

OCTOBER 31. 64

FOREIGN TRADE

DEPARTMENT OF TRADE AND COMMERCE, OTTAWA

Central America Quickens Development

Canada Increases Trade with Mexico

Current Conditions in Nine Latin American Countries

FOREIGN TRADE

OCTOBER 31, 1964

Vol. 122 No. 9

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

The Hon. MITCHELL SHARP, Minister.

J. H. WARREN, Deputy Minister.

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

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

Single copies: 25 cents each.

EDITOR: O. Mary Hill.

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

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Current Conditions in Latin America Part I

Costa Rica

El Salvador

Guatemala

Honduras

Nicaragua

Panama and Canal Zone

Mexico

Dominican Republic

Haiti



Coffee has long been one of the principal economic supports of the countries in this area, which today are working to diversify their economies by developing new industries. Here in El Salvador, workers are shown spreading out the coffee beans to dry.

Canada's Trade with Central America and Panama

Common Market formed by five countries is stimulating expansion in this area; foreign trade has risen sharply. But Canadians are not getting a bigger share of an expanding market. Why?

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

THE importance of the emerging Central American Common Market (known by its initials as CACM) cannot be emphasized enough in discussing this area, with its population of over 11 million and a gross national product currently estimated at U.S.\$2.3 billion. Its progress has been accompanied by several other developments aimed at consolidating the efforts of the struggling Central American republics in the social, economic, labour, fiscal, industrial, tariff and other fields.

An agreement towards the formulation of a standardized Customs Code of Procedure (CAUCA) has already been signed by all CACM countries. Last month they also signed a protocol to an agreement which will have the effect of subjecting 98 per cent of all items to the uniform Central American external tariff. During the year, a Central American Tourist Promotion Bureau (known as SITCA) was established and APCA, the Central American Press Association,

set up. Preliminary steps have been taken towards the enactment of uniform labour laws and the five CACM countries are now working on a regional network to control air traffic in the area. The five also participated jointly in the Latin American Fair which was held in September in Berlin. These developments are evidence of the growing feeling of solidarity in most fields of activity in Central America.

Inter-CACM trade is increasing rapidly and must be of direct interest to all Canadian exporters, including newcomers to this area. In 1963, trade between the CACM countries increased some 25 per cent over the previous year; El Salvador, Guatemala and Honduras, in that order, were the most active partici-

pants. About 80 per cent of this trade is in non-durable consumer goods, raw materials and semi-finished products. The expectation is that its value in 1964 will exceed CA\$60 million. (One Central American peso equals one United States dollar.)

Elsewhere in this issue the Panamanian market is discussed and although the CACM accounts for the bulk of foreign trade, the effort is made in this article to deal with the entire area in general and Canada's participation in its trade in particular. Table I shows graphically the rapid expansion which both Central American and Panamanian foreign commerce is undergoing.

The reader will observe that in the three years covered in Table I every country in the area increased both imports and exports substantially. The sole exception was Costa Rican exports in 1963; these decreased slightly, probably because of volcanic ash damage to export crops.

Canada's Share

What is Canada's share in these developing markets? Unfortunately, it is a decreasing one. In 1963, Canadian exports to all six countries accounted for no more than 2.3 per cent of their total imports and our position has slipped back to what it was in 1961. The fact is that, although in actual value Canadian exports held their own, Canadian exporters did not share in the U.S.\$100 million increase in the value of the area's imports during 1963. A comparison of Table I with Table II demonstrates that fact.

Canada's adverse balance of trade with these six countries was extended by increasing imports, as Table III shows.

Preliminary DBS statistics show that during the first seven months of 1964, Canadian sales to this area were worth about Can.\$10.7 million and when all the returns are in for the current year, it is possible that the total value will be about the same as in 1963. It is not likely to be substantially above 1963, as one

TABLE I
CENTRAL AMERICAN AND PANAMANIAN FOREIGN TRADE

	Imports		Exports	
	1962	1963	1962	1963
	(millions of U.S.\$)			
Guatemala	132.9	145.0†	109.3	140. †
El Salvador	124.8	149.0	136.3	153.
Honduras	79.8	95.1	77.2	83.5
Nicaragua	98.2	107.0†	90.2	115. †
Costa Rica	113.5	123.8	93.0	92.0
Panama	147.0	168.0‡	36.0	62.0‡
Total	688.2	787.9	550.0	645.5

Source: Local Bureaux of Statistics.

†Preliminary figures.

‡Estimates only.

TABLE II
CANADIAN EXPORTS TO CENTRAL AMERICA AND PANAMA

	1961	1962	1963
	(Can.\$'000)		
Guatemala	2,188	2,705	3,107
El Salvador	2,436	3,354	3,135
Honduras	1,061	897	1,100
Nicaragua	1,448	2,135	2,693
Costa Rica	2,931	3,473	3,651
Panama	4,578	5,645	4,417
Total	14,642	18,209	18,103

Source: DBS—all values are f.o.b.

TABLE III
CANADIAN IMPORTS FROM CENTRAL AMERICA AND PANAMA

	1961	1962	1963
	(Can.\$'000)		
Guatemala	2,536	1,796	2,557
El Salvador	1,307	1,848	1,960
Honduras	7,391	7,617	6,868
Nicaragua	208	107	383
Costa Rica	4,227	6,259	7,308
Panama	6,168	8,321	11,057
Total	21,837	25,948	30,133

Source: DBS—all values are f.o.b.

might expect in an area where: (1) imports of all kinds of goods are markedly on the rise; (2) there are virtually no import restrictions; (3) exchange restrictions are *not* a significant factor because there are none in most of this area; (4) where no other foreign country enjoys preferential tariff or other treatment over Canada.

What Is the Problem?

One serious difficulty in increasing Canadian sales is the lack of adequate shipping services, especially on the Caribbean-Atlantic

coast. That problem is even more acute during the Canadian winter when exports usually have to be routed at greater cost via ports like New York. The exceptions to that rule are Guatemala and El Salvador, the two markets which can be served by the Canada-Jamaica Line which operates year-round between Eastern Canadian ports and Puerto Barrios on the Guatemalan Caribbean coast. The Canada-Jamaica Line used to call at Puerto Cortés in Honduras but has discontinued that service for lack of cargo inducement.

In the accompanying articles, it is emphasized that these countries depend largely and of necessity on a few staple export commodities like coffee, cotton and bananas. The bulk of Canadian exports to this area consist of wheat and newsprint but a perusal of DBS statistics shows clearly that there are literally hundreds of other products of all kinds that are being exported regularly to this part of the world. The real problem therefore is that we sell plenty of different types of products but far too little of them.

Canadian exporters have the advantage of the dollar discount. They are handicapped in shipping services but so are other countries. In any event, that problem is not insuperable. There is plenty of proof of the attractive business that can be obtained in this territory if Canadian firms are alert and persevering.

The Guatemala office has heard many complaints from Canadian firms about the lack of alertness on the part of their local agents, but we have heard the other side of the record as well. Both sides sound much the same! Canadian exporters are again strongly urged to have a close look at their representation arrangements in this territory, to follow up all correspondence quickly, and review their pricing policy, terms of delivery and—perhaps more important—their terms of payment. As it is, Canadian exporters are "missing the boat" in the promising Central American and Panamanian markets. ●

Central America

Quickens Development

In the Central American Common Market, new emphasis on building up industry is bringing results. Here is a look at industrial projects in each of the five countries, as a guide to Canadians who are interested in trading with that area.

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

THE rapid progress made towards the institution of the Central American Common Market has received plenty of publicity but little has been given to the ultimate objectives of Central American economic integration. Not surprisingly, the main purpose is self-sufficiency and for Central America, which is so dependent on the export of three or four staple commodities, that means industrial development.

It is widely known that by 1966 the five Central American Common Market countries, (we will henceforth refer to the Common Market as CACM) Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua, will have created a free trade area and also a customs union among themselves. They will by then have agreed on a uniform external customs tariff on nearly all imported goods applicable to non-CACM countries. The brilliant success of this co-operative effort is already evident in the most recent figures on intra-regional trade among CACM countries. These show that in 1950 this trade totalled a mere \$8.3 million but by the end of 1963, it reached a value of \$62 million. El Salvador was the main trader, exporting \$30 million worth of goods during that period, principally to Guatemala and Honduras, its closest neighbours. The bulk of the business consisted of semi-manufactured and finished goods produced within the CACM countries.

Although the history of the CACM can be traced to the early fifties, its backbone is the General Treaty of Central American Economic Integration which was signed in Managua in 1960 and became operative on its ratification by the Governments of El Salvador, Guatemala and Nicaragua in 1961 and of Honduras in 1962. Costa Rica, which has since ratified it, became a full-fledged member last year. Panama did not ratify it but as an associate member it may join the Isthmian trading community when its own situation permits. But for the time being, it is not a member of the CACM and this article excludes Panama.

"Integration" Industries

One of the outgrowths of the General Treaty is the Agreement or the System for Central American Integration Industries signed in 1958. Its declared purpose was to promote the establishment of "integration industries", located in specified and agreed-upon countries, as regional monopolies. Little headway has been made towards the establishment of such monopolies. The mention of conflicts of interest at individual, national and political levels should be sufficient explanation for the purpose of this report.

There is in this area a great deal of scepticism about the concept of "regional monopolies". As of now, only two integration industries have

been approved: one for the manufacture of tires and tubes in Guatemala and the other for the production of caustic soda and insecticides in Nicaragua. One is now in operation but is challenged by Costa Rica, whose government has authorized the establishment of a tire factory in Costa Rica itself. The other is still inoperative and it is doubtful whether it will ever preserve its monopolistic character.

Industrial Promotion Laws

However, the integration industries convention or agreement has served a useful purpose. It encouraged individual governments of the CACM countries to promulgate industrial development laws and this made for positive action by those interests which hereto had been negative or conflicting. The integration industries system, for all its faults, is in great part responsible for bringing Central American industry from embryo to infancy, and the infant is strong and healthy and full of promise for the future. The CACM members have now signed an agreement aimed at equalizing as closely as possible the "fiscal advantages" their respective incentive laws offer for industrial development.

Regional and International Financing

The intra-regional trade mentioned earlier has formed the basis for growth in the manufacturing sector. Industrial plants require financing and this has come from within and outside the CACM. A CACM Bank was established in 1961, financed by member countries, the World Bank and, to a significant extent, by organizations like the Inter-American Develop-

ment Bank and the Agency for International Development (AID).

The CACM member countries have contributed \$4 million each to their bank (in English known as the Central American Bank for Economic Integration or CABEI for short), for a total of \$20 million. Like its other financial resources, the funds are intended principally to promote industrial development of every kind, including so-called infrastructure projects.

The Inter-American Development Bank (IADB) report for 1961-63 states that it granted CACM countries loans totalling \$87.7 million as of December 1963, distributed as follows: Guatemala \$20.1 million, Honduras \$17 million, Costa Rica \$16.1 million, El Salvador \$15.8 million, Nicaragua \$9.9 million, and for the CACM as a whole, \$9 million.

As for AID, of the \$12.5 million it granted in loans to the CABEI in November 1963 alone, \$2.5 million is to be used to finance feasibility studies for new basic industries to promote the CACM and regional integration. Another AID loan for \$10 million is being made to finance middle-class housing through a special housing finance department which the CABEI is to establish.

The CABEI has recently organized a new department to promote investment at the regional level. It will develop and diffuse information on investment prospects and opportunities in CACM countries. Since its establishment in October 1961, the CABEI as of December 31, 1963, had granted industrial loans for a total of \$15 million as follows: El Salvador \$4.1 million, Guatemala \$3.9 million, Honduras \$4.7 million, Nicaragua \$2.5 million and Costa Rica, the latecomer, \$62,000.

It is worth mentioning that the SIECA (the CACM's permanent secretariat with headquarters in Guatemala City) at a recent meeting recommended to member countries that they adopt investment guarantees similar to those put into effect by Guatemala in August of last year. Thus, foreign investors

would be able to transfer earnings or dividends freely on capital investments and repatriate capital at any time.

In this bird's eye view of CACM industrial development, I have tried to spare the reader statistical tables. In this article, it will suffice to enumerate specific investments or projects earmarked for CACM countries as an indication of the transformation their industry is undergoing.

Costa Rica

- The CABEI is assisting in financing the expansion of CANCO, manufacturers of cans and containers. It also granted a \$260,000 loan to RICALIT, a producer of moulded asbestos-cement products, and another for \$275,000 to CANAFrut to produce fruit and vegetable concentrates.

- The IADB made a \$3 million loan to the Banco de Costa Rica for industrial development.

- Firestone of the United States has been authorized to set up a plant to manufacture tires and an investment of \$5.7 million is foreseen.

- Japanese interests are establishing a textile factory to supply both the local and regional markets. Costa Rican capital is participating in that venture.

- There is a project to install a paper plant calling for an investment of \$10 million which will be supplied by United States and Costa Rican sources. It will produce various kinds of paper for CACM countries but newsprint is excluded.

- To encourage industrial development, the Costa Rican Government is establishing three zones of "international commerce". Foreign companies established in those areas will enjoy free or preferential access to the CACM. The operating company, which is financed by Costa Rican and U.S. interests, is known as Operadora Portuaria Costarricense.

Costa Rican industrial production has risen in value from \$60 million in 1950 to \$149 million in 1962.

El Salvador

It has often been said that El Salvador is to Central America what West Germany is to Europe. The comparison is certainly valid. It is the most industrialized country in the area and developments show that it will maintain its place as the industrial leader.

- The CABEI recently granted a \$1.2 million loan to help finance a new cement plant. When Cementos de El Salvador's expansion program is completed, it will produce 3.5 million bags (100 pounds each) of Type I Portland cement. The same bank granted a loan of over \$200,000 for the building of a plant to produce coach bodies for sale throughout Central America.

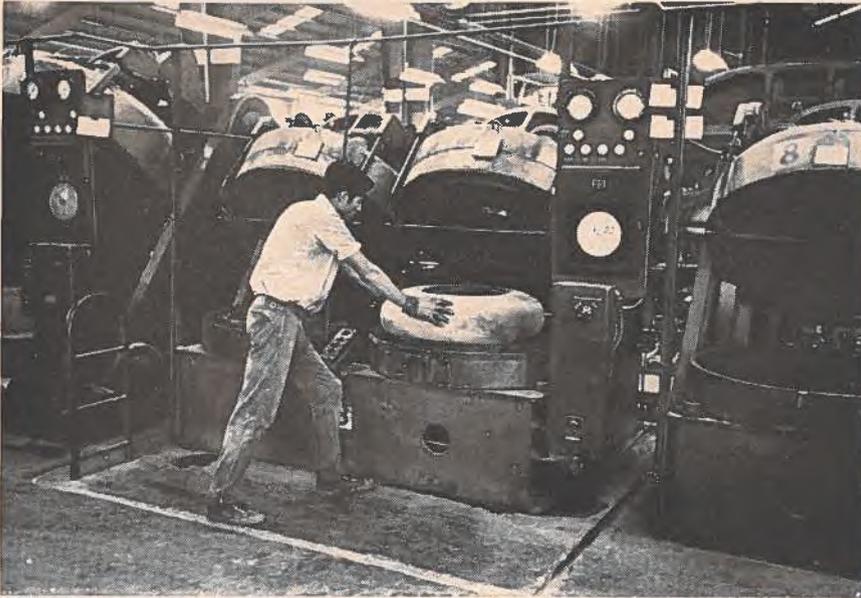
- AID is granting a \$5.2 million loan to Financiera de Desarrollo e Inversion to promote the establishment and expansion of privately-owned industries.

