MAY 29. 65

FOREIGN TRADE

DEPARTMENT OF TRADE AND COMMERCE, OTTAWA

FOREIGN TRADE

MAY 29, 1965 Vol 123 No. 11

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

The Hon. MITCHELL SHARP, Minister.

J. H. WARREN, Deputy Minister.

O. MARY HILL, Editor.

Subscription: $5.00 a year in Canada
$7.00 abroad.

Single copies: 25 cents each.

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

COMING—A CANADIAN LOOKS AT ADVERTISING IN THE EEC, JUNE 12

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India's Current Problems

In spite of the progress India is making in overcoming its economic problems the country is still the scene of many contrasts—and the ox-drawn plow above has a direct bearing on the modern steel rolling mill shown on the right. Much of India's limited foreign exchange goes on foodstuffs and there is very little left for the equipment and materials needed to continue industrial expansion.

- **More agricultural production needed to cut outlay on foodgrain imports.**
- **Foreign exchange reserves shrinking; import cutbacks affect industry.**
- **Tight control on purchases abroad must be continued.**

GERALD A. NEWMAN, *Minister-Counsellor (Commercial), New Delhi.*

INDIA'S Five Year Plans have focussed a great deal of attention on industrial development. None the less, the country remains dependent on a vigorous and steady expansion of its agriculture to cope with the food needs of its increasing millions, to ensure price stability, to maintain its exports, and to avoid foreign exchange outlay.

That this requirement has not been fulfilled since the beginning of the Third Five Year Plan is evident from Table I, showing agricultural production. During the past year this failure was dramatized by food riots, a sharp rise in wholesale prices, emergency imports of foodgrains, and a consequent critical situation in foreign exchange balances.

The riots took place in the rice-dependent areas such as the State of Kerala but the general need for foodgrains was undisputed.

Wholesale prices, which had remained stable during the earlier Five Year Plans, shot up by 9.1 per cent in 1963-64 and a further 14 per cent in 1964-65.

Foodgrain imports rose from 3.64 million tons in 1962 to 4.56 million in 1963 and to 6.27 million in 1964 and are continuing at the rate of about 600,000 tons a month, which is the maximum that Indian port facilities can handle. Despite larger imports, government storage supplies were reduced by 1.4 million tons so that today the movement, as one paper put it, is "from ship to mouth."

For a number of reasons, such as increased repayments on maturing loans but certainly augumented by sharply increasing needs for foreign exchange to cover unexpected emergency food imports, India's foreign exchange reserves (other than gold) reached in January 1965 the very low level of $226 million. This in turn is forcing drastic control of imports—to a point where even those of essential industrial materials, if they cannot be secured under some aid program, have been curtailed.

Influence of Industrial Build-up

This is an over-simplified review of some of the more adverse factors affecting India's economy today but it is not the whole story. There are a number of favourable factors that must be recognized and indeed emphasized.

The first is that India under its Five Year Plans is seeking steadily to overcome the massive economic and social problems presented by a population of 480 million people with a very low standard of living. The Plans represent a serious effort at orderly thinking and have laid the foundation of industry in new steel plants, chemical and fertilizer plants, heavy electrical machine plant, heavy engineering plants, expanded aluminum production, improved railway facilities, coal mining and washeries, and a steady increase in electrical power—to mention some of the many-faceted developments.

It is the rise of this industrial complex with its increasing demands for component parts and raw materials—most of which still have to be imported—that has contributed most to the present pressure on India's supplies of foreign exchange.

Since the beginning of the Third Five Year Plan in 1960-61, industrial production increased by 6.6 per cent in the first year, 8.1 per cent in the second year, and 9 per cent in the third, but slowed down to 6.4 per cent in the first six months of 1964-65 compared with the same period in 1963-64.

TABLE I

INDIA'S AGRICULTURAL PRODUCTION

	Unit	[1]1961-62	[1]1962-63	[2]1963-64	[3]Per cent change in 1963-64 over 1962-63
Paddy Rice	million tons	42.2	47.8	54.7	
Wheat	million tons	12.0	10.8	9.7	−10.4
Other cereals	million tons	22.6	24.3	23.3	− 3.7
Pulses	million tons	11.6	11.4	9.9	−13.7
Total foodgrains	million tons	81.0	78.4	79.4	+ 1.3
Raw cotton	million bales@	4.5	5.3	5.4	+ 2.2
Raw jute and mesta	million bales@	8.1	7.1	7.8	+ 8.8
Raw sugar (ISC figures)	million tons	3.1	3.0	2.5	−17.0
Oilseeds	million tons	7.0	7.1	7.1	− 0.2
Index number of agricultural production	1949-50=100	141.4	137.2	140.5	+ 2.4

[1] Partially revised estimates
[2] Final estimates
[3] Based on figures in thousands
@ In bales of 180 kg. each

This slowdown is attributed to the fact that such industries as steel, aluminum and cement have attained the greatest production possible under present capacities and the need for new capacity to achieve any further marked increases.

It is also true that those plants and manufacturing firms dependent on imports have encountered difficulties in securing industrial materials and components because of lack of exchange. The general slowdown is in turn reflected in reduced coal output, which declined about 5 per cent in the first half of 1964-65.

On the other hand, crops such as tea and coffee have increased and the textile industry has made steady progress.

Expansion to Continue

Meanwhile plans, negotiations, and construction are proceeding for expanding the output of steel, special steel, cement, fertilizers, heavy electrical plant, heavy machine tools, ball and roller bearings, heavy structurals, small horsepower tractors and electric power. There also are plans for setting up a petrochemical industry.

It is expected that India will achieve an oil-refining capacity of approximately 17 million tons by 1966. In addition, during the Fourth Five Year Plan two new coastal refineries of 2.5 million tons a year each are to be built at Madras and Haldia. The development of this refinery capacity has led the authorities to consider broadening the range of petrochemical activities with fertilizer, synthetic rubber, synthetic fibre, detergent and plastics plants.

Capital Market

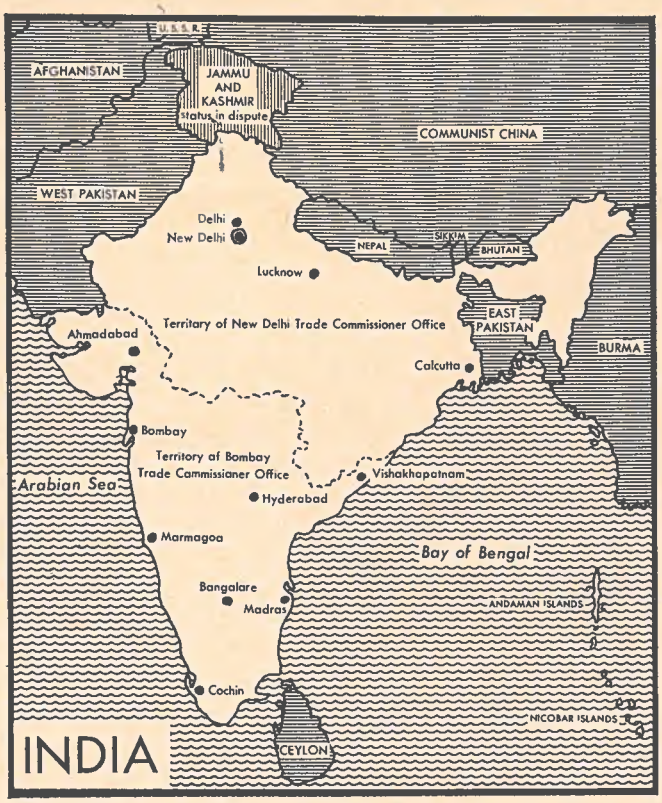
As might be expected under the rather difficult conditions in industry, public response to new share offers has not been enthusiastic in recent months and underwriters have been obliged to take up a substantial portion of the new equity issues. The index of variable dividend securities (1952-53=100), which went from 158 in June 1963 to 174 in February 1964, dropped in May to 161 and by January 1965 stood at 164. Over the 12-month period ended January 23, 1965, industrial security prices declined by 3 per cent.

Balance of Payments

India has been plagued with a balance-of-payments problem ever since it moved into heavy imports of industrial equipment during the course of its Second Five Year Plan. At that time the country's exchange reserves all but disappeared and substantial support in the form of aid, loans and grants from various countries was needed to continue building up the industrial complex. Meanwhile, the growth of the complex has brought the added burden of finding exchange to cover imports of industrial materials and component parts needed to maintain industry. In addition, the need for repayment of earlier loans—made under terms less generous than now prevailing—is beginning to be felt. The combination, plus the unexpected expenditure occasioned by the Chinese invasion and the recent food crisis, has left India in the most critical foreign exchange position since the beginning of the Five Year Plans.

Between April 1964 and January 1965, there was a drop of Rs. 88 crores ($198 million) and as of January 1965 the foreign exchange reserves, excluding gold, amounted to Rs. 100 crores or about $226 million; subsequently they declined further.

In the face of this situation, the Minister of Finance in his pre-budget Economic Survey for 1964-65 had this to say: "It cannot be emphasized too strongly that the utmost discipline in regard to foreign exchange will have to be maintained for a number of years. For one thing, debt charges are expected to grow over the coming years. There is urgent need to rebuild our foreign exchange reserves to a less unsatisfactory level." Canadians who inquire how long the present tight conditions in imports and foreign exchange are likely to continue should note this statement. ●



India and Canada: the Trade Picture

Urgent need for capital goods, machinery and equipment and the critical exchange shortage have affected trade pattern and imports from Canada. What are the prospects for Canadian products—both for commercial sales and for shipments under grant aid or loans?

GERALD A. NEWMAN, *Minister-Counsellor (Commercial), New Delhi.*

IN 1961, some 82 per cent of India's 439.2 million people were listed as rural. It underscored the fact that India today still depends heavily on agriculture to sustain its economy. This fact is reflected in India's exports which are primarily agricultural with the exception of iron ore, manganese and mica, which account for about 8 per cent of the total. The major exports are jute yarns and manufactures, tea, cotton yarns and manufactures, oilcakes, tobacco, cashew nuts, sugar, hides and skins, vegetable oils, coffee, pepper, and coir manufactures. These are products that do not lend themselves readily to rapid market expansion and usually move in well-established channels.

G. A. Newman and W. G. Roberts, Assistant Commercial Secretary, tried a far from rapid transit system when they visited the Idikki hydro power project Kerala State.

On the other hand, India's imports in the past ten years have changed drastically in content and volume in response to the increased need for capital goods, machinery and equipment, and more recently industrial materials and components to fulfill the industrialization programs set out in the Five Year Plans. Table I compares major imports in 1950-51, at the beginning of the Five Year Plans, and in 1963-64, the third year of the Third Five Year Plan, or 13 years later.

India cannot begin to cover imports to the value shown in 1963-64 with exchange earned from exports and in consequence there has been a steady imbalance of trade, as shown in Table II.

Table I shows that the outstanding increases in imports were in iron and steel, non-ferrous metals, electrical machinery, machinery other than electrical, transport equipment, mineral fuels, chemicals and fertilizers—all products closely associated with industrialization.

India has been making vigorous efforts to strengthen domestic pro-

duction in all these categories, but there is still a marked shortfall between domestic production and current needs. It is estimated, for example, that the demand for rolled mild steel in 1965-66 will be about 6.9 million tons compared with domestic production of 4.4 million in 1964-65 and an expected 5.3 million in 1965-66. Similarly, domestic production of alloy steel in 1965-66 may reach about 35,000 tons against an expected demand of about four times that amount.

Non-ferrous metals remain seriously short because, apart from aluminum, the country has so far uncovered few resources in this field. Consequently there will be a continuing need for copper, aluminum electric rods, zinc and nickel for some years to come.

TABLE I

INDIA'S PRINCIPAL IMPORTS

	1950-51	1963-64
	(millions of dollars)	
Iron and steel	44	197
Non-ferrous metals	62	122
Electrical machinery	52	184
Machinery, other than electrical	149	610
Transport equipment	90	134
Mineral fuels, etc.	121	230
Raw cotton	222	108
Raw jute	61	4
Artificial silk yarn	32	8
Chemical elements compounds	21	70
Fruits, nuts and vegetables	43	41
Cereals and cereal preparations	219	286
Dyeing, tanning & colouring materials	32	18
Medicinal & pharmaceutical preparations	24	18
Paper and manufactures	22	26
Fertilizers (crude and manufactured)	27	67
Total imports (including all other items)	**1,413**	**2,708**

Source: Govt. of India.

TABLE III

INDIA: PRINCIPAL SOURCES OF IMPORTS

Sources	1951-52	1962-63	1963-64
	(millions of dollars)		
United States	583	761	858
Britain	376	408	372
West Germany	64	217	195
Soviet Union	3	129	141
Japan	56	143	138
CANADA	43	37	53
Czechoslovakia	6	43	38
Australia	39	54	38
United Arab Republic	89	22	34
Switzerland	22	23	27
Total imports (including other sources)	**2,134**	**2,489**	**2,708**

Source: Govt. of India

TABLE II

INDIA: BALANCE OF TRADE

	1960-61	1961-62	1962-63	1963-64
	(millions of dollars)			
Imports, c.i.f.	2,432	2,213	2,401	2,708
Exports, f.o.b.	1,387	1,470	1,501	1,764
Trade balance	—1,045	—743	—900	—944

TABLE IV

WHAT INDIA SELLS TO CANADA

Items	1951	1962	1963	1964*
	(thousands of Can.$)			
Jute textiles	13,814	15,650	16,581	10,810
Cotton textiles	3,361	3,929	3,790	3,237
Woollen carpets (mostly Oriental design)	1,066	1,370	1,440	1,077
Raw sugar for refineries	.....	8,069	16,655	.....
Tea, black	10,268	7,283	7,356	5,960
Walnuts, mostly shelled	206	827	365	318
Cashew nuts	537	1,450	1,758	1,451
Peanuts, green	1,603	1,282	514	680
Pepper	1,804	848	.....	641
Live animals (rhesus monkeys for making polio vaccine)	.....	152	83	34
Peanut oil	3,882	.....	.....	.....
Total	**36,541**	**40,862**	**48,542**	**24,208**
Total exports (including other items)	**40,217**	**43,479**	**53,002**	**27,653**

*For January-October 1964 only.
Source: DBS, Ottawa.

TABLE V

WHAT CANADA SELLS TO INDIA

Items	1951	1962	1963	1964*
	(thousands of Can.$)			
*Wheat	18,674	153	1,500	8,500
*Asbestos	59	2,200	4,185	2,939
Sulphur	.....	85	583	102
Wood pulp (mostly dissolving)	176	3,308	3,046	3,461
Newsprint paper	2,219	2,744	3,907	3,727
Plastics, synthetic rubber not shaped, n.e.s.	286	1,317	930	1,065
*Aluminum	1,167	4,184	3,673	4,698
*Copper	1,941	2,059	8,503	260
Lead	.....	932	769	1,941
*Nickel	.....	715	1,834	1,021
Zinc	1,225	3,182	3,835	3,911
*Iron and steel items	neg	1,841	neg	1,274
Steel rails	.....	.....	7,824	.....
Railway ties	.....	.....	.....	.....
*Electrical machinery and parts	7	2,661	5,045	4,540
*Industrial furnaces and parts	.....	.....	.....	853
*Locomotives and parts	1,051	13	2	6,684
Motor vehicles, engines, parts	2,983	.....	.....	1,538
*Aircraft and parts	160	375	2,564	9,749
Prefabricated buildings & structures	.....	21	1,702	1,295
Total	**29,948**	**25,790**	**49,902**	**57,558**
Total exports (including other items)	**35,737**	**29,633**	**53,900**	**64,042**

*All or mosty under Canadian aid
Source: DBS, Ottawa.

