, postal and cable addresses, telephone numbers and the trade or profession of firms whose business it is to buy or to sell or to provide transport facilities, insurance, financial, or other necessary services for trade and commerce in

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Section I is an alphabetical index by name of all firms in Britain and Ireland. Cross references lead to Section II, which lists all the companies in Section I under their trade headings. Section III contains a partial list of Trade Marks and Brands, and Section IV an alphabetical list of cable addresses.

The remaining sections are less complete. Section V gives Section I and II treatment to 18 firms in Commonwealth and Empire countries; Section VI does the same for 26 foreign countries.

Order from: R. V. Gillman, 400 Drummond Building, Montreal 2, Quebec.

Phillips' Paper Trade Directory of the World, 1963

S. C. Phillips & Co., Ltd. 734 pages. £2. 3. 6. post free.

AS the title indicates, here is a complete directory of the world's paper trade. Indices make possible quick reference to sections listing British and overseas mills, a classified list of mill products, merchants and agents, converters and water-marks.

Order from: S. C. Phillips & Co., Ltd., Alliance House, 50-51, Fetter Lane, London, E.C.4, England.

West African Directory, 1963-64

Thomas Skinner & Co. Ltd. 624 pages. £2.2.0.

THIS DIRECTORY is a must for the businessman with an interest in West Africa. In a well-organized way it deals with the history, climate, peoples, government, finance, transport, agriculture, social services, natural resources, industries and trade of 18 countries—ranging from the Cameroons to Senegal on the coast inland as far as Mali, Upper Volta and Niger; it also includes the offshore islands of Fernando Po, Sao Tome and Principe. It contains a classified business directory for each country and a classified appendix listing exporters to these countries.

To aid persons unfamiliar with the area, an 18" by 40" map of West Africa is included, showing transportation facilities, population densities, and vegetation. Of particular interest to exporters are the extensive lists of shipping lines and airlines servicing these countries.

Published by: Thomas Skinner and Co., Ltd., St. Alphage House, Fort Street, London, E.C.2.

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CANADA
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