- A new plant financed with \$200,000 by Guatemalan and Salvadorean interests will produce enough nylon yarn to meet CACM requirements. The investment will be doubled within the near future.

- METASA, the Nicaraguan firm, is investing \$1 million in a new plant at the Salvadorean Pacific port of Acajutla. It will produce over 20,000 tons of sheet metal to meet CACM needs.

- Some \$400,000 will be invested in a screw-cap factory. Production will be at the rate of 12,500 units per hour which should be enough to supply all CACM demand. AID will lend \$100,000 for technical assistance on this project.

- Salvadoreans and Mexicans have put up \$600,000 for a plastic factory which will produce mainly PVC sheeting.



Car and truck tires are the principal product of the Ginsa (*Gran Industria de Neumáticos Centroamericana S.A.*) plant in Guatemala. The first of the so-called integrated industries established under the CACM agreement, it cost over U.S.\$2 million.

- Vidrios de Centroamerica with Mercor of Sweden will set up a new glass factory at a cost of \$1.4 million to make simple glass products to supply the CACM market.

- The Salvadorean Government has allotted \$5.5 million for each of 1964 and 1965 to INSAFI (the Salvadorean Industrial Promotion Institute) for loans to the industrial sector. Most of these funds will go to new and expanding industries. INSAFI will supply small industries with as much as 50 per cent of their capital requirements at comparatively low rates of interest.

As of now, some 50 Salvadorean companies have received benefits available under the industrial development incentive law. Investments made by those firms total \$25 million. In the first two months of the year alone, the Salvadorean Government granted tax concessions and other benefits to 33 new industries which are expected to create some 5,000 new jobs. Those plants will produce metal and chemical products, textiles, canned meats, radios, sewing machines, soap, wood and paper products, and dehydrated soups.

New industries being considered and for which feasibility studies have been completed would produce brake linings, heavy paper bags, ready-mix concrete in bags, lingerie, calcium carbide and starches.

Guatemala

- The CABEI granted substantial loans to a textile firm and to another to manufacture plastic articles.

- A United States-Mexican mixed company, American Refrigeration Products S.A., is soon going into the production of industrial and commercial refrigeration equipment. Capital investment is \$500,000 and the plant will employ 300 workers.

- Texas Petroleum will build a pipeline from the Atlantic port of San José to its new refinery at Escuintla.

- A new factory is being set up to manufacture spark plugs for internal combustion engines; it will produce at least one and a half million units a year. Capital investment is \$250,000.

- In 1963, INFOP (Guatemala's Institute for Industrial Development) granted loans to 37 firms for

a total of about \$3.7 million. Most of these were applied to financing food-processing (chiefly sugar), textile, furniture, chemical and metal industries.

In 1960, the gross industrial product of the food industry exceeded \$35 million, of beverages \$23 million, textiles and clothing \$23 million, furniture and chemicals industries, \$5 million each.

Foreign investment in Guatemala in 1962 totalled \$11.5 million, a 10 per cent increase over the previous year. Preliminary studies show that the following products are good fields for industrial investment: sulphuric acid, fertilizers, cereals, synthetic fibres, assembly of agricultural machinery and equipment, automobiles and trucks, polyvinyl and polyethylene resins, iron tubing, plastic fabrics, veterinary products, etc.

Honduras

- A Honduran shoe manufacturer received a \$100,000 loan from the CABEI and a textile mill got a \$1.9 million credit, both for expansion purposes.

- The World Bank authorized a loan of \$295,000 to a leather manufacturer for expansion.

- Last May, a new plant to produce cardboard boxes to pack bananas was opened. This is a \$2 million investment.

- The IADB authorized a \$5 million loan to Financiera Hondureña, a new private development bank. Local businessmen contributed \$1 million to this bank which will grant 2 to 15-year term loans to firms in San Pedro Sula. AID is providing \$100,000 for technical assistance.

Nicaragua

The Nicaraguan Long Leaf Pine Lumber Co. was given a \$500,000 loan by the CABEI to establish a new plant to produce resin, turpentine and pine oil for export to other CACM countries, Europe and Japan. INFONAC (the Nicaraguan Institute for Industrial Develop-

ment) will provide an additional \$100,000 for that project.

- Plásticos de Nicaragua, capitalized at \$350,000, will produce at peak capacity 400 tons of plastic bags for packing. Some of the output will be exported to other CACM countries.

- The Bank of America extended a \$2.5 million loan to the Banco Nacional de Nicaragua to help provide credits for agricultural and industrial development. This is a five-year loan at 5½ per cent annual interest.

- A new factory to produce 30,000 pounds a day of various animal feed products has been established.

- Industrias Químicas Atlas de C.A. with Nicaraguan and U.S. capital will set up a plant to produce three million pounds of sulphate products a year.

- Nestlé plans to build a plant to produce powdered milk at a cost exceeding \$7 million, including access roads to the northern part of the country, where milk supplies are plentiful. The plant, which has the blessing of INFONAC, will produce enough to export to the rest of Central America.

Effect on Canadians

It has already been stated in other issues of *Foreign Trade* that in view of the rapidly developing CACM and of its industry, Canadian exporters must adjust their thinking on the pattern and nature of Canadian export potential in this area. This resumé of industrial development should help to show some exporters where and how a former demand has been met, at least in part, by local manufacturers. To others, it will indicate the new potential for semi-manufactured goods and raw materials. Above all, it is hoped that Canadian exporters and businessmen in general will realize what development is going on in this area, what influences are shaping it, and what interests are participating. ●

Costa Rica

- Stubborn volcano affecting coffee crop.
- New emphasis on industrial build-up apparent.
- Trade between Canada and Costa Rica in balance.

P. D. DONOHUE, *Assistant Commercial Secretary, Guatemala City.*

THE most important single factor influencing business conditions in this country of 1.3 million people is the Irazú volcano, which began erupting in March 1963 and has continued ever since to dump volcanic ash on the capital city of San José and the agricultural areas of the central plateau. (See *Foreign Trade* of May 2, 1964). The damage caused to industry and agriculture now exceeds \$60 million.* Damage to coffee farms alone—and coffee is Costa Rica's chief source of foreign exchange—will approach \$15 million in 1964. It is expected that this year's crop will be 450,000 cwt. below the normal 1.35 million cwt. It is, therefore, highly unlikely that Costa Rica will be able to fill its coffee export quota this year.

To help remedy this alarming situation, the Central Bank has authorized loans to individual coffee farmers of up to \$300 per manzana (1.73 acres).

In spite of the Irazú tragedy, a feeling of confidence in the future continues to pervade the business community and some economic indicators seem to warrant this. Gold and foreign exchange reserves held by the Central Bank as of last May 31st stood at \$29.6 million as against \$23.6 million on the same date in 1963. Savings account deposits were 12 per cent higher than in 1963 and 30 per cent higher than in 1962.

Industry Makes Progress

Industry continues to progress in Costa Rica. The value of industrial

*All values are in U.S. dollars unless otherwise indicated.

production was close to \$150 million in 1963, almost 2½ times the figure of twelve years before. Several new plants are being established and others are planned for the near future. Two typical examples are:

- A plant for producing dehydrated fruit by the freeze-dry method, using locally grown fruits such as bananas and papayas. This plant will supply the whole of Central America.

- A factory for the manufacture of cans to serve the local food processing industries.

Industrial Zones Planned

Three industrial zones offering tariff and other concessions are to be established. They will be located at Puerto Limón on the Atlantic coast, Puntarenas on the Pacific, and at the El Coto international airport which serves San José and is conveniently placed on the Pan American Highway. The two coastal zones are already linked by a railway.

Industries established in the zones will receive preferential treatment and, in some instances, duty-free access to the other member countries of the Central American Common Market. Furthermore, they will be allowed to import raw materials and export their finished goods duty-free.

The estimated cost for preliminary construction work and improvements in these zones is \$1.5 million. Financing will be supplied by the Costa Rican Government and United States business interests. Together, they are establishing a company known as Operadora Portuaria

Costarricense to administer the zones.

Social Progress

With foreign financial assistance (mainly from the United States) Costa Rica is also continuing to improve the lot of its citizens and is tackling several projects. Among these are:

- Construction and repair of fifty secondary roads, mainly in the agricultural areas. The IADB has advanced a \$4 million loan, which bears an annual interest rate of 1½ per cent and is repayable in twenty years.
- Building of 450 middle-class homes at Las Pavas, financed from private sources.
- Construction of hospitals for which a loan of \$2.4 million has been offered by a West German group, Hospitalia International, in association with the Bonn Government.

● Controlling the serious flood conditions around Cartago. The Agency for International Development has supplied men, equipment and financing for this.

The National Salary Council has been reviewing wages of industrial workers and is expected to announce increases as high as 33 per cent above current levels.

Foreign Trade

Costa Rica's exports reached \$92.0 million in 1963 and imports totalled \$123.8 million. (In 1962, exports totalled \$85.2 million and imports \$113.5 million.) Coffee accounted for \$45.8 million of 1963 shipments and bananas for \$22.2 million. The United States was by far Costa Rica's chief supplier, providing 52 per cent of its total commercial imports.

Canadian sales to Costa Rica in 1963 totalled \$3.65 million,* only

*Value in Canadian dollars; source DBS.

slightly above the 1962 figure of \$3.42 million. They may decline in 1964 because sales to June 30th were valued at \$1.66 million compared with \$2.06 million for the corresponding period in 1963. In 1963 and so far in 1964, wheat flour has made up almost half of our sales to Costa Rica. Other important commodities are newsprint, truck and bus tires, and synthetic yarn.

The future will show definite changes in this pattern because the construction of a flour mill at Puntarenas has recently been authorized and Firestone of the United States will be erecting a tire plant to compete with the one already operating in Guatemala.

Canada's purchases from Costa Rica in 1963 totalled \$3.67 million—\$3.0 million of which was bananas and almost \$500,000 coffee. Our 1962 purchases amounted to \$3.27 million. Thus the trade between the two countries continues to be almost in balance.

Future Opportunities

With the heavy emphasis on development and improvement, there should be greater opportunities for the sale of construction materials and equipment, industrial machinery, and other capital goods. Already the Costa Rican Government and its various agencies are responsible, through public tender, for 30 per cent of the country's purchases. One Canadian firm has recently obtained a contract for \$500,000 worth of telephone equipment, in competition with 13 other companies.

Costa Rica's continuing trade deficit, which by the end of this year could be serious because of Irazú's effect on the current coffee crop, may prove a difficult problem.

On the other hand, accelerated industrial expansion and social progress make Costa Rica worthy of Canadian exporters' attention. Once there is a durable lid on its troublesome volcano, business conditions will undoubtedly undergo a dramatic change for the better. ●



Competing with 13 other companies from the United States, Britain, Europe and the Far East, a Canadian firm, Northern Electric Company Ltd., won a contract to supply 30,000 telephone sets to ICE of Costa Rica. Shown completing arrangements are, far right, Andreoli Jimenez, General Manager of ICE (Instituto Costarricense de Electricidad); fourth from right, V. O. Marquez, Vice-President of Northern Electric Company Ltd.; extreme left, Guillermo Garcia, the company's Costa Rican agent, and on the right, back to camera, H. E. Lemieux, Commercial Counsellor for Canada.

El Salvador

- GNP in 1963 was \$54 million above 1962.
- Both imports and exports rose last year.
- Canadian sales should hit new high in 1964.

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

EL SALVADOR, the smallest of the Central American republics, makes up for what it lacks in area by having the soundest and most prosperous economy of all the Central American Common Market countries. It is an expanding economy and current conditions make it possible to forecast another good year for business in 1964-65.

Thanks to a good and stable government, Salvadorean businessmen operate in an atmosphere of confidence and well-justified optimism. The investment climate continues to be favourable and the country holds a good lead as the most industrialized in the entire area. It is therefore not surprising that El Salvador scored another first when it established the first stock exchange early this year.

Monetary Council Set Up

A noteworthy development was the setting up last July by Central American central banks of the Central American Monetary Council, with headquarters in San Salvador. Its main purpose is to co-ordinate the monetary and exchange policies of the five Central American Common Market countries. Representatives of the central banks are making progress towards the creation both of a monetary union and of common policies on fiscal and economic matters within the framework of the Central American economic integration program. The Monetary Council has already approved a uniform cheque to facilitate payments within the area.

The exchange controls put in effect in April 1961 remain in force

but there are no import restrictions as such.

General Conditions

Without exception, economic indicators are encouraging. By the end of 1963, the international monetary reserves had increased by \$18 million*, representing a 70 per cent increase in the rate of improvement at the end of the previous year. At that time, the money supply was greater by about \$10 million than in the previous year. During the first quarter of 1964 it was 10 per cent higher than in the corresponding quarter in 1963. Short-term loans are readily available but there is a definite need for long-term development loans and these are difficult to obtain. Money in circulation as of December 31, 1963, totalled \$96.4 million—\$13.4 million more than a year earlier.

The country's finances are sound enough that the Salvadorean Federal Reserve Bank has had no need to resort to foreign loans nor to use the standby credit put at its disposal by the International Monetary Fund. In the past year the Government further reduced the budget deficit and a new balanced budget for \$89 million, 16 per cent greater than its predecessor, has been approved for the current fiscal year.

El Salvador's gross national product in 1963 was \$718 million, an increase of \$54 million over 1962. This was made possible by the growth in all sectors of the economy but especially in agriculture, commerce and industry.

*All values are in United States dollars unless otherwise specified.

At the end of last year, the gold and foreign exchange holdings stood at \$37.4 million—a significant increase over the \$22.5 million of December 31, 1962. Still higher yields in agriculture, greater industrial production and increased exports are forecast for this year, and if the present level of imports is maintained, the foreign exchange situation should improve further by the end of the year.

Production of coffee and cotton, the two main sources of foreign exchange, has doubled in the last five years. The 1963/64 cotton crop increased to 370,000 bales—70,000 more than the previous one. In addition, El Salvador has applied to the United States for a 20,000-ton increase in its current export quota for sugar to 50,000 tons. The current quota had already been doubled a year ago under the U.S. sugar program. Obviously, sugar exports are becoming a more and more important source of export revenue.