The New Delhi Office

G. A. NEWMAN, Minister-Counsellor (Commercial), has now retired from the Trade Commissioner Service.

R. R. PARLOUR, Commercial Counsellor in Washington, will be posted to New Delhi in September to replace Mr. Newman.

W. G. ROBERTS, Assistant Commercial Secretary in New Delhi, is looking after the office until Mr. Parlour arrives.

Electrical machinery in increasing range and capacity is being manufactured in India but the output does not begin to satisfy the demand for equipment to meet the expanding power programs under the Five Year Plans, so that much of this has to be brought in under aid. This practice will continue in the foreseeable future.

Machinery other than electrical is an outstanding import, covering as it does almost all industrial expansion needs. India has been stepping up its domestic production of pulp and paper machinery, cement-making plant equipment, agricultural tractors, earthmoving equipment, control and switch gears, machine tools, textile machinery, etc. Government authorities insist that this domestic production be used in new plant collaborations but there is still a heavy shortfall. At present, Indian authorities are putting considerable stress on the need to step up the import of component parts. Requirements for components are expected to rise by an estimated $29 million between 1964-65 and 1965-66.

Plans for massive expansion in fertilizer production with collaboration by a United States consortium are now under discussion. Meanwhile domestic production in 1964-65 is expected to reach about 225,000 tons and in 1965-66 about 325,000 tons in terms of nitrogen. Imports, which totalled 223,000 tons in 1964-65, are expected to be stepped up to 350,000 tons in 1965-66 in terms of nitrogen. Potassic fertilizers are not produced in India and imports in 1965-66 are expected to total about 150,000 tons.

Arising from the prospective expansion in fertilizer production comes an expanding demand for sulphur and during the coming years this should have a high priority in import requirements.

Exchange Shortage Critical

It might be assumed that a continued, and in some instances expanding, need for industrial capital goods, components and materials would augur well for future trade prospects. But this does not take into account the dominant factor in India's economic thinking—an acute and serious shortage of foreign exchange.

Hitherto the imbalance between India's imports and its exports has been met largely through imports under aid—grants and loans—for designated projects and to a lesser degree for components and industrial materials. Commercial imports as such have been kept to an absolute minimum by import restrictions. Such is the present foreign exchange position that the tendency is to seek to obtain more and more of Indian needs under some form of aid and this means a gradual erosion of the already very limited commercial imports. Should the value of aid remain stationary or be reduced, the prospects are that some of India's industrial output will be cut down. Indeed, in a number of plants operations are already well below capacity.

Direction of Trade Changing

It is conditions such as these that explain the changes in the direction of trade (import figures) which make no distinction between commercial and aid imports. Thus such large aid-giving countries as the United States, Britain and West Germany are among the major sources of imports. It also explains,

in fact, the sharp increase in trade with Eastern Bloc countries such as the Soviet Union, where the trade is on a rupee balance basis, thus avoiding any difficulty in dollar exchanges. With these comments, it is interesting to note the imports according to countries of origin in 1951-52, when the Five Year Plans began, and in 1962-63 and 1963-64, the latest years for which figures are available. (See Table III.)

Implications for Canada

What does this all mean in terms of trade prospects for Canada? The figures in Table IV suggest that India is enjoying a steady and increasing sale of its products in the Canadian market, assisted by the British preferential tariff and a growing interest in Indian products.

Table V, showing Canada's exports to India, suggests that trade between the two countries was roughly in balance up to 1963 and that in 1964 our exports to India exceeded our imports from that country.

These figures, however, do not make clear the amount of imports from Canada under aid, grants or loans. A portion of the industrial commodities (marked by asterisks) and all the machinery and equipment in the years 1962, 1963 and 1964 were imported on a non-commercial basis. Once these figures are subtracted, the actual commercial imports from Canada drop considerably below the level of India's commercial exports to Canada, clearly indicating a balance of trade in India's favor. It also bears witness to the stepping-up of Canada's aid to India.

This hints that Canada's trade prospects lie mainly in other than straight commercial sales. For a more precise answer, it is necessary to assume that strict commercial sales will continue at about the same level as in past years—that is, that they will be confined to the present pattern of non-ferrous metals and industrial materials to the value of about $16 million.

To this can be added the prospect of sales made in competition with other countries on tenders issued by Indian Government agencies (such as Indian Railways and Posts & Telegraphs) under aid credits provided by the World Bank or the International Development Association, and occasional participation in projects sponsored by agencies of the United Nations.

The major opportunities come from purchases under the Canadian Colombo Plan grants, the long-term development loans, and ECIC loans provided by Canada which total about $47 million a year.

Colombo Plan grants are used for industrial commodity purchases and for projects and sundry non-commodity programs. Long-term development loans were introduced in 1964 and are devoted to programs and projects worked out in consultation with the Indian authorities but which ultimately require the supply of Canadian equipment, skills and knowhow.

Finally, the Canadian Export Credits Insurance Corporation, under long-term loans, provides credits for a variety of projects either directly under Indian Government auspices or Canadian-Indian company collaboration, subject to Indian Government approval. Here again, the equipment and engineering knowhow must be Canadian. To all this is added an annual allocation under grant aid for the import of wheat from Canada, which last year was $7 million plus a special emergency credit of up to 100,000 tons of wheat to meet India's acute food shortage.

Assuming that aid to India continues at the present level, it is probable that the pattern of Canada's trade will also continue as in recent years, with any modifications that can be achieved in the form of Canadian aid programs. ●

More electric power is needed if India is to raise industrial production to a level sufficient to meet demands. At the Rana Pratap Sagar hydro power project in the Chambal River Valley women are helping with the construction. Here they are carrying concrete in small basins balanced on their heads—an example of using methods from the past to build for the future.

Yield per acre is among the lowest in the world; better equipment would help.

Can India Feed Itself?

It takes over 90 million metric tons of foodgrains to feed India's 480 million—and every year adds nearly 12 million more mouths. Production still falls short of the goal. What steps are being taken by the country to improve its agricultural output?

GERALD A. NEWMAN, *Minister-Counsellor (Commercial), New Delhi.*

INDIA already has 480 million people and every year adds another 10 to 12 million. To provide the minimum sustaining diet of 17 ounces of foodgrains a day, India must this year produce 81 million tons. To this must be added a further 12½ per cent for seed, wastage and animal feed, for a total of 91 million tons of foodgrains. The Third Five Year Plan set a target of 100 million metric tons of foodgrains by 1966—a recognized under-estimate. The need for this huge amount of food is complicated by the fixed eating habits of the Indian people, the majority of whom live on rice. Wheat requirements remain at about 40 per cent of rice needs.

It is against this food demand that India's food production must be assessed. At the outset of the Third Five Year Plan in 1961, foodgrain production totalled 78.57 million metric tons and this encouraged the belief that the target of 100 million metric tons by 1966 could be attained. But even with this encouraging start, there was a gap between production and consumption filled by imports, which since 1957 have been running at about 3.5 million tons a year. In 1962-63 they reached 3.8 million tons.

Unfortunately, adverse weather prevented the foodgrain harvest from attaining the figures promised by the 1961 yield. In 1962-63 and 1963-64, the yields were 78.4 and 79.4 million metric tons; rice production was estimated at 32 and 36.5 million metric tons compared with 34.8 million in 1961-62 and wheat at 10.8 and 9.7 million metric tons compared with 12 million in 1961-62. The one thing that continued its formidable increase was the population.

The winter crops are just coming in and about 88 million metric tons may be harvested. This is still 3 million tons short of the 91 million required. Imports will probably total only 4 to 5 million tons or less, and instead of the 17 ounces per day minimum per person established by FAO, it will more likely be about 15 to 16 ounces. Any sudden reduction in supply or breakdown in distribution, such as occurred during the past few months, will quickly push certain areas of India into near-famine. The grim fact is that the margin of subsistence is so thin that each year makes the position more precarious unless India can find means to increase its food production more effectively.

Better Farming Needed

Out of a total area of 806.3 million acres, 41 per cent (or about 372.8 million acres) is cultivated, the highest percentage in the world. The work is undertaken by 70 per cent of India's population but the yield per acre is among the lowest in the world. There has been little change in per capita agricultural productivity over the past fifteen years, if not longer.

The immediate problem is to increase productivity per unit of land. In most countries—and India is no exception—this implies the usual steps towards land improvement: application of fertilizers, irrigation, improved seed and more efficient implements. But perhaps more important than all these is establishing conditions which encourage the

farmer to make the best possible use of these facilities. India is engaged on all these agricultural fronts.

The yearbook *India 1964* reports that, of the total area under cultivation, 16 per cent is irrigated; that during the period 1950-51 to 1960-61 the net irrigated area increased by 8.7 million acres, and that during the Third Five Year Plan it is proposed to bring 90 million acres under irrigation.

The import and local production of fertilizers in India have been receiving constant attention in recent years and close consideration in the past year.

The need for improved seed was recognized in the Second Five Year Plan by a program to establish 4,000 seed multiplication farms in different states. Under the Third Five Year Plan, the intention is to use improved seed over 184 million acres. Similarly, steps are being taken for plant protection and better storage facilities.

Program Results Encouraging

But probably the most encouraging prospect is the Intensive Agricultural District Program now being undertaken with the assistance of the Ford Foundation. The program has the twofold objective of:

- Increasing food production to meet existing shortages and providing a base for more rapid economic development.

- Encouraging farmer participation through demonstration of what can be done under cultivable conditions and using improved practices.

The program, which began in 1961-62, extends over five years and applies to food crops grown in specially selected districts. Initially there were seven districts, but now there is one in each of the states.

According to the Ford Foundation the results have been encouraging. The Indian farmer, under favourable conditions, has shown himself to be actively interested in making intelligent improvements in even small landholdings. In every instance where active interest was displayed, production increased.

Possibly the main problem in India is the translation of over-all programs for improvement into terms and conditions which ensure increased farmer participation. When this problem has been solved —and the Intensive Agricultural District Program suggests that it can be—India should be on its way to meeting its goal of self-sustenance in food supplies. Even so, there is an intervening period in which the country will still have to rely heavily on food imports. ●

India Needs More Fertilizers

W. G. ROBERTS, *Assistant Commercial Secretary, New Delhi.*

INDIA, with a population growing at the rate of eight to ten million a year, is faced with a demand for more food to feed its many millions. Even though two-thirds of its working force is engaged in agriculture, the country cannot produce enough to meet its needs and has had to import some three to five million tons of foodgrains a year for the past several years. Some indication of the seriousness of this problem is given in Table I.

To remedy this situation, two general courses of action can be followed: increasing the acreage under cultivation and increasing yields. Because the prospects of bringing additional land under the plough are rather limited, improving yields through the use of fertilizers is being stressed.

World consumption of fertilizers doubled in the decade 1950 to 1960 but this was not evenly distributed among all regions. Only 10 per cent of world production of fertilizers was used in the less developed areas, although they contain almost half of the world's cultivated land.

TABLE I

1960-61 FOOD PRODUCTION COMPARED WITH THIRD PLAN TARGETS

Commodity	Unit	Production 1960-61 (millions)	Target 1965-66 (millions)
Foodgrains	Tons	79.7	100
Sugarcane (gur)	Tons	10.4	10
Cotton	Bales*	5.4	7
Tea	Lb.	701.0	900
Oilseeds	Tons	6.5	9.8
Coffee	Lb.	119.0	179

*392 pounds per bale.

In 1961-62, for example, the average consumption of fertilizer in Canada was 8.59 kilos per hectare, compared with 39.59 kilos in the United States, 270.17 in Japan, and only 2.35 in India.

A number of factors have held back the increased use of fertilizers in India, including their high cost, inadequate facilities for transportation and distribution, and the Indian farmer's resistance to change. The Indian authorities are making every effort to overcome these difficulties. Table II shows the results that can be obtained by the scientific use of these fertilizers.

The cultivated area in India now totals about 360 million acres, of which 68 million are irrigated. The land is widely deficient in nitrogen because of centuries of cropping and about 75 per cent of the soils are also deficient in phosphorus and

25 per cent in potash. The optimum requirement of fertilizer for this area has been calculated at over two million tons of nitrogen, over one million of P_2O_5, and about 500,000 tons of potash. Against this, the consumption target for the year 1963-64 is only 0.66 million tons of nitrogen, 0.229 million tons of P_2O_5 and 0.13 million tons of K_2O. Table III compares consumption and production targets and achievements for the Third Plan period.

TABLE II

FERTILIZER CONSUMPTION AND YIELD PER HECTARE

1961-62

Country	Fertilizer consumption (Kg.)	Yield per hectare Paddy	Wheat	Maize	Barley	Potato
		('000 Kg.)				
Japan	270.17	47.0	27.4	27.0	28.6	177.0
United States	39.59	38.2	16.1	38.9	16.4	220.0
Canada	8.59	.....	14.2*	45.8	11.0	162.0
India	2.35	15.1	8.5	9.1	8.9	75.0

*Figure refers to the year 1960-61.

TABLE III

TARGETS OF CONSUMPTION (ACHIEVEMENT) AND PRODUCTION (ACHIEVEMENT) OF FERTILIZERS

Year	Nitrogen		Phosphoric Acid		Potash	
			(thousands of tons)			
Consumption (Achievement)						
1961-62	406.4	(307.1)	101.6	(63.6)	83.3	(30.4)
1962-63	533.4	(327.8)	152.4	(91.2)	101.6	(39.9)
1963-64	660.4	(439.9)*	228.6	(130.6)*	132.1	(56.5)*
1964-65	812.8	(575.0)*	304.8	(160.0)*	162.6	(70.0)*
1965-66	1,016.1	(700.0)*	406.4	(200.0)*	203.2	(100.0)*
Production (Achievement)						
1961-62	142.2	(154.3)	101.6	(65.4)		
1962-63	203.2	(194.2)	152.4	(88.3)		
1963-64	304.8	(222.1)	228.6	(107.5)		
1964-65	508.0	(275.0)*	304.8	(160.0)*		
1965-66	812.8	(425.0)*	406.4	(200.0)*		

*Estimated.

TABLE IV

PRODUCTION, IMPORTS AND DISTRIBUTION OF FERTILIZERS 1952-53 TO 1961

Year	Nitrogen (N)[1,2] Produced	Imported[5]	Distributed[6]	Phosphoric Acid (P_2O_5)[1,3] Produced	Distributed[7]	Potash (K_2O) Imported	Distributed[4]
			(in metric tons)				
1952-53	52,810	44,294	57,822	7,445	4,552	3,311	.....
1953-54	52,648	19,346	89,287	13,821	8,261	7,490	.....
1954-55	68,145	19,984	94,810	14,345	15,027	11,097	.....
1955-56	76,486	53,379	107,494	12,365	13,018	10,265	.....
1956-57	78,406	56,768	107,764	17,585	15,874	14,791	.....
1957-58	80,751	110,100	149,019	25,785	21,922	12,786	.....
1958-59	80,374	97,540	171,988	30,987	29,490	22,366	.....
1959-60	82,465	142,335	235,351	51,407	50,111	33,103	21,342
1960-61	109,019	171,957	219,326	53,722	53,675	24,795	35,047
1961-62	151,135	142,614	313,584	65,360	62,934	30,381	30,837

[1]Includes complex fertilizers which contain both N and P_2O_5.

[2]Excludes ammonium chloride for which data are not available.

[3]Excludes bonemeal and ground rock phosphate for which data are not available.

[4]For sulphate of potash, quantity imported is taken as distributed.

[5]Figures from 1952-53 to 1957-58 are on financial year (April-March) basis.

[6]Figures from 1952-53 to 1956-57 relate to calendar years ending in the first half of the period stated; other figures are on financial year (April-March) basis.

[7]Figures from 1952-53 to 1957-58 relate to calendar years ending in the first half of the period stated.

The Third Plan production targets for nitrogen and phosphoric acid are 812,800 tons and 406,400 tons respectively. Against this target, production during 1963-64 was 222,100 tons of nitrogen and 107,500 tons of phosphoric acid. Most of the potassic fertilizer requirements are being imported; about 100,000 tons of muriate of potash were brought in during 1963-64. Thus, although some progress has been made in fertilizer production and consumption, it is slow and consistently below the targets laid down for the Third Plan period. The gap between targets and achievements in production is increasing and will ultimately be reflected in failure to meet targets.

U.S. Building Plants

Against this steadily deteriorating situation, United States interests are now preparing a feasibility study on a program to increase fertilizer production by setting up a complex of five large plants, each with a capacity to manufacture 200,000 tons of nitrogen a year. Main stress will be laid on the production of nitrogenous fertilizers but composite fertilizers may also be manufactured, if necessary. In conjunction with the plant program, an educational program for agriculturists will be started.

Of most interest to Canadian businessmen is Table IV, which gives the imports of fertilizers into India in terms of nitrogen, phosphoric acid and potash for the years 1952-53 to 1961-62 inclusive. Imports have become fairly substantial over the years.

The Trade Commissioners in India are sending reports at regular intervals on the fertilizer situation there to the Department of Trade and Commerce which, in turn, passes the information on to all interested Canadian businessmen. ●

India Modifies Investment Policy

Acutely aware of the need for development capital, the Indian Government has widened the opportunities for private investment in collaboration with Indian companies, has cut through some of the red tape, and has offered new tax incentives.

GERALD A. NEWMAN, *Minister-Counsellor (Commercial), New Delhi.*

THE INDIAN GOVERNMENT is becoming more fully aware of the need to attract capital through foreign private collaboration, as a supplement to inter-government aid and loans. This is evident in a greater willingness to consider participation by private companies in the areas of activity formerly reserved by the Government to itself, in the efforts made to reduce the deterrents of red tape, and in the softening of the tax structure.

Hitherto, the areas of participation have been divided into three categories:

1. Industries reserved to Government. These include such industries as iron and steel, heavy castings and forgings, heavy plant and machinery, mineral oils, heavy electrical plant, aircraft, air transport, shipbuilding, power generation and distribution, telephones and telephone cables, telegraphic and wireless apparatus, and mining.

2. Industries in which the initiative for promotion lies primarily with Government. These are: aluminum, machine tools, ferro-alloys and tools, basic and intermediate products required by chemical industries, antibiotics, fertilizers, synthetic rubber, and chemical pulp.

3. Industries in which foreign private capital is welcomed. These are: iron and steel structurals, castings and forgings; iron and steel pipes; special steels; non-ferrous metals and alloys, boilers and steam generating plants; equipment for transmission and distribution of electricity; furnaces; marine diesel engines; industrial machinery; ball, roller and taper bearings; speed reduction units; machine tools; tractors, earthmoving and construction machinery; plastics; industrial and scientific instruments; fertilizers; fine chemicals and intermediates; industrial gases; agricultural chemicals and insecticides; drugs and dyestuffs; newsprint; pulp and paper, and hotels.

May Seek Out Partner

It is now apparent that, depending on the attractiveness of the proposal, the Indian Government no longer rules out private company participation in the first two categories.

In an effort to speed up foreign participation, the Indian Government authorities are now prepared to issue a Letter of Intent to a foreign company which will permit it to seek out an Indian partner for collaboration in a joint company venture. These Letters of Intent are obtainable on submission of a preliminary application giving the essential facts of the project. The Letter of Intent agrees in principle to give an Industrial Licence, provided that within six months' time the applicant submits definite proposals embodying the following: terms of foreign collaboration if any, value of import of capital equipment if any, and the issue of capital.

Once this complete information is received, the application must be cleared for its Industrial Licence, approval of terms of foreign col-

laboration, licence for importing capital equipment and machinery, if necessary, and consent for capital issue.

Laws Governing Participation

This need for clearance stems from the basic business laws of India, which are:

1. The Industries (Development & Regulation) Act, 1951

2. The Indian Companies Act, 1956 and subsequent amendments

3. The Capital Issues (Control) Act, 1947

4. The Foreign Exchange Regulation Act, 1947

5. The Imports & Exports (Control) Act, 1947.

• *The Industries (Development & Regulations) Act* established a legal basis whereby the Indian Government can approve or refuse to approve all new investments (above a stipulated level) or extensions of plant, prevent duplication of plants or under-utilization of plant, and prevent mismanagement. These and other powers conferred in the Act make it of prime importance for consideration by Canadian firms interested in investment in India.

• *The Indian Companies Act, 1956,* and subsequent amendments are designed to prevent fraudulent practices; regulate the activities of holding companies, directors' authorities and remuneration, and to authorize the Indian Government to investigate practically every aspect of management.

In 1960 a change in the company law stipulated that any Indian company partly owned by a publicly-owned company (whether Indian or foreign) is considered a public company. As under present regulations there is little prospect of establishing a wholly-owned foreign firm in India, the prospect is that virtually all Indian firms in which there is a foreign interest are now "public" companies. Each year a public company must file its balance sheet and a profit-and-loss statement with the Registrar of Companies. These are available to the public.

• *The Capital Issues (Control) Act, 1947,* requires approval by the Controller of Capital Issues (in the Ministry of Finance, Department of Economic Affairs) for all issues of capital of any type to foreign investors by an Indian firm. The Controller has the power to impose any conditions on an issue he sees fit, or to change any of the conditions even after consent has been given.

• *The Foreign Exchange Regulation Act and The Imports & Exports (Control) Act* aim at allocating available and prospective foreign exchange funds to ensure the maximum benefit to the country's Five Year Plans. The Foreign Exchange Regulation Act requires prior approval by the Reserve Bank of India for the issue of any shares by an Indian company to non-resident investors and any type of agreement that will involve foreign exchange. The Act permits the exchange of equity in an Indian company for cash, for plant and equipment, or for technical assistance and know-how. Other agreements requiring prior approval are technical assistance, trademarks and patent licensing contracts, and agreements for training of Indian personnel abroad or the employment of foreign technicians in India.

• *The Imports & Exports (Control) Act* sets the legal framework for India's import licensing system. All imports of capital goods, component parts and industrial materials are subject to import licence. Effort is made under this authority to ensure that locally available items are used wherever possible.

Clearances for Key Industries

In view of the need for seeking clearances from government authorities under these various Acts, it is useful to note that the general policy is to admit foreign equity participation up to 49 per cent, although this has been modified in a number of instances where the need for foreign participation was sufficiently strong to justify it.

For listed "key" industries, a procedure has been evolved whereby applications for industrial licence, import licence, approval of foreign collaboration terms, and consent for capital issue can be considered simultaneously and clearances received within six to twelve months of the issue of a Letter of Intent or of an Industrial Licence. These key industries are: pig iron, alloy steel, ferrochrome and ferro alloys, malleable iron castings, steel castings, steel forgings, heavy structurals, industrial machinery, cranes, machine tools, automobile ancillaries, coated abrasives, electric winding wires, fertilizers, sulphuric acid, caustic soda and soda ash, rubber chemicals, petrochemicals, including synthetic rubber, pesticides, paper and paperboard, cement, and pulp.

Normally, the issuance of such clearances allows the issue of foreign exchange to purchase needed plant and equipment, etc., the ultimate payment of dividends, and within agreed terms the repatriation of capital.

Under present conditions of stringency, it would be well for collaborators in any project to fully assure themselves of the availability of domestic materials, such as cement and steel.

Some Canadian firms may be interested in royalty and fee arrangements rather than equity participation. In such instances, it is well to know that payment of royalty as a consideration for patent rights, knowhow and goodwill is generally allowed up to 5 per cent of annual sales for a period of ten years, or 10 per cent of the total equity in the form of shares, or a lump sum in cash. It should be noted that the tax on royalties runs at about 50 per cent.

Tax Incentives

A softening of the tax structure in the form of new tax incentives to foreign investors was made in the

1964-65 budget. The incidence of corporate taxation on public companies varies between priority and non-priority industries. Assuming a company has a net worth ratio of 1.1, the aggregate tax incidence on companies earning 20 per cent profits on net worth will be 45 per cent in priority industries and 50 per cent in non-priority industries. Profits as high as 40 per cent carry a tax incidence of 52.2 per cent in priority industries and 57 per cent in non-priority.

A development rebate of 20 per cent on the cost of new plant and machinery is allowed to be charged against profits in the year of installation (with carry-forward facilities, limited to eight years in case of inadequacy of profits).

Profits of a new industrial enterprise are exempt from tax up to 6 per cent of the capital employed for a period of five years from the year in which production commences.

Foreign companies with interests in India will now have inter-corporate dividends taxed at the rate of 25 per cent income tax. Taxation of foreign technicians is waived for three years subject to certain conditions, and this exemption can be extended to an additional two years under specified circumstances.

The Indian Government may give exemption to a non-resident firm from tax on interest on loans granted for importing plant and machinery up to the rate of interest approved by the Government for the purpose of this exemption. This applies even though the full rate of interest stipulated in the agreement exceeds the approved rate of the Government.

It is not within the scope of this report to go into the whole range of Indian taxes but sufficient has been said to indicate the general trend. Further details can always be obtained by consulting the Indian Investment Centre, which has a branch office at 708 Third Avenue, New York 10017, N.Y., or the Office of the High Commissioner for India in Ottawa.

For Up-to-Date Information

Any Canadian firm desiring to keep itself informed about current economic conditions in India may wish to subscribe to such dailies as *The Economic Times* (publishers: Bennett, Coleman & Co. Ltd., Dr. Dadabhai Naoroji Road, Bombay 1), or *The Financial Express* (publishers: Indian Express Newspapers (Bombay) Ltd., Sassoon Dock, Colaba, Bombay 5). Two well-known financial weeklies are *Capital* (publishers: Capital Ltd., 5 Mission Row, P.O. Box 14, Calcutta 1) and *Commerce* (publishers: Commerce (1935) Limited, "Brady House", Veer Nariman Road, Fort, Bombay).

Canadian firms who are considering some form of collaboration in India which would require the supply of Canadian equipment and knowhow would be well advised to consult with the Export Credits Insurance Corporation, 309 Cooper Street, P.O. Box 655, Ottawa, about the current position of its credits and possible loan support. It is important to note that all loans or aid open to India under Canadian Government auspices are granted only on Indian Government request. Further, any loans made to a joint company collaboration between a Canadian firm and Indian firm require that the repayment be guaranteed by a responsible financial body such as the Industrial Finance Corporation, a subsidiary of the Industrial Development Bank of India. ●

The heart of the business sector of Calcutta, a scene which could he viewed in many large cities the world over. In the background a new office huilding is under construction. What appears to he a covering of thatch is actually the scaffolding—poles lashed together. This is not uncommon in the East where traditional methods are adapted to modern construction.

How India's Reserve Bank Functions

THE Reserve Bank of India is located not far from this office in a vaguely Kremlinesque building with a solid look. I am now blasé about banks of all sorts but on entering the Reserve Bank of India I always feel rather like Stephen Leacock opening his first account.

Are you doing business in India or interested in investment there? You should know something of how its central bank operates, how it controls outflow of foreign exchange, the influence it exercises on economic development in co-ordination with the Government.

W. G. BRETT, *Trade Commissioner, Bombay.*

The Reserve Bank of India appears to be a unique institution. Originally established in 1935, it has been continuously modified to shape the Indian economy in accordance with the socio-political philosophy of modern India. This has meant the extension of most of the usual functions of a central bank and the incursion into fields not commonly associated with banking.

The best way to bring this out is to trace the development of the bank and its increasingly pervasive role in business life in India. In doing so, I shall lay special stress on those functions that affect foreign businessmen, visiting technicians and others. These are, naturally enough, chiefly in the area of exchange control.

Early History

Apparently the first mention of the need for a central bank in India was in Warren Hastings' despatches in 1773 but not until the 1920's did anything concrete come up for discussion. In 1926 a Royal Commission called for a unified authority on currency and credit but for constitutional reasons no institution appeared until 1935. The central bank then organized was a shareholders' bank. It was nationalized in 1948 by the Reserve Bank (Transfer to Public Ownership) Act.

The central office in Bombay is divided into several departments more or less along functional lines. There are local offices in most of the main centres and elsewhere the bank operates through agency representatives, usually the State Bank of India.

Main Activities

Among the traditional and internationally accepted functions of a central bank, the Reserve Bank of India holds the sole right of note issue and it acts as a banker to the commercial banks and other financial institutions. In credit regulation, the bank has control not only of the bank rate, open-market operations and reserve levels but also "powers of selective and direct credit regulation under the Banking Companies Act of 1947". Again, the Reserve Bank of India is banker to the Government and custodian and manager of the international reserves. Just how pervasive this management is I shall show later.

Breaking into relatively new fields, the Reserve Bank of India has a variety of functions in development and promotion that are foreign to our concepts of the concerns of central banking. And it is

The Bombay Office

W. G. BRETT, Trade Commissioner, left Bombay this month for his new post as Commercial Secretary in Tokyo.

S. G. HARRIS, Assistant Commercial Secretary in Washington, will arrive in Bombay in September as Acting Trade Commissioner.

also an "eminence gris" in agricultural credit and industrial financing. One of its most important activities, perhaps, is the least well defined—that of adviser to Government on economic matters in general and financial matters in particular. This includes even the budget operations.

How the Bank Operates

Only bankers, and perhaps not even they, would be interested in the reserve requirements and other provisions affecting the accepted operations of a central bank. Briefly, since 1956 a proportional reserve of foreign exchange holdings to note issue has been supplanted by definite, stipulated amounts of foreign holdings. At the present time the combined holdings of gold and foreign securities should amount to Rs.200 crores. (1 crore =10 million).

There is subsequent authority for the Reserve Bank of India, with the previous sanction of the Government of India, to dispense with holding foreign securities if it has gold equivalent to Rs.115 crores.

Credit control in India is rather interesting because it is conditioned by several factors with which we are unfamiliar. The first of these is that here, as in most underdeveloped countries, currency forms a very large part (about two-thirds) of the money supply. This specie seldom returns to the bank as deposits and this fact reduces considerably the leverage that the Reserve Bank of India may exert on reserve levels to enlarge the volume of credit.

The money market in India is underdeveloped—a large number of indigenous bankers form the "unorganized" market in which there is no true market for bills. However, these indigenous bankers do have recourse to rediscount by the State Bank of India and others linked with the Reserve Bank of India. The chief link between the Reserve Bank of India and the financial community at large is through the system of "scheduled" banks. These may be considered a rough equivalent of "member" banks in the United States system.

Another traditional activity of the Reserve Bank of India is open-market operations in government securities as an instrument of credit control. This is a finely-tailored operation in India, aimed at a steady rate of yield and a trim series of maturing dates.

Qualitative Credit Control

Aside from full powers in "general" or "quantitative" credit control, the Reserve Bank of India may favour development in such fields as it considers socially desirable and, perhaps more important, discourage any economic development it considers relatively unessential. The enabling legislation here appears to be Section 21(2) of the Banking Companies Act reading:
". . . the Reserve Bank may give directions to banking companies, either generally or to any banking company or group of banking companies in particular, as to the purposes for which advances may or may not be made, the margins to be maintained in respect of secured advances and the rates of interest to be charged on advances, and each banking company shall be bound to comply with any directions as so given." And Section 36(1)(a) which reads:
"the Reserve Bank may caution or prohibit banking companies generally or any banking company in particular against entering into any particular transaction or class of transactions, and generally give advice to any banking company."