Foreign Trade

The rapidly expanding Salvadorean industry requires imports of raw materials and equipment and thus imposes a heavy drain on the foreign exchange reserves. Ironically, it is these industries which largely offset the foreign exchange gains made by agriculture. This situation will undoubtedly be corrected as El Salvador assumes ever-increasing prominence as a supplier of consumer goods to the rapidly developing Central American Common Market.

Salvadorean imports and exports both increased considerably during the past year. In 1963 imports were valued at \$150.8 million against \$124.8 million in 1962, whereas export totals rose to only \$153.3 million from \$136.3 million during the same time. Thus, although foreign trade produced a favourable balance for the third consecutive

year, it was sharply reduced to \$2.5 million, \$9 million less than in 1962, because of a 20 per cent increase in imports. As in the past, coffee continues to account for roughly half of total exports but cotton and sugar are both gaining ground. Cotton exports during 1963 were valued at \$37.6 million, 16.5 per cent more than in the preceding year. There has been a substantial increase in exports in the first four months of 1964.

The United States supplied 34 per cent of total Salvadorean imports. Other leading suppliers were Central American Common Market countries (17 per cent), Germany (9 per cent), Holland (7.5 per cent) and Japan (6.5 per cent). According to figures published by the U.S. Department of Commerce, the United States exported \$25.7 million worth of goods during the first five months of 1964, while importing \$23.4 million worth of Salvadorean products.

Last year Japan became El Salvador's best customer, purchasing 25 per cent of total exports, followed by the United States (24 per cent), Germany (23 per cent), and other Central American Common Market countries (19.5 per cent).

Canada's Trade

Canadian sales to El Salvador in 1963 valued at \$3.1 million* were somewhat lower than for 1962 (\$3.4 million). The slight decrease in the balance of trade (which continues to be appreciably favourable to Canada) was due principally to lower sales of asbestos and newsprint, coupled with some increases in imports of coffee. By far the most important Canadian export to El Salvador is wheat, which accounted for one-third of total sales. The prospect for 1964 is for an increase in exports. Recently one of the two flour mills doubled its capacity and

*All Canadian trade values are f.o.b. and in Canadian dollars.

Source: Dominion Bureau of Statistics.

the possibilities for greater wheat sales to El Salvador are bright. Canadian imports from El Salvador were worth \$1.9 million in 1963 against \$1.8 million in 1962.

Preliminary statistics issued by DBS show the value of Canadian exports to El Salvador from January to July 1964 as Can. \$2.6 million. On the basis of past performance, the forecast is for a substantial increase in our exports for 1964 and 1965. Canadian exports to El Sal-

vador in 1964 should reach a new high.

Conclusion

Wheat and newsprint are our leading exports to El Salvador but the record shows that the range of products exported is wide. However, the problem is that we sell too little of many things. Canadian exporters may find that a sales trip to this attractive but price-conscious and competitive market worthwhile. ●



ON a recent visit to Guatemala, Fred R. Lepper, vice president of Flow Controls Ltd., Toronto, (right) visited the Los Esclavos power project with John H. Nelson, (second from right), Commercial Secretary at the Canadian Embassy in Guatemala, to investigate at first hand the possibility of supplying equipment. Los Esclavos, about 55 kilometers from Guatemala City, is one of twelve projects that the Instituto Nacional de Electrificación (INDE) will have built over the next 14 years at a total estimated cost of approximately \$70 million.

McNamara Corporation Limited of Toronto has a contract with INDE to construct a dam and civil works for the Los Esclavos project. The detailed engineering specifications for this project were done by H. G. Acres and Co. Ltd. of Niagara Falls.

At the site, Mr. Lepper and Mr. Nelson discussed the project with Jan H. Van Gent (left), project manager for McNamara and Juan Francisco Urruela (second from left) of Urruela, Sittenfeld and Whitbeck & Cia Ltda., the Guatemalan representatives of McNamara.

THE year 1963 proved to be a good one for the Guatemalan economy. Commercial sales rose to \$715.2 million, up sharply from the \$509.9 million of 1962 and they are continuing to increase; in the second quarter of this year they reached \$154.8 million, compared with \$123.6 million in the same period of 1963. The gross national product increased by 3 per cent in real terms, because of expansion in both agriculture and industry. (In 1962, by contrast, it fell 5 per cent, thus slipping back to the 1960 figure.)

Guatemala

- Government achieves first budget surplus in seven years.
- Trade deficit cut sharply as exports rise.
- Canadian sales rose last year and increase continues.

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

The business climate in Guatemala today is one of optimism and the outlook for the coming months is good. In the first quarter of this year, all indicators pointed to a sharp improvement over 1963. The money supply, bank clearings, deposits, loans and discounts were all on the up trend. Imports were maintained at the high level of the two previous quarters.

Budget Achieves Surplus

For the first time in seven years, the Minister of Finance was able to announce a surplus in the government budget. It was only modest but was considered significant because the traditional deficit, though a smaller one, had been forecast. Government revenues rose sharply in the first three months of this year—nearly 24 per cent, in fact, over the first quarter of 1963. Ordinary revenues for the current fiscal year are estimated at \$90 mil-

lion, or \$17.7 million more than in the previous one.

Foreign Exchange Position

The foreign exchange situation is also encouraging despite some fluctuations in the reserves. From \$59.3 million in April 1963, the highest figure since 1958, they dropped to \$34.7 million by the end of the year. Even then, they were 20 per cent larger than the international monetary reserves a year earlier. In January 1964 they recovered rapidly and stood at \$45.9 million; they improved still further last February when they totalled \$56.5 million. This is the latest available figure but there is a distinct possibility that they will achieve a record high later this year because the balance of trade is expected to improve steadily.

Trade Deficit Smaller

Guatemala, with Nicaragua, achieved the largest increase in export earnings in 1963 of any of the Central American countries (and Panama). The value of Guatemalan imports rose only half as much as the value of exports, with the result that the trade deficit was cut sharply.

Statistics issued by the Banco de Guatemala estimate total Guatemalan exports in 1963 at \$138.6 million compared with \$114.1 million a year earlier. The estimated value of imports was \$145.1 million compared with \$124.1 million in 1962. If the final returns confirm these preliminary figures, they will mean that Guatemala succeeded in reducing its trade deficit to a mere \$6.5 million, which compares favourably with the average of \$27.5 million in the 1958-62 period.

There are unfortunately no trade figures for 1964 but there is good reason to expect that the over-all trading position will continue to improve.

Trade with Canada

Both Canadian exports to and imports from Guatemala increased remarkably in 1963. Over-all trade between the two countries rose 25

Honduras

per cent over 1962. The balance of trade was substantially less in Canada's favour last year than it was in 1962, but the over-all trade increase was significant. Canada's exports to Guatemala exceeded imports from Guatemala by \$550,000* in 1963 and by \$909,000 in 1962, compared with a deficit on this trade that Canada experienced in 1961 of \$342,000. Our imports from Guatemala rose from \$1.8 million in 1962 to nearly \$2.6 million in 1963, and our exports to Guatemala increased from \$2.7 million in 1962 to \$3.1 million in 1963. The picture for 1963 was in fact even brighter because our sales of engineering services, which are not shown in the trade statistics, probably made up much of this difference.

The increase in our imports from Guatemala resulted mainly from bigger purchases of coffee, chicle and cotton linters, and the rise in our exports to that country almost entirely from larger wheat sales.

Preliminary Canadian export figures are available only for the first seven months of the year. Exports to the end of July were valued at approximately \$1.8 million and the probability is that Canadians will again sell Guatemala well over \$3 million worth of goods for the entire year. There is even a possibility that the total for 1964 will reach a new high. As usual, wheat and newsprint are our principal exports but we also ship a wide variety of other goods. This is eloquent proof that Canadians are able to compete successfully in this market.

Although Canada's performance in this market shows steady improvement, it could be even better. The business climate here is favourable and we might well take more advantage of it. The fact that the United States still supplies the lion's share of Guatemala's imports points clearly to the need for greater effort in and concentration by Canadians on this Central American country. ●

*All values relating to Canadian trade are f.o.b. and in Canadian dollars.

Source: DBS.

- Economy soon regained stability after coup last year.
- Exports rose 6 per cent and imports 19 per cent in '63.
- Power projects, roadbuilding receiving strong emphasis.

JOHN H. NELSON, *Commercial Secretary, Guatemala City.*

THE most important development affecting the economy of Honduras last year was a coup d'état which overthrew the Government. After the coup d'état the business outlook was uncertain because the direction of the new government was unknown. The United States at first did not recognize it and stopped all foreign aid. However, retailers reported good Christmas sales and by the first quarter of 1964 relations with the United States were restored and the economy seemed to be back to normal. The actual losses following the coup were much smaller than originally expected.

During 1963 the pine forests continued to be ravaged by the bark beetle and it is estimated that over 50 per cent of these forests have been destroyed. The numerous experts who have studied the problem for the Government have concluded that further damage cannot be prevented and that the only hope is to salvage as much of the wood as possible. Over the long term the loss of the pine forests will be a serious blow to the economy of a country that cannot afford such a loss.

The Government announced a budget of lempiras 112.2 million (\$56.1 million*) for the year 1964 compared with lempiras 110.2 million (\$55.1 million) in 1963. In the latter year there was a deficit of approximately \$2 million which was covered by a loan from the United States AID. This deficit was smaller than in 1962. Between May 1962 and May 1963 international reserves

*All amounts are in U.S. dollars unless otherwise noted.

remained static at \$12.7 million but for the full year 1963 there was a small decline, the only one registered by a Central American country. By the end of March 1964 reserves stood at \$15.9 million, the highest level since 1958—as a result of good earnings from exports and a large program of investment in the banana plantations.

The IMF has given Honduras a 12-month standby credit of \$7.5 million to support the foreign exchange position. The cost of living has risen only marginally in the last two years.

Foreign Trade

Foreign trade showed a good increase in 1963. Exports and re-exports were 6 per cent higher than in 1962 and totalled \$83.5 million. Imports in the same period increased 19 per cent to \$95.1 million (c.i.f.). It is interesting to note that the U.S. share of the market in 1963 declined to 47.8 per cent from 51.7 per cent the previous year. Part of this loss was taken up by the other Central American countries, principally El Salvador and Guatemala, which increased their exports to Honduras by 50 per cent. Honduras is the largest banana producer in Central America and fluctuations in the size of this crop are reflected in changes in the total export volume. Exports of bananas in 1963 declined approximately 6 per cent from 1962, but the other major export commodities—such as coffee, lumber, cotton and silver—showed increases ranging from 15 to 25 per cent.

Almost one half of the country's gross national product comes from agriculture and forestry. Industry, which is confined largely to food processing, beverage production and the manufacture of shoes and apparel, is the least developed in Central America. Of increasing importance is the manufacture of wood products and lumber milling.

Despite certain basic problems, the economy of Honduras continues to develop and expand, although not as quickly as in its sister republics. This lag may well be the cause of the widespread doubts among Honduran businessmen about the Central American Common Market. Honduran import duties are sometimes lower than in the rest of the Common Market and there will probably be some major adjustments to make by the time the common external tariff becomes fully effective in 1966. Some of the effects of these changes will be cushioned by new branch plants and licensing-manufacturing agreements from foreign firms anxious to take advantage of the industrial incentive laws and to meet competition from other Cen-

tral American countries. To date it is largely U.S. firms that have made these moves.

Canada's Sales and Purchases

Trade between Canada and Honduras has remained stable during the last three years. Exports from Canada to Honduras have totalled: 1963—Can.\$1,100,115**; 1962—Can.\$898,632; and 1961 Can.\$1,061,452. In order of importance, the major exports were wheat flour, upper leather, aluminum products, metallic salts and explosives. In the same years, Canada's imports from Honduras were: 1963—Can.\$6,867,800; 1962—Can.\$7,617,065; 1961—Can.\$7,391,463. Bananas made up over 95 per cent of these imports and the remainder consisted mostly of green coffee. So far in 1964 the prospect is for a continuation of this trading pattern.

Future Developments

The outlook for the economy of Honduras in 1964 is good. Conditions are stable, and industry and

agriculture should continue to develop. Banana exports are expected to rise; cotton and other important exports should hold steady, with the exception of coffee, which will decline about 20 per cent because of storms at the end of 1963. Power developments on the Lake Yojoa-Rio Lindo project and the Cañaveral project are progressing and will offer lower-cost power for industrial development. The recent emphasis on road construction is opening up new areas for growing fruits and vegetables, and the building of a larger airport at San Pedro Sula is evidence of the increasing importance of this north coast commercial center. The one major problem that constantly hangs over the economy of Honduras is its continuing reliance on bananas as the largest earner of foreign exchange and, in turn, the potential economic damage if this crop is damaged by weather or disease.

The prospect of good economic conditions should be a reminder to Canadian exporters to consider seriously this relatively small but worthwhile market. ●

**Source: Dominion Bureau of Statistics.



This street scene was photographed in the business district of Tegucigalpa, capital of Honduras and its second most important industrial and commercial centre (after San Pedro Sula). Headquarters for the Central American Common Market Bank has been set up in Tegucigalpa.

Nicaragua

- Good cotton and coffee crops boosted 1963 exports.
- Economic expansion has fostered industrial progress.
- Opening of flour mill has cut Canadian flour sales.

P. D. DONOHUE, *Assistant Commercial Secretary, Guatemala City.*

NICARAGUA, the largest country in Central America, enjoyed a year of rather dramatic economic and social progress in 1963 and indications are that 1964 has been even better.

Political stability, bumper cotton and coffee crops, industrial expansion, and a concentrated effort in local improvement resulted in an 8 per cent increase in gross national product in 1963.

Development Highlights

Nicaragua's coffee and cotton industries are flourishing and this should continue. The National Economic Council has approved imports of equipment and machinery to enlarge existing cotton gins and build six additional ones. From May 1, 1963, to March 31, 1964, the Banco Nacional loaned cotton growers over \$15 million to expand and improve their facilities.

Other developments in agriculture were :

- Steady increase in banana production in the Chinandega area to the present \$3 million.
- The Banco Nacional will share in the \$25 million financing for live-stock development over the next three years.
- An experimental farm for growing Havana leaf tobacco sponsored by the Government has sold its entire first crop, valued at \$170,000, to a U.S. company.
- So far this year, small farmers have borrowed \$3 million under the Rural Credits Program for improvements and machinery.

The economic expansion has given rise to a greater need for new plants, mainly in food processing and textiles, but in other fields as well. For specific examples of recent progress, see the article on page 5.