These sections, it should be noted, apply to both "scheduled" and "non-scheduled" banks so that the Reserve Bank of India has complete coverage.

In acting under these provisions the Reserve Bank of India exerts considerable influence on the development of the Indian economy. This naturally requires close coordination with those authorities in the Central Government in New Delhi who determine what shall and shall not take root in the Indian economy.

Naturally, the Bank acts as supervisor and inspector of the banking system and as banker to government and plays a large part in establishing the degree and direction of general financing, particularly in the rural field. But I had best pass on to one of the most contentious and relevant of the Reserve Bank of India's concerns—in the field of exchange control.

Exchange Control

The basic reason for exchange control in India is the tremendous demand for imports to develop the country into a modern industrial power. This transformation is being courageously undertaken through a series of Five Year Plans and some system became necessary to ration foreign exchange in order to use it to India's maximum advantage.

Exchange control as administered by the State Bank of India is not accomplished through quantitative manipulation of imports and exports; that area is the responsibility of the Ministry of Commerce and Industry. However, the bank exercises close supervision over the methods of payment for imports and the repatriation of the proceeds of export sales.

The usual case is that of payment for a commercial import when a duly authorized bank in possession of a valid import licence may open a letter of credit in favour of a foreign supplier. The bank rules that advance payments may be remitted only in special instances, usually for basic capital goods.

Some months ago the Bombay office had direct experience with the operation of and the power exercised by the Reserve Bank of India. This transaction involved the import into India of heavy capital equipment valued at some $2 million. Naturally every feature of the transaction was duly authorized by the appropriate authorities in the Ministries of Finance and Commerce and Industry in New Delhi. An import licence was granted. The transaction called for pre-payment of 20 per cent and this, because of the basic nature of the commodity, was approved by the Reserve Bank of India. In addition, the deposit of Rs.160,000 in an Indian bank to the credit of the Canadian suppliers was called for. This was to cover consulting engineering studies and procurement of raw materials already undertaken. The Reserve Bank of India took exception to this and if the Canadian company had not finally acquiesced in having this feature removed from the contract, the whole deal would have disintegrated.

To most Indians, the most unpopular operation of the Reserve Bank in exchange conservation is the restriction on travel. Before an Indian can purchase a travel ticket, he must secure a permit from the Reserve Bank which will allow him to exchange so much money for travelling expenses. Usually this is approximately $35 per day for Canada and the United States and £10 for Britain and the Continent, with a lower scale for neighbouring countries. In some instances travel has been denied to people whose friends and relatives abroad have offered to undertake all expenses. This must be the most unpleasant task of the Reserve Bank of India. One can readily imagine complications arising from bureaucratic rulings on such personal matters as the need for medical treatment abroad, education and business travel. An Indian who has been accepted as an immigrant to Canada must leave India with only $8.00.

There are provisions for the repatriation of profits, dividends and interest as well as the personal assets of foreigners leaving India for good. The amount of profits to be repatriated is established at the outset of the enterprise before the industrial licence is granted.

Naturally there is also strict control on export earnings to ensure that the proceeds from exports are remitted to India and also to prevent falsification of invoices and other such practices. India's preoccupation with gold is well known, so there are specially severe licensing provisions governing bullion. The same is true of jewellery, currency notes and securities.

Although Indians complain about the Reserve Bank of India and to foreigners it appears a rather unusual institution, there can be little doubt that it implements efficiently this country's policies and has a big part in establishing the direction of Indian development. Canadian businessmen contemplating business with India should familiarize themselves with the role of the bank, whether in commercial sales or investment within India.

The Canadian Government Trade Commissioner at Bombay would be pleased to make inquiries on behalf of Canadian businessmen or arrange appointments with the appropriate bank official. Failure to take the Reserve Bank of India into account could result in embarrassment and delay in consummating your business here. ●

Pakistan Continues Its

Second Five Year Plan that ends in June has brought impressive development in industry, agriculture, electric power, and other sectors. Opportunities continue to open up for foreign firms in a number of fields.

One of the means by which the government is raising the standard of living of the people is the setting up of more modern market places. This one in Dacca brings together a good selection of consumer products at a central point to facilitate sales.

R. DOUGLAS SIRRS,
Commercial Secretary, Karachi.

THE most striking indication of Pakistan's economic progress during 1964 is perhaps the now seemingly regular annual increase in the gross national product of approximately 5 per cent (about twice the reported rate of population growth). This feature has in fact already been noted and applauded by several international development organizations such as the World Bank, which gives credit to the farsightedness of those charged with advancing the country's economic welfare.

Other favorable developments have included an upsurge in trade, with exports continuing to rise and with imports considerably increased as a result of new import liberalization measures. This economic impetus has unfortunately led to some internal pressures such as overexpanded bank credit. But early corrective steps (such as the State Bank's higher interest rates, an increase in stipulated bank reserves, and imposition of a marginal deposit for letters of credit) should help to offset a rapidly increased money supply and a threatened inflationary trend.

Industrial output has also expanded and agriculture which has been a mainstay of the economy has in spite of setbacks from crop and labour difficulties generally been able to hold its own.

Finally, an intangible but nevertheless important factor in Pakistan's current progress and future

Progress

The multi-million dollar Karachi Intercontinental Hotel is one of the most attractive and luxurious in Asia. Its opening in 1964 boosted the modernization program.

prospects is the spirit of buoyant optimism in evidence here among planning and development groups.

Second Five Year Plan

A cornerstone of the economy and the major (if not the essential) stimulus to development has been provided by the Five Year Plan, which ends in June 1965. It is now possible to measure its performance with the emergence of the following key features:

- The Plan has resulted in a total expenditure of approximately $5.4 billion and an increase in the GNP of nearly 30 per cent (as contrasted with an originally estimated expenditure of $4.8 billion and a GNP increase of 24 per cent).

- Foreign assistance pledged from all sources amounted to $2.4 billion but actual disbursements only equalled $1.7 billion. The difference was compensated for by an additional $440 million in exports, $1.1 billion more in domestic savings, and an emphasis on local products wherever they could feasibly be substituted for imports.

- Two thirds of the economy's growth was attributed to the non-agricultural sector. This is particularly significant when one remembers that agriculture has been and is the mainstay of roughly 80 per cent of the population.

The economic momentum provided by this program will be carried forward into the Third Five Year Plan, which is discussed in a separate article. Here, in fact, the sights have been set considerably higher—largely because of the optimism generated by the Second Five Year Program. Let us look at some of the local development that has given rise to these promising prospects.

Agriculture Advances

Agriculture as a whole showed a growth of 3.5 per cent a year during the Second Five Year Plan compared with an earlier rate of 1.3 per cent. Agricultural development was encouraged by the abandonment of foodgrain rationing, price support for wheat, a 50 per cent subsidy on fertilizer and the establishment of more tubewells by the private sector. Unfortunately, during the last year production of jute (which with cotton accounts for 90 per cent of Pakistan's foreign exchange earnings), was again lower, largely because of protracted strikes in East Pakistan. Tea production, on the other hand, increased. Pakistan's second largest foreign exchange earner—cotton—this year (1964-65) is forecast at 2.2 million bales (400 pounds each), a smaller output because of crop damage in the Sind area.

The rice crop, with a higher output in West Pakistan and stable production in East Pakistan, helped to augment existing grain supplies and also made some exports possible. This, together with an expected average crop of local wheat and the usual wheat imports from the United States (under PL480), Canada (grant aid) and Australia (on commercial terms) will apparently assure an adequate gain supply. Edible oils from local oilseeds, on the other hand, have increased in price so that imports have been

The Karachi Office

R. D. SIRRS
Commercial Secretary

R. D. LEE
Assistant
Commercial Secretary

allowed. Canada supplied about $2.5 million worth of rapeseed in 1964, part of it as a grant.

The mammoth Indus Basin project for irrigation and power, sponsored by the World Bank and involving an outlay of U.S. $1,800 million will of course help agricultural development in arid West Pakistan greatly. (See article on page 27.)

Industrial Progress Rapid

In contrasting the advances made by industry and those made by agriculture, it is interesting to note that the former progressed at an annual rate of 8.6 per cent and agriculture at 3.5 per cent during the 1960-65 period. Industry continues to make remarkable gains, assisted by several measures. Among them are:

1. The import liberalization scheme—(discussed in a subsequent article), which has been particularly effective in allowing unrestricted imports of needed raw materials.

2. Trade promotion efforts—including a government sponsored and recently established Export Promotion Council as well as the veiled subsidies allowed under the Export Bonus Voucher system (discussed separately)—have provided considerable impetus to industry. Industry is also, with the help of the Ministry of Commerce's Export Promotion Bureau, making the country realize the benefits to be derived from exports.

3. Investment—in 1959-60, immediately before the start of the Second Five Year Plan, the rate of investment was 10.5 per cent of the GNP. In 1964-65 the ratio rose to 18.5 per cent, which is particularly significant when one takes note of the GNP rise in itself. In absolute terms, total investment in 1964-65 amounted to Rs. 8.4 billion (approximately $2 billion)—(Rs. 3.4 billion or $790 million in 1959-60). This money has gone into a fairly broad range of industry because many foreign companies have pursued investment as the only means of introducing their products or as a means of safeguarding their position in this market. Local exchange control measures have tended to accelerate these moves but investors are also conscious of current inducements, such as tax holidays; permitted repatriation of capital, dividends and profits; transfer of personal funds at the rate of £150 a month per family and so on. The industry must be endorsed by the Investment Promotion Bureau and the Central Permissions Committee and it must fit in with the development objectives as outlined in the series of Five Year Plan development periods.

Investment, although it can be strictly private (now with the emphasis on 51 per cent Pakistani control), is often assisted by the Pakistan Industrial Credit and Investment Corporation ($33 million in 1963-64), the Industrial Development Bank of Pakistan ($62.2 million in a similar period), or by the Pakistan Industrial Development Corporation ($123 million). (The first two are in the private and the latter in the public sectors.) Approximately 70 per cent of industry today is in the private sector. Among the industries in Pakistan are cotton yarn, jute manufactures, cement, hardboard (involving Canadian aid), newsprint (under Canadian management), chemicals, pharmaceuticals, refining, cables, tobacco, automobile and tractor assembly (and planned manufacture), tires, a proposed steel industry, telephone equipment, etc. In 1964, PICIC completed two sugar mills, a fluorescent tube manufacturing plant, and an oil-drum manufacturing company. PIDC was involved in jute processing, shipbuilding, paper, fertilizers, pharmaceuticals and steel. Many of these PIDC firms will be auctioned off to the private sector when they appear to be self-sufficient.

Opportunities for investment (specifically encouraged by the Government) include a coal carbonation plant, electric measuring instruments, boilers and compressors, hurricane lanterns, machine tools, textile machinery, grinding wheels, emery paper, clay products, wool scouring and baling, fire-fighting hose pipes, coal products, chromite extraction, and a paper mill using grass and another one with bagasse as a raw material.

Power Projects Continue

Estimates of the results of the Second Five Year Plan released re-

cently show that consumers of electricity during this period will increase from 405,586 to 800,000 in West Pakistan and from 39,450 to over 100,000 in East Pakistan. Although the relative increase is remarkable in itself, the scope is more significant when one realizes that Pakistan has a population of over 110 million people. Canada has played a key role in Pakistan's power development, including the famous 160 mw. $40 million Warsak Dam, a 150-mile transmission line in East Pakistan (both in operation) and several projects currently under way, such as 50 mw. thermal power station in Sukkur, West Pakistan, six isolated power stations in East Pakistan, a 152-mile transmission line and another 120-mile line, also in East Pakistan. In fact, the name of Canada has almost become synonymous with power.

Improving Communications

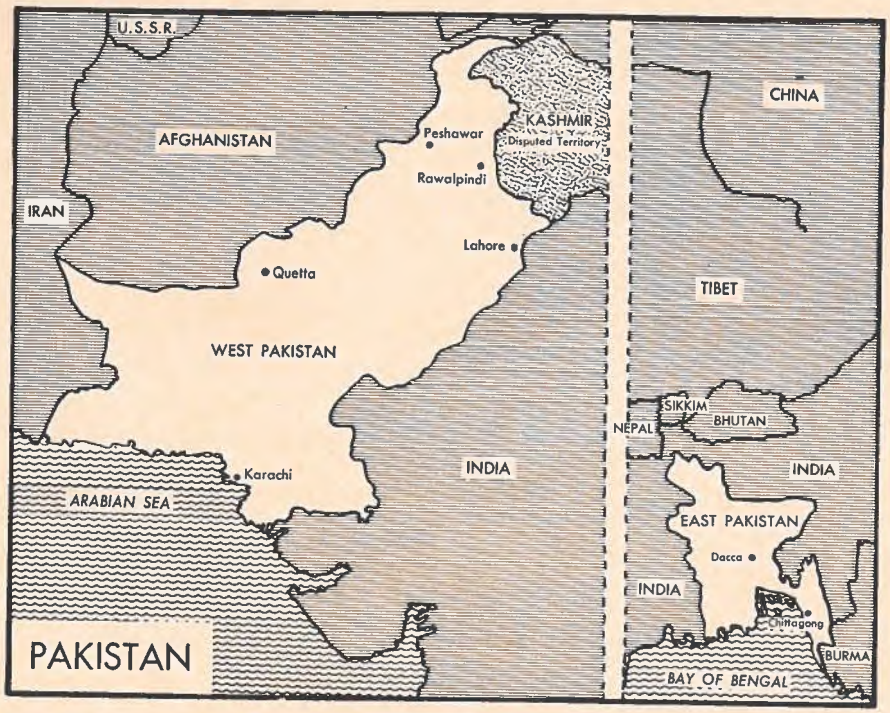
Communications and transportation provide another area of vital interest to the economy, particularly in view of the 1,000-mile gap between East and West Pakistan. Better communications are being sought with the planned extension of railway services (which has been the subject of bids by Canadian firms), improvements to an already excellent airline service (new and up-to-date ground and airborne equipment, extension of airfields, and a feeder line service involving small but versatile aircraft which Canada could supply). Improvements to existing roads are also called for in the Second Plan as well as extensions (1,000 miles in East Pakistan, 720 miles in West Pakistan), all of which require machinery and related equipment. Some of this is covered by AID programs (such as the $14 million from AID for an all-weather highway between Dacca and Aricha) but much of it is still open to international tender. The new government-managed National Shipping Corporation is also progressing, with a recorded profit of $241,000 after only three months of operation and with orders for three more vessels to be built by Britain, Yugoslavia and Germany.

Pakistan's three main ports—Karachi (5.86 million tons a year), Chittagong (3.86 million), and Chalna Anchorage (1.66 million) are all being improved and existing facilities expanded, again, in some instances, with foreign tied loans.

Communications have this year received their most dramatic boost with the inauguration of the first two pilot television stations in Lahore and Dacca (with Japanese equipment) and British (Canadian subsidiary) program management. The Pakistan Government will retain 51 per cent control of the organization, which will later include stations in Karachi and Rawalpindi.

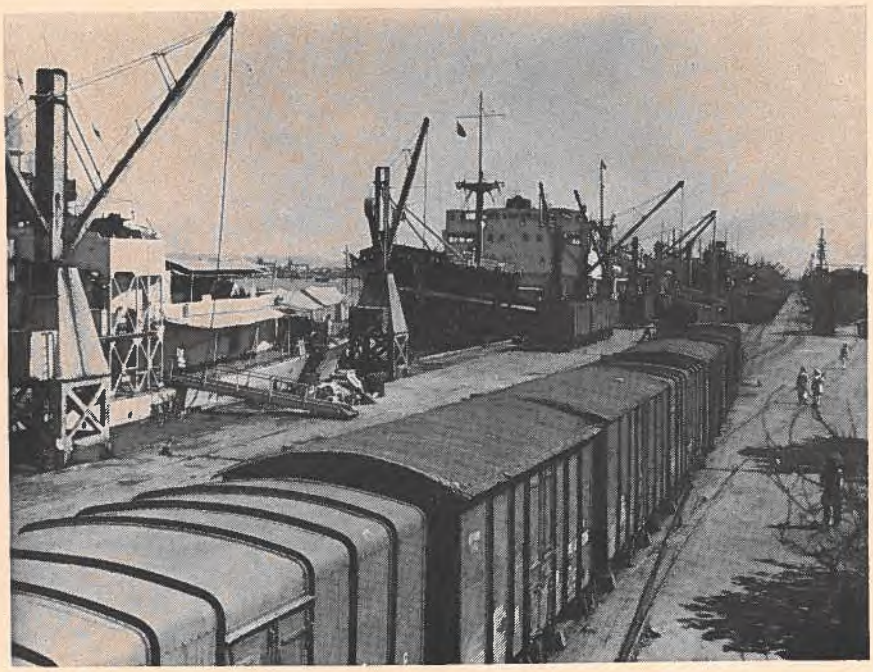
Improving of communications between the two wings of the country with either a 3,000-mile submarine cable (Karachi-Chittagong) or a tropospheric telecommunications system via Nepal is now being seriously considered. A third idea involves the use of ground relay stations to link up with a communications satellite. The famous Cento microwave project (with 88 relay stations and tying in an area of over 3,000 miles between Karachi and Ankara) is expected to be in full operation by June of this year.

Further data on any of these or additional schemes will be gladly supplied on request. ●



Aid and Trade in Pakistan's Development

Foreign aid has given great impetus to Pakistan's progress during the Second Plan, and Canada has been among the countries providing it. Exports have risen, imports have been liberalized, and opportunities for commercial trade should soon increase.



The bustling Port of Chittagong can accommodate 24 ships at a time yet ships sometimes wait up to two weeks for a berth. The port has a designed capacity of 2.5 million tons of cargo a year but is now actually handling close to 3.8 million. U.S. $25 million has been spent on this port and a further $50 million is allocated.

R. DOUGLAS SIRRS,
Commercial Secretary, Karachi.

AID AND TRADE are so closely intertwined in Pakistan that it is sometimes difficult to differentiate between the two. Products and equipment are imported either on commercial or on "aid" terms (long-term credits or grants) in keeping with requirements and as dictated by available foreign exchange and/or aid from foreign sources. Pakistan does, however, maintain as a permanent objective the steady reduction of aid as it becomes more self-sufficient and as its exports and foreign exchange earnings expand to the point where outside help is no longer needed.

It is expected that foreign aid will reach its peak at the end of the Third Five Year Plan (1970) and then taper off, so that at the end of the Sixth Five Year Plan the country will be able to carry on development using its own resources.

Foreign Aid

Meanwhile aid fills a vital role in providing economic impetus. A dramatic illustration of this is the existing pledge of $2.1 billion by various donor countries for the Second Plan period as shown in Table I. This figure is particularly significant when measured against the initial estimate of the total outlay for this period of $4.8 billion (even though ultimate aid disbursements are now estimated at only $1.7 billion and total Second Plan

The old city market in Karachi where nothing is wasted or discarded. Used cardboard boxes and wrapping paper, empty tins and bottles are resold for household or commercial packing purposes or used as material to make other items.

expenditures at $5.4 billion). It will be noted that the nine "Aid to Pakistan" consortia countries under the aegis of the World Bank, and particularly the United States, play the most active role in local development. The U.S.S.R., Czechoslovakia, Yugoslavia, Poland, Indonesia, and more recently Communist China, have come forward with more or less sporadic offers of help which usually involve barter credit transactions. The Regional Co-operation for Development (RCD) which was formed in 1964 by Turkey, Iran and Pakistan, also calls for joint economic ventures but these have not yet taken form.

How Aid Is Used

Project aid as such has played a preponderant role in Pakistan aid development and has included such ventures as the mammoth Indus Basin project which, with others, have used Rs.3.9 billion (Canadian $900 million), in foreign aid during the Second Five Year Plan: Rs. 2.5 billion (Can.$574 million) in the public sectors and Rs.1.4 billion (Can.$326 million) in the private sector. Over a somewhat longer period, Canadian "project" contributions have included the 160 mw. Warsak Dam hydro power project, a cement plant, three transmission lines, as well as several land use and resources surveys, paperboard mill, newsprint mill extension, thermal power plant, isolated power units, etc. Recently there has been more emphasis on commodity aid, which even in the Second Five Year Plan accounted for Rs.3.3 billion (Can.$758 million). The United States (with probably 90 per cent of this total, mainly iron and steel), and Canada (aluminum, sulphur, wheat, fertilizers, nylon twine, rapeseed, copper) remain the major contributors.

TABLE I

PAKISTAN CONSORTIUM AID PLEDGED FOR SECOND PLAN

Countries	1960-61*	1961-62 & 1962-63	1963-64	1964-65	Total
		(millions of dollars)			
Canada	12.1	38.0	19.0	23.6	92.7
Germany	17.4	80.0	27.5	38.1	163.0
Japan	20.0	45.0	30.0	30.0	125.0
Britain	22.4	47.6	22.4	22.4	114.8
Eximbank	6.4	50.0	25.0	25.0	106.4
United States	111.2	450.0	187.5	187.5	936.2
IBRD/IDA	....	209.4	80.0	80.0	369.4
Belgium	....	....	10.0	....	10.0
Italy	....	....	10.0	10.0	20.0
Netherlands	....	....	6.6	4.4	11.0
France	....	25.0	7.0	10.0	42.0
Total	**189.5**	**945.0**	**425.0**	**431.0**	**1,990.5**
Additional commitments made outside the consortium	....	54.0	66.0	4.3	124.3
	189.5	999.0	491.0	435.3	2,114.8

*Note:—The amount pledged for 1960-61 was before the Pakistan Consortium was formally organized.

Exports Have Risen

Pakistan's exports have increased at the encouraging rate of 7 per

cent a year, (as opposed to a planned 3 per cent) during the Second Five Year Plan. In fact, they rose from Rs.2.1 billion (Can. $482 million) in 1959-60 to an estimated Rs.3 billion (Can.$701 million) during 1964-65.

The rise in exports resulted largely from greater encouragement by the Government Export Promotion Bureau (through advertising, export assistance centres, trade fairs, etc.); increased agricultural and industrial production in areas where exports are possible, such as newsprint, cotton piecegoods, etc.; the diversification of export markets (including barter-trade agreements with the Socialist countries), and the Export Bonus Voucher Scheme which in effect is a form of export subsidy on certain processed goods. Exports of goods under this scheme actually increased from Rs.540 million (Can.$124 million) in 1959-60 to Rs.900 million (Can.$207 million) in 1964-65. An additional Rs. 530 million (Can.$121 million) was earned by Pakistan in 1964-65 from the "Export Bonus" application to remittances from abroad and to earnings from shipping services.

The Export Bonus voucher system was simplified last year by the establishment of only two rates (20 per cent and 30 per cent instead of the former seven, depending on the category of goods involved. These vouchers as earned by an exporter now entitle him to repurchase 20 or 30 per cent of his foreign exchange earnings at the official rate. Because the voucher can be sold on the local stock exchange for about 150 per cent of its face value this constitutes 30 to 45 per cent (150 per cent of 20 or 30 per cent) additional earnings and accordingly is a subsidy. These vouchers allow for procurement of items otherwise precluded from import and accordingly give rise to export possibilities for foreign firms. This applies particularly to luxury or semi-luxury consumer goods. It is, however, not customary to obtain vouchers in bulk allotments so that individual shipments are often relatively small.

TABLE II

PAKISTAN'S EXPORTS AND IMPORTS BY COUNTRIES

	1962-1963*		1963-1964*	
	Imports	Exports	Imports	Exports (11 mos.)
	(Can. $ million)			
United States	358.5	40.7	436.08	23.26
Britain	135.9	71.7	146.36	49.99
West Germany	91.3	20.4	109.71	8.17
Japan	59.3	38.1	66.38	23.90
Burma	15.6	6.6	12.83	52.93
Canada	17.4	2.7	18.27	32.40

*Fiscal years, July 1 to June 30.

TABLE III

WHAT CANADA SELLS TO PAKISTAN

		1963	1964
Total exports		**19,151,866**	**20,030,905**
Of which:			
Aluminum pigs, ingots, slabs	Grant aid	2,840,132	1,550,810
Ammonium sulphate	Grant aid	1,812,274	688,689
Copper bars, rods, shapes, n.e.s.	Grant aid	2,171,866	2,339,697
Insulated wire and cable	Grant aid	152,289	64,851
Power boilers, equipment & parts	ECIC loans	511,790	64,951
Generators and parts	Grant aid	141,417	733,042
Electric motors	Grant aid	234,603	9,112
Pumps, pumping systems and parts	Grant aid	199,553	46,329
Pulp and paper industrial machinery and parts	ECIC loans	1,093,246	1,448,127
Road motor vehicles, parts n.e.s.	Grant aid	193,306	76,696
Aircraft		237,352	125,092
Transformers and parts	Grant aid	260,857	5,955
Switchgear, protective equipment and parts	Grant aid	424,219	330,449
Files and rasps		164,727	435,467
Prefabricated buildings, structures, parts	Grant aid	405,682	836,923
Baby chicks		24,225	11,549
Wheat	Grant aid	749,999	4,273,300
Asbestos milled fibres, grades 4 and 5		132,761	170,580
Asbestos shorts, grades 8 and 9		22,495	55,040
Wood pulp	Grant aid	1,428,416	2,614,733
Sulphur crude and refined	Grant aid	.....	204,953
Structural shapes, sheet piling	Grant aid	.....	233,596
Engines, turbines and parts n.e s.	Grant aid	.....	622,373
Card punch mach comput and parts	Grant aid	.....	264,235

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

Pakistan's main export is jute (80 per cent of total) which in the raw state is not entitled to vouchers. Other significant exports are cotton in bales, cotton textiles, sporting equipment, surgical goods, musical instruments, shrimp and lobster.

Imports Liberalized

The most hopeful development in import trade in Pakistan last year was the import liberalization policy of July 1964 which has since been carried forward into the January-June 1965—six-month import period. The basic objective was to allow for the free import of raw materials or semi-processed products (51 items) which would in turn make possible the fuller use of industrial capacity. The items affected included iron and steel, chemicals, dyes, insecticides, fertilizers, marine diesel engines, scientific and technical instruments, drugs, special purpose tires, spare parts, etc.

TABLE IV

WHAT CANADA BUYS FROM PAKISTAN

	1963	1964 (January to October)
	(Can.$'000)	
Total imports of which:	2,270	2,841
Jute and jute butts	378	495
Fabrics, jute, n.o.p.	1,151	973
Wool in the grease	149	78
Scissors and shears n.o.p.	15	15
Drills, twills, satins	89	159
Gloves, protective headgear, athletic	16	....
Shirts, sweat shirts, knit cotton	48	50
Rugs, oriental genuine	14	....
Skis, racquets and frame bats	42	....
Balls, all kinds, n.o.p , for sports	15	89
Waste for further preparation	20	....
Printed cloths, sheeting, cotton unbleached and coloured	204	838
Tea black	4	....
Cotton waste	....	40
Medical, surgical instruments, equipment and parts	....	33
Tennis and badminton equipment and parts, n.e.s.	....	24

It is estimated that approximately one-half of total imports of these items during the first six months of the program came in under some form of aid. Thus the United States, with a $140 million commodity loan agreement (mainly iron and steel), and Canada with approximately $9 million allocated last year (to aluminum ingot, copper rod, nylon twine, sulphur, and rapeseed) and a few other suppliers accounted for the tied portion of this free list. The remainder, however, has been open to competition from any number of outside sources. In fact, this program has resulted in such a large increase in the internal demand for foreign products that the foreign exchange reserves dropped to $224 million in January 1965 compared with $251.4 million in October 1964. Steps have now been taken to control the situation and still allow for a continuation of the successful import liberalization policy both within the Foreign Assistance Program (which calls for approximately $200 million a year) and outside it.

Tied loans under aid programs have accounted for some shifts in the direction of trade, as Table III indicates. Accordingly the share of the dollar area in imports mainly the United States has increased from 26 per cent in 1960-61 to 46 per cent in 1963-64. Imports from Britain have remained stable but Japan and West Germany have increased their share of the local market considerably.

Some aspects of the existing Canadian trade pattern, and as some areas of opportunity for expansion, have already been suggested in this and the preceding article. Table III provides a more concise picture.

Canada's Share

Canadian exports on the whole have been confined to raw materials and capital equipment, much of it used in conjunction with Pakistan's development program. As the quality of our products becomes known and accepted, we can expect a larger share of the market, if our prices remain competitive. It is of course important to keep abreast of the performances of our competitors as a means of planning our own local sales promotion effectively. An agent can be most useful in this and also in making and following through on the necessary contacts with the local officials or others concerned with procurement. This may be particularly true in calls for international tender, which are issued frequently by various local government or semi-autonomous agencies —such as the East-West Pakistan Railways, East and West Water and Power Development Authority, East Pakistan Directorate General of Supply, Pakistan Industrial Development Corporation, Pakistan Telephones and Telegraphs Department, Karachi Development Authority, Director General of Supplies (Karachi), and the Directorate of Defence Purchase (Karachi).

Most of these tenders funnel through our office at the rate of ten or more per week and they are sent to the Department of Trade and Commerce for distribution to potentially interested Canadian firms. Where a specific Canadian interest is known, they can be (and are) often sent direct to a firm, although in many instances we must first be certain that the company is definitely interested because the issuing of supporting specifications can entail a modest outlay.

Another area of activity in which Canadian firms have been concerned and which could be considerably expanded is consulting services. Aside from numerous and significant local Colombo Plan projects which have used Canadian consultants, we have been successful in undertaking work on commercial terms with agencies or firms involved in newsprint mill construction, the electrification of tubewells in the Lower Indus project, Chittagong port rehabilitation, a water reservoir in Islamabad, the feasibility of a paper mill using grass as a raw material, transmission lines, thermal power plant, and so on. Our engineering skills are well known so that our efforts in this direction do not encounter undue resistance. It is, however, necessary to make the right connections, either through local contacts or in the course of work which has been performed in this area. In other words, the firm which has already successfully embarked on a local venture does have an advantage in securing additional work.

Although the need for a personal visit to the territory has been emphasized over and over again, it certainly holds true for Pakistan. It is the most effective way of learning about the intricacies of a planned local venture and of preparing the groundwork for subsequent action. This was the prime reason for the visit to our office of 123 Canadian businessmen during 1964. We are looking forward to welcoming many more this year. ●

Pakistan Prepares Third Plan

This ambitious plan, to run from 1965-1970, calls for expenditure almost double that of the previous program.

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

THE success achieved by the Second Five Year Plan, as noted in the two earlier articles, has led to a substantial raising of sights in the Third Plan. The Third Plan is also in a real sense a continuation of the earlier program, although the now larger package of $11 billion (as opposed to $5.4 billion) entails some changes in emphasis. These are noted here as a rough guide to firms which may have this country in mind as a market for equipment, engineering and/or consulting services, or other products which may be needed in this expanding economy. The Plan may, of course, have to be modified or changed as it progresses.