Nicaragua's economic expansion has made it possible to improve conditions for its 1.5 million people. In concert with various lending agencies, mainly in the United States, the Government has made available funds for such projects as expanding facilities at the National University to almost three times their present size and increasing primary school facilities by building almost 400 schools this year and giving substantial salary increases to teachers. Low-cost housing programs made possible between May 1, 1963, and March 31, 1964, the erection of over 1,300 homes with 1,100 still under construction. Road-building programs designed mainly to enable farmers to transport their produce to the marketing centres made progress.

Trade Picture Brighter

Two developments affecting trade took place this year. On June 8, Nicaragua ratified the Central American Uniform Customs Code (Cauca), the agreement establishing uniform customs procedures throughout Central America. The prior foreign exchange deposit of 100 per cent of the purchase value of a group of products considered non-essential was reduced to 80 per cent.

For the first time in several years, Nicaragua achieved a favourable balance of trade. Preliminary statistics show record exports of \$115

million* and record imports of \$107 million. Compared with 1962, imports increased by 9.7 per cent (\$97.5 million in 1962) and exports rose a spectacular 39.4 per cent, (\$82.5 million in 1962). The United States supplies about 51 per cent of Nicaragua's imports, with Japan, Germany and Britain offering stiff competition. The United States and Japan vie for position as Nicaragua's best customer; Japan is the largest purchaser of the country's cotton.

Nicaragua has become Central America's leading producer of cotton and 1963 export sales amounted to \$46.3 million, exceeding 1962 sales by \$15 million. Coffee, the second largest earner of foreign exchange, made similar gains, with 1963 exports totalling \$18.5 million as against \$15.4 million in 1962. Other exports growing in importance are soluble coffee, frozen beef, and shrimp.

Because of previous foreign exchange difficulties, Nicaragua has had a standby credit with the International Monetary Fund of \$11.25 million and has managed this judiciously. By the end of 1963, gold and foreign exchange reserves stood at \$31.8 million compared with \$17.2 million at the end of 1962.

Trade with Canada

Canada's exports to Nicaragua during 1963 were valued at Can. \$2.7 million (DBS figures) and, though this represents an increase of 26 per cent over 1962 sales of \$2.1 million, it also represents less than 2.5 per cent of total imports. For the first six months of this year, our exports to Nicaragua reached \$971,959, somewhat below the \$987,547 of the same period in 1963. This situation is not likely to improve for some time because until this year about 50 per cent of Canada's exports to Nicaragua con-

*U.S. dollars unless otherwise indicated.

sisted of wheat flour, but with the opening of a new flour mill at Chinandega, flour imports have been restricted. Our sales for the first six months of 1964 were only \$50,950 as against \$462,701 for the same period of 1963. There will probably be no further sales of Canadian flour for the rest of this year. The hope is that we shall be able to make up for part of this loss through the sale of wheat in grain.

It is interesting to note, however, that though Canadian flour sales have declined by over \$400,000 for the period under review, our total exports have fallen by only \$16,000. This indicates that there is room in the Nicaraguan market for a greater variety of Canadian goods in greater volume.

Canada's imports from Nicaragua during 1963 were valued at \$196,341, with coffee (\$67,259)

and silver (\$62,588) the two leading commodities.

Nicaragua's expanding economy has opened up new opportunities. As industry develops, the need for industrial raw materials and equipment will increase. The boom which the country is currently enjoying also provides a bigger market for manufactured articles and consumer goods. Here is a market that Canadians should not ignore. ●

Panama and Canal Zone

- Construction, development projects, trade made progress in 1963.
- Canal dispute in early 1964 severely affected economy.
- Canadian exporters, particularly of consumer goods, can count on good market here.

JOHN H. NELSON, *Commercial Secretary, Guatemala City.*



Products from all over the world arrive in warehouses like this one in the Free Zone at Colon where they are sorted for shipment to final destinations throughout Latin America. Turnover in the Free Zone reached a record U.S.\$189.6 million last year.

ECONOMIC activity was high in Panama in 1963, with the construction section particularly strong in the latter part of the year. The new petroleum refinery completed its first full year of operation and its contribution to Panama's exports is reflected in the higher figures for 1963. This refinery is the largest single industrial establishment in the country. Industrial development last year kept up the pace set in 1962 and included the following projects:

- Desarrollo Industrial de Panama received a loan of U.S.\$5.1 million from AID to finance new small and medium-size enterprises and to expand existing ones.
- A 110-loom textile mill is to be established in the Colon Free Zone (with future expansion to 300 looms), using a credit of about U.S.\$2 million from French interests.
- Construction of a dam, irrigation and drainage works, access roads, etc., at the La Villa river basin project in central Panama. A loan of U.S.\$8.5 million has been received from IADB to finance 51 per cent of the cost.
- An abattoir is being constructed at David by French and Panamanian

interests at a cost of approximately U.S.\$1 million.

● The Government of Panama received an Eximbank loan of U.S. \$3.5 million to finance its share of the cost of the Inter-American Highway that runs from the border of Costa Rica to Panama City.

Larger Trade in '63

Panama's foreign trade expanded in 1963; exports increased from U.S.\$48 million in 1962 to an estimated U.S.\$58 million, and imports rose from U.S.\$145 million to an estimated U.S.\$166 million. A trade deficit is normal in Panama but this is more than offset by revenues from the Panama Canal Company and from U.S. military expenditures. In 1963, Panama applied to become an associated member of the Central American Common Market. However, in the end the application was allowed to lapse, leaving Panama still outside the Common Market. The only trade link the country has with Central America at present is the tripartite trade agreement signed with Costa Rica and Nicaragua in 1962 under which a group of about 100 commodities can be traded within the three countries under preferential treatment.

In recent years Canada's exports to Panama have fluctuated in value—1961, Can.\$4,578,133*; 1962, Can.\$5,645,409; 1963, Can.\$4,417,013. Leading our sales were wheat flour, razors and razor blades, newsprint, and antibiotics for human use. Canadian imports from Panama, on the other hand, have risen steadily, from Can.\$6,168,035 in 1961 to Can.\$8,321,443 in 1962 and Can.\$11,056,664 in 1963. By far the most important products we buy are bananas, gasoline and fuel oil.

Business in the Free Zone at Colon achieved a new high in 1963 when turnover increased by 7 per cent over 1962 to reach U.S.\$189.6 million. The Free Zone's trade

showed a favourable balance of U.S.\$46.7 million, 30 per cent higher than in 1962.

Problems in 1964

Panama's economic prospects for this year were severely affected by the disturbances over the Canal that broke out on January 9, the subsequent break in diplomatic relations with the United States, and the uncertainty about the outcome of the May elections. Following the Canal crisis, there were massive transfers of bank deposits out of Panama, and so far much of that money has not been returned. The loss of bank deposits forced imposition of credit restrictions which, combined with some loss of business confidence, put a serious brake on the economic progress made in 1963. Fear of further disturbances ruined the tourist season, which normally is at its peak from December to March, and which is an important source of income for Panama.

Fortunately, the elections in May were held without incident and the general situation seems to be almost normal again. The national budget has been increased by U.S.\$4 million to U.S.\$81.6 million, which should bolster the economy to some degree. Election expenditures and the continuation of work on construction projects already in progress helped business activity.

Undoubtedly 1964 will be a poor year for Panama compared with 1963, but the return to normal activity, the re-establishment of relations with the United States, and the prospect of political stability augur well for the future. Many Canadian exporters, particularly those manufacturing consumer goods, will continue to find a good market in Panama, our most important export market in the six republics that make up Central America and Panama.

The Canal Zone

In its annual report for the fiscal year July 1, 1962, to June 30, 1963, the Panama Canal Company reported that 333,948 vessels of all

types have passed through the canal since it was opened in 1914. Of these, 260,279 were ocean-going commercial ships. Cargo tonnage during the fiscal year ended June 30, 1963, totalled 63.4 million long tons, compared with a record high of 68.7 million in 1961-62. The number of transits reached 11,317 (11,340 in 1961-62), and the toll revenue added up to U.S.\$57.8 million, compared with U.S.\$58.3 million in the previous year.

At present, the Panama Canal is adequate for the volume of traffic, but future demands on its facilities will be greater and the United States is studying locations for another canal to be built at sea level.

Pharmaceuticals for U.A.R.

THE Supreme Organization for Drugs, the body responsible for the import of pharmaceuticals into the United Arab Republic, issues a list of its requirements for pharmaceutical preparations each year. The procedure used by the Organization is to send a list of the requirements direct to the approved manufacturers who are on its suppliers' list, inviting them to tender. These suppliers are those who have previously sent samples of their products to the Organization, with relevant details and literature. Only when these samples have been tested, examined and approved are the names of the manufacturers put on the suppliers' list. Foreign manufacturers who have not complied with these requirements are not allowed to participate in the tenders and if they do so after receiving the list of the Organization's requirements indirectly, their offers will not be considered.

Consequently any pharmaceutical company interested in being put on the suppliers' list should send samples, literature and all details of the products they wish to export to the U.A.R. either to the Head of Purchases and Import Department, Supreme Organization for Drugs, 6 Shawarby Street, Cairo, U.A.R., or to the Commercial Counsellor, Canadian Embassy, who will submit them to the Organization for testing and study. The address of the Canadian Embassy is Kasr el Doubara Post Office, Cairo, U.A.R.

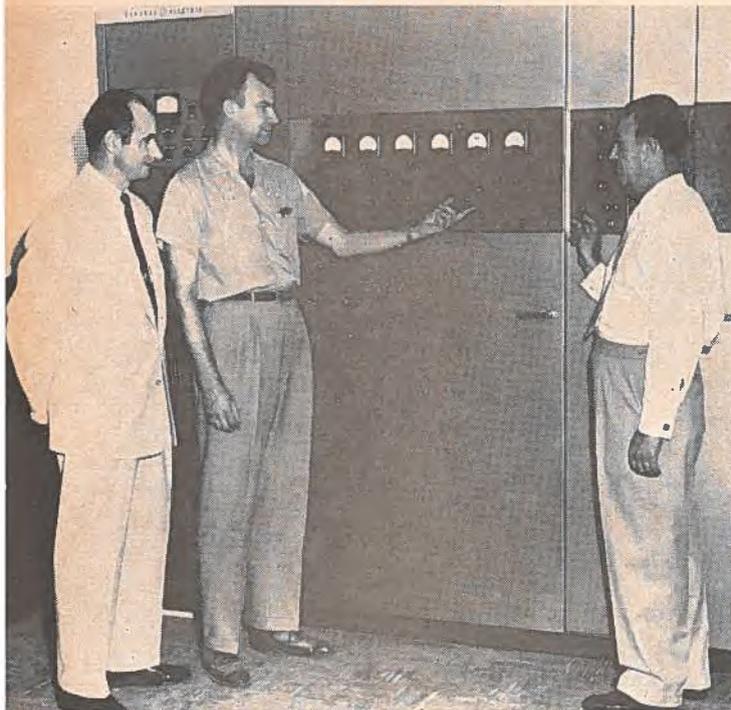
*Dominion Bureau of Statistics figures.



Far from home but quite contented, these Canadian Holstein-Friesians are watched over by a Mexican cowboy as they graze on their new owner's farm, 150 miles from Mexico City in the State of Queretaro.



Rolling right up to the front door, this Canadian newsprint will soon be rolling through the presses of a large Mexican paper.



Designed by Canadian engineers and manufactured in a Canadian plant, this 50,000-watt AM radio broadcast transmitter is now installed and operating in Tijuana.

Canada's Trade with Mexico

MEXICO was Canada's best Latin American customer in 1963; our exports to Mexico reached a record total of \$55.6 million compared with \$41.2 million in 1962 and \$38.5 million in 1961. Current indications are that 1964 will be another good year, with sales near the 1963 figure or even slightly better. Mexico's healthy economy coupled with political stability augurs well for future Canadian exports to this market, particularly capital equipment and certain industrial raw materials.

Sales to Mexico reached a record \$55.6 million last year and expanded in first half of this year. Pattern of our exports may change with Mexican industrial progress, but value should not decrease in the months ahead if opportunities are followed up.

M. B. BLACKWOOD, *Commercial Counsellor, Mexico City.*

Though Canada ranks third among Mexico's sources of supply, our share of the market in 1963 was a modest 4.1 per cent. The United States had the largest share with 68.4 per cent, followed by West Germany with 6.6 per cent, Britain 3.5, and France 2.6. There are opportunities for Canadian firms to make larger sales.

Mexico's Foreign Trade

Total imports into Mexico in 1963 reached the equivalent of U.S. \$1,241.1 million, up slightly from the 1962 figure of U.S.\$1,143 million and the 1961 one of U.S.\$1,139 million. Preliminary figures for the first half of 1964 put imports at U.S.\$716.3 million. Major items were automobiles, auto chassis, parts and accessories, petroleum and petroleum derivatives, tractors and locomotives.

Mexico's exports in 1963 reached U.S.\$943.7 million compared with U.S.\$901 million in 1962 and U.S.\$803.5 million in 1961. For the

first half of 1964, exports were valued at U.S.\$545.6 million, an increase of 15.7 per cent over the same period of 1963. Principal products were sugar, cotton, wheat, coffee, tomatoes, shrimp, salt and beef.

Mexico has a perennial trade deficit which is being narrowed by vigorous efforts to replace imports with locally manufactured goods and, at the same time, to encourage exports. Receipts from tourists more than make up for the trade deficit.

Mexico's chief export markets in 1963 were the United States 61.3 per cent, Japan 7, Germany 1.9 and Italy 1.5. According to Mexican statistics, Canada ranked ninth but on the basis of our imports as recorded by the Dominion Bureau of Statistics, we were Mexico's fourth best customer. This discrepancy is partly attributable to the fact that Mexican statistics record exports according to the country of first rather than ultimate destination. Some of Canada's imports from Mexico that move overland through the United States do not appear in Mexican statistics as exports to Canada.

Our Sales to Mexico

During the first half of this year our exports to Mexico totalled \$27.5 million compared with \$18 million in 1961. The major items appear in Table I. Some fairly major changes in the pattern of our current trade can be expected. For example, with the program for the dieselization of Mexican railways well advanced, imports of locomotives will be modest. Within two to three years' time our exports of synthetic rubber will decrease as production in Mexico is realized. There seems to be a good market for asbestos, newsprint, and agricultural machinery.