The main objectives and/or requirements of the Third Plan include:

1. An increase of 37 per cent in the country's GNP (Second Plan 30 per cent).

2. Help from the "Aid to Pakistan" consortium countries (see earlier tabulation), which should amount to $2.7 billion ($2.1 billion during second period).

3. Aid from Consortium countries to the extent of $500 million. This is considered essential for the first year of the Plan (1965-66).

4. Local project aid to use $300 million of (3). Approximately $200 million of these aid funds would be used for commodities.

5. Existing project aid programming is already supported by a substantial backlog of projects. These include approved or ongoing ventures which will require foreign commitments of $538 million, as well as a $700 million portfolio which involves projects nearing the final stages of approval.

6. A considerably higher relative use of domestic financial resources (estimated at $7.8 billion) than during the Second Plan (approximately $3.7 billion).

7. This (6) is partly based on plans for a 60 per cent increase in Pakistan's exports and of 80 per cent in domestic savings which, if achieved, would make the country more self-sufficient and permit direct payment for a larger proportion of foreign imports.

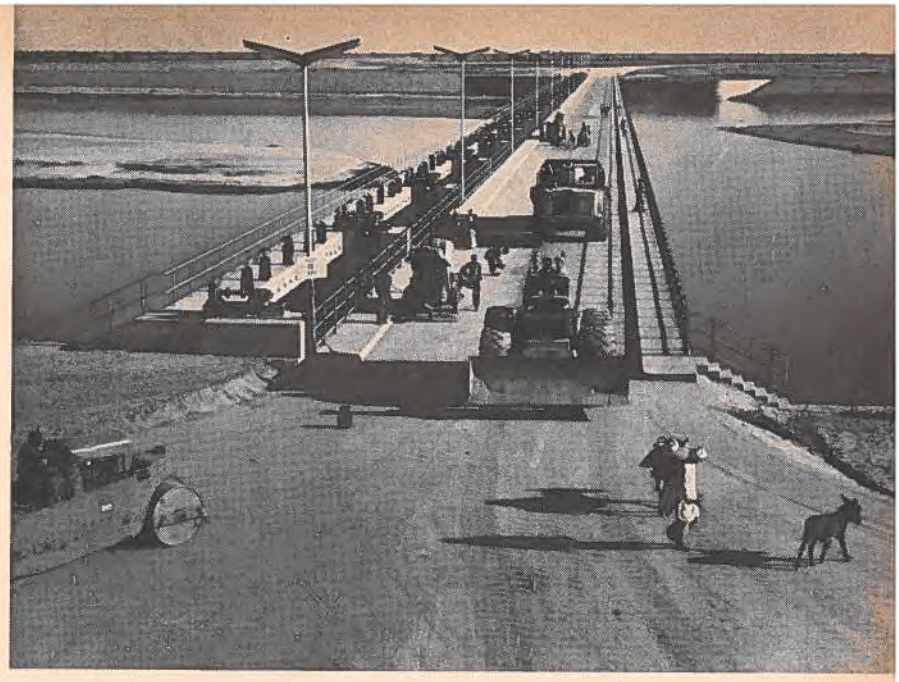
Allocations for the Third Plan by sector are given in the table.

More detailed information on each of the sectors, as well as on the Third Plan in general, is available in this office and will be gladly supplied on request. ●

TABLE I

PAKISTAN'S SECOND AND THIRD PLANS

	Estimated Expenditure Second Plan	Proposed Allocation Third Plan	Percentage Increase Third Plan over Second
		(Can.$ million)	
Agriculture	670	1,400	116
Water and power	1,000	2,000	93
Industry	1,300	3,000	125
Fuels and minerals	200	397	92
Transport and communications	1,000	2,000	102
Physical planning and housing	1,300	1,300	53
Education	700	700	181
Health	279	279	133
Social welfare	93	93	412
Works program	570	570	213
Total	**7,112**	**11,729**	**108**



The Indus River is a major factor in the development of West Pakistan and has always been a lifeline, providing water, food and transportation. The river valley has played a key role for centuries and today is assuming even greater importance under the Indus Basin project. This is the Mailsi syphon, part of the plan for resettling over 80,000 people.

The Indus Project - - Plan for Prosperity

The Indus River with its tributaries is the site of a water development program that exceeds the St. Lawrence Seaway in magnitude. Aided by grants and loans, Pakistan is building a power and irrigation system which includes two of the world's largest dams.

R. D. LEE, *Assistant Commercial Secretary, Karachi.*

THE story of the Indus project begins with the partitioning of the Indian subcontinent and the demarcation of the boundaries of the new states of Pakistan and India. These boundaries cut across the irrigation system of the Indus basin. The dispute over the Indus began on April 1, 1948, one day after the Arbitral Tribunal ceased to exist. On that day India stopped the irrigation waters going to Pakistan through headworks in Indian territory. The waters flowed again when the two countries made a joint statement: India said that it had no intention of again stopping the waters and Pakistan agreed to explore the possibilities of tapping alternative sources. Subsequent negotiations between Pakistan and India achieved no result.

In 1951 David E. Lilienthal, a former chairman of the Tennessee Valley Authority, toured India and Pakistan and suggested that a solution was possible and that the World Bank could help finance the engineering works involved. Negotiations were resumed and brought to a successful conclusion in 1960, with the signing of the Indus Waters Treaty. The Treaty is based on the principle of division of the rivers—the three eastern rivers going to India and the three western, except for some uses by India in the upper reaches, going to Pakistan.

The Indus is the most westerly of the rivers. Then come the Jhelum, the Chenab, the Ravi, the Beas and the Sutlej. The first three are now known as the western rivers and the other three as the eastern rivers. The irrigation network developed from this single system of rivers is the largest in the world. Even after partition, the Indus irrigation network in West Pakistan commands 33 million acres, of which an average of 24 million are under cultivation each year.

The text of the treaty states generally that three rivers go to India

and three to Pakistan. But rivers do not flow in straight lines nor does the frontier of the two countries follow the beds of the rivers. The treaty takes this into account. Each country has the right to use, for certain defined purposes, the waters of the rivers which eventually flow into the neighbouring country. The use of the water is restricted to domestic, agricultural, power-generating and non-consumption purposes.

The treaty also provides that India will not artificially enlarge any of the drainage or catchment areas of the three western rivers. As well, India is obligated not to alter materially the flow of these rivers in their natural channels. Other matters such as the exchange of data concerning river flows, flood warnings and other mutually important information are provided for in the treaty. A mechanism for the arbitration of differences and disputes has been established.

Financing the Projects

On the day of the signing of the Indus Waters Treaty, representatives of Australia, Canada, West Germany, New Zealand, Pakistan, Britain, the United States and the World Bank signed the Indus Basin Development Fund Agreement, effective October 1, 1960. This agreement noted in its preamble that Pakistan was influenced in concluding the treaty by the consideration that financial assistance would be forthcoming for the building of the replacement works. The parties to the agreement undertook to contribute to the fund as follows: the United States, $482 million (54 per cent of the fund), India $173.8 million (19.5 per cent), and the World Bank $80 million (9 per cent). The remainder of about $157.7 million was to be contributed by Australia (1.7 per cent), Canada (2.3 per cent), West Germany (3.5 per cent), New Zealand (.3 per cent), Britain (6.5 per cent), and Pakistan (3.2 per cent). As originally constituted, 60.4 per cent of the $893.5 million fund was in the form of grants by friendly countries, 22.7 per cent contributions by India and Pakistan, and 16.9 per cent loans.

Expenditures involved in implementing the projects have exceeded original estimates and in some cases have proved to be double. The countries contributing to the Indus Basin Development Fund have therefore agreed to supplement the budget by $315 million. All costs in excess of this augmented amount must be borne by Pakistan.

The Indus Basin Plan

The Indus Basin Plan consists of two storage dams, seven inter-river link canals, four barrages, one gated syphon, and a set of tubewells and drainage works. The plan also envisages the remodelling of three link canals and the existing irrigation systems formerly dependent on the three eastern rivers.

Mangla Dam—The Mangla Dam is a multi-purpose project designed to conserve and control the flood waters of the Jhelum River. The waters stored in the reservoir will be released both for irrigation and the generation of cheap hydro power. The dam will be located about one mile upstream of the present regulator of the Upper Jhelum Canal.

One of the biggest of its kind in the world, the main dam will be a rolled earthfill embankment with a crest length of approximately 11,000 feet; its height above the river bed will be 380 feet and it will have a storage capacity of 4.75 million acre feet. The design, however, provides for future raising of the dam another 40 feet and the additional storage will be used for the development of new areas and for reclamation.

Mangla Resettlement—The resettling of the 81,000 people affected by the construction of the Mangla dam made it necessary for the Water and Power Development Authority to set up a special organization. It was created in July 1959 and called the Mangla Dam Resettlement Organization. The most important work on the engineering side is the construction of the new town of Mirpur. Four hamlets will be established around the rim of the reservoir.

Tarbela Dam—The Tarbela dam is also a multi-purpose project and will play a major role in the replacement and development portions of the Settlement Plan. It is located on the Indus in the Tarbela area, a site suitable for multistage development.

This rockfill dam will be about 400 feet high and its length at the crest elevation of 1,515 feet above sea level will be about 9,200 feet. The main spillway, of the ogee weir type, will have a capacity of nearly 1.5 million second feet. The spillway with its crest at an elevation of 1,450 feet above sea level will have 20 tainter-type gates, each 50 feet by 50 feet in size. As its dimensions show, the Tarbela dam will be the biggest of its type in the world.

Link Canals—The seven new link canals to be built under the Settlement Plan will take off from or cross various rivers with the assistance of four new barrages and one new syphon. The construction of the links is a major part of the settlement plan. The over-all length of the new link canals will be about 388 miles and they will involve earthwork of about 344 million cubic yards—that is, almost five times the quantity estimated for the main dam at Mangla. The canals will have discharges varying from a minimum of 6,500 second feet to a maximum of 21,700 second feet and their total over-all discharge will be nearly 99,000 second feet.

The construction of the seven link canals requires also the building of several hundred structures, including 19 major regulators and falls, 14 railway bridges, 53 arterial and road bridges, and over 300 minor canal structures and village road and foot bridges. Over 35,000

acres will be acquired for the link canals and their construction will require a million tons of concrete aggregate, 2.5 million tons of portland cement, 34,000 tons of steel, and 1 million tons of bricks and tiles.

Barrages—The Settlement Plan also provides for the construction of four new barrages: at Chasma on the Indus, near Rasul on the Jhelum, at Qadirabad on the Chenab, and near Sidhnai on the Ravi. A syphon will also be constructed under the Sutlej at Mailsi.

The four barrages and the syphon will have a total length of nearly three miles, which is about 40 per cent of the length of all the existing weirs and barrages in West Pakistan. They will have an aggregate flood discharging capacity of 3.6 million second feet and will divert the waters into canals having a total capacity of nearly 99,000 second feet.

Work Progressing

Work is under way on all of these projects except three of the link canals and Tarbela. The largest of the jobs taken in hand so far is the Mangla Dam and it is reported to be one third completed. Canadian participation in this huge undertaking has been confined to expatriate personnel working for foreign companies and the supply of certain small items of equipment.

The Indus Basin Plan is a big job by any standard. There is seven times as much work involved in this scheme as there was in the St. Lawrence Seaway. When it is completed, the resultant hydro power and additional irrigation water will contribute to Pakistan's development in both industry and agriculture. There will be less tangible benefits in the form of much-needed skills and talents that Pakistanis acquire by working on this project. In short, the Indus Basin Plan will be one of the most significant aspects of Pakistan's continuing development program. ●

These Karachi fishermen are mending their nets in one of the facilities provided by their Co-operative. Begun in 1955 the project has improved the landing, processing and marketing of fish, the lot of the fisherman, and has increased exports.

Karachi's Fish Harbour Achieves Results

R. D. LEE, *Assistant Commercial Secretary, Karachi.*

EVEN five years ago, a visitor to the Karachi Fish Harbour would have seen nothing there but a turning basin, a jetty, some administrative buildings and a recently completed fish auction shed. Today within the same area there are five freezing plants at work and five more under construction. Two shrimp canning plants are in operation and a third is under way. A shark liver oil extraction plant has gone up, and a fish drying operation is in progress. An additional oil extraction plant and two more drying plants are being built.

The story behind this remarkable development is the story of the construction of the Karachi Fish Harbour and the evolution of the Karachi Fishermen's Co-operative Society. The first tangible steps towards implementing previous plans for establishing a fish harbour were taken in 1952, when fisheries and harbour engineering experts from the Food and Agriculture Organization submitted a feasibility study and plans for the project. The factors which influenced the report included the following:

- The need to cater more efficiently to fish landings by small commercial fishing craft.
- To increase the production of fish for the export market and for domestic consumption.
- To ensure the supply of uniform quality fish and to help the fishermen secure better prices.
- To provide adequate space for present and future net drying, ice-making and fish-processing industries.

The project received approval in 1953 but for want of money lay dormant until 1955. Construction started then and by 1959 most of the facilities were completed. The fish market was formally opened by Field Marshal Mohammad Ayub Khan in October 1959 and operations began under the management of the Fishermen's Co-operative Society.

The fish harbour is situated about 3½ miles from the entrance to the port of Karachi. The navigation channel to the fish harbour is approximately 5,400 feet long by 200 feet wide and is dredged to a depth of from minus 10 feet to minus 14 feet. It terminates in a turning basin 550 feet square.

The new facilities include a jetty over 1,700 feet long, equipped with cranes for loading and off-loading operations. There is a salt depot near the jetty and fuel and drinking-water lines. New maintenance and repair facilities have been established so that the fishermen themselves can do most of the necessary work before putting out to sea.

The new fish market is divided into two sections, one for the auction of fresh fish and the other for dry fish. Because there are two auctions a day—the first at about 4 a.m. and the second in the late afternoon—banking facilities open 24 hours a day have been included in the new market.

The Marine Fisheries Department has set up a research station within the Fish Harbour. It houses biological and oceanographic laboratories, a lecture hall, an experimental aquarium, and a marine museum. The station serves as the land-based headquarters for West Pakistan's experimental marine activity.

The harbour authorities have allocated space for a new fish-curing yard, to be operated under the supervision of Marine Fisheries Department Officers. The hope is to modernize and up-grade current curing techniques which are rather primitive. When the newer techniques are used, a high-quality product of uniform grade will be available for the export trade.

The Co-operative Society has offices on the fish harbour premises and operates a restaurant for the fishermen at cost prices. The Co-operative also has a cold storage and ice plant which sells ice to the fishing community at a nominal profit. Other amenities include sheds for mending nets out of the sun, resthouse facilities and a small dispensary.

It is apparent that all these facilities in one location mean important economies in terms of increased fishing time and more productive use of labour. Landings are currently running at approximately 200 tons per day, compared with about 50 tons a day under the old system.

Fishermen's Co-operative

Fishermen's Co-operative was set up in 1945. It was not until 1957, however, when the organization was taken over and revitalized by Mian Mohammad Shaffi, that it began to resemble the present body. Mr. Shaffi worked out an ambitious program of self-improvement for the poor fishing community.

From the start, one of the most important functions that the Co-operative has assumed is the obtaining of the necessary import licences from the Central Government for the foreign goods required by fishermen. By purchasing such imported goods as nylon twine and modern diesel engines from their Co-operative, the fishermen are able to obtain substantial savings by buying in bulk. Another advantage which the Co-operative has been able to secure for them is the remission of all import duties and sales taxes on these imported goods.

Another of the main undertakings of the Co-operative has been the mechanizing of the Karachi fishing fleet. Before this modernization program, there were only three motorized trawlers and 17 motorized gill-netters sailing in West Pakistan waters. In 1964 there were almost 600 of these craft fishing out of Karachi.