Consumer goods do not figure to any great extent in our sales to Mexico and relatively, other coun-

TABLE I
PRINCIPAL CANADIAN EXPORTS TO MEXICO

	1964 Jan./June	1963 Jan./June (Can.\$'000)	1962 Jan./June
Locomotives, engines, parts	8,154	1,693	.....
Railway rails	3,653	1,187	3,134
Plastics and synthetic rubber	3,268	3,138	3,372
Asbestos milled fibres	1,684	1,179	760
Newsprint paper	1,680	2,894	2,607
Engines, motor vehicles	1,392	666	21
Power boilers and equipment	834	.....	.....
Railway track material	781	450	1,247
Mining, oil, gas industrial machinery	467	.....	.....
Agricultural implements	363	374	787
Non-metallic minerals	344	172	.....
Pulp and paper machinery	308	412	.....
Total, all commodities	27,526	19,371	18,011

TABLE II
PRINCIPAL CANADIAN IMPORTS FROM MEXICO

	1963	1962 (Can.\$'000)	1961
Tomatoes, fresh	3,674	3,002	2,350
Coffee	2,865	3,269	2,566
Raw cotton	2,415	3,512	604
Peanuts	2,188	3,135	2,103
Fluorspar	1,386	1,629	871
Sisal, ixtile, tampico fibre	1,353	888	728
Shrimps, prawns	1,244	1,308	820
Oranges	890	.....	.....
Strawberries, frozen	725	776	627
Silver, unmanufactured	719	2,067	1,340
Cantaloupes, melons	515	971	794
Total all commodities	23,773	24,443	18,181

tries do no better in this field than Canada. The drive toward self-sufficiency—or at least toward local production to meet some of the demand for consumer goods—continues to be an important policy of the Mexican Government. An elaborate system of import licensing and quotas is maintained to prohibit or limit import of articles if similar products are being made locally, with prices reasonably competitive with their foreign equivalents.

Free Trade Zones

Two areas of the country have free trade zones. The major one is in northwestern Mexico, covering parts of the states of Baja California and Sonora. The second one is in Quintana Roo, in the extreme southeast. Total imports into the free zones in 1963 amounted to the equivalent of U.S.\$115 million, or 10 per cent of Mexico's total imports. The principal suppliers to the free zones in 1963 were the United States, Japan, France and Germany. Canada's share was less than 1 per cent. Chief items involved in free zone trade were passenger automobiles and spare parts, fertilizers, trucks, fresh and prepared milk, machinery and parts, and clothing.

Our Purchases from Mexico

Canada's imports from Mexico totalled \$23.7 million in 1963,

slightly down from the 1962 figure of \$24.4 million. The major items in this trade are fruits and vegetables, other foodstuffs, cotton, fluorspar and fibres, as set out in Table II. Since our exports to Mexico are now twice as great as our imports, the Mexicans are naturally anxious to narrow this gap as quickly as possible.

Trade with LAFTA

Mexico is looking to the countries of the Latin American Free Trade Area (LAFTA) as an outlet, particularly for manufactured goods. During the first half of 1964, exports to all LAFTA countries totalled U.S.\$14.2 million compared with U.S.\$13.1 million in the first half of 1963 and the much lower figure of U.S.\$5.2 million in 1962. Imports from LAFTA during the first six months of 1964 reached U.S.\$7.8 million compared with U.S.\$4.9 million in 1962 and only U.S.\$2.1 million in 1961. Although Mexico's exports to and imports from the LAFTA are not very significant when compared with the country's total foreign trade, they are growing and this trend can be expected to continue. Among the major products being exported to LAFTA are electrodes, batteries, rayon and other synthetic fibres, titanium dioxide, abrasives, pigments, tire black and steel products.

New Tariff Classification

The Brussels tariff nomenclature has been officially accepted by all the members of LAFTA but so far Mexico has not put it into effect. The decision has now been taken to adopt the Brussels nomenclature as the basis for the new tariff system. As the current tariff has grown to some 7,000 headings, this revision will not only facilitate Mexico's trade with LAFTA countries but with all others as well.

Good Market, Easy Access

Aside from the protection given consumer goods, the Mexican market is open. There are no foreign exchange controls. Entry to most sectors of the economy is limited only by the aggressiveness of foreign sellers and the competitiveness of their prices. For Canadian firms, the best opportunities are for the sale of capital equipment, machinery and industrial raw materials. Exporters would be well advised to compare the merits of shipping overland to Mexico via rail or road transport with the cost of shipping by sea. Mexico has the advantage of being close to Canada. The market is an easy one to visit because it is only a short flight from Canada to Mexico City. And once here, the country has many attractions and sightseeing may easily be combined with a business visit. ●

Mexico

- Gross national product may total \$16 billion in 1964.
- Exports rose to \$931 million last year.
- Secondary industry making striking progress.

H. S. HAY, *Commercial Secretary, Mexico City.*

THIS has been election year in Mexico but unlike past ones there has been almost no business slowdown. And, contrary to past changes, the new Government will not be saddled with the bill for a rash of last minute contracts made by the old regime. Outgoing President Lopez Mateos has successfully programmed development projects over his entire tenure to ensure an even pace of activity and not burden his successor unduly. He steps down a popular and respected figure. New President Diaz Ordaz takes office in December on the strength of more than 80 per cent of the popular vote. The economic and commercial outlook at the beginning of his six-year term is bright indeed.

Domestic Finances Sound

Mexico has developed a high degree of economic and political stability over the past three decades, to become a leader in Latin America. Since 1962, the over-all growth rate has been close to 6 per cent a year and should continue. Even with a population increase of 3.1 per cent, this is substantial. Gross national product will be close to \$16* billion in 1964. Though average income is still less than \$400 a year, the middle and upper income brackets are expanding and now include almost one quarter of the 40 million population.

Monetary stability is almost unquestioned. Since 1954 the peso has been pegged against the U.S. dollar at a rate of 12.5 to 1. No severe

pressures have arisen. Reserves currently are a healthy \$549 million—with another \$345 million available in international standby credits. Exchange controls have never been necessary.

Credit Inflow Continues

Foreign debt totals approximately \$1.5 billion. New loans and credits from abroad totalled \$382 million in 1963 and a steady inflow has continued this year, both institutional for housing and irrigation programs and commercial credits for sugar mills, paper machinery, power generation equipment, and other capital goods. Mexico is actually one of the largest borrowers from international agencies such as the World Bank and the Inter-American Development Bank. It is also the single largest recipient to date of long-term commercial credits from Canada.

Direct foreign investment is approaching \$2,000 million, about two-thirds of it from the United States. Uncertain conditions at the time of the Cuban crisis temporarily reversed the inflow of capital. The situation happily is back to normal and more than \$100 million is expected this year from Canada, Britain, France, Germany and Japan, as well as the United States.

Foreign Financing Sought

Most major new developments still seek foreign financing, preferably of an indirect nature with extended terms and low interest rates. Private investment from abroad is encouraged and is most welcome

when associated with local capital in a minority position and on the same terms.

Domestic capital formation in Mexico is not yet highly advanced. The commercial banking system, organized along lines somewhat similar to Canada's, still plays a limited part in financing new enterprises. The stock market accounts for only 13 per cent of the shares traded. Nevertheless, an encouraging rise in private investment is evident. Interest rates have been falling but money is still expensive. The volume in circulation and liquidity are high.

This year's federal budget is a record \$1,276 million. Fiscal reforms since 1961 have now placed almost half the potential taxpayers on the rolls. Collection procedures are being streamlined more and more. New legislation to rationalize income, property and corporation taxes further will be introduced shortly. At the beginning of 1964, compulsory profit sharing, affecting some 80 per cent of industry, went into effect.

Trade Rises

Foreign trade continued to expand last year, with exports rising to \$931 million and imports to \$1,244 million. As usual, the gap was bridged by a surplus of invisible payments, mainly a net inflow of tourist revenue. Mexico's chief trade ties are with the United States to more or less the same degree as are Canada's. Other principal partners are Western Europe, Canada and Japan. Although Mexico is a founding member of the Latin American Free Trade Association, commerce with South America has never been substantial. This year it may total \$50 million, five times the pre-LAFTA figure, but this is still small. Nevertheless, much of the present industrial expansion is being rationalized on the grounds of catering to LAFTA as well as to domestic markets.

Mexican commercial policy, with its important bearing on Canadian trading opportunities, remains unchanged. If the same or a similar

*All values are in United States dollars.

Milestones in Mexican Progress

- Direct foreign investment in Mexico now approaches \$2,000 million; \$100 million expected this year.
- Electrical generating capacity will total 5.3 million kw. by the end of the year, more than double the 1958 figure.
- Oil production has reached 350,000 barrels a day, second only to Venezuela in Latin America.
- Manufacturing now accounts for 24 per cent of gross national product.
- Production of sugar expected to be 1.9 million tons this year; has become leading Mexican export.
- First experimental nuclear reactor is now being built.

product is available locally and the price difference is not unreasonable, a combination of tariffs and licensing controls affords complete protection. New industries are likewise protected. Associations of local manufacturers in the various fields actually advise the Government on policing imports. The result is that Canadian sales, like those of other suppliers, are effectively limited to capital equipment and raw materials not available locally.

During the past year the infrastructure basic to continuing rapid development has been strengthened. An airport modernization program is under way, several hundred miles of paved trunk highways have been opened, dieselization of the extensive railway system is nearing completion, and major port works are planned or under way at a number of locations. Electrical generating capacity, an almost even combination of hydro and thermal, will total 5.3 million kilowatts by the end of the year, more than double that of 1958. Work is well advanced on the big Infiernillo and Malpaso hydro projects, and will soon begin on the smaller but important La Villita and La Amistad dams. Also under construction is Mexico's first small experimental nuclear reactor,

which may herald the eventual coming of commercial nuclear power.

Secondary Industry Active

The most dynamic sector of the Mexican economy continues to be secondary industry. Local natural resources provide most of the materials. Steel production this year will be close to 2.4 million tons and plans are under way to almost double it by 1970. Several hundred million dollars will be spent. Pemex, the government petroleum monopoly, has \$100 million earmarked for new developments in 1964. Production is now 350,000 barrels a day, second only to Venezuela in Latin America. Reserves of over five billion barrels have been proved and exploration continues.

Manufacturing accounts for 24 per cent of the gross national product. In a number of fields it is at a takeoff stage—thanks to a market now sufficiently large to justify economic production. Chemicals are a case in point. A wide range of petrochemicals and industrial specialties is now being turned out by approximately 100 firms, including local affiliates of most major international groups. A newcomer to this list during 1964 was Canada's Polymer Corporation, which will participate

with Pemex in Latin America's second synthetic rubber plant.

Integrated Automotive Industry

Though new automotive registrations in Mexico are only 80,000 to 90,000 a year, vehicles and parts are the largest single import. In keeping with its established commercial policy, the Government is fostering an integrated local automotive industry. Eight makers are going ahead with approved production plans. By September of this year they were to have achieved 60 per cent local content but this deadline has now been extended to early 1965. Dozens of component firms are setting up new plants or expanding existing ones.

There is also considerable activity in the pulp and paper field, with more than three dozen mills producing a total of 900,000 tons a year. The western ridge of the Sierra Madre Mountains, running the length of the country, has abundant forest reserves, most of which have not yet been commercially exploited. In addition, large supplies of sugar cane bagasse are readily available. Canadian engineers and equipment suppliers are actively participating in a number of mill expansions. Contracts are being filled for several million dollars worth of goods and services, much of it financed by medium-and long-term credits. With the opening up of complete new regions and mills, prospects for continued Canadian participation are excellent.

Agriculture Is Biggest Challenge

Perhaps the biggest challenge in the years ahead will be agriculture. Half of the Mexican people still win their living from the soil. But although agricultural products comprise 70 per cent of all exports (\$352 million in 1963) they represent only 20 per cent of the gross national product.

The productive land is divided almost equally between private holdings and communal farms (ejidos), the latter a product of agrarian reform. Productivity of the land,

particularly the ejidos, has not kept pace with industrial productivity. Needed is more mechanization, greater use of fertilizers, extensive new areas under irrigation, a system of farm credits, and higher yields from small holdings. Needed most of all is a dramatic improvement in agricultural skills.

Speaking generally, 1964 has been a good crop year. Production of sugar, now the leading export, has increased steadily and will reach 1.9 million tons; a number of existing mills are being expanded and new ones built. International capital is backing an important part of this. The threat of increased U.S. tariffs has injected a note of caution and a government-industry committee is trying to come up with an answer.

Cotton, the second export crop, is only just holding its own, but long-term plans are for a 50 per cent production increase. Output of two million bales will be about the same as last year. In the northwest the excess salinity of the Colorado River because of leaching in the U.S. upper reaches has raised an international problem. In the northeast, natural moisture has not been sufficient and some time will elapse before the full effects of new irrigation works are felt. Meanwhile new cotton lands in the southeast are being opened—in part by farmers migrating from the north.

Mexico a Wheat Exporter

This year's wheat crop should reach 1.9 million tons. Although Mexico has been listed for many years as an exporter in IWA, its exports of wheat reached an appreciable volume for the first time in 1964. Some 450,000 tons have been contracted for delivery from the northwest prairie region to the Far East. Success with short-stemmed and resistant varieties will probably ensure similar or higher production in years to come. Some surplus should continue to be available for export until a combination of expanding population and changing tastes catches up. Meanwhile corn and beans are still the staples.

Coffee and citrus production is up and supplies of most other export commodities are good. Two-thirds of Mexico's annual sales to Canada consists of produce—everything from peppers to peanuts and brussel sprouts to binder twine. The importance of Canada as a potential market, especially for tropical and off-season commodities, is increasingly realized. Difficulties of transportation, grading, packing, continuity of supply, etc., are receiving attention.

Fisheries Encouraged

Another key to better feeding of the growing population is to raise the low per capita consumption of fish. Although Mexico has 6,000 miles of coastline, only the shrimp fisheries are highly developed. These constitute a \$50 million export industry and shipments go almost entirely to the United States and Canada. The Government is making determined efforts to exploit the coastal resources. In a few weeks a model fishing port on the Gulf Coast east of Mexico City will be inaugurated. Others are to follow. Private industry, with government support, appears ready to follow suit with new developments at a number of coastal locations.

Mining Still Depressed

The one really depressed sector of the economy is mining. Mineral production has been relatively stagnant for some time largely because of antiquated, inefficient operations, low international prices, and uncertainties related to the Mexicanization policy toward foreign companies.

Almost every important commercial mineral exists somewhere in Mexico. For centuries before Columbus, mining was an important activity. During colonial times, this was one of Spain's treasure lodes. Base metal output still makes Mexico one of the most important mineral regions in the world.

The Mexicanization program—51 per cent local ownership, decreed two years ago—is now almost com-

plete. New taxation provisions encourage revitalization. But so far this hasn't started and there is considerable concern in official as well as industrial circles. It is reasonable to believe that forward progress in this important industry can be expected shortly.

Apart from one or two weak spots, business conditions and prospects in Mexico have seldom been better. The present year should be a near record one for Canadian sales. Our geographical proximity and North American standards and outlook provide a challenging advantage for doing business in this rapidly expanding market.

World Bank Aid for Sierra Leone

THE World Bank has made a loan equivalent to \$3.8 million for the expansion of electric power generating and distribution facilities in Sierra Leone. The loan will assist in financing a 13,200-kilowatt diesel power plant which will more than double the supply of power in Freetown, the capital city. This is the first Bank operation in Sierra Leone.

The loan was made to the Sierra Leone Electricity Corporation, a newly established agency which has been given responsibility for the operation of all public power installations throughout the country. These now consist of two plants in Freetown with a total capacity of 9,800 kilowatts and 16 diesel stations in the provinces with a total capacity of 4,100 kilowatts.

The project being assisted by the Bank comprises the construction of a new generating station at King Tom Point in Freetown and the expansion of distribution facilities. The station will be equipped with two 6,600-kilowatt generators, associated switchgear, fuel storage tanks and ancillary works. Provision is being made for the later installation of a third unit, which may be necessary by 1968.

The King Tom station is already under construction and is scheduled for completion in 1965 at a total cost estimated at approximately \$5 million. The expansion of the distribution system will be carried out mainly during 1965. The project is being built under the supervision of consultants.



Canadian dried salted pollock and herring bloaters are unloaded at Santo Domingo.

Dominican Republic

- Decline in world price of sugar has affected earnings.
- Delay in payment for imports cut sharply, with foreign loans.
- New emphasis on industrial buildup is showing results.

KENNETH F. NOBLE, *Commercial Counsellor, Santo Domingo.*

THE DOMINICAN REPUBLIC, with its 3½ million people, has an economy that is still mainly agricultural but one that holds increasing promise of industrial expansion and exploitation of mineral deposits, including bauxite, nickel, copper and gypsum. During the past two decades, every year but one has seen a visible trade balance of substantial proportions.

The part that agriculture has played in the Republic's export trade for the years 1962, 1963, and

the first half of 1964 is shown in Table I. The table also includes

TABLE I
EXPORTS OF THE DOMINICAN REPUBLIC
(in per cent)

	1962	1963	1964 First half
Cane sugar and derivatives	57.7	60.3	56.0
Coffee and products	11.5	10.6	11.4
Cacao and products	7.8	9.2	11.0
Tobacco and products	5.8	4.8	6.8
Minerals	5.7	5.5	N/A

percentage figures on the recently developed exports of bauxite.

The Dominican Republic is a large sugar producer. Production in 1960 reached 1,165,000 short tons of raw sugar valued at \$80 million but it has since declined to an estimated 709,500 tons in 1964. Exports of sugar, however, still represent almost 60 per cent of the value of commodity exports.

The Corporacion Azucarera Dominicana (CAD), a joint operation on behalf of six sugar centres, encountered some difficulties in 1963, but benefited by the high world price for raw sugar. These difficulties have continued during 1964. One of these was mounting wage costs: wages paid by the industry in 1960/61 totalled \$11 million, they advanced the following year to \$25.2 million, and in 1962-63 reached \$39.2 million. Moreover, productivity per man-hour has declined. The world price of sugar, meanwhile, has fallen farther and more rapidly than was forecast when the contribution of the sugar industry to the economy of the Republic in 1964 was earlier assessed.

The past president of the CAD in a statement on October 7 suggested that a loss of RD\$15 million on the year's operations is "possibly not unrealistic" in the light of the continuing decline of the f.o.b. price, which is now down to \$3.50 per hundred pounds.

Coffee, green and roasted, contributed 10.6 per cent of the total value of exports in 1963. Exports reached 32,200 short tons valued at \$19.9 million in 1962 and 30,161 short tons valued at \$18.5 million in 1963. The export quota under the International Coffee Agreement for Dominican Republic coffee for the current year has been set at 436,343 bags or 28,800 short tons.

Production of cigar leaf, black cigarette and bright flue-cured type tobaccos in recent years has ranged between 25,000 and 29,000 tons, of which between 60 to 80 per cent is exported regularly for a return of about U.S.\$9 million. In 1963 tobacco shipments represented 4.8

per cent of the total value of exports. Curtailment of imports through the drastic increase in the rates of excise tax on imported cigarettes in August, which advanced the selling price of imported cigarettes to 70 to 80 cents U.S. per package of twenty, followed by a total embargo on imports, has provided a powerful incentive to the domestic industry.

The two established cigarette manufacturing companies are already increasing their capacities, a third began operations in September, and a fourth is now awaiting equipment. Tobacco will probably play an increasingly important part in the economy, both as a source of foreign exchange from exports and as a saver of foreign exchange formerly used to pay for imported packaged cigarettes.

Exchange Control

In October 1963 an import control scheme involving a scale of priority for commodities became effective and quotas were established for the admission of goods. Foreign exchange in payment for imports according to the schedule was made available automatically but an increasing shortage of foreign currency further extended the delay in providing dollars. By December 1, 1963, the delay exceeded sixty days and a new procedure was introduced whereby letter of credit terms of payment were abolished for virtually all consumer goods. Importers were free to order consumer goods, durable or non-durable, but availability of foreign currency was not guaranteed and in effect suppliers abroad were asked to finance their sales to the Dominican Republic for an indefinite period.

By August 1, 1964, the backlog of outstanding drafts for import payments had risen to U.S.\$58 million and the delay in settlement was more than 9½ months.

The Reserve Bank then obtained financial assistance abroad, including U.S.\$25 million as a standby credit from the International Monetary Fund, U.S.\$30 million at 6 per

cent from a consortium of six North American banks (of which two were Canadian), and an advance of U.S.\$10.25 million from the U.S. Treasury (of which apparently only U.S.\$6.5 million has so far been used). The sugar industry was able to negotiate and is still finalizing an advance of U.S.\$48 million at 6 per cent in New York, and the Eximbank has been financing several projects, including one for which it has loaned U.S.\$8 million for twelve years at 5½ per cent a year. In addition, funds are being made available from a number of sources, including the World Bank, International Monetary Fund, IDB, IADB, and AID, which has made an initial allocation of U.S.\$26 million for the year 1964. The Aluminum Company of America prepaid its 1964 calendar-year royalty in the sum of \$1 million on bauxite extraction.

During the period August 3 to October 6, approximately U.S.\$68.2 million was released by the Central Bank in a series of nine distributions which retired overdue commercial drafts to July 31, 1964. The commercial banking community expected that by October 30 accounts would be up-to-date, or at least not more than thirty days in arrears. A new procedure will then become effective whereby the country will be on a pay-as-you-go basis, with imports restricted in volume, with some flexibility to keep procurement within estimated availability of funds, and with funds for approved imports available on application.

Industrial Growth Increasing

Tariff imposts, import taxes, price increases, and the difficulties of procurement during the foreign exchange problems of last year have all acted as incentives for industry and the rate of establishment of new industries has increased notably. A National Economic Council has been set up to examine the merits of proposals for industrial expansion by Dominican and overseas suppliers of capital and to make recommendations to the Corporacion de

Fomento Industrial de las Republica Dominicana—known as "Fomento". This organization, set up by the Government in 1961 to act as custodian for the nationalized Trujillo empire, has had a varied experience in its operation of the 40-odd companies which were associated with the dictator. Four industries jointly returned a profit of U.S.\$8.5 million during the twelve months to April 30, 1964, through virtually monopolistic operations in the fields of cement, flour milling, brewing, paper and packaging production. Each of these industries is being expanded, with capital equipment generally being doubled. Supplies from the enlarged factories will be available during 1965.

Thirteen Fomento companies are virtually breaking even but nearly 60 per cent of the plants are operating on a deficit, with some showing such substantial losses that they outweigh the profits on the more successful units. Sales of plants to private interests are being encouraged when these can be negotiated.

Some foreign interests are moving into the industrial field. A Dominican syndicate proposing to use German knowhow and technical skills is negotiating for the construction of a complex of plants for the production of hydrogenated vegetable fats from coconut oil, washing soaps, ceramic tile, insecticides, cattle feeds, and meat processing plants. A later entry in this same field has been announced by the Industrial Acietera del Sur C. por A. to be financed by Belgian capital provided by the syndicate Eurmanc Extraction SA. According to a published statement, U.S.\$12 million is marked for the development of the coconut oil project formulated in 1963.

A syndicate financed by Dominican capital is projecting an outlay of \$7.5 million on the establishment of an interlocking system of 26 modest-sized plants for the canning of pineapple, pineapple juice, tomatoes, tomato paste, tomato juice and other vegetables, and the manufacture of prepared foodstuffs, organic

fertilizers and prefabricated houses. The policy is interesting in that the proposal contemplates the taking of the factories to the raw material sources with only the manufactured product being brought to population centres.

Corporacion Dominicana de Electricidad

The Corporacion Dominicana de Electricidad (CDE) early in September announced the letting of contracts for two much-needed electric power plants, to be completed in 1965. The first of these will be in the city of Puerta Plata and will produce 27,600 kilowatts from steam power, the second in Santo Domingo will generate 12,000 kw. based on diesel power from six engines. The Eximbank is said to be supplying U.S.\$8 million towards the project, with a commercial bank in New York reported as underwriting U.S.\$2 million.

Two weeks later the CDE announced plans for the construction of a second plant, adjacent to Santo Domingo, to be in operation not later than 1967—by which time the additional power from the new plant coming into operation in 1965 will be overdrawn.

Mineral Developments

Falconbridge Nickel Company of Canada, after several years of work on an experimental plant costing some \$7 million, is now about to make the first three shipments of nickel concentrate. Expenditure of a further \$10 million for "extension of the commercial pilot plant" has been announced by the Dominican Government; so has the intention of investing an additional sum of \$77 million in a major nickel-processing operation.

Japanese interests have been examining the copper reserves of the Republic and are negotiating with La Industria del Acero, which holds general mining exploitation rights covering the deposits which are interesting Kinoshita in the Mata Grande territory near San Jose de las Matas. ●

Haiti

- Coffee continues to be main export; sisal and sugar come next.
- United States supplies nearly two thirds of country's imports.
- Canada sells mainly fish, some industrial machinery.

C. BÉDARD, *Chargé d'affaires a.i., and Consul, Port-au-Prince.*

THE French-speaking independent republic of Haiti has an estimated population of about four million, mainly negro. Industrially, it is still underdeveloped. There are two sugar factories, one in Port-au-Prince and one in Les Cayes (which suffered rather severe damage from Hurricane Cleo), five sisal processing plants (mostly American-owned and operated), one flour mill, one cement factory, two textile mills using locally produced cotton, three soap factories supplying only laundry soap in bars, two cottonseed plants and one essential oil plant. There are some smaller factories making pharmaceutical products, underwear, socks, shirts and pyjamas, and one factory supplying shoe polish, candles, shoelaces and washing blue. There is in addition a bauxite mine (Reynolds) near Miragoane and a copper mine (Sedren-Canadian) near Gonaives. The Haitian Government is anxious to attract private investment to set up other plants to absorb the readily available labour.

Figures on Haiti's foreign trade in recent years are given in Table I; 1961 is the last year for which statistics are available. The main export is coffee, followed by sisal, sugar, and cacao. Before the withdrawal of the Standard Fruit Co.

there was a rather impressive export of bananas. Bananas are still grown in quantity but are not being exported for the time being for lack of foreign interest.

Haiti's main suppliers in the year ended September 30, 1959, were:

Country	Per cent of total imports
United States	63.9
Britain	5.1
Canada	5.1
Germany	4.4
France	3.8
Belgium	2.5
Netherlands	2.5

Although no exact figures are available, it is known that the percentage of U.S. and Canadian imports into Haiti has decreased these last few years, and imports from Iron Curtain countries have increased. Table II gives the main Canadian exports to Haiti, according to DBS figures, in the last three years.

There is interest in Haiti in flour, paper products, preserves, canned meats and many more Canadian products and there is in addition a rather large Canadian colony (perhaps the largest of all the Latin American countries). Development of Canadian trade opportunities in Haiti should lead to the establishment of better direct communications than there are now. Some shipping lines serving the Caribbean accept cargo for Haiti at Great Lakes and St. Lawrence River ports if the revenue to be earned constitutes sufficient inducement to warrant a call at Port-au-Prince. Mayhaven Shipping Limited provides a direct service from Nova

TABLE I

HAITI'S EXTERNAL TRADE

Year	Imports	Exports
	(millions of U.S.\$)	
1957	40.8	32.9
1958	42.1	42.1
1959	31.1	26.0
1960	35.0	43.0
1961	33.0	38.0

Scotia, principally for cargoes of dried, smoked and salted fish, and "K" Line offers a monthly cargo service from British Columbia. Shipments may also be routed in transit through the United States. With better shipping service, Canadian products could easily compete in quality and price with products from United States, taking into account the exchange rate of the Canadian dollar and the fact that the advertising for most Canadian products is already done in both English and French.

Trading in Haiti

The main importing center is Port-au-Prince, the capital. Other trade centers in order of their importance are: Cap Haitien in the north, Gonaives on the west coast, Les Cayes and Jacmel on the south coast, and Port de Paix, Jérémie and St. Marc. Fort Liberté is exclusively an export port for sisal. Port-au-Prince and Cap Haitien are the only two cities of real importance to foreign exporters. The official language is French and most of the people speak Creole but the businessman does not need this language. The more important importers and wholesalers also speak English and some Spanish as well. Import duties are the same for all countries and import licences are only required for products similar to those produced locally, such as candles, shoe polish, tomato products, etc.

Trading is done mostly by sight draft with documents attached, payable upon arrival of goods and documents. All shipments, except those by parcel post, must be ac-

companied by a consular invoice. In the consular invoice, wherever requested, net weights are to be inserted.

The currency is the Haitian gourde (one gourde equals about U.S.\$0.20) but the U.S. dollar is also freely exchanged. There are no currency regulations.

In the capital, Port-au-Prince, there are four banks: the Royal Bank of Canada, the Haitian National Bank, the Columbian Bank and the Banque Commerciale. In the provincial towns there are only branches of the Haitian National Bank. It is recommended that exporters consult one of these banks about the financial status of new customers before entering into any business transaction with them.

Haiti is a poor country with a great deal of illiteracy and its people are very price-conscious. Most of them tend to stick to a known brand and a familiar presentation and this does not make the introduction of a new product easier. Once a product is introduced, however, it profits from these customs.

Generally speaking, the Haitian merchants order in small quantities. The main reasons are that capital is limited, storage facilities not always available, high temperatures may spoil certain products, and the merchants are accustomed to weekly supplies from the U.S. The main port—the capital of Port-au-Prince—receives twice weekly visits from vessels of the Royal Netherlands S.S. Co. from New York and weekly vessels of the Grace Line. Twice a month the Alcoa S.S. Co. of New

Orleans calls and at least once a month vessels from Europe of the Royal Netherlands, Hamburg/America and French Lines. About once a month there is a direct service from Japan via the U.S. west coast.

Visiting Haiti

The Canadian businessman who wishes to visit Haiti needs his passport and a valid smallpox vaccination certificate. He will receive upon arrival here, against payment of \$2.00, a tourist card valid for two years. Travellers' samples accompanying visitors must be declared as intended for re-export and separately from personal effects, which are admitted duty free. Samples of no commercial value are admitted duty free if verified as such by the appraising officer. Samples of commercial value are dutiable at the usual rates. However, if it is the visitor's intention to re-export them within 90 days, he will be allowed to deposit as security a cheque to the amount of the duties owed. This will be returned to him at the port of departure if he leaves the country with the samples before the 90 days have expired.