The motorized trawlers and gill-netters are boats from 55 feet to 75 feet long and powered by imported diesel engines of from 88 to 112 horsepower. The hulls are made locally and the foreign exchange component of the total cost is limited to the engine and certain instruments. It is the addition of these mechanized craft which can fish throughout the monsoon season that has accounted for the phenomenal increase in the shrimp and prawn fisheries.

In the Fish Harbour, the Co-operative administers the daily wholesale auctioning of both fresh and cured fish. Only auctioneers who have demonstrated their integrity over a number of years are allowed to buy from the fishermen. At present there are 23 of these auctioneering firms registered with the Co-operative. The Society takes a commission of 3½ per cent from the sales to finance its operations.

EXPORTS OF CANNED PRAWNS AND FROZEN SHRIMPS 1955-1963

Year	Quantity (pounds)	Value (rupees)
1955	7,516	42,859
1956	368,339	689,997
1957	550,880	1,327,504
1958	751,796	2,229,839
1959	878,452	2,560,705
1960	1,201,328	3,205,176
1961	2,003,689	5,845,706
1962	3.408,767	12,666,135
1963	4,321,910	12,920,816
Total	**13,492,677**	**41,488,737**

The Co-operative has proved to be a trail-blazer in the earning of foreign exchange for Pakistan. As the accompanying table shows, almost 13 million rupees worth of frozen and canned prawns and shrimp were sold abroad in 1963—an encouraging example of Pakistan's efforts to make itself less dependent on foreign aid. As modernization and expansion of the present fishing techniques proceed, this rapidly developing fishery may make further contributions to the economy. ●

Over a thousand years ago in the Helmand Valley the ancient city of Qala Bist, its fortifications and well developed irrigation system were laid waste by the Mongol invaders. Now the Helmand Valley authority is directing a new irrigation project and the desert will again become productive. Here an Afghan official looks over the Kajaki Dam, the main control point of the system and the future site of a hydro generating plant.

Afghanistan: an Emerging Economy

The author recently made a tour—much of it by jeep—of key centres in this rugged country, on the threshold of economic advance. He discusses current developments and trade opportunities.

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

FEW countries can match the fascination of Afghanistan, with its eventful history, partly the result of its physical isolation. A landlocked country bordering on the U.S.S.R., Communist China, Iran, and Pakistan, its development until recent years has been confined to the immediate and often crucial influence of its neighbours. Its strategic location has been a major asset in eastbound and westbound commerce but it has also placed it in the path of invaders of the Indian subcontinent. Thus the land was laid waste by conquerors like Genghis Khan and Tamburlaine, and many of its people killed; even today it has a population of only about 14 million.

These historic obstacles to progress have now disappeared and a confident and dynamic effort is being made to improve the economy. Afghanistan, where the per capita income is estimated to be in the region of about $100 per year, has no over-population problem like some Asian countries. In fact, there is concern about a possible labour shortage.

Helmand Valley Project

One of the most dramatic examples of development in Afghanistan is the Helmand Valley project. More than a thousand years ago, there was a big city, Qala Bist, and fortifications along this river. There was also a well-developed irrigation system, which never recovered from the destruction wrought by the Mongol invaders. The land rapidly reverted to desert and the city fell into ruin. Today the attractive town of Lashkagar (now renamed Bost) has sprung up near these ruins and it is the headquarters of the Helmand Valley Authority, which is directing a massive irrigation project. With U.S. aid, land adjacent to the Helmand is being made productive again through irrigation and the use of fertilizers.

This project began in 1946 with a $21 million Export-Import Bank loan and an additional $18.5 million was granted in 1954. It in-

volves the building of a dam at Kajaki, 90 miles northeast of Bost, and main irrigation canals, including some laterals, feeders and drainage canals. Today the development of the initial 300,000 acres continues and more than half of this is already under cultivation. Ultimately over 800,000 acres will be made productive. Cotton is being grown and last year 3,000 tons were exported and earned $1.4 million. Wheat is also raised. Excellent sweet corn, tomatoes, jute, and sesame guare have also been grown successfully and there may be large-scale production in the near future.

Industry is planned to follow, based on the agricultural output of the area and on the power potential of the Kajaki Dam (up to 120,000 kw.) and other smaller power sources in the immediate area. Natural gas has not yet been tapped here but there are said to be abundant reserves; in northern Afghanistan it is already being exploited with Soviet aid. Among the industries that will probably be set up in the Helmand Valley are a cotton gin, a cottonseed oil plant, a cement factory, a sugar beet plant and a jute mill.

Other Activities

Agriculture currently contributes about 65 per cent of the national income and employs about 85 per cent of the population. Afghanistan already exports or has the potential to export good quality medium-staple cotton, as noted above, and more of it will probably find its way into convertible currency markets. Karakul (Persian lamb) skins (exports worth $16.8 million in 1963) and processed fruit (especially high quality raisins), nuts, rugs, textiles, wheat, sesame, tobacco, and sugar beets should also soon enhance export earnings. There is some unexploited mining potential in minerals such as chrome, copper, silver, mica, iron and coal.

Industry is in the early stages of development and is concentrated mainly on textiles, carpets, sugar, flour, and cottonseed oil. It is interesting to note that the country's largest private business is operated by a Canadian and a U.S. citizen.

Transportation Problems

Transportation has always presented some problems because Afghanistan must rely on the granting of "through way" rights by its neighbours. The situation has improved considerably, however, with last year's reopening of the Pakistan border and the plans for a railway connection with Karachi, Afghanistan's main port of entry. An internal roadbuilding program is actively under way, with Soviet and United States aid. Air services now link Kabul, Kandahar, Mazar-i-Sharif, Herat, and Jalabad with the outside world.

Foreign Aid Sources

The country's two main sources of foreign aid are the Soviet Union, with an estimated contribution of $600 million, and the United States, with slightly over half that amount. These two continue to be the most active contributors to the development program and the funds that they provide play an important part in alleviating the difficult foreign exchange situation. Soviet assistance has been largely devoted to the building of roads (including a tunnel and highway through the challenging Hindu Kush Mountains) and a road linking Kandahar and Kushka in the west. It has also gone towards building the modern Kabul airport, grain warehouses, a flour mill, a bakery, gas pipelines, etc. The Soviet Union also supplies tractors, automobiles, and machinery.

United States aid has in many instances been applied to somewhat similar projects. Roadbuilding, using somewhat different techniques, is being carried on between Kabul and Kandahar. A modern airport has been completed at Kandahar which can accommodate large jet aircraft and which has elaborate maintenance facilities. It represents an investment of $15 million but it is not likely to be in full operation for several years. U.S. aid is also going into the Helmand Valley project.

Other countries supplying aid include West Germany, with contributions worth $60 million (the third largest source). Czechoslovakia has supplied various industrial plants; Japan, consultants and project work; Britain, a cottonseed mill and a sugar refinery (its total development aid amounts to a million pounds sterling). Yugoslavia, France and Australia are also in the field.

Afghanistan is anxious to diversify its sources of aid to avoid over-dependence on any group of countries. Consequently offers of aid are always well received. Areas in which development is most likely to take place are hydro and thermal power plants, transmission lines, resources surveys, cement plants,

TABLE I

AFGHANISTAN'S PRINCIPAL MARKETS

Country	Exports to (U.S. dollars)	Imports from (U.S. dollars)
U.S.S.R.	23,046,500	72,485,700
United States	8,963,900	10,919,800
India	7,964,200	8,808,400
Britain	7,566,800	1,415,300
Germany	4,259,400	4,005,100
Japan	.....	7,411,600
Czechoslovakia	2,570,600	5,212,900
Other barter currency	569,900	797,700
Iran	1,800,000	1,441,100
Others	3,998,600	3,235,700
Total exports	**60,739,900**	**115,733,300**

TABLE II

AFGHANISTAN'S PRINCIPAL EXPORTS

Commodity	Value	Main Buyers	(million$)
Dried fruit and nuts	14,909,400	India	6.5
		U.S.S.R.	5.7
Karakul skins	11,927,600	U.S.	7.2
		Britain	4.5
Cotton	8,427,600	U.S.S.R. (barter)	7.2
Carpets and rugs	7,608,100	West Germany	3.1
		Britain	2.3
Wool	7,611,800	U.S.S.R. (barter)	6.5

fertilizer plants, and engineering services.

Trade Linked to Aid

The country's trade is largely influenced by foreign aid. As one prominent businessman in Kabul said to me, "No aid, no trade". Undoubtedly, the best opportunity to introduce products is through some form of grant aid or long-term credit and this applies particularly to capital equipment. Sometimes business comes our way as a result of assistance by others. Recently the Afghans turned to Britain and the United States as sources of supply for tractors. As a result, two hundred British-made tractors to be supplied by a Canadian subsidiary are now on order. Another five U.S. tractors are being purchased with a U.S. AID waiver, which allows for Canadian-made implements to accompany the shipment. These two opportunities may generate future business.

It is true that there is a flourishing and almost free "bazaar" business in both Kabul and Kandahar (and to a much smaller degree in Mazar-i-Sharif and Herat, which more or less round out the trading areas in the country). In these bazaars imports of many small and not-so-small items are sold. For example, on the initiative of a Canadian businessman in Kabul, aided by this office, $2,800 worth of Canadian-made corn syrup was marketed in this way. More could certainly be accomplished as our contacts increase.

Afghanistan's exports consist mainly of karakul skins ($16.8 million in 1963), about one-quarter of which are reportedly sold to Canada via Britain and the United States; raw cotton, fruit; wool; carpets, hides and skins. Total exports reached a value of $59 million in the 1962-63 period (year ending March 21). Table I gives the trade pattern. Imports in 1962-63 equalled $120 million and the Soviet Union was the major supplier by a wide margin.

The principal exports are given in Table II, with the countries to which they go. Other products sold abroad include oilseeds ($2.2 million), fresh fruit ($1.7 million), casings ($1.25 million), hides and skins ($1.4 million), and medicinal herbs.

Last year Canada sold products worth $22,808 to Afghanistan. Included were files and rasps ($9,-032), clock movements and parts ($5,069), sugar ($2,477) and radio and T.V. equipment and parts ($3,288). Our only purchase from Afghanistan, as mentioned before, is karakul skins, imported through Britain and the United States.

The Karachi office, which includes Afghanistan in its territory, will gladly supply further information on this country. We would also welcome inquiries that we can follow up on our visits there. ●

Pakistan's Ports

Karachi—Following independence in 1947, the port of Karachi had to handle all seaborne trade for West Pakistan and its landlocked neighbour, Afghanistan. Existing berths had to be renovated and port facilities expanded. Reconstruction of the East Wharf began in 1955 and was completed in 1962 at a total cost of U.S.$32 million. The port of Karachi is now one of the most modern east of Suez and handles almost six million tons of cargo a year. Port authorities have now drawn up plans for new berths, a deeper and wider channel, and additional improvements. Work at a cost of U.S.$37.5 million will be completed by the end of 1967. The World Bank is supplying $17 million in foreign exchange and the Karachi Port Trust the remainder from its own resources. Under the Third Five Year Plan (1965-70) the Government has also allocated an additional U.S.$71 million for further development.

Chittagong—The port of Chittagong in East Pakistan is even more congested than the port of Karachi and vessels arriving here wait up to two weeks or more for a berth. Nevertheless, it is an important port and can handle 24 ships at a time—17 at jetties and 7 at the mooring. Chittagong has a designed capacity of 2.5 million tons of cargo a year but is now actually handling 3.9 million. Authorities have spent U.S. $25 million on recent improvements and have obtained a $3.4 AID loan from the U.S. to improve cargo-handling capacity. Including the loan, costs of over-all improvements will be U.S.$6.5 million. As it has for the port of Karachi, the Government under the Third Five Year Plan has set aside funds for further development of Chittagong—U.S.$47 million.

Chalna—The anchorage at Chalna was established in 1948 to remove some of the pressure from Chittagong. Yearly capacity is now 1.5 million tons, three times the amount handled in the first year of operation. A feasibility report was prepared by U.S. consultants and the anchorage has been declared a permanent port. From the Development Loan Fund U.S. $3.6 million was obtained in late 1964 and vessels, launch houses, cranes, moorings, jetty equipment, and transit sheds are now being acquired. Work on improving the anchorage is scheduled to begin during the Third Five Year Plan and U.S. $29 million has been set aside.

Mekran Coast—To reduce the congestion at the port of Karachi, the Government of Pakistan is considering establishing a second port on the Mekran coast. A report will be completed by the end of this year and should the project be found feasible, it will be incorporated into the Third Five Year Plan. The Pakistan Navy is also undertaking a 350-mile coastal survey and has been allocated U.S.$31,900 for the purpose.

—M. H. JAFRI
Commercial Assistant, Karachi.

Nigeria's Economic Growth Encouraging

G. F. MINTENKO, Commercial Secretary in Lagos for the past two years, began a tour of major business centres in Canada on May 3. For the benefit of businessmen who will be meeting him later and particularly those who have not tried selling in his territory he outlines the characteristics of the Nigerian market. His itinerary appears on page 36.

THE Nigerian economy made substantial gains in 1964 despite the difficulties and even crises which arose. Exports and imports gained appreciably, production of export crops was generally good, industrial development continued apace and the rate of private foreign investment increased. There was, however, a further drop in the level of the country's foreign exchange reserves although the loss was considerably less than in earlier years.

Foreign Trade

Provisional figures for the year show Nigeria's exports increased to £211.3 million compared with £189.5 million for 1963 and imports went up to £207.5 million compared with £252.5 million. A large part of the increase in imports represented machinery and equipment sold on extended credit terms and in the balance of payments these items were offset by corresponding invisibles. Britain continued to be Nigeria's principal trading partner, although its percentage of both exports and imports declined once again in 1964.

Trade with Canada

Provisional figures for 1964 from the Dominion Bureau of Statistics indicate a gratifying increase in Canada's sales here—$6.3 million compared with $3.2 million in 1963. Nigeria's flour milling industry has become acquainted with the qualities of Canadian wheat and its purchases in 1964 totalled $1.4 million. Wheat was outranked only by aluminum of which $2.8 million worth was imported to supply Alcan's rolling mill at Port Harcourt.

The prospects for 1965 are encouraging and in recent months three sizable contracts have been awarded by Nigerian public agencies to Canadian tenderers. The goods will be delivered during 1965 and 1966. These Canadian successes should encourage other firms in Canada to give to this large and growing market the attention it warrants.

Oil and the Balance of Payments

Nigeria has 56 million people, an ambitious but realistic development plan, an economy which is well balanced for a developing country and a very promising medium and long term outlook. One of the brightest features on the Nigerian scene is oil production. Exports were valued at £32 million in 1964 and earned more foreign exchange than any of the country's traditional exports. Conservative forecasts put petroleum exports at £100 million by 1967. This feature together with increasing foreign investment, both private and public, will no doubt improve the foreign exchange situation which was recently worrying many observers. Foreign exchange reserves were down by £22 million in 1962, by £30 million in 1963, and in 1964 they dropped a further £17 million to £77 million which represents about four months' imports. However, the situation did not deteriorate in 1964 as badly as these figures indicate. For one thing, shortly before the end of the year when reserves stood at £97 million (higher than a year earlier), the commercial banks made large short-term transfers abroad. Also, Nigeria along with other cocoa-producing countries withheld cocoa supplies from the market during 1964. The Finance Minister has estimated that the foreign exchange earnings which were thus deferred to 1965 amounted to £5 million.

Finally, import duties were substantially and extensively increased last August and the effect in terms of import substitution and foreign exchange saving will be fully seen only in 1965.