Lightweight suits and cotton shirts are the best wear for the visitor. In summer, temperatures rise as high as 90 degrees and the highest registered temperature at the end of July was 100. The annual average humidity is maximum 96 and minimum 20. The hottest months are July, August and September.

The well-prepared businessman with a good agent should stay in Haiti about one week, to compare prices of his competitors and visit the trade with his agent. There are good hotels in Haiti: first class ones charge about from \$15.00 to \$20.00 per person single and \$24.00 to \$50.00 per couple per day. Good hotels, however, can be recommended which have rates varying from \$5.00 to \$10.00 per day, all meals included. Before coming to Haiti, the businessman should provide himself with travellers cheques or U.S. currency. ●

TABLE II
CANADA'S EXPORTS TO HAITI

	1961	1962	1963
	(Can. dollars)		
Herring bloomers	214,585	156,354	221,811
Alewives, pickled	180,099	162,225	137,708
Cod, heavy salted	150,807	157,026	134,400
Wheat flour, white winter	.....	.....	105,747
Mining, oil and gas industrial machinery and parts, n.e.s.	85,741	77,380	97,471
Industrial chemical specialities and explosives	43,167	33,149	73,725
Total, including all others	1,543,372	1,276,672	1,525,057

Import and Exchange Regulations in Latin America

COSTA RICA

Import Licences—No import licences are necessary.

Foreign Exchange—No exchange controls exist.

Tariff Features—Canada enjoys most-favoured-nation treatment in Costa Rica. However, Costa Rica is a member of the Central American Common Market and goods from other Common Market countries receive preferential rates over those from third countries such as Canada.

Costa Rican tariffs are compound and both specific rates and ad valorem rates are levied on the same item.

DOMINICAN REPUBLIC

Import Licences—No import licences are required although some items, such as certain chemicals and explosives, require ministerial permission.

Foreign Exchange—All remittances abroad are subject to transfer authority by the Central Bank.

Tariff Features—Canada enjoys most-favoured-nation treatment in the Dominican Republic and the Dominican Republic is a member of GATT. Most tariff rates are specific rates and various surcharges are also imposed.

EL SALVADOR

Import Licences—Import licences are not required except for a few items, such as explosives, firearms, etc.

Foreign Exchange—Importers must register imports prior to placement of order with the Banco Central de Reserva which issues a permit. This permit permits the purchase of foreign exchange from authorized banks.

Tariff Features—Canada enjoys most-favoured-nation treatment in El Salvador. However, El Salvador a member of the Central American Common Market and goods from other Common Market countries receive preferential rates over those from third countries such as Canada.

El Salvador tariffs are compound and both specific rates and ad valorem rates are levied on the same item.

GUATEMALA

Import Licences—Import licences are not required.

Foreign Exchange—The importer must register his intended imports with the Central Bank, prior to shipment. The Bank then issues a permit for the c.i.f. value of the goods which enables the importer to purchase that amount of exchange from an authorized bank.

Tariff Features—Canada enjoys most-favoured-nation treatment in Guatemala. However, Guatemala is a member of the Central American Common Market

and goods from other Common Market countries receive preferential rates over those from third countries such as Canada.

Guatemalan tariffs are compound and both specific rates and ad valorem rates are levied on the same item.

HAITI

Import Licences—Import licences are required only for cigarettes, cigars, tobacco and wheat flour.

Foreign Exchange—No exchange restrictions exist.

Tariff Features—Canada and Haiti exchange most-favoured-nation treatment and Haiti is a member of GATT. The Haitian tariff is for the most part ad valorem, with minimum specific rate equivalents specified in certain cases. Surcharges of 4.5 and 6 per cent c.i.f. are imposed on a large number of items.

HONDURAS

Import Licences—Import licences are not required except for a limited range of items, such as firearms, munitions, explosives, narcotics, etc.

Foreign Exchange—No exchange restrictions exist.

Tariff Features—Canada enjoys most-favoured-nation treatment in Honduras. However, Honduras is a member of the Central American Common Market and goods from other Common Market countries receive preferential rates over those from third countries such as Canada.

Honduran tariffs are compound and both specific rates and ad valorem rates are levied on the same item.

MEXICO

Import Licences—A wide range of goods are subject to import licensing by the Ministry of Commerce and Industry. These are non-discretionary in relation to the source of supply and are valid for ninety days but may be extended. Some items are subject to import quotas; other items, often those produced locally, are prohibited entry.

Foreign Exchange—There are no foreign exchange restrictions and foreign exchange is freely available.

Tariff Features—Mexico has a single column tariff with no preferences except those extended to other member countries of the Latin America Free Trade Area. Rates are usually compound, i.e., ad valorem plus specific. Local manufactures are highly protected and non-essentials carry high tariff rates. Essential imports do not have such heavy import duties. Mexico also imposes a surcharge of 3 per cent of the duties payable.

NICARAGUA

Import Licences—No import licences are required.

Foreign Exchange—Importers must register intended imports with Central Bank and lodge a prior deposit in "cordobas" of from 40 to 100 per cent if the goods are not classed as essentials. The importer may then obtain foreign exchange from authorized banks on the strength of the import registration.

Tariff Features—Nicaragua is a member of GATT and Canada enjoys most-favoured-nation treatment in Nicaragua. However, Nicaragua is a member of the Central American Common Market and goods from other Common Market countries receive preferential rates over those from third countries such as Canada.

Nicaraguan tariffs are compound and both specific and ad valorem rates are levied on the same item.

PANAMA

Import Licences—Import licences are not required except for a few items such as narcotics, drugs and certain products competitive with local production which are also subject to import quotas.

Exchange Controls—No exchange restrictions.

Tariff Features—Canada enjoys most-favoured-nation treatment in Panama. However, Panama has free trade agreements with Costa Rica and Nicaragua.

The Panamanian tariff rates are ad valorem and for the most part moderate.

Documentation for Latin America

THE documentation required by the various Central American countries varies widely and exporters are urged to note the individual requirements carefully. Should any questions arise, the Latin American Division of the Office of Trade Relations, Department of Trade and Commerce, should be consulted.

Fees for legalization of documents also vary greatly and often are substantial. In some countries there is a flat fee of so much per set of documents; others charge fees on the value of the shipment as shown in the invoice—going as high as 8½ per cent ad valorem in some cases. Some fees are collected by the Consul who processes the documents; others are paid by the importer at the port of entry. The cost of forms purchased from the Consuls can be as high as \$5.60 per set.

Leaflets on *Shipping Documents and Customs Regulations*, giving full details of the requirements, have been compiled by the Office of Trade Relations for all the countries listed in the table below and are available free. Information can also be provided for other countries and for Cuba.

General Observations

The need for care in the preparation of shipping documents, particularly when exporting to Central America, cannot be too strongly emphasized. The following table is intended merely as a guide to the kind and number of documents required by each country and to indicate the main basic regulations. Most of the countries in this area specify in detail the data that must be included in the shipping documents and deviation from the requirements, even if unintentional, may result in the importer being fined.

When completing shipping documents, exporters should follow explicitly any instructions they receive from their agents in the importing country.

Some countries specify the time limits within which documents must be presented to the Consul for legalization. These time limits are given in note 14 below and must, of course, be strictly observed. Even if no time limit is specified in the regulations of a particular country, there should be no undue delay in preparing the documents. They should be posted promptly, by airmail, so that they will be in the hands of the importer at least by the time of the arrival of the shipment at the port of destination.

Health and pure food regulations often call for the production of documents not dealt with in the following table. Many countries require sanitary or health certificates, issued by agricultural or health authorities in the country of origin, for animals, plants and their products, and processed foodstuffs. Details of these requirements are given in the leaflets referred to above.

The procedures for shipments by parcel post and by air cargo usually differ in some respects from those to be followed for freight shipments as outlined below. In most countries, the requirements are not quite as strict or exacting but must nevertheless be followed precisely to avoid difficulty. The separate leaflets on shipping documents deal in detail with these methods of shipping.

The following table indicates the documents required for freight shipments to Mexico, Central America, Panama, Haiti and the Dominican Republic and the main requirements to follow in preparing the documents. Further explanations are given in the notes following the table.

The number of copies of each document is that specified in the regulations of the country. Frequently exporters, Chambers of Commerce (when required to sign documents), or transportation companies will need extra copies for their own records.

Documentation for Latin America

Abbreviations: C.I.—Consular Invoice; Com. I.—Commercial Invoice; C.O.—Certificate of Origin; B.L.—Bill of Lading; O.F.P.—Ocean Freight Insurance Policy.

Country	Documents Required	No. of Copies	Consular Fees	Cost of Forms per Set	Notes
Costa Rica	Com. I	5			2, 4, 8, 9
	B.L.	3			2
Dominican Republic	C.I.	6	3 per cent of f.o.b.*	\$5.60	1, 4, 6, 9, 12, 15
	Com. I	4	gratis		1, 8, 12
	B.L.	6	2 pesos*		1, 12
	O.F.P.	1			
El Salvador	Com. I.	7	\$2.00 + 6 per cent c.i.f.*		1, 8, 11
	C.O.	3	gratis		1, 3, 4, 7, 11
	B.L.	4	\$1.00 per \$500 max.= \$10		1, 11
Guatemala	C.O.	3	gratis	\$4.00	1, 3, 4, 6, 9, 11, 14
	Com. I.	5	gratis		1, 4, 8, 11
	B.L.	5	gratis		1, 5, 11
Haiti	C.I.	5	up to \$200=\$3 + \$1.10 over \$200=2 per cent + \$1.10	\$1.00	2, 6
	B.L.	6	\$2.00 + \$1.10**		1, 12
Honduras	C.I.	5	8 per cent f.o.b. value	\$1.00	1, 4, 6, 12, 14, 16
	Com. I.	5	\$1.00		1, 8, 12
	B.L.	5	\$2.00*		1, 12
Mexico	Com. I.	8	\$2.00		1, 8
	B.L.	5			
Nicaragua	C.I.	8	7 per cent f.o.b. value*	\$4.00	1, 4, 6, 9, 10, 13
	Com. I.	4	gratis		1, 4, 8, 9, 13
	B.L.	4	gratis		1, 5, 13
Panama	C.I.	5	gratis	\$2.00	1, 4, 6, 11, 14
	Com. I.	4	gratis		1, 5, 8, 11
	B.L.	4	gratis		1, 13

*Fee collected from importer at port of entry.

**Fee collected from exporter by Consul.

- Requires consular legalization or must be presented to Consul with other documents.
- Does not require consular legalization or presentation to Consul (for Chile, prior deposit receipt number and date of issue must be shown on Com. I. and B.L.)
- Requires certification by Chamber of Commerce or similar organization. (For Bolivia, Com. I. requires this only if c.i.f. value \$50 or more.)
- Must be in Spanish*.
- Certain details must be in Spanish*.
- Forms obtained from Consul.
Haitian Consular forms may be purchased from E & G Martijn (Canada) Ltd., 1405 Bishop Street, Montreal, Quebec.
- Forms obtained from commercial stationery (names are available from the Office of Trade Relations).
- Exporter's own form may be used, provided it contains all information required by the regulations.
- The document specified is not required for freight shipments valued at less than the following amounts: Costa Rica \$25; Dominican Republic \$100; Guatemala \$50 (but restricted goods and

goods subject to duty reductions by treaty require C.O. regardless of value); Nicaragua \$50. (For all other countries, consular documents are required for freight shipments, regardless of value.)

10. Consuls will not legalize documents unless a copy of the import permit, or analogous document, or evidence of its issuance to the importer, is produced. (There are some exceptions to this rule; exporters should assure themselves that, if a permit is required, it has been obtained before shipment is made.)

11. Documents must be legalized by Consul located in Canada.

12. Documents must be legalized by Consul at port of export (whether in Canada or the United States).

13. Documents may be legalized by either Consul in Canada or Consul at port of export.

14. Time limits within which documents must be presented to Consul for legalization: Guatemala, ten days after issue of B.L.; Honduras, 24 hours before sailing; Panama, three working days after sailing.

15. Five official forms plus one on plain paper.

16. For items which have been equalized under terms of the Central American Common Market, the Consular fees will be applied to import duties and the Honduras importer will receive a credit note for any excess of fees over duty.

*For documents to which neither of these two notes apply, English or French may be used.

Shipping Services from Canada to Latin America

	From Pacific Coast	From Great Lakes	From St. Lawrence and Atlantic
TO: BRITISH HONDURAS			Canada Jamaica Line <i>(Kerr Steamships Ltd., Montreal, Toronto, Saint John, Halifax)</i>
COSTA RICA	Grace Line <i>(C. Gardner Johnson Ltd., Vancouver)</i> Grancolombiana Line <i>(Balfour Guthrie (Canada) Ltd., Vancouver)</i> "K" Line <i>(Johnson Walton S.S. Ltd., Vancouver)</i>		Grancolombiana Line, <i>(Swedish America Line, Montreal; Furness Withy & Co. Ltd., Toronto) (via Cartagena and Cristobal)</i> West Coast Line <i>(Saguenay Shipping Limited, Montreal, Halifax; A. O. Minshall Co. Ltd., Hamilton, Toronto)</i>
EL SALVADOR	Grace Line Grancolombiana Line		Canada Jamaica Line <i>(transhipment Puerto Barrios)</i> Grancolombiana Line <i>(transhipment at Cristobal)</i> West Coast Line <i>(transhipment at Cristobal)</i>
GUATEMALA	Grace Line Grancolombiana Line		Canada Jamaica Line
HONDURAS	Grace Line Grancolombiana Line		Canada Jamaica Line West Coast Line <i>(transhipment at Cristobal)</i>
NICARAGUA	Grace Line Grancolombiana Line		Grancolombiana Line <i>(transhipment at Cristobal)</i> West Coast Line <i>(transhipment at Cristobal)</i>
PANAMA	Fern-Ville Caribbean Line <i>(Dingwall Cotts & Co. Ltd., Vancouver)</i> Grancolombiana Line Grace Line Japan Line <i>(Westward Shipping Ltd., Vancouver)</i> "K" Line Moore-McCormack Lines <i>(744 West Hasting St., Vancouver)</i>		Grancolombiana Line West Coast Line
MEXICO	Grancolombiana Line Grace Line Westfal-Larsen Line <i>(Empire Shipping Ltd., Vancouver, B.C.)</i>		Grancolombiana Line
CUBA			Mambisas Line <i>(Colley Motorships Limited, Montreal)</i>

—*continued.*

	From Pacific Coast	From Great Lakes	From St. Lawrence and Atlantic
DOMINICAN REPUBLIC	"K" Line		Saguenay Shipping Limited (Saguenay Shipping Ltd., Montreal, Halifax; A. O. Minshall Co. Ltd., Hamilton)
HAITI	"K" Line	Great Lakes Transcaribbean Line (Protos Shipping Ltd., Toronto) (subject to cargo inducement)	Mayhaven Shipping Limited (Jas. S. Ellis & Co. Ltd., Montreal) Great Lakes Transcaribbean Line (Transocean Shipping & Coal Co. Inc., Montreal) (subject to cargo inducement)
PUERTO RICO	"K" Line	Carib Line (Mills Steamship Agency, Toronto) Great Lakes Transcaribbean Line (Protos Shipping Ltd., Toronto) (subject to cargo inducement)	Carib Line (Colley Motorships Ltd., Montreal; F. K. Warren Ltd., Halifax) Great Lakes Transcaribbean Line (Transocean Shipping & Coal Co. Inc., Montreal) (subject to cargo inducement) Saguenay Shipping Limited

FOREIGN TARIFFS AND TRADE REGULATIONS

Austria

TRADE LIBERALIZATION AND TARIFF REDUCTIONS—In an effort to stem the growing tide of inflation the Austrian Government has announced a program of trade liberalization, tariff reduction and exemption from equalization tax, to apply from October 1, 1964.