Agriculture and Industry

Although petroleum production has been the most dramatic feature of the Nigerian economic scene and has attracted widespread attention, development in other areas has also been noteworthy. For agriculture, which still accounts for 80 per cent of Nigeria's export earnings and employs 75 per cent of the labour force, the year was better than average. A record cocoa crop of approximately 300,000 tons was

harvested. This was not an unmixed blessing because the large crop was anticipated by users and as a result prices for cocoa were the lowest for some time. However, the size of the crop was such that producer incomes actually rose. Other major agricultural export crops—peanuts, palm oil and palm kernels—were better than average.

The size of the Nigerian market, combined with the incentives offered by the Nigerian authorities, led to the establishment of a large number of new enterprises during the year. Cement is an example of a successful new industry and Nigeria is now approximately 80 per cent self-sufficient. Other new establishments which came into production during 1964 are a sugar refinery, several textile mills, and plants for the production of packaging material, asbestos cement products, plastic products, pharmaceuticals, and peanut oil.

Foreign Investment

Most projects were carried out with the financial and technical assistance of private foreign interests. In many cases these investments have assured the foreign interests concerned of a market for either plant equipment, materials or both. The Nigerian authorities welcome such investment and facilitate it by offering a tax holiday for approved industries for a period of up to five years, as well as import duty relief for required equipment, materials and components. Nigerian tariff policy is extremely flexible because none of its tariffs are bound under GATT and the authorities are free to provide additional tariff protection for new ventures that they consider deserving.

Relations with EEC

During 1964 Nigeria continued her efforts to ensure that her cocoa, peanut oil, palm oil and timber are subject in the Common Market, to rates of duty as liberal as those levied on the products of African countries that are now associated with the Common Market. These efforts have not yet reached a successful conclusion, but it is now clear that if Nigeria is to obtain what it wishes, the European Six will require that they in turn receive preferential access to the Nigerian market for at least some products. It is not yet known how extensive the margins of preference might be or whether they will apply to items which are of significant interest to Canada.

The year was not without its periods of difficulty for Nigeria. A widespread strike of government employees and workers in the private sector during the summer was settled only after protracted negotiations. The resulting wage settlement has had its effect on the cost of producing and the cost of living, but it has reduced the substantial spread between the earnings of unskilled workers and other labour groups. At the end of the year there was an electoral crisis to which the international press paid considerable attention. However, the good sense and the value attached by Nigerians to political stability prevailed and a settlement was quickly reached. Most observers never doubted this outcome and were confident that Nigeria would proceed with the process of economic development in its usual businesslike manner.

Nigeria has a quarter of Africa's population. It is governed by men who have shown their ability to resolve their differences in the interest of national stability and it is developing economically at an encouraging rate. Here is an interesting but highly competitive market for a wide range of goods, particularly capital goods. ●

Foreign Tariffs and Trade Regulations

Argentina

PRIOR DEPOSITS—Our Commercial Counsellor in Buenos Aires has notified us of changes in the system of prior deposits established on January 12, 1965. Effective April 19, 1965, the amount of the deposit has been reduced to 75 per cent of the c. and f. value. The April 30, 1965, expiry date for the prior deposit system has been eliminated and it is assumed that the prior deposit system will remain in effect until further notice.

Brazil

COPPER—The Exchange Department of the Bank of Brazil has announced that the Council of the Superintendency of Currency and Credit has decided to exempt imports of refined copper, of any origin, from payment of the compulsory deposit and financial surcharge.

The Exchange Department will also permit the secondary manufacturers of copper products to purchase extra exchange quotas for the import of refined copper if it is not available from domestic sources. The new regulation will be in effect until further notice from the Bank of Brazil—Rio de Janeiro.

Sierra Leone

NEW SCHEDULE OF IMPORT DUTIES—The Sierra Leone Budget for 1965/66 has abolished the preferential import duty on British and Commonwealth

goods. A single column of increased duties now applies to imports from all countries. Details may be obtained from the Commonwealth Division, Office of Trade Relations.

United States

REVISION OF CUSTOMS INVOICE FORM—United States Treasury had made the use of the new Special Customs Invoice (Customs Form 5515—Jul 64) mandatory after July 1, 1965. The new form contained two new questions in Section V, number 8 relating to "assists" and number 9 to the Anti-dumping Act. A public hearing on the new form was held in Washington on March 30, 1965. The Treasury Department has now issued an official notice to announce that further revisions will be made in Form 5515. Until these revisions are made and promulgated the use of the new form with questions 8 and 9 is not required. Collectors of Customs have been authorized to accept either the original Form 5515, or Form 5515 (Jul 64) with questions 8 and 9 left unanswered.

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, Edmonton and Vancouver, Department of Trade and Commerce; Fredericton, Department of Industry.

Australia—E. E. Price, Assistant Commercial Secretary in Sydney:

Vancouver—June 7-10
Edmonton—June 11
Regina—June 14
Winnipeg—June 15
Toronto—June 16-22
Montreal—June 23-29
Quebec City—June 30
Ottawa—July 2-15

When he completes his tour, Mr. Price will be posted to Athens, Greece, as Assistant Commercial Secretary.

Belgium—L. H. Ausman, Commercial Counsellor in Brussels:

Toronto—May 31-June 4
Ottawa—June 7-11
Winnipeg—September 1-3
Montreal—September 7-15
Quebec City—September 16

When he completes his tour, Mr. Ausman will be posted to London, England, as Minister (Commercial) .

Colombia—J. G. Ireland, Commercial Secretary in Bogota:

Ottawa—June 14-24
Quebec City—June 25
Montreal—June 28-July 2
Toronto—July 5-9
Winnipeg—July 12-13
Regina—July 14
Edmonton—July 15
Vancouver—July 16-20

Hong Kong—N. R. Gish, Assistant Trade Commissioner in Hong Kong:

Vancouver—June 21-24
Edmonton—between June 26 and July 21
Regina—July 23
Winnipeg—August 9
Toronto—August 11-12
Montreal—August 13-16
Quebec City—August 17
Ottawa—August 18-27

Nigeria—G. F. Mintenko, Commercial Secretary in Lagos:

Quebec City—June 2
Toronto—June 3-8
Southern Ontario—June 9-15

Philippines—J. L. Mutter, Consul General and Trade Commissioner in Manila:

Regina—June 4
Winnipeg—June 7-8
Toronto—June 14-23
Southern Ontario, including Hamilton—June 24-29
Montreal—June 30-July 9
Quebec City—July 2

United States—R. R. Parlour, Commercial Counsellor in Washington:

Ottawa—June 7-18
Montreal—June 21-14
Quebec City—June 25
Toronto—June 28-July 2

N. L. Currie, Consul and Trade Commissioner in Cleveland:

Montreal—June 14-18
Toronto—June 21-25

W. J. Millyard, Consul and Trade Commissioner in Philadelphia:

Toronto—May 31-June 7
Hamilton—June 8-9
Kitchener—June 10-11
Winnipeg—June 14-16
Regina—June 17
Edmonton—June 18
Vancouver—June 21-23
Montreal—August 9-16
Quebec City—August 17
Halifax—August 18-19

In Territory

Britain—W. R. Van, Trade Commissioner in Liverpool, will visit Birmingham June 8-11.

British Guiana—J. A. Ahow, Commercial Officer in Port-of-Spain, Trinidad, will visit British Guiana during the second week of June.

Paraguay—M. B. Bursey, Commercial Counsellor in Buenos Aires, Argentina, will visit Paraguay for one week beginning June 20.

Tasmania—R. D. Lucas, Assistant Commercial Secretary in Melbourne, Australia, will visit Tasmania June 15-23.

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

COMMODITY NOTES

Cigarette Lighters

WEST GERMANY—Although production of cigarette lighters fell from 5.8 to 5.5 million in 1964, the value rose by $1.5 million to reach $12.5 million. The increase resulted from the growing sales of the more expensive gas lighters, which accounted for two thirds of the total production. Pocket lighters made up 90 per cent of the production.

Close to 40 per cent of all lighters were exported last year. Imports, on the other hand, have doubled in the past five years and now amount to $3 million a year. France and Japan are the leading suppliers—Duesseldorf.

Harris Tweed

SCOTLAND—Production of orb-stamped Harris Tweed rose in 1964 by 338,374 yards to a total output of 5.9 million yards. The Harris Tweed Association announced in Inverness that 74.8 per cent of production was directly exported and that the United States remained the largest market. The European market accounted for 43.5 per cent of total production, with West Germany, the Netherlands and Italy the leading buyers—Glasgow.

Paint

TURKEY—The Turkish paint industry has 35 plants and total annual production is around 9,000 metric tons. Many of the paints and varnishes produced in Turkey are manufactured under licensing arrangements with foreign companies. A new plant, recently opened at Izmir, will eventually produce up to 2,000 tons of cellulose and synthetic paints a year for the vehicle assembly and other industries. Imports of ready-to-use paints in packaged forms are prohibited but import licences are being granted for small quantities of dyes, colouring lakes, synthetic and cellulosic colours, pastes and varnishes. Quota allocations for these products totalled U.S.$160,000 for the first six months of 1965. It is likely, however, that allocations will be reduced when the new plant is in full production. Pigments and certain synthetic organic colours may be imported freely—Athens.

Plywood

SWEDEN—Production of plywood has increased steadily in recent years to 59,000 cubic metres in 1964, but is still unable to satisfy the home demand. Consumption reached about 90,000 cubic metres and nearly 40,000 cubic metres, mostly from Finland, was imported. The building industry in particular is now using plywood for concrete moulds and for ordinary internal construction such as ceilings and partitions—Stockholm.

Potatoes

BRAZIL—In 1964 higher than average yields of table potatoes resulted in lower than average prices and many farmers decided to stop temporarily raising potatoes. As a result imports of seed potatoes in 1964 were 140,000 kilo crates compared with 284,000 in 1963. Suppliers were: the Netherlands, 101,910 kilo crates compared with 235,000 in 1963; Poland, 29,687 compared with 31,500; West Germany, 3,093 compared with 15,000, Sweden; 5,310 compared with 2,500.

There has long been a strong preference for European yellow flesh seed. Any developing interest in Canadian white flesh has been largely nullified by the lack of refrigerated shipping space and direct sailings between eastern Canadian ports and the Brazilian ports of Santos and Porto Alegre—Sao Paulo.

Rubber

WEST GERMANY—The total dollar turnover of the German synthetic rubber industry rose to $1 billion in 1964—an increase of 11 per cent over 1963. The increase was chiefly attributable to the greater sales of automobile tires which rose 14 per cent over 1963. Exports of tires also increased and were 18 per cent higher than in 1963—Duesseldorf.

Sugar

EL SALVADOR—It has been announced that processed sugar production in EL Salvador will reach approximately 103,000 long tons in 1964/65. Production in the previous season was 62,500 long tons—Guatemala.

Telephone Equipment

NORTHERN IRELAND—Standard Telephones & Cables Ltd. is taking over a factory in Belfast that will provide 300 new jobs within the next few months and speed up STC's expansion in Northern Ireland. The Belfast factory will operate as a satellite of STC's Monkstown plant, which at present employs over 1,900 men and women in the manufacture of telephone exchanges. It is expected that the new luxury telephone that is being adopted by the G.P.O. will soon go into production at Belfast—Glasgow.

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, 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 .9265.

Foreign Exchange Rates

Country	Unit	Type of Exchange	Can. dollar equivalent May 17	Units per Canadian dollar	Notes (see below)
Algeria	Dinar		.2201	4.54	(8)
Argentina	Peso	Free	.006310	158.48	
Australia	Pound		2.4162	.4139	
Austria	Schilling		.04180	23.92	
Bahamas	Pound		3.0202	.3311	
Belgium and Luxemburg	Franc		.02175	45.98	
Bermuda	Pound		3.0202	.3311	
Bolivia	Peso		.09175	10.90	
Brazil	Cruzeiro	Official Free	.0005874	1,702.41	
Britain	Pound		3.0202	.3321	
British Guiana	Dollar		.6292	1.59	
British Honduras	Dollar		.75505	1.32	
Burma	Kyat		.2267	4.41	
Ceylon	Rupee		.2265	4.42	
Chile	Escudo	Bank rate	.3539	2.83	
		Free	.2994	3.34	
Colombia	Peso	Free	.06542	15.29	
		Certificate	.1199	8.34	
Congo, Republic of	Franc		.007196	138.97	(1)
Costa Rica	Colon		.1629	6.14	
Cuba	Peso		‡	‡	
Czechoslovakia	Koruna		.1499	6.67	
Denmark	Krone		.1561	6.41	
Dominican Republic	Peso		1.07938	.9265	
Ecuador	Sucre	Official	.05997	16.68	
		Free	.05775	17.32	
El Salvador	Colon		.4318	2.32	
Fiji	Pound		2.7209	.3675	
Finland	Markka		.3373	2.96	
France, Monaco, etc.	Franc		.2201	4.54	(2)
Franco-African Republics, etc.	Franc		.004402	227.17	(3)
French Pacific	Franc		.01211	82.58	(4)
Germany	D Mark		.2709	3.69	
Ghana	Pound		3.0202	.3311	
Greece	Drachma		.03598	27.79	
Guatemala	Quetzal		1.07938	.9265	
Haiti	Gourde		.2159	4.63	
Honduras	Lempira		.5397	1.85	
Hong Kong	Dollar	Free	.1877	5.33	*May 7
		Official	.1888	5.30	

*Latest available date.

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

Country	Unit	Type of Exchange	Can. dollar equivalent May 17	Units per Canadian dollar	Notes (see below)
Iceland	Krona	Official	.02510	39.84	(1)
India	Rupee		.2265	4.42	
Indonesia	Rupiah		.004318	231.59	(1)
Iran	Rial		.01425	70.18	
Iraq	Dinar		3.0223	.3309	
Ireland	Pound		3.0202	.3311	
Israel	Pound		.3598	2.78	
Italy	Lira		.001728	578.70	
Japan	Yen		.002999	333.44	
Lebanon	Pound	Free	.3508	2.85	
Malaysia	Dollar		.3526	2.84	
Mexico	Peso		.08635	11.58	
Morocco	Dirham		.2159	4.63	
Netherlands	Florin		.2997	3.34	
Netherlands Antilles	Florin		.5724	1.75	
New Zealand	Pound		3.0093	.3323	
Nicaragua	Cordoba		.1542	6.49	
Nigeria	Pound		3.0202	.3311	
Norway	Krone		.1510	6.62	
Pakistan	Rupee		.2265	4.42	
Panama	Balboa		1.07938	.9265	
Paraguay	Guarani	Free	.009714	102.94	
Peru	Sol	Free	.04024	24.85	
Philippines	Peso	Free	.2771	3.61	
Portugal & Colonies	Escudo		.03754	26.64	(5)
Sierra Leone	Leones		1.5111	.6618	
South Africa	Rand		1.5101	.6622	
Spain and Dependencies	Peseta		.01804	55.43	
Sweden	Krona		.2098	4.77	
Switzerland	Franc		.2484	4.03	
Syria	Pound	Free	.2826	3.54	
Thailand	Baht	Free	.05224	19.14	(1)
Tunisia	Dinar		2.0670	.4837	
Turkey	Lira		.1199	8.34	(1)
United Arab Republic	Pound	Official	2.4826	.4028	
United States	Dollar		1.07938	.9265	
Uruguay	Peso	Free	.02848	35.11	
Venezuela	Bolivar	Official Free	.2402	4.16	
West Indies	Dollar		.6292	1.59	(6)
	Pound		3.0202	.3311	(7)
Yugoslavia	Dinar	Official	.001439	694.93	

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, Cameroons, 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.
8. Argentina devalued its currency by about 12 per cent on April 20, 1965.

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