So far, a list of the commodities which were freed on this date from quantitative import restrictions has not been published, but it has been made known that, apart from certain agricultural products and processed food items, only the following twelve commodities will remain subject to import licensing: brown coal, solid caustic soda, antibiotics, matches, cinema films, products made of jute, certain types of blankets and rugs, mirrors, electric accumulators, furniture and parts thereof, and all types of brushes and whisks. At the end of 1966, quantitative import restrictions will be removed from matches, blankets and rugs, mirrors, electrical accumulators, furniture and parts thereof, and all types of brushes and whisks. Import restrictions on caustic soda will be eliminated at the end of 1965.

As soon as the complete list of liberalized commodities is published by the Austrian authorities a note will be published in *Foreign Trade*.

The tariff reductions which came into force on October 1, 1964, include some 90 tariff items and

amount to 20 per cent on the average. Tariff reductions on certain goods exceed this average, in particular on roasted coffee, canned fish, cocoa powder, chocolate, pasta products, canned tomatoes, cleaning materials, rubber clothing, wallpaper, wool yarns, certain socks and stockings. Certain goods, such as oranges, mandarines, grapefruits, poppy seed, orange jam, canned peaches, canned pineapples and fruit juices, are allowed duty-free entry. The complete list of items and the tariff reductions applying from October 1, 1964, is available from the European Division, Office of Trade Relations, Department of Trade and Commerce, Ottawa.

The following items were freed from the equalization tax that until now amounted to 5.25 per cent of the c.i.f. value of imported goods: bananas; oranges; mandarines and clementines; grapefruit; fish (except anchovies and any preparations of the anchovy kind), in oil only; cocoa beans, whole or broken (raw or roasted); coal briquettes, including ovoids, and agglomerated lignite.

Chile

ORIGINAL SUPPLIER'S INVOICE REQUIRED—Two recent circulars issued by the Central Bank of

Chile will affect documentation of shipments invoiced by other than the original manufacturer or producer.

Circulars No. 417 and No. 418 set forth instructions with regard to imports effected through intermediaries and emphasize that the invoice of the original manufacturer or producer must be presented by the importer when requesting foreign exchange.

Ecuador

PRIOR DEPOSITS REDUCED—Prior deposits, calculated on the c.i.f. value of imports into Ecuador, have been reduced, effective August 1, 1964, as follows: Group I (essentials)—from 25 per cent to 15 per cent; Group II (less essential)—from 50 per cent to 30 per cent, and from 100 per cent to 80 per cent.

Prior deposits must be posted by the importer with the Central Bank of Ecuador and are a method of controlling and guaranteeing the foreign exchange necessary for these imports. Countries within the Latin American Free Trade Area are exempt from the prior deposit rulings—Bogotá.

Venezuela

IMPORT LICENSING OF PAPER AND TARIFF CHANGES—The Venezuelan Ministries of Finance and Development have introduced several significant changes in the Venezuelan tariff, which became effective at the date of publication of the official decree, No. 27,545 of September 17, 1964.

One of the most important changes for Canadian exporters is the imposition of compulsory import licensing on printing and writing paper made out of chemical pulp of over 40 grams per square meter and belonging to the following categories: mat, glossed or glazed goffered, bond, ledger, mimeograph, and paper for banknotes, cheques, bank drafts, etc.

There is no compulsory import licensing on writing and printing paper made out of chemical pulp up to 40 grams per square meter. However, import duties have been raised to Bs.0.40 per gross kilogram (Can. \$0.10) from Bs.0.30 (Can.\$0.07). Duties on newsprint paper made of mechanical pulp of up to 60 grams per square meter have been increased to Bs.0.40 per gross kilogram from a previous Bs.0.28. It should be noted that these items when intended for the printing of newspapers, magazines and books of a cultural nature shall be free of duty provided the Ministry of Finance has exempted them in each case.

In addition, the following items have been placed under compulsory import licensing effective September 17, 1964: adhesive tapes, switches with open blades, fuse holders, reclaimed rubber, pneumatic tires and inner tubes for heavy machines.

Finally, import duties were substantially increased on communicator and distributor panels, printing inks

for newsprint and graphic arts, carpets for vehicles, bathroom mats and carpets in general.

Further information may be obtained from the Latin American Division, Office of Trade Relations, Department of Trade and Commerce, Ottawa—Caracas.

Trade Commissioners on Tour

In Canada

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

Israel—B. C. Steers, Commercial Secretary in Tel Aviv, who will be returning to his post.

Brockville—November 4	Tillsonburg—November 19
Galt—November 5	Delhi—November 20
Vancouver—November 9-11	Port Hope—November 23
Victoria—November 12-13	Toronto—November 24-30
Winnipeg—November 14-17	

Malaysia—E. H. Maguire, Trade Commissioner in Singapore.
Vancouver—November 9-18

Peru—K. G. Ramsay, Commercial Secretary in Lima, who will be returning to his post.

Edmonton—November 2	Vancouver—November 4-12
Calgary—November 3	Victoria—November 13

In Territory

Communist China—N. R. Gish, Assistant Trade Commissioner in Hong Kong, will visit Canton November 9-13.

Liberia—M. S. Strong, Commercial Counsellor in Accra, Ghana, will visit Liberia November 15-22.

Libya—W. J. Jenkins, Commercial Secretary in Rome, Italy, will visit Benghazi and Tripoli November 8-18.

Netherlands Antilles—W. D. Wallace, Commercial Counsellor in Caracas, Venezuela, will visit the Netherlands Antilles November 8-18.

Pakistan—R. D. Sirrs, Commercial Secretary in Karachi, will visit East Pakistan November 30-December 4.

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

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 .9302.

Foreign Exchange Rates

Country	Unit	Type of Exchange	Can. dollar equivalent Oct. 19	Units per Canadian dollar	Notes (see below)
Algeria	Dinar .....	.....	.2194	4.56	
Argentina	Peso	Free .....	.007512	133.12	
Australia	Pound .....	.....	2.3936	.4178	
Austria	Schilling .....	.....	.04163	24.02	
Bahamas	Pound .....	.....	2.9920	.3342	
Belgium and Luxembourg	Franc .....	.....	.02166	46.17	
Bermuda	Pound .....	.....	2.9920	.3342	
Bolivia	Peso .....	.....	.09060	11.04	
Brazil	Cruzeiro	Official Free .....	.0006677	1,497.67	
Britain	Pound .....	.....	2.9920	.3342	
British Guiana	Dollar .....	.....	.6233	1.60	
British Honduras	Dollar .....	.....	.7480	1.34	
Burma	Kyat .....	.....	.2258	4.43	
Ceylon	Rupee .....	.....	.2244	4.46	
Chile	Escudo	Bank rate .....	.4379	2.28	
		Free .....	.3333	3.00	
Colombia	Peso	Free .....	.1077	9.29	
		Certificate .....	.1194	8.38	
Congo, Republic of	Franc .....	.....	.007167	139.53	(1)
Costa Rica	Colon .....	.....	.1623	6.16	
Cuba	Peso .....	.....	‡	‡
Czechoslovakia	Koruna .....	.....	.1493	6.70	
Denmark	Krone .....	.....	.1551	6.45	
Dominican Republic	Peso .....	.....	1.0750	.9302	
Ecuador	Sucre	Official .....	.05972	16.74	
		Free .....	.05805	17.23	
El Salvador	Colon .....	.....	.4300	2.33	
Fiji	Pound .....	.....	2.6955	.3710	
Finland	Markka .....	.....	.3359	2.98	
France, Monaco, etc.	Franc .....	.....	.2194	4.56	(2)
Franco-African Republics, etc. ..	Franc .....	.....	.004388	227.89	(3)
French Pacific	Franc .....	.....	.01207	82.85	(4)
Germany	D Mark .....	.....	.2704	3.70	
Ghana	Pound .....	.....	2.9920	.3342	
Greece	Drachma .....	.....	.03583	27.91	
Guatemala	Quetzal .....	.....	1.0750	.9302	
Haiti	Gourde .....	.....	.2150	4.65	
Honduras	Lempira .....	.....	.5375	1.86	
Hong Kong	Dollar	Free .....	.1867	5.3558	*Oct. 9
		Official .....	.1870	5.3476	

‡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 Oct. 19	Units per Canadian dollar	Notes (see below)
Iceland	Krona	Official	.02500	40.00	(1)
India	Rupee		.2244	4.46	
Indonesia	Rupiah		.004300	232.56	(1)
Iran	Rial		.01419	70.47	
Iraq	Dinar		3.0100	.3322	
Ireland	Pound		2.9920	.3342	
Israel	Pound		.3583	2.79	
Italy	Lira		.001721	581.06	
Japan	Yen		.002986	334.90	
Lebanon	Pound	Free	.3413	2.93	
Malaysia	Dollar		.3512	2.85	
Mexico	Peso		.08600	11.63	
Morocco	Dirham		.2150	4.65	
Netherlands	Florin		.2988	3.35	
Netherlands Antilles	Florin		.5700	1.75	
New Zealand	Pound		2.9716	.3365	
Nicaragua	Cordoba		.1536	6.51	
Nigeria	Pound		2.9920	.3342	
Norway	Krone		.1500	6.67	
Pakistan	Rupee		.2244	4.46	
Panama	Balboa		1.0750	.9302	
Paraguay	Guarani	Free	.008498	117.67	
Peru	Sol	Free	.04007	24.96	
Philippines	Peso	Free	.2758	3.63	
Portugal & Colonies	Escudo		.03739	26.75	(5)
Sierra Leone	Leones		1.5050	.6645	
South Africa	Rand		1.4960	.6684	
Spain and Dependencies	Peseta		.01792	55.80	
Sweden	Krona		.2083	4.80	
Switzerland	Franc		.2491	4.01	
Syria	Pound	Free	.2814	3.55	
Thailand	Baht	Free	.05100	19.61	(1)
Tunisia	Dinar		2.0640	.4845	
Turkey	Lira		.1194	8.38	(1)
United Arab Republic	Pound	Official	2.4725	.4044	
United States	Dollar		1.0750	.9302	
Uruguay	Peso	Free	.05035	19.86	
Venezuela	Bolivar	Official Free	.2396	4.17	
West Indies	Dollar		.6233	1.60	(6)
	Pound		2.9920	.3342	(7)
Yugoslavia	Dinar	Official	.001433	697.84	

Notes

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

COMMODITY NOTES

Cement

EL SALVADOR—A cement producer recently received a loan of U.S.\$1.2 million from the Banco Centroamericano de Integración Económica to finance the costs of a new plant and equipment. When this expansion is completed, the firm will be able to produce about 148,750 metric tons a year—Guatemala City.

Fertilizers

MEXICO—Fertilizer production statistics for 1963 show a 27.8 per cent increase over 1962. Almost 91,000 metric tons of nitrogen fertilizers and 43,006 metric tons of phosphatic fertilizers were produced by 28 Mexican plants during the year. At the same time, imports of fertilizers rose slightly to 175,192 metric tons. However, this situation is unlikely to continue much longer because of the Government's emphasis on increasing domestic production—Mexico City.

Fish Canning

MEXICO—Spanish commercial sources report that Iberian industrialists in conjunction with Mexican interests will invest U.S.\$3.2 million in fish-canning installations in the northwestern part of Mexico. The first plant will be erected in the free zone area of Ensenada, Baja California. Production will be aimed at the export market, particularly the United States—Mexico City.

Insecticides

MEXICO—Química Potosí, S.A., will shortly begin production of parathion as well as other insecticides, fungicides and agrochemicals. Parathion is not currently manufactured in Mexico and the local firm will invest close to U.S.\$8 million in its chemical complex for the installation and equipping of three new plants to produce these products. The equipment for this venture will be imported from the United States and France. The first of the three projected units will commence operating by the end of 1964—Mexico City.

Paint

EL SALVADOR—A new factory producing paint and other types of brushes began operating this fall. Owned by Guatemalan, U.S. and Salvadorean interests, it will have sufficient capacity to supply the needs of the five countries of Central America—Guatemala City.

Paper

COSTA RICA—It is reported that a group of Costa Rican and U.S. business interests are planning to invest

U.S.\$10 million in a new factory to manufacture paper other than newsprint in Costa Rica. The intention is to supply some of the paper requirements of all five countries of the Central American Common Market. This will be the second paper mill in the area; the other is in Guatemala—Guatemala City.

Plastics

EL SALVADOR—Mexican and Salvadorean interests are investing approximately \$950,000 in a plant at San Miguel to manufacture plastics. The plant, expected to start operations near the end of 1964, will produce mainly PVC sheeting—Guatemala City.

Plywood

PANAMA—A company which operates a modern plywood factory is now exporting approximately 100,000 square feet of plywood a month, mostly to the Caribbean. It is also looking for a further expansion of its exports, particularly to Central America—Guatemala City.

Wheat Seed

MEXICO—Productora Nacional de Semillas will produce this year 35,000 tons of wheat seed of different varieties, for a total value of M.\$69,500,000. It is calculated that this amount will be sufficient to plant 320,000 hectares, or a third of the total area set aside each year for grain growing. The seed will be used mainly in the State of Sonora and is calculated to produce over one million tons of wheat—Mexico City.

For Further Information . . .

We suggest you read these articles published in recent issues of *Foreign Trade*.

Central America

Selling Knowhow to Central America—May 16, 1964

Costa Rica Faces Up to Irazu—May 2, 1964

Mexico

Mexico's Dynamic Chemical Industry Part I—October 5, 1963

Mexico's Dynamic Chemical Industry Part II—November 2, 1963

Mexico Institutes Compulsory Profit Sharing—June 13, 1964